

# NAVIGATING DIGITAL TRANSFORMATION



# DIGITAL TRANSFORMATION JOURNEY





# Vision

To become a dynamic and efficient Bank providing integrated solutions in order to be the first choice bank for the customers.

# Mission

- To provide value added services to our customers
- To provide high tech innovative solutions to meet customers' requirements
- To create sustainable value through growth, efficiency and diversity for all stakeholders
- To provide a challenging work environment and reward dedicated team members according to their abilities and performance
- To play a proactive role in contributing towards the society

# Core Values

- Integrity
- High Performance
- Excellence in Service
- Innovation and Growth



# ABOUT THIS REPORT

This Annual Report is prepared in accordance with the following regulations, frameworks and guidelines:

- The International Integrated Reporting <IR> Framework issued in December 2014 by the International Integrated Reporting Council.
- The Banking Companies Ordinance, 1962
- The Companies Act, 2017
- The Listed Companies (Code of Corporate Governance) Regulations, 2019 issued by the Securities and Exchange Commission of Pakistan.
- International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board.
- Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan.
- Directives issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan.

This report is published within three months of the date of the Statement of Financial Position and is available in three mediums to cater the need of our various readers.

📖 A limited number of printed reports have been produced to be dispatched to those who have requested for the same.

📄 Readers who prefer viewing our report online and on the go can access through <https://www.abl.com/services/downloads/financial-reports/>

📀 A soft copy (PDF) version of the report is also available in CD (compact disk) format for those who would like to maintain an easily-portable digital version of the Report.





# ADOPTION OF INTERNATIONAL INTEGRATED REPORTING FRAMEWORK

Adoption of International Integrated Reporting Framework assists our readers in assessing our business by providing information about the state of affairs, connection between its financial and non-financial information, overall performance and outlook of the Bank. It fairly addresses the material matters pertaining to sustainability of the Bank and its integrated performance and describes the value creation process concisely including the business model, strategies, governance, processes, risks and opportunities. Integrated report benefits all stakeholders interested in the Bank's ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy makers. The report provides an overview of the Bank's philosophy and value creation business model which enhances the user's understanding as to how the Bank is working to improve its performance keeping in view the stakeholders' interest.

The Bank has fully adopted the International Integrated Reporting Framework and is providing the information in annual report based on the fundamental concepts and guiding principles of the framework.

There are three fundamental concepts underpinning Integrated Reporting;

- Value creation, preservation or erosion for the Bank and for others.
- The capitals, which are identified in the Framework as financial, manufactured, intellectual, human, social and relationship, and natural capital.
- Process through which value is created, preserved or eroded.

The Bank has disclosed following key categories of information as required to be included in the integrated report under the framework;

- Organizational overview and external environment
- Strategy and Resource Allocation
- Risks and Opportunities
- Business Model
- Governance
- Performance
- Outlook
- Basis of Preparation and Presentation

The Bank has followed the guiding principles of the Integrated Reporting Framework which strengthen the preparation of an Integrated Report, information content of the report and how this information is presented. These guiding principles include;

- Strategic focus and future orientation
- Connectivity of information
- Stakeholder relationships
- Materiality
- Conciseness
- Reliability and completeness
- Consistency and comparability

The Bank's Annual Report covers the period from January 01, 2022 to December 31, 2022 and is consistent with our annual reporting cycle for financial and integrated reporting. Subsequent events up to the issuance of this report have also been explained in various sections of the Annual Report.

The report also includes the financial statements of the Bank which have been prepared under the Corporate Reporting Framework comprising of International Financial Reporting Standards (IFRS), Islamic Financial Accounting Standards (IFAS), Companies Act 2017, Banking Companies Ordinance 1962, and the directives issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan. Independent External Auditors, M/s EY Ford Rhodes Chartered Accountants have provided assurance on the Bank's financial statements and their report is included in the Annual Report.



# CONTENTS

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## Overview

This section provides information covering overview of the Bank and also contains message from the Chairman of the Board of Directors, CEO's Review, Directors' Report and our Products and Services.

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## Strategy and Resource Allocation

This section contains our strategic objectives, resource allocation plan and value creation model.

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## Stakeholders Engagement

This section highlights stakeholders engagement activities.

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## Risk Management

This section details our commitment to robust and effective risk management framework.

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## Governance

This section highlights our commitment to sound and effective corporate governance practices.

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## **IT Governance and Cybersecurity**

This section outlines the Bank's IT governance and cybersecurity risk management practices.

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## **Performance and Position**

This section presents our analysis of financial and non-financial information.

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## **Outlook**

This section details the challenges and uncertainties that we are likely to face in the future and our strategies in place to overcome those challenges.

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# ABOUT ALLIED BANK

Allied Bank Limited started its operations in Lahore by the name Australasia Bank before independence in 1942; upon nationalization in 1974, it was merged with 3 other banks and the name was changed to Allied Bank of Pakistan Limited. In August 2004, SBP under Scheme of Reconstruction transferred its ownership to a consortium of Ibrahim Group; consequently, the new management renamed the entity as Allied Bank Limited in 2005.

The Bank offers full suite of banking products and services through a large network of 1,453 (Conventional: 1,334; Islamic: 117; Overseas: 1; EPZ: 1) online branches in over 558 cities and towns. The Bank also have vast network of 1,572 ATMs across Pakistan.

While holding on its rich legacy, the Bank embarked on a transformation journey, with a focus on digitization to improve productivity and customer convenience.

The Bank is forging new frontiers in creating sustainable value through high standards of corporate governance, digitization and superior asset quality, consequently, maintaining robust financial position with stable profitability.

## Credit Rating

The Bank is among the league of select few, which have been awarded highest long-term and short-term entity credit ratings of AAA (Triple A) and A1+ (A One Plus) respectively.

## Corporate Governance Rating

VIS Credit Rating Company Limited (VIS) has upgraded Corporate Governance Rating of Allied Bank Limited (ABL) at "CGR-9++" out of maximum scale of 10. This Corporate Governance Rating of CGR-9++ indicates strong commitment of the Bank towards governance framework.

## Parent Company

Ibrahim Holdings (Private) Limited is the parent company of the Bank & its registered office is in Pakistan.

## Subsidiary Company

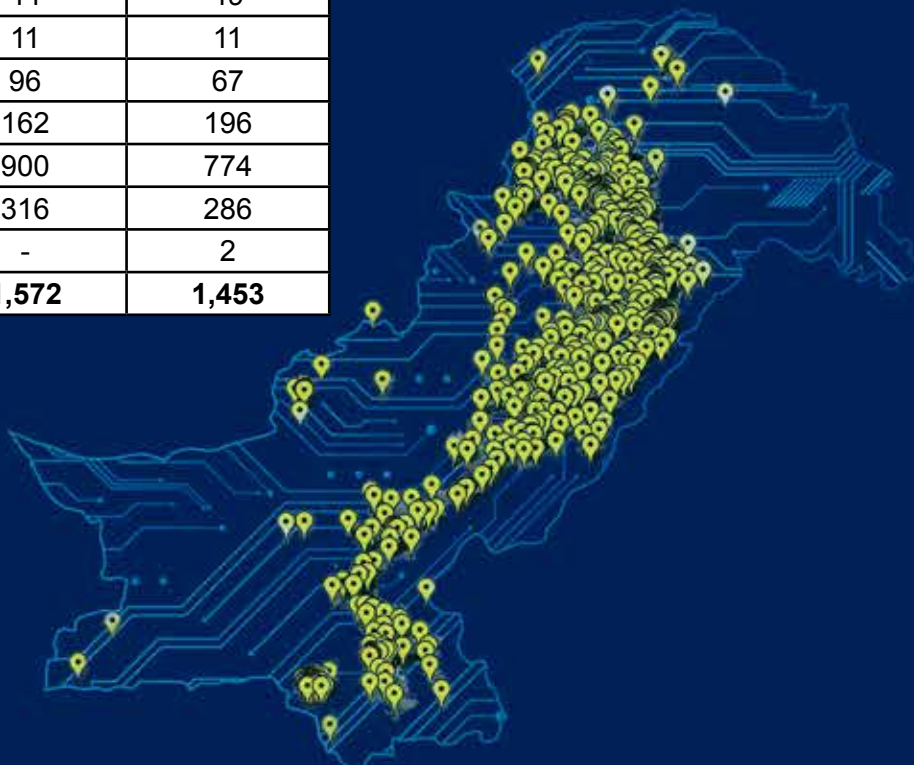
The Bank holds 100% shareholding of ABL Asset Management Company ABL AMC.

Province	ATMs	Branches
Azad Kashmir	43	68
Balochistan	44	49
Gilgit Baltistan	11	11
Islamabad	96	67
Khyber Pakhtunkhwa	162	196
Punjab	900	774
Sindh	316	286
Overseas*	-	2
<b>Grand Total</b>	<b>1,572</b>	<b>1,453</b>

\*including branch in Export Processing Zone

**Pakistan's Widest  
Network with  
coverage in**

**128 & 558**  
Districts Cities/Towns





# CORPORATE INFORMATION

## Board of Directors

Mohammad Naeem Mukhtar (Chairman)  
Sheikh Mukhtar Ahmad  
Muhammad Waseem Mukhtar  
Abdul Aziz Khan  
Zafar Iqbal  
Nazrat Bashir  
Mubashir A. Akhtar  
Aizid Razzaq Gill (Chief Executive Officer)

## Shariah Board

Mufti Muhammad Iftikhar Baig (Chairman)  
Mufti Mahmood Ahmad  
Mufti Tayyab Amin

## Chief Financial Officer

Muhammad Atif Mirza

## Company Secretary

Adeel Javaid

## Auditors

EY Ford Rhodes  
Chartered Accountants

## Legal Advisor

Mandviwalla & Zafar Advocates

## Share Registrar

CDC Share Registrar Services Limited  
(CDCSRSL)





## Registered and Head Office

3 Tipu Block, New Garden Town  
Lahore 54000  
Pakistan

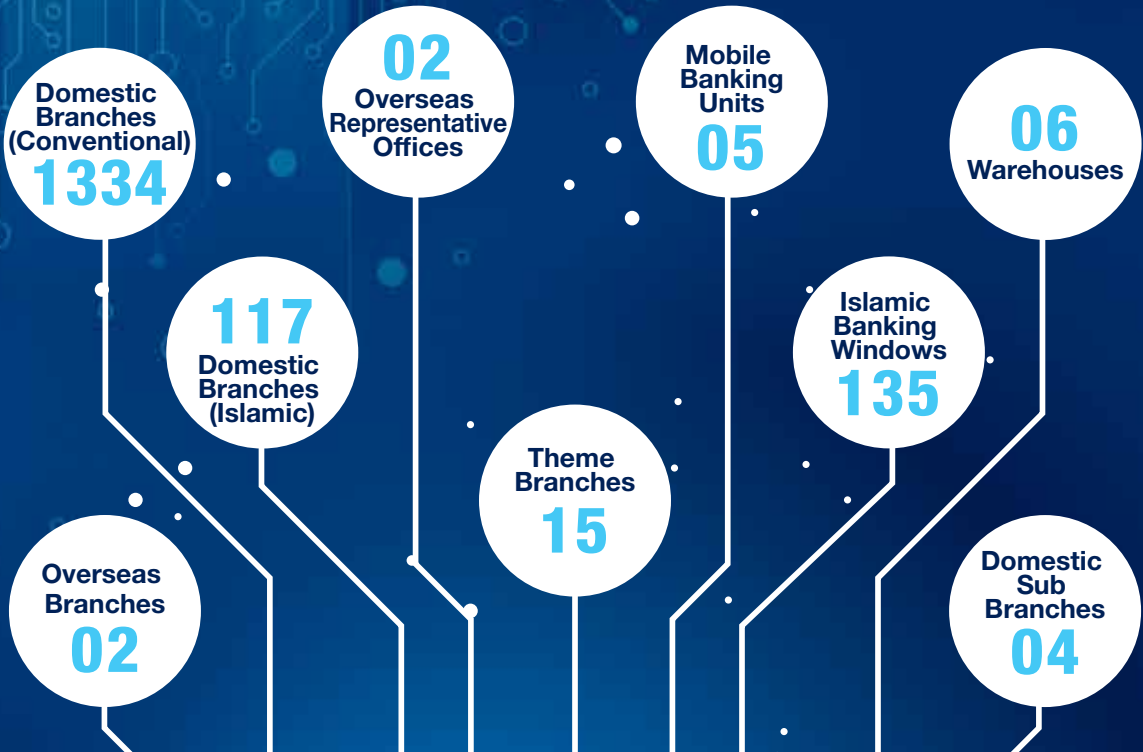


[www.abl.com](http://www.abl.com)  
[info@abl.com](mailto:info@abl.com)

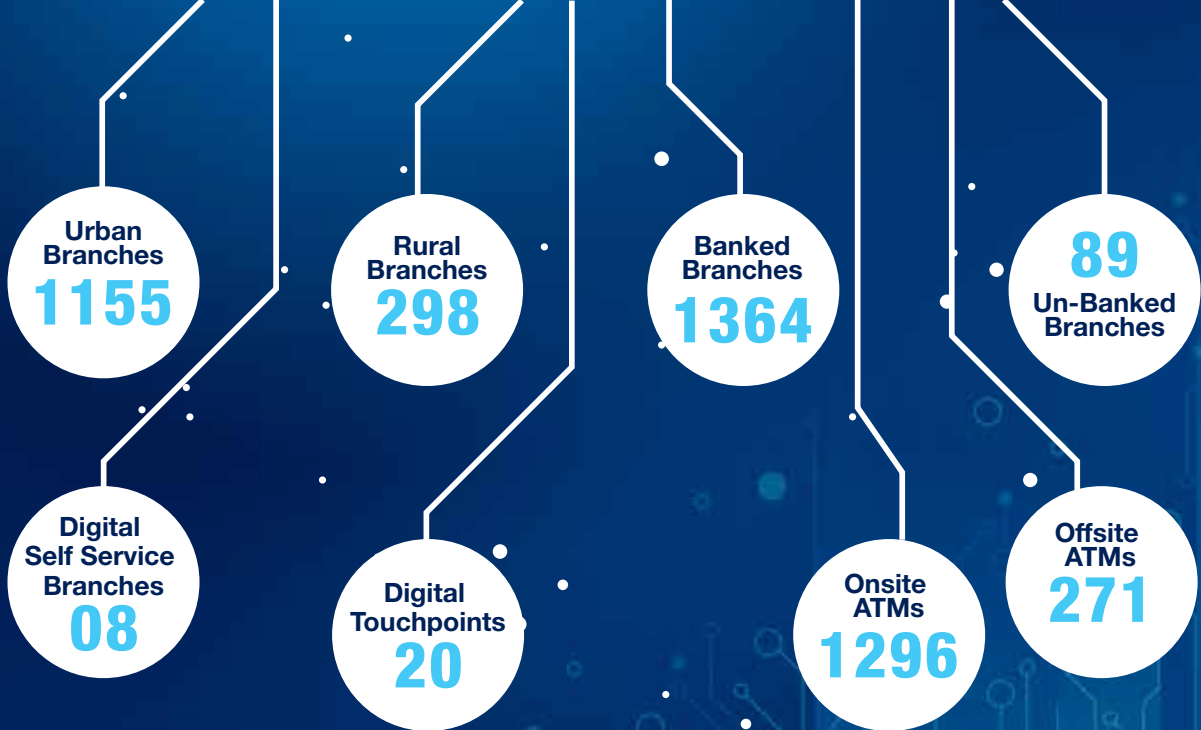
(+92-42) 35880043  
UAN: 111-225-225

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# NETWORK OUTREACH



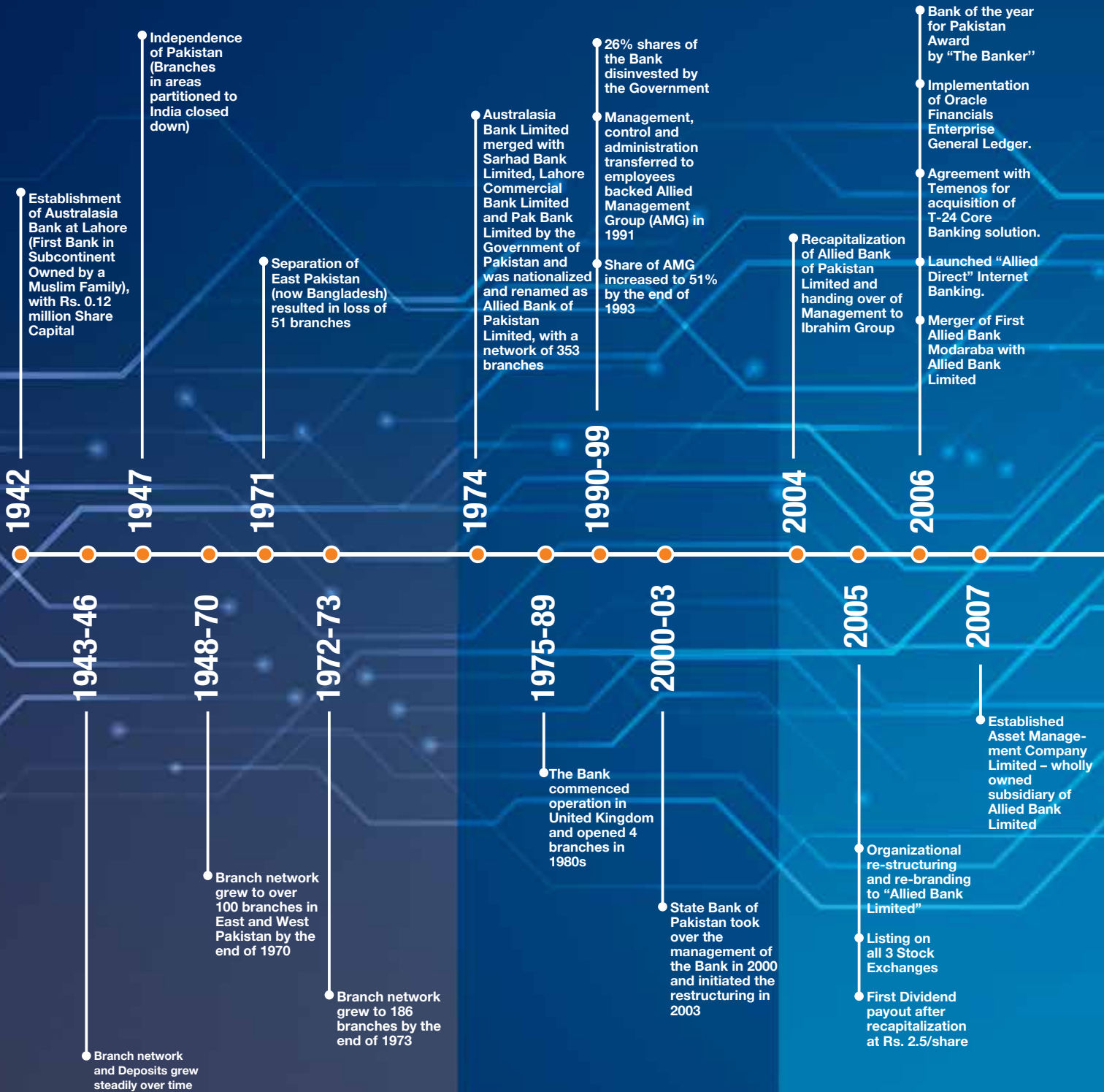


Allied Bank owes its existence to Australasia Bank, commenced its operations before independence in 1942; merged with three other banks (Sarhad Bank Limited, Lahore Commercial Bank Limited and Pak Bank Limited) upon nationalization in 1974 with the name changed to Allied Bank of Pakistan Limited; recapitalized in 2004 by Ibrahim Group and renamed as Allied Bank Limited in 2005. Its journey from Aiwan Shah Chiragh Building, Lahore to Head Office Building, New Garden Town, Lahore is worth-emulation saga of resilience against odds and obstacles over the decades. It has grown into a towering tree with verdant foliage, blossoms and blooms and has become one of the most prestigious financial institutions of the country and preferred choice of millions who bank with and repose trust in its personalize service excellence to mutually beneficial advantage.



# 80 YEARS JOURNEY

2022 marked **ABL's** 8 decades of banking and commitment towards sustainable growth for all of its stakeholders.



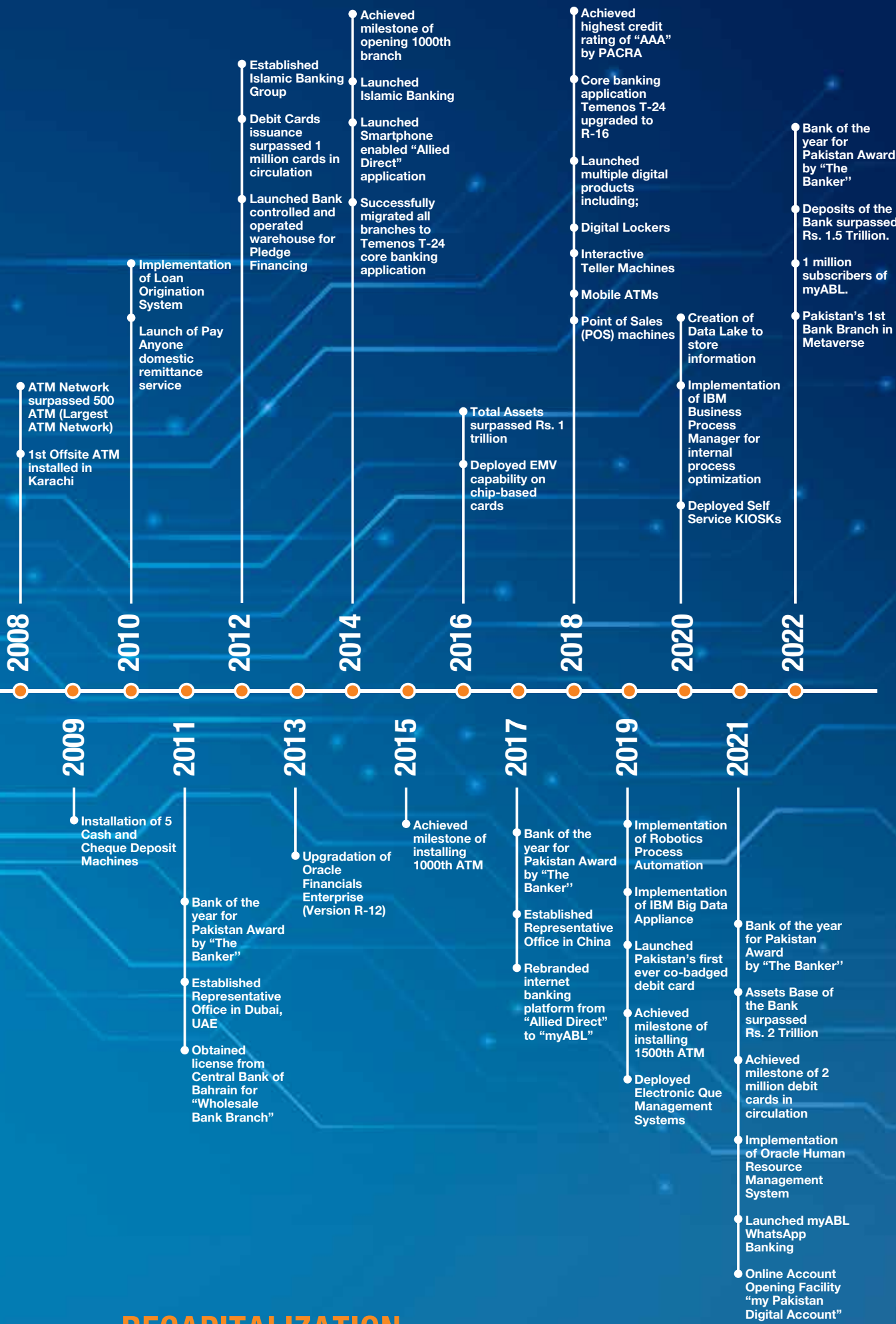
## ESTABLISHED

1942-1973  
Establishment of Australasia Bank at Lahore

## NATIONALIZED

1974-2003  
Nationalized and renamed as Allied Bank of Pakistan Limited





# RECAPITALIZATION

2004-2022

Recapitalization of Allied Bank of Pakistan Limited and handing over of Management to Ibrahim Group

# AWARDS AND RECOGNITION

The Bank won the prestigious **'Bank of the Year 2022 – Pakistan'** award for the second year in a row from **'The Banker'**.







Your Bank has been honored to hold **“BEST DOMESTIC BANK – PAKISTAN”** from **‘FINANCEASIA – COUNTRY AWARDS 2022’** and **“BEST BANK FOR SMEs – PAKISTAN”** from **‘ASIAMONEY AWARDS 2022’**.

**‘SOUTH ASIAN FEDERATION OF ACCOUNTANTS’** has awarded Your Bank with **“CERTIFICATE OF MERIT FOR THE YEAR 2021”** in Private Sector Banks category. This year Your Bank has yet again awarded with Best Bank in **“CORPORATE GOVERNANCE”, “WOMEN WELFARE, DEVELOPMENTS and EMPOWERMENTS”, “GREEN ENERGY INITIATIVE”** and **“TECHNOLOGY, INNOVATIONS AND INVENTIONS”** by **‘NATIONAL FORUM FOR ENVIRONMENT AND HEALTH (NFEH)’**.

In addition to this, Your Bank has been acknowledged as the Best Practice Bank in **VISION, STRATEGY, AND BUSINESS IMPACT**, Progressive Bank in **LEADERSHIP AND ACCOUNTABILITY**, Progressive Bank in **JOB DESIGN, CLASSIFICATION AND COMPENSATION**, Proactive Bank in **RECRUITEMENT**, Proactive Bank in **DEI LEARNING AND DEVELOPMENT** and Proactive Bank in **SERVICES AND PRODUCTS DEVELOPMENT** from **‘GLOBAL DIVERSITY, EQUITY AND INCLUSION BENCHMARKS’ (GDEIB)** by HR Metrics. Your Bank has been privileged to hold **“2ND POSITION IN BANKING SECTOR FOR BEST CORPORATE REPORT OF 2021”** from **‘ICAP AND ICMA INTERNATIONAL’**.

Your Bank’s Digital Transformations and Innovations have been acknowledged by **‘PAKISTAN DIGITAL AWARDS’** and awarded the Bank with **“BEST BANKING TECH OF THE YEAR”**.

This would not have been possible without the hardwork and dedication of our employees and the continued trust that has been placed upon us by our valued customers. We thank you and promise to strive towards achieving sustained growth in the years to come.

# BOARD OF DIRECTORS



**Sheikh Mukhtar Ahmad**



**Mohammad Naeem Mukhtar**



**Nazrat Bashir**

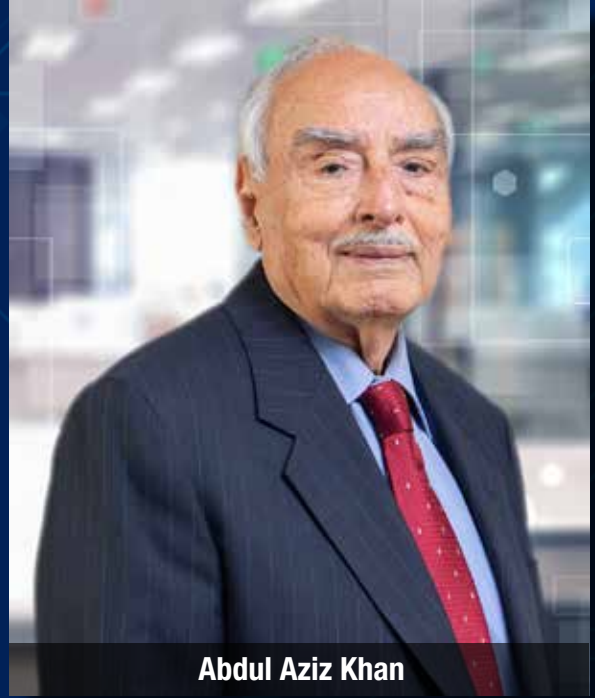


**Mubashir A. Akhtar**





**Muhammad Waseem Mukhtar**



**Abdul Aziz Khan**



**Zafar Iqbal**



**Aizid Razzaq Gill**

# BOARD OF DIRECTORS



## **Mohammad Naeem Mukhtar**

**Chairman / Non-Executive Sponsor Director**

Mr. Mohammad Naeem Mukhtar is the Chairman of Board of Directors of the Bank since 2004. He was awarded with Masters of Business Administration degree from Cardiff Business School United Kingdom, Post Graduate diploma in Textiles from United Kingdom and Chartered Textile Engineer (CText AT) certification from The Textile Institute in Manchester, United Kingdom. He has over thirty-seven years of experience of Finance and Industrial Manufacturing. He is also a Chief Executive Officer and Director of Ibrahim Fibres Limited, Ibrahim Holdings (Private) Limited and Ibrahim Welfare Foundation. In addition, he is also on the Board of Directors of Ibrahim Agencies (Private) Limited, ABL Asset Management Company Limited, Karachi Education Initiative and Pakistan German Business Forum. He is also a member of the Board of Governors of National Management Foundation, the parent body of Lahore University of Management Sciences (LUMS). He is also representing the Bank at Pakistan Business Council and is Industry Co-Chair Banking Sector of National University of Sciences and Technology (NUST) Corporate Advisory Council as well as Senior Fellow at Global Think Tank Network (GTTN).

## **Sheikh Mukhtar Ahmad**

**Non-Executive Sponsor Director**

Sheikh Mukhtar Ahmad instituted his business career immediately after migrating from the India at the time of independence of Pakistan in 1947 and has contributed to the industrial and business growth of Pakistan through his entrepreneurship skills and business acumen. He has over sixty-one years of experience in establishing and successfully managing various industrial and financial companies. He has been on the Board of Directors of Allied Bank Limited since 2005 and is a "Certified Director" from Pakistan Institute of Corporate Governance. He is Chairman on the Board of Directors of Ibrahim Fibres Limited, Ibrahim Holdings (Private) Limited, Ibrahim Agencies (Private) Limited and ABL Asset Management Company Limited. He is also on the Board of Ibrahim Welfare Foundation.



## **Muhammad Waseem Mukhtar**

**Non-Executive Sponsor Director**

Mr. Muhammad Waseem Mukhtar is on the Board of Directors of the Bank since 2004. He was awarded his Masters of Business Administration degree from the University of Chicago Booth School of Business, Illinois, United States of America. He also earned a Master's degree in Total Quality Management (TQM) from University of Glamorgan, Wales, United Kingdom, and has twenty-five years of diversified experience of Finance, Information Technology and Industry. His strategic guidance has played a vital role in technological up-gradation of the Bank. He is a "Certified Director" from Pakistan Institute of Corporate Governance. He is also a member of the Board of Directors of Ibrahim Fibres Limited, Ibrahim Holdings (Private) Limited, Ibrahim Agencies (Private) Limited, Ibrahim Welfare Foundation and ABL Asset Management Company Limited.

## **Abdul Aziz Khan**

**Non-Executive Director**

Mr. Abdul Aziz Khan has enriched and diversified experience of more than fifty-nine years in the fields of General Banking, Credit, Lease Finance, Business Development and Administration including nine years of international banking, holding key positions abroad. In his professional career in the corporate and financial sector he has remained Chief Executive Officer of Ibrahim Leasing for eleven years. He is the member of Board of Directors of the Bank since 2004.







**Zafar Iqbal**  
Independent Director

Mr. Zafar Iqbal is a Fellow member of Institute of Chartered Accountants in England & Wales (ICAEW) and the Institute of Chartered Accountants of Pakistan (ICAP). He has thirty-seven years of experience in senior management positions in financial and power generation sectors. He was the Managing Director and Chief Executive Officer of Pak Oman Investment Company Limited, a Development Finance Institution owned jointly by the Governments of Pakistan and Sultanate of Oman. During his eight years stay at Pak Oman Investment Company Limited he led the company in becoming the leading Development Financial Institution in its peer group. Over the past twenty-one years, he has served as a Member of the Board of Directors of number of listed and non-listed companies and financial institutions. He is a "Certified Director" from Pakistan Institute of Corporate Governance. He specialized in Investment Banking, Corporate Finance, Capital Markets, Leasing, Aircraft Financing and Energy and Power Generation. He is the member of the Board of Directors of the Bank since August 2015. As an Independent Director, Mr. Iqbal also chairs the Audit Committee of the Bank in addition to member of the Board Committees.



**Mubashir A. Akhtar**  
Independent Director

Mr. Mubashir A. Akhtar is a law graduate and has over five decades of banking experience in both local and international markets. His extensive international banking experience includes key assignments in Turkey, Qatar and UK. He was a Financial Consultant of Asian Development Bank (ADB) and remained actively involved in various assignments of ADB especially on capital markets development and reforms of NBFIs in Pakistan. He is also fellow member of Institute of Bankers in Pakistan, Institute of Chartered Secretaries and Managers and Institute of Marketing Management. He remained on the Board of Directors of Allied Bank Limited from August 2006 to August 2018 and elected in the year 2021 as Independent Director. He is a "Certified Director" from Pakistan Institute of Corporate Governance.



**Nazrat Bashir**  
Independent Director

Ms. Nazrat Bashir belongs to Pakistan Administrative Service. She retired in BPS-22 from the Government service. Her academic qualifications are Master's in Economics from New York University, United States of America and Master's in Psychology from University of Peshawar. She is a "Certified Director" from the Pakistan Institute of Corporate Governance.

She has over thirty-six years of diversified civil service experience to her credit. During her career she served in different ministries. She remained Additional Finance Secretary, Finance Division, Government of Pakistan; Managing Director, Public Procurement Regulatory Authority and Senior Advisor, Wafaqi Mohtasib Secretariat. She also held directorship in various Government and Semi Government Organizations and has attended numerous conferences, workshops, seminars in Pakistan and abroad. Presently, she is Director N-Ovative Health Technologies (Private) Limited and Chairperson of Certification Panel of Pakistan Centre for Philanthropy. She is on the Board of Directors of the Bank since August 2018.

**Aizid Razzaq Gill**  
Chief Executive Officer

Mr. Aizid Razzaq Gill is a seasoned professional banker with twenty-six years of experience in Financial Management, Risk Analysis and Research and expertise in Portfolio Management of Corporate and Commercial Banking obligors. He has worked with various financial institutions and held key positions in the Corporate Banking Sector. After joining the Bank in 2005 as Regional Corporate Head, he has held different senior management positions such as Head-Commercial Assets, Head of Commercial and Retail Risk, Head of Operational Risk, Group Head Corporate and Financial Institutions Risk and Group Head Liabilities.

Before becoming Chief Executive Officer at the Bank, he was performing the role of Chief Risk Officer of the Bank.

He is a graduate from University of Engineering and Technology (UET) Lahore and has his Master's degree in Business Administration from California State University, Fullerton (CSUF), United States of America. He is a Chevening Scholar, with a Master's degree in Business Economics from University of Manchester Institute of Science and Technology (UMIST), United Kingdom. He has also attended executive education courses on Leadership and Management from various institutions including Columbia University and London Business School. He has also been nominated by the Bank as a Director on the Board of Directors of ABL Asset Management Company Limited and representative at Management Association of Pakistan (MAP) and Pakistan Business Council (PBC). He is a "Certified Director" from Pakistan Institute of Corporate Governance.







# CHAIRMAN'S MESSAGE

Global economy has faced multifaceted challenges and headwinds during 2022. Unprecedented surge in commodity prices, counter-inflationary measures adopted by major economies, geo-political unrest, lingering pandemic effects in China's economic slowdown and disruption in supply chain continued to weigh on the world's economic activities. Managing a balance between subdued economic activity and containing inflationary pressures pose a significant concern for global policy makers.

Amidst the macroeconomic uncertainty, digital advancements and technological developments accelerated during pandemic continued to evolve the global banking landscape. Development of digital financial solutions and strengthening of core data infrastructure for storing, computing and safeguarding big data have proven to be most vital for digitalization of the economies. Developed and advanced countries are moving towards cashless economies as a result of enhanced focus on digitalization of financial systems.

Digital disruption in financial sector is driven by technological advancements and ever evolving expectations of consumers. On the technological front, Artificial Intelligence (AI), Application Programming Interface (API), Cloud Computing and Distributed Ledger Technology are major drivers of innovation. At the same time, speed, immediacy and convenience have become preferences for consumers while choosing among the financial service providers.

Advanced Analytics using AI, Machine Learning and Internet of Things (IoT) have opened new horizons for banks to continuously research about customer preferences and create personalized financial services. Banking is being transformed from brick-and-mortar model (physical branches) to digital space offering solutions based on sophisticated technology. Conventional bankers are being replaced by highly specialized tech savvy human capital. Banks are leveraging new-age technologies to offer a contextual banking experience and a personal-assistant-like service in which customers are offered relevant products at the right place and time.

API, Open Banking and Banking-As-A-Service (BaaS) have allowed Fin-Techs to develop their own financial service products. These technologies have reshaped banking institutions into platforms and allowed expansion of distribution avenues, create new service products, reduce costs, diversify revenue streams and gather greater consumer insights.

Embracing technological transformation has inherent cybersecurity risks and threats to digital infrastructure, services, and data, which rely on increasingly connected systems. Fostering secure financial system with digital inclusiveness is of paramount importance. Significant investments are being carried out in cloud infrastructures and sustainable supercomputing capabilities to expand adoption of artificial intelligence and strengthening of cybersecurity.

Considering the importance of information security in the age of digitalization, Your Bank has developed state of the

art Security Operations Center (SOC) enabling the Bank to detect, analyze and respond to cybersecurity incidents using a combination of technology solutions and a strong set of processes. The Bank has implemented Information Security Awareness program through a Cloud based E-learning platform for its staff to keep them abreast with latest information security concepts.

On the domestic front, the ongoing process of digitization and development of technological eco system are evolving on a rapid pace. A number of landmark initiatives have been undertaken by State Bank of Pakistan (SBP) for promoting digital financial services and eco-system within the country and continuous developments have been made in digital payment infrastructure to improve financial inclusion and literacy. In 2022, SBP issued "Customers' Digital Onboarding Framework", launched Raast "Person-to-Person" (P2P) Payment System to send payments in a convenient and seamless manner and introduced "Licensing and Regulatory Framework for Digital Banks". Subsequently, SBP issued no objection certificates to 05 applicants for establishing digital banks in Pakistan.

Transformation from cash-intensive to a digital economy is progressing and reliance on digital channels has increased. With increasing number of people opting for digital channels, an encouraging progress has been witnessed in this segment. The industry wide e-banking transactions achieved a healthy growth of 36.2% by volume and 59.4% by value in FY2022. Number of registered mobile phone and internet banking users crossed 12.3 million and 8.4 million with YoY growth of 13.5% and 59.8% respectively, during the FY2022.

Keeping track of the fast paced, dynamic and a highly competitive financial market, Your Bank's technology platforms and digital solutions are being upgraded on a continuous basis to enhance customer experiences and improve operational efficiencies. To ensure greater workload deployment flexibility and agility while concurrently maintaining faster response time to business demand, Your Bank upgraded its hardware infrastructure of Core Banking System with IBM Power10 servers which are the most advanced and scalable servers in the IBM Power Servers portfolio.

Your Bank deployed "Robotic Process Automation Solutions" in multiple areas for improving operational efficiency, better control and cost optimization. Automation of manual processes resulted in turn-around time improvement and strengthening of operational effectiveness.

To foster the data driven decision making culture, Your Bank implemented 'Data Lake' for structured and unstructured data by leveraging Big Data technologies. Data Science companies have been engaged for implementing multiple use cases through Machine Learning models, and in turn, improve and personalize the customers' experience.

To accelerate application deployment lifecycle and shift workloads across multiple frameworks and simultaneously counter emerging risks, Your Bank implemented Cisco ACI, the industry's most secure, open and comprehensive

# CHAIRMAN'S MESSAGE

Software-Defined Networking (SDN) solution for data center networks. It facilitates automation, accelerates infrastructure deployment and improves governance.

In line with the Banks' long term strategic vision and to apply consistent customer centered approach; Your Bank launched Digital Lending platform "Smart Advance" that enables customers to avail instant loans within few clicks. The Bank added another self-service smart branch to the network at University of Management & Technology (UMT), Lahore, implemented Digital Onboarding of Resident Individual Customers through web portal and replaced paper-based Life Certificate of Pensioners with biometric verification.

These initiatives provided essential impetus to Your Bank to increase the mix of digital transactions to counter transactions which stood at 74:26 for the year ended December 31, 2022 as compared to 65:35 for the corresponding year. To further augment the e-banking and digital eco system, Your Bank enhanced the features of WhatsApp Banking service which is now being used by over 670,000 accountholders, introduced QR codes in place of conventional accounts number for money transfer through myABL and implemented Positive Pay functionality at myABL to replace Call Back Confirmation for pre-authorization of high value cheques.

Your Bank, maintained its industry pioneer status in introducing many innovative financial solutions. The Bank has launched Pakistan's first virtual touchpoint in metaverse by leveraging the technologies such as Augmented Reality (AR), Virtual Reality (VR) and Blockchain. Your Bank's metaverse touchpoint allows its customers to:

- Open an account through the myPDA portal;
- Conduct transactions through myABL portal;
- Contact a customer representative for any query; and
- Provide feedback and learn about various new products and services.

The Bank is pioneer in the industry to launch self-service branches which offer full-scale, rapid, secure and hassle-free banking services ensuring superior customer experience. Self-service branches have revamped the dynamics of conventional brick and mortar branches having manual processes towards automated digital banking space through Smart/Hybrid Branches and Digital Lobbies.

Allied Bank has developed an Innovation Lab equipped with latest gadgets and acts as a research hub for Digital Banking and Technology initiatives. The major initiatives undertaken in promoting innovation and enhancement included myABL Business App, myABL WhatsApp Banking, myABL Wallet Asaan account, Issuance of withholding tax certificate via myABL and Dormant account activation via ATM.

In continuation of adapting state of the art technology solutions and equipment, Your Bank has installed industry-first Cash Recycling ATMs. These specialized teller

machines offer services of cash deposit, cash sorting and authentication and reissuing cash for withdrawals. This makes cash management efficient and lowers the cost by reducing physical cash replenishment frequency.

The Global economic growth prospects remain contracted. Uncertainties and macro-economic imbalances keep the risk of stagnation in major economies high. Accordingly, International Monetary Fund (IMF) forecasts the global growth at 2.9% for 2023; geopolitical confrontations, persistent rise in inflation and dampened Chinese economy are cited as main reasons for the weak growth.

Domestic economy is experiencing a number of impediments. Rising commodity prices, flood-induced losses, depleting foreign reserves and uncertain political environment coupled with policies to curtail the persistent higher inflation and to counter external account pressure have restrained the economic progress. In sync with the global trend, IMF has projected the domestic GDP growth at 2.0% for 2023.

Despite operating in a challenging macroeconomic and operating scenario, banking sector's growth trajectory remained noteworthy in 2022 as asset footing reflected a strong growth of 20%. This was mainly attributable to the significant increase in Investments and Advances by 27% and 17%, respectively and supported by steady growth in Deposits by 7%.

While remaining cognizant of underlying risks emanating from emerging technological developments and cyber threats, evolving economic circumstances, increasing cost of doing business and regulatory changes; Your Bank has prudently managed its strong capital position by capitalizing on consistent growth in low and no cost deposits accompanied by superior quality asset base. Your Bank's low infection ratio, high coverage ratio and resilient Capital Adequacy Ratio, reflect positively on comprehensive risk management framework, continuous enrichment in innovative solutions and well-diversified positioning of earning assets.

In continuance of Your Bank's distinctive initiative for nurturing sustainable long-term future and its intrinsic role in building greener economy; Green Banking Office evaluates existing and prospective relationships for their green practices and reducing carbon foot print including environmental risks. To instill the culture of green banking various inhouse initiatives have been undertaken which include Green Advisory Services, Tree Plantation campaigns, installation of solar panels, workflow automation system and end to end automation to promote paper less culture.

Your Bank as a socially responsible citizen reinforces its commitment towards Corporate Social Responsibility (CSR) which is a core part the Bank's vision. Creating an inclusive work environment encompassing gender diversity and multi-cultural workforce, application of renewable energy sources, serving community during adversities and





natural calamities, augmenting customer experience and promoting best business practices have been the areas of key focus. Activities carried out under CSR have been further explained in CSR section of this report.

Your Bank's concerted efforts towards robust risk management framework, adoption of digital technologies, promoting Green Banking and ozone-safe business practices, CSR activities and financial inclusion & economic empowerment of women have been acknowledged globally and the Bank has been awarded with The Banker's "Bank of the Year 2022 - Pakistan" accolade for the second year in a row. The Banker is a world-renowned financial affairs publication of Financial Times Group, U.K., being published since 1926.

Recognizing resilient financial position and capital buffer to absorb the economic shocks, Pakistan's Credit Rating Agency (PACRA) has maintained Long Term and Short Term ratings of Allied Bank at the highest level of "AAA" (Triple A) and "A1+" (A One plus) respectively. Your Bank has consolidated its position as one of the select group of financial institutions in the Country to maintain highest entity credit ratings.

Your Bank's corporate governance aims to instill effective and prudent management to transform the Bank's objectives into achievements. Your Bank's corporate governance practices are reviewed by an independent evaluator on yearly basis. VIS Credit Rating Company Limited re-affirmed Your Bank's Corporate Governance Rating of 'CGR-9 ++'. This rating indicates a 'highest level of corporate governance' thus, depicting a strong commitment towards governance framework by the Board and management.

### Future Outlook

Global economic outlook remains depressed due to geopolitical unrest, higher inflation and post pandemic slowdown in China. IMF has downgraded the world's GDP growth to 3.1% in 2024 from previous projection of 3.2%. Global inflation is, however, expected to fall from 8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024 as a result of subdued global demand and cooling effects of monetary policy tightening measures taken by most central banks in the World.

On the domestic front, IMF has projected GDP growth at 4.4% in 2024 from 2.0% in 2023. However, fiscal slippages, depleting forex reserves, external account risks, effect of floods and political uncertainty will continue to slow down domestic economic progress.

Restrictive measures adopted by the Government to restrain imports, scaled back demand from tighter policies and overall impact of the inflationary environment will provide respite to current account deficit. However, aggravated global commodity prices, external debt repayments and allowing necessary imports to accommodate petroleum and other industries may keep pressure on the external account.

Beyond ensuring connectivity and continuity, digitalization sets the foundation for a more resilient and inclusive economic transformation. Technological and digital advancements and convenience seeking behavior of the consumers have transformed the macro banking landscape. Emergence of digital technologies are imbedding architectural changes in the banking systems and processes to accommodate the ease and efficiency at the door steps of the customers.

Stepping into 2023, Your Bank, in line with its mission **"To provide high tech innovative solutions to meet customers' requirements"**, will continue to invest in sophisticated AI applications and automation technologies to develop robust and financial inclusive solutions. Leveraging technological platform, deploying digital lending & payment, enhancing virtual touch points, process-automation to ensure seamless integrated transactions, and promoting green banking will remain integral part of Your Bank's long-term strategy.

Your Bank's robust risk management framework will keep addressing the emerging cybersecurity risks and improve data governance. Increasing low-cost deposits, building up resilient capital buffer, prudent investment duration management and maintaining high quality earning assets will continue to drive Your Bank towards sustainable future and growth.

On behalf of the Board of Directors, I would like to extend my gratitude to the regulatory bodies including State Bank of Pakistan, Securities and Exchange Commission of Pakistan and Federal Board of Revenue for their continuous guidance and support. I would also like to appreciate our valued shareholders for having confidence in the Bank's long-term strategic goals.

Finally, I would like to pay my gratitude to Allied Bank's management team and over 11,000 Allied Bankers, for their strenuous efforts and contributions in building a robust and technology-driven Allied Bank.

**Mohammad Naeem Mukhtar**  
Chairman Board of Directors





# CEO'S REVIEW

In year 2022, global economic growth remained subdued, mainly as a result of persistently rising inflation, slow down in China and Russia-Ukraine conflict. Monetary tightening measures in most of the economies in the world for cooling off consumers' demand and to curb inflation further toned down the economic activity.

Factoring in these macroeconomic challenges, International Monetary Fund (IMF) downgraded Global growth estimate from 6.2% in 2021 to 3.4% in 2022 and further anticipates the growth declining to 2.9% in 2023. However, growth is projected to rise to 3.1% in 2024 from recent reopening of Chinese market making way for faster than expected recovery.

Pakistan's economy is under constant pressure from trickledown impact of global economic contraction. Uncertain political environment, rapidly rising commodity prices, supply side disruptions and humanitarian crisis from recent floods have compounded the macroeconomic imbalances.

Despite aforementioned global shocks and domestic challenges, country remained on a path of steady economic growth with GDP increasing by 6% for the second consecutive year in FY 2022. This was achieved on account of 4.4% growth in Agriculture, 7.2% growth in the Industrial sector and 6.2% growth in the Services sector. However, due to unresolved underlying structural challenges and macroeconomic imbalances, this high growth may not be sustainable. Accordingly, IMF and World Bank estimated GDP growth to slow down to 2% in FY 2023 with recovery in FY 2024 to 4.4% as per IMF and 3.2% as per World Bank. GDP revival in FY 2024 is based on anticipated lower global inflation, post flood rehabilitation activities and increase in agriculture output.

Agriculture sector grew by 4.4% in FY 2022 as compared to 3.5% in FY 2021, mainly driven by high yields, attractive output prices, better availability of certified seeds, pesticides and agricultural credit. During Jul-Dec FY 2023, the agriculture credit disbursement was recorded at Rs. 842.4 billion, higher by 31.5% from Rs. 640.8 billion compared to corresponding period last year.

Large Scale Manufacturing (LSM) has witnessed contraction of 3.6% during Jul-Nov FY 2022-23 and by 5.5% on YoY basis in November 2022 mainly attributable to effects of slow-down in demand, increasing inflation and tightening of monetary policies by the central bank. In addition to global issues, demand compression policies to reduce inflation and imbalances at domestic

level also contributed towards decline in LSM. Despite aforementioned effects, 5 out of 22 manufacturing sub sectors (Wearing apparels, Leather products, Electrical equipment, Furniture and other manufacturing) have shown positive growth during the period under review.

Global slowdown has contracted the demand resulting in reduction of exports by 5% during Jul-Dec FY 2022-23 as compared to corresponding period last year and dropped to US\$ 17,737 million from US\$ 18,674 million. On the other hand, imports restrictions by the Government mainly in non-energy related machinery and transport categories resulted in significant decline in imports by 19.9% in Jul-Dec FY 2022-23. Imports have reduced to US\$ 33,393 million during Jul-Dec FY 2022-23, from US\$ 41,666 million during the corresponding period last year. Higher decline in imports as compared to exports resulted in improvement in balance of trade which provided respite in the Current Account Deficit (CAD). Resultantly, Current Account Deficit, reduced to US\$ 3,667 million for Jul-Dec FY 2022-23 as against US\$ 9,091 million deficit during corresponding period last year.

Impact of decline in Current Account Deficit also resulted in improvement in the balance of payment which recorded a surplus of US\$ 4,284 million during Jul-Dec FY 2022-23, improved considerably from the deficit of US\$ 788 million during Jul-Dec FY 2021-22.

Gross Foreign Exchange (FX) Reserves reduced to US\$ 10,845 million as on December 31, 2022 as compared to US\$ 23,883 million as on December 31, 2021. Depletion in foreign exchange reserves is mainly attributable to debt repayments and lower inflows in financial account. During the period Jul-Dec FY 2022-23, workers' remittances were recorded at US\$ 14,051 million as compared to US\$ 15,808 million during comparative period last year showing a decline of 11.1%. This is mainly attributable to revival of air travel, global economic slowdown and gap in open market and inter-bank rates.

Net collection of Federal Board of Revenue was reported at Rs. 3,732 billion, demonstrating a notable growth of 16.9% during Jul-Dec FY 2022-23 as compared to Rs. 3,191 billion in the corresponding period last year. However, fiscal deficit stood at Rs. 1,683 billion during Jul-Dec FY 2022-23 as compared to Rs. 1,372 billion in corresponding period last year mainly attributable to increase in total expenditure significantly by 19.8% to Rs. 6,382 billion during Jul-Nov FY 2022-23 against Rs. 5,328 billion in the same period last year.

Rise in prices of food and energy commodities, PKR devaluation amid exchange rate volatility and damages caused by the flood resulted in a sharp rise in inflation during the year under review. Resultantly, average CPI for Jul-Dec FY 2022-23 has escalated to 25.0% YoY, as compared to 9.8% during the corresponding period last year.

To counter the buildup in inflationary pressures and exchange rate volatility, SBP adopted gradual tightening of monetary policy and increased the policy rate by a cumulative 725bps since December 2021 to bring it at 17% by January 2023.

## Banking Sector Performance

Pakistan's banking industry, despite of uncertainties of the operating environment, remained stable and resilient throughout the year. Technological advancements followed by evolving customer experience dynamics, increasing regulatory requirements, decline in credit quality from economic slowdown, high inflationary environment and incidence of increased taxation remained major challenges.

Banking industry's asset base (domestic operations) increased significantly by 20% to reach at Rs. 34,530 billion as on December 31, 2022. Key driving factors behind this growth were escalation in investments and advances by 27% and 17% respectively as compared to December 31, 2021.

Industry's gross advances grew by 17% despite significant increase in interest rates and were closed at Rs. 11,913 billion as on December 31, 2022. Likewise, industry net advances stood at Rs. 11,225 billion as on December 31, 2022, exhibiting a growth of 18%. Industry wide deposits manifested growth of 7% to reach at Rs. 22,467 billion as on December 31, 2022 as against Rs. 20,972 billion as on December 31, 2021.

Aforementioned growth in the banking sector's asset base mainly due to advances and investment, complemented by stable growth of deposits resulted in considerable growth of 9% in Industry net assets for year 2022 as compared to muted growth of 2% in year 2021.

## Business Performance

During the year 2022, Your Bank, prudently continued to steer through multiple macroeconomic challenges by maintaining strong governance and risk management practices, cautious investment decisions and provision of uninterrupted high-quality banking services.

# CEO'S REVIEW

Asset base of Your Bank reached Rs. 2,250,973 million as on December 31, 2022, exhibiting moderate increase of 12% as against 26% increase during comparative period last year.

Your Bank continued to maintain solid asset quality through application of Robust Risk Management framework and quality obligor assessment. Resultantly, the Bank maintained its industry position of having one of the lowest infection ratios and the highest coverage ratios of 1.53% and 90.4% respectively. Non-performing loans (NPLs) were reduced by 4% and were recorded at Rs. 13,104 million as on December 31, 2022 as compared to Rs. 13,601 million as on December 31, 2021.

Your Bank's gross loan portfolio registered a significant growth of 29% and was recorded at Rs. 857,488 million as on December 31, 2022 as against Rs. 665,740 million last year. Likewise, net advances augmented by 30% to record at Rs. 845,640 million as on December 31, 2022 as against Rs. 652,890 million as at December 31, 2021.

Prudent investment was made in floating rate Pakistan Investment Bonds and Market Treasury Bills to counter the pressures emanating from gradual policy rate hike during 2022. As a consequence, Net Investments increased by 6% to reach at Rs. 1,123,117 million as on December 31, 2022 as against Rs. 1,064,495 million during the last year. The growth is primarily driven by deployment of funds in risk free government securities.

The Bank continued its journey towards enhancing customer satisfaction by delivering value-added financial services through process simplification, automation and digitization resulting in building New to Bank (NTB) relationships along with deepening of existing relations. Consequently, Your Bank achieved robust growth of 22% in customer accounts as on December 31, 2022 as against 16% growth during the last year. Total number of accounts crossed 6 million mark with 1.3 million plus new accounts opened during the year ended December 31, 2022 depicting historic growth of 29% in new accounts opened as compared to corresponding year.

Your Bank's deposit base reached Rs. 1,522,297 million as on December 31, 2022 as against Rs. 1,413,295 million as at December 31, 2021; reflecting a growth of 8% which is higher than industry growth of 7%. Growth in no-cost and low-cost deposit remained key strategic objective of Your Bank, which depicted a strong growth of 21% on average volume basis. However, on outstanding volume basis, current deposits show a growth

of 1% to close at Rs. 608,969 million as on December 31, 2022; reducing their mix in total deposit to 40% in 2022, as compared to 43% in 2021. Moreover, saving deposits reflected a growth of 4% to close at Rs. 335,399 million as on December 31, 2022; reducing their mix in total deposit to 22% in 2022, from 23% in 2021.

Continuous increase in interest rates during the year 2022, led the average policy rate to increase by 590bps to 13.18% against 7.28% in the last year. Consequently, Mark-up income witnessed healthy increase of 82% mainly attributable to higher yields on investments, advances and bank placements, to reach at Rs. 215,469 million for the year ended December 31, 2022 as compared to Rs. 118,649 million for the corresponding year.

Likewise, significant increase of 104% was witnessed in interest expense to close at Rs. 148,750 million for the year ended December 31, 2022 as compared to Rs. 73,062 million for the year ended December 31, 2021. This increase is mainly attributable to higher cost of deposits (including swap cost). Consequently, Net Interest Income (NII) increased by 46% to reach Rs. 66,719 million during the year ended December 31, 2022 as against Rs. 45,587 million during corresponding year.

Your Bank maintained high quality service standards for digital banking through utilizing artificial intelligence tools resulting in robust growth of 20% in Fee based Income which stood at Rs. 8,147 million during the year ended December 31, 2022 as compared to Rs. 6,811 million in the last year.

Your Bank's dividend income increased by a healthy 44% to stand at Rs. 3,088 million during the year ended December 31, 2022 as against Rs. 2,151 million during last year.

Higher trade volumes on the back of significant increase in POL, volatility in spot and swaps and wider spreads allowed Your Bank to record a significant growth in foreign exchange income which reached at Rs. 7,948 million for the year ended December 31, 2022.

Your Bank remained successful in enriching its service offerings in both conventional and digital banking, maintaining existing customer revenue portfolio and exploring new income avenues. As a result, Your Bank earned non-markup income of Rs. 20,675 million during the year ended December 31, 2022 as compared to Rs. 15,938 million during corresponding year; exhibiting an appreciable growth of 30%.

Continuing focus on achieving cost efficiencies like lower transaction cost through digitalization and automation of processes resulted in the Bank's operating expenses growth to be restricted at 20%. Non-markup expenses were recorded at Rs. 41,030 million during the year ended December 31, 2022, increasing by 21%, as compared to Rs. 33,946 million during the year ended December 31, 2021 despite unprecedented inflation, increased cost of technology advancements and customer onboarding and servicing.

Your Bank's Profit before tax registered a healthy increase of 64% to stand at Rs. 46,626 million during the year ended December 31, 2022. Increase is mainly attributable to higher markup and non-markup income as compared to corresponding year ended December 31, 2021.

Higher Corporate Tax rate, Super Tax and enhancement of tax rate on attributable income from government securities weighed on the profit of Your Bank with incremental tax impact of Rs. 6,925 million for year 2022. As a result of aforementioned increase, effective Income Tax rate increased to 54.5% for the year ended December 31, 2022 from 39.0% for corresponding year ended December 31, 2021.

Profit after tax stood at Rs. 21,194 million during the year ended December 31, 2022 as against Rs. 17,314 million during last year. EPS of Your Bank was recorded at Rs. 18.51 for the year ended December 31, 2022 as against Rs. 15.12 recorded last year.

## E-Banking Initiatives

Digital Banking transformation has been on the horizon because of the penetration of Smartphones, Cloud Computing, blockchain, big data, artificial intelligence and Open APIs. The increasing number of neo banks (also known as challenger banks) using these technologies has placed further strain on the traditional banking sector, leading to a cultural mega-shift that promises to shake up rigid banking structures, replacing or enhancing them with more agile, customer-centric digital architectures.

To encourage innovation and digitization in the ecosystem, Your Bank and the National Incubator Center (NIC), Islamabad, inked a Memorandum of Understanding (MOU). As part of this collaboration, Your Bank hosted a fintech hackathon of more than 1200 participants from diverse backgrounds. Using Allied Bank's Open Banking APIs, these individuals collaborated to offer creative answers to various issue statements.



Innovative solutions were presented by the attendees, including Metaverse banking, Cutting-edge data analytics, Intelligent ERP solutions etc. In an effort to give these solutions a chance to enter the mainstream of the financial industry, Your Bank is now looking into prospective partnerships with these emerging fintech. In order to strengthen the entrepreneurial atmosphere and foster the advancement of scientific research, Your Bank is working to create a more interconnected startup ecosystem.

As a pioneer in digital banking, Your Bank has taken industry first initiative to enter into Metaverse. It allows customers to create their own virtual touch points by providing a realistic banking experience through the use of Virtual Reality (VR), blockchain and augmented reality. Metaverse is a place where individuals can come together, engage and have an entirely immersive experience.

In line with the State Bank of Pakistan's National Financial Inclusion Strategy, Your Bank has been offering Asaan accounts to extend the reach of banking services to all sectors of society including students, freelancers, young professionals, and other customer segments. In order to cater to this rising demand, Your Bank is pleased to offer VISA regular Classic card to ABL Asaan account holders in addition to already provided variants of UnionPay PayPak Asaan Debit card.

Being aware of the potential of the digital revolution, Your Bank has always sought to remain at the forefront of innovation and technology. In order to improve customer experience through bringing more convenience, Your Bank expanded provision of debit card replacement and upgrade services through Allied Phone Banking (APB). In addition, temporary limit enhancement by 100% through ATM was enabled for ABL Debit cardholders for Cash Withdrawal, Fund Transfer and POS/ Online Shopping during the year.

In order to keep up with the constantly changing needs of the customers, a user-friendly and device-responsive interface, for Apple iOS, Android and Huawei, was created for myABL (PIB) Personal Internet Banking. It works seamlessly across a wide array of devices offering a mix of comprehensive features, available 24/7 on both internet and mobile banking channels.

To promote digital adoption, Your Bank has enhanced myABL WhatsApp Banking for customers to access their account information conveniently through their preferred messaging platform, resulting in over 672,000 registrations since its launch. Additionally, the Payday loan

feature (Advance Salary) has been extended to over 80 companies. Additional features such as downloading of account maintenance and withholding tax certificates, device binding and Robo Call functionality for transaction integrity and security has also been implemented.

Furthermore, for Overseas Pakistani users, an option to change OTP preference from SMS to Email has been introduced based on ATM card details, facilitating customers with no access to their mobile numbers.

Your Bank also brought a tremendous luxury for resident Pakistanis by providing revised online account opening facility through website and myABL application. Consequently, customers can open their account anytime and from anywhere without visiting ABL branch in few minutes.

To raise maximum awareness & promote products which ensure customer convenience, various campaigns and advertisements have been executed throughout the year on social media for WhatsApp Banking, Temporary Limit Enhancement, myPakistan Digital Account, Premium and Platinum Debit Cards, RAAST through myABL, myABL Wallet, Enhanced ATM Withdrawal Limit, Self-service banking services on Kiosks as well as on multiple dining and lifestyle discounts.

Your Bank has signed agreement with dEngage for its Customer Driven Campaigns Management Solution for interlinking and managing Emails, SMS, Web Push and App Push uniformly. It has capacity to trigger event-based communication to ABL account holders and prospective customers based on their interests. This campaign management solution would not only help in improving the retention of existing customers but also drives acquisition of new customers.

Furthermore, ABL is the first bank in Pakistan to use Sprinklr across all of its digital communication channels of Facebook, Instagram, Twitter, YouTube, LinkedIn and App Stores. It creates a unified process for reaching, engaging and listening to customers' experience and insights through customized AI-powered platform.

## Green Banking and Environment Protection

Global warming has become one of the most pressing issues of our time, with its impacts felt across the globe. Despite efforts to mitigate and adapt to the effects of global warming, the situation continues to worsen, highlighting the urgent need for collective action to address this global crisis. Relentless efforts are being made across the globe, to measure and mitigate this climate change risks.

Pakistan is one of countries that have made a commitment for controlling such threats. As part of Green Banking Policy, Your Bank is committed to enhance the impact of Green Financing in the overall environment safety to ensure that financing of the Bank is directed towards environment friendly projects / activities in the country. This is being monitored through development of Environment Risk Management System (EnvRM) by Green Banking Office (GBO).

Your Bank has cumulatively invested Rs. 180.2 million towards installation of solar panels and as part of the plan to reduce carbon emission by direct operational impact. Resultantly, total internal solar power generation capacity of the Bank increased to 534 KW installed at 64 locations.

Through continuous focus on automation of processes, Your Bank has been able to reduce paper-based processes, which assists in reducing the paper consumption



# CEO'S REVIEW

and lowering the carbon footprint as well as enhancing the efficiency in customer services. In addition, administrative measures including maintenance of electrical equipment carried out during the year resulted in reduced electricity consumption by 15%.

During the year, Your Bank conducted a tree plantation campaign, wherein a total of 75,000 trees/saplings were planted at various locations across the country. Your Bank is further committed to enhance tree plantation efforts, in line with national drive for "Clean and Green Pakistan". Tree plantation campaigns are being organized at schools, universities and public places. In this regard, efforts are also collaborated with Forest Division, Government of Punjab.

In year 2022, Your Bank has financed Rs. 4,183 million (2021: Rs. 3,117 million) to its obligors for installation of Green energy projects. In last 03 years, aggregate Green Financing was more than Rs. 10 billion. Total outstanding Green Financing of the Bank stood at Rs. 12,518 million at the end of FY-2022 mainly in; Wind and Solar Power, Hydel and Solid Waste Management.

## Ozone-Safe Business Practices at ABL Premises

Allied Bank continues to invest in renewable energy and energy efficiency projects to lower our carbon footprint. Following are the green initiatives, which played a pivotal role towards mitigating environmental challenges;

- Extensive use of in-house developed Workflow Automation System (WAS) for approval purposes, replacing paper-based approvals.

- Upgraded Human Resource Management System to Oracle-HRMS providing paperless management of multiple HR related processes.
- Shifted Change Request Management from paper-based requisitions to complete automated approval hierarchy.
- Increased usage of In-house Innovation Lab serving as an incubation center to ensure constant technological developments.
- Reduction in paper wastage in ATM receipts by providing the charged receipts as an option for ATM transactions.
- End-to-end automated cheque clearing process signed-up with NIFT ePay.
- Employee digital signatures are marked with a quote "Please consider the environment before printing this email" as a daily reminder towards sustainable and green environment.

## Service Excellence Measures

Your Bank continuously strives to achieve excellence in customer services by consistently surpassing the expectations of customers, understanding their needs and continually bringing improvement in delivery of services.

Customer Support Officers have been designated at top 100 flagship branches to implement meet and greet concept. Custom-designed greeting stations are prominently placed near branch entrance areas to facilitate interactions with customers.

Self-service kiosks and interactive digital signages have been installed at top 100 flagship branches to provide customers

the convenience of self-service banking and enabling them to open Asaan Account, enquire their account balance, get mini statement of account, activate debit card and place request for cheque book. Moreover, customers can also request for change in mobile number, email address, physical address and subscription to electronic statement of account (e-SOA) and transaction alerts.

Your Bank has digitized documents, notices and circulars intended for providing information and creating awareness amongst customers on the interactive digital signages. Furthermore, customers can lodge their complaints directly both on self-service kiosks and digital signages, whereas complaint management division acknowledges receipts and keeps them informed throughout the complaint resolution process.

With an objective to learn about the actual experience of customers when using the Bank's products and services, video mystery shopping of branches and customer experience survey were arranged during the year 2022. The results provided an objective view of services delivered to customers at branches and helped to prepare improvement plans. Moreover, with a vision to develop closer ties with the customers and to serve them at all levels, customers' comments and messages in Urdu language are also responded in Urdu text.

As part of Your Bank's initiatives for Fair Treatment of Customers (FTC) and Consumer Grievance Handling Mechanism (CGHM) Bank's complaint lodgment process and available channels, information was disseminated through corporate website, digital signages, ATMs and SMS. Resultantly, 83,099 complaints







were registered with Bank during the year 2022, achieving 97% resolution rate with an average turnaround time of 10.3 working days for resolution of customer complaints.

To efficiently handle increasing customers' calls and social media/chat volume due to wide range of products and growing customer portfolio, Your Bank has recently launched its third purpose-built state-of-the-art Call Centre at Islamabad.

### Risk Management, Compliance and Controls

Risk Management is one of the main components which contributes significantly towards achievement of business strategies of bank. Your Bank's Risk Management is supported by an optimal organizational structure, efficient risk assessment models and effective monitoring systems, all operating in an automated IT environment for protecting the strength of the bank's capital base and safeguarding value for stakeholders.

Your Bank continued to take key initiatives to strengthen and refine risk monitoring and assessment processes using the latest technologies during 2022. In compliance with regulatory instructions of SBP for smooth transition towards implementation of International Financial Reporting Standard 9, "Financial Instruments" (IFRS9), Your Bank has been successfully submitting the impact of Expected Credit Loss under IFRS9.

For efficient and effective Credit Risk management, Your Bank has developed an in-house Risk Assessment and Management System (RAMS) for loans processing and monitoring and is continuously upgrading it for enhancing its effectiveness. This has resulted in achievement of one of the lowest infection ratios of 1.53% in the industry.

During 2022, Your Bank conducted various security assessment exercises including Vulnerability Assessment (VA) and Penetration Testing (PT) activities, on Information assets of the Bank. This included a comprehensive White Box Vulnerability Assessment for Critical Application Servers of the Bank.

Your Bank achieved Payment Card Industry Data Security Standard (PCI DSS) Certification for the 4th year in 2022, along with compliance to Swift Customer Security Program (CSP) as mandated by SWIFT International. A Cloud based E-Learning platform was acquired for training of team members including to educate and enhance awareness about latest Cyber security threats and trends. Various Information Security campaigns including Fraud awareness were also conducted for valued customers.

Your Bank continued to focus on the Capacity Building and Enhancement of SOC (Security Operations Center) through Technological Upgrades, Improvement of Processes and development of HR Skillset. Major highlights include the establishment of a dedicated SOC Facility and onboarding of a Threat Intelligence and Digital Risk Protection Platform for receiving enriched and timely Threat Intelligence for the protection of our Information Assets.

Your Bank initiated a project to develop an Information Security Risk Management Program for aligning its Governance structure with International Standards and Industry best practices. In this regard, Information Security Strategy and development of Policies, Procedures and Frameworks were the major highlights.

Your Bank also conducted Cyber Hygiene and Data Leakage self-assessment

exercises for evaluating the overall cyber health and Security Posture of your bank. In this context, your bank has developed a roadmap to further strengthen and improve the security posture.

### Customer Awareness Sessions

Your Bank remained focused in arranging various awareness sessions and seminars in order to create financial literacy and enhance customer insights on business strategies.

During 2022, Your Bank hosted an awareness event on Islamic Banking in collaboration with the Swat Chamber of Commerce & Industries. Since 2016, ABL Islamic Banking has held 14 Islamic Banking Customer Awareness Sessions across the country.

Your Bank organized Agri awareness sessions, under SBP's guidance, to attract prominent agriculturist for availing credit facilities offered by the Bank. In addition, 150+ awareness sessions with farmers about Agri finance products were organized in various regions.

Your bank also arranged an interactive webinar on "Transforming Family-Owned Structure to Corporate Structure" for existing and prospective obligors. The participants gained insights into the benefits of corporate governance in family-owned businesses and how pivotal it is for business sustainability and future growth.

Various Information Security Awareness campaigns were conducted for valued Customers and Staff via SMSs, Emails and Social Media respectively to educate and enhance awareness about latest Cyber security threats.

# CEO'S REVIEW

## Information Technology

Your Bank has been making notable progress by providing services to its customers through technological advancements and expanding its digital presence ensuring that customers can access a wide range of banking services on the go, resulting in enhanced and personalized customer experience.

Your Bank is continuously making efforts to improve operational efficiency for provision of services to customers, reduction of resolution turnaround time and cost optimization through implementing additional cases on "Robotic Process Automation Solution" (RPA). In addition, RPA has also been used for automation of price benchmarking of trade goods. This automation involves acquiring information on price benchmarks from the Federal Board of Revenue (FBR) and various reputable online trade websites.

Your Bank has pioneered in implementing system-based trade parties Name Screening and tracking of vessels / voyages and their reputation. Furthermore, SBP governed TBML red flags are applied for trade deals monitoring; in order to monitor customer transaction behavior for any possible money laundering and restricted deals.

In order to respond quickly to business demands, Your Bank has recently upgraded hardware infrastructure of Core Banking System and inducted most powerful and scalable IBM Power10 servers to enable greater workload deployment flexibility and agility while accomplishing more work.

Your Bank has also implemented following Software Defined Networks (SDN) in campus and data center:

- Cisco SD-Access
- Cisco ACI

RAAST is an initiative of State Bank with the aim to digitalize the economy by introducing the low-cost payments, interoperability amongst all the financial institutions and simplifying the transactional experience. Allied Bank has been part of this initiative since inception of RAAST project and has successfully implemented the Bulk Payments (Receiving Side), Person to Person Payments and QR payments.

## Investment in Human Capital

Your bank has continued to keep the workforce and organization engaged, productive and resilient during the difficult operating environment. The bank has firm belief in nurturing employees on personal and professional level leading to better decision-making and creating innovative service offerings.

Your Bank believes in merit-based elevations for career growth at all hierarchical levels to provide cross functional exposures at Chief, Group Head, Divisional Head, Regional Head and Unit Head positions. Through effective career progression at junior management levels, 653 cadre change elevations were made along with 1,757 grade promotions during the year 2022. Further, 2,334 employees were recruited to successfully implement the Bank's business strategies and achievement of required targets. Total employee retention ratio of 86.16% and female employee ratio of 20.69% were recorded during the year.

To fulfill unflinching commitment to invest in its employees, Your Bank conducted multiple class room as well as on job trainings during 2022. Use of latest learning tech including mLearning app

have paved the way for effective blended learning. Moreover, LUMS customized training of middle and senior leadership on 'Developing and Leading Customer Centric Culture' and specially designed 'Women Leadership Development Program' helped in developing employees' personal and professional skills.

Further, in compliance with SBP directives, Your Bank arranged trainings for team members in under privileged areas. Allied Bank has also conducted over 3,450 sessions in 41 remote districts assigned to the Bank under National Financial Literacy Program (NFLP) over the period of 5 years.

Your Bank is setting solid foundation for learning and development by building state of the art training infrastructure such as new Management Development Centers and provision of world class facilities.

Global Diversity Equality & Inclusion Benchmarks (GDEIB) is the Global Gold Standard for HR best practices, which facilitates organizations in HR strategy and fostering diversity and inclusion. These awards are based on meeting Global DEI Benchmarks with demonstrated evidence, assessed by an International Jury.

(GDEIB) Awards conducted by HR Metrics has awarded ABL in the following categories:

- Vision, Strategy and Business Impact
- Leadership and Accountability
- Recruitment
- Job Design, Classification and Compensation
- DEI Learning and Development
- Services and Products Development

Employees' wellbeing and mental health is of paramount significance to us. Hence to





counter the post pandemic stress, training sessions and wellness programs on 'Work-life Balance', 'Yoga for Self-Care' and 'Stress Management' were arranged for employees. In addition, Your Bank has also conducted a comprehensive training for all employees explaining guidelines to interact with Persons with Different Abilities (PWD) for provision of priority services.

### Outreach Expansion

The proliferation of digital technologies has transformed the financial services dynamics. Your Bank being at the forefront of such transformation, combines expansive physical presence with digital capabilities, thereby breaking down geographic barriers and deploying innovative ways to take formal banking channels to the last mile. During the year under review outreach is expanded to 1,453 branches including 1,334 domestic conventional and 08 digital branches, 117 Islamic branches and 02 overseas branches. Geared towards serving the unbanked and under-banked population of the country, Your Bank added 07 new rural branches, resultantly, the total reached to 298 rural branches. Simultaneously 17 new urban branches were added, which aggregated to 1,155 branches as at December 31, 2022.

During 2022, 25 more Islamic Banking Windows (IBWs) were established at viable conventional branches bringing the total number of IBWs to 135 besides the network of specifically designated Islamic Banking Branches. Machine (ATM) network has increased to 1,572, inclusive of 1,296 on-site ATMs, 271 offsite ATMs and 05 Mobile Banking Units (MBUs) during the year.

### Awards and Accolades

Your Bank achieved tremendous success in 2022 despite facing economic challenges through resilient risk management, robust regulatory compliance of local and international requirements, sound business strategy, strong technological infrastructure and digital services excellence. This has translated into winning various awards and recognitions by multiple national and international prestigious institutions:

- Bank of the year 2022 – (Pakistan) Award by "The Banker", 2nd year in a row.
- Best Bank for SMEs in Pakistan 2022 - Asiamoney
- Best Domestic Bank in Pakistan for 2022 - FinanceAsia Country Awards.
- Best Banking Tech of the Year award – Pakistan Digital Awards 2022
- "2nd Position in Banking sector for



Best Corporate Report of 2021" from ICAP and ICMA international.

- Certificate of Merit for the Year 2021 in Private Sector Banks Category - South Asian Federation of Accountants.
- Pakistan Digital Awards – Best Banking Tech of the Year.
- National Forum of Environment and Health (NFEH) Award for:
  - Corporate Governance
  - Technology, Innovation and Inventions.
  - Women Welfare, Empowerment and Development.
  - Green Energy Initiatives.
- Global Diversity, Equity & Inclusion (DEI) Benchmarks Award for:
  - Vision, Strategy and Business Impact.
  - Leadership and Accountability.
  - Recruitment.
  - Job Design, Classification and Compensation.
  - DEI Learning and Development
  - Services and Products Development.

### Allied Bank Performance Awards 2022 - The Stars Have Risen

Allied Bank's Annual Performance Awards are an initiative to recognize the efforts made by dedicated teams and all team members for overall growth of the Bank and their role in development of the national economy.

In recognition of exceptional performance and in honor of passion and commitment to achieve excellence for the year 2022,

Allied Bank Performance Awards 2022 ceremony was held on January 10, 2023. 138 team members were awarded under 77 categories.

ABL has introduced a gender lens through specific measures in key areas, to bring a shift towards women friendly business practices. These measures are targeted to improve institutional diversity, product diversification, customer acquisition and facilitation and better gender-disaggregated data collection for improving women access to financial services. To ensure achievement of these objective efforts of all Women Champions were recognized by awarding 18 winners under 4 main categories

As part of HRG continuous efforts towards Organizational Development and inculcating transformation enabling environment, 'Employee Recognition Program' for all employees working in business as well as support groups was introduced, with an aim to recognize and honor employees contributing towards organizational growth. Under this category, 16 employees from all 16 Groups were awarded by the title of "Employee of the year 2022.

### ABL Asset Management Company Limited

ABL Asset Management Company Limited, wholly owned subsidiary of the Bank, is engaged in Asset Management and Investment Advisory Services. The Company is also licensed to carry out business as Pension Fund Manager.

# CEO'S REVIEW

ABL AMC strives to deliver superior investment performance consistently through time and deepening client relationships together with creating value through growth efficiency and diversity of product ranges and delivering long-term sustainable benefits to all its stakeholders. ABL AMC offers a portfolio of 13 Open ended mutual funds and 2 Pension funds to provide innovative investment solutions to a wide array of customers. ABL AMC has also introduced value added services including investment through 1Link, 1 bill payment option, Revamping of Mobile Application, ABL Pension Funds availability on ABL RDA portal, Revamping of Online Service Web Portal, Tele Transactions, Mobile Transaction Alert Service, E-Statement Service, SMS Service, WhatsApp Business Solution and Investor Risk Profiling Calculator.

ABL AMC recorded profit after tax for the year ended December 31, 2022 of Rs. 54 million with Rs. 1.07 earnings per share. Balance sheet remained healthy and closed at Rs. 3,028 million, increasing by 2% on YoY basis. Breakup value per share is Rs. 60.56.

ABL AMC offers wide array of Conventional and Islamic funds. The assets under management closed at Rs. 129.01 billion with the market share of 8% displaying a YoY growth of 41%. Separately Managed Assets (SMA) decreased by 13% and closed at Rs. 8.5 billion.

In order to attain substantial share and better position in the market, ABL AMC mainly focuses on digitization across the asset management value chain by adopting an integrated platform that

manages all activities of Investment, Distribution, Operation and valuation. ABL AMC Aims to promote the use of Digital Channels including web portal, mobile app and others for onboarding, investment and redemption transactions and for promoting Digital Sales and Marketing.

Going forward, ABL AMC aims to strengthen the brand Equity and to encourage investors by introducing e-investing channels such as digital onboarding through MyABL and ABL Fund Application, offering objective based innovative investment solutions. Further, to improve business relationship and potential customer satisfaction ABL AMC aims to implement Customer Relationship Module, Sales Force management System and introduce Co-Branded VISA Debit card facility for easy access to funds with cash withdrawal facility. Moreover, to enhance Client Growth Strategy, ABL AMC plans to launch 5 new open-ended Products and Funds.

## Credit and Corporate Governance Ratings

### Entity Ratings

Your Bank's sustainable and robust financial position, capable of absorbing foreseeable economic cycles, one-off shocks and proficient enough to deliver stable results culminated into Pakistan Credit Rating Agency Limited (PACRA) maintaining the highest long term and short-term entity credit ratings of AAA (Triple A) and A1+ (A One Plus) respectively, reflecting very high credit quality of the organization.

## Corporate Governance Rating

Your Bank's corporate governance aims to instill effective and prudent management to deliver sustainable long-term value. Therefore, Your Bank on yearly basis has its corporate governance practices reviewed by an independent evaluator. VIS Credit Rating Company Limited re-affirmed Your Bank's Corporate Governance Rating of 'CGR- 9++'. This Rating indicates a 'high level of corporate governance; thus, depicting a strong commitment towards governance framework by the Board and management of Your Bank, while noting that major headways are made on Information Technology front through digitization and automation to assist the Bank's growth prospects along with cost rationalization during medium to long-term.

## International Rating

Moody's Investors Service downgraded Your Bank's deposit rating recently from B3 to Caa3 (Domestic and Foreign) in 2023, with negative outlook on the sovereign rating; indicating weakened credit worthiness given the bank's significant holding of sovereign debt securities.

## Future Outlook

Amid global measures by central banks to contain inflation, Russia- Ukraine conflict and economic slowdown in China, IMF estimates decline in global GDP growth from 3.4% to 2.9% in 2023. However, growth is expected to rise to 3.1% in 2024 based on anticipated economic revival in China from covid restrictions, steady





recovery from Russia-Ukraine conflict and subsiding inflation for food and oil commodities.

Going forward, weaker global demand and monetary policy tightening by central banks is expected to reduce global inflation from 8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024.

Pakistan's economic challenges mainly stem from political uncertainty, damages by floods, inflation spikes, currency depreciation and deterioration of fiscal and external position. Fiscal and institutional reforms and resolution of power sector critical issues are recommended by IMF. Resultantly, IMF and World Bank projected real GDP growth to decelerate to 2% in FY 2023, with later on recovery to 3.2% (World Bank) in FY 2024 based on easing in global inflationary pressures, recovery in agriculture production and infrastructure rebuilding.

As per World Bank, growth in agriculture sector is projected to decline sharply for the first time in decades due to flood related damages and will also have spillover effects on the manufacturing and services sectors. Accordingly, growth in these sectors is estimated to decline significantly to 2.3% and 3.2% respectively in FY 2023 as compared to 7.2% and 6.2% respectively in FY 2022.

For FY 2023, IMF projects 20% hike in inflation whereas the same is projected at 23% by World Bank. This elevation is mainly attributable to higher energy prices, floods related disruptions and rupee devaluation. Going forward, the inflation will moderate to 9.5% (World Bank) and 6.5% (IMF) for 2024 and 2026 respectively.

As per World Bank, growth in imports is projected to decline to 2.3% in FY 2023 from 15.6% in FY 2022, mainly attributable to import containing measures to reduce current account deficit. Considering slower economic activity and continuation of import restrictive measures, World Bank anticipates current account deficit to narrow down to 4.3% of GDP in FY 2023. Growth in exports, on the other hand, is also expected to reduce significantly to 1.5% in FY 2023 from 8.4% in FY 2022.

State Bank of Pakistan (SBP) increased policy rate to 17% in January 2023 to anchor inflationary pressure and cooling off consumers' demand. As a result of containment measures, SBP anticipates average inflation to be within the range of 21%-23% during FY 2023.

Your Bank is very enthusiastic about improving its products and services in order to strengthen the whole digital

perspective and meet the expectations of our customers. Various innovative products and services are lined up, which will be implemented with an agile methodology. Contactless payments including NFC & QR, Enterprise Loyalty, Acquiring Business, Self Service Branches are in pipeline with a vision of Enhancing Customer Experience & Engagement, Promote Process Automation & Business Intelligence and Digital Transformation.

Recognizing the challenges for economy of Pakistan, Your Bank shall continue to take pragmatic measures to ensure effective risk management of the Bank's assets through investments in technology and human resource development.

For 2023, Your Bank aims to continue its focus on major initiatives such as effective utilization of the implemented Modules of Oracle Financial Services Analytical Applications (OFSA) and Operational Risk Management Module of Risk Nucleus, process design assessments and control testing, automation of workflows in Risk Assessment and Management System, information security awareness campaigns, augmentation of the Bank maintained warehouses for pledge financing.

Being cognizant of disruption through digital banking, Your Bank has plan to enhance the scope of existing digital lending platform from consumers to Small Enterprises, Medium Enterprises and commercial businesses by innovating credit scoring models and processes for credit risk assessment, disbursement and monitoring.

Collaboration with leading FinTech and Data Analytic companies will be evaluated to leverage the developments taken place with regards to Artificial Intelligence and Machine Learning techniques.

Your Bank strives to provide a full spectrum of Shariah-compliant products and services in the competitive Islamic banking sector, maintaining operational effectiveness and top-notch client care, allowing the Bank to achieve significant growth.

Customer awareness workshops would continue to be a priority and promotion of Islamic banking in Pakistan as a means of increasing the country's financial inclusion would be given substantial weight. Additionally, automation and digitization would continue to play a major role in the expansion and development of Islamic banking.

Going forward, Your Bank would carry on the initiative of installing Electronic

Queue Management System (EQMS) and feedback tablets at additional 100 branches during 2023 to facilitate customers to conduct transactions conveniently and provide valuable feedback about the delivered banking services. It will also arrange another cycle of video mystery shopping of top 100 and additional 100 branches through an external research partner.

During 2023, the Bank aims to revamp two existing Call Centre locations into purpose-built state of the art call facilities. Moreover, Your Bank will be introducing phase 2 of web-chat to enable identification of ABL and Non-ABL customers for the call centre agents in order to strengthen security and improve customer experience. Chatbot solution is also expected to go live at Webchat and WhatsApp channels. In addition, enhancement of IVR services is also planned by introducing debit and credit card blocking / myABL User ID blocking and retrieval etc. through Self-Service Banking.

Going forward, Your Bank will pursue automation and simplification of processes using technologies like Robotics Process Automation (RPA), Machine Learning, Artificial Intelligence along with introduction of additional service channels like customer facilitation portal on ABL's website to enhance customer experience.

Your Bank's strong capital positioning is manifested by high Capital Adequacy Ratio of 19.7% as on December 31, 2022, well above the industry ratio of 16.6% as on September 30, 2022, providing adequate buffer to prevent capital adequacy depletion.

## Acknowledgment

I would like to express my deepest appreciation to the Board of Directors for their leadership and guidance. I would also like to acknowledge that the skills, experience and commitment of our team members are the key for realizing our vision. Special praise is due towards our much-valued customers for placing their continuous faith in our products and services. Furthermore, I would extend my sincere appreciation to the State Bank of Pakistan, Securities and Exchange Commission of Pakistan and other regulatory bodies for their direction and ceaseless support.

**Azid Razzaq Gill**  
Chief Executive Officer

Dated: February 16, 2023

# DIRECTORS' REPORT

Dear Shareholders,

On behalf of the board of Directors, we are pleased to present the Annual Report of Your Bank for the year ended December 31, 2022. The operating results and appropriations, as recommended by the Board of Directors are included in the appended table:

	Year ended December 31,		
	2022	2021	Growth
	Rs. In Million		%
Profit after tax for the year	21,194	17,314	22
Accumulated profits brought forward	69,471	66,995	4
Transferred from surplus on revaluation of non-banking assets to un-appropriated profit – net of tax	27	77	(65)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit – net of tax	124	406	(69)
Re-measurement on defined benefit obligation – net of tax	117	151	(22)
<b>Profit available for appropriation</b>	<b>90,932</b>	<b>84,943</b>	<b>7</b>
Final cash dividend for the year ended December 31, 2021: Rs. 2.00 per share (2021: Year ended December 31, 2020: Rs. 6.00 per share)	(2,290)	(6,870)	(67)
First interim cash dividend for the year ended at December 31, 2022: Rs. 2.00 per share (2021: Year ended December 31, 2021: Rs. 2.00 per share)	(2,290)	(2,290)	-
Second interim cash dividend for the year ended at December 31, 2022: Rs. 2.00 per share (2021: Year ended December 31, 2021: Rs. 2.00 per share)	(2,290)	(2,290)	-
Third interim cash dividend for the year ended December 31, 2022: Rs. 2.00 per share (2021: Year ended December 31, 2021: Rs. 2.00 per share)	(2,290)	(2,290)	-
Transfer to Statutory Reserves	(2,119)	(1,731)	22
<b>Accumulated profits carried forward</b>	<b>79,653</b>	<b>69,471</b>	<b>15</b>
<b>Earnings Per Share (EPS) (Rs.)</b>	<b>18.51</b>	<b>15.12</b>	<b>22</b>

The Board of Directors has proposed a final cash dividend of Rs. 2.50 per share (Aggregate cash dividend of Rs. 8.50 per share including interim dividends). This, together with the interim cash dividends declared during 2022, will be approved in the forthcoming Annual General Meeting.

## Macro-Economic Developments

Year 2022 started with less vulnerability related to pandemic related uncertainty. However, global economy remained fragile due to a number of turbulent challenges. Slowdown in China, Russia Ukraine conflict and ongoing supply chain disruptions kept hampering the economic activity. Persistent inflationary pressure depleted the purchasing power especially for lower earnings segment. Tightened monetary and fiscal measures adopted by central banks in most of the economies to cope with inflation and moderate the consumer demand showed positive results and inflation is expected to provide respite gradually. Global economic growth expectations estimated by International Monetary Fund (IMF) remained subdued at 3.4% for 2022 as compared to 6.2% growth in 2021.

Despite the adverse impacts of subdued global economic outlook together with uncertain domestic environment and damages caused by floods, the economy of Pakistan remained resilient in 2022. Resultantly, in January 2023, IMF has estimated real GDP Growth of

Pakistan at 6.0% for 2022 which was earlier estimated at 4.0% as compared to 5.7% in 2021.

Slowdown in global economic activity has toned down overall demand which is having its spillover effects on the manufacturing industry of Pakistan. Furthermore, the damages incurred by floods have also dampened growth prospects. The production of Large-Scale Manufacturing (LSM) witnessed a decline of 3.6% during Jul-Nov FY2023 as compared to growth of 7.2% in the comparative period last year. Out of 22 sub-sectors, only 5 sectors exhibited positive growth, which include wearing apparel, leather products, electrical equipment, furniture and other manufacturing sectors.

Exports of goods and services was recorded at US\$ 17,737 million during Jul-Dec FY2023 as compared to US\$ 18,674 million for Jul-Dec FY2022; registering a decline of 5.0%. Imports of goods and services reached at US\$ 33,393 million during Jul-Dec FY2023 as compared to US\$ 41,666 million during the same period last year showing a

decline of 20% mainly due to import restrictions imposed by the Government of Pakistan on wide range of non-essential and luxury goods. Petroleum products, petroleum crude, liquefied natural gas, palm oil were the main imported commodities during Jul-Dec FY2023.

Owing to higher reduction in imports as compared to exports, trade deficit in goods and services reduced to US\$ 15,656 million during Jul-Dec FY2023 as compared to US\$ 22,992 million in the same period last year.

The improvement in trade balance had also eased out as Current Account Deficit (CAD) reduced to US\$ 3,667 million during Jul-Dec FY2023 from US\$ 9,091 million during corresponding period last year.

Remittances were recorded at US\$ 14,051 million during Jul-Dec FY2023 as compared to US\$ 15,808 million in same period last year showing a decline of 11.1%.



Heavy debt repayments and significantly lower inflows in the financial account have led to significant decline in Foreign Exchange Reserves. Total liquid Foreign Exchange Reserves stood at US\$ 10,845 million as on December 31, 2022 as compared to US\$ 23,883 million as of December 31, 2021.

Foreign Direct Investment (FDI) reached at US\$ 460.9 million during Jul-Dec FY2023 as against US\$ 1,114.7 million last year; depicting a decrease of 58.7%. Power sector added 51.4% of the total FDI whereas, financial business and Oil & Gas explorations added 38.2% and 19.3% respectively.

Fiscal accounts are under pressure to rebuild buffers in order to curb inflation, strengthening the economic recovery and supporting the vulnerable conditions arisen due to Russia-Ukraine conflict and additional spending on post flood relief activities.

Net collections of Federal Board of Revenue increased by 16.9% to reach at Rs. 3,732 billion during Jul-Dec FY2023 against Rs. 3,191 billion in comparable period of last year. During Jul-Dec FY2023, total expenditure increased by 19.8% and recorded at Rs. 6,382 billion as against Rs. 5,328 billion during the same period last year. Overall, fiscal deficit stood at Rs. 1,683 billion during Jul-Dec FY2023 as compared to Rs. 1,372 billion last year.

During the month of December, the CPI clocked in at 24.5% on a year on year (YoY) basis as compared to 12.3% in December last year. This significant increase is attributable to exchange rate depreciation along with rapid increase in fuel and commodity prices.

Pakistan Stock Exchange (PSX) index registered 40,420 points as on December 30, 2022 as compared to 44,596 points as on December 31, 2021; declining by 10%.

In view of this challenging situation, State Bank of Pakistan (SBP) adopted tightening of monetary policy to moderate demand, prevent the compounding of inflationary pressures and to safeguard the external account stability and has progressively inflated policy rate by 725 basis points since December 2021 to bring it at 16% in November 2022 and 17% in January 2023.

Global growth is expected to remain under pressure due to higher inflation, Russia-Ukraine conflict and economic slowdown in China. However, reduced demand and policy measures adopted

to contain inflation are expected to give positive results gradually. Accordingly, IMF has forecasted global growth would accelerate slightly to 3.1% in 2024 as compared to 2.9% in 2023 and global inflation would fall from 6.6% in 2023 to 4.3% in 2024.

At domestic front, IMF has projected GDP to grow by 2.0% in FY2023 and 4.4% in FY2024, whereas, SBP has projected the domestic growth around 2.0% in FY2023. SBP forecasts inflation to remain elevated within the range of 21-23% in FY2023 and current account deficit to be around 3.0% of GDP.

### Financial Performance

Banking sector of Pakistan remained resilient and performed well in 2022 amid tough operating environment and elevated risks in high interest rate scenario. Total assets of the industry recorded growth of 20% and reached at Rs. 34,530 billion at the end of the year 2022 as compared to Rs. 28,882 billion last year. Asset growth is achieved mainly due to Investments and Advances with an increase of 27% and 17% respectively to reach at Rs. 17,902 billion and Rs. 11,225 billion respectively during the year under review. Industry deposits exhibited a growth of 7% over the last year to reach at Rs.22,467 billion.

Amidst challenging and evolving environment, Your Bank focused on stable long-term growth and accelerated its efforts for value creation for all the stakeholders.

Positive volumetric growth in average earning assets supported by improving spreads and effective duration management of investments enabled the Bank to post higher markup income of Rs. 215,469 million for the year ended December 31, 2022; depicting a strong increase of 82% over the last year. Unfavorable rate variance on deposits driven by the policy rate increase has resulted in a growth of 104% in mark-up expense to reach at Rs. 148,750 million during the year ended December 31, 2022. Net markup and interest income registered growth of 46% over last year to reach at Rs.66,719 million for the year ended December 31, 2022.

An increase of Rs. 1,336 million or 20% was witnessed in fee-based income reaching at Rs. 8,147 million during the year under review as compared to Rs. 6,811 million during last year. This was achieved through diversified digital revenue streams along with sustained focus on service enhancement and ensuring utmost customer convenience.

Dividend income of Your Bank increased by 44% to reach at Rs. 3,088 million during the year ended December 31, 2022 as against Rs. 2,151 million during last year.

Higher trade volumes on the back of significant increase in POL trade volume, volatility in spot and swaps and wider spread manifested a healthy growth in foreign exchange income, which reached at Rs. 7,948 million during the year under review.

Non-markup income increased by Rs. 4,737 million or 30% and amounted to Rs. 20,675 million for the year ended December 31, 2022 as compared to Rs. 15,938 million in corresponding year ended December 31, 2021.

In this volatile revenue environment, the Bank also kept check on the growth in administrative cost. Despite of higher inflation and adverse USD/PKR parity, administrative expenses were recorded at Rs. 41,030 million as on December 31, 2022 showing an increase of 21% as compared to last year. Your Bank's continued spending towards expanding branch outreach and technological transformation also contributed towards increase in total operating expenses.

During the year, Your Bank as a responsible corporate citizen participated in flood relief activities in disaster areas of Baluchistan and Sindh with contribution of Rs. 21.849 million for provision of food and shelter to the effected people. Employees of Your Bank also remained at the forefront and contributed additional Rs. 15 million for this noble cause.

Your Bank's higher revenues from markup and non-markup streams resulted in elevating Profit Before Tax for the year ended December 2022 to Rs. 46,626 million, a robust 64% growth over the last year.

For Banking companies, vide Finance Act 2022, Corporate Tax rate is enhanced from 35% to 39%, Super Tax on high earning persons is levied for Tax Year 2023 (Income Year 2022) at 10% and subsequently at 4% and tax rate on attributable income from investments in Federal Government Securities is increased (49% for ADR 40% to 50%) retrospectively from Tax Year 2022 (Income Year 2021), which resulted in additional tax charge during the year ended December 31, 2022. Consequently, effective tax rate of Your Bank increased to 54.5% with taxation charge of Rs. 25,432 million as compared to 39.0% and Rs. 11,077 million in the corresponding year.

# DIRECTORS' REPORT

Sizable growth in advances portfolio together with effective management of margins and expenses enabled Your Bank to achieve 22% growth in Profit after Tax for the year under review, which was recorded at Rs. 21,194 million as compared to Rs. 17,314 million last year. Earnings per Share (EPS) was recorded at Rs. 18.51 as on December 31, 2022 as compared to Rs. 15.12 last year.

Gross advances surpassed Rs. 857 billion while net advances grew by 30% to Rs. 846 billion as on December 31, 2022, as compared to Rs. 653 billion for corresponding year.

Quality of Your Bank's advances' portfolio is diligently monitored under robust risk management framework and prudent approach. Resultantly, non-performing loans of Your Bank decreased during the year by 4% to reach at Rs. 13,104 million as at December 31, 2022. Coverage ratio remained at 90.4% and infection ratio dropped to 1.53% which is one of the lowest in the industry. The Bank has not availed benefit of Forced Sale Value of collaterals against non-performing loans, allowed under guidelines of the State Bank of Pakistan, while calculating the provision against NPLs.

Investments of Your Bank touched Rs. 1,123,117 million as on December 31, 2022 with 6% growth over investments of Rs. 1,064,495 million last year.

Total assets of Your Bank reached at Rs. 2,250,973 million as on December 31, 2022 as compared to Rs. 2,010,156 million last year showing strong growth of 12%.

Net assets of Your Bank stood at Rs. 127,811 million as on December 31, 2022 as compared to Rs. 127,245 million last year. Return on Assets and Return on Equity were recorded at 1.0% and 18.4% respectively for the year ended December 31, 2022. Capital adequacy ratio (CAR) stayed robust at 19.74% considerably above the statutory requirement of 11.5%; depicting strong capital positioning of Your Bank.

Allied Bank's nationwide branch footprint provides a competitive advantage, which has been augmented by opening of Digital and Smart branches and investing in upgrading existing locations with the objective of enhancing the customer experience. Currently, Your Bank serves with 1,453 branches including 1,336 conventional branches and 117 Islamic branches and 20 digital touch points.

Your Bank is well equipped to provide banking services 24/7 across the country through numerous physical locations, ATMs, internet & mobile banking and other digital touch points. Your Bank's customer penetration is supplemented by a strong network of 1,572 Automated Teller Machines (ATMs) including 1,296 on-site, 271 off-site and 05 Mobile Banking Units (MBU).

In recognition of Allied Bank's focus on risk management, technological advancement, sustainability, women's financial inclusion and green practices, Your Bank has been awarded "Bank of The Year 2022 - Pakistan" by "The Banker" for second year in a row. The Banker is world renowned financial affairs publication of Financial Times Group U.K, being published since 1926. This award is a testament of long term & well calibrated business strategies, excellent service delivery, quality work and strong technological infrastructure supplemented by robust risk management framework.

Going forward, Your Bank is fully geared towards creating long term sustainable value for its stakeholders. Your Bank is continuously enhancing its banking service suite by adapting to the ever-evolving customers' needs. Digital excellence is essential for propelling future growth, augmenting financial inclusion and enhancing market share. The Bank will continue to strive towards honoring responsibility towards its employees, customers and stakeholders.

## Risk Management Framework

Risk Management Group (RMG) is continuously striving towards management of risk through an augmented framework of sound risk principles, reinforced by optimum organizational structure, robust risk assessment models and effective monitoring systems in an automated environment to safeguard the strength of the capital base of the Bank while achieving maximum value for the stakeholders.

Dedicated functions in Risk Management include Corporate and Financial Institutions Risk; Commercial, SME and Consumer Risk; Credit Administration and Monitoring; Technical Appraisal; Information Security & Governance and Enterprise Risk which operate cohesively to continuously augment the risk monitoring and assessment architecture, ensuring superior quality of asset portfolio while keeping the aggregate risks well within the Bank's overall risk acceptance criteria.

During 2022, Risk Management continued to refine and innovate Risk Management practices through use of latest technology and took following key initiatives to further strengthen risk monitoring and assessment processes:

- The Bank has partnership with Karandaz Pakistan (a non-profit organization) for two Innovative Challenge Funds; ICF3 - Transforming SME Financing, Innovative Credit Scoring Model of SMEs and ICF5 - Small Distributors Lending through digital platform in collaboration with Fintech.
- In order to ensure meticulous compliance regarding smooth transition towards the SBP's instructions for implementation of International Financial Reporting Standard - 9, "Financial Instruments" (IFRS-9), the Bank has ensured its readiness through implementation of IFRS-9 system to comply with regulatory requirements and accounting standards. The Bank has been successfully submitting the impact of Expected Credit Loss under IFRS-9 to SBP.
- In line with Basel guidelines and best practices, the Bank has arranged validation and recalibration of Obligor Risk Rating Models through an external consultant.
- The Bank has an in-house developed state of the art Risk Assessment and Management System (RAMS) for loans processing and monitoring. The system has enabled effective management of Credit Risk, also reflected by one of the lowest infection ratios in the industry. The Bank follows a continuous process for upgradation in RAMS to enhance its effectiveness.
- In continuation of the Bank's distinctive initiative of engaging with the obligors to provide them with latest insight on business management and strategies; an interactive Webinar and three seminars for Corporate, Commercial & SME obligors, were arranged with renowned Speaker Dr. Ishrat Hussain (ex-Governor State Bank) on "Corporate Governance for Sustainable Economic Growth" and "Transition from Family-Owned Business Structure to Corporate Structure" during 2022.
- The Bank also conducted various security assessment exercises in 2022 on Information assets of the Bank which included Vulnerability Assessment (VA) and Penetration



Testing (PT) activities. This included a comprehensive White Box Vulnerability Assessment for Critical Application Servers of the Bank.

- Payment Card Industry Data Security Standard (PCI DSS) Certification was also achieved for the 4th year in 2022 along with compliance to Swift Customer Security Program (CSP) as mandated by SWIFT International. Various Information Security Awareness campaigns including Fraud awareness were conducted for our valued customers. A Cloud based E-Learning platform was acquired for training of team members to educate and enhance awareness about latest Cyber security threats and trends.
- Major focus of the Bank remained on the Capacity Building and Enhancement of SOC (Security Operations Center) where significant investment was made on the Technology Upgrades, Improvement of Processes and development of Skillset of Human Resources. Major highlights included establishment of a dedicated SOC Facility and onboarding of a Threat Intelligence and Digital Risk Protection Platform for receiving enriched and timely Threat Intelligence for protection of the Bank's Information Assets. Some processes for detection and prevention of Indicator of Compromise (IOCs) were also automated through IBM's Incident Response Platform.
- Deployment of End Point Detection and Response (EDR) solution for detection and prevention of Behavior based threats and anomalies was achieved during the year.
- The Bank has also initiated a project to develop an Information Security Risk Management Program for aligning its Governance structure with International Standards and Industry best practices. In this regard, Information Security Strategy and development of Policies, Procedures and Frameworks were the major highlights.
- The Bank conducted Cyber Hygiene and Data Leakage self-assessment exercises for evaluating the overall cyber health and Security Posture of the Bank. In this context, the Bank has developed a roadmap to further strengthen and improve the security posture.

Risk Management aims to continue the pace of major initiatives in 2023 such as effective utilization of the implemented

Modules of Oracle Financial Services Analytical Applications (OFSAA) and Operational Risk Management Module of Risk Nucleus, process design assessments and control testing, automation of workflows in Risk Assessment and Management System, information security awareness campaigns and augmentation of the Bank maintained warehouses for pledge financing.

Emphasis on further strengthening the Bank's Information Security Posture shall continue along with investments in technology and human resource development to maintain an effective risk management framework across the Bank.

Being cognizant of disruption through digital banking, Risk Management has planned to enhance the scope of existing digital lending platform from consumers to Small Enterprises, Medium Enterprises and commercial businesses by innovating credit scoring models and processes for credit risk assessment, disbursement and monitoring. Collaboration with leading FinTech and Data Analytic companies shall be evaluated to leverage the developments taking place with regard to Artificial Intelligence and Machine Learning techniques.

Risk Management recognizes the challenges for economy of Pakistan and shall continue to take pragmatic measures to ensure effective Risk Management of assets of the Bank.

#### **Chief Executive Officer's Review**

The Board of Directors fully endorse the Chief Executive Officer's Review on the Bank's operational performance for the year ended December 31, 2022.

#### **Statement of Internal Control**

The Board of Directors is pleased to endorse the statement made by management relating to internal controls including management's evaluation of Internal Control over Financial Reporting. The Management's Statement on Internal Control is included in the Annual Report.

#### **Corporate Sustainability**

The Board of Directors is pleased to endorse the Corporate Sustainability initiatives by Your Bank, as disclosed separately in the Annual Report.

#### **Entity Rating**

During the year, Pakistan Credit Rating Agency (PACRA) maintained Bank's long-term and short-term credit rating at the highest level of "AAA" (Triple A) and

"A1+" (A One Plus) respectively. These ratings indicate highest credit quality and an exceptionally strong capacity for payment of financial commitments.

#### **Corporate Governance Rating**

Your Bank's well-established Corporate Governance Framework supported by Board & Management Committees leading to a strong financial transparency has been acknowledged by VIS Credit Rating Company Limited. Resultantly, Corporate Governance Rating (CGR) for 2022 has been maintained at CGR - 9++, which signifies very high level of corporate governance.

#### **Board of Directors**

The profile of all members of the Board of Directors is disclosed separately in overview section of the Annual Report. Composition of the Board of Directors is specified in "Statement of Compliance with Code of Corporate Governance". While Composition of the Board of Directors' committees is also disclosed separately in the Annual Report.

Non-Executive Directors are paid a reasonable and appropriate remuneration for attending the Board of Directors and its committees' meetings, which is disclosed in the Financial Statements note 37.

This remuneration is not at a level that could be perceived to compromise independence and is within the prescribed threshold defined by SBP. No fee is paid to the Directors who do not attend a meeting. Similarly, fee is not paid for the proposals considered through circulation.

#### **Performance Evaluation Mechanism for the Board**

The Board of Directors, while ensuring regulatory compliance is also vested with fiduciary responsibility on behalf of the shareholders to protect the Bank's interests, provide strategic direction and monitor the execution of strategic objectives. The Companies Act 2017, Banking Companies Ordinance 1962, SBP's Prudential Regulations, Corporate Governance Regulatory Framework and Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Code) describe the role of the Board of Directors along with its responsibilities and functions.

In order to comply with the requirement of the Code, the Board of Directors, in the year 2014, put in place an effective mechanism for the Board of Directors' evaluation.

# DIRECTORS' REPORT

Subsequently, SBP issued detailed guidelines on performance evaluation of the Board of Directors. As per these guidelines, the Board of Directors decided to opt for in-house approach with quantitative techniques and evaluation by an external independent evaluator every three years. Last independent assessment was conducted for the year 2021 and next such independent assessment will be carried out for the year 2024.

For the year 2022, as per approved mechanism, performance evaluation of following categories was conducted:

- I. Overall Board of Directors
- II. Chairman of Board of Directors
- III. Sponsor Directors
- IV. Independent Directors
- V. Other Non-Executive Directors
- VI. Board Committees
- VII. Chief Executive Officer

The responses and feedback from the Directors on each of the above mentioned categories (except Chairman Board of Directors) was compiled and submitted to the Chairman Board of Directors enabling him to discuss the results and findings with each individual member of the Board of Directors, if needed.

The authorized independent director communicated the feedback in respect of the Chairman Board of Directors to the Company Secretary for incorporation in the consolidated performance report.

Accordingly, the report comprising of consolidated average evaluation results and action plan forwarded by the Chairman Board of Directors is submitted to the Board of Directors for consideration. The Board of Directors, in its 261st Meeting dated February 16, 2023, noted the contents of Board of Directors Annual Evaluation for the year 2022 and expressed its satisfaction on the results.

## External Auditors

The present auditor M/s EY Ford Rhodes., Chartered Accountants retire and being eligible offer themselves for re-appointment.

The Board of Directors, on recommendation of the Audit Committee, has recommended M/s EY Ford Rhodes Chartered Accountants against professional fee of Rs. 19.264 million (excluding taxes), as sole statutory auditors for the next term.

## Pattern of Shareholding

Pattern of Shareholding is annexed.

## Acknowledgment

On behalf of the Board of Directors and the Management, we would like to place on record our gratitude; to esteemed shareholders and valued customers for placing their trust in Allied Bank; the Securities and Exchange Commission of Pakistan, the State Bank of Pakistan and other regulatory authorities for their consistent direction and oversight. We would also like to extend appreciation to our colleagues for their diligent work towards meeting customer expectations and their dedication towards achieving the Bank's goals and objectives.

For and on behalf of the Board of Directors.

## Aizid Razzaq Gill

Chief Executive Officer

## Mohammad Naeem Mukhtar

Chairman Board of Directors

Lahore

Date: February 16, 2023



# ڈائریکٹرز رپورٹ

ڈائریکٹرز رپورٹ

محترم حصص مالکان

بورڈ آف ڈائریکٹرز کی جانب سے ہم آپ کے بینک کے 31 دسمبر 2022ء کو اختتام پذیر ہونے والے سال کی سالانہ رپورٹ پیش کرتے ہوئے نہایت مسرت

محسوس کر رہے ہیں۔ بورڈ کی طرف سے سفارش کردہ کاروباری نتائج اور تخصیص مندرجہ ذیل ہیں

سال بہ اختتام 31 دسمبر			
اضافہ	2021	2022	
فی صد	ملین روپے		
22%	17,314	21,194	سال کا منافع بعد از ٹیکس
4%	66,995	69,471	گزشتہ جمع شدہ منافع
(65%)	77	27	غیر بینکنگ اثاثہ جات کی قدر و پیمائش سے غیر تخصیص شدہ کو منتقلی۔ نیٹ آف ٹیکس
(69%)	406	124	پائیدار اثاثہ جات کی قدر و پیمائش سے منتقلی۔ نیٹ آف ٹیکس
(22%)	151	117	معیین شدہ مفید منصوبوں کی تفصیلات کی اثرات۔ نیٹ آف ٹیکس
7%	84,943	90,932	تخصیص کے لیے دستیاب منافع
(67%)	(6,870)	(2,290)	حتی کیش ڈیویڈنڈ برائے سال تختہ 31 دسمبر 2021 @ 2.00 روپے فی عام حصص (2021: سال تختہ 31 دسمبر 2020 - 6.00 @ روپے فی عام حصص)
0%	(2,290)	(2,290)	پہلا عبوری کیش ڈیویڈنڈ برائے سال تختہ 31 دسمبر 2022 @ 2 روپے فی عام حصص (2021: سال تختہ 31 دسمبر 2021 - 2.00 روپے فی عام حصص)
0%	(2,290)	(2,290)	دوسرا عبوری کیش ڈیویڈنڈ برائے سال تختہ 31 دسمبر 2022 @ 2 روپے فی عام حصص (2021: سال تختہ 31 دسمبر 2021 - 2.00 روپے فی عام حصص)
0%	(2,290)	(2,290)	تیسرا عبوری کیش ڈیویڈنڈ برائے سال تختہ 31 دسمبر 2022 @ 2 روپے فی عام حصص (2021: سال تختہ 31 دسمبر 2021 - 2.00 روپے فی عام حصص)
22%	(1,731)	(2,119)	ضوابطی ریڑرو میں منتقلی
15%	69,471	79,653	آگے منتقل کیا گیا جمع شدہ منافع
22%	15.12	18.51	فی حصص آمدنی (EPS) روپے

مالیاتی اور انضباطی اقدامات اختیار کرنے سے مثبت نتائج حاصل ہوئے ہیں۔ اور ان سے افراط زر میں بتدریج کمی کے رجحان متوقع ہیں۔ آئی ایم ایف نے سال 2022ء کے لیے عالمی معاشی نمو کو سال 2021ء کی 6.2 فیصد کی شرح کے مقابلے میں کمی کے ساتھ 3.4 فیصد پر تخمینہ کیا ہے۔

عالمی معاشی پیش بینی کے ناموافق اثرات اور اس کے ساتھ غیر یقینی ملکی ماحول اور سیلاب

غیر یقینی میں کمی کے ساتھ ہوا، مگر عالمی معیشت کئی دیگر درپیش مشکلات کے باعث اب بھی نازک صورتحال سے دوچار ہے۔ چین میں سست روی، روس اور یوکرین کے مابین تنازعہ اور رسد کی ترسیل کی رکاوٹیں معاشی سرگرمیوں کو اب بھی متاثر کر رہی ہیں۔ افراط زر کے مسلسل دباؤ نے، خاص پر کم آمدنی والے افراد کی، قوت خرید کو کم کر دیا۔ زیادہ تر معیشتوں کے مرکزی بینکوں کی جانب سے افراط زر اور صارفین کی طلب کو معتدل کرنے کے لیے کڑے

بورڈ آف ڈائریکٹرز 2.50 روپے فی شیئر کا حتی کیش ڈیویڈنڈ تجویز کی ہے۔ (مجموعی کیش ڈیویڈنڈ 8.50 روپے فی شیئر بشمول عبوری ڈیویڈنڈز) اس تجویز کردہ اور سال 2022ء کے دیگر مجوزہ ڈیویڈنڈز کی منظوری آنے والی سالانہ جنرل میٹنگ (عام اجلاس) میں کی جائے گی۔

کلاس معاشی پیش رفت : سال 2022ء کا آغاز تو عالمگیر وباء کی

سے ہونے والے نقصانات کے باوجود، پاکستان کی معیشت سال 2022ء میں متحرک رہی۔ جس کے نتیجے میں جنوری 2023ء میں آئی ایم ایف نے سال 2021ء کی 5.7 فیصد سطح کے مقابلے میں سال 2022ء کے لیے جی ڈی پی کی حقیقی نمو کا تخمینہ اپنے سابقہ 4 فیصد کے اندازے سے بڑھا کر 6.0 فیصد پر ترمیم کیا ہے۔

عالمی معاشی سرگرمی میں سست روی سے مجموعی طلب میں کمی کے اثرات پاکستان کی پیداواری صنعت پر بھی رونما ہوئے۔ علاوہ ازیں، سیلاب سے ہونے والی تباہ کاریوں نے بھی نمو کی توقعات کو گہنا دیا۔ بڑے پیمانے پر پیداواری صنعت کی پیداوار میں سال 2023ء کے جولائی تا نومبر کی مدت کے دوران گزشتہ سال کی 7.2 فیصد نمو نسبت 3.6 فیصد کی دیکھی گئی۔ 22 ذیلی شعبوں میں سے صرف 5 شعبوں میں مثبت نمو دیکھی گئی جن میں ملبوسات، چمڑے کی اشیاء، برقی آلات، فرنیچر اور دیگر پیداواری شعبے شامل ہیں۔

اشیاء اور خدمات کی برآمدات، گزشتہ مالی سال 2022ء کے جولائی تا دسمبر کے عرصے کے 18,674 ملین امریکی ڈالر کی نسبت مالی سال 2023ء کے جولائی تا دسمبر کے عرصے کی دوران 17,737 ملین امریکی ڈالر پر درج کی گئیں جو کہ 5 فیصد کمی ظاہر کرتا ہے۔ حکومت پاکستان کی جانب سے غیر ضروری اور پراسائش اشیاء کی کثیر تعداد کی درآمد پر پابندی کے باعث اشیاء و خدمات کی درآمدات، گزشتہ مالی سال 2022ء کے جولائی تا دسمبر کے عرصے کے 41,666 ملین روپے کے حجم کے مقابلے میں مالی سال 2023ء کے جولائی تا دسمبر کے عرصے میں 20 فیصد کمی کے اندراج کے ساتھ 33,393 ملین امریکی ڈالر پر پہنچ گئیں۔ سال 2023ء کے دوران پٹرولیم مصنوعات، پٹرولیم

خام تیل، مائع قدرتی گیس اور پام آئل اہم درآمدات رہیں۔

برآمدات کی نسبت درآمدات میں ہونے والی کمی کی بدولت اشیاء و خدمات کے تجارتی خسارے کا حجم گزشتہ سال کے تقابلی عرصے کے 22,992 ملین امریکی ڈالر کے تناسب میں مالی سال 2023ء کے جولائی تا دسمبر کی مدت کے دوران کمی کے ساتھ 15,656 ملین امریکی ڈالر پر درج کیا گیا۔

تجارتی توازن میں ہونے والی اس بہتری نے کرنٹ اکاؤنٹ کے خسارے میں بھی آسانی فراہم کی جو کہ گزشتہ سال کے تقابلی عرصے کے 9,091 ملین امریکی ڈالر کے حجم کی نسبت مالی سال 2023ء کے جولائی تا دسمبر کی مدت کے دوران کم ہوتے ہوئے 3,667 ملین امریکی ڈالر پر پہنچ گیا۔

ترسیلات زر گزشتہ سال کے تقابلی عرصے کی 15,808 ملین امریکی ڈالر کی سطح کے مقابلے میں مالی سال 2023ء کے جولائی تا دسمبر کے عرصے کے دوران 11.1 فیصد کمی کا اظہار کرتے ہوئے 14,051 ملین امریکی ڈالر پر ریکارڈ کی گئیں۔

قرض کی بھاری ادائیگیوں اور مالیاتی کھاتوں میں ترسیلات کے خاطر خواہ بہاؤ میں کمی نے غیر ملکی زرمبادلہ کے ذخائر کو نمایاں طور پر کم کر دیا۔ غیر ملکی زرمبادلہ کے گُل دستیاب ذخائر 31 دسمبر 2021 تک کی 23,883 ملین امریکی ڈالر کی سطح کے مقابلے میں 31 دسمبر 2022 تک 10,845 ملین امریکی ڈالر پر پہنچے۔

غیر ملکی براہ راست سرمایہ کاری گزشتہ سال کی تقابلی مدت کے 1,114.7 ملین امریکی ڈالر کے تناسب میں مالی سال 2023 کے جولائی تا دسمبر کے عرصے میں 58.7 فیصد کمی کا اظہار کرتے ہوئے 460.9 ملین امریکی ڈالر پر پہنچ گئی۔ کل براہ راست سرمایہ کاری میں توانائی کے شعبہ کا حصہ 51.4 فیصد جبکہ مالیاتی کاروبار اور تیل و گیس کی تلاش کے شعبوں کا حصہ بالترتیب 38.2 فیصد اور 19.3 فیصد رہا۔

افراط زر پر قابو پانے، معاشی بحالی کے عمل کی مضبوطی، روس اور یوکرین کے تنازعے کے باعث متاثر افراد کی امداد اور سیلاب کے بعد کی جانے والی امدادی سرگرمیوں کی بناء پر مالیاتی کھاتے محفوظ بفرز (buffers) کے دوبارہ قیام کے لیے دباؤ کا شکار ہیں۔

فیڈرل بورڈ آف ریونیو کی خالص وصولیوں میں گزشتہ سال کے تقابلی عرصے کے حاصل شدہ 3,191 بلین روپے کی نسبت 16.9 فیصد اضافہ ہوا جو کہ مالی سال 2023ء کے جولائی تا دسمبر کے عرصے کے دوران 3,732 بلین روپے پر درج ہوئیں۔ مالی سال 2023ء کے جولائی تا دسمبر کے عرصے میں کل اخراجات، گزشتہ سال کے مماثل عرصے کے 5,328 بلین روپے کے حجم میں 19.8 فیصد اضافے کے ساتھ 6,382 بلین روپے پہنچ گئے۔ مجموعی مالیاتی خسارہ گزشتہ سال کے دوران 1,372 بلین روپے کے مقابلے میں مالی سال 2023ء کے جولائی تا دسمبر کی مدت میں 1,683 بلین روپے پر پہنچا۔

دسمبر کے مہینے کے دوران سی پی آئی (CPI) گزشتہ سال دسمبر کی 12.3 فیصد شرح کی نسبت، سال بہ سال کی بنیاد پر، بڑھتا ہوا



24.5 فیصد کی شرح پر درج ہوا۔ اس نمایاں بڑھوتی کی بنیادی وجوہات میں شرح تبادلہ میں فرسودگی اور اس کے ساتھ تیل اور دیگر اجناس کی قیمتوں میں تیزی سے ہونے والا اضافہ تھا۔

پاکستان اسٹاک ایکسچینج انڈیکس، 31 دسمبر 2021ء کی 44,596 پوائنٹس کی سطح میں 10 فیصد کی کمی کے اندراج کے ساتھ 31 دسمبر 2022ء تک 40,420 پوائنٹس پر جا پہنچا۔

اس بدلتی صورتحال کے تناظر میں اسٹیٹ بینک آف پاکستان نے طلب کو معتدل رکھنے، افراط زر کے دباؤ کو جامعیت سے روکنے اور بیرونی اکاؤنٹ کے استحکام کو تحفظ فراہم کرنے کی غرض سے مائٹری پالیسی کے حوالے سے سخت پالیسی کو اپنایا اور پالیسی ریٹ میں دسمبر 2021 سے 725 پیمز پوائنٹس کا اضافہ کیا اور اس کی شرح کو نومبر 2022ء تک 16 فیصد اور جنوری 2023ء میں 17 فیصد پر مقرر کیا۔

عالمی نمو پر بڑھتے افراط زر، روس اور یوکرین کے تنازعے اور چین میں معاشی لاک ڈاؤن کے دباؤ کے اثرات برقرار رہنے کی توقع ہے۔ تاہم، طلب کو محدود کرنے اور افراط زر پر قابو پانے کے لیے اٹھائے گئے اقدامات سے بتدریج مثبت نتائج کی امید ہے۔ چنانچہ، آئی ایم ایف نے عالمی نمو سال کی شرح کو 2023ء کی 2.9 فیصد کی نسبت سال 2024ء کے لیے 3.1 فیصد کی بہتر شرح تک آنے کی توقع کا اظہار کیا ہے اور عالمی افراط زر میں، سال 2023ء کی 6.6 فیصد کی شرح کو سال 2024ء میں کم ہوتے ہوئے 4.3 فیصد تک آنے کی امید ہے۔

داخلی محاذ پر، آئی ایم ایف نے جی ڈی پی کی

نمو کو سال 2023ء کے لیے 2 فیصد اور سال 2024ء کے لیے 4.4 فیصد پر تخمینہ کیا ہے۔ جبکہ اسٹیٹ بینک آف پاکستان نے ملکی نمو کا تخمینہ سال 2023ء کے لیے 2 فیصد پر توقع کیا ہے۔ اسٹیٹ بینک آف پاکستان کی پیش بینی کے مطابق مالی سال 2023ء میں افراط زر کی شرح اضافے کے ساتھ 21 سے 23 فیصد تک اور کرنٹ اکاؤنٹ خسارے کے جی ڈی پی کے 3 فیصد تک رہنے کی توقع ہے۔

### مالیاتی کارکردگی:

پاکستان میں بینکاری کے شعبے نے سخت کاروباری ماحول اور بڑھتے انٹرسٹ ریٹ سے ابھرنے والے خدشات میں اضافے کے تناظر میں اپنی تحریک کو برقرار رکھتے ہوئے سال 2022ء میں غیر معمولی کارکردگی کا مظاہرہ کیا۔ صنعت کے کل اثاثہ جات، گزشتہ سال کے 28,882 بلین روپے کے حجم کے مقابلے میں سال 2022ء کے اختتام تک 20 فیصد کے اضافے کا اندراج کرتے ہوئے 34,530 بلین روپے پر جا پہنچے۔ اثاثہ جات کی نمو کے حصول میں سرمایہ کاری اور قرضہ جات میں اضافے کا بنیادی کردار رہا جو کہ اس زیر تجزیہ سال کے دوران بالترتیب 27 فیصد اور 18 فیصد کی نمو کے ساتھ بالترتیب 17,902 بلین روپے اور 11,225 بلین روپے پر جا پہنچے۔ صنعت کے ڈیپازٹس گزشتہ سال سے 7 فیصد کے اضافے کے ساتھ 22,467 بلین روپے پر درج ہوئے۔

ایک مشکل اور ہر لمحہ بدلتے ماحول کے درمیان، آپ کے بینک نے اپنی توجہ طویل المدت مستحکم اور پائیدار نمو اور اپنے تمام اسٹیک ہولڈرز کے لیے قدر سازی کے عمل کو تیز کرنے پر مرکوز رکھی۔

اوسط پیداواری اثاثہ جات میں مثبت مقداری نمو اور اس کے ساتھ بہتر ہوتے سپریڈز اور

سرمایہ کاری کے دورانیے کے موثر انتظام کے تعاون سے بینک 31 دسمبر 2022ء تک 215,469 ملین روپے کی مارک اپ آمدنی حاصل کرنے کا اہل ہوا۔ جو کہ، گزشتہ سال سے 82 فیصد کی نہایت شاندار بڑھوتی کی غماز ہے۔ پالیسی ریٹ میں اضافے کے نتیجے میں ڈیپازٹس ریٹس میں ناموافق تفاوت کے باعث مارک اپ اخراجات میں 104 فیصد کا اضافہ دیکھا گیا جو کہ 31 دسمبر 2022ء تک 148,750 ملین روپے پر درج کیے گئے۔ خالص مارک اپ اور انٹرسٹ آمدنی گزشتہ سال سے 46 فیصد کے اضافے کے ساتھ 31 دسمبر 2022ء تک 66,719 ملین روپے پر پہنچ گئی۔

فیس سے متعلقہ آمدنی، گزشتہ سال کے 6,811 ملین روپے کے مقابلے میں، اس زیر تجزیہ سال کے دوران، 20 فیصد یا 1,336 ملین روپے کے اضافے کے ساتھ 8,147 ملین روپے پر درج ہوئی۔ یہ اضافہ ڈیجیٹل آمدنی کے متنوع ذرائع اور اس کے ساتھ خدمات کے معیار میں بہتری اور صارفین تک ان کی فراہمی میں آسانیوں کو حتی الامکان یقینی بنانے کے عمل کی بدولت حاصل ہوئی۔

آپ کے بینک کی ڈیویڈنڈ آمدنی گزشتہ سال کی 2,151 ملین روپے کی حاصل شدہ سطح سے 31 دسمبر 2022ء کو اختتام پذیر سال کے دوران 44 فیصد کے اضافے کے ساتھ 3,088 ملین روپے پر ریکارڈ کی گئی۔

پی او ایل (POL) کی تجارتی مقدار میں نمایاں اضافے، سپاٹ اور سواپس (SPOTS & SWAPS) اتار چڑھاؤ کے سپریڈز کی وسعت سے غیر ملکی زرمبادلہ کی آمدنی میں ایک توانا نمو حاصل ہوئی۔ جس کا حجم اس زیر تجزیہ سال

میں 7,948 ملین روپے پر پہنچ گیا۔

غیر مارک اپ آمدنی 31 دسمبر 2021ء کی 15,938 ملین روپے کی سطح سے 30 فیصد یا 4,737 ملین روپے کے اضافے کے ساتھ 31 دسمبر 2022ء تک 20,675 ملین روپے پر درج کی گئی۔

آمدنی کے اس غیر مستحکم ماحول میں آپ کے بینک نے اپنی انتظامی لاگت کے اضافے پر کڑی نگاہ رکھی۔ افراط زر میں اضافے اور امریکی ڈالر اور پاکستانی روپے کی منفی شرح تبادلہ کے باوجود انتظامی اخراجات 31 دسمبر 2022ء تک گزشتہ سال سے 21 فیصد کے اضافے کے ساتھ 41,030 ملین روپے پر ریکارڈ کئے گئے۔ آپ کے بینک نے اپنی برانچوں کی وسعت اور ٹیکنالوجیکل منتقلی کے عمل میں سرمایہ کاری کو جاری رکھا جس سے کل کاروباری اخراجات میں بھی اضافہ ہوا۔

سال کے دوران آپ کے بینک نے ایک ذمہ دار کاروباری ادارہ ہوتے ہوئے سندھ اور بلوچستان کے سیلاب سے تباہ حال علاقوں میں ہونے والی امدادی سرگرمیوں میں بھرپور حصہ لیا اور سیلاب سے متاثرہ افراد کی خوراک اور رہائش کے انتظام کے لیے 21,849 ملین روپے کی رقم پیش کی۔ آپ کے بینک کے ملازمین بھی اس نیک کام میں سرفہرست رہے اور اس مدد میں 15 ملین روپے مہیا کیے۔

آپ کے بینک کی مارک اور غیر مارک آمدنی کے بڑھتے رجحان کی بدولت دسمبر 2022ء کو اختتام پذیر سال کے دوران منافع قبل از ٹیکس گزشتہ سال سے 64 فیصد کے قابل قدر اضافے کے ساتھ 46,626 ملین روپے پر درج ہوا۔

بینکنگ کمپنیوں کے لیے، فنانس ایکٹ 2022 کے ذریعے، کارپوریٹ ٹیکس کی شرح کو

35 فیصد سے بڑھا کر 39 فیصد کر دیا گیا ہے۔ زیادہ آمدنی کے حامل افراد پر ٹیکس سال 2023ء (آمدنی سال 2022ء) کے لیے 10 فیصد اور بعد کے سالوں کے لیے 4 فیصد کے سپر ٹیکس کو بھی لاگو کیا گیا ہے۔ اور اس کے علاوہ وفاقی حکومت کے جاری کردہ تمسکات میں سرمایہ کاری سے متعلقہ آمدنی پر ٹیکس کی شرح کو بھی ٹیکس سال 2022ء (آمدنی سال 2021ء) کے لیے بڑھا دیا گیا ہے (اے ڈی آر کی 40 فیصد سے 50 فیصد کی شرح کے لیے 49 فیصد) جس کے نتیجے میں، 31 دسمبر 2022ء کے لیے ٹیکس کے اضافی اخراجات کا تعین کیا گیا ہے۔ چنانچہ، آپ کے بینک کے ٹیکس کے اخراجات کی مجموعی شرح گزشتہ تقابلی سال کی 39.0 فیصد کی سطح کی نسبت 54.4 فیصد پر پہنچ گئی جبکہ ٹیکس اخراجات کا تعین گزشتہ سال کے 11,077 ملین روپے کی نسبت 25,432 ملین روپے پر کیا گیا۔

قرضہ جات کے پورٹ فولیو میں قابل قدر نمو اور اس کے ساتھ مارجنز اور اخراجات کے مجموعی انتظام نے آپ کے بینک کو منافع بعد از ٹیکس میں 22 فیصد کی بڑھوتی کو حاصل کرنے کے قابل کیا۔ جو کہ، گزشتہ سال کے 17,314 ملین روپے کی نسبت 21,194 ملین روپے پر ریکارڈ ہوا۔ فی حصص آمدنی گزشتہ سال کی 15.12 روپے فی حصص کے مقابلے میں 31 دسمبر 2022ء تک 18.51 روپے فی حصص پر درج ہوئی۔

کل قرضہ جات 857 ملین روپے کا حجم عبور کر گئے جبکہ خالص قرضہ جات 30 فیصد کے اضافے کے ساتھ گزشتہ تقابلی سال کے 653 ملین روپے کے تناسب میں 31 دسمبر 2022ء تک 846 ملین روپے پر رپورٹ ہوئے۔

ایک مضبوط رسک مینجمنٹ فریم ورک

اور دانشمندانہ سوچ کے تحت آپ کے بینک کے قرضہ جات کے پورٹ فولیو کی نہایت ذمہ داری اور مستعدی سے نگرانی کی جاتی ہے۔ جس کے نتیجے میں، اس سال کے دوران آپ کے بینک کے غیر فعال قرضے 4 فیصد کی کمی کے ساتھ 31 دسمبر 2022ء تک 13,104 ملین روپے پر پہنچ گئے۔ کوریج کی شرح 90.4 فیصد پر برقرار رہی جبکہ انفلیکشن کی شرح کم ہوتے ہوئے 1.53 فیصد پر جانچنی جو کہ صنعت کی کم ترین شرحوں میں سے ایک ہے۔ بینک نے اپنے غیر فعال قرضوں کے اخراجات کا تعین کرتے ہوئے، اسٹیٹ بینک آف پاکستان کی گائیڈ لائنز میں اجازت کے باوجود، اپنے غیر فعال قرضوں کے متوازی اثاثہ جات کی جبری فروخت کے فوائد کو شمار نہیں کیا۔

آپ کے بینک کی سرمایہ کاری نے گزشتہ سال کے 1,064,495 ملین روپے کے حجم سے 6 فیصد کی نمو کے اندراج کے ساتھ 31 دسمبر 2022ء تک 1,123,117 ملین روپے کی سطح کو چھو لیا ہے۔

آپ کے بینک کے کل اثاثہ جات، پچھلے سال کے 2,010,156 ملین روپے کے مقابلے میں 12 فیصد کی مضبوط نمو کے ساتھ 31 دسمبر 2022ء تک 2,250,973 ملین روپے پر درج ہوئے۔

آپ کے بینک کے خالص اثاثہ جات، گزشتہ سال کے 127,245 ملین روپے کی نسبت 31 دسمبر 2022ء تک 1,27,811 ملین روپے پر پہنچ گئے۔ اثاثہ جات اور ایکویٹی کی آمدنی بالترتیب 1.0 فیصد اور 18.4 فیصد رہی۔ جبکہ آپ کے بینک کی سرمائے کی معقولیت (کیپیٹل ایڈیکویٹی) کی شرح 19.74 فیصد کی مضبوط شرح پر رہی۔ جو کہ 11.5 فیصد مطلوبہ شرح سے کہیں زیادہ ہے اور آپ کے بینک کے



مضبوط سرمائے کی صورتحال کا مظہر ہے۔

ملک بھر میں پھیلی لائینڈ بینک کی برانچیں ایک مسابقتی فائدہ فراہم کرتی ہیں۔ جس میں نئی ڈیجیٹل اور اسمارٹ برانچوں کے کھولنے اور اپنے صارفین کے بہتر تجربے اور استعمال کے لیے پہلے سے موجود برانچوں کی اپ گریڈیشن میں سرمایہ کاری سے عمل کو مزید تقویت ملے گی۔

فی الوقت، آپ کے بینک کی 1,453 برانچیں خدمات فراہم کر رہی ہیں جن میں 1,336 روایتی برانچیں، 117 اسلامک برانچیں اور 18 ڈیجیٹل سٹاپوائنٹس شامل ہیں۔

آپ کا بینک ملک بھر میں متعدد جگہوں پر اپنی برانچوں، اے ٹی ایبز، انٹرنیٹ وموبائل بینکنگ اور دیگر ڈیجیٹل سٹاپوائنٹس کے ذریعے اپنی خدمات 24/7 فراہم کرنے کی مکمل صلاحیت کا حامل ہے۔ آپ کے بینک کے صارفین کو 1,572 اے ٹی ایبز کے مضبوط نیٹ ورک کی رسائی حاصل ہے، جس میں 1,296 آن سائٹ، 271 آف سائٹ اور 05 موبائل بینکنگ پوائنٹس شامل ہیں۔

لائینڈ بینک کی اپنے خدشات کے نظام، ٹیکنالوجیکل جدت، پائیداری، خواتین کی مالیاتی شمولیت اور ماحول دوست اقدامات پر خصوصی توجہ کے اعتراف کے طور پر آپ کے بینک کو "دی بینکر" کی جانب سے مسلسل دوسرے سال کے لیے "بینک آف دی ایئر" سال 2022 - پاکستان کے ایوارڈ سے نوازا گیا ہے۔ دی بینکر برطانیہ کے فنانشل ٹائمز گروپ کا عالمی شہرت کا حامل مالیاتی امور کی اشاعت کا ادارہ ہے جو 1926 سے شائع ہو رہی ہیں۔ یہ ایوارڈ بینک کی طویل المدتی اور منظم کاروباری حکمت عملی، بہترین خدمات کی فراہمی، کام کے معیار اور مضبوط

ٹیکنالوجیکل ڈھانچے کا مظہر ہے جسے مضبوط رسک مینجمنٹ فریم ورک کا تعاون بھی ہے۔

مستقبل میں، آپ کا بینک اپنے اسٹیک ہولڈرز کے لیے طویل المدت پائیدار قدر سازی کے لیے مکمل طور پر پرعزم ہے۔ آپ کا بینک اپنے صارفین کی ہر لحاظ سے پزیر ضروریات کے مد نظر اپنی بینکاری کی خدمات کو مسلسل بہتر بنانے کے لیے کوشاں ہے۔ مستقبل کی ترقی، مالی شمولیت میں اضافے اور مارکیٹ میں اپنے حصے میں بڑھوتی کے لیے ڈیجیٹل فوٹیت اور ملازمین، صارفین اور اسٹیک ہولڈرز کے لیے اپنی ذمہ داریوں سے عہدہ براہ ہونے کے عمل کو بھرپور طریقے سے جاری رکھے گا۔

### رسک مینجمنٹ فریم ورک :

رسک مینجمنٹ گروپ (آر ایم جی)، مضبوط اصولوں پر مبنی ایک وسیع فریم ورک، موزوں ادارتی ڈھانچے کی مدد، خدشات کے تعین کے مضبوط نمونوں اور ایک خود کار ماحول میں نظام کی موثر نگرانی کے ذریعے خدشات کے تدارک کے لیے کوشاں ہے تاکہ تمام متعلقہ لوگوں کے لیے حتی الامکان قدر کے حصول کے ساتھ بینک کے سرمائے کی اساس کی قوت کا تحفظ کیا جاسکے۔

رسک مینجمنٹ کے مختص عوامل میں کارپوریٹ اور مالیاتی اداروں کے خدشات، کمرشل، ایس ایم ای (SME) اور صارفین کے خدشات، قرضوں کے انتظام اور نگرانی، تکنیکی تشخیص، خدشات کی نگرانی اور جانچنے کے نظام میں مسلسل وسعت کے لیے ہم آہنگ کارکردگی اور کل خدشات کو بینک کے مجموعی خدشات کی قابل قبول سطح میں رکھتے ہوئے، اثاثہ جات کے بلند معیار کو یقینی بنانا شامل ہے۔

سال 2022ء میں رسک مینجمنٹ جدید

ٹیکنالوجی کے استعمال اور اپنے رسک کی نگرانی اور تعین کے نظام کو مزید تقویت دینے کے لیے مندرجہ ذیل اہم اقدامات کے ذریعے اپنے خدشات کے تدارک کے عمل کو مضبوط اور جدید بنانے کے لیے کوشاں ہے:

- بینک نے کارانداز پاکستان (جو ایک غیر منافع بخش ادارہ ہے) کے تعاون سے دو جدید فنڈز کے قیام کے لیے شراکت داری کی ہے۔ جس میں آئی سی ایف-3 (ICF3) ایس ایم ای فنانسنگ کی ہیبت میں تبدیلی، ایس ایم ای کے جدید کریڈٹ سکورنگ ماڈل اور آئی سی ایف-5 (ICF-5) چھوٹے ڈسٹی بیوٹرز کو ڈیجیٹل پلیٹ فارم اور فن ٹیک (Fin Tech) کے تعاون کے ذریعے قرض کی فراہمی شامل ہے۔

- اسٹیٹ بینک آف پاکستان کی انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈ 9 "فنانشل انسٹرومنٹس - (IFRS-9) کے نفاذ کی ہدایات کے پیش نظر اس کی تعمیل کو یقینی بنانے اور اس منتقلی کو ہموار اور بلا رکاوٹ بنانے کے لیے بینک نے اس ضوابطی مطلوبات اور اکاؤنٹنگ اسٹینڈرڈ کی تعمیل کے لیے آئی ایف آر ایس-9 (IFRS-9) سسٹم کے نفاذ کے ذریعے اپنی تیاری کو یقینی بنایا ہے۔ بینک اسٹیٹ بینک آف پاکستان کو آئی ایف آر ایس 9 کے تحت متوقع کریڈٹ کے نقصان کے اثرات کا میاہی سے جمع کروا چکا ہے۔

- بازل گائیڈ لائنز اور بہترین پریکٹس کی مطابقت میں بینک نے ایک بیرونی کنسلٹنٹ کے ذریعے اوبلیگور (Obligor) رسک ریٹنگ ماڈل کی پیمانہ بندی اور توثیق کا انتظام کیا۔

- بینک کے پاس اپنے قرضوں کی پراسیسنگ اور نگرانی کے لیے خود کا تیار کردہ ایک جدید ترین رسک ایسسمٹ اور مینجمنٹ سسٹم (آر اے ایم

- رویوں پر مشتمل خطرات اور بے قاعدگیوں کی نشاندہی اور تدارک کے لئے اینڈ پوائنٹ ڈیٹیکشن اینڈ ریسپانس (End Point Detection & Response) کی سہولت کی تکمیل کو بھی اس سال کے دوران حاصل کیا گیا۔

- بینک نے اپنی گورننس کے ڈھانچے کو انٹرنیشنل اسٹینڈرڈز اور صنعت کی بہترین پریکٹس سے ہم آہنگ کرنے کے لیے انفارمیشن سیکورٹی رسک مینجمنٹ پروگرام کے ایک پروجیکٹ کا بھی آغاز کیا ہے۔ انفارمیشن سیکورٹی کی حکمت عملی اور پالیسیوں، طریقہ کار اور فریم ورکس کی تشکیل اس پروجیکٹ کے نمایاں عنصر ہیں۔

- بینک نے اپنی مجموعی سائبر محافظت اور سیکورٹی کے نظام کی جانچ کے لیے سائبر ہائجین اینڈ ڈیٹا لیکج (Cyber Hygiene & Data Leakage) کی خود تشخیصی مشقوں کا بھی انعقاد کیا ہے۔ اس کے تناظر میں، بینک نے اپنی سیکورٹی کی صورتحال کو مزید محفوظ اور بہتر بنانے کے لیے ایک باقاعدہ لائحہ عمل بھی طے کیا ہے۔

رسک مینجمنٹ اپنے اہم اقدامات جیسا کہ اوریکل فنانشل سروسز اینڈ اینٹی لیکج (Oracle Financial - OFSAA) کے نافذ شدہ موڈلز کے موزوں ترین استعمال اور بیچ میٹریکس پراس ڈیٹا (Bench Matrix) کے جانچ اور کنٹرول ڈیسائن، خدشات کی تشخیص اور مینجمنٹ سٹم کے ورک فلوز (کام کے طریقہ کار) کی خود کاریت، انفارمیشن سیکورٹی کی آگاہی سے متعلقہ مہم، بینک کے زیر انتظام رہن اور گروہ قرضہ جات کے لیے گوداموں کو مضبوط بنانے کے اقدامات وغیرہ کو سال 2023ء میں بھی جاری رکھنے کا ارادہ رکھتا ہے۔

بھی شامل ہے۔

- سیمنٹ کارڈ انڈسٹری ڈیٹا سیکورٹی اسٹینڈرڈز (Payment Card Industry Data Security Standard - PCI-DSS) سرٹیفیکیشن جس کو سال 2022ء میں مسلسل چوتھی مرتبہ حاصل کیا گیا، اور اس کے ساتھ سوئفٹ (SWIFT) انٹرنیشنل سے تفویض شدہ سوئفٹ کسٹر سیکورٹی پروگرام کی تعمیل بھی کی گئی۔ اپنے معزز صارفین کی معلومات کے لیے انفارمیشن سیکورٹی بشمول فراڈ سے آگہی کی مختلف تحریک کا انعقاد کیا گیا۔ اپنے عملے کو سائبر سیکورٹی سے متعلقہ تازہ ترین خطرات اور رجحانات سے آگاہ اور ان کی تربیت کرنے کے لیے کلاؤڈ (cloud) پر مبنی ایک ای-لرننگ پلیٹ فارم (e-learning platform) بھی حاصل کیا گیا ہے

- بینک کی زیادہ تر توجہ اپنی صلاحیت کی تعمیر اور سیکورٹی آپریشن سینٹر کی وسعت پر رہی اور ٹیکنالوجی کے درجہ، طریقہ کار میں بہتری اور افرادی وسائل کی صلاحیتوں کی ترقی میں نمایاں سرمایہ کاری کی گئی۔ ان اقدامات کی اہم جھلکیوں میں ایک مخصوص ایس او سی (SOC) کی سہولت اور تھریٹ انٹلیجنس اینڈ ڈیجیٹل رسک پلیٹ فارم (Threat Intelligence and Digital Risk Platform) کا قیام شامل ہیں تاکہ خطرات کی بر وقت اور بھرپور نشاندہی کے ذریعے بینک کے معلوماتی اثاثہ جات کو تحفظ فراہم کیا جاسکے۔ انڈیکسز آف کپروماز (IOCs) کو ڈھونڈنے اور ان سے بچاؤ کے چند طریقوں کو آئی بی ایم (IBM) کے اینڈ پوائنٹ ریسپانس پلیٹ فارم (Incident Response Platform) کے ذریعے خود کار بھی کیا گیا ہے۔

ایس۔ رامس (RAMS) موجود ہے۔ اس نظام سے کریڈٹ رسک کے موزوں انتظام کی صلاحیت پیدا ہوئی جس کا اظہار صنعت میں ایک کم ترین نمائندگی کی شرح کے حامل بینک کی حیثیت سے ہوتا ہے۔ بینک کی افادیت میں اضافہ کرنے کے غرض سے اس کو جدید تقاضوں سے ہم آہنگ رکھنے کے عمل میں مسلسل طور پر مصروف ہے۔

- بینک نے سال 2022ء کے دوران اپنے امتیازی قدم، جس کے ذریعے اوپننگز سے رابطے میں رہتے ہوئے ان کو کاروباری انتظام اور حکمت عملیوں کے بارے میں معلومات فراہم کی جاتی ہیں، کو جاری رکھتے ہوئے اپنے کارپوریٹ، کمرشل اور ایس ایم ایز اوپننگز کے لیے ڈاکٹر عشرت حسین (سابق گورنر اسٹیٹ بینک) جو کہ ایک معروف اسپیکر ہیں کے ساتھ "پائیدار اقتصادی نمو کے لیے کارپوریٹ گورننس" (Corporate Governance for sustainable economic growth) اور "ٹرانزیشن فراہم فیملی اوونڈ بزنس سٹرکچر ٹو کارپوریٹ سٹرکچر" (Transition from Family-Owned Business Structure to Corporate Structure) کے عنوان سے ایک تعاملی (Interactive) ویبنار اور تین سیمیناروں کا انعقاد کیا۔

- آپ کے بینک نے سال 2022ء کے دوران بینک کے معلوماتی اثاثوں کے تحفظ کے لیے بہت سی حفاظتی جانچ کی تدابیر اختیار کی ہیں اس میں ولنرا بیلیٹی اسسمنٹ (VA) اینڈ پینٹریشن ٹیسٹنگ (PT) (Vulnerability and Penetration Testing) کی سرگرمیاں شامل ہیں۔ اس میں بینک کے اہم ایپلیکیشن سروسز (Application Servers) کے لیے ایک وائٹ باکس ولنرا بیلیٹی (White Box Vulnerability) کا جامع جائزہ



بینک اپنی معلوماتی محافظت (انفارمیشن سیکورٹی) کے نظام کو مزید مضبوط بنانے اور اس کے ساتھ ٹیکنالوجی اور افرادی وسائل کے فروغ میں سرمایہ کاری پر خصوصی توجہ مرکوز کیے ہوئے ہے تاکہ پورے بینک میں خدشات کے انتظام کا ایک موثر نظام قائم کیا جاسکے۔

ڈیجیٹل بینکنگ کے ذریعے پیدا ہونے والی رکاوٹوں کا ادراک رکھتے ہوئے، رسک منیجمنٹ نے قرضوں کے مروجہ ڈیجیٹل پلیٹ فارم کے دائرہ کار کو جدید کریڈٹ سکورنگ ماڈلز اور کریڈٹ رسک کی تشخیص کے طریقہ کار، انکی تقسیم اور نگرانی کے عمل کے ذریعے صارفین سے چھوٹے اور درمیانی کاروباروں اور کمرشل کاروباروں تک وسعت دینے کی منصوبہ بندی کی ہے۔ معروف فن ٹیک اور ڈیٹا کا تجزیہ کرنے والے اداروں کے تعاون سے مصنوعی ذہانت (آرٹیفیشل انٹیلیجنس Artificial Intelligence - اور مشین لرننگ Machine Learning) میں ہونے والی جدید اور تازہ ترین تکنیکی عوامل کا جائزہ لیا جائے گا۔

رسک منیجمنٹ پاکستان کی معیشت کو درپیش چیلنجز سے مکمل طور پر آگاہ ہے اور بینک کے اثاثہ جات کے خدشات کے موثر انتظام کو یقینی بنانے کے لیے تمام عملی اور ضروری اقدامات جاری رکھے گا۔

#### چیف ایگزیکٹو آفیسر کا تجزیہ:

بورڈ آف ڈائریکٹرز، چیف ایگزیکٹو آفیسر کے 31 دسمبر 2022ء کو اختتام پذیر سال میں بینک کی کاروباری کارکردگی کے بارے میں تجزیہ کی مکمل تصدیق کرتے ہیں۔

#### اندرونی انضباط کا بیانیہ:

بورڈ انتظامیہ کے اندرونی انضباط کے بارے میں بیانیہ بشمول انتظامیہ کی ICFR کی قدر و پیمائی کی بخوشی تصدیق کرتا ہے۔ اندرونی انضباط کے بارے میں انتظامیہ کا بیانیہ سالانہ رپورٹ میں شامل ہے۔

#### کارپوریٹ پائیداری:

بورڈ آف ڈائریکٹرز آپ کے بینک کے کارپوریٹ پائیداری (Sustainability) کے لیے اٹھائے گئے اقدامات کی بخوشی توثیق کرتا ہے جو کہ سالانہ رپورٹ میں الگ طور پر مذکور ہیں۔

#### اینٹی ریننگ:

دی پاکستان کریڈٹ ریننگ ایجنسی لمیٹڈ (PACRA) نے اس سال کے دوران الائڈ بینک کی طویل المدتی ریننگ کو "AAA" ٹرپل اے پر برقرار کیا ہے۔ جبکہ قلیل المدتی ریننگ کی "A1+" (اے ون پلس) کی اعلیٰ سطح برقرار رہی۔ یہ درجہ بندیاں بینک کی مضبوط حصصی سرمایہ کی بنیاد اور سیال پذیری کے اعلیٰ معیار کو ظاہر کرتی ہیں۔

#### کارپوریٹ گورننس ریننگ:

آپ کے بینک کے بہترین تفصیل کردہ کارپوریٹ گورننس فریم ورک کا بورڈ اور منجمنٹ کمیٹیوں کی جانب سے موثر استعمال اور مضبوط مالیاتی شفافیت کا اعتراف دی آئی ایس (VIS) کریڈٹ ریننگ کمپنی لمیٹڈ نے کیا ہے۔ جس کے نتیجے میں سال 2022ء کے لیے کارپوریٹ گورننس کی ریننگ کو سی جی آر - ++9 (CGR-9++) کی سطح پر برقرار رکھا ہے۔ جو کہ کارپوریٹ گورننس کے اعلیٰ ترین معیار کی عکاس ہے۔

#### بورڈ آف ڈائریکٹرز:

بورڈ آف ڈائریکٹرز کے تمام ممبران

کے پروفائل کو سالانہ رپورٹ کے کارپوریٹ پروفائل کے سیکشن میں علیحدہ طور پر درج کیا گیا ہے۔ بورڈ آف ڈائریکٹرز کی بناوٹ کو کوڈ آف کارپوریٹ گورننس کی تعمیل کے بیانیہ میں درج کیا گیا ہے۔ جبکہ بورڈ کی کمیٹیوں کی بناوٹ کو بھی سالانہ رپورٹ میں الگ طور پر واضح کیا گیا ہے۔

غیر انتظامی ڈائریکٹرز کو بورڈ یا اور اسکی کمیٹی کے اجلاس میں شریک ہونے کے لیے ایک مناسب اور موزوں معاوضہ دیا جاتا ہے۔ جسکا ذکر مالیاتی گوشواروں کے نوٹ نمبر 37 میں کیا گیا ہے۔

معاوضے کا معیار ایسا نہیں ہے کہ جس سے یہ تاثر بھی ملے کہ کسی آزاد حیثیت پر کوئی سمجھوتا ممکن ہے۔ جو ڈائریکٹر اجلاس میں شریک نہیں ہوا اسکو کوئی معاوضہ ادا نہیں کیا جاتا ہے۔ اسی طرح ایسی سفارشات جن پر سرکولیشن کے ذریعہ غور اور جانچا جاتا ہے ان کا بھی کوئی معاوضہ نہیں دیا جاتا۔

#### بورڈ کی کارکردگی کا جائزہ لینے کا طریقہ کار:

بورڈ آف ڈائریکٹرز انضباطی بحیثیت کو یقینی بناتے ہوئے حصص یافتگان کی جانب سے بینک کے مفادات کا تحفظ، حکمت عملی کی سمت کا تعین اور اہداف کے حصول کے عمل کو چلانے کی ذمہ داری کے بھی امین ہیں۔ کمپنیز ایکٹ 2017، بینکنگ کمپنیز آرڈیننس 1962 اور اسٹیٹ بینک کے پروڈیٹل ریگولیشنز، کارپوریٹ گورننس ریگولیشنز فریم ورک اینڈ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019، (دی کوڈ) میں بورڈ آف ڈائریکٹرز کے کردار اور اس کے ساتھ ساتھ انکی ذمہ داریوں اور کارگزاری کو واضح اور احسن طریقہ سے بیان کیا گیا ہے۔

لیے اپنے سٹاف ممبرز کی انتھک محنت اور بینک کے اغراض و مقاصد کے حصول کے لیے اگلی لگن پر بھی نہایت شکرگزار ہیں۔

چیئر مین بورڈ آف ڈائریکٹرز کی رائے سے کہنی سیکریٹری کو آگاہ کیا تاکہ اس کو مجموعی کارکردگی کی رپورٹ کا حصہ بنایا جاسکے۔

اسی کوڈ کے تحت بورڈ نے سال 2014 میں اپنی کارکردگی کو موثر انداز میں جانچنے کے لیے ایک نظام رائج کیا ہے۔

منجانب ویرائے بورڈ آف ڈائریکٹرز

چنانچہ، چیئر مین بورڈ آف ڈائریکٹرز کی جانب سے مجموعی اوسط جائزے کے نتائج اور ایکشن پلان کو بورڈ آف ڈائریکٹرز کے ملاحظے اور تجزیے کے لیے پیش کیا گیا۔ بورڈ آف ڈائریکٹرز نے اپنے 261 ویں اجلاس مورخہ 16 فروری 2023ء میں بورڈ آف ڈائریکٹرز کی سالانہ جانچ کے مندرجات اور سفارشات کا جائزہ لیا اور نتائج پر اطمینان کا اظہار کیا۔

بعد میں، اسٹیٹ بینک نے بورڈ آف ڈائریکٹرز کی کارکردگی کا جائزہ لینے کے لیے رہنمائی کے تفصیلی اصول وضع کیے ہیں۔ جس کی روشنی میں بورڈ نے مقداری تکنیک کے ساتھ بینک کے اندرونی نقطہ نظر اور ہر تین سال بعد ایک آزاد تخمینہ ساز سے اس کی جانچ کو اختیار کرنے کا فیصلہ کیا ہے۔ اس سلسلے میں، آخری آزادانہ تخمینہ سال 2021 میں کیا گیا، جبکہ ایسا اگلا آزاد تخمینہ سال 2024ء میں کیا جائے گا۔

محمد نعیم مختار

چیئر مین بورڈ آف ڈائریکٹرز

بیرونی آڈیٹرز:

موجودہ آڈیٹرز میسرز ای وائے (EY) فورڈ رہوڈز، چارٹرڈ اکاؤنٹنٹس ریٹائرڈ اور دوبارہ تعیناتی کی اہلیت رکھتے ہیں۔

سال 2022ء کے دوران، ایک منظور شدہ نظام پر کاربند رہتے ہوئے مندرجہ ذیل اقسام کی کارکردگی کو جانچا ہے:

لاہور

16 فروری 2023ء

بورڈ آف ڈائریکٹرز، آڈٹ کمیٹی کی سفارش پر میسرز ای وائے (EY) فورڈ رہوڈز، چارٹرڈ اکاؤنٹنٹس کو قبل از ٹیکس 19.264 ملین روپے کی پیشہ ورانہ فیس کے عوض، اگلی مدت کے لیے، بینک کا واحد قانونی آڈیٹرز مقرر کرنے کی تجویز دیتے ہیں۔

- ۱- مجموعی بورڈ آف ڈائریکٹرز
- ۲- چیئر مین بورڈ آف ڈائریکٹرز
- ۳- ضامن ڈائریکٹرز
- ۴- آزاد ڈائریکٹرز
- ۵- دیگر نان ایگزیکٹو (غیر انتظامی) ڈائریکٹرز
- ۶- بورڈ کی کمیٹیاں
- ۷- چیف ایگزیکٹو آفیسر

حصص کی ملکیت کا نمونہ:

حصص کی ملکیت کا نمونہ ساتھ منسلک ہے۔

تسلیم و تحسین:

ہم، بورڈ اور مینجمنٹ کی جانب سے، اپنے قابل قدر صارفین اور معزز شیئر ہولڈرز کے الائیڈ بینک پر انکے اعتماد، سیکورٹی اینڈ ایچینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان اور دیگر انتظامی اداروں کا ان کی مسلسل رہنمائی اور تعاون پر مشکور ہیں۔ ہم صارفین کی توقعات پر پورا اترنے کے

مندرجہ بالا ہر درجہ (سوائے چیئر مین بورڈ آف ڈائریکٹرز) کے بارے میں ڈائریکٹرز کے خیالات / نقطہ نظر کو اکٹھا کر کے چیئر مین بورڈ آف ڈائریکٹرز کو پیش کیا گیا تاکہ وہ، اگر چاہیں تو، ان نتائج / تجاویز پر ہر ممبر سے انفرادی طور رائے زنی کر سکیں۔

مجاز آزاد ڈائریکٹر اس بارے میں

# PRODUCTS AND SERVICES

## COMMERCIAL AND RETAIL BANKING

Commercial and Retail Banking is providing enriched and comprehensive product suite, supported by digital platforms and an extensive network of customer touch points by providing increased access to financial services; at the time and convenience of our valued customers.

### Deposit Products

A comprehensive range of deposit products is offered to our customers with various services ranging from structured saving products to term deposits, foreign currency products and basic current accounts giving customers the choice which best suits their banking requirements.

Current Deposit Products	Saving Deposit Products	Term Deposit Products
<ul style="list-style-type: none"> <li>Allied Khanum Current Account</li> <li>Allied Khanum Asaan Current Account</li> <li>Allied Easy Current Account</li> <li>Allied Basic Banking Current Account</li> <li>Allied Asaan Current Account</li> <li>Allied Youth Current Account</li> <li>Allied Digital Current Account</li> <li>Freelancer Digital Current Account</li> <li>Asaan Digital Remittance Current Account (ADRA)</li> </ul>	<ul style="list-style-type: none"> <li>Allied Roshan Digital Account (RDA)</li> <li>Allied Business Account</li> <li>Platinum Rewarding Profit Account</li> <li>Allied Advance Profit Plus Payment</li> <li>Allied Senior Citizen Account</li> <li>Allied Rising Star Account</li> <li>PLS Saving Account</li> <li>Freelancer Digital Saving Account</li> <li>Asaan Digital Remittance Saving Account (ADRA)</li> </ul>	<ul style="list-style-type: none"> <li>Allied Express Account</li> <li>Allied Term Plus Deposit Account</li> <li>Allied Express Plus 1 Term Deposit</li> <li>Behtar Munafa Term Deposit</li> <li>Foreign Currency Term Deposit</li> </ul>

### Asset Products

Consumer banking offers a full range of consumer lending products which enhances the overall experience of our customers and provide them with state-of-the-art value-added services which ensures that the Bank operates in the best interest of its customers.

Consumer Banking Products	Agri based Products	SME based Products
<ul style="list-style-type: none"> <li>VISA Credit Card</li> <li>Allied Car Finance</li> <li>Allied Home Finance / MPMG</li> <li>Allied Solar System Finance</li> <li>Allied Roshan Apna Ghar / MPMG</li> <li>Allied Roshan Apni Car</li> <li>Prime Minister's Kamyab Jawan Youth Entrepreneurship Scheme (PMKJ-YES)</li> <li>Allied Personal Finance</li> </ul>	<ul style="list-style-type: none"> <li>Hari Bhari Agriculture Revolving Credit Scheme</li> <li>Agriculture Financing for Dairy Farming</li> <li>Agriculture Financing for Poultry Farming and Allied Activities</li> <li>Allied Kashtkar (Tractor Financing)</li> <li>Allied Aabayari (Irrigation Solution)</li> <li>Allied Farm Mechanization</li> </ul>	<ul style="list-style-type: none"> <li>Allied Easy Finance</li> <li>ABL Fast Finance</li> <li>SME Asaan Finance Scheme (SAAF)</li> <li>SME Financing</li> <li>Refinance and Credit Guarantee Scheme for Women Entrepreneurs</li> <li>ABL Warehouse Financing</li> </ul>

### Other Allied Products and Services

Branch Banking Services	Bancassurance Products
<ul style="list-style-type: none"> <li>Safe Deposit Lockers</li> <li>Allied Pay Anyone</li> <li>Allied Banker Cheque / Call Deposit Receipt</li> <li>Real Time Gross Settlement / SBP and NBP cheques</li> <li>Inter Branch Online Transactions</li> <li>Inland Letter of Credit including Bills Discounting</li> <li>Guarantees</li> <li>Allied Bank Call Center</li> </ul>	<ul style="list-style-type: none"> <li>ALSURANCE (EFU General)</li> <li>EFU Savings and Retirement Plan</li> <li>EFU Accelerated Savings Plan</li> <li>EFU ILM &amp; Anmol Rishtey</li> <li>JLI Asaan Zindagi Plan</li> <li>JLI Virasat Plan</li> <li>IGI Invest Max Plan with Vitality</li> <li>IGI Smart Future Plan with Vitality</li> <li>IGI Suhana Mustaqbil Plan</li> </ul>



# PRODUCTS AND SERVICES

## DIGITAL BANKING

Digital Banking is supporting the strategic focus on broad based digitization to augment its service and products suite by offering personalized and innovative solutions catering to the evolving needs of different customer segments.

Debit Cards	Apps and Internet Banking	Digital Touchpoints
<b>Allied UPI PayPak co-badged Debit Cards</b> <ul style="list-style-type: none"> <li>Basic Debit Card</li> <li>UPI &amp; PayPak Classic</li> <li>UPI &amp; PayPak Classic Plus</li> <li>UPI &amp; PayPak Gold &amp; Visa Sapphire</li> <li>UPI &amp; PayPak Allied Rising Star- Minor</li> </ul>	<ul style="list-style-type: none"> <li>myABL Personal Internet Banking</li> <li>myABL Business Internet Banking</li> <li>myABL WhatsApp Banking</li> <li>Voice-Assisted Banking</li> <li>myABL Wallet</li> <li>myABL Asaan Mobile Account (AMA) Wallet</li> <li>myPakistan Digital Account (myPDA)</li> <li>E-Commerce transactions on VISA Debit Card</li> <li>QR Codes on myABL</li> <li>Allied Payday Finance</li> </ul>	<ul style="list-style-type: none"> <li>Digital Branch in Metaverse</li> <li>Self Service Branch</li> <li>Hybrid Digital Branch</li> <li>Digital Locker</li> <li>Cash Recycler ATM</li> <li>ATMs and CCDMs (Cash and Cheque Deposit Machines)</li> <li>Mobile Banking Unit</li> </ul>
<b>Allied Visa Debit Cards</b> <ul style="list-style-type: none"> <li>Classic</li> <li>Platinum Debit Card &amp; Visa Sapphire 200</li> <li>Premium Debit Card</li> <li>Virtual Debit Card</li> </ul>		
<b>Visa Debit Card Foreign Currency</b> <ul style="list-style-type: none"> <li>Visa Classic Card</li> <li>Visa Platinum Card</li> <li>Visa Premium Card</li> </ul>		

## ISLAMIC BANKING

Islamic Banking endeavours to offer a complete range of Shariah' compliant products and services ensuring operational efficiency and superior customer service enabling the promotion of Islamic banking in Pakistan and contributing to the country's financial inclusion.

## Deposit Products

Current Deposit Products	Savings Deposit Products	Term Deposit Products	Digital Products
<ul style="list-style-type: none"> <li>Allied Islamic Current Account</li> <li>Allied Islamic Basic Banking Account</li> <li>Allied Islamic Asaan Current Account</li> <li>Allied Islamic Special Foreign Currency (STZ) Account</li> </ul>	<ul style="list-style-type: none"> <li>Allied Islamic Saving Account</li> <li>Allied Aitebar Khanum Account (Regular &amp; Asaan)</li> <li>Allied Aitebar Salary Management Account (Regular &amp; Asaan)</li> <li>Allied Aitebar Senior Citizen Account (Regular &amp; Asaan)</li> <li>Allied Islamic Youth Account (Regular &amp; Asaan)</li> <li>Allied Aitebar Institutions Account</li> <li>Allied Aitebar Premium Account</li> <li>Allied Islamic Anmol Plus Account</li> <li>Allied Islamic Khalis Munafa Account</li> <li>Allied Aitebar Express Account</li> <li>Allied Islamic Business Plus Account</li> <li>Allied Islamic Sahulat Account</li> <li>Allied Islamic Asaan Saving Account</li> <li>Allied Aitebar Waseela e Hajj &amp; Umrah Account</li> <li>Allied Islamic Special Foreign Currency (STZ) Account</li> </ul>	<ul style="list-style-type: none"> <li>Allied Islamic Investment Certificates</li> <li>Allied Aitebar Notice Period Certificate</li> <li>Allied Islamic Express Plus1 AIC</li> <li>Allied Aitebar Behtar Munafa Certificate</li> </ul>	<ul style="list-style-type: none"> <li>Allied Aitebar Roshan Digital Account</li> <li>Simplified-Low income Islamic RDA</li> <li>Allied Islamic Asaan Digital Account</li> <li>Allied Aitebar Asaan Digital Remittance Account</li> <li>Allied Aitebar Freelancer Digital Account-PKR &amp; FCY</li> </ul>

## Asset Products

Corporate / Commercial / SME	Consumer Finance	Agriculture Finance	Trade / Treasury
<ul style="list-style-type: none"> <li>• Murabaha Finance</li> <li>• Musawamah Finance</li> <li>• Salam Finance</li> <li>• Istisna Finance</li> <li>• Ijarah Finance</li> <li>• Diminishing Musharakah Finance</li> <li>• Business Musharakah Finance</li> <li>• Islamic Refinance Scheme for Working Capital Financing of Small Enterprises and Low-End Medium Enterprises (IWCF)</li> <li>• Islamic Long Term Financing Facility (ILTFF)</li> <li>• Islamic Refinance Facility for Modernization of SMEs (IRFMS)</li> <li>• Islamic Financing Facility for Renewable Energy (IFRE)</li> <li>• Islamic SME Asaan Finance (I-SAAF)</li> <li>• Allied Aitebar Prime Minister's Kamyab Jawan Youth Entrepreneurship Scheme</li> <li>• Allied Aitebar Business Finance</li> </ul>	<ul style="list-style-type: none"> <li>• Allied Aitebar Car Ijarah</li> <li>• Allied Aitebar Home Musharakah</li> <li>• Allied Aitebar Solar System Finance</li> <li>• Roshan Apna Ghar</li> <li>• Roshan Apni Car</li> </ul>	<ul style="list-style-type: none"> <li>• Allied Aitebar Tractor Financing</li> <li>• Allied Aitebar Hari Bhari Agriculture Financing</li> <li>• Allied Aitebar Agriculture Finance for Dairy Farming</li> <li>• Islamic Financing Facility for Storage of Agricultural Produce (IFFSAP)</li> </ul>	<ul style="list-style-type: none"> <li>• Forward Cover</li> <li>• Bai-Muajjal</li> <li>• Letter of Guarantee</li> <li>• Letter of Credit</li> <li>• Islamic Export Refinance Scheme (IERS)</li> </ul>

### CORPORATE AND INVESTMENT BANKING

Corporate Banking aims to foster long-term customers relationships with the primary objective of meeting all business requirements of corporate and institutional obligors while offering tailored and cost-effective banking solutions with highly personalized services. Corporate Banking array of services are augmented with investment banking solutions catering complex business needs, global institutional banking relationships to support trade, treasury, home remittance and foreign exchange payments, and fully customizable and highly scalable Cash Management services offered through online branch network.

#### Investment Banking

Investment banking strives to meet complex financial needs of its clientele by providing a full suite of financing solutions to corporate clients including debt syndications, capital markets, project financing and advisory services.

#### Corporate Banking

Corporate banking provides a single point within the Bank to cater to all business requirements of corporate and institutional customers with the primary objective of enhancing customer service.

#### Emerging Corporates

Middle market caters to all business requirements of our top tier commercial obligors with wide range of products including Working Capital Facilities, Term Loans, Trade Financing, Letters of Guarantee, Letters of Credit and Export Financing.

#### Home Remittances

Home remittances provide seamless inflow of foreign remittance credited in the beneficiary accounts and over the counter payments.

#### Cash Management

Cash management is a state-of-the-art real-time service providing customers with efficient liquidity management solutions across the robust ABL network.

#### Allied Share Financing

ASF is specifically designed for business entities and individuals for immediate availability of medium-term financing to bridge liquidity needs, with maximum loan ticket size of up to Rs. 100 million and tenor up to 3 years.

### ALLIED SALARY MANAGEMENT ACCOUNT

Fast, easy and convenient services are just some of the benefits of Allied Salary Management Account. Organizations can enjoy one of the largest branch networks with ease and convenience of technologically advanced banking. ABL offers quick and efficient payroll service with instant credit of salaries and offers Allied Salary Management Account for company employees with a number of free features.

# PRODUCTS AND SERVICES

**Allied Bank** پاکستان کے سب سے زیادہ قابل اعتماد بینک

## Allied BASIC PLUS Saving ACCOUNT

SIX MONTHLY PROFITS ON PLS SAVING RATE

1111-2222-3333 | www.allied.com

**Allied Bank** پاکستان کے سب سے زیادہ قابل اعتماد بینک

## Allied EXPRESS +1 TERM DEPOSIT

GET PROFIT ON FOREIGN HOME REMITTANCES MORE THAN NORMAL TERM DEPOSIT

12.25% P.A.

1111-2222-3333 | www.allied.com

**Allied Bank** پاکستان کے سب سے زیادہ قابل اعتماد بینک

## A Card that Matches your Persona

1111-2222-3333 | www.allied.com

**Allied Bank** پاکستان کے سب سے زیادہ قابل اعتماد بینک

## Digital Banking Solution for Overseas Pakistanis

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**Allied Bank** پاکستان کے سب سے زیادہ قابل اعتماد بینک

## کاشتکار

### Tractor Financing

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**Allied Bank** پاکستان کے سب سے زیادہ قابل اعتماد بینک

## Allied CarFinance

### Ab Har Safar Shandar!

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**Allied Bank** پاکستان کے سب سے زیادہ قابل اعتماد بینک

## Allied Commercial Lease

### From Highways to Hightech

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**Allied Bank** پاکستان کے سب سے زیادہ قابل اعتماد بینک

## Allied Islamic SME Financing

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**Allied Bank** پاکستان کے سب سے زیادہ قابل اعتماد بینک

## Allied Digital Lockers

ON DISCOUNTED RATES

at your service 24/7

Available in LAHORE | KARACHI | ISLAMABAD

1111-2222-3333 | www.allied.com

**Allied Bank** پاکستان کے سب سے زیادہ قابل اعتماد بینک

## Introducing Pakistan's First Voice Assisted Banking with ABL

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**Allied Bank** پاکستان کے سب سے زیادہ قابل اعتماد بینک

## ABL BUSINESS

Now on your smartphone with an amazing user experience!

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# **STRATEGY AND RESOURCE ALLOCATION**

# STRATEGIC OBJECTIVES

<b>Short Term</b>	<ul style="list-style-type: none"> <li>• Attain competitive edge through Digitalization initiatives and process automation to enhance efficiency and reduce cost to income ratio.</li> <li>• Accumulate quality assets with measures to consistently decrease the NPLs of the Bank.</li> <li>• Accelerate deposit mobilization by enhanced focus on low cost deposits.</li> <li>• Augment diversified revenue streams amid volatile interest environment.</li> <li>• Increase profitability while keeping operating expenses under control.</li> <li>• Deliver superior customer centric services and develop innovative products to cater wide array of customer segments.</li> </ul>
<b>Medium Term</b>	<ul style="list-style-type: none"> <li>• Conserve robust profitability trend</li> <li>• Continuously improve operational efficiencies</li> <li>• Create a sustainable culture of integrity, transparency and ethics</li> <li>• Maintain a strong capital and asset base</li> </ul>
<b>Long Term</b>	<ul style="list-style-type: none"> <li>• Enhancing Brand Image and Creating Shareholders' value</li> <li>• Augmenting Financial Inclusion</li> <li>• Being a top stakeholder value generator in Pakistan's banking sector while remaining a socio environmentally conscious citizen.</li> <li>• To become "Employee of Choice" for top professionals</li> </ul>

## Effect of operating environment on the Bank's strategy

Allied Bank strongly believes in the transformational potential of digital technologies, which remains top priority of the Bank to enable innovative financial solutions offerings to its present & potential customers. Consequently, the Bank re-evaluates its operating processes and systems to enhance the customers' experience. Use of Artificial Intelligence, Robotic Process Automation, Workflow Automation and introducing self-service smart branches and digital lobbies are contributing towards cost-effective seamless services to the customers.

Professional development towards latest technological advancements to increase the digital proficiency of the employees is of prime importance to the Bank. Therefore, the Bank strives to build and retain an agile and dynamic workforce through onboarding tech savvy talent, appropriate trainings, upgraded remuneration structure, performance awards and career path growth including development through its Leadership Talent Pipeline programs.

The Bank continued to invest in energy conservation initiatives and environment friendly projects during the year under review and invested significant amounts toward energy-efficient solutions.

Through continuous focus on automation of processes, the Bank has been able to reduce paper-based processes, which assists in reducing the paper consumption and lowering the carbon footprint as well as enhancing the efficiency in customer services. In order to accelerate digitization and promote Green Banking, the Bank is moving to a more digitally-focused approach to facilitate its customers and improving speed and agility within the business. Additional, through its Green Advisory Services, the Bank continues its advocacy for Green Business Practices, and participated in green campaigns and collaborated in tree plantation drives. The Bank is further committed to enhance tree plantation efforts, in line with national target for "Clean and Green Pakistan".

## STRATEGIES TO ACHIEVE STRATEGIC OBJECTIVES, KPIs AND THEIR FUTURE RELEVANCE

Strategic Objective	Key Operational Milestones	Key Performance Indicators	Future Relevance
Augmenting Financial Inclusion	<ul style="list-style-type: none"> <li>• Enhanced Pakistan's First myABL WhatsApp Banking service by adding new features including IBAN Generator, applying for new Credit Card, opening myABL Wallet Account and viewing Schedule of charges.</li> <li>• "Asaan Mobile Account" was launched to financially include the market segment which does not possess a smartphone.</li> <li>• Revamped Khanum account with enhanced features for women financial inclusion.</li> <li>• Opened 24 Conventional Branches and 25 Islamic Banking Windows (Total Branches 1453 and Islamic Banking Windows 135)</li> <li>• "14" new Automated Teller Machines (ATMs) added (Total: 1572)</li> <li>• Total Mobile Banking Units are 5</li> <li>• Expanded e-Commerce payments and alliances on leading merchants.</li> <li>• Biometric Verification of pensioners through new API launched for Federal / Accountant General Pakistan Revenue (AGPR).</li> </ul>	<ul style="list-style-type: none"> <li>• Profitability</li> <li>• Increased Non-Fund based income</li> <li>• Customer Acquisition</li> <li>• Increased Market Share</li> </ul>	Shall remain relevant in future

Strategic Objective	Key Operational Milestones	Key Performance Indicators	Future Relevance
Enhancing Brand Image & Shareholders' Value	<ul style="list-style-type: none"> <li>• 2<sup>nd</sup> Highest acquirer Automated Teller Machines (ATM) business; ATM uptime 96%.</li> <li>• Stable dividend stream and increasing equity.</li> <li>• Bank of the year 2022 – (Pakistan) Award by “The Banker”, 2<sup>nd</sup> year in a row.</li> <li>• Asiamoney - Best Bank for SMEs in Pakistan 2022.</li> <li>• FinanceAsia Country Awards - Best Domestic Bank in Pakistan for 2022.</li> <li>• Best Banking Tech of the Year award – Pakistan Digital Awards 2022.</li> <li>• 2<sup>nd</sup> Position in Banking Sector - Best Corporate Report of 2021.</li> <li>• Certificate of Merit for the Year 2021 in Private Sector Banks Category - South Asian Federation of Accountants.</li> <li>• National Forum of Environment and Health (NFEH) Award for: <ul style="list-style-type: none"> <li>• Corporate Governance,</li> <li>• Technology, Innovation and Inventions,</li> <li>• Women Welfare, Empowerment &amp; Development,</li> <li>• Green Energy Initiatives.</li> </ul> </li> <li>• Global Diversity, Equity &amp; Inclusion (DEI) Benchmarks Award for: <ul style="list-style-type: none"> <li>• Vision, Strategy, and Business Impact.</li> <li>• Leadership and Accountability.</li> <li>• Recruitment.</li> <li>• Job Design, Classification, and Compensation.</li> <li>• DEI Learning and Development.</li> <li>• Services and Products Development.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Profitability</li> <li>• Stakeholders trust</li> </ul>	Shall remain relevant in future
Employer of Choice for top Professionals	<ul style="list-style-type: none"> <li>• Allied Leadership Talent Pipeline phase-2 conducted to ensure effective succession at the mid-level management.</li> <li>• RISE program for the Middle management Assessment completed and training plan submitted.</li> <li>• Women Leadership Development Program for high potential female employees.</li> <li>• 3 Management Development Centers (MDCs) are currently operational.</li> <li>• Established in-house Psychometric Assessment ‘Center for Assessment Research and Employees’ Evaluation.</li> <li>• Conducted training of the employees based on Training Need Analysis for the year 2022, Training coverage of 11,719 unique employees.</li> <li>• Implemented code of ethics and anti-harassment policy and its compliance.</li> </ul>	<ul style="list-style-type: none"> <li>• Operational Efficiency</li> <li>• Profitability</li> </ul>	Shall remain relevant in future
Operating Effectiveness	<ul style="list-style-type: none"> <li>• Completed installation of additional ‘250’ Digital signage Machines (Total DSMS) 1,275)</li> <li>• “Direct Debit” of Banker Instruments deployed, for processing in INCHEQ system after manual scrutiny.</li> <li>• Export Refinance centralized to reduce branches visits by the Banking Services Corporation (BSC) verification teams.</li> <li>• Customer Relationship Management (CRM) implemented for Home Remittance Operations.</li> <li>• Implemented Phase-1 and Phase-2 of Micro Payment Gateway “Raast”.</li> <li>• Introduced Cash Recycling ATMs. Cash Recycling ATMs besides allowing cash withdrawal also accept cash deposited by the customers.</li> <li>• Payment Card Industry Data Security Standard (PCI DSS) Certification was achieved for the 4<sup>th</sup> year in 2022 along with compliance to Swift Customer Security Program (CSP) as mandated by SWIFT International.</li> </ul>	<ul style="list-style-type: none"> <li>• Operational Efficiency</li> <li>• Profitability</li> <li>• Reduced Cost to Income ratio</li> </ul>	Shall remain relevant in future



# STRATEGIC OBJECTIVES

Strategic Objective	Key Operational Milestones	Key Performance Indicators	Future Relevance
Enhanced Focus on Digitization	<ul style="list-style-type: none"> <li>Established Digital Lobby (Self Service Area) in UMT Lahore.</li> <li>Launched Pakistan's first virtual touchpoint in Metaverse.</li> <li>Updated version of "myABL Business App" with enhanced features.</li> <li>Biometrically enabled ATM network of 1570+ ATMs.</li> <li>Launched Premium &amp; Platinum debit cards on foreign currency (FCY) accounts.</li> <li>Allied Bank in collaboration with National Incubation Center launched industry's largest fintech hackathon this year; 1,200+ participants presented their ideas and innovative solutions.</li> </ul>	<ul style="list-style-type: none"> <li>Customer Onboarding</li> <li>Increase in fee income market share</li> <li>Operational efficiency</li> </ul>	Shall remain relevant in future

## RESOURCE ALLOCATION PLAN

Nature of Capital	Resource Allocation Plan
Manufactured capital	Augmenting branch and ATM network with improved Branch layout entailing smart branches strategy with enhanced technological infrastructure.
Natural capital	Increased financing towards renewable energy projects to promote green banking. Expand paperless environment and enhancing number of branches and offices using energy efficient solutions.
Financial Capital	Elevated investment on infrastructure including buildings and equipment. Capitalize on process automation and IT network improvements. Expend in good quality asset base with inflated yield.
Human capital	Human capital capacity enhancement and capability building by focusing on trainings, talent management and talent retention. Recruit and retain tech savvy employees
Intellectual Capital	Continuous improvement in governance culture by utilizing strong institutionalized knowledge. Formulate new products focusing diverse range of customer base.
Social and Relationship Capital	Enhance brand image through public awareness campaigns and ongoing dialogue with customers.

## Strategic decisions formulation

The Bank prudently and on an ongoing basis assesses its operating and macroeconomic environment for diligent strategic formulation. To achieve its strategic objectives, the Bank adheres to the following methods;

- 10 Years' Rolling Strategic Plan which covers short to long term strategies and is reviewed annually to adjust in accordance with changes in the operating environment.
- SWOT analysis assesses the Bank's competitive positing in short to medium term and assists in capitalizing on emerging opportunities and mitigating arising risks.
- Peer Bank Analysis focuses on the Bank's position in the industry landscape.
- The bank has Business Continuity Plan (BCP) for disaster management which is updated on ongoing basis.
- The Bank approves and monitors overall objectives, strategic goals, business plans, risk acceptance criteria, control frameworks, and culture of the Bank through Board of Directors, Board Committees and Management Committees.

## KEY RESOURCES AND CAPABILITIES

The Bank endeavors to meet expectations of its valued customer base while maintaining the credit quality within the defined risk appetite. The Bank has following key resources and capabilities to achieve its strategic objectives.

Key resources and capabilities	Descriptions
Brand Recognition	<ul style="list-style-type: none"> <li>The Bank strong brand image; serving the customers for 8 decades.</li> <li>Strongest possible long-term and short-term entity credit ratings of “AAA” and “A1+” respectively by Pakistan Credit Rating Agency.</li> <li>Bank of the year 2022 – (Pakistan) Award by “The Banker”, 2nd year in a row.</li> <li>Ranks among top 5 banks in term of total assets footing.</li> </ul>
Technological Infrastructure	<ul style="list-style-type: none"> <li>State of the art technological platform – Temenos T24 core banking software, Oracle based ERP and Analytical Applications.</li> <li>Use of Data Lake, Business Intelligence Dashboards, Robotic Process Automation and AI tools.</li> </ul>
Robust Risk Management Framework	<ul style="list-style-type: none"> <li>Strong capital positioning.</li> <li>High Capital Adequacy Ratio.</li> <li>Low infection ratio and high coverage ratio.</li> </ul>
Country-wide out reach	<ul style="list-style-type: none"> <li>Vast Branch Network.</li> <li>ATMs with continuous enrichment via digitalization.</li> <li>One of the leading ATM &amp; Branch up-time in the industry.</li> </ul>
Low cost deposit base	<ul style="list-style-type: none"> <li>Total deposit base surpassed Rs.1.5 trillion.</li> <li>Current deposit to stand at Rs. 609 billion.</li> <li>CASA mix stood at 79%.</li> </ul>

### Value creation

The Bank deploys and enhances its resources to maximize value for its stakeholders. Value is created through strategic initiatives and its persistent applications through policies, procedures and processes including business models, which take inputs from the Bank’s key resources and transforms them into business activities to generate value for the Bank’s various stakeholders. Resultantly, the Bank has a stable payout ratio, significant contributor to the national exchequer and maximization of shareholders’ value.

### Significant changes in objectives and strategies

The Bank’s objectives and strategies are well calibrated with its vision and are implemented through policies, procedures and processes. No significant change occurred during the year to affect the objectives and business strategies of the Bank

# PESTEL ANALYSIS



Strategic Business planning, systematic framework of procedures and prudent decision making resulted in efficient management of the Bank while countering the emerging challenges and risks.

Developments in the **Political (P), Economic (E), Social (S), Technological (T), Environmental (E)** and **Legal (L)** spheres which have implications on the Bank's strategy are monitored diligently. These factors are described in further detail.

## Political

Uncertain political environment continued to be major factor affecting the economic activities of the country. A range of fiscal and monetary policy measures were implemented to address the macroeconomic imbalances and mitigate external account risks, which are listed below.

- Change in regime, persistent risks of default, delay in carry through of International Monetary Fund (IMF) program and currency volatility remained the highlights during 2022.
- Year 2022 faced multiyear high inflation thus forced SBP to tighten policy stance, resultantly benchmark rate was increased from 9.75% in January 2022 to 16% in November 2022.
- Multiple relief measures were implemented for the flood-affected agriculture sector like mark-up subsidies for farmers and provisions of subsidized inputs.
- To restrict looming current account deficit (CAD), several duties along with restrictions on import of non-essential items were imposed to restrain the outflow of foreign currency while providing stimuli towards encouraging the export sector and local manufacturers.

Impact	Response
Negative impact of repricing lag on Net Interest Margin (NIM)	Effective repricing and duration management
Low credit demand and its impact on bottom-line.	Diversify fee-based income

## Economic

- International Monetary Fund (IMF) has estimated the global growth at 3.4% in 2022. Geo-political tension, persistent high inflation, economic slowdown in China and Russia-Ukraine conflict have pared the global economic growth. IMF projects the world's GDP growth at 2.9% in 2023.
- IMF has estimated real GDP Growth of Pakistan at 6.0% for 2022 which was earlier estimated at 4.0% as compared to 5.7% in 2021. Domestic economy is confronting inflationary and external sector pressures coupled with humanitarian-cum-economic crisis from recent floods. IMF and SBP have projected Pakistan's GDP growth at 2.0% in 2023. The impact of improvement in trade balance has translated into shrinkage of current account deficit (CAD) which was recorded at US\$ 3,667 million for the period of Jul-Dec FY2023 as compared to US\$ 9,091 million in same period last year.
- **Outlook:** The economic outlook deteriorated significantly due to macro imbalances and political disturbances along with external factors. Average inflation is expected to remain in the range of 21 - 23% owing mainly to higher food prices.

Impact	Response
Increased volatility of exchange rate.	Effective hedging of assets and liabilities denominated in foreign currency.
Potential escalated impairments caused by economic uncertainty.	Prudent risk management framework in place.

## Social

- Retention of right talent with adequate knowledge and know-how of emerging technologies and automated systems & processes pose a significant challenge. Moreover, entry of new FinTechs in the industry and higher aspirations and career ambitions of the tech savvy workforce cause higher employee turnover ratio.



- Increased focus towards digitization and automated operational models intensifies the need of agility and responsiveness among employees through integrative development propositions.
- Increased customer demand for convenient, accessible and personalized solutions leads to higher cost to procure and implement these technologies.
- Onboarding tech savvy customers is a critical factor, as young customers engage at the convenience of enhanced technological and e-banking service offering.

Impact	Response
Bank's strong reputation for good employer practices.	Agile and dynamic work place environment
Projected increase in capital and recurrent expenditure on training and development over the short-and medium term.	Retaining employees to drive the Bank's growth and digital aspirations through appropriate training interventions.

## Technology

- Technology has redefined the standard of living, raising consumer expectations on convenient, seamless banking; thereby evolving the entire banking landscape.
- Deployment of latest technology such as Robotic Process Automation (RPA) and workflow automation, which have been critical; contributing towards a sustained decline in cost-to-income ratios.
- Emerging technologies such as Blockchain, AI and Cloud Computing are revamping various aspects of banking, stimulating compelling opportunities for enhancing operational efficiencies, reducing costs, interacting with customers and optimizing resources.
- Social media presence and increased globalization has escalated the risks of propagating misinformation, potentially impacting the organizations' reputation and brand image.

Impact	Response
Enhanced risk of breach in Cyber Security; Leading to Reputational Risk.	The Bank has in place robust Info-Sec setup with emerging controls and continuous updates in line with best industry practices.
Leveraging on digital and e-banking products to cater tech savvy customer base	The Bank has in-house innovation lab to ensure delivery of digitized solutions to the diverse customer base. The Bank has launched Self-service branches, which have revamped the dynamics of conventional brick and mortar branch network with manual processes towards automated digital banking through Smart/Hybrid Branches and Digital Lobbies.
Delayed automation results in decline in ATM uptime and Branch connectivity.	The Bank has augmented its efficiency through timely capitalization of automated processes and monitoring tools.

## Environment

- Environmental risks continue to rank amongst the most serious, with extreme weather, global warming, scarce resources and ozone depletion, continuing to impact the environment in most hazardous ways.
- Banks through adoption of responsible lending practices and policies can conserve the environment for future generations. Banks have more powerful means of influencing customers towards more environment friendly solutions.
- Banks, through Green Banking initiatives and green financing, can impact the mind set of society, to improve environment around them.
- Increased automation can lead to reduced paper consumption, thereby sustaining and promoting green environment.
- Reduced carbon emission and fuel usage can be optimized by augmenting the network of Solar and Invertor based branches.

# PESTEL ANALYSIS

Impact	Response
Implications on climate change and sustainable environment.	<ul style="list-style-type: none"> <li>• Bank has in place green policy ensuring green financing, green business facilitation and own impact reduction.</li> <li>• The Bank uses Environment Risk Management system (EnvRM) to ensure that each financing is directed towards environment friendly project activities.</li> <li>• Bank focuses on ozone-safe business practices through its Green Advisory Services.</li> <li>• Green banking financing has been embedded in the Bank's lending criteria.</li> <li>• The Bank has in place solar and inverter installed branches and offices.</li> <li>• Processes automation to reduce use of paper.</li> <li>• Tree plantation campaigns</li> </ul>

## Legal

- Potential losses to earnings and reputational damage arising from non-compliance with regulations/statute are mitigated through consistent compliance with the applicable laws and regulations.
- Highly skilled and experienced legal and compliance functions ensure that all exposures, uncertainties in legal actions or in applicability or interpretation of relevant laws or regulations are mitigated through ongoing review of laws, regulations and legally binding agreements.
- A Board-approved Corporate Whistle Blowing Policy encourages reporting of complaints related to suspected theft/fraud, corruption, misuse of the Bank's assets or any other actions that are considered unethical or illegal.
- All policies, procedures and guidelines are agile, relevant and adaptable in ever-changing regulatory requirements and stakeholder considerations.

Impact	Response
Increased penalties, fines and litigations	<ul style="list-style-type: none"> <li>• The Bank has in place procedures, policies and guidelines to adapt to ever-changing regulatory requirements.</li> <li>• The Bank maintains zero tolerance towards non-compliance of Legal and Regulatory Requirements.</li> </ul>

## STRATEGY TO OVERCOME LIQUIDITY PROBLEM

Asset-liability management (ALM) plays a critical role in managing crucial components of liquidity and the balance sheet while ensuring viability of the financial institution. The Bank maintains strong liquidity position. Asset Liability Committee (ALCO) is responsible to monitor and maintain liquidity. The liquidity ratios together with high Coverage Ratio and low Non-Performing Loan Ratio indicate strong liquidity position of the Bank.

## SIGNIFICANT PLANS AND DECISIONS

The Bank's objectives and strategies are well calibrated with the Vision and are implemented through policies, procedures and processes. No significant change occurred during the year to affect the objectives and business strategies.

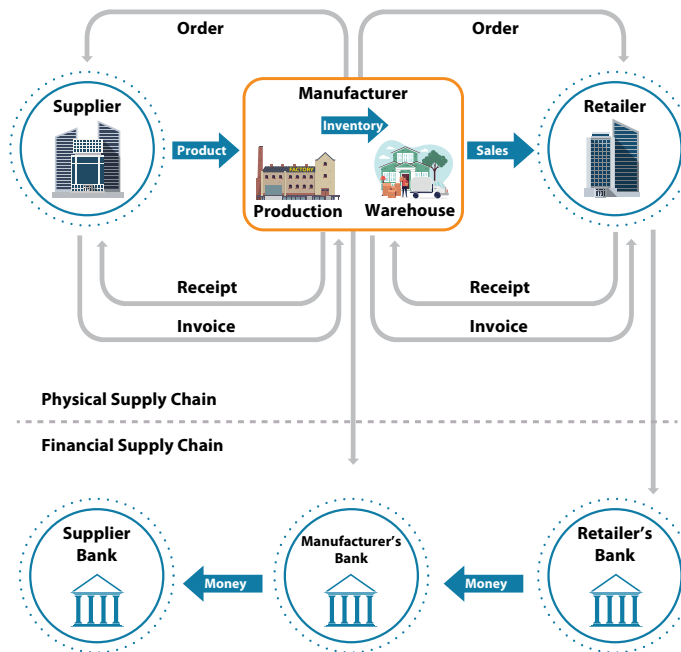
# ROLE OF BANK IN VALUE CHAIN

## Financial Supply Chain

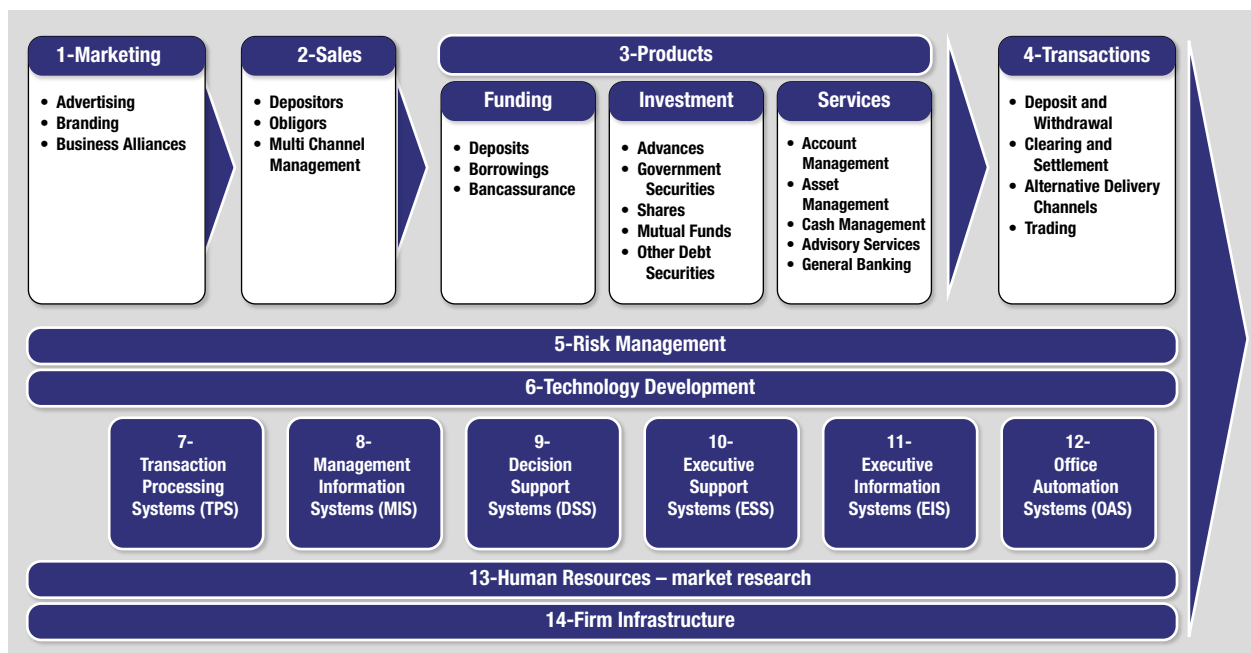
Allied Bank Limited being a financial institution manages money flows in partnering supply chain organizations, by developing innovative methods for streamlining their financial distribution networks. The role of the Bank in value chain is to improve inter-organization money flows. The Banks provides a set of financial and technological tools to help companies improve working capital management and free up cash trapped in supply chain processes and transactions. Furthermore, the Bank's role as an intermediary between suppliers and buyers facilitates in strengthening their ties.

- Supplier prefers to get money for delivered products or services sooner whereas,
- Buyers want to extend payment terms.

Banks offer services to improve the financial health of the supply chain by reducing both buyer and seller working capital.



# BUSINESS MODEL





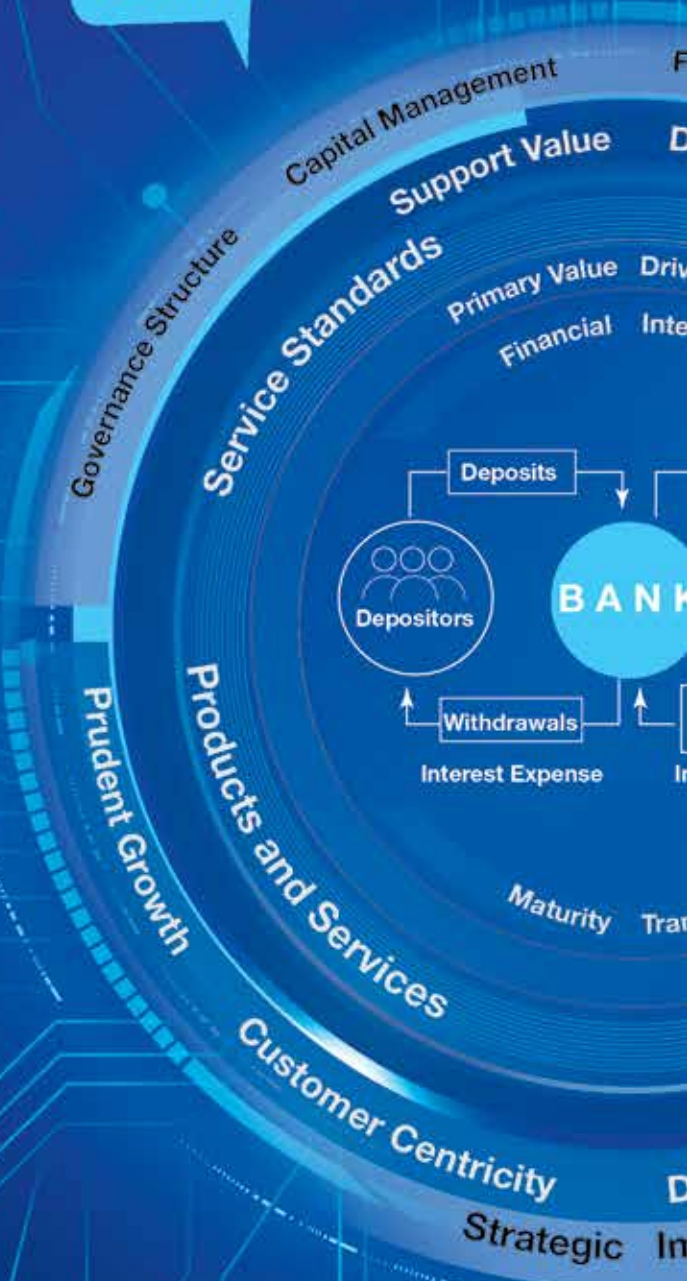
# OUR VALUE CREATION BUSINESS MODEL

## INPUTS

<b>Financial Capital</b>	<ul style="list-style-type: none"> <li>• Common Equity Rs. 122,539 million</li> <li>• Total Equity Rs. 127,811 million</li> <li>• Deposits Rs. 1,522,297 million</li> <li>• Borrowings Rs. 530,414 million</li> </ul>
<b>Manufactured Capital</b>	<ul style="list-style-type: none"> <li>• Domestic &amp; Foreign Branches 1,453</li> <li>• ATM Network 1,572</li> <li>• Digital Touch points 20</li> <li>• Other Fixed Assets</li> </ul>
<b>Human Capital</b>	<ul style="list-style-type: none"> <li>• Engaged and capable employees</li> <li>• Female Employees 2,468</li> <li>• Male Employees 9,461</li> <li>• Total Number of Employees 11,929</li> <li>• State of the Art Management Development Centers 3</li> <li>• Culture of Empathy</li> </ul>
<b>Social and Relationship Capital</b>	<ul style="list-style-type: none"> <li>• Depositors 6.5 million+</li> <li>• Obligors 23,000+</li> <li>• Regulators, Pakistan Business Council, PBA, Chambers of Commerce and Industry</li> <li>• Community Service (CSR)</li> <li>• Strong Social Media Presence</li> <li>• Robust Complaint Handling Mechanism</li> </ul>
<b>Intellectual Capital</b>	<ul style="list-style-type: none"> <li>• 10 Year Rolling Strategic Plan</li> <li>• Strong IT Infrastructure</li> <li>• Robust Risk Management</li> <li>• Comprehensive Compliance Management</li> <li>• Detailed Policies &amp; Procedures</li> <li>• Strong Management Structure - Leadership Teams</li> </ul>
<b>Natural Capital</b>	<ul style="list-style-type: none"> <li>• Solar Locations 64</li> <li>• Inverter Locations 1,526</li> <li>• Green Banking Initiatives and Products</li> <li>• Compliance to Environmental Laws</li> </ul>

## Vision

## Value Driver



# Activities

## Mission



### OUTPUTS

Loans & advances, investments, deposits, remittance services, fee based services, Trade related products & services, unfunded facilities, REPO transactions, advisory services.

• Profit Before Tax	Rs. 46,626 million
• Profit After Tax	Rs. 21,194 million
• Earning per Share	Rs. 18.51
• Full-year dividend per share	Rs. 8.5
• Return on Equity	18.41%
• Return on Assets	1%
• Capital Adequacy Ratio (CAR)	19.74%

Shareholders

• Advances Growth	30%
• Deposits Growth	8%
• Decrease in Non Performing Loans	4%
• CASA Mix	79%
• Customer Onboarding (Approx)	1.3 million +
• Customer Complaint Resolutions	97%
• myABL Registered Users (Approx)	1,288,521
• myABL amount of transactions handled	Rs. 874,757 million
• No. of Debit Cards issued (Approx)	755,000+
• Digital / Counter Transactions mix	74%: 26%
• Corporate Website Visits	10 million+
• Social Media Subscribers	1.5 million+

Customer

• Salaries and Benefits	Rs. 17,193 million
• Employee Retention Ratio	86%
• Employees Trained in Service	11,719
• Total Investment in Employee Trainings	Rs. 147.8 million
• Team building events	
• Amount spent on employee health care	Rs. 198 million

Employees

• Long Term Entity Credit Rating	AAA
• Short Term Entity Credit Rating	A1+
• Corporate Governance Rating	CGR 9++
• Compliance with all Regulatory requirements	

Regulators

• Contribution to National Exchequer	Rs. 39,439 million
• Customer Deposit Protection	Rs. 1,389 million
• Improving Workplace Environment	Rs. 402 million
• Environmental Sustainability	Rs. 180 million
• Plantation of Trees	75,000
• Community Services	Rs. 136 million

Society

## OUTCOMES

## Geopolitical Environment Affecting the Banking Industry

Pakistan is located at a region which has great political, economic and strategic importance. Pakistan has the potential to develop transit economy due to its strategic location by offering direct and shorter trade routes to China, Central Asian States and Afghanistan with Middle East, Africa and Europe. However, the economic potential is still largely untapped mainly due to unstable security situation and conditions in Afghanistan, trade restrictions on Iran and due to political tensions between Pakistan and its eastern neighbor India. Improvement in the security condition in Afghanistan, lifting or easing of trade restrictions on Iran, and progress in relations with India has the potential to increase the trade volumes and to bring the mutual economic benefits resulting into establishing formal banking channels and offering related banking services.

The economic problems of Pakistan were further aggravated due to its inclusion in the grey list of Financial Action Task Force in 2018. This resulted in widespread reforms in the financial sector including the implementation of Anti Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing (AML/CFT/CPF) guidelines by updating the policies and procedures of the Banks in line with the regulations issued by the State Bank of Pakistan. The removal of Pakistan from the grey list of FATF in 2022 is expected to bring financial ease in securing much needed economic aid from the global financial institutions.

## Legislative and Regulatory Environment of the Bank

The Banking industry is highly regulated by governments across the globe, as banks play a vital role in implementing the government's monetary policy. The banks operate as the engine of the economic growth due to its core function involving large amounts of money flows. The main rationale of regulating Banking industry is to ensure safety of customers' deposits, stability of the financial system, and to prevent financial crime.

Allied Bank Limited being a scheduled bank engaged in commercial banking and related services, and also listed on the Pakistan Stock Exchange is primarily regulated by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan.

Under the legal framework, the State Bank of Pakistan has been entrusted with powers and mandate mainly under the State Bank of Pakistan Act, 1956, the Banking Companies Ordinance, 1962, and the Foreign Exchange Regulation Act, 1947 to regulate and supervise the Banking Industry. Moreover, Securities and Exchange Commission of Pakistan regulates primarily through Companies Act, 2017 for protecting the interests of various stakeholders and inculcating principles of corporate governance.

The regulatory framework of State Bank of Pakistan comprises a set of policies, guidelines, prudential standards and allied processes & procedures covering the following key areas;

- Licensing Regime
- Prudential Regulations
- Corporate Governance Regime
- Capital Adequacy Regime
- Anti-money laundering and Counter Financing of Terrorism (AML / CFT) Regime
- Policy Environment and Market Discipline





# STAKEHOLDERS ENGAGEMENT

# IDENTIFICATION OF STAKEHOLDERS

The Bank remains focused on the preservation of the stakeholders' interest and strives to maximize the value through achieving sustainable returns and delivering performance that exceeds market and stakeholders' expectations. The stakeholders' inputs are considered as an integral part of the Bank's core strategy. The Bank's processes and procedures are formulated to generate long term value for the stakeholders.

Stakeholder Group	Description	Identification of Stakeholders
Customers	The Bank aspires to build a strong brand image through long-term relationships with our customers through customer centric sustainable solutions.	<ul style="list-style-type: none"> <li>• Individuals</li> <li>• Institutions</li> <li>• Corporates</li> <li>• Entrepreneurs</li> </ul>
Shareholders / Institutional Investors	The Bank maintains transparent relations with its investors by delivering solid and sustainable investment returns and providing accessible information on financial and non-financial performance.	<ul style="list-style-type: none"> <li>• Sponsors</li> <li>• Minority Shareholders</li> <li>• Individual Investors</li> <li>• Institutional Investors</li> </ul>
Regulators	The Bank complies with all legal and regulatory requirements with aim to maintain transparent relationships with regulators and other supervisory bodies on an ongoing basis.	<ul style="list-style-type: none"> <li>• State Bank of Pakistan</li> <li>• Federal Board of Revenue</li> <li>• Provincial Revenue Authorities</li> <li>• Securities &amp; Exchange Commission of Pakistan</li> <li>• Pakistan Stock Exchange</li> <li>• Credit Rating Agencies</li> <li>• Other public offices and regulatory bodies</li> </ul>
Employees	The Bank invests in personal and professional development of its employees. It provides an environment where employees are cared, diversity and differences are valued and growth opportunities are provided without any discrimination.	<ul style="list-style-type: none"> <li>• Permanent Employees</li> <li>• Contractual Employees</li> <li>• Outsourced Personnel</li> <li>• Employees' Union</li> </ul>
Society and Environment	The Bank plays a vital role in addressing the environmental and social issues in the communities by being a responsible corporate citizen.	<ul style="list-style-type: none"> <li>• Non-Profit Organizations</li> <li>• Non-Government Organizations</li> <li>• Media</li> <li>• Society at large</li> </ul>

## SUMMARY OF THE ANALYST BRIEFINGS

Analyst briefings provide an interactive forum for engaging with the Bank's stakeholders to apprise them about:

- major economic indicators and their probable impact on the Bank's financial position;
- the business performances;
- competitive environment in which the Bank operates; and
- investment and business outlook.

Analyst briefings and investors conference calls were conducted, following the announcements of annual, quarterly and half yearly financial results in February, April, August and October 2022. These were attended by various research organizations, local and foreign investor services, bankers, asset management companies and brokerage houses. Detailed investor presentations were uploaded at the Bank's website before briefings and were also discussed in detail during the conference calls. After the presentation, participants' queries were duly discussed and explained in connection to the Bank's performance.

Investor presentations are available at Bank's website <https://www.abl.com/investor-relations/financials/financial-presentations/>

Corporate Briefing Session is conducted once a year to enlighten the shareholders and analysts with the Bank's strategic, operational and financial developments. This session was conducted in December 2022 and was attended by 90 shareholders, investors and brokers.

## REDRESSAL OF INVESTORS' COMPLAINTS

Investors can approach at [investor.relations@abl.com](mailto:investor.relations@abl.com) for the redressal of their grievances and complaints. The Bank ensures resolution of any grievances within statutory timelines.

## INVESTORS' RELATIONS SECTION ON THE CORPORATE WEBSITE

The Bank regularly updates all information on its corporate website regarding financial performance, important information, elections of directors, upcoming events etc. The investor relation section is being maintained on corporate website which can be accessed through the link <https://www.abl.com/investor-relations>.

## MAPPING OF BEST CORPORATE REPORT CRITERIA

This Annual Report is prepared under the guidelines of International Integrated Reporting Framework as outlined in Best Corporate Report criteria developed by joint evaluation committee of Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP). The mapping of the Best Corporate Report criteria cross referred with page numbers of this Annual Report are available on the Investor Relations section of the corporate website of the Bank.

## STEPS TO ENCOURAGE MINORITY SHAREHOLDERS PARTICIPATION IN GENERAL MEETINGS

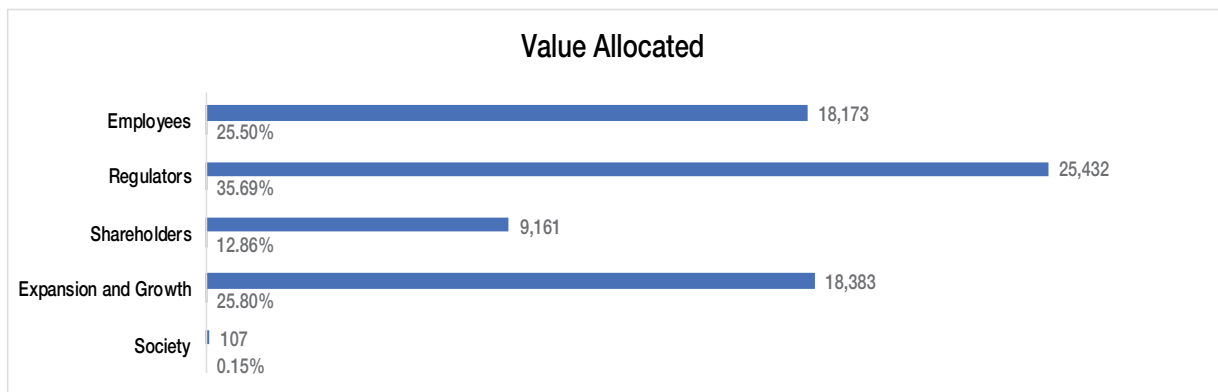
The Bank ensures equitable treatment of all shareholders including minority shareholders to attend, contribute and vote at the General Meetings. The Bank takes following measures to ensure maximum participation of minority shareholders in Annual General Meeting and in election of Board of Directors;

- Notice of General Meetings is sent to every member of the Bank at least 21 days before the meeting. The notice is also published in newspapers (both English & Urdu) having nationwide circulation.
- The Bank timely updates its website with respect to all notices of general meetings.
- Annual Report of the Bank is sent to each member of the Bank 21 days before Annual General Meeting (AGM).
- All members are entitled to appoint proxy to attend, speak and vote at the meeting on his/her behalf.
- Members can attend and participate in the AGM through video-link.
- The shareholders are encouraged to raise queries and give suggestions relating to the Bank's operations.

## STATEMENT OF VALUE CREATION

VALUE ADDED	Rs. In Million
Income from banking services	87,362
Cost of services	(16,400)
Value added by banking services	70,962
Non - banking income	32
Provision reversal against non-performing assets	262
Total Value Added	71,256


## Value Allocated







# STAKEHOLDERS ENGAGEMENT

Your Bank believes in connecting with its various stakeholder groups to create a better understanding of stakeholder perspectives on key issues and consequently realize business value through informed decision making. Your Bank maintains formal mechanisms to engage with each group of stakeholders and the responsibility for such engagement is shared across the organization at every stakeholder touch point. The key stakeholder groups and their related engagements as a means of creating value are noted below:

	Stakeholder Group	Methods of Engagement	Frequency of Engagement				Needs & Expectations
			Occasionally	Regularly	Periodically	Continuously	
  Customers	Individuals Institutions Corporates Entrepreneurs	<ul style="list-style-type: none"> <li>• Video Mystery Shopping</li> <li>• Customer Access Points</li> <li>• Corporate website</li> <li>• SMS &amp; Email Alerts</li> <li>• CSR activities</li> <li>• Customer Awareness Seminars</li> <li>• Road Shows</li> <li>• Promotional campaigns</li> <li>• Print and electronic media</li> <li>• Social Media</li> <li>• WhatsApp</li> </ul>	●	●		● ● ●  ● ●	Excellent customer service, convenient access across the country, less complexity and improved flexibility, innovative financial services & solutions, value for money banking, responsible banking services, confidentiality, integrity and accountability, security for customers investments, ambience in touch points.

Why do they Matter	How We Create Value for Stakeholders	Activities
<p>Customers are at the centre of our business strategy and customer focused products and services provide the basis to win and maintain customers and achieve a sustainable business model.</p>	<p>Understanding evolving customer needs to roll out more efficient channels thereby delivering competitive, convenient, technology driven, artificial intelligence based and innovative banking solutions.</p>	<ul style="list-style-type: none"> <li>• Conducted video mystery shopping to assess service delivery standards and understand customers' experience and level of satisfaction when using banking services and service channels.</li> <li>• Launched various innovative solutions to make banking more convenient and meet the clients' need.</li> <li>• Expansion in Bank's footprint; branch network added 24 new branches during the year to reach at 1,453; expanded ATM network to 1572 (including On-site and Off-site ATMs), while providing Internet banking.</li> <li>• Increased Gross Advances by Rs. 191,748 million and deposits by Rs. 109,002 million.</li> <li>• ABL actively contributed towards various initiatives launched by Government of Pakistan including Prime Minister Youth Business Loan and Agriculture Loan Scheme.</li> <li>• The Bank executed various campaigns throughout the year on social media on products and services, e.g., WhatsApp Banking, Temporary Limit Enhancement, myPakistan Digital Account, Premium &amp; Platinum Debit Cards, RAAST through myABL, myABL Wallet, Enhanced ATM Withdrawal Limit, Self-service banking services on Kiosks as well as on different dining and lifestyle discounts posts to raise maximum awareness and promote products which ensure customer convenience.</li> </ul>
	<p>Safeguarding deposits and investments while growing returns.</p>	<ul style="list-style-type: none"> <li>• Your Bank paid Rs. 99,742 million, interest / profit to its depositors.</li> <li>• Continued investment in technological infrastructure to improve data security and maintain customer privacy.</li> <li>• Conducted Vulnerability Assessment, Penetration Testing and Technical Risk Assessments to ensure controlled environment for customer related information.</li> <li>• Implemented software defined network CISCO SD Access which enables IT transformation by improving visibility, reducing risk and containing threats from customers to applications.</li> <li>• SMS Alerts all digital banking transactions to customers.</li> </ul>
	<p>Timely communication of relevant information on products and services.</p>	<ul style="list-style-type: none"> <li>• Undertook marketing communications through various advertising activities and social media channels to extend outreach to customers and public at large.</li> <li>• Your Bank arranged awareness seminars and road shows to engage customers and disseminate information regarding Banks' services portfolio.</li> <li>• As a true pioneer in the field of digital banking for customers, Your Bank has taken industry first initiative of entering into Metaverse Space which allows customers to create their own virtual touchpoints by providing a very realistic banking experience through the use of Virtual Reality (VR) technology. In addition, myABL was continuously updated with key features such as Raast-Instant payment system, QR codes for money transfer and improved Fraud Controls &amp; Security to cater the evolving digital needs of the Bank's customers.</li> </ul>
	<p>Upholding highest standards of service quality across the Bank.</p>	<ul style="list-style-type: none"> <li>• Efficiently and effectively 97% resolution of customers' complaints.</li> <li>• High ATM uptime at 96%.</li> </ul>



# STAKEHOLDERS ENGAGEMENT

	Stakeholder Group	Methods of Engagement	Frequency of Engagement				Needs & Expectations	
			Occasionally	Regularly	Periodically	Continuously		
 Shareholders / Institutional Investors	Sponsors Minority Shareholders Individual Investors Institutional Investors Analysts	<ul style="list-style-type: none"> <li>Annual Report</li> <li>Interim Financial statements</li> <li>Corporate website</li> <li>Annual General Meeting</li> <li>Extra Ordinary General Meetings</li> <li>Analyst Briefings</li> <li>Corporate Briefing Sessions</li> <li>Press releases / Media Announcements</li> </ul>	●	●	●	●	Sustainable performance, dividend payout, return on equity, return on assets, earning per share, future growth strategy, corporate governance, risk management, compliance with laws and regulations.	
 Regulators	State Bank of Pakistan (SBP) Federal Board of Revenue (FBR) Securities and Exchange Commission of Pakistan Pakistan Stock Exchange (PSX) Credit Rating Agencies Other Public Offices and Regulatory Bodies	<ul style="list-style-type: none"> <li>Directives and circulars</li> <li>Financial statements</li> <li>Statutory examination</li> <li>Regulatory reporting</li> <li>Filing of income tax federal Excise and sales tax returns</li> <li>Filing of corporate return</li> <li>Interviews and meetings with representatives of regulators, Pakistan Banking Association, Business Council</li> </ul>	●	●	●	●	●	Compliance with all legal and regulatory requirements, remain responsible tax payer, corporate governance practices, adherence to reporting requirements, risk management, sustainable business practices, timely withholding taxes and deposit, income tax, FED & sales tax payment including advance tax.



Why do they Matter	How We Create Value for Stakeholders	Activities
<p>To ensure long term shareholder value and uphold the rights of the shareholder to ensure their wealth maximization.</p>	<p>Generating sustainable financial returns, enabled by growing revenues and dividends. Managing and reducing risks while optimizing our cost base.</p>	<ul style="list-style-type: none"> <li>Generated a sustainable ROE and ROA at 18.41% and 1% respectively; Increased dividend yield ratio to 13.29%.</li> </ul>
	<p>Maintaining a strong balance sheet and safeguarding asset quality which contributes towards sustainable performance.</p>	<ul style="list-style-type: none"> <li>Financial position improved by 12% to Rs. 2,250,973 million; Your Bank's Equity base stood at the robust level of Rs. 127,811 million;</li> <li>Reduction in infection ratio to 1.53%.</li> </ul>
	<p>Delivering existing and potential shareholders relevant and timely information.</p>	<ul style="list-style-type: none"> <li>Annual Audited Financial statements together with the Auditor's and Director's report were circulated to all shareholders along with the Notice of AGM.</li> <li>Abridged Annual Audited Financial Statements along with Auditors' and Directors Report were published in the newspaper.</li> <li>Analyst briefings and investors conference calls were conducted, following the announcements of quarterly, half yearly and annual financial results.</li> <li>Corporate Briefing Session is conducted once a year to enlighten the shareholders and analysts with the Bank's strategic, operational and financial developments. This session in 2022 was attended by 90 shareholders, investors and brokers.</li> <li>Quarterly, Half Yearly and Annual Financial Statements, Investors' Presentations and Major financial information is disclosed under a separate section of "Investors Relations" on Corporate Website of the Bank.</li> </ul>
	<p>Ensuring equitable treatment of all shareholders including minority shareholders to attend, contribute and vote at the General Meetings.</p>	<ul style="list-style-type: none"> <li>All required support is being provided to minority shareholders for participation in election of Directors.</li> </ul>
<p>To ensure meticulous compliance with legal and regulatory directives.</p>	<p>Embracing prudent banking practices and regulatory compliance that enables a safe and stable banking system.</p>	<ul style="list-style-type: none"> <li>Maintained highest credit ratings from Pakistan Credit Rating Agency Limited:               <ul style="list-style-type: none"> <li>Long-term rating "AAA"</li> <li>Short-term rating "A1+"</li> </ul> </li> </ul>
	<p>Ensuring regulator confidence in the Bank and reducing potential for reputational risk.</p>	<ul style="list-style-type: none"> <li>Continued to be the only bank in industry to be rated on Corporate Governance, with reaffirmed rating of CGR-9++ ; depicting a very high level commitment towards corporate governance.</li> </ul>
	<p>Providing timely and detailed regulatory updates and reporting disclosures.</p>	<ul style="list-style-type: none"> <li>On-time submission of statutory returns and statutory payments.</li> <li>Adherence to PSX requirements for disclosure of key information.</li> </ul>
	<p>Record Management</p>	<ul style="list-style-type: none"> <li>The Bank has a record management program that ensures maintenance, protection, retention and disposal of records in accordance with applicable regulations, operations, fiscal and legal requirements.</li> </ul>

# STAKEHOLDERS ENGAGEMENT

	Stakeholder Group	Methods of Engagement	Frequency of Engagement				Needs & Expectations
			Occasionally	Regularly	Periodically	Continuously	
  Employees	Permanent employees Contractual employees Outsourced personnel Employee union	<ul style="list-style-type: none"> <li>Formal meetings</li> <li>Informal &amp; Ad hoc meetings</li> <li>Performance appraisals</li> <li>Internal newsletter</li> <li>Informational and Instructional Circulars</li> <li>Training programs</li> <li>Employee Satisfaction Surveys</li> <li>Intranet / Employee Self Service Portal</li> <li>Team Building Events</li> <li>Annual Family Festival</li> <li>Welfare events and activities</li> <li>Disaster Recovery and Emergency Response Drills</li> <li>Medical Benefits</li> <li>Retirement Benefits</li> </ul>	<ul style="list-style-type: none"> <li>●</li> </ul>	<ul style="list-style-type: none"> <li>●</li> <li>●</li> <li>●</li> <li>●</li> <li>●</li> <li>●</li> <li>●</li> <li>●</li> <li>●</li> <li>●</li> <li>●</li> <li>●</li> <li>●</li> <li>●</li> </ul>	<ul style="list-style-type: none"> <li>●</li> <li>●</li> </ul>	<ul style="list-style-type: none"> <li>●</li> <li>●</li> </ul>	Competitive remuneration, career development and advancement, effective performance management, equal opportunity along with safe, positive and inspiring work environment, work life balance, recognition and reward, grievance handling mechanism, culture of empathy, continuous training opportunities to grow as a person and professional, job security, succession planning.
  Society and Environment	Non-Profit Organization Non-Government Organization Media Society at large	<ul style="list-style-type: none"> <li>Service channels</li> <li>Corporate website</li> <li>Donations and Sponsorships</li> <li>Press releases, conferences and media campaigns</li> <li>Public relation activities</li> </ul>		<ul style="list-style-type: none"> <li>●</li> <li>●</li> <li>●</li> </ul>		<ul style="list-style-type: none"> <li>●</li> <li>●</li> </ul>	Social responsibility activities, employment opportunities, financial resilience, community development and ethical business practices.

Why do they Matter	How We Create Value for Stakeholders	Activities
<p>Skills, experience, and activities that our employees carry out during day to day operations of the bank resulting in achievement of strategic goals and objectives. How our staff think and feel about work are directly connected with customer satisfaction levels.</p>	<p>Retaining "Employer of Choice" status by providing a safe, inspiring and challenging work environment.</p> <p>Inducting and retaining quality human resource in all functions of the Bank.</p> <p>Offering competitive remuneration and rewarding performance. Motivating and inspiring our work force.</p> <p>Skills training and development initiatives to align workforce with strategic objectives of the Bank.</p> <p>Understanding and responding to the needs and concerns of Bank's staff along with equal opportunity and culture of empathy.</p>	<ul style="list-style-type: none"> <li>Total permanent and contractual workforce of 11,929 employees with female representation increased to 20.69%.</li> <li>2,334 recruitments for permanent and contractual positions.</li> <li>Rs. 17,193 million in terms of salaries, allowance and other benefits to employees.</li> <li>Rewarded performance through 1,757 grade promotions.</li> <li>Invested Rs 148 million on staff training and development programs.</li> <li>Training coverage of 11,700+ employees during the year.</li> <li>Won Global Diversity Equality &amp; Inclusion Benchmarks (GDEIB) awards for HR best practices under the following categories: <ul style="list-style-type: none"> <li>Vision, Strategy, and Business Impact</li> <li>Leadership and Accountability</li> <li>Job Design, Classification, and Compensation</li> <li>Recruitment</li> <li>Dei Learning and Development</li> <li>Services and Products Development</li> <li>Other activities delineated in detailed CSR report.</li> </ul> </li> </ul>
<p>Working in tandem with global and local mandates which safeguard the environment and promote community empowerment.</p>	<p>Community capacity building and empowerment. Social welfare of community.</p>	<ul style="list-style-type: none"> <li>Your Bank plays a proactive role in contributing towards the society. Detailed CSR report is included in the Annual Report.</li> </ul>



# BUSINESS AT LAST ANNUAL GENERAL MEETING

The 76th Annual General Meeting of the shareholders of Allied Bank Limited was held on Thursday, March 24, 2022 at 11:00 A.M at Grand Ball Room 'A', 4th Floor, The Nishat Hotel, Johar Town, Lahore, physically as well as virtually through Zoom facility.

Mr. Mohammad Naeem Mukhtar, Chairman Board of Directors of the Bank, chaired the Meeting via Zoom, other directors also attended the Meeting virtually from remote locations. Leave of absence was granted to Sheikh Mukhtar Ahmad and Mr. Abdul Aziz Khan who could not attend the Meeting due to indisposition.

The Company Secretary and Chief Financial Officer were present in person at the venue of the Meeting.

Engagement Partner of the statutory Auditors M/s. KPMG Taseer Hadi & Co. Chartered Accountants and M/s. EY Ford Rhodes Chartered Accountants also attended the meeting through Zoom, whereas, representatives of M/s. CDC Share Registrar Services Limited, Bank's Share Registrar were also present in person at the venue of the Meeting.

Following agenda items were discussed in the Meeting which were approved by the Shareholders:

1. Confirmation of minutes of Extra Ordinary General Meeting of Allied Bank Limited held on August 27, 2021.
2. Receive, consider and adopt Annual Audited Financial Statements of the Bank (consolidated and unconsolidated) for the year ended December 31, 2021 together with the Auditors' Report, Directors' Report and Chairman's Review Report thereon.
3. Consideration and approval of Final Cash Dividend @ 20% (i.e Rs. 2.00 per share) as recommended by the Board of Directors. This Final Cash Dividend was in addition to 60% Interim Cash Dividend (i.e Rs. 6.00 per share) already paid to the shareholders for the year ended December 31, 2021.
4. Appointment of Statutory Auditors of the Bank for the year ended December 31, 2022 and fixation of their remuneration.

## FINANCIAL CALENDAR

2022	
1st Quarter results issued on	April 20, 2022
2nd Quarter results issued on	August 17, 2022
3rd Quarter results issued on	October 20, 2022
Recommendation of Annual Results by the Board of Directors	February 16, 2023
77th Annual General Meeting scheduled for approval of Annual Results	March 28, 2023



# **RISK AND OPPORTUNITIES**

# RISK MANAGEMENT FRAMEWORK

Risk Management Framework is the collection of fundamental elements like Risk Governance, Risk Organization and Risk Architecture that are implemented in the Bank to identify and manage material risks.

The Board of Directors is responsible for the overall effective risk management of the Bank. The Bank has in place a comprehensive risk management and governance framework.

Risk Governance includes risk strategy, risk culture, risk structures, risk acceptance criteria, risk policies & procedures, and roles and responsibilities of different stakeholders.

The Board of Directors is responsible for approval of risk strategy, risk management policies, providing guidance for sound and informed decision-making and effective allocation of resources. The Board of Directors also oversees appointment of senior management personnel capable of managing the risk activities conducted by the Bank.

The Board Risk Management Committee (BRMC) is responsible for ensuring that the overall risk strategy and risk acceptance criteria of the Bank is appropriately defined in the Strategic Plan and recommends the same to the Board of Directors for approval. The BRMC monitors the quality of asset portfolio and suggest measures to keep the infected portfolio at minimum level. The Committee also approves risk limits.

Risk architecture of the Bank includes risk processes, systems, tools and methodologies for identifying, assessing and monitoring risks. The risk policies and procedures developed are consistent with the Bank's Risk Management Strategy and Risk Acceptance Criteria and are reviewed on a periodic basis to reflect changes in internal and external environment.

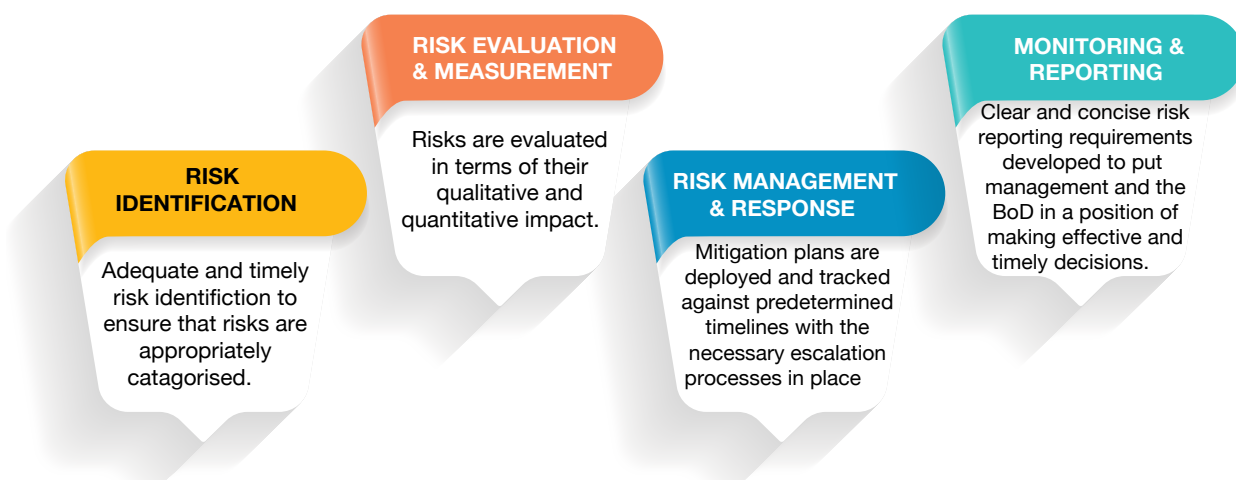
Risk organization includes the set-up for an independent, resourceful and effective risk management group. Risk Management Functions at the Bank include Corporate & Financial Institution Risk, Commercial, Small & Medium Enterprises & Consumer Risk, Enterprise Risk, Credit Administration, Information Security & Governance and Technical Appraisal.

The Chief Executive Officer and Group Chiefs are responsible for collective risk management through their membership of various Management Committees i.e., Management Committee (MANCO), Asset and Liability Committee (ALCO), Compliance Committee (CC) and Risk Management Committee (RMC). Independent supervision of risk management activities is provided by the Audit Committee of the Board and Audit & Risk Review Group.

## RISK MANAGEMENT POLICIES

The Board of Directors have put in place an effective and robust risk management system to identify, evaluate and mitigate all risks undertaken in the achievement of long-term strategic objectives of the Bank. Risk Management and Governance Framework of the Bank is calibrated on below parameters.

### Risk Management Process



The Board of Directors monitors the implementation of risk strategy and approves the risk policies and risk acceptance criteria to ensure that risks are managed within tolerance level.

The Bank's comprehensive and integrated risk management governance structure is focused on monitoring and governance over various categories of risk. The Bank has in place Risk Policies for all material risks faced by the Bank, which includes:

- Credit Policy,
- Strategic Risk Management Policy,
- Country Risk Management Framework
- Market & Liquidity Risk Policy,
- Information Security Policy,
- Reputational Risk Management Framework.
- Operational Risk Management Policy,
- Green Banking Policy,

The Risk Acceptance Criteria Statement (RACS) is part of the Risk Management Strategy and is used to quantify the total amount of risk the Bank is prepared to carry in aggregate across the key risk types i.e., Credit Risk, Market & Liquidity Risk, Operational Risk, Strategic Risk, Regulatory Risk, Legal Risk, Reputational Risk etc.

## ASSESSMENT OF THE PRINCIPAL RISKS FACING THE BANK

Innovation, new business models, political and economic changes and rapidly evolving technologies are transforming competitive and industry landscape. These trends are continuously monitored and assessed by the Board of Directors vis-à-vis their impact on the long-term strategic plans of the Bank for sustainable value creation.

Bank's strategy, risk management policies and procedures are updated on a proactive basis in sync with the evolving business environment. Further, Board of Directors ensure that necessary steps are taken to foster a bank-wide risk management culture including appropriate risk awareness and mitigation at all levels of the organization.

The principal risks being faced by the Bank are categorized below.



The Board of Directors ensure that in-depth assessment of principal risks faced by the Bank is undertaken through effective operation of following processes.

<b>Risk Acceptance Criteria</b>	Implementation of risk acceptance criteria framework and monitoring of Bank's exposure on a continuous basis for optimized returns. Clearly defined risk acceptance criteria of the Bank with appropriate and quantified thresholds.
<b>Risk Identification, Assessment and Monitoring</b>	Identification of the principal risks, their probability of occurrence and their potential impact to formulate appropriate risk mitigation strategy.
<b>Residual risk</b>	Understanding the nature and quantum of residual risk which remains after efforts to identify and mitigate all key risk types. Ongoing monitoring and management of net residual risk to bring it within the Bank's risk tolerance threshold.
<b>Stress Testing and its Integration into Business Planning</b>	Continuous assessment of the Bank's resilience to severe but plausible stress scenarios. Results of stress testing exercises are analyzed to make necessary changes in Risk Strategy and Business Planning. Integrated Risk Management along with strategic planning decision making processes to respond to existing as well as emerging risks.



# RISK EVALUATION AND MANAGEMENT STRATEGIES

Risk and opportunities and the related mitigating factors are summarized below;

Risk	Source	Likelihood	Key Source of Risk	Mitigating Strategy	Impact Area
Credit Risk	External	Low	Sovereign credit risk on exposure to Public sector Enterprises (PSE)	<ul style="list-style-type: none"> <li>Oversight is kept through Board of Directors and its sub-committee "Board Risk Management Committee" as well as through management committee – "Risk Management Committee (RMC)".</li> <li>Public sector advances are generally secured by sovereign guarantee or the equivalent from the Government of Pakistan (GoP).</li> <li>Certain PSEs have a well-defined cash flow stream and appropriate business model, based on which the lending may be secured through collaterals other than GoP guarantee.</li> </ul>	Financial Capital
	External	High	Counterparty credit risk on exposure to Private sector advances and Interbank limits.	<ul style="list-style-type: none"> <li>Board of Directors approved Credit Risk Policy and Credit Procedural Manual provide guidelines in line with internal policy, State Bank of Pakistan's Prudential Regulations and industry best practices.</li> <li>Bank's Risk Assessment and Management System (RAMS) uses risk rating models, based on qualitative and quantitative factors, to assign credit risk ratings to various categories of borrowers.</li> <li>Credit worthiness of borrowers is analyzed on work-flow based RAMS, with focus towards balanced assessment of credit risk and identification of related proper mitigates.</li> <li>In respect of interbank borrowers, Your Bank maintains eligibility criteria that links exposure limits to counterparty credit ratings (minimum credit rating of 'A').</li> <li>Concentration risk is monitored with respect to obligor, group and sector exposure limits and risk profile benchmarks.</li> <li>Automated 'Watch-List' categorization system facilitates to identify deterioration in quality of loans.</li> <li>Country risk exposure limits are in place that broadly capture direct exposure on sovereigns and foreign domiciled counter parties; limits linked to the sovereign ratings.</li> <li>Specialized team comprising of engineers and industry experts' conducts technology assessments of obligors' plant and machinery and reviews the technical feasibility of projects and valuation reports.</li> </ul>	Financial Capital
Market Risk	External	High	Risk associated with fluctuations in interest rates, foreign currency rates, credit spreads, equity prices and commodity prices	<ul style="list-style-type: none"> <li>Oversight is kept through Board and its sub-committee "Board Risk Management Committee" as well as through management committee – "Asset &amp; Liability Committee (ALCO)".</li> <li>Comprehensive structure is in place aimed at ensuring that Your Bank does not exceed its qualitative and quantitative tolerance for market risk.</li> <li>Balanced approach towards risk taking in the market risk area while keeping exposures within the defined risk acceptance criteria.</li> </ul>	Financial Capital

Risk	Source	Likelihood	Key Source of Risk	Mitigating Strategy	Impact Area
				<ul style="list-style-type: none"> <li>- Tools like Value at Risk methodologies, sensitivity measures, intraday exposure limits, notional limits and loss triggers are monitored at a detailed portfolio level.</li> <li>- Periodic repricing gap analysis to re-profile the earning asset mix in accordance with interest rate expectations.</li> <li>- Extensive stress testing is performed to capture and report the multi-dimensional aspects of market risk using automated solutions.</li> </ul>	
Operational Risk	Internal and External	Low to Medium	Risk of inadequate or failed internal processes and losses caused by external events	<ul style="list-style-type: none"> <li>- Oversight kept through Board and its sub-committee "Board Risk Management Committee" as well as through management committee – "Risk Management Committee (RMC)".</li> <li>- Board of Directors approved Operational Risk Management (ORM) Policy.</li> <li>- Detailed Operational Risk Management (ORM) Procedures approved by Risk Management Committee.</li> <li>- Adequate system of internal controls designed to keep operational risk at appropriate levels.</li> <li>- Risk assessment of each operational risk incident.</li> <li>- Monitoring of risk through Key Risk Indicators (KRIs).</li> <li>- Assessment of risk through Risk and Control Self-Assessment (RCSA) for material processes of the Bank.</li> <li>- Business Continuity Policy and Plan driven towards ensuring provision of un-interrupted banking services in case of any unforeseen emergency and/or natural calamities. .</li> <li>- Disaster recovery and evacuation plans testing.</li> <li>- IT disaster recovery plans testing on ongoing basis.</li> <li>- Insurance coverages are in place for theft and damage to physical assets.</li> </ul>	Financial Capital
	Internal and External	Low	Risk arising due to the unauthorized or inappropriate employee activity and failure to adhere to staff policies	<ul style="list-style-type: none"> <li>- Board of Directors' oversight along with its sub committees "Human Resource and Remuneration Committee" as well as through management committees of "Human Resource Committee" and "Central Administrative Action Committee".</li> <li>- Recruitment, pre-employment screening, employer feedback and exit interviews.</li> <li>- Proactive staff engagement.</li> </ul>	Human and Intellectual Capital

# RISK EVALUATION AND MANAGEMENT STRATEGIES

Risk	Source	Likelihood	Key Source of Risk	Mitigating Strategy	Impact Area
				<ul style="list-style-type: none"> <li>- Strong staff development programs in place combining e-learning, in-house and external trainings programs.</li> <li>- Insurance coverages are held for fraud and fidelity incidents.</li> <li>- Whistle blowing mechanism is in place.</li> </ul>	
	Internal and External	Medium	Risk arising from non-compliance with statutory or regulatory provisions applicable to the Bank	<ul style="list-style-type: none"> <li>- Independent Compliance Group to ensure compliance with specific regulatory, statutory and internal requirements.</li> <li>- Compliance Policies and procedures are in place.</li> </ul>	Financial Capital
Liquidity Risk	Internal and External	Medium	Risks emanating from nature of the Banking business, from the macro factors exogenous to the Bank as well as from internal financing and operational policies.	<ul style="list-style-type: none"> <li>- Oversight kept through Board and its sub-committee "Board Risk Management Committee" as well as through management committee – "Asset &amp; Liability Committee (ALCO)".</li> <li>- ALCO oversees the activities of treasury, which operates in terms of an approved ALM policy.</li> <li>- Exposures are monitored by ALCO against well-defined ALM triggers and limits.</li> <li>- Detailed Recovery Plan is in place which highlights the strategy and critical tools for effective monitoring, escalation, planning, and execution of recovery actions in the event of a financial crisis situation.</li> <li>- Your Bank regularly performs liquidity stress tests as part of its liquidity monitoring activities.</li> <li>- Periodic maturity gap analysis is performed to keep asset and liability mismatch within acceptable limits.</li> <li>- Maintenance of appropriate marketable securities portfolio that can be realized in the event of a liquidity stress.</li> </ul>	Financial Capital

Risk	Source	Likelihood	Key Source of Risk	Mitigating Strategy	Impact Area
Capital Adequacy Risk	Internal and External	Medium to High	Undertaking higher risks in view of more volatile and competitive financial markets.	<ul style="list-style-type: none"> <li>- Oversight kept through Board and its sub-committee "Board Risk Management Committee" (BRMC) as well as through management committees – "Risk Management Committee" (RMC) and "Asset &amp; Liability Committee (ALCO)".</li> <li>- Bank assesses capital adequacy on a quarterly basis, including historical and future capital positioning review</li> <li>- Stress tests on capital adequacy in line with SBP requirements are performed on a regular basis and resulted are reported to BRMC / BoD.</li> <li>- The Internal Capital Adequacy Assessment Process (ICAAP) Framework is updated and reviewed annually.</li> <li>- Focus on sufficient profit retention.</li> </ul>	Financial Capital
Strategic Risk	Internal and External	Medium	Improper implementation of decisions, or lack of responsiveness to evolving industry, economic or technological changes.	<ul style="list-style-type: none"> <li>- Oversight kept through Board and its sub-committee "Strategic Planning &amp; Monitoring Committee" as well as through Management Committees – "Management Committee" (MANCO), "Risk Management Committee" (RMC), "Compliance Committee" (CC) and "Asset &amp; Liability Committee" (ALCO).</li> <li>- 10-year's Rolling strategic plan is reviewed on annual basis along with operational plan to account for the evolving economic and business dynamics; duly in consideration of the peer banks.</li> <li>- The impact of events on the future direction of the business and forecasted results are constantly monitored and quantified.</li> </ul>	Financial Capital
Technological Risk	Internal and External	High	Risk arising from non-availability of IT systems, and disruptions due to Cyber threats.	<ul style="list-style-type: none"> <li>- Oversight kept through Board and its sub-committees "E-Vision Committee" and "IT Steering Committee" (ITSC).</li> <li>- IT and Information Security planning is conducted as part of Bank's strategic and operational planning process.</li> <li>- Systems audits, IT Security &amp; Risk Assessments are performed for systems before and after the deployment into production environment.</li> <li>- Significant ongoing investments in Technology and Processes to protect customer data as part of the information security posture.</li> <li>- Security Operation Center (SOC) utilizes a combination of People, Process and Technology to proactively monitor and respond to cyber threats.</li> <li>- Countermeasures against cyber threats included regular Penetration Testing and Vulnerability Assessment exercises.</li> <li>- Continuous awareness programs for Customers and Staff about cyber threats.</li> </ul>	Financial Capital



# RISK EVALUATION AND MANAGEMENT STRATEGIES

Risk	Source	Likelihood	Key Source of Risk	Mitigating Strategy	Impact Area
Reputational Risk	Internal and External	Low	Risk arising from any action or inaction perceived by any stakeholder to be inappropriate, unethical or inconsistent with the Bank's values and beliefs.	<ul style="list-style-type: none"> <li>- Oversight kept through Board and its sub-committee "Board Risk Management Committee" as well as through management committee – "Risk Management Committee" (RMC).</li> <li>- Formal customer grievance redressal policy, including policy and procedures on receiving customer complaints and resolution mechanism.</li> <li>- Timely and efficient communications among all stakeholders.</li> <li>- Policies and procedures in place for securing digital payments including protection of customers' data.</li> </ul>	Social and Relational Capital
Shariah Non-Compliance Risk	Internal	Low	Risk arising from the failure to comply with Shariah rules and principles determined by Shariah Board of the Bank and the Regulator.	<ul style="list-style-type: none"> <li>- Oversight kept through Board and its sub-committee "Board Risk Management Committee" as well as through management committees – "Management Committee" (MANCO) and "Risk Management Committee" (RMC).</li> <li>- Policies and procedures in place duly reviewed by Shariah Board.</li> <li>- Review of transactions by Shariah Compliance.</li> <li>- Periodic External Shariah Audit.</li> </ul>	Financial Capital

## OPPORTUNITIES

Source	Opportunity	Strategies in Place
Internal	New to Bank customer onboarding transformation and cross sell to existing customers in the digital era.	Addition of digital touchpoints including Interactive Teller Machines, Kiosks, Cash Deposit Machines, Self Service Branches and Branchless Banking.
External	Technological advancements including Big Data, Artificial Intelligence, Machine Learning, Integrated Ledgers, Virtual Currencies and Blockchains.	Continuous investment in Information Technology Infrastructure of the Bank for adopting new technologies and upgrading existing technological base.
External	Augment remittance business from untapped markets.	Working on Government of Pakistan initiatives to provide nonresidents with ease of doing Banking with lower requirements.
External	Government of Pakistan and State Bank of Pakistan initiatives for economic revival.	Product Development and working closely with Business teams to attract and retain new customers.
External	Over 80% unbanked population in the country; opportunity to enhance financial inclusion.	Branch expansion plan, Road shows and Seminars and Digital Products for untapped segments, increasing outreach through Social Media.
Internal	Developing a new stream of deposit products to strengthen the product portfolio and targeting branchless and digital banking opportunities.	Introduce new products considering the requirements of various segments of the society and also increase focus on automation and digitalization solutions.
External	Increasing the digital footprint by expanding the e-commerce facilities to provide state of the art digital financial services to the customers.	Continuous improvement in services provided through myABL platform including card activation / deactivation, enabling e-commerce and International use of debit card to facilitate customers in availing these services hassle free.
External	Augment Financial Inclusion through Digital Lending Platform	Introduce new products for digital lending considering the requirements of various segments like Consumers, Small and Medium Enterprises using Artificial Intelligence and Machine Learning Techniques

## INADEQUACY IN CAPITAL STRUCTURE

The Bank has in place adequate capital which is well above the regulatory limits set under the Basel Capital Adequacy Framework. Bank's Capital Adequacy Ratio stood at 19.74% against regulatory requirement of 12.5% (currently reduced by SBP under COVID-19 relief measures to 11.5% including capital conservation buffer of 1.5%). Common Equity Tier 1 Capital Adequacy Ratio is 18.51% against regulatory requirement of 6%. Leverage ratio of the Bank is 4.47% as compared to regulatory limit of 3%.

## INITIATIVES TAKEN IN PROMOTING AND ENABLING INNOVATION

To meet the challenges in the evolving digital age and to provide customers with innovative solutions and seamless services, Bank continues to invest in cutting-edge technologies to upgrade its systems and processes.

The Bank has developed an Innovation Lab equipped with the latest gadgets and acts as a research hub for Digital Banking and technology initiatives. New to Bank customers added through digital means stood at 92,579 during the year.

Major initiatives undertaken during the year and promoting and enabling innovation are;

### **Allied Bank & National Incubation Center held the Industry's Largest Fintech Hackathon**

Allied Bank signed a Memorandum of Understanding (MOU) with the National Incubator Center (NIC), Islamabad to promote innovation and digitization in the ecosystem.

Under this partnership, Allied Bank organized fintech hackathon which welcomed 1200+ participants from all walks of life. These participants teamed up and provided innovative solutions to various problem statements using Allied Bank's Open Banking APIs.

The participants presented cutting edge solutions such as Metaverse banking, advanced data analytics, intelligent ERP solutions, etc. Allied Bank is currently exploring potential partnerships with these fintech; thus, aspiring to provide an opportunity to catapult these solutions in financial mainstream.

Allied Bank aims to develop a more connected start-up ecosystem while emphasizing on scientific research promotion and entrepreneurial climate improvement by transferring know-how and knowledge sharing.

### **Allied Bank's Industry First Initiative of entering into the Metaverse Space**

Metaverse is the next evolution of the internet experience, which enables people to move beyond browsing the web. Built on technologies such as augmented reality (AR), virtual reality (VR) and the blockchain, the metaverse is a place where people can meet, interact and have a truly immersive experience.

As a true pioneer in the field of digital banking, Allied Bank has taken the first step into the Metaverse by creating its own "virtual" touchpoint which provides a very realistic banking experience through the use of Virtual Reality (VR) technology.

Allied Bank's metaverse touchpoint allows its customers to:

- Learn about various new products and services in an immersive and eye-catching manner by walking through the branch
- Open an account through the myPDA portal
- Conduct Transactions through the myABL portal
- Contact a customer representative for any query
- Provide Feedback

The branch is accessible not only through Virtual Reality Headsets (All Meta Quest models) but also through a mobile app and web browser such as Google Chrome or Mozilla Firefox.

# RISK EVALUATION AND MANAGEMENT STRATEGIES

## COMPETITIVE LANDSCAPE AND MARKET POSITIONING

The Bank operates in a highly competitive environment in which it must evolve and adapt to the significant changes as a result of financial regulatory reform, technological advances, increased public scrutiny, evolving customer expectations and prevailing economic conditions. The Bank expects that competition in the financial services industry will continue to be intense and shall impact on the Bank's future business, results of operations, financial condition and prospects.

New competitors in the financial services industry continue to emerge. Technological advances and the growth of e-commerce have made it possible for non-banks to offer products and services that traditionally were banking products such as payments processing. Furthermore, payments processing and other services could be significantly disrupted by technologies, such as blockchain which may be subject to lower levels of regulatory oversight. Shifting customers trends towards digital channels have caused data breaches become prevalent and made privacy concerns intense, thus regulatory and compliance requirements are becoming more restrictive as a result. Furthermore, introduction of Digital Banks by the regulator could potentially have significant impacts on the banking system and the role of commercial banks within it by disrupting the current provision of banking products and services. It could allow new competitors, some previously hindered by banking regulations (such as FinTechs), to provide customers with access to banking facilities and decrease the intermediation role of banks. Further to aforesaid, customer demands are evolving as they seek round-the-clock personalized services.

The Bank having an appropriate mix of brick-and-mortar model of branches along with robust digital infrastructure base, is positioned in right place to meet the diverse requirements of its existing customers and to attract the new customers. Furthermore, the Bank's operational support base including staff is fully equipped with appropriate skills mix, competence and infrastructure to address the challenges posed by changes in regulatory regime, technological advances, evolving customer expectations and behaviors.

## SWOT ANALYSIS

The updating of SWOT analysis is an on-going process at the Bank to access the operating environment.

The Bank adopts a holistic approach in determining its corporate strategy which aims at leveraging inherent strengths of the Bank including the strong market position to transcend into the competitive advantage for capitalizing the opportunities and addressing the threats in this rapidly changing business environment.

### Identifying existing strengths (where we are now)

The Bank has achieved and developed a set of skills which can be categorized as strengths to achieve its strategic goals. Major strengths of the Bank are:

- Strong brand image – Serving customers for more than 8 decades.
- Strongest possible long-term and short-term entity credit ratings of “AAA” and “A1+” respectively by Pakistan Credit Rating Agency.
- Strong capital positioning – among the highest Capital Adequacy Ratio in the industry;
- Low infection ratio and high coverage ratio.
- Extensive network of Branches, Automated Teller Machines (ATMs) with continuous enrichment by digitalization.
- One of the leading ATM up-time in the industry and 2<sup>nd</sup> Highest transaction acquirer.
- First bank to launch virtual touchpoint in Metaverse.
- State of the art technological platform – Temenos T24 supported by Oracle Financials, Oracle Human Resource Management System, Oracle Financial Services Analytical Applications, use of Data Lake, Business Intelligence Dashboards, and AI tools.
- Robust Risk Management framework in place, industry innovation leaders in terms of obligor assessment and technical understanding along with Environmental and Social Risk Assessment, resulting in solid asset quality.
- Growing digital banking platform catering from Corporate Business Internet Banking to Personal banking needs (myABL).
- Maintained top level of Corporate Governance rating of CGR-9++; depicting a strong commitment towards governance framework by the Board and management of the bank.

### Realizing potential opportunities (where we want to be)

The SWOT analysis provides a tool to the Bank to highlight the potential opportunities in which the Bank can excel and grow. Major opportunities include:

- Large number of unbanked population in the country; opportunity to enhance financial inclusion

- Build market share in all segments including retail banking and trade business.
- Penetrate in Islamic Banking – niche market segment especially for low cost funding.
- Big Data for enhanced business intelligence and decision making.
- Cross sell opportunities with the Bank's existing customers – deepening of relationships.
- Augment remittance business from untapped markets.
- Expansion in digital banking including Collaboration with FinTechs.
- Explore new avenues to increase fee-based income including acquiring business and innovative digital service products.
- Enhance Green Banking practices within the Bank and for the customers.

### Assessing possible threats

The Bank analyses its internal and external operating environment through SWOT to highlight areas which can impact the Bank's ability to achieve its strategic objectives. Notable threats having potential impact are as under:

- Data governance, standardization and Information Security challenges and threats – Cyber risks.
- Rising compliance related cost amidst Anti Money Laundering and Combating Financing of Terrorism requirements.
- Economic challenges leading to possible adverse impact on credit off take and loan repayments – rising interest rate scenario.
- US\$-PKR parity – prospects of devaluation.
- Increase in cost of doing business amid rising inflation – incremental security costs, indirect taxes, exorbitant rise in rents, fuel and electricity costs coupled with energy shortages.
- Emerging Digital Banks and FinTechs might disrupt traditional brick and mortar banking system in near future as these are more convenient for millennials.

### Addressing areas of improvement

The SWOT analysis is an elaborated planning framework which aids the Bank in categorizing the areas of improvements in terms of cost efficiencies, better utilization of earning assets and enhancing the market shares. This helps the Bank to become more competitive and achieve the Bank's strategic objectives.

These areas are incorporated and monitored at various levels in the Bank and form an integral part of the Bank's Rolling Strategic Plan.

## SENSITIVITY ANALYSIS

The Pak Rupee witnessed high volatility during the year and, on year-on-year basis, depreciated by around 28.28% against US Dollar in Inter Bank Exchange Market.

Foreign Exchange Risk exposes the Bank to changes in the value of exposure denominated in foreign currencies due to the exchange rate fluctuations and volatility. The types of the instruments exposed to this risk are mainly investments in foreign branches, advances and deposits denominated in foreign currency, cash flows in foreign currencies arising from foreign exchange transactions, etc.

The Bank monitors different limits like Foreign Exchange Exposure Limit (FEEL), Currency-Wise Limits, NOSTRO Limits and intra-day Net Open Position for effective risk management. The Bank also conducts stress testing of the foreign exchange, equity and fixed income portfolio which is reviewed by the Bank's senior management and Board Risk Management Committee (BRMC).

The Bank's Foreign Exchange Risk is largely mitigated by following a matched funding policy, whereas, for any mismatched exposures, the Bank utilizes appropriate derivative instruments such as Forwards and Swaps. The Bank maintains adequate regulatory capital to cover against foreign exchange risk.



**Long Term Credit Rating**

**AAA**

**Short Term Credit Rating**

**A1+**

**(By Pakistan Credit Rating Agency)**

**Corporate Governance Rating**

**CGR 9++**

**(By VIS Credit Rating Company)**

The background of the image is a dark blue gradient. It features a complex pattern of light blue lines and dots. The lines are vertical and horizontal, forming a grid-like structure that resembles a circuit board or a data network. The dots are small, light blue circles scattered throughout the pattern, some appearing to be connected to the lines. The overall effect is a sense of digital connectivity and technology.

# **CORPORATE GOVERNANCE**

# MANAGEMENT TEAM



**Aizid Razzaq Gill**  
Chief Executive Officer



**Owais Shahid**  
Chief Corporate & Investment Banking



**Ahmad Faheem Khan**  
Chief Treasury



**Abid Anwar**  
Chief Commercial & Retail Banking North



**Jamil Khan**  
Chief Commercial & Retail Banking South



**Sohail Aziz Awan**  
Chief Digital Banking



**Shahid Aamir**  
Chief Islamic Banking





**Saira Shahid Hussain**  
Chief Human Resource



**Zubair Sharif**  
Chief Banking Services



**Mujahid Ali**  
Chief Information Technology



**Moin Khalid**  
Chief Risk Management



**Muhammad Atif Mirza**  
Chief Financial Officer



**Asif Bashir**  
Chief Special Assets Management



**Ahmad Mansoor**  
Chief Compliance



**Imran Maqsood**  
Chief General Services & Real Estate



**Adeel Javaid**  
Company Secretary



**Shaffa Hussain**  
Chief Audit & Risk Review



# GROUP STRUCTURE

## Ibrahim Holdings (Private) Limited

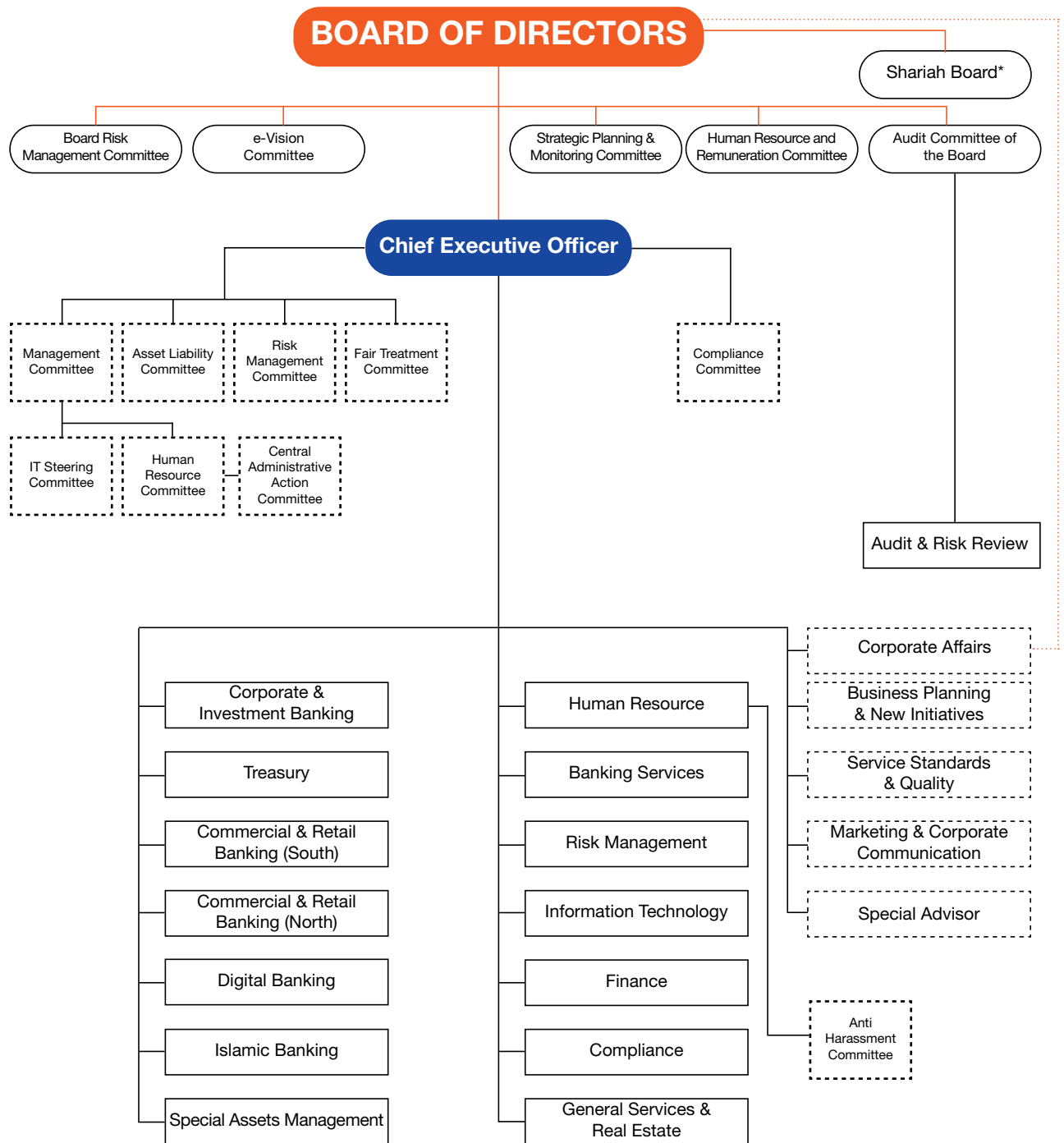
Ibrahim Holdings owns  
90% shares of ABL

## Allied Bank Limited (ABL)

ABL holds 100% beneficial  
ownership of ABL AMC

## ABL Asset Management Company Limited

# CORPORATE STRUCTURE



○ Board Committee    ⋯ Management Committee    □ Group    ⋯ Function

\* Independent Shariah Board oversees Islamic banking operations

# BOARD COMMITTEES

## Audit Committee of the Board

Constitution:

Zafar Iqbal  
Chairman

Mubashir A. Akhtar  
Member

Nazrat Bashir  
Member

## Terms of Reference

Primary responsibilities of Audit Committee of the Board are to determine appropriateness of measures taken by the Management to safeguard the Bank's assets, review financial statements focusing on major judgmental areas, significant adjustments, going concern assumption, any change in accounting policies, compliance with applicable statutory and regulatory requirements and related party transactions. The Committee recommends appointment of the external auditors and also coordinates with them to fulfill statutory and Code of Corporate Governance requirements. The Committee is inter-alia responsible to ascertain the effectiveness of the Internal Control System including financial and operational controls, ensuring adequate and effective accounting and reporting structure and monitoring compliance with the best practices of the corporate governance. The Committee is also responsible to facilitate Board of the Directors in establishing an unambiguous and observable 'tone at the top' for strong and effective system of internal controls based on and supported by strong ethical practices, culture, comprehensive policies, procedures, processes and technological systems; keeping an oversight and quarterly review of the Internal Controls over Financial Reporting and review of all findings of State Bank of Pakistan (SBP) Inspection Report, Management Letter by external auditors and weaknesses identified in internal controls by Audit and Risk Review along with review of Bank's Statement of Internal Controls prior to endorsement by the Board of Directors. The other function of the Committee includes assurance that an independent and effective internal audit function is in place.

## Board Risk Management Committee

Constitution:

Sheikh Mukhtar Ahmad  
Chairman

Abdul Aziz Khan  
Member

Nazrat Bashir  
Member

Aizid Razzaq Gill  
Member

## Terms of Reference

The primary functions of Board Risk Management Committee include monitoring of Management's adherence to prudent and sound risk policies, assessing the everchanging risk profile and determining Risk Acceptance Criteria (RAC) of the Bank. The Committee ensures development of risk management principles to build stakeholders confidence, safeguard and enhance reputation. The Committee also monitors quality of asset portfolio and suggest measures to keep the infected portfolio at the minimum level. The Committee approves risk limits for credit, market and operational risks, credit approval grid and proposals regarding write-offs above certain limits. The Committee approves acquisition of properties against settlement of Non-Performing Loans (NPLs) and their resale. It also reviews and approve acquisition, development and upgrade of Risk Management Systems except InfoSec Systems. Overseeing of Asset Liability Committee, Risk Management Committee, Compliance Committee, Risk Management, Special Asset Management and Compliance functions is also undertaken by the Committee. The Committee also monitors the risk profile of the Bank and reviews various risk reports including loss event reports, Stress test Results, NPLs and provisions. In addition, it reviews compliance status of Anti-Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing Regulations, especially the major threats and vulnerabilities emanating from the assessment of Money Laundering, Terror Financing and Proliferation Financing threats based on the risk criteria and the findings of National Risk Assessment. It also oversees the Bank's transition to IFRS-9.

## e-Vision Committee

Constitution:

Mohammad Naeem Mukhtar  
Chairman

Muhammad Waseem Mukhtar  
Member

Zafar Iqbal  
Member

Aizid Razzaq Gill  
Member

## Terms of Reference

Major functions of e-Vision Committee are to review and recommend IT related policies to the Board of Directors for approval and to provide strategic direction for e-banking and adoption of evolving technologies for providing new products and better services to its customers and to improve internal control environment. Review of strategic plans to improve Information Technology infrastructure and automation of processes and systems including alternate digital channels are within the scope of the responsibilities of the e-Vision Committee. The Committee provides assistance to the Board of Directors with insights regarding international developments in the field of e-banking evolving technologies for adoption; keeping in view the Bank's requirements. It also oversees performance of IT Steering Committee and Information Technology and Digital Banking functions. The Committee also reviews information security governance initiatives and periodical risk assessments to ensure that Risk Management strategies are designed and implemented to achieve resilience, respond to wide-scale disruptions, including cyber-attacks and attacks on multiple critical infrastructure. Besides the above, the Committee also decides in principle on matters related to acquiring, replacing / upgrading of technology, software and hardware relating to banking solutions.

## Strategic Planning & Monitoring Committee

Constitution:

Muhammad Waseem Mukhtar	Chairman
Abdul Aziz Khan	Member
Nazrat Bashir	Member
Aizid Razzaq Gill	Member

## Terms of Reference

Strategic Planning and Monitoring Committee is responsible to review medium to long term strategic plans, operational plan and budget of the Bank before Board of Director's consideration and approval. The Committee monitors progress against above referred plans and budget. The Committee is also responsible to approve capital expenditure over Rs. 15 million and donations of over Rs. 1 million up to Rs. 5 million. It approves disposal and write-off of fixed assets as per amount and limits prescribed in Expenditure Policy of the Bank; and write-off pertaining to other assets (other than Loans & Fixed Assets) exceeding Rs. 1.5 million and up to Rs. 5 million. The Committee is also responsible to assist the Board of Directors on corporate development activities and new initiatives including, but not limited to acquisitions, mergers, alliances, joint ventures and divestitures. The Committee also oversees performance of Management Committee and Fair Treatment of Customers Committee, Corporate Investment Banking, Commercial and Retail Banking, Islamic Banking, Treasury, Finance, Banking Services, Corporate Affairs, Digital Banking, General Services and Real-Estate functions of the Bank.

## Human Resource & Remuneration Committee

Constitution:

Mubashir A. Akhtar	Chairman
Muhammad Waseem Mukhtar	Member
Abdul Aziz Khan	Member
Aizid Razzaq Gill	(Permanent Invitee)

## Terms of Reference

Human Resource and Remuneration Committee defines the organizational structure and functional responsibilities of all areas of the Bank. It approves staff strength, key appointments, salary revisions, bonuses and special allowances and recommends to the Board of Directors regarding appointment, remuneration, bonuses and performance awards, terms and conditions of employment and other benefits of the Chief Financial Officer and Company Secretary. The Committee also monitors the utilization of training and development budget and implementation of approved training and development policy. The Committee nominates the Bank's Directors and management personnel on the Board of Directors of other companies and subsidiaries. The Committee also recommends Remuneration Policy formulated for Employees, Directors and other Human Resource related policies to the Board of Directors, besides monitoring performance of Human Resource Committee and Human Resource function. In addition to the above, the Committee also ensures that a fair, transparent and competitive remuneration mechanism is developed and put in place to encourage the culture of 'pay for performance'.

## Board of Directors' and Board Committees' Attendance for the year 2022

Name	Board of Directors	Audit Committee of the Board	Board Risk Management Committee	Strategic Planning & Monitoring Committee	e-Vision Committee	Human Resource & Remuneration Committee
Mohammad Naeem Mukhtar	6/6	x	x	x	4/4	x
Sheikh Mukhtar Ahmad	6/6	x	4/4	x	x	x
Muhammad Waseem Mukhtar	6/6	x	x	12/12	3/4	4/4
Abdul Aziz Khan	5/6	x	4/4	11/12	x	3/4
Zafar Iqbal	6/6	5/5	x	x	4/4	x
Nazrat Bashir	6/6	5/5	4/4	12/12	x	x
Mubashir A. Akhtar	6/6	5/5	x	x	x	4/4
Aizid Razzaq Gill	6/6	x	4/4	11/12	4/4	x
<b>Total Number of meetings held as of December 31, 2022</b>	<b>6</b>	<b>5</b>	<b>4</b>	<b>12</b>	<b>4</b>	<b>4</b>

## Board Meetings held outside Pakistan

None of the Board meeting held outside Pakistan during the year.



# OUR GOVERNANCE PHILOSOPHY

## BOARD COMPOSITION

The Board of the Directors of the Bank comprises of 7 non-Executive Directors including 3 Independent Directors and 1 Executive Director. The composition of the Board of Directors is as follows;

Category	Names
Non-Executive Directors	Mohammad Naeem Mukhtar
	Sheikh Mukhtar Ahmad
	Muhammad Waseem Mukhtar
	Abdul Aziz Khan
Independent Directors	Zafar Iqbal
	Nazrat Bashir
	Mubashir A. Akhtar
Female Director	Nazrat Bashir
Executive Director	Azid Razzaq Gill (Chief Executive Officer)

The profile of each Director including engagement in other entities is presented in detail in the Board of Directors area under Overview section.

The Board of Directors has formed five committees of the Board to assist the Board in discharging its fiduciary responsibilities. The details of committees of the Board including the members and terms of references are disclosed in Board Committees section.

### Independent Directors and their Independence

The Board has three (03) Independent Directors who meet the criteria of Independence under the Companies Act, 2017 and directives issued by the State Bank of Pakistan (SBP).

### Modus Operandi of the Board of Directors

The Board of Directors of the Bank exercises its powers and carry out its fiduciary duties in compliance with the regulatory requirements and Articles of Association of the Bank, with a sense of objective judgment and independence in the best interests of the Bank and its stakeholders. The Board takes decisions for good governance, financial performance and sustainability of the Bank.

The Board approves policies and ensure their implementation as required under laws and regulations. The Board also approves and monitors the objectives, strategies and overall business plans on long term and yearly basis and oversees that the affairs of the Bank are carried out prudently within the framework of laws, regulations and business ethics.

The Board focuses in achieving the Bank's vision and targets through holistic, integrated, consultative and coordinated approach. For this and to strengthen governance mechanism and oversight, the Board has formed following specialized Committees with well-defined objectives, responsibilities and tenure. These Committees support the Board in various important areas with a focus on strategic planning, risk management, technology, human resource, audit and internal control:

- i. Strategic Planning and Monitoring Committee
- ii. Board Risk Management Committee
- iii. e-Vision Committee
- iv. Human Resource and Remuneration Committee
- v. Audit Committee of the Board

As part of the overall stewardship responsibility, the Board and its Committees do not take part in the Bank's day-to-day affairs which is mandate of the Management.

Chief Executive Officer performs a key role in managing the day-to-day affairs of the Bank and ensures that the policies approved by the Board of Directors are effectively implemented and monitored.

Chief Executive Officer is responsible for all matters affecting the operations, performance and strategy of the Bank not otherwise expressly reserved to the Board of Directors. He is also responsible for the leadership of the business and for managing overall affairs within the responsibilities delegated by the Board of Directors.

### Review report by the Chairman on overall performance of the Board

Primary objectives of the Board of Directors, apart from carrying out its fiduciary duties as required under relevant regulations, include providing strategic direction, oversight and supervision of the affairs and business of the Bank and to ensure compliance with applicable laws and regulations and ethical conduct.

The Bank has formalized an in-house approach with quantitative techniques and evaluation by an external independent evaluator every three years for reviewing the Board of Directors' overall performance including performance of Chairman of the Board of Directors, individual Directors including Chief Executive Officer and Board Committees as per the requirements set out in the Companies Act, 2017, Listed Companies (Code of Corporate Governance) Regulations, 2019, SBP Corporate Governance Regulatory Framework and SBP guidelines on performance evaluation of Board of Directors.

The evaluation process concluded that the Board of Directors performed their duties diligently and effectively in the best interest of all stakeholders, despite challenging operating and regulatory environment, whilst upholding the vision, mission and core values of the Bank. Board of Directors is committed to enhance shareholders' value while continuing to transform the Bank to cater to evolving needs of the Bank's valued customers. The Bank's Board of Directors shall also remain committed in carrying out its duties diligently and professionally while maintaining focus on sustainable growth of the Bank.

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

Board composition is a significant contributing factor to the performance of Board of Directors. An appropriate skill-mix and competencies are crucial for the effective functioning of the Bank. The Board of Directors of Allied Bank Limited comprises of 7 Non-Executive Directors (including 3 Independent Directors) and CEO being the Executive Director, bringing vast experience in diverse fields, appropriate skillset, independence and diversity. The Board of Directors is assisted by five Board Committees. The rationale of Board Committees is to enhance the efficiency and share the workload of the Board. Each Committee has its approved terms of references outlining responsibilities to oversee the delegated area of responsibility, decision to be made and frequency of the meetings.

Performance evaluation of Board of Directors, Committees, Individual Members and CEO is imperative to determine their strengths and weaknesses in order to increase their overall effectiveness and to ensure the compliance with the responsibilities under The Companies Act 2017, Banking Companies Ordinance 1962, SBP's Prudential Regulations, Corporate Governance Regulatory Framework and Listed Companies (Code of Corporate Governance) Regulations, 2019.

#### Criteria for Annual Evaluation of Performance

The Bank uses SBP criteria for in house annual performance evaluation of Overall Board of Directors, Chairman, Members of the Board, Board Committees and CEO. Following are the main attributes of the performance evaluation criteria:

Category	Particulars
Overall Board of Directors	Responsibilities Composition Structure and Committees Working Procedures Duties and Liabilities
Chairman	Effective Leadership Relationship with Other Members, Management and shareholders Conflict Resolution Promoting Constructive Debate and Effective Participation in Decision Making Shareholders' confidence in Board
Members of the Board	Attendance at the Meetings Contribution at Board / Committee Meetings Commitment to the Bank Relationship with Other Members and Management Integrity and Confidentiality
Board Committees	Size, Structure and Skillset of Committees Performance against Terms of Reference Frequency of Committee Meetings Open Communication and Meaningful Participation of Members
CEO	Performance against Financial / Business Targets set by the Board Leadership Qualities Communication with Stakeholders

The responses and feedback from the directors on each of the above-mentioned categories (except Chairman) is compiled and submitted to the Chairman enabling him to discuss the results and findings with each individual member of the Board of Directors, if needed.

The authorized independent director communicates the feedback in respect of the Chairman Board of Directors to the Company Secretary for incorporation in the consolidated performance report.

In order to comply with the requirement of the Code of Corporate Governance Regulations, the Board of Directors, in the year 2014, put in place an effective mechanism for the evaluation of Board of Directors. Subsequently, SBP vide BPRD Circular No. 11 dated August 22, 2016, issued detailed Guidelines on Performance Evaluation of Board of Directors.

As per these Guidelines, Board decided to opt for in-house approach with quantitative techniques and evaluation by an external independent evaluator every three years.

As per approved mechanism, performance evaluation of following categories is conducted:

- I. Chairman of Board of Directors
- II. Overall Board of Directors
- III. Sponsor Directors
- IV. Independent Directors
- V. Other Non-Executive Directors
- VI. Board of Directors' Committees
- VII. Chief Executive Officer

Consolidated results of Board Evaluation Process along with Performance Report and actionable plan was placed before Board of Directors for review and consideration in its 261st Meeting dated February 16, 2023. The Board of Directors noted the contents of Board of Directors Annual Evaluation for the year 2022 and expressed its satisfaction on the results.

# OUR GOVERNANCE PHILOSOPHY

## Board of Directors' Performance Evaluation Carried Out by External Consultant

An external evaluation is being carried out once in every three years to further augment the process with evaluation findings through independent source for continuous improvement and refinement. An independent external evaluation was arranged for the year 2021 and next such independent evaluation will be carried out for the year 2024.

## Directors' Training Program

All the Members of the Board of Directors are required to attend Directors Training Program as provided in the Listed Companies (Code of Corporate Governance) Regulations, 2019, and Corporate Governance Regulatory Framework 2021 issued by the State Bank of Pakistan.

The Board of Directors is fully adhered to the directors training arrangements under the regulations.

The following Directors have attended Directors Training Program from Securities and Exchange Commission of Pakistan's approved institutions:

1. Sheikh Mukhtar Ahmad
2. Mr. Muhammad Waseem Mukhtar
3. Mr. Zafar Iqbal
4. Ms. Nazrat Bashir
5. Mr. Mubashir A. Akhtar
6. Mr. Aizid Razzaq Gill

The following directors are exempted from Directors' training Certification requirement due to their educational qualification and experience:

1. Mr. Mohammad Naeem Mukhtar
2. Mr. Abdul Aziz Khan

During the year 2022, the Bank also arranged a Seminar on "Leadership for Transformation" for its Board Members. This Seminar was conducted by Dr. Ishrat Hussain (Former Governor SBP).

## Directors' Orientation Program

The Bank has put in place a formal procedure to make appropriate arrangements to carry out orientation of the Directors to acquaint them with the Code of Corporate Governance Regulations, applicable laws, their duties and responsibilities to enable them to effectively govern the affairs of the Bank. Members of the Board of Directors were regularly updated on changes in laws and regulations and important news relating to financial sector and economic environment of the Country.

## Board's Remuneration Policy

The Bank's Board Remuneration Policy, formulated in accordance with SBP's guidelines, was approved by the Bank's Shareholders. The scale of remuneration to be paid to Chairman

of the Board of Directors and Non-Executive Directors including Independent Directors (excluding CEO) for attending the Board and its Committee(s) meetings is determined keeping in view the responsibilities, governance structure and expertise, in accordance with the approved policy.

The salient features of the Board's Remuneration Policy are as under:

- No Director is involved in deciding his/her own remuneration.
- No fee is paid if any of the Directors does not attend a meeting. Similarly, fee is not paid for consideration of the proposals considered through circulation.
- The administrative expenses pertaining to the office and staff allocated to the Chairman of the Board of Directors are determined rationally.
- Directors may be provided with certain facilities incidental to the performance of their role as Members of the Board of Directors depending on the need and as approved by the Board of Directors.

## Policy for Nomination on the Board of Directors of other Companies

Board of Directors' Human Resource and Remuneration Committee approves nominations of the Bank's Executives and Directors on the Board of other Companies on behalf of the Bank. Nominee Directors are advised to surrender the fee paid by the said companies for attending the meetings such as Board of Directors or its Committees' meetings to the Bank.

## Security Clearance of Foreign Directors

Foreign Directors, if any, elected on the Board of Directors requires security clearance from the Ministry of Interior Affairs through Securities and Exchange Commission of Pakistan. Currently, there is no foreign Director elected on the Board of Directors of the Bank.

## Executive Directors and their Directorship

Mr. Aizid Razzaq Gill, being CEO, is the only Executive Director on the Board (Deemed Director). He is serving as a Non-Executive Director on the Board of ABL Asset Management Company Limited. He is also the Bank's Representative on the following:

1. Management Association of Pakistan (MAP) – Representative.
2. Pakistan Business Council (PBC) – Alternate Representative

## Roles and Responsibilities of the Chairman of the Board of Directors and the Chief Executive Officer

The respective roles and responsibilities of the Chairman of the Board of Directors and Chief Executive Officer are defined by the Board of the Directors in accordance with the guidelines of the Companies Act, 2017, Code of Corporate Governance and laws and regulations presently in vogue. The Bank being rated with very high Corporate Governance Rating 9++ has ensured

that respective roles and responsibilities are clearly defined, communicated and practiced. However, for the purpose of information to the stakeholders these are summarized hereunder:

### **Roles and Responsibilities of the Chairman of the Board of Directors**

The Chairman of the Board of Directors is responsible for leadership of the Board and ensures that the Board plays an effective role in fulfilling its responsibilities. The Chairman plays a leading role in defining the “Vision” and “Mission” statements of the Bank and ensuring the implementation of the same by developing strategies through the Board of Directors. The roles and responsibilities of the Chairman of the Board of Directors encompasses:

- **Strategic Direction of the Bank**  
Ensuring that the Board of Directors plays its role in setting the Bank’s strategies and policies and monitoring that these strategies and policies are implemented by the Chief Executive Officer and the Management team.
- **Responsibility towards members of the Board of Directors**  
The Chairman of the Board of Directors shall, at the beginning of term of the Board, issue letter to each director setting out their role, obligations and responsibilities in accordance with the Companies Act, 2017 and the Bank’s Articles of Association including their remuneration and entitlement.
- **Meeting of the Board of Directors and General Meeting**  
Convening and setting the agenda of the meetings of the Board of Directors and ensuring that all the significant issues are placed before the Board of Directors in a timely and accurate manner, presiding over the Board of Directors and General meetings and ensuring that adequate time is given to the agenda items and proper minutes of the meetings are kept in record in accordance with the requirements of the Companies Act, 2017.
- **Meeting the Regulatory and Legal Requirements**  
Promoting the best corporate governance practices particularly at Board of Directors level and ensuring that the Board of Directors is functioning effectively in accordance with the applicable laws, regulations and rules.

### **Roles and Responsibilities of the Chief Executive Officer**

Chief Executive Officer plays a pivotal role in implementing the Board of Directors strategic and business plans. Chief Executive Officer leads the management in day-to-day operations of the Bank in accordance with the roles and responsibilities vested by the Board of Directors. The roles and responsibilities of the Chief Executive Officer encompasses:

- Implement the strategies and policies approved by the Board of Directors in pursuit of the Bank’s vision.
- Place all significant issues in a timely and accurate manner, before the Board of Directors for information, consideration and decision.

- Conduct the day-to-day affairs of the Bank in accordance with the business norms and approved procedures, promote highest standards of corporate governance and compliance with applicable laws, regulations and rules.
- Maintain effective communication with all the stakeholders including Board of Directors, Shareholders, Employees, Customers and Regulatory bodies.
- Develop performance standards, both quantitative and qualitative, for the management and monitoring performance there against.

### **External Oversight of Functions**

Banks need to have robust governance arrangements to ensure sound and effective decision making and functioning. Oversight is a critical governance function and is being performed by the Board of Directors, Committees, and also through External Specialists.

Oversight refers to the action taken to review and monitor public interest companies and their policies, plans, functions and procedures to ensure that they:

- are achieving expected results
- represent good value for money
- are in compliance with applicable policies, laws, regulations and ethical standards

### **External Oversight at the Bank**

The Bank regularly undertakes external oversight assignments of its systems and various functions through external specialists as per regulatory requirements and otherwise, to assess the efficacy of their operations and security of the IT assets. Notable oversight assignments carried out during recent years are as under;

- Development of Information Security Risk Management Program aligned with SBP regulations & guidelines and global best practices
- Review and Validation of ECL Model under IFRS 9
- External Assessment of the Bank’s Internal Audit Function to review compliance with the requirements of SBP guidelines and International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA)
- Validation and Back Testing Process of Obligors’ Risk Rating Models
- Assessment of e-CIB Data Reporting Mechanism
- External Penetration Testing exercise
- PCI DSS (Payment Card Industry Data Security Standard) compliance assessment

The results of these oversight assignments are shared with management for calibrations of existing processes and systems to address any associated operational, technological or reputational risk.



# OUR GOVERNANCE PHILOSOPHY

## Authorization of Financial Statements

In compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019, the financial statements were duly endorsed by the Chief Financial Officer and Chief Executive Officer before circulating these for consideration and approval of the Board of the Directors.

These annual financial statements were authorized for issue on February 16, 2023 by the Board of Directors of the Bank.

## Presence of the Chairman of Audit Committee of the Board at Annual General Meeting

Chairman of Audit Committee of the Board attended the 76th Annual General Meeting held on March 24, 2022 to answer questions on the activities and matters within the scope of Audit Committee of the Board's responsibilities.

## Appointment of Non-Executive Directors through an External Search Consultancy

The selection of independent directors as members of the Bank's Board of Directors is carried out from a list maintained by the Pakistan Institute of Corporate Governance (PICG) under the Companies (Manner and Selection of Independent Directors) Regulations 2018. Non-Executive Directors are appointed through election of Directors at the AGM. The last election took place in Year 2021. No external search consultancy services were obtained for appointment of the Non-Executive Directors, at the time of election.

## Key Governance Practices

- The Board of Directors comprises of an appropriate mix of Directors in terms of experience, competence and financial acumen.
- Six members of the Board of Directors are certified directors, whereas two directors are exempted from the requirement based on their educational qualification and experience.

- Three members of the Board of Directors are independent directors.
- Board of Directors has constituted five Board committees to assist in the governance of the Bank i.e Audit Committee, of the Board, e-Vision Committee, Board Risk Management Committee, Strategic Planning & Monitoring Committee and Human Resources & Remuneration Committee.
- Corporate Governance rating of "CGR 9++" given by VIS Credit Rating Company Limited, indicates very high level of corporate governance; depicting a strong commitment towards governance framework by the Board of Directors and management of the Bank.

## Governance Practices exceeding Legal Requirements

The Bank is fully committed in inculcating the best Corporate Governance practices throughout the organization and accordingly has been awarded the Corporate Governance Rating of 9++ (out of maximum scale of 10) by the VIS Credit Rating Company Limited.

## Shares held by Sponsors, Directors and Executives

Shares held by Sponsors, Directors and Executives and respective percentage shareholding as on December 31, 2022 is disclosed in detail under Pattern of Shareholding section of the Annual Report.

## Impact of Government's Policies on Banking Sector

The impact of Government's policies on the performance of the Banking industry is discussed in detail under the Macroeconomic Development and Financial Performance section of the Directors' Report.

# STATEMENT ON INTERNAL CONTROL

The Bank's management is responsible for establishing the Internal Control System with the main objectives of ensuring effectiveness and efficiency of operations, reliability of financial reporting, safeguarding of assets and compliance with applicable laws and regulations.

The Bank's Compliance policy and procedures further strengthened by a comprehensive Control Review and Testing Framework (CRTF), approved by the Board of Directors, outline the Bank's overall control objectives and approach towards implementation and testing of the Bank's Internal Control System.

Under the aforementioned CRTF, the Bank's Internal Control System is being evolved, reviewed and improved on an ongoing basis to minimize risks which are inherent in banking business and operations; with continuous monitoring by the Compliance Group and independent review by Audit and Risk Review Group (A&RRG).

A&RRG works under direct supervision of Audit Committee of the Board of Directors (hereafter referred as the Committee). The Committee is chaired by an Independent Director and comprises entirely of Independent Directors.

A&RRG assists the Committee and the Board of Directors in discharge of their responsibility in respect of Internal Control System. A&RRG reviews, assesses adequacy and monitors the effectiveness of control systems on an ongoing basis.

All significant and material findings are reported to the Committee; which actively monitors that the identified risks and observations are properly mitigated to safeguard the interests of the Bank. The Board of Directors, acting through the Committee, provides supervision and overall guidance in improving the effectiveness of the Internal Control System.

The Compliance Group is entrusted with the responsibility to minimize compliance risk with reference to regulatory framework; internal, external & regulatory audit compliance; control self-assessment, compliance review of material/high risk processes, monitoring completeness and maintaining up to date inventory of the Bank's policies, procedures and controls. The Bank has implemented effective document life cycle management mechanism necessitating timely review and updation of documentation to incorporate material regulatory requirements and enhance control environment. Concerted efforts are made with coordination of all functions of the Bank to improve the control environment through continuous review and streamlining of policies and procedures to prevent and detect control lapses. In order to further strengthen the control environment, the Bank has automated the related compliance processes through state of the art & internationally recognized Transaction Monitoring System and Name Screening utility to mitigate the risks associated with Anti Money Laundering and Combatting the Financing of Terrorism and to ensure compliance with the local and international regulations. The management has also established Compliance Committee to strengthen oversight role on the compliance environment.

Risk Management Group is entrusted with implementation of effective operational risk management framework. Risk Control Self-Assessment (RCSA) is carried out to assess design of controls

and to evaluate the operational effectiveness of controls. Incidents of loss data are gathered for analysis, reporting and suggesting improvements in existing control structure. Further, Key Risk Indicators on bank-wide basis are defined in coordination with the stakeholders for effective monitoring of potential risks and taking proactive measures for mitigating these risks.

Furthermore, compliance status of all irregularities identified during various audits and inspections is reported to the Committee, while other significant compliance risk related matters are reported to the Board Risk Management Committee as per approved Terms of Reference.

The Bank's Internal Control System is designed to provide reasonable assurance to the Bank's Management and Board of the Directors about the aforementioned objectives.

While the Internal Control System is effectively implemented and monitored, there are inherent limitations in the effectiveness of any system, including the possibility of human error or system failure and circumvention or overriding of controls.

Control activities are an ongoing process that includes continuous identification, evaluation and management of significant risks faced by the Bank.

As part of CRTF relating to financial reporting, the Bank has documented and mapped As-Is processes and controls, identified gaps and requisite recommendations, developed remediation initiatives and management testing plans.

The Bank has completed all the stages of Internal Control over Financial Reporting as specified by the SBP which has granted exemption from the requirement of preparation of Long Form Report by the External Auditors. As a result, A&RRG is preparing "Annual Assessment Report on Efficacy of Bank's Internal Controls over Financial Reporting (ICFR)" under ICFR framework which is approved by the Committee.

The Bank's management considers that the existing Internal Control System is adequate and has been effectively implemented and monitored, based upon the results derived through ongoing testing of financial reporting controls and internal audits carried out during the year. However, the management, adopting a prudent approach, would be continuously evaluating procedures and processes to further augment the Internal Control System.

Based on the above, the Board of Directors has duly endorsed the Management's evaluation of internal controls including ICFR in the attached Director's report.

**Aizid Razaq Gill**  
Chief Executive Officer

Lahore  
Dated: February 16, 2023

# REPORT OF AUDIT COMMITTEE

## Composition of Audit Committee

The Audit Committee of the Board of Directors (hereinafter referred to as the Committee) comprises of three non-executive independent directors. The members of the Committee bring years of diversified rich experience at senior management/ administrative positions and strategic roles in commercial banking, investment banking, planning, energy and financing sectors. Detailed profile of the respective members is included in the Annual Report.

## Role of Audit Committee

During the year under review, the Committee diligently performed its duties and responsibilities in accordance with its Charter approved by the Board of Directors while remaining compliant with the requirements of the Listed Companies (Code of Corporate Governance) Regulations issued by SECP and other relevant regulatory instructions issued by the State Bank of Pakistan (SBP).

The Chief Audit and Risk Review Group (A&RRG) reports directly to the Committee. A&RRG assists the Committee and the Board of Directors in discharging their responsibility in respect of Internal Control System.

The Committee oversees the functions of A&RRG and ensures independence of A&RRG in the organizational structure, independence and objectivity of internal auditors, optimal utilization of audit resources, effectiveness of A&RRG in the Bank's overall governance and internal control framework and constructive engagement of A&RRG with the senior management and auditee units.

The Committee ensures that A&RRG has adequate financial, technological and operational resources along with appropriate human resources having required skill-sets, expertise and trainings necessary to perform A&RRG's responsibilities independently, effectively and objectively.

The Committee reviews and recommends to Board of Directors the Internal Audit policy and Whistle Blowing policy for approval, periodically or as and when any amendment is required.

The Committee reviews the annual and interim financial statements of the Bank and recommends for the approval of the Board of Directors.

The Committee recommends to the Board of Directors appointment and retention of the external auditors of the Bank (including overseas operations), their removal, audit fees, the provision of any service permissible to be rendered to the Bank by the external auditors in addition to audit of its financial statements taking into account the applicable regulatory requirements, measures for redressal and rectification of non-compliances with the regulations.

## Audit Committee Meetings

The meetings of the Committee are designed to facilitate and encourage communication between the Committee, A&RRG, the Bank's senior management and the external auditors. During the year 2022, five meetings of the Committee were held and among others following agenda items were deliberated in the meetings:

- Review of the Bank's annual and interim financial statements prior to their approval by the Board of Directors. That included detailed discussions with the Banks' senior management, external auditors and A&RRG by focusing on major judgmental areas, significant adjustments and issues resulting from audit, going concern assumption, any changes in accounting policies and practices, compliance with applicable accounting standards, listing regulations and other statutory and regulatory requirements and related party transactions.
- Review of quarterly Consolidated Reports on Testing of Financial Reporting Controls.
- Review of significant issues highlighted by A&RRG during audits and reviews of branches and other functions of the Bank, external auditors and SBP's inspection reports and status of compliance including regular updates on the rectification actions taken by the management.
- Review of A&RRG's assessment on overall internal controls of the Bank for the year 2021.
- Approval of Annual Assessment Report on Efficacy of Internal Controls over Financial Reporting (ICFR) 2021.
- Monitoring of compliance status of observations highlighted in SBP's inspection reports.
- Review of Annual report on Periodic Self-Assessments conducted by A&RRG under Quality Assurance & Improvement Program.
- Review and approval of Strategic Plan of A&RRG (2023-2032) for inclusion in the overall Strategic Plan of the Bank.
- Review and approval of A&RRG's revised Risk Assessment Mechanism of Branches.
- Review and approval of revised Framework for Assessment of Internal Controls over Financial Reporting. Review of analysis related to frauds, forgeries and dacoities incidents in the Bank; with specific focus on nature and reasons along with management action(s) thereof.
- Review and approval of risk based annual audit plan 2023 and related enablers and budget along with resource requirements of A&RRG.
- Review of resolution status of complaints lodged under the Bank's Whistle Blowing Policy.
- Review of periodic activity review reports of A&RRG.
- In addition to above, the Committee also reviewed and recommended the following to the Board of Directors:
  - o Statement of Internal Controls, prior to endorsement by the Board of Directors;

- o Activity review report of the Committee for the year 2021;
- o Appointment of Statutory Auditors of the Bank, Bahrain Branch and China Office for the year ending December 31, 2022 along with fixation of their remuneration;
- o Annual Compliance Review for the year 2021 of ABL wholesale Banking Branch, Bahrain;
- o Management Letter by external auditors along with the Action Plan submitted by the Management;
- o Revised Whistle Blowing Policy of the Bank
- o Revised Charter of the Audit Committee of the Board (ACOB)
- o Islamic Banking Group (IBG) External Shari'ah Audit Report and compliance status
- o Accounting, Disclosure and Related Party Transaction policy of the Bank, accounting policies for Islamic Banking and Bahrain Branch

The Committee in accordance with the requirements of Code of Corporate Governance met with the external auditors with and without presence of management to discuss the results of auditors' examination and evaluation of internal controls and the overall quality of the Bank's financial reporting. Furthermore, the Committee ensured efficient supervision of the internal control system by steering separate meetings with Chief A&RRG and internal audit staff.

The Committee also recommends the scope and appointment of external auditors, including finalization of audit and other fees.

The Committee evaluates the qualifications, performance and independence of the external auditors. In doing so, the Committee considers the quality and efficiency of the services provided by the external auditors, the external auditors' capabilities, technical expertise and knowledge of the Bank's operations and industry. The Committee ensures compliance with relevant regulations with regard to tenure of external auditors and provisions of non-audit services by external auditors to ensure independence and objectivity of external auditors.

The Committee recommended to the Board of Directors re-appointment of M/s EY Ford Rhodes Chartered Accountants, as statutory auditors of the Bank for the year ending December 31, 2023, subject to approval of the Bank's shareholders in the forthcoming Annual General Meeting.

#### Performance Evaluation of the Committee

The Committee evaluates its own performance on annual basis thereby assessing the targets achieved, performance initiatives and whistle blowing actions (if any) taken and submits the report to the Board of Directors.

#### Internal Controls Framework and Role of A&RRG

The Bank's internal control structure comprises of the Board of Directors, the Committee, Management including Compliance Group & Risk Management Group and A&RRG. Roles of all the functionaries have been defined in the Management's Statement of Internal Controls, as part of the Annual Report which is duly endorsed by the Board of Directors.

#### Zafar Iqbal

Chairman Audit Committee of the Board

Lahore

Dated: February 15, 2023



# STATEMENT OF COMPLIANCE

With Listed Companies (Code of Corporate Governance) Regulations, 2019

Allied Bank Limited for the year ended December 31, 2022

The Bank has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are (08) including the Chief Executive Officer (Deemed Director) as per the following;

- Male: Seven (07)
- Female: One (01)

2. The Composition of the Board of Directors is as follows:

Category	Names
Independent Directors	Zafar Iqbal
	Nazrat Bashir
	Mubashir A. Akhtar
Non-Executive Directors	Mohammad Naeem Mukhtar
	Sheikh Mukhtar Ahmad
	Muhammad Waseem Mukhtar
	Abdul Aziz Khan
Executive Director	Azid Razzaq Gill, (Chief Executive Officer)
Female Director	Nazrat Bashir

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies including Allied Bank Limited.

4. The Bank has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.

5. The Board of Directors has developed a vision and mission statement, overall corporate strategy and significant policies of the Bank. The Board of Directors has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Bank.

6. All the responsibilities of the Board of Directors have been duly exercised and decisions on relevant matters have been taken by the Board of Directors or shareholders as empowered by the relevant provisions of the Companies Act 2017 and these Regulations.

7. The meetings of the Board of Directors were presided over by the Chairman of the Board of Directors and, in his absence, by a Director elected by the Board of Directors for this purpose. The Board of Directors has complied with the requirements of Companies Act 2017, and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board of Director.

8. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Companies Act 2017, State Bank of Pakistan's Corporate Governance Regulatory Framework and these Regulations.

9. Appropriate arrangements were made for orientation of Directors on their election with a view to acquaint them with their duties and responsibilities. Six members of the Board of Directors (including the Chief Executive Officer) are Certified Directors from The Pakistan Institute of Corporate Governance. Whereas, two Directors are exempted from such requirement on account of their experience and qualifications.

10. The Board has approved appointment of the Chief Financial Officer, the Company Secretary and the Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with the relevant requirements of the Regulations.

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board of Directors.

12. The Board of Directors has formed five Committees. The names and composition of the Committees along with the details of its Members are disclosed separately in the Annual Report.

13. The terms of reference of the aforesaid Committees have been formed, documented and advised to the Committee for compliance.

14. The frequency of meetings of the Committee is disclosed separately in the Annual Report.

15. The Board of Directors has set up an effective internal audit function, who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Bank.

16. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and are registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Directors of the Bank.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Companies Act 2017, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed International Federation of Accountants guidelines in this regard.

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

**Mohammad Naeem Mukhtar**  
Chairman

Lahore  
Dated: February 16, 2023

# INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Allied Bank Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **Allied Bank Limited** (the Bank) for the year ended **31 December 2022** in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Bank. Our responsibility is to review whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the bank's personnel and review of various documents prepared by the Bank to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Regulations require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended 31 December 2022.

EY Ford Rhodes  
Chartered Accountants

Lahore  
Date: 7 March 2023

UDIN: CR202210079I5JTUwPvG

# SHARIAH BOARD

## Terms of Reference

The primary function of Shariah Board is to supervise and advise the management of the Bank on all Shariah related matters, develop comprehensive Shariah compliance framework and is responsible for all Shariah related decision. The Shariah Board approves all Islamic Banking related policies, procedures, services and related agreements and contracts in conformity with the rules and principles of Shariah. The Shariah Board is responsible to review Internal Shariah Audit review report, external Shariah Audit, State Bank of Pakistan Shariah Inspection and Shariah compliance reviews and prescribes appropriate remedial measures. Shariah Board meetings are held at-least quarterly and it also meets with Board of Directors at-least on half yearly basis.

## Process of Appointment and Nomination

The appointment of members of the Shariah Board is approved by the Board of Directors, of the Bank, upon recommendation of the Human Resource and Remuneration Committee. The appointment is subject to prior clearance of State Bank of Pakistan and pursuant to Fit and Proper Criteria (FAPC) and regulation of State Bank of Pakistan.

## Profile of Shariah Advisors

### Mufti Muhammad Iftikhar Baig

#### Chairman Shariah Board

Muhammad Iftikhar Baig is serving Allied Bank Limited as Chairman Shariah Board. He is a qualified Mufti from the Jamia Darul-Uloom Karachi, which is one of the most reputed and prestigious religious institution in the country. He is also a Law graduate from University of Karachi (KU).

He has been serving for more than 16 years at different local and international banks/Mudarabah Companies/Insurance Companies (WTO) as Shariah Advisor/ Shariah Board Member. Moreover, he regularly delivers lectures on Islamic Economics and Finance at different forums and educational institutions. He is also a visiting faculty member of Hailey Collage of Banking and Finance and renowned Islamic university – Jamia Al Ashrafia Lahore.

### Mufti Mahmood Ahmad

#### Member Shariah Board

Mufti Mahmood Ahmad is serving as Member Shariah Board of Allied Bank Limited. He graduated as a scholar in Shahadatul-Almiah (Masters in Arabic and Islamic studies) from Wifaq-ul-Almadaris Alarabia. He also has completed his Master in Arabic from University of the Punjab, Lahore. Takhassus-Fi-Alifta in Islamic Fiqh and fatwa from Jamia Darul-Uloom, Karachi.

He has also completed his M. Phil in Islamic Banking. He has experience of more than five years as member Shariah Board with Allied Bank Limited and has eight years of experience as a Shariah consultant with Islamic Micro-Finance and other organizations. He is a Mufti and lecturer in renowned Islamic university – Al Jamia Al Ashrafia Lahore.

### Mufti Tayyab Amin

#### Resident Shariah Board Member

Mufti Tayyab Amin is serving as Resident Shariah Board Member (RSBM) of Allied Bank Limited. He has done his Al-Aalamiyyah (a degree recognized by the HEC Pakistan as a Master in Arabic & Islamic Studies) and specialization in Islamic Jurisprudence from Jamia Darul-Uloom Karachi, which is most reputed and prestigious religious institution. He has also done his Masters from University of the Punjab Lahore and completed his M. Phil from University of Sargodha in Islamic studies.

He has served to First Elite Capital Mudarabah as Shariah Advisor for six years and First Punjab Mudarabah for three years. He also has experience in Alfalah Insurance (Window Takaful Operation) as Shariah Compliance Officer for three years.

He has overall experience of more than ten years as a Shariah consultant for various business sectors including Islamic Micro-Finance.

None of the members of Shariah Board of the Bank are member of Shariah Board of any other financial institution.

**Number of Meetings Attended:** Four Shariah Board meetings were held last year and all Members attended all the meetings

## Remuneration Framework for Shariah Board Members

Fixed remuneration is paid to Chairman Shariah Board as well as Non-resident Shariah Board Member in line with employment contracts including monthly salary, medical benefit and fuel reimbursement.

No variable remuneration (performance bonus) is paid to Chairman Shariah Board and Non-resident Shariah Board Member.

Resident Shariah Board Members are paid fixed remuneration which includes monthly salary and allowances as per terms of contract and post-employment benefits. Variable remuneration (performance bonus) is paid on the basis of performance assessment carried out annually through performance appraisal process.

# REPORT OF SHARIAH BOARD

## For the year ended December 31, 2022

### In the name of Allah, the Beneficent, the Merciful

By the grace of Almighty Allah, the year under review was the 11th year of Islamic Banking Operations of Allied Bank Limited (ABL-Aitebar Islamic Banking). The scope of this report is to cover the affairs of ABL-Aitebar Islamic Banking, from Shariah perspective as stipulated under para 3 (b) of the revised Shariah Governance Framework issued by the State Bank of Pakistan.

Shariah Board is pleased to submit the report on the overall Shariah compliance environment of ABL-Aitebar Islamic Banking.

The Board of Directors and Executive Management are solely responsible to ensure that the operations of ABL-Aitebar Islamic Banking are conducted in compliance with Shariah principles at all times. Shariah Board asserts that it has performed their duties independently with courteous relationship among the SB members and management of Bank.

To form basis of our opinion as expressed in this report, Internal Shariah Audit reports, on test check basis, of each class of transactions, the relevant documentation and process flows on sample basis was carried out. Besides, we have also reviewed the reports of the Shariah compliance review and external Shariah Audit of ABL-Aitebar Islamic Banking operations conducted during the year.

Based on the above, we are of the view that:

The business affairs of ABL-Aitebar Islamic Banking, especially with reference to transactions, relevant documentation and procedures, performed during the year 2022 are in conformity with the principles and guidelines of Shariah issued by Shariah Board (SB) and State Bank of Pakistan.

The Bank primarily used Business Musharakah, Diminishing Musharakah, Salam, Istisna and Ijarah for its financing activities during the year.

ABL-Aitebar Islamic Banking has put a mechanism in place in the form of Internal Shariah Audit and Shariah Compliance reviews to ensure Shariah compliance in its overall operations that will keep its focus on continuous improvement for catering to the large branches/windows network over the coming years. The system within the Bank is sound enough to ensure that amounts realized from prohibited sources, if any, are not made a part of the income. During the Shariah Review and audit of the financing portfolio, no Shariah non-compliant transaction was observed. The Bank received an amount of Rs.5.62 million from the clients in respect of charity on delays in payments in various financial transactions and credited these payments to the Charity Account.

Since the charity funds are kept under Mudharabah base account, the accrued Mudarabah profit of Rs. 0.26 million was also credited to the charity account. An amount of Rs.5.10 million was granted to approved charitable institutions.

The Internal Shariah Audit Function (ISAF) plays a vital role in achieving the objective of ensuring Shariah compliance by evaluating the adherence to Shariah guidelines prescribed by SB, Resident Shariah Board Member (RSBM) and Shariah guidelines of Islamic Banking Division of SBP. ISAF, working under the Internal Audit department, conducted Shariah Audit of various departments/functions of the Bank to ensure compliance. ISAF submits periodical reports to RSBM /Shariah Board for information, review and determination of appropriate corrective actions.

Shariah Compliance Department (SCD) of the Bank is working under the guidance of SB with adequate resources. The main objective of this department is to facilitate and ensure Shariah compliance in all the new researches, conducting Islamic banking trainings, Shariah-compliance review of each class of transactions, relevant documentation and process flows. The SCD team also visited branches in different cities to conduct 'Shariah Review and Knowledge Assessment' of branch staff across the country to ensure a Shariah Compliant environment at the branch level.

### Review and Development:

ABL-Aitebar Islamic Banking has completed yet another successful year. Upon achieving a branch network of 117 dedicated Islamic branches, the bank continued to expand its footprint of Islamic banking windows by opening a total of 25 new Islamic banking windows during the year bringing the grand total of Islamic banking windows to 135 branches throughout Pakistan. Similarly, significant growth in assets, Investments, deposit, trade and other business avenues have been registered.

### Asset Review:

During the year, financing portfolio has stood at Rs. 66,768 million, which mainly constitutes of Business Musharakah 73%, Diminishing Musharakah 22% and Istisna 2%. Besides, the investment portfolio has also stood at Rs. 28,248 million, which mainly constituting Government Ijarah Sukuk, Corporate Sukuks and Islamic Naya Pakistan Certificate.

### Deposit Review:

The total deposits of ABL-Aitebar Islamic Banking have increased by 10.55% during the year reaching to Rs. 71,870 million by December 31, 2022 as compared to Rs. 65,014 million as of last year.

During the year, the bank continued to develop new products, review and update the policies, product programs, manuals and relevant documents that pertain to existing asset and deposit products.



# REPORT OF SHARIAH BOARD

For the year ended December 31, 2022

## Profit Distribution Policy:

SCD also conducted review of the process of profit distribution on monthly basis and ensured that the distribution is in line with instructions of SB and SBP. Moreover, internal Shariah audit of pool management has been conducted on quarterly basis, which has further improved the process of pool management, profit and loss distribution and strengthened the compliance of Shariah guidelines.

## Shariah Board Meetings:

The Shariah Board held four quarterly meetings during the year to review and approve various matters including product and service innovations and modifications, concepts, transactions and related Shariah considerations. SCD remained in close coordination with the Shariah Board and management enabling it to arrange timely responses to business and other support functions of the Bank and to implement Shariah Board decisions. The ongoing involvement of SB not only ensured that it constantly remained on board with all the Shariah affairs of the Bank but it also enabled them to engage in order to approve different matters by way of circulation. Two meetings of the SB were also held with the Board of Directors to discuss the Shariah Compliance environment and implementation status of SB's decisions, Fatawa, observations and recommendations.

## Staff Training

In order to enhance the Islamic banking knowledge and expertise, training on Islamic Banking concepts as well as on Islamic banking products were imparted to the staff of the Islamic Banking Group. During the year, various classroom and online training sessions of Islamic Banking were conducted by the SCD team in various cities with more than 1100 participants having attended these sessions. Moreover, 21 employees attended training session conducted by NIBAF and other reputed Islamic banking training institutes.

## BOD and Shariah Board Training/Orientation

In order to enhance Islamic banking knowledge and acumen, an orientation session for BOD was conducted by the Shariah Board. Moreover, a training session was attended by the Resident Shariah Board Member.

In order to create awareness of Islamic banking in the general public, the Bank conducted different seminars for general public and Ulama.

In addition, Islamic Banking awareness session with the assistance of State Bank of Pakistan for general public/traders were also conducted by Shariah Board.

## Recommendations:

Following are some areas, which require continuous focus:

1. Bank should increase focus on creating awareness regarding misconceptions of Islamic banking by conducting seminars / programs and awareness sessions at mass level.
2. To bring SMEs and Corporate closer to Islamic banking, the Bank should conduct customized workshops on Islamic banking products.
3. It is recommended that such programs should also be continued in future at mass level.
4. Bank's policy of appointing new staff members for Islamic banking branches with inclination /commitment to the ideology of Islamic banking should be continued.
5. The Bank is actively pursuing training of its human resources about various aspects of Islamic Banking & Finance through training sessions. However, continuous focus should be maintained to improve the level of awareness through practical nature Islamic Banking refresher, certification and Shariah documentation courses.
6. State Bank of Pakistan is focusing on Islamic banking training. Therefore, it is suggested that in order to cope with the increasing requirement of training in the Bank, a dedicated team of Islamic banking trainers should be available in the Bank.
7. Conventional insurance is not permissible from Shariah perspective. It is again recommended to convert IBG's assets to Takaful and also convert more clients to Takaful, as soon as possible.

We pray to almighty ALLAH to provide us guidance to adhere to the Shariah principles in day-to-day operations, to absolve our mistakes and for the success of Islamic banking in Pakistan.

## Mufti Tayyab Amin

Resident Shari'ah Board Member

## Mufti Mahmood Ahmad

Member Shari'ah Board

## Mufti Muhammad Iftikhar Baig

Chairman Shari'ah Board

Date of Report: February 16, 2023

# شریعی بورڈ کی رپورٹ برائے اختتام سال 31 دسمبر 2022

اپنی توجہ مرکوز رکھے گا۔ بینک کے موجودہ نظام میں اس بات کو یقینی بنانے کی صلاحیت ہے کہ کسی بھی ممنوع ذرائع سے حاصل ہونے والی رقم (بالفرض، اگر ہوں) کو آمدنی کا حصہ بننے سے روک سکے۔ تمویلات کے پورٹ فولیو کے شرعی جائزے اور آڈٹ میں کسی طرح کی غیر شرعی تمویل نہیں پائی گئی۔ بینک نے مختلف مالی لین دین کی تاخیری ادائیگیوں کی وجہ سے چیرٹی (خیراتی) کی مد میں 5.62 ملین روپے وصول کیے اور اس رقم کو چیرٹی کے اکاؤنٹ میں جمع کروایا۔

چونکہ، چیرٹی کی رقم مضاربہ اکاؤنٹ کے تحت رکھی جاتی ہے، لہذا، 0.26 ملین روپے کا جمع شدہ مضاربہ منافع بھی چیرٹی کے اکاؤنٹ میں کریڈٹ کیا گیا۔ منظور شدہ فلاحی اداروں کو 5.10 ملین روپے کی گرانٹ دی گئی۔

انٹرنل شریعی آڈٹ (آئی ایس اے ایف) (Internal Shariah Audit Function - ISAF) ، اے بی ایل - اعتبار اسلامک بینکنگ کی جانب سے اختیار کی گئی ہر سرگرمی کی شریعی بورڈ، ریویژنٹ شریعی بورڈ ممبر (RSBM) اور اسٹیٹ بینک آف پاکستان کے اسلامی بینکاری ڈویژن کی طرف سے جاری کردہ شرعی ضوابط و ہدایات کی مکمل پاسداری کے ساتھ شریعی کمپلائنس کو یقینی بنانے کا اہم کردار ادا کرتا ہے۔ آئی ایس اے ایف (ISAF) ، جو کہ انٹرنل آڈٹ ڈیپارٹمنٹ کے ماتحت کام کرتا ہے، نے تعمیل کو

لیے، جیسا کہ اس رپورٹ میں اظہار کیا گیا ہے، ہر قسم کے لین دین اور اس سے متعلقہ دستاویزات اور انکی انجام دہی کے طریقہ کار کا نمونوں کی بنیاد پر تجزیہ کیا ہے۔ علاوہ ازیں، ہم نے انٹرنل شریعی آڈٹ اور اس سال کے دوران ہونے والے اے بی ایل - اعتبار اسلامک بینکنگ کے کاروبار کی شریعی کمپلائنس رپورٹ اور ایکسٹرنل آڈٹ رپورٹوں کا بھی جائزہ لیا ہے۔

مندرجہ بالا امور کی بنیاد پر ہماری رائے یہ ہے کہ: اے بی ایل - اعتبار اسلامک بینکنگ، کے سال 2022ء کے دوران کاروباری معاملات، خصوصاً لین دین اور اس سے متعلقہ دستاویزات اور طریقہ کار، شریعی بورڈ اور اسٹیٹ بینک لمیٹڈ کے فراہم کردہ شرعی اصولوں اور ضوابط سے مکمل مطابقت رکھتے ہیں۔

بینک نے اس سال کے دوران زیادہ تر کاروباری مشارکہ، شرکت متناقصہ، سلم، استصناع اور اجارہ کی مصنوعات کو تمویلی سرگرمیوں کے لیے استعمال کیا۔

اے بی ایل - اعتبار اسلامک بینکنگ نے اپنے مجموعی کاروبار کی شریعی کمپلائنس کو یقینی بنانے کے لیے انٹرنل شریعی آڈٹ اور شریعی کمپلائنس کے تجزیے کی شکل میں ایک نظام تشکیل دیا ہے۔ اور آنے والے سالوں میں ایک وسیع برانچ اونڈوزنیٹ ورک کی ضروریات کو پورا کرنے کے لیے اس نظام میں مسلسل بہتری کے عمل پر

شروع اللہ کے نام سے جو بڑا مہربان اور نہایت رحم کرنے والا ہے۔

اللہ سبحانہ و تعالیٰ کے فضل و کرم سے، الائیڈ بینک لمیٹڈ کے اسلامی بینکاری کے کاروبار (اے بی ایل - اعتبار اسلامک بینکنگ) نے اس زیر تجزیہ مدت کے ساتھ اپنے 11 سال مکمل کر لیے ہیں۔ اس رپورٹ کا مقصد اے بی ایل - اعتبار اسلامک بینکنگ میں، اسٹیٹ بینک آف پاکستان کی طرف سے جاری کردہ نظر ثانی شدہ شریعی گورننس فریم ورک کے پیراگراف (b) کے تحت، اسلامی بینکاری کے معاملات کا شرعی نقطہ نظر سے جائزہ لینا ہے۔

شریعی بورڈ کے لیے یہ امر باعث مسرت ہے کہ وہ اے بی ایل - اعتبار اسلامک بینکنگ کے کاروبار کی شریعی کمپلائنس کے حوالے سے وضع کردہ مجموعی نظام پر رپورٹ پیش کر رہا ہے۔

بورڈ آف ڈائریکٹرز اور ایگزیکٹو مینجمنٹ پر یہ ذمہ داری عائد ہوتی ہے کہ اے بی ایل - اعتبار اسلامک بینکنگ کا کاروبار ہمہ وقت شرعی اصولوں کے تابع رہے۔ شریعی بورڈ اس امر کا اعادہ کرتا ہے کہ اس نے اپنی تمام تر ذمہ داریاں، شریعی بورڈ کے ممبران اور بینک کی انتظامیہ کے مابین مکمل ہم آہنگی اور تعاون کے ساتھ، آزادانہ طور پر ادا کی ہیں۔

ہم نے اپنی مذکورہ رائے کو قائم کرنے کے

یقینی بنانے کے لیے بینک کے مختلف محکموں اور شعبہ جات کا آڈٹ کیا۔ آئی ایس اے ایف (ISAF)، آر ایس بی ایم (RSBM) / شریعہ بورڈ کو اسکی معلومات، تجزیے اور اصلاحات کے تعین کے لیے وقتاً فوقتاً رپورٹس فراہم کرتا ہے۔

بینک کا شریعہ کمپلائنس کا شعبہ موزوں افرادی قوت کے ساتھ شریعہ بورڈ کی زیر نگرانی کام کرتا ہے۔ اس شعبے کا بنیادی مقصد جدید تحقیقات میں معاونت اور شریعہ کمپلائنس کو یقینی بنانا، اسلامی بینکاری کی تربیت (Trainings) کا انعقاد، ہر طرح کے لین دین، دستاویزات اور انکی انجام دہی کے طریقہ کار میں شریعہ کمپلائنس کا جائزہ لینا شامل ہے۔ اس کے علاوہ شریعہ کمپلائنس کے شعبے نے سٹاف کی شرعی معلومات کا جائزہ لینے کے لیے ملک بھر کے مختلف شہروں میں برانچز کا دورہ بھی کیا ہے تاکہ برانچ کی سطح پر شرعی تعیلات کو یقینی بنایا جاسکے۔

#### ریویو اینڈ ڈیولپمنٹ :

اے بی ایل - اعتبار اسلامک بینکنگ نے ایک اور کامیاب سال مکمل کر لیا ہے۔ 117 مستقل بنیادوں پر کام کرنے والی برانچوں کے نیٹ ورک کے حصول کے بعد، سال 2022ء میں منتخب روایتی برانچوں میں 25 اضافی ونڈوز کے ذریعے بینک نے اپنی وسعت کے سفر کو جاری رکھا ہے، جس سے پاکستان بھر میں اسلامک بینکنگ ونڈوز کی کل تعداد 135 تک جا پہنچی ہے۔ اسی طرح اثاثہ جات، سرمایہ کاری،

ڈیپازٹ، ٹریڈ (تجارت) اور دیگر کاروباری شعبوں میں بھی نمایاں بہتری حاصل کی گئی ہے۔

#### اثاثہ جات کا تجزیہ :

اس سال کے دوران تمویل کا مجموعی حجم گزشتہ سال کے 66,768 ملین روپے تک بڑھ گیا جس میں بزنس مشارکہ 73%، شرکت متناقصہ 22%، اور اسٹھناع 2% کا نمایاں کردار رہا۔

علاوہ ازیں، سرمایہ کاری کا مجموعی حجم حکومتی اجارہ صلوک، کارپوریٹ صلوک اور اسلامک نیا پاکستان سرٹیفیکیٹ کی خصوصی شمولیت کی وجہ سے، 28,248 ملین روپے تک بڑھ گیا۔

#### ڈیپازٹ کا تجزیہ :

اے بی ایل - اعتبار اسلامک بینکنگ کے مجموعی ڈیپازٹس گزشتہ سال کی 65,014 ملین روپے کی سطح کی نسبت 10.55 فیصد کے اضافے کے ساتھ 31 دسمبر 2022ء تک 71,870 ملین روپے تک جا پہنچے۔

سال کے دوران، بینک کے شریعہ بورڈ نے اپنے ڈیپازٹس کی نئی مصنوعات کی تشکیل، پالیسیوں، پراڈکٹس کے مینولز (Manuals) اور مروجہ اثاثہ جات اور ڈیپازٹ پراڈکٹس سے متعلقہ دستاویزات کے تجزیے اور تجدید کے عمل کو جاری رکھا۔

#### منافع کی تقسیم کی پالیسی :

شریعیہ کمپلائنس کے شعبے نے منافع کی ماہانہ

بنیاد پر تقسیم کے عمل کا بھی جائزہ لیا اور اس امر کو یقینی بنایا کہ یہ تقسیم شریعہ بورڈ اور اسٹیٹ بینک آف پاکستان کی ہدایات کے عین مطابق ہو۔ مزید یہ کہ، پول مینجمنٹ کا سہ ماہی بنیاد پر انٹرنل شریعہ آڈٹ کیا گیا جس سے پول مینجمنٹ، نفع و نقصان کی تقسیم کے طریقہ کار میں بہتری اور شرعی نگرانی کا نظام مزید مضبوط ہوا ہے۔

#### شریعیہ بورڈ کے اجلاس (میٹنگز) :

سال کے دوران، شریعہ بورڈ کے چار سہ ماہی اجلاس منعقد ہوئے جن میں بینک کی مصنوعات و خدمات کی جدت طرازی اور ترامیم، تصورات، لین دین اور انکے متعلقہ شرعی امور سمیت دیگر معاملات کی منظوری دی گئی۔ شریعہ کمپلائنس کا ڈیپارٹمنٹ، شریعہ بورڈ اور انتظامیہ کے ساتھ مسلسل رابطے میں رہتا ہے تاکہ اسے بینک کے کاروباری اور دیگر معاون شعبوں کو بروقت رد عمل کی فراہمی کے ساتھ شریعہ بورڈ کے فیصلوں پر عمل درآمد کروانے کے قابل کیا جاسکے۔ شریعہ بورڈ کی اس مسلسل شمولیت سے ناصر اس کو بینک کے تمام شرعی معاملات سے آگہی رہتی ہے بلکہ دیگر معاملات میں بھی، سرکولیشن کے ذریعے، اسکی شرکت اور فیصلہ سازی میں مدد ملتی ہے۔ شریعہ بورڈ کی بینک کے بورڈ آف ڈائریکٹرز کے ساتھ دو میٹنگز ہوئیں جن میں شریعہ کمپلائنس کے ماحول اور نفاذ کے لیے شریعہ بورڈ کے فیصلوں کی حیثیت، فتویٰ، مشاہدات اور سفارشات پر تبادلہ خیال کیا گیا۔

#### عملہ کی تربیت (ٹریینگ) :

اسلامک بینکنگ کی معلومات اور مہارت میں

بڑھتی ہوئی ضرورت کو پورا کرنے کے لیے بینک کے پاس تربیتی عملے کی ایک مخصوص ٹیم دستیاب ہونی چاہیے۔

7- شرعی نقطہ نظر سے روایتی انشورنس جائز نہیں ہے لہذا آئی بی جی (IBG) کے اثاثوں اور اپنے زیادہ صارفین کو جلد از جلد تکافل (Takaful) پر منتقل کرنے کی سفارش کی جاتی ہے۔

ہم اللہ رب العزت سے دعا گو ہیں کہ وہ ہمیں روزمرہ معاملات میں شرعی اصولوں پر عمل پیرا ہونے کی توفیق عطا فرمائے، ہماری لغزشوں سے درگزر فرمائے اور پاکستان میں اسلامی بینکنگ کو کامیابی عطا فرمائے (آمین)

مفتی طیب امین

ریزیڈنٹ شریعہ بورڈ ممبر

مفتی محمود احمد

ممبر شریعہ بورڈ

مفتی محمد افتخار بیگ

چیئر مین شریعہ بورڈ

رپورٹ کی تاریخ:

16 فروری 2023ء

1 - اسلامک بینکنگ کے بارے میں غلط فہمیوں کو دور کرنے اور اس بارے میں آگاہی کی نشستوں کے انعقاد پر بینک کو بڑے پیمانے پر توجہ دینے کی ضرورت ہے۔

2- کارپوریٹ اور ایس ایم ای (SME) کے شعبوں کو اسلامک بینکنگ کے قریب لانے بینک کو انکی ضرورت کے مطابق ورکشاپس کا انعقاد کرنا چاہیے۔

3- مستقبل میں بھی، ایسی نشستوں کو بڑے پیمانے پر جاری رکھنے کی سفارش کی جاتی ہے۔

4- اسلامی بینکاری کے نظریہ سے وابستگی کی بنیاد پر بینک کی اسلامک بینکنگ کی برانچوں میں نئے عملہ کی تقرری کی پالیسی کو جاری رکھنا چاہیے۔

5- بینک، مختلف نشستوں اور سیمینارز کے انعقاد کے ذریعے، اپنے سٹاف کو اسلامی بینکنگ اور فنڈس کے مختلف پہلوؤں کے بارے میں تربیت فراہم کر رہا ہے۔ تاہم اس سلسلے میں ہمہ وقت توجہ مبذول رکھنے کی ضرورت ہے۔ اور عملی نوعیت کے اسلامک بینکنگ کے ریفریشر، سرٹیفیکیشن اور شرعی دستاویزات سے متعلق کورسز کے ذریعے اس کی آگاہی بڑھانے کی ضرورت ہے۔

6- اسٹیٹ بینک آف پاکستان اسلامک بینکنگ کی تربیت پر خصوصی توجہ مرکوز کیے ہوئے ہے۔ چنانچہ یہ تجویز کیا جاتا ہے کہ بینک میں تربیت کی

اضافہ کے پیش نظر، اسلامک بینکنگ گروپ کے سٹاف کی اسلامک بینکنگ کے نظریات اور اس کی پراڈکٹس کے بارے میں اسلامک بینکنگ کے تمام عملے کو تربیت فراہم کی گئی۔ سال کے دوران شریعہ کمپلائنس ڈیپارٹمنٹ نے اسلامک بینکنگ کی آگہی کے لیے متعدد کلاس روم اور آن لائن تربیتی نشستوں کا انعقاد کیا جس میں مختلف شہروں سے 1,100 ملازمین نے شرکت کی۔ اس کے علاوہ 21 ملازمین نے NIBAF اور دیگر معتبر اسلامک بینکنگ کی تربیت کے اداروں کی فراہم کردہ تربیتی نشستوں میں حصہ لیا۔

بورڈ آف ڈائریکٹرز اور شریعہ بورڈ کی ٹریننگ

ا تعارفی پروگرام

اسلامک بینکاری کی فہم اور معلومات میں اضافہ کے لیے شریعہ بورڈ نے بورڈ آف ڈائریکٹرز کے لیے ایک تربیتی نشست کا اہتمام کیا۔ اس کے علاوہ، شریعہ بورڈ کے ریڈیٹنٹ ممبر نے ایک تربیتی نشست میں شرکت کی۔ عام لوگوں میں اسلامک بینکنگ کی واقفیت کو بڑھانے کے لیے بینک نے علماء اور عوام الناس کے لیے مختلف سیمینارز کا بھی انعقاد کیا۔

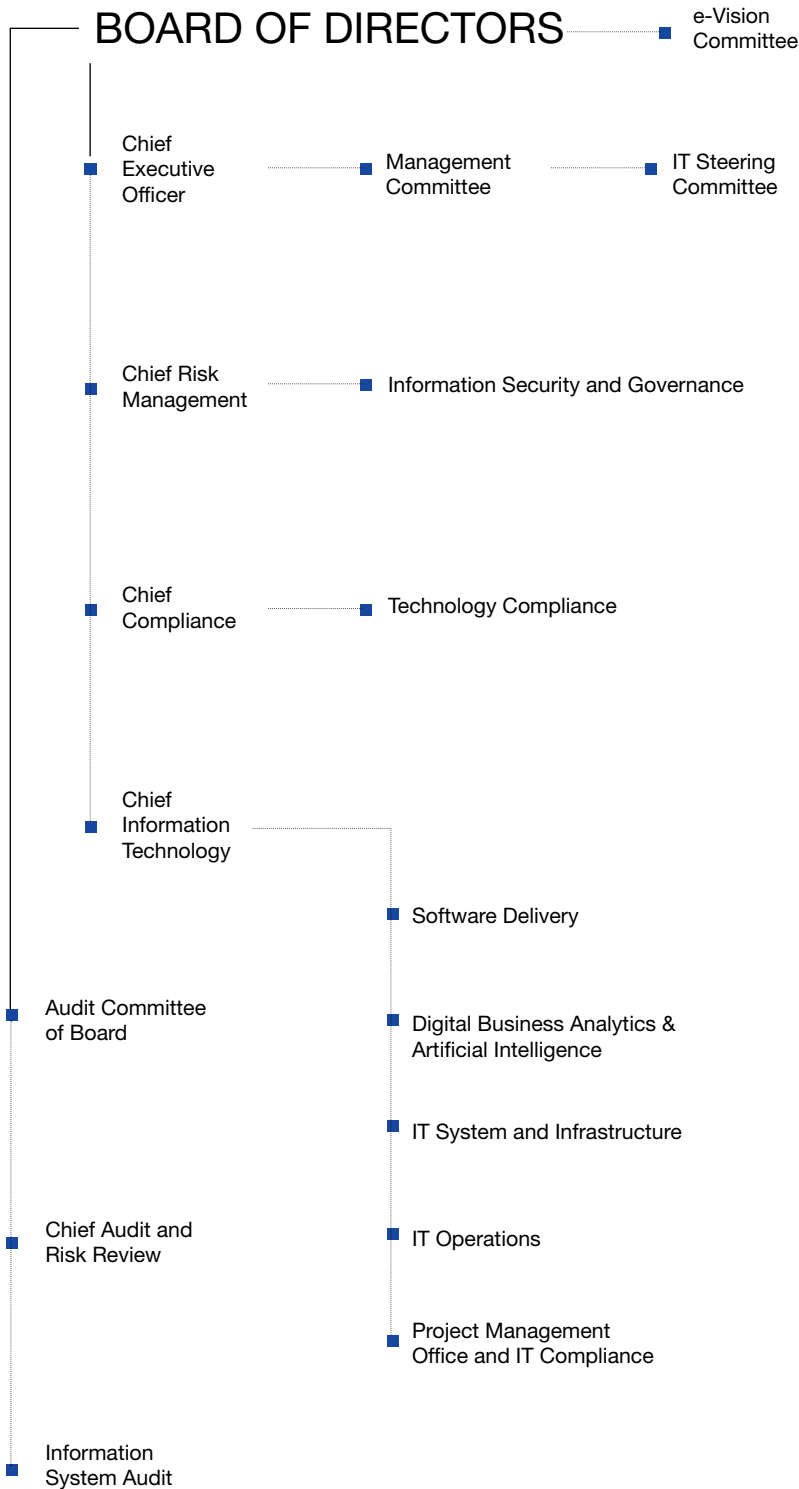
علاوہ ازیں، شریعہ بورڈ نے اسٹیٹ بینک آف پاکستان کے تعاون سے عوام الناس اور تاجروں کو اسلامک بینکاری سے روشناس کرانے کیلئے مختلف سیمینارز بھی منعقد کیے۔

تجاویز / سفارشات :

مندرجہ ذیل چند عوامل مسلسل توجہ طلب ہیں۔



# INFORMATION TECHNOLOGY (IT) GOVERNANCE



IT Governance framework, policies and procedures ensure that the Bank's significant investment in IT infrastructure is duly aligned with the long-term strategies and objectives of the Bank; while ensuring conformity with industry's best practices.

IT Governance of the Bank is regulated by the IT Governance Policy approved by the Board of Directors, which focuses on following principles:

## Objectives

- To maintain clear understanding of ITG roles and responsibilities.
- Plan ITG to best support the Bank ensuring that IT Strategic plan fit the current and ongoing needs.
- All ITG acquisitions will follow the necessary approvals as per GS&RE procurement policy ensuring that there is an appropriate balance between costs, risks, long-term and short-term benefits.
- Ensure that ITG performs (meet the Business Requirements where technology permits) well, whenever services are required.
- Ensure ITG conforms to statutory and regulatory requirements and also complies with all the Bank's policies and procedures.
- Ensure ITG will design, specify and maintain systems by keeping users in mind and will ensure that IT is a service to the Bank and to its staff.
- Identify resources gap related to IT (people, process & technology) and take appropriate steps to fill the gaps.

IT Governance of the Bank comprises monitoring by:

**e-Vision Committee** supervises the IT Governance in the Bank and provides strategic direction for adoption/upgrading of evolving technologies in order to provide new customer centric products and services and to improve internal control environment. The Committee reviews the strategic plan of the Bank to improve IT infrastructure and automation of processes and systems including alternate delivery channels. The Committee extends assistance to the Board with insights regarding evolving technologies in the field of e-banking and digital platforms. It also oversees performance of Information Technology Group of the Bank.

**IT Steering Committee (ITSC)** assists MANCO in implementing IT and Digital strategies approved by the Board of Directors and also plays an advisory role to MANCO in all technology-related matters. ITSC is entrusted to review and recommend technology initiatives and prioritize projects for their implementation along with recommendation for required infrastructure to MANCO. The Committee ensures an efficient IT operating environment that

supports the institution's goals and objectives. ITSC also reviews the results of vulnerability and IT risk assessment exercises and ascertains measures taken to mitigate identified risks..

**Information Technology Group (ITG)** is headed by Chief ITG, reporting to Chief Executive Officer of the Bank. ITG is responsible for development and delivery of technology driven services in line with the Board of Directors and its committees under the strategic guidance of ITSC. Chief ITG is responsible to:

- Formulate an annual Strategic and Operational technology plan on the basis of business needs in consultation with the Bank's other stakeholders.
- Implement the formulated plan, including as appropriate any special tasks or projects assigned by the CEO and the various Management & Board level committees.
- Keep the Management & Board level committees informed about emerging trends and developments in Information Technology and give recommendations for necessary revisions in the Bank's Information Technology roadmap.
- Ensure that the Group complies with sound Information Technology principles, industry best practices and regulatory guidelines.
- To keep ITG abreast with the emerging Information Security Technologies

ITG of the Bank is strengthened by the following functions which are headed by committed professionals, providing innovative and efficient solutions to achieve organizational objectives.

- Core Banking and System Development
- Digital Solutions
- Analytics & AI
- IT Infrastructure & Operations
- Project Management Office & IT Compliance

**Information Security and Governance** functioning under the umbrella of Risk Management Group, is primarily responsible to develop and implement information security guidelines through a set of policies, procedures and frameworks and conduct Technical Risk Assessment as per policy guidelines. The function is also mandated to develop information security policies in line with regulatory requirements and based on best industry practices. This function also manages the information security awareness campaigns across the Bank.

**Technology Compliance** under Compliance Group performs technology compliance review of Information Security Policies and Procedures to ensure that they are compliant with the State Bank of Pakistan (SBP) guidelines and regulations. Furthermore, it also ensures compliance against the recommendations of SBP inspection report, external auditors' management letter and internal audit reports of Audit and Risk Review (A&RR).

**Information System Audit** function under A&RR is entrusted to perform systems audit across the Bank; testing desired functionality and integrity while providing recommendations where necessary.



# WHISTLE BLOWING POLICY (WBP)

## Preamble

The purpose of WBP is to create an environment at Allied Bank Limited (the Bank) whereby the employees, vendors, service providers and any other concerned persons are encouraged to reveal and report about any fraudulent, immoral, unethical or any malicious activity or conduct, which in their opinion may cause financial or reputational loss to the Bank. Bank's WBP provides assurance to the Whistleblowers about secrecy and protection of their legitimate personal interests besides offering incentives for the Whistleblowers on reporting of suspicious activities.

## Objectives

The intended objectives of this policy are:

- To strengthen culture of transparency and trust in the Bank by encouraging all employees, vendors, service providers and concerned persons to blow whistle where they may genuinely know or suspect any immoral, unethical, fraudulent act of any current or former employees, vendors, contractors, service providers and customers which may have potential to cause financial or reputational risk or loss to the Bank;
- To create awareness amongst employees and stakeholders regarding the Whistle Blowing Function;
- To enable Management to be informed at an early stage about fraudulent, immoral, unethical or malicious activities or misconduct and take appropriate actions; and
- Provide a swift and confidential process for rectifying malfeasance wherever and whenever it occurs in the Bank.

## Scope

The scope of this policy includes, without limitation all types of unlawful acts / orders, fraud, corruption/bribery, misconduct, collusive practices, falsification of books of accounts/related documents, endangerment of health or safety, or any other activity which undermines the Bank's operations, financial position, reputation and mission.

## Independence of Whistle Blowing Unit

An operationally independent Whistle Blowing function has been established under supervision of ACOB, for handling and monitoring allegations, complaints and concerns raised by the complainant /whistleblower under the WBP.

## Protection of Whistleblowers

All matters are dealt with confidentiality and the identification of the Whistleblower is not disclosed except for inevitable situations, where disclosure of identity of the Whistleblower is essential.

The Bank stands committed to protect Whistleblowers for Whistle Blowing and any subsequent harassment or victimization of the Whistleblower is not tolerated. Indemnity from disciplinary action is provided to the Whistleblower employee, against actions/ involvement in the activity against which whistle is blown, based on the merits of each case.

## Incentives for Whistle Blowing

On the recommendation of the ACOB, the Whistleblower may be suitably awarded according to the significance of the information he / she had provided and impact of losses averted as a result.

## Process of Whistle Blowing

The Bank has established the following communication channels for whistle blowing complaints:

- A dedicated e-mail address for whistle blowing (whistle.blowing@abl.com) accessible by the Chairman ACOB.
- Whistle blowing form available on the Bank's corporate website.
- Post / courier addressed to Chairman ACOB, Allied Bank Limited, Head Office, 3 Tipu Block, New Garden Town, Lahore.

## Number of instances reported to ACOB

Number of Whistle Blowing incidences reported to ACOB in year 2022: Eight (08).

## INVESTOR GRIEVANCE

Your Bank has put in place comprehensive guidelines for Investors and Shareholders to address their grievances. The guidelines conform to the Bank's internal policy to address the Investor grievances as well as statutory requirements as stipulated under SECP SRO # 1196(I)/2019 dated 03.10.2019.

- For all shares related issues, shareholders are advised to contact Shares Registrar of the Bank with contact details available on the Bank's corporate website.
- In order to facilitate the shareholders who, intend to register a complaint, the contact details of the focal person of Shares Department are given on the Bank's corporate website for this purpose.
- In addition, if Shareholder's grievances are not resolved by the Share Registrar of the Bank, as well as Bank's Shares Department, they may escalate their complaints to the Company Secretary of the Bank.
- If any complaint still remains unsatisfied, the same can be forwarded to Securities and Exchange Commission of Pakistan (SECP); using the link of SECP website which is available in "Investor Complaints and Grievances" section of the Bank's corporate website.
- Furthermore, queries with respect to financial results of the Bank can be directed to 'Investor Relations' department, which is headed by Chief Financial Officer, at the email address investor.relations@abl.com (which is available on corporate website as well).

## Overview

A Director owes certain fiduciary duties, including the duties of loyalty, diligence, and confidentiality to the Bank, which require that a Director must act in good faith and exercise his or her

# MANAGING CONFLICT OF INTEREST

powers for shareholders' interests and not for his or her own or others' interest. The Board of Directors and the Management of the Bank are committed towards transparent disclosure, management and constant monitoring of potential conflicts of interest to ensure that no undue benefit is passed on. The Board of Director recognizes the responsibility to adhere to the defined policies and procedures and avoid perceived conflicts of interest that may arise during the course of business. Directors of the Board shall immediately report to the Chairman of the Board about any conflict of interest or potential conflict of interest that may arise and shall provide all relevant information in this regard.

## Disclosure of Interest by Director

- Every Director (including parents, spouse and minor children) of the Bank who is in any way, whether directly or indirectly, concerned or interested in any contract or arrangement entered into, or to be entered into, by or on behalf of the Bank shall disclose the nature of his concern or interest at a meeting of the Directors.
- For the purpose of consideration and decision by the Board of Directors on any agenda item, or in respect of any other matter, if any Director has an existing or perceived conflict of interest or concern, he/she shall disclose the nature of his concern or potential interest at a meeting of the Board and the Board would take appropriate steps in accordance with the regulatory requirements in this regard and the details should be recorded in the minutes.
- Where any Director or his or her spouse sells, buys or takes any beneficial position, whether directly or indirectly, in the shares of the Bank, he or she shall immediately notify the Company Secretary in writing. Further, no Director shall, directly or indirectly, deal in the shares of the Bank, in any manner, during the closed period as determined by the Board of Directors.

## Abidance of Laws and Rules

- Conform to and abide by all the legal and standing requirements and Code of Corporate Governance Regulations, 2019 while performing their duties and obey all lawful orders and directives. All Board of Directors members shall comply with and observe all applicable related statutory requirements, regulatory directives and the Bank's policies.
- Shall not bring or attempt to bring political or other pressure or influence directly or indirectly on the Bank.

## Integrity

- Conduct themselves with the highest standards of ethics, professional integrity and dignity in all dealings with all stakeholders and not engage in acts discreditable to the Bank, their profession and the nation. If they become aware of any irregularity that might affect the interests of the Bank, they shall inform the Board of Directors immediately.
- Maximum utilization of their abilities, experience and expertise for achieving set goals, maintain high standards of professional conduct, protect the Bank's assets and respect interest of all the stakeholders. Practice transparency in all acts and deeds related to the business of the Bank.

- Reject corruption in all forms - direct, indirect, public or private and do not directly or indirectly engage in bribery, kick-backs, payoffs, or any other corrupt practices.
- Remain loyal to the Bank, keeping its interest above own personal interests at all times.

## Confidentiality

- Maintain the privacy and confidentiality of all the information acquired being Member of the Board of Directors of the Bank or come into their knowledge and refrain from disclosing the same unless otherwise required by statutory authorities or law and the Bank's own policies. All such information will remain with them as a trust and will only be used for the purpose for which it is intended and will not be used for personal benefits. Inside information about the Bank's affairs shall not be used for their own gains or for that of others either directly or indirectly.
- Directors of the Bank are strictly prohibited to disclose the fact (come into their knowledge) to the customer or any other quarter that a suspicious transaction or related information is being or has been reported to any authority, except if required under the law.

## Conflict of Interest

- All appointments in the Board as well as President/CEO and Key Executives in the bank shall not create any conflict-of-interest situation.
- Directors, President/CEO and Sponsor Shareholders shall avoid conflict of interest in their activities with the Bank, and commitments to other organizations.
- All Directors shall not involve in a situation in which they may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Bank.
- The Directors shall not achieve or attempt to achieve any undue gain or advantage either to themselves or to their relatives, partners, or associates and if any Director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the Bank.
- Any Director shall not assign his/her office and any assignment so made shall be void.
- Directors shall avoid all such circumstances in which there is personal interest conflict, or may appear to be in conflict with any of the stakeholder as prescribed by the statutes and in probable case their interest conflicts with any of the stakeholder, they would immediately declare such interest before the Board of Directors.
- No Director shall exploit for their own personal gain, opportunities that are discovered through use of corporate property, information or position, unless the opportunity is disclosed fully in writing to the Board of Directors of the Bank and the Board allow him to avail such opportunity.
- Interested Directors shall not participate in the discussion or vote in the Board's proceedings or participate in any other manner in the conduct or supervision of such dealings.



# MANAGING CONFLICT OF INTEREST

- Directors shall avoid any dealing with Contractors or Suppliers of the Bank that compromises the ability to transact business on a professional, impartial and competitive basis or that may influence discretionary decision to be made by the Board Members / Bank.
  - No Director shall hold any position or job or engage in outside business or other interest that is prejudicial to the interests of the Bank
  - Directors shall not make any statement which has the effect of adverse criticism of any policy or action of the Bank or which is capable of embarrassing the relations between the Bank and the public including all stakeholders. Provided that nothing in this clause shall apply to any statement made or views expressed by a Board Member, which are purely factual in nature and are not considered as confidential, in his official capacity or in due performance of the duties assigned to him.
  - Directors shall refrain from accepting gifts, personal favors or preferential treatment, that could, in any way, influence or appear to influence, business decisions in favor of any person or organization with whom or with which the Bank has or is likely to have business dealings.
  - No person can become a Director/CEO of the Bank if he/she is:
    - i. A Director of any other Bank / DFI.
    - ii. Holding substantial interest or is working as Chairman, Director, CEO, CFO, Chief Internal Auditor, Financial Advisor, Research Analyst, Trader or member (by whatever name/designation called) of a:
      - a. Exchange Company
      - b. Stock Exchange
      - c. Corporate Brokerage Firm/ Entity
      - d. Credit Information Bureau
      - e. Any company/entity owned and controlled by the person mentioned at (a) to (d) above
- However, an independent Director of Pakistan Stock Exchange (PSX) can become Board Member of the Bank if does not have any association with other categories mentioned above.
- iii. Acting, either in personal capacity and/or through firm/company where he has substantial interest, as consultant /advisor to Bank.
  - iv. Member of Senate, National/ Provincial Assembly or Local bodies.
  - v. Office bearer of any political party.
- No sponsor shareholder shall be appointed in the Bank in any capacity except as Director, CEO and/or Executive Director of the Bank, subject to compliance with FPT Criteria and other regulatory requirements.
  - For the purpose of consideration and decision by the Board of Directors on any agenda item, or in respect of any other matter, if any Director has an existing or perceived conflict of

interest or concern, he/she shall disclose the nature of his/her concern or potential interest at a meeting of the Board and the Board would take appropriate steps in accordance with the regulatory requirements in this regard and the details should be recorded in the minutes.

## Insider Trading

- Directors shall not deal directly or indirectly in the securities of the Bank whether on their own account or their relatives' account, if they are in possession of any unpublished price sensitive information concerning the Bank. Directors who are in possession of any unpublished price sensitive information shall not communicate directly or indirectly the said information to others who trade on such information.

## OTHER POLICIES AND GUIDELINES

### RELATED PARTY TRANSACTIONS POLICY

The Board of Directors of the Bank has approved Related Transaction Policy which aims to set-up a framework, inline with the applicable laws and regulations, that not only addresses approval requirements, limitations, potential risks and pricing policy but also ensures proper and timely identification, monitoring, record maintenance, reporting and disclosure of transactions by the Bank with those persons deemed "Related Party" under the policy. The governance framework for Related Party Transaction Policy is derived from;

- o The Companies Act, 2017;
- o The Banking Companies Ordinance, 1962;
- o Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018.
- o Listed Companies (Code of Corporate Governance) Regulations – 2019;
- o State Bank of Pakistan (SBP) Prudential Regulations for Corporate and Commercial Banking;
- o SBP Corporate Governance Regulatory Framework for Banks / DFIs
- o SBP Prudential Returns Regarding Details of Related Parties Exposures and Transactions;
- o International Financial Reporting Standards (IFRS) International Accounting Standard (IAS) 24 'Related Party Disclosures'; and
- o Any other applicable law and regulations issued by SBP, Securities and Exchange Commission of Pakistan (SECP) or other authorities from time to time.

### Disclosure of Interest by Directors

Every Director who is in any way, whether directly or indirectly, concerned or interested in any contract or arrangement entered into, or to be entered into, by or on behalf of the Bank shall disclose the nature of his/her concern or interest at a meeting of the Board of Directors:

# OTHER POLICIES AND GUIDELINES

Provided that a Director shall also be deemed to be interested or concerned if any of his spouse, children and parents, are so interested or concerned.

## List of Related Parties

List of related parties and the nature of their relationships with the Bank as identified under the Related Party Transactions Policy are as under:

- All Directors of the Bank
- Group Companies including Parent, Subsidiary and Associate Companies as disclosed under Group Structure
- Key Executives of the Bank as disclosed under the Management Team section
- Close family members including spouse, children, dependents, siblings and lineal ascendants and descendants of Directors and Key Executives of the Bank
- All funds managed by the ABL Asset Management Company Limited as disclosed under the Status and Nature disclosure of the consolidated financial statements and employee funds maintained by the Bank
- Organizations controlled or jointly controlled or under significant influence of the Directors or Key Executives of the Bank or their close family members including those mentioned under the Directors' Profile section of the Annual Report.

## Related Party Transactions

The details of the related party transactions of the Bank are disclosed under relevant sections of the Financial Statements. The reference to these sections is as under:

- Note 28.3 of the Financial Statements presenting the Donations made during the year 2022 to the related parties.
- Note 40 of the Financial Statements presenting the related party transactions during the year 2022.
- Annexure III of the Financial Statements presenting the details of the fixed assets disposed of during the year 2022 to the related parties.

## CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

### Our Philosophy

CSR vision of Your Bank "To be a socially responsible corporate citizen" delineated in its CSR policy which outlines Corporate Social Responsibility objectives of Your Bank. The Policy stipulates that CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

### Policy Objectives

Objective of the policy is to provide guidelines to align business objectives and entity's roles as responsible corporate citizen. Your Bank recognizes its obligations as responsible corporate citizen and aims to achieve following broader objectives:

- Establish a "WORKPLACE" environment to maintain balanced work life with healthcare facilities along with high ethical

standards, equal employment opportunities, aided social interaction among employees and encouraged employment of persons with different abilities.

- Our working style should have positive impact on "ENVIRONMENT" promoting green banking, use of renewable energy sources, reducing carbon emissions, promoting tree plantation and change of working style, on best effort basis, from paper based to computer based and promoting green culture.
- Make our "COMMUNITY" feel our presence not only by our business interactions but also by sharing and caring, especially during the times of adversities and natural calamities and pandemics as well as expansion of the Bank's branch network to rural areas, which will help in rural development and ensuring financial inclusion.
- Strengthen "CUSTOMER RELATIONS" by ensuring satisfaction and privacy.
- Protecting Human rights, ensuring transparency, taking anti-corruption measures & curtailing money laundering, terrorist financing and proliferation financing, adopting best business practices and improving stakeholder relations through "GOVERNANCE".
- Our "BRAND" and slogans such as, "Aap kai dil main hamara account" should be known as community caring organization and not just for the profit.

The Bank's contributions towards these areas is mentioned in Corporate Sustainability Report

## RECORDS MANAGEMENT AND SAFETY POLICY

The Bank has a comprehensive records management program that ensures maintenance, protection, retention and disposal of records in accordance with applicable regulations, operational needs and fiscal/legal requirements.

Record management is an organizational function to control the maintenance and disposition of organization's record. Record management ensures the valuable record evidence of an organization's activities that have legal, financial, administrative or historical value are protected and accessible while expired record is systematically destroyed.

The Bank's records are maintained in soft form as well as hard copies. The Data Backup and Recovery policy is in place for all applications and databases processing transactions and maintaining records to ensure the availability and integrity of data at all times.

The physical records are maintained both in house and at specialized external warehousing facilities as well.

## HUMAN RESOURCE MANAGEMENT POLICIES

### Succession Planning

Allied Leadership Talent Pipeline (ALTP) was introduced to ensure effective succession at the senior-level management. Under this program, based on individual leadership potential, young leaders were categorized in three echelons: High potential successor, Intrinsic potential successor and Extrinsic potential successor. A comprehensive training cycle based on identified individual needs in each echelon was delivered to enhance employee leadership

# OTHER POLICIES AND GUIDELINES

skills and build their capacity for senior level assignments, in coming years. Focused learning interventions were executed under ALTP through engaging in-house mentors, and external industry experts.

The scope of this program was further enhanced with the introduction of Allied Leadership Recognition and Investment in Sustaining Employees (ABL RISE Program). Under ABL-RISE program, employees from Middle Management grades were assessed to identify and develop pool of future leaders. ABL-RISE program is envisioned to expand the sphere of growth of these employees and their personal development as potential leaders. Customized learning and development opportunities are provided to the selected employees under this program, to enhance their professional skills to bring excellence to their work.

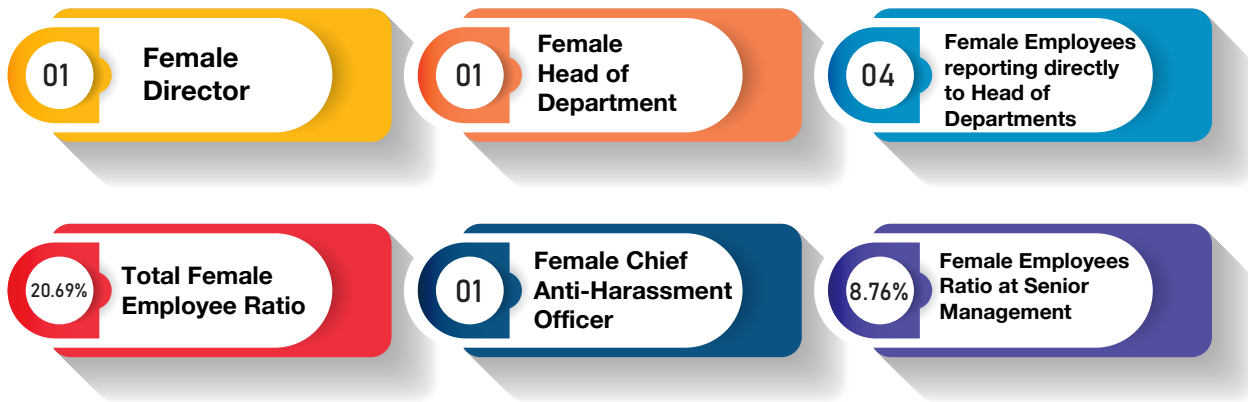
## Human Resource Diversity

Allied Bank recognises its responsibility towards sustainable economic and social development and role of a diverse human resource in achieving these goals which is also reflected in the Mission statement of the Bank.

## Gender Equality

Gender Equality has always been the corner stone of Allied Bank from the time of the Banks inception it was the torch bearer on being an equal opportunity employer to help women achieve their goals. Allied Bank has always been at the fore front to promote the female employee inclusion and supporting new initiatives that support them in general areas of life as well. Human Resource function of the Bank has taken multiple initiatives, to narrow down the gender gap and establish a conducive, harmonized gender sensitive work environment.

The commitment towards bringing diversity is further augmented by the following statistics.



## Differently Abled Persons

Allied Bank as an equal opportunity employer and has always made sure that there is no room for discrimination against any Gender, Race or Person with Different abilities in line with its approved policy. A specially designed internship program leading towards permanent employment was initiated by the Human Resource function in coordination with the relevant stakeholders to improve employment experience for any person with different abilities.

Furthermore, Human Resource function has conducted a comprehensive training for all employees to interact with Persons with Different Abilities (PWD). The curriculum is designed such as to explain the meaning and reasons of PWD, general guidelines to serve PWD, priority services to PWD, sign language communication with deaf persons and guidelines to deal with visually impaired/blind persons.

## EMPLOYEE HEALTH, SAFETY AND PROTECTION

The Board of the Directors of the Bank have approved Emergency Response and Evacuation Plan document which is designed to provide a safe workplace for the Bank's employees, customers and visitors and to respond to an emergency in a secure and orderly manner. The document covers various types of emergencies situations both natural and manmade and provides guidelines on measures to be followed in different situations. All the locations of the Bank are equipped with required infrastructural support depending upon the type of locations including different types of Fire Extinguishers, Fire Alarm Systems, Emergency Exits, Escape Signs, First Aid Box and Hydrant and Hose System. In compliance of the approved document, a Crisis Management Team (CMT) headed by Chief General Services and Real Estate is formed to consider all matters pertaining to safety and security including but not limited to external / internal hazards, evacuation plan, medical emergencies and firefighting. An Emergency Response Team (ERT) has also been formed, reporting to CMT, responsible for alerting building occupants of an emergency, firefighting in case of fire, providing First Aid and evacuating the building to address the emergency situation.

# REMUNERATION REPORT

## Compensation Governance

Employee compensation plays an integral role in the successful delivery of the Bank's strategic objectives. Attracting and retaining the capable employees is key to the Bank's compensation strategy. The cornerstone is the concept of pay for performance within a sound risk management and governance framework and with due consideration of market factors and social values. The Bank regularly reviews and aligns human resource policies encompassing all aspects of the remuneration to the ever evolving internal and external dynamics.

The Human Resource and Remuneration Committee of the Board of Directors is entrusted with the overall governance of all areas of the Human Resource including remuneration.

## Total Remuneration Structure

As part of the compensation strategy, the Bank employs a total compensation philosophy, which comprises fixed pay, variable compensation and benefits.

Element	Purpose
Fixed Pay	<ul style="list-style-type: none"> <li>Attract and retain employees by paying market competitive pay for the role, skills and experience required.</li> <li>This include base pay and allowances as part of monthly salary as per terms of employment.</li> </ul>
Variable Compensation	<ul style="list-style-type: none"> <li>Drive and reward performance based on annual financial and non-financial measures consistent with the medium to long-term strategy, stakeholder interests and adherence to the Bank's values.</li> <li>Awards vary with performance achievement and the Bank has the discretion to assess the extent to which performance has been achieved.</li> <li>Awards are in monetary terms. A portion of the annual incentive award may be deferred and vests over a period of three years. All deferred awards are subject to malus.</li> <li>This include annual performance award, cash award on passing Institute of Bankers Pakistan diploma and any other reward for target achievement or extraordinary performance.</li> </ul>
Benefits	<ul style="list-style-type: none"> <li>Ensure market competitiveness and provide benefits in accordance with market practice.</li> <li>This include but not limited to medical benefits, education assistance and post-employment benefits.</li> </ul>

Bank employees are graded into 12 salary grades, from MG1 to MG12, with MG1 being the senior most and MG 12, being the junior most. The management of the Bank is further classified in the following four levels according to salary grades:

Management level	Salary Grades
Executive Management	MG1 to MG3
Senior Management	MG4 to MG6
Middle Management	MG7 to MG9
Junior Management	MG10 to MG12

The above categories may include, from time to time, Material Risk Takers (MRTs) and Material Risk Controllers (MRCs). The remuneration of employees categorized as such is based on risk-based pay structure which is referred to as 'risk-based employee's remuneration pool'. The remuneration of employees other than such categories have pay structure which is referred to as 'general employee's remuneration pool'

## Classification of Material Risk Takers (MRT) and Material Risk Controllers (MRC)

Material Risk Takers (MRTs) and Material Risk Controllers (MRCs) of the Bank are identified as functions and designations having appropriate level of authority and control within the Bank either working as regular or contractual employees. No third-party employee is designated as either MRT or MRC. Identification of MRTs or MRCs is based on designations or functions involved in critical business decision making, i.e. Chief Executive Officer, direct reportees of Chief Executive Officer, members of critical Management committees involved in business decision making and risk management. Further, relevant Group Heads and other senior level positions managing critical areas, and meeting the risk materiality and threshold criteria as approved by the Board of Directors are also designated as MRTs or MRCs respectively.

## Remuneration of Material Risk Takers (MRT) and Material Risk Controllers (MRC)

Fixed pay of MRTs and MRCs is decided based on fixed pay determination criteria for overall bank's employees and includes same components.



# REMUNERATION REPORT

Variable remuneration (performance bonus) is based upon performance score calculated against defined key performance indicators and rating scores achieved by each individual. Furthermore, rating assigned to MRTs or MRCs through annual performance appraisal process against their managerial capabilities and personal traits is then clubbed together against predefined weightages to reach consolidated performance score which is used as basis for deciding variable remuneration which is adjusted against underlying risks specifically for MRTs.

MRCs are identified as functions and designations having appropriate level of authority and control duly governed by approved organograms having clearly defined independent reporting lines from the function they oversee. Organizational hierarchy of the Bank ensures segregation of roles and independence among Business, Operational support as well as Risk management.

## Basis of deferral of payment

Quantum of associated risk is considered while deciding deferred portion of variable remuneration of MRTs. Percentage as per following grid is withheld and deferred from variable remuneration of MRTs for a period of 3 years:

	High Risk	Medium Risk	Low Risk
CEO, Chiefs & Executive Management	25 %	20 %	15 %
Senior Management	20 %	15 %	12.5 %
Middle Management	15 %	12.5 %	10 %

## Assessment of Risk Factors

Risk Matrices encompassing Key Risk Indicators (KRIs) are used for assessment of major types of risks undertaken by identified MRTs. Percentage of variable remuneration of identified MRTs which has been deferred is based on quantum of respective current and future risks undertaken, assessed using Risk Matrices based on data for the current year.

# ERP ENVIRONMENT OF THE BANK

Allied Bank Limited has always been at the forefront in innovations and deploying digital technologies to increase organizational efficiency and enhancing the customers' experience. In 2006, the Bank signed an agreement with Temenos for implementation of core banking software solution to provide integrated banking solutions to the valued customers. The implementation and phased wise rollover of T24 core banking software was initiated in 2009 and completed in 2014 after successful migration of all branches. With branch network over 1,400 branches and over 6.5 million accounts across Pakistan, T24 implementation has enabled the Bank to improve the transaction time with efficiency & transparency while maintaining the security and confidentiality requirements intact. The Bank started implementation of Oracle Enterprise Business Suite in 2006 which is an integrated set of business applications for automating Customer Relationship Management (CRM), Enterprise Resource Planning (ERP) and Supply Chain Management (SCM) processes within the Bank.

Oracle E-Business Suite is being utilized to optimize internal processes by providing streamlined and effective workflows for various procurement & payment processes, fixed assets and inventory management, and the general ledger function to generate the financial statements of the Bank. Oracle Human Resource Management System is managing Human Resource activities along with access control in T24 core banking application through integration based on employee's assignment.

Regulatory controls are observed through application like Oracle Financial Crime and Compliance Management and C-link and Customer relationships are being managed through Oracle Customer Relationship Management.

Oracle Financials and Oracle Business Intelligence implemented over Data Lake and Central Database assist in integrated reporting and decision making.

## Continuous Updation of ERP Applications

Regularly updating the ERP systems in rapidly changing technologies is an important tool in ensuring that the software is adding value to the business and the objectives of bringing efficiency in the business processes are being achieved. Cognizant to this fact, the Bank has always adopted a robust approach to keep all applications upgraded to latest versions.

IT Steering Committee (ITSC) of the management is entrusted to review and recommend technology upgradation initiatives and prioritize projects for their implementation along with the required infrastructure. The capital expenditure outlay is incorporated in the annual capital expenditure budget of the Bank. Major upgradation of the ERP applications includes upgrade of Temenos T-24 core banking software to Release 16 and Oracle E-Business Suite Applications to Release 12.

## User Trainings of ERP Applications

Training and Development of employees is of utmost importance to realize the maximum benefits of investments in ERP applications. Management Development Centers (MDC) equipped with latest technologies and qualified & experienced trainers have been established to facilitate continuous training and development of the team members.

In order to facilitate the new employees in getting familiar with the Bank's technological environment including major ERP applications, tailor-made "on-boarding" programs have been designed to ensure the development of required skillset.

After placement at respective positions, the Bank provides various learning opportunities to new and existing team members through the following channels

- Internal trainings at MDCs
- External trainings by local or foreign training providers
- E-Learning resources through Bank's Portal and Mobile App.

## Management of Risk factors on ERP Projects

Enterprise Resource Planning (ERP) projects are strategic and capital intensive, so failure can be costly and may result in the waste of valuable resources including time. Because ERP is interdisciplinary (involving change management, project management and information technology management), it warrants a customized approach to enable managing the risks throughout the life cycle of implementation and operation. In order to mitigate these risks, the Bank has established a dedicated Project Management Office (PMO) division under Information Technology Group, responsible for overseeing the implementation of approved project management methodology during delivery of major technology related projects. Project Management Office works in liaison with all functions/groups initiating the request for any major technology project and assists in evaluation, approval and completion of the project ensuring the compliance with timelines. The project management methodology is implemented by the Bank which specifies processes to be adopted for acquisition and implementation of IT Systems covering the processes required for successful delivery of major technology-related projects throughout its lifecycle. This methodology covers the detailed guidelines for following broad phases of project management;

- Project Initiation
- Project Planning
- Project Execution
- Project Monitoring & Control
- Project Closure

Project Steering Committee (PSC) is also formed for larger projects comprising of Senior Officials of the concerned Groups to monitor Project Progress and Deliverables Status at periodic intervals.

Control over ERP projects is further exercised through periodic monitoring of all major technology related projects by the IT Steering Committee of the management which is responsible to ensure an efficient IT operating environment that supports the institution's goals and objectives.

## Assessment of System Security

The Bank has developed and implemented detailed policies and procedure guidelines for Information Assets Security Risk Management with an objective to provide an effective and efficient process for conducting Information Asset Risk Assessments and mitigating risks identified for Information Assets of the Bank as per Information Security Policy.

The Information Security Policy approved by the Board of Directors and Information Asset Risk Management Procedure Manual approved by the Risk Management Committee of the management clearly outline the scope of Information Technology resources covered and roles and responsibilities of each of the function of the Bank. The Information Security Policy of the Bank provides detailed guidance on Secure use of Information Assets, Passwords, High Privilege User IDs, Access Control, Data Backup and Retention, Network and System Security, Log Review and other related matters on Information Security Management.

In order to ensure that related controls as outlined by the approved policies and procedure manuals, are working effectively as per design, continuous monitoring and periodical assignments are carried out by internal functions and external consultants. List of major activities include;

- Continuous monitoring of Application Logs and reporting of Information Security Incident through dedicated Security Operations Center (SOC).
- Periodically performing Vulnerability Scanning and Penetration Testing both internally and externally.
- Conducting Technical Risk Assessment (TRA) exercise and maintaining Risk Register of all information assets held by the Bank.
- Information Systems Audit by Internal Audit Function.

The background is a dark blue gradient with a complex pattern of light blue lines and dots. The lines are vertical and horizontal, forming a grid-like structure with some diagonal connections, resembling a circuit board or a data network. Small, glowing blue dots are scattered throughout, some at the ends of the lines and others floating in the space. The overall effect is a sense of digital connectivity and data flow.

# IT GOVERNANCE AND CYBERSECURITY



# IT GOVERNANCE AND CYBERSECURITY

## Board of Directors' Policy Statement on IT Governance and Information Security

The responsibility for the IT Governance and Information Security at the Bank rests with the Board of Directors. The E-Vision Committee of the Board assists the Board of Directors to discharge its responsibilities related to addressing Cybersecurity Risks and overall Information Technology Governance. The Board of Directors sets the tone and direction for the Bank's use of technology. Board of Directors are responsible for the following;

- Review and approve an IT governance framework to ensure that the Bank's IT supports and enables the achievement of the corporate strategies and objectives.
- Review and approve "IT Strategy", Cyber Security Strategy and "Digital Strategy" in line with the business strategy of the Bank and monitor & update the same on regular basis keeping in view potential opportunities and threats.
- Establish an efficient and effective IT organization structure in line with the IT governance framework.
- Ensure that technology risks are integrated with the enterprise risk management function to achieve security, reliability, resiliency, interoperability and recoverability of data/information and information assets.
- Approve all technology-related policies and review the same periodically in light of major technological/regulatory developments at least after every three (03) years.
- Ensure maintenance of an independent and effective technology audit function commensurate with the complexity of the Bank's technology risk profile.
- Ensure that resource gaps (people, process & technology) identified by the management are adequately and timely fulfilled.
- Ensure that the skills required for technology governance, service delivery, information security and risk management are sufficient and up-to-date.
- Approve and receive periodic updates on major technology-related projects that may have significant impact on the Bank's operations, earnings or capital. Further, the Board of Directors also defines the criteria for major projects.

## IT Governance and Cybersecurity Programs and Policies

Information Technology governance is an integral part of the Bank's Corporate Governance Framework consisting of the leadership and organizational structures to ensure the alignment of IT strategy with business strategy, optimization of resources, value delivery and performance measurement to achieve business objectives. The purpose of the IT Governance is to ensure the safety of the Bank's information assets and technological infrastructure from internal and external threats including the cybersecurity risks. The technology framework of the Bank is governed by the SBP guidelines contained in the Enterprise Technology Governance & Risk Management Framework for Financial Institutions issued vide BPRD Circular No. 05 dated May 30, 2017. The Bank has formulated Information Technology Governance Policy and Information Security Policy which are reviewed and updated at least after every three (03) years and Business Continuity Plan which is reviewed and updated at least annually. These policies and plans cover the following areas:

- Information / Cybersecurity
- Services delivery & operations management
- Project management, acquisition, development & implementation of technology solutions/systems
- Business Continuity and Disaster Recovery

The Bank's Information Security Policy has laid down detailed guidelines on use of various technology mediums and covers the following;

- Secure use of Workstations / Laptops, Internet, Information and E-mail
- Encryption and Password Policy
- Storage and Release of High Privilege User IDs
- Access Controls for Applications and to Sensitive Cardholder Data
- Remote Access and Mobile Device Security
- Clear Desk and Clear Screen Policy
- Personal Data Protection
- Data / Information Backup, Retention and Disposal Policy
- Equipment, Physical, Environmental and Personnel Security
- Internal Training / Test Environment and Lab Security
- Network and System Security, Wireless Communication
- Release and Change Management in Applications
- Software Installation and Intellectual Property Rights
- Information Classification & Control and Information Exchange Security
- Secure Application Development
- Log Review and Security Incident Management
- Business Continuity and Disaster Recovery

## Risk Oversight Function on Cybersecurity

Cybersecurity and cyber risks have become a corporate governance issue as financial institutions have come under scrutiny of regulators on the backdrop of increased threat to data, processes and systems. Apart from the financial cost of cybercrime, a cyber incident can damage corporate reputation, brands and market value. Therefore, cybersecurity is an integral component of the Bank's broader enterprise-wide risk management structure. The Board of Directors is charged with overseeing the Bank's cybersecurity risk.

The Board of Directors plays an active oversight role to understand emerging and constantly changing legal and regulatory environments. The Board of Directors has put in place an appropriate Management Information System (MIS) to oversee the management's effort for implementation of IT strategy and business plan, exception from board-approved IT policies and progress on major IT projects. The Management's IT Steering Committee has been tasked to periodically report to the Board of Directors on the latest developments on cyber security action plan, its implementation status, a summary report on major threats, attacks faced by the Bank and their estimated impact on its operations. IT Steering Committee also reports Information / Cybersecurity related matter to the E-Vision Committee of the

Board for their review. Information Security Function of Risk Management Group is responsible to record and document all security breach incidents and report these to the Management and the Board of Directors.

## Administration of IT Governance and Cybersecurity matters

E-Vision Committee of the Board assists the Board of Directors to discharge their responsibilities related to oversight of IT Governance and Cyber Security matters. The committee's terms of reference include;

- To ensure that Risk Management strategies are designed and implemented to achieve resilience, respond to wide-scale disruptions, including cyber-attacks and attacks on multiple critical infrastructure.
- To periodically review the information security governance initiatives and risk assessments.

The role of Board of Directors in IT Governance not only involves providing leadership direction for IT in the Bank but also ensuring that given directions are being followed in true spirit. In order to ensure good IT Governance, the Board performs the following:

- Review and approve "IT Strategy" and "Digital Strategy" in line with the business strategy of the bank and monitor and update the same on regular basis keeping in view potential opportunities and threats.
- Ensure that technology risks are integrated with the enterprise risk management function to achieve security, reliability, resilience, interoperability and recoverability of data/information and information assets.
- Approve all technology-related policies and review the same periodically in light of major technological/regulatory developments at least after every three (03) years.
- Ensure maintenance of an independent and effective technology audit function commensurate with the complexity of Bank's technology risk profile.
- Ensure that resource gaps (people, process & technology) identified by the management are adequately and timely fulfilled.
- Ensure that skills required for technology governance, service delivery, information security and risk management are sufficient and up-to-date.
- Define criteria for major projects and approve and receive periodic updates on major technology-related projects that may have significant impact on the Bank's operations, earnings or capital.

## Management of Cybersecurity Risks and Incidents

As the potential for cyber-attacks against the banking sector grows, the importance of an Early Warning System, as part of overall Information Security Control environment, that enables to prevent cyber issues such as security breaches before they happen, has grown manifold over recent years. The early warning system of Allied Bank comprises of;

- Development of cyber security action plan to proactively address the likely cyber-attacks in order to anticipate, withstand, detect, and respond to cyber-attacks in line with international standards and best practices.

- Implementation of automated solutions to monitor and proactively track cyber-attacks.
- Log reviews comprising reviews of actions of privileged users, invalid logical access attempts and changes to identification and authentication mechanisms.
- Penetration testing (inhouse and external) periodically and upon any significant change in infrastructure.
- Vulnerability assessments (inhouse and external) periodically and upon any significant change in infrastructure.
- Periodical scanning of wireless access points to discover any unauthorized wireless access points connected to the Bank's network.
- Change detection mechanism for Cardholder Data Environment and other critical systems to alert personnel to unauthorized modification of critical system files, configuration files.
- Collaboration with industry for the purpose of collecting and exchanging timely information that may facilitate in detection, response, resumption and recovery of systems.
- Establishment of Security Operations Center which works round the clock to monitor and detect any threats or breaches on the Information Assets of the Bank.

Employees are made responsible to report Security Incidents to their line management, Information Technology function, and Information Security function as soon as they know about the incident. Security breach incidents are monitored, documented and reported to the Board of Directors, senior management and to the regulator as per regulatory requirement on prescribed reporting template.

## Independent Comprehensive Security Assessment

The Bank undertakes independent third-party cybersecurity risk assessment to protect its information and information systems from cyber threats. The purpose of an independent cybersecurity risk assessment is to identify, assess, and prioritize risks to information and information systems by engaging external consultants having sufficient experience in Information Security Assessment and Penetration Testing. The Bank's policy on independent security assessments are;

- For Cardholder data environment, quarterly external network vulnerability scans shall be performed by an Approved Scanning Vendor (ASV) qualified by Payment Card Industry (PCI) Data Security Standard (DSS).
- Bank shall arrange 3rd party penetration testing once in a year or upon any significant change in infrastructure.

## Contingency and Disaster Recovery Plan

Businesses across the globe cannot deny the importance of having an effective well tested business continuity and disaster recovery plan in order to recover from severe disruptions either manmade or natural, and ensure the recovery of critical business processes to safeguard its infrastructure and its customers interests. Cognizant to this fact, the Bank has prepared a Business Continuity and Disaster Recovery Plan for its business-critical systems including;

# IT GOVERNANCE AND CYBERSECURITY

- Core Banking Systems
- Digital Banking Channels
- Hardware Security Module, Communications and other necessary infrastructure including system and storages.

The Business Continuity and Disaster Recovery Plan outlines specific preparation prior to the disaster and response procedures immediately after the disaster. The Bank has formed a Disaster Recovery Authority responsible for allocating resources for recovery planning, supervising the recovery initiative and recovery procedure after the activation of Disaster Recovery Plan. The Disaster Recovery Authority is organized in a manner to coordinate the recovery efforts with clearly defined roles and responsibilities.

The Bank has also established its Disaster Recovery / Alternate site for providing Information Technology related services. To review the efficacy of its disaster recovery procedure, the Bank annually conducts one-week long DR exercise to assess the strength, availability and monitor the robustness of Disaster Recovery site. During this tenure all operations are served from alternate site which acts as a primary site.

## Augmentation of Technological Advances

The Bank has continued to make significant advancement in fulfilling the requirements of its stakeholders using state of the art technology and by enhancing its digital footprint so that stakeholders are provided with all “digital and networked banking services” in transparent and secure way.

In order to support data driven business decisions for customers, the Bank by using Big Data technologies has created Data Lake comprising of structured and unstructured data. The Bank is also working with multiple Data Science companies to capitalize on the investment of Big Data for implementing multiple use cases through machine learning models, and in turn, improve and personalize customer experiences.

The Bank has already implemented multiple use cases on “Robotic Process Automation Solution” and is exploring further use cases for automation to for improve operational efficiency, control and cost saving.

Allied Bank is among the first 3 banks who have volunteered for Pakistan Banking Association initiative in implementing blockchain based e-KYC, which is customer information sharing platform among the member banks. In the first phase, shared information will be transparently viewed and updated by the banks to perform customer KYC.

## Education and Training on Cybersecurity Risks

Cybersecurity risks are continuously evolving as the constant focus on digitalization of the financial sector has resulted in shift of financial transaction from conventional means to digital channels. These ever-evolving cyber risks requires continuous education and training of relevant stakeholders specially employees and customers to address these risks. The Management’s IT Steering Committee reviews and determines the adequacy of the Bank’s training plan including information / cyber security training for the employees. Major initiatives taken during the year for training of employees, customers and general public, are;

- Issuance of monthly “Security News Bulletin” for education of employees
- Training programs for employees on Information Security Awareness
- SMS Alerts to customers on security of Confidential Information
- Social Media campaigns for general public on Security Awareness



# PERFORMANCE AND POSITION

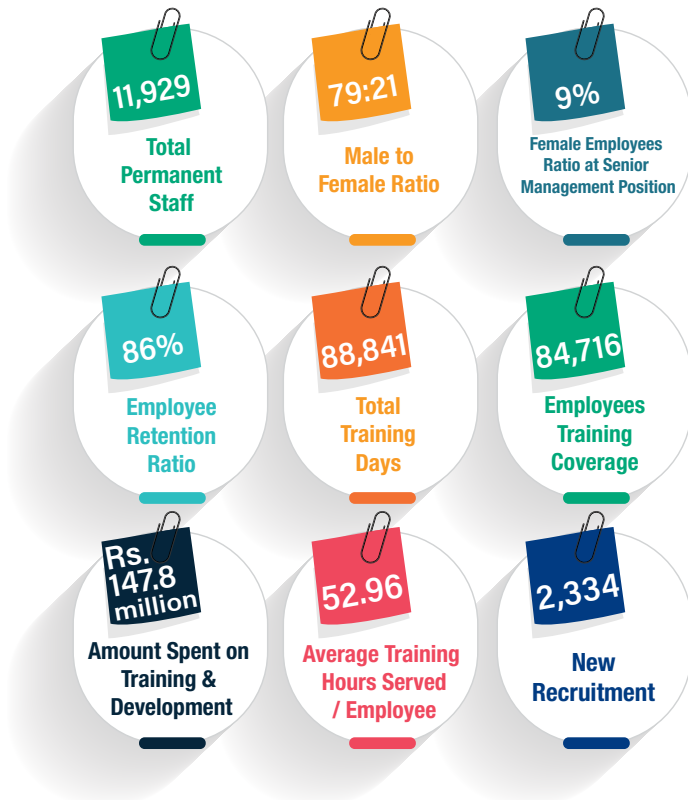


# HIGHLIGHTS OF 2022

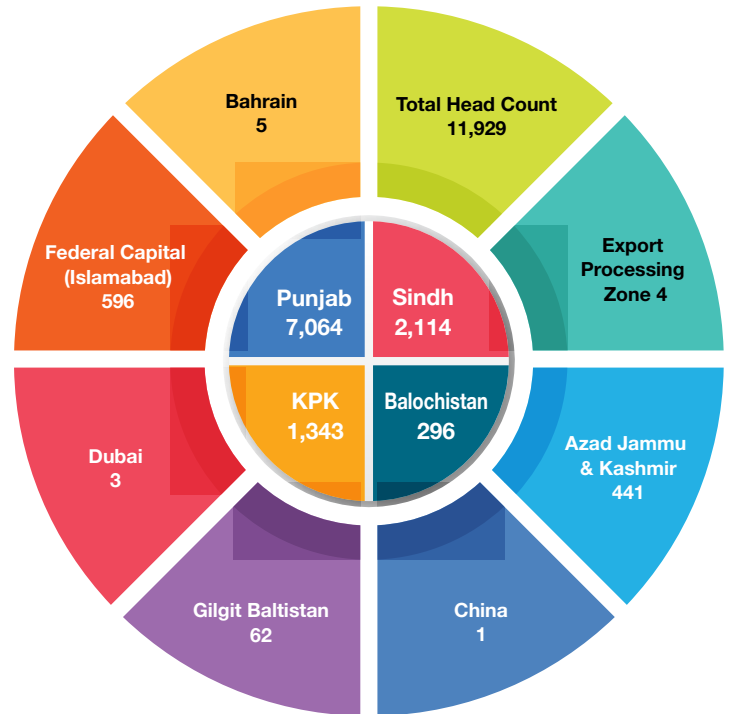


# NON-FINANCIAL INFORMATION

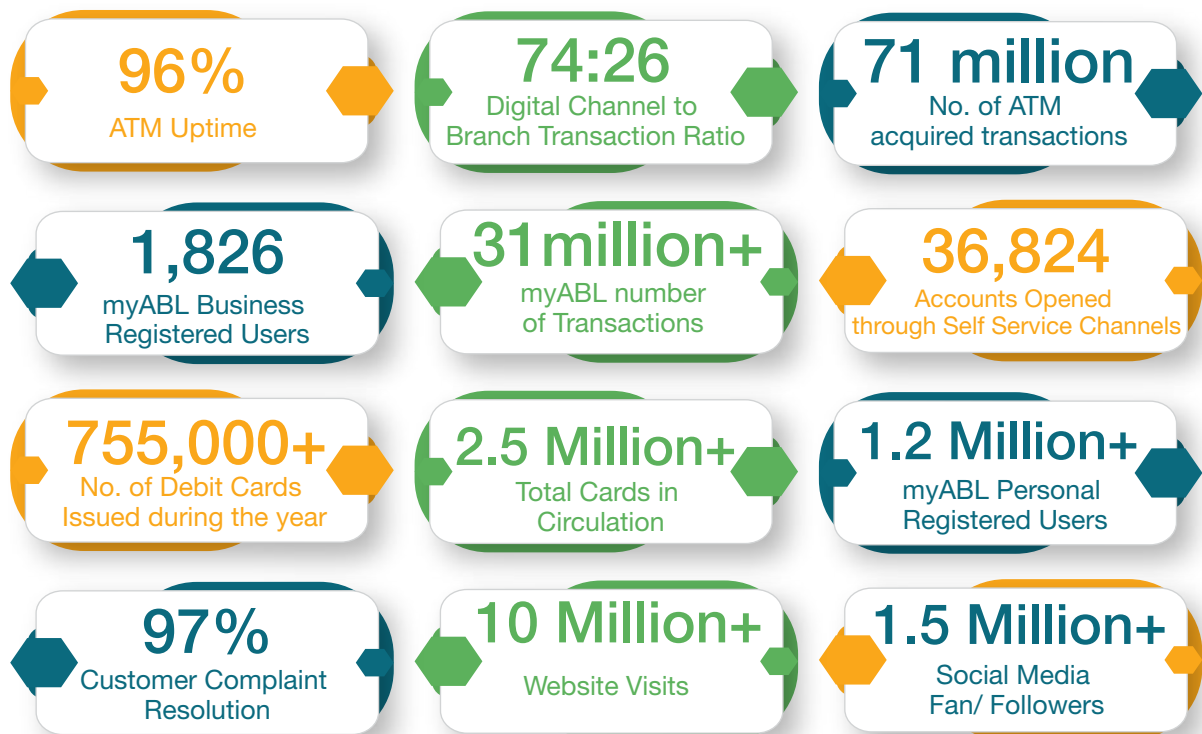
## HUMAN RESOURCE ATTRIBUTES



## GEOGRAPHICAL POSITIONING OF HUMAN RESOURCE CAPITAL



## DIGITAL TRANSACTIONS ATTRIBUTES



# ANALYSIS OF NON-FINANCIAL PERFORMANCE

## Human Capital

Human resource capital remains the key asset to our success. Human resource management continues to be the top priority for the Bank and is designed in such a way to motivate our employees to pursue goals that will enable the Bank to achieve its strategic goals. Key statistics of our human resource as compared to last year are as under:

	2022	2021
Staff Strength	11,929	11,598
New Recruitment	2,334	1,364
Number of Employees Trained	11,719	11,002
Investment in Training & Development	Rs. 147.8 million	Rs. 58 million
Promotions	1,757	1,505
Number of Female Staff	2,468	2,116
Female Staff to Total Staff Ratio	20.69%	18.2%

## Intellectual Capital

8 decades of banking services	Strong Governance	Trustworthy Brand Name
-------------------------------	-------------------	------------------------

Intangibles associated with the Bank – culture, ethics, values, organizational knowledge, systems, procedures and brand value. These intangibles, while not reflected in the balance sheet, are indeed the real assets of the Bank.

	2022	2021
Governance Rating	CGR 9++	CGR 9++
Technology Infrastructure	Digital footprint expansion with Pakistan's 1st bank branch in Metaverse	Robo Calls, Big Data & Artificial Intelligence, Business Process Management

## Manufactured Capital

Capital Expenditure	Branches including sub-branches	ATMs
Rs. 7,691 million	1,453	1,572

Manufactured capital consists of our physical branch network and other tangible and intangible items that support our operations outreach such as equipment, IT systems and network.

During the year, the Bank has expanded its network by 24 branches.

The banking model is in gradual transformation from traditional banking to digital era. Hence, to cater to the growing segment of millennials among our customers, the Bank has been continuously investing in the digital banking platforms. We are increasing our digital touch points at a steady pace, providing our customers transactional convenience while ensuring financial security.

	2022	2021
Branches	1,453	1,429
ATMs – Onsite	1,296	1,269
ATMs – Offsite	271	284
Mobile ATMs	5	5

## Social and Relationship Capital

No. of Customers	Dividend to Shareholders (Rs. in million)	CSR Funds (Rs. in million)
6.5 million+	9,733	150

Bank values its stakeholders and remained cognizant of its responsibilities towards the society. Analysis of social and relationship capital as compared to last year is as follows:

	2022	2021
No of Customers	6.5 million+	5.2 million+
Complaint Resolution	97%	97%
Website Visits	10,063,270	7,673,355
Social Media Fan Following / Subscribers	1,505,514	1,296,256
Internet Banking Customers	1,288,521	1,004,458
Tree Plantation	75,000	47,000+

# SIX YEARS VERTICAL ANALYSIS

## Statement of Financial Position

	2022		2021		2020		2019		2018		2017	
	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%
<b>ASSETS</b>												
Cash & Balances with Treasury & Other Banks	91,353	4%	125,310	6%	135,628	9%	120,546	8%	101,763	8%	86,016	7%
Lending to financial institutions	28,222	1%	45,453	3%	17,996	1%	13,607	1%	53,780	4%	8,694	1%
Investments - Net	1,123,117	50%	1,064,495	53%	829,621	52%	757,957	51%	671,228	50%	698,082	56%
Advances - Net	845,640	38%	652,890	32%	496,432	31%	485,016	33%	438,317	32%	372,038	30%
Operating Fixed assets	84,442	4%	80,871	4%	76,246	5%	64,084	4%	52,128	4%	48,327	4%
Other assets	78,198	3%	41,138	2%	34,535	2%	39,911	3%	33,382	2%	36,508	2%
<b>Total Assets</b>	<b>2,250,972</b>	<b>100%</b>	<b>2,010,157</b>	<b>100%</b>	<b>1,590,458</b>	<b>100%</b>	<b>1,481,121</b>	<b>100%</b>	<b>1,350,598</b>	<b>100%</b>	<b>1,249,665</b>	<b>100%</b>
<b>LIABILITIES</b>												
Bills payable	14,160	1%	10,060	1%	9,622	1%	7,879	1%	7,753	1%	7,835	1%
Borrowings	530,414	24%	420,006	21%	193,928	12%	266,448	18%	225,883	17%	223,556	18%
Deposits	1,522,297	68%	1,413,295	70%	1,216,678	76%	1,049,043	71%	984,475	73%	883,741	71%
Other liabilities	56,290	3%	39,551	2%	38,670	3%	42,400	2%	25,183	1%	27,817	1%
<b>Total Liabilities</b>	<b>2,123,161</b>	<b>94%</b>	<b>1,882,912</b>	<b>94%</b>	<b>1,458,898</b>	<b>92%</b>	<b>1,365,770</b>	<b>92%</b>	<b>1,243,294</b>	<b>92%</b>	<b>1,142,949</b>	<b>91%</b>
<b>NET ASSETS</b>	<b>127,811</b>	<b>6%</b>	<b>127,245</b>	<b>6%</b>	<b>131,560</b>	<b>8%</b>	<b>115,351</b>	<b>8%</b>	<b>107,304</b>	<b>8%</b>	<b>106,716</b>	<b>9%</b>
<b>EQUITY</b>												
Share capital	11,451	1%	11,451	1%	11,451	1%	11,451	1%	11,451	1%	11,451	1%
Reserves	31,435	1%	26,784	1%	24,277	1%	22,270	1%	20,276	1%	17,980	2%
Un - appropriated profit	79,653	4%	69,471	3%	66,995	4%	55,821	4%	52,500	4%	49,212	4%
Surplus on revaluation of assets	5,272	0%	19,539	1%	28,837	2%	25,809	2%	23,077	2%	28,073	2%
	<b>127,811</b>	<b>6%</b>	<b>127,245</b>	<b>6%</b>	<b>131,560</b>	<b>8%</b>	<b>115,351</b>	<b>8%</b>	<b>107,304</b>	<b>8%</b>	<b>106,716</b>	<b>9%</b>
<b>Profit and Loss Account</b>												
<b>Interest / Return / Non Interest Income earned</b>												
Markup / Return / Interest earned	215,469	91%	118,649	88%	110,547	90%	122,637	92%	73,274	87%	65,709	88%
Fee, Commission & Brokerage	8,147	3%	6,811	5%	5,441	4%	5,092	4%	4,361	5%	3,917	5%
Foreign Exchange Income	7,948	3%	1,973	2%	1,664	2%	1,992	1%	1,504	2%	762	1%
Gain on securities and Dividend income	4,487	2%	6,485	5%	5,076	4%	3,404	3%	5,172	6%	3,869	4%
Other income	93	0%	669	0%	362	0%	403	0%	252	0%	323	0%
Non-markup Income	20,675	9%	15,938	12%	12,543	10%	10,891	8%	11,289	13%	8,871	12%
<b>Total Income</b>	<b>236,144</b>	<b>100%</b>	<b>134,587</b>	<b>100%</b>	<b>123,090</b>	<b>100%</b>	<b>133,528</b>	<b>100%</b>	<b>84,563</b>	<b>100%</b>	<b>74,580</b>	<b>100%</b>
<b>Markup / Return / Interest and Non Interest Expense</b>												
Markup / Return / Interest expensed	(148,750)	-63%	(73,062)	-54%	(62,126)	-50%	(81,130)	-61%	(41,159)	-49%	(34,130)	-45%
Operating expenses	(40,923)	-17%	(33,886)	-24%	(30,472)	-26%	(27,555)	-21%	(23,365)	-28%	(21,884)	-29%
Donations	(107)	0%	(60)	0%	(133)	0%	(55)	0%	(113)	0%	(54)	0%
Non-markup Expense	(41,030)	-17%	(33,946)	-25%	(30,605)	-25%	(27,610)	-20%	(23,478)	-27%	(21,938)	-28%
(Provisions) / Reversals	262	0%	812	1%	(844)	-1%	(547)	0%	1,090	1%	2,367	3%
Taxation	(25,432)	-11%	(11,077)	-8%	(11,486)	-9%	(10,129)	-8%	(8,136)	-9%	(8,145)	-10%
Total expense - percentage of total income	(214,950)	-91%	(117,274)	-87%	(105,061)	-85%	(119,416)	-89%	(71,683)	-85%	(61,846)	-83%
<b>Profit / (Loss) after taxation</b>	<b>21,194</b>	<b>9%</b>	<b>17,313</b>	<b>13%</b>	<b>18,029</b>	<b>15%</b>	<b>14,112</b>	<b>11%</b>	<b>12,880</b>	<b>15%</b>	<b>12,734</b>	<b>17%</b>



# SIX YEARS HORIZONTAL ANALYSIS

## Statement of Financial Position

	2022	22 vs 21	2021	21 vs 20	2020	20 vs 19	2019	19 vs 18	2018	18 vs 17	2017	17 vs 16
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<b>EQUITY</b>												
Share capital	11,451	0%	11,451	0%	11,451	0%	11,451	0%	11,451	0%	11,451	0%
Reserves	31,435	17%	26,784	10%	24,277	9%	22,270	10%	20,276	13%	17,980	9%
Un - appropriated profit	79,653	15%	69,471	4%	66,995	20%	55,821	6%	52,500	7%	49,212	6%
Surplus on revaluation of assets	5,272	-73%	19,539	-32%	28,837	12%	25,809	12%	23,077	-18%	28,073	7%
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<b>Interest / Return / Non Interest Income earned</b>												
Markup / Return / Interest earned	215,469	82%	118,649	7%	110,547	-10%	122,637	67%	73,274	12%	65,709	2%
Fee, Commission & Brokerage	8,147	20%	6,811	25%	5,441	7%	5,092	17%	4,361	11%	3,917	-2%
Foreign Exchange Income	7,948	303%	1,973	19%	1,664	-16%	1,992	32%	1,504	97%	762	18%
Gain on securities and Dividend income	4,487	-31%	6,485	28%	5,076	49%	3,404	-34%	5,172	34%	3,869	-40%
Other income	93	-86%	669	85%	362	-10%	403	60%	252	-22%	323	217%
Non-markup Income	20,675	30%	15,938	27%	12,543	15%	10,891	-4%	11,289	27%	8,871	-21%
<b>Total Income</b>	<b>236,144</b>	<b>75%</b>	<b>134,587</b>	<b>9%</b>	<b>123,090</b>	<b>-8%</b>	<b>133,528</b>	<b>58%</b>	<b>84,563</b>	<b>13%</b>	<b>74,580</b>	<b>-2%</b>
<b>Markup / Return / Interest and Non Interest Expense</b>												
Markup / Return / Interest expensed	(148,750)	104%	(73,062)	18%	(62,126)	-23%	(81,130)	97%	(41,159)	21%	(34,130)	9%
Operating expenses	(40,923)	21%	(33,886)	11%	(30,472)	11%	(27,555)	18%	(23,365)	7%	(21,884)	5%
Donations	(107)	78%	(60)	-55%	(133)	142%	(55)	-51%	(113)	109%	(54)	29%
Non-markup Expense	(41,030)	21%	(33,946)	11%	(30,605)	11%	(27,610)	18%	(23,478)	7%	(21,938)	5%
(Provisions) / Reversals	262	-68%	812	-196%	(844)	54%	(547)	-150%	1,090	-54%	2,367	1089%
Taxation	(25,432)	130%	(11,077)	-4%	(11,486)	13%	(10,129)	24%	(8,136)	0%	(8,145)	-13%
Total expense - percentage of total income	(214,950)	83%	(117,274)	12%	(105,061)	-12%	(119,416)	67%	(71,683)	16%	(61,846)	1%
<b>Profit / (Loss) after taxation</b>	<b>21,194</b>	<b>22%</b>	<b>17,313</b>	<b>-4%</b>	<b>18,029</b>	<b>28%</b>	<b>14,112</b>	<b>10%</b>	<b>12,880</b>	<b>1%</b>	<b>12,734</b>	<b>-12%</b>

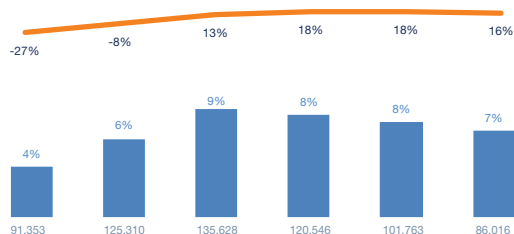
# STATEMENT OF FINANCIAL POSITION

## Six Years Horizontal & Vertical Performance Highlights

2022	2021	2020	2019	2018	2017
Rs. in Million					

### ASSETS

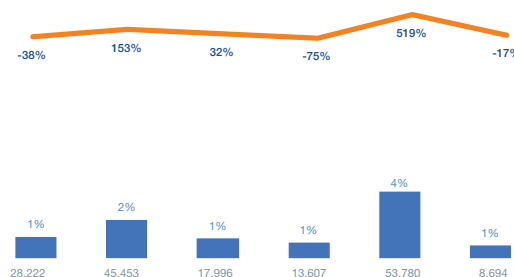
#### Cash & Balances with Treasury & Other Banks



CAGR for the last six years-annualized is 4%

Cash and Balances with Treasury Banks and other Banks decreased by Rs. 33,957 million or 27%, mainly on account of lower Current account balances maintained with NBP and SBP by Rs. 25,006 million and Rs. 17,221 million respectively, partially offset by higher Cash in hand by Rs. 5,734 million and increase in Nostro account balances amounting to Rs. 2,529 million. Cash in hand increased mainly due to deposit growth by 8%.

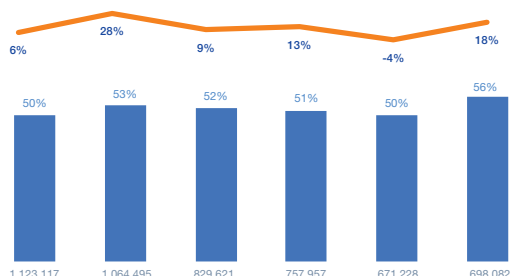
#### Lendings to Financial Institutions



CAGR for the last six years-annualized is 18%

Lendings to financial institutions decreased by Rs. 17,231 million from December 31, 2021 mainly due to decrease in reverse Repo lending by Rs. 17,854 million.

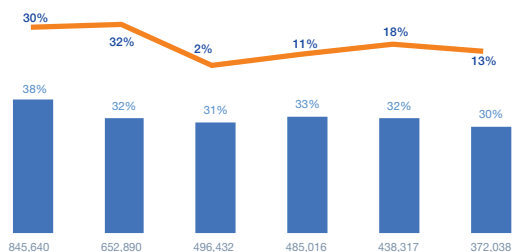
#### Investments - Net



CAGR for the last six years-annualized is 11%

Increase in investments by 6% mainly pertains to increase in Pakistan Investment Bonds by Rs. 419,700 million, Euro bonds by Rs. 16,878 million, TFCs by Rs. 3,996 million and Equity portfolio by Rs. 1,009 million, partially offset by lower Market Treasury Bills by Rs. 355,630 million, Revaluation surplus by Rs. 25,057 million and Sukuks by Rs. 2,023 million.

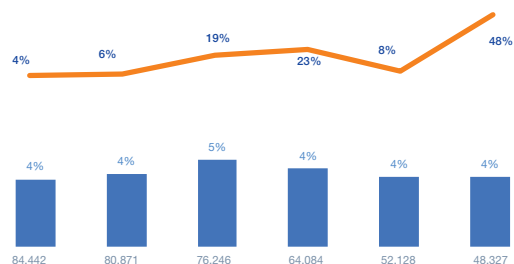
#### Advances - Net



CAGR for the last six years-annualized is 17%

Increase in net Advances by 30% mainly pertains to higher Money market advances by Rs. 157,968, Commodity operations finance by Rs. 13,565 million and Working capital finance by Rs. 10,897 million.

#### Fixed Assets (including Intangible Assets)



CAGR for the last six years-annualized is 17%

Fixed Assets, including intangibles and Right-of-Use asset, increased by Rs. 3,571 million. During the year, additions were mainly made in Electrical office & computer equipment, Right of use assets and Building on freehold land amounting to Rs. 2,099 million, Rs. 1,972 million and Rs. 1,761 million respectively.

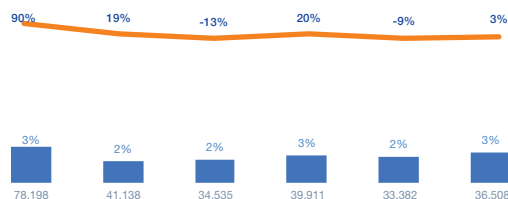
# STATEMENT OF FINANCIAL POSITION

## Six Years Horizontal & Vertical Performance Highlights

2022	2021	2020	2019	2018	2017
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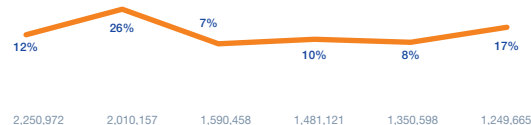
Rs. in Million

### Other Assets (Including Deferred Tax Assets)



**CAGR for the last six years-annualized is 14%**  
90% YOY increase is primarily on account of increase in policy rate during the year, resulting into increase in accrued markup by Rs. 28,956 million. Moreover, deferred tax asset due to deductible temporary difference on revaluation deficit on investments increased by Rs. 11,044 million.

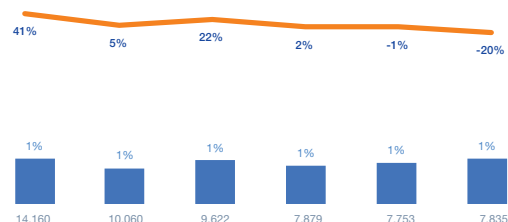
### Total Assets



**CAGR for the last six years-annualized is 13%**  
Total Assets of the Bank have increased by Rs. 240,817 million or 12% from December 31, 2021 position. Main increase is witnessed in Advances, Investments, Other assets, Deferred tax assets, Operating fixed assets (including Intangible assets), and Balances with other banks; partially offset by decrease in Cash & balances with treasury banks and Lendings to financial institutions.

### LIABILITIES

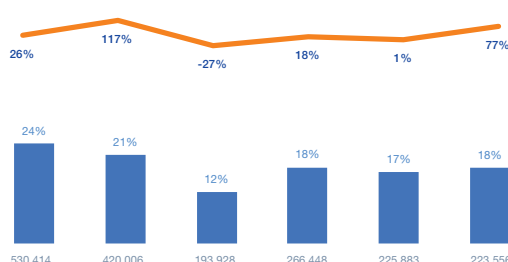
#### Bills Payable



**CAGR for the last six years-annualized is 6%**

41% YOY growth.

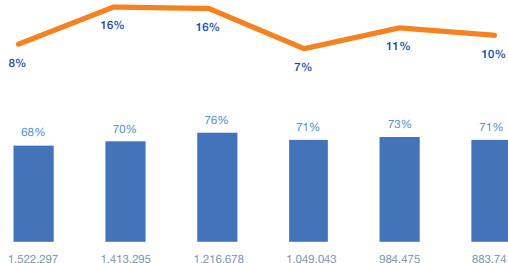
#### Borrowings



**CGAR for the last six years-annualized is 27%**

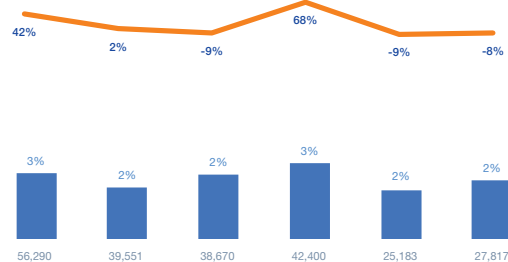
Bank Borrowings have increased by Rs. 110,408 million or 26% from Rs. 420,006 million to Rs. 530,414 million mainly due to increase in repo Borrowings by Rs. 111,868 million.

#### Deposits and other accounts



**CAGR for the last six years-annualized is 11%**  
Outstanding deposits as at December 31, 2022 were higher than December 31, 2021 by Rs. 109,002 million i.e., 7.7%, better than industry growth of 7.1%. Consequently, deposits market share improved to 6.8% compared to 6.7% at December 31, 2021. Average deposits also depicted YoY volumetric growth of Rs. 226,467 million or 19% wherein average Current deposits manifested robust YoY growth of 21%.

#### Other Liabilities (Including Deferred Tax Liabilities)



**CAGR for the last six years-annualized is 11%**

YOY increase of Rs. 16,739 million or 42% is primarily due to increase in policy rate during the year, resulting into higher accrued markup payable of Rs.10,583 million and increase in provision for taxations and withholding taxes payable by Rs. 5,494.

## Six Years Horizontal & Vertical Performance Highlights

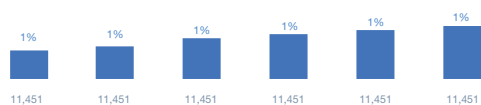
2022	2021	2020	2019	2018	2017
Rs. in Million					

### EQUITY

0% 0% 0% 0% 0% 0%

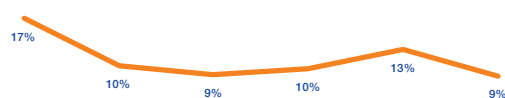
CAGR for the last six years-annualized is 0%

#### Share Capital



Compliant with the regulatory requirement.

### Reserves



CAGR for the last six years-annualized is 11%

17% YOY growth is on account of exchange translation of net investment in foreign branches & statutory reserve transfer from un-appropriated profits.

### Unappropriated Profits



CAGR for the last six years-annualized is 9%

15% YOY growth is on account of current year's profit after appropriations after payment of last year cumulative dividend.

### Surplus on revaluation of assets - net



CAGR for the last six years-annualized is (23)%

73% YOY decline is due to deficit in revaluation of fixed income securities on account of change in policy rate.



# PROFIT AND LOSS ACCOUNT

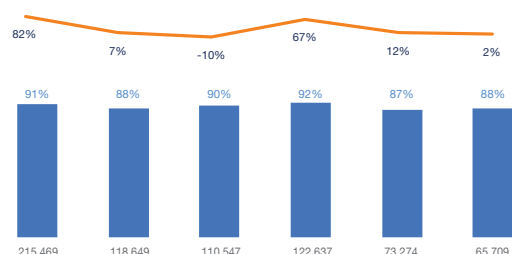
## Six Years Horizontal & Vertical Performance Highlights

2022	2021	2020	2019	2018	2017
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Rs. in Million

### INCOME

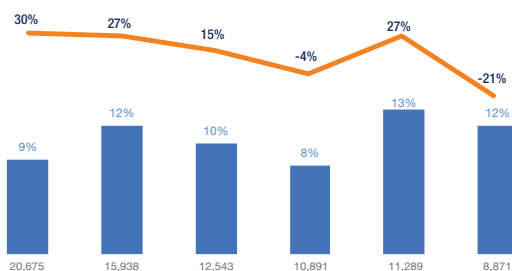
#### Markup Income



CAGR for the last six years-annualized is 22%

Rate volume analysis of mark-up bearing assets reflects a positive rate variance of Rs. 79,905 million in line with higher average policy rate in 2022 as compared to 2021 by 590bps, along with positive volume variance of Rs. 16,914 million on account of higher average volumes by Rs. 239,927 million.

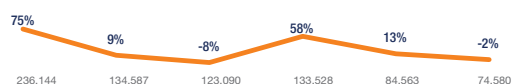
#### Non-Markup Income



CAGR for the last six years annualized is 11%

The increase is mainly attributable to higher Foreign exchange income, higher fee income and higher Dividend income, partially offset by lower Capital Gain on disposal of investments and lower Other income. Increase in Foreign exchange income is mainly attributable to higher trade volumes, volatility in spot and swaps and wider spreads, during the year. Fee income increased mainly on account of higher Card related fee, Branch banking customer fee, Cash management fee, Trade fee and Investment banking fee, partially offset by lower Commission on remittances.

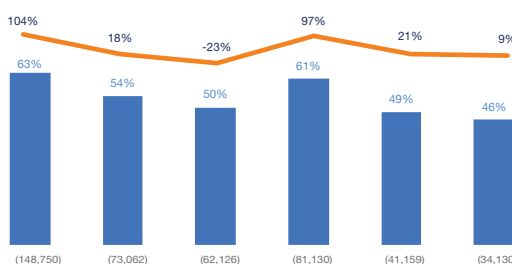
#### Total Income



CAGR for the last six years annualized is 21%

### EXPENSES

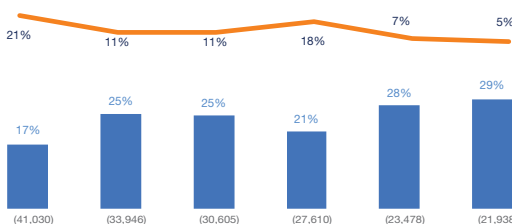
#### Markup Expense



CAGR for the last six years annualized is 30%

Markup, Interest expense for the year ended December 31, 2022 has increased by Rs. 75,688 million or 104% as compared to 2021. The increase is on account of higher cost of deposits (including swap cost) by Rs. 55,971 million, borrowing expense by Rs. 19,619 million and interest expense on Right of Use Asset by Rs. 98 million. Higher cost of deposits is attributable to unfavorable rate variance of Rs. 46,890 million following increase in average policy rate, along with volume variance of Rs. 9,081 million due to higher average deposits by Rs. 226,467 million. Increase in borrowings expense was on account of unfavorable rate variance of Rs. 17,766 million, along with higher average borrowing volumes by Rs. 29,845 million resulting in higher expense by Rs. 1,853 million.

#### Non-Markup Expense



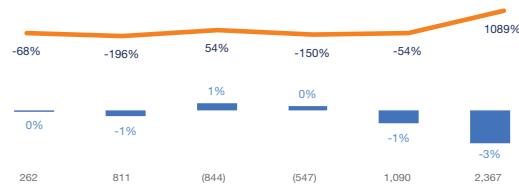
CAGR for the last six years annualized is 12%

21% YOY growth is mainly due to increase in human resource cost in line with annual appraisals, increase in operating expenses in line with higher inflationary trend and higher IT expenses and Card Related Fees due to rupee devaluation against payments denominated in foreign currencies.

## Six Years Horizontal & Vertical Performance Highlights

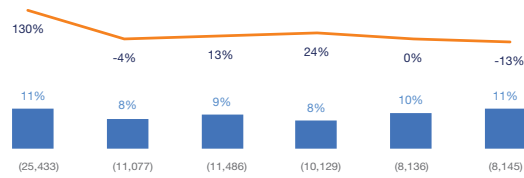
2022	2021	2020	2019	2018	2017
Rs. in Million					

### (Provisions) / Reversals



Infection ratio (NPLs to Gross advances) has decreased to 1.53% at December 31, 2022 as compared to 2.04% at December 31, 2021. Loan loss coverage including general provision at December 31, 2022 has lowered to 90.4% as compared to 94.5% at December 2021. Infection ratio is significantly better than the industry's Infection ratio of 7.6%, whereas Coverage ratio is slightly lower than industry ratio recorded at 91.9% as at September 30, 2022.

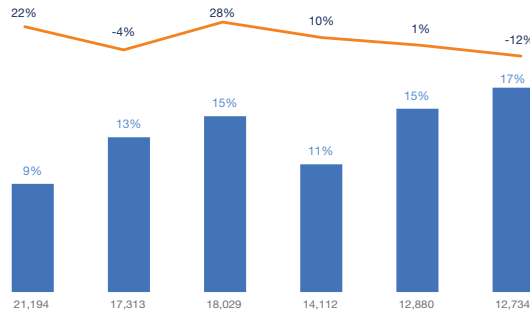
### Taxation



### CAGR for the last six years annualized is 18%

As a result of higher taxable income and amendments brought through Finance Act, 2022; effective Income Tax rate for the year ended December 31, 2022 increased to 54.5% with tax charge amounting to Rs. 25,432 million, higher by Rs. 14,355 million or 1.3 Times as compared to effective Tax rate of 39.0% and tax charge of Rs. 11,077 million in corresponding year ended December 31, 2021.

### Profit after Taxation



### CAGR for the last six years annualized is 7%

Profit after taxation for the year ended December 31, 2022 amounted to Rs. 21,194 million, higher by Rs. 3,880 million as compared to the corresponding year ended December 31, 2021.

Earnings Per Share (EPS) of the Bank has increased to Rs. 18.51 per share for the year ended December 31, 2022 as compared to Rs. 15.12 per share for the corresponding year ended December 31, 2021.

# FINANCIAL RATIOS

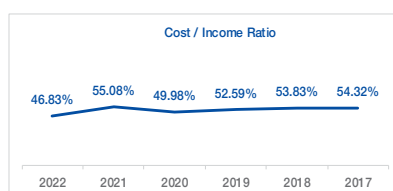
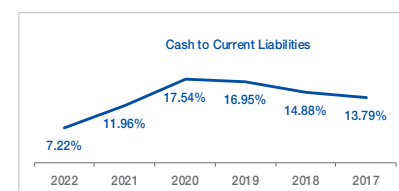
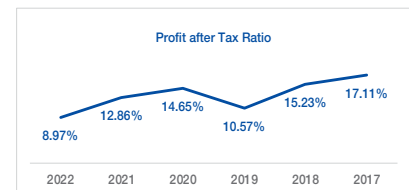
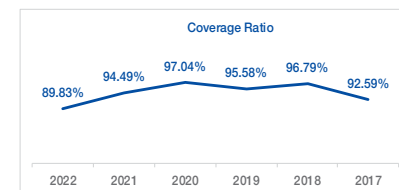
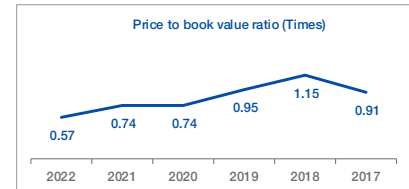
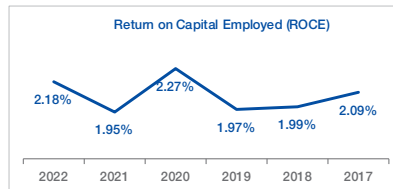
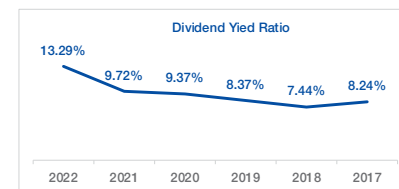
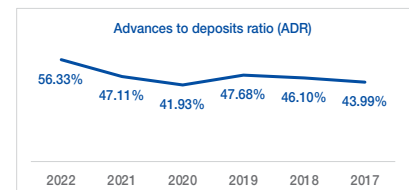
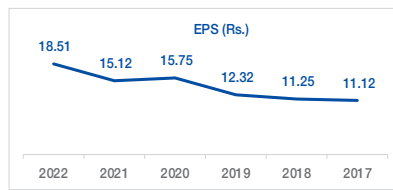
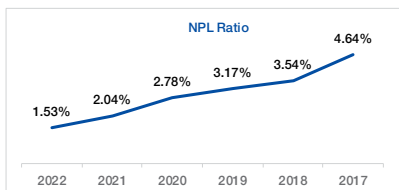
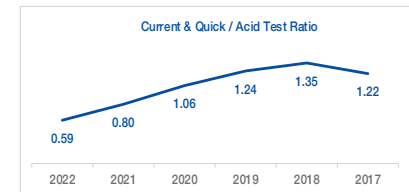
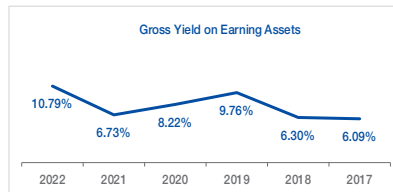
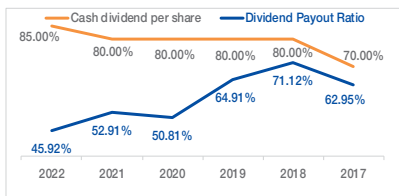
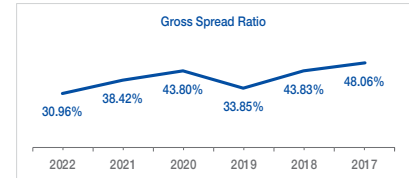
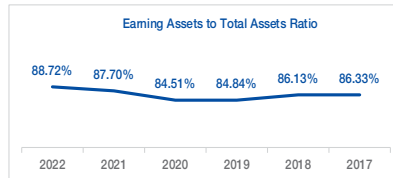
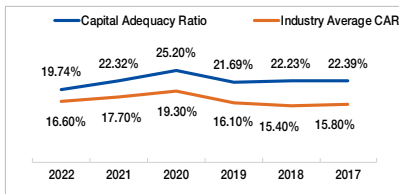
## A Strong Balance Sheet Enabled An Attractive Dividend Payout

Our CET1 or Tier 1 and Capital Adequacy ratios of 18.51 % and 19.74% respectively, Liquidity Coverage Ratio of 167.46% and Net Stable Funding Ratio of 149.24 % on a pro forma basis, are all Basel III-compliant and are a reflection of a strong balance sheet. On the back of solid earnings growth in operations and a strong capital position, a final dividend of Rs. 2.50 was declared. Our full-year dividend cover was 2.18 times.

## Financial Ratios

For the year ended		2022	2021	2020	2019	2018	2017
<b>Profitability Ratios</b>							
Profit before tax Ratio	%	19.74%	21.09%	23.98%	18.15%	24.85%	28.05%
Gross yield on earning assets	%	10.79%	6.73%	8.22%	9.76%	6.30%	6.09%
Gross spread ratio	%	30.96%	38.42%	43.80%	33.85%	43.83%	48.06%
Cost to Income ratio	%	46.83%	55.08%	49.98%	52.59%	53.83%	54.32%
Return on Equity	%	18.41%	16.46%	18.75%	16.24%	15.82%	16.63%
Return on capital employed	%	2.18%	1.95%	2.27%	1.97%	1.99%	2.09%
Shareholders' Funds	Rs. Mn	127,811	127,245	131,560	115,351	107,304	106,716
Return on Shareholders' Funds	%	16.58%	13.61%	13.70%	12.23%	12.00%	11.93%
<b>Liquidity Ratios</b>							
Advances to deposits ratio	%	56.33%	47.11%	41.93%	47.68%	46.10%	43.99%
Current, Quick or Acid test ratio	Times	0.59	0.80	1.06	1.24	1.35	1.22
Cash to current liabilities	%	7.22%	11.96%	17.54%	16.95%	14.88%	13.79%
Coverage Ratio (Specific Provisions /NPLs)	%	89.58%	93.75%	96.27%	95.32%	96.69%	92.52%
Coverage Ratio (Specific and general provisions /NPLs)	%	90.42%	94.49%	97.04%	95.58%	96.79%	92.59%
Net interest income as a percentage of working funds	%	2.36%	2.49%	3.43%	3.16%	2.65%	2.85%
<b>Operating cost - Efficiency ratio</b>							
Liquid Asset ratio - LCR	%	167.46%	186.17%	179.27%	167.84%	151.54%	142.41%
Gross Non-Performing assets to gross advances	%	3.30%	2.24%	3.64%	4.03%	5.79%	4.76%
Non-Performing loans to gross loan	%	1.53%	2.04%	2.78%	3.17%	3.54%	4.64%
<b>Investment Ratios</b>							
Earnings per share	Rs.	18.51	15.12	15.75	12.32	11.25	11.12
Price earnings ratio	Times	3.46	5.44	5.42	7.76	9.55	7.64
Price to book ratio	Times	0.57	0.74	0.74	0.95	1.15	0.91
Dividend yield ratio	%	13.29%	9.72%	9.37%	8.37%	7.44%	8.24%
Dividend payout ratio	%	45.92%	52.91%	50.81%	64.91%	71.12%	62.95%
Cash dividend per share	%	85.00%	80.00%	80.00%	80.00%	80.00%	70.00%
Market value per share at the end of year	Rs.	63.97	82.27	85.37	95.60	107.47	84.98
Break-up value per share without surplus	Rs.	107.01	94.06	89.71	78.20	73.56	68.68
Break-up value per share with surplus	Rs.	111.62	111.12	114.89	100.74	93.71	93.20
Breakup value per share including investment in related party at fair value with surplus	Rs.	112.08	111.58	115.35	101.20	94.17	93.63
<b>Capital Structure</b>							
Capital Adequacy ratio	%	19.74%	22.32%	25.20%	21.69%	22.23%	22.39%
Earnings assets to total assets	%	88.72%	87.70%	84.51%	84.84%	86.13%	86.33%
Cost of deposit	%	6.55%	3.07%	4.02%	5.61%	3.06%	3.02%
Net asset per share	Rs.	111.62	111.12	114.89	100.74	93.71	93.20
<b>Non-Financial Ratios</b>							
Staff turnover ratio	%	14%	10%	10%	7%	6%	9%
Counter Transactions Productivity per day (No. of Transactions)	No.	77	78	67	-	-	-
Customer Satisfaction Index	%	80%		78%		85%	

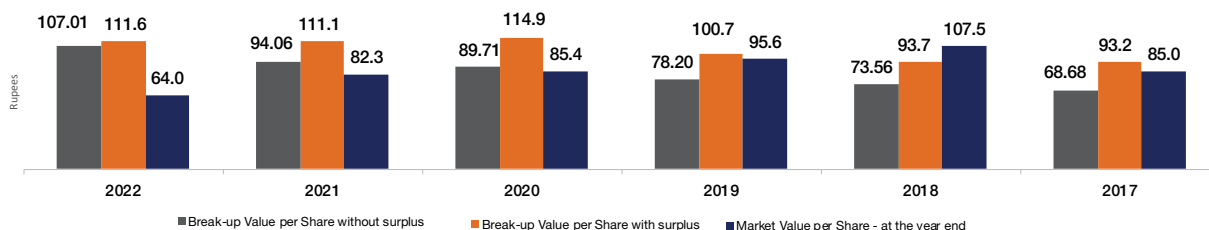
# FINANCIAL RATIOS GRAPHICAL PRESENTATION



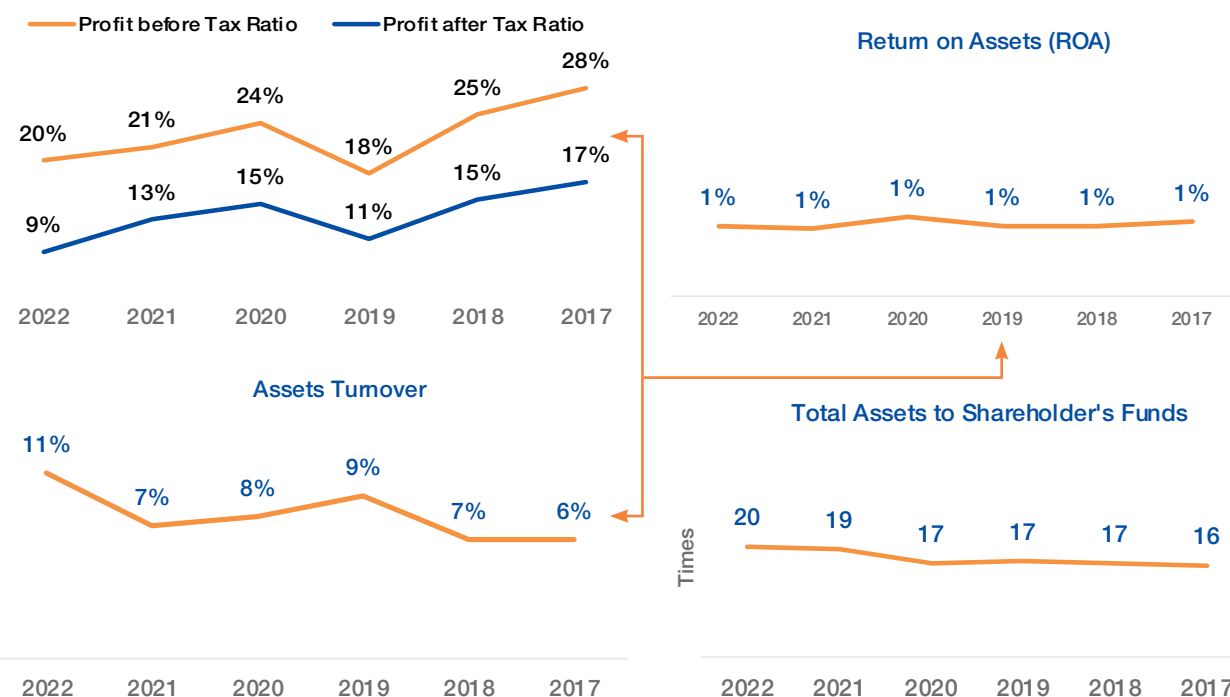
# VALUE CREATION FOR SHAREHOLDERS

Through our financial performance we demonstrate our commitment to delivering long-term value for our shareholders. Over the last six years the bank increased its break-up value per share without surplus at a Compounded Annual Growth Rate of 7%. Growing "Total assets to shareholder's funds" coupled with Return on Assets also contributed in achieving higher Return on Equity from respective average ratio of the industry.

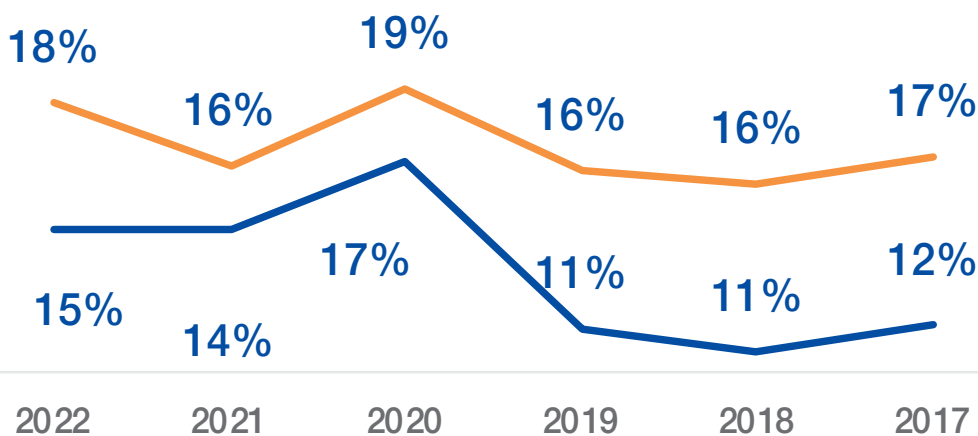
Breakup Value vs Market Price



## Dupont Analysis



## Return on Equity (ROE) vs Industry Average ROE





# SENSITIVITY ANALYSIS

	High	Low	Closing	Market Capitalization	
	Rupees			Capital (Rs. in Million)	Value (Rs. in Million)
December 31, 2022	64.00	63.25	63.97	11,451	73,252
September 30, 2022	64.90	64.50	64.90	11,451	74,317
June 30, 2022	69.02	69.00	69.00	11,451	79,012
March 31, 2022	88.00	83.50	86.95	11,451	99,566

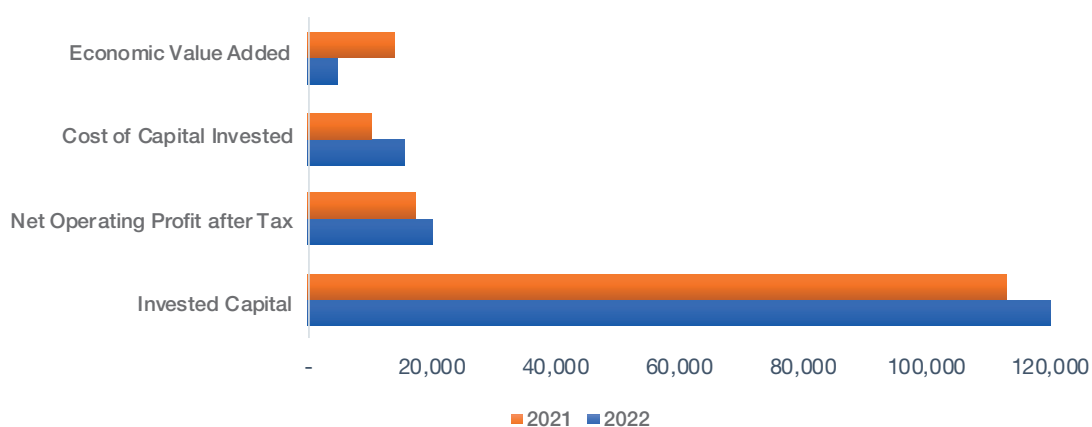


Regularly recurring matters (such as financial results and dividends) have a temporary impact on the share price of Allied Bank Limited. However, Government and Regulatory policy changes such as inflation, discount rate, monetary policy, political and environment situation of the country are the key determinant for reduction in profitability of the Bank ultimately having an impact on share prices.

# ECONOMIC VALUE ADDED STATEMENT

	December 31, 2022	December 31, 2021
	Rupees in Million	
<b>Invested Capital</b>		
Average Shareholders Equity	115,123	105,215
Provisions against assets:		
- Investments	2,321	2,093
- Advances	756	12,851
- Other Assets	14,925	760
<b>Invested Capital - A</b>	<b>133,125</b>	<b>120,919</b>
Net Operating Profit after Tax		
Profit after tax	21,194	17,314
Provisions / (reversals) for the year	(262)	(811)
<b>Net Operating Profit after Tax - B</b>	<b>20,932</b>	<b>16,503</b>
Economic Cost - C	14.86%	8.67%
Cost of Capital Invested - D - (A x C)	19,782	10,487
<b>Economic Value Added (B - D)</b>	<b>1,149</b>	<b>6,016</b>

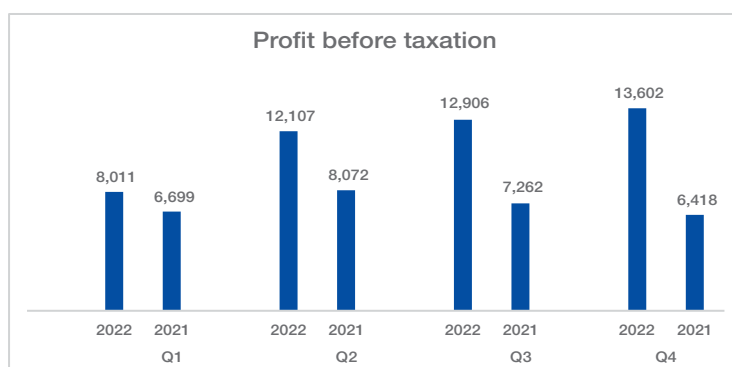
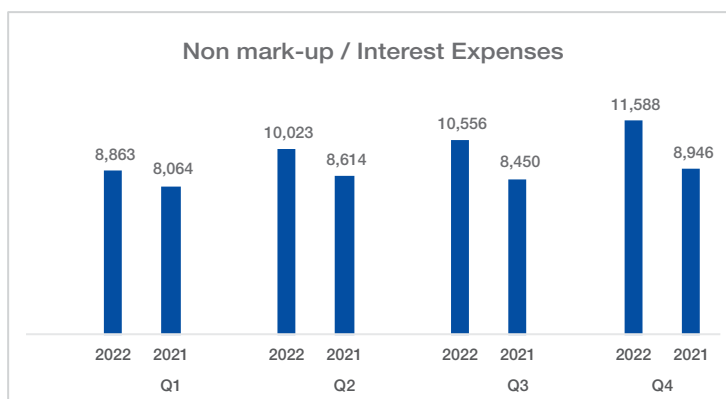
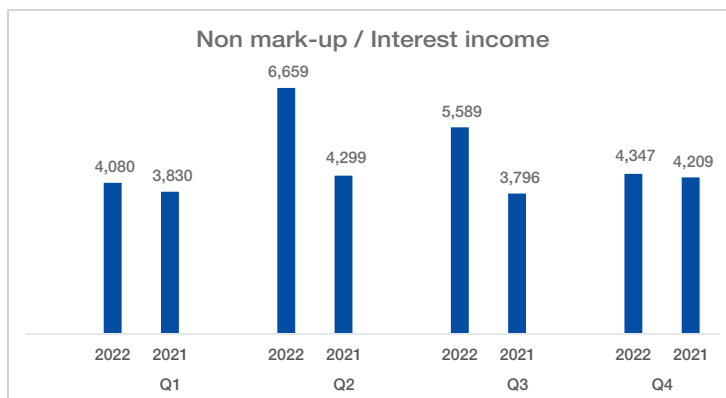
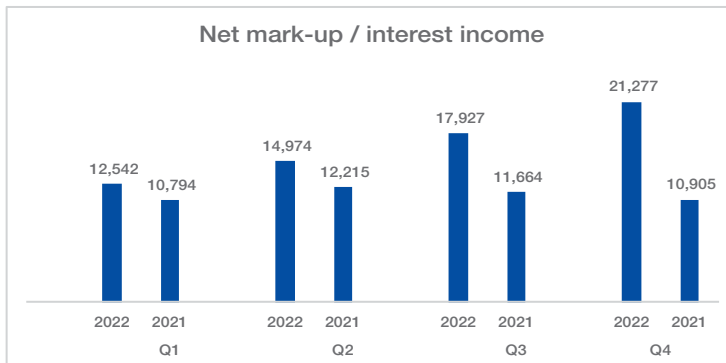
## Statement of Economic Value Added



# QUARTERLY PERFORMANCE - 2022 & 2021

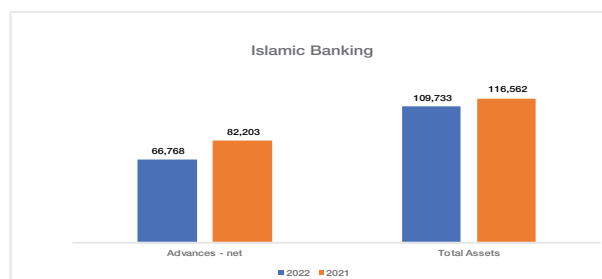
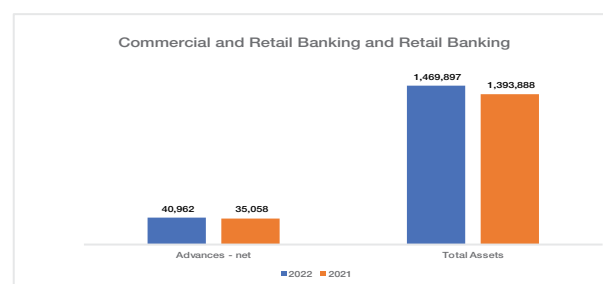
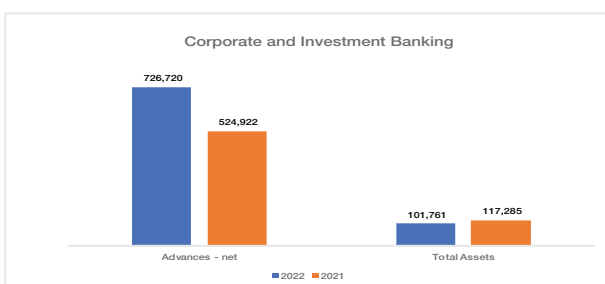
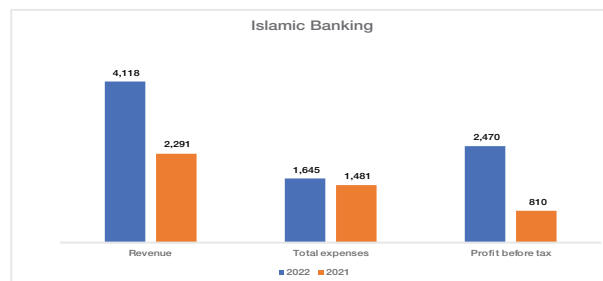
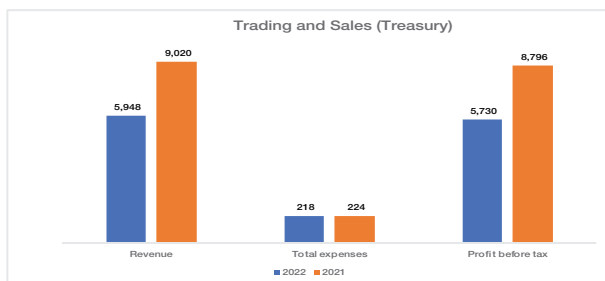
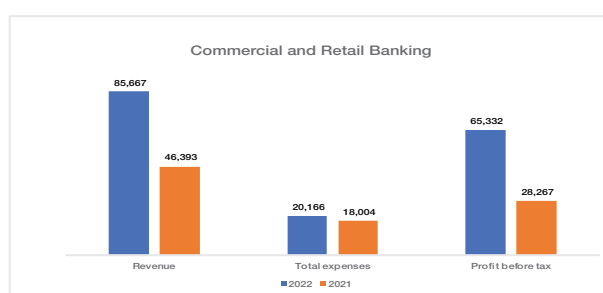
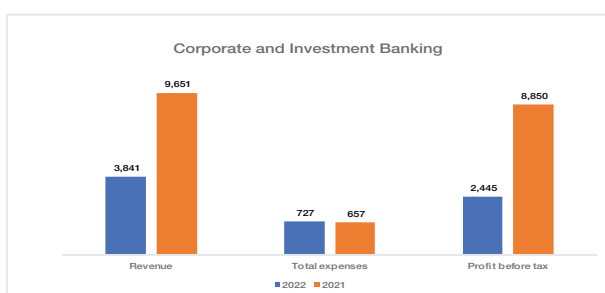
	2022				2021			
	Rupees in '000							
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
<b>Profit and Loss Account</b>								
Mark-up / return / interest earned	67,917,037	59,984,524	48,504,712	39,062,377	33,952,759	31,359,285	29,564,474	23,773,561
Mark-up / return / interest expensed	46,640,283	42,057,835	33,530,999	26,520,704	23,047,700	19,695,150	17,349,021	12,979,924
Net mark-up / interest income	21,276,754	17,926,689	14,973,713	12,541,673	10,905,059	11,664,135	12,215,453	10,793,637
Non mark-up / Interest income	4,347,364	5,588,752	6,659,040	4,080,228	4,209,275	3,795,948	4,299,242	3,830,381
Total Income	25,624,118	23,515,441	21,632,753	16,621,901	15,114,334	15,460,083	16,514,695	14,624,018
Non mark-up / Interest Expenses	11,587,783	10,556,477	10,022,652	8,863,276	8,946,052	8,449,975	8,613,681	8,063,647
Profit before provisions	14,036,335	12,958,964	11,610,101	7,758,625	6,168,282	7,010,108	7,901,014	6,560,371
(Reversals) / provisions and write offs - net	434,588	52,611	(496,749)	(252,443)	(249,847)	(251,709)	(170,543)	(139,001)
Profit before taxation	13,601,747	12,906,353	12,106,850	8,011,068	6,418,129	7,261,817	8,071,557	6,699,372
Taxation	5,036,142	7,164,744	10,048,117	3,183,194	2,173,931	2,954,204	3,307,346	2,670,395
<b>Profit after taxation</b>	<b>8,565,605</b>	<b>5,741,609</b>	<b>2,058,733</b>	<b>4,827,874</b>	<b>4,244,198</b>	<b>4,307,613</b>	<b>4,764,211</b>	<b>4,028,977</b>
<b>Statement of financial position</b>								
<b>Assets</b>								
Cash and balances with treasury banks	87,913,426	117,508,311	132,694,057	108,774,852	124,406,408	106,704,091	133,127,829	100,362,549
Balances with other banks	3,439,468	3,002,905	5,003,217	8,918,411	903,243	3,330,098	1,330,337	3,140,176
Lendings to financial institutions - net	28,222,195	14,031,532	53,562,570	24,047,885	45,452,910	19,338,561	7,369,312	54,023,787
Investments - net	123,117,088	1,088,683,381	1,154,387,509	1,057,977,492	1,064,494,900	1,196,517,836	1,074,807,428	1,033,535,082
Advances - net	845,640,176	673,687,318	646,476,773	625,507,621	652,889,677	523,343,181	516,723,463	429,108,495
Fixed assets	81,478,561	80,615,855	80,428,402	78,780,365	78,002,712	76,078,441	74,675,442	73,790,560
Intangible assets	2,963,902	2,921,956	3,002,526	3,068,876	2,868,311	2,898,631	2,860,330	2,887,048
Deferred tax assets - net	13,001,349	10,547,401	6,311,356	2,430,114	1,488,287	-	-	-
Other assets - net	65,196,693	69,825,526	52,215,465	49,338,839	39,649,555	34,851,018	34,169,172	26,927,405
	<b>2,250,972,858</b>	<b>2,060,824,185</b>	<b>2,134,081,875</b>	<b>1,958,844,455</b>	<b>2,010,156,003</b>	<b>1,963,061,857</b>	<b>1,845,063,313</b>	<b>1,723,775,102</b>
<b>Liabilities</b>								
Bills payable	14,159,643	9,308,069	9,329,349	12,193,678	10,059,879	10,647,594	9,116,827	9,804,269
Borrowings	530,414,493	309,351,447	372,526,298	352,523,324	420,005,768	427,978,559	355,604,060	315,559,226
Deposits and other accounts	1,522,297,479	1,551,229,590	1,575,072,081	1,417,498,729	1,413,295,261	1,353,578,610	1,315,055,075	1,232,481,565
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-
Sub-ordinated debt	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	1,471,135	2,792,548	2,778,886
Other liabilities	56,289,835	66,290,560	49,415,662	47,698,247	39,550,556	40,137,596	33,978,952	37,630,083
	<b>2,123,161,450</b>	<b>1,936,179,666</b>	<b>2,006,343,390</b>	<b>1,829,913,978</b>	<b>1,882,911,464</b>	<b>1,833,813,494</b>	<b>1,716,547,462</b>	<b>1,598,254,029</b>
<b>Net Assets</b>	<b>127,811,408</b>	<b>124,644,519</b>	<b>127,738,485</b>	<b>128,930,477</b>	<b>127,244,539</b>	<b>129,248,363</b>	<b>128,515,851</b>	<b>125,521,073</b>
<b>Represented by:</b>								
Share capital	11,450,739	11,450,739	11,450,739	11,450,739	11,450,739	11,450,739	11,450,739	11,450,739
Reserves	31,435,453	30,687,573	28,900,017	27,611,126	26,784,066	26,073,681	25,040,454	24,347,808
Surplus on revaluation of assets - net of tax	5,272,401	8,386,385	13,885,366	18,309,517	19,539,127	24,019,155	25,941,964	25,907,528
Unappropriated profit	79,652,815	74,119,822	73,502,363	71,559,095	69,470,607	67,704,788	66,082,694	63,814,998
	<b>127,811,408</b>	<b>124,644,519</b>	<b>127,738,485</b>	<b>128,930,477</b>	<b>127,244,539</b>	<b>129,248,363</b>	<b>128,515,851</b>	<b>125,521,073</b>

# QUARTERLY PERFORMANCE GRAPHICAL PRESENTATION- 2022 & 2021



# SEGMENT ANALYSIS

	Corporate and Investment Banking		Commercial and Retail Banking		Trading and Sales (Treasury)		Islamic Banking	
	2022	2021	2022	2021	2022	2021	2022	2021
Rs. in million								
Revenue	3,841	9,651	85,667	46,393	5,948	9,020	4,118	2,291
Total expenses	727	657	20,166	18,004	218	224	1,645	1,481
Profit before tax	2,445	8,850	65,332	28,267	5,730	8,796	2,470	810
Advances - net	726,720	524,922	40,962	35,058	-	-	66,768	82,203
Total Assets	101,761	117,285	1,469,897	1,393,888	414,034	307,981	109,733	116,562





# CASH FLOW STATEMENT

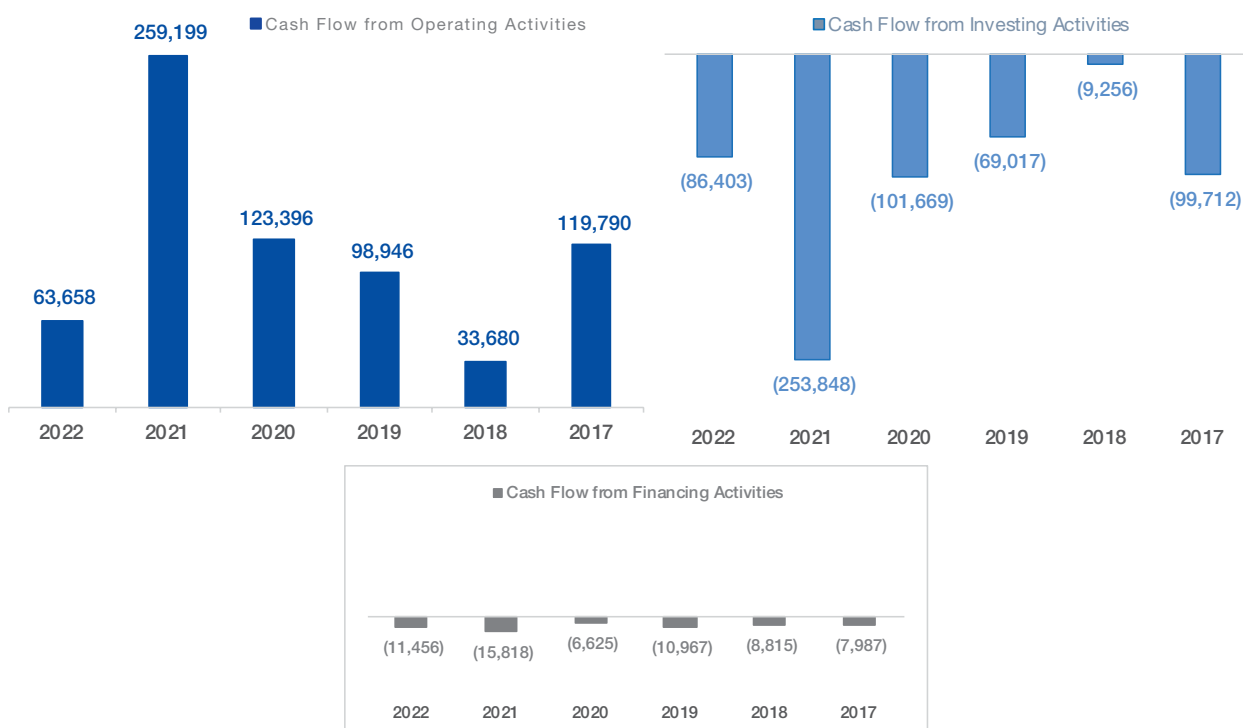
## Direct Method

	2022	2021
	Rs. In Million	
<b>STATEMENT FOR THE YEAR</b>		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Mark-up / return / interest and commission receipts	207,095	131,569
Mark-up / return / interest payments	(138,167)	(71,845)
Cash payments to employees, suppliers and others	(16,836)	(26,962)
	52,092	32,762
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	17,231	(27,457)
Held for trading securities	(13)	(126)
Advances	(192,276)	(155,650)
Other assets (excluding advance taxation)	(31,495)	(3,396)
	(206,554)	(186,629)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	4,100	438
Borrowings	110,165	225,930
Deposits	109,002	196,617
Other liabilities (excluding current taxation)	15,450	3,008
	238,717	425,993
<b>Cash flow from operating activities before tax</b>	84,254	272,126
Income tax paid	(20,052)	(12,708)
Defined benefits paid	(544)	(219)
<b>Net cash flow from operating activities</b>	63,658	259,199
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in 'available-for-sale' securities	(81,051)	(216,119)
Net investments in 'held-to-maturity' securities	(2,903)	(32,876)
Dividend income received	3,088	2,153
Investments in operating fixed assets	(8,126)	(8,857)
Proceeds from sale of fixed assets	58	1,077
Effect of translation of net investment in foreign wholesale branch	2,532	776
<b>Net cash used in investing activities</b>	(86,403)	(253,848)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividends paid	(2,310)	(2,126)
Payment of lease liability against right of use assets	(9,146)	(13,692)
<b>Net cash used in financing activities</b>	(11,456)	(15,818)
Increase in cash and cash equivalents during the year	(34,201)	(10,466)
<b>Cash and cash equivalents at beginning of the year</b>	125,636	137,251
Effect of exchange rate changes on opening cash and cash equivalents	(517)	(1,666)
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	90,918	125,118

## Summary of Cash Flow Statement

	2022	2021	2020	2019	2018	2017
	Rs. In Million					
Cash flows from operating activities	63,658	259,199	123,396	98,946	33,680	119,790
Cash flows used in investing activities	(86,403)	(253,848)	(101,669)	(69,017)	(9,256)	(99,712)
Cash flows used in financing activities	(11,456)	(15,818)	(6,625)	(10,967)	(8,815)	(7,987)
Cash and cash equivalents at the beginning of the year	125,118	135,585	120,482	101,520	85,911	73,820
Cash and cash equivalents at the end of the year	90,918	125,118	135,585	120,482	101,520	85,911

## SIX YEARS CASH FLOW ANALYSIS



## Free Cash Flow Statement

	2022	2021	2020	2019	2018	2017
	Rupees in Million					
Profit before taxation	46,626	28,391	29,515	24,242	21,016	20,878
Adjustment for non-cash items	5,466	4,371	6,109	3,947	(1,377)	(2,625)
Operating assets/ liabilities changes	11,567	226,437	88,084	70,757	14,041	101,537
Net cash generated from operating activities	63,658	259,198	123,708	98,946	33,680	119,790
Capital expenditure	(8,126)	(8,857)	(8,116)	(7,409)	(6,912)	(8,220)
Free cash flows	55,532	250,341	115,592	91,537	26,768	111,570

# OTHER INFORMATION

## Defaults in payment of any debts and reason thereof

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

## History of major events

- The Bank was recognized as “Bank of the year – Pakistan” by The Banker Magazine U.K. for second consecutive year.
- Corporate Governance Rating maintained at CGR 9++
- Deposit volume surpassed Rs. 1.5 trillion

## Method and Assumptions in Compiling Indicators

The Bank identifies its indicators which correctly reflect the Bank’s performance and analyses its market standing, competitors and overall market conditions while compiling its indicators. The Bank considers deposits, advances, capital adequacy ratios, profit after tax and EPS on a regular basis to measure its performance. These are the basic indicators of Bank’s financial performance and profitability.

Market price is a measure of Bank’s sensitivity in the market.

The bank regularly analyses its cash flows and strives to keep it on positive side.

## Dividend Payout and Future Prospects of Dividend

The Board of Directors declared a final cash dividend of Rs. 2.5 per share for the year ended December 31, 2022, which is in addition to the Rs. 6 per share of interim dividend already paid to the shareholders for the quarter ended March 31, 2022, June 30, 2022 and September 30, 2022 taking the dividend payout ratio to 45.92%.

Dividend payout is also expected to be streamlined for the year 2023 as the Bank manages its profitability while ensuring that sufficient capital buffers are available to meet regulatory requirements.

## Management’s Assessment of Sufficiency of Tax

The Bank maintains sufficient provision for taxation as required under the accounting standards and the relevant regulations. Contingencies with respect to the direct or indirect taxation have been disclosed in the Note 21 to these financial statements. It is our assessment that tax provision recognized in the financial statements is satisfactory.

## Performance versus budget

During 2022, the Bank performed well and surpassed its deposits and profitability budgeted targets.

## Capital Expenditures Rationale

During the year ended December 31, 2022; Your Bank invested Rs. 7,691 million for business expansion and Information Technology infrastructure to ensure seamless services across the geographical diversity of the country.

Your Bank is committed to continue its focus on prudent investments in business expansion and technological infrastructure; keeping itself aligned with developing business needs and updated information technology enhancements for digital transformation.

## CEO’s REVIEW

The CEO’s video message on the Bank’s business performance and strategy is available at:  
<https://www.abl.com/investor-relations/financials/financial-presentations>

# GROUP REVIEWS

## CORPORATE AND INVESTMENT BANKING

Corporate and Investment Banking Group (CIBG) continues to consolidate its strategic position, anchoring as one of the largest wholesale banking networks in Pakistan. CIBG's forte lies in its highly customer-oriented conviction backed by a deep understanding of business relationships, a consistent level of service excellence and the ability to structure complex financial products catering to the clients' needs. CIBG takes pride in offering a diverse product basket spanning across funded and trade facilities, cash management, home remittance and customized investment banking products. CIBG's capital market portfolio remained well-diversified, with exposure in fundamentally strong stocks having a stable dividend stream. Furthermore, CIBG maintains effective relationships with both overseas and local Financial Institutions while also being responsible for the Overseas Operations / Offices of the Bank in Bahrain, Dubai and China. At the same time, CIBG maintains synergies with other business groups for maximizing cross sell opportunities for the Bank on an on-going basis.

During the year, the banking sector continued to face multiple challenges on account of economic slowdown, rise in inflationary pressures and aggressive tightening of monetary policy by the SBP. CIBG remained vigilant of the risks emanating from deteriorating economic and political condition of the country and adopted a strategy of cautious growth. Core business drivers were deepening of relationships with top tier corporate entities, expanding the client base, enhancing relationship coverage and increased focus on non-funded and ancillary business income.

Corporate Banking (CB) continued to work on the premise of long-term relationships with primary objective of meeting all business requirements of our corporate and institutional customers while offering tailored and cost-effective credit solutions with highly personalized services. During the year, CB remained resilient in the face of challenging economic environment, with a focus on achieving sustainable portfolio growth, improving quality of loan book, ensuring a zero surprises credit culture through proactive portfolio monitoring and maximizing recovery of infected portfolio. Simultaneously, the momentum towards augmenting CIBG's trade finance portfolio was also maintained to maximize earnings for the Bank.



Emerging Corporate (EC) division within CIBG primarily covers top tier commercial entities that operate at relatively small scale with varied market dynamics and banking requirements. The core objective of this specialized business segment is to provide value-added financing solutions and advisory services to mid-tier clientele including emerging corporates and growing commercial entities while simultaneously steering and enlightening them with better corporate practices. Moreover, EC's flagship product "Allied Share Financing" also contributed towards Bank's advances growth through small ticket loans under a structured risk-based lending program.

Financial Institutions Division continued to expand its global outreach by establishing relationships with reputed financial institutions spread across Europe, Asia and Africa to support the Bank's clientele actively engaged in trade, treasury and foreign exchange payments. The Bank now has more than 540 international correspondents located in 75 countries, providing global reach and acceptability. Bahrain (Wholesale Banking Branch) and Dubai (Representative Office) continued to extend support in exploring opportunities for expanding business from the Gulf region. Despite a tough year, Bahrain Branch contributed in raising US\$ deposits for the Bank. On the asset side, pressure on bond prices remained a challenge, however, these are likely to get reversed in medium term. The Bank's Representative Office in Beijing, People's Republic of China, continued to focus on developing relationships with leading Chinese Banks and corporates to explore potential business opportunities for trade and investment flows between China and Pakistan.

Home Remittance Business (HRB) continued to mobilize remittance inflows by strengthening relationships with existing correspondent partners and exploring new corridors. Capitalizing on the extensive

network of correspondent relationships across the world and country-wide 1,450+ online branches, HRB delivers services for the overseas Pakistanis to remit funds expediently and efficiently through multiple channels. Aggressive marketing and promotion activities were executed throughout the year to boost remittances, and for brand visibility of ABL and 'Allied Express' service in local and international markets. Further, promoting remittances through digital channels and process automation also remained a key focus to further enhance the Bank's remittance business.

The Cash Management Division expanded its horizons with ongoing new client acquisition and marketing efforts. The Bank's strong transaction banking capabilities are fully customizable, highly scalable and available across the entire online branch network in real-time. Additionally, our state-of-the-art core banking system provides our customers with an excellent platform for present and future transactional banking requirements. Investment Banking (IB) offers a wide range of investment banking products and solutions to corporate clients to help achieving their growth and strategic objectives. The Bank's countrywide presence allows it to offer full coverage to clients with the broadest range of financial solutions and seamless execution. ABL's Investment Banking is building business on the back of strong corporate relationships; in-depth understanding of structured finance and local regulations; and rich experience of past transactions. The Debt Syndication and Advisory Unit's forte is executing big ticket debt arrangement transactions for the Bank's corporate clientele by offering cost-effective and customized corporate financing solutions. It also offers a broad array of advisory services/products ranging from advising on IPOs, Underwritings, Divestments, Debt Restructurings and Merger & Acquisition Deals. The Project Finance

# GROUP REVIEWS

Unit offers services to project sponsors for development of a credit-worthy and bankable financial structure for Greenfield / Brownfield Investment Projects with appropriate risk allocation. The team also arranges funding on a syndicated basis to finance these Projects. During 2022, Investment Banking advised and financed multiple transactions covering diverse sectors including power generation and transmission, cement, telecommunication, oil and gas, infrastructure, microfinance and financial institutions.

The Capital Markets division continued to generate stable income stream from its well-diversified portfolio of high-quality stocks. Investment Portfolio of the Bank is being carefully managed with enhanced focus on investment quality, diversification and stable dividend payout. Despite a gloomy year for capital markets, wherein market sentiments remained largely bearish; and macroeconomic indicators witnessed a deterioration, ABL's equity portfolio showed resilience in the face of overwhelming odds, and recorded decent capital gain and dividend income during the outgoing year.

## Future Outlook

Going forward, CIBG aims to maintain its selective lending approach with primary focus on top tier and blue-chip corporate clientele to continue adding high quality assets while simultaneously exploring bankable avenues in the mid-tier corporate segment to diversify and generate a sustainable revenue stream.

CIBG seeks to maintain its contribution towards the Bank's overall profitability through cross-selling of financial institutions products while capitalizing on established corporate relationships and international operations and explore avenues for maximizing fee-based and ancillary business income. Moreover, accelerated efforts are being made to explore new corridors for remittance business and maximizing the Bank's synergies across its domestic and international network.

## TREASURY

The year 2022 started with inflation taking the center stage in the global economic corridors. The overhang of highly accommodative economic policies especially the unprecedented monetary easing and fiscal largess coupled with fault lines in the global supply chain, which had started to trouble the global policy makers towards the end of 2021, morphed fully into multi decade high inflationary forces.

This was further exacerbated by the war in Ukraine and the resultant commodity price shock.

The persistent inflation forced the global central banks to reassess their 'transitory' mantra and acted swiftly in the form of nearly 300 interest rate hikes as trillions of dollars were wiped off the global equities, bonds and relatively nascent digital assets. The traditional safe havens provided no shelter as US treasuries and German Bonds lost 17% and 25% on a total return basis as US Fed and ECB delivered 400 bps and 250 bps of rate hikes respectively.

This proved to be one of worst years for emerging and developing economies as their risk assets and currencies surrendered to the USD, many losing more than half of their value reminding many of the 1996 Asian currency crisis. Pakistan economy was among the most affected ones as foreign exchange reserves dwindled towards record lows and inflation rose to multiyear high. Global rating agencies downgraded the Country and premium on credit default swaps surged to record levels. International banking counterparts slashed their country risk exposures which further aggravated the liquidity crunch. Situation was further worsened due to record floods and heightened political uncertainty leading to stagflation as growth tumbled amid double digit inflation.

During these turbulent times, ABL Treasury continued to play a significant role in preserving and enhancing the stakeholders' value during the challenging year. The Bank timely anticipated policy shifts and refrained from adding to the portfolio duration while enhancing the return as SBP hiked rates by 625 bps during the year.

This was achieved by gradually adding floating rate bonds to the portfolio. On the FX side, the Bank played its role, in close coordination with all internal and external stakeholders, and ensured that the markets continue to function during an exceptionally volatile year. Amid highly disruptive market liquidity conditions, the Bank successfully ensured continuous market access for the Bank and its customers. Our sales desk continued to support the Bank's customers and kept them abreast of market developments for effectively managing their risks.

## Future Outlook

Going forward, the Bank expects further slowdown in economic activity and current inflationary environment would persist

as growth will likely remain subdued and inflation elevated as GDP growth may slow down to below 2% level.

Resumption of the IMF program is expected to result in high inflation as subsidies are withdrawn and fiscal discipline is adopted. During 2023, the Bank expects and hopes the policy makers' focus to remain on strengthening the economy's hedges against significant funding risks. Any positive external shocks in the form of favorable terms of trade would be welcomed.

In this backdrop, ABL Treasury is prepared to absorb any further interest rate and liquidity shocks and steer the Bank and its customers through the challenging times ahead.

## COMMERCIAL AND RETAIL BANKING

Commercial and Retail Banking Group (CRBG) continued its legacy of providing enriched and comprehensive product suite, supported by digital platforms and an extensive network of customer touch points by providing increased access to financial services; at the time and convenience of our valued customers.

The Bank capitalized on its digital strategy and was able to provide uninterrupted banking services to the account holders and obligors; providing financial access and business continuity.

Additionally, the Bank achieved a historic milestone of surpassing the deposit of Rs. 1,500 billion in year ended December 31, 2022 complemented by Current Account Deposit mix of 40%. Moreover, 7.7% growth in total deposit was witnessed in outstanding deposits enabling 19% average deposit growth.

The Bank continued to expand its physical footprint; resulting in the overall branch network to reach at 1,453 including 117 Islamic branches and 135 exclusive Islamic windows to support business expansion in new demographics. Remaining focused on boarding New to Bank relationships, the Bank added 1.3 Million plus accounts to the existing account base during the year. In line with the objectives of National Financial Inclusion strategy of State Bank of Pakistan (SBP), the Bank continued to play a pivotal role. Unique segment specific offerings like Allied Youth Account, Allied Senior Citizen Account, Allied Khanum Account and Allied Asaan Account continued to contribute towards financial inclusion of relatively un-banked, low-





income segments of the society and also increasing the deposit base of the Bank. The Bank relaunched 'Allied Behtar Munafa Term Deposit Receipt' (TDR) providing the customers better return on their short-term investments.

Furthermore, in line with digital on boarding framework of SBP; customers can open account through website / mobile app without visiting the branch. The Bank remained amongst the industry leaders to facilitate customers and to support the economy by increasing the inflow of foreign remittances. In this regard, RDA campaign was launched which resulted in a significant growth in inflow of foreign remittances and customer base.

The Bank has continued its support to SMEs in these financially vulnerable times by extending financing facilities and has exhibited growth in this segment. The Bank was also selected as participating bank in SBP SME ASAAN finance scheme for collateral free lending up to Rs. 10 Million under which the Bank disbursed credit facilities on clean basis. Moreover, the Bank has contributed towards government initiatives like Prime Minister's Youth Business and Agriculture Loan Scheme.

On consumer finance front, Allied Bank Limited offered Mera Pakistan Mera Ghar (MPMG) under Government's Markup Subsidy Scheme for Housing Finance at lower and affordable subsidized markup rate in line with SBP and GOP's initiative. Under this scheme, middle and low-income segments of the society were facilitated with housing finance facility.

Further, Mera Pakistan Mera Ghar Mela was organized by SBP which was held in Faisalabad on 19th and 20th March 2022. All leading Banks, Builders and Developers participated in this event. The Bank exhibited a stellar performance which was duly acknowledged by the visitors and appraised by SBP. ABL's Team assisted applicants in filling up application forms, issued In-Principle Approvals (IPAs) and processed the applications up to final approval level including issuance of Facility Offer Letters.

On conclusion of the event, ABL achieved first position and was declared winner on issuing 'Highest Number of IPAs', Runner Up for setting up an impressive and 'Innovative Stall' and 3rd Position on 'Number of Logins' by logging in large number of applications. In addition, ABL Team processed 5 approvals during the event.

On digital front, the Bank ventured for another initiative of Innovation Challenge Fund-5 "Small Distributor Financing" and has developed data driven lending model using Digital Platform. The Bank enhanced the scope of a digital variant of personal loan "Allied Payday Finance" by adding more corporates and institutions and their employees maintaining salary accounts with the Bank; thus, providing an instant access to financing round the clock.

Country wide Farmer Financial Literacy/ awareness Programs were arranged during the year. 150+ sessions were conducted in which more than 2,600 farmers participated. The objective was to

create awareness among the farmers and educate them regarding the availability and usage of financial services.

#### Future Outlook

Moving into 2023, in addition to building relationships with new obligors, the Bank will also concentrate on strengthening relationships with existing customers/ depositors by offering a complete suite of attractive consumer products including Allied Personal Finance, Allied Car Finance, Allied Home Finance, Allied Solar System Finance and Allied Visa Credit Card to meet their specific financial needs.

Amidst uncertainty, the Bank aspires to continuously focus on volumetric deposit growth through augmentation of account opening run-rates, low costs deposit mobilization, quality credit expansion, introduction of innovative offerings and digital banking.

The Bank aims to focus on offering female centric products and enhancing the features of Allied Khanum Account.

#### ISLAMIC BANKING

Islamic Banking remained a key focus area of Your Bank to meet the diversified needs of the customers demanding Sharia compliant financial solutions. Your Bank expanded its Islamic product and services to augment the its Islamic footprint in rapidly evolving banking landscape.

During the year ended 2022, Islamic Banking has reported a profit of Rs. 2,470 million. Deposits increased from Rs. 65,014 million to Rs. 71,870 million; whereas total

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assets closed at Rs. 111,846 million. The total amount of investments and financing was Rs. 28,248 million and Rs. 66,768 million, respectively.

During the year 2022, 25 Islamic Banking Windows (IBWs) were established at selected conventional branches. This brings the total number of IBWs to 135 besides the network of 117 specifically designated Islamic Banking Branches.

Strengthening the product suite, Islamic Banking developed and launched segment based Shariah Compliant financing products for Consumer, SME and Agriculture segments. Following the initiative of SBP, the Bank launched Islamic SME Asaan Finance, Prime Minister Kamyab Jawan Youth Entrepreneurship Scheme and Electronic Warehouse Receipt Financing. Furthermore, in order to facilitate RDA customers, customized products of Roshan Apna Ghar and Roshan Apni Car were introduced.

Digitalization and automation in Islamic Banking Group remained an important part of the overall strategy during the year which is evident from the launch of Simplified Islamic RDA Accounts, Asaan Digital Remittance and Freelancer Digital Account in compliance of SBP's "Customers' Digital Onboarding Framework".

In 2022, ABL Aitebar Islamic Banking hosted an awareness event on Islamic Banking in collaboration with the Swat Chamber of Commerce & Industries. Since 2016, ABL Aitebar Islamic Banking held 14 Islamic Banking Customer Awareness Sessions across the country.

### Future Outlook

ABL Aitebar Islamic Banking strives to provide a full spectrum of Shariah-compliant product and services in the

competitive Islamic Banking sector, maintaining operational effectiveness and top-notch client care, allowing the Bank to achieve significant growth.

Customer awareness workshops would continue to be a priority and promotion of Islamic banking in Pakistan as a means of increasing the country's financial inclusion would be given substantial weight. Furthermore, automation and digitization would continue to play a major role in the expansion and development of Islamic Banking.

### DIGITAL BANKING

The globe is embracing digital technologies to offer convenience and effective governance for fostering digital entrepreneurship, promoting economic growth and most importantly, lowering socioeconomic inequality on a worldwide scale. Digital innovation in the financial sector is quickly changing in today's

advanced and competitive era to give smooth client experiences and assured consumer satisfaction with incorporation of the latest technology.

Allied Bank's Digital Banking Group is maintaining strategic focus on widespread digitization to expand its service & product portfolio by providing customized and cutting-edge solutions that address the changing needs of various customer segments.

To encourage innovation and digitization in the ecosystem, Allied Bank and the National Incubator Center (NIC), Islamabad, inked a Memorandum of Understanding (MOU). As part of this collaboration, Allied Bank hosted a fintech hackathon that attracted more than 1,200 participants from diverse backgrounds. Using Allied Bank's Open Banking APIs, the participants collaborated to offer creative answers to various issue statements. Innovative solutions were





presented by the attendees, including Metaverse banking, cutting-edge data analytics, intelligent ERP solutions, etc. In an effort to give these solutions a chance to enter the mainstream of the financial industry, Allied Bank is now looking into prospective partnerships with these emerging FinTech. In order to strengthen the entrepreneurial atmosphere and foster the advancement of scientific research, Allied Bank is working to create a more interconnected startup ecosystem.

Allied Bank is first in the industry to enter into the Metaverse. With the help of the 'metaverse', users will be able to do more than just to browse the internet. The metaverse, which is based on blockchain, augmented reality, and virtual reality, is a place where individuals can come together, engage, and have an entirely immersive experience. By developing its own "virtual" touchpoint that offers a very realistic banking experience through the use of Virtual Reality (VR) technology, Allied Bank, a true pioneer in the field of digital banking, has made the first step into the Metaverse. Allied Bank's metaverse touchpoint allows its customers to open an account through the myPDA portal, conduct transactions through the myABL portal, contact a customer representative for any query and provide their feedback

Consistent with the SBP's objective of building a dynamic and inclusive financial sector under National Financial Inclusion Strategy, ABL has been offering Asaan Accounts aiming to expand the outreach of banking services to all segments of society.

DBG has always sought to remain at the forefront of innovation and technology. In order to improve customer experience and

bring more convenience to them, the Bank has introduced debit card replacement and upgrade services through Allied Phone Banking (APB). Previously, ABL Debit cards were only being replaced and upgraded through branch visits.

To further improve customer experience, temporary limit enhancement facility from ATM was launched during the year whereby ABL Debit cardholders can temporarily enhance their daily transactional limits by 100%. This exclusive service has empowered customers to enhance Cash Withdrawal, Fund Transfer & POS/ Online Shopping limit to accomplish their emergency requirements anytime through any ABL ATM/CCDM.

Allied Bank introduced VISA Premium debit card against foreign currency and Roshan digital USD accounts in order to provide a wide range of debit card services to the customers.

In order to keep up with the constantly changing needs of the customers, a user-friendly and device-responsive interface was created for myABL Personal Internet Banking which offers an intuitive user experience. The registered number of myABL users has been increased during the year 2022 and reached to total of around 1.29 million.

In order to promote digital adoption, DBG further enhanced myABL WhatsApp Banking for facilitating account holders to conveniently access their account information on their preferred messaging platform. The Bank has managed to achieve over 672,000+ registrations for myABL WhatsApp Banking since its launch.

Payday loan (Advance Salary) feature was also extended to over 80 companies. Customers can now download their account maintenance and withholding tax certificates of their accounts conveniently through myABL Digital Banking channels. Furthermore, to make internet and mobile banking more secure, device binding and Robo Call functionality was implemented on registration along with 16-digit complex OTP during myABL registration and password recovery service.

Customers can now open their accounts anytime and from anywhere without visiting ABL branch in few minutes through online account opening via website and myABL application. This revised journey includes following updates:

- Persona-based account category offering to customers.
- Introduction of Optical Character Recognition (OCR) & Artificial Intelligence (AI) functionality to read the data from customer's CNIC.
- Integration with NADRA to fetch customer details to reduce the inputs.
- Strengthening the Controls environment by introducing the Artificial Intelligence in which customers' live picture is matched with NADRA's record

To facilitate Non-Resident Pakistanis (NRPs), Roshan Digital Account (RDA) initiative was launched which has connected Non-Resident Pakistanis (NRPs) with Pakistan's Banking & Payments ecosystem. Through this initiative, NRPs have been enabled to open bank account digitally in ABL.



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Aiming at customer centric digitization, ABL launched service through myABL Digital Banking (Web & Mobile Apps) where customers can request the Bank to share their required KYC details & documentation with Central Depository Committee (CDC) for opening a Stock Market Investment Account with his/her desired broker. The core objective of making this feature available in myABL Digital Banking is to provide convenience to the customers by avoiding redundancy of providing KYC data and documentation to the broker which is already available with their bank as well.

To raise maximum awareness & promote the Bank's products and services, various campaigns and advertisements have been executed throughout the year on social media platforms.

Another challenge of this digital era is figuring out what the present client base wants given that millennials are technically adept. Communication to ABL customers is being currently done through multiple channels including SMS, Emails and in-app notifications, however these marketing channels are not inter-linked with each other. The communication material and the data set for each channel has to be configured independently. In order to have a holistic campaign management approach, ABL has signed agreement with dEngage for its Customer Driven Campaigns Management Solution in order to interlink/ manage all channels such as Email, SMS, Web Push and App Push uniformly with an option of triggering event-based communication to ABL accountholders and prospective customers based on their interests. This campaign management solution would not only help in improving the retention of

existing customers, but also drives for the acquisition of new customers.

Furthermore, ABL is the first bank in Pakistan to use Sprinklr across all of its digital communication channels such as Facebook, Instagram, Twitter, YouTube, LinkedIn, and App Stores; thereby creating a unified process for reaching, engaging and listening to customers specifically with the implementation of Sprinklr's Modern Research, Sprinklr's Modern Care and Modern Engagement across the Bank. Over the past year, ABL has experienced an increasing number of customers asking various questions and making comments across social media and messaging channels. As a result, the Bank is looking up to the Sprinklr's Unified-CXM platform to help it connect with the customers in a human and personalized manner on ABL's digital channels. Sprinklr offers a customized AI-powered software platform to help ABL transform its social media and digital customer experience and gain critical customer insights.

#### Future Outlook:

The Digital Banking Group is very enthusiastic about improving its products and services in order to strengthen the whole digital perspective and meet the expectations of the Bank's customers. Various innovative products and services are lined up, which will be implemented with an agile methodology. Contactless payments including NFC & QR, Enterprise Loyalty, Acquiring Business, Self Service Branches are in pipeline with a vision of:

- Enhancing Customer Experience & Engagement;

- Promote Process Automation & Business Intelligence; and
- Digital Transformation.

#### INFORMATION TECHNOLOGY

The Bank has continued to make significant advancement in serving its customers using state of the art technology and by enhancing its digital footprint so that customers are provided with all "digital and networked banking services" on the go.

In order to support data driven business decisions for customers, the Bank by using Big Data technologies has created Data Lake comprising of structured and unstructured data. The Bank is also working with multiple Data Science companies to capitalize on the investment of Big Data for implementing multiple use cases through machine learning models, and in turn, improve and personalize customer experiences.

The Bank is in the process of implementing additional use cases on "Robotic Process Automation Solution" for improving operational efficiency, control and cost saving. Automation of these manual processes resulted in timely availability of services to the customers and reduction in resolution turn-around time; consequently task automation has improved human resource management.

ABL is also a leading Bank to implement system-based trade parties Name Screening and tracking of vessels / voyages and their reputation. Furthermore, SBP governed TBML red flags are applied for trade deals monitoring; in order to monitor customer transaction behavior

for any possible money laundering and restricted deals.

Enterprise CRM project includes but not limited to become a customer centric organization as the Bank will be able to measure performance and execute effective campaigns. ABL staff will get customer details more effectively using features like Customer 360 view. From technology point of view, operational cost will be reduced by automation of processes, removing duplications and centralization of back-office functions.

All ABL branches and ATMs are on redundant network media having ample foot print of fiber optic across the country. Due to this robust design, ABL branches connectivity uptime is 99% despite infrastructural issues due to flood disaster countrywide specifically in south & north regions. Furthermore, the Bank has developed cross platform Android & iOS based Mobile application that has the capability to monitor ATM Network in real time.

The Bank has procured IBM Business Process Manager (BPM) which focuses on automating and streamlining the internal processes through digitized workflows. The objective of the BPM will be to discover, document, automate and continuously improve the business processes in order to increase organizational efficiency and reduced costs. BPM also offers native connector that allows seamless integration with Robotics Process Automation (RPA) implemented use cases wherever required. In order to conduct Know Your Customer (KYC) of overseas and local customers, the Bank is in the process of implementing video conferencing software solution to ensure customer genuineness through picture liveliness. The solution will compare live image with CNIC/NICOP/POC picture facilitating customers without visiting a branch.

ABL is among the first 3 banks who have volunteered for PBA's initiative of implementing blockchain based e-KYC, which is customer information sharing platform among the member banks. In the first phase, shared information will be transparently viewed and updated by the banks to perform KYC.

The Bank has recently upgraded hardware infrastructure of Core Banking System and inducted IBM Power10 servers which are the most powerful and scalable server in the IBM Power portfolio. It helps enable greater workload deployment flexibility and

agility while accomplishing more work and respond faster to business demands.

ABL Network team has implemented software defined networks in campus and data center. Cisco SD-Access is the campus based software define approach which enables IT transformation by improving visibility, defining and applying group-based access policies, segmenting network to isolate traffic, reducing risk, containing threats and achieving consistency in policy over the entire enterprise, from users to applications.

Cisco ACI, the industry's most secure, open and comprehensive Software-Defined Networking (SDN) solution for data center networks, enables automation that accelerates infrastructure deployment and governance, simplifies management to easily move workloads across a multi-fabric and multi-cloud framework and proactively secures against risk arising from anywhere. It radically simplifies, optimizes and expedites the application deployment lifecycle.

In order to provide centralized, reliable, safe and secure business services, ABL has two state-of-the-art mission critical Data Center facilities. These facilities are designed, built and operated to meet international standards and ensure availability of banking services round the clock for customers.

For the availability of critical services to the customers' even in case of a disaster, the Bank annually conducts one-week long DR exercise to assess the strength, availability and monitor the robustness of Disaster Recovery site. During this tenure, all operations are served from alternate site which acts as primary site.

Allied Bank's mobile and internet banking platform provides vast array of digital innovation services with focus on customer experience. It offers secure, reliable and efficient digital banking services both for retail and corporate customers.

The Bank has the honor to become market leader in providing financial services through WhatsApp Banking. WhatsApp banking has made tremendous progress in financial inclusion by registering 670,000 plus customers, since its launch.

Allied Bank has successfully implemented the Hitachi Recycler Cash Machines which is helpful to reduce the Cash-In-Transit cost due to cash sorting and recycling capability.

The Bank has also successfully launched multiple innovative services including but not limited to Debit Card Activation through ATM with two factor authentication, Temporary Limit Enhancement through ATM, Launch of Instant Debit Card, Premium Card product for USD accounts, Debit Card Delivery services to customers preferred address, Fee for International Card acquiring and Optional Receipt Printing for Cash Withdrawal in order to reduce the paper wastage. These services have played key role in improving customer experience.

RAAST is an SBP's initiative with the aim to digitalize the economy by introducing the low-cost payments, interoperability amongst all the financial institutions and simplifying the transactional experience. Allied Bank has been part of this initiative since inception of RAAST project and has successfully implemented the Bulk Payments (Receiving Side), Person to Person Payments and QR payments.

#### **Future Outlook:**

Going forward, ITG shall continue to augment its inter-connected technological advancement across the Bank to cater financial needs of the Tech Savvy customers while reducing operational cost through automation and optimization of processes and systems.

The Bank continues to implement robust system in order to safeguard from upcoming cyber security threats. The Bank shall continue to invest in revolutionized IT systems for better connectivity with branches, offices and ATMs including the deployment of end to end digital payments among individuals, business and government entities.

#### **RISK MANAGEMENT**

Risk Management Group (RMG) is continuously striving towards management of risk through an augmented framework of sound risk principles, reinforced by optimum organizational structure, robust risk assessment models and effective monitoring systems in an automated environment to safeguard the strength of the capital base of the Bank while achieving maximum value for the stakeholders.

Dedicated functions in Risk Management include:

- Corporate and Financial Institutions Risk;
- Commercial, SME and Consumer Risk;
- Credit Administration and Monitoring;
- Technical Appraisal;



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- Information Security & Governance; and
- Enterprise Risk.

These functions operate cohesively to continuously augment the risk monitoring and assessment architecture, ensuring superior quality of asset portfolio while keeping the aggregate risks well within the Bank's overall risk acceptance criteria. During 2022, Risk Management continued to refine and innovate Risk Management practices through use of latest technology and took following key initiatives to further strengthen risk monitoring and assessment processes:

- The Bank has partnership with Karandaaz Pakistan (a non-profit organization) for two Innovative Challenge Funds; ICF3 - Transforming SME Financing, Innovative Credit Scoring Model of SMEs and ICF5 – Small Distributors Lending through digital platform in collaboration with Fintech.

- In order to ensure meticulous compliance regarding smooth transition towards the SBP's instructions for implementation of International Financial Reporting Standard 9, "Financial Instruments" (IFRS9), the Bank has ensured its readiness through implementation of IFRS-9 system to comply with regulatory requirements and accounting standards. The Bank has been successfully submitting the impact of Expected Credit Loss under IFRS9 to SBP.
- In line with Basel guidelines and best practices, the Bank has arranged validation and recalibration of Obligor Risk Rating Models through external consultant.
- The Bank has an in-house developed state of the art Risk Assessment and Management System (RAMS) for loans processing and monitoring. The system has enabled effective management of Credit Risk, also reflected by one of the lowest infection

ratio in the industry. The Bank follows a continuous process for upgradation in RAMS to enhance its effectiveness.

- In continuation of the Bank's distinctive initiative of engaging with the obligors to provide them with latest insight on business management and strategies; an interactive Webinar and three seminars for Corporate, Commercial & SME obligors, were arranged with Renowned Speaker Dr. Ishrat Hussain (ex-Governor State Bank) on "Corporate Governance for Sustainable Economic Growth" and "Transition from Family-Owned Business Structure to Corporate Structure" during 2022.

The Bank has conducted various security assessment exercises in 2022 on Information assets of the Bank which included Vulnerability Assessment (VA) and Penetration Testing (PT) activities. This included a comprehensive White Box Vulnerability Assessment for Critical Application Servers of the Bank.





Payment Card Industry Data Security Standard (PCI DSS) Certification was also achieved for the 4th year in 2022 along with compliance to Swift Customer Security Program (CSP) as mandated by SWIFT International. Various Information Security Awareness campaigns including Fraud awareness were conducted for our valued customers. A Cloud based E-Learning platform was acquired for training of team members to educate and enhance awareness about latest Cyber security threats and trends.

Major focus of the Bank remained on the Capacity Building and Enhancement of SOC (Security Operations Center) where significant investment was made on the Technology Upgrades, improvement of processes and development of Skillset of Human Resources. Major highlights included establishment of a dedicated SOC Facility and onboarding of a Threat Intelligence and Digital Risk Protection Platform for receiving enriched and

timely Threat Intelligence for protection of the Bank's Information Assets. Some processes for detection and prevention of Indicator of Compromise (IoCs) were also automated through IBM's Incident Response Platform.

Deployment of End Point Detection and Response (EDR) solution for detection and prevention of Behavior based threats and anomalies was achieved during the year.

The Bank has also initiated a project to develop an Information Security Risk Management Program for aligning its Governance structure with International Standards and Industry best practices. In this regard, Information Security Strategy and development of Policies, Procedures and Frameworks were the major highlights.

The Bank conducted Cyber Hygiene and Data Leakage self-assessment exercises for evaluating the overall cyber health and Security Posture of the Bank. In

this context, the Bank has developed a roadmap to further strengthen and improve the security posture.

#### Future Outlook

Risk Management aims to continue the pace of major initiatives in 2023 such as effective utilization of the implemented Modules of Oracle Financial Services Analytical Applications (OFSAA) and Operational Risk Management Module of Risk Nucleus, process design assessments and control testing, automation of workflows in Risk Assessment and Management System, information security awareness campaigns and augmentation of the Bank maintained warehouses for pledge financing.

Emphasis on further strengthening the Bank's Information Security Posture shall continue along with investments in technology and human resource development to maintain an effective risk management framework across the Bank.

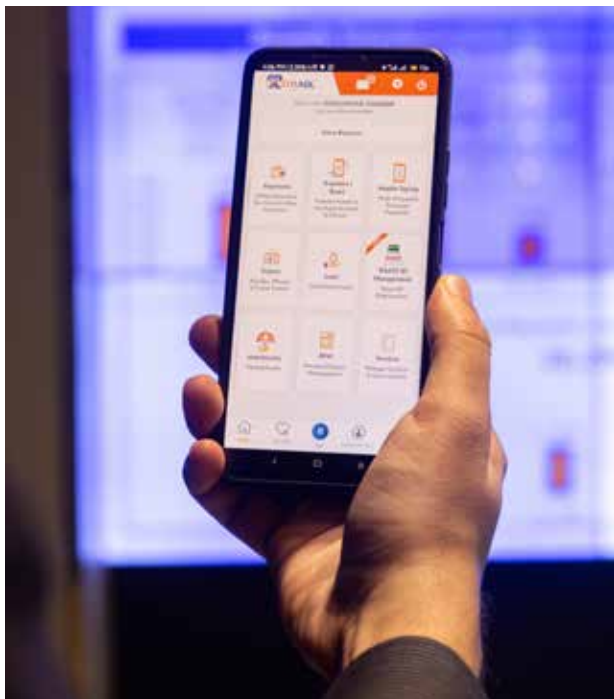
Being cognizant of disruption through digital banking, Risk Management has planned to enhance the scope of existing digital lending platform from consumers to Small Enterprises, Medium Enterprises and commercial businesses by innovating credit scoring models and processes for credit risk assessment, disbursement and monitoring.

Collaboration with leading FinTech and Data Analytics companies shall be evaluated to leverage the developments taken place with regards to Artificial Intelligence and Machine Learning techniques.

Risk Management recognizes the challenges to the economy and shall



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continue to take pragmatic measures to ensure effective risk management of assets of the Bank

## HUMAN RESOURCE GROUP

Human Resource Group (HRG) continued to play its dynamic and agile role while positioning itself as lead enabler for business growth. HRG reshaped the way for recruiting, developing and retaining talent, to achieve positive work outcomes. HRG has been the driving force in keeping the workforce and organization engaged, productive and resilient during the hardships of the time.

In line with the approved policy and to meet human resource requirement of the Bank, career opportunities have been offered to external candidates and our existing employees at all hierarchal levels through approved talent acquisition procedures of the Bank.

To fulfill the human resource requirement of different functions of the Bank, 2600+ offers for appointment have been issued to eligible candidates during the year 2022, through both contractual and permanent recruitment practices. In line with approved Manpower Plan 2022, batch of fresh Management Trainee Officers was inducted, consisting of 303 candidates. As per approved career path of Management Trainees, 799 Management Trainees from various batches were awarded biannual increments during the year 2022.

Keeping in view advancement in technology front and to keep pace with digital age, specialized induction and retention program for Management Trainees – Information Technology (MT-ITs) was revamped and dedicated batch of MT-ITs was inducted for Information Technology and Digital Banking Groups under which 68 offers were issued to fresh graduates.

Career growth opportunities were offered at all hierarchal levels through merit-based elevations of the Bank's own resources to provide cross functional exposures at Chief, Group Head, Divisional Head, Regional Head and Unit Head positions. Through effective career progression at junior management levels, 653 cadre change elevations were made along with 1,757 grade promotions during

the year 2022 to provide adequate growth opportunities within the organization.

HRG has firm belief in nurturing the employees on personal and professional dimensions to not only enable them to perform better but also develop them along defined career paths. LUMS customized training of middle and senior leadership of BSG, CRBG, IBG and DBG on 'Developing and Leading Customer Centric Culture' and specially designed 'Women Leadership Development Program' are embodiment of the Bank's unfailing commitment to invest in its employees.

Training efforts during 2022 encompassed inclusiveness, equality, ethics, compliance, service excellence, efficiency, transformation, culture and wellness among other functional and behavioral areas. Use of latest learning tech including mLearning (app downloads increased by 5 times during 2022) have paved the way for effective blended learning.

In line with SBP directives for training initiatives in the under privileged areas and for National Financial Inclusion strategy, the Bank arranged trainings focused on capacity building of our employee base in areas such as Baluchistan, Ex-FATA districts, Gilgit/Baltistan, etc. Allied Bank has conducted over 3,450 sessions in 41 remote districts assigned to the Bank under National Financial Literacy Program (NFLP) over a period of 5 years. These programs were attended by over 92,200 citizens from local communities.

Digital fluency remained a top priority area for capacity building training interventions. Fast changing landscape of digital transformation requires an agile approach enabling the employees learn and apply the latest concepts/technology fast. Upskilling sessions were held across management development centers of the Bank to enhance the digital proficiency of the employees.

The Bank's collaboration with national and international level institutions/universities is reaping positive results, whereas state of the art training infrastructure (New Management Development Centers at Islamabad & Karachi are operational and world class centers/facilities are taking shape at Lahore, Faisalabad and Multan) is setting solid foundation for learning and development.

Knowledge at Sight program is SMART click-based solution. Initially, it will cover all products coming under Accounts, Cards, Lockers, Trade and documentation requirements of Account Opening. It enables employees to quickly access the information through few clicks and is expected to enhance their performance readiness. Knowledge at Sight will enhance ability of employees to appropriately respond customer queries which is critical to service excellence.

Employees' compensation and benefits remained of paramount importance for the Bank, particularly under challenging business environment due to immense rise in inflation. Minimum base salaries and allowances were increased at multiple hierarchies and all employees at Management Grade 8 and below were paid one-month basic salary as 'Ad-hoc Inflationary Allowance' in 02 tranches.

As part of Corporate Social Responsibility practice, The Bank plays a proactive role in contributing towards the society. The Bank has arranged a 'VOLUNTARY' blood donation camp for cancer patients, in collaboration with Shaukat Khanum Memorial Cancer Hospital & Research Centre (SKMCH & RC) at ABL Head Office, Lahore which was participated by large number of employees.





Employee health care initiatives were undertaken under which 'Breast Cancer Awareness Session' was arranged in-house at its Head Office, followed by a medical specialist from Shaukat Khanum Memorial Cancer Hospital & Research Centre (SKMCH & RC), Lahore. The month of October 2022 was eminent as Breast Cancer Awareness month to create awareness about the disease. The Bank participated in accordance with the international support for Pinktober. Furthermore, awareness campaign was also launched to educate females above the age of 40 regarding the benefits of early detection of breast cancer.

With an aim to facilitate our employees, while keeping in mind the steep rise in the prices of clinical diagnostic imaging services, the HRG has made an arrangement of corporate discount rates up to 35% with 'Inner Imaging Center' (IIC), Lahore.

HRG has arranged 'Corporate Discount Offerings' with 'Chughtai Lab and Healthcare, Lahore'. The purpose of this arrangement is to enable all Regular/Bank contract ABL employees and their family members to get medical services on special discounted prices through Chughtai Lab and Healthcare, 'Blue Card' which has been issued to all ABL employees, free of cost.

Employees' wellbeing and mental health is of paramount significance to the Bank. Hence to counter the post pandemic stress, training sessions and wellness programs on 'Work-life Balance', 'Yoga for Self-Care' and 'Stress Management' were arranged for employees.

Gender Equality has always been the corner stone of Allied Bank from the time of the Banks inception it was the torch bearer on being an equal opportunity employer to help women achieve their goals. HRG has always been at the fore front to promote the female employee inclusion and supporting new initiatives that support them in general areas of life as well. HRG has taken multiple initiatives, to narrow down the gender gap and establish a conducive, harmonized gender sensitive work environment.

In accordance with corporate strategy of diversity and inclusion, Allied Bank has taken the initiative to induct batch of Khanum Tellers consists of 265 female candidates under its 'Female Inclusion Program' as per the approved Manpower Plan (MPP-2022). Along with the Khanum Teller batch, hiring of female

employees in substantially increased percentage was ensured in all other fresh as well as lateral hirings.

As part of our diversity & inclusion drive, hiring of female employees was focused this year. Therefore, the Bank's female population stood at 20.69% at December 2022.

Allied Bank as an equal opportunity employer, has always made sure that there is no room for discrimination against any Gender, Race or Person with Different abilities in line with its approved policy. A specially designed internship program leading towards permanent employment was initiated by HRG in coordination with the relevant stake holders to improve employment experience for any person with different abilities.

Furthermore, Human Resource Group has conducted a comprehensive training for all employees to interact with Persons with Different Abilities (PWD). The curriculum is designed such as to explain the meaning and reasons of PWD, general guidelines to serve PWD, priority services to PWD, sign language communication with deaf persons and guidelines to deal with visually impaired/blind persons.

HRG organized interactive sessions 'MTO Connect' for Management Trainee Officers of batch 2016, 2017 and 2018. Total 882 employees attended these sessions held at Lahore, Karachi, Islamabad and Multan. The Chief HRG addressed the MTOs and reinforced ABL vision, mission, core values and role of HR. She also discussed various aspects of being a professional banker. She motivated the participants to embrace the leading positions and utilize their managerial skills for career growth. After the presentation of Chief HR, a general Q&A/Interactive session followed, wherein, Chiefs from Human Resource Group, Banking Services Group and Commercial and Retail Banking Group interacted with participants and sought their suggestions/feedback on different aspects.

Allied Bank is one of the most sought-after employers of Pakistan. Over the years, the Bank has proven itself to be one of the best employers in the banking industry and the bank of first choice for the fresh graduates; aspiring for a bright future in the banking industry.

# GROUP REVIEWS



Orientation session for newly inducted MTOs were held at Lahore, Karachi and Islamabad to provide insight about the organization and role to be played by them. After going through dedicated training period consisting of class room as well as on job training, efforts of successful MTOs were acknowledged through Graduation Ceremonies at Lahore, Karachi and Islamabad. Chief HRG along with other senior management of the Bank had interaction with each graduating MTO and special awards were given to MTOs showing exemplary performance.

In order to find the best resource that would not be just a good fit for the Bank but to add value to the organization and to uphold the Culture, Values and Morals of the Bank, the recruitment team actively participated in multiple career fairs, where detailed interaction was made with the fresh graduates aspiring to start their practical careers.

Industry leading three level leadership succession programs through Allied

Leadership Talent Pipeline (ALTP) Phase-2 and Allied Leadership Recognition and Investment in Sustaining Employees (ABL RISE Program) are key highlights of 2022.

ALTP-II was administered to 134 employees who were further assigned into three echelons, based on their suitability of succession. This is critically designed & focused training program for employees from MG4 – MG6, excluding the Group Heads. A comprehensive training cycle based on identified individual needs in each echelon was delivered to enhance employee leadership skills and build their capacity for senior level assignments, in the coming years.

Under ABL-RISE program, 1560 employees from Middle Management grades were assessed to identify and develop pool of future leaders. ABL-RISE program is envisioned to expand the sphere of growth of these employees and their personal development as potential leaders. It was a well-appreciated program as the targeted audience was also cynical about their futures. Customized learning

and development opportunities shall be provided to the selected employees under this program, to enhance their professional skills to bring excellence to their work.

## BANKING SERVICES

Banking Services Group (BSG) envisions to enable business growth, enhance customer experience and operational excellence by leveraging on technology while ensuring the implementation of operational controls; optimization of resources and facilitation for digital transformation. It aims to ensure delivery of banking services with utmost customer satisfaction which in turn synergizes the New to Bank (NTB) relationship building along with deepening in the existing clientele.

The Bank continued its journey towards process simplification, automation and digitization; consequently:

- During the year, the Bank opened 1.3 Million plus Accounts and issued 755,000+ Debit Cards.
- The Bank remained focused towards enhancing digital transactions mix





which stood at 74% as at December 31, 2022.

- During the year, myABL and WhatsApp registrations reached at 1,286,000+ and 672,000+ respectively.
- With focused selling efforts & relocation of locker cabinets for better utilization. Locker occupancy is improved and currently stands at 64%.
- Introduced Positive Pay In lieu of Call Back Confirmation (CBC), an Industry first feature where instead of CBC, customers can pre-intimate their payment cheques through myABL.
- Under female financial inclusion drive 278,892 female accounts were opened. Female Champions have also been appointed at groups, regions and branches.
- Pehla Qadam, an initiative where the Bank engaged new recruits in onboarding NTB customers' account from their Family, Friends & Relatives. So far, encouraging results are witnessed in this continued effort.
- 250 Digital Signage Machines have been installed at branches during 2022; thus making a total inventory of 1,275 DSMs.
- Threshold enhanced for 3rd Party Online Cash Withdrawal & issuance of Allied Banker's Cheque (ABC) from Remote Branch to facilitate customers.
- Achieved highest ever ATM uptime of above 99% with cash dispensed of over Rs. 105 Billion during EID holidays by upkeeping ATMs & close monitoring of cash supplies.
- Enabled the option for customers to get delivery of Debit Cards at their mailing addresses instead of branch visit.
- Enabled Debit Card request from Remote Branches.
- Introduced temporary enhancement on debit card daily transactional limits which instantly fulfill the urgent financial needs of the customers.
- Embedded static QR string in Letter of Thanks & Bi-annual Statement of Account for customers' facilitation and security.
- Centralized monitoring of ATMs for replenishment implemented resulting increase in ATM replenishment to 80% from 71% last year.
- 1,000 New Flatbed Printers were deployed at 200 branches to support cheque security feature validations, digital archiving, operational efficiency, offsite monitoring and audit.
- Remote awareness sessions were conducted using Digital Signage Machines for customer centric services & products covering RDA, Account Opening, Debit Cards, ABL AMC, Home Remittances, housing finance and branch upkeep.
- Centralized Desktop Review performed for Top 100 branches; thereby, reduced workload and helped to increase focus on sales and services.
- Single Inquiry Screen implemented for Phone Banking Agents to attend and respond queries and complaints of Home Remittance Beneficiaries.
- The Bank managed above 96% ATMs Uptime throughout the year, despite challenges of power crisis, flood calamity from unexpected heavy rains.
- Business Internet Banking (BIB) process redesign resulted in 59% YoY increase in BIB Customers.
- Developed Dashboards for performance monitoring of Branch KPIs for readily access to the current statements of affair & other actionable insights.
- Bulk IBFT – Introduced Bulk IBFT facility through Central Branch to facilitate corporate customers not using myABL BIB Portal.
- Centralized Inward Clearing – Completed milestone of Inward Clearing Centralization covering all NIFT dealing branches with annual volume of 2.2 Million transactions.
- ABL is the first in industry where Image Based Clearing System (IBCS) structure was completely rolled out and the same was also acknowledged by NIFT.
- Customer Relationship Management (CRM) Oracle Siebel was implemented which synchronizes and coordinates sales, marketing and customer service across all contact points.
- ePRC implemented – Self-service automated solution for Issuance & Verification of ePRC launched where customers can generate ePRC directly through ABL Corporate Website or from branches.
- Implemented change in operational process to validate the home remittance beneficiary details in case of mismatch/ difference in name at branch level for effective customer service facilitation.

#### Future Outlook

Going forward, BSG will pursue automation and simplification of processes using technologies like Robotics Process Automation (RPA), machine learning, artificial intelligence and adding service channels like customer facilitation portal on ABL's website to enhance customer experience.

Synergy with business teams shall be heightened to achieve further business growth. Customer centric culture shall be focused and customer service shall be used as the main tool for business growth.



# GROUP REVIEWS

## SPECIAL ASSETS MANAGEMENT

Special Assets Management Group (SAMG) performs key functions related to recovery of non-performing assets of the Bank, acts as focal point for remedial measures related to fraud, forgery and dacoity incidents as well provides legal support across the Bank.

Due to challenging macroeconomic landscape (massive devaluation of rupee, rising inflation & discount rate, floods, global meltdown) industry-wise non-performing loans are on increasing trend. However, SAMG not only managed strict control on non-performing loans but also contributed significantly in NPLs recovery through coordinated team efforts and timely remedial measures.

SAMG diversified strategies with special emphasis on negotiated settlements, debt property swaps, restructuring/rescheduling of complex non-performing loans aided the Bank in cash recovery, regularization and adjustment of classified borrowers during 2022.

The Bank's infection ratio (NPL/Gross advances) has improved to 1.53% as compared to 2.04% as on December 31, 2021. Meanwhile, coverage ratio was recorded at 90.4% by December 31, 2022.

During 2022, several system controls were suggested to curb the fraud losses. Resultantly, after implementation, the Bank has observed significant decline in Digital Disputes specially related to myABL & e-Commerce channels. Moreover, more Smart Parameters on FRACTALS & reports from CDB have also been deployed to cater emerging fraud trends. Multiple staff awareness and training sessions for field offices were conducted for general awareness regarding digital disputes.

## Future Outlook

In order to strengthen fraud monitoring and to achieve cost effectiveness, SAMG is coordinating with Information Technology Group (ITG) & Digital Banking Group (DBG) to develop "Bespoke" monitoring system which will significantly reduce annual recurring cost as well as will provide real-time decision-making capabilities.

This shall also enable the Bank in initiating certain actions like blocking users on the Bank's portfolio-based transactions on alternate delivery channels (ADCs) and Branches.

## COMPLIANCE

Compliance Group (CG) functions as a



key component of the Bank's second line of defense for managing Regulatory and Money Laundering / Terrorism Financing risks with primary role to ensure that the Bank operates and adheres to all applicable laws and regulations by building necessary controls within Internal Policies & Procedures. The management of the Bank is committed to fostering a strong compliance culture in collaboration with all stakeholders through the effective adoption of regulatory guidance and continuously striving for an integrated and robust risk mitigation framework.

CG ensures strong compliance environment through;

- Performing compliance reviews;
- Ensuring timely compliance of internal and external audit observations;
- Enhancing stakeholder awareness;
- Continuous skill enhancement of the compliance staff;
- Ensuring technology driven controls for effective implementation of Anti Money Laundering (AML), Combating Finance of Terrorism (CFT), Countering Proliferation Financing (CPF) and Trade Based Money Laundering within the Bank; and
- Structured oversight of Compliance Committee of the management with respect to relevant regulations, policies & procedures and initiatives of the Bank for both domestic and overseas operations.

Pressure on the financial sector to adhere to regulatory requirements further increased in the year 2022 along-with ensuring its effective and efficient handling especially in the areas of TBML, AML, CFT and CPF requirements in line with the FATF expectations. CG has not only ensured that all regulatory requirements are timely communicated and implemented on bank-wide basis but has also played a key role in instilling a compliance culture within the

Bank via continuous monitoring, training, learning and automation. In addition to carrying out various "Compliance Risk" mitigation tasks, the following remained the key areas for effective management and oversight of Compliance Risk:

- Augmenting Entity and Process level controls to avoid Money Laundering (ML), Terrorism Financing (TF), Proliferation Financing (PF) and Trade Based Money Laundering (TBML);
- Continuous and consistent adherence to regulatory promulgations and frameworks ensuring documentation development and implementation, where required;
- Maintaining and updating bank-wide documentation and process flow charts inventory;
- Carrying out regulatory compliance reviews of the Bank's critical and high-risk areas to assess compliance with regulations and the effectiveness of implementation;
- Key Risk Indicators (KRIs) are used to identify, evaluate, and track compliance risk;
- Coordination with the regulator along with ensuring accurate and timely regulatory reporting;
- Enhanced and Effective Stakeholder Management and Organization wide outreach by Recurring and Significant Training & Education through online tools;
- Effective technology utilization and upgradation to monitor out-of-pattern transactions to detect possible Money Laundering, Terrorism Financing and Proliferation Financing activities; and
- Resolution of internal and external reviews and audits observations by conducting root cause analysis and emphasis on the process improvement.

The Bank also enhanced the effective monitoring of Trade-Based Money Laundering (TBML) and Harmonized

e-KYC (Know Your Customer) mechanisms with the integration of critical trade due diligence parameters, as well as development of Trade Customer Risk Profiling Model, to mitigate trade-based Money Laundering related risks especially pertinent to dual use of goods and vessel tracking. The Bank has also reorganized the e-KYC functionality, which has been harmonized with the core banking System. In order to access, identify and evaluate the inherent AML, CFT, CPF and TBML risks at the entity level, the Bank also updated its Entity Level Internal Risk Assessment (IRA) in accordance with regulatory requirements and the National Risk Assessment (NRA) of Pakistan.

The Compliance Group also carried out various regulatory compliance reviews to ensure compliance with the prerequisites and also conducted Gap Analysis of significant regulatory changes, amendments and updates viz a viz existing banks documentations and implementations to ensure effective regulatory compliance.

#### Future Outlook

Compliance function will continue its concerted efforts in strengthening compliance culture further and enhancement of skills through trainings, certifications and awareness sessions on areas like AML, KYC, CFT, CPF, TBML and latest regulatory requirements for Staff and Customers. Compliance function will roll out artificial intelligence-based solutions

for streamlining transaction monitoring and rationalizing sanction screening workload in conjunction with ensuring effectiveness of these systems.

As part of implementation for Trade-Based Money Laundering framework; upgradation of Name Screening Solution, Vessel tracking and Transaction Monitoring System will remain key priority of CG. Further, to comply with SBP TBML framework, Compliance Function through its risk-based approach will deploy and implement Trade Customer and Entity wide Risk Profiling Model to mitigate Trade-Based Money Laundering related risks along with implementation of Liability Customer Risk Profiling Model.

#### SERVICE STANDARDS & QUALITY

Service Quality is a strategic priority for the Bank and is viewed as a key product offering to our valued customers. Customer service in banking is one of the most important tools to enhance its market share. It includes responding to customers' needs in a thorough and timely manner by interacting with customers through face-to-face interactions, on telephone, and through other communication mediums. Allied Bank continuously strives to achieve excellence in customer services by consistently surpassing the expectations of customers, understanding their needs and continually bringing improvement in delivery of services. Service Standards & Quality (SS&Q) Group, in line with the organizational goals, remains committed

to nurture a service culture across the organization.

The Bank introduced top 100 flagship branches to provide a stimulus to service quality across the Bank. Customer Support Officers have been designated at top 100 flagship branches to implement meet and greet concept. Custom-designed greeting stations are prominently placed near branch entrance areas to facilitate interactions with customers.

Electronic queue management systems and feedback tablets have been installed at the flagship top 100 branches and additional 300 branches to facilitate customers to conduct transactions conveniently and provide valuable feedback about the delivered banking services. Furthermore, installation at around 100 additional branches is underway and another 100 branches have been planned for installation of queue management system during the year 2023. Queue management systems facilitate serving customers in an orderly manner on the cash counter, while customers can conveniently wait for their turn in adjacent waiting areas at the flagship top 100 and additional branches. Self-service kiosks and interactive digital signages have also been installed at top 100 flagship branches to provide customers the convenience of self-service banking. Customers are able to open Asaan Account, enquire their account balance, get mini statement of account, activate debit card and place request for cheque





# GROUP REVIEWS

book through these self-service kiosks. Moreover, customers can also request for change in mobile number, email address, physical address, and subscription to electronic statement of account (e-SOA) and transaction alerts using these kiosks. In case a customer has not been satisfied with the branch services, Outbound Team at Allied Phone Banking rapidly makes a call to the customer on the basis of service rating provided on customer feedback tablet or self-service kiosk. The Outbound Team tries to immediately resolve the problem for the customers and, if required, promptly registers a complaint of the customers.

The documents, notices and circulars intended for providing information and creating awareness amongst customers have been digitized on the interactive digital signages. Furthermore, customers can lodge their complaints directly both on self-service kiosks and digital signages. The lodged complaints are automatically routed to Complaint Management Division, which acknowledges receipt of complaints to the customers, and keeps them informed throughout the complaint resolution process.

Phone booths with eye-catching and prominent design have also been created at the top 100 flagship branches to provide customers a hassle-free way to contact Allied Phone Banking from the branch lobby. In order to monitor delivery of services to customer at branches, live dashboards have been developed to provide a real-time view of promptness of service delivery and level of satisfaction of customers with the branch services. With the objective to engage customers and nourish relationship with the customers on the mediums of their preference, the Bank maintains profiles on social media websites and actively interacts with the customers on a variety of topics. In this regard, with a vision to develop closer ties with the customers and to serve them at all levels, customers' comments and messages in Urdu language are also responded in Urdu text. Video mystery shopping of branches and customer experience survey was also arranged during the year 2022. The results provided an objective view of services delivered to customers at branches and helped to prepare improvement plans.

The core objective of Complaint Management Division is to enhance customer experience and confidence in terms of quick response, quality problem resolution and greater customer satisfaction. Automated escalation matrix

to the Top-Management level is in place for timely resolution of customer complaints.

In pursuit of providing exquisite service to its customers according to their personalized needs and managing customers profiles in more methodical and meaningful way, the Bank rolled out the new Customer Relationship Management (CRM) software - Oracle Siebel. Oracle Siebel synchronizes and coordinates all segments of the Bank to efficiently and effectively resolve customers' grievances and strengthen cordial relationship between the Bank and its customers/stakeholders by providing resolution.

With the aim to create awareness among customers about the Bank's complaint lodgment process and available channels, information was disseminated through corporate website, digital signages, ATMs and SMS as part of the Bank's initiatives for Fair Treatment of Customers (FTC) and Consumer Grievance Handling Mechanism (CGHM). During the year 2022, 83,099 complaints were registered and the Bank achieved 97% resolution rate with an average turnaround time of 10.3 working days for resolution of customer complaints.

Allied Phone Banking (APB) always strives to provide the best experience to the Bank's customers. The aim is to offer solutions with superior facilitation and to simplify customer effort.

In order to handle consistently increasing customers' calls volume and social media/chat volume due to wide range of products and significant growth in the customer portfolio, the Bank has recently launched its third call centre at Islamabad. Islamabad Call Centre is a purpose-built state of the art facility in the banking industry with all latest call centre technologies where employees can work in a conducive environment that will help the Bank to enhance Customer Experience. The facilities available at the call centre include training lab, separate area for inbound and outbound call agents, live Service Level dashboards, social media / web-chat area, video phone banking rooms, video conferencing room, female's common room and gaming & rest area for the staff.

In order to further enhance customer experience, the call centre solution has also been migrated to new Oracle Siebel CRM which is an integrated solution to handle multiple applications with single interface. We are living in a digital era where everything is on your fingertips. To open new doors of convenience for customers along with ease to remember and instant

dialling, Allied Bank introduced Short Code 1222 for Inbound and Outbound calls. Now the Short Code 1222 is displayed on customer's CLI when any call is made to customer from Allied Phone Banking. Likewise, customers just need to dial 1222 in order to connect with Allied Phone Banking helpline. To educate customers regarding introduction of Short Code, awareness campaign was also run on social media channels of the Bank.

In order to further enhance customer experience and with the ultimate objective to ensure that maximum customers are served, Allied Phone Banking (APB) has introduced call back service to those customers who were unable to connect with APB due to high call traffic. This feature will enhance customer satisfaction and reduce repeated call volume.

## Future Outlook

Going forward, Service Quality would carry on the initiative of installing Electronic Queue Management System (EQMS) and feedback tablets at additional 100 branches during the year 2023. It will also arrange another cycle of video mystery shopping of top 100 and additional 100 branches through an external research partner.

APB is planning to revamp its Lahore and Karachi Call Centre locations into purpose-built state of the art call facilities in 2023. Moreover, APB will be introducing phase 2 of web-chat where agents will be able to identify ABL and Non-ABL customers to strengthen security and improve customer experience. Chatbot option is also expected to go live in the coming year at Webchat and WhatsApp channels where initially customers will be handled through AI. Enhancement of IVR services is also planned by introducing debit and credit card blocking / myABL User ID blocking and retrieval, etc. through Self-Service Banking.



**OUTLOOK**



# FORWARD LOOKING STATEMENT

Forward-looking statements are used in different sections of the Annual Report of Allied Bank Limited (ABL). These Statements are based on assumptions that are subject to inherent uncertainties and, as a consequence, prone to the risk that the predictions, forecasts, projections, expectations or conclusions may deviate from actual results. Therefore, should be read in conjunction with relevant economic parameters including applicable fiscal and monetary pronouncements for decision making.

## Economic outlook

Heightened inflationary environment, depleting foreign exchange reserves, external account vulnerabilities and uncertain political scenario keep risks to domestic economic progress high. IMF has projected Domestic GDP growth at 2.0% in FY2023 which is less than its previous projection of 3.5% made in October 2022.

Inflation remained elevated during 2022 due to the increase in fuel and commodities prices. During the month of December 2022, the CPI recorded at 24.5% on a year on year (YoY) basis.

In view of this challenging situation, State Bank of Pakistan (SBP) adopted tightening of monetary policy to moderate demand, prevent the compounding of inflationary pressures and to safeguard the external account stability and has progressively increased policy rate by 725 basis points since December 2021 to bring it at 16% in November 2022 and 17% in January 2023.

Going forward, owing to rising core inflation and flood led damage to crops, SBP has projected the FY2023 growth around 2.0. Similarly, SBP forecasts range of average inflation is 21-23% in FY2023 due to higher food prices and core inflation.

## Future outlook

Although the future remains challenging, the Bank is prudently progressing ahead to shape a successful future by investing more in sophisticated AI applications and autonomous technologies to develop resilient and financial inclusive solutions to meet customers' requirements.

Going forward, ABL is determined to achieve the following key strategic objectives:

### Enhanced digitization

ABL aims to improve digital and counter transaction mix through enhancing and introducing digitally-led financial solutions, augment SMART branches and venturing into Open Banking platform.

### Process enrichment through robotic automation

The Bank continues to implement "Robotic Process Automation Solution" for improving operational efficiency, control and cost saving. Automation of manual processes will result in turn-around time improvement and strengthening of operating effectiveness.

### New-to-bank customer onboarding

One of the primary strategic goals of ABL is to develop an easy-to-use digital onboarding process. The Bank is expanding its customer base through new services and business models by adopting Hybrid strategy to augment new customer base.

### Financial inclusion

Pakistan's readiness indicators show great potential for growth of e-financial services. Going forward, large unbanked and young population represent remarkable opportunity, ABL targets to penetrate into large unbanked segment of population groups through promotion of Asaan, Youth and Khanum accounts.

### Information security

With enhanced digitization, agile and pro-active Information Security is necessitated to address cyber threats. The Bank plans to expand continuously its robust Info-Sec set-up by adopting the industry best practices and embed its systems with emerging controls.

### Human resource and intellectual capital

Technology Savvy Human Capital is essential for successful digital transformation in progressively complex and competitive environment. Along with induction of Technology Savvy resources, emphasis is being laid on traditional as well as e-learning techniques to upskill and develop workforce in line with ever-changing banking dynamics.

### Fee Based Income

Amid fluctuating interest rate environment; diversification, base broadening and optimization of revenue streams will remain pertinent. The Bank intends to exploit opportunities in e-banking services, trade finance and consumer finance to enhance fee-based income.

### Outreach

Keeping in mind the evolving digital trends together with traditional banking to cater diversified population base of the country, the Bank focuses on Hybrid Banking Strategy involving a mix of conventional and e-banking channels

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

The Bank appraises readers regarding multiple factors beyond its control, which may cause the actual results to differ materially from the expectations expressed in these statements.

Following factors may affect the Bank's results going forward:

- Fiscal and Monetary measures;
- Geo-political risks;
- Regulatory changes and Taxation;
- Political Stability; and
- Exchange rate volatility and Inflation.

## PERFORMANCE MEETING THE FORWARD-LOOKING DISCLOSURES

Strategic Objective	Key Operational Milestones
Enhance Operational Effectiveness to provide customer centric Experience.	<ul style="list-style-type: none"> <li>• Completed installation of additional "250" Digital signage Machines (Total DSMs: 1,275)</li> <li>• "Direct Debit" of Banker Instruments deployed, for processing in INCHEQ system after manual scrutiny.</li> <li>• Export Refinance centralized to reduce branches visits by the Banking Services Corporation (BSC) verification teams.</li> <li>• Customer Relationship Management (CRM) implemented for Home Remittance Operations.</li> <li>• Implemented Phase-1 and Phase-2 of Micro Payment Gateway "Raast".</li> <li>• Introduced Cash Recycling ATMs. Cash Recycling ATMs besides allowing cash withdrawal also accept cash deposited by the customers.</li> <li>• Payment Card Industry Data Security Standard (PCI DSS) Certification was achieved for the 4th year in 2022 along with compliance to Swift Customer Security Program (CSP) as mandated by SWIFT International.</li> </ul>
Augmenting financial inclusion	<ul style="list-style-type: none"> <li>• Enhanced Pakistan's First myABL Whatsapp Banking service by adding new features including IBAN Generator, applying for new Credit Card, opening myABL Wallet Account and viewing Schedule of charges.</li> <li>• "Asaan Mobile Account" was launched to financially include the market segment which does not possess a smartphone.</li> <li>• Revamped Khanum account with enhanced features for women financial inclusion.</li> <li>• Opened 24 Conventional Branches and 25 Islamic Banking Windows (Total Branches 1453 and Islamic Banking Windows 135)</li> <li>• "14" new Automated Teller Machines (ATMs) added (Total: 1572)</li> <li>• Total Mobile Banking Units are 5</li> <li>• Expanded e-Commerce payments and alliances on leading merchants.</li> <li>• Biometric Verification of pensioners through new API launched for Federal / Accountant General Pakistan Revenue (AGPR).</li> </ul>
Enhancing brand image	<ul style="list-style-type: none"> <li>• 2<sup>nd</sup> Highest acquirer Automated Teller Machines (ATM) business; ATM uptime 96%.</li> <li>• Stable dividend stream and increasing equity.</li> <li>• Bank of the year 2022 – (Pakistan) Award by "The Banker", 2<sup>nd</sup> year in a row.</li> <li>• Asiamoney - Best Bank for SMEs in Pakistan 2022.</li> <li>• FinanceAsia Country Awards - Best Domestic Bank in Pakistan for 2022.</li> <li>• Best Banking Tech of the Year award – Pakistan Digital Awards 2022.</li> <li>• 2<sup>nd</sup> Position in Banking Sector-Best Corporate Report – Best Corporate Report of 2021 .</li> <li>• Certificate of Merit for the Year 2021 in Private Sector Banks Category - South Asian Federation of Accountants.</li> <li>• National Forum of Environment and Health (NFEH) Award for: <ul style="list-style-type: none"> <li>• Corporate Governance,</li> <li>• Technology, Innovation and Inventions,</li> <li>• Women Welfare, Empowerment &amp; Development,</li> <li>• Green Energy Initiatives.</li> </ul> </li> <li>• Global Diversity, Equity &amp; Inclusion (DEI) Benchmarks Award for: <ul style="list-style-type: none"> <li>• Vision, Strategy, and Business Impact.</li> <li>• Leadership and Accountability.</li> <li>• Recruitment.</li> <li>• Job Design, Classification, and Compensation.</li> <li>• DEI Learning and Development</li> <li>• Services and Products Development.</li> </ul> </li> </ul>

Employer of Choice for top Professionals	<ul style="list-style-type: none"> <li>• Allied Leadership Talent Pipeline phase-2 conducted to ensure effective succession at the mid-level management.</li> <li>• RISE program for the Middle Management assessment completed and training plan submitted.</li> <li>• Women Leadership Development Program for high potential female employees.</li> <li>• 3 Management Development Centers (MDCs) are currently operational.</li> <li>• Established in-house Psychometric Assessment 'Center for Assessment Research and Employees' Evaluation.</li> <li>• Conducted training of the employees based on Training Need Analysis for the year 2022, Training coverage of 11,719 unique employees.</li> <li>• Implemented code of ethics and anti-harassment policy and its compliance.</li> </ul>
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## STATUS OF PROJECTS

The Bank undertook various projects during the year to augment its customer services, regulatory compliance and to expand information technology infrastructure.

List of Projects completed are detailed below:

Projects	Status
Export refinance centralized to reduce branches visits by the Banking Services Corporation (BSC) verification teams.	Completed
Automated SMS notifications to customers for Intimation of Credit refund and Receipt of import documents.	Completed
Person to Person (P2P) project under SBP's RAAST Program: Implemented "RAAST Transfer and RAAST ID Management services" via myABL Digital Banking	Completed
Customer Relationship Management (CRM) implemented for Home Remittance Operations.	Completed
Centralized authorization for FX Inward / Outward Remittance implemented.	Completed
Development and implementation of Consumer Assets Management System (CAMS) for Mera Pakistan Mera Ghar Housing completed.	Completed
myABL Personal Internet Banking Mobile App and Roshan Digital Ac-count (RDA) enriched with new feature to enhance customer experiences.	Completed
Biometric verification of pensioner through new API launched for Federal/ Accountant General Pakistan Revenues (AGPR) pensioners.	Completed
Separate RTGS for Roshan Digital Accounts (RDA) implemented for cross currency transactions.	Completed
Simplified customer onboarding process for Asaan Mobile Account.	Completed
Master Data Management (MDM) module developed to enable 360° view of the customer information in CRM.	Completed

## SOURCE OF INFORMATION AND ASSUMPTIONS USED FOR PROJECTIONS AND FORECASTS

The Bank prudently analyses market dynamics to formulate its projections and forecasts. The Bank also uses assumptions and forecasts provided by International Monetary Fund, World Bank, Asian Development Bank, State Bank of Pakistan, Ministry of Finance and Pakistan Bureau of Statistics.

## BANK'S RESPONSE TO CRITICAL CHALLENGES AND UNCERTAINTIES

The Banks's robust Risk Management Framework together with strong technological and intellectual infrastructure enables the Bank to address impending risks and uncertainties. The Bank's unique positioning, together with its adequate capital and liquidity including robust systems and processes, makes the Bank confident to rise through year 2023 and beyond.



**CORPORATE  
SOCIAL  
RESPONSIBILITY**

# CORPORATE SUSTAINABILITY REPORT FOR THE YEAR ENDED DECEMBER 31, 2022

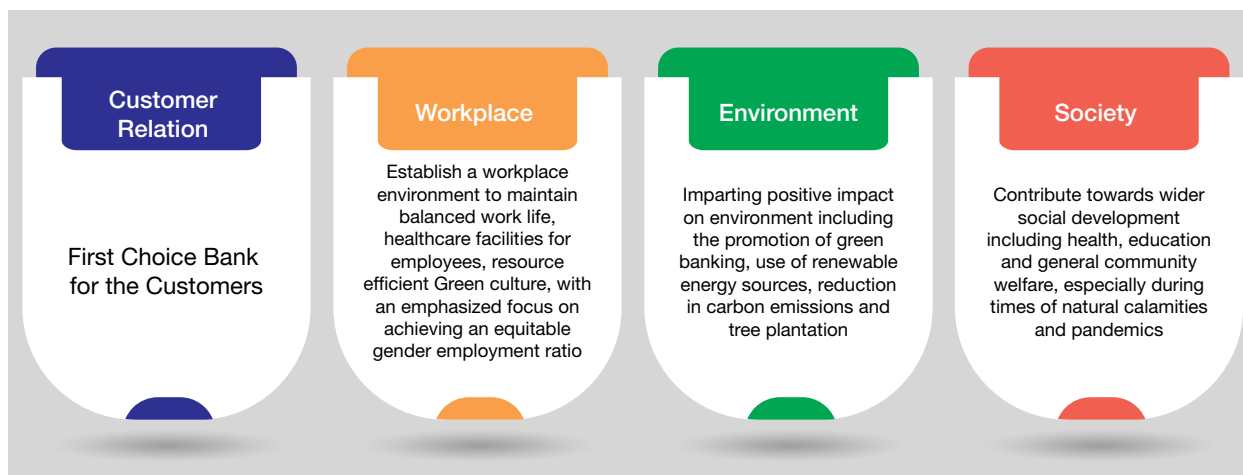
Allied Bank Limited (the Bank) being a socially responsible citizen remains committed towards Corporate Social Responsibility (CSR) which forms an integral part of the Bank's long-term strategy.

Your Bank believes in continued efforts for creating positive impact on our society and works to sustain the trust of the customers and communities in which it operates.

## Our Philosophy of CSR

Your Bank adopted globally recognized ecological and social practices through its endorsed CSR policy. The key CSR objectives of the policy are aligned with the rolling strategic plan of Your Bank; ensuring close adherence to the global Sustainable Development Goals (SDGs).

Under the CSR Policy, Your Bank focuses on four key areas to achieve following objectives:



## Regulatory Compliance of CSR Policy

Your Bank's CSR policy ensures compliance of all regulatory requirements including the adoption of Corporate Social Responsibility (Voluntary) Guidelines, 2013 issued by Securities and Exchange Commission of Pakistan as well as Corporate Regulatory Framework issued by State Bank of Pakistan.





## CUSTOMER RELATIONS

Your Bank continuously endeavors to achieve excellence in customer services by consistently surpassing the expectations of customers, understanding their needs, disrupting the industry and continuously bringing improvement in delivery of services to set the bar high, in-line with the organizational goals, remains committed to nurture a service culture across the organization.

Customer service in Your Bank is one of the most important tools to enhance the Bank's market share. It includes responding to customers' needs and addressing their complaints in a 'thorough and timely' manner by interacting with customers through multiple communication mediums including Allied Phone Banking, Social Media platforms and live chat facility at corporate website and on WhatsApp; resulting in service efficiency and customer empowerment.

Your Bank brought a tremendous luxury for resident Pakistanis by providing online account opening journey through website and myABL application. Through this enablement, customers can open their account in few minutes, anytime and from anywhere, without visiting ABL branch.

### Customer Relationship Management

Your Bank has rolled out the all-new Customer Relationship Management (CRM), which synchronizes and coordinates all segments of the Bank to efficiently and effectively resolve customers' grievances and strengthen relationship between the Bank and its customers.

Your Bank being aware of the potential of the digital revolution, has always sought to remain at the forefront of innovation and technology. Further, enriching customer experience and convenience, Your Bank expanded Debit Card replacement and upgrade services through Allied Phone Banking (APB). Earlier, Debit Cards were being replaced and upgraded through branches only and customers needed to visit their parent branch to avail these services.

A user-friendly and device-responsive interface was created for myABL - Personal Internet Banking (PIB), which offers an intuitive seamless user experience across a wide array of devices offering a mix of comprehensive features, available 24/7 on both internet and mobile banking channels.

Your Bank enhanced the myABL WhatsApp Banking features enabling the customers to access account information on their preferred messaging platform. The number of registered users of myABL WhatsApp Banking have increased over 672,500 since launched.

Your Bank introduced VISA Debit Cards against foreign currency and Roshan Digital USD accounts in order to provide a wide range of debit card types with features to satisfy the changing demands of customers. With this expansion, ABL FCY (USD)



and RDA (USD & PKR) customers now have the choice to avail the debit card that best fits their lifestyle and spending needs 24/7 around the globe.

### Fintech Hackathon

Your Bank in order to encourage innovation and digitization in the ecosystem, inked a Memorandum of Understanding (MoU) with National Incubator Center (NIC), Islamabad. As part of this collaboration, Your Bank hosted a Fintech Hackathon for consecutively 2nd year that attracted more than 1,200 participants from diverse backgrounds. These participants teamed up and provided innovative solutions to various problem statements using ABL's Open Banking APIs. Innovative solutions presented by these participants included Metaverse banking, data analytics and intelligent ERP solutions.

Your Bank aims to develop a more connected start-up ecosystem while emphasizing on scientific research promotion and entrepreneurial climate improvement by knowledge sharing.



### Sprinklr – A Unified Customer Experience Management Platform (UNIFIED-CXM)

Your Bank is the first bank in Pakistan to use Sprinklr across all of its digital communication channels such as Facebook, Instagram, Twitter, YouTube, LinkedIn, and App stores, creating a unified process for reaching, engaging, and listening to customers. Sprinklr helps in connecting with the customers in a human and personalized manner on ABL's digital channels as it offers a customized AI-powered platform, transforming the social media and digital customer experience and gain insights to the customer needs.

### Biometric Access Facility

All ATMs in Your Bank are equipped with biometric access facility to allow transactions without use of cards round-the-clock, coupled with anti-skimming devices to enhance security of transactions.

### Smart Branches

Identifying the impact of digitalization and focusing on banking needs for the millennials, Your Bank added in its network Smart Branches at University of Management & Technology (UMT), Lahore, reaching the total tally for Smart Branches at 08 including one at Head Office for employees' facilitation.

# CORPORATE SUSTAINABILITY REPORT FOR THE YEAR ENDED DECEMBER 31, 2022

Smart branch offers fully automated 24/7 banking services covering a wide array of banking services, including account opening, instant debit card issuance, fund transfers, fee payments, deposits and withdrawals.

## Metaverse Experience

Your Bank offered the industry's first Metaverse Banking experience, enabling the users to do more than just browsing the internet. The Metaverse, which is based on Blockchain, Augmented Reality, and Virtual Reality (VR), is a place where individuals can come together, engage, and have an entirely immersive experience. Your Bank's metaverse touchpoint allows its customers to explore the branch to discover a variety of new services in an engaging and attractive way, open an account through the myPDA portal, conduct transactions through the myABL portal, contact a customer representative for any query and provide their feedback.

## Cash Recycler Automated Teller Machine (ATM)

Your Bank, believing in new-age technologies to enhance our valued customer experience, launched Pakistan's first Cash Recycler ATM where deposited cash is recycled automatically for cash withdrawals, resulting in operational efficiency for ATM maintenance including reduced Cash-in-Transit (CIT) overheads.

## Image Based Clearing

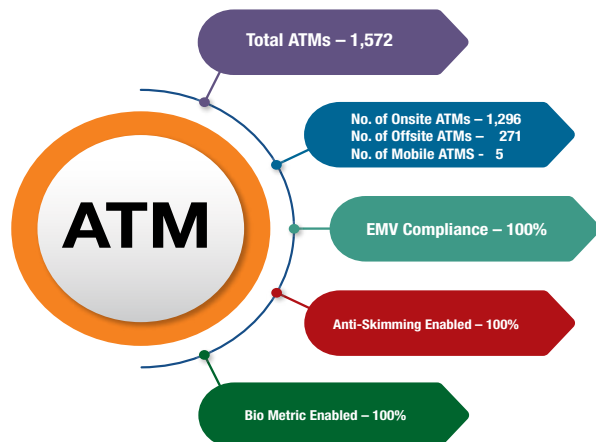
Your Bank implemented "Image Based Clearing System (IBCS)" for the entire branches network, pioneering the service in the industry. "IBCS" structure is completely rolled out handling all instruments under "Inward Clearing" and "Electronic Returns" duly acknowledged by NIFT.

## Robo Call Technology

Your Bank uses the Robo Call technology to provide enhanced security for registration on myABL. myABL users will now receive an automated Robo Call after the final step of myABL registration to activate their financial transactions.

## ATM Uptime

Your Bank continued its legacy of un-interrupted 99.4%+ ATM uptime during the occasions of Eid-ul-Fitr and 98.85% during Eid-ul-Adha holidays; processing around Rs. 2.08 million transactions involving Cash Withdrawals of approximately Rs. 28.71 billion.



## Electronic Queue Management System and Self-Service Kiosk

Your Bank installed Electronic Queue Management Systems in 544 branches with total cost Rs. 212.30 million, facilitating the customers to conduct transactions conveniently. In continuation

of the Bank's journey towards digitalization, 105 Self Service Kiosks worth Rs. 40.47 million are installed to improve customer experience at branches. These Kiosks enable customers to perform banking services including account opening of Allied Asaan Accounts, performing balance inquiry, mini statement of account, cheque book requests and subscribing to alerts and e-statement of account. All these services are biometrically authenticated and can be performed in a completely secure environment at customer's convenience. Customers now can activate their Debit Card through Self-Service Kiosk (SSK) without assistance of Branch Staff.

## Customer Awareness and Financial Literacy Seminars

Your Bank remained focused in arranging seminars in order to create financial literacy and awareness among the customers. Your Bank's representative was invited by State Bank of Pakistan as Guest Speaker in a webinar to speak on "Perception Building in Islamic Finance". The webinar was attended by key industry players along with SBP officials.

Your Bank organized Agri awareness sessions in Sahiwal, to attract the credit worthy agriculturist of the region for Credit facilities offered by Bank. Awareness sessions were organized by business teams in DG Khan, Jhang and Bahawalpur regions to create the awareness among the farmers about Agri finance products.

Your Bank also participated in Kisan Agahe Program arranged in Vehari in collaboration with Millat Tractors for farmer awareness on Agri financing.

Your Bank also participated in one day Thematic Program on SME Asaan Finance Scheme (SAAF) with special focus on Women Entrepreneurs organized by SBP's Faisalabad Office. Further, in line with SBP initiatives, Your Bank arranged an awareness session at MDC Karachi where 40 obligors attended the seminar.



As part of our Corporate Social Responsibility initiative, Allied Bank organized an interactive webinar on "Transition from Family Owned Structure to Corporate Structure" with Dr. Ishrat Husain, renowned economist and ex-Governor SBP for existing and prospective Obligor's based at Bahawalpur, Rahim Yar Khan, Sukkur and Larkana. Your Bank also arranged awareness seminar on the similar topic in Faisalabad, and another two in Lahore and Islamabad on "Corporate Governance for Sustainable Business Growth" for Corporate and Commercial Obligor's. Dr. Ishrat Hussain was key note speaker in these seminars, the participants gained insights into the benefits of Corporate Governance in family-owned businesses, role of professionals, and its pivotal role for business sustainability and future growth.





Your Bank's Human Resource function arranged 642 National Financial Literacy Program (NFLP) sessions in the rural districts with an aim of financial inclusion of unbanked segments of the society. These sessions, attended by 19,000+ citizens (89% Females), improved the awareness levels, which was appreciated by all the participants. During the year, Your Bank ranked top amongst the participating Banks in rural areas of the districts i.e., D.I. Khan, Kohat, Rawalpindi, Matiari, Mansehra and selected districts of Lahore & Karachi for the highest account opening ratio.

#### CUSTOMER PROTECTION AND QUALITY ASSURANCE

##### Deposit Protection Insurance

Your Bank spent Rs.1,389 million towards deposit protection insurance complying with SBP initiative to provide protection to small depositors across the banking industry.

##### Customer Data Protection



In this Digital era, customer information is more vulnerable than ever before. Cognizant to this fact, Your Bank continued to safeguard Data and Information Technology assets including compliance of PCI DSS and Customer Security Program (CSP) by SWIFT.

Your Bank conducted assessment exercises including Vulnerability Assessment (VA) and Penetration Testing (PT); ensuring a controlled environment for customers' related information.

Information Security Risk Management Program was one initiative which the Bank took to revamp and align its Information Security Governance Structure with International Standards and Industry Best Practices.

##### Information Security Awareness Campaigns



Information Security Awareness campaigns were conducted for valued Customers and Staff via Short Messaging Service (SMS) and emails to educate and enhance awareness about latest Cyber security threats.

Major focus of Your Bank in 2022 was on the Capacity Building and Enhancement of SOC (Security Operations Center) where significant investment was made on the technology upgrades, processes refinement and Human Resource improvement.

##### Social Media Followers

Social Media followers increased significantly during the year, enabling Your Bank to keep our customers updated on products and stay connected. Your Bank maintains profiles on Facebook, Twitter, Instagram and YouTube and actively interacts with the customers on a variety of topics. This engagement is providing



significant enhancement to the Bank's presence on the social media platforms, especially with the millennial segment of the society.

##### Contribution towards Financial Inclusion

During the year under review, Your Bank continued to work towards financial inclusion in rural areas and providing quality financial services at grass root level. Your Bank opened 1 branch in District Swabi, Khyber Pakhtunkhwa (KPK) and 1 branch in District Kotli, Azad Kashmir; increasing the total number of rural branches to 296.

##### Agricultural Financing

In order to play an operative role in the development of agricultural economy of the country, Your Bank is extending agricultural financing across the country and offers vast range of agricultural finance products through 261 Agri designated branches.

Further, Your Bank participated in Agri Expo 2022 under the project "Establishment of Model Farms Linked with Improved Supply Chain and Value Addition" organized by Agriculture Department, Government of Punjab, held at Expo Center, Johar Town Lahore. The event facilitated 15,000+ visiting farmers to interact with major stakeholders of the agriculture industry, including financial institutions.

Your Bank Participated in Hari Melo & National Conference on Farmer Access to Agriculture Finance and Mangoes Production Issues & Challenges held at Sindh Agriculture University Tando Jam, Hyderabad.

## WORKPLACE

Your Bank, acting as Responsible Organization, places special significance in employee empowerment by building an engaged, healthy and inclusive team to accomplish the business strategies while meeting the ever-evolving external challenges in the 'Digital Era'.

Your Bank adopts the best Business Continuity Plan which has shown its resilience in recent testing times of global pandemic.

### Global Diversity Equality & Inclusion Benchmarks (GDEIB) Awards

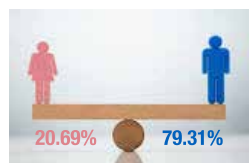
Your Bank is continually employing the skilled staff while at the same time tapping resources into appropriate trainings to improve their ability and giving the best culture to thrive. In recognition of its efforts towards nurturing the best human capital and creating an inclusive environment, Your Bank has won 6 prestigious HR Global Diversity, Equality & Inclusion Benchmarks (GDEIB) awards organized by Diversity Hub HR Metrics in following categories:

- VISION, STRATEGY, AND BUSINESS IMPACT: 'Best Practice Bank'
- LEADERSHIP AND ACCOUNTABILITY: 'Best Progressive Bank'
- JOB DESIGN, CLASSIFICATION, AND COMPENSATION: 'Best Progressive Bank'
- DEI LEARNING AND DEVELOPMENT: 'Best Proactive Bank'
- RECRUITMENT: 'Best Proactive Bank'
- SERVICES AND PRODUCTS DEVELOPMENT: 'Best Proactive Bank'

These awards are manifestation and recognition of Allied Bank's unwavering professional resolve and progress towards inducting, retaining and nurturing the best human capital as well as successfully managing all functions of human resource management in line with the core values, mission and vision of Allied Bank Limited.

### Equal opportunity employer and employment of special persons

Your Bank has created direct and indirect employment which is currently exceeding 14,000+ employees, who represent diverse geographical areas of Pakistan; thereby positively impacting the broad-based economy and society at large.



### Gender Diversity

Your Bank being equal opportunity employer, encourages employment of special persons and currently 58 special persons are honorably earning their livelihood while serving Your Bank with pride.

Simultaneously 2,468 - females, representing 20.6% of total permanent staff members, are diligently performing their duties. Among the senior management positions, Your Bank's Gender diversity ratio is 8.7%.

Further, Your Bank celebrated the National Working Women's Day in recognition of its women workforce and acknowledged their positive contributions made towards the Bank's progress.

### Women Leadership Program

Your Bank arranged a customized Women Leadership program for female staff, on theme - How to be an effective leader to



develop self, others and the organization. The full day program consisted of interactive exercises, simulations and powerful group discussions regarding changing the focus from capacity to capability, confidence to make tough decisions, catalyst to build others and transformational leadership.

### Women Champions

Your Bank has formed a dedicated team of "Women Champions" which is continuously being groomed to assist and support female customers across the Bank. Special training programs are commissioned for the team to improve customer awareness about ABL's products designed exclusively for females, especially umbrella offerings under Allied Khanum Account.



In addition to Women Champions, Your Bank onboarded a special batch of female tellers under the 'Khanum Tellers Program 2022'. More than 260 female tellers joined the Bank simultaneously at the Management Development Center Karachi, Lahore and Islamabad.

### Occupational Health and Safety

Your Bank continued its endeavor, exhibiting commitment for occupational health and safety. During the year; 2,246 employees availed medical facility worth Rs. 198 million under the approved medical expense policy.



Adhering to responsibility towards eligible ex-employees, during the year, from the platform of “Post-retirement Medical Fund”, Your Bank paid Rs. 108 million towards the health of 495 ex-employees.

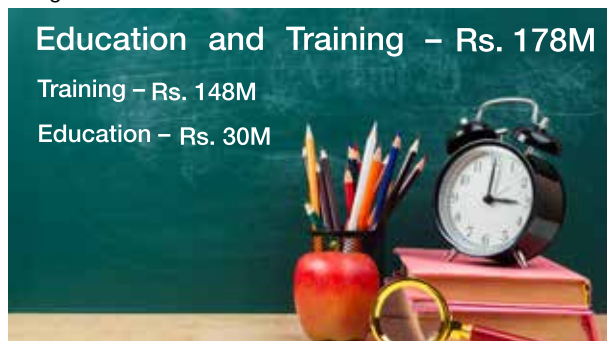
Your Bank ensures that extreme security standards are met at all premises. For training and awareness of the employees on how to act during any emergency in the building, 31 safety drills were conducted at major buildings in Lahore, Karachi, Islamabad, Rawalpindi, Faisalabad, Gujranwala, Abbottabad, Peshawar, Quetta and Multan.



Your Bank ensured availability of emergency lights, fire and smoke detection equipment, alarm systems, portable fire extinguishers, periodic evacuation, safety drills in order to enhance staff security at the workplace.

**Education and wellbeing of the staff**

Your Bank decisively believes in educational well-being of the staff empowering them to excel in their current roles and thrive in the future. Your Bank has already launched mobile application “m-Learning” providing access to learning sources around the clock, further bolstering Your Bank’s aim of educational well-being of staff.



In addition, Your Bank spent Rs. 148 million on trainings to 11,700+ employees and Rs.30 million towards employee’s education.

**Benevolent Grants**

During the year, Your Bank through its platform of “Staff Welfare Fund” spent Rs.28.6 million to assist 51 employees by financially enabling them in important social events like marriage ceremony of their daughters, special medical financial assistance and to meet the burial expense of their departed loved ones.

**Hajj Assistance**

Keeping in view the religious sentiments of our employees, Your

Bank is fully committed to sponsor its clerical, non-clerical and executive staff to perform Hajj. Last Hajj Ballot was conducted in the Year 2020 and a total of 35 employees (15 employees from Management Grades and 20 employees from Clerical and Non - Clerical) were selected in Hajj ballot. However, due to Covid-19; Hajj could not be performed for Muslims residing outside Kingdom of Saudi Arabia in 2020 and 2021. Therefore, all successful winners of 2020 ballot performed Hajj in 2022.

**Business Ethics and Anti-Corruption Measures**

Your Bank nurtures a culture of excellence, good governance, transparency, integrity and accountability. Controls and Compliance being an integral function; Your Bank encourages high business ethics while promoting positive compliance culture.

Your Bank is committed to the best industry practices for compliance with all regulatory frameworks including anti-money laundering practices, so that the interests of all stakeholders are protected.

Code of Ethics and Conduct signed by all employees acts as a guide for them in discharging their duties and sets out the standards of good practice. Management’s Central Administration Action Committee (CAAC) takes action on any violation of policies and procedures, act of fraud and forgery, breach of discipline, code of conduct, ethics and business practices. Appeal of the staff against whom CAAC has already taken disciplinary action is reviewed by Human Resource Committee.

**Training Session on Mindfulness**

Your Bank in order to promote awareness among employees about mental health and wellness conducted Mindfulness Hour Sessions at MDC Lahore. These wellness sessions entail



breathing techniques and Yoga to reduce stress, bring mental alertness, awareness and clarity. This initiative has been undertaken to equip the employees with tools to deal with everyday pressures of professional and personal lives.

**Training Session on First Aid**

Your Bank, prioritizing the health and safety of employees,





arranged a specialized training session on First Aid for Management Trainee Officers (MTOs). Handling critical situations and providing first aid to accident victims were imparted during the training.

## ENVIRONMENT

Global warming and Climate change are the most complicated issue that the world is facing today. Relentless efforts are being made across the globe, to measure and mitigate this climate change risks. Pakistan is one of the several nations to have made a commitment to controlling such threats. To supplement the Government efforts, Your Bank has taken strides forward in setting out a series of targets to assist in the global transition to a low-carbon economy.

### Green Banking / Environmental & Social Risk Governance

#### Green Banking Office (GBO)

Your Bank has established a Green Banking Office, looking after overall environment friendly initiatives under the Bank's Green Banking Policy. GBO continuously endeavors to enhance capacity building of the staff, and accordingly, total of 635 staff members were trained/sensitized related to Green Banking during the year 2022.

#### Green Advisory Services Desk

A Green Advisory Services Desk is established within GBO to facilitate prospective/existing obligors for their enquiry(s) relating to Green Technology/Investments and various alternatives for efficient resource planning.

#### Environment and Social Risk Management System

As part of Green Banking Policy, Your Bank is committed to enhance the impact of Green Financing in the overall environment safety and has developed an Environment Risk Management System, which is monitored by Green Banking Office (GBO). The Environmental Risk Management System ensures that financing of the Bank is directed towards environment friendly projects / activities in the country.

Environmental Risk Rating (ERR) of obligors is calculated to assess environmental implications and their effects on credit quality of a particular financing transaction. The obligors with potential environmental risks are required to provide Environmental Improvement Plan (EIP) with specific timelines. An annual report on the status of inherent environmental risks in the Bank's portfolio is presented annually to Risk Management Committee/Board.

Social Risk Rating (SRR) of the obligor is also calculated to assess obligors with respect to compliance of widely accepted standards of business ethics.

The Bank is resolute to fully comply, the 'Environmental and Social Risk Management (ESRM) Implementation Manual' recently issued by State Bank of Pakistan.

## ENVIRONMENT PROTECTION

### Low Carbon Footprints

As part of the plan to reduce carbon emission by direct operational impact, Your Bank has commulatively invested Rs.180.2 million towards installation of solar panels. The total solar locations stand at 64. Your Bank is committed to increase the share of solar power in overall electricity consumption and has planned to install solar power at various Branches/Offices of



**Electricity Consumption decrease by 15%**

**64 Solar Locations**

the Bank in coming years.

Through continuous focus on automation of processes, Your Bank has been able to reduce paper-based processes, which assists in reducing the paper consumption and lowering the carbon footprint as well as enhance the efficiency in customer services. In order to accelerate digitization and promote Green Banking, Your Bank is moving to a more digitally-focused approach to facilitate its customers and improving speed and agility within the business.

Administrative measures including maintenance of electrical equipment carried out during the year resulted in reduced electricity consumption by 15%

### Tree Plantation

During the year, Your Bank conducted a tree plantation campaign, wherein a total of 75,000 trees/sapling were planted at various locations across the country. Your Bank is further committed to enhance tree plantation efforts, in line with national target for "Clean and Green Pakistan".



Tree plantation campaigns are being organized at schools, universities and public places. In this regard, efforts are also collaborated with Forest Division, Government of Punjab.

### Green Financing

In year 2022, Your Bank has financed Rs. 4,183 million to its obligors for installation of Green energy projects, crossing the last 03 years aggregate Green Financing by more than Rs. 10 billion.

Total outstanding Green Financing of the Bank stood at Rs.12,518 million at the end of FY-2022.

(Rs. in Million)	
Wind Power	2,925
Solar Power	5,896
Hydel	1,470
Others (Effluent Treatment Plant, WHR Boiler, Solid Waste Management and Bagasse)	2,227
<b>Total</b>	<b>12,518</b>

### SOCIETY

The Bank as a trusted member of the community is playing an active role in following CSR activities and community engagements.



**Education Institution**  
Rs. 62 Million



**General Welfare**  
Rs. 34 Million



**Health Institution**  
Rs. 11 Million



**Sports**  
Rs. 29 Million

### Health

Your Bank recognizes the challenges faced by society-at-large in health sector and always focuses for uplift of health infrastructure through contribution towards renowned health providers.

Your Bank contributed Rs. 10.98 million to healthcare facilities across various cities of the country, focusing on treatment of cancer, arthritis, therapy for thalassemia patients, impaired vision and mental health of the under-privileged.

Further, Your Bank also conducted Breast Cancer awareness program -Pinktober by arranging an inhouse awareness session to educate the female employees to take better care of themselves. In addition, Your Bank also changed the myABL



app theme to Pink as part of Pinktober Awareness efforts among its customers at large.

Your Bank has arranged a 'VOLUNTARY' blood donation camp for cancer patients, in collaboration with Shaukat Khanum Memorial Cancer Hospital & Research Centre (SKMCH & RC), Lahore at Head Office, which was participated by large number of employees.

In recognition to Your Bank's support toward health sector, Your Bank received a Social Responsibility Award from Shaukat Khanum Memorial Trust (SKMT).

### Education

During the year, Rs. 30 million was contributed to The Lahore University of Management Sciences (LUMS) towards the construction of Hostel, in addition to Rs. 3 million for establishment of Technology and Product Development Laboratory at LUMS.



Your Bank contributed Rs. 12.5 million to TNF Akhuwat Boarding School Faisalabad for the construction of school to support the under privileged in the outskirts of Faisalabad city.

Perceiving the significance of information technology, Your Bank proceeded with its arrangement to donate personal computers to educational institutions; particularly supporting under privileged sections of the general public. Your Bank donated 66 personal computers to educational institution during 2022.



### Contribution to Educational Institutes in Rural Areas

Your Bank continued its commitment of sponsoring education of children in remote areas of Azad Kashmir and Balochistan through renowned Non-Profit Organizations namely Million Smiles Foundation and The Citizen Foundation respectively. Furthering its commitment, Your Bank commenced to sponsor 4 Years education of five under-privileged students at Institute of Business Administration (IBA) University, Sukkur.

### Science Research and Awareness

Your Bank keeping in mind the importance of science in education, sponsored Lahore Science Mela (Festival). More than 200 participants from diverse fields exhibited 3,000 distinct experiments in the event, which attracted more than 50,000 visitors.



Your Bank contributed Rs. 1 million to National University of Sciences & Technology (NUST) for Project Arena at Electrical & Mechanical Engineering (EME) College which provides a conducive environment to young engineering graduates in Research & Development.

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### Flood Relief Activities

Your Bank, in line with its delineated CSR Policy, remained cognizant of national challenge towards fellow citizens arising as result of havoc floods in 2022, which resulted in damage to infrastructure including more than one million homes as well as to crops on the area exceeding three million acres and displaced above thirty-three million fellow citizens in addition to Live Stock damage which was sole source of income for majority of them. Your Bank contributed Rs. 20 million through collaboration with well-reputed Non-Profit Organizations across the country.

In this Hour-of-the-Need, staff of Your Bank also stepped forward and contributed Rs. 15 million towards relief activities in addition to the Bank's contribution.

Extensive relief activities were conducted by the Bank's staff through visit of dedicated teams in flood-affected areas; distributing food and household items among fellow citizens to facilitate them for resumption of normal life. Your Bank's relief activities extended across various districts in the provinces of Khyber Pakhtunkhwa, Punjab, Sindh and Balochistan.

### Internship Program for Differently Abled Persons (PWD)

Your Bank always strives to provide equal employment opportunities across the nation. In this regard, Your Bank offered a paid internship program for differently abled persons (PWD). Selected PWDs have been deputed in regional offices for eight-week long internship program. This internship program will help them to discover their potential at the same time Your Bank proves that the diversity and inclusion are critical for the success of the Bank.

### Sports

Your Bank contributed Rs. 10 million to Special Olympics Pakistan for participation in Special Olympics World Games 2023 scheduled in Berlin, Germany. Your Bank sponsored special athletes for training camps, sports equipment and apparels.







Your Bank promotes games popular among masses of rural areas and in cognizant of this, sponsored Central Asian Volleyball Tournament, held in 2022 at Lahore, Pakistan.

In addition, Your Bank sponsored other sports including Golf and Tennis and cumulatively contributed Rs. 2 million towards sports promotion during 2022.



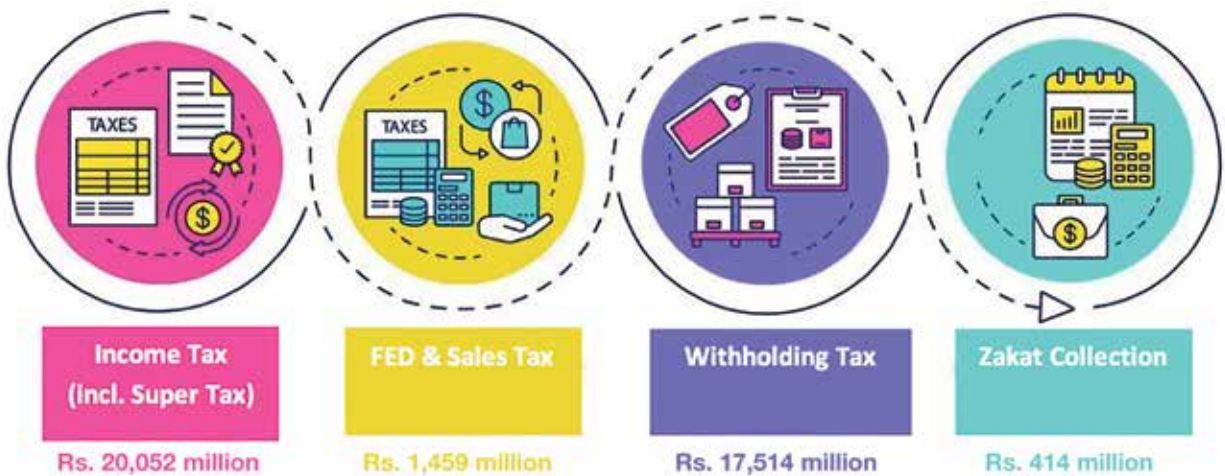
#### Community Welfare

Your Bank continued its efforts in serving the community through contribution to well-reputed welfare organizations including Saylani Welfare International Trust, Jamia Ashrafia, Anjuman Himayat-e-Islam and Edhi Foundation; which worked for provision of food to deserving segments of the society.



#### Contribution to National Exchequer

Your Bank is one of the leading institutions in its contribution towards the national exchequer. During the year, Your Bank paid Rs. 20,052 million as Income Tax (inclusive of Super Tax), deposited Rs. 17,514 million as withholding tax agent and contributed Rs. 1,459 million on account of Federal Excise duty and Sales Tax to the national exchequer. Further, the Bank collected Rs. 414 million Zakat from 46,730 account holders and deposited to the national exchequer.



# ADOPTION OF INTERNATIONAL STANDARDS FOR CORPORATE SOCIAL RESPONSIBILITY

Your Bank is committed towards achieving the targets assigned under Sustainable Development Goals, also known as the Global Goals, of United Nations. Key contributions against respective Global Goals are presented hereunder:

## Goals

## Bank's Contribution



Provision of food supplies to the deserving segment of the society through contributions to renowned charitable organizations namely Saylani Welfare International Trust, Jamia Ashrafia Akhuwat Foundation, Anjuman Himayat-e-Islam and Edhi Foundation.



- Contributed Rs. 10 million to Special Olympics Pakistan for participation in Special Olympics World Games 2023 scheduled at Berlin, Germany.
- Rs. 3 million to Arthritis Care Foundation (ACF) to support under privileged patients, both adult and children with arthritis and other related rheumatic diseases.
- Contributions towards healthcare institutions including Aziz Jehan Begum Trust for The Blind, Kashif Iqbal Thalassemia Care Centre Trust, Chaman Care and Rehabilitation Centre For Mentally Retard Children, The Medical Aid Foundation and The Layton Rahmatulla Benevolent Trust (LRBT).



- Construction of a Hostel at Lahore University of Management Sciences through annual contribution of Rs.30 million.
- Donated Rs. 12.6 million to The Noorani Foundation Trust for construction of school for under privileged in the outskirts of Faisalabad city.
- Sponsored education of students in remote areas of Azad Jammu & Kashmir, Baluchistan and Sindh.



- Maintaining Gender Diversity ratio of 20.6%; with 8.7% Gender Diversity at senior management positions.
- 89% participation of female customers at National Financial Literacy Program (NFLC), organized by Your Bank in coordination with State Bank of Pakistan.



- Green Financing facilities worth Rs. 12,518 million.
- Solar energy usage at 64 locations.
- Reduction in fossil fuel consumption.



**8** DECENT WORK AND ECONOMIC GROWTH



- Empowering the employees through access to learning resources.
- Employment of Special persons, enabling them to build reputed life in society.
- Educational support to clerical and non-clerical staff amounting to Rs. 30 million.

**9** INDUSTRY, INNOVATION AND INFRASTRUCTURE



- Seminar on “Transition from Family-Owned Structure to Corporate Structure” for Corporate and Commercial Obligors in various cities.
- Agri Awareness Session on Bank’s Agri-credit facilities and Kissan Aghahe Program in collaboration with Millat Tractors.
- Participation in Thematic Program on SME Asaan Finance Scheme (SAAF) with special focus on Women Entrepreneurs organized by SBP’s Faisalabad Office.

**12** RESPONSIBLE CONSUMPTION AND PRODUCTION



- Enhanced features and services under Digital Banking.
- Processes automation to reduce paper-based consumption.

**13** CLIMATE ACTION



Plantation of 75,000+ tree saplings at business premises, schools and public parks.

**17** PARTNERSHIPS FOR THE GOALS



Collaborations are disclosed against respective Goal notably towards Zero Hunger, Quality Education and Industry, Innovation and Infrastructure.

# ALLIED BANK PERFORMANCE AWARDS - 2022



# Independent Auditor's Report

## To the members of Allied Bank Limited

### Report on the Audit of the Unconsolidated Financial Statements

#### Opinion

We have audited the annexed unconsolidated financial statements of Allied Bank Limited ("the Bank"), which comprise the unconsolidated statement of financial position as at 31 December 2022, and the unconsolidated profit and loss account and the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 25 branches which have been audited by us and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit and loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2022 and of the profit, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Following are the Key Audit Matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	<b>Provision against non-performing advances</b>	
	<p>The Bank's credit portfolio is spread across various domestic branches including one foreign branch and mainly includes corporate financing to several public sector entities and large to small size businesses operating in the private sector.</p> <p>As per the Bank's accounting policy (refer note 2.4.1 to the unconsolidated financial statements), the Bank determines provisions against non-performing advances in accordance with the requirements of Prudential Regulations (PRs) of State Bank of Pakistan (SBP) and also maintains general provision as required by PRs. The PRs require specific provisioning against advances on the basis of an age-based criteria which is supplemented by a subjective evaluation by the Bank of its portfolio of advances. The determination of subjective provision against advances involves use of management judgment, on a case-to-case basis, considering factors such as the borrower's economic, financial and business conditions, repayment behaviors and credit worthiness. The Bank's advances to the customers represent 38% of its total assets as at 31 December 2022 with carrying value of Rs. 845,640 million which is net of provision of Rs. 11,848 million at the year end.</p> <p>In view of the magnitude of advances in the unconsolidated financial statements and the level of involvement of management's judgment, we identified provision against advances as a key audit matter.</p> <p>The accounting policy and disclosures relating to provisioning against non-performing advances are included in note 4.5 and 9 respectively to the unconsolidated financial statements.</p>	<p>We applied a range of audit procedures including the following:</p> <p>We reviewed the Bank's process for identification and classification of non-performing advances, monitoring of advances with higher risk of default and migration of these advances to non-performing advances category and accurate computation and recording of provisions.</p> <p>We performed independent checks on test basis for the computations of provisions to assess that the same is in line with the requirements of the applicable Prudential Regulations.</p> <p>In addition, we selected a representative sample of borrowers from the portfolio of advances including individually significant credit facilities and performed tests and procedures such as review of credit documentation, repayment history and past due status and financial condition as depicted by the borrowers' financial statements.</p> <p>In respect of the level of general provision maintained by the Bank, we discussed the approach and policy followed by the Bank with the management.</p> <p>We also assessed adequacy of disclosures as included in note 9 to the unconsolidated financial statements regarding the non-performing advances and provisions made for the same in the unconsolidated financial statements in accordance with the requirements of the applicable financial reporting framework.</p>



2	<b>Valuation of listed shares classified as available for sale</b>	
	<p>As disclosed in note 8 and the accounting policies in notes 2.4.2 and 4.12 to the unconsolidated financial statements, the Bank has a significant investment in listed shares/equity investments classified as available for sales amounting to Rs. 17,167 million which is stated net of provision of Rs. 1,646 million as at 31 December 2022.</p> <p>These investments are carried at fair value in accordance with the Bank's accounting policy relating to their measurement. Provision for investment in listed shares classified as available for sale is made based on the impairment policy of the Bank which comprises of subjective factors.</p> <p>Because of its significance to the unconsolidated financial statements and the use of management judgment in determination of impairment against listed shares classified as available for sale, we have considered this as a key audit matter.</p>	<p>Our procedures in respect of valuation of investments, amongst others, included the following:</p> <p>Obtaining an understanding of and testing the design and operational effectiveness of the controls relating to the valuation of available for sale equity investments including an assessment of the methodology and the appropriateness of the valuation models and inputs used to value investments available for sale.</p> <p>Checking on a sample basis, the valuation of investment in listed shares to supporting documents and externally quoted market prices.</p> <p>Comparing the cost of each equity investment to its market value to determine decline in valuation and checked that the impact of significant or prolonged decline was recognized as per the policy of the Bank as disclosed in note 4.12.</p> <p>Assessing the completeness and accuracy of the disclosures relating to listed shares classified as available for sale to assess compliance with the requirements of the applicable financial reporting framework.</p>

#### Information Other than the Unconsolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the unconsolidated financial statements and our auditor's report thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Management and the Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Bank's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements:**

Based on our audit, we further report that in our opinion:

- proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
- the unconsolidated statement of financial position, the unconsolidated statement of profit and loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement (together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
- zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

The engagement partners on the audit resulting in this independent auditors' report is Ahsan Shahzad.

**EY Ford Rhodes**  
Chartered Accountants

Date: 7 March 2023  
Lahore

UDIN: AR202210079LEU4xtTQv

# Unconsolidated Statement of Financial Position

as at December 31, 2022

December 31, 2022	December 31, 2021		Note	December 31, 2022	December 31, 2021
US \$ in '000				Rupees in '000	
<b>ASSETS</b>					
388,257	549,423	Cash and balances with treasury banks	5	87,913,426	124,406,408
15,190	3,989	Balances with other banks	6	3,439,468	903,243
124,639	200,736	Lendings to financial institutions	7	28,222,195	45,452,910
4,960,088	4,701,191	Investments - net	8	1,123,117,088	1,064,494,900
3,734,650	2,883,395	Advances - net	9	845,640,176	652,889,677
359,839	344,488	Fixed assets	10	81,478,561	78,002,712
13,090	12,667	Intangible assets	11	2,963,902	2,868,311
57,419	6,573	Deferred tax assets	12	13,001,349	1,488,287
287,931	175,107	Other assets - net	13	65,196,693	39,649,555
9,941,103	8,877,569			2,250,972,858	2,010,156,003
<b>LIABILITIES</b>					
62,534	44,428	Bills payable	15	14,159,643	10,059,879
2,342,500	1,854,896	Borrowings	16	530,414,493	420,005,768
6,723,011	6,241,618	Deposits and other accounts	17	1,522,297,479	1,413,295,261
-	-	Liabilities against assets subject to finance lease		-	-
-	-	Sub-ordinated debt		-	-
-	-	Deferred tax liabilities - net		-	-
248,596	174,669	Other liabilities	18	56,289,835	39,550,556
9,376,641	8,315,611			2,123,161,450	1,882,911,464
564,462	561,958	<b>NET ASSETS</b>		127,811,408	127,244,539
<b>REPRESENTED BY</b>					
50,571	50,571	Share capital	19	11,450,739	11,450,739
138,831	118,288	Reserves		31,435,453	26,784,066
23,285	86,292	Surplus on revaluation of assets - net of tax	20	5,272,401	19,539,127
351,775	306,807	Unappropriated profit		79,652,815	69,470,607
564,462	561,958			127,811,408	127,244,539

## CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 45 and annexures I to III form an integral part of these unconsolidated financial statements.

Muhammad Atif Mirza  
Chief Financial Officer

Azid Razzaq Gill  
President and Chief Executive

Mubashir A. Akhtar  
Director

Zafar Iqbal  
Director

Mohammad Naeem Mukhtar  
Chairman

# Unconsolidated Profit and Loss Account

for the year ended December 31, 2022

December 31, 2022	December 31, 2021	Note	December 31, 2022	December 31, 2021	
US \$ in '000			Rupees in '000		
951,587	523,996	Mark-up / return / interest earned	23	215,468,650	118,648,853
656,933	322,667	Mark-up / return / interest expensed	24	148,749,821	73,061,711
294,654	201,329	<b>Net mark-up / interest income</b>		66,718,829	45,587,142
<b>NON MARK-UP / INTEREST INCOME</b>					
35,980	30,081	Fee and commission income	25	8,147,016	6,811,261
13,636	9,499	Dividend income		3,087,693	2,150,845
35,102	8,715	Foreign exchange income		7,948,096	1,973,233
-	-	Income from derivatives		-	-
6,182	19,141	Gain on securities - net	26	1,399,781	4,334,118
410	2,954	Other income	27	92,798	668,774
91,310	70,390	<b>Total non-markup / interest income</b>		20,675,384	15,938,231
385,964	271,719	Total income		87,394,213	61,525,373
<b>NON MARK-UP / INTEREST EXPENSES</b>					
175,323	146,550	Operating expenses	28	39,698,532	33,183,442
4,300	2,614	Workers welfare fund - net		973,650	591,921
1,581	752	Other charges	29	358,006	170,275
181,204	149,916	<b>Total non-markup / interest expenses</b>		41,030,188	33,945,638
204,760	121,803	<b>Profit before provisions</b>		46,364,025	27,579,735
(1,157)	(3,582)	Provisions and write offs - net	30	(261,993)	(811,100)
-	-	Extra-ordinary / unusual items		-	-
205,917	125,385	<b>PROFIT BEFORE TAXATION</b>		46,626,018	28,390,835
112,318	48,920	Taxation	31	25,432,197	11,077,036
93,599	76,465	<b>PROFIT AFTER TAXATION</b>		21,193,821	17,313,799
<b>In US \$</b>			<b>In Rupees</b>		
0.08	0.07	<b>Basic and diluted earnings per share</b>	32	18.51	15.12

The annexed notes 1 to 45 and annexures I to III form an integral part of these unconsolidated financial statements.

Muhammad Atif Mirza  
Chief Financial Officer

Zafar Iqbal  
Director

Aizid Razzaq Gill  
President and Chief Executive

Mohammad Naeem Mukhtar  
Chairman

Mubashir A. Akhtar  
Director

# Unconsolidated Statement of Comprehensive Income

for the year ended December 31, 2022

December 31, 2022		December 31, 2021			
US \$ in '000				December 31, 2022	
				December 31, 2021	
				Rupees in '000	
93,599	76,465	<b>Profit after taxation for the year</b>		21,193,821	17,313,799
<b>Other comprehensive income</b>					
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>					
11,182	3,425	Effect of translation of net investment in foreign branches		2,532,005	775,502
		Movement in deficit on revaluation of			
(61,882)	(39,737)	investments - net of tax		(14,012,029)	(8,997,786)
(50,700)	(36,312)			(11,480,024)	(8,222,284)
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>					
		Remeasurement gain on defined benefit			
518	667	obligations - net of tax		117,222	150,994
		Effect of change in tax rate on revaluation			
(770)	(879)	surplus of fixed assets		(174,267)	(199,010)
		Movement in surplus on revaluation of			
312	1,686	non-banking assets - net of tax		70,709	381,820
60	1,474			13,664	333,804
42,959	41,627	<b>Total Comprehensive Income</b>		9,727,461	9,425,319

The annexed notes 1 to 45 and annexures I to III form an integral part of these unconsolidated financial statements.

Muhammad Atif Mirza  
Chief Financial Officer

Zafar Iqbal  
Director

Aizid Razzaq Gill  
President and Chief Executive

Mohammad Naeem Mukhtar  
Chairman

Mubashir A. Akhtar  
Director



# Unconsolidated Statement of Changes in Equity

for the year ended December 31, 2022

	Share capital	Capital reserve		Revenue reserve		Surplus / (Deficit) on revaluation of			Un-appropriated profit	Total
		Exchange translation reserve	Statutory reserve <sup>a</sup>	General reserve	Investments	Fixed assets	Non-banking assets			
Rupees in '000										
<b>Balance as at January 01, 2021</b>	11,450,739	2,025,733	22,245,451	6,000	4,875,950	23,322,739	638,972	66,994,523	131,560,107	
Profit after taxation for the year ended December 31, 2021	-	-	-	-	-	-	-	17,313,799	17,313,799	
<b>Other Comprehensive Income - net of tax</b>										
Deficit on revaluation of investments - net of tax	-	-	-	-	(8,997,786)	-	-	-	(8,997,786)	
Effect of change in tax rate on revaluation surplus of fixed assets - net of tax	-	-	-	-	-	(199,010)	-	-	(199,010)	
Surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-	381,820	-	381,820	
Remeasurement gain on defined benefit obligation - net of tax	-	-	-	-	-	-	-	150,994	150,994	
Effect of translation of net investment in foreign branches	-	775,502	-	-	-	-	-	-	775,502	
	-	775,502	-	-	(8,997,786)	(199,010)	381,820	150,994	(7,888,480)	
Transfer to statutory reserve	-	-	1,731,380	-	-	-	-	(1,731,380)	-	
Transfer of revaluation surplus on change in use - net of tax	-	-	-	-	-	4,399	(4,399)	-	-	
Transferred from surplus in respect of incremental depreciation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	(139,872)	-	139,872	-	
Surplus realised on disposal of revalued fixed assets - net of tax	-	-	-	-	-	(266,469)	-	266,469	-	
Transferred from surplus in respect of incremental depreciation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	(859)	859	-	
Surplus realised on disposal of revalued non-banking assets - net of tax	-	-	-	-	-	-	(76,358)	76,358	-	
<b>Transactions with owners recognized directly in equity</b>										
Final cash dividend for the year ended December 31, 2020 (Rs. 6 per ordinary share)	-	-	-	-	-	-	-	(6,870,443)	(6,870,443)	
First interim cash dividend for the year ended December 31, 2021 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)	
Second interim cash dividend for the year ended December 31, 2021 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)	
Third interim cash dividend for the year ended December 31, 2021 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)	
	-	-	-	-	-	-	-	(13,740,887)	(13,740,887)	
<b>Balance as at December 31, 2021</b>	11,450,739	2,801,235	23,976,831	6,000	(4,121,836)	22,721,787	939,176	69,470,607	127,244,539	
Profit after taxation for the year ended December 31, 2022	-	-	-	-	-	-	-	21,193,821	21,193,821	
<b>Other Comprehensive Income - net of tax</b>										
Deficit on revaluation of investments - net of tax	-	-	-	-	(14,012,029)	-	-	-	(14,012,029)	
Effect of change in tax rate on revaluation surplus of fixed assets - net of tax	-	-	-	-	-	(174,267)	-	-	(174,267)	
Surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-	70,709	-	70,709	
Remeasurement gain on defined benefit obligation - net of tax	-	-	-	-	-	-	-	117,222	117,222	
Effect of translation of net investment in foreign branches	-	2,532,005	-	-	-	-	-	-	2,532,005	
	-	2,532,005	-	-	(14,012,029)	(174,267)	70,709	117,222	(11,466,360)	
Transfer to statutory reserve	-	-	2,119,382	-	-	-	-	(2,119,382)	-	
Transfer of revaluation surplus on change in use - net of tax	-	-	-	-	-	100,467	(100,467)	-	-	
Transferred from surplus in respect of incremental depreciation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	(124,171)	-	124,171	-	
Transferred from surplus in respect of incremental depreciation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	(1,193)	1,193	-	
Surplus realised on disposal of revalued non-banking assets - net of tax	-	-	-	-	-	-	(25,775)	25,775	-	
<b>Transactions with owners recognized directly in equity</b>										
Final cash dividend for the year ended December 31, 2021 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)	
First interim cash dividend for the year ended December 31, 2022 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)	
Second interim cash dividend for the year ended December 31, 2022 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)	
Third interim cash dividend for the year ended December 31, 2022 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)	
	-	-	-	-	-	-	-	(9,160,592)	(9,160,592)	
<b>Balance as at December 31, 2022</b>	11,450,739	5,333,240	26,096,213	6,000	(18,133,865)	22,523,816	882,450	79,652,815	127,811,408	

The annexed notes 1 to 45 and annexures I to III form an integral part of these unconsolidated financial statements.

Muhammad Atif Mirza  
Chief Financial Officer

Zafar Iqbal  
Director

Aizid Razzaq Gill  
President and Chief Executive

Mohammad Naem Mukhtar  
Chairman

Mubashir A. Akhtar  
Director

# Unconsolidated Cash Flow Statement

for the year ended December 31, 2022

December 31, 2022	December 31, 2021	Note	December 31, 2022	December 31, 2021
US \$ in '000			Rupees in '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
205,917	125,385		46,626,018	28,390,835
(13,636)	(9,499)		(3,087,693)	(2,150,845)
192,281	115,886		43,538,325	26,239,990
<b>Adjustments:</b>				
18,143	16,229	10.2	4,108,196	3,674,783
36	25		8,166	5,620
7,597	7,435		1,720,161	1,683,609
4,420	3,987		1,000,788	902,861
2,302	1,819		521,326	411,977
(776)	(3,343)	30	(175,630)	(756,918)
1	-		134	(2)
4,300	2,614		973,650	591,921
1,807	1,942		409,234	439,652
(69)	(1,762)		(15,628)	(398,979)
14	(143)		3,063	(32,479)
37,775	28,803		8,553,460	6,522,045
230,056	144,689		52,091,785	32,762,035
<b>Decrease or (increase) in operating assets</b>				
76,097	(121,259)		17,230,715	(27,456,787)
(59)	(557)		(13,386)	(126,081)
(849,160)	(687,408)		(192,276,103)	(155,650,443)
(139,095)	(14,997)		(31,495,339)	(3,395,744)
(912,217)	(824,221)		(206,554,113)	(186,629,055)
<b>Increase or (decrease) in operating liabilities</b>				
18,106	1,934		4,099,764	437,859
486,528	997,788		110,164,916	225,930,017
481,393	868,331		109,002,218	196,617,007
68,231	13,284		15,449,699	3,008,009
1,054,258	1,881,337		238,716,597	425,992,892
372,097	1,201,805		84,254,269	272,125,872
(88,557)	(56,121)		(20,052,036)	(12,707,588)
(2,402)	(968)		(543,810)	(219,210)
281,138	1,144,716		63,658,423	259,199,074
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
(357,952)	(954,460)		(81,051,490)	(216,119,170)
(12,820)	(145,194)		(2,902,904)	(32,876,354)
13,636	9,509		3,087,652	2,153,053
(35,889)	(39,118)		(8,126,464)	(8,857,449)
258	4,756		58,406	1,076,897
11,182	3,425		2,532,005	775,502
(381,585)	(1,121,082)		(86,402,795)	(253,847,521)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
(10,203)	(9,390)		(2,310,331)	(2,126,139)
(40,391)	(60,468)		(9,145,863)	(13,691,826)
(50,594)	(69,858)		(11,456,194)	(15,817,965)
(151,041)	(46,224)		(34,200,566)	(10,466,412)
554,851	606,149		125,635,541	137,250,937
(2,285)	(7,359)		(517,352)	(1,666,336)
552,566	598,790		125,118,189	135,584,601
401,525	552,566	33	90,917,623	125,118,189

The annexed notes 1 to 45 and annexures I to III form an integral part of these unconsolidated financial statements.

Muhammad Atif Mirza  
Chief Financial Officer

Aizid Razzaq Gill  
President and Chief Executive

Mubashir A. Akhtar  
Director

Zafar Iqbal  
Director

Mohammad Naeem Mukhtar  
Chairman

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

## 1 STATUS AND NATURE OF BUSINESS

Allied Bank Limited ("the Bank"), incorporated in Pakistan, is a scheduled bank, engaged in commercial banking and related services. The Bank is listed on Pakistan Stock Exchange Limited. The Bank operates a total of 1,451 (2021: 1,427) branches in Pakistan including 117 (2021: 117) Islamic banking branches, 1 branch (2021: 1) in Karachi Export Processing Zone and 1 Wholesale banking branch (2021: 1) in Bahrain. The long term credit rating of the Bank assigned by the Pakistan Credit Rating Agency Limited (PACRA) is 'AAA'. Short term rating of the Bank is 'A1+'.

Ibrahim Holdings (Private) Limited is the parent company of the Bank and it's registered office is in Pakistan.

The Bank is the holding company of ABL Asset Management Company Limited.

The registered office of the Bank is situated at 3 - Tipu Block, New Garden Town, Lahore.

## 2 BASIS OF PRESENTATION

These unconsolidated financial statements represent separate financial statements of the Bank. The consolidated financial statements of the Bank are being issued separately.

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

The financial results of the Islamic banking branches have been consolidated in these financial statements for reporting purposes, after eliminating inter-branch transactions and balances. Key financial figures of the Islamic banking branches are disclosed in Annexure II to these financial statements.

These unconsolidated financial statements have been presented in Pakistan Rupees (PKR), which is the currency of the primary economic environment in which the Bank operates. The amounts are rounded to nearest thousand of rupees unless otherwise stated.

The US\$ Dollar amounts presented in the Statement of Financial Position, Profit and Loss Account, Statement of Comprehensive Income and Statement of Cash Flow are stated as additional information, solely for the convenience of the users of financial statements. For the purpose of translation to US\$, spot rate of Rs. 226.4309 per US\$ has been used for 2022 and 2021, as it was the prevalent rate on reporting date.

### 2.1 STATEMENT OF COMPLIANCE

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) & the Securities and Exchange Commission of Pakistan (SECP).

**2.1.1** Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the directives issued by the SBP and the SECP differ with the requirements of IFRS and IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.

**2.1.2** The SBP, vide BSD Circular Letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39 'Financial Instruments: Recognition and Measurement' (IAS 39) and International Accounting Standard 40 'Investment Property' (IAS 40) for banking companies till further instructions. Further, according to a notification of Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, International Financial Reporting Standard 7 'Financial Instruments Disclosure' (IFRS 7), has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and disclosed in accordance with the requirements prescribed by SBP through various circulars.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

**2.1.3** The Securities and Exchange Commission of Pakistan (SECP) vide SRO 56 (1) / 2016 dated January 28, 2016, has notified that the requirements of International Financial Reporting Standard 10 'Consolidated Financial Statements' (IFRS 10) and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under Trust structure.

**2.1.4** The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard 3 'Profit & Loss Sharing on Deposits' (IFAS-3) issued by the Institute of Chartered Accountants of Pakistan and notified by the Securities & Exchange Commission of Pakistan (SECP), vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). The standard will result in certain new disclosures in the financial statements of the Bank.

## **2.2 STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE EFFECTIVE IN THE CURRENT YEAR**

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except for following amendments to accounting standards which are effective for current year. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective:

- IFRS 3 Business Combinations - The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. In accordance with the transitional provisions, the Bank applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the unconsolidated financial statements of the Bank.

- IAS 16 Property, plant and equipment – Amendment to clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- In accordance with the transitional provisions, the Bank applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Bank as they are not involved in manufacturing business.
- IAS 37 - Provisions, Contingent Liabilities and Contingent Assets - Amendments to specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Bank applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period. These amendments had no impact on the financial statements of the Bank, as prior to the application of the amendments, the Bank had not identified any contracts as being onerous and the unavoidable costs under the contracts, which were the costs of fulfilling them, comprised of incremental costs directly related to the contracts and an allocation of costs directly related to contract activities.

Accordingly, the adoption of the above amendments to accounting standards did not have any material effect on the unconsolidated financial statements.

In addition to the above amendments to standards, improvements to various accounting standards (under the annual improvements 2018 - 2020 cycle) have also been issued by the IASB in May 2020. Such improvements were generally effective for accounting periods beginning on or after January 01, 2022:

- IFRS 16 Leases: Lease incentives – The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 acBanking IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16 and had no impact on the financial statements of the Bank.
- IAS 41 Agriculture: Taxation in fair value measurements – The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

The adoption of the above improvements to the standards had no material effect on the Bank's financial statements.

## 2.3 STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following new standards and amendments with respect to the approved accounting standards, as applicable in Pakistan, would be effective from the dates mentioned below. The Bank intends to adopt the new standard and amendment, if applicable, when they become effective.

Standard and IFRIC	Effective date (annual periods beginning on or after)
<ul style="list-style-type: none"><li>IFRS 9, Financial Instruments: Classification and Measurement, addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'expected credit losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. For detail refer to note 4.1.</li></ul>	January 01, 2023
<ul style="list-style-type: none"><li>IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.  In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:<ul style="list-style-type: none"><li>What is meant by a right to defer settlement</li><li>That a right to defer must exist at the end of the reporting period</li><li>That classification is unaffected by the likelihood that an entity will exercise its deferral right</li><li>That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.</li><li>Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.</li></ul></li></ul>	January 01, 2024
<p>The amendments must be applied retrospectively and are not expected to have a material impact on the Bank's financial statements.</p>	
<ul style="list-style-type: none"><li>IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 - The amendments aim to help entities provide accounting policy disclosures that are more useful by:<ul style="list-style-type: none"><li>Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and</li><li>Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.</li></ul></li></ul>	January 01, 2023
<p>Earlier application of the amendments is permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Bank is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.</p>	
<ul style="list-style-type: none"><li>Definition of Accounting Estimates - Amendments to IAS 8 - The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.</li></ul>	January 01, 2023

Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Bank's financial statements.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 - In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. January 01, 2023

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The amendments are not expected to have a material impact on the Bank's financial statements.

- IFRS 16 Leases - Lease Liability in a Sale and Leaseback - Amendments requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to sale and leaseback transactions entered into after the date of initial application. January 01, 2024
- IFRS 10 & IAS 28 - Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment). The effective date of Amendments to IFRS 10 and IAS 28 has been deferred indefinitely (until the research project of IASB, on the equity method, has been concluded. Earlier application of the September 2014 amendments continues to be permitted. The Bank expects that the adoption of the amendments will have no material effect on the Bank's financial statements. Not yet finalized

Further, the following new standards have been issued by the IASB, which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

<b>Standard</b>	<b>Effective date (annual periods beginning on or after)</b>
- IFRS 1 - First time Adoption of IFRS	January 01, 2024
- IFRS 17 - Insurance Contracts	January 01, 2023

The Bank expects that the adoption of the above standards will have no material effect on the Bank's financial statements, in the period of initial application.

The SBP vide BPRD Circular no. 02 dated February 09, 2023 has specified the new reporting format for the financial statements of Banking companies. The new format has revised the disclosure requirements and will become applicable for the financial statements of the Bank for the year ending December 31, 2023.

## 2.4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates, underlying assumptions and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies are as follows:

### 2.4.1 Provision against non-performing loans and advances

The Bank reviews its loan portfolio to assess amount of non-performing loans and advances and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower and the requirements of the Prudential Regulations are considered. The amount of general provision is determined in accordance with the requirements set out in Prudential Regulations.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

## 2.4.2 Valuation and impairment of 'available-for-sale' equity investments

The Bank determines that 'available-for-sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant and prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

Other areas where judgments are exercised in application of accounting policies are as follows:

## 2.4.3 Defined benefit plans

Liability is determined on the basis of actuarial advice using the Projected Unit Credit Method. The actuarial assumptions used to determine the liability and related expense are disclosed in note 35.

## 2.4.4 Classification of investments

- In classifying investments as 'held-for-trading' the Bank has determined securities which are acquired with the intention to trade by taking advantage of short term market or interest rate movements and are to be sold within 90 days.
- In classifying investments as 'held-to-maturity' the Bank follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity.
- The investments, other than those in subsidiary, which are not classified as 'held-for-trading' or 'held-to-maturity' are classified as 'available-for-sale'.

## 2.4.5 Depreciation, amortization and revaluation of operating fixed assets

In making estimates of the depreciation and amortization, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank and estimates the useful life. The method applied and useful lives estimated are reviewed at each financial year end and if there is a change in the expected pattern or timing of consumption of the future economic benefits embodied in the assets, the estimate would be changed to reflect the change in pattern. Such a change is accounted for as change in accounting estimates in accordance with International Accounting Standard 8 - Accounting Policies, 'Changes in Accounting Estimates and Errors'. Further, the bank estimates the revalued amount of land and buildings on a regular basis. The estimates are based on the valuations carried out by independent professional valuers under the market conditions.

## 2.4.6 Fair value hierarchy of assets and liabilities

The fair value of the assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Bank categorizes fair value measurements within the following fair value hierarchy:

### a) Level 1

These are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date.

### b) Level 2

These are inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly or indirectly.

### c) Level 3

These are input for the assets or liabilities that are not based on observable market data (unobservable Inputs).

## 2.4.7 Lease term

The Bank applies judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Bank is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

## 2.4.8 Income taxes

In making estimates for income taxes currently payable by the Bank, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Bank's view differs with the view taken by the income tax authorities and such amounts are shown as a contingent liability.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

## 3 BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention except for the following which are stated at revalued amounts or fair values or present values:

- Certain investments (Note 4.4);
- Certain operating fixed assets (Note 4.6);
- Lease liability and related right of use assets (Note 4.7);
- Staff retirement and other benefits (Note 4.9);
- Non-banking assets acquired in satisfaction of claims (Note 4.10);
- Derivative financial instruments (Note 4.17.2).

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated financial statements have been applied consistently to all periods presented in these unconsolidated financial statements of the Bank except for note 4.1 mentioned below which will be applicable from January 01, 2023. Significant accounting policies are enumerated as follows:

### 4.1 Change in accounting policy effective from January 01, 2023 IFRS 9 'Financial Instruments'

As directed by the State Bank of Pakistan (SBP) vide BPRD Circular no 3 of 2022, IFRS 9 Financial Instruments is effective for periods beginning on or after 1 January 2023 for banks having asset base of more than Rs. 500 billion as at 31 December 2021. SBP finalized and issued the IFRS 9 Application Instructions vide same circular, for ensuring smooth and consistent implementation of the standard in the banks.

During the year 2022, the management of the Bank has performed an impact assessment of IFRS 9 taking into account the SBP's IFRS 9 application instructions. The assessment is based on available information and may be subject to changes arising from further reasonable and supportable information being made available to the Bank at the time of finalizing the impact for initial application of IFRS 9. However, the Bank expects an increase in the loss allowance resulting in a negative impact on equity. In addition, the Bank will implement changes in classification of certain financial instruments. These changes and impacts are discussed below:

#### *Classification and measurement*

The classification and measurement of debt financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. Financial assets that do not meet the Solely Payments of Principal and Interest (SPPI) criteria are measured at FVTPL regardless of the business model in which they are held. The Bank's business model in which financial assets are held will determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVTPL'). The classification of equity instruments is generally measured as Fair Value through Profit & Loss (FVTPL) unless the Bank elects for Fair Value through Other Comprehensive Income (FVOCI) at initial recognition. The Bank has analyzed the impact of initial application of IFRS 9 on its financial assets as follows:

#### *Equity Securities*

The Bank expects to continue measuring at fair value all financial assets currently held at fair value.

For certain equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI, the Bank will apply the option to present fair value changes in OCI, and, therefore, the application of IFRS 9 will not have a significant impact on adoption. However, in accordance with IFRS 9 requirements, fair value gain or losses recognized in OCI will not be recycled to profit and loss account on derecognition of these securities.

For those equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI for which FVOCI election is not made, will, instead, be measured at fair value through profit or loss, which will increase volatility in recorded profit or loss for future periods. The revaluation surplus / deficit related to those securities in amount, which is currently presented as accumulated OCI, will be reclassified to retained earnings however, there will be no impact on overall equity with respect to such classification.

Unquoted equity securities are required to be measure at fair value under IFRS 9, however, SBP has postponed this requirement for banks till one year to carry these investments under the current PR regime.

#### *Debt securities, Loans and advances*

Debt securities currently classified as AFS and those passing the SPPI test, are expected to be measured at fair value through OCI under IFRS 9 as the Bank's business model is to hold the assets to collect contractual cash flows, but also to sell these investments. Debt securities currently classified as HTM and those passing the SPPI test are expected to be measured at amortized costs under IFRS 9 as the Bank's business model is to hold the assets to collect contractual cash flows.

Cashflows of certain debt instruments classified in AFS and / or HTM categories, do not expect to give risk to cash flows representing solely payments of principal and interest and accordingly, these would be measured at fair value through profit and loss.



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

## *Impairment*

The impairment requirements apply to financial assets measured at amortised cost and FVOCI (other than equity instruments), lease receivables, and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'stage 3'.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Based on the requirement of IFRS 9 and SBP's IFRS 9 application instructions, the Bank has performed an ECL assessment taking into account the key elements such as assessment of SICR, Probability of Default, Loss Given Default and Exposure at Default.

Under the SBP's instructions, credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework. Moreover, until implementation of IFRS 9 has stabilized, Stage 1 and stage 2 provisions would be made as per IFRS 9 ECL and stage 3 provision would be made considering higher of IFRS 9 ECL or provision computed under existing PRs' requirements.

## *Hedge accounting*

IFRS 9 aligns hedge accounting more closely with risk management activities and establishes a more principle-based approach to hedge accounting.

## *Presentation and disclosure*

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of Bank's disclosure about its financial instruments particularly in the year of adoption of the IFRS 9.

The State Bank of Pakistan has issued a revised format for financial statements of the banks for the accounting periods starting from 1 January 2023, which includes the presentation and disclosures under IFRS 9 as applicable in Pakistan.

## *Additional requirements and exceptions introduced by SBP Instructions*

State Bank of Pakistan has enforced the application of IFRS 9 in its entirety except for some exceptions and additional requirements. A high-level comparison of such exceptions that are relevant to the Bank is as follows:

### - **Scope of application**

Financial statements of overseas branches, subsidiaries and associates prepared for the purpose of consolidation at the bank level should be based on their respective host country's regulatory accounting practices till one year from the effective date of IFRS 9 implementation (i.e. 1 January 2023). Afterwards, banks will be required to comply with the requirements of these application instructions for consolidated financial statements. These instructions will not apply on the standalone statutory financial statements of banks' associates, subsidiaries and overseas branches that shall be prepared according to their rules and regulations applicable to them.

### - **Unquoted equity securities**

SBP has advised banks to measure investment in unquoted equity securities at lower of cost or breakup value till December 31, 2023. In case where the breakup value of such securities is less than the cost, the difference of the cost and the breakup value will be classified as loss and provided for by charging it to the Profit and Loss account.

### - **Rebuttable presumptions**

IFRS 9 includes a rebuttable presumption that a default does not occur later than 90 days past due and it also presumes that there is SICR if credit exposure is more than 30 days past due. In order to bring consistency, SBP has allowed the backstop to the rebuttable presumption of days past due of credit portfolio against a specific credit facility and its stage allocation under IFRS 9 as mentioned in Annexure-C of BPRD Circular no 3 of 2022. However, banks are free to choose more stringent days past due criteria.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

## - Transfer out of Stage 3

An exposure cannot be upgraded from Stage 3 to 1 directly and should be upgraded to Stage 2 initially. For the purpose of reversal of provisions, the PRs requirements will be followed for Stage 3 assets.

## - Income recognition on impaired assets

The Banks are advised to recognize income on impaired assets (loans classified under PRs i.e. OAEM and Stage 3 loans) on a receipt basis in accordance with the requirements of Prudential Regulations issued by SBP.

## - Expected Credit Loss Model (ECL)

Credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework.

Moreover, until implementation of IFRS 9 has stabilized, a two-track approach is required i.e. Stage 1 and stage 2 provision to be made as per IFRS 9 ECL and stage 3's provision to be made higher of IFRS 9 ECL or PR's requirement.

## - Impact of Provisions on Regulatory Capital

The banks are allowed to include provisions for Stage 1 and Stage 2 in Tier 2 capital up to a limit of 1.25% of total credit risk-weighted assets. In order to mitigate the impact of ECL provisioning on capital, a transitional arrangement is allowed to the banks to absorb the impact on regulatory capital. Accordingly, banks, which choose to apply transitional arrangement, may implement this arrangement in accordance with SBP's Guideline for absorption of ECL for CAR Purposes as mentioned in Annexure-C of BPRD Circular no 3 of 2022.

### *Loan / financing related fee*

Loan origination / commitment fees that are regarded as compensation to the lender for an ongoing involvement with the acquisition of a financial instrument would be recognized over the life of the related loan. However, if the commitment expires without the lender making the loan, the fee would be recognised as revenue as earned.

### **Impact of adoption of IFRS 9**

The actual impact of adopting IFRS 9 on the Bank's financial statements in the year 2023 may not be accurately estimated because it will be dependent on the financial instruments that the Bank would hold during next year and economic conditions at that time as well as accounting elections and judgements that it will make in future. Nevertheless, the Bank has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at December 31, 2022.

### **Classification and measurement**

Based on the bank's assessment, the IFRS 9 requirements are expected to have the following impact on the classification and measurement of its financial assets and financial liabilities:

1. Debt instruments (amount of Rs. 22.451 million has been reclassified from AFS to FVTPL);
2. Equity instrument (amount of Rs. 17,546.986 million has been reclassified from AFS to FVOCI).

### **Impairment**

The total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Bank's equity at January 01, 2023 is decrease in equity of approximately Rs. 937.16 million, representing corresponding impact of:

- A decrease of approximately Rs. 1,644.141 million related to impairment requirements;
- An increase of approximately Rs. 706.981 million related to deferred tax.

### **Impact on regulatory capital**

The introduction of IFRS 9 will result in reduction in regulatory capital of the banks, which is likely to reduce their lending capacity and ability to support their obligors. In order to mitigate the impact of expected credit loss (ECL) models on capital, SBP has determined that it may be appropriate for the FIs to introduce a transitional arrangement for the impact on regulatory capital from the application of ECL accounting. Annexure B of the 'Application Instructions' issued by SBP have detailed the transitional arrangement.

The transitional arrangement must apply only to provisions for stage 1 and 2 financial assets. The transitional arrangement must adjust CET1 capital. Where there is a reduction in CET1 capital due to new provisions, net of tax effect, upon adoption of an ECL accounting model, the decline in CET1 capital (the "transitional adjustment amount") must be partially included (i.e. added back) to CET1 capital over the "transition period" of five years.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

The impact of adoption of IFRS 9 on the capital ratios of the Bank are as follows:

<b>Common Equity Tier 1 Capital Adequacy Ratio</b>	<b>As per adopted IFRS 9</b>	<b>As per current IFRS</b>
Common Equity Tier 1 Capital Adequacy Ratio	18.39%	18.51%
Tier 1 Capital Adequacy Ratio	18.39%	18.51%
Total Capital Adequacy Ratio	19.72%	19.74%
CET 1 available to meet buffers (as a percentage of risk weighted assets)	10.89%	11.01%

## 4.2 Cash and cash equivalents

For the purpose of Cash Flow Statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks (net of overdrawn nostro balances) in current and deposit accounts.

## 4.3 Lendings to or borrowings from financial institutions

The Bank enters into transactions of borrowing (re-purchase) from and lending (reverse re-purchase) to financial institutions, at contracted rates for a specified period of time. These are recorded as under:

### a. Sale under re-purchase agreements

Securities sold subject to a re-purchase agreement are retained in the financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and re-purchase value is accrued on a prorata basis and recorded as mark-up expense.

### b) Purchase under resale agreements

Securities purchased under agreement to resell (reverse re-purchase) are included in lendings to financial institutions. The differential between the contracted price and resale price is accrued on pro rata basis over the period of the contract and recorded as mark-up income.

Securities held as collateral are not recognized in the financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowings from financial institutions.

In Bai Muajjal, the Bank purchases and sells Shariah Compliant instruments including sukuks on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period. Expected profit / expense is recognized on accrual basis.

In Musharaka and Mudaraba, the Bank invests in the Shariah compliant business pools of the financial institutions at the agreed profit and loss sharing ratio. Expected profit is recognized on accrual basis.

Other borrowings including borrowings from SBP are recorded at the proceeds received. Mark-up on such borrowings is charged to the Profit and Loss Account on a time proportion basis.

Lendings are stated net of provision. Return on such lending is accrued to the Profit and Loss Account on a time proportion basis except mark-up on impaired or delinquent lendings, which is recognized on receipt basis.

## 4.4 Investments

4.4.1 The Bank at the time of purchase classifies its investment portfolio as mentioned in note 2.4.4.

4.4.2 Investments are initially recognized at fair value which, in case of investments other than 'held-for-trading', includes transaction cost associated with the investments. Transaction cost on 'held-for-trading' investments are expensed as incurred.

All 'regular way' purchases and sales of investments are recognized on the trade date, i.e., the date that the Bank commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of investments that require settlement within the time frame generally established by regulation or convention in the market place.

4.4.3 In accordance with the requirements of the SBP, quoted securities, other than those classified as 'held-to-maturity' and investments in subsidiaries, are carried at market value. Investments classified as 'held-to-maturity' are carried at amortized cost.

Unrealized surplus / (deficit) arising on revaluation of the Bank's 'held-for-trading' investment portfolio is taken to the Profit and Loss Account. Surplus / (deficit) arising on revaluation of quoted securities classified as 'available-for-sale' is kept in a separate

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

account shown in the statement of financial position. The surplus and (deficit) arising on these securities is taken to the Profit and Loss Account when actually realized upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. A decline in the carrying value is charged to the Profit and Loss Account. A subsequent increase in the carrying value, upto the cost of the investment, is credited to the Profit and Loss Account. Investments in other unquoted securities are valued at cost less impairment, if any.

Provision for diminution in the value of securities (except for debentures, participation term certificates, sukuks and term finance certificates) is made after considering impairment, if any, in their value. Provision for diminution in value of debentures, participation term certificates, sukuks and term finance certificates are made in accordance with the requirements of Prudential Regulations issued by SBP.

4.4.4 Investments in subsidiaries are stated at cost less impairment.

## 4.5 Advances

### a. Loans and advances

Loans and advances are stated net of general and specific provisions. Specific provision against loans is determined in accordance with the requirements of the Prudential Regulations and other directives issued by SBP and charged to the Profit and Loss Account. General provision is maintained in accordance with the requirements of Prudential Regulations issued by SBP. The provision and reversal is charged to the Profit and Loss Account. Advances are written off when there are no realistic prospects of recovery.

### b. Net investment in finance lease

Leases, where the Bank transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the minimum lease payments, including un-guaranteed residual value, if any. Finance lease receivables are included in advances to the customers.

### c. Islamic financing and related assets

The Bank provides Islamic financing and related assets mainly through Murabaha, Ijarah, Istisna, Diminishing Musharakah, Business Musharakah, Salam and Musawamah. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. The profit on such financings is recognised in accordance with the principles of Islamic Shariah. The Bank determines specific and general provisions against Islamic financing and related assets in accordance with the requirements of the Prudential Regulations issued by the SBP. The net provision made or reversed during the year is charged to Profit and Loss Account and accumulated provision is netted off against Islamic financing and related assets. Islamic financing and related assets are written off when there are no realistic prospects of recovery.

## 4.6 Fixed assets and depreciation

### a. Tangible assets

Property and equipment owned by the Bank, other than land and building, are stated at cost less accumulated depreciation and impairment losses, if any. Land is carried at revalued amount less any subsequent impairment losses if any, and is not depreciated while buildings are stated at cost or revalued amount less accumulated depreciation and any subsequent impairment losses, if any.

Depreciation is calculated using the straight line method, except buildings which are depreciated using the reducing balance method, to write down the cost of property and equipment to their residual values over their estimated useful lives. The rates at which the fixed assets are depreciated are disclosed in note 10.2. The residual values, useful lives and depreciation methods are reviewed and adjusted, if required. Adjustments in residual values, useful lives and depreciation methods are treated as change in accounting estimates.

Depreciation on additions is charged from the month the assets are available for use, while no depreciation is charged in the month in which the assets are disposed off.

When an asset or class of assets is revalued, any increase in the carrying amount arising on revaluation is recorded through other comprehensive income and credited to the revaluation reserve in equity. However, the increase shall be recognized in the Profit and Loss Account to the extent it reverses previously recognised revaluation decrease/impairment loss of the same asset in the Profit and Loss Account, net of amortization or depreciation had no revaluation

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

decrease/impairment been required for the asset in prior years. A decrease resulting from a revaluation is initially charged directly against any related revaluation surplus held in respect of that asset and the remaining portion being charged as an expense.

The surplus on revaluation of fixed assets to the extent of incremental depreciation (net of deferred tax) charged on the related assets is transferred directly to un-appropriated profit.

Revaluation of entire class of assets is carried out by independent professionally qualified valuers with sufficient regularity (every third year) to ensure that the carrying amount of the entire class of assets does not differ materially from their fair value.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in the Profit and Loss Account in the year the asset is derecognized, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to unappropriated profit.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Profit and Loss Account.

## b. Intangible assets

Intangible assets are carried at cost less any accumulated amortization and impairment losses, if any. The cost of intangible assets is amortized over their estimated useful lives, using the straight line method. Amortization is charged from the month the assets are available for use at the rate stated in note 11.2. The useful lives are reviewed and adjusted, if appropriate, at each reporting date.

## c. Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any.

## 4.7 Lease liability and right of use asset

The lease liability is initially measured at the present value of lease payments to be made over the term of the lease, discounted using the Bank's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest rate method. The carrying amount is remeasured/adjusted if there are changes in the future cash flows or the lease term.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date. On subsequent measurement, right-of-use assets are stated at cost less any accumulated depreciation and accumulated impairment losses and are adjusted for any remeasurement of the lease liability.

Right-of-use assets are depreciated on a straight line basis over the lease term as this method closely reflects the expected pattern of consumption of future economic benefits. Carrying amount of the lease liability is derecognised upon termination of the lease contract with corresponding adjustment to right-of-use asset. Gain or loss on termination of lease contract is recognised in the Profit and Loss Account.

The Bank has elected not to recognize a right-of-use asset and the corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Payments associated with these leases are recognized as an expense in the Profit or Loss Account on a straight-line basis.

## 4.8 Taxation

### a. Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the year.

### b. Prior

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments or changes in laws and changes in estimates made during the current year.



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

## c. Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences, at the reporting date between the amounts attributed to assets and liabilities for financial reporting purpose and amounts used for taxation purposes. Deferred tax is calculated at the rates that are expected to apply to the periods when the difference will reverse, based on tax rates that have been enacted or substantially enacted at the reporting date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Bank also recognizes a deferred tax asset or liability on deficit or surplus on revaluation of fixed assets, non-banking assets and investments which is adjusted against the related deficit or surplus in accordance with the requirements of IAS-12 'Income Taxes'.

## 4.9 Staff retirement and other benefits

### 4.9.1 Staff retirement schemes

#### a. For employees who opted for the 2002 scheme introduced by the management

An approved pension scheme (defined benefit scheme) under which the benefits on the basis of frozen basic salary, service length and age as on June 30, 2002 are payable to all employees whose date of joining the Bank is on or before July 01, 1992, i.e., who have completed ten years of continuous service as on June 30, 2002.

An approved gratuity scheme (defined benefit scheme) under which the benefits are payable as under:

- i. For members whose date of joining the Bank is on or before July 01, 1992, their services would be calculated starting from July 01, 2002 for gratuity benefit purposes.
- ii. For members whose date of joining the Bank is after July 01, 1992 their services would be taken at actual for the purpose of calculating the gratuity benefit. This rule will be applicable upon retirement or in service death only, in case of resignation gratuity will be payable from July 01, 2002, even if he or she had joined the Bank before July 01, 2002.

A contributory provident fund scheme to which equal contributions are made by the bank and the employees (defined contribution scheme).

#### b. For employees who did not opt for 2002 scheme

An approved pension scheme (defined benefit scheme) under which the benefits on the basis of frozen basic salary as on June 30, 2002 are payable to all employees opting continuation of the previous scheme and whose date of joining the Bank is on or before July 01, 1992, i.e., who had completed ten years of continuous service as on June 30, 2002.

In the light of decision of Honorable Supreme Court of Pakistan in SMC No. 20/2016 dated 13th February 2018 read with Order dated 3rd April 2018 passed in CRP No.72/2018 and Order dated 7th August 2018 in Cri.O.No. 98 and 99 of 2018 and after consultation with Bank's legal counsel, the monthly pension of eligible pensioners has been fixed with indexation levels for eligible pensioners effective from February 13, 2018.

#### c. Post-retirement medical benefits

The Bank provides post-retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefits on the basis of actuarial valuation carried out using the Projected Unit Credit Method.

Annual contributions towards the defined benefit schemes are made on the basis of actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in Other Comprehensive Income in the period of occurrence.

### 4.9.2 Other long term benefit

#### a. Employees' compensated absences

Employees' entitlement to annual leave is recognized when they accrue to employees, upto a maximum of 60 days. A provision is made for estimated liability for annual leaves as a result of services rendered by the employee against un-availed leaves, as per terms of service contract, up to the reporting date, based on actuarial valuation using Projected Unit Credit Method. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in Profit and Loss Account in the period of occurrence.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

## b. Compensation to certain class of employees

Bank has revised its retirement policy by reducing the retirement age to 58 years for class of employees effective January 01, 2018. Consequent to the revision, these employees shall be compensated with gross salary along with employer's contribution on provident fund and gratuity for the remaining period up to 60 years in addition to already defined post-employment benefits, payable at the time of retirement, if any.

## 4.10 Non-banking assets acquired in satisfaction of claims

Non-banking assets (NBA) acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation (excluding land). Revaluation by independent professionally qualified valuers, is carried out with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. Surplus arising on revaluation of NBA is credited to the 'surplus on revaluation of assets' account through statement of comprehensive income and any deficit arising on revaluation is taken to Profit and Loss Account directly. Legal fees, transfer costs and direct costs of acquiring title to property are charged to Profit and Loss Account and not capitalised.

## 4.11 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognized separately as part of other liabilities and is accrued to the Profit and Loss Account on time proportion basis. Deposits mobilized under Islamic Banking operations are generated under two modes i.e. 'Qard' and 'Mudaraba'. Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Mudaraba basis are classified as 'Saving deposits or Fixed deposits'.

## 4.12 Impairment

### a. Available-for-sale equity securities

The Bank determines that 'available-for-sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value of these investments below their cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates, among other factors, the normal volatility in share price in the case of listed equity securities. In addition, impairment may be appropriate when there is evidence of deterioration in the financial condition of the investee, industry and sector performance and changes in technology.

### b. Non-financial assets

The carrying amount of the Bank's assets (other than deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the relevant asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the Profit and Loss Account except for an impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the revaluation surplus. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

## 4.13 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Provision against identified losses on non-funded exposure is recognized when intimated and reasonable certainty exists for the Bank to settle the obligation. The loss is charged to the Profit and Loss Account net of expected recovery and is classified under other liabilities.

Provisions are reviewed at the reporting date and are adjusted to reflect the current best estimate.

## 4.14 Acceptances

Acceptances comprise of undertakings by the Bank to pay bills of exchange drawn on customers. Acceptances are recognised as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

## 4.15 Dividend distribution and appropriations

Bonus and cash dividend and other appropriations (except for the appropriations required by law), declared / approved subsequent to the reporting date are considered as non-adjusting event and are not recorded in financial statements of the current year. These are recognized in the period in which these are declared / approved.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

## 4.16 Foreign currencies

### a. Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the reporting date. Foreign bills purchased are valued at spot rate and forward foreign exchange contracts are valued at forward rates applicable to their respective maturities.

### b. Foreign operations

The assets and liabilities of foreign operating branches are translated to Pakistan Rupee (PKR) at exchange rates prevailing at reporting date. The results of foreign operations are translated at the average exchange rate for the period.

### c. Translation gains and losses

Translation gains and losses arising on revaluation of net investments in foreign operations are taken to equity under "Exchange Translation Reserve" through Other Comprehensive Income and on disposal are recognised in Profit and Loss Account. Regular translation gains and losses are taken to Profit and Loss Account.

### d. Commitments

Commitments for outstanding forward contracts disclosed in these financial statements are translated at forward rates applicable to their respective maturities. Contingent liabilities or commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing on the reporting date.

## 4.17 Financial instruments

### 4.17.1 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Bank becomes a party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specific in the contract is extinguished. Any gain or loss on de-recognition of the financial asset and liability is recognised in the Profit and Loss Account of the current period. The particular recognition and subsequent measurement methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

### 4.17.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the Profit and Loss Account.

## 4.18 Off setting

Financial assets and financial liabilities are off set and the net amount is reported in the financial statements when there is a legally enforceable right to off set and the Bank intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

## 4.19 Revenue recognition

Revenue is recognized to the extent that the economic benefits will flow to the Bank and the revenue can be reliably measured. These are recognised as follows:

### a. Advances and investments

Mark-up, return on regular loans and advances and investments is recognized on a time proportion basis. Where debt securities are purchased at premium or discount, the same is amortized through the Profit and Loss Account using the effective interest rate method.

Interest or mark-up recoverable on classified loans, advances and investments is recognized on receipt basis. Interest, return or mark-up on classified, rescheduled or restructured loans and advances and investments is recognized as permitted by the regulations of the State Bank of Pakistan.

Dividend income is recognized when the right to receive the dividend is established.

Gains and losses on sale of investments are recognized in the Profit and Loss Account.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

## b. Lease financing

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealised income on classified leases is recognized on receipt basis.

Gains or losses on termination of lease contracts and other lease income are recognized when realized.

## c. Islamic financing and related assets

Profit on Business Musharakah financing is booked on accrual basis and is adjusted upon declaration of profit by Musharakah partners.

Ijarah and Diminishing Musharakah income is recognised on an accrual basis as and when the rental becomes due.

Murabaha, Musawamah and Salam income is recognised on deferred income basis.

Profit on Istisna financing is recognized on an accrual basis commencing from time of sale of goods till the realization of sale proceeds by the Bank.

## d. Fees, brokerage and commission

Fee, Commission and Brokerage income is recognized on an accrual basis except where, in the opinion of management, it would not be prudent to do so.

## 4.20 Business Segment reporting

A segment is a distinguishable component of the Bank that is subject to risks and rewards that are different from those of other segments. A business segment is one that is engaged either in providing certain products or services, whereas a geographical segment is one engaged in providing certain products or services within a particular economic environment. Segment information is presented as per the Bank's functional and management reporting structure. The Bank's primary segment reporting is based on following business segments:

### a. Corporate & investment banking

This segment offers a wide range of financial services to medium and large sized public and private sector entities and also covers overseas operation of the Bank. These services include, providing and arranging tenured financing, corporate advisory, underwriting, cash management, trade products, corporate finance products and customer services on all bank related matters.

### b. Trading and sales (Treasury)

This segment undertakes the Bank's treasury and money market activities.

### c. Commercial & retail banking

Commercial and retail banking provides services to commercial and retail customers including agriculture sector. It includes loans, deposits and other transactions with commercial and retail (conventional and Islamic) customers.

### d. Islamic Banking

Islamic banking provides Shariah compliant services to customers including islamic financing, deposits and other transactions.

### e. Others

Others includes functions which cannot be classified in any of the above segments.

## 4.21 Geographical segment reporting

Geographically the Bank operates in Pakistan, Middle East and China.

## 4.22 Earnings per share

The Bank presents basic and diluted Earnings per Share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	Note	December 31, 2022	December 31, 2021
Rupees in '000			
<b>5 CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		28,208,976	22,823,027
Foreign currencies		974,226	967,026
		29,183,202	23,790,053
<b>Remittances in transit</b>		1,102,799	508,766
<b>With State Bank of Pakistan (SBP) in</b>			
Local currency current accounts	5.1	56,627,616	59,570,982
Foreign currency current account	5.2	77,448	54,580
Foreign currency deposit accounts (non-remunerative)	5.1	36,908	4,807,522
Foreign currency deposit accounts (remunerative)	5.3	59,118	9,588,566
		56,801,090	74,021,650
<b>With National Bank of Pakistan in</b>			
Local currency current accounts		561,719	25,567,776
<b>National Prize Bonds</b>			
		264,616	518,163
		87,913,426	124,406,408

**5.1** Deposits with the State Bank of Pakistan (SBP) are maintained to comply with the cash reserve requirement, under section 22 of the Banking Companies Ordinance, 1962 and State Bank of Pakistan statutory requirements issued from time to time.

**5.2** This represents US\$ settlement account maintained with the State Bank of Pakistan (SBP).

**5.3** This represents special cash reserve maintained with the State Bank of Pakistan (SBP). The return on this account is declared by SBP on a monthly basis and carries mark-up at the rate of 0% to 3.14% (2021: 0%) per annum.

	Note	December 31, 2022	December 31, 2021
Rupees in '000			

## 6 BALANCES WITH OTHER BANKS

<b>In Pakistan</b>			
In current accounts		7,500	-
In deposit accounts		-	-
<b>Outside Pakistan</b>			
In current accounts		3,209,391	650,288
In deposit accounts	6.1	222,577	252,955
		3,439,468	903,243

**6.1** Balances with other banks outside Pakistan in deposit account carry interest rates of 0% to 0.25% (2021: 0.001%) per annum.



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	Note	December 31, 2022	December 31, 2021
Rupees in '000			
<b>7</b>	<b>LENDINGS TO FINANCIAL INSTITUTIONS</b>		
Call money lendings - local currency		-	6,000,000
Call money lendings - foreign currency	7.1	3,622,894	-
Repurchase agreement lendings (Reverse Repo)	7.2 & 7.6	21,599,301	39,452,910
Musharaka lendings	7.3	3,000,000	-
Certificates of investment	7.4	70,000	70,000
		<u>28,292,195</u>	<u>45,522,910</u>
Less: Provision held against lendings to financial institutions	7.4 & 7.7	(70,000)	(70,000)
Lendings to financial institutions - net of provision		<u>28,222,195</u>	<u>45,452,910</u>

**7.1** These represent foreign currency call money lendings to financial institutions at the mark-up rate of 5.1% to 7.95% (2021: Nil) per annum, maturing latest by March 20, 2023.

**7.2** These are short-term local currency lendings to financial institutions against government securities as shown in note 7.6 below. These carry mark-up at the rate of 16% to 16.1% (2021: 9.75% to 10.75%) per annum, maturing on January 03, 2023.

**7.3** These represent local currency lendings to financial institutions by Islamic banking business under Musharaka agreement at expected profit of 16% (2021: Nil) per annum, maturing on January 03, 2023.

**7.4** This represents local currency classified certificates of investment and related provisioning, amounting to Rs. 70 million (2021: Rs. 70 million).

	December 31, 2022	December 31, 2021
Rupees in '000		

## 7.5 Particulars of lending

In local currency	24,669,301	45,522,910
In foreign currencies	3,622,894	-
	<u>28,292,195</u>	<u>45,522,910</u>

	December 31, 2022			December 31, 2021		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
Rupees in '000						

## 7.6 Securities held as collateral against lending to financial institutions

Pakistan Investment Bonds	-	-	-	14,183,352	-	14,183,352
Market Treasury Bills	21,599,301	-	21,599,301	25,269,558	-	25,269,558
	<u>21,599,301</u>	<u>-</u>	<u>21,599,301</u>	<u>39,452,910</u>	<u>-</u>	<u>39,452,910</u>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2022		December 31, 2021	
	Classified Lending	Provision Held	Classified Lending	Provision Held
Rupees in '000				
<b>7.7 Category of classification</b>				
<b>Domestic</b>				
Other Assets Especially Mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	70,000	70,000	70,000	70,000
	70,000	70,000	70,000	70,000

Note	December 31, 2022				December 31, 2021			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000								

## 8 INVESTMENTS

### 8.1 Investments by type:

#### Held-for-trading securities

Federal Government Securities	139,467	-	(134)	139,333	126,081	-	2	126,083
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#### Available-for-sale securities

Federal Government Securities*	1,051,634,469	(309,078)	(32,350,404)	1,018,974,987	972,895,729	(1,807)	(9,403,483)	963,490,439
Shares	18,642,536	(1,670,628)	573,308	17,545,216	16,598,013	(1,726,160)	2,496,231	17,368,084
Non Government Debt Securities	26,593,534	(21,071)	(34,153)	26,538,310	25,350,035	(21,071)	150,924	25,479,888
Foreign securities	1,770	-	-	1,770	1,037,692	-	-	1,037,692
Open Ended Mutual Funds	25,000	-	(2,549)	22,451	25,000	-	(780)	24,220
8.4	1,096,897,309	(2,000,777)	(31,813,798)	1,063,082,734	1,015,906,469	(1,749,038)	(6,757,108)	1,007,400,323

#### Held-to-maturity securities

Federal Government Securities	59,395,021	-	-	59,395,021	56,468,494	-	-	56,468,494
Non Government Debt Securities	320,637	(320,637)	-	-	344,260	(344,260)	-	-
8.5	59,715,658	(320,637)	-	59,395,021	56,812,754	(344,260)	-	56,468,494

#### Subsidiaries

	500,000	-	-	500,000	500,000	-	-	500,000
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<b>Total Investments</b>	<b>1,157,252,434</b>	<b>(2,321,414)</b>	<b>(31,813,932)</b>	<b>1,123,117,088</b>	<b>1,073,345,304</b>	<b>(2,093,298)</b>	<b>(6,757,106)</b>	<b>1,064,494,900</b>
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### 8.2 Investments by segments:

#### Federal Government Securities\*

Market Treasury Bills	100,236,514	-	(970,586)	99,265,928	455,866,245	-	(1,045,190)	454,821,055
Pakistan Investment Bonds	973,127,649	-	(19,875,770)	953,251,879	553,427,682	-	(8,801,215)	544,626,467
GOP Ijarah Sukuks	13,075,605	-	(67,540)	13,008,065	9,500,000	-	(95,850)	9,404,150
Naya Pakistan Certificate	2,021,081	-	-	2,021,081	772,649	-	-	772,649
Foreign Currency Bonds (US\$)	22,708,108	(309,078)	(11,436,642)	10,962,388	7,078,137	(1,807)	538,774	7,615,104
GOP Ijarah Sukuks - Bai Muajjal Placement	-	-	-	-	2,845,591	-	-	2,845,591
	1,111,168,957	(309,078)	(32,350,538)	1,078,509,341	1,029,490,304	(1,807)	(9,403,481)	1,020,086,016

#### Shares:

Listed Companies	18,239,796	(1,646,464)	573,308	17,166,640	16,186,833	(1,710,910)	2,496,231	16,972,154
Unlisted Companies	402,740	(24,164)	-	378,576	411,180	(15,250)	-	395,930
	18,642,536	(1,670,628)	573,308	17,545,216	16,598,013	(1,726,160)	2,496,231	17,368,084

#### Non Government Debt Securities

Listed	13,642,997	(79,876)	(34,153)	13,528,968	15,397,128	(103,499)	150,924	15,444,553
Unlisted	13,271,174	(261,832)	-	13,009,342	10,297,167	(261,832)	-	10,035,335
	26,914,171	(341,708)	(34,153)	26,538,310	25,694,295	(365,331)	150,924	25,479,888

#### Foreign Securities

Equity securities	1,770	-	-	1,770	1,037,692	-	-	1,037,692
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<b>Units of open-ended mutual funds</b>	<b>25,000</b>	<b>-</b>	<b>(2,549)</b>	<b>22,451</b>	<b>25,000</b>	<b>-</b>	<b>(780)</b>	<b>24,220</b>
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#### Subsidiaries

ABL - Asset Management Company	500,000	-	-	500,000	500,000	-	-	500,000
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<b>Total Investments</b>	<b>1,157,252,434</b>	<b>(2,321,414)</b>	<b>(31,813,932)</b>	<b>1,123,117,088</b>	<b>1,073,345,304</b>	<b>(2,093,298)</b>	<b>(6,757,106)</b>	<b>1,064,494,900</b>
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\* Provision for diminution against federal government securities represents expected credit loss provisioning under IFRS 9 on portfolio pertaining to overseas branch.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2022	December 31, 2021
Rupees in '000		
<b>8.2.1 Investments given as collateral</b>		
Market Treasury Bills	9,885,340	220,234,899
Pakistan Investment Bonds	402,614,187	81,656,107
Euro Bonds	-	1,647,863
<b>Total Investments given as collateral</b>	<b>412,499,527</b>	<b>303,538,869</b>

## 8.3 Provision for diminution in value of investments

Opening balance	2,093,298	2,433,232
Exchange adjustments	3,795	254
<b>Charge and reversals</b>		
Charge for the year	312,389	-
Reversals for the year	(23,622)	(10,753)
	288,767	(10,753)
Reversal on disposals	(64,446)	(329,435)
<b>Closing Balance</b>	<b>2,321,414</b>	<b>2,093,298</b>

	December 31, 2022		December 31, 2021	
	NPI*	Provision	NPI*	Provision
Rupees in '000				

### 8.3.1 Particulars of provision against debt securities

#### Category of classification

<b>Domestic</b>				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	341,708	341,708	365,331	365,331
	341,708	341,708	365,331	365,331
<b>Overseas</b>				
Not past due but impaired**	14,772,409	309,078	889,292	1,807
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
<b>Total</b>	<b>15,114,117</b>	<b>650,786</b>	<b>1,254,623</b>	<b>367,138</b>

\* NPI stands for Non Performing Investments.

\*\* Provision represents expected credit loss provisioning in overseas branch.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

## 8.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

	December 31, 2022	December 31, 2021		
	Cost			
	Rupees in '000			
<i>Federal Government Securities – Government guaranteed</i>				
Market Treasury Bills	100,119,411	455,740,164		
Pakistan Investment Bonds	913,710,264	499,804,779		
Naya Pakistan Certificate	2,021,081	772,649		
Foreign Currency Bonds (US\$)	22,708,108	7,078,137		
GOP Ijarah Sukuks	13,075,605	9,500,000		
	<u>1,051,634,469</u>	<u>972,895,729</u>		
<i>Shares</i>				
<i>Listed Companies</i>				
Power Generation and Distribution	2,045,970	2,283,161		
Oil & Gas Exploration Companies	4,817,258	4,851,828		
Fertilizer	3,063,144	3,279,237		
Commercial Banks	5,757,304	3,216,487		
Oil & Gas Marketing Companies	1,043,460	1,043,460		
Real Estate Investment Trust	997,589	997,589		
Chemical	323,508	323,508		
Close-end Mutual Funds	51,603	51,603		
Investment Banks	139,322	139,322		
Cement	638	638		
	<u>18,239,796</u>	<u>16,186,833</u>		
<i>Unlisted Companies</i>				
	December 31, 2022		December 31, 2021	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			
Habib Allied Holding Limited	-	-	1,035,922	1,141,856
Pakistan Mortgage Refinance Co. Limited	200,000	354,320	200,000	503,350
1 Link Private Limited	50,000	537,279	50,000	267,895
Central Depository Company of Pakistan Limited.	40,300	61,941	40,300	65,546
ISE Towers REIT Management Company Limited	30,346	52,988	30,346	50,902
First Women Bank Limited	21,200	64,219	21,200	72,287
LSE Financial Services Limited	-	-	8,440	20,534
SME Bank Limited	5,250	-	5,250	-
Arabian Sea Country Club Limited	5,000	-	5,000	351
Eastern Capital Limited	5,000	-	5,000	-
SWIFT	1,770	13,500	1,770	8,840
NIFT	1,527	44,622	1,527	35,899
PASSCO	1,000	645,805	1,000	627,021
Pakistan Corporate Restructuring Company	43,117	34,203	43,117	43,117
	<u>404,510</u>	<u>1,808,877</u>	<u>1,448,872</u>	<u>2,837,598</u>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2022	December 31, 2021
	Rupees in '000	
<b>Non Government Debt Securities</b>		
<i>Listed</i>		
- AAA	500,000	500,000
- AA+, AA, AA-	4,188,121	4,295,629
- A+, A, A-	375,000	500,000
- Unrated	8,500,000	8,500,000
8.4.1	<u>13,563,121</u>	<u>13,795,629</u>
<i>Unlisted</i>		
- AAA	9,316,740	4,950,000
- AA+, AA, AA-	3,135,000	5,234,280
- A+, A, A-	557,602	1,349,055
- Unrated	21,071	21,071
8.4.2	<u>13,030,413</u>	<u>11,554,406</u>

**8.4.1** This includes listed non-government debt securities amounting to Rs. 8,500 million (2021: Rs. 8,500 million) guaranteed by the Government.

**8.4.2** This includes unlisted non-government debt securities amounting to Rs. 1,470 million (2021: Rs. 2,250 million) guaranteed by the Government.

	December 31, 2022	December 31, 2021
	Rupees in '000	
<b>Open Ended Mutual Funds</b>		
Allied Finergy Fund	25,000	25,000
	<u>25,000</u>	<u>25,000</u>
<b>Foreign Securities</b>		
<i>Equity Securities – Unlisted</i>		
Habib Allied Holding Limited	-	1,035,922
SWIFT	1,770	1,770
	<u>1,770</u>	<u>1,037,692</u>
<b>8.5</b>	<b>Particulars relating to Held to Maturity securities are as follows:</b>	
<b>Federal Government Securities – Government guaranteed</b>		
Pakistan Investment Bonds	59,395,021	53,622,903
GOP Ijarah Sukuks - Bai Muajjal Placement	-	2,845,591
	<u>59,395,021</u>	<u>56,468,494</u>
<b>Non Government Debt Securities</b>		
<i>Listed</i>		
- Unrated	79,876	103,499
<i>Unlisted</i>		
- Unrated	240,761	240,761



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

**8.5.1** The market value of securities classified as held-to-maturity as at December 31, 2022 amounted to Rs. 51,708.9 million (December 31, 2021: Rs. 50,857.5 million). This represents the market value of Pakistan Investment Bonds.

<b>Subsidiary</b>	
<b>Asset Management Company</b>	
<b>Rupees in '000</b>	

## 8.6 Details regarding subsidiary company:

Country of incorporation	Pakistan
Percentage holding	100%
Assets	5,229,458
Liabilities	2,201,121
Revenue	426,011
Profit after taxation	53,664
Total comprehensive income	54,253

	Note	Performing		Non Performing		Total	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
<b>Rupees in '000</b>							
<b>9 ADVANCES</b>							
Loans, cash credits, running finances, etc.	9.1	774,934,098	567,291,774	11,718,805	12,188,573	786,652,903	579,480,347
Islamic financing and related assets	A-II. 3	66,762,206	82,203,444	9,675	-	66,771,881	82,203,444
Bills discounted and purchased		2,688,351	2,644,451	1,375,202	1,412,187	4,063,553	4,056,638
<b>Advances – gross</b>	9.2	<b>844,384,655</b>	<b>652,139,669</b>	<b>13,103,682</b>	<b>13,600,760</b>	<b>857,488,337</b>	<b>665,740,429</b>
<b>Provision against advances</b>							
Specific	9.3 & 9.4	-	-	(11,738,558)	(12,750,397)	(11,738,558)	(12,750,397)
General	9.4	(109,603)	(100,355)	-	-	(109,603)	(100,355)
		(109,603)	(100,355)	(11,738,558)	(12,750,397)	(11,848,161)	(12,850,752)
<b>Advances – net of provision</b>		<b>844,275,052</b>	<b>652,039,314</b>	<b>1,365,124</b>	<b>850,363</b>	<b>845,640,176</b>	<b>652,889,677</b>

	December 31, 2022				December 31, 2021			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
<b>Rupees in '000</b>								

## 9.1 Includes net investment in finance lease as described below

Lease rentals receivable	785,930	1,266,673	106,622	2,159,225	617,072	1,065,661	174,254	1,856,987
Residual value	301,075	570,039	52,399	923,513	113,658	530,200	217,360	861,218
Minimum lease payments	1,087,005	1,836,712	159,021	3,082,738	730,730	1,595,861	391,614	2,718,205
Financial charges for future periods	(195,928)	(157,909)	(3,150)	(356,987)	(128,768)	(142,878)	(13,290)	(284,936)
Present value of minimum lease payments	891,077	1,678,803	155,871	2,725,751	601,962	1,452,983	378,324	2,433,269

	December 31, 2022	December 31, 2021
	<b>Rupees in '000</b>	

## 9.2 Particulars of advances (Gross)

In local currency	851,963,940	637,546,049
In foreign currencies	5,524,397	28,194,380
	<b>857,488,337</b>	<b>665,740,429</b>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

- 9.3 Advances include Rs. 13,103.682 million (2021: Rs. 13,600.760 million) which have been placed under non-performing status as detailed below:

	December 31, 2022		December 31, 2021	
	Non Performing Loans	Specific Provision	Non Performing Loans	Specific Provision
Rupees in '000				
<b>Category of Classification</b>				
<b>Domestic</b>				
Other Assets Especially Mentioned	307,993	237	21,390	623
Substandard	133,674	33,222	713,919	177,740
Doubtful	1,159,780	579,890	586,834	293,417
Loss	11,502,235	11,125,209	12,278,617	12,278,617
	<b>13,103,682</b>	<b>11,738,558</b>	<b>13,600,760</b>	<b>12,750,397</b>

Note	December 31, 2022			December 31, 2021		
	Specific	General	Total	Specific	General	Total
Rupees in '000						

## 9.4 Particulars of provision against advances

Opening balance		12,750,397	100,355	12,850,752	13,632,529	109,459	13,741,988
Exchange adjustments		-	13,589	13,589	-	2,271	2,271
Charge for the year		528,225	75,430	603,655	337,741	49,901	387,642
Reversals	9.5	(998,280)	(79,771)	(1,078,051)	(1,133,844)	(61,276)	(1,195,120)
		(470,055)	(4,341)	(474,396)	(796,103)	(11,375)	(807,478)
Amounts written off	9.6	(541,784)	-	(541,784)	(86,029)	-	(86,029)
Closing balance		<b>11,738,558</b>	<b>109,603</b>	<b>11,848,161</b>	<b>12,750,397</b>	<b>100,355</b>	<b>12,850,752</b>
9.4.1 In local currency		11,222,179	70,156	11,292,335	12,335,885	19,016	12,354,901
In foreign currencies		516,379	39,447	555,826	414,512	81,339	495,851
		<b>11,738,558</b>	<b>109,603</b>	<b>11,848,161</b>	<b>12,750,397</b>	<b>100,355</b>	<b>12,850,752</b>

- 9.4.2 Exposure amounting to Rs. 4,827.184 million relating to Power Holding Limited (PHL) which is guaranteed by the Government of Pakistan, has not been classified as non-performing, in accordance with a relaxation given by the SBP. However, markup income has been suspended on this amount and is only recognized when received. The relaxation is valid upto February 28, 2023.

- 9.4.3 No benefit of forced sale value of the collaterals held by the Bank has been taken while determining the provision against non-performing loans as allowed under BSD circular No. 01 dated October 21, 2011.

- 9.5 This includes reversal of provision on account of a non performing loan, classified as loss, settled against Debt Property Swap amounting to Rs. 103 million (2021: Rs. Nil).

	Note	December 31, 2022	December 31, 2021
Rupees in '000			

## 9.6 Particulars of write-offs

9.6.1 Against provisions		541,784	86,029
Directly charged to Profit and Loss account		-	-
		<b>541,784</b>	<b>86,029</b>
9.6.2 Write-offs of Rs. 500,000 and above – Domestic	9.7	541,784	86,029
Write-offs of below Rs. 500,000		-	-
		<b>541,784</b>	<b>86,029</b>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

## 9.7 Details of loan write-off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the Statement in respect of written-off loans or any other financial relief of five hundred thousand rupees and above allowed to a person(s) during the year ended December 31, 2022 is given in Annexure-'I'. However, these write-offs do not affect the Bank's right to recover debts from these customers.

	Note	December 31, 2022	December 31, 2021
Rupees in '000			
<b>10 FIXED ASSETS</b>			
Capital work-in-progress	10.1	4,317,914	3,630,604
Property and equipment	10.2	69,337,253	66,669,052
Right-of-Use Assets	10.3	7,823,394	7,703,056
		<u>81,478,561</u>	<u>78,002,712</u>

## 10.1 CAPITAL WORK-IN-PROGRESS

Civil works	3,304,808	2,901,559
Equipment	44,592	-
Advances to suppliers	968,514	729,045
	<u>4,317,914</u>	<u>3,630,604</u>

December 31, 2022									
	Freehold Land	Leasehold Land	Building on Freehold Land	Building on Leasehold Land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Building Improvements (Leased Premises)	Total
Rupees in '000									

## 10.2 Property and Equipment

<b>At January 1, 2022</b>									
Cost or Revalued amount	28,315,144	12,319,030	11,689,482	4,972,177	2,669,577	18,622,559	1,648,261	6,313,132	86,549,362
Accumulated depreciation	-	-	(553,107)	(217,537)	(1,546,874)	(12,380,102)	(746,811)	(4,435,879)	(19,880,310)
<b>Net book value</b>	<u>28,315,144</u>	<u>12,319,030</u>	<u>11,136,375</u>	<u>4,754,640</u>	<u>1,122,703</u>	<u>6,242,457</u>	<u>901,450</u>	<u>1,877,253</u>	<u>66,669,052</u>
<b>Year ended December 31, 2022</b>									
Opening net book value	28,315,144	12,319,030	11,136,375	4,754,640	1,122,703	6,242,457	901,450	1,877,253	66,669,052
Additions	1,340,650	363,224	1,760,861	300,963	229,977	2,098,891	45,241	980,028	7,119,835
Net disposal (book value)	-	-	(12,290)	(13,752)	(561)	(10,418)	(1,396)	(6)	(38,423)
Depreciation charge	-	-	(610,512)	(244,023)	(215,095)	(1,995,906)	(294,314)	(748,346)	(4,108,196)
Exchange rate adjustments	-	-	(7)	-	(12)	130	(24)	(24)	63
Other adjustments	(260,180)	-	(37,388)	(7,510)	-	-	-	-	(305,078)
Other transfers	(4,357)	4,357	(3,709)	(1,891)	-	-	-	5,600	-
<b>Closing net book value</b>	<u>29,391,257</u>	<u>12,686,611</u>	<u>12,233,330</u>	<u>4,788,427</u>	<u>1,137,012</u>	<u>6,335,154</u>	<u>650,957</u>	<u>2,114,505</u>	<u>69,337,253</u>
<b>At December 31, 2022</b>									
Cost or Revalued amount	29,391,257	12,686,611	13,394,912	5,247,888	2,873,083	20,451,560	1,684,105	7,297,400	93,026,816
Accumulated depreciation	-	-	(1,161,582)	(459,461)	(1,736,071)	(14,116,406)	(1,033,148)	(5,182,895)	(23,689,563)
<b>Net book value</b>	<u>29,391,257</u>	<u>12,686,611</u>	<u>12,233,330</u>	<u>4,788,427</u>	<u>1,137,012</u>	<u>6,335,154</u>	<u>650,957</u>	<u>2,114,505</u>	<u>69,337,253</u>
<b>Rate of depreciation (percentage)</b>	-	-	5%	5%	10%	14.28% -50%	20%	20%	

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2021								
	Freehold Land	Leasehold Land	Building on Freehold Land	Building on Leasehold Land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Building Improvements (Leased Premises)	Total
	Rupees in '000								
<b>At January 1, 2021</b>									
Cost or Revalued amount	26,744,014	12,213,964	10,690,530	4,766,961	2,415,933	16,497,531	1,335,829	5,641,330	80,306,092
Accumulated depreciation	-	-	-	-	(1,395,260)	(11,021,930)	(724,551)	(3,729,571)	(16,871,312)
<b>Net book value</b>	<b>26,744,014</b>	<b>12,213,964</b>	<b>10,690,530</b>	<b>4,766,961</b>	<b>1,020,673</b>	<b>5,475,601</b>	<b>611,278</b>	<b>1,911,759</b>	<b>63,434,780</b>
<b>Year ended December 31, 2021</b>									
Opening net book value	26,744,014	12,213,964	10,690,530	4,766,961	1,020,673	5,475,601	611,278	1,911,759	63,434,780
Additions	1,835,595	396,066	1,286,220	356,649	296,637	2,177,901	550,337	703,272	7,602,677
Net disposal (book value)	(250,000)	(291,000)	(863)	(110,803)	(1,760)	(10,328)	(26,114)	(2,678)	(693,546)
Depreciation charge	-	-	(553,135)	(236,532)	(198,500)	(1,732,162)	(234,044)	(720,410)	(3,674,783)
Exchange rate adjustments	-	-	-	-	(1)	(2)	(7)	(66)	(76)
Other transfers	(14,465)	-	(286,377)	(21,635)	5,654	331,447	-	(14,624)	-
<b>Closing net book value</b>	<b>28,315,144</b>	<b>12,319,030</b>	<b>11,136,375</b>	<b>4,754,640</b>	<b>1,122,703</b>	<b>6,242,457</b>	<b>901,450</b>	<b>1,877,253</b>	<b>66,669,052</b>
<b>At December 31, 2021</b>									
Cost or Revalued amount	28,315,144	12,319,030	11,689,482	4,972,177	2,669,577	18,622,559	1,648,261	6,313,132	86,549,362
Accumulated depreciation	-	-	(553,107)	(217,537)	(1,546,874)	(12,380,102)	(746,811)	(4,435,879)	(19,880,310)
<b>Net book value</b>	<b>28,315,144</b>	<b>12,319,030</b>	<b>11,136,375</b>	<b>4,754,640</b>	<b>1,122,703</b>	<b>6,242,457</b>	<b>901,450</b>	<b>1,877,253</b>	<b>66,669,052</b>
<b>Rate of depreciation (percentage)</b>	-	-	5%	5%	10%	14.28% -50%	20%	20%	

### 10.3 Movement in Right-of-use Assets

	December 31, 2022	December 31, 2021
	Rupees in '000	
Opening Balance	7,703,056	7,203,513
Additions / Adjustments	1,972,441	2,298,921
Derecognition	(138,815)	(118,328)
Depreciation	(1,720,161)	(1,683,609)
Exchange Rate Adjustment	6,873	2,559
<b>Closing Net Book Value</b>	<b>7,823,394</b>	<b>7,703,056</b>

10.4 Bank arranged for valuation of all Land and Buildings as at December 31, 2020 from five independent valuers {Sadruddin Associates (Private) Limited, Unicorn International Surveyors, Indus Surveyors (Private) Limited, A1 Warda Engineering Services and Harvester Services (Private) Limited}. The revalued amounts of properties have been determined on the basis of market value. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	Rupees in '000	
- Land (Freehold and leasehold)	21,913,322	20,569,957
- Building	12,882,687	11,534,343

10.5 Fair value of property and equipment excluding land and buildings is not expected to be materially different from their carrying amount.

	Note	December 31, 2022	December 31, 2021
		Rupees in '000	
10.6 Incremental depreciation charged during the year transferred to unappropriated profit	20.1	217,844	229,298
10.7 Restriction or discrepancy in the title of property having a net book value of		200,085	194,711
10.8 The cost of fully depreciated assets that are still in use:			
Furniture and fixtures		885,784	738,638
Electrical, office and computer equipments		7,618,368	7,011,071
Vehicles		233,226	181,623
Leasehold Improvements		3,445,686	2,794,456

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	Note	December 31, 2022	December 31, 2021
Rupees in '000			
<b>10.9</b>	The carrying amount of property and equipment that have retired from active use and held for disposal	96,200	52,963

**10.10** The sale of fixed assets (otherwise than a regular auction) to related parties are disclosed in Annexure III.

## 11 INTANGIBLE ASSETS

Capital work in progress	11.1	275,227	229,582
Intangible Assets	11.2	2,688,675	2,638,729
		<u>2,963,902</u>	<u>2,868,311</u>

### 11.1 Capital work in progress

Softwares		272,353	226,708
Advances for softwares to suppliers		2,874	2,874
		<u>275,227</u>	<u>229,582</u>

	December 31, 2022		
	Computer software	Others	Total
Rupees in '000			

### 11.2 Intangible Assets

#### At January 1, 2022

Cost	5,301,851	-	5,301,851
Accumulated amortisation and impairment	(2,663,123)	-	(2,663,123)
<b>Net book value</b>	<u>2,638,728</u>	<u>-</u>	<u>2,638,728</u>

#### Year ended December 31, 2022

Opening net book value	2,638,728	-	2,638,728
Additions:			
Directly purchased	571,273	-	571,273
Amortisation charge	(521,326)	-	(521,326)
<b>Closing net book value</b>	<u>2,688,675</u>	<u>-</u>	<u>2,688,675</u>

#### At December 31, 2022

Cost	5,873,124	-	5,873,124
Accumulated amortisation and impairment	(3,184,449)	-	(3,184,449)
<b>Net book value</b>	<u>2,688,675</u>	<u>-</u>	<u>2,688,675</u>
<b>Rate of amortisation (percentage)</b>		5% to 14.28%	
<b>Useful life</b>		7 to 20 Years	



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2021		
	Computer software	Others	Total
	Rupees in '000		
<b>At January 1, 2021</b>			
Cost	4,468,855	-	4,468,855
Accumulated amortisation and impairment	(2,251,643)	-	(2,251,643)
<b>Net book value</b>	<b>2,217,212</b>	<b>-</b>	<b>2,217,212</b>
<b>Year ended December 31, 2021</b>			
Opening net book value	2,217,212	-	2,217,212
Additions:			
Directly purchased	833,513	-	833,513
Disposals cost	(516)	-	(516)
Disposals accumulated depreciation	497	-	497
	(19)	-	(19)
Amortisation charge	(411,977)	-	(411,977)
<b>Closing net book value</b>	<b>2,638,729</b>	<b>-</b>	<b>2,638,729</b>
<b>At December 31, 2021</b>			
Cost	5,301,852	-	5,301,852
Accumulated amortisation and impairment	(2,663,123)	-	(2,663,123)
<b>Net book value</b>	<b>2,638,729</b>	<b>-</b>	<b>2,638,729</b>
<b>Rate of amortisation (percentage)</b>	5% to 14.28%		
<b>Useful life</b>	7 to 20 Years		
		<b>December 31, 2022</b>	<b>December 31, 2021</b>
		Rupees in '000	
<b>11.3</b> The cost of fully amortized assets that are still in use:			
Intangible assets – software		613,068	561,805

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

December 31, 2022				
	At January 1, 2022	Recognised in profit and loss account	Recognised in other comprehensive Income	At December 31, 2022

Rupees in '000

## 12 DEFERRED TAX ASSETS

Deductible Temporary Differences on

Provision against:

- Investments	19,093	-	-	19,093
- Other assets	38,959	-	-	38,959
- Off balance sheet obligations	14,824	-	-	14,824
- Advances	261,344	99,049	-	360,393
- Deficit on revaluation of investments	2,635,272	-	11,044,661	13,679,933
- Actuarial losses	336,000	-	(27,971)	308,029
- Post retirement medical benefits	42,980	-	-	42,980
- Workers welfare fund	1,052,003	526,567	-	1,578,570
	4,400,475	625,616	11,016,690	16,042,781

Taxable Temporary Differences on

- Surplus on revaluation of fixed assets	(1,699,102)	93,673	(174,371)	(1,779,800)
- Surplus on revaluation of non banking assets	(16,780)	1,709	(4,276)	(19,347)
- Accelerated tax depreciation or amortization	(1,183,100)	(45,979)	-	(1,229,079)
- Excess of investment in finance lease over written down value of leased assets	(13,206)	-	-	(13,206)
	(2,912,188)	49,403	(178,647)	(3,041,432)
	1,488,287	675,019	10,838,043	13,001,349

December 31, 2021

	At January 1, 2021	Recognised in profit and loss account	Recognised in other comprehensive Income	At December 31, 2021
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Rupees in '000

Deductible Temporary Differences on

Provision against:

- Investments	19,093	-	-	19,093
- Other assets	38,959	-	-	38,959
- Off balance sheet obligations	14,824	-	-	14,824
- Advances	222,951	38,393	-	261,344
- Deficit on revaluation of investments	(2,625,512)	-	5,260,784	2,635,272
- Post retirement medical benefits	42,980	-	-	42,980
- Actuarial losses	364,286	-	(28,286)	336,000
- Workers welfare fund	736,933	315,070	-	1,052,003
	(1,185,486)	353,463	5,232,498	4,400,475

Taxable Temporary Differences on

- Surplus on revaluation of fixed assets	(1,598,517)	99,677	(200,262)	(1,699,102)
- Surplus on revaluation of non banking assets	(11,057)	(5,724)	1	(16,780)
- Accelerated tax depreciation / amortization	(1,183,484)	384	-	(1,183,100)
- Excess of investment in finance lease over written down value of leased assets	(13,206)	-	-	(13,206)
	(2,806,264)	94,337	(200,261)	(2,912,188)
	(3,991,750)	447,800	5,032,237	1,488,287

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	Note	December 31, 2022	December 31, 2021
Rupees in '000			
<b>13 OTHER ASSETS</b>			
Income / Mark-up accrued in local currency - net of provision		49,451,768	21,433,765
Income / Mark-up accrued in foreign currency - net of provision		1,368,623	430,467
Advances, deposits, advance rent and other prepayments		1,857,960	1,328,747
Advance taxation (payments less provisions)		-	3,534,663
Non-banking assets acquired in satisfaction of claims	13.1	603,545	571,346
Branches adjustment account		22,909	-
Mark to market gain on forward foreign exchange contracts		88,177	-
Mark to market gain on forward government securities transactions		5,613	-
Acceptances		4,249,363	5,646,815
Due from the employees' retirement benefit schemes - Pension fund	35.4	4,943,030	4,379,974
Fraud and forgeries		508,935	523,692
Stationery and stamps in hand		554,145	475,818
Overdue foreign bills negotiated or discounted		213,136	132,573
Home Remittance Cell agent receivable		3,511	659
Receivable from State Bank of Pakistan		29,684	934,298
Charges receivable		40,497	33,291
ATM / Point of Sale settlement account		1,041,549	-
Suspense account		122	3,012
Others		68,137	24,631
		65,050,704	39,453,751
Less: Provision held against other assets	13.2	(755,808)	(760,152)
Other assets (net of provision)		64,294,896	38,693,599
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		901,797	955,956
Other assets - net		65,196,693	39,649,555
<b>13.1 Market value of non-banking assets acquired in satisfaction of claims</b>		<b>1,505,342</b>	<b>1,527,302</b>

Full-scope revaluation was carried out at December 31, 2022 through four independent valuers approved by Pakistan Banks' Association (Tristar International Consultant Private Limited, Sadruddin Associates Private Limited, Hamid Mukhtar & Co. Private Limited and Harvester Services Private Limited). The revalued amounts of properties have been determined on the basis of market rates depending upon physical verification and general appearance of the site.

	December 31, 2022	December 31, 2021
Rupees in '000		
<b>13.1.1 Non banking assets acquired in satisfaction of claims</b>		
Opening balance	1,527,302	1,442,246
Additions	103,000	-
Constructions	2,164	721
Revaluation	74,985	389,355
Disposals	(26,823)	(120,696)
Transfers	(167,120)	(178,704)
Depreciation	(8,166)	(5,620)
Closing balance	1,505,342	1,527,302

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	Note	December 31, 2022	December 31, 2021
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Rupees in '000

## 13.1.2 Gain/(Loss) on Disposal of Non banking assets acquired in satisfaction of claims

Disposal proceeds		23,760	153,175
Less:			
Cost		(26,857)	(120,700)
Impairment or Depreciation		34	4
		(26,823)	(120,696)
(Loss) / gain		(3,063)	32,479

## 13.2 Provision held against other assets

Advances, deposits, advance rent and other prepayments		131,125	153,018
Provision against fraud and forgeries		508,935	523,692
Overdue Foreign Bills Negotiated / Discounted		24,295	24,295
Charges receivable		39,600	28,811
Others		51,853	30,336
		755,808	760,152

### 13.2.1 Movement in provision held against other assets

Opening balance		760,152	756,559
Charge for the year		111,279	70,766
Reversals		(101,280)	(7,264)
Net charge		9,999	63,502
Amounts written off		(14,343)	(59,909)
Closing balance		755,808	760,152

## 14 CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2022 and December 31, 2021.

## 15 BILLS PAYABLE

In Pakistan		14,159,643	10,059,879
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## 16 BORROWINGS

### Secured

Borrowings from State Bank of Pakistan			
Repurchase agreement borrowings	16.1	400,000,000	235,497,430
Under export refinance scheme	16.2	36,313,038	33,230,671
Under payroll refinance scheme	16.3	58,349	7,681,205
Under long term financing facility	16.4	35,586,853	27,772,856
Under financing scheme for renewable energy	16.5	3,455,619	3,330,929
Under Temporary Economic Refinance Scheme	16.6	13,273,360	10,013,124
Under refinance scheme for modernization of SMEs	16.7	16,364	22,500
Refinance and credit guarantee scheme for women entrepreneurs		11,018	6,915
Under refinance scheme for wages and salaries	16.8	163,580	763,347
		488,878,181	318,318,977
Repurchase agreement borrowings from Financial Institutions	16.9	12,499,527	65,134,454

### Unsecured

Call borrowings	16.10	5,524,914	28,516,551
Trading liability		-	5,644,324
Overdrawn nostro accounts		435,271	191,462
Musharaka borrowing	16.11	23,050,000	2,200,000
Other borrowings		26,600	-
		29,036,785	36,552,337
		530,414,493	420,005,768

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

- 16.1** This represents local currency borrowing from the State Bank of Pakistan against government securities, carrying mark-up at the rate of 16.16% to 16.19% (2021: 9.89% to 9.96%) per annum, maturing on various dates latest by March 03, 2023.
- 16.2** The Bank has entered into various agreements for financing with the State Bank of Pakistan for extending export finance to customers. As per agreements, the Bank has granted to State Bank of Pakistan the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP. The borrowing carries mark-up at the rate of 1.00% to 2.00% (2021: 1.00% to 2.00%) per annum. These borrowings are repayable within six months from the deal date.
- 16.3** The Bank has entered into various agreements for financing with the State Bank of Pakistan for extending payroll finance to business concerns for payment of wages and salaries to their workers and employees and to ease cash flow constraints of the employers and avoid layoffs. As per agreements, the Bank has granted to State Bank of Pakistan the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP. The borrowing carries mark-up at the rate of 1.00% to 2.00% (2021: 1.00% to 2.00%) per annum.
- 16.4** This represents Long Term Financing facility availed by the Bank for further extending the same to its customers, for a maximum period of 10 years. The borrowing carries mark-up at the rate of 1.50%, 2.50% and 3.00% (2021: 1.50%, 2.50% and 3.00%) per annum for financing up-to 3 years, 5 years & 10 years respectively.
- 16.5** These represent borrowings from the State Bank of Pakistan availed by the Bank for financing power projects and facilities using alternative and renewable energy (solar, wind, hydro, biogas, bio-fuels, bagasse cogeneration, and geothermal as fuel) for a maximum period of 12 years under Category I and for a maximum period of 10 years under Category II and III. The borrowing carries mark-up at the rate of 3% for Category I, 2% for Category II and 3% for Category III.
- 16.6** These borrowings have been obtained from the State Bank of Pakistan for providing concessionary refinancing facility to the industry for purchase of new imported and locally manufactured plant & machinery to set up new projects. These borrowings are repayable within a period of ten years including a grace period of upto 2 years. These carry mark up rate of 1% per annum.
- 16.7** These borrowings have been obtained from the State Bank of Pakistan for providing refinancing facility to wide range of SME clusters / sectors for purchase of new and imported / local plant and machinery for BMR of existing units and setting up new SME units. These borrowings are repayable for a maximum period of 10 years. These carry mark up rate ranging from 6% per annum.
- 16.8** These borrowings have been obtained from the State Bank of Pakistan for providing financing facilities to help businesses in payment of wages and salaries to their workers and employees for supporting continued employment. These borrowing are repayable in 8 equal quarterly installments beginning from January 2021. These carry mark up rates ranging from 0% to 2% per annum.
- 16.9** These represent borrowings in local currency from local interbank markets against government securities, carrying mark-up at the rate of 16% to 16.05% (2021: 9.80% to 9.90%) per annum. These borrowings are maturing on various dates, latest by January 06, 2023.
- 16.10** These represent unsecured borrowings in foreign currency from foreign interbank markets, carrying mark-up at the rate of 5% to 11% (2021: 1.00% to 1.41%) per annum. These borrowings are maturing on various dates, latest by March 20, 2023.
- 16.11** This represents unsecured local currency borrowings by Islamic banking business under Musharaka agreement at profit of 14% to 16.25% (2021: 10%) per annum, maturing on various dates, latest by January 09, 2023.
- 16.12** Note 8.2.1 includes the carrying amount of investments given as collateral against re-purchase agreement borrowings.

	December 31, 2022	December 31, 2021
	Rupees in '000	
<b>16.13 Particulars of borrowings with respect to currencies</b>		
In local currency	524,454,308	393,841,354
In foreign currencies	5,960,185	26,164,414
	530,414,493	420,005,768



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2022			December 31, 2021		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
<b>Rupees in '000</b>						
<b>17 DEPOSITS AND OTHER ACCOUNTS</b>						
<b>Customers</b>						
Current deposits	536,148,071	30,632,327	566,780,398	487,101,187	25,141,039	512,242,226
Savings deposits	543,310,268	16,749,608	560,059,876	506,117,895	25,910,230	532,028,125
Term deposits	233,500,164	87,679,953	321,180,117	175,366,193	39,218,366	214,584,559
Others	32,935,164	65,036	33,000,200	30,029,090	41,106	30,070,196
	1,345,893,667	135,126,924	1,481,020,591	1,198,614,365	90,310,741	1,288,925,106
<b>Financial Institutions</b>						
Current deposits	8,621,516	567,020	9,188,536	64,781,898	86,694	64,868,592
Savings deposits	31,906,055	-	31,906,055	49,880,491	-	49,880,491
Term deposits	131,350	50,947	182,297	9,581,350	39,716	9,621,066
Others	-	-	-	6	-	6
	40,658,921	617,967	41,276,888	124,243,745	126,410	124,370,155
	1,386,552,588	135,744,891	1,522,297,479	1,322,858,110	90,437,151	1,413,295,261
<b>December 31, 2022      December 31, 2021</b>						
<b>Rupees in '000</b>						

## 17.1 Composition of deposits

Individuals	779,517,842	661,313,945
Private Sector	354,883,559	332,671,879
Government (Federal and Provincial)	193,216,182	165,099,322
Public Sector Entities	153,403,007	129,839,960
Non-Banking Financial Institutions	34,165,016	115,129,804
Banking Companies	7,111,873	9,240,351
	1,522,297,479	1,413,295,261

**17.2** This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 955,218 million (2021: 865,799 million).

**17.3** Net outstanding value against prepaid cards is Rs. 46.907 million as at reporting date (2021: 85.022 million).

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	Note	December 31, 2022	December 31, 2021
Rupees in '000			
<b>18 OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		14,142,993	4,387,835
Mark-up / return / interest payable in foreign currencies		939,083	111,457
Present value of lease liability	33.2	9,787,444	9,252,665
Accrued expenses		2,642,962	1,561,131
Provision for taxation (provisions less payments)		2,518,808	-
Retention money payable		526,630	580,710
Deferred income		667,168	-
Unearned commission and income on bills discounted		360,705	472,824
Acceptances		4,249,363	5,646,815
Unclaimed dividends		406,721	390,644
Dividend payable		20,473	21,821
Branch adjustment account		-	179,774
Unrealized loss on forward foreign exchange contracts		-	638,730
Provision for:			
Gratuity	35.4	804,194	716,131
Employees' medical benefits	35.4	1,508,820	1,515,000
Employees' compensated absences	35.4	1,124,542	923,138
Payable to defined contribution plan		46,506	54,641
Provision against off-balance sheet obligations	18.1	298,904	298,904
Security deposits against lease		920,097	863,526
ATM / Point of Sale settlement account		-	820,679
Charity fund balance		828	46
Home Remittance Cell overdraft		789,995	1,052,343
With-holding tax payable		5,234,909	2,260,045
Sundry deposits		3,491,981	3,577,163
Workers welfare fund payable	18.2	3,671,093	2,697,443
Others		2,135,616	1,527,091
		<b>56,289,835</b>	<b>39,550,556</b>
		<b>December 31, 2022</b>	<b>December 31, 2021</b>
		<b>Rupees in '000</b>	

## 18.1 Provision against off-balance sheet obligations

Opening balance	298,904	301,093
Charge for the year	-	12,862
Reversals	-	(15,051)
Net reversal	-	(2,189)
Closing balance	<b>298,904</b>	<b>298,904</b>

The above provision includes provisions made against letters of guarantee issued by the Bank.

## 18.2 Workers Welfare Fund

Supreme Court of Pakistan vide order dated November 10, 2016 held that the amendments made in the law through Finance Act 2008, introduced by the Federal Government for the levy of Worker Welfare Fund (WWF) were unlawful. Federal Board of Revenue filed review petition against the subject order, which is currently pending for adjudication.

WWF provision from 2014 to 2019 has been maintained conservatively based on tax advisor's opinion in view of provincial levy of WWF by the provinces with effect from 2014, including levy by Sindh which is under litigation.

Punjab Government has promulgated Punjab Workers Welfare Fund Act 2019 (PWWF) with effect from December 13, 2019, therefore, provision related to Punjab and pertaining to the period from 2014 till the date of promulgation of PWWF was reversed from the provision maintained for WWF from 2014 to 2019.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

## 19 SHARE CAPITAL

### 19.1 Authorized capital

December 31, 2022	December 31, 2021		December 31, 2022	December 31, 2021
No. of shares			Rupees in '000	
1,500,000,000	1,500,000,000	Ordinary shares of Rs.10/- each	15,000,000	15,000,000

### 19.2 Issued, subscribed and paid-up capital

Fully paid-up Ordinary shares of Rs. 10/- each

December 31, 2022	December 31, 2021		December 31, 2022	December 31, 2021
No. of shares			Rupees in '000	
406,780,094	406,780,094	Fully paid in cash	4,067,801	4,067,801
720,745,186	720,745,186	Issued as bonus shares	7,207,452	7,207,452
1,127,525,280	1,127,525,280		11,275,253	11,275,253
		18,348,550 Ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation in accordance with the swap ratio stipulated therein less 9,200,000 ordinary shares of Rs. 10 each, held by Ibrahim Leasing Limited on the cut-off date (September 30, 2004)	91,486	91,486
		8,400,000 Ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation of First Allied Bank Modaraba with Allied Bank Limited in accordance with the share swap ratio stipulated therein.	84,000	84,000
8,400,000	8,400,000		84,000	84,000
1,145,073,830	1,145,073,830		11,450,739	11,450,739

Ibrahim Holdings (Private) Limited (holding company of the Bank), holds 1,030,566,368 (90.00%) [2021: 990,767,307 (86.52%)] ordinary shares of Rs. 10 each respectively, as at reporting date.

Note	December 31, 2022	December 31, 2021
	Rupees in '000	

## 20 SURPLUS ON REVALUATION OF ASSETS – NET OF TAX

Surplus / (deficit) arising on revaluation of:

Fixed assets	20.1	24,303,616	24,420,889
Non-banking assets acquired in satisfaction of claims	20.2	901,797	955,956
Available-for-sale securities	8.1	(31,813,798)	(6,757,108)
		(6,608,385)	18,619,737
Deferred tax on surplus / (deficit) on revaluation of:			
Fixed assets	20.1	(1,779,800)	(1,699,102)
Non-banking assets acquired in satisfaction of claims	20.2	(19,347)	(16,780)
Available-for-sale securities	12	13,679,933	2,635,272
		11,880,786	919,390
		5,272,401	19,539,127

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	Note	December 31, 2022	December 31, 2021
Rupees in '000			
<b>20.1 Surplus on revaluation of fixed assets</b>			
Surplus as at January 1, 2022		24,420,889	24,921,256
Surplus on revaluation during the year		-	-
Surplus related to transfer or adjustments		100,571	5,651
Surplus realised on disposal during the year		-	(276,720)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(124,171)	(139,872)
Related deferred tax liability		(93,673)	(89,426)
	10.6	(217,844)	(229,298)
Surplus on revaluation as at December 31, 2022		24,303,616	24,420,889
Less: Related deferred tax liability on :			
Revaluation surplus as at January 1, 2022		(1,699,102)	(1,598,517)
Deferred tax liability due to change in tax rate		(174,267)	(199,010)
Deferred tax liability related to transfer or adjustments		(104)	(1,252)
Deferred tax on surplus on disposal during the year		-	10,251
Deferred tax on incremental depreciation transferred to profit and loss account		93,673	89,426
		(1,779,800)	(1,699,102)
		22,523,816	22,721,787
<b>20.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims</b>			
Surplus as at January 1, 2022		955,956	650,030
Surplus on revaluation during the year		74,985	389,355
Surplus related to transfer or adjustments		(100,571)	(5,651)
Surplus realised on disposal during the year		(26,480)	(76,370)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year – net of deferred tax		(1,193)	(859)
Related deferred tax liability		(900)	(549)
		(2,093)	(1,408)
Surplus on revaluation as at December 31, 2022		901,797	955,956
Less: Related deferred tax liability on :			
Revaluation surplus as at January 1, 2022		(16,780)	(11,058)
Deferred tax liability on revaluation surplus / change in tax rate		(4,276)	(7,535)
Deferred tax liability related to transfer or adjustments		104	1,252
Deferred tax on surplus on disposal during the year		705	12
Deferred tax on incremental depreciation transferred to unappropriated profit		900	549
		(19,347)	(16,780)
		882,450	939,176

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	Note	December 31, 2022	December 31, 2021	
Rupees in '000				
<b>21</b>	<b>CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	21.1	49,109,776	38,151,849	
Commitments	21.2	408,196,152	395,509,858	
Other contingent liabilities	21.3	7,005,967	6,668,875	
		<u>464,311,895</u>	<u>440,330,582</u>	
<b>21.1</b>	<b>Guarantees</b>			
Financial guarantees		5,225,364	4,751,558	
Performance guarantees		11,296,136	7,218,569	
Other guarantees		32,588,276	26,181,722	
		<u>49,109,776</u>	<u>38,151,849</u>	
<b>21.2</b>	<b>Commitments</b>			
Documentary credits and short term trade related transactions:				
letters of credit		139,083,930	113,658,809	
Commitments in respect of:				
- forward foreign exchange contracts	21.2.1	238,516,233	277,034,728	
- forward government securities transactions	21.2.2	24,046,280	-	
- operating leases	21.2.3	231,174	307,316	
Commitments for acquisition of:				
- fixed assets		5,672,996	4,178,585	
- intangible assets		645,539	330,420	
		<u>408,196,152</u>	<u>395,509,858</u>	
<b>21.2.1</b>	<b>Commitments in respect of forward foreign exchange contracts</b>			
Purchase		160,636,134	161,470,903	
Sale		77,880,099	115,563,825	
		<u>238,516,233</u>	<u>277,034,728</u>	
<b>21.2.2</b>	<b>Commitments in respect of forward government securities transactions</b>			
Purchase		22,219,131	-	
Sale		1,827,149	-	
		<u>24,046,280</u>	<u>-</u>	
<b>21.2.3</b>	<b>Commitments in respect of operating leases</b>			
Not later than one year		58,039	142,691	
Later than one year and not later than five years		128,510	142,348	
Later than five years		44,625	22,277	
		<u>231,174</u>	<u>307,316</u>	
<b>21.3</b>	<b>Other contingent liabilities</b>			
<b>21.3.1</b>	Claims against the Bank not acknowledged as debt	21.3.1.1	<u>7,005,967</u>	<u>6,668,875</u>

**21.3.1.1** This represent certain claims by third parties against the Bank, which are being contested in Courts of law. The management is of the view that these relate to the normal course of the business and the possibility of an outflow of economic resource is remote.



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

**21.3.2** The income tax assessments of the Bank have been finalized upto and including tax year 2021 for local, Azad Kashmir and Gilgit Baltistan operations. While finalizing income tax assessments upto tax year 2021, income tax authorities made certain add backs with aggregate tax impact of Rs. 32,741 million (2021: 32,741 million). As a result of appeals filed by the Bank before appellate authorities, most of the add backs have been deleted. However, the Bank and Tax Department are in appeals / references before higher forums against unfavorable decisions. Pending finalization of appeals / references no provision has been made by the Bank on aggregate sum of Rs.32,741 million (2021: 32,741 million). The management is confident that the outcome of these appeals / references will be in favor of the Bank.

Tax Authorities have conducted proceedings of withholding tax audit under section 161/205 of Income Tax Ordinance, 2001 for tax year 2003 to 2006 and tax year 2008 to 2018 and created an arbitrary demand of Rs. 1,700 million (2021: 1,700 million). The Bank's appeals before CIR(A)/Appellate Tribunal Inland Revenue (ATIR) are pending for adjudication. The management is confident that these appeals will be decided in favor of the Bank; therefore, no provision has been made against the said demand of Rs. 1,700 million (2021: 1,700 million).

Tax authorities have also issued orders under Federal Excise Act, 2005 / Sales Tax Act, 1990 and Sindh Sales Tax on Services Act, 2011 for the year 2008 to 2017 thereby creating arbitrary aggregate demand of Rs. 1,144 million (2021: 963 million). The Bank's appeals before CIR(A) / Appellate Tribunal Inland Revenue (ATIR) are pending for adjudication. The management is confident that aforesaid demand will be deleted by appellate authorities and therefore no provision has been made against the said demand of Rs. 1,144 million (2021: 963 million).

**21.3.3** While adjudicating foreign exchange repatriation cases of exporter namely: Fateh Textile Mills Limited, the Foreign Exchange Adjudicating Court (FEAC) of the State Bank of Pakistan (SBP) has arbitrarily adjudicated penalties against various banks including Rs.2,173 million in aggregate against Allied Bank Limited (the Bank). Against the said judgments, the Bank had filed appeals before the Appellate Board and Constitutional Petitions (CP) in the High Court of Sindh, Karachi. The Honorable High Court granted relief to the Bank by way of interim orders. Meanwhile, alongwith other banks, Bank filed a further CP whereby vires of section 23C of the FE Regulations Act, 1947 was sought to be declared ultra vires. On November 8, 2018, the Honorable Court was pleased to Order that the Appellate Board shall not finally decide the appeals. Subsequently, the earlier CP was disposed of vide order dated January 15, 2019 with a direction to the Appellate Board to first decide the stay application of the Bank and till then, the Foreign Exchange Regulation Department has been restrained from taking any coercive action against the Bank. Based on merits of the appeals, the management is confident that these appeals shall be decided in favor of the Bank and therefore no provision has been made against the impugned penalty.

## 22 DERIVATIVE INSTRUMENTS

The Bank at present does not offer structured derivative products such as Interest Rate Swaps, Forward Rate Agreements or FX Options. However, the Bank buys and sells derivative instruments such as:

- Forward Exchange Contracts
- Foreign Exchange Swaps
- Equity Futures
- Forward Contracts for Government Securities

### Forward Exchange Contracts

Forward Exchange Contract (FEC) is a product which is offered to the obligor who transact internationally. These obligor use this product to hedge themselves from unfavorable movements in a foreign currency, however, by agreeing to fix the exchange rate, they do not benefit from favorable movements in that currency.

An FEC is a contract between the Obligor and the Bank in which both agree to exchange an amount of one currency for another currency at an agreed forward exchange rate for settlement over more than two business days after the FEC is entered into (the day on which settlement occurs is called the value date). FEC is entered with those Obligors whose credit worthiness has already been assessed, and they have underlined trade transactions.

If the relevant exchange rate moves un-favorably, Obligor will benefit from that movement because the Bank must exchange currencies at the FEC rate. In order to mitigate this risk of adverse exchange rate movement, the Bank hedges its exposure by taking opposite forward position in inter-bank FX.

### Foreign Exchange Swaps

A Foreign Exchange Swap (FX Swap) is used by the Bank if it has a need to exchange one currency for another currency on one day and then re-exchange those currencies at a later date. Exchange rates and forward margins are determined in the "inter-bank" market and fluctuate according to supply and demand.

An FX Swap prevents the Bank from gaining any benefit resulting from a favorable exchange rate movement in the relevant currency pair between the time Bank enters into the transaction deal and when settlement occurs. Cancellation of the swap may also result in exposure to market movements. The key advantage of an FX swap is that it provides the Bank with protection against unfavorable currency movements between the time it enters into the transaction and settlement. The term and amounts for FX Swap can also be tailored to suit the Bank's particular needs.

### Equity Futures

An equity futures contract is a standardized contract, traded on a futures counter of the stock exchange, to buy or sell a certain underlying script at a certain date in the future, at a specified price.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

The Bank may use equity futures as a hedging instrument to hedge its equity portfolio, in both 'held-for-trading' and 'available-for-sale', against equity price risk. Only selected shares are allowed to be traded on futures exchange. Equity futures give flexibility to the Bank either to take delivery on the future settlement date or to settle it by adjusting the notional value of the contract based on the current market rates. Maximum exposure limit to the equity futures is 10% of Tier I Capital of the Bank, based on prevailing SBP regulations.

The accounting policies used to recognize and disclose derivatives are given in Note 4.17.2. The risk management framework of derivative instruments is given in note 42.

	Note	December 31, 2022	December 31, 2021
Rupees in '000			
<b>23</b>	<b>MARK-UP, RETURN, INTEREST EARNED</b>		
	On:		
	Loans and advances	72,858,808	35,092,843
	Investments	138,446,873	82,452,195
	Lendings to financial institutions	3,987,887	1,088,878
	Balances with banks	175,082	14,937
		<u>215,468,650</u>	<u>118,648,853</u>
<b>24</b>	<b>MARK-UP, RETURN, INTEREST EXPENSED</b>		
	On:		
	Deposits	99,742,057	43,401,312
	Borrowings	44,214,479	24,595,405
	Cost of foreign currency swaps against foreign currency deposits	3,792,497	4,162,133
	Interest expense on lease liability	1,000,788	902,861
		<u>148,749,821</u>	<u>73,061,711</u>
<b>25</b>	<b>FEE AND COMMISSION INCOME</b>		
	On:		
	Card related fees (debit and credit cards)	3,581,312	2,623,609
	Branch banking customer fees	1,853,852	1,544,191
	Commission on remittances including home remittances	866,346	969,276
	Investment banking fees	711,823	652,067
	Commission on trade	537,713	455,902
	Commission on cash management	340,292	213,548
	Commission on guarantees	143,233	218,778
	Commission on bancassurance	63,358	99,178
	Credit related fees	28,559	24,878
	Consumer finance related fees	20,528	9,834
		<u>8,147,016</u>	<u>6,811,261</u>
	Note	December 31, 2022	December 31, 2021
Rupees in '000			
<b>26</b>	<b>GAIN ON SECURITIES</b>		
	Realised gain - net	26.1	1,394,302
	Unrealised (loss) / gain - held for trading	8.1	(134)
	Unrealised gain - forward government securities		5,613
			<u>1,399,781</u>
			<u>4,334,118</u>
<b>26.1</b>	<b>Realised gain / (loss) on:</b>		
	Federal government securities		222,262
	Shares		1,172,056
	Non Government debt securities		(16)
			<u>(222)</u>
		<u>1,394,302</u>	<u>4,334,116</u>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	Note	December 31, 2022	December 31, 2021
<b>Rupees in '000</b>			
<b>27 OTHER INCOME</b>			
Recovery of written off mark-up and charges		27,820	44,479
Gain on sale of fixed assets - net		15,628	398,979
Refund from Employee Old-age Benefits Institution		-	101,639
Non-banking assets / other assets disposal	27.1	5,842	35,299
SBP reimbursement of incentive amount		2	50,675
Rent on property		16,681	10,480
Fee for attending Board meetings		1,696	2,785
Income from data center hosting service		17,716	17,716
Gain on disposal of Islamic financing and related assets		7,413	6,722
		<b>92,798</b>	<b>668,774</b>

**27.1** This includes loss on sale of a non-banking asset amounting to Rs. 3.063 million (2021: gain on sale of two non-banking assets amounting to Rs. 32.175 million and Rs. 0.304 million respectively)

	Note	December 31, 2022	December 31, 2021
<b>Rupees in '000</b>			
<b>28 OPERATING EXPENSES</b>			
<b>Total compensation expense</b>	28.1	17,193,396	15,252,733
<b>Property expense:</b>			
Depreciation		4,686,588	4,437,060
Rent and taxes		357,492	330,259
Utilities cost		2,057,509	1,421,648
Security (including guards)		1,383,117	1,078,407
Repair and maintenance (including janitorial charges)		1,297,990	876,867
Insurance		112,261	94,528
		<b>9,894,957</b>	<b>8,238,769</b>
<b>Information technology expenses:</b>			
Network charges		804,805	783,002
Depreciation		847,457	687,288
Amortization		521,326	411,977
Software maintenance		1,381,699	859,078
Hardware maintenance		358,213	375,086
Others		4,973	7,500
		<b>3,918,473</b>	<b>3,123,931</b>
<b>Other operating expenses:</b>			
Marketing, advertisement and publicity		1,208,029	928,792
Insurance		1,609,531	1,401,251
Outsourced service costs	34.1	979,882	834,331
Cash in Transit service charge		405,083	487,450
Stationery and printing		420,900	376,754
Travelling and conveyance		326,229	205,588
Legal and professional charges		260,609	182,615
Postage and courier charges		184,036	123,540
Depreciation		294,312	234,044
Donations	28.3	107,219	59,647
NIFT clearing charges		179,792	145,924
Communication		155,042	168,998
Directors fees and allowances		51,906	55,464
Fees and allowances to Shariah Board		8,552	7,302
Training and development		148,339	61,925
Brokerage expenses		73,111	88,987
Card related expenses		1,289,313	609,334
Auditors remuneration	28.2	21,330	30,889
Others		968,491	565,174
		<b>8,691,706</b>	<b>6,568,009</b>
		<b>39,698,532</b>	<b>33,183,442</b>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2022	December 31, 2021
	Rupees in '000	
<b>28.1 Total compensation expense</b>		
Salaries	10,763,581	10,002,800
Fees and allowances etc.	2,276,900	1,849,023
Bonus and awards		
Variable	1,235,814	1,025,034
Fixed	704,136	652,228
Charge for defined benefit plan	409,234	439,652
Contribution to defined contribution plan	674,640	585,413
Conveyance expense	637,858	332,617
Medical expense	195,453	193,483
Insurance	86,439	64,061
Education subsidy	29,927	32,002
Hajj expenses	44,620	-
Staff uniform	13,291	12,182
Executive club membership	6,737	3,860
Verification charges educational documents	5,000	3,424
Recruitment charges	2,702	2,160
Social Security Contribution - China	2,646	2,198
Others	34	574
Sub-Total	17,089,012	15,200,711
Voluntary retirement scheme	104,384	52,022
<b>Grand Total</b>	<b>17,193,396</b>	<b>15,252,733</b>

**28.1.1** The Bank announced the Voluntary Retirement Scheme (VRS) for its employees. Thirteen (13) employees (2021: 32) of the Bank opted for retirement under this scheme.

**28.1.2** Total cost for the year included in Other Operating Expenses relating to outsourced activities is Rs. 1,122.612 million (2021: Rs. 955.604 million). This includes payments other than outsourced services costs, which are disclosed above. Total cost of outsourced activities for the year given to related parties is nil.

	December 31, 2022	December 31, 2021
	Rupees in '000	
<b>28.2 Auditors' remuneration</b>		
Audit fee	7,624	12,850
Fee for other statutory certifications	4,648	5,588
Annual audit overseas business unit*	3,455	2,905
Half year review	3,000	5,330
Special certifications and miscellaneous services	150	150
Sales tax	713	1,116
Out-of-pocket expenses	1,740	2,950
	21,330	30,889

\*This includes audit fee amounting to Bahraini Dinar 5,500 (2021: 5,000) and Chinese Yuan 3,000 (2021: 3,000) relating to Wholesale Bahrain Branch and China Representative Office respectively.

**28.2.1** Auditors' remuneration for 2021 includes remuneration for joint audit conducted by Ernst & Young Ford Rhodes Chartered Accountants and KPMG Taseer Hadi & Co. Chartered Accountants.

**28.3** None of the directors, executives and their spouses had any interest in the donees, except Mr. Mohammad Naeem Mukhtar (Chairman and Non-Executive Sponsor Director) is director in National Management Foundation (LUMS).

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	Note	December 31, 2022	December 31, 2021
Rupees in '000			
Special Olympics Pakistan		14,000	-
Anjuman Himayat-i-Islam	28.3.1	1,009	1,187
IBA Karachi Centre of Excellence in Islamic Finance (CEIF)		700	1,500
Chaman (Center for Mentally Challenged Children)		1,500	-
Lahore Businessmen Association For Rehabilitation Of The Disabled		-	1,000
Aziz Jehan Begum Trust For The Blind		2,500	-
Saylani Welfare International Trust	28.3.1	1,998	117
The Citizens Foundation		8,600	-
Association of the Physically Handicapped Adults		-	1,500
Million Smiles Foundation		3,600	-
National Management Foundation (LUMS)		33,000	30,000
Pink Ribbon (Women's Empowerment Group)		-	10,000
Shaheed Benazir Bhutto University		-	3,000
Jamia Ashrafia Lahore	28.3.1	1,009	957
Abdul Sattar Edhi Foundation	28.3.1	854	1,187
RAAST Welfare Society		-	1,500
Cancer Care Hospital And Research Centre Foundation		-	3,000
Balochistan Residential College Loralai		-	2,586
Lahore Mental Health Association		-	1,000
The Layton Rahmatulla Benevolent Trust		500	1,000
SOS Children's Village		-	113
National University of Sciences and Technology		1,000	-
Kashif Iqbal Thalassaemia Care Centre Trust		2,000	-
Government Girls Model School Turbat		616	-
Balochistan Rural Support Programme Gurantee Limited		10,000	-
Sindh Rural Support Organization		5,000	-
Sukkur IBA University		1,632	-
Sundas Foundation		500	-
The Medical Aid Foundation		980	-
Pakistan Navy - Welfare Center		135	-
Arthritis Care Foundation		3,000	-
Quetta Bankers Club		500	-
The Noorani Foundation Trust		12,586	-
		107,219	59,647

**28.3.1** This represents charitable expenses on account of sadqa & feeding to under privileged.

	December 31, 2022	December 31, 2021
Rupees in '000		
<b>29 OTHER CHARGES</b>		
Penalties imposed by State Bank of Pakistan	294,011	107,095
Education cess	55,766	57,424
Depreciation - non-banking assets	8,166	5,620
Other assets written off	-	39
Others	63	97
	358,006	170,275



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	Note	December 31, 2022	December 31, 2021
Rupees in '000			
<b>30</b>	<b>PROVISIONS AND WRITE OFFS – NET</b>		
Provision / (reversal) for diminution in the value of investments	8.3	288,767	(10,753)
Reversal against loans and advances	9.4	(474,396)	(807,478)
Provision against other assets	13.2.1	9,999	63,502
Reversal against off balance sheet obligations	18.1	-	(2,189)
		(175,630)	(756,918)
Recovery of written off bad debts		(86,363)	(54,182)
		(261,993)	(811,100)
		<b>December 31, 2022</b>	<b>December 31, 2021</b>
		Rupees in '000	
<b>31</b>	<b>TAXATION</b>		
Current – for the year including super tax		24,099,798	11,524,836
– for prior year		2,007,418	-
		26,107,216	11,524,836
Deferred – current		(675,019)	(447,800)
		25,432,197	11,077,036
<b>31.1</b>	<b>Relationship between tax expense and accounting profit</b>		
Accounting profit for the year		46,626,018	28,390,835
Tax on income @ 39% (2021: 35%)		18,184,147	9,936,792
Super Tax @ 10%		4,918,601	1,183,267
Prior year tax		2,007,418	-
Others		322,031	(43,023)
Tax charge for the year		25,432,197	11,077,036
<b>32</b>	<b>EARNINGS PER SHARE – BASIC AND DILUTED</b>		
Profit after taxation		21,193,821	17,313,799
		Number of Shares	
Weighted average number of ordinary shares outstanding during the year		1,145,073,830	1,145,073,830
		Rupees	
Earnings per share – basic and diluted		18.51	15.12
There is no dilution effect on basic earnings per share.			
		<b>December 31, 2022</b>	<b>December 31, 2021</b>
		Rupees in '000	
<b>33</b>	<b>CASH AND CASH EQUIVALENTS</b>		
Cash and balances with treasury banks	33.1	87,913,426	124,406,408
Balances with other banks	6	3,439,468	903,243
Overdrawn nostro accounts		(435,271)	(191,462)
		90,917,623	125,118,189

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

**33.1** This includes balances with SBP amounting to Rs. 56,958.573 million (2021: Rs. 60,465.605 million) related to statutory cash reserve to comply with SBP requirements.

## 33.2 Reconciliation of movement of liabilities and equity to cash flows arising from financing activities

	December 31, 2022				December 31, 2021			
	Liabilities		Equity		Liabilities		Equity	
	Lease Liabilities	Dividend payable	Unappropriated Profit	Total	Lease Liabilities	Dividend payable	Unappropriated Profit	Total
	Rupees in '000							
<b>Balance as at January 01, 2022</b>	9,252,665	412,465	69,470,607	79,135,737	8,316,966	363,404	66,994,523	75,674,893
Changes from Financing cash flows								
Payment of lease liability against								
right-of-use-assets	(2,310,331)	-	-	(2,310,331)	(2,126,139)	-	-	(2,126,139)
Dividend Paid	-	(9,145,863)	-	(9,145,863)	-	(13,691,826)	-	(13,691,826)
Total changes from financing cash flows	(2,310,331)	(9,145,863)	-	(11,456,194)	(2,126,139)	(13,691,826)	-	(15,817,965)
<b>Liability related</b>								
Changes in Other liabilities								
- Dividend announced	-	9,160,592	(9,160,592)	-	-	13,740,887	(13,740,887)	-
- Lease liability recognised	2,845,110	-	-	2,845,110	3,061,838	-	-	3,061,838
Total liability related other changes	2,845,110	9,160,592	(9,160,592)	2,845,110	3,061,838	13,740,887	(13,740,887)	3,061,838
Total equity related other changes	-	-	19,342,800	19,342,800	-	-	16,216,971	16,216,971
Balance as at December 31, 2022	9,787,444	427,194	79,652,815	89,867,453	9,252,665	412,465	69,470,607	79,135,737

**33.3** Markup receipts and markup payments during the year amounted to Rs. 186,512.53 million and Rs. 138,167.037 million respectively. (2021: Rs. 116,299.414 million and Rs. 71,845 million respectively).

## Numbers

### 34 STAFF STRENGTH

Permanent	11,404	11,167
Temporary / on contractual basis / trainee	525	431
Bank's own staff strength at the end of the year	11,929	11,598
Average number of employees	11,764	11,601

**34.1** In addition to the above, 706 (2021: 627) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services. Further, 9 (2021: 8) employees were posted abroad. The rest were working domestically.

### 35 DEFINED BENEFIT PLANS

#### 35.1 General description

The Bank operates a funded gratuity scheme for all employees who opted for the staff retirement benefit scheme introduced by the management with effect from July 1, 2002. For those employees who did not opt for the new scheme, the Bank continues to operate a funded pension scheme.

The Bank also provides post retirement medical benefits (unfunded scheme) to eligible retired employees.

#### 35.2 Number of employees and beneficiaries under the schemes

The number of employees covered under the following defined benefit scheme or plans are:

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2022	December 31, 2021
	Numbers	
– Pension fund	357	427
– Gratuity fund	11,498	11,221
– Post retirement medical benefits	11,928	11,591
– Employees' compensated absences	11,928	11,162
In addition, the number of beneficiaries covered under the following defined benefit scheme / plans are:		
– Pension fund	1,991	2,363
– Post retirement medical benefits	1,610	1,610

### 35.3 Principal actuarial assumptions

The actuarial valuations were carried out for December 31, 2021 based on the Projected Unit Credit Method, using the following significant assumptions:

	Sources of estimation	December 31, 2022	December 31, 2021
<b>Withdrawal rate</b>			
Pension fund		Moderate	Moderate
Gratuity fund		Moderate	Moderate
Post retirement medical benefits		Moderate	Moderate
Employees' compensated absences		High	High
		Adjusted SLIC	Adjusted SLIC
		2001–2005	2001–2005
<b>Discount rate</b>	Yield on investments in Government Bonds	14.50%	11.75%
<b>Expected rate of return on plan assets</b>			
Pension fund	Yield on investments in Government Bonds	14.5%	11.75%
Gratuity fund	Yield on investments in Government Bonds	14.5%	11.75%
<b>Expected rate of salary increase</b>	Rate of salary increase	12.5%	9.75%

The expected return on plan assets is based on the market expectations and depends on the asset portfolio of the Bank, at the beginning of the period, for returns over the entire life of the related obligation.

### 35.4 Reconciliation of (receivable from) and payable to defined benefit plans

	Note	December 31, 2022				December 31, 2021			
		Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
		Rupees in '000				Rupees in '000			
Present value of defined benefit obligations	35.6	1,067,361	4,421,505	1,508,820	1,124,542	1,389,295	4,083,960	1,515,000	923,138
Fair value of plan's and scheme's assets	35.7	(6,010,391)	(3,617,311)	-	-	(5,769,269)	(3,367,829)	-	-
Net (asset) / liability		(4,943,030)	804,194	1,508,820	1,124,542	(4,379,974)	716,131	1,515,000	923,138
Net (asset) / liability		(4,943,030)	804,194	1,508,820	1,124,542	(4,379,974)	716,131	1,515,000	923,138

### 35.5 Movement in (receivable from) / payable to defined benefit plans.

	Note	December 31, 2022				December 31, 2021			
		Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
		Rupees in '000				Rupees in '000			
Opening balance		(4,379,974)	716,131	1,515,000	923,138	(3,786,440)	609,275	1,514,300	774,381
(Reversal) / charge for the year	35.9	(442,817)	454,253	201,198	278,610	(369,044)	392,181	170,823	250,443
Other comprehensive (income) / losses		(120,239)	74,498	(99,452)	-	(224,490)	97,809	(52,599)	-
Contribution to the fund and benefits paid		-	(440,688)	(107,926)	(77,206)	-	(383,134)	(117,524)	(101,686)
Closing balance		(4,943,030)	804,194	1,508,820	1,124,542	(4,379,974)	716,131	1,515,000	923,138

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

## 35.6 Movement in defined benefit obligations

	Note	December 31, 2022			
		Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
Rupees in '000					
Opening balance		1,389,295	4,083,960	1,515,000	923,138
Current service cost		-	393,288	25,426	52,957
Interest cost		133,687	454,728	171,672	103,933
Benefits paid		(503,071)	(427,861)	(107,926)	(77,206)
VRS settlement loss / (gain)	35.6.1	71,830	2,710	4,100	3,370
Re-measurement loss / (gain)		(24,380)	(85,320)	(99,452)	118,350
Closing balance		1,067,361	4,421,505	1,508,820	1,124,542

	Note	December 31, 2021			
		Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
Rupees in '000					
Opening balance		1,707,213	3,655,868	1,514,300	774,381
Current service cost		-	351,573	28,424	43,839
Interest cost		155,999	339,903	141,915	70,545
Benefits paid		(214,443)	(339,362)	(117,524)	(101,686)
VRS settlement loss		134	(118)	484	4,251
Re-measurement loss / (gain)		(259,608)	76,096	(52,599)	131,808
Closing balance		1,389,295	4,083,960	1,515,000	923,138

35.6.1 During the year, the pensioners were given a voluntary option to settle their monthly pension with a lump sum payment. Those who will not opt for the lump sum option, will continue to receive monthly pension (defined benefit scheme).

## 35.7 Movement in fair value of plan assets

	Note	December 31, 2022			
		Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
Rupees in '000					
Opening balance		5,769,269	3,367,829	-	-
Expected return on plan assets		648,334	396,473	-	-
Bank's contribution		-	440,688	-	-
Benefits paid		(503,071)	(427,861)	-	-
Re-measurement gain / (loss)		95,859	(159,818)	-	-
Closing balance		6,010,391	3,617,311	-	-

	Note	December 31, 2021			
		Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
Rupees in '000					
Opening balance		5,493,653	3,046,593	-	-
Expected return on plan assets		525,177	299,177	-	-
Bank's contribution		-	383,134	-	-
Benefits paid		(214,443)	(339,362)	-	-
Re-measurement loss		(35,118)	(21,713)	-	-
Closing balance		5,769,269	3,367,829	-	-

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

## 35.8 Composition of plan assets

	December 31, 2022			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Equity securities	1,370,166	95,712	-	-
Government securities	4,185,712	3,487,867	-	-
Cash and cash equivalents	454,513	33,732	-	-
	<b>6,010,391</b>	<b>3,617,311</b>	-	-

### 35.8.1 Fair value of Bank's financial instruments included in plan assets

Shares of ABL	136,640	-	-	-
Term deposit receipts	-	-	-	-
Government securities	-	-	-	-
Bank balances with ABL	454,513	33,732	-	-
	<b>591,153</b>	<b>33,732</b>	-	-

	December 31, 2021			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Equity securities	3,819,009	631,186	-	-
Government securities	387,004	804,811	-	-
Cash and cash equivalents	1,563,256	1,931,833	-	-
	<b>5,769,269</b>	<b>3,367,830</b>	-	-

### 35.8.2 Fair value of Bank's financial instruments included in plan assets

Shares of ABL	2,280,366	501,435	-	-
Term deposit receipts	1,173,621	1,855,942	-	-
Government securities	387,004	804,811	-	-
Bank balances with ABL	389,634	75,891	-	-
	<b>4,230,625</b>	<b>3,238,079</b>	-	-

35.8.3 Investment in term deposit receipts are subject to credit risk and interest rate risks, while equity securities are subject to price risk. These risks are regularly monitored by Trustees of the employee funds.

## 35.9 Charge for defined benefit plan

	December 31, 2022			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Current service cost	-	393,288	25,426	52,957
Interest cost	-	-	-	-
Net interest	(514,647)	58,255	171,672	103,933
VRS loss	71,830	2,710	4,100	3,370
Re-measurement loss recognised	-	-	-	118,350
	<b>(442,817)</b>	<b>454,253</b>	<b>201,198</b>	<b>278,610</b>



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2021			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Current service cost	-	351,573	28,424	43,839
Interest cost	-	-	-	-
Net interest	(369,178)	40,726	141,915	70,545
VRS loss	134	(118)	484	4,251
Re-measurement loss recognised	-	-	-	131,808
	(369,044)	392,181	170,823	250,443

## 35.10 Re-measurements recognized in other comprehensive income

	December 31, 2022			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Re-measurement gain / (loss) on obligations				
- Demographic assumptions	-	21,377	-	-
- Financial assumptions	(121,099)	(71,230)	-	-
- Experience adjustments	145,479	135,174	99,542	(118,350)
Re-measurement gain / (loss) on assets	95,859	(159,819)	-	-
Re-measurement gain / (loss) in OCI	120,239	(74,498)	99,542	(118,350)

	December 31, 2021			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Re-measurement gain / (loss) on obligations				
- Demographic assumptions	-	-	-	-
- Financial assumptions	173,325	(48,418)	-	-
- Experience adjustments	86,283	(27,678)	52,599	(131,808)
Re-measurement loss on assets	(35,118)	(21,713)	-	-
Re-measurement gain / (loss) in OCI	224,490	(97,809)	52,599	(131,808)

	December 31, 2022	December 31, 2021
	Rupees in '000	

## 35.11 Actual return on plan assets

- Pension fund	744,193	490,059
- Gratuity fund	236,655	277,464

## 35.12 Five year data of defined benefit plan and experience adjustments

	Pension fund				
	2022	2021	2020	2019	2018
	Rupees in '000				
Present value of defined benefit obligation	1,067,361	1,389,295	1,707,213	1,661,826	1,585,703
Fair value of plan assets	(6,010,391)	(5,769,269)	(5,493,653)	(6,102,237)	(6,145,768)
	(4,943,030)	(4,379,974)	(3,786,440)	(4,440,411)	(4,560,065)
<b>Experience adjustments on plan obligations and assets</b>					
Re-measurement gain / (loss) on obligation	24,380	259,608	(87,632)	(221,183)	364,271
Re-measurement gain / (loss) on assets	95,859	(35,118)	(1,063,774)	(506,563)	382,517

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	Gratuity fund				
	2022	2021	2020	2019	2018
	Rupees in '000				
Present value of defined benefit obligation	4,421,505	4,083,960	3,655,868	3,351,328	2,827,757
Fair value of plan assets	(3,617,311)	(3,367,829)	(3,046,593)	(2,744,422)	(2,383,102)
	804,194	716,131	609,275	606,906	444,655
<b>Experience adjustments on plan obligations / assets</b>					
Re-measurement gain / (loss) on obligation	85,320	(76,096)	130,088	(15,945)	(73,576)
Re-measurement (loss) / gain on assets	(159,818)	(21,713)	(118,061)	(74,792)	145,719

	Benevolent fund				
	2022	2021	2020	2019	2018
	Rupees in '000				
Present value of defined benefit obligation	-	-	-	-	9,206
Fair value of plan assets	-	-	-	-	(278,393)
	-	-	-	-	(269,187)
<b>Experience adjustments on plan obligations / assets</b>					
Re-measurement loss on obligation	-	-	-	-	(2,632)
Re-measurement loss on assets	-	-	-	-	(8,150)

	Post retirement medical				
	2022	2021	2020	2019	2018
	Rupees in '000				
Present value of defined benefit obligation	1,508,820	1,515,000	1,514,300	1,365,237	1,332,925
Fair value of plan assets	-	-	-	-	-
	1,508,820	1,515,000	1,514,300	1,365,237	1,332,925
<b>Experience adjustments on plan obligations</b>					
Re-measurement gain / (loss) on obligation	99,452	52,599	(95,729)	44,640	(105,031)

	Employees' compensated absences				
	2022	2021	2020	2019	2018
	Rupees in '000				
Present value of defined benefit obligation	1,124,542	923,138	774,381	668,547	606,216
Fair value of plan assets	-	-	-	-	-
	1,124,542	923,138	774,381	668,547	606,216
<b>Experience adjustments on plan obligations</b>					
Re-measurement loss on obligation	(118,350)	(131,808)	(120,571)	(59,950)	(137,850)

### 35.13 Expected contributions to be paid to the funds in the next financial year

The Bank contributes to the gratuity fund as per actuarial expected charge for the next financial year. No contributions are being made to pension fund due to surplus of fair value of plan's assets over present value of defined obligation. Based on actuarial advice, management estimates that the charge or (reversal) in respect of defined benefit plans for the year ending December 31, 2023 would be as follows:

	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Expected (reversal) / charge for the next year	(580,810)	479,098	241,637	333,751

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

## 35.14 Sensitivity analysis

Description	+1% Discount Rate	-1% Discount Rate	+1% Salary Increase Rate	-1% Salary Increase Rate	+10% Withdrawal Rate	-10% Withdrawal Rate	1 Year Mortality age set back	1 Year Mortality age set forward
	Rupees in '000							
Pension fund	1,025,957	1,113,176	1,067,361	1,067,361	1,067,383	1,067,341	1,067,590	1,067,134
Gratuity fund	4,086,941	4,807,765	4,832,460	4,060,707	4,431,848	4,410,859	4,419,052	4,423,945
Post retirement medical	1,418,637	1,610,251	1,581,106	1,486,944	1,555,215	1,558,869	1,554,953	1,559,070
Leave compensated absences	1,058,075	1,199,487	1,200,189	1,056,392	1,118,124	1,131,117	1,122,648	1,126,429

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the defined benefit obligation recognized within the statement of financial position.

## 35.15 Maturity Profile

	December 31, 2022			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
Rupees in '000				
The weighted average duration of the obligation (in years)	4.09	8.15	6.35	6.29

## 35.16 Funding Policy

The Bank endeavors to ensure that liabilities under the various employee benefit schemes are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

## 35.17 Risk associated with defined benefit plans

The defined benefit plans may expose the bank to actuarial risks such as longevity risk, investment risk, salary increase risk and withdrawal rate risk as described below;

### Longevity risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

### Investment risks:

The risk arises when the actual performance level of investment levels is lower than expectation and thus creating a shortfall in the funding objectives.

### Salary increase risk:

The most common type of retirement benefit is one where the final benefit is linked with final salary. The risk arises when the actual increases are higher than expectations and impact the liability accordingly.

### Withdrawal Rate:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

## 36 DEFINED CONTRIBUTION PLAN

The Bank operates an approved contributory provident fund for 9,400 (2021: 10,121) employees where contributions are made by the Bank at 8.33% per annum (2021: 8.33% per annum), whereas employees have the option to contribute at 8.33%, 12% or 15% per annum (2021: 8.33% per annum) of the basic salary every month.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

## 37 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

	December 31, 2022						
	Directors			Members Shariah Board	President / CEO**	Key Man- agement Personnel	Other Ma- terial Risk Takers / Controllers
	Chairman	Executive (other than CEO)*	Non- Executives				
	Rupees in '000						
<b>37.1 Total compensation expense</b>							
Fees and allowances etc.	4,200	-	47,200	-	-	-	-
Managerial remuneration							
- Fixed (including Eid bonus)	-	-	-	3,853	14,800	123,513	196,710
- Total Variable	-	-	-	505	21,250	131,606	96,710
of which							
a. Cash Bonus / awards	-	-	-	505	21,250	131,606	96,710
b. Bonus and awards in Shares	-	-	-	-	-	-	-
Charge for defined benefit plans	-	-	-	349	1,340	21,381	36,439
Contribution to defined contribution plan	-	-	-	296	1,233	10,289	15,784
Rent and house maintenance	-	-	-	2,133	8,880	74,107	113,693
Utilities	-	-	-	711	2,960	24,701	37,898
Medical	-	-	-	711	2,960	27,352	42,163
Conveyance	-	-	-	1,299	5,400	86,635	84,303
Others	-	-	-	749	1,604	22,181	67,465
<b>Total</b>	<b>4,200</b>	<b>-</b>	<b>47,200</b>	<b>10,606</b>	<b>60,427</b>	<b>521,765</b>	<b>691,165</b>
Number of persons	1	-	6	3	1	19	71

	December 31, 2021						
	Directors			Members Shariah Board	President / CEO**	Key Man- agement Personnel	Other Ma- terial Risk Takers / Controllers
	Chairman	Executive (other than CEO)*	Non- Executives				
	Rupees in '000						
Fees and allowances etc.	4,400	-	50,400	-	-	-	-
Managerial remuneration	-	-	-	-	-	-	-
- Fixed (including Eid bonus)	-	-	-	3,266	12,500	112,875	209,728
- Total Variable	-	-	-	455	10,000	122,188	112,322
of which							
a. Cash Bonus / awards	-	-	-	455	10,000	122,188	112,322
b. Bonus and awards in Shares	-	-	-	-	-	-	-
Charge for defined benefit plans	-	-	-	255	1,052	19,586	35,727
Contribution to defined contribution plan	-	-	-	252	1,041	9,402	16,882
Rent and house maintenance	-	-	-	1,821	7,500	67,725	121,730
Utilities	-	-	-	607	2,500	22,575	40,530
Medical	-	-	-	607	2,524	25,614	43,354
Conveyance	-	-	-	1,232	5,400	86,965	94,964
Others	-	-	-	324	720	16,399	51,238
<b>Total</b>	<b>4,400</b>	<b>-</b>	<b>50,400</b>	<b>8,819</b>	<b>43,237</b>	<b>483,329</b>	<b>726,475</b>
Number of persons	1	-	7	3	1	19	77

\* CEO stands for Chief Executive Officer

\*\* Excluding bonus of Rs. 12.25 million paid to the retiring President / Chief Executive Officer whose term completed on December 31, 2020.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

## 37.2 Remuneration paid to Directors for participation in Board and Committee Meetings

Sr. No.	Name of Director	December 31, 2022						Total Amount Paid
		Board Committees						
		Board Meetings	Audit Committee of Board	Human Resource Remuneration Committee	Board Risk Management Committee	E-Vision	Strategic Planning and Monitoring Committee	
Rupees in '000								
1	Mohammad Naeem Mukhtar	2,600	-	-	-	1,600	-	4,200
2	Sheikh Mukhtar Ahmad	2,600	-	-	1,600	-	-	4,200
3	Muhammad Waseem Mukhtar	2,600	-	1,600	-	1,200	4,800	10,200
4	Abdul Aziz Khan	2,200	-	1,200	1,600	-	4,400	9,400
5	Zafar Iqbal	2,600	2,000	-	-	1,600	-	6,200
6	Mubashir A. Akhtar	2,600	2,000	1,600	-	-	-	6,200
7	Nazrat Bashir	2,600	2,000	-	1,600	-	4,800	11,000
		17,800	6,000	4,400	4,800	4,400	14,000	51,400

Sr. No.	Name of Director	December 31, 2021						Total Amount Paid
		Board Committees						
		Board Meetings	Audit Committee of Board	Human Resource Remuneration Committee	Board Risk Management Committee	E-Vision	Strategic Planning and Monitoring Committee	
Rupees in '000								
1	Mohammad Naeem Mukhtar	2,800	-	-	-	1,600	-	4,400
2	Sheikh Mukhtar Ahmad	2,800	-	-	1,600	-	-	4,400
3	Muhammad Waseem Mukhtar	2,800	1,600	1,600	-	800	4,400	11,200
4	Abdul Aziz Khan	2,800	-	1,600	1,600	-	4,800	10,800
5	Dr. Muhammad Akram Sheikh*	1,600	1,600	1,200	1,200	-	-	5,600
6	Zafar Iqbal	2,800	2,400	-	-	1,600	-	6,800
7	Mubashir A. Akhtar	800	800	400	-	-	-	2,000
8	Nazrat Bashir	2,800	800	-	400	800	4,800	9,600
		19,200	7,200	4,800	4,800	4,800	14,000	54,800

\*Dr. Muhammad Akram Sheikh completed his term as Non- Executive Director during 2021.

## 37.3 Remuneration paid to Shariah Board Members

Items	December 31, 2022			December 31, 2021		
	Chairman	Resident Member	Non-Resident Member(s)	Chairman	Resident Member	Non-Resident Member(s)
	Rupees in '000					
Salaries and allowances	5,795	2,406	2,405	5,043	1,962	1,814
Total Number of Persons	1	1	1	1	1	1

37.4 Deferred cash bonus and remuneration for MRTs for the year 2022 is Rs. 15,172,850 (2021: 16,921,625).

## 38 FAIR VALUE OF FINANCIAL INSTRUMENTS

### 38.1 Fair value of financial assets

The fair value of traded investments is based on quoted market prices other than those classified as "held to maturity". Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 4.5 to these unconsolidated financial statements.



# Notes to the Unconsolidated Financial Statements

## for the year ended December 31, 2022

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities. Financial instruments included in level 1 comprise of investments in Listed Ordinary Shares.
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Financial instruments included in level 2 comprise of Sukuk Bonds, Units of Mutual Funds, Pakistan Investment Bonds, Market Treasury Bills, Term Finance Certificates and Forward Government & Exchange Contracts.
- Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs). Currently, no financial instruments are classified in level 3.

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

### Valuation Techniques used in determination of Fair Valuation of Financial Instruments within Level 2

Item	Valuation approach and input used
Federal Government Securities	Marked to Market on the basis of PKRV & PKFRV rates.
Non-Government Debt Securities	Marked to Market on the basis of MUFAP rates.
Foreign exchange contracts	Marked to Market on the basis of SBP rates.
Open ended mutual funds	Marked to Market on the basis of MUFAP rates.
Operating fixed assets (land & building) & NBA	The valuation is based on their assessment of market value of the properties.

On-Balance sheet Financial Instruments	December 31, 2022				Total
	Carrying Value	Level 1	Level 2	Level 3	
Rupees in '000					
<b>Financial assets – measured at fair value</b>					
<b>Investments</b>					
Federal Government Securities	1,017,093,239	-	1,017,093,239	-	1,017,093,239
Shares	17,189,092	17,166,641	22,451	-	17,189,092
Non-Government Debt Securities	13,134,767	-	13,134,767	-	13,134,767
<b>Financial assets - disclosed but not measured at fair value</b>					
Investments (Federal Government Securities, unlisted ordinary shares, term certificates, sukus, subsidiaries, Bai muajjal)	75,699,990	-	-	-	-
Cash and balances with treasury banks	87,913,426	-	-	-	-
Balances with other banks	3,439,468	-	-	-	-
Lendings	28,222,195	-	-	-	-
Advances	845,640,176	-	-	-	-
Other assets	56,467,341	-	-	-	-
<b>Non - Financial Assets measured at fair value</b>					
Operating fixed assets	59,099,625	-	59,099,625	-	59,099,625
Non-banking assets	1,505,342	-	1,505,342	-	1,505,342
<b>Off-balance sheet financial instruments – measured at fair value</b>					
Forward purchase of foreign exchange	160,636,134	-	160,636,134	-	160,636,134
Forward sale of foreign exchange	77,880,099	-	77,880,099	-	77,880,099
Forward purchase of government securities transactions	22,219,131	-	22,219,131	-	22,219,131
Forward sale of government securities transactions	1,827,149	-	1,827,149	-	1,827,149
December 31, 2021					
On-Balance sheet Financial Instruments	Carrying Value	Level 1	Level 2	Level 3	Total
Rupees in '000					
<b>Financial assets – measured at fair value</b>					
<b>Investments</b>					
Federal Government Securities	962,843,872	-	962,843,872	-	962,843,872
Shares	16,996,375	16,972,155	24,220	-	16,996,375
Non-Government Debt Securities	13,451,819	-	13,451,819	-	13,451,819
<b>Financial assets - disclosed but not measured at fair value</b>					
Investments (Federal Government Securities, unlisted ordinary shares, term certificates, sukus, subsidiaries, Bai muajjal)	71,202,834	-	-	-	-
Cash and balances with treasury banks	124,406,408	-	-	-	-
Balances with other banks	903,243	-	-	-	-
Lendings	45,452,910	-	-	-	-
Advances	652,889,677	-	-	-	-
Other assets	28,556,069	-	-	-	-
<b>Non - Financial Assets measured at fair value</b>					
Operating fixed assets	56,525,189	-	56,525,189	-	56,525,189
Non-banking assets	1,527,302	-	1,527,302	-	1,527,302
<b>Off-balance sheet financial instruments – measured at fair value</b>					
Forward purchase of foreign exchange	161,470,903	-	161,470,903	-	161,470,903
Forward sale of foreign exchange	115,563,825	-	115,563,825	-	115,563,825

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

## 39 SEGMENT INFORMATION

### 39.1 Segment Details with respect to Business Activities

	December 31, 2022					
	Corporate & Investment Banking	Commercial and Retail Banking	Trading & Sale (Treasury)	Islamic Banking	Other	Total
Rupees in '000						
<b>Profit &amp; Loss</b>						
Net mark-up, return, profit	59,927,883	(91,934,132)	94,434,395	3,734,291	556,392	66,718,829
Inter segment revenue - net	(62,503,949)	172,253,651	(96,578,957)	-	(13,170,745)	-
Non mark-up / return / interest income	6,417,491	5,347,758	8,092,109	383,640	434,386	20,675,384
<b>Total Income / (Loss)</b>	<b>3,841,425</b>	<b>85,667,277</b>	<b>5,947,547</b>	<b>4,117,931</b>	<b>(12,179,967)</b>	<b>87,394,213</b>
Segment direct expenses	726,506	20,165,543	217,956	1,644,684	18,275,499	41,030,188
Total expenses	726,506	20,165,543	217,956	1,644,684	18,275,499	41,030,188
Provisions	(669,701)	(169,362)	-	(3,653)	1,104,709	261,993
Profit before tax	2,445,218	65,332,372	5,729,591	2,469,594	(29,350,757)	46,626,018
<b>Statement of Financial Position</b>						
Cash & Bank balances	118,949	23,235,294	52,356,522	9,172,647	6,469,482	91,352,894
Investments	41,851,146	-	1,052,517,808	28,248,134	500,000	1,123,117,088
Net inter segment lending	(677,012,766)	1,338,867,914	(744,862,684)	(2,112,619)	85,120,155	-
Lendings to financial institutions	3,622,894	-	25,361,758	3,000,000	(3,762,457)	28,222,195
Advances - performing	726,427,837	40,639,969	-	66,762,206	10,554,643	844,384,655
Advances - non-performing	632,538	506,437	-	9,675	11,955,032	13,103,682
Provision against advances	(340,782)	(184,235)	-	(3,886)	(11,319,258)	(11,848,161)
Advances - net	726,719,593	40,962,171	-	66,767,995	11,190,417	845,640,176
Operating fixed assets	146,400	51,949,842	8,416	1,222,069	31,115,736	84,442,463
Others	6,314,510	14,881,391	28,651,784	3,434,983	24,915,374	78,198,042
<b>Total Assets</b>	<b>101,760,726</b>	<b>1,469,896,612</b>	<b>414,033,604</b>	<b>109,733,209</b>	<b>155,548,707</b>	<b>2,250,972,858</b>
Borrowings	89,126,377	4,761,729	412,961,398	27,105,292	(3,540,303)	530,414,493
Deposits & other accounts	10,383,466	1,436,908,922	-	71,870,126	3,134,965	1,522,297,479
Others	2,250,883	28,225,961	1,072,206	3,445,447	35,454,981	70,449,478
<b>Total liabilities</b>	<b>101,760,726</b>	<b>1,469,896,612</b>	<b>414,033,604</b>	<b>102,420,865</b>	<b>35,049,643</b>	<b>2,123,161,450</b>
Equity and Reserves	-	-	-	7,312,344	120,499,064	127,811,408
<b>Total Equity and Liabilities</b>	<b>101,760,726</b>	<b>1,469,896,612</b>	<b>414,033,604</b>	<b>109,733,209</b>	<b>155,548,707</b>	<b>2,250,972,858</b>
<b>Contingencies &amp; Commitments</b>	<b>166,531,969</b>	<b>18,581,086</b>	<b>262,562,513</b>	<b>3,027,651</b>	<b>13,608,676</b>	<b>464,311,895</b>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2021					
	Corporate & Investment Banking	Commercial and Retail Banking	Trading & Sale (Treasury)	Islamic Banking	Other	Total
Rupees in '000						
<b>Profit &amp; Loss</b>						
Net mark-up, return, profit	30,046,425	(40,299,964)	53,742,646	1,966,448	131,587	45,587,142
Inter segment revenue - net	(27,677,583)	82,271,222	(47,920,565)	-	(6,673,074)	-
Non mark-up, return, interest income	7,281,836	4,421,432	3,197,701	324,582	712,680	15,938,231
<b>Total Income / (Loss)</b>	<b>9,650,678</b>	<b>46,392,690</b>	<b>9,019,782</b>	<b>2,291,030</b>	<b>(5,828,807)</b>	<b>61,525,373</b>
Segment direct expenses	656,814	18,003,942	223,728	1,480,865	13,580,289	33,945,638
Total expenses	656,814	18,003,942	223,728	1,480,865	13,580,289	33,945,638
Provisions	(143,847)	(121,811)	-	(84)	1,076,842	811,100
Profit before tax	8,850,017	28,266,937	8,796,054	810,081	(18,332,254)	28,390,835
<b>Statement of Financial Position</b>						
Cash & Bank balances	265,776	43,509,889	71,358,163	4,305,649	5,870,174	125,309,651
Investments	35,400,389	-	999,447,524	29,146,987	500,000	1,064,494,900
Net inter segment lending	(446,532,421)	1,253,708,768	(857,849,308)	(2,415,498)	53,088,459	-
Lendings to financial institutions	-	-	82,900,029	-	(37,447,119)	45,452,910
Advances - performing	524,632,629	35,007,398	-	82,203,444	10,296,198	652,139,669
Advances - non-performing	670,589	152,873	-	-	12,777,298	13,600,760
Provision against advances	(381,005)	(102,705)	-	(233)	(12,366,809)	(12,850,752)
Advances - net	524,922,213	35,057,566	-	82,203,211	10,706,687	652,889,677
Operating fixed assets	389,184	50,947,459	7,448	1,460,572	28,066,360	80,871,023
Others	2,840,258	10,664,551	12,117,451	1,861,117	13,654,465	41,137,842
<b>Total Assets</b>	<b>117,285,399</b>	<b>1,393,888,233</b>	<b>307,981,307</b>	<b>116,562,038</b>	<b>74,439,026</b>	<b>2,010,156,003</b>
Borrowings	100,524,929	5,468,498	308,819,318	42,597,423	(37,404,400)	420,005,768
Deposits & other accounts	-	1,345,635,407	-	65,014,170	2,645,684	1,413,295,261
Others	1,465,092	14,712,882	212,341	3,983,158	29,236,962	49,610,435
<b>Total liabilities</b>	<b>101,990,021</b>	<b>1,365,816,787</b>	<b>309,031,659</b>	<b>111,594,751</b>	<b>(5,521,754)</b>	<b>1,882,911,464</b>
Equity and Reserves	15,295,378	28,071,446	(1,050,352)	4,967,287	79,960,780	127,244,539
<b>Total Equity &amp; liabilities</b>	<b>117,285,399</b>	<b>1,393,888,233</b>	<b>307,981,307</b>	<b>116,562,038</b>	<b>74,439,026</b>	<b>2,010,156,003</b>
<b>Contingencies &amp; Commitments</b>	<b>123,812,661</b>	<b>25,510,317</b>	<b>277,034,728</b>	<b>2,435,173</b>	<b>11,537,703</b>	<b>440,330,582</b>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

## 39.2 GEOGRAPHICAL SEGMENT ANALYSIS

	December 31, 2022			
	Domestic Operations	Middle East	China	Total
	Rupees in '000			
<b>Profit and Loss Account</b>				
Net mark-up, return, profit	65,420,995	1,297,834	-	66,718,829
Inter segment revenue - net	602,279	(602,279)	-	-
Non mark-up / return / interest income	20,471,974	203,410	-	20,675,384
Total Income	86,495,248	898,965	-	87,394,213
Segment direct expenses	(40,835,266)	(162,894)	(32,028)	(41,030,188)
Total expenses	(40,835,266)	(162,894)	(32,028)	(41,030,188)
Provisions	526,190	(264,197)	-	261,993
Profit / (loss) before tax	46,186,172	471,874	(32,028)	46,626,018
<b>Statement of Financial Position</b>				
Cash & Bank balances	91,260,654	92,240	-	91,352,894
Investments	1,115,975,700	7,141,388	-	1,123,117,088
Net inter segment lendings	2,762,457	-	-	2,762,457
Lendings to financial institutions	25,459,738	-	-	25,459,738
Advances - performing	839,581,925	4,802,730	-	844,384,655
Advances - non-performing	13,103,682	-	-	13,103,682
Provision against advances	(11,808,714)	(39,447)	-	(11,848,161)
Advances - net	840,876,893	4,763,283	-	845,640,176
Operating fixed assets	84,375,864	66,599	-	84,442,463
Others	74,214,992	3,983,050	-	78,198,042
<b>Total Assets</b>	<b>2,234,926,298</b>	<b>16,046,560</b>	<b>-</b>	<b>2,250,972,858</b>
Borrowings	522,896,987	4,755,049	-	527,652,036
Subordinated debt	-	-	-	-
Deposits & other accounts	1,511,914,013	10,383,466	-	1,522,297,479
Net inter segment borrowing	-	2,762,457	-	2,762,457
Others	70,317,922	131,556	-	70,449,478
<b>Total liabilities</b>	<b>2,105,128,922</b>	<b>18,032,528</b>	<b>-</b>	<b>2,123,161,450</b>
Equity	129,797,376	(1,985,968)	-	127,811,408
<b>Total Equity and liabilities</b>	<b>2,234,926,298</b>	<b>16,046,560</b>	<b>-</b>	<b>2,250,972,858</b>
<b>Contingencies and commitments</b>	<b>464,311,895</b>	<b>-</b>	<b>-</b>	<b>464,311,895</b>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2021			Total
	Domestic Operations	Middle East	China	
Rupees in '000				
<b>Profit and Loss Account</b>				
Net mark-up, return, profit	45,110,075	477,067	-	45,587,142
Inter segment revenue - net	27,961	(27,961)	-	-
Non mark-up, return, interest income	15,760,854	177,377	-	15,938,231
Total Income	60,898,890	626,483	-	61,525,373
Segment direct expenses	(33,790,246)	(129,125)	(26,267)	(33,945,638)
Total expenses	(33,790,246)	(129,125)	(26,267)	(33,945,638)
Provisions	781,140	29,960	-	811,100
Profit or (loss) before tax	27,889,784	527,318	(26,267)	28,390,835
<b>Statement of Financial Position</b>				
Cash & Bank balances	125,056,068	253,583	-	125,309,651
Investments	1,063,544,594	950,306	-	1,064,494,900
Net inter segment lendings	247,119	-	-	247,119
Lendings to financial institutions	45,205,791	-	-	45,205,791
Advances - performing	624,672,451	27,467,218	-	652,139,669
Advances - non-performing	13,600,760	-	-	13,600,760
Provision against advances	(12,769,413)	(81,339)	-	(12,850,752)
Advances - net	625,503,798	27,385,879	-	652,889,677
Operating fixed assets	80,819,106	51,917	-	80,871,023
Others	40,878,714	259,128	-	41,137,842
<b>Total Assets</b>	<b>1,981,255,190</b>	<b>28,900,813</b>	<b>-</b>	<b>2,010,156,003</b>
Borrowings	395,242,098	24,516,551	-	419,758,649
Subordinated debt	-	-	-	-
Deposits & other accounts	1,413,295,246	15	-	1,413,295,261
Net inter segment borrowing	-	247,119	-	247,119
Others	49,549,835	60,600	-	49,610,435
<b>Total liabilities</b>	<b>1,858,087,179</b>	<b>24,824,285</b>	<b>-</b>	<b>1,882,911,464</b>
Equity	123,168,011	4,076,528	-	127,244,539
<b>Total Equity and liabilities</b>	<b>1,981,255,190</b>	<b>28,900,813</b>	<b>-</b>	<b>2,010,156,003</b>
<b>Contingencies and commitments</b>	<b>440,330,582</b>	<b>-</b>	<b>-</b>	<b>440,330,582</b>



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

## 40 RELATED PARTY TRANSACTIONS

The Bank has related party relationships with its parent, subsidiary, companies with common directorship, directors, employee benefit plans and key management personnel including their associates.

Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation and terms of the contribution plan. Remuneration of the key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

	December 31, 2022					December 31, 2021								
	Parent	Directors	Key management personnel	Subsidiaries	Associates*	Joint venture	Other related parties	Parent	Directors	Key management personnel	Subsidiaries	Associates*	Joint venture	Other related parties
	Rupees in '000													
<b>Balances with other banks</b>														
In current accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
In deposit accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Lendings to financial institutions</b>														
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repaid during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in and (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Investments</b>														
Opening balance	-	-	-	500,000	-	25,000	-	-	-	-	500,000	-	-	25,000
Investment made during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment redeemed and disposed off during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in and (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	500,000	-	25,000	-	-	-	-	500,000	-	-	25,000
Provision for diminution in value of investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Advances</b>														
Opening balance	-	63,811	301,793	-	-	1,242	-	2,969	156,424	-	-	-	-	496
Addition during the year	-	66,521	163,059	1,672,000	18,724,508	20,000	-	112,084	253,507	-	-	-	-	7,015
Repaid during the year	-	(63,457)	(106,635)	-	(17,763,032)	(18,307)	-	(51,242)	(108,138)	-	-	-	-	(6,269)
Transfer in and (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	66,875	358,217	1,672,000	961,476	2,935	-	63,811	301,793	-	-	-	-	1,242
Provision held against advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2022						December 31, 2021							
	Parent	Directors	Key management personnel	Subsidiaries	Associates*	Joint venture	Other related parties	Parent	Directors	Key management personnel	Subsidiaries	Associates*	Joint venture	Other related parties
	Rupees in '000													
<b>Other Assets</b>														
Interest or mark-up accrued	-	5,128	93,943	-	11,489	-	-	-	1,540	78,624	-	-	-	29
Receivable from staff retirement fund	-	-	-	-	-	4,228,764	-	-	-	-	-	-	-	3,571,151
Other receivable	-	-	-	60,679	-	-	-	-	-	45,291	-	-	-	-
Provision against other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Borrowings</b>														
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settled during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in and (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Subordinated debt</b>														
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issued or Purchased during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Redemption and Sold during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Deposits and other accounts</b>														
Opening balance	100,304	391,278	46,188	17,578	60,450	-	36,313,174	803	144,243	40,672	10,007	46,745	-	26,961,726
Received during the year	14,706,290	376,987	801,274	3,598,102	245,176	-	425,704,709	13,701,403	1,679,675	751,007	2,030,051	13,867,649	-	542,781,289
Withdrawn during the year	(14,804,878)	(714,534)	(796,129)	(3,594,051)	(193,661)	-	(461,889,649)	(13,601,902)	(1,432,640)	(745,491)	(2,022,480)	(13,853,944)	-	(531,429,841)
Transfer in and (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	1,716	53,731	51,333	21,629	111,965	-	2,128,234	100,304	391,278	46,188	17,578	60,450	-	36,313,174
<b>Other Liabilities</b>														
Interest or mark-up payable	-	-	-	-	-	-	-	-	-	64	25	58	-	184,999
Payable to staff retirement fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Contingencies and Commitments</b>														
Other contingencies	-	-	-	-	50,931	-	-	-	-	-	-	158,177	-	-



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2022	December 31, 2021
	Rupees in '000	
<b>41 CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	11,450,739	11,450,739
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	106,760,942	97,235,663
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	106,760,942	97,235,663
Eligible Tier 2 Capital	7,092,854	20,152,261
Total Eligible Capital (Tier 1 + Tier 2)	113,853,796	117,387,924
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	419,653,095	388,941,078
Market Risk	31,359,204	32,787,687
Operational Risk	125,820,001	104,299,052
Total	576,832,300	526,027,817
Common Equity Tier 1 Capital Adequacy ratio	18.51%	18.48%
Tier 1 Capital Adequacy Ratio	18.51%	18.48%
Total Capital Adequacy Ratio	19.74%	22.32%

The SBP through its BSD Circular No. 07 dated April 15, 2009 prescribed the minimum paid up capital (net of losses) for all locally incorporated banks of Rs. 10 billion. The paid up capital of the Bank stood at Rs. 11.451 billion as at 31 December, 2022 and is in compliance with the SBP requirements.

Further, SBP vide its BPRD Circular # 6 of 2013 dated August 15, 2013 required the Banks to maintain the minimum Capital Adequacy Ratio (CAR) of 12.5% inclusive of Capital Conservation Buffer (CCB) of 2.5% on standalone as well as on consolidated basis. To support the banking sector in extending financing or credit facilities to their customers during COVID-19, SBP vide BPRD Circular # 12 of 2020 relaxed the CAR requirement to 11.5% by reducing the Capital Conservation Buffer (CCB) from 2.5% to 1.5% till further instructions.

Bank's CAR as at December 31, 2022 stood at 19.74% of its total risk weighted assets and complied with all externally imposed capital requirements. Standardized Approach is used for calculating the Credit and Market risk, whereas, Basic Indicator Approach is used for Operational Risk in the Capital Adequacy calculation.

	December 31, 2022	December 31, 2021
	Rupees in '000	
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	106,760,942	97,235,663
Total Exposures	2,387,468,058	2,488,085,909
Leverage Ratio	4.47%	3.91%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	670,660,455	642,371,329
Total Net Cash Outflow	400,489,567	345,039,134
Liquidity Coverage Ratio	167.46%	186.17%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	1,444,409,109	1,330,494,083
Total Required Stable Funding	967,845,390	934,385,758
Net Stable Funding Ratio	149.24%	142.39%

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

41.1 The link to the full disclosure is available at <https://www.abl.com/investor-relations/>

## 42 RISK MANAGEMENT

The principal risks associated with the Bank's business are Credit Risk, Market Risk, Liquidity Risk, Reputational Risk, Operational Risk, and Information Security & Governance Risk and Shariah Non-Compliance Risk. The Risk Management Framework (henceforth to be referred to as 'The Framework') provides principles for identifying, assessing, and monitoring risk within the Bank. The Framework specifies the key elements of the risk management process in order to maximize opportunities, minimize adversities and to achieve improved outputs based on informed decision making.

The Bank performs risk measurement, monitoring and control functions through use of various risk procedures and models. To give it a formal structure, all the policies and guidelines are approved by the Board and relevant management committees.

### Categories of Risk

**Credit Risk** This risk is defined as the possibility of loss due to unexpected default or a deterioration of credit worthiness of a business partner.

Credit Risk includes Country Risk i.e., the risks that counterparty is unable to meet its foreign currency obligations as a result of adverse economic conditions or actions taken by governments in the relevant country.

**Market Risk** The risk that the value of on and off-balance sheet positions of the Bank will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates, equity prices, credit spreads and / or commodity prices, resulting in a loss to earnings and capital.

**Liquidity Risk** The risk that the Bank is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn without incurring unacceptable cost or losses.

**Operational Risk** Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events. The definition includes legal risk but excludes strategic risk and reputational risk.

**Reputational Risk** The Reputational risk arises from the negative perception on the part of stakeholders that can adversely affect a bank's ability to maintain existing, or establish new, business relationships and continued access to sources of funding.

**Information Security & Governance Risk** Information Security and Governance Risk Management involves the identification of an organization's information assets and the development, documentation, and implementation of policies, standards, procedures and controls that ensure confidentiality, integrity and availability of the information.

**Strategic Risk** Risk of an adverse impact on strategic goals. Strategic risk mainly arises from strategic decisions, improper implementation of those decisions, or lack of responsiveness of Bank to industry, economic or technological changes.

**Shariah Non-Compliance Risk** Shariah Non Compliance Risk arises from the failure to comply with shariah rules and principles determined by the Shariah Board of the Bank and the Regulator.

### Risk Responsibilities

- The Board of Directors shall oversee the risk management process. The Board of Directors is responsible for determining the manner in which risk authorities are set, as well as the approval of all risk policies and ensuring that these are properly implemented. Further, the Board of Directors shall also seek appointment of senior management personnel capable of managing the risk activities conducted by the Bank.
- The Board Risk Management Committee (BRMC) is responsible for ensuring that the overall risk strategy and risk acceptance criteria of the Bank is appropriately defined in the Strategic Plan and recommend the same to the Board of Directors.
- The Chief Executive Officer and Group Chiefs shall be responsible for the management of risk collectively through their membership of various committees i.e. Management Committee (MANCO), Asset & Liability Committee (ALCO), Compliance Committee (CC) and Risk Management Committee (RMC). Independent supervision of risk management activities is provided by the Audit Committee of the Board.



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

- The Risk Management Group is headed by a Group Chief responsible for set-up and implementation of the Risk Management Strategy of the Bank.

## Risk Management Group Organization

Risk management functions have been segregated by business specialization, i.e., Credit Risk, Credit Administration, Technical Appraisal, Information Security and Enterprise Risk which interalia includes Policy and Procedures, Risk Architecture, Operational Risk and Market & Liquidity Risk. All these functions are operating in tandem to monitor the health of assets and liabilities, while ensuring risk mitigants against cyber and information system threats.

### 42.1 Credit Risk

Credit risk, the potential default of one or more debtors, is a major source of risk for the Bank. The Bank is exposed to credit risk through its lending and investment activities. The Bank's credit risk function is divided into Corporate and Financial Institutions Risk and Commercial, SME and Consumer Risk. The functions operate within an integrated framework of credit policies, guidelines and processes. The credit risk management activities are governed by the Credit Policy of the Bank that defines the respective roles and responsibilities, the credit risk management principles and the Bank's credit risk strategy. The policy is supported by a comprehensive Credit Procedures Manual.

The Bank manages three principal sources of credit risk:

- i) Sovereign credit risk on its public sector advances
- ii) Counterparty credit risk on its private sector advances
- iii) Counterparty credit risk on interbank limits

#### Sovereign Credit Risk

When the Bank lends to public sector borrowers, it prefers obtaining a full sovereign guarantee or the equivalent from the Government of Pakistan (GOP). However, certain public sector enterprises have a well defined cash flow stream and appropriate business model, based on which the lending is secured through collaterals other than GOP guarantee.

#### Counterparty credit risk on its private sector advances

Each borrower's credit worthiness is analyzed on the Credit Application Package that incorporates a formalized and structured approach for credit analysis and directs the focus of evaluation towards a balanced assessment of credit risk with identification of proper mitigants. These risks include Industry Risk, Business Risk, Financial Risk, Security Risk and Account Performance Risk.

Financial analysis is further strengthened through use of separate financial spread sheet templates that have been designed for manufacturing / trading concerns, financial institutions and insurance companies.

#### Counter Party Credit Risk on Interbank Limits

In the normal course of its business, the Bank's Treasury utilizes products such as Reverse Repo and Call Lending to meet the needs of interbank borrowers and manage its exposure to fluctuations in market, interest and currency rates. Further, these products are also used to temporarily invest Bank's liquidity prior to disbursement.

All of these financial instruments involve, to varying degrees, the risk that the counterparty in the transaction may be unable to meet its obligation to the Bank. Reflecting a preference for minimizing exposure to counterparty credit risk, the Bank maintains eligibility criteria that link the exposure limits to counterparty credit ratings by external rating agencies.

#### A. Country Risk

The Bank has in place a Country Risk Management Framework which has been approved by the Board. This framework focuses on providing detailed roles and responsibilities with respect to country risk assessment as well as limit setting, exposure management and reporting of cross border exposure undertaken by the Bank. The Bank utilizes S&P, Fitch and Moody's country ratings as well as other macroeconomic and external risk factors in assigning a country risk limit. The Financial Institutions Division is responsible for monitoring of country exposure limits.

#### Credit Administration

Credit Administration is involved in minimizing losses that could arise due to security and documentation deficiencies. The Credit Administration Function constantly monitors the security and documentation risks inherent in the existing credit portfolio through four regional credit administration departments located in major cities. Further, Credit Monitoring Division ensures implementation of all post disbursement activities as per bank guidelines to safeguard interests of the Bank through its three units i.e. Classification & Monitoring, Vigilance and Warehouse Management.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	Gross lendings		Non-performing lendings		Provision held	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021

Rupees in '000

## 42.1.1 Lendings to financial institutions

### Credit risk by public and private sector

Public and Government	9,691,830	-	-	-	-	-
Private	18,600,365	45,452,910	70,000	70,000	70,000	70,000
	28,292,195	45,452,910	70,000	70,000	70,000	70,000

	Gross Investments		Non-performing Investments		Provision held	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021

Rupees in '000

## 42.1.2 Investment in debt securities

### Credit risk by industry sector

Basic metals (iron, steel)	375,000	500,000	-	-	-	-
Financial	14,559,860	10,505,600	-	-	-	-
Hotel, restaurant and clubs	407,603	429,055	-	-	-	-
Power, gas, water and sanitary	11,230,000	12,294,309	-	-	-	-
Chemicals	-	1,600,000	-	-	-	-
Sugar	10,486	10,487	10,486	10,487	10,486	10,487
Textile - Spinning	51,345	51,345	51,345	51,345	51,345	51,345
Textile - Weaving	200,000	200,000	200,000	200,000	200,000	200,000
Government	1,111,168,957	1,029,490,304	14,772,409	889,292	309,078	1,808
Others	79,877	103,498	79,877	103,498	79,877	103,498
	1,138,083,128	1,055,184,598	15,114,117	1,254,622	650,786	367,138

### Credit risk by public and private sector

Public and Government	1,121,138,958	1,040,240,304	14,772,409	889,292	309,078	1,808
Private	16,944,170	14,944,294	341,708	365,330	341,708	365,330
	1,138,083,128	1,055,184,598	15,114,117	1,254,622	650,786	367,138

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	Gross advances		Non-performing advances		Provision held	
	December 31,2022	December 31,2021	December 31,2022	December 31,2021	December 31,2022	December 31,2021
Rupees in '000						
<b>42.1.3 Advances</b>						
<b>Credit risk by industry sector</b>						
Agriculture, Forestry and Hunting	158,241,072	147,123,343	492,235	624,664	464,711	584,105
Basic metals (iron, steel)	6,653,386	9,592,215	662,689	322,084	285,663	312,248
Cement, clay and ceramics	36,975,354	24,078,946	69,791	71,591	69,791	71,591
Chemical and pharmaceutical	44,800,210	37,195,811	340,431	362,126	340,431	362,126
Construction	15,849,588	10,643,190	200,023	133,975	154,080	129,475
Education	82,416	202,236	123	123	123	123
Financial	212,951,287	50,951,055	24,254	37,454	24,254	37,454
Footwear and leather garments	3,664,732	4,335,475	15,173	29,832	15,173	29,832
Furniture and sports goods	1,398,468	1,376,141	174,147	201,841	174,147	201,841
Grains, food and beverages	23,360,005	18,577,881	2,274,385	2,459,124	1,971,582	2,004,931
Health and social welfare	39,553	354,213	1,599	1,644	1,599	1,644
Hotel, restaurant and clubs	-	-	7,110	7,110	7,110	7,110
Individuals	21,736,129	16,139,680	605,993	337,369	310,724	330,333
Machinery and equipment	4,240,883	2,732,657	9,399	9,399	9,399	9,399
Manufacture of transport equipment	4,411,975	3,226,013	129,499	129,499	129,499	129,499
Paper and paper boards	13,620,427	11,677,865	202,414	207,274	202,414	207,274
Petroleum products	39,772,498	34,074,212	11,859	18,244	10,521	16,844
Power, gas, water and sanitary	109,716,568	127,141,983	-	-	-	-
Printing, publishing and allied	358,598	303,199	738	738	738	738
Real estate, renting, and business activities	7,006,746	7,419,067	-	-	-	-
Rubber and plastic	985,000	855,631	166,990	166,990	166,990	166,990
Sugar	7,042,924	5,392,472	-	37,850	-	37,850
Textile -Manufacture of made up & ready made garments	42,309,527	43,537,542	2,351,170	2,901,668	2,351,170	2,901,668
Textile - Finishing	17,792,294	17,410,759	2,686,933	2,710,184	2,686,933	2,710,184
Textile - Spinning	26,906,742	22,837,292	1,023,077	943,308	1,023,077	943,308
Textile - Weaving	2,640,048	3,761,552	445,079	454,979	240,242	245,342
Transport, storage and communication	34,728,657	23,838,158	77,038	95,489	47,873	38,804
Wholesale and retail trade	5,812,673	7,561,992	674,744	740,232	642,290	731,668
Others	14,390,577	33,399,849	456,789	595,969	408,024	538,016
	857,488,337	665,740,429	13,103,682	13,600,760	11,738,558	12,750,397
<b>Credit risk by public and private sector</b>						
Public and Government	431,370,665	305,411,957	377,026	34,330	-	34,330
Private	426,117,672	360,328,472	12,726,656	13,566,430	11,738,558	12,716,067
	857,488,337	665,740,429	13,103,682	13,600,760	11,738,558	12,750,397

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2022	December 31, 2021
	Rupees in '000	
<b>42.1.4 Contingencies and Commitments</b>		
<b>Credit risk by industry sector</b>		
Agriculture, Forestry and Hunting	257,496	655,478
Basic metals (iron, steel)	3,310,163	4,360,213
Cement, clay and ceramics	5,449,084	19,034,038
Chemical and pharmaceutical	3,803,170	8,638,835
Construction	3,382,725	6,069,105
Education	76,697	12,310
Financial	279,943,310	288,390,529
Footwear and leather garments	182,784	230,066
Furniture and sports goods	186,788	132,780
Grains, food and beverages	3,930,505	1,854,262
Health and social welfare	590,829	432,346
Hotel, restaurant and clubs	7,859	7,859
Individuals	7,399,405	8,161,560
Machinery and equipment	27,807,008	24,901,589
Manufacture of transport equipment	1,035,644	2,708,524
Paper and paper boards	357,374	779,279
Petroleum products	64,582,403	26,348,261
Power, gas, water and sanitary	30,987,020	9,765,018
Printing, publishing and allied	297,274	86,496
Rubber and plastic	1,455,794	3,333,648
Sugar	598,261	30,539
Textile - Manufacture of made up and ready made garments	1,388,840	2,381,756
Textile - Finishing	4,925,124	6,780,525
Textile - Spinning	2,148,913	1,452,547
Textile - Weaving	3,006,369	2,008,794
Transport, storage and communication	4,617,416	3,557,944
Wholesale and retail trade	6,582,500	11,388,996
Others	6,001,140	6,827,285
	<b>464,311,895</b>	<b>440,330,582</b>
<b>Credit risk by public and private sector</b>		
Public and Government	173,637,473	107,789,123
Private	290,674,422	332,541,459
	<b>464,311,895</b>	<b>440,330,582</b>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

## 42.1.5 Concentration of Advances

The Bank's top 10 exposures on the basis of total (funded and non-funded) exposures aggregating to Rs. 427,826.14 million (December 31, 2021: Rs. 338,676.3 million) are as following:

	December 31, 2022	December 31, 2021
Rupees in '000		
Funded	376,037,108	271,288,662
Non Funded	51,789,029	67,387,633
Total Exposure	427,826,137	338,676,295

The sanctioned limits against these top 10 exposures aggregated to Rs. 464,566 million (December 31, 2021: Rs. 363,137.31 million).

## 42.1.6 Advances – Province/Region-wise Disbursement and Utilization

During the year ended December 31, 2022

Province and Region	Disbursements		Utilization				AJK including Gilgit-Baltistan
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad		
Rupees in '000							
Punjab	1,096,008,500	1,017,117,260	76,674,265	193,973	18,243	1,920,494	84,265
Sindh	1,599,768,166	16,508,791	1,583,259,375	-	-	-	-
KPK including FATA	7,430,014	-	-	7,430,014	-	-	-
Balochistan	1,477,717	-	-	-	1,477,717	-	-
Islamabad	630,892,857	311,919,364	33,537,164	-	-	285,436,329	-
AJK including Gilgit-Baltistan	519,102	-	-	-	-	-	519,102
Total	3,336,096,356	1,345,545,415	1,693,470,804	7,623,987	1,495,960	287,356,823	603,367

During the year ended December 31, 2021

Province and Region	Disbursements		Utilization				AJK including Gilgit-Baltistan
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad		
Rupees in '000							
Punjab	771,407,231	705,101,872	34,983,571	1,783,082	15,704	29,472,660	50,342
Sindh	1,110,887,878	70,737,345	1,029,441,170	6,572,989	4,136,374	-	-
KPK including FATA	2,156,289	-	-	2,156,289	-	-	-
Balochistan	1,045,911	-	-	-	1,045,911	-	-
Islamabad	327,615,203	153,438,233	15,724,654	-	-	158,452,316	-
AJK including Gilgit-Baltistan	457,870	-	-	-	-	-	457,870
Total	2,213,570,382	929,277,450	1,080,149,395	10,512,360	5,197,989	187,924,976	508,212



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

## 42.2 Market Risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. Thus market risk can be further described into Interest Rate Risk, Foreign Exchange Risk and Equity Position Risk.

Market Risk performs risk measurement, monitoring and control functions through the use of various risk procedures and models. To give it a formal structure, all the policies and guidelines are approved by the Board of Directors and the relevant management committees.

The Bank uses three types of risk management tools to measure the Bank's Market Risk: Value-at Risk (VaR), Expected Shortfall (ES) and Stress Testing. In addition, control limits are utilized to maintain the risks within acceptable levels.

The Bank maintains adequate regulatory capital to cover all interest rate risks falling under the "Trading Book" as well as "Banking Book", as defined by Basel capital accord. The Bank uses Standardized Approach in determining market risk exposures in the capital adequacy calculation. Maturity method is used to calculate charge on Interest rate risk and FX risk.

In its pursuit of automation, the Bank has successfully implemented Oracle Financial Services Analytical Application (OFSAA) Market Risk Module to automate the risk monitoring and reporting activities pertaining to Market Risk, which allows for more efficient risk monitoring and increased focus on risk analysis to help in making more informed decisions.

### 42.2.1 Market Risk Pertaining to the Trading Book

#### Trading Book

The Trading Book of the Bank consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. To be eligible for trading book, financial instruments must be held with the intent of trading and free of any restrictive covenants on their tradability. In addition, positions need to be frequently and accurately valued and the portfolio should be actively monitored and managed accordingly.

The Bank's trading book includes securities classified as 'Held-For-Trading', 'Open Ended Mutual Fund' and non-strategic listed equity placed in 'Available-for-Sale' category. These positions are exposed to all forms of market risk and are managed actively.

#### Risk Pertaining to Banking Book Investment Portfolio

All investments excluding trading book are considered as part of banking book. Banking book includes:

- i) Available-for-sale securities – (other than non-strategic listed equity)
- ii) Held-to-maturity securities

Treasury investments parked in the banking book include:

- i) Government securities
- ii) Capital market investments
- iii) Investments in bonds, debentures, etc.

Due to the diversified nature of investments in banking book, it is subject to interest rate risk, equity price risk and FX risk.

#### Stress Testing

The Bank also conducts Stress Testing of the Bank's investment portfolio to ascertain the impact of various scenarios on the capital adequacy and sustainability of the Bank. The exercise assumes various stress conditions, with respect to Interest Rate Risk, Equity Price Risk, FX Risk and Liquidity Risk. Stress testing is also conducted on various macro-economic scenarios to test the resilience of the Bank.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2022			December 31, 2021		
	Banking book	Trading book	Total	Banking book	Trading book	Total
Rupees in '000						
<b>42.2.2 Balance sheet split by trading and banking books</b>						
Cash and balances with treasury banks	87,913,426	-	87,913,426	124,406,408	-	124,406,408
Balances with other banks	3,439,468	-	3,439,468	903,243	-	903,243
Lendings to financial institutions	28,222,195	-	28,222,195	45,452,910	-	45,452,910
Investments	1,108,465,894	14,651,194	1,123,117,088	1,050,526,349	13,968,551	1,064,494,900
Advances	845,640,176	-	845,640,176	652,889,677	-	652,889,677
Fixed assets	81,478,561	-	81,478,561	78,002,712	-	78,002,712
Intangible assets	2,963,902	-	2,963,902	2,868,311	-	2,868,311
Deferred tax assets	13,001,349	-	13,001,349	1,488,287	-	1,488,287
Other assets	65,196,693	-	65,196,693	39,649,555	-	39,649,555
	2,236,321,664	14,651,194	2,250,972,858	1,996,187,452	13,968,551	2,010,156,003

## 42.2.3 Foreign Exchange Risk

Foreign exchange risk is the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates.

The majority of the Bank's net foreign currency exposure is in US\$ and the Bank uses system-based monitoring of its intra-day Net Open Position for effective risk management.

The Bank's FX Risk is largely mitigated by following a matched funding policy, whereas, for any mismatched exposures, the Bank utilizes appropriate derivative instruments such as Forwards and Swaps. The Bank maintains adequate regulatory capital to cover against foreign exchange risk.

	December 31, 2022				December 31, 2021			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in '000								
Pakistani Rupee	2,192,631,782	1,977,669,970	(82,632,091)	132,329,721	1,935,743,217	1,756,492,606	(45,685,805)	133,564,806
United States Dollar	57,311,840	134,705,503	72,832,904	(4,560,759)	73,374,430	116,613,825	36,943,772	(6,295,623)
Great Britain Pound Sterling	620,648	6,519,345	5,897,070	(1,627)	499,291	5,795,451	5,271,808	(24,352)
Japanese Yen	32,164	975	(30,845)	344	29,502	1,222	(28,284)	(4)
Euro	348,397	4,217,190	3,877,167	8,374	212,149	4,001,202	3,789,167	114
Other currencies	28,027	48,467	55,795	35,355	297,414	7,158	(290,658)	(402)
	58,341,076	145,491,480	82,632,091	(4,518,313)	74,412,786	126,418,858	45,685,805	(6,320,267)
	2,250,972,858	2,123,161,450	-	127,811,408	2,010,156,003	1,882,911,464	-	127,244,539

	December 31, 2022		December 31, 2021	
	Banking book	Trading book	Banking book	Trading book
Rupees in '000				
After tax Impact of 15% change in foreign exchange rates on:				
- Profit and loss account	-	(345,651)	-	(578,304)
- Other comprehensive income	-	-	-	-
	-	(345,651)	-	(578,304)

## 42.2.4 Equity position Risk

Equity Price Risk is risk to earnings or capital that results from adverse changes in stock prices (single stocks, or a basket of stocks, or overall stock market). ABL holds a diversified portfolio of equity investments in order to minimize non-systematic risk while retaining acceptable systematic risk. ALCO ensures that equity price risk is mitigated through prudent portfolio management.

The Bank maintains adequate regulatory capital to cover against equity price risk. Equity investments classified as "Held-for-Trading" as well as listed non-strategic equity investments classified as "Available-for-Sale" are part of the "Trading Book" and are subject to market risk change as specified by the Basel Framework. Un-listed and listed strategic equity investment are part of the "Banking Book" and are subject to credit risk charge as specified by the Basel Framework.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2022		December 31, 2021	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
After tax Impact of 5% change in equity prices on				
– Profit and loss account	-	-	-	-
– Other comprehensive income	(68,269)	(368,663)	(96,194)	(422,195)

## 42.2.5 Yield and Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Interest rate and Rate of return risk is the current or prospective risk of losses, to both the Bank's capital and earnings, arising from movements in interest rates and rates of return. The Bank has a robust system in place to monitor Interest rate risk and ALCO regularly analyses the interest rate scenario and devises strategies to minimize adverse impact of interest rate risk on the Bank's equity and profits.

Interest rate risk is measured through "duration" of an instrument. To assess the interest rate risk at Balance Sheet and Income Statement level, gap analysis on "re-pricing schedule" is utilized. Re-pricing schedule is a distribution of interest-sensitive assets, liabilities, and Off-Balance Sheet positions into a number of predefined time bands according to their maturity (if fixed-rate) or time remaining to their next re-pricing (if floating-rate), and is calculated in compliance with SBP instructions. For non-contractual assets and liabilities, an ALCO approved methodology is utilized to place these assets and liabilities in the re-pricing schedule. This methodology is based on the results of a behavioural analysis which statistically models the historical trends of the last 5 years.

Government securities (PIBs & T-Bills, Sukuks), Bonds, Debentures, etc. and other money market investments are subject to interest rate / rate of return risk. To capture the risk associated with these securities, extensive modeling is being done with respect to duration analysis. Stress testing and scenario-based models are also in place to capture the sensitivity of the portfolio to adverse movement in interest rates. For prudent risk management, all money market investments are marked to market to assess changes in the market value of investments due to interest rate movements. Yield/ Interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

In accordance with BSD Circular No.03 of 2011, issued by the SBP, Bank is required to report interest rate sensitivity gap of assets and liabilities on the basis of an objective and systematic behavioural study which is approved by ALCO.

	December 31, 2022		December 31, 2021	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
After tax Impact of increase in interest rates by 5%				
– Profit and loss account	-	-	-	-
– Other comprehensive income	(3,940,223)	(291)	(4,256,832)	(16)

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

## 42.2.6 Mismatch of Interest Rate Sensitive Assets and Liabilities

	Effective Yield/Interest rate	December 31, 2022										Non-interest bearing financial instruments		
		Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 Years			
			Rupees in '000											
<b>On-balance sheet financial instruments</b>														
<b>Assets</b>														
Cash and balances with treasury banks		87,913,426	59,118	-	-	-	-	-	-	-	-	-	-	87,854,308
Balances with other banks		3,439,468	-	-	-	-	-	-	-	-	-	-	-	3,439,468
Lending to financial institutions	8.79%	28,222,195	2,177,171	-	-	-	-	-	-	-	-	-	-	-
Investments	12.66%	1,123,117,088	395,551,859	193,389,624	329,276,994	2,977,907	69,318,498	39,462,557	25,116,060	49,954,151	18,069,438	-	-	18,069,438
Advances	11.21%	845,640,176	438,908,791	131,554,800	108,868,655	53,997,718	3,349,551	4,230,639	17,012,733	76,876,144	8,680,000	-	-	2,161,145
Other assets		62,035,054	-	-	-	-	-	-	-	-	-	-	-	62,035,054
		2,150,367,407	860,024,792	327,661,595	438,145,649	56,975,625	72,668,049	43,693,196	42,128,793	126,830,295	8,680,000	-	-	173,559,413
<b>Liabilities</b>														
Bills payable		14,159,643	-	-	-	-	-	-	-	-	-	-	-	14,159,643
Borrowings	10.38%	530,414,493	53,123,453	425,405,191	13,493,627	41,156	474,937	1,511,271	4,548,455	27,770,454	4,045,949	-	-	4,045,949
Deposits and other accounts	7.35%	1,522,287,479	265,141,579	273,837,446	417,148,187	143,133,325	27,207,093	447,006	222,441	245,456	-	-	-	394,914,946
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt		-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities		55,990,932	-	-	-	-	-	-	-	-	-	-	-	55,990,932
		2,122,862,547	318,265,032	699,242,637	430,641,814	143,174,481	27,682,030	1,958,277	4,770,886	28,015,910	4,045,949	-	-	465,065,521
<b>On-balance sheet gap</b>		27,504,860	541,759,760	(371,581,042)	7,503,835	(86,198,856)	44,986,019	41,734,919	37,357,897	98,814,385	4,634,061	(291,506,108)	-	
<b>Off-balance sheet financial instruments</b>														
Documentary credits and short-term trade-related transactions		190,988,809	35,923,286	25,517,291	84,364,880	9,959,609	20,283,721	3,025,145	645,193	25,110	11,244,574	-	-	-
<b>Commitments in respect of purchase of:</b>														
- forward foreign exchange contracts		160,636,134	95,802,505	58,447,501	6,248,051	138,077	-	-	-	-	-	-	-	-
- forward government securities transactions		22,219,651	22,219,651	-	-	-	-	-	-	-	-	-	-	-
- derivatives		-	-	-	-	-	-	-	-	-	-	-	-	-
- forward lending		182,855,785	118,022,156	58,447,501	6,248,051	138,077	-	-	-	-	-	-	-	-
<b>Commitments in respect of sale of:</b>														
- forward foreign exchange contracts		77,880,099	34,449,194	29,894,172	13,536,733	-	-	-	-	-	-	-	-	-
- forward government securities transactions		1,827,149	1,827,149	-	-	-	-	-	-	-	-	-	-	-
- derivatives		-	-	-	-	-	-	-	-	-	-	-	-	-
- forward lending		79,707,248	36,276,343	29,894,172	13,536,733	-	-	-	-	-	-	-	-	-
Other commitments		11,933,119	994,427	1,988,853	2,983,280	5,966,559	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		306,070,464	118,663,525	56,059,473	80,059,478	16,064,245	20,283,721	3,025,145	645,193	25,110	11,244,574	-	-	-
<b>Total Yield and Interest Risk Sensitivity Gap</b>		333,575,324	660,423,285	(315,521,569)	87,563,313	(70,134,611)	65,269,740	44,760,064	38,003,090	98,839,495	15,878,625	(291,506,108)	-	
<b>Cumulative Yield and Interest Risk Sensitivity Gap</b>		333,575,324	660,423,285	344,901,716	432,465,029	362,330,418	427,600,158	472,360,222	510,363,312	609,202,807	625,081,432	333,575,324	-	

# Notes to the Unconsolidated Financial Statements

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	Effective Yield/ Interest rate	Total	December 31, 2021										Non-interest bearing financial instruments		
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 Years				
<b>On-balance sheet financial instruments</b>															
<b>Assets</b>															
Cash and balances with treasury banks		124,406,408	9,588,566	-	-	-	-	-	-	-	-	-	-	114,817,842	
Balances with other banks		903,243	-	-	-	-	-	-	-	-	-	-	-	903,243	
Lending to financial institutions	4.54%	45,452,910	45,452,910	-	-	-	-	-	-	-	-	-	-	-	
Investments	8.55%	1,064,494,900	331,550,505	355,855,787	175,468,682	21,614,119	2,499,737	63,487,936	42,506,119	52,582,018	18,929,997	-	-	18,929,997	
Advances	7.13%	652,889,677	314,011,257	140,615,348	102,982,005	43,420,250	1,176,504	2,948,838	8,853,845	27,672,028	6,656,462	-	-	4,553,140	
Other assets		37,077,831	-	-	-	-	-	-	-	-	-	-	-	37,077,831	
		1,925,224,969	700,603,238	496,471,135	278,450,687	65,034,369	3,676,241	66,436,774	51,359,964	80,254,046	6,656,462	-	-	176,282,053	
<b>Liabilities</b>															
Bills payable		10,059,879	-	-	-	-	-	-	-	-	-	-	-	-	10,059,879
Borrowings	6.21%	420,005,768	92,857,546	280,867,954	7,595,990	8,141,964	491,254	763,100	27,619,136	1,665,824	-	-	-	-	
Deposits and other accounts	3.66%	1,413,295,261	211,693,642	272,222,073	390,099,818	109,840,580	39,430,629	5,020,534	308,734	588,149	-	-	-	384,091,102	
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-	-	-	
Subordinated debt		-	-	-	-	-	-	-	-	-	-	-	-	-	
Other liabilities		39,071,912	-	-	-	-	-	-	-	-	-	-	-	39,071,912	
		1,882,432,820	304,551,188	553,090,027	397,698,808	117,982,544	39,921,883	5,783,634	27,927,870	2,253,973	-	-	-	433,222,893	
<b>On-balance sheet gap</b>		42,792,149	396,052,050	(56,618,892)	(119,248,121)	(52,948,175)	(36,245,642)	60,653,140	23,432,094	78,000,073	6,656,462	-	-	(256,940,840)	
<b>Off-balance sheet financial instruments</b>															
Documentary credits and short-term trade-related transactions		153,427,853	17,274,549	24,772,628	55,556,921	30,757,574	19,243,342	3,283,169	544,371	25,110	1,970,189	-	-	-	
Commitments in respect of purchase of:															
- forward foreign exchange contracts		161,470,903	58,339,599	75,248,545	26,711,669	1,171,090	-	-	-	-	-	-	-	-	
- forward government securities transactions		-	-	-	-	-	-	-	-	-	-	-	-	-	
- derivatives		-	-	-	-	-	-	-	-	-	-	-	-	-	
- forward lending		-	-	-	-	-	-	-	-	-	-	-	-	-	
		161,470,903	58,339,599	75,248,545	26,711,669	1,171,090	-	-	-	-	-	-	-	-	
Commitments in respect of sale of:															
- forward foreign exchange contracts		115,563,825	41,374,010	37,440,541	35,822,433	926,841	-	-	-	-	-	-	-	-	
- forward government securities transactions		-	-	-	-	-	-	-	-	-	-	-	-	-	
- derivatives		-	-	-	-	-	-	-	-	-	-	-	-	-	
- forward lending		-	-	-	-	-	-	-	-	-	-	-	-	-	
		115,563,825	41,374,010	37,440,541	35,822,433	926,841	-	-	-	-	-	-	-	-	
Other commitments		21,866,605	4,285,729	2,763,532	8,934,864	5,718,055	35,587	35,587	71,174	14,851	7,426	-	-	-	
<b>Off-balance sheet gap</b>		221,201,535	38,525,866	65,344,164	55,380,821	36,719,878	19,278,929	3,318,756	615,545	39,961	1,977,615	-	-	-	
<b>Total Yield and Interest Risk Sensitivity Gap</b>		263,993,685	434,577,916	8,725,271	(63,867,300)	(16,228,297)	(16,966,714)	63,971,895	24,047,639	78,040,036	8,634,078	(256,940,839)	-	-	
<b>Cumulative Yield and Interest Risk Sensitivity Gap</b>		263,993,685	434,577,916	443,303,187	379,435,887	363,207,590	346,240,876	410,212,771	434,260,410	512,300,446	520,934,524	263,993,685	-	-	



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Reconciliation to total assets	December 31,	December 31,	Reconciliation to total liabilities	December 31,	December 31,
	2022	2021		2022	2021
	(Rupees in '000)	(Rupees in '000)		(Rupees in '000)	(Rupees in '000)
Balance as per balance sheet	2,250,972,858	2,012,099,731	Balance as per balance sheet	2,123,161,450	1,884,855,191
<b>Less: Non financial assets</b>			<b>Less: Non financial liabilities</b>		
Fixed assets	84,442,463	80,871,023	Deferred tax liabilities	-	1,943,727
Deferred Tax Assets	13,001,349	3,432,014	Other liabilities	298,904	478,645
Other assets	3,161,638	2,571,724		298,904	2,422,372
	100,605,450	86,874,761			
<b>Total financial assets</b>	<b>2,150,367,408</b>	<b>1,925,224,970</b>	<b>Total financial liabilities</b>	<b>2,122,862,546</b>	<b>1,882,432,819</b>

## 42.3 Operational Risk

The Bank, like all financial institutions, is exposed to different types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and the execution of legal, fiduciary and agency responsibilities.

In accordance with the BoD approved Operational Risk Management Policy (ORM), Bank maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the bank's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to industry best practices.

The Bank has implemented workflow based system "Risk Nucleus" for Operational Risk Loss Data Collection & Reporting, Risk Control & Self Assessment (RCSA) and Key Risk Indicators (KRIs) monitoring. Further, major Operational Risk events are also analyzed from the control breaches perspective and mitigating controls are assessed on design and operating effectiveness. Quarterly updates on Operational Risk events are presented to senior management and Board's Risk Management Committee & BoD.

The Bank has a BoD approved BCP policy and Business Continuity Plan applicable to all its functional areas. The Bank updates functional BCPs on annual basis or at any process change.

The Bank is also implementing internationally accepted Integrated Framework on Internal Control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), with a view to consolidate and enhance the existing internal control processes.

The Bank with permission of SBP is conducting a parallel run for Alternate Standardized Approach (ASA) for Basel II – Operational Risk Capital Charge Reporting, which signifies efforts of the Bank for advance approach.

Outbreak of COVID 19 and continuous resurgence of the pandemic waves due to mutation of the virus has been a cause of concern for the banking industry and required continuous monitoring and transformation in the existing way of doing business. The operating procedures of the Bank were transformed and business continuity plan were updated in line with the guidelines issued by the Government, Health Care and Regulatory Authorities, in a timely manner to minimize the impact of disruption on business activities and on service delivery to the customers without compromise to the safety of all the stakeholders including customers and employees in particular.

## 42.4 Liquidity Risk

Liquidity Risk is the risk that the Bank is unable to fund its current obligations and operations in the most cost efficient manner. The Bank's Board of Directors has delegated the responsibility to Asset and Liability Committee (ALCO) for ensuring that Bank's policy for liquidity management is adhered to on a continual basis. ALCO uses gap analysis based on "maturity schedule" to assess the Bank's liquidity risk and devise strategy accordingly. The Bank has various limits and triggers in place to monitor liquidity risk on a periodic basis, while it also utilizes stress testing to assess adequacy of Bank's liquid assets. The Bank complies with State Bank of Pakistan's instructions on Liquidity Standards as prescribed under the Basel III Framework.

### Liquidity Management Framework

Daily liquidity management is carried out centrally by the Asset and Liability Management (ALM) Desk in Treasury Group which manages the day to day liquidity needs of the Bank. Funding and liquidity management strategies are regularly discussed during Asset and Liability Committee (ALCO) meetings. The discussions include analysis on composition of deposits and tenure, funding gaps and concentration, monitoring of short and long-term liquidity ratios (including Liquidity Coverage Ratio and Net Stable Funding Ratio). The Bank utilizes internal Management Action Triggers and Limits which act as early warning indicators and safeguards to ensure sufficient liquidity buffers at all times. Additionally, stress tests are performed to evaluate available liquidity under a range of adverse scenarios and to identify potential vulnerabilities in portfolios. The Bank also has in place contingency funding plan that identifies specific management actions that can be invoked in times of liquidity crisis.

### Liquidity Risk Management

The Bank has in place a robust Recovery Plan in place to deal with any liquidity crisis in the most efficient and effective manner. SBP initiatives such as deferral of principal and rescheduling and restructuring of loans may have an adverse effect on liquidity and maturity profile of the Bank, however the Bank holds sufficient liquidity buffer to absorb any unforeseen shocks during the prevailing situation. Moreover, the Asset and Liability Committee (ALCO) of the Bank continues to regularly monitor the liquidity position of the Bank in view of emerging risks.

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## Liquidity Risk Mitigation Techniques

The Bank uses the following tools to identify and mitigate Liquidity Risk:

- Gap Analysis
- Liquidity Ratio
- Liquidity Stress Testing
- Contingency Funding Plan
- Risk Control Limits (RCLs)

### 42.4.1 Maturities of Assets and Liabilities – based on contractual maturity of the assets and liabilities of the Bank

	December 31, 2022												
	Total	Upto 1 Day	Upto 7 Days	Upto 14 Days	Upto 1 Month	Upto 2 Months	Upto 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Upto 1 year	Upto 2 years	Upto 3 years	Over 3 to 5 years
Rupees in '000													
<b>Assets</b>													
Cash and balances with treasury banks	87,913,426	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	3,439,468	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	28,222,195	70,000	24,599,301	-	835,724	2,717,170	-	-	-	-	-	-	-
Investments – net	1,123,117,088	18,069,438	-	-	330,926	3,731,649	804,947	137,371,405	6,985,611	111,879,347	250,498,271	227,715,161	180,182,136
Advances – net	845,640,176	204,978,925	5,133,435	1,528,359	104,891,145	24,759,192	144,541,452	57,107,866	12,890,694	45,331,954	74,194,148	37,512,654	54,127,012
Fixed assets	81,479,561	22,875	137,251	160,126	388,878	709,131	709,131	2,127,392	2,127,392	2,127,392	3,869,984	3,811,176	3,625,046
Intangible assets	2,963,902	1,138	6,828	7,964	19,343	35,270	35,270	105,811	105,811	105,811	423,245	423,245	846,490
Deferred tax assets	15,019,227	16,257	97,544	113,801	276,373	164,225	183,905	2,023,778	394,066	1,687,896	3,051,971	2,760,176	2,094,626
Other assets – net	65,196,693	881,467	5,288,804	6,170,272	14,990,559	3,887,037	9,601,090	12,868,988	948,858	479,628	1,593,069	970,504	2,878,272
	2,252,890,736	315,992,994	35,263,163	7,890,522	121,732,548	33,286,504	158,592,865	211,605,230	23,452,432	161,622,028	333,630,888	273,192,916	243,753,582
<b>Liabilities</b>													
Bills payable	14,159,643	14,159,643	-	-	-	-	-	-	-	-	-	-	-
Borrowings	530,414,493	478	34,057	1,737	53,087,181	261,553,131	163,852,060	13,483,627	250	40,906	474,837	1,511,271	4,548,455
Deposits and other accounts	1,522,297,479	1,203,036,465	22,834,141	3,496,290	31,980,763	28,795,039	24,439,090	81,076,211	60,779,003	60,046,402	4,899,172	447,006	222,441
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities – net	2,017,878	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	56,289,835	992,086	5,952,517	6,944,603	16,865,465	1,461,441	1,461,441	1,741,397	1,741,362	1,741,362	4,446,640	1,945,682	3,141,668
	2,125,179,328	1,218,188,672	28,820,715	10,442,630	101,933,409	291,809,611	189,752,591	96,311,235	62,520,615	61,828,670	9,820,749	3,903,959	7,912,564
<b>Net assets</b>	<b>127,811,408</b>	<b>(902,795,678)</b>	<b>6,442,448</b>	<b>(2,462,108)</b>	<b>19,799,139</b>	<b>(258,523,107)</b>	<b>(31,159,726)</b>	<b>115,293,995</b>	<b>(39,068,183)</b>	<b>99,793,358</b>	<b>323,809,939</b>	<b>269,288,957</b>	<b>235,841,018</b>
Share capital	11,450,739												
Reserves	31,435,453												
Unappropriated profit	79,652,815												
Surplus on revaluation of assets net of tax	5,272,401												
	127,811,408												

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

December 31, 2021													
Total	Upto 1 Day	Upto 7 Days	Upto 14 Days	Upto 1 Month	Upto 2 Months	Upto 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Upto 1 year	Upto 2 years	Upto 3 years	Over 3 to 5 years	Over 5 years
Rupees in '000													
<b>Assets</b>													
Cash and balances with treasury banks	124,406,408	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	903,243	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	45,452,910	45,452,910	-	-	-	-	-	-	-	-	-	-	-
Investments - net	1,064,494,900	18,929,996	39,717,977	104,349,534	213,159,631	60,229,521	40,543,608	21,459,689	154,530	165,495,462	110,334,628	120,694,585	169,425,839
Advances - net	652,889,677	163,339,492	6,379,277	2,570,149	13,371,501	31,011,589	49,962,899	19,966,014	128,629,250	55,572,046	57,683,395	54,982,607	54,907,025
Fixed assets	78,002,712	20,120	120,720	342,040	623,720	623,720	1,871,161	1,871,161	1,871,161	3,795,055	3,739,019	3,531,824	59,452,171
Intangible assets	2,888,311	1,101	6,606	18,718	94,133	94,133	102,399	102,399	102,399	409,595	409,595	819,189	820,337
Deferred tax assets	3,432,014	25,887	155,324	440,084	604,775	231,745	321,237	241,700	244,287	325,019	190,297	195,302	275,146
Other assets - net	38,649,555	491,142	2,946,855	8,349,422	2,737,361	5,026,139	7,832,577	1,641,112	1,435,926	236,794	220,039	1,905,047	3,389,144
	2,012,099,730	308,117,389	55,061,692	46,055,881	126,871,299	231,674,053	97,156,847	100,633,881	45,281,975	132,437,553	172,576,973	182,128,554	289,289,662
<b>Liabilities</b>													
Bills payable	10,059,879	10,059,879	-	-	-	-	-	-	-	-	-	-	-
Borrowings	420,005,768	-	72,606,570	2,184,420	18,066,556	230,107,755	7,588,990	128,381	8,013,603	491,254	763,100	4,723,762	24,561,198
Deposits and other accounts	1,413,295,261	1,189,952,057	8,348,076	20,835,069	41,648,611	11,379,689	30,924,512	31,066,562	40,028,939	685,551	5,020,534	308,734	588,149
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	1,943,727	-	-	-	-	-	-	-	-	-	-	-	1,943,727
Other liabilities	39,550,556	574,246	3,445,476	9,762,183	1,333,620	874,875	1,574,893	1,483,357	1,448,446	2,515,630	1,834,012	3,052,599	7,631,497
	1,884,855,191	1,200,586,182	84,400,122	27,039,211	69,477,350	242,821,064	84,143,852	40,089,395	49,490,988	3,692,435	7,617,646	8,085,095	34,724,571
<b>Net assets</b>	127,244,539	(892,468,793)	(29,338,430)	19,016,670	57,393,949	(11,147,011)	13,012,995	60,535,486	82,946,565	222,141,536	164,959,327	174,043,459	253,545,091
Share capital	11,450,739	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	26,784,066	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	69,470,607	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets net of tax	19,539,127	-	-	-	-	-	-	-	-	-	-	-	-
	127,244,539	-	-	-	-	-	-	-	-	-	-	-	-

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

## 42.4.2 Maturities of assets and liabilities – based on expected maturities of the assets and liabilities of the Bank

	December 31, 2022									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees in '000									
<b>Assets</b>										
Cash and balances with treasury banks	87,913,426	28,238,495	5,429,667	5,050,644	6,537,451	2,018,010	2,664,030	-	-	37,975,129
Balances with other banks	3,439,468	3,439,468	-	-	-	-	-	-	-	-
Lending to financial institutions	28,222,195	25,505,024	2,717,171	-	-	-	-	-	-	-
Investments – net	1,123,117,088	330,526	4,536,596	137,371,405	118,864,958	257,754,201	234,971,092	180,182,136	188,582,447	523,727
Advances – net	845,640,176	130,427,456	174,266,237	58,600,083	54,877,898	135,191,260	98,509,767	115,124,125	66,625,780	12,017,570
Fixed assets	81,478,561	709,131	1,418,261	2,127,392	4,254,784	3,869,985	3,811,176	3,625,046	4,900,945	56,761,841
Intangible assets	2,963,902	35,270	70,541	105,811	211,624	423,245	423,245	846,490	847,676	-
Deferred tax assets	15,019,227	503,975	348,030	2,023,777	2,091,962	3,051,972	2,760,176	2,094,626	2,144,709	-
Other assets – net	65,196,693	27,331,102	13,488,125	12,868,988	1,428,486	1,593,069	970,504	2,878,272	4,638,147	-
	2,252,990,736	216,520,447	202,274,628	218,148,100	188,267,163	403,901,742	344,109,990	304,750,695	267,739,704	107,278,267
<b>Liabilities</b>										
Bills payable	14,159,643	14,159,643	-	-	-	-	-	-	-	-
Borrowings	530,414,493	53,123,453	425,405,191	13,493,627	41,156	474,937	1,511,271	4,548,455	27,770,454	4,045,949
Deposits and other accounts	1,522,297,479	265,141,579	145,159,926	135,026,891	174,776,086	58,849,853	71,668,760	222,441	245,546	671,206,487
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities – net	2,017,878	-	-	-	-	-	-	-	-	2,017,878
Other liabilities	56,289,835	30,754,670	2,922,883	1,741,397	3,482,724	4,446,640	1,945,682	3,141,668	7,854,171	-
	2,125,179,328	363,179,345	573,488,000	150,261,915	178,299,966	63,771,430	75,125,713	7,912,564	35,870,081	677,270,314
<b>Net assets</b>	127,811,408	(146,658,898)	(371,213,372)	67,886,185	9,967,197	340,130,312	268,984,277	296,838,131	231,869,623	(569,992,047)
Share capital	11,450,739									
Reserves	31,435,453									
Unappropriated profit	79,652,815									
Surplus on revaluation of assets net of tax	5,272,401									
	127,811,408									
	December 31, 2021									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees in '000									
<b>Assets</b>										
Cash and balances with treasury banks	124,406,408	40,694,138	8,289,959	5,838,168	7,586,133	3,672,951	3,056,101	-	-	55,268,958
Balances with other banks	903,243	903,243	-	-	-	-	-	-	-	-
Lending to financial institutions	45,452,910	45,452,910	-	-	-	-	-	-	-	-
Investments – net	1,064,494,900	144,067,511	273,389,152	40,543,608	21,614,119	172,416,696	117,255,861	120,694,586	172,953,718	1,559,649
Advances – net	652,889,677	34,196,469	48,947,231	52,607,058	148,645,427	104,021,519	106,132,868	103,432,080	44,833,810	10,073,215
Fixed assets	78,002,712	623,720	1,247,441	1,871,161	3,742,322	3,795,055	3,739,019	3,531,824	4,691,353	54,760,817
Intangible assets	2,868,311	34,133	68,266	102,399	204,797	409,595	409,595	819,189	820,337	-
Deferred tax assets	3,432,014	802,507	836,520	321,237	485,986	325,018	190,297	195,302	275,147	-
Other assets – net	39,649,555	15,225,417	7,763,500	7,832,577	3,077,037	236,794	220,039	1,905,047	3,389,144	-
	2,012,099,730	282,000,048	340,542,069	109,116,208	185,355,821	284,877,628	231,003,780	230,578,028	226,963,509	121,662,639
<b>Liabilities</b>										
Bills payable	10,059,879	10,059,879	-	-	-	-	-	-	-	-
Borrowings	420,005,768	92,857,546	280,867,954	7,598,990	8,141,964	491,254	763,100	4,723,762	22,895,375	1,665,823
Deposits and other accounts	1,413,295,261	211,693,642	160,521,044	111,449,717	140,897,311	70,487,361	63,099,561	308,734	588,149	654,249,742
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities – net	1,943,727	-	-	-	-	-	-	-	-	1,943,727
Other liabilities	39,550,556	17,801,627	2,208,495	1,574,893	2,931,803	2,515,630	1,834,012	3,052,599	7,631,497	-
	1,884,855,191	332,412,694	443,597,493	120,623,600	151,971,078	73,494,245	65,696,673	8,085,095	31,115,021	657,859,292
<b>Net assets</b>	127,244,539	(50,412,646)	(103,055,424)	(11,507,392)	33,384,743	211,383,383	165,307,107	222,492,933	195,848,488	(536,196,653)
Share capital	11,450,739									
Reserves	26,784,066									
Unappropriated profit	69,470,607									
Surplus on revaluation of assets net of tax	19,539,127									
	127,244,539									

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2022

## 42.5 Derivative Risk

Market & Liquidity Risk Division under Risk Management Group is responsible for assessing and monitoring the derivative risk emanating from Bank's exposures.

The Bank buys and sells derivative instruments, for hedging and market making purposes, such as:

- Forward Exchange Contracts
- Foreign Exchange Swaps
- Equity Futures
- Forward Contracts for Government Securities

The Bank's Risk Management Group, Asset and Liability Committee (ALCO) and Board Risk Management Committee monitor the derivative risk and utilize Off-Balance Sheet gap analysis to implement prudent asset liability management of the Bank's derivative exposures.

## 43 NON ADJUSTING EVENT AFTER THE REPORTING DATE

**43.1** The Board of Directors of the Bank in its meeting held on February 16, 2023 has proposed a final cash dividend in respect of 2022 of Rs. 2.50 per share (2021: cash dividend Rs. 2.00 per share). This appropriation will be approved in the forthcoming Annual General Meeting. The unconsolidated financial statements of the Bank for the year ended December 31, 2022 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

## 44 GENERAL

**44.1** Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

**44.2** Corresponding figures have been rearranged or reclassified where considered necessary, for the purpose of better presentation. However, no material restatement have been made.

## 45 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 16, 2023 by the Board of Directors of the Bank.

Muhammad Atif Mirza  
Chief Financial Officer

Aizid Razzaq Gill  
President and Chief Executive

Mubashir A. Akhtar  
Director

Zafar Iqbal  
Director

Mohammad Naeem Mukhtar  
Chairman



**STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND OR ABOVE FROM (JANUARY 1, 2022 TO DECEMBER 31, 2022)**

Sr. No.	NAME AND ADDRESS OF BORROWER	NAME OF INDIVIDUALS/PARTNERS/ DIRECTORS		FATHER'S NAME	OUTSTANDING LIABILITIES AT THE BEGINNING OF THE PERIOD				PRINCIPAL WRITTEN-OFF	INTEREST/ MARK-UP WRITTEN-OFF	OTHER FINANCIAL RELIEF PROVIDED	TOTAL 9+10+11
		NAME OF DIRECTORS	NIC NOS.		PRINCIPAL	INTEREST/ MARK-UP	OTHER	TOTAL				
1	2	3	4	5	6	7	8	9	10	11	12	
1	ZAKIR HUSSAIN GEN STORE & DISTRIBUTOR Mohallah Sajadia Gligt	ZAKIR HUSSAIN	71501-1815142-1	FAQIR MUHAMMAD	0.500	-	0.525	1.025	-	-	0.525	0.525
2	NADIA INTERNATIONAL PVT LTD Defence Road Near Chowk Akbarabad, Stalkot	CH. AZHAR MEHMOOD CH. KHALID MEHMOOD CH. ARIF IQBAL	34603-2213487-1 27634-6835747-1 34603-2213468-9	CH. BASHIR AHMAD AHMAD CH. BASHIR AHMAD	21.032	-	3.991	25.023	-	-	0.994	0.994
3	R.B. CHICKS Bouchal Kalan Chakwal	MALIK ABDUL GHALIB	37201-0693617-7	MALIK MUHAMMAD AKBAR	1.496	-	1.671	3.166	-	-	1.066	1.066
4	AL-HAMD ELECTRIC STORE House 48 St 4 Block 2 Jhanian	MUHAMMAD ANEES	36101-0246443-9	MUHAMMAD DFREES	1.199	-	1.190	2.389	-	-	0.552	0.552
5	MIAN TRADERS Monrab Ghata Mandi, Gaggio Mandi Burewala	MUHAMMAD AFZAL	36601-8047595-3	MUHAMMAD SHARIF	0.784	-	0.781	1.565	-	-	0.515	0.515
6	AWAIS TRADERS Scheme No.3, Farid Town, House No.49X, Sahiwal	CH.MUHAMMAD YOUNAS	36502-1366941-9	CH. MUHAMMAD DIN	4.499	-	3.630	8.129	-	-	2.929	2.929
7	MUHAMMAD MUSTAFA JAHANZIB House # 3630 Arshi Street, Grain Market Pak Pattan	MUHAMMAD MUSTAFA JAHANZAI	36402-3119654-5	MUHAMMAD ASHRAF NOORI	1.827	-	1.878	3.706	-	-	1.214	1.214
8	BISMILLAH COMMISSION SHOP House No. 56 O Block Burewala.	MEHAR MUHAMMAD SHAFI	36601-2825517-1	NOOR MUHAMMAD	2.428	-	2.097	4.525	-	-	1.332	1.332
9	BISMILLAH OIL MILLS Bahawalpur Road Tehsil Yazman Distt. Bahawalpur	ABDUL SATIAR	31205-7090241-9	MUHAMMAD AFZAL	2.499	-	1.803	4.302	-	-	1.502	1.502
10	ALLAH RAKHA & BROTHERS Village Gohawa P O Bhatta Khothkar Lahore.	ALLAH RAKHA	35201-1670861-9	MUHAMMAD RAFI	-	-	3.613	3.613	-	-	1.748	1.748
11	FASAL BUILDERS Khairpur Mirs	MUHAMMAD FASAL	45205-0665617-7	ILLAM UDDIN	0.199	-	0.569	0.768	-	-	0.569	0.569
12	IMAM BUX Nawabshah	IMAM BUX	45402-4456000-5	SHOOEEN ALI	0.699	-	0.889	1.588	-	-	0.614	0.614
13	IMTIAZ HUSSAIN MAGSI Bulri Shah Karim, Hyderabad	IMTIAZ HUSSAIN	41602-0623663-5	GHULAM HUSSAIN MAGSI	2.992	-	2.822	5.815	-	-	2.276	2.276
14	SOHAL ASGHAR AWAN House No.239/E2, Johar Town,Lahore.	SOHAL ASGHAR AWAN	35202-4153601-7	MALIK ASGHAR ALI	0.564	-	0.753	1.317	-	-	0.606	0.606
15	AMEER AFZAL COMMISSION SHOP Pipli Patkar Road, Near Tibia College Depatpur	AMEER AFZAL	35301-2011729-1	MUHAMMAD DIN	2.000	-	1.663	3.663	-	-	0.934	0.934
16	BABAR HUSSAIN RICE DEALER 1.Shamsia Colony Po Khass, Okara 2.St.No.3, Mohallah Kot Fateh Jami Okara	BABAR HUSSAIN MUHAMMAD YAOOOB	35302-5572080-7 35302-5750740-3	GHULAM MUHAMMAD MUHAMMAD ISMAEEL	2.500	-	1.967	4.467	-	-	0.976	0.976
17	HASSAN KARWANA STORE Samad Pura Road, Okara	MUHAMMAD ASLAM	35302-1976855-1	MANSIB AU KHAN	0.999	-	1.307	2.306	-	-	0.549	0.549
18	KAMRAN AKHTAR House No.Bi-Kc-5, Qadir Colony Tehsil & District Okara	KAMRAN AKHTAR	35302-6806440-9	KHALIL AKHTAR	1.999	-	2.600	4.598	-	-	2.091	2.091
19	HASSAN TRADERS Village Dad Mahar, P.O.Dad Laghari Road, Deharji	MUHAMMAD HASSAN	45101-4204725-7	KHETO	0.840	-	0.926	1.766	-	-	0.906	0.906
20	JAN SHER KHAN PETROLEUM SERVICE Khairpur Road, Kandiroh	YAR MUHAMMAD JAHANGIR	45502-2456508-9	PUNAL KHAN YAR MUHAMMAD	3.000	-	2.665	5.665	-	-	2.665	2.665

Amount in Million

Sr. No.	NAME AND ADDRESS OF BORROWER	NAME OF INDIVIDUALS/PARTNERS/DIRECTORS		FATHER'S NAME	OUTSTANDING LIABILITIES AT THE BEGINNING OF THE PERIOD				PRINCIPAL WRITTEN-OFF	INTEREST/ MARK-UP WRITTEN-OFF	OTHER FINANCIAL RELIEF PROVIDED	TOTAL 9+10+11
		NAME OF DIRECTORS	NIC NOS.		PRINCIPAL	INTEREST/ MARK-UP	OTHER	TOTAL				
1	2											
21	AZAM INDUSTRIES 23 Mullan Road Off Defence Road Lahore	CH. AZAM ALI	35202-1484447-3	CH. HAKIM ALI	0.779	-	1.517	2.296	-	-	1.400	1.400
22	SKI SPORTS Paki Kotli Daska Road Sialkot	AMAD UD DIN MIR	34603-0644297-7	DIN MIR	5.862	-	15.388	21.251	-	-	11.657	11.657
23	AFROZE TEXTILE INDUSTRIES PVT LTD., Plot No.C-8, Super Highway, Karachi	AFROZE ALAM LARI FEROZE ALAM LARI MS. WAHEED FERROZE MRS. AFRREEN FATIMA	42101-7756818-5 42101-9101394-3 42101-0437634-8 42101-6286928-2	MEHROOB ALAM LARI (LATE) MEHROOB ALAM LARI (LATE) W/O FERROZE ALAM LARI W/O AFROZE ALAM LARI	823.594	-	993.280	1,816.874	523.562	-	993.280	1,516.842
24	SHIN GUL Leiqat Bazar Quetta	SHIN GUL KHAN	54400-8231206-3	HUSSAIN SHAH	2.468	-	0.846	3.314	-	-	0.576	0.576
25	CHUGHTAI GENERAL STORE Old Kutcheny Road, Kofli, Azad Kashmir	FAZ AHMED CHUGHTAI	81202-1986733-1	DOST MUHAMMAD KHAN	-	-	1.434	1.434	-	-	1.159	1.159
26	IMAGE CORPORATION (PVT) LIMITED Plot No.232/1,232/2 Gadnoon Industrial Estate Swabi	TAJ MUHAMMAD KHAN- ZADA MST. GHAZALA KHANZADA MST. NIGAR JAVED ALAM ZEB MUMTAZ KHAN MUHAMMAD HUSSAIN SHAH	37101-1705364-5 203-40-102289 138-56-380835 17301-1469144-7 203-40-102289 484-24-010209	ALJAB KHAN JAVED ALAM KHAN JAVED ANWAR MUHAMMAD IBRAHIM HUKMAT KHAN BAQIR KHAN	9.319	-	14.604	23.923	-	-	11.423	11.423
27	A. K MARBLE CENTRE Sensa Charan, District Kotli Azad Jammu Kashmir	KHUPRAM JEHANGIR	81203-8209074-5	JEHANGIR KHAN	1.800	-	2.174	3.974	-	-	1.574	1.574
28	INDUS TRADERS House No. 55/A Awami Bazar Haroonabad	TANVEER AHMED GHORI	36302-5987125-3	ILAM UD DUN GHORI	0.073	-	1.668	1.741	-	-	1.241	1.241
29	ROYAL COSMO INDUSTRIES PVT LTD 95-B, Small Industries, Sialkot	MIAN IMRAN SAEED TALAT MEHMOOD SHAZIA SAEED	34601-0733320-3 34603-9074536-1 34601-0711490-0	MIAN KHALID SAEED MEHMOOD AHMED BAJWA W/O MIAN IMRAN SAEED	63.222	-	7.182	70.404	18.222	-	7.182	25.404
30	HAMID ASSOCIATES 7, Aziz Street No 4, Rehman Pura, Ichra Lahore	HAMID ALMAS	35202-7635686-7	MUHAMMAD SAEED	1.000	-	0.782	1.782	-	-	0.772	0.772
31	KHAWAR STEEL Falzipur Khurd, P.O. Same, Tehsil Ferozwal Dist Sheikhpura	KHAWAR ARIF	35401-2433604-1	MUHAMMAD ARIF	1.994	-	2.724	4.718	-	-	2.027	2.027
32	HECO SALES Heco Homes Medina Street Link Main Awan Town Multan Road, Lahore	ABDUL QADIR MUGHAL	35200-1511087-3	MUHAMMAD ABBAS MUGHAL	2.962	-	2.827	5.789	-	-	2.487	2.487
33	ABBAS & SONS Heco Homes Medina Street Link Main Awan Town Multan Road, Lahore	MUHAMMAD ABBAS MUGHAL	35200-1511104-5	MUHAMMAD AKRAM	4.471	-	4.214	8.685	-	-	2.487	2.487
34	SARA INDUSTRIES Ibrahim Trade Tower, Shahrah Faisal Karachi.	MUHAMMAD AMJAD KHAN ANWAR AHMED KHAN	42201-3807250-7 90309-0105588-7	MUHAMMAD IGBAL KHAN MUHAMMAD IGBAL KHAN	8.000	-	9.128	17.128	-	-	7.145	7.145
35	AWASIA SOAP FACTORY 266 - A, Saliamat Pur, Al Noor Marriage Hall G. T. Road Kamoke, Gujranwala	MUHAMMAD AMIN ATIF	34102-0433689-5	MANZOOR AHMED	0.369	-	1.967	2.336	-	-	1.666	1.666
36	FAZAN RICE MILLS 1. House No.25 Godown Area Okara. 2. Faisal Town Chak No.2/4-L Okara.	ATTAR ABBAS JAVED SHAKEEL HUSSAIN SHAH	35302-1974771-1 35302-4777550-1	ASSHAR ALI KHAN MUHAMMAD RAFIQ	16.850	-	13.192	30.042	-	-	13.192	13.192
37	AJUZ AHMED PALH Plot No.17, Situated @ Village Faqeer Muhammad Path, Taluka Rohri & District Sukkur	AJUZ AHMED PALH	45502-0436273-3	MUHAMMAD SOLEMAN	0.670	-	0.668	1.338	-	-	0.632	0.632
38	SARDAR TRADERS Ghalla Mandi Jattan, Mandi Faizabad	NADEEM ABBAS	35402-2010522-7	SALABAT ALI	2.000	-	1.158	3.158	-	-	1.060	1.060
					997.489	-	1,112.095	2,109.584	541.784	-	1,085.523	1,627.307

## ISLAMIC BANKING BUSINESS

The Bank is operating 117 (2021: 117) Islamic Banking Branches and 135 (2021: 110) Islamic Banking Windows at the end of the year.

### Statement of Financial Position

As at December 31, 2022

	Note	December 31, 2022	December 31, 2021
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks		6,801,281	4,140,005
Balances with other banks		2,371,366	165,644
Due from financial institutions	1	3,000,000	-
Investments	2	28,248,134	29,146,987
Islamic financing and related assets - net	3	66,767,995	82,203,211
Fixed assets		1,220,562	1,457,221
Intangible assets		1,507	3,351
Due from Head Office	4	-	-
Other assets		3,434,983	1,861,117
<b>Total Assets</b>		<b>111,845,828</b>	<b>118,977,536</b>
<b>LIABILITIES</b>			
Bills payable		233,943	1,426,659
Due to financial institutions		27,105,292	42,597,423
Deposits and other accounts	5	71,870,126	65,014,170
Due to Head Office	4	2,112,619	2,415,498
Subordinated debt		-	-
Other liabilities		3,211,504	2,556,499
		104,533,484	114,010,249
<b>NET ASSETS</b>		<b>7,312,344</b>	<b>4,967,287</b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		4,100,000	4,100,000
Reserves		-	-
Surplus/ (Deficit) on revaluation of assets		13,189	137,726
Unappropriated Profit	7	3,199,155	729,561
		7,312,344	4,967,287
<b>CONTINGENCIES AND COMMITMENTS</b>	8		

## Profit and Loss Account

for the year ended December 31, 2022

	Note	December 31, 2022	December 31, 2021
Rupees in '000			
Profit / return earned	9	11,621,652	4,481,437
Profit / return expensed	10	7,887,361	2,514,989
Net Profit / return		3,734,291	1,966,448
<b>OTHER INCOME</b>			
Fee and commission income		278,601	263,851
Dividend income		-	-
Foreign exchange gain		97,642	58,868
Loss on securities		(16)	(5,412)
Other Income		7,413	7,275
Total other income		383,640	324,582
<b>TOTAL INCOME</b>		<b>4,117,931</b>	<b>2,291,030</b>
<b>OTHER EXPENSES</b>			
Operating expenses		1,644,578	1,480,632
Workers welfare fund		-	-
Other charges		106	233
Total other expenses		1,644,684	1,480,865
<b>PROFIT BEFORE PROVISIONS</b>		<b>2,473,247</b>	<b>810,165</b>
Provisions and write offs - net		3,653	84
<b>PROFIT BEFORE TAXATION</b>		<b>2,469,594</b>	<b>810,081</b>
Taxation		-	-
<b>PROFIT AFTER TAXATION</b>		<b>2,469,594</b>	<b>810,081</b>

# ISLAMIC BANKING BUSINESS

## Notes to the Annexure II

for the year ended December 31, 2022

	December 31, 2022			December 31, 2021		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total

Rupees in '000

### 1 DUE FROM FINANCIAL INSTITUTIONS

Musharaka Lending	3,000,000	-	3,000,000	-	-	-
	3,000,000	-	3,000,000	-	-	-

	December 31, 2022				December 31, 2021			
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value

Rupees in '000

### 2 INVESTMENTS BY SEGMENTS

#### Federal Government Securities:

- Ijarah Sukuks	13,075,605	-	(67,540)	13,008,065	9,500,000	-	(95,850)	9,404,150
- Other Federal Securities	2,021,081	-	-	2,021,081	3,618,241	-	-	3,618,241
	15,096,686	-	(67,540)	15,029,146	13,118,241	-	(95,850)	13,022,391

#### Non Government Debt Securities

- Listed	9,445,000	-	11,386	9,456,386	11,224,309	-	164,232	11,388,541
- Unlisted	3,762,602	-	-	3,762,602	4,736,055	-	-	4,736,055
	13,207,602	-	11,386	13,218,988	15,960,364	-	164,232	16,124,596
<b>Total Investments</b>	<b>28,304,288</b>	<b>-</b>	<b>(56,154)</b>	<b>28,248,134</b>	<b>29,078,605</b>	<b>-</b>	<b>68,382</b>	<b>29,146,987</b>

Note December 31, December 31,  
2022 2021

Rupees in '000

### 3 ISLAMIC FINANCING AND RELATED ASSETS

Ijarah Financing	3.1	584,319	310,152
Advance Against Ijarah		-	383,845
Murabaha Financing	3.2	643,374	531,952
Advance Against Murabaha	3.2	128,347	19,392
Diminishing Musharaka		13,393,139	12,581,827
Diminishing Musharka - Islamic Re-Finance Against Renewable Energy		525,291	-
Advance Against Diminishing Musharaka		152,644	73,274
Advance Against Diminishing Musharaka - Islamic Re-Finance Against Renewable Energy		2,000	534,316
Business Musharkah Financing		47,183,573	62,520,891
Business Musharakah - Islamic Export Re-Finance		1,230,000	1,150,000
Business Musharka - Islamic Re-Finance Against Wages And Salaries		-	13,107
Istisna - Financing Under Islamic Export Re-Finance		1,000,000	-
Advance Against Istisna		69,997	1,266,010
Advance Against Istisna - Financing Under Islamic Export Re-Finance		555,000	1,800,000
Musawamah Financing		42,534	5,324
Advance Against Musawamah		-	31,886
Salam Financing		-	36,322
Advance Against Salam		109,932	104,680
Ijarah Financing - Staff		615,692	389,846
Diminishing Musharka Financing - Staff		346,327	202,893
Advance Against Ijarah - Staff		107,857	129,966
Advance Against Diminishing Musharka - Staff		81,855	117,761
Gross		66,771,881	82,203,444
Less: provision against Islamic financings			
- Specific		2,419	-
- General		1,467	233
		3,886	233
		66,767,995	82,203,211



# ISLAMIC BANKING BUSINESS

## Notes to the Annexure II

for the year ended December 31, 2022

December 31, 2022							
Cost			Accumulated Depreciation			Book Value as at 31 Dec 2022	
As at Jan 01, 2022	Additions / (deletions)	As at Dec 31, 2022	As at Jan 01, 2022	Charge for the year	As at Dec 31, 2022		

Rupees in '000

### 3.1 Ijarah

	As at Jan 01, 2022	Additions / (deletions)	As at Dec 31, 2022	As at Jan 01, 2022	Charge for the year	As at Dec 31, 2022	Book Value as at 31 Dec 2022
Vehicles	534,874	216,988	751,862	234,840	(60,291)	174,549	577,313
Equipment	22,230	-	22,230	12,112	3,112	15,224	7,006
Total	557,104	216,988	774,092	246,952	(57,179)	189,773	584,319

December 31, 2021							
Cost			Accumulated Depreciation			Book Value as at 31 Dec 2021	
As at Jan 01, 2021	Additions / (deletions)	As at Dec 31, 2021	As at Jan 01, 2021	Charge for the year	As at Dec 31, 2021		

Rupees in '000

Vehicles	445,200	89,674	534,874	195,319	39,521	234,840	300,034
Equipment	22,230	-	22,230	8,999	3,113	12,112	10,118
Total	467,430	89,674	557,104	204,318	42,634	246,952	310,152

	December 31, 2022				December 31, 2021			
	Not later than 1 year	Later than 1 year & less than 5 years	Over Five years	Total	Not later than 1 year	Later than 1 year & less than 5 years	Over Five years	Total

Rupees in '000

Future Ijarah payments receivable								
Ijarah rental receivables	194,226	389,362	731	584,319	156,179	153,375	598	310,152

	Note	December 31, 2022	December 31, 2021
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Rupees in '000

### 3.2 Murabaha

Murabaha financing	3.2.2	661,318	548,285
Inventory for Murabaha		-	-
Advances for Murabaha		128,347	19,392
		789,665	567,677

3.2.1 Murabaha receivable - gross	3.2.2	661,318	548,285
Less: Deferred murabaha income	3.2.4	(17,944)	(16,333)
Profit receivable shown in other assets		-	-
Murabaha financings		643,374	531,952

#### 3.2.2 The movement in Murabaha financing during the year is as follows:

Opening balance		548,285	94,144
Sales during the year		1,318,547	762,749
Adjusted during the year		(1,205,514)	(308,608)
Closing balance		661,318	548,285

3.2.3 Murabaha sale price		1,318,547	762,749
Murabaha purchase price		(1,237,634)	(731,471)
		80,913	31,278

# ISLAMIC BANKING BUSINESS

## Notes to the Annexure II

for the year ended December 31, 2022

	December 31, 2022	December 31, 2021
	Rupees in '000	

### 3.2.4 Deferred Murabaha income

Opening balance		16,333	1,582
Arising during the year	3.2.3	80,913	31,278
Less: Recognised during the year		(79,302)	(16,527)
Closing balance		17,944	16,333

### 4 DUE FROM AND (DUE TO) HEAD OFFICE

Daily settlement with Head Office	(2,112,619)	(2,415,498)
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	December 31, 2022			December 31, 2021		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	Rupees in '000					

### 5 DEPOSITS

#### Customers

Current deposits	15,487,232	511,253	15,998,485	11,021,914	520,353	11,542,267
Savings deposits	20,417,381	174,049	20,591,430	24,495,683	133,836	24,629,519
Term deposits	3,198,250	-	3,198,250	869,511	-	869,511
Others	4,025,263	-	4,025,263	2,084,495	-	2,084,495
	43,128,126	685,302	43,813,428	38,471,603	654,189	39,125,792

#### Financial Institutions

Current deposits	262,459	-	262,459	259,197	-	259,197
Savings deposits	27,794,239	-	27,794,239	25,629,181	-	25,629,181
Term deposits	-	-	-	-	-	-
Others	-	-	-	-	-	-
	28,056,698	-	28,056,698	25,888,378	-	25,888,378
	71,184,824	685,302	71,870,126	64,359,981	654,189	65,014,170

	December 31, 2022	December 31, 2021
	Rupees in '000	

### 5.1 Composition of deposits

- Individuals	22,903,364	18,330,202
- Government	2,661,580	7,000,686
- Public Sector Entities	3,994	2,474
- Banking Companies	254,457	40,411
- Non-Banking Financial Institutions	27,927,236	25,847,967
- Private Sector	18,119,495	13,792,430
	71,870,126	65,014,170

5.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 31,227 million. (2021: 26,348 million)

# ISLAMIC BANKING BUSINESS

## Notes to the Annexure II

for the year ended December 31, 2022

	December 31, 2022	December 31, 2021
	Rupees in '000	
<b>6 CHARITY FUND</b>		
Opening Balance	46	14
Additions during the period:		
Received from customers on account of delayed payment	5,615	162
Dividend purification amount	-	-
Other Non-Shariah compliant income	-	-
Profit on charity saving account	263	5
Others	4	5
	<b>5,882</b>	<b>172</b>
Payments and utilization during the period:		
Education	1,000	-
Health	1,100	140
Other	3,000	-
	<b>5,100</b>	<b>140</b>
Closing Balance	<b>828</b>	<b>46</b>
<b>6.1</b> During the year charity exceeding Rs 0.5 million		
Akhuwat Islamic Microfinance	2,500	-
International Islamic University (IIU) Endowment Fund	1,000	-
	<b>3,500</b>	<b>-</b>
<b>6.2</b> During the year charity to related party is Nil. (2021: Nil)		
<b>7 ISLAMIC BANKING BUSINESS UNAPPROPRIATED PROFIT</b>		
Opening Balance	729,561	(80,520)
Add: Islamic Banking profit / (loss) for the period	2,469,594	810,081
Less: Taxation	-	-
Less: Reserves	-	-
Less: Transferred / Remitted to Head Office	-	-
Closing Balance	<b>3,199,155</b>	<b>729,561</b>
<b>8 CONTINGENCIES AND COMMITMENTS</b>		
-Guarantees	1,249,848	1,020,748
-Commitments	930,995	255,688
-Other contingent liabilities	846,808	1,158,737
	<b>3,027,651</b>	<b>2,435,173</b>
<b>9 PROFIT/RETURN EARNED ON FINANCING, INVESTMENTS AND PLACEMENTS</b>		
Profit earned on:		
Financings	7,982,044	2,321,553
Investments	3,596,038	1,825,766
Placements	43,570	334,118
	<b>11,621,652</b>	<b>4,481,437</b>
<b>10 PROFIT ON DEPOSITS AND OTHER DUES EXPENSED</b>		
Deposits and other accounts	4,460,504	1,615,879
Profit paid on Musharaka borrowings	3,140,579	696,565
Other expenses (IFRS-16)	126,951	128,889
Due to Financial Institutions	135,167	52,677
Profit paid on Mudaraba borrowings	24,160	20,979
	<b>7,887,361</b>	<b>2,514,989</b>

# ISLAMIC BANKING BUSINESS

## Notes to the Annexure II

for the year ended December 31, 2022

### 11 POOL MANAGEMENT

Allied Bank Limited – Islamic Banking is operating in general and specific pools for deposits and inter-bank funds accepted or acquired under Mudaraba, Musharka and Wakala modes.

- 1- General Pool for Local Currency Depositors (Mudaraba)
- 2- General Pool for Foreign Currency (US\$, Great Britain Pound and EURO) depositors (Mudaraba)
- 3- Specific Pools (Mudaraba)
- 4- Treasury related FI Pools (Mudaraba, Musharka, Wakala)
- 5- Islamic Export Refinance Pool (Musharka)
- 6- Equity Pool
- 7- Charity Pool (Mudaraba)

#### 1- General Pool for Local Currency Depositors (Mudaraba)

Funds generated from the general depositors are invested in different assets under this pool category. The Bank acts as Manager (Mudarib) and accepts funds in local currency from general depositors (Rab-ul-Maal) on the principals of mudarba and invests the same in Shariah compliant modes of financings, investments and placements. Bank as a manager of this pool, can add amend and transfer an asset to any other pool in the interest of the depositors. As required under regulatory instructions, SBP funds obtained under its various schemes are also made part of the general pool. Further, the Bank may also commingle its own equity in this pool.

The profit of General Pool is calculated after deducting the directly incurred expenses, if any, from the income earned on all the remunerative assets managed by the pool. No provision against any non-performing asset of the pool are passed on to the pool except on the actual loss / write-off of such non-performing asset as per SBP guidelines. The profit of the pool is shared between equity and other members of the pool at gross level (before charging of mudarib fee) as per the investment ratios. After charging of agreed mudarib fee, the profit of the pool is shared among the members of the pool on profit weightages i.e. announced before start of profit calculation period.

#### 2- General Pool for Foreign Currency (US\$, Great Britain Pound and EURO) depositors (Mudaraba)

ABL Islamic is maintaining foreign currency pools for customers maintaining mudarba based deposit in US\$, Great Britain Pound and EURO currencies. The objective of these pools is to effectively manage the FCY deposits of customers to earn and distribute returns, generally from FCY denominated assets. However, in case FCY denominated assets are not available, the Bank may invest these funds in local currency assets by converting the funds to local currency assets.

#### 3- Specific Pools (Mudaraba)

Specific pool(s) are created where the customers desire to invest in high yield assets. Profit rates of these pool(s) are usually different from the general pool depending on the assets. In case of loss in special pool, the loss will be borne by the Special pool members. The distributable profit is calculated as direct costs from the gross return earned on the pool. From the net return, profit is paid to the Mudarib in the ratio of the Mudarib's equity in the pool to the total pool. Specific pool deposits are invested in assets yielding relatively higher rate of return, as relative high risk investments are involved in these pools, hence bearing relative more risk than the general pool depositors.

#### 4- Treasury related FI Pools (Mudaraba/Musharka/Wakala)

Treasury Pools are generally created, to meet the liquidity requirements of the Bank, on the basis of Musharakah, Mudaraba, Wakala, wherein Allied Bank Limited-Islamic Banking Group and Financial Institutions share actual return earned by the pool according to pre-defined profit sharing ratio. The FI pool assets generally comprise of sukuks and financings under business Musharka and diminishing Musharka modes.

#### 5- Islamic Export Refinance Pool (Musharka)

Islamic Export Refinance Pool is created with SBP, to manage export refinance customers, on the basis of Musharakah, IERS Pool generally comprises of blue chip companies and exporters as allowed under the applicable rules and regulations of the scheme.

#### 6- Equity Pool

Funds from banks own sources and current deposit (Qard basis) from customers are tagged to this pool, all fixed assets, subsidized financing to the Bank's employees are part of the equity pool. further, all admin costs and cost of assets such as land, building, furniture, fixtures, computers and Information Technology system are born by bank through equity pool.

#### 7- Charity Pool

Funds from charity collection on delayed payments from customers etc. are tagged to this pool. Gross Income, after deducting Bank's equity share, is distributed to charity account without charging any mudarib fee.

# ISLAMIC BANKING BUSINESS

## Notes to the Annexure II

for the year ended December 31, 2022

### Parameters associated with risk and rewards:

The risk characteristic of each pool mainly depends on the assets and liability profile of each pool. As per the Bank's policy, relatively low risk or secured financing and placement transactions and assets are allocated to general depositors pool of Pakistani Rupee, US\$, Great Britain Pound. and Euro. The general pools are usually exposed to general credit risk, asset ownership risk and profit rate risk of the underlying assets involved in pool.

Following are the considerations attached with risk & reward of Mudaraba based pools:

- Period, rate of return, security and liquidity of investment.
- Risk annexed to investments and financings
- Change in deposit base due to early withdrawals of deposits
- SBP rules, guidelines
- Sharia Non compliance risk

The deposits and funds accepted under the above mentioned pools are invested in diversified sectors and avenues of the economy and business along with investment in Government of Pakistan backed Ijarah Sukuks and other Shariah Compliant assets.

	December 31, 2022	December 31, 2021
	Rupees in '000	
<b>11.1 Avenues and sectors where Mudaraba based deposits have been deployed</b>		
Production & Transmission of Energy	10,919,128	12,230,163
Manufacturing of Miscellaneous Plastic Products	482,901	467,869
Chemicals & Allied Products	4,540,530	2,395,968
Petroleum and Gas	500,125	205,475
Leather / Leather products	300,258	300,926
Financial Institutions	629,027	600,367
Agriculture & Food Products	42,429,712	59,062,426
Transportation & Logistics	408,138	409,926
Auto & Allied Products	6,841	19,615
Metal products - Steel Foundries	487,199	813,894
Cement	1,000,000	1,000,000
Textile - Knitting	632,300	817,220
Textile - Ginning	20,692	20,592
Textile - Spinning	-	200,000
Retail Chain	600,000	600,000
Communication	620,793	625,460
Construction & real estate	647,891	112,873
Rice Processing	-	1,064,786
Flour Processing	10,214	76,446
Shipping Companies	872,474	-
Others	1,663,658	1,179,438
<b>Total Gross Financing and Related Assets</b>	<b>66,771,881</b>	<b>82,203,444</b>
GOP Ijarah Sukuks	13,008,065	12,249,741
GOP - Islamic Naya Pakistan Certificates	2,021,081	772,649
Power and Energy Generation	11,241,386	12,431,807
Financial Institutions	1,195,000	1,137,000
Chemicals	-	1,632,000
Hotel Business	407,602	429,056
Steel Processing	375,000	494,734
<b>Total Investments and Placements</b>	<b>28,248,134</b>	<b>29,146,987</b>
<b>Total Invested Funds</b>	<b>95,020,015</b>	<b>111,350,431</b>



# ISLAMIC BANKING BUSINESS

## Notes to the Annexure II

for the year ended December 31, 2022

### 11.2 Profit and (loss) distribution to general depositor's pool

Remunerative Depositor's Pool	Profit rate and weightage announcement period	Mudarib share Percentage of Distributable income	Mudarib share Amount	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba	Profit rate return earned on earning assets	Profit rate return distributed to remunerative deposits
					Rupees in '000'		Rupees in '000'
General Pool	Monthly	41.22%	1,832,416	32.04%	587,128	12.88%	8.77%
Foreign Currency Pool - USD	Monthly	99.00%	7,429	0.89%	66.00	5.43%	0.13%
Foreign Currency Pool - GBP	Monthly	99.00%	9	3.04%	0.28	2.59%	0.13%
Foreign Currency Pool - EUR	Monthly	99.00%	210	0.02%	0.03	12.69%	0.13%
Charity Pool	Monthly	0.00%	0	0.00%	-	14.23%	14.23%
Specific pools for interbank, Investment certificates and remunerative accounts	Monthly	18.23%	255,650	28.06%	71,745	14.58%	12.02%

### 11.3 Profit and (loss) distribution to Musharka Based Pools

Pools	Profit rate and weightage announcement period	Average rate of return earned	Profit sharing ratio Customer: Bank	Average rate of return distributed to fund provider
Islamic Export Refinance (IERS) Musharka Pool	Monthly	8.88%	-*	4.31%
InterBank Musharka Pools	As required	13.18%	-*	13.21%

\*Profit sharing ratios varies from month on month and case to case basis

## Details of Disposal of Fixed Assets to Related Parties for the year ended December 31, 2022

### Annexure III

The particulars of disposal of fixed assets to related parties are given below:

Description	Original Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of Disposal	Particulars of purchaser
Rupees in '000						
Electrical and Computer Equipments						
	527	527	-	53	As Per Bank Policy	Muhammad Mohsin
	345	345	-	35	As Per Bank Policy	Sohail Aziz Awan
	335	335	-	34	As Per Bank Policy	Ahmad Faheem Khan
	262	262	-	26	As Per Bank Policy	Asif Bashir
	252	252	-	25	As Per Bank Policy	Abid Anwar
	202	202	-	20	As Per Bank Policy	Mujahid Ali
	<b>1,923</b>	<b>1,923</b>	-	<b>193</b>		

\*They are Key Management Personnel of the Bank.



**CONSOLIDATED  
FINANCIAL STATEMENTS**  
For the year ended December 31, 2022

# Directors' Report on Consolidated Financial Statements

For the year ended December 31, 2022

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the consolidated Annual Report of Allied Bank Limited (holding company) and ABL asset management company Limited (subsidiary company) for the year ended December 31, 2022.

The operating results and appropriations, as recommended by the Board of Directors are included in the appended table:

	Year ended December 31,		
	2022	2021	Growth
	(Rupees in million)		%
<b>Profit after tax for the year</b>	21,247	17,503	21
Accumulated profits brought forward	71,823	69,204	4
Transferred from surplus on revaluation of non-banking assets to un-appropriated profit – net of tax	27	77	(65)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit – net of tax	124	360	(65)
Re-measurement on defined benefit obligation – net of tax	118	151	(22)
<b>Profit available for appropriation</b>	<b>93,339</b>	<b>87,295</b>	<b>7</b>
Final cash dividend for the year ended December 31, 2021: Rs. 2.00 per share (2021: Year ended December 31, 2020: Rs. 6.00 per share)	(2,290)	(6,870)	(67)
First interim cash dividend for the year ended at December 31, 2022: Rs. 2.00 per share (2021: year ended December 31, 2021: Rs. 2.00 per share)	(2,290)	(2,290)	-
Second interim cash dividend for the year ended at December 31, 2022: Rs. 2.00 per share (2021: year ended December 31, 2021: Rs. 2.00 per share)	(2,290)	(2,290)	-
Third interim cash dividend for the year ended December 31, 2022: Rs. 2.00 per share (2021: year ended December 31, 2021: Rs. 2.00 per share)	(2,290)	(2,290)	-
<b>Transfer to Statutory Reserves</b>	<b>(2,119)</b>	<b>(1,731)</b>	<b>22</b>
<b>Accumulated profits carried forward</b>	<b>82,059</b>	<b>71,823</b>	<b>14</b>
<b>Earnings Per Share (EPS) (Rs.)</b>	<b>18.56</b>	<b>15.29</b>	<b>21</b>

## Pattern of shareholding

Pattern of Shareholding as at December 31, 2022 is included in the Annual Report .

For and on behalf of the board

**Aizid Razzaq Gill**  
Chief Executive Officer

**Mohammad Naeem Mukhtar**  
Chairman Board of Directors

Lahore  
Dated: February 16, 2023

# Independent Auditor's Report

## To the members of Allied Bank Limited

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the annexed consolidated financial statements of Allied Bank Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2022 and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key Audit Matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	<b>Provision against non-performing advances</b>	
	<p>The Group's credit portfolio is spread across various domestic branches including one foreign branch and mainly includes corporate financing to several public sector entities and large to small size businesses operating in the private sector.</p> <p>As per the Group's accounting policy (refer note 2.4.2 to the consolidated financial statements), the Group determines provisions against non-performing advances in accordance with the requirements of Prudential Regulations (PRs) of State Group of Pakistan (SBP) and also maintains general provision as required by PRs. The PRs require specific provisioning against advances on the basis of an age-based criteria which is supplemented by a subjective evaluation by the Group of its portfolio of advances. The determination of subjective provision against advances involves use of management judgment, on a case-to-case basis, considering factors such as the borrower's economic, financial and business conditions, repayment behaviors and credit worthiness. The Group's advances to the customers represent 37% of its total assets as at 31 December 2022 with carrying value of Rs. 844,219 million which is net of provision of Rs. 11,848 million at the year end.</p> <p>In view of the magnitude of advances in the consolidated financial statements and the level of involvement of management's judgment, we identified provision against advances as a key audit matter.</p> <p>The accounting policy and disclosures relating to provisioning against non-performing advances are included in note 4.5 and 9 respectively to the consolidated financial statements.</p>	<p>We applied a range of audit procedures including the following:</p> <p>We reviewed the Group's process for identification and classification of non-performing advances, monitoring of advances with higher risk of default and migration of these advances to non-performing advances category and accurate computation and recording of provisions.</p> <p>We performed independent checks on test basis for the computations of provisions to assess that the same is in line with the requirements of the applicable Prudential Regulations.</p> <p>In addition, we selected a representative sample of borrowers from the portfolio of advances including individually significant credit facilities and performed tests and procedures such as review of credit documentation, repayment history and past due status and financial condition as depicted by the borrowers' financial statements.</p> <p>In respect of the level of general provision maintained by the Group, we discussed the approach and policy followed by the Group with the management.</p> <p>We also assessed adequacy of disclosures as included in note 9 to the consolidated financial statements regarding the non-performing advances and provisions made for the same in the consolidated financial statements in accordance with the requirements of the applicable financial reporting framework.</p>



# Independent Auditor's Report

## To the members of Allied Bank Limited

### Report on the Audit of the Consolidated Financial Statements

2	<b>Valuation of listed shares classified as available for sale</b>	
	<p>As disclosed in note 8 and the accounting policies in notes 2.4.2 and 4.12 to the financial statements, the Group has a significant investment in listed shares/equity investments classified as available for sales amounting to Rs. 17,167 million which is stated net of provision of Rs. 1,646 million as at 31 December 2022.</p> <p>These investments are carried at fair value in accordance with the Group's accounting policy relating to their measurement. Provision for investment in listed shares classified as available for sale is made based on the impairment policy of the Group which comprises of subjective factors.</p> <p>Because of its significance to the consolidated financial statements and the use of management judgment in determination of impairment against listed shares classified as available for sale, we have considered this as a key audit matter.</p>	<p>Our procedures in respect of valuation of investments, amongst others, included the following:</p> <p>Obtaining an understanding of and testing the design and operational effectiveness of the controls relating to the valuation of available for sale equity investments including an assessment of the methodology and the appropriateness of the valuation models and inputs used to value investments available for sale.</p> <p>Checking on a sample basis, the valuation of investment in listed shares to supporting documents and externally quoted market prices.</p> <p>Comparing the cost of each equity investments to its market value to determine decline in valuation and checked the impact of significant or prolonged decline was recognized as per the policy of the Group as disclosed in note 4.12.</p> <p>Assessing the completeness and accuracy of the disclosures relating to listed shares classified as available for sale to assess compliance with the requirements of the applicable financial reporting framework.</p>

#### Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Group's Annual Report but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Group's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- a) Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

# Independent Auditor's Report

## To the members of Allied Bank Limited

### Report on the Audit of the Consolidated Financial Statements

- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**EY Ford Rhodes**  
Chartered Accountants

Date: 7 March 2023  
Lahore

UDIN: AR202210079d7wsR1HID

# Consolidated Statement of Financial Position

as at December 31, 2022

December 31, 2022	December 31, 2021		Note	December 31, 2022	December 31, 2021
US \$ in '000				Rupees in '000	
<b>ASSETS</b>					
388,219	549,397	Cash and balances with treasury banks	5	87,904,863	124,400,515
15,190	3,989	Balances with other banks	6	3,439,468	903,243
124,639	200,736	Lendings to financial institutions	7	28,222,195	45,452,910
4,975,984	4,709,560	Investments - net	8	1,126,716,510	1,066,389,996
3,728,372	2,884,234	Advances - net	9	844,218,560	653,079,762
361,363	346,024	Fixed assets	10	81,823,836	78,350,554
13,130	12,701	Intangible assets	11	2,973,145	2,875,975
57,577	6,657	Deferred tax assets	12	13,037,316	1,507,405
289,433	176,736	Other assets - net	13	65,536,679	40,018,520
9,953,907	8,890,034			2,253,872,572	2,012,978,880
<b>LIABILITIES</b>					
62,534	44,428	Bills payable	15	14,159,643	10,059,879
2,342,500	1,854,896	Borrowings	16	530,414,493	420,005,768
6,722,915	6,241,540	Deposits and other accounts	17	1,522,275,850	1,413,277,683
-	-	Liabilities against assets subject to finance lease		-	-
-	-	Sub-ordinated debt		-	-
-	-	Deferred tax liabilities - net		-	-
250,665	176,620	Other liabilities	18	56,758,278	39,992,364
9,378,614	8,317,484			2,123,608,264	1,883,335,694
575,293	572,550	<b>NET ASSETS</b>		130,264,308	129,643,186
<b>REPRESENTED BY</b>					
50,571	50,571	Share capital	19	11,450,739	11,450,739
138,830	118,288	Reserves		31,435,453	26,784,066
23,491	86,498	Surplus on revaluation of assets - net of tax	20	5,319,137	19,585,863
362,401	317,193	Unappropriated profit		82,058,979	71,822,518
575,293	572,550			130,264,308	129,643,186

## CONTINGENCIES AND COMMITMENTS

21

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Muhammad Atif Mirza  
Chief Financial Officer

Zafar Iqbal  
Director

Aizid Razzaq Gill  
President and Chief Executive

Mohammad Naeem Mukhtar  
Chairman

Mubashir A. Akhtar  
Director

# Consolidated Profit and Loss Account

for the year ended December 31, 2022

December 31, 2022	December 31, 2021	Note	December 31, 2022	December 31, 2021	
US \$ in '000			Rupees in '000		
951,627	524,020	Mark-up / return / interest earned	23	215,477,711	118,654,233
657,013	322,802	Mark-up / return / interest expensed	24	148,768,136	73,092,393
294,614	201,281	<b>Net mark-up and interest income</b>		66,709,575	45,561,840
<b>NON MARK-UP / INTEREST INCOME</b>					
39,541	33,549	Fee and commission income	25	8,953,314	7,596,474
14,055	10,248	Dividend income		3,182,436	2,320,427
35,102	8,715	Foreign exchange income		7,948,096	1,973,233
-	-	Income from derivatives		-	-
5,549	19,017	Gain on securities - net	26	1,256,570	4,306,138
275	2,497	Other income	27	62,281	565,442
94,522	74,026	<b>Total non-markup / interest income</b>		21,402,697	16,761,714
389,136	275,244	Total income		88,112,272	62,323,554
<b>NON MARK-UP / INTEREST EXPENSES</b>					
177,778	148,744	Operating expenses	28	40,254,537	33,680,176
4,322	2,647	Workers welfare fund - net		978,733	599,306
1,581	752	Other charges	29	358,006	170,275
183,681	152,143	<b>Total non-markup / interest expenses</b>		41,591,276	34,449,757
205,455	123,101	<b>Profit before provisions</b>		46,520,996	27,873,797
(1,152)	(3,582)	Provisions and write offs - net	30	(260,893)	(811,100)
-	-	Extra-ordinary / unusual items		-	-
206,607	126,683	<b>PROFIT BEFORE TAXATION</b>		46,781,889	28,684,897
112,769	49,382	Taxation	31	25,534,404	11,181,669
93,838	77,301	<b>PROFIT AFTER TAXATION</b>		21,247,485	17,503,228
<b>In US \$</b>			<b>In Rupees</b>		
0.08	0.07	<b>Basic and diluted earnings per share</b>	32	18.56	15.29

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Muhammad Atif Mirza  
Chief Financial Officer

Zafar Iqbal  
Director

Aizid Razzaq Gill  
President and Chief Executive

Mohammad Naeem Mukhtar  
Chairman

Mubashir A. Akhtar  
Director

# Consolidated Statement of Comprehensive Income

for the year ended December 31, 2022

December 31, 2022	December 31, 2021		December 31, 2022	December 31, 2021
US \$ in '000			Rupees in '000	
93,838	77,301	<b>Profit after taxation for the year</b>	21,247,485	17,503,228
<b>Other comprehensive income</b>				
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>				
11,182	3,425	Effect of translation of net investment in foreign branches	2,532,005	775,502
(61,882)	(39,737)	Movement in deficit on revaluation of investments - net of tax	(14,012,029)	(8,917,786)
(50,700)	(36,312)		(11,480,024)	(8,222,284)
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>				
520	667	Remeasurement gain on defined benefit obligations - net of tax	117,811	151,033
(770)	(879)	Effect of change in tax rate on revaluation surplus of fixed assets	(174,267)	(199,010)
312	1,686	Movement in surplus on revaluation of non-banking assets - net of tax	70,709	381,820
62	1,474		14,253	333,843
43,200	42,463	<b>Total comprehensive income</b>	9,781,714	9,614,787

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Muhammad Atif Mirza  
Chief Financial Officer

Zafar Iqbal  
Director

Aizid Razzaq Gill  
President and Chief Executive

Mohammad Naeem Mukhtar  
Chairman

Mubashir A. Akhtar  
Director



# Consolidated Statement of Changes in Equity

for the year ended December 31, 2022

	Capital reserve			Revenue reserve	Surplus/(deficit) on revaluation of			Un-appropriated profit	Total
	Share capital	Exchange translation reserve	Statutory reserve	General reserve	Investments	Fixed assets	Non-banking assets		
Rupees in '000									
<b>Balance as at January 01, 2021</b>	11,450,739	2,025,733	22,245,451	6,000	4,875,950	23,322,739	638,972	69,203,702	133,769,286
Profit after taxation for the year ended December 31, 2021	-	-	-	-	-	-	-	17,503,228	17,503,228
<b>Other Comprehensive Income - net of tax</b>									
Deficit on revaluation of investments - net of tax	-	-	-	-	(8,997,786)	-	-	-	(8,997,786)
Effect of change in tax rate on revaluation surplus of fixed assets - net of tax	-	-	-	-	-	(199,010)	-	-	(199,010)
Surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-	381,820	-	381,820
Remeasurement gain on defined benefit obligation - net of tax	-	-	-	-	-	-	-	151,033	151,033
Effect of translation of net investment in foreign branches	-	775,502	-	-	-	-	-	-	775,502
	-	775,502	-	-	(8,997,786)	(199,010)	381,820	151,033	(7,888,441)
Transfer to statutory reserve	-	-	1,731,380	-	-	-	-	(1,731,380)	-
Transfer of revaluation surplus on change in use - net of tax	-	-	-	-	-	4,399	(4,399)	-	-
Transfer from surplus in respect of incremental Depreciation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	(139,872)	-	139,872	-
Surplus realised on disposal of revalued fixed assets - net of tax	-	-	-	-	-	(219,733)	-	219,733	-
Transferred from surplus in respect of incremental depreciation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	(859)	859	-
Surplus realised on disposal of revalued non-banking assets - net of tax	-	-	-	-	-	-	(76,358)	76,358	-
<b>Transactions with owners recognized directly in equity</b>									
Final cash dividend for the year ended									
December 31, 2020 (Rs. 6 per ordinary share)	-	-	-	-	-	-	-	(6,870,443)	(6,870,443)
First interim cash dividend for the year ended									
December 31, 2021 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
Second interim cash dividend for the year ended									
December 31, 2021 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
Third interim cash dividend for the year ended									
December 31, 2021 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
	-	-	-	-	-	-	-	(13,740,887)	(13,740,887)
<b>Balance as at December 31, 2021</b>	11,450,739	2,801,235	23,976,831	6,000	(4,121,836)	22,768,523	939,176	71,822,518	129,643,186
Profit after taxation for the year ended December 31, 2022	-	-	-	-	-	-	-	21,247,485	21,247,485
<b>Other Comprehensive Income - net of tax</b>									
Deficit on revaluation of investments - net of tax	-	-	-	-	(14,012,029)	-	-	-	(14,012,029)
Effect of change in tax rate on revaluation surplus of fixed assets - net of tax	-	-	-	-	-	(174,267)	-	-	(174,267)
Surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-	70,709	-	70,709
Remeasurement gain on defined benefit obligation - net of tax	-	-	-	-	-	-	-	117,811	117,811
Effect of translation of net investment in foreign branches	-	2,532,005	-	-	-	-	-	-	2,532,005
	-	2,532,005	-	-	(14,012,029)	(174,267)	70,709	117,811	(11,465,771)
Transfer to statutory reserve	-	-	2,119,382	-	-	-	-	(2,119,382)	-
Transfer of revaluation surplus on change in use - net of tax	-	-	-	-	-	100,467	(100,467)	-	-
Transferred from surplus in respect of incremental depreciation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	(124,171)	-	124,171	-
Surplus realised on disposal of revalued fixed assets - net of tax	-	-	-	-	-	-	-	-	-
Transferred from surplus in respect of incremental depreciation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	(1,193)	1,193	-
Surplus realised on disposal of revalued non-banking assets - net of tax	-	-	-	-	-	-	(25,775)	25,775	-
<b>Transactions with owners recognized directly in equity</b>									
Final cash dividend for the year ended									
December 31, 2021 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
First interim cash dividend for the year ended									
December 31, 2022 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
Second interim cash dividend for the year ended									
December 31, 2022 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
Third interim cash dividend for the year ended									
December 31, 2022 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
	-	-	-	-	-	-	-	(9,160,592)	(9,160,592)
<b>Balance as at December 31, 2022</b>	11,450,739	5,333,240	26,096,213	6,000	(18,133,865)	22,570,552	882,450	82,058,979	130,264,308

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Muhammad Atif Mirza  
Chief Financial Officer

Azid Razzaq Gill  
President and Chief Executive

Mubashir A. Akhtar  
Director

Zafar Iqbal  
Director

Mohammad Naeem Mukhtar  
Chairman

# Consolidated Cash Flow Statement

for the year ended December 31, 2022

December 31, 2022	December 31, 2021	Note	December 31, 2022	December 31, 2021
US \$ in '000			Rupees in '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
206,606	126,683	Profit before taxation	46,781,889	28,684,897
(14,055)	(10,248)	Less: Dividend income	(3,182,436)	(2,320,427)
192,551	116,435		43,599,453	26,364,470
<b>Adjustments:</b>				
18,296	16,307	Depreciation - Operating Fixed Asset	10.2	4,142,803
36	25	Depreciation - Non Banking Assets		8,166
7,597	7,531	Depreciation on right of use assets		1,720,161
4,448	4,136	Interest expense on lease liability		1,007,059
2,304	1,821	Amortization		521,644
(771)	(3,343)	Net provisions and write offs	30	(174,530)
618	277	Unrealized gain on revaluation of 'held-for-trading' securities		139,887
4,322	2,647	Provision for workers' welfare fund - net		978,733
1,807	1,942	Charge for defined benefit plans		409,234
(86)	(1,430)	Gain on sale of fixed assets		(19,508)
14	(143)	(Gain) / loss and on sale of non-banking assets and other assets		3,063
38,585	29,770		8,736,712	6,740,432
231,136	146,205		52,336,165	33,104,902
<b>Decrease or (increase) in operating assets</b>				
76,097	(121,259)	Lendings to financial institutions	17,230,715	(27,456,787)
(7,926)	(43)	Held-for-trading securities	(1,794,751)	(9,701)
(842,882)	(687,938)	Advances	(190,854,487)	(155,770,451)
(139,404)	(15,031)	Other assets (excluding advance taxation)	(31,565,345)	(3,403,549)
(914,115)	(824,271)		(206,983,868)	(186,640,488)
<b>Increase or (decrease) in operating liabilities</b>				
18,106	1,934	Bills payable	4,099,764	437,859
486,528	997,788	Borrowings	110,164,916	225,930,017
481,375	868,298	Deposits and other accounts	108,998,167	196,609,436
71,860	13,114	Other liabilities (excluding current taxation)	16,271,361	2,969,415
1,057,869	1,881,134		239,534,208	425,946,727
374,890	1,203,068		84,886,505	272,411,141
(89,492)	(56,619)	Income tax paid	(20,263,692)	(12,820,277)
(2,937)	(970)	Defined benefits paid	(665,025)	(219,537)
282,461	1,145,479	<b>Net cash flow generated from operating activities</b>	63,957,788	259,371,327
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
(357,957)	(954,460)	Net investments in 'available-for-sale' securities	(81,052,590)	(216,119,171)
(12,820)	(145,194)	Net investments in 'held-to-maturity' securities	(2,902,904)	(32,876,354)
14,055	10,258	Dividend received	3,182,395	2,322,635
(37,610)	(39,090)	Investments in fixed assets and intangible assets	(8,516,005)	(8,851,267)
259	3,316	Proceeds from sale of fixed assets	58,540	750,923
11,182	3,425	Effect of translation of net investment in foreign branches	2,532,005	775,502
(382,891)	(1,121,745)	<b>Net cash flow used in investing activities</b>	(86,698,559)	(253,997,732)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
(10,231)	(9,499)	Payment of lease liability against right of use assets	(2,316,602)	(2,150,898)
(40,391)	(60,468)	Dividend paid	(9,145,863)	(13,691,826)
(50,622)	(69,967)	<b>Net cash flow used in financing activities</b>	(11,462,465)	(15,842,724)
(151,052)	(46,233)	<b>Decrease in cash and cash equivalents during the year</b>	(34,203,236)	(10,469,129)
554,828	606,135	Cash and cash equivalents at beginning of the year	125,629,648	137,247,761
(2,285)	(7,359)	Effect of exchange rate changes on opening cash and cash equivalents	(517,352)	(1,666,336)
552,543	598,776		125,112,296	135,581,425
401,491	552,543	<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	33	90,909,060

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Muhammad Atif Mirza  
Chief Financial Officer

Aizid Razzaq Gill  
President and Chief Executive

Mubashir A. Akhtar  
Director

Zafar Iqbal  
Director

Mohammad Naeem Mukhtar  
Chairman

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## 1 STATUS AND NATURE OF BUSINESS

The “Group” consist of:

### Holding Company

Allied Bank Limited (“the Bank”), incorporated in Pakistan, is a scheduled bank, engaged in commercial banking and related services. The Bank is listed on Pakistan Stock Exchange Limited. The Bank operates a total of 1,451 (2021: 1,427) branches in Pakistan including 117 (2021: 117) Islamic banking branches, 1 branch (2021: 1) in Karachi Export Processing Zone and 1 Wholesale banking branch (2021: 1) in Bahrain.

The long term credit rating of the Bank assigned by the Pakistan Credit Rating Agency Limited (PACRA) is ‘AAA’. Short term rating of the Bank is ‘A1+’.

Ibrahim Holdings (Private) Limited is the parent company of the Bank and it’s registered office is in Pakistan.

The Bank is the holding company of ABL Asset Management Company Limited.

The registered office of the Bank is situated at 3 - Tipu Block, New Garden Town, Lahore.

### Subsidiary Company

ABL Asset Management Company Limited (“the Company”) is a public unlisted company, incorporated in Pakistan as a limited liability company on 12 October 2007 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Company has obtained licenses from the Securities and Exchange Commission of Pakistan (SECP) to carry on Asset Management Services and Investment Advisory Services as a Non-Banking Finance Company (NBFC) under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 as amended through S.R.O.1131(I) 2007 (“the NBFC Rules”) S.R.O 1233(I) / 2019. The Company received certificate of commencement of business on 31 December 2007. The Company has also obtained license to carry out business as Pension Fund Manager, under the Voluntary Pension System Rules, 2005. The registered office of the Company is situated at Plot no. 14, Main Boulevard, DHA Phase VI, Lahore. The Company is a wholly owned subsidiary of Allied Bank Limited (“the holding Company”).

The Company has been assigned an Asset Manager rating of ‘AMI’ by Pakistan Credit Rating Agency Limited (denoting a very High Management Quality with Stable Outlook) dated October 28, 2022

ABL Asset Management Company is managing the following funds:

– ABL Income Fund	Launched on September 20, 2008
– ABL Stock Fund	Launched on June 28, 2009
– ABL Cash Fund	Launched on July 30, 2010
– ABL Islamic Income Fund	Launched on July 30, 2010
– ABL Government Securities	Launched on November 30, 2011
– ABL Islamic Stock Fund	Launched on June 12, 2013
– ABL Pension Fund	Launched on August 20, 2014
– ABL Islamic Pension Fund	Launched on August 20, 2014
– ABL Islamic Financial Planning Fund	Launched on December 22, 2015
– ABL Financial Planning Fund	Launched on December 31, 2015
– ABL Islamic Dedicated stock fund	Launched on December 19, 2016
– ABL Islamic Asset Allocation Fund	Launched on May 31, 2018
– Allied Finergy Fund	Launched on November 30, 2018
– ABL Special Saving Fund	Launched on September 19, 2019
– ABL Islamic Cash Fund	Launched on February 10, 2020

## 2 BASIS OF PRESENTATION

These consolidated financial statements consists of holding company and its subsidiary company for the year ended December 31, 2022.

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

The financial results of the Islamic banking branches have been consolidated in these financial statements for reporting purposes, after eliminating inter-branch transactions and balances.

These consolidated financial statements have been presented in Pakistan Rupees (PKR), which is the currency of the primary economic environment in which the Bank operates. The amounts are rounded to nearest thousand of rupees unless otherwise stated.

The US\$ Dollar amounts presented in the Statement of Financial Position, Profit and Loss Account, Statement of Comprehensive Income and Statement of Cash Flow are stated as additional information, solely for the convenience of the users of financial statements. For the purpose of translation to US\$, spot rate of Rs. 226.4309 per US\$ has been used for 2022 and 2021, as it was the prevalent rate on reporting date.

The assets and liabilities of subsidiary company have been consolidated on a line by line basis and the carrying value of investment in subsidiary held by the Bank is eliminated against the shareholders' equity in the consolidated financial statements.

## 2.1 STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) & the Securities and Exchange Commission of Pakistan (SECP).

**2.1.1** Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the directives issued by the SBP and the SECP differ with the requirements of IFRS and IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.

**2.1.2** The SBP, vide BSD Circular Letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39 'Financial Instruments: Recognition and Measurement' (IAS 39) and International Accounting Standard 40 'Investment Property' (IAS 40) for banking companies till further instructions. Further, according to a notification of Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, International Financial Reporting Standard 7 'Financial Instruments Disclosure' (IFRS 7), has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and disclosed in accordance with the requirements prescribed by SBP through various circulars.

**2.1.3** The Securities and Exchange Commission of Pakistan (SECP) vide SRO 56 (1) / 2016 dated January 28, 2016, has notified that the requirements of International Financial Reporting Standard 10 'Consolidated Financial Statements' (IFRS 10) and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under Trust structure.

**2.1.4** The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard 3 'Profit & Loss Sharing on Deposits' (IFAS-3) issued by the Institute of Chartered Accountants of Pakistan and notified by the Securities & Exchange Commission of Pakistan (SECP), vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). The standard will result in certain new disclosures in the financial statements of the Bank.

## 2.2 STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE EFFECTIVE IN THE CURRENT YEAR

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except for following amendments to accounting standards which are effective for current year. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective:

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

- IFRS 3 Business Combinations - The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. In accordance with the transitional provisions, the Bank applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group.

- IAS 16 Property, plant and equipment – Amendment to clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- In accordance with the transitional provisions, the Bank applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Bank as they are not involved in manufacturing business.
- IAS 37 - Provisions, Contingent Liabilities and Contingent Assets - Amendments to specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Bank applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period. These amendments had no impact on the financial statements of the Bank, as prior to the application of the amendments, the Bank had not identified any contracts as being onerous and the unavoidable costs under the contracts, which were the costs of fulfilling them, comprised of incremental costs directly related to the contracts and an allocation of costs directly related to contract activities.

Accordingly, the adoption of the above amendments to accounting standards did not have any material effect on the consolidated financial statements.

In addition to the above amendments to standards, improvements to various accounting standards (under the annual improvements 2018 - 2020 cycle) have also been issued by the IASB in May 2020. Such improvements were generally effective for accounting periods beginning on or after January 01, 2022:

- IFRS 16 Leases: Lease incentives – The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 acBanking IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16 and had no impact on the financial statements of the Bank.
- IAS 41 Agriculture: Taxation in fair value measurements – The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

The adoption of the above improvements to the standards will have no material effect on the Group's financial statements.

## 2.3 STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following new standards and amendments with respect to the approved accounting standards, as applicable in Pakistan, would be effective from the dates mentioned below. The Bank intends to adopt the new standard and amendment, if applicable, when they become effective.





# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The amendments are not expected to have a material impact on the Bank's financial statements.

- IFRS 16 Leases - Lease Liability in a Sale and Leaseback - Amendments requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to sale and leaseback transactions entered into after the date of initial application. January 01, 2024
- IFRS 10 & IAS 28 - Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment). The effective date of Amendments to IFRS 10 and IAS 28 has been deferred indefinitely (until the research project of IASB, on the equity method, has been concluded. Earlier application of the September 2014 amendments continues to be permitted. The Bank expects that the adoption of the amendments will have no material effect on the Bank's financial statements. Not yet finalized

Further, the following new standards have been issued by the IASB, which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standard	Effective date (annual periods beginning on or after)
- IFRS 1 - First time Adoption of IFRS	January 01, 2024
- IFRS 17 - Insurance Contracts	January 01, 2023

The Bank expects that the adoption of the above standards will have no material effect on the Bank's financial statements, in the period of initial application.

The SBP vide BPRD Circular no. 02 dated February 09, 2023 has specified the new reporting format for the financial statements of Banking companies. The new format has revised the disclosure requirements and will become applicable for the financial statements of the Bank for the year ending December 31, 2023.

## 2.4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates, underlying assumptions and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies are as follows:

### 2.4.1 Provision against non-performing loans and advances

The Bank reviews its loan portfolio to assess amount of non-performing loans and advances and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower and the requirements of the Prudential Regulations are considered. The amount of general provision is determined in accordance with the requirements set out in Prudential Regulations.

### 2.4.2 Valuation and impairment of 'available-for-sale' equity investments

The Bank determines that 'available-for-sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant and prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

Other areas where judgments are exercised in application of accounting policies are as follows:

## 2.4.3 Defined benefit plans

Liability is determined on the basis of actuarial advice using the Projected Unit Credit Method. The actuarial assumptions used to determine the liability and related expense are disclosed in note 35.

## 2.4.4 Classification of investments

- In classifying investments as 'held-for-trading' the Bank has determined securities which are acquired with the intention to trade by taking advantage of short term market or interest rate movements and are to be sold within 90 days.
- In classifying investments as 'held-to-maturity' the Bank follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity.
- The investments, other than those in subsidiary, which are not classified as 'held-for-trading' or 'held-to-maturity' are classified as 'available-for-sale'.

## 2.4.5 Depreciation and amortization and revaluation of operating fixed assets

In making estimates of the depreciation and amortization, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank and estimates the useful life. The method applied and useful lives estimated are reviewed at each financial year end and if there is a change in the expected pattern or timing of consumption of the future economic benefits embodied in the assets, the estimate would be changed to reflect the change in pattern. Such a change is accounted for as change in accounting estimates in accordance with International Accounting Standard 8 - Accounting Policies, 'Changes in Accounting Estimates and Errors'. Further, the bank estimates the revalued amount of land and buildings on a regular basis. The estimates are based on the valuations carried out by independent professional valuers under the market conditions.

## 2.4.6 Fair value hierarchy of assets and liabilities

The fair value of the assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Bank categorizes fair value measurements within the following fair value hierarchy:

### a) Level 1

These are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date.

### b) Level 2

These are inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly or indirectly.

### c) Level 3

These are input for the assets or liabilities that are not based on observable market data (unobservable Inputs).

## 2.4.7 Lease term

The Bank applies judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Bank is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

## 2.4.8 Income taxes

In making estimates for income taxes currently payable by the Bank, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Bank's view differs with the view taken by the income tax authorities and such amounts are shown as a contingent liability.

## 3 BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except for the following which are stated at revalued amounts or fair values or present values:

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

- Certain investments (Note 4.4);
- Certain operating fixed assets (Note 4.6);
- Lease liability and related right of use assets (Note 4.7).
- Staff retirement and other benefits (Note 4.9);
- Non-banking assets acquired in satisfaction of claims (Note 4.10);
- Derivative financial instruments (Note 4.17.2).

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements have been applied consistently to all periods presented in these consolidated financial statements of the Group except for note 4.1 mentioned below which will be applicable from January 01, 2023. Significant accounting policies are enumerated as follows:

### 4.1 Change in accounting policy effective from January 01, 2023

#### IFRS 9 'Financial Instruments'

As directed by the State Bank of Pakistan (SBP) vide BPRD Circular no 3 of 2022, IFRS 9 Financial Instruments is effective for periods beginning on or after 1 January 2023 for banks having asset base of more than Rs. 500 billion as at 31 December 2021. SBP finalized and issued the IFRS 9 Application Instructions vide same circular, for ensuring smooth and consistent implementation of the standard in the banks.

During the year 2022, the management of the Bank has performed an impact assessment of IFRS 9 taking into account the SBP's IFRS 9 application instructions. The assessment is based on available information and may be subject to changes arising from further reasonable and supportable information being made available to the Bank at the time of finalizing the impact for initial application of IFRS 9. However, the Bank expects an increase in the loss allowance resulting in a negative impact on equity. In addition, the Bank will implement changes in classification of certain financial instruments. These changes and impacts are discussed below:

#### *Classification and measurement*

The classification and measurement of debt financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. Financial assets that do not meet the solely payment of principal and Interest (SPPI) criteria are measured at FVTPL regardless of the business model in which they are held. The Bank's business model in which financial assets are held will determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVTPL'). The classification of equity instruments is generally measured as Fair Value through Profit & Loss (FVTPL) unless the Bank elects for Fair Value through Other Comprehensive Income (FVOCI) at initial recognition. The Bank has analyzed the impact of initial application of IFRS 9 on its financial assets as follows:

#### *Equity Securities*

The Bank expects to continue measuring at fair value all financial assets currently held at fair value.

For certain equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI, the Bank will apply the option to present fair value changes in OCI, and, therefore, the application of IFRS 9 will not have a significant impact on adoption. However, in accordance with IFRS 9 requirements, fair value gain or losses recognized in OCI will not be recycled to profit and loss account on derecognition of these securities.

For those equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI for which FVOCI election is not made, will, instead, be measured at fair value through profit or loss, which will increase volatility in recorded profit or loss for future periods. The revaluation surplus / deficit related to those securities in amount, which is currently presented as accumulated OCI, will be reclassified to retained earnings however, there will be no impact on overall equity with respect to such classification.

Unquoted equity securities are required to be measure at fair value under IFRS 9, however, SBP has allowed relaxation to the banks till one year to carry these investments under the current PR regime.

#### *Debt securities, Loans and advances*

Debt securities currently classified as AFS and those passing the SPPI test, are expected to be measured at fair value through OCI under IFRS 9 as the Group's business model is to hold the assets to collect contractual cash flows, but also to sell these investments. Debt securities currently classified as HTM and those passing SPPI test are expected to be measured at amortized costs under IFRS 9 as the Group business model is to hold the assets to collect contractual cash flows.

Cashflows of certain debt instruments classified in AFS and / or HTM categories, do not expect to give risk to cash flows representing solely payments of principal and interest and accordingly, these would be measured at fair value through profit and loss.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## **Impairment**

The impairment requirements apply to financial assets measured at amortised cost and FVOCI (other than equity instruments), lease receivables, and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'stage 3'.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Based on the requirement of IFRS 9 and SBP's IFRS 9 application instructions, the Bank has performed an ECL assessment taking into account the key elements such as assessment of SICR, Probability of Default, Loss Given Default and Exposure at Default.

Under the SBP's instructions, credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework. Moreover, until implementation of IFRS 9 has stabilized, Stage 1 and stage 2 provisions would be made as per IFRS 9 ECL and stage 3 provision would be made considering higher of IFRS 9 ECL or provision computed under existing PRs' requirements.

## **Hedge accounting**

IFRS 9 aligns hedge accounting more closely with risk management activities and establishes a more principle-based approach to hedge accounting.

## **Presentation and disclosure**

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of Bank's disclosure about its financial instruments particularly in the year of adoption of the IFRS 9.

The State Bank of Pakistan is yet to issue a revised format for financial statements of the banks for the accounting periods starting from 1 January 2023, which shall include the presentation and disclosures of adoption of IFRS 9 as applicable in Pakistan.

## **Additional requirements and exceptions introduced by SBP Instructions**

State Bank of Pakistan has enforced the application of IFRS 9 in its entirety except for some exceptions and additional requirements. A high-level comparison of such exceptions that are relevant to the Bank is as follows:

### **- Scope of application**

Financial statements of overseas branches, subsidiaries and associates prepared for the purpose of consolidation at the bank level should be based on their respective host country's regulatory accounting practices till one year from the effective date of IFRS 9 implementation (i.e. 1 January 2023). Afterwards, banks will be required to comply with the requirements of these application instructions for consolidated financial statements. These instructions will not apply on the standalone statutory financial statements of banks' associates, subsidiaries and overseas branches that shall be prepared according to their rules and regulations applicable to them.

### **- Unquoted equity securities**

SBP has advised banks to measure investment in unquoted equity securities at lower of cost or breakup value till December 31, 2023. In case where the breakup value of such securities is less than the cost, the difference of the cost and the breakup value will be classified as loss and provided for by charging it to the Profit and Loss account.

### **- Rebuttable presumptions**

IFRS 9 includes a rebuttable presumption that a default does not occur later than 90 days past due and it also presumes that there is SICR if credit exposure is more than 30 days past due. In order to bring consistency, SBP has allowed the backstop to the rebuttable presumption of days past due of credit portfolio against a specific credit facility and its stage allocation under IFRS 9 as mentioned in Annexure-C of BPRD Circular no 3 of 2022. However, banks are free to choose more stringent days past due criteria.



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## - Transfer out of Stage 3

An exposure cannot be upgraded from Stage 3 to 1 directly and should be upgraded to Stage 2 initially. For the purpose of reversal of provisions, the PRs requirements will be followed for Stage 3 assets.

## - Income recognition on impaired assets

The Banks are advised to recognize income on impaired assets (loans classified under PRs i.e. OAEM and Stage 3 loans) on a receipt basis in accordance with the requirements of Prudential Regulations issued by SBP.

## - Expected Credit Loss Model (ECL)

Credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework.

Moreover, until implementation of IFRS 9 has stabilized, a two-track approach is required i.e. Stage 1 and stage 2 provision to be made as per IFRS 9 ECL and stage 3's provision to be made higher of IFRS 9 ECL or PR's requirement.

## - Impact of Provisions on Regulatory Capital

The banks are allowed to include provisions for Stage 1 and Stage 2 in Tier 2 capital up to a limit of 1.25% of total credit risk-weighted assets. In order to mitigate the impact of ECL provisioning on capital, a transitional arrangement is allowed to the banks to absorb the impact on regulatory capital. Accordingly, banks, which choose to apply transitional arrangement, may implement this arrangement in accordance with SBP's Guideline for absorption of ECL for CAR Purposes as mentioned in Annexure-C of BPRD Circular no 3 of 2022.

### *Loan / financing related fee*

Loan origination / commitment fees that are regarded as compensation to the lender for an ongoing involvement with the acquisition of a financial instrument would be recognized over the life of the related loan. However, if the commitment expires without the lender making the loan, the fee would be recognised as revenue as earned.

### *Impact of adoption of IFRS 9*

The actual impact of adopting IFRS 9 on the Bank's financial statements in the year 2023 may not be accurately estimated because it will be dependent on the financial instruments that the Bank would hold during next year and economic conditions at that time as well as accounting elections and judgements that it will make in future. Nevertheless, the Bank has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at December 31, 2022.

### *Classification and measurement*

Based on the bank's assessment, the IFRS 9 requirements are expected to have the following impact on the classification and measurement of its financial assets and financial liabilities:

1. Debt instruments (amount of Rs. 22.451 million has been reclassified from AFS to FVTPL);
2. Equity instrument (amount of Rs. 17,546.986 million has been reclassified from AFS to FVOCI).

## **Impairment**

The total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Bank's equity at January 01, 2023 is decrease in equity of approximately Rs. 937.16 million, representing corresponding impact of:

- A decrease of approximately Rs. 1,644.141 million related to impairment requirements;
- An increase of approximately Rs. 706.981 million related to deferred tax.

### *Impact on regulatory capital*

The introduction of IFRS 9 will result in reduction in regulatory capital of the banks, which is likely to reduce their lending capacity and ability to support their obligors. In order to mitigate the impact of expected credit loss (ECL) models on capital, SBP has determined that it may be appropriate for the FIs to introduce a transitional arrangement for the impact on regulatory capital from the application of ECL accounting. Annexure B of the 'Application Instructions' issued by SBP have detailed the transitional arrangement.

The transitional arrangement must apply only to provisions for stage 1 and 2 financial assets. The transitional arrangement must adjust CET1 capital. Where there is a reduction in CET1 capital due to new provisions, net of tax effect, upon adoption of an ECL accounting model, the decline in CET1 capital (the "transitional adjustment amount") must be partially

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

included (i.e. added back) to CET1 capital over the “transition period” of five years. The impact of adoption of IFRS 9 on the capital ratios of the Bank are as follows:

<b>Common Equity Tier 1 Capital Adequacy Ratio</b>	<b>As per adopted IFRS 9</b>	<b>As per current IFRS</b>
Common Equity Tier 1 Capital Adequacy Ratio	18.39%	18.63%
Tier 1 Capital Adequacy Ratio	18.39%	18.63%
Total Capital Adequacy Ratio	19.72%	19.73%
CET 1 available to meet buffers (as a percentage of risk weighted assets)	10.89%	11.01%

## 4.2 Cash and cash equivalents

For the purpose of Cash Flow Statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks (net of overdrawn nostro balances) in current and deposit accounts.

## 4.3 Lendings to or borrowings from financial institutions

The Bank enters into transactions of borrowing (re-purchase) from and lending (reverse re-purchase) to financial institutions, at contracted rates for a specified period of time. These are recorded as under:

### a. Sale under re-purchase agreements

Securities sold subject to a re-purchase agreement are retained in the financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and re-purchase value is accrued on a prorata basis and recorded as mark-up expense.

### b) Purchase under resale agreements

Securities purchased under agreement to resell (reverse re-purchase) are included in lendings to financial institutions. The differential between the contracted price and resale price is accrued on pro rata basis over the period of the contract and recorded as mark-up income.

Securities held as collateral are not recognized in the financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowings from financial institutions.

In Bai Muajjal, the Bank purchases and sells Shariah Compliant instruments including sukuks on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period. Expected profit / expense is recognized on accrual basis.

In Musharaka and Mudaraba, the Bank invests in the Shariah compliant business pools of the financial institutions at the agreed profit and loss sharing ratio. Expected profit is recognized on accrual basis.

Other borrowings including borrowings from SBP are recorded at the proceeds received. Mark-up on such borrowings is charged to the Profit and Loss Account on a time proportion basis.

Lendings are stated net of provision. Return on such lending is accrued to the Profit and Loss Account on a time proportion basis except mark-up on impaired or delinquent lendings, which is recognized on receipt basis.

## 4.4 Investments

4.4.1 The Bank at the time of purchase classifies its investment portfolio as mentioned in note 2.4.4.

4.4.2 Investments are initially recognized at fair value which, in case of investments other than ‘held-for-trading’, includes transaction cost associated with the investments. Transaction cost on ‘held-for-trading’ investments are expensed as incurred.

All ‘regular way’ purchases and sales of investments are recognized on the trade date, i.e., the date that the Bank commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of investments that require settlement within the time frame generally established by regulation or convention in the market place.

4.4.3 In accordance with the requirements of the SBP, quoted securities, other than those classified as ‘held-to-maturity’ and investments in subsidiaries, are carried at market value. Investments classified as ‘held-to-maturity’ are carried at amortized cost.

Unrealized surplus / (deficit) arising on revaluation of the Bank’s ‘held-for-trading’ investment portfolio is taken to the Profit and

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

Loss Account. Surplus / (deficit) arising on revaluation of quoted securities classified as 'available-for-sale' is kept in a separate account shown in the statement of financial position. The surplus and (deficit) arising on these securities is taken to the Profit and Loss Account when actually realized upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. A decline in the carrying value is charged to the Profit and Loss Account. A subsequent increase in the carrying value, upto the cost of the investment, is credited to the Profit and Loss Account. Investments in other unquoted securities are valued at cost less impairment, if any.

Provision for diminution in the value of securities (except for debentures, participation term certificates, sukuks and term finance certificates) is made after considering impairment, if any, in their value. Provision for diminution in value of debentures, participation term certificates, sukuks and term finance certificates are made in accordance with the requirements of Prudential Regulations issued by SBP.

**4.4.4** Investments in subsidiaries are stated at cost less impairment.

## **4.5 Advances**

### **a. Loans and advances**

Loans and advances are stated net of general and specific provisions. Specific provision against loans is determined in accordance with the requirements of the Prudential Regulations and other directives issued by SBP and charged to the Profit and Loss Account. General provision is maintained in accordance with the requirements of Prudential Regulations issued by SBP. The provision and reversal is charged to the Profit and Loss Account. Advances are written off when there are no realistic prospects of recovery.

### **b. Net investment in finance lease**

Leases, where the Bank transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the minimum lease payments, including un-guaranteed residual value, if any. Finance lease receivables are included in advances to the customers.

### **c. Islamic financing and related assets**

The Bank provides Islamic financing and related assets mainly through Murabaha, Ijarah, Istisna, Diminishing Musharakah, Business Musharakah, Salam and Musawamah. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. The profit on such financings is recognised in accordance with the principles of Islamic Shariah. The Bank determines specific and general provisions against Islamic financing and related assets in accordance with the requirements of the Prudential Regulations issued by the SBP. The net provision made or reversed during the year is charged to Profit and Loss Account and accumulated provision is netted off against Islamic financing and related assets. Islamic financing and related assets are written off when there are no realistic prospects of recovery.

## **4.6 Fixed assets and depreciation**

### **a. Tangible assets**

Property and equipment owned by the Bank, other than land and building, are stated at cost less accumulated depreciation and impairment losses, if any. Land is carried at revalued amount less any subsequent impairment losses if any, and is not depreciated while buildings are stated at cost or revalued amount less accumulated depreciation and any subsequent impairment losses, if any.

Depreciation is calculated using the straight line method, except buildings which are depreciated using the reducing balance method, to write down the cost of property and equipment to their residual values over their estimated useful lives. The rates at which the fixed assets are depreciated are disclosed in note 10.2. The residual values, useful lives and depreciation methods are reviewed and adjusted, if required. Adjustments in residual values, useful lives and depreciation methods are treated as change in accounting estimates.

Depreciation on additions is charged from the month the assets are available for use, while no depreciation is charged in the month in which the assets are disposed off.

When an asset or class of assets is revalued, any increase in the carrying amount arising on revaluation is recorded through other comprehensive income and credited to the revaluation reserve in equity. However, the increase shall be recognized in the Profit and Loss Account to the extent it reverses previously recognised revaluation decrease/

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

impairment loss of the same asset in the Profit and Loss Account, net of amortization or depreciation had no revaluation decrease/impairment been required for the asset in prior years. A decrease resulting from a revaluation is initially charged directly against any related revaluation surplus held in respect of that asset and the remaining portion being charged as an expense.

The surplus on revaluation of fixed assets to the extent of incremental depreciation (net of deferred tax) charged on the related assets is transferred directly to un-appropriated profit.

Revaluation of entire class of assets is carried out by independent professionally qualified valuers with sufficient regularity (every third year) to ensure that the carrying amount of the entire class of assets does not differ materially from their fair value.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in the Profit and Loss Account in the year the asset is derecognized, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to unappropriated profit.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Profit and Loss Account.

## b. Intangible assets

Intangible assets are carried at cost less any accumulated amortization and impairment losses, if any. The cost of intangible assets is amortized over their estimated useful lives, using the straight line method. Amortization is charged from the month the assets are available for use at the rate stated in note 11.2. The useful lives are reviewed and adjusted, if appropriate, at each reporting date.

## c. Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any.

## 4.7 Lease liability and right of use asset

The lease liability is initially measured at the present value of lease payments to be made over the term of the lease, discounted using the Bank's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest rate method. The carrying amount is remeasured/adjusted if there are changes in the future cash flows or the lease term.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date. On subsequent measurement, right-of-use assets are stated at cost less any accumulated depreciation and accumulated impairment losses and are adjusted for any remeasurement of the lease liability.

Right-of-use assets are depreciated on a straight line basis over the lease term as this method closely reflects the expected pattern of consumption of future economic benefits. Carrying amount of the lease liability is derecognised upon termination of the lease contract with corresponding adjustment to right-of-use asset. Gain or loss on termination of lease contract is recognised in the Profit and Loss Account.

The Bank has elected not to recognize a right-of-use asset and the corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Payments associated with these leases are recognized as an expense in the Profit or Loss Account on a straight-line basis.

## 4.8 Taxation

### a. Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the year.

### b. Prior

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments or changes in laws and changes in estimates made during the current year.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## c. Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences, at the reporting date between the amounts attributed to assets and liabilities for financial reporting purpose and amounts used for taxation purposes. Deferred tax is calculated at the rates that are expected to apply to the periods when the difference will reverse, based on tax rates that have been enacted or substantially enacted at the reporting date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Bank also recognizes a deferred tax asset or liability on deficit or surplus on revaluation of fixed assets, non-banking assets and investments which is adjusted against the related deficit or surplus in accordance with the requirements of IAS-12 'Income Taxes'.

## 4.9 Staff retirement and other benefits

### 4.9.1 Staff retirement schemes

#### a. For employees who opted for the 2002 scheme introduced by the management

An approved pension scheme (defined benefit scheme) under which the benefits on the basis of frozen basic salary, service length and age as on June 30, 2002 are payable to all employees whose date of joining the Bank is on or before July 01, 1992, i.e., who have completed ten years of continuous service as on June 30, 2002.

An approved gratuity scheme (defined benefit scheme) under which the benefits are payable as under:

- i. For members whose date of joining the Bank is on or before July 01, 1992, their services would be calculated starting from July 01, 2002 for gratuity benefit purposes.
- ii. For members whose date of joining the Bank is after July 01, 1992 their services would be taken at actual for the purpose of calculating the gratuity benefit. This rule will be applicable upon retirement or in service death only, in case of resignation gratuity will be payable from July 01, 2002, even if he or she had joined the Bank before July 01, 2002.

A contributory provident fund scheme to which equal contributions are made by the bank and the employees (defined contribution scheme).

#### b. For employees who did not opt for 2002 scheme

An approved pension scheme (defined benefit scheme) under which the benefits on the basis of frozen basic salary as on June 30, 2002 are payable to all employees opting continuation of the previous scheme and whose date of joining the Bank is on or before July 01, 1992, i.e., who had completed ten years of continuous service as on June 30, 2002.

In the light of decision of Honorable Supreme Court of Pakistan in SMC No. 20/2016 dated 13th February 2018 read with Order dated 3rd April 2018 passed in CRP No.72/2018 and Order dated 7th August 2018 in CrI.O.No. 98 and 99 of 2018 and after consultation with Bank's legal counsel, the monthly pension of eligible pensioners has been fixed with indexation levels for eligible pensioners effective from February 13, 2018.

#### c. Post-retirement medical benefits

The Bank provides post-retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefits on the basis of actuarial valuation carried out using the Projected Unit Credit Method.

Annual contributions towards the defined benefit schemes are made on the basis of actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in Other Comprehensive Income in the period of occurrence.

### 4.9.2 Other long term benefit

#### a. Employees' compensated absences

Employees' entitlement to annual leave is recognized when they accrue to employees, upto a maximum of 60 days. A provision is made for estimated liability for annual leaves as a result of services rendered by the employee against un-availed leaves, as per terms of service contract, up to the reporting date, based on actuarial valuation using Projected Unit Credit Method. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in Profit and Loss Account in the period of occurrence.



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## b. Compensation to certain class of employees

Bank has revised its retirement policy by reducing the retirement age to 58 years for class of employees effective January 01, 2018. Consequent to the revision, these employees shall be compensated with gross salary along with employer's contribution on provident fund and gratuity for the remaining period up to 60 years in addition to already defined post-employment benefits, payable at the time of retirement, if any.

## 4.10 Non-banking assets acquired in satisfaction of claims

Non-banking assets (NBA) acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation (excluding land). Revaluation by independent professionally qualified valuers, is carried out with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. Surplus arising on revaluation of NBA is credited to the 'surplus on revaluation of assets' account through statement of comprehensive income and any deficit arising on revaluation is taken to Profit and Loss Account directly. Legal fees, transfer costs and direct costs of acquiring title to property are charged to Profit and Loss Account and not capitalised.

## 4.11 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognized separately as part of other liabilities and is accrued to the Profit and Loss Account on time proportion basis. Deposits mobilized under Islamic Banking operations are generated under two modes i.e. 'Qard' and 'Mudaraba'. Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Mudaraba basis are classified as 'Saving deposits or Fixed deposits'.

## 4.12 Impairment

### a. Available-for-sale equity securities

The Bank determines that 'available-for-sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value of these investments below their cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates, among other factors, the normal volatility in share price in the case of listed equity securities. In addition, impairment may be appropriate when there is evidence of deterioration in the financial condition of the investee, industry and sector performance and changes in technology.

### b. Non-financial assets

The carrying amount of the Bank's assets (other than deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the relevant asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the Profit and Loss Account except for an impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the revaluation surplus. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

## 4.13 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Provision against identified losses on non-funded exposure is recognized when intimated and reasonable certainty exists for the Bank to settle the obligation. The loss is charged to the Profit and Loss Account net of expected recovery and is classified under other liabilities.

Provisions are reviewed at the reporting date and are adjusted to reflect the current best estimate.

## 4.14 Acceptances

Acceptances comprise of undertakings by the Bank to pay bills of exchange drawn on customers. Acceptances are recognised as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

## 4.15 Dividend distribution and appropriations

Bonus and cash dividend and other appropriations (except for the appropriations required by law), declared / approved subsequent to the reporting date are considered as non-adjusting event and are not recorded in financial statements of the current year. These are recognized in the period in which these are declared / approved.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## 4.16 Foreign currencies

### a. Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the reporting date. Foreign bills purchased are valued at spot rate and forward foreign exchange contracts are valued at forward rates applicable to their respective maturities.

### b. Foreign operations

The assets and liabilities of foreign operating branches are translated to Pakistan Rupee (PKR) at exchange rates prevailing at reporting date. The results of foreign operations are translated at the average exchange rate for the period.

### c. Translation gains and losses

Translation gains and losses arising on revaluation of net investments in foreign operations are taken to equity under "Exchange Translation Reserve" through Other Comprehensive Income and on disposal are recognised in Profit and Loss Account. Regular translation gains and losses are taken to Profit and Loss Account.

### d. Commitments

Commitments for outstanding forward contracts disclosed in these financial statements are translated at forward rates applicable to their respective maturities. Contingent liabilities or commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing on the reporting date.

## 4.17 Financial instruments

### 4.17.1 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Bank becomes a party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specific in the contract is extinguished. Any gain or loss on de-recognition of the financial asset and liability is recognised in the Profit and Loss Account of the current period. The particular recognition and subsequent measurement methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

### 4.17.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the Profit and Loss Account.

## 4.18 Off setting

Financial assets and financial liabilities are off set and the net amount is reported in the financial statements when there is a legally enforceable right to off set and the Bank intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

## 4.19 Revenue recognition

Revenue is recognized to the extent that the economic benefits will flow to the Bank and the revenue can be reliably measured. These are recognised as follows:

### a. Advances and investments

Mark-up, return on regular loans and advances and investments is recognized on a time proportion basis. Where debt securities are purchased at premium or discount, the same is amortized through the Profit and Loss Account using the effective interest rate method.

Interest or mark-up recoverable on classified loans, advances and investments is recognized on receipt basis. Interest, return or mark-up on classified, rescheduled or restructured loans and advances and investments is recognized as permitted by the regulations of the State Bank of Pakistan.

Dividend income is recognized when the right to receive the dividend is established.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

Gains and losses on sale of investments are recognized in the Profit and Loss Account.

## b. Lease financing

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealised income on classified leases is recognized on receipt basis.

Gains or losses on termination of lease contracts and other lease income are recognized when realized.

## c. Islamic financing and related assets

Profit on Business Musharakah financing is booked on accrual basis and is adjusted upon declaration of profit by Musharakah partners.

Ijarah and Diminishing Musharakah income is recognised on an accrual basis as and when the rental becomes due.

Murabaha, Musawamah and Salam income is recognised on deferred income basis.

Profit on Istisna financing is recognized on an accrual basis commencing from time of sale of goods till the realization of sale proceeds by the Bank.

## d. Fees, brokerage and commission

Fee, Commission and Brokerage income is recognized on an accrual basis except where, in the opinion of management, it would not be prudent to do so.

## 4.20 Business Segment reporting

A segment is a distinguishable component of the Bank that is subject to risks and rewards that are different from those of other segments. A business segment is one that is engaged either in providing certain products or services, whereas a geographical segment is one engaged in providing certain products or services within a particular economic environment. Segment information is presented as per the Bank's functional and management reporting structure. The Bank's primary segment reporting is based on following business segments:

### a. Corporate & investment banking

This segment offers a wide range of financial services to medium and large sized public and private sector entities and also covers overseas operation of the Bank. These services include, providing and arranging tenured financing, corporate advisory, underwriting, cash management, trade products, corporate finance products and customer services on all bank related matters.

### b. Trading and sales (Treasury)

This segment undertakes the Bank's treasury and money market activities.

### c. Commercial & retail banking

Commercial and retail banking provides services to commercial and retail customers including agriculture sector. It includes loans, deposits and other transactions with commercial and retail (conventional and Islamic) customers.

### d. Islamic Banking

Islamic banking provides Shariah compliant services to customers including loans, deposits and other transactions.

### e. Others

Others includes functions which cannot be classified in any of the above segments.

## 4.21 Derivative financial instruments

Geographically the Bank operates in Pakistan, Middle East and China.

## 4.22 Earnings per share

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

The Bank presents basic and diluted Earnings per Share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any

	Note	December 31, 2022	December 31, 2021
<b>Rupees in '000</b>			
<b>5 CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		28,210,054	22,823,155
Foreign currencies		974,226	967,027
		29,184,280	23,790,182
<b>Remittances in transit</b>		1,093,158	502,744
<b>With State Bank of Pakistan (SBP) in</b>			
Local currency current accounts	5.1	56,627,616	59,570,982
Foreign currency current account	5.2	77,448	54,580
Foreign currency deposit accounts (non-remunerative)	5.1	36,908	4,807,522
Foreign currency deposit accounts (remunerative)	5.3	59,118	9,588,566
		56,801,090	74,021,650
<b>With National Bank of Pakistan in</b>			
Local currency current accounts		561,719	25,567,776
<b>Prize Bonds</b>			
		264,616	518,163
		87,904,863	124,400,515

**5.1** Deposits with the State Bank of Pakistan (SBP) are maintained to comply with the cash reserve requirement, under section 22 of the Banking Companies Ordinance, 1962 and State Bank of Pakistan statutory requirements issued from time to time.

**5.2** This represents US\$ settlement account maintained with the State Bank of Pakistan (SBP).

**5.3** This represents special cash reserve maintained with the State Bank of Pakistan (SBP). The return on this account is declared by SBP on a monthly basis and carries mark-up at the rate of 0% to 3.14% (2021: 0%) per annum.

	Note	December 31, 2022	December 31, 2021
<b>Rupees in '000</b>			

## 6 BALANCES WITH OTHER BANKS

<b>In Pakistan</b>			
In current accounts		7,500	-
In deposit accounts		-	-
<b>Outside Pakistan</b>			
In current accounts		3,209,391	650,288
In deposit accounts	6.1	222,577	252,955
		3,439,468	903,243

**6.1** Balances with other banks outside Pakistan in deposit account carry interest rates of 0% to 0.25% (2021: 0.001%) per annum.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	Note	December 31, 2022	December 31, 2021
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Rupees in '000

## 7 LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings - local currency		-	6,000,000
Call money lendings - foreign currency	7.1	3,622,894	-
Repurchase agreement lendings (Reverse Repo)	7.2 & 7.6	21,599,301	39,452,910
Musharaka lendings	7.3	3,000,000	-
Bai Muajjal receivable from:			
- State Bank of Pakistan		-	-
Certificates of investment	7.4	70,000	70,000
		28,292,195	45,522,910
Less: Provision held against lendings to financial institutions	7.4 & 7.7	(70,000)	(70,000)
Lendings to financial institutions - net of provision		28,222,195	45,452,910

**7.1** These represent foreign currency call money lendings to financial institutions at the mark-up rate of 5.1% to 7.95% (2021: Nil) per annum, maturing latest by March 20, 2023.

**7.2** These are short-term local currency lendings to financial institutions against government securities as shown in note 7.6 below. These carry mark-up at the rate of 16% to 16.1% (2021: 9.75% to 10.75%) per annum, maturing on January 03, 2023.

**7.3** These represent local currency lendings to financial institutions by Islamic banking business under Musharaka agreement at expected profit of 16% (2021: Nil) per annum, maturing on January 03, 2023.

**7.4** This represents local currency classified certificates of investment and related provisioning, amounting to Rs. 70 million (2021: Rs. 70 million).

	December 31, 2022	December 31, 2021
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Rupees in '000

### 7.5 Particulars of lending

In local currency	24,669,301	45,522,910
In foreign currencies	3,622,894	-
	28,292,195	45,522,910

	December 31, 2022			December 31, 2021		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total

Rupees in '000

### 7.6 Securities held as collateral against lending to financial institutions

Pakistan Investment Bonds	-	-	-	14,183,352	-	14,183,352
Market Treasury Bills	21,599,301	-	21,599,301	25,269,558	-	25,269,558
	21,599,301	-	21,599,301	39,452,910	-	39,452,910



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2022		December 31, 2021	
	Classified Lending	Provision Held	Classified Lending	Provision Held
Rupees in '000				
<b>7.7 Category of classification</b>				
<b>Domestic</b>				
Other Assets Especially Mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	70,000	70,000	70,000	70,000
	<b>70,000</b>	<b>70,000</b>	<b>70,000</b>	<b>70,000</b>

## 8 INVESTMENTS

	December 31, 2022				December 31, 2021				
	Note	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000									
<b>8.1 Investments by type:</b>									
<b>Held-for-trading securities</b>									
Federal Government Securities		139,467	-	(134)	139,333	126,081	-	2	126,083
Open Ended Mutual Funds and Pension Funds		4,239,175	(1,100)	(138,653)	4,099,422	2,457,809	-	(62,713)	2,395,096
		<b>4,378,642</b>	<b>(1,100)</b>	<b>(138,787)</b>	<b>4,238,755</b>	<b>2,583,890</b>	<b>-</b>	<b>(62,711)</b>	<b>2,521,179</b>
<b>Available-for-sale securities</b>									
Federal Government Securities*		1,051,634,469	(309,078)	(32,350,404)	1,018,974,987	972,895,729	(1,807)	(9,403,483)	963,490,439
Shares		18,642,536	(1,670,628)	573,308	17,545,216	16,598,013	(1,726,160)	2,496,231	17,368,084
Non Government Debt Securities		26,593,534	(21,071)	(34,153)	26,538,310	25,350,035	(21,071)	150,924	25,479,888
Foreign Securities		1,770	-	-	1,770	1,037,692	-	-	1,037,692
Open Ended Mutual Funds		25,000	-	(2,549)	22,451	25,000	-	(780)	24,220
	8.4	<b>1,096,897,309</b>	<b>(2,000,777)</b>	<b>(31,813,798)</b>	<b>1,063,082,734</b>	<b>1,015,906,469</b>	<b>(1,749,038)</b>	<b>(6,757,108)</b>	<b>1,007,400,323</b>
<b>Held-to-maturity securities</b>									
Federal Government Securities		59,395,021	-	-	59,395,021	56,468,494	-	-	56,468,494
Non Government Debt Securities		320,637	(320,637)	-	-	344,260	(344,260)	-	-
	8.5	<b>59,715,658</b>	<b>(320,637)</b>	<b>-</b>	<b>59,395,021</b>	<b>56,812,754</b>	<b>(344,260)</b>	<b>-</b>	<b>56,468,494</b>
<b>Total Investments</b>		<b>1,160,991,609</b>	<b>(2,322,514)</b>	<b>(31,952,585)</b>	<b>1,126,716,510</b>	<b>1,075,303,113</b>	<b>(2,093,298)</b>	<b>(6,819,819)</b>	<b>1,066,389,996</b>
<b>8.2 Investments by segments:</b>									
<b>Federal Government Securities</b>									
Market Treasury Bills		100,236,514	-	(970,586)	99,265,928	455,866,245	-	(1,045,190)	454,821,055
Pakistan Investment Bonds		973,127,649	-	(19,875,770)	953,251,879	553,427,682	-	(8,801,215)	544,626,467
GOP Ijarah Sukuks		13,075,605	-	(67,540)	13,008,065	9,500,000	-	(95,850)	9,404,150
GOP Sukuks (US\$)		-	-	-	-	-	-	-	-
Naya Pakistan Certificate		2,021,081	-	-	2,021,081	772,649	-	-	772,649
Foreign Currency Bonds (US\$)		22,708,108	(309,078)	(11,436,642)	10,962,388	7,078,137	(1,807)	538,774	7,615,104
GOP Ijarah Sukuks - Bai Muajjal Placement		-	-	-	-	2,845,591	-	-	2,845,591
		<b>1,111,168,957</b>	<b>(309,078)</b>	<b>(32,350,538)</b>	<b>1,078,509,341</b>	<b>1,029,490,304</b>	<b>(1,807)</b>	<b>(9,403,481)</b>	<b>1,020,085,016</b>
<b>Shares</b>									
Listed Companies		18,239,796	(1,646,464)	573,308	17,166,640	16,186,833	(1,710,910)	2,496,231	16,972,154
Unlisted Companies		402,740	(24,164)	-	378,576	411,180	(15,250)	-	395,930
Units of open-ended mutual funds		4,264,175	(1,100)	(141,202)	4,121,873	2,482,809	-	(63,493)	2,419,316
		<b>22,906,711</b>	<b>(1,671,728)</b>	<b>432,106</b>	<b>21,667,089</b>	<b>19,080,822</b>	<b>(1,726,160)</b>	<b>2,432,738</b>	<b>19,787,400</b>
<b>Non Government Debt Securities</b>									
Listed		13,642,997	(79,876)	(34,153)	13,528,968	15,397,128	(103,499)	150,924	15,444,553
Unlisted		13,271,174	(261,832)	-	13,009,342	10,297,167	(261,832)	-	10,035,335
		<b>26,914,171</b>	<b>(341,708)</b>	<b>(34,153)</b>	<b>26,538,310</b>	<b>25,694,295</b>	<b>(365,331)</b>	<b>150,924</b>	<b>25,479,888</b>
<b>Foreign Securities</b>									
Equity securities		1,770	-	-	1,770	1,037,692	-	-	1,037,692
<b>Total Investments</b>		<b>1,160,991,609</b>	<b>(2,322,514)</b>	<b>(31,952,585)</b>	<b>1,126,716,510</b>	<b>1,075,303,113</b>	<b>(2,093,298)</b>	<b>(6,819,819)</b>	<b>1,066,389,996</b>

\* Provision for diminution against federal government securities represents expected credit loss provisioning under IFRS 9 on portfolio pertaining to overseas branch.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	Note	December 31, 2022	December 31, 2021
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Rupees in '000

## 8.2.1 Investments given as collateral

Market Treasury Bills		9,885,340	220,234,899
Pakistan Investment Bonds		402,614,187	81,656,107
Euro Bonds		-	1,647,863
<b>Total Investments given as collateral</b>		<b>412,499,527</b>	<b>303,538,869</b>

## 8.3 Provision for diminution in value of investments

Opening balance		2,093,298	2,433,232
Exchange adjustments		3,795	254
<b>Charge and reversals</b>			
Charge for the year		313,489	-
Reversals for the year		(23,622)	(10,753)
		289,867	(10,753)
Reversal on disposals		(64,446)	(329,435)
<b>Closing Balance</b>		<b>2,322,514</b>	<b>2,093,298</b>

	December 31, 2022		December 31, 2021	
	NPI*	Provision	NPI*	Provision

Rupees in '000

### 8.3.1 Particulars of provision against debt securities

#### Category of classification

#### Domestic

Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	341,708	341,708	365,331	365,331
	341,708	341,708	365,331	365,331

#### Overseas

Not past due but impaired**	14,772,409	309,078	889,292	1,807
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
<b>Total</b>	<b>15,114,117</b>	<b>650,786</b>	<b>1,254,623</b>	<b>367,138</b>

\* NPI stands for Non Performing Investments.

\*\* Provision represents expected credit loss provisioning in overseas branch.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2022	December 31, 2021
	Cost	
	Rupees in '000	

## 8.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

### Federal Government Securities - Government guaranteed

Market Treasury Bills	100,119,411	455,740,164
Pakistan Investment Bonds	913,710,264	499,804,779
GOP Sukuks (US\$)	-	-
Naya Pakistan Certificate	2,021,081	772,649
Foreign Currency Bonds (US\$)	22,708,108	7,078,137
GOP Ijarah Sukuks	13,075,605	9,500,000
	<u>1,051,634,469</u>	<u>972,895,729</u>

### Shares

#### Listed Companies

Power Generation and Distribution	2,045,970	2,283,161
Oil & Gas Exploration Companies	4,817,258	4,851,828
Fertilizer	3,063,144	3,279,237
Commercial Banks	5,757,304	3,216,487
Oil & Gas Marketing Companies	1,043,460	1,043,460
Real Estate Investment Trust	997,589	997,589
Chemical	323,508	323,508
Leasing Companies	89,322	89,322
Close-end Mutual Funds	51,603	51,603
Investment Banks	50,000	50,000
Cement	638	638
	<u>18,239,796</u>	<u>16,186,833</u>

	December 31, 2022		December 31, 2021	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			

#### Unlisted Companies

Habib Allied Holding Limited	-	-	1,035,922	1,141,856
1 Link Private Limited	50,000	537,279	50,000	267,895
Central Depository Company of Pakistan Limited	40,300	61,941	40,300	65,546
ISE Towers REIT Management Company Limited	30,346	52,988	30,346	50,902
First Women Bank Limited	21,200	64,219	21,200	72,287
LSE Financial Services Limited	-	-	8,440	20,534
SME Bank Limited	5,250	-	5,250	-
Arabian Sea Country Club Limited	5,000	-	5,000	351
Eastern Capital Limited	5,000	-	5,000	-
SWIFT	1,770	13,500	1,770	8,840
NIFT	1,527	44,622	1,527	35,899
PASSCO	1,000	645,805	1,000	627,021
Pakistan Corporate Restructuring Company	43,117	34,203	43,117	43,117
	<u>404,510</u>	<u>1,808,877</u>	<u>1,448,872</u>	<u>2,837,598</u>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	Note	December 31, 2022	December 31, 2021
Cost			
Rupees in '000			
<b>Non Government Debt Securities</b>			
<i>Listed</i>			
- AAA		500,000	500,000
- AA+, AA, AA-		4,188,121	4,295,629
- A+, A, A-		375,000	500,000
- <i>Unrated</i>		8,500,000	8,500,000
	8.4.1	<u>13,563,121</u>	<u>13,795,629</u>
<i>Unlisted</i>			
- AAA		9,316,740	4,950,000
- AA+, AA, AA-		3,135,000	5,234,280
- A+, A, A-		557,602	1,349,055
- <i>Unrated</i>		21,071	21,071
	8.4.2	<u>13,030,413</u>	<u>11,554,406</u>

**8.4.1** This includes listed non-government debt securities amounting to Rs. 8,500 million (2021: Rs. 8,500 million) guaranteed by the Government.

**8.4.2** This includes unlisted non-government debt securities amounting to Rs. 1,470 million (2021: Rs. 2,250 million) guaranteed by the Government.

<b>Open Ended Mutual Funds</b>			
Allied Finergy Fund		25,000	25,000
		<u>25,000</u>	<u>25,000</u>

<b>Foreign Securities</b>			
<i>Equity Securities - Unlisted</i>			
Habib Allied Holding Limited		-	1,035,922
SWIFT		1,770	
		<u>1,770</u>	<u>1,035,922</u>

**8.5** Particulars relating to Held to Maturity securities are as follows:

<b>Federal Government Securities - Government guaranteed</b>			
Pakistan Investment Bonds		59,395,021	53,622,903
GOP Ijarah Sukuks - Bai Muajjal Placement		-	2,845,591
		<u>59,395,021</u>	<u>56,468,494</u>
<b>Non Government Debt Securities</b>			
<i>Listed</i>			
- Unrated		<u>79,876</u>	<u>103,499</u>
<i>Unlisted</i>			
- Unrated		<u>240,761</u>	<u>240,761</u>

**8.5.1** The market value of securities classified as held-to-maturity as at December 31, 2022 amounted to Rs. 51,708.9 million (December 31, 2021: Rs. 50,857.5 million). This represents the market value of Pakistan Investment Bonds.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	Note	Performing		Non Performing		Total	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Rupees in '000							
<b>9 ADVANCES</b>							
Loans, cash credits, running finances, etc.	9.1	773,528,741	567,481,859	11,718,805	12,188,573	785,247,546	579,670,432
Islamic financing and related assets	A-II. 3	66,745,947	82,203,444	9,675	-	66,755,622	82,203,444
Bills discounted and purchased		2,688,351	2,644,451	1,375,202	1,412,187	4,063,553	4,056,638
<b>Advances - gross</b>	9.2	842,963,039	652,329,754	13,103,682	13,600,760	856,066,721	665,930,514
<b>Provision against advances</b>							
Specific	9.3 & 9.4	-	-	(11,738,558)	(12,750,397)	(11,738,558)	(12,750,397)
General	9.4	(109,603)	(100,355)	-	-	(109,603)	(100,355)
		(109,603)	(100,355)	(11,738,558)	(12,750,397)	(11,848,161)	(12,850,752)
<b>Advances - net of provision</b>		842,853,436	652,229,399	1,365,124	850,363	844,218,560	653,079,762

	December 31, 2022				December 31, 2021			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
Rupees in '000								

## 9.1 Includes Net investment in finance lease as described below

Lease rentals receivable	785,930	1,266,673	106,622	2,159,225	617,072	1,065,661	174,254	1,856,987
Residual value	301,075	570,039	52,399	923,513	113,658	530,200	217,360	861,218
Minimum lease payments	1,087,005	1,836,712	159,021	3,082,738	730,730	1,595,861	391,614	2,718,205
Financial charges for future periods	(195,928)	(157,909)	(3,150)	(356,987)	(128,768)	(142,878)	(13,290)	(284,936)
Present value of minimum lease payments	891,077	1,678,803	155,871	2,725,751	601,962	1,452,983	378,324	2,433,269

December 31, 2022      December 31, 2021  
Rupees in '000

## 9.2 Particulars of advances (Gross)

In local currency	850,542,324	651,918,872
In foreign currencies	5,524,397	14,011,642
	856,066,721	665,930,514

## 9.3 Advances include Rs. 13,103.682 million (2021: Rs. 13,600.760 million) which have been placed under non-performing status as detailed below:

	December 31, 2022		December 31, 2021	
	None Performing Lons	Specific Provision	None Performing Lons	Specific Provision
Rupees in '000				

### Category of Classification

#### Domestic

Other Assets Especially Mentioned	307,993	237	21,390	623
Substandard	133,674	33,222	713,919	177,740
Doubtful	1,159,780	579,890	586,834	293,417
Loss	11,502,235	11,125,209	12,278,617	12,278,617
	13,103,682	11,738,558	13,600,760	12,750,397



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## 9.4 Particulars of provision against advances

	Note	December 31, 2022			December 31, 2021		
		Specific	General	Total	Specific	General	Total
Rupees in '000							
Opening balance		12,750,397	100,355	12,850,752	13,632,529	109,459	13,741,988
Exchange adjustments		-	13,589	13,589	-	2,271	2,271
Charge for the year		528,225	75,430	603,655	337,741	49,901	387,642
Reversals	9.5	(998,280)	(79,771)	(1,078,051)	(1,133,844)	(61,276)	(1,195,120)
		(470,055)	(4,341)	(474,396)	(796,103)	(11,375)	(807,478)
Amounts written off	9.6	(541,784)	-	(541,784)	(86,029)	-	(86,029)
Closing balance		11,738,558	109,603	11,848,161	12,750,397	100,355	12,850,752
<b>9.4.1</b>	In local currency	11,222,179	70,156	11,292,335	12,335,885	19,016	12,354,901
	In foreign currencies	516,379	39,447	555,826	414,512	81,339	495,851
		11,738,558	109,603	11,848,161	12,750,397	100,355	12,850,752

**9.4.2** Exposure amounting to Rs: 4,827.184 million relating to Power Holding Limited (PHL) which is guaranteed by the Government of Pakistan, has not been classified as non-performing, in accordance with a relaxation given by the SBP. However, markup income has been suspended on this amount and is only recognized when received. The relaxation is valid upto February 28, 2023.

**9.4.3** No benefit of forced sale value of the collaterals held by the Group has been taken while determining the provision against non-performing loans as allowed under BSD circular No. 01 dated October 21, 2011.

**9.5** This includes reversal of provision on account of a non performing loan, classified as loss, settled against Debt Property Swap amounting to Rs. 103 million (2021: Rs. Nil).

	Note	December 31, 2022	December 31, 2021
Rupees in '000			

## 9.6 Particulars of write-offs

<b>9.6.1</b>	Against provisions		541,784	86,029
	Directly charged to Profit and Loss account		-	-
			541,784	86,029
<b>9.6.2</b>	Write-offs of Rs. 500,000 and above - Domestic	9.7	541,784	86,029
	Write-offs of below Rs. 500,000		-	-
			541,784	86,029

## 9.7 Details of loan write-off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the Statement in respect of written-off loans or any other financial relief of five hundred thousand rupees and above allowed to a person(s) during the year ended December 31, 2022 is given in Annexure-'I' of the unconsolidated financial statements. However, these write-offs do not affect the Bank's right to recover debts from these customers.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	Note	December 31, 2022	December 31, 2021	
Rupees in '000				
<b>10</b>	<b>FIXED ASSETS</b>			
	Capital work-in-progress	10.1	4,317,914	3,630,604
	Property and equipment	10.2	69,623,941	66,962,119
	Right-of-Use Assets	10.3	7,881,981	7,757,831
			<u>81,823,836</u>	<u>78,350,554</u>
<b>10.1</b>	<b>CAPITAL WORK-IN-PROGRESS</b>			
	Civil works		3,304,808	2,901,559
	Equipment		44,592	-
	Advances to suppliers		968,514	729,045
			<u>4,317,914</u>	<u>3,630,604</u>

December 31, 2022									
	Freehold Land	Leasehold Land	Building on Freehold Land	Building on Leasehold Land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Building Improvements (Leased Premises)	Total
Rupees in '000									

## 10.2 Property and Equipment

<b>At January 1, 2022</b>									
Cost / Revalued amount	28,315,144	12,319,030	11,689,482	4,972,177	2,669,577	18,622,559	1,648,261	6,313,132	86,549,362
Accumulated depreciation	-	-	(553,107)	(217,537)	(1,546,874)	(12,380,102)	(746,811)	(4,435,879)	(19,880,310)
<b>Net book value</b>	<b>28,315,144</b>	<b>12,319,030</b>	<b>11,136,375</b>	<b>4,754,640</b>	<b>1,122,703</b>	<b>6,242,457</b>	<b>901,450</b>	<b>1,877,253</b>	<b>66,669,052</b>
<b>Year ended December 31, 2022</b>									
Opening net book value	28,578,481	12,319,030	11,136,375	4,754,640	1,126,970	6,260,321	902,670	1,877,253	66,955,740
Additions	1,340,650	363,224	1,760,861	300,963	229,977	2,098,891	45,241	980,028	7,119,835
Net disposal (book value)	-	-	(12,290)	(13,752)	(561)	(10,418)	(1,396)	(6)	(38,423)
Depreciation charge	-	-	(610,512)	(244,023)	(215,095)	(1,995,906)	(294,314)	(748,346)	(4,108,196)
Exchange rate adjustments	-	-	(7)	-	(12)	130	(24)	(24)	63
Other adjustments	(260,180)	-	(37,388)	(7,510)	-	-	-	-	(305,078)
Other transfers	(4,357)	4,357	(3,709)	(1,891)	-	-	-	5,600	-
<b>Closing net book value</b>	<b>29,654,594</b>	<b>12,686,611</b>	<b>12,233,330</b>	<b>4,788,427</b>	<b>1,141,279</b>	<b>6,353,018</b>	<b>652,177</b>	<b>2,114,505</b>	<b>69,623,941</b>
<b>At December 31, 2022</b>									
Cost / Revalued amount	29,654,594	12,686,611	13,394,912	5,247,888	2,877,350	20,469,424	1,685,325	7,297,400	93,313,504
Accumulated depreciation	-	-	(1,161,582)	(459,461)	(1,736,071)	(14,116,406)	(1,033,148)	(5,182,895)	(23,689,563)
<b>Net book value</b>	<b>29,654,594</b>	<b>12,686,611</b>	<b>12,233,330</b>	<b>4,788,427</b>	<b>1,141,279</b>	<b>6,353,018</b>	<b>652,177</b>	<b>2,114,505</b>	<b>69,623,941</b>
Rate of depreciation (percentage)	-	-	5%	5%	10%	14.28% -50%	20%	20%	

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2021								
	Freehold Land	Leasehold Land	Building on Freehold Land	Building on Leasehold Land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Building Improvements (Leased Premises)	Total
Rupees in '000									
<b>At January 1, 2021</b>									
Cost / Revalued amount	26,994,014	12,213,964	10,690,530	4,766,961	2,425,566	16,596,186	1,341,997	5,641,330	80,670,548
Accumulated depreciation	-	-	-	-	(1,400,675)	(11,080,962)	(728,225)	(3,729,571)	(16,939,433)
<b>Net book value</b>	<b>26,994,014</b>	<b>12,213,964</b>	<b>10,690,530</b>	<b>4,766,961</b>	<b>1,024,891</b>	<b>5,515,224</b>	<b>613,772</b>	<b>1,911,759</b>	<b>63,731,115</b>
<b>Year ended December 31, 2021</b>									
Opening net book value	26,994,014	12,213,964	10,690,530	4,766,961	1,024,891	5,515,224	613,772	1,911,759	63,731,115
Additions	1,845,283	396,066	1,286,220	356,649	297,366	2,181,882	550,337	703,272	7,617,075
Net disposal (book value)	(250,000)	(291,000)	(863)	(110,803)	(1,760)	(10,353)	(26,114)	(2,678)	(693,571)
Depreciation charge	-	-	(553,135)	(236,532)	(198,974)	(1,748,692)	(234,681)	(720,410)	(3,692,424)
Exchange rate adjustments	-	-	-	-	(1)	(2)	(7)	(66)	(76)
Other adjustments / transfers	(14,465)	-	(286,377)	(21,635)	5,654	331,447	-	(14,624)	-
<b>Closing net book value</b>	<b>28,574,832</b>	<b>12,319,030</b>	<b>11,136,375</b>	<b>4,754,640</b>	<b>1,127,176</b>	<b>6,269,506</b>	<b>903,307</b>	<b>1,877,253</b>	<b>66,962,119</b>
<b>At December 31, 2021</b>									
Cost / Revalued amount	28,574,832	12,319,030	11,689,482	4,972,177	2,679,939	18,725,150	1,654,429	6,313,132	86,928,171
Accumulated depreciation	-	-	(553,107)	(217,537)	(1,552,763)	(12,455,644)	(751,122)	(4,435,879)	(19,966,052)
<b>Net book value</b>	<b>28,574,832</b>	<b>12,319,030</b>	<b>11,136,375</b>	<b>4,754,640</b>	<b>1,127,176</b>	<b>6,269,506</b>	<b>903,307</b>	<b>1,877,253</b>	<b>66,962,119</b>
<b>Rate of depreciation (percentage)</b>	<b>-</b>	<b>-</b>	<b>5%</b>	<b>5%</b>	<b>10%</b>	<b>14.28% -50%</b>	<b>20%</b>	<b>20%</b>	

	Note	December 31, 2022	December 31, 2021
Rupees in '000			

### 10.3 Movement in Right-of-use Assets is as follows:

Opening Balance		7,757,831	7,279,879
Additions / Adjustments		1,976,253	2,298,921
Derecognition		(138,815)	(118,328)
Depreciation		(1,720,161)	(1,705,200)
Exchange Rate Adjustment		6,873	2,559
Closing Net Book Value		<b>7,881,981</b>	<b>7,757,831</b>

10.4 The Group arranged for valuation of all Land and Buildings as at December 31, 2020 from five independent valuers {Sadruddin Associates (Private) Limited, Unicorn International Surveyors, Indus Surveyors (Private) Limited, A1 Warda Engineering Services and Harvester Services (Private) Limited}. The revalued amounts of properties have been determined on the basis of market value. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

- Land (Freehold and leasehold)		21,913,322	20,569,957
- Building		12,882,687	11,534,343

10.5 Fair value of property and equipment excluding land and buildings is not expected to be materially different from their carrying amount.

	Note	December 31, 2022	December 31, 2021
Rupees in '000			

10.6 Incremental depreciation charged during the year transferred to unappropriated profit	20.1	217,844	229,298
10.7 Restriction / discrepancy in the title of property having a net book value of		200,085	56,689
10.8 The cost of fully depreciated assets that are still in use:			
Furniture and fixtures		885,784	738,638
Electrical, office and computer equipments		7,618,368	7,011,071
Vehicles		233,226	181,623
Leasehold Improvements		3,445,686	2,794,456

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	Note	December 31, 2022	December 31, 2021	
Rupees in '000				
<b>10.9</b>	The carrying amount of property and equipment that have retired from active use and held for disposal	96,200	52,963	
<b>11</b>	<b>INTANGIBLE ASSETS</b>			
	Capital work in progress	11.1	275,227	237,246
	Intangible Assets	11.2	2,697,918	2,638,729
			2,973,145	2,875,975
<b>11.1</b>	<b>Capital work in progress</b>			
	Softwares		272,353	226,708
	Advances for softwares to suppliers		2,874	10,538
			275,227	237,246
		<b>December 31, 2022</b>		
		<b>Computer software</b>	<b>Others</b>	<b>Total</b>
		<b>Rupees in '000</b>		
<b>11.2</b>	<b>Intangible Assets</b>			
	<b>At January 1, 2022</b>			
	Cost	5,311,094	-	5,311,094
	Accumulated amortisation and impairment	(2,663,123)	-	(2,663,123)
	<b>Net book value</b>	<b>2,647,971</b>	<b>-</b>	<b>2,647,971</b>
	<b>Year ended December 31, 2022</b>			
	Opening net book value	2,647,971	-	2,647,971
	Additions:			
	Directly purchased	571,273	-	571,273
	Disposals cost	-	-	-
	Disposals accumulated depreciation	-	-	-
		-	-	-
	Amortisation charge	(521,326)	-	(521,326)
	<b>Closing net book value</b>	<b>2,697,918</b>	<b>-</b>	<b>2,697,918</b>
	<b>At December 31, 2022</b>			
	Cost	5,882,367	-	5,882,367
	Accumulated amortisation and impairment	(3,184,449)	-	(3,184,449)
	<b>Net book value</b>	<b>2,697,918</b>	<b>-</b>	<b>2,697,918</b>
	<b>Rate of amortisation (percentage)</b>	5% to 14.28%		
	<b>Useful life</b>	7 to 20 Years		

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2021		
	Computer software	Others	Total
	Rupees in '000		
<b>At January 1, 2021</b>			
Cost	4,495,037	-	4,495,037
Accumulated amortisation and impairment	(2,277,452)	-	(2,277,452)
<b>Net book value</b>	<b>2,217,585</b>	<b>-</b>	<b>2,217,585</b>
<b>Year ended December 31, 2021</b>			
Opening net book value	2,217,585	-	2,217,585
Additions:			
Directly purchased	833,513	-	833,513
Disposals cost	(516)	-	(516)
Disposals accumulated depreciation	497	-	497
	(19)	-	(19)
Amortisation charge	(412,350)	-	(412,350)
<b>Closing net book value</b>	<b>2,638,729</b>	<b>-</b>	<b>2,638,729</b>
<b>At December 31, 2021</b>			
Cost	5,328,034	-	5,328,034
Accumulated amortisation and impairment	(2,689,305)	-	(2,689,305)
<b>Net book value</b>	<b>2,638,729</b>	<b>-</b>	<b>2,638,729</b>
<b>Rate of amortisation (percentage)</b>	5% to 14.28%		
<b>Useful life</b>	7 to 20 Years		
		<b>December 31,</b>	<b>December 31,</b>
		<b>2022</b>	<b>2021</b>
		<b>Rupees in '000</b>	
<b>11.3</b>	The cost of fully amortized assets that are still in use:		
		<b>613,068</b>	<b>561,805</b>
	Intangible assets - software		



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

December 31, 2022				
	At January 1, 2022	Recognised in profit and loss account	Recognised in other comprehensive Income	At December 31, 2022
Rupees in '000				
<b>12 DEFERRED TAX ASSETS</b>				
Deductible Temporary Differences on				
Provision against:				
- Investments	19,093	-	-	19,093
- Other assets	38,959	-	-	38,959
- Off balance sheet obligations	14,824	-	-	14,824
- Advances	261,344	99,049	-	360,393
- Deficit on revaluation of investments	2,644,679	12,574	11,044,661	13,701,914
- Actuarial losses	336,000	-	(27,970)	308,030
- Investment in finance lease liabilities	2,531	-	-	2,531
- Post retirement medical benefits	49,639	-	-	49,639
- Workers welfare fund	1,052,003	526,567	-	1,578,570
	4,419,072	638,190	11,016,691	16,073,953
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	(1,699,102)	93,673	(174,372)	(1,779,801)
- Accelerated tax depreciation or amortization	(1,182,579)	(45,980)	-	(1,228,559)
- Surplus on revaluation of non banking assets	(16,780)	1,709	-	(15,071)
- Excess of investment in finance lease over written down value of leased assets	(13,206)	-	-	(13,206)
	(2,911,667)	49,402	(174,372)	(3,036,637)
	1,507,405	687,592	10,842,319	13,037,316

December 31, 2021				
	At January 1, 2021	Recognised in profit and loss account	Recognised in other comprehensive Income	At December 31, 2021
Rupees in '000				
Deductible Temporary Differences on				
Provision against:				
- Investments	19,093	-	-	19,093
- Other assets	38,959	-	-	38,959
- Off balance sheet obligations	14,824	-	-	14,824
- Advances	229,476	31,868	-	261,344
- Deficit on revaluation of investments	(2,626,892)	10,787	5,260,784	2,644,679
- Post retirement gratuity benefits	51,035	(1,380)	(16)	49,639
- Actuarial losses	364,286	-	(28,286)	336,000
- Workers welfare fund	736,933	315,070	-	1,052,003
- Investment in finance lease liabilities	1,551	980	-	2,531
	(1,170,735)	357,325	5,232,482	4,419,072
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	(1,598,517)	99,677	(200,262)	(1,699,102)
- Surplus on revaluation of non banking assets	(11,057)	(5,724)	1	(16,780)
- Accelerated tax depreciation / amortization	(1,184,933)	2,354	-	(1,182,579)
- Excess of investment in finance lease over written down value of leased assets	(13,206)	-	-	(13,206)
	(2,807,713)	96,307	(200,261)	(2,911,667)
	(3,978,448)	453,632	5,032,221	1,507,405

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	Note	December 31, 2022	December 31, 2021
Rupees in '000			
<b>13 OTHER ASSETS</b>			
Income / Mark-up accrued in local currency - net of provision		49,449,867	21,433,740
Income / Mark-up accrued in foreign currency - net of provision		1,368,623	430,467
Advances, deposits, advance rent and other prepayments		2,199,847	1,681,674
Advance taxation (payments less provisions)		-	3,550,725
Non-banking assets acquired in satisfaction of claims	13.1	603,545	571,346
Branches adjustment account		22,909	-
Prepaid exchange risk fee		-	-
Mark to market gain on forward foreign exchange contracts		88,177	-
Mark to market gain on forward government securities transactions		5,613	-
Acceptances		4,249,363	5,646,815
Due from the employees' retirement benefit schemes - Pension fund	35.4	4,943,030	4,379,974
Fraud and forgeries		508,935	523,692
Stationery and stamps in hand		554,145	475,818
Overdue foreign bills negotiated or discounted		213,136	132,573
Home Remittance Cell agent receivable		3,511	659
Receivable from State Bank of Pakistan		29,684	934,298
Charges receivable		40,497	33,291
ATM / Point of Sale settlement account		1,041,549	-
Suspense account		122	3,012
Others		68,137	24,632
		65,390,690	39,822,716
Less: Provision held against other assets	13.2	(755,808)	(760,152)
Other assets (net of provision)		64,634,882	39,062,564
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		901,797	955,956
Other assets - net		65,536,679	40,018,520

## 13.1 Market value of non-banking assets acquired in satisfaction of claims

1,505,342      1,527,302

Full-scope revaluation was carried out at December 31, 2022 through four independent valuers approved by Pakistan Banks' Association (Tristar International Consultant Private Limited, Sadruddin Associates Private Limited, Hamid Mukhtar & Co. Private Limited and Harvester Services Private Limited). The revalued amounts of properties have been determined on the basis of market rates depending upon physical verification and general appearance of the site.

	December 31, 2022	December 31, 2021
Rupees in '000		
<b>13.1.1 Non banking assets acquired in satisfaction of claims</b>		
Opening balance	1,527,302	1,442,246
Constructions / additions	105,164	721
Revaluation	74,985	389,355
Disposals	(26,823)	(120,696)
Transfers	(167,120)	(178,704)
Depreciation	(8,166)	(5,620)
Closing balance	1,505,342	1,527,302

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	Note	December 31, 2022	December 31, 2021
Rupees in '000			
<b>13.1.2 Gain / Loss on Disposal of Non banking assets acquired in satisfaction of claims</b>			
Disposal proceeds		23,760	153,175
Less:			
Cost		(26,857)	(120,700)
Impairment / Depreciation		34	4
		(26,823)	(120,696)
Gain / (loss)		(3,063)	32,479
<b>13.2 Provision held against other assets</b>			
Advances, deposits, advance rent and other prepayments		131,125	153,018
Provision against fraud and forgeries		508,935	523,692
Overdue Foreign Bills Negotiated and Discounted		24,295	24,295
Charges receivable		39,600	28,811
Others		51,853	30,336
		755,808	760,152
<b>13.2.1 Movement in provision held against other assets</b>			
Opening balance		760,152	756,559
Charge for the year		111,279	70,766
Reversals		(101,280)	(7,264)
Net charge		9,999	63,502
Written off and adjusted		(14,343)	(59,909)
Closing balance		755,808	760,152
<b>14 CONTINGENT ASSETS</b>			
There were no contingent assets of the Bank as at December 31, 2022 and December 31, 2021.			
<b>15 BILLS PAYABLE</b>			
In Pakistan		14,159,643	10,059,879
<b>16 BORROWINGS</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan			
Repurchase agreement borrowings	16.1	400,000,000	235,497,430
Under export refinance scheme	16.2	36,313,038	33,230,671
Under payroll refinance scheme	16.3	58,349	7,681,205
Under long term financing facility	16.4	35,586,853	27,772,856
Under financing scheme for renewable energy	16.5	3,455,619	3,330,929
Under Temporary Economic Refinance Scheme	16.6	13,273,360	10,013,124
Under refinance scheme for modernization of SMEs	16.7	16,364	22,500
Refinance and credit guarantee scheme for women entrepreneurs		11,018	6,915
Under refinance scheme for wages and salaries	16.8	163,580	763,347
		488,878,181	318,318,977
Repurchase agreement borrowings from financial institutions	16.9	12,499,527	65,134,454
<b>Unsecured</b>			
Call borrowings	16.10	5,524,914	28,516,551
Trading liability		-	5,644,324
Overdrawn nostro accounts		435,271	191,462
Musharaka borrowing	16.11	23,050,000	2,200,000
Other borrowings		26,600	-
		29,036,785	36,552,337
		530,414,493	420,005,768

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

- 16.1** This represents local currency borrowing from the State Bank of Pakistan against government securities, carrying mark-up at the rate of 16.16% to 16.19% (2021: 9.89% to 9.96%) per annum, maturing on various dates latest by March 03, 2023.
- 16.2** The Bank has entered into various agreements for financing with the State Bank of Pakistan for extending export finance to customers. As per agreements, the Bank has granted to State Bank of Pakistan the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP. The borrowing carries mark-up at the rate of 1.00% to 2.00% (2021: 1.00% to 2.00%) per annum. These borrowings are repayable within six months from the deal date.
- 16.3** The Bank has entered into various agreements for financing with the State Bank of Pakistan for extending payroll finance to business concerns for payment of wages and salaries to their workers and employees and to ease cash flow constraints of the employers and avoid layoffs. As per agreements, the Bank has granted to State Bank of Pakistan the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP. The borrowing carries mark-up at the rate of 1.00% to 2.00% (2021: 1.00% to 2.00%) per annum.
- 16.4** This represents Long Term Financing facility availed by the Bank for further extending the same to its customers, for a maximum period of 10 years. The borrowing carries mark-up at the rate of 1.50%, 2.50% and 3.00% (2021: 1.50%, 2.50% and 3.00%) per annum for financing up-to 3 years, 5 years & 10 years respectively.
- 16.5** These represent borrowings from the State Bank of Pakistan availed by the Bank for financing power projects and facilities using alternative and renewable energy (solar, wind, hydro, biogas, bio-fuels, bagasse cogeneration, and geothermal as fuel) for a maximum period of 12 years under Category I and for a maximum period of 10 years under Category II and III. The borrowing carries mark-up at the rate of 3% for Category I, 2% for Category II and 3% for Category III.
- 16.6** These borrowings have been obtained from the State Bank of Pakistan for providing concessionary refinancing facility to the industry for purchase of new imported and locally manufactured plant & machinery to set up new projects. These borrowings are repayable within a period of ten years including a grace period of upto 2 years. These carry mark up rate of 1% per annum.
- 16.7** These borrowings have been obtained from the State Bank of Pakistan for providing refinancing facility to wide range of SME clusters / sectors for purchase of new and imported / local plant and machinery for BMR of existing units and setting up new SME units. These borrowings are repayable for a maximum period of 10 years. These carry mark up rate ranging from 6% per annum.
- 16.8** These borrowings have been obtained from the State Bank of Pakistan for providing financing facilities to help businesses in payment of wages and salaries to their workers and employees for supporting continued employment. These borrowing are repayable in 8 equal quarterly installments beginning from January 2021. These carry mark up rates ranging from 0% to 2% per annum.
- 16.9** These represent borrowings in local currency from local and foreign interbank markets against government securities, carrying mark-up at the rate of 16% to 16.05% (2021: 9.80% to 9.90%) per annum. These borrowings are maturing on various dates, latest by January 06, 2023.
- 16.10** These represent unsecured borrowings in foreign currency from foreign interbank markets, carrying mark-up at the rate of 5% to 11% (2021: 1.00% to 1.41%) per annum. These borrowings are maturing on various dates, latest by March 20, 2023.
- 16.11** This represents unsecured local currency borrowings by Islamic banking business under Musharaka agreement at profit of 14% to 16.25% (2021: 10%) per annum, maturing on various dates, latest by January 09, 2023.
- 16.12** Note 8.2.1 includes the carrying amount of investments given as collateral against re-purchase agreement borrowings.

	Note	December 31, 2022	December 31, 2021
Rupees in '000			
<b>16.13</b>	<b>Particulars of borrowings with respect to currencies</b>		
	In local currency	524,889,579	393,841,354
	In foreign currencies	5,524,914	26,164,414
		<b>530,414,493</b>	<b>420,005,768</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2022			December 31, 2021		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
Rupees in '000						
<b>17 DEPOSITS AND OTHER ACCOUNTS</b>						
<b>Customers</b>						
Current deposits	536,126,442	30,632,327	566,758,769	487,083,609	25,141,039	512,224,648
Savings deposits	543,310,268	16,749,608	560,059,876	506,117,895	25,910,230	532,028,125
Term deposits	233,500,164	87,679,953	321,180,117	175,366,193	39,218,366	214,584,559
Others	32,935,164	65,036	33,000,200	30,029,090	41,106	30,070,196
	1,345,872,038	135,126,924	1,480,998,962	1,198,596,787	90,310,741	1,288,907,528
<b>Financial Institutions</b>						
Current deposits	8,621,516	567,020	9,188,536	64,781,898	86,694	64,868,592
Savings deposits	31,906,055	-	31,906,055	49,880,491	-	49,880,491
Term deposits	131,350	50,947	182,297	9,581,350	39,716	9,621,066
Others	-	-	-	6	-	6
	40,658,921	617,967	41,276,888	124,243,745	126,410	124,370,155
	1,386,530,959	135,744,891	1,522,275,850	1,322,840,532	90,437,151	1,413,277,683

	December 31, 2022	December 31, 2021
Rupees in '000		

## 17.1 Composition of deposits

Individuals	779,517,842	661,313,945
Private Sector	354,883,559	332,671,879
Government (Federal and Provincial)	193,216,182	165,099,322
Public Sector Entities	153,403,007	129,839,960
Non-Banking Financial Institutions	34,143,387	115,112,226
Banking Companies	7,111,873	9,240,351
	1,522,275,850	1,413,277,683

**17.2** This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 955,218 million (2021: 865,799 million).

**17.3** Net outstanding value against prepaid cards is Rs. 46.907 million as at reporting date (2021: 85.022 million).



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	Note	December 31, 2022	December 31, 2021
Rupees in '000			
<b>18 OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		14,142,993	4,387,810
Mark-up / return / interest payable in foreign currencies		939,083	111,457
Present value of lease liability		9,856,040	9,316,166
Accrued expenses		2,809,173	1,700,608
Provision for taxation (provisions less payments)		2,524,609	-
Retention money payable		526,630	580,710
Deferred income		667,168	-
Unearned commission and income on bills discounted		360,705	472,824
Acceptances		4,249,363	5,646,815
Unclaimed dividends		406,721	390,644
Dividend payable		20,473	21,821
Branch adjustment account		-	179,774
Unrealized loss on forward foreign exchange contracts		-	638,730
Unrealized loss on forward government securities transactions		-	-
Provision for:			
Gratuity	35.4	804,194	716,131
Employees' medical benefits	35.4	1,532,798	1,537,963
Employees' compensated absences	35.4	1,124,542	923,138
Payable to defined contribution plan		46,506	54,641
Provision against off-balance sheet obligations	18.1	298,904	298,904
Security deposits against lease		920,097	863,526
ATM / Point of Sale settlement account		-	820,679
Charity fund balance		828	46
Home Remittance Cell overdraft		789,995	1,052,343
With-holding tax payable		5,238,560	2,261,555
Sundry deposits		3,491,981	3,577,163
Workers welfare fund payable	19.2	3,717,187	2,747,835
Others		2,289,728	1,691,081
		<b>56,758,278</b>	<b>39,992,364</b>
Rupees in '000			

## 18.1 Provision against off-balance sheet obligations

Opening balance	298,904	301,093
Charge for the year	-	12,862
Reversals	-	(15,051)
Net reversal	-	(2,189)
Closing balance	<b>298,904</b>	<b>298,904</b>

The above provision includes provisions made against letters of guarantee issued by the Bank.

## 18.2 Workers Welfare Fund

Supreme Court of Pakistan vide order dated November 10, 2016 held that the amendments made in the law through Finance Act 2008, introduced by the Federal Government for the levy of Worker Welfare Fund (WWF) were unlawful. Federal Board of Revenue filed review petition against the subject order, which is currently pending for adjudication.

WWF provision from 2014 to 2019 has been maintained conservatively based on tax advisor's opinion in view of provincial levy of WWF by the provinces with effect from 2014, including levy by Sindh which is under litigation.

Punjab Government has promulgated Punjab Workers Welfare Fund Act 2019 (PWWF) with effect from December 13, 2019, therefore, provision related to Punjab and pertaining to the period from 2014 till the date of promulgation of PWWF was reversed from the provision maintained for WWF from 2014 to 2019.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## 19 SHARE CAPITAL

### 19.1 Authorized capital

December 31, 2022	December 31, 2021		December 31, 2022	December 31, 2021
No. of shares			Rupees in '000	
1,500,000,000	1,500,000,000	Ordinary shares of Rs.10/- each	15,000,000	15,000,000

### 19.2 Issued, subscribed and paid-up capital

Fully paid-up Ordinary shares of Rs. 10/- each

December 31, 2022	December 31, 2021		December 31, 2022	December 31, 2021
No. of shares			Rupees in '000	
406,780,094	406,780,094	Fully paid in cash	4,067,801	4,067,801
720,745,186	720,745,186	Issued as bonus shares	7,207,452	7,207,452
1,127,525,280	1,127,525,280		11,275,253	11,275,253
		18,348,550 Ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation in accordance with the swap ratio stipulated therein less 9,200,000 ordinary shares of Rs. 10 each, held by Ibrahim Leasing Limited on the cut-off date (September 30, 2004)	91,486	91,486
		8,400,000 Ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation of First Allied Bank Modaraba with Allied Bank Limited in accordance with the share swap ratio stipulated therein.	84,000	84,000
1,145,073,830	1,145,073,830		11,450,739	11,450,739

Ibrahim Holdings (Private) Limited (holding company of the Bank), holds 1,030,566,368 (90.00%) [2021: 990,767,307 (86.52%)] ordinary shares of Rs. 10 each respectively, as at reporting date.

Note	December 31, 2022	December 31, 2021
Rupees in '000		

## 20 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus / (deficit) arising on revaluation of:

- Fixed assets	20.1	24,350,352	24,467,625
- Non-banking assets acquired in satisfaction of claims	20.2	901,797	955,956
- Available-for-sale securities	8.1	(31,813,798)	(6,757,108)
		(6,561,649)	18,666,473
Deferred tax on surplus / (deficit) on revaluation of:			
- Fixed assets	20.1	(1,779,800)	(1,699,102)
- Non-banking assets acquired in satisfaction of claims	20.2	(19,347)	(16,780)
- Available-for-sale securities	12	13,679,933	2,635,272
		11,880,786	919,390
		5,319,137	19,585,863

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	Note	December 31, 2022	December 31, 2021
Rupees in '000			
<b>20.1 Surplus on revaluation of fixed assets</b>			
Surplus as at January 1, 2022		24,467,625	24,967,992
Surplus on revaluation during the year		-	-
Surplus related to transfer / adjustments		100,571	5,651
Surplus realised on disposal during the year		-	(276,720)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year – net of deferred tax		(124,171)	(139,872)
Related deferred tax liability		(93,673)	(89,426)
	10.6	(217,844)	(229,298)
Surplus on revaluation as at December 31, 2022		24,350,352	24,467,625
Less: Related deferred tax liability on :			
Revaluation surplus as at January 1, 2022		(1,699,102)	(1,598,517)
Deferred tax liability due to change in tax rate / on revaluation surplus		(174,267)	(199,010)
Deferred tax liability related to transfer or adjustments		(104)	(1,252)
Deferred tax on surplus on disposal during the year		-	10,251
Deferred tax on incremental depreciation transferred to unappropriated profit		93,673	89,426
		(1,779,800)	(1,699,102)
		22,570,552	22,768,523

## 20.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims

Surplus as at January 1, 2021		955,956	650,030
Surplus on revaluation during the year		74,985	389,355
Surplus related to transfer or adjustments		(100,571)	(5,651)
Surplus realised on disposal during the year		(26,480)	(76,370)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year – net of deferred tax		(1,193)	(859)
Related deferred tax liability		(900)	(549)
		(2,093)	(1,408)
Surplus on revaluation as at December 31, 2021		901,797	955,956
Less: Related deferred tax liability on :			
Revaluation surplus as at January 1, 2021		(16,780)	(11,058)
Deferred tax liability on revaluation surplus		(4,276)	(7,535)
Deferred tax liability related to transfer or adjustments		104	1,252
Deferred tax on surplus on disposal during the year		705	12
Deferred tax on incremental depreciation transferred to profit and loss account		900	549
		(19,347)	(16,780)
		882,450	939,176

	Note	December 31, 2022	December 31, 2021
Rupees in '000			

## 21 CONTINGENCIES AND COMMITMENTS

Guarantees	21.1	49,109,776	38,151,849
Commitments	21.2	408,199,232	395,552,089
Other contingent liabilities	21.3	7,005,967	6,668,875
		464,314,975	440,372,813

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	Note	December 31, 2022	December 31, 2021
Rupees in '000			
<b>21.1</b>	<b>Guarantees</b>		
	Financial guarantees	5,225,364	4,751,558
	Performance guarantees	11,296,136	7,218,569
	Other guarantees	32,588,276	26,181,722
		49,109,776	38,151,849
<b>21.2</b>	<b>Commitments</b>		
	Documentary credits and short term trade related transactions:		
	letters of credit	139,083,930	113,658,809
	Commitments in respect of:		
	- forward foreign exchange contracts	21.2.1 238,516,233	277,034,728
	- forward government securities transactions	21.2.2 24,046,280	-
	- operating leases	21.2.3 231,174	307,316
	Commitments for acquisition of:		
	fixed assets	5,676,076	4,178,585
	intangible assets	645,539	330,420
	Other Commitments	-	42,231
		408,199,232	395,552,089
<b>21.2.1</b>	<b>Commitments in respect of forward foreign exchange contracts</b>		
	Purchase	160,636,134	161,470,903
	Sale	77,880,099	115,563,825
		238,516,233	277,034,728
<b>21.2.2</b>	<b>Commitments in respect of forward government securities transactions</b>		
	Purchase	22,219,131	-
	Sale	1,827,149	-
		24,046,280	-
<b>21.2.3</b>	<b>Commitments in respect of operating leases</b>		
	Not later than one year	58,039	142,691
	Later than one year and not later than five years	128,510	142,348
	Later than five years	44,625	22,277
		231,174	307,316
<b>21.3</b>	<b>Other contingent liabilities</b>		
<b>21.3.1</b>	Claims against the Bank not acknowledged as debt	21.3.1.1 7,005,967	6,668,875

**21.3.1.1** This represent certain claims by third parties against the Bank, which are being contested in Courts of law. The management is of the view that these relate to the normal course of the business and the possibility of an outflow of economic resource is remote.

**21.3.2** The income tax assessments of the Group have been finalized upto and including tax year 2021 for local, Azad Kashmir and Gilgit Baltistan operations. While finalizing income tax assessments upto tax year 2021, income tax authorities made certain add backs with aggregate tax impact of Rs. 32,766 million (2021: 32,753 million). As a result of appeals filed by the Group before appellate authorities, most of the add backs have been deleted. However, the Group and Tax Department are in appeals / references before higher forums against unfavorable decisions. Pending finalization of appeals / references no provision has been made by

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

the Group on aggregate sum of Rs.32,766 million (2021: 32,753 million). The management is confident that the outcome of these appeals / references will be in favor of the Group.

Tax Authorities have conducted proceedings of withholding tax audit under section 161/205 of Income Tax Ordinance, 2001 for tax year 2003 to 2006 and tax year 2008 to 2018 and created an arbitrary demand of Rs. 1,700 million (2021: 1,700 million). The Group's appeals before CIR(A)/Appellate Tribunal Inland Revenue (ATIR) are pending for adjudication. The management is confident that these appeals will be decided in favor of the Group; therefore, no provision has been made against the said demand of Rs. 1,700 million (2021: 1,700 million).

Tax authorities have also issued orders under Federal Excise Act, 2005 / Sales Tax Act, 1990 and Sindh Sales Tax on Services Act, 2011 for the year 2008 to 2017 thereby creating arbitrary aggregate demand of Rs. 1,144 million (2021: 963 million). The Group's appeals before CIR(A) / Appellate Tribunal Inland Revenue (ATIR) are pending for adjudication. The management is confident that aforesaid demand will be deleted by appellate authorities and therefore no provision has been made against the said demand of Rs. 1,144 million (2021: 963 million).

**21.3.3** While adjudicating foreign exchange repatriation cases of exporter namely: Fateh Textile Mills Limited, the Foreign Exchange Adjudicating Court (FEAC) of the State Group of Pakistan (SBP) has arbitrarily adjudicated penalties against various Groups including Rs.2,173 million in aggregate against Allied Group Limited (the Group). Against the said judgments, the Group had filed appeals before the Appellate Board and Constitutional Petitions (CP) in the High Court of Sindh, Karachi. The Honorable High Court granted relief to the Group by way of interim orders. Meanwhile, alongwith other Groups, Group filed a further CP whereby vires of section 23C of the FE Regulations Act, 1947 was sought to be declared ultra vires. On November 8, 2018, the Honorable court was pleased to order that the Appellate Board shall not finally decide the appeals. Subsequently, the earlier CP was disposed of vide order dated 15.01.2019 with a direction to the Appellate Board to first decide the stay application of the Group and till then, the Foreign Exchange Regulation Department has been restrained from taking any coercive action against the Group. Based on merits of the appeals, the management is confident that these appeals shall be decided in favor of the Group and therefore no provision has been made against the impugned penalty.

## 22 DERIVATIVE INSTRUMENTS

The Bank at present does not offer structured derivative products such as Interest Rate Swaps, Forward Rate Agreements or FX Options. However, the Bank buys and sells derivative instruments such as:

- Forward Exchange Contracts
- Foreign Exchange Swaps
- Equity Futures
- Forward Contracts for Government Securities

### Forward Exchange Contracts

Forward Exchange Contract (FEC) is a product which is offered to the obligor who transact internationally. These obligor use this product to hedge themselves from unfavorable movements in a foreign currency, however, by agreeing to fix the exchange rate, they do not benefit from favorable movements in that currency.

An FEC is a contract between the Obligor and the Bank in which both agree to exchange an amount of one currency for another currency at an agreed forward exchange rate for settlement over more than two business days after the FEC is entered into (the day on which settlement occurs is called the value date). FEC is entered with those Obligors whose credit worthiness has already been assessed, and they have underlined trade transactions.

If the relevant exchange rate moves un-favorably, Obligor will benefit from that movement because the Bank must exchange currencies at the FEC rate. In order to mitigate this risk of adverse exchange rate movement, the Bank hedges its exposure by taking opposite forward position in inter-bank FX.

### Foreign Exchange Swaps

A Foreign Exchange Swap (FX Swap) is used by the Bank if it has a need to exchange one currency for another currency on one day and then re-exchange those currencies at a later date. Exchange rates and forward margins are determined in the "inter-bank" market and fluctuate according to supply and demand.

An FX Swap prevents the Bank from gaining any benefit resulting from a favorable exchange rate movement in the relevant currency pair between the time Bank enters into the transaction deal and when settlement occurs. Cancellation of the swap may also result in exposure to market movements. The key advantage of an FX swap is that it provides the Bank with protection against unfavorable currency movements between the time it enters into the transaction and settlement. The term and amounts for FX Swap can also be tailored to suit the Bank's particular needs.



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## Equity Futures

An equity futures contract is a standardized contract, traded on a futures counter of the stock exchange, to buy or sell a certain underlying script at a certain date in the future, at a specified price.

The Bank may use equity futures as a hedging instrument to hedge its equity portfolio, in both 'held-for-trading' and 'available-for-sale', against equity price risk. Only selected shares are allowed to be traded on futures exchange. Equity futures give flexibility to the Bank either to take delivery on the future settlement date or to settle it by adjusting the notional value of the contract based on the current market rates. Maximum exposure limit to the equity futures is 10% of Tier I Capital of the Bank, based on prevailing SBP regulations.

The accounting policies used to recognize and disclose derivatives are given in Note 4.16.2. The risk management framework of derivative instruments is given in note 43.

	Note	December 31, 2022	December 31, 2021
Rupees in '000			
<b>23</b>	<b>MARK-UP / RETURN / INTEREST EARNED</b>		
	On:		
	Loans and advances	72,867,887	35,098,223
	Investments	138,446,873	82,452,195
	Lendings to financial institutions	3,987,888	1,088,878
	Balances with banks	175,063	14,937
		<u>215,477,711</u>	<u>118,654,233</u>
<b>24</b>	<b>MARK-UP / RETURN / INTEREST EXPENSED</b>		
	On:		
	Deposits	99,736,088	43,398,447
	Borrowings	44,232,492	24,595,405
	Cost of foreign currency swaps against foreign currency deposits	3,792,497	4,162,133
	Interest expense on lease liability	1,007,059	936,408
		<u>148,768,136</u>	<u>73,092,393</u>
<b>25</b>	<b>FEE AND COMMISSION INCOME</b>		
	On:		
	Card related fees (debit and credit cards)	3,581,312	2,623,609
	Branch banking customer fees	2,660,150	2,329,404
	Commission on remittances including home remittances	866,346	969,276
	Investment banking fees	711,823	652,067
	Commission on trade	537,713	455,902
	Commission on cash management	340,292	213,548
	Commission on guarantees	143,233	218,778
	Commission on bancassurance	63,358	99,178
	Credit related fees	28,559	24,878
	Consumer finance related fees	20,528	9,834
		<u>8,953,314</u>	<u>7,596,474</u>
<b>26</b>	<b>GAIN ON SECURITIES</b>		
	Realised - net	26.1	1,394,302
	Unrealised - held for trading	9.1	(143,345)
	Unrealised - forward government securities		5,613
			<u>1,256,570</u>
<b>26.1</b>	<b>Realised gain / (loss) on:</b>		
	Federal government securities		222,262
	Shares		1,172,056
	Non Government debt securities		(16)
	Open Ended Mutual Funds		-
			<u>1,394,302</u>
			<u>4,368,849</u>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	Note	December 31, 2022	December 31, 2021
Rupees in '000			
<b>27 OTHER INCOME</b>			
Recovery of written off mark-up and charges		27,820	44,479
Gain on sale of fixed assets - net		19,508	323,843
Refund from Employee Old-age Benefits Institution		-	101,639
Other assets disposal	27.1	5,842	35,299
SBP reimbursement of incentive amount		2	50,675
Fee for attending Board meetings		1,696	2,785
Gain on disposal of Islamic financing and related assets		7,413	6,722
Gain /(Loss) on sale of non-banking assets		62,281	565,442
<b>27.1</b>	This includes loss on sale of a non-banking asset amounting to Rs. 3.063 million (2021: gain on sale of two non-banking assets amounting to Rs. 32.175 million and Rs. 0.304 million respectively)		
<b>28 OPERATING EXPENSES</b>			
<b>Total compensation expense</b>	28.1	17,588,676	15,611,777
<b>Property expense:</b>			
Depreciation		4,708,044	4,475,656
Rent and taxes		341,624	320,197
Utilities cost		2,066,390	1,424,698
Security (including guards)		1,383,117	1,078,407
Repair and maintenance (including janitorial charges)		1,327,714	906,588
Insurance		117,424	100,625
		9,944,313	8,306,171
<b>Information technology expenses:</b>			
Network charges		804,805	783,002
Depreciation		847,457	687,288
Amortization		521,644	412,350
Software maintenance		1,381,699	859,078
Hardware maintenance		358,213	375,086
Others		4,973	7,500
		3,918,791	3,124,304
<b>Other operating expenses:</b>			
Marketing, advertisement and publicity		1,215,460	992,438
Insurance		1,609,531	1,401,251
Outsourced service costs	34.1	979,882	834,331
Cash in Transit service charge		405,083	487,450
Stationery and printing		422,636	377,789
Travelling and conveyance		328,328	206,340
Legal and professional charges		263,470	188,184
Postage and courier charges		184,036	123,540
Depreciation		307,464	234,680
Donations	28.3	107,219	59,647
National Institutional Facilitation Technologies clearing charges		179,792	145,924
Communication		161,214	175,963
Directors fees and allowances		55,506	58,264
Fees and allowances to Shariah Board		8,552	7,302
Training and development		148,339	61,925
Brokerage expenses		73,111	88,987
Card related expenses		1,289,313	609,334
Auditors Remuneration	28.2	22,353	31,843
Others		1,041,468	552,732
		8,802,757	6,637,924
		40,254,537	33,680,176

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2022	December 31, 2021
	Rupees in '000	
<b>28.1 Total compensation expense</b>		
Salaries	11,158,861	10,353,912
Fees And Allowances etc.	2,276,900	1,849,023
Bonus and Awards:		
Variable	1,235,814	1,025,034
Fixed	704,136	652,228
Charge For Defined Benefit Plan	409,234	444,744
Contribution To Defined Contribution Plan	674,640	580,321
Conveyance expense	637,858	340,549
Medical expense	195,453	193,483
Insurance	86,439	64,061
Education Subsidy	29,927	32,002
Hajj Expenses	44,620	-
Staff Uniform	13,291	12,182
Executive Club Membership	6,737	3,860
Verification Charges Educational Documents	5,000	3,424
Recruitment Charges	2,702	2,160
Social Security Contribution - China	2,646	2,198
Others	34	574
Sub-Total	17,484,292	15,559,755
Voluntary Retirement Scheme	104,384	52,022
<b>Grand Total</b>	<b>17,588,676</b>	<b>15,611,777</b>

**28.1.1** The Group announced the Voluntary Retirement Scheme (VRS) for its employees. Thirteen (13) employees (2021: 32) of the Group opted for retirement under this scheme.

**28.1.2** Total cost for the year included in Other Operating Expenses relating to outsourced activities is Rs. 1,122.612 million (2021: Rs. 955.604 million). This includes payments other than outsourced services costs, which are disclosed above. Total cost of outsourced activities for the year given to related parties is nil.

	December 31, 2022	December 31, 2021
	Rupees in '000	
<b>28.2 Auditors' remuneration</b>		
Audit fee	8,647	13,804
Fee for other statutory certifications	4,648	5,588
Annual audit overseas business unit*	3,455	2,905
Half year review	3,000	5,330
Special certifications and miscellaneous services	150	150
Sales tax	713	1,116
Out-of-pocket expenses	1,740	2,950
	<b>22,353</b>	<b>31,843</b>

\*This includes audit fee amounting to Bahraini Dinar 5,500 (2021: 5,000) and Chinese Yuan 3,000 relating to Wholesale Bahrain Branch and China Representative Office respectively.

**28.2.1** Auditors' remuneration for 2021 includes remuneration for joint audit conducted by Ernst & Young Ford Rhodes Chartered Accountants and KPMG Taseer Hadi & Co. Chartered Accountants.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

**28.3** None of the directors, executives and their spouses had any interest in the donees, except Mr. Mohammad Naeem Mukhtar (Chairman and Non-Executive Sponsor Director) is director in National Management Foundation (LUMS).

	Note	December 31, 2022	December 31, 2021
Rupees in '000			
Special Olympics Pakistan		14,000	-
Anjuman Himayat-i-Islam	28.3.1	1,009	1,187
IBA Karachi Centre of Excellence in Islamic Finance (CEIF)		700	1,500
Chaman (Center for Mentally Challenged Children)		1,500	-
Lahore Businessmen Association For Rehabilitation Of The Disabled		-	1,000
Aziz Jehan Begum Trust For The Blind		2,500	-
Saylani Welfare International Trust	28.3.1	1,998	117
The Citizens Foundation		8,600	-
Association of the Physically Handicapped Adults		-	1,500
Million Smiles Foundation		3,600	-
National Management Foundation (LUMS)		33,000	30,000
Pink Ribbon (Women's Empowerment Group)		-	10,000
Shaheed Benazir Bhutto University		-	3,000
Jamia Ashrafia Lahore	28.3.1	1,009	957
Abdul Sattar Edhi Foundation	28.3.1	854	1,187
RAAST Welfare Society		-	1,500
Cancer Care Hospital And Research Centre Foundation		-	3,000
Balochistan Residential College Loralai		-	2,586
Lahore Mental Health Association		-	1,000
The Layton Rahmatulla Benevolent Trust		500	1,000
SOS Children's Village		-	113
National University of Sciences and Technology		1,000	-
Kashif Iqbal Thalassaemia Care Centre Trust		2,000	-
Government Girls Model School Turbat		616	-
Balochistan Rural Support Programme Gurantee Limited		10,000	-
Sindh Rural Support Organization		5,000	-
Sukkur IBA University		1,632	-
Sundas Foundation		500	-
The Medical Aid Foundation		980	-
Pakistan Navy - Welfare Center		135	-
Arthritis Care Foundation		3,000	-
Quetta Bankers Club		500	-
The Noorani Foundation Trust		12,586	-
		107,219	59,647

**28.3.1** This represents charitable expenses on account of sadqa & feeding to under privileged.

	December 31, 2022	December 31, 2021
Rupees in '000		
<b>29 OTHER CHARGES</b>		
Penalties imposed by State Bank of Pakistan	294,011	107,095
Education cess	55,766	57,424
Depreciation - non-banking assets	8,166	5,620
Other assets written off	-	39
Others	63	97
	358,006	170,275

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	Note	December 31, 2022	December 31, 2021	
Rupees in '000				
<b>30</b>	<b>PROVISIONS AND WRITE OFFS – NET</b>			
	(Reversal) / provision for diminution in the value of investments	8.3	289,867	(10,753)
	(Reversal) / provision against loans and advances	9.4	(474,396)	(807,478)
	Provision / (reversal) against other assets	13.2.1	9,999	63,502
	(Reversal) against off balance sheet obligations	18.1	-	(2,189)
			(174,530)	(756,918)
	Recovery of written off bad debts		(86,363)	(54,182)
			(260,893)	(811,100)
<b>31</b>	<b>TAXATION</b>			
	Current – for the year including super tax		24,214,578	11,635,301
	– for prior year		2,007,418	-
			26,221,996	11,635,301
	Deferred – current		(687,592)	(453,632)
			25,534,404	11,181,669
<b>31.1</b>	<b>Relationship between tax expense and accounting profit</b>			
	Accounting profit for the year		46,781,889	28,684,897
	Tax on income @ 39% (2021: 35%)		18,244,937	10,039,714
	Super Tax @ 4%		4,918,252	1,183,267
	Prior year Super Tax @ 4%		2,007,418	-
	Others		363,797	(41,312)
	Tax charge for the year		25,534,404	11,181,669
<b>32</b>	<b>EARNINGS PER SHARE – BASIC AND DILUTED</b>			
	Profit after taxation		21,247,485	17,503,228
				<b>Number of Shares</b>
	Weighted average number of ordinary shares outstanding during the year		1,145,073,830	1,145,073,830
				<b>Rupees</b>
	Earnings per share – basic and diluted		18.56	15.29

There is no dilution effect on basic earnings per share.



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	Note	December 31, 2022	December 31, 2021
Rupees in '000			
<b>33 CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	33.1	87,904,863	124,400,515
Balances with other banks	6	3,439,468	903,243
Overdrawn nostro accounts		(435,271)	(191,462)
		<u>90,909,060</u>	<u>125,112,296</u>

**33.1** This includes balances with SBP amounting to Rs. 56,958.573 million (2021: Rs. 60,465.605 million) related to statutory cash reserve to comply with SBP requirements.

### 33.2 Reconciliation of movement of liabilities and equity to cash flows arising from financing activities

	December 31, 2022				December 31, 2021			
	Liabilities		Equity		Liabilities		Equity	
	Lease Liabilities	Dividend payable	Unappropriated Profit	Total	Lease Liabilities	Dividend payable	Unappropriated Profit	Total
Rupees in '000								
<b>Balance as at January 01,</b>	9,316,166	442,666	71,822,518	81,581,350	8,398,681	393,605	69,203,702	77,995,988
Changes from Financing cash flows								
Payment of lease liability against								
right-of-use-assets	(2,316,602)	-	-	(2,316,602)	(2,150,898)	-	-	(2,150,898)
Dividend Paid	-	(9,145,863)	-	(9,145,863)	-	(13,691,826)	-	(13,691,826)
Total changes from financing cash flows	(2,316,602)	(9,145,863)	-	(11,462,465)	(2,150,898)	(13,691,826)	-	(15,842,724)
<b>Liability related</b>								
Changes in Other liabilities								
- Dividend announced	-	9,160,592	(9,160,592)	-	-	13,740,887	(13,740,887)	-
- Lease liability recognised	3,061,838	-	-	3,061,838	3,068,383	-	-	3,068,383
Total liability related other changes	3,061,838	9,160,592	(9,160,592)	3,061,838	3,068,383	13,740,887	(13,740,887)	3,068,383
Total equity related other changes	-	-	19,397,053	19,397,053	-	-	16,359,703	16,359,703
Balance as at December 31, 2022	<u>10,061,402</u>	<u>457,395</u>	<u>82,058,979</u>	<u>92,577,776</u>	<u>9,316,166</u>	<u>442,666</u>	<u>71,822,518</u>	<u>81,581,350</u>

**33.3** Markup receipts and markup payments during the year amounted to Rs. 186,512.53 million and Rs. 138,167.037 million respectively. (2021: Rs. 116,299.414 million and Rs. 71,845 million respectively).

	Numbers	
<b>34 STAFF STRENGTH</b>		
Permanent	11,612	11,370
Temporary / on contractual basis / trainee	525	431
Bank's own staff strength at the end of the year	<u>12,137</u>	<u>11,801</u>
Average number of employees	<u>11,969</u>	<u>11,799</u>

**34.1** In addition to the above, 706 (2021: 627) employees of outsourcing services companies were assigned to the Group as at the end of the year to perform services other than guarding and janitorial services. Further, 9 (2021: 8) employees were posted abroad. The rest were working domestically.

### 35 DEFINED BENEFIT PLANS

#### 35.1 General description

The Bank operates a funded gratuity scheme for all employees who opted for the staff retirement benefit scheme introduced by the management with effect from July 1, 2002. For those employees who did not opt for the new scheme, the Bank continues to operate a funded pension scheme.

The Bank also provides post retirement medical benefits (unfunded scheme) to eligible retired employees.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## 35.2 Number of employees and beneficiaries under the schemes

The number of employees covered under the following defined benefit scheme or plans are:

	December 31, 2022	December 31, 2021
	Numbers	
– Pension fund	357	427
– Gratuity fund	11,498	11,221
– Post retirement medical benefits	11,928	11,591
– Employees' compensated absences	11,928	11,162
In addition, the number of beneficiaries covered under the following defined benefit scheme / plans are:		
– Pension fund	1,991	2,363
– Post retirement medical benefits	1,610	1,610

## 35.3 Principal actuarial assumptions

The actuarial valuations were carried out for December 31, 2021 based on the Projected Unit Credit Method, using the following significant assumptions:

	Sources of estimation	December 31, 2022	December 31, 2021
<b>Withdrawal rate</b>			
Pension fund		Moderate	Moderate
Gratuity fund		Moderate	Moderate
Post retirement medical benefits		Moderate	Moderate
Employees' compensated absences		High	High
<b>Mortality rate</b>			
		Adjusted SLIC 2001–2005	Adjusted SLIC 2001–2005
<b>Discount rate</b>	Yield on investments in Government Bonds	14.50%	11.75%
<b>Expected rate of return on plan assets</b>			
Pension fund	Yield on investments in Government Bonds	14.50%	11.75%
Gratuity fund	Yield on investments in Government Bonds	14.50%	11.75%
<b>Expected rate of salary increase</b>	Rate of salary increase	12.50%	9.75%

The expected return on plan assets is based on the market expectations and depends on the asset portfolio of the Group, at the beginning of the period, for returns over the entire life of the related obligation.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## 35.4 Reconciliation of (receivable from) / payable to defined benefit plans

Note	December 31, 2022				December 31, 2021				
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences	
Rupees in '000					Rupees in '000				
Present value of defined benefit obligations	35.6	1,067,361	4,446,359	1,508,820	1,124,542	1,389,295	4,107,800	1,515,000	923,138
Fair value of plan's / scheme's assets	35.7	(6,010,391)	(3,617,311)	-	-	(5,769,269)	(3,367,786)	-	-
Net (asset) and liability		(4,943,030)	829,048	1,508,820	1,124,542	(4,379,974)	740,014	1,515,000	923,138
Net (asset) and liability		(4,943,030)	829,048	1,508,820	1,124,542	(4,379,974)	740,014	1,515,000	923,138

## 35.5 Movement in (receivable from) / payable to defined benefit plans

Note	December 31, 2022				December 31, 2021				
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences	
Rupees in '000					Rupees in '000				
Opening balance		(4,379,974)	716,131	1,515,000	923,138	(3,786,440)	609,275	1,514,300	774,381
(Reversal) / charge for the year	35.9	(442,817)	461,560	201,198	278,610	(369,044)	392,181	170,823	250,443
Other comprehensive (income) / losses		(224,490)	97,809	(52,599)	-	(224,490)	97,809	(52,599)	-
Contribution to the fund / benefits paid		-	(383,134)	(107,926)	(101,686)	-	(383,134)	(117,524)	(101,686)
Closing balance		(5,047,281)	892,366	1,555,673	1,100,062	(4,379,974)	716,131	1,515,000	923,138

## 35.6 Movement in defined benefit obligations

Note	December 31, 2022					
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences		
Rupees in '000						
Opening balance			1,389,295	4,107,800	1,515,000	923,138
Current service cost			-	397,339	25,426	52,957
Interest cost			133,687	457,154	171,672	103,933
Benefits paid			(503,071)	(432,494)	(107,926)	(77,206)
VRS settlement loss / (gain)	35.6.1		71,830	2,710	4,100	3,370
Re-measurement loss and (gain)			(24,380)	(86,150)	(99,452)	118,350
Closing balance			1,067,361	4,446,359	1,508,820	1,124,542

Note	December 31, 2021					
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences		
Rupees in '000						
Opening balance			1,707,213	3,674,998	1,514,300	774,381
Current service cost			-	354,901	28,424	43,839
Interest cost			155,999	341,667	141,915	70,545
Benefits paid			(214,443)	(339,689)	(117,524)	(101,686)
VRS settlement loss			134	(118)	484	4,251
Re-measurement loss and (gain)			(259,608)	76,041	(52,599)	131,808
Closing balance			1,389,295	4,107,800	1,515,000	923,138

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## 35.7 Movement in fair value of plan assets

	December 31, 2022			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Opening balance	5,769,269	3,367,829	-	-
Expected return on plan assets	648,334	396,473	-	-
Group's contribution	-	440,688	-	-
Benefits paid	(503,071)	(427,861)	-	-
Re-measurement loss	95,859	(159,818)	-	-
Closing balance	6,010,391	3,617,311	-	-

	December 31, 2021			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Opening balance	5,493,653	3,046,593	-	-
Expected return on plan assets	525,177	299,177	-	-
Group's contribution	-	383,134	-	-
Benefits paid	(214,443)	(339,362)	-	-
Re-measurement gain / (loss)	(35,118)	(21,713)	-	-
Closing balance	5,769,269	3,367,829	-	-

## 35.8 Composition of plan assets

	December 31, 2022			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Equity securities	1,370,166	95,712	-	-
Government securities	4,185,712	3,487,867	-	-
Cash and cash equivalents	454,513	33,731	-	-
	6,010,391	3,617,310	-	-

### 35.8.1 Fair value of Group's financial instruments included in plan assets

Shares of ABL	136,640	-	-	-
Term deposit receipts	-	-	-	-
Government securities	-	-	-	-
Bank balances with ABL	454,513	33,732	-	-
	591,153	33,732	-	-

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2021			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Equity securities	3,819,009	631,186	-	-
Government securities	387,004	804,811	-	-
Cash and cash equivalents	1,563,256	1,931,833	-	-
	<b>5,769,269</b>	<b>3,367,830</b>	-	-

## 35.8.2 Fair value of Group's financial instruments included in plan assets

Shares of ABL	2,280,366	501,435	-	-
Term deposit receipts	1,173,621	1,855,942	-	-
Government securities	387,004	804,811	-	-
Bank balances with ABL	389,634	75,891	-	-
	<b>4,230,625</b>	<b>3,238,079</b>	-	-

**35.8.3** Investment in term deposit receipts are subject to credit risk and interest rate risks, while equity securities are subject to price risk. These risks are regularly monitored by Trustees of the employee funds.

## 35.9 Charge for defined benefit plan

	December 31, 2022			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Current service cost	-	397,339	25,426	52,957
Interest cost	-	-	-	-
Net interest	(514,647)	60,681	171,672	103,933
VRS loss / (gain)	71,830	3,540	4,100	3,370
Re-measurement loss recognised	-	-	-	118,350
	<b>(442,817)</b>	<b>461,560</b>	<b>201,198</b>	<b>278,610</b>

	December 31, 2021			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Current service cost	-	354,901	28,424	43,839
Interest cost	-	-	-	-
Net interest	(369,178)	42,490	141,915	70,545
VRS loss / (gain)	134	(118)	484	4,251
Re-measurement gain recognised	-	-	-	131,808
	<b>(369,044)</b>	<b>397,273</b>	<b>170,823</b>	<b>250,443</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## 35.10 Re-measurements recognized in other comprehensive income

	December 31, 2022			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Re-measurement (loss) or gain on obligations	-	21,377	-	-
- Demographic assumptions	-	21,377	-	-
- Financial assumptions	(121,099)	(71,230)	-	-
- Experience adjustments	145,479	135,174	99,542	(118,350)
Re-measurement loss on assets	95,859	(159,230)	-	-
Re-measurement (loss) or gain in OCI	120,239	(73,909)	99,542	(118,350)

	December 31, 2021			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Re-measurement (loss) / gain on obligations	-	-	-	-
- Demographic assumptions	-	-	-	-
- Financial assumptions	173,325	(48,036)	-	-
- Experience adjustments	86,283	(27,678)	52,599	-
Re-measurement gain / (loss) on assets	(35,118)	(21,713)	-	-
Re-measurement gain / (loss) in OCI	224,490	(97,427)	52,599	-

	December 31, 2022	December 31, 2021
	Rupees in '000	

## 35.11 Actual return / (loss) on plan assets

- Pension fund	744,193	490,059
- Gratuity fund	236,655	277,464

## 35.12 Five year data of defined benefit plan and experience adjustments

	2022	2021	Pension fund		
			2020	2019	2018
	Rupees in '000				
Present value of defined benefit obligation	1,067,361	1,389,295	1,707,213	1,661,826	1,585,703
Fair value of plan assets	(6,010,391)	(5,769,269)	(5,493,653)	(6,102,237)	(6,145,768)
	(4,943,030)	(4,379,974)	(3,786,440)	(4,440,411)	(4,560,065)
<b>Experience adjustments on plan obligations / assets</b>					
Re-measurement gain / (loss) on obligation	24,380	259,608	(87,632)	(221,183)	364,271
Re-measurement gain / (loss) on assets	95,859	(35,118)	(1,063,774)	(506,563)	382,517



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	Gratuity fund				
	2022	2021	2020	2019	2018
Rupees in '000					
Present value of defined benefit obligation	4,446,359	4,107,800	3,674,998	3,365,399	2,827,757
Fair value of plan assets	(3,617,311)	(3,367,786)	(3,046,550)	(2,744,422)	(2,383,102)
	829,048	740,014	628,448	620,977	444,655
<b>Experience adjustments on plan obligations / assets</b>					
Re-measurement gain / (loss) on obligation	86,150	(76,041)	129,650	(16,098)	(73,576)
Re-measurement gain / (loss) on assets	(159,818)	(21,713)	(118,061)	(74,792)	145,719

	Benevolent fund				
	2022	2021	2020	2019	2018
Rupees in '000					
Present value of defined benefit obligation	-	-	-	-	9,206
Fair value of plan assets	-	-	-	-	(278,393)
	-	-	-	-	(269,187)
<b>Experience adjustments on plan obligations / assets</b>					
Re-measurement (loss) / gain on obligation	-	-	-	-	(2,632)
Re-measurement (gain) / loss on assets	-	-	-	-	(8,150)

	Post retirement medical				
	2022	2021	2020	2019	2018
Rupees in '000					
Present value of defined benefit obligation	1,508,820	1,515,000	1,514,300	1,365,237	1,332,925
Fair value of plan assets	-	-	-	-	-
	1,508,820	1,515,000	1,514,300	1,365,237	1,332,925
<b>Experience adjustments on plan obligations</b>					
Re-measurement (loss) / gain on obligation	99,452	52,599	(95,729)	44,640	(105,031)

	Employees' compensated absences				
	2022	2021	2020	2019	2018
Rupees in '000					
Present value of defined benefit obligation	1,124,542	923,138	774,381	668,548	606,880
Fair value of plan assets	-	-	-	-	-
	1,124,542	923,138	774,381	668,548	606,880
<b>Experience adjustments on plan obligations</b>					
Re-measurement (loss) / gain on obligation	(118,350)	(131,808)	(120,571)	(59,950)	(137,850)

### 35.13 Expected contributions to be paid to the funds in the next financial year

The Group contributes to the gratuity fund as per actuarial expected charge for the next financial year. No contributions are being made to pension due to surplus of fair value of plan's assets over present value of defined obligation. Based on actuarial advice, management estimates that the charge or (reversal) in respect of defined benefit plans for the year ending December 31, 2023 would be as follows:

	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
Rupees in '000				
Expected (reversal) / charge for the next year	(580,081)	479,098	241,637	333,751

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## 35.14 Sensitivity analysis

Description	+1% Discount Rate	-1% Discount Rate	+1% Salary Increase Rate	-1% Salary Increase Rate	+10% Withdrawal Rate	-10% Withdrawal Rate	1 Year Mortality age set back	1 Year Mortality age set forward
	Rupees in '000							
Pension fund	1,025,957	1,113,176	1,067,361	1,067,361	1,067,383	1,067,341	1,067,590	1,067,134
Gratuity fund	4,086,941	4,807,765	4,832,460	4,060,707	4,431,848	4,410,859	4,419,052	4,423,945
Post retirement medical	1,418,637	1,610,251	1,581,106	1,486,944	1,555,225	1,558,869	1,554,953	1,559,070
Leave compensated absences	1,058,075	1,199,487	1,200,189	1,056,392	1,118,124	1,131,117	1,122,648	1,126,429

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the defined benefit obligation recognized within the statement of financial position.

	December 31, 2022			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences

## 35.15 Maturity Profile

The weighted average duration of the obligation (in years)	4.09	8.15	6.35	6.29
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## 35.16 Funding Policy

The Group endeavors to ensure that liabilities under the various employee benefit schemes are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

## 35.17 Risk associated with defined benefit plans

The defined benefit plans may expose the group to actuarial risks such as longevity risk, investment risk, salary increase risk and withdrawal rate risk as described below;

### Longevity risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

### Investment risks:

The risk arises when the actual performance level of investment levels is lower than expectation and thus creating a shortfall in the funding objectives.

### Salary increase risk:

The most common type of retirement benefit is one where the final benefit is linked with final salary. The risk arises when the actual increases are higher than expectations and impact the liability accordingly.

### Withdrawal Rate:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

## 36 DEFINED CONTRIBUTION PLAN

The Group operates an approved contributory provident fund for 9,400 (2021: 10,121) employees where contributions are made by the Group at 8.33% per annum (2021: 8.33% per annum), whereas employees have the option to contribute at 8.33%, 12% or 15% per annum (2021: 8.33% per annum) of the basic salary every month.

# Notes to the Consolidated Financial Statements

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## 37 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

### 37.1 Total compensation expense

	December 31, 2022						
	Directors			Members Shariah Board	President / CEO**	Key Man- agement Personnel	Other Ma- terial Risk Takers / Controllers
	Chairman	Executive (other than CEO)*	Non- Executives				
	Rupees in '000						
Fees and allowances etc.	4,200	-	47,200	-	-	-	-
Managerial remuneration							
- Fixed (including Eid bonus)	-	-	-	3,853	14,800	132,013	196,710
- Total Variable	-	-	-	505	21,250	143,319	96,710
of which							
a. Cash Bonus / awards	-	-	-	505	21,250	143,319	102,766
b. Bonus and awards in Shares	-	-	-	-	-	-	-
Charge for defined benefit plans	-	-	-	349	1,340	21,381	36,439
Contribution to defined contribution plan	-	-	-	296	1,233	11,948	15,784
Rent and house maintenance	-	-	-	2,133	8,880	74,107	113,693
Utilities	-	-	-	711	2,960	24,701	37,898
Medical	-	-	-	711	2,960	27,352	42,163
Conveyance	-	-	-	1,299	5,400	87,596	84,303
Others	-	-	-	749	1,604	33,823	67,465
<b>Total</b>	<b>4,200</b>	<b>-</b>	<b>47,200</b>	<b>10,606</b>	<b>60,427</b>	<b>556,240</b>	<b>697,221</b>
Number of persons	1	-	8	3	1	20	71

\* CEO stands for Chief Executive Officer

	December 31, 2021						
	Directors			Members Shariah Board	President / CEO	Key Man- agement Personnel	Other Ma- terial Risk Takers / Controllers
	Chairman	Executive (other than CEO)*	Non- Executives				
	Rupees in '000						
Fees and allowances etc.	4,400	-	50,400	-	-	-	-
Managerial remuneration							
- Fixed (including Eid bonus)	-	-	-	3,266	12,500	120,875	209,728
- Total Variable	-	-	-	455	10,000	143,537	112,322
of which							
a. Cash Bonus / awards	-	-	-	455	10,000	143,537	112,322
b. Bonus and awards in Shares	-	-	-	-	-	-	-
Charge for defined benefit plans	-	-	-	255	1,052	19,586	35,727
Contribution to defined contribution plan	-	-	-	252	1,041	10,467	16,882
Rent and house maintenance	-	-	-	1,821	7,500	67,725	121,730
Utilities	-	-	-	607	2,500	22,575	40,530
Medical	-	-	-	607	2,524	25,614	43,354
Conveyance	-	-	-	1,232	5,400	87,560	94,964
Others	-	-	-	324	720	16,399	51,238
<b>Total</b>	<b>4,400</b>	<b>-</b>	<b>50,400</b>	<b>8,819</b>	<b>43,237</b>	<b>514,338</b>	<b>726,475</b>
Number of persons	1	-	7	3	1	20	77

\* CEO stands for Chief Executive Officer

\*\* Excluding bonus of Rs. 12.25 million paid to the retiring President / Chief Executive Officer whose term completed on December 31, 2020.

# Notes to the Consolidated Financial Statements

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## 37.2 Remuneration paid to Directors for participation in Board and Committee Meetings

Sr. No.	Name of Director	December 31, 2022						Total Amount Paid
		Board Committees						
		Board Meetings	Audit Committee of Board	Human Resource Remuneration Committee	Board Risk Management Committee	E-Vision	Strategic Planning and Monitoring Committee	
Rupees in '000								
1	Mohammad Naeem Mukhtar	2,600	-	-	-	1,600	-	4,200
2	Sheikh Mukhtar Ahmad	2,600	-	-	1,600	-	-	4,200
3	Muhammad Waseem Mukhtar	2,600	-	1,600	-	1,200	4,800	10,200
4	Abdul Aziz Khan	2,200	-	1,200	1,600	-	4,400	9,400
5	Zafar Iqbal	2,600	2,000	-	-	1,600	-	6,200
6	Mubashir A. Akhtar	2,600	2,000	1,600	-	-	-	6,200
7	Nazrat Bashir	2,600	2,000	-	1,600	-	4,800	11,000
8	Pervaiz Iqbal Butt	1,800	-	-	-	-	-	1,800
9	Muhammad Kamran Shehzad	1,800	-	-	-	-	-	1,800
		21,400	6,000	4,400	4,800	4,400	14,000	55,000

Sr. No.	Name of Director	December 31, 2021						Total Amount Paid
		Board Committees						
		Board Meetings	Audit Committee of Board	Human Resource Remuneration Committee	Board Risk Management Committee	E-Vision	Strategic Planning and Monitoring Committee	
Rupees in '000								
1	Mohammad Naeem Mukhtar	2,800	-	-	-	1,600	-	4,400
2	Sheikh Mukhtar Ahmad	2,800	-	-	1,600	-	-	4,400
3	Muhammad Waseem Mukhtar	2,800	1,600	1,600	-	800	4,400	11,200
4	Abdul Aziz Khan	2,800	-	1,600	1,600	-	4,800	10,800
5	Dr. Muhammad Akram Sheikh*	1,600	1,600	1,200	1,200	-	-	5,600
6	Zafar Iqbal	2,800	2,400	-	-	1,600	-	6,800
7	Mubashir A. Akhtar*	800	800	400	-	-	-	2,000
8	Nazrat Bashir	2,800	800	-	400	800	4,800	9,600
9	Pervaiz Iqbal Butt	1,800	-	-	-	-	-	1,800
10	Muhammad Kamran Shehzad	1,800	-	-	-	-	-	1,800
		22,800	7,200	4,800	4,800	4,800	14,000	58,400

\*Dr. Muhammad Akram Sheikh completed his term as Non-Executive Director during 2021.

## 37.3 Remuneration paid to Shariah Board Members

Items	December 31, 2022			December 31, 2021		
	Chairman	Resident Member	Non-Resident Member(s)	Chairman	Resident Member	Non-Resident Member(s)
Rupees in '000						
Salaries and allowances	5,795	2,406	2,405	5,043	1,962	1,814
Total Number of Persons	1	1	1	1	1	1

37.4 Deferred cash bonus and remuneration for MRTs for the year 2022 is Rs. 15,172,850 (2021: 16,921,625).

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## 38 FAIR VALUE OF FINANCIAL INSTRUMENTS

### 38.1 Fair value of financial assets

The fair value of traded investments is based on quoted market prices other than those classified as “held to maturity”. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group’s accounting policy as stated in note 4.5 to these consolidated financial statements.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities. Financial instruments included in level 1 comprise of investments in Listed Ordinary Shares.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Financial instruments included in level 2 comprise of Sukuk Bonds, Units of Mutual Funds, Pakistan Investment Bonds, Market Treasury Bills, Term Finance Certificates and Forward Government & Exchange Contracts.

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs). Currently, no financial instruments are classified in level 3.

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

#### Valuation Techniques used in determination of Fair Valuation of Financial Instruments within Level 2

Item	Valuation approach and input used
Federal Government Securities	Marked to Market on the basis of PKRV & PKFRV rates.
Non-Government Debt Securities	Marked to Market on the basis of MUFAP rates.
Foreign Exchange Contracts	Marked to Market on the basis of SBP rates.
Open Ended Mutual Funds	Marked to Market on the basis of MUFAP rates.
Operating Fixed Assets (Land & Building) & NBA	The valuation is based on their assessment of market value of the properties.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2022				
	Carrying Value	Level 1	Level 2	Level 3	Total
Rupees in '000					
<b>On balance sheet financial instruments</b>					
<b>Financial assets - measured at fair value</b>					
Investments					
Federal Government Securities	1,017,093,238	-	1,017,093,238	-	1,017,093,238
Shares	21,288,515	17,166,642	4,121,873	-	21,288,515
Non-Government Debt Securities	13,381,967	-	13,381,967	-	13,381,967
<b>Financial assets - disclosed but not measured at fair value</b>					
Investments (Federal government securities, unlisted ordinary shares, term certificates, sukuks, subsidiaries, Bai muajjal)					
	74,952,790	-	-	-	-
Cash and balances with treasury banks	87,913,426	-	-	-	-
Balances with other banks	3,439,468	-	-	-	-
Lendings	28,222,195	-	-	-	-
Advances	845,640,176	-	-	-	-
Other assets	56,467,341	-	-	-	-
<b>Non - Financial Assets measured at fair value</b>					
Operating fixed assets	59,099,625	-	59,099,625	-	59,099,625
Non-banking assets	1,505,342	-	1,505,342	-	1,505,342
<b>Off-balance sheet financial instruments - measured at fair value</b>					
Forward purchase of foreign exchange	160,636,134	-	160,636,134	-	160,636,134
Forward sale of foreign exchange	77,880,099	-	77,880,099	-	77,880,099
Rupees in '000					
<b>December 31, 2021</b>					
	Carrying Value	Level 1	Level 2	Level 3	Total
Rupees in '000					
<b>On balance sheet financial instruments</b>					
<b>Financial assets - measured at fair value</b>					
Investments					
Federal Government Securities	962,843,872	-	962,843,872	-	962,843,872
Shares	16,996,375	16,972,155	24,220	-	16,996,375
Non-Government Debt Securities	13,451,819	-	13,451,819	-	13,451,819
<b>Financial assets - disclosed but not measured at fair value</b>					
Investments (Federal government securities, unlisted ordinary shares, term certificates, sukuks, subsidiaries, Bai muajjal)					
	71,202,834	-	-	-	-
Cash and balances with treasury banks	124,400,515	-	-	-	-
Balances with other banks	903,243	-	-	-	-
Lendings	45,452,910	-	-	-	-
Advances	653,079,762	-	-	-	-
Other assets	28,556,045	-	-	-	-
<b>Non - Financial Assets measured at fair value</b>					
Operating fixed assets	56,784,877	-	56,784,877	-	56,784,877
Non-banking assets	1,527,302	-	1,527,302	-	1,527,302
<b>Off-balance sheet financial instruments - measured at fair value</b>					
Forward purchase of foreign exchange	161,470,903	-	161,470,903	-	161,470,903
Forward sale of foreign exchange	115,563,825	-	115,563,825	-	115,563,825



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## 39 SEGMENT INFORMATION

### 39.1 Segment Details with respect to Business Activities

	December 31, 2022						
	Corporate & Investment Banking	Commercial and Retail Banking	Trading & Sale (Treasury)	Islamic Banking	Asset Management Company	Others	Total
	Rupees in '000						
<b>Profit &amp; Loss</b>							
Net mark-up/return/profit	59,927,883	(91,934,132)	94,434,395	3,734,291	(9,255)	556,393	66,709,575
Inter segment revenue - net	(62,503,949)	172,253,651	(96,578,957)	-		(13,170,745)	-
Non mark-up/ return/ interest income	6,417,491	5,347,758	8,092,109	383,640	769,690	392,009	21,402,697
<b>Total Income</b>	<b>3,841,425</b>	<b>85,667,277</b>	<b>5,947,547</b>	<b>4,117,931</b>	<b>760,435</b>	<b>(12,222,343)</b>	<b>88,112,272</b>
Segment direct expenses	726,506	20,165,543	217,956	1,644,684	603,464	18,233,123	41,591,276
Total expenses	726,506	20,165,543	217,956	1,644,684	603,464	18,233,123	41,591,276
Provisions	(669,701)	(169,362)	-	(3,653)	(1,100)	1,104,709	260,893
<b>Profit before tax</b>	<b>2,445,218</b>	<b>65,332,372</b>	<b>5,729,591</b>	<b>2,469,594</b>	<b>155,871</b>	<b>(29,350,757)</b>	<b>46,781,889</b>
<b>Statement of Financial Position</b>							
Cash & Bank balances	118,949	23,235,294	52,356,522	9,172,647	13,066	6,447,853	91,344,331
Investments	41,851,146	-	1,052,517,808	28,248,134	4,099,422	-	1,126,716,510
Net inter segment lending	(677,012,766)	1,338,867,914	(744,862,684)	(2,112,619)		85,120,155	-
Lendings to financial institutions	3,622,894	-	25,361,758	3,000,000		(3,762,457)	28,222,195
Advances - performing	726,427,837	40,639,969	-	66,762,206	250,384	8,882,643	842,963,039
Advances - non-performing	632,538	506,437	-	9,675		11,955,032	13,103,682
Provision against advances	(340,782)	(184,235)	-	(3,886)		(11,319,258)	(11,848,161)
Advances - net	726,719,593	40,962,171	-	66,767,995	250,384	9,518,417	844,218,560
Operating fixed assets	146,400	51,949,842	8,416	1,222,069	429,655	31,040,599	84,796,981
Others	6,314,510	14,881,391	28,651,784	3,434,983	436,631	24,854,696	78,573,995
<b>Total Assets</b>	<b>101,760,726</b>	<b>1,469,896,612</b>	<b>414,033,604</b>	<b>109,733,209</b>	<b>5,229,158</b>	<b>153,219,263</b>	<b>2,253,872,572</b>
Borrowings	89,126,377	4,761,729	412,961,398	27,105,292		(3,540,303)	530,414,493
Deposits & other accounts	10,383,466	1,436,908,922	-	71,870,126		3,113,336	1,522,275,850
Others	2,250,883	28,225,961	1,072,206	3,445,447	2,201,121	33,722,303	70,917,921
<b>Total liabilities</b>	<b>101,760,726</b>	<b>1,469,896,612</b>	<b>414,033,604</b>	<b>102,420,865</b>	<b>2,201,121</b>	<b>33,295,336</b>	<b>2,123,608,264</b>
Equity / Reserves	-	-	-	7,312,344	3,028,037	119,923,927	130,264,308
<b>Total Equity and Liabilities</b>	<b>101,760,726</b>	<b>1,469,896,612</b>	<b>414,033,604</b>	<b>109,733,209</b>	<b>5,229,158</b>	<b>153,219,263</b>	<b>2,253,872,572</b>
<b>Contingencies and Commitments</b>	<b>166,531,969</b>	<b>18,581,086</b>	<b>262,562,513</b>	<b>3,027,651</b>	<b>3,080</b>	<b>13,608,676</b>	<b>464,314,975</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2021						Total
	Corporate & Investment Banking	Commercial and Retail Banking	Trading & Sale (Treasury)	Islamic Banking	Asset Management Company	Others	
Rupees in '000							
<b>Profit &amp; Loss</b>							
Net mark-up/return/profit	30,046,425	(40,299,964)	53,742,646	1,966,448	(25,302)	131,587	45,561,840
Inter segment revenue - net	(27,677,583)	82,271,222	(47,920,565)	-	-	(6,673,074)	-
Non mark-up/ return/ interest income	7,281,836	4,421,432	3,197,701	324,582	939,314	596,849	16,761,714
<b>Total Income</b>	<b>9,650,678</b>	<b>46,392,690</b>	<b>9,019,782</b>	<b>2,291,030</b>	<b>914,012</b>	<b>(5,944,638)</b>	<b>62,323,554</b>
Segment direct expenses	656,814	18,003,942	223,728	1,480,865	544,813	13,539,595	34,449,757
Total expenses	656,814	18,003,942	223,728	1,480,865	544,813	13,539,595	34,449,757
Provisions	(143,847)	(121,811)	-	(84)	-	1,076,842	811,100
<b>Profit before tax</b>	<b>8,850,017</b>	<b>28,266,937</b>	<b>8,796,054</b>	<b>810,081</b>	<b>369,199</b>	<b>(18,407,391)</b>	<b>28,684,897</b>
<b>Statement of Financial Position</b>							
Cash & Bank balances	265,776	43,509,889	71,358,163	4,305,649	11,685	5,852,596	125,303,758
Investments	35,400,389	-	999,447,524	29,146,987	2,395,096	-	1,066,389,996
Net inter segment lending	(446,532,421)	1,253,708,768	(857,849,308)	(2,415,498)	-	53,088,459	-
Lendings to financial institutions	-	-	82,900,029	-	-	(37,447,119)	45,452,910
Advances - performing	524,632,629	35,007,398	-	82,203,444	190,085	10,296,198	652,329,754
Advances - non-performing	670,589	152,873	-	-	-	12,777,298	13,600,760
Provision against advances	(381,005)	(102,705)	-	(233)	-	(12,366,809)	(12,850,752)
Advances - net	524,922,213	35,057,566	-	82,203,211	190,085	10,706,687	653,079,762
Operating fixed assets	389,184	50,947,459	7,448	1,460,572	430,643	27,991,223	81,226,529
Others	2,840,258	10,664,551	12,117,451	1,861,117	433,398	13,609,150	41,525,925
<b>Total Assets</b>	<b>117,285,399</b>	<b>1,393,888,233</b>	<b>307,981,307</b>	<b>116,562,038</b>	<b>3,460,907</b>	<b>73,800,996</b>	<b>2,012,978,880</b>
Borrowings	100,524,929	5,468,498	308,819,318	42,597,423	-	(37,404,400)	420,005,768
Deposits & other accounts	-	1,345,635,407	-	65,014,170	-	2,628,106	1,413,277,683
Others	1,465,092	14,712,882	212,341	3,983,158	487,124	29,191,646	50,052,243
<b>Total liabilities</b>	<b>101,990,021</b>	<b>1,365,816,787</b>	<b>309,031,659</b>	<b>111,594,751</b>	<b>487,124</b>	<b>(5,584,648)</b>	<b>1,883,335,694</b>
Equity / Reserves	15,295,378	28,071,446	(1,050,352)	4,967,287	2,973,783	79,385,644	129,643,186
<b>Total Equity and Liabilities</b>	<b>117,285,399</b>	<b>1,393,888,233</b>	<b>307,981,307</b>	<b>116,562,038</b>	<b>3,460,907</b>	<b>73,800,996</b>	<b>2,012,978,880</b>
<b>Contingencies and Commitments</b>	<b>123,812,661</b>	<b>25,510,317</b>	<b>277,034,728</b>	<b>2,435,173</b>	<b>42,231</b>	<b>11,537,703</b>	<b>440,372,813</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## 39.2 GEOGRAPHICAL SEGMENT ANALYSIS

	December 31, 2022			
	Domestic Operations	Middle East	China	Total
Rupees in '000				
<b>Profit &amp; Loss</b>				
Net mark-up/return/profit	65,411,741	1,297,834	-	66,709,575
Inter segment revenue – net	602,279	(602,279)	-	-
Non mark-up / return / interest income	21,199,287	203,410	-	21,402,697
Total Income	87,213,307	898,965	-	88,112,272
Segment direct expenses	(41,396,354)	(162,894)	(32,028)	(41,591,276)
Total expenses	(41,396,354)	(162,894)	(32,028)	(41,591,276)
Provisions	525,090	(264,197)	-	260,893
Profit or (loss) before tax	46,342,043	471,874	(32,028)	46,781,889
<b>Statement of Financial Position</b>				
Cash & Bank balances	91,252,091	92,240	-	91,344,331
Investments	1,119,575,122	7,141,388	-	1,126,716,510
Net inter segment lendings	2,762,457	-	-	2,762,457
Lendings to financial institutions	25,459,738	-	-	25,459,738
Advances – performing	838,160,309	4,802,730	-	842,963,039
Advances - non-performing	13,103,682	-	-	13,103,682
Provision against advances	(11,808,714)	(39,447)	-	(11,848,161)
Advances - net	839,455,277	4,763,283	-	844,218,560
Operating fixed assets	84,730,382	66,599	-	84,796,981
Others	74,590,945	3,983,050	-	78,573,995
<b>Total Assets</b>	<b>2,237,826,012</b>	<b>16,046,560</b>	<b>-</b>	<b>2,253,872,572</b>
Borrowings	522,896,987	4,755,049	-	527,652,036
Subordinated debt	-	-	-	-
Deposits & other accounts	1,511,892,384	10,383,466	-	1,522,275,850
Net inter segment borrowing	-	2,762,457	-	2,762,457
Others	70,786,365	131,556	-	70,917,921
<b>Total liabilities</b>	<b>2,105,575,736</b>	<b>18,032,528</b>	<b>-</b>	<b>2,123,608,264</b>
Equity	132,250,276	(1,985,968)	-	130,264,308
<b>Total Equity &amp; liabilities</b>	<b>2,237,826,012</b>	<b>16,046,560</b>	<b>-</b>	<b>2,253,872,572</b>
<b>Contingencies and commitments</b>	<b>464,314,975</b>	<b>-</b>	<b>-</b>	<b>464,314,975</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2021			
	Domestic Operations	Middle East	China	Total
Rupees in '000				
<b>Profit &amp; Loss</b>				
Net mark-up/return/profit	45,084,773	477,067	-	45,561,840
Inter segment revenue – net	27,961	(27,961)	-	-
Non mark-up / return / interest income	16,584,337	177,377	-	16,761,714
Total Income	61,697,071	626,483	-	62,323,554
<b>Segment direct expenses</b>	<b>(34,294,365)</b>	<b>(129,125)</b>	<b>(26,267)</b>	<b>(34,449,757)</b>
Total expenses	(34,294,365)	(129,125)	(26,267)	(34,449,757)
Provisions	781,140	29,960	-	811,100
Profit or (loss) before tax	28,183,846	527,318	(26,267)	28,684,897
<b>Statement of Financial Position</b>				
Cash & Bank balances	125,050,175	253,583	-	125,303,758
Investments	1,065,439,690	950,306	-	1,066,389,996
Net inter segment lendings	247,119	-	-	247,119
Lendings to financial institutions	45,205,791	-	-	45,205,791
Advances - performing	624,862,536	27,467,218	-	652,329,754
Advances - non-performing	13,600,760	-	-	13,600,760
Provision against advances	(12,769,413)	(81,339)	-	(12,850,752)
Advances - net	625,693,883	27,385,879	-	653,079,762
Operating fixed assets	81,174,612	51,917	-	81,226,529
Others	41,266,797	259,128	-	41,525,925
<b>Total Assets</b>	<b>1,984,078,067</b>	<b>28,900,813</b>	<b>-</b>	<b>2,012,978,880</b>
Borrowings	395,242,098	24,516,551	-	419,758,649
Subordinated debt	-	-	-	-
Deposits & other accounts	1,413,277,668	15	-	1,413,277,683
Net inter segment borrowing	-	247,119	-	247,119
Others	49,991,643	60,600	-	50,052,243
<b>Total liabilities</b>	<b>1,858,511,409</b>	<b>24,824,285</b>	<b>-</b>	<b>1,883,335,694</b>
Equity	125,566,658	4,076,528	-	129,643,186
<b>Total Equity &amp; liabilities</b>	<b>1,984,078,067</b>	<b>28,900,813</b>	<b>-</b>	<b>2,012,978,880</b>
<b>Contingencies and commitments</b>	<b>440,372,813</b>	<b>-</b>	<b>-</b>	<b>440,372,813</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## 40 RELATED PARTY TRANSACTIONS

The Group has related party relationships with its parent, subsidiary, companies with common directorship, directors, employee benefit plans and key management personnel including their associates.

Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation and terms of the contribution plan. Remuneration of the key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

	December 31, 2022					December 31, 2021						
	Parent	Directors	Key management personnel	Associates*	Joint venture	Other related parties	Parent	Directors	Key management personnel	Associates*	Joint venture	Other related parties
Rupees in '000												
<b>Balances with other banks</b>												
In current accounts	-	-	-	-	-	-	-	-	-	-	-	-
In deposit accounts	-	-	-	-	-	-	-	-	-	-	-	-
<b>Lendings to financial institutions</b>												
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	-	-	-	-	-	-	-	-	-
Repaid during the year	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in and (out) - net	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-
<b>Investments</b>												
Opening balance	-	-	-	-	-	2,420,097	-	-	-	-	-	2,583,387
Investment made during the year	-	-	-	-	-	3,674,104	-	-	-	-	-	4,691,800
Investment redeemed and disposed off during the year	-	-	-	-	-	(1,855,025)	-	-	-	-	-	(4,792,377)
(Deficit)/Surplus	-	-	-	-	-	(139,753)	-	-	-	-	-	(62,713)
Closing balance	-	-	-	-	-	4,099,423	-	-	-	-	-	2,420,097
Provision for diminution in value of investments												
	-	-	-	-	-	-	-	-	-	-	-	-
<b>Advances</b>												
Opening balance	-	63,811	360,191	-	-	1,242	-	2,969	156,424	-	-	496
Addition during the year	-	66,521	163,069	18,724,509	-	20,000	-	112,084	313,507	-	-	13,619,387
Repaid during the year	-	(63,457)	(106,635)	(17,763,032)	-	(18,307)	-	(51,242)	(109,740)	-	-	(13,617,454)
Transfer in and (out) - net	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	66,875	416,615	961,477	-	2,935	-	63,811	360,191	-	-	2,429
Provision held against advances												
	-	-	-	-	-	-	-	-	-	-	-	-

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2022					December 31, 2021						
	Parent	Directors	Key management personnel	Associates*	Joint venture	Other related parties	Parent	Directors	Key management personnel	Associates*	Joint venture	Other related parties
	Rupees in '000											
<b>Other Assets</b>												
Interest or mark-up accrued	-	5,128	93,943	11,489	-	-	1,540	78,624	-	-	-	29
Receivable from staff retirement fund	-	-	-	-	-	4,228,764	-	-	-	-	-	3,546,477
Other receivable	-	64,669	-	-	-	212,908	-	-	-	-	-	354,378
Provision against other assets	-	-	-	-	-	-	-	-	-	-	-	-
<b>Borrowings</b>												
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings during the year	-	-	-	-	-	-	-	-	-	-	-	-
Settled during the year	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in and (out) - net	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-
<b>Subordinated debt</b>												
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-
Issued or Purchased during the year	-	-	-	-	-	-	-	-	-	-	-	-
Redemption and Sold during the year	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-
<b>Deposits and other accounts</b>												
Opening balance	100,304	391,278	46,188	60,450	-	38,313,174	803	144,243	40,672	46,745	-	26,961,726
Received during the year	14,706,290	376,987	801,274	245,176	-	425,704,709	13,701,403	1,679,675	751,007	13,867,649	-	542,781,289
Withdrawn during the year	(14,804,878)	(714,534)	(796,129)	(193,661)	-	(461,869,649)	(13,601,902)	(1,432,640)	(745,491)	(13,865,944)	-	(531,429,841)
Transfer in and (out) - net	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	1,716	63,731	51,334	111,965	-	2,128,234	100,304	391,278	46,188	60,450	-	38,313,174
<b>Other Liabilities</b>												
Interest or mark-up payable	-	-	-	-	-	-	-	-	-	58	-	184,999
Payable to staff retirement fund	-	15,161	-	-	-	-	-	64	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-
<b>Contingencies and Commitments</b>												
Other contingencies	-	-	-	50,931	-	-	-	-	-	158,177	-	-



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## 40.1 RELATED PARTY TRANSACTIONS

	December 31, 2022					December 31, 2021						
	Parent	Directors	Key management personnel	Associates*	Joint venture	Other related parties	Parent	Directors	Key management personnel	Associates*	Joint venture	Other related parties
	Rupees in '000											
<b>Income</b>												
Mark-up / return / interest earned	-	4,198	17,598	11,504	-	60	-	1,998	12,648	29	-	4
Sales Commission	-	-	-	-	-	41,767	-	-	-	-	-	25,371
Fee and commission income	6	55	295	52	-	424,595	2	44	65	27	-	531,864
Dividend income	-	-	-	-	-	94,740	-	-	-	-	-	2,053
Net gain / (loss) on sale of securities	-	-	-	-	-	12,535	-	-	(1)	-	-	9,334
Rental Income	-	-	-	-	-	-	-	-	-	-	-	-
Other Income	-	-	712	-	-	-	-	-	-	-	-	-
<b>Expense</b>												
Mark-up, return, interest paid	-	11,662	1,193	519	-	1,220,467	-	17,718	670	210	-	1,410,280
Directors meeting fee	-	55,000	-	-	-	-	-	52,000	-	-	-	-
Remuneration	-	57,630	476,511	-	-	-	-	41,144	450,740	-	-	-
Charge for defined benefit plans	-	1,340	18,531	-	-	-	-	1,052	18,048	-	-	-
Contribution to defined contribution plan	-	1,233	10,178	-	-	-	-	1,041	9,516	-	-	-
Other expenses**	-	224	944	41,993	-	325,235	-	-	-	32,061	-	-
Rent expense***	-	-	-	18,581	-	-	-	-	-	30,288	-	-
Charge in respect of staff retirement benefit funds	-	-	-	-	-	-	-	-	-	-	-	407,085
Insurance premium paid	-	-	-	-	-	-	-	104	699	-	-	-
Insurance claims settled	-	-	-	-	-	-	-	-	-	-	-	-

\* Associated companies are as per IAS 24 'Related Party Disclosures'.

\*\*Other expenses mainly include donation of Rs. 33 million to National Management Foundation for construction of hostel building.

\*\*\*Rent expense of ABL Branch with associated companies (Ibrahim Fibres Limited & Ibrahim Agencies Pvt. Limited) was carried out on agreed terms with prior permission of State Bank of Pakistan.

During the year ended December 31, 2022; certain moveable assets which have been fully depreciated were disposed off for Rs. 192,282 to the Key Management Personnel of the Group.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2022	December 31, 2021
	Rupees in '000	
<b>41 CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	11,450,739	11,450,739
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	107,746,226	98,872,275
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	107,746,226	98,872,275
Eligible Tier 2 Capital	6,381,466	20,126,655
Total Eligible Capital (Tier 1 + Tier 2)	114,127,692	118,998,930
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	418,485,475	388,470,764
Market Risk	32,571,828	34,566,906
Operational Risk	127,315,019	105,933,865
Total	578,372,322	528,971,535
Common Equity Tier 1 Capital Adequacy ratio	18.63%	18.69%
Tier 1 Capital Adequacy Ratio	18.63%	18.69%
Total Capital Adequacy Ratio	19.73%	22.50%
<p>The SBP through its BSD Circular No. 07 dated April 15, 2009 prescribed the minimum paid up capital (net of losses) for all locally incorporated Groups of Rs. 10 billion. The paid up capital of the Group stood at Rs. 11.451 billion as at 31 December, 2022 and is in compliance with the SBP requirements.</p> <p>Further, SBP vide its BPRD Circular # 6 of 2013 dated August 15, 2013 required the Groups to maintain the minimum Capital Adequacy Ratio (CAR) of 12.5% inclusive of Capital Conservation Buffer (CCB) of 2.5% on standalone as well as on consolidated basis. To support the Grouping sector in extending financing or credit facilities to their customers during COVID-19, SBP vide BPRD Circular # 12 of 2020 relaxed the CAR requirement to 11.5% by reducing the Capital Conservation Buffer (CCB) from 2.5% to 1.5% till further instructions.</p> <p>Group's CAR as at December 31, 2022 stood at 19.73% of its total risk weighted assets and complied with all externally imposed capital requirements. Standardized Approach is used for calculating the Credit and Market risk, whereas, Basic Indicator Approach is used for Operational Risk in the Capital Adequacy calculation.</p>		
	December 31, 2022	December 31, 2021
	Rupees in '000	
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	107,746,226	98,872,275
Total Exposures	2,381,055,186	2,490,193,486
Leverage Ratio	4.53%	3.97%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	670,660,455	642,371,329
Total Net Cash Outflow	400,489,567	345,039,134
Liquidity Coverage Ratio	167.46%	186.17%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	1,444,409,109	1,330,494,083
Total Required Stable Funding	967,845,390	934,385,758
Net Stable Funding Ratio	149.24%	142.39%

41.1 The link to the full disclosure is available at <https://www.abl.com/investor-relations/>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## 42 RISK MANAGEMENT

The principal risks associated with the Group's business are credit risk, market risk, liquidity risk, reputational risk, operational risk, and information security & governance risk and Shariah Non- Compliance Risk. The Risk Management Framework (henceforth to be referred to as 'The Framework') provides principles for identifying, assessing, and monitoring risk within the Bank. The Framework specifies the key elements of the risk management process in order to maximize opportunities, minimize adversities and to achieve improved outputs based on informed decision making.

The Bank performs risk measurement, monitoring and control functions through use of various risk procedures and models. To give it a formal structure, all the policies and guidelines are approved by the Board and relevant management committees.

Risk management functions have been segregated by business specialization, i.e., Credit Risk, Credit Administration, Technical Appraisal, Information Security and Enterprise Risk which inter alia includes Policy and Procedure, Risk Architecture, Reputational Risk, Operational Risk and Market & Liquidity Risk. All these functions are operating in tandem to improve and maintain the health of the Bank's assets and liabilities.

### Categories of Risk

**Credit Risk** This risk is defined as the possibility of loss due to unexpected default or a deterioration of credit worthiness of a business partner.

Credit Risk includes Country Risk i.e., the risks that counterparty is unable to meet its foreign currency obligations as a result of adverse economic conditions or actions taken by governments in the relevant country.

**Market Risk** The risk that the value of on and off-balance sheet positions of the Bank will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates, equity prices, credit spreads and / or commodity prices, resulting in a loss to earnings and capital.

**Liquidity Risk** The risk that the Bank is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn without incurring unacceptable cost or losses.

**Operational Risk** Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events. The definition includes legal risk but excludes strategic risk and reputational risk.

**Reputational Risk** The Reputational risk arises from the negative perception on the part of stakeholders that can adversely affect a bank's ability to maintain existing, or establish new, business relationships and continued access to sources of funding.

**Information Security & Governance Risk** Information Security and Governance Risk Management involves the identification of an organization's information assets and the development, documentation, and implementation of policies, standards, procedures and controls that ensure confidentiality, integrity and availability of the information.

**Strategic Risk** Risk of an adverse impact on strategic goals. Strategic risk mainly arises from strategic decisions, improper implementation of those decisions, or lack of responsiveness of Bank to industry, economic or technological changes.

**Shariah Non- Compliance Risk** Shariah Non Compliance Risk arises from the failure to comply with shariah rules and principles determined by the shariah board of the Bank and the Regulator.

### Risk Responsibilities

- The Board of Directors shall oversee the risk management process. The Board of Directors is responsible for determining the manner in which risk authorities are set, as well as the approval of all risk policies and ensuring that these are properly implemented. Further, the Board of Directors shall also seek appointment of senior management personnel capable of managing the risk activities conducted by the Bank.
- The Board Risk Management Committee (BRMC) is responsible for ensuring that the overall risk strategy and risk acceptance criteria of the Bank is appropriately defined in the Strategic Plan and recommend the same to the Board of Directors.
- The Chief Executive Officer and Group Chiefs shall be responsible for the management of risk collectively through their membership of various committees i.e. Management Committee (MANCO), Asset & Liability Committee (ALCO), Compliance Committee (CC) and Risk Management Committee (RMC). Independent supervision of risk management activities is provided by the Audit Committee of the Board.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

- The Risk Management Group is headed by a Group Chief responsible for set-up and implementation of the Risk Management Strategy of the Bank.

## Risk Management Group Organization

Risk management functions have been segregated by business specialization, i.e., Credit Risk, Credit Administration, Technical Appraisal, Information security and Enterprise Risk which interalia includes Risk Architecture, Operational Risk and Market & Liquidity Risk. All these functions are operating in tandem to monitor the health of assets and liabilities, while ensuring risk mitigants against cyber and information system threats.

### 42.1 Credit Risk

Credit risk, the potential default of one or more debtors, is a major source of risk for the Bank. The Bank is exposed to credit risk through its lending and investment activities. The Bank's credit risk function is divided into Corporate and Financial Institutions Risk and Commercial, SME and Consumer Risk. The functions operate within an integrated framework of credit policies, guidelines and processes. The credit risk management activities are governed by the Credit Policy of the Bank that defines the respective roles and responsibilities, the credit risk management principles and the Bank's credit risk strategy. The policy is supported by a comprehensive Credit Procedures Manual.

The Bank manages three principal sources of credit risk:

- i) Sovereign credit risk on its public sector advances
- ii) Counterparty credit risk on its private sector advances
- iii) Counterparty credit risk on interbank limits

#### Sovereign Credit Risk

When the Bank lends to public sector borrowers, it prefers obtaining a full sovereign guarantee or the equivalent from the Government of Pakistan (GOP). However, certain public sector enterprises have a well defined cash flow stream and appropriate business model, based on which the lending is secured through collaterals other than GOP guarantee.

#### Counterparty credit risk on its private sector advances

Each borrower's credit worthiness is analyzed on the Credit Application Package that incorporates a formalized and structured approach for credit analysis and directs the focus of evaluation towards a balanced assessment of credit risk with identification of proper mitigants. These risks include Industry Risk, Business Risk, Financial Risk, Security Risk and Account Performance Risk.

Financial analysis is further strengthened through use of separate financial spread sheet templates that have been designed for manufacturing / trading concerns, financial institutions and insurance companies.

#### Counter Party Credit Risk on Interbank Limits

In the normal course of its business, the Bank's Treasury utilizes products such as Reverse REPO and call lending to meet the needs of interbank borrowers and manage its exposure to fluctuations in market, interest and currency rates. Further, these products are also used to temporarily invest Bank's liquidity prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty in the transaction may be unable to meet its obligation to the Bank.

Reflecting a preference for minimizing exposure to counterparty credit risk, the Bank maintains eligibility criteria that link the exposure limits to counterparty credit ratings by external rating agencies.

#### A. Country Risk

The Bank has in place a Country Risk Management Framework which has been approved by the Board. This framework focuses on providing detailed roles and responsibilities with respect to country risk assessment as well as limit setting, exposure management and reporting of cross border exposure undertaken by the Bank. The Bank utilizes S&P, Fitch and Moody's country ratings as well as other macroeconomic and external risk factors in assigning a country risk limit. The Financial Institutions Division is responsible for monitoring of country exposure limits.

#### Credit Administration

Credit Administration is involved in minimizing losses that could arise due to security and documentation deficiencies. The Credit Administration Function constantly monitors the security and documentation risks inherent in the existing credit portfolio through four regional credit administration departments located in major cities. Further, Credit Monitoring Division ensures implementation of all post disbursement activities as per bank guidelines to safeguard interests of the Bank through its three units i.e. Classification & Monitoring, Vigilance and Warehouse Management.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## 42.1.1 Lendings to financial institutions

### Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	December 31,2022	December 31,2021	December 31,2022	December 31,2021	December 31,2022	December 31,2021
	Rupees in '000					
Public/ Government	9,691,830	-	-	-	-	-
Private	18,600,365	45,452,910	70,000	70,000	70,000	70,000
	<b>28,292,195</b>	<b>45,452,910</b>	<b>70,000</b>	<b>70,000</b>	<b>70,000</b>	<b>70,000</b>

## 42.1.2 Investment in debt securities

### Credit risk by industry sector

	Gross Investments		Non-performing Investments		Provision held	
	December 31,2022	December 31,2021	December 31,2022	December 31,2021	December 31,2022	December 31,2021
	Rupees in '000					
Basic metals (iron, steel)	375,000	500,000	-	-	-	-
Financial	14,559,860	10,505,600	-	-	-	-
Hotel, restaurant and clubs	407,603	429,055	-	-	-	-
Power, gas, water and sanitary	11,230,000	12,294,309	-	-	-	-
Chemicals	-	1,600,000	-	-	-	-
Sugar	10,486	10,487	10,486	10,487	10,486	10,487
Textile - Spinning	51,345	51,345	51,345	51,345	51,345	51,345
Textile - Weaving	200,000	200,000	200,000	200,000	200,000	200,000
Government	1,111,168,957	1,029,490,304	14,772,409	889,292	309,078	1,808
Others	79,877	103,498	79,877	103,498	79,877	103,498
	<b>1,138,083,128</b>	<b>1,055,184,598</b>	<b>15,114,117</b>	<b>1,254,622</b>	<b>650,786</b>	<b>367,138</b>

	Gross Investments		Non-performing Investments		Provision held	
	December 31,2022	December 31,2021	December 31,2022	December 31,2021	December 31,2022	December 31,2021
	Rupees in '000					

### Credit risk by public / private sector

Public/ Government	1,121,138,958	1,040,240,304	14,772,409	889,292	309,078	1,808
Private	16,944,170	14,944,294	341,708	365,330	341,708	365,330
	<b>1,138,083,128</b>	<b>1,055,184,598</b>	<b>15,114,117</b>	<b>1,254,622</b>	<b>650,786</b>	<b>367,138</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	Gross advances		Non-performing advances		Provision held	
	December 31,2022	December 31,2021	December 31,2022	December 31,2021	December 31,2022	December 31,2021

Rupees in '000

## 42.1.3 Advances

### Credit risk by industry sector

Agriculture, Forestry and Hunting	158,241,072	147,123,343	492,235	624,664	464,711	584,105
Basic metals (iron, steel)	6,653,386	9,592,215	662,689	322,084	285,663	312,248
Cement, clay and ceramics	36,975,354	24,078,946	69,791	71,591	69,791	71,591
Chemical and pharmaceutical	44,800,210	37,195,811	340,431	362,126	340,431	362,126
Construction	15,849,588	10,643,190	200,023	133,975	154,080	129,475
Education	82,416	202,236	123	123	123	123
Financial	211,529,671	50,951,055	24,254	37,454	24,254	37,454
Footwear and leather garments	3,664,732	4,335,475	15,173	29,832	15,173	29,832
Furniture and sports goods	1,398,468	1,376,141	174,147	201,841	174,147	201,841
Grains, food and beverages	23,360,005	18,577,881	2,274,385	2,459,124	1,971,582	2,004,931
Health and social welfare	39,553	354,213	1,599	1,644	1,599	1,644
Hotel, restaurant and clubs	-	-	7,110	7,110	7,110	7,110
Individuals	21,736,129	16,139,680	605,993	337,369	310,724	330,333
Machinery and equipment	4,240,883	2,732,657	9,399	9,399	9,399	9,399
Manufacture of transport equipment	4,411,975	3,226,013	129,499	129,499	129,499	129,499
Paper and paper boards	13,620,427	11,677,865	202,414	207,274	202,414	207,274
Petroleum products	39,772,498	34,074,212	11,859	18,244	10,521	16,844
Power, gas, water and sanitary	109,716,568	127,141,983	-	-	-	-
Printing, publishing and allied	358,598	303,199	738	738	738	738
Real estate, renting, and business activities	7,006,746	7,419,067	-	-	-	-
Rubber and plastic	985,000	855,631	166,990	166,990	166,990	166,990
Sugar	7,042,924	5,392,472	-	37,850	-	37,850
Textile -Manufacture of made up and ready made garments	42,309,527	43,537,542	2,351,170	2,901,668	2,351,170	2,901,668
Textile - Finishing	17,792,294	17,410,759	2,686,933	2,710,184	2,686,933	2,710,184
Textile - Spinning	26,906,742	22,837,292	1,023,077	943,308	1,023,077	943,308
Textile - Weaving	2,640,048	3,761,552	445,079	454,979	240,242	245,342
Transport, storage and communication	34,728,657	23,838,158	77,038	95,489	47,873	38,804
Wholesale and retail trade	5,812,673	7,561,992	674,744	740,232	642,290	731,668
Others	14,390,577	33,399,849	456,789	595,969	408,024	538,016
	<b>856,066,721</b>	<b>665,740,429</b>	<b>13,103,682</b>	<b>13,600,760</b>	<b>11,738,558</b>	<b>12,750,397</b>

### Credit risk by public and private sector

Public/ Government	431,370,665	305,411,957	377,026	34,330	-	34,330
Private	424,696,056	360,518,557	12,726,656	13,566,430	11,738,558	12,716,067
	<b>856,066,721</b>	<b>665,930,514</b>	<b>13,103,682</b>	<b>13,600,760</b>	<b>11,738,558</b>	<b>12,750,397</b>



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

	December 31, 2022	December 31, 2021
	Rupees in '000	
<b>42.1.4 Contingencies and Commitments</b>		
<b>Credit risk by industry sector</b>		
Agriculture, Forestry and Hunting	257,496	655,478
Basic metals (iron, steel)	3,310,163	4,360,213
Cement, clay and ceramics	5,449,084	19,034,038
Chemical and pharmaceutical	3,803,170	8,638,835
Construction	3,382,725	6,069,105
Education	76,697	12,310
Financial	279,943,310	288,390,529
Footwear and leather garments	182,784	230,066
Furniture and sports goods	186,788	132,780
Grains, food and beverages	3,930,505	1,854,262
Health and social welfare	590,829	432,346
Hotel, restaurant and clubs	7,859	7,859
Individuals	7,399,405	8,161,560
Machinery and equipment	27,807,008	24,901,589
Manufacture of transport equipment	1,035,644	2,708,524
Paper and paper boards	357,374	779,279
Petroleum products	64,582,403	26,348,261
Power, gas, water and sanitary	30,987,020	9,765,018
Printing, publishing and allied	297,274	86,496
Rubber and plastic	1,455,794	3,333,648
Sugar	598,261	30,539
Textile - Manufacture of made up and ready made garments	1,388,840	2,381,756
Textile - Finishing	4,925,124	6,780,525
Textile - Spinning	2,148,913	1,452,547
Textile - Weaving	3,006,369	2,008,794
Transport, storage and communication	4,617,416	3,557,944
Wholesale and retail trade	6,582,500	11,388,996
Others	6,004,220	6,869,516
	<b>464,314,975</b>	<b>440,372,813</b>
<b>Credit risk by public / private sector</b>		
Public/ Government	173,637,473	107,789,123
Private	290,677,502	332,583,690
	<b>464,314,975</b>	<b>440,372,813</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## 42.1.5 Concentration of Advances

The Bank's top 10 exposures on the basis of total (funded and non-funded) exposures aggregating to Rs. 427,826.14 million (December 31, 2021: Rs. 338,676.3 million) are as following:

	December 31, 2022	December 31, 2021
Rupees in '000		
Funded	376,037,108	271,288,662
Non Funded	51,789,029	67,387,633
Total Exposure	427,826,137	338,676,295

The sanctioned limits against these top 10 exposures aggregated to Rs. 464,566 million (December 31, 2021: Rs. 363,137.31 million).

## 42.1.6 Advances – Province/Region-wise Disbursement & Utilization

Province/Region	During the year ended December 31, 2022						
	Disbursements		Utilization				
	Punjab	Sindh	Khyber Pakhtunkhwa including FATA	Balochistan	Islamabad	Azad Jammu and Kashmir including Gilgit- Baltistan	
Rupees in '000							
Punjab	1,096,008,500	1,017,117,260	76,674,265	193,973	18,243	1,920,494	84,265
Sindh	1,599,768,166	16,508,791	1,583,259,375	-	-	-	-
KPK including FATA	7,430,014	-	-	7,430,014	-	-	-
Balochistan	1,477,717	-	-	-	1,477,717	-	-
Islamabad	630,892,857	311,919,364	33,537,164	-	-	285,436,329	-
AJK including Gilgit-Baltistan	519,102	-	-	-	-	-	519,102
Total	3,336,096,356	1,345,545,415	1,693,470,804	7,623,987	1,495,960	287,356,823	603,367

Province/Region	During the year ended December 31, 2021						
	Disbursements		Utilization				
	Punjab	Sindh	Khyber Pakhtunkhwa including FATA	Balochistan	Islamabad	Azad Jammu and Kashmir including Gilgit- Baltistan	
Rupees in '000							
Punjab	771,407,231	705,101,872	34,983,571	1,783,082	15,704	29,472,660	50,342
Sindh	1,110,887,878	70,737,345	1,029,441,170	6,572,989	4,136,374	-	-
KPK including FATA	2,156,289	-	-	2,156,289	-	-	-
Balochistan	1,045,911	-	-	-	1,045,911	-	-
Islamabad	327,615,203	153,438,233	15,724,654	-	-	158,452,316	-
AJK including Gilgit-Baltistan	457,870	-	-	-	-	-	457,870
Total	2,213,570,382	929,277,450	1,080,149,395	10,512,360	5,197,989	187,924,976	508,212

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## 42.2 Market Risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. Thus market risk can be further described into Interest Rate Risk, Foreign Exchange Risk and Equity Position Risk.

Market Risk performs risk measurement, monitoring and control functions through the use of various risk procedures and models. To give it a formal structure, all the policies and guidelines are approved by the Board of Directors and the relevant management committees.

The Group uses three types of risk management tools to measure The Group's Market Risk: Value-at Risk (VaR), Expected Shortfall (ES) and Stress Testing. In addition, control limits are utilized to maintain the risks within acceptable levels.

The Group maintains adequate regulatory capital to cover all interest rate risks falling under the "Trading Book" as well as "Banking Book", as defined by Basel capital accord. The Group uses Standardized Approach in determining market risk exposures in the capital adequacy calculation. Maturity method is used to calculate charge on Interest rate risk and FX risk.

In its pursuit of automation, The Group has successfully implemented Oracle Financial Services Analytical Application (OFSA) Market Risk Module to automate the risk monitoring and reporting activities pertaining to Market Risk, which allows for more efficient risk monitoring and increased focus on risk analysis to help in making more informed decisions.

### 42.2.1 Market Risk Pertaining to the Trading Book

#### Trading Book

The Trading Book of The Group consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. To be eligible for trading book, financial instruments must be held with the intent of trading and free of any restrictive covenants on their tradability. In addition, positions need to be frequently and accurately valued and the portfolio should be actively monitored and managed accordingly.

The Group's trading book includes securities classified as 'Held-For-Trading', 'Open Ended Mutual Fund' and non-strategic listed equity placed in 'Available-for-Sale' category. These positions are exposed to all forms of market risk and are managed actively.

#### Risk Pertaining to Banking Book Investment Portfolio

All investments excluding trading book are considered as part of banking book. Banking book includes:

- i) Available-for-Sale Securities - (other than non-strategic listed equity)
- ii) Held-to-maturity securities

Treasury investments parked in the banking book include:

- i) Government securities
- ii) Capital market investments
- iii) Investments in bonds, debentures, etc.

Due to the diversified nature of investments in banking book, it is subject to interest rate risk, equity price risk and FX risk.

#### Stress Testing

The Group also conducts Stress Testing of The Group's investment portfolio to ascertain the impact of various scenarios on the capital adequacy and sustainability of The Group. The exercise assumes various stress conditions, with respect to Interest Rate Risk, Equity Price Risk, FX Risk and Liquidity Risk. Stress testing is also conducted on various macro-economic scenarios to test the resilience of The Group.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## 42.2.2 Balance sheet split by trading and banking books

	December 31, 2022			December 31, 2021		
	Banking book	Trading book	Total	Banking book	Trading book	Total
Rupees in '000						
Cash and balances with treasury banks	87,904,863	-	87,904,863	124,400,515	-	124,400,515
Balances with other banks	3,439,468	-	3,439,468	903,243	-	903,243
Lendings to financial institutions	28,222,195	-	28,222,195	45,452,910	-	45,452,910
Investments	1,107,965,894	18,750,616	1,126,716,510	1,050,026,348	16,363,648	1,066,389,996
Advances	844,218,560	-	844,218,560	653,079,762	-	653,079,762
Fixed assets	81,823,836	-	81,823,836	78,350,554	-	78,350,554
Intangible assets	2,973,145	-	2,973,145	2,875,975	-	2,875,975
Deferred tax assets	13,037,316	-	13,037,316	1,507,405	-	1,507,405
Other assets	65,536,679	-	65,536,679	40,018,520	-	40,018,520
	2,235,121,956	18,750,616	2,253,872,572	1,996,615,232	16,363,648	2,012,978,880

## 42.2.3 Foreign Exchange Risk

Foreign exchange risk is the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates.

The majority of the Group's net foreign currency exposure is in US\$ and the Group uses system-based monitoring of its intra-day Net Open Position for effective risk management.

The Group's FX Risk is largely mitigated by following a matched funding policy, whereas, for any mismatched exposures, the Group utilizes appropriate derivative instruments such as Forwards and Swaps. The Group maintains adequate regulatory capital to cover against foreign exchange risk.

	December 31, 2022				December 31, 2021			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in '000								
Pakistani Rupee	2,195,531,496	1,978,116,784	(82,632,091)	134,782,621	1,954,560,023	1,756,916,836	(45,685,805)	135,963,453
United States Dollar	57,311,840	134,705,503	72,832,904	(4,560,759)	57,531,093	116,613,825	36,943,772	(6,295,623)
Great Britain Pound Sterling	620,648	6,519,345	5,897,070	(1,627)	320,386	5,795,451	5,271,808	(24,352)
Japanese Yen	32,164	975	(30,845)	344	(7,063)	1,222	(28,284)	(4)
Euro	348,397	4,217,190	3,877,167	8,374	428,987	4,001,202	3,789,167	114
Other currencies	28,027	48,467	55,795	35,355	145,454	7,158	(290,658)	(402)
	58,341,076	145,491,480	82,632,091	(4,518,313)	58,418,857	126,418,858	45,685,805	(6,320,267)
	2,253,872,572	2,123,608,264	-	130,264,308	2,012,978,880	1,883,335,694	-	129,643,186

	December 31, 2022		December 31, 2021	
	Banking book	Trading book	Banking book	Trading book
Rupees in '000				

After tax Impact of 15% change in foreign exchange rates on:

- Profit and loss account	-	(345,651)	-	(578,304)
- Other comprehensive income	-	-	-	-
	-	(345,651)	-	(578,304)

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## 42.2.4 Equity position Risk

Equity Price Risk is risk to earnings or capital that results from adverse changes in stock prices (single stocks, or a basket of stocks, or overall stock market). ABL holds a diversified portfolio of equity investments in order to minimize non-systematic risk while retaining acceptable systematic risk. ALCO ensures that equity price risk is mitigated through prudent portfolio management.

The Group maintains adequate regulatory capital to cover against equity price risk. Equity investments classified as “Held-for-Trading” as well as listed non-strategic equity investments classified as “Available-for-Sale” are part of the “Trading Book” and are subject to market risk change as specified by the Basel Framework. Un-listed and listed strategic equity investment are part of the “Banking Book” and are subject to credit risk charge as specified by the Basel Framework.

	December 31, 2022		December 31, 2021	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
After tax Impact of 5% change in equity prices on				
– Profit and loss account	-	-	-	-
– Other comprehensive income	(68,269)	(368,663)	(96,194)	(422,195)

## 42.2.5 Yield / Interest Rate Risk in the Banking Book (IRRBB)–Basel II Specific

Interest rate and Rate of return risk is the current or prospective risk of losses, to both the Bank’s capital and earnings, arising from movements in interest rates and rates of return. The Bank has a robust system in place to monitor Interest rate risk and ALCO regularly analyses the interest rate scenario and devises strategies to minimize adverse impact of interest rate risk on the Bank’s equity and profits.

Interest rate risk is measured through “duration” of an instrument. To assess the interest rate risk at Balance Sheet and Income Statement level, gap analysis on “re-pricing schedule” is utilized. Re-pricing schedule is a distribution of interest-sensitive assets, liabilities, and Off-Balance Sheet positions into a number of predefined time bands according to their maturity (if fixed-rate) or time remaining to their next re-pricing (if floating-rate), and is calculated in compliance with SBP instructions. For non-contractual assets and liabilities, an ALCO approved methodology is utilized to place these assets and liabilities in the re-pricing schedule. This methodology is based on the results of a behavioural analysis which statistically models the historical trends of the last 5 years.

Government securities (PIBs & T-Bills, Sukuks), Bonds, Debentures, etc. and other money market investments are subject to interest rate / rate of return risk. To capture the risk associated with these securities, extensive modeling is being done with respect to duration analysis. Stress testing and scenario-based models are also in place to capture the sensitivity of the portfolio to adverse movement in interest rates. For prudent risk management, all money market investments are marked to market to assess changes in the market value of investments due to interest rate movements. Yield/ Interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

In accordance with BSD Circular No.03 of 2011, issued by the SBP, Bank is required to report interest rate sensitivity gap of assets and liabilities on the basis of an objective and systematic behavioural study which is approved by ALCO.

	December 31, 2022		December 31, 2021	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
After tax Impact of increase in interest rates by 5%				
– Profit and loss account	-	-	-	-
– Other comprehensive income	(3,940,223)	(291)	(4,256,832)	(16)

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## 42.2.6 Mismatch of Interest Rate Sensitive Assets and Liabilities

	Effective Yield/ Interest rate	Total	December 31, 2022										Above 10 Years	Non-interest bearing financial instruments	
			Exposed to Yield/ interest risk												
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years					
Rupees in '000															
<b>On-balance sheet financial instruments</b>															
<b>Assets</b>															
Cash and balances with treasury banks		87,904,863	59,117	-	-	-	-	-	-	-	-	-	-	-	87,845,746
Balances with other banks		3,439,468	-	-	-	-	-	-	-	-	-	-	-	-	3,439,468
Lending to financial institutions	8.79%	28,222,195	25,505,024	2,717,171	-	-	-	-	-	-	-	-	-	-	-
Investments	12.66%	1,126,716,510	395,551,859	193,389,624	329,276,994	2,977,907	69,318,498	39,462,557	49,954,151	25,116,060	49,954,151	-	-	-	21,668,860
Advances	11.21%	844,218,560	437,487,175	131,554,800	53,997,718	3,349,551	4,230,639	17,012,733	76,876,144	8,680,000	-	-	-	-	2,161,145
Other assets		62,375,040	-	-	-	-	-	-	-	-	-	-	-	-	62,375,040
		2,152,876,636	858,603,175	327,661,595	438,145,649	56,975,625	72,668,049	43,693,196	42,128,793	126,830,295	8,680,000	-	-	-	177,490,259
<b>Liabilities</b>															
Bills payable		14,159,643	-	-	-	-	-	-	-	-	-	-	-	-	14,159,643
Borrowings	10.38%	530,414,493	53,123,453	425,405,191	13,493,627	41,166	474,937	1,511,271	4,548,455	27,770,454	4,045,949	-	-	-	-
Deposits and other accounts	7.33%	1,522,275,850	265,119,950	273,837,446	417,148,187	143,133,325	27,207,093	447,006	222,441	245,456	-	-	-	-	394,914,946
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities		56,459,375	-	-	-	-	-	-	-	-	-	-	-	-	56,459,375
		2,123,309,361	318,243,402	699,242,637	430,641,814	143,174,481	27,682,030	1,988,277	4,770,896	28,015,910	4,045,949	-	-	-	465,533,964
<b>On-balance sheet gap</b>		<b>29,567,277</b>	<b>540,359,774</b>	<b>(371,581,043)</b>	<b>7,503,835</b>	<b>(86,198,856)</b>	<b>44,986,019</b>	<b>41,734,919</b>	<b>37,357,897</b>	<b>98,814,385</b>	<b>4,634,051</b>	<b>(288,043,704)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet financial instruments</b>															
Documentary credits and short-term trade-related transactions		190,988,807	35,923,286	25,517,291	84,364,880	9,959,609	20,283,721	3,025,145	645,193	25,110	11,244,574	-	-	-	-
Commitments in respect of purchase of:															
- forward foreign exchange contracts		160,636,134	95,802,505	58,447,501	6,248,051	138,077	-	-	-	-	-	-	-	-	-
- forward government securities transactions		22,219,652	22,219,652	-	-	-	-	-	-	-	-	-	-	-	-
- derivatives		-	-	-	-	-	-	-	-	-	-	-	-	-	-
- forward lending		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		182,855,786	118,022,157	58,447,501	6,248,051	138,077	-	-	-	-	-	-	-	-	-
Commitments in respect of sale of:															
- forward foreign exchange contracts		77,880,099	34,449,194	29,894,172	13,536,733	-	-	-	-	-	-	-	-	-	-
- forward government securities transactions		1,827,149	1,827,149	-	-	-	-	-	-	-	-	-	-	-	-
- derivatives		-	-	-	-	-	-	-	-	-	-	-	-	-	-
- forward lending		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		79,707,248	36,276,343	29,894,172	13,536,733	-	-	-	-	-	-	-	-	-	-
Other commitments		11,933,118	994,426	1,988,853	2,983,280	5,966,559	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		<b>306,070,463</b>	<b>118,663,524</b>	<b>56,059,473</b>	<b>80,059,478</b>	<b>16,064,245</b>	<b>20,283,721</b>	<b>3,025,145</b>	<b>645,193</b>	<b>25,110</b>	<b>11,244,574</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Yield and Interest Risk Sensitivity Gap</b>		<b>335,637,739</b>	<b>659,023,299</b>	<b>(315,621,570)</b>	<b>87,563,312</b>	<b>(70,134,611)</b>	<b>65,269,740</b>	<b>44,760,064</b>	<b>38,003,090</b>	<b>98,839,495</b>	<b>15,878,624</b>	<b>(288,043,704)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cumulative Yield and Interest Risk Sensitivity Gap</b>		<b>335,637,739</b>	<b>659,023,299</b>	<b>343,501,729</b>	<b>431,065,041</b>	<b>360,930,430</b>	<b>426,200,170</b>	<b>470,960,234</b>	<b>508,963,324</b>	<b>607,802,819</b>	<b>623,681,443</b>	<b>335,637,739</b>	<b>-</b>	<b>-</b>	<b>-</b>



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

December 31, 2021											
Effective Yield/Interest rate	Total	Exposed to Yield/ Interest risk								Non-interest bearing financial instruments	
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years		Above 10 Years
Rupees in '000											
<b>On-balance sheet financial instruments</b>											
<b>Assets</b>											
	124,400,515	9,588,566	-	-	-	-	-	-	-	-	114,811,949
Cash and balances with treasury banks	903,243	-	-	-	-	-	-	-	-	-	903,243
Balances with other banks	45,452,910	45,452,910	-	-	-	-	-	-	-	-	-
Lending to financial institutions	1,066,389,996	331,550,505	355,855,787	175,468,682	21,614,119	2,499,737	63,487,936	42,506,119	52,582,018	-	20,825,093
Investments	653,079,762	314,201,342	140,615,348	102,982,005	43,420,250	1,176,504	2,948,838	8,853,845	27,672,028	6,656,462	4,553,140
Advances	37,446,796	-	-	-	-	-	-	-	-	-	37,446,796
Other assets	1,927,673,222	700,793,323	496,471,135	278,450,687	66,034,369	3,676,241	66,436,774	51,359,964	80,254,046	6,656,462	178,540,221
<b>Liabilities</b>											
Bills payable	10,059,879	-	-	-	-	-	-	-	-	-	10,059,879
Borrowings	420,005,768	92,857,546	280,867,954	7,598,990	8,141,964	491,254	763,100	27,619,136	1,665,824	-	-
Deposits and other accounts	1,413,277,683	211,676,064	272,222,073	390,099,818	109,840,580	39,430,629	5,020,534	308,734	588,149	-	384,091,102
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	39,513,720	-	-	-	-	-	-	-	-	-	39,513,720
<b>On-balance sheet gap</b>	<b>44,816,172</b>	<b>304,533,610</b>	<b>553,090,027</b>	<b>397,698,808</b>	<b>117,982,544</b>	<b>39,921,883</b>	<b>5,783,634</b>	<b>27,927,870</b>	<b>2,253,973</b>	<b>6,656,462</b>	<b>(255,124,480)</b>
<b>Off-balance sheet financial instruments</b>											
Documentary credits and short-term trade-related transactions	153,427,853	17,274,549	24,772,628	55,556,921	30,757,574	19,243,342	3,283,169	544,371	25,110	1,970,189	-
Commitments in respect of purchase of:											
- forward foreign exchange contracts	161,470,903	58,339,599	75,248,545	26,711,669	1,171,090	-	-	-	-	-	-
- forward government securities transactions	-	-	-	-	-	-	-	-	-	-	-
- derivatives	-	-	-	-	-	-	-	-	-	-	-
- forward lending	-	-	-	-	-	-	-	-	-	-	-
Commitments in respect of sale of:											
- forward foreign exchange contracts	115,563,825	41,374,010	37,440,541	35,822,433	926,841	-	-	-	-	-	-
- forward government securities transactions	-	-	-	-	-	-	-	-	-	-	-
- derivatives	-	-	-	-	-	-	-	-	-	-	-
- forward lending	-	-	-	-	-	-	-	-	-	-	-
<b>Other commitments</b>	<b>21,866,605</b>	<b>4,285,729</b>	<b>2,763,532</b>	<b>8,934,664</b>	<b>5,718,055</b>	<b>35,587</b>	<b>35,587</b>	<b>71,174</b>	<b>14,851</b>	<b>7,426</b>	<b>-</b>
<b>Off-balance sheet gap</b>	<b>221,201,535</b>	<b>38,525,866</b>	<b>65,344,164</b>	<b>55,380,821</b>	<b>36,719,878</b>	<b>19,278,929</b>	<b>3,318,756</b>	<b>615,545</b>	<b>39,961</b>	<b>1,977,615</b>	<b>-</b>
<b>Total Yield and Interest Risk Sensitivity Gap</b>	<b>266,017,709</b>	<b>434,785,579</b>	<b>8,725,271</b>	<b>(63,867,300)</b>	<b>(16,228,297)</b>	<b>(16,966,714)</b>	<b>63,971,895</b>	<b>24,047,639</b>	<b>78,040,036</b>	<b>8,634,078</b>	<b>(255,124,478)</b>
<b>Cumulative Yield and Interest Risk Sensitivity Gap</b>	<b>266,017,709</b>	<b>434,785,579</b>	<b>443,510,850</b>	<b>379,643,550</b>	<b>363,415,253</b>	<b>348,448,539</b>	<b>410,420,434</b>	<b>434,468,073</b>	<b>512,508,109</b>	<b>521,142,187</b>	<b>266,017,709</b>

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Reconciliation to total assets	December 31, 2022	December 31, 2021	Reconciliation to total liabilities	December 31, 2022	December 31, 2021
	(Rupees in '000)	(Rupees in '000)		(Rupees in '000)	(Rupees in '000)
Balance as per balance sheet	2,253,872,572	2,014,922,607	Balance as per balance sheet	2,123,608,264	1,885,279,421
<b>Less: Non financial assets</b>			<b>Less: Non financial liabilities</b>		
Fixed assets	84,796,981	81,226,529	Deferred tax liabilities	-	1,943,727
Deferred tax assets	13,037,316	3,451,132	Other liabilities	298,904	480,033
Other assets	3,161,639	2,571,724		298,904	2,423,760
	100,995,936	87,249,385			
<b>Total financial assets</b>	<b>2,152,876,636</b>	<b>1,927,673,222</b>	<b>Total financial liabilities</b>	<b>2,123,309,360</b>	<b>1,882,856,661</b>

## 42.3 Operational Risk

The Group, like all financial institutions, is exposed to different types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and the execution of legal, fiduciary and agency responsibilities.

In accordance with the BoD approved Operational Risk Management Policy (ORM), Group maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the Group's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to industry best practices.

The Group has implemented workflow based system "Risk Nucleus" for Operational Risk Loss Data Collection & Reporting, Risk Control & Self Assessment (RCSA) and Key Risk Indicators (KRIs) monitoring. Further, major Operational Risk events are also analyzed from the control breaches perspective and mitigating controls are assessed on design and operating effectiveness. Quarterly updates on Operational Risk events are presented to senior management and Board's Risk Management Committee & BoD.

The Group has a BoD approved BCP policy and Business Continuity Plan applicable to all its functional areas. The Group updates functional BCPs on annual basis or at any process change.

The Group is also implementing internationally accepted Integrated Framework on Internal Control issued by the Committee of Sponsoring Organizations of the Tread way Commission (COSO), with a view to consolidate and enhance the existing internal control processes.

The Group with permission of SBP is conducting a parallel run for Alternate Standardized Approach (ASA) for Basel II – Operational Risk Capital Charge Reporting, which signifies efforts of the Group for advance approach.

Outbreak of COVID 19 and continuous resurgence of the pandemic waves due to mutation of the virus has been a cause of concern for the Grouping industry and required continuous monitoring and transformation in the existing way of doing business. The operating procedures of the Group were transformed and business continuity plan were updated in line with the guidelines issued by the Government, Health Care and Regulatory Authorities, in a timely manner to minimize the impact of disruption on business activities and on service delivery to the customers without compromise to the safety of all the stakeholders including customers and employees in particular.

## 42.4 Liquidity Risk

Liquidity Risk is the risk that the Group is unable to fund its current obligations and operations in the most cost efficient manner. The Group's Board of Directors has delegated the responsibility to Asset and Liability Committee (ALCO) for ensuring that Bank's policy for liquidity management is adhered to on a continual basis. ALCO uses gap analysis based on "maturity schedule" to assess the Group's liquidity risk and devise strategy accordingly. The Group has various limits and triggers in place to monitor liquidity risk on a periodic basis, while it also utilizes stress testing to assess adequacy of Bank's liquid assets. The Group complies with State Group of Pakistan's instructions on Liquidity Standards as prescribed under the Basel III Framework.

### Liquidity Management Framework

Daily liquidity management is carried out centrally by the Asset and Liability Management (ALM) Desk in Treasury Group which manages the day to day liquidity needs of the Group. Funding and liquidity management strategies are regularly discussed during Asset and Liability Committee (ALCO) meetings. The discussions include analysis on composition of deposits and tenure, funding gaps and concentration, monitoring of short and long-term liquidity ratios (including Liquidity Coverage Ratio and Net Stable Funding Ratio). The Group utilizes internal Management Action Triggers and Limits which act as early warning indicators and safeguards to ensure sufficient liquidity buffers at all times. Additionally, stress tests are performed to evaluate available liquidity under a range of adverse scenarios and to identify potential vulnerabilities in portfolios. The Group also has in place contingency funding plan that identifies specific management actions that can be invoked in times of liquidity crisis.

### Liquidity Management Framework

The Group has in place a robust Recovery Plan in place to deal with any liquidity crisis in the most efficient and effective manner. SBP initiatives such as deferral of principal and rescheduling and restructuring of loans may have an adverse effect on liquidity and maturity profile of the Group, however the Group holds sufficient liquidity buffer to absorb any unforeseen shocks during the prevailing situation. Moreover, the Asset and Liability Committee (ALCO) of the Group continues to regularly monitor the liquidity position of the Group in view of emerging risks.

### Liquidity Risk Mitigation Techniques

The Group uses the following tools to identify and mitigate Liquidity Risk:

- Gap Analysis
- Liquidity Ratios
- Liquidity Stress Testing
- Contingency Funding Plan
- Risk Control Limits (RCLs)

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## 42.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Group

		December 31, 2022													
		Total	Upto 1 Day	Upto 7 Days	Upto 14 Days	Upto 1 Month	Upto 2 Months	Upto 3 Months	Over 3 to 6 Months	Upto 1 year	Upto 2 years	Upto 3 years	Over 3 to 5 years	Over 5 years	
		Rupees in '000													
<b>Assets</b>															
Cash and balances with treasury Groups	87,904,863	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances with other Groups	3,439,468	-	-	-	-	-	-	-	-	-	-	-	-	-	
Lending to financial institutions	28,222,195	70,000	24,599,301	-	835,724	-	2,717,171	-	-	-	-	-	-	-	
Investments - net	1,126,716,510	21,668,860	-	0	330,526	3,731,649	804,947	137,371,405	6,985,611	111,879,347	250,498,271	227,715,161	180,182,136	185,548,597	
Advances - net	844,218,560	203,557,309	5,133,435	1,528,359	104,891,144	24,759,192	144,541,452	57,107,856	12,890,694	45,331,954	74,194,148	37,512,654	54,127,012	78,643,350	
Fixed assets	81,823,836	22,875	137,251	160,126	388,878	709,131	709,131	2,127,392	2,127,392	2,127,392	3,869,985	3,811,176	3,625,046	62,008,061	
Intangible assets	2,973,145	1,138	6,827	7,964	19,342	35,270	35,270	105,811	105,811	105,811	423,245	423,245	846,490	856,919	
Deferred tax assets	15,055,193	52,224	97,544	113,801	276,373	164,225	183,805	2,023,777	394,066	1,697,896	3,051,971	2,760,176	2,094,626	2,144,709	
Other assets - net	65,536,679	882,325	5,293,951	6,176,276	15,005,140	3,915,527	9,629,579	12,954,460	1,034,330	565,100	1,593,069	970,504	2,878,272	4,638,146	
	2,255,890,449	317,599,062	35,268,308	7,986,527	121,747,127	33,314,995	158,621,355	211,690,701	23,537,904	161,707,500	333,630,688	273,192,917	243,753,583	333,839,782	
<b>Liabilities</b>															
Bills payable	14,159,643	14,159,643	-	-	-	-	-	-	-	-	-	-	-	-	
Borrowings	530,414,493	478	34,057	1,737	53,087,181	261,563,131	163,852,060	13,483,627	250	40,906	474,937	1,511,271	4,548,455	31,816,403	
Deposits and other accounts	1,522,275,850	1,203,014,837	22,834,141	3,496,290	31,980,763	28,795,039	24,439,090	81,076,211	60,779,003	60,046,402	4,899,172	447,006	222,441	245,456	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Deferred tax liabilities - net	2,017,877	-	-	-	-	-	-	-	-	-	-	-	-	2,017,877	
Other liabilities	56,758,278	999,065	5,994,389	6,993,454	16,984,103	1,520,020	1,520,020	1,750,923	1,750,888	1,750,888	4,478,945	1,954,939	3,160,183	7,900,458	
	2,125,626,142	1,218,174,023	28,862,587	10,491,481	102,052,047	291,868,191	189,811,171	96,320,761	62,530,142	61,838,196	9,853,054	3,913,216	7,931,079	41,980,195	
<b>Net assets</b>	<b>130,264,306</b>	<b>(900,574,960)</b>	<b>6,405,721</b>	<b>(2,504,955)</b>	<b>19,695,080</b>	<b>(258,553,196)</b>	<b>(31,189,815)</b>	<b>115,369,940</b>	<b>(88,992,238)</b>	<b>99,869,304</b>	<b>323,777,635</b>	<b>269,279,701</b>	<b>235,822,504</b>	<b>291,859,587</b>	
Share capital	11,450,739	-	-	-	-	-	-	-	-	-	-	-	-	-	
Reserves	31,435,453	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unappropriated profit	82,058,979	-	-	-	-	-	-	-	-	-	-	-	-	-	
Surplus on revaluation of assets - net of tax	5,319,137	-	-	-	-	-	-	-	-	-	-	-	-	-	
	130,264,306	-	-	-	-	-	-	-	-	-	-	-	-	-	



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## 42.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group

	December 31, 2022									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in '000										
<b>Assets</b>										
Cash and balances with treasury banks	87,904,863	28,238,495	5,429,667	5,050,644	6,537,451	2,018,010	2,864,030	-	-	37,986,566
Balances with other banks	3,439,468	3,439,468	-	-	-	-	-	-	-	-
Lending to financial institutions	28,222,195	25,505,024	2,717,171	-	-	-	-	-	-	-
Investments - net	1,126,716,510	330,526	4,536,596	137,371,405	118,864,958	259,803,912	237,020,803	180,182,136	188,582,447	23,727
Advances - net	844,218,560	129,005,840	174,266,237	58,600,063	54,877,898	135,191,260	98,509,767	115,124,125	66,625,780	12,017,570
Fixed assets	81,823,836	709,131	1,418,261	2,127,392	4,254,784	3,869,985	3,811,176	3,625,046	5,246,220	56,761,841
Intangible assets	2,973,144	35,270	70,541	105,811	211,623	423,245	423,245	846,490	856,919	-
Deferred tax assets	15,055,193	539,942	345,030	2,023,777	2,091,962	3,051,971	2,760,176	2,094,626	2,144,709	-
Other assets - net	65,536,680	27,357,692	13,545,107	12,954,460	1,599,430	1,593,069	970,504	2,878,272	4,638,146	-
	2,255,890,449	215,161,388	202,331,610	218,233,572	188,438,106	405,951,452	346,159,701	304,750,695	268,094,221	106,769,704
<b>Liabilities</b>										
Bills payable	14,159,643	14,159,643	-	-	-	-	-	-	-	-
Borrowings	530,414,492	53,123,453	425,405,191	13,493,627	41,156	474,937	1,511,271	4,548,455	27,770,454	4,045,949
Deposits and other accounts	1,522,275,851	265,119,950	145,159,926	135,026,881	174,776,086	58,849,853	71,668,760	222,441	245,456	671,206,487
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	2,017,878	-	-	-	-	-	-	-	-	2,017,878
Other liabilities	56,758,277	30,971,012	3,040,041	1,750,923	3,501,776	4,478,945	1,954,939	3,180,183	7,900,458	-
	2,125,626,141	363,374,058	573,605,158	150,271,441	178,319,018	63,803,735	75,134,970	7,931,079	35,916,368	677,270,314
<b>Net assets</b>	<b>130,264,308</b>	<b>(148,212,670)</b>	<b>(371,273,548)</b>	<b>67,962,131</b>	<b>10,119,088</b>	<b>342,147,717</b>	<b>271,024,731</b>	<b>296,819,616</b>	<b>232,177,853</b>	<b>(670,500,610)</b>
Share capital	11,450,739									
Reserves	31,435,453									
Unappropriated profit	82,056,979									
Surplus on revaluation of assets net of tax	5,319,137									
	130,264,308									



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

December 31, 2021										
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees in '000									
<b>Assets</b>										
Cash and balances with treasury banks	124,400,515	40,694,138	8,289,959	5,838,168	7,586,133	3,672,951	3,056,101	-	-	55,263,065
Balances with other banks	903,243	903,243	-	-	-	-	-	-	-	-
Lending to financial institutions	45,452,910	45,452,910	-	-	-	-	-	-	-	-
Investments - net	1,066,389,996	144,067,511	273,389,152	40,543,608	21,614,119	173,614,244	118,453,409	120,694,586	172,953,718	1,059,649
Advances - net	653,079,762	34,386,554	48,947,231	52,607,058	148,645,427	104,021,519	106,132,868	103,432,080	44,833,810	10,073,215
Fixed assets	78,350,554	623,720	1,247,441	1,871,161	3,742,322	3,795,055	3,739,019	3,531,824	5,039,195	54,760,817
Intangible assets	2,875,975	34,133	68,266	102,399	204,797	409,595	409,595	819,189	828,001	-
Deferred tax assets	3,451,132	821,625	836,520	321,237	485,986	325,018	190,297	195,302	275,147	-
Other assets - net	40,018,520	15,594,382	7,763,500	7,832,577	3,077,037	236,794	220,039	1,905,047	3,389,144	-
	2,014,922,607	282,578,216	340,542,069	109,116,208	185,355,821	286,075,176	232,201,328	230,578,028	227,319,015	121,156,746
<b>Liabilities</b>										
Bills payable	10,059,879	10,059,879	-	-	-	-	-	-	-	-
Borrowings	420,005,768	92,857,546	280,867,954	7,598,990	8,141,964	491,254	763,100	4,723,762	22,895,375	1,665,823
Deposits and other accounts	1,413,277,683	211,676,064	160,521,044	111,449,717	140,897,311	70,487,361	63,099,561	308,734	588,149	654,249,742
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	1,943,727	-	-	-	-	-	-	-	-	1,943,727
Other liabilities	39,992,364	18,243,435	2,208,495	1,574,893	2,931,803	2,515,630	1,834,012	3,052,599	7,631,497	-
	1,885,279,421	332,836,924	443,597,493	120,623,600	151,971,078	73,494,245	65,896,673	8,085,095	31,115,021	657,859,292
<b>Net assets</b>	129,643,186	(50,258,708)	(103,055,424)	(11,507,392)	33,384,743	212,580,931	166,504,655	222,492,933	196,203,994	(536,702,546)
Share capital	11,450,739									
Reserves	26,784,066									
Unappropriated profit	71,869,254									
Surplus on revaluation of assets net of tax	19,539,127									
	129,643,186									



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2022

## 42.5 Derivative Risk

Market & Liquidity Risk Division under Risk Management Group is responsible for assessing and monitoring the derivative risk emanating from Bank's exposures.

The Bank buys and sells derivative instruments, for hedging and market making purposes, such as:

- Forward Exchange Contracts
- Foreign Exchange Swaps
- Equity Futures
- Forward Contracts for Government Securities

The Bank's Risk Management Group, Asset and Liability Committee (ALCO) and Board Risk Management Committee monitor the derivative risk and utilize Off-Balance Sheet gap analysis to implement prudent asset liability management of the Bank's derivative exposures.

## 43 NON ADJUSTING EVENT AFTER THE REPORTING DATE

43.1 The Board of Directors of the Bank in its meeting held on February 16, 2023 has proposed a final cash dividend in respect of 2022 of Rs.2.50 per share (2021: cash dividend Rs. 2.00 per share). This appropriation will be approved in the forthcoming Annual General Meeting. The consolidated financial statements of the Bank for the year ended December 31, 2022 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

## 44 GENERAL

44.1 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

44.2 Corresponding figures have been rearranged or reclassified where considered necessary, for the purpose of better presentation. However, no material restatement have been made.

## 45 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 16, 2023 by the Board of Directors of the Bank.

Muhammad Atif Mirza  
Chief Financial Officer

Zafar Iqbal  
Director

Aizid Razzaq Gill  
President and Chief Executive

Mohammad Naeem Mukhtar  
Chairman

Mubashir A. Akhtar  
Director

# Pattern of Shareholding

As at December 31, 2022

## 1 Issued, Subscribed and Paid-up Capital

Ordinary Shares	As on December 31, 2022		As on December 31, 2021	
	No. of Shares	Amount (Rs.)	No. of Shares	Amount (Rs.)
Fully paid in Cash	406,780,094	4,067,800,940.00	406,780,094	4,067,800,940.00
Increase in Share Capital	-	-	-	-
Issued as Bonus Shares	720,745,186	7,207,451,860.00	720,745,186	7,207,451,860.00
Issued for consideration other than cash	17,548,550	175,485,500.00	17,548,550	175,485,500.00
	<b>1,145,073,830</b>	<b>11,450,738,300.00</b>	<b>1,145,073,830</b>	<b>11,450,738,300.00</b>

## 2 Major Shareholding

Holding more than 5% of the total paid-up capital

Name of Shareholder	No. of Shares Held	Percentage
Ibrahim Holdings (Private) Limited	1,030,566,368	90.0000
<b>Total</b>	<b>1,030,566,368</b>	<b>90.0000</b>

No. of Shareholders	Shareholdings' Slab			Total Shares Held
	From		To	
6165	1	to	100	234,017
8993	101	to	500	2,507,530
1138	501	to	1000	843,461
2035	1001	to	5000	4,362,025
373	5001	to	10000	2,763,681
262	10001	to	25000	4,224,370
91	25001	to	50000	3,290,945
40	50001	to	100000	2,942,645
29	100001	to	200000	4,160,915
14	200001	to	500000	4,529,295
4	500001	to	1000000	3,031,725
11	1000001	to	2000000	15,456,370
3	2000001	to	3000000	7,863,179
1	3000001	to	5000000	5,000,000
3	5000001	to	10000000	22,297,304
1	10000001	to	50000000	31,000,000
1	50000001	&	Above	1,030,566,368
<b>19164</b>				<b>1,145,073,830</b>

# Categories of Shareholders

As at December 31, 2022

CATEGORIES OF SHAREHOLDERS	NO. OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
<b>DIRECTORS AND THEIR SPOUSE(S) AND MINOR CHILDREN</b>			
MOHAMMAD NAEEM MUKHTAR	1	2,500	0.0002
SHEIKH MUKHTAR AHMAD	1	2,500	0.0002
MUHAMMAD WASEEM MUKHTAR	1	2,500	0.0002
ABDUL AZIZ KHAN	1	30,000	0.0026
ZAFAR IQBAL	1	2,500	0.0002
MUBASHIR A. AKHTAR & TAQDEES AKHTAR	1	1,500	0.0001
NAZRAT BASHIR	1	100	0.0000
<b>SUB-TOTAL</b>	<b>7</b>	<b>41,600</b>	<b>0.0036</b>
<b>PARENT, ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</b>			
IBRAHIM HOLDINGS (PRIVATE) LIMITED	1	1,030,566,368	90.0000
TRUSTEES OF ABL EMPLOYEES SUPERANNUATION (PENSION) FUND A/C	1	2,859,182	0.2497
<b>SUB-TOTAL</b>	<b>2</b>	<b>1,033,425,550</b>	<b>90.2497</b>
<b>EXECUTIVES*</b>	1	10,035	0.0009
<b>EMPLOYEES</b>	388	471,639	0.0412
<b>SUB-TOTAL</b>	<b>389</b>	<b>481,674</b>	<b>0.0421</b>
<b>NIT AND ICP</b>	3	14,438	0.0013
<b>BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING</b>			
<b>FINANCIAL INSTITUTIONS</b>	12	9,861,440	0.8612
<b>INSURANCE COMPANIES</b>	8	11,351,474	0.9913
<b>MODARABAS AND MUTUAL FUNDS</b>			
M/S. FIRST TAWAKKAL MODARABA	1	347	0.0000
M/S. MODARABA AL MALI	1	116	0.0000
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	30,839	0.0027
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	3,476	0.0003
CDC - TRUSTEE NBP STOCK FUND	1	336,600	0.0294
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1	73,543	0.0064
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	1,067,614	0.0932
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	1,155,104	0.1009
CDC - TRUSTEE NBP FINANCIAL SECTOR FUND	1	51,500	0.0045
CDC - TRUSTEE UBL FINANCIAL SECTOR FUND	1	950	0.0001
CDC - TRUSTEE ALFALAH GHP DEDICATED EQUITY FUND	1	3,457	0.0003
<b>SUB-TOTAL</b>	<b>11</b>	<b>2,723,546</b>	<b>0.2378</b>
<b>GENERAL PUBLIC</b>			
LOCAL	18,570	43,761,680	3.8217
FOREIGN	13	77,682	0.0068
<b>SUB-TOTAL</b>	<b>18,583</b>	<b>43,839,362</b>	<b>3.8285</b>
<b>FOREIGN COMPANIES</b>	2	6,001	0.0005
<b>OTHERS</b>	147	43,328,745	3.7839
<b>GRAND TOTAL</b>	<b>19,164</b>	<b>1,145,073,830</b>	<b>100.0000</b>

\*CEO, all Chiefs and Group Heads are termed as Executives

All the trades in shares carried out by the Sponsors, Directors, Executives, their Spouses and Minor Children reported during the year 2022 are as under:

S.NO	NAME	DESIGNATION	SALE	PURCHASE
1.	IBRAHIM HOLDINGS (PRIVATE) LIMITED	PARENT COMPANY	-	39,799,061
2.	ABDUL AZIZ KHAN	DIRECTOR	-	3,380

# NOTICE OF 77th ANNUAL GENERAL MEETING

Notice is hereby given that 77th Annual General Meeting of Allied Bank Limited (the "Bank") will be held physically as well virtually (through Zoom) on Tuesday, March 28, 2023 at 11:00 a.m. at Palace Hall, Pearl Continental Hotel, Lahore to transact the following business:

## Ordinary Business:

- To confirm the minutes of 76th Annual General Meeting of Allied Bank Limited held on March 24, 2022. Copy of the said minutes is being provided to the shareholders along with the notice.
- To receive, consider and adopt Annual Audited Financial Statements of the Bank (consolidated and unconsolidated) for the year ended December 31, 2022 together with the Auditors' Report, Directors' Report and Chairman's Review Report thereon.

As required under Section 223 (7) of the Companies Act 2017, Financial Statements of the Bank have been uploaded on website of the Bank which can be downloaded from the following link / QR Code:



<https://www.abl.com/investor-relations/financials/financial-presentations/>

- To consider and approve Final Cash Dividend @ 25% (i.e. Rs. 2.50 per share) as recommended by the Board of Directors. This Final Cash Dividend would be in addition to 60% Interim Cash Dividend (i.e Rs. 6.00 per share) already paid to the shareholders for the year ended December 31, 2022.
- To appoint Statutory Auditors of the Bank for the year ending December 31, 2023 and fix their remuneration. The retiring Auditors, M/s. EY Ford Rhodes Chartered Accountants, being eligible has offered themselves for reappointment. The audit firm appointed will hold office till conclusion of the next AGM to be held in the year 2024.

## Special Business:

- To consider and approve Full Scope Review of "Board Remuneration Policy" as recommended by the Board of Directors by passing an ordinary resolution.

Statement of Material Facts under Section 134(3) of the Companies Act, 2017 along-with draft ordinary resolution pertaining to the abovementioned Special Business is annexed to this Notice.

## Other Business:

- To transact any other business with the permission of the Chair.

By Order of the Board

Date: March 07, 2023  
(Lahore)

**Adeel Javaid**  
Company Secretary

## NOTES:

- All members are entitled to attend and vote at the Meeting.
- A member entitled to attend and vote at the Meeting is entitled to appoint another member as a proxy to attend, speak and vote for him/her; and the proxy appointed should be a member of Allied Bank Limited (Proxy Form Attached).
- The instrument of proxy duly completed and signed along with power of attorney or other authority (if any) under which it is signed, or a notarized certified copy of such power of attorney must be valid and deposited at the Registered Office of the Bank i.e. 3-Tipu Block, New Garden Town, Lahore or its **Share Registrar, M/s. CDC Share Registrar Services Limited at CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi** not less than 48 hours before the start time of the Meeting. In calculating the 48 hours, no account shall be taken of any part of the day that is not a working day.
- As per guidelines issued by SECP vide its Letter No. SMD/SE/2(20)/2021/117 dated December 15, 2021, Circular No. 4 of 2021 dated February 15, 2021 and Circular No. 6 of 2021 dated March 03, 2021, arrangements have also been made by the Bank to facilitate maximum participation of the shareholders in the Meeting through online platform/facility (i.e. zoom). Those shareholders who are interested to participate in the meeting virtually are requested to forward their following particulars along with snapshot of their valid CNIC (both sides) at least 24 hours before the time of AGM at WhatsApp # +92 300 2016398 or email at Adeel.Javaid@abl.com:

Name	CNIC Number (Please attach snapshot of valid CNIC)	Folio Number / CDC Account Number	Cell Number	Email Address

On the receipt of request, link/credentials to join the meeting through zoom will be sent to the said shareholders on the given email address or through WhatsApp messages.

- Share Transfer Books of the Bank will remain closed from **Tuesday, March 21, 2023 to Tuesday, March 28, 2023 (both days inclusive)**. Share transfer requests received at Bank's Share Registrar M/s. CDC Share Registrar Services Limited before the close of business on **Monday, March 20, 2023** will be treated in time for the purpose of transfer of shares, for determining entitlement of the dividend, and to attend & vote in the AGM.
- Members are requested to immediately notify changes in their registered addresses, if any, to the Bank's Share Registrar before start of the book closure period.
- Members may exercise their right to vote as per provisions of the Companies (Postal Ballot) Regulations, 2018, subject to the requirements of Section 143 & 144 of the Companies Act 2017. Further, details in this regard will be communicated to the shareholders within legal time frame as stipulated under these Regulations, if required.

viii) CDC Account Holders will have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:

**A. For Attending the Meeting:**

- i) In case of individuals, the Account Holder or Sub-account Holder and / or the person whose securities are in group account and their registration details are uploaded as per CDC's Regulations, shall authenticate their identity by showing original valid Computerized National Identity Card (CNIC) or original Passport at the time of attending the Meeting.
- ii) In case of corporate entity, the resolution of Board of Directors / Power of Attorney with specimen signature of the nominee shall be produced (if not provided earlier) at the time of attending the Meeting.

**B. For Appointing Proxies:**

- i) In case of individuals, the Account Holder or Sub-account Holder and / or the person whose securities are in group account and their registration details are uploaded as per CDC's Regulations, shall submit proxy form.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii) Attested copies of valid CNIC or the Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his / her original CNIC or original Passport at the time of the Meeting.
- v) In case of corporate entity, the resolution of Board of Directors / Power of Attorney with specimen signature shall be produced along with the proxy form of the Company.

## FOR SHAREHOLDERS' ATTENTION:

**Transmission of Annual Report 2022:**

In compliance with the Section 223(6) of Companies Act, 2017, the Bank has transmitted the Annual Report 2022 through email to those shareholders whose email addresses are available with the Bank's Share Registrar. Besides, in accordance with the shareholders' approval accorded in 71st Annual General Meeting held on March 28, 2017; DVDs have been dispatched to those shareholders whose email addresses are not available with the Share Registrar. However, the Bank would provide hard copies of the Annual Report to the shareholders on their demand at their registered addresses, free of cost, within one week of such request. In this regard, a standard request form has been placed on the Bank's website which can be downloaded directly from the link;

<https://www.abl.com/src/uploads/2022/02/Request-for-Hard-Copy-of-Annual-Report.pdf>

**Deposit/Conversion of Physical Shares into Book-Entry Form:**

The Securities and Exchange Commission of Pakistan ("SECP") through its letter No. CSD/ED/Misc./2016-639-640 dated March 26, 2021 has advised listed companies to adhere with the provisions of the Section 72 of the Companies Act, 2017 (the "Act") requiring all companies to replace shares issued by them in Physical Form with shares into Book-Entry Form

from the date notified by the SECP but not exceeding four years from the date of the promulgation of the Act. Therefore, the Shareholders having physical shareholding are requested to open Investor Account directly with Central Depository Company of Pakistan Limited ("CDC") or CDC Sub-account with any of the brokers to place their physical shares into book-entry form. It would facilitate the shareholders in many ways including safe custody of shares, no loss of shares, and avoidance of formalities required for the issuance of duplicate shares and readily availability for sale / purchase in stock market at better rates. The Shareholders may contact the Share Registrar and Transfer Agent of the Bank, i.e., CDC Share Registrar Services Limited (address given above) for the conversion of Physical shares into Book-Entry Form.

**Mandatory Requirement for Provision of Registration details, IBAN and CNIC (Withholding of Dividend):**

In accordance with Section 119 of the Companies Act, 2017 and Regulation 19 of the Companies (General Provisions and Forms) Regulation 2018, all physical shareholders are advised to provide their mandatory information such as CNIC number, address, email address, contact details (Mobile/telephone numbers), International Bank Account Number (IBAN) etc., to our Share Registrar at the above given address immediately to avoid any non-compliance of law or any inconvenience in future.

Further, in compliance with the requirements of Companies Act, 2017 and Companies (Distribution of Dividends) Regulations, 2017, the Bank has withheld dividend(s) of those shareholders who have not yet provided CNIC(s) along with correct and complete bank account details including valid IBAN of their own bank accounts.

In order to receive cash dividend(s) withheld by the Bank, shareholders are requested to contact the Bank's Share Registrar or Participant/ Investor Account Services of Central Depository Company of Pakistan (as the case may be) along with legible copy of their respective valid CNIC(s) and provide their complete and correct bank account details including valid IBAN by filling the form available at the Bank's website link: <https://www.abl.com/bankmandateform>.

**Deduction of Withholding Tax:**

Please note that withholding tax will be deducted on the basis of latest "Active Taxpayers List" (ATL) available at FBR website as per following rates:

- |  |     |
|--|-----|
| 1. Persons appearing in Active Taxpayers List (ATL):     | 15% |
| 2. Persons not appearing in Active Taxpayers List (ATL): | 30% |

Further, in respect of joint shareholders tax will be deducted as per their respective ratio / share (if any) intimated by the shareholder to the Bank's Share Registrar, otherwise their shareholding will be treated as equal.

**Requirement of Valid Tax Exemption Certificate for Claim of Exemption U/S 150 of the Income Tax Ordinance, 2001:**

If the entity is available with valid exemption certificate issued u/s 159 of the Income Tax Ordinance, 2001 or has filed a petition against the FBR for acquiring exemption certificate, in any relevant court, a copy of valid exemption certificate or certified true copy of the Stay Order of Honorable Court along with latest court proceedings (if any) would be required latest by March 20, 2023 in lieu of valid exemption certificate for non-deduction of withholding tax. In case of non-availability of valid tax exemption certificate or relevant court order, tax under the relevant sections shall be deducted accordingly.

**Claiming of Unclaimed / Unpaid Dividends and Share Certificates:**

In compliance of Section 244 of the Companies Act, 2017 the Bank has already requested through individual letters to shareholders who have not yet claimed their outstanding cash dividends, right and bonus shares. Detail available at <https://www.abl.com/investor-relations/shareholder-information/unpaid-dividends/>

Shareholders are once again requested to lodge their claims for cash dividends, right / bonus shares kept with the Share Registrar and Transfer Agent of the Bank, on the address given above.

**Merger of Different Folios into one Folio:**

As per Member's Register, some of the shareholders are maintaining more than one folio under the same particulars. Carrying two or more different folios may be hassle for the shareholders to reconcile and receiving different benefits in the shape of dividends / bonus shares etc. In order to provide better services and convenience, such shareholders are requested to send requests to the Bank's Share Registrar to merge their folios into one folio.

**Consent for Video Conference Facility:**

In accordance with Section 132(2) of Companies Act 2017, the members may avail video conference facility for AGM, provided that at least 7 days prior to the date of meeting, on a demand of members residing in a city who hold at least 10% of the total paid up capital, the bank would provide the facility of video-link to such members enabling them to participate in Annual General Meeting. To avail this facility, please provide following information and submit to the Share Registrar office (address mentioned above):

I/We _____ of _____ being member of Allied Bank Limited, holder of _____ ordinary share(s) as per Registered Folio / CDC Investor / Participant Account No. _____ hereby opt for video conference facility at _____ (please specify name of the city).	
Date _____	Signature of Member _____

**Zakat Declaration (CZ-50):**

Zakat will be deducted from the dividends at source under the Zakat & Usher Laws and will be deposited within the prescribed period with the relevant authority. Please submit your Zakat declarations under the Zakat and Usher Ordinance, 1980 & Rule 4 of the Zakat (Collection and Refund) Rules, 1981, in case you want to claim exemption, with your brokers or the Central Depository Company of Pakistan Limited (in case the shares are held in Book-Entry Form) or to Bank's Share Registrar and Transfer Agent (in case the shares are held in Physical Form) at above mentioned address.

**Statement of Material Facts under section 134 (3) of the Companies Act, 2017:**

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of Allied Bank Limited.

In line with the requirements of the Corporate Governance Regulatory Framework issued by the State Bank of Pakistan, Board of Directors has approved full scope review of "Board Remuneration Policy".

Revised version of Board Remuneration Policy of the Bank along with the summary of major changes will be available to the members at Company Secretary Office, located at Bank's Registered / Head Office, 3-Tipu Block, New Garden Town, Lahore, from March 07, 2023 to March 28, 2023, between 9:00 a.m. to 5:30 p.m. during working days. The documents will also be available for inspection of the members at the time of Annual General Meeting. Summary / Key Highlights of the Policy is also available at the following link on Bank's website.

( <https://www.abl.com/investor-relations/shareholder-information/shareholder-notices/> )

In this respect, following Ordinary Resolution is proposed to be adopted by the Shareholders:

***"Resolved that the revised "Board Remuneration Policy", as recommended by the Board of Directors of the Bank be and is hereby approved."***

This notice along with Proxy Form has been sent to all members of the Company in accordance with Section 134(1) of the Companies Act, 2017.



# Glossary of Financial & Banking Terms

## Accrual Basis

Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

## Automated Teller Machine (ATM)

ATM is an e-banking delivery channel that enables the customers to perform financial transactions 24/7.

## Alternate Delivery Channels (ADCs)

ADCs are those access points that expand the reach of banking services beyond the traditional over the counter banking and traditional over the counter banking and includes internet banking, mobile banking, Point of Sale (POS) transactions, ATM, SMS and Phone banking.

## Basis point

One hundredth of a per cent i.e. 0.01 percent. 100 basis points is 1 per cent. Used when quoting movements in interest rates or yields on securities.

## Bonus Issue (Scrip Issue)

The issue of new shares to existing shareholders in proportion to their shareholdings. It is a process for converting a company's reserves (in whole or part) into issued capital and hence does not involve an infusion of cash.

## Cash Equivalents

Short-term highly liquid investments that are readily convertible to known amounts of cash.

## Capital Adequacy Ratio

The relationship between capital and risk weighted assets as defined in the framework developed by the State Bank of Pakistan and Basel Committee.

## Call Money Rate

Interbank clean (without collateral) lending and borrowing rates are called Call Money Rates.

## Common Equity Tier (CET)

Capital CET capital is sum of fully paid share capital, reserves and un-appropriated profit adjusted by regulatory adjustments as specified in Basel III.

## Consumer Price Index (CPI)

The CPI measure changes in the cost of buying a representative fixed basket of goods and generally indicates inflation rate in the country. (Source: Pakistan Bureau of Statistics)

## Coupon Rate

Coupon rate is interest rate payable on bond's par value at specific regular periods. In PIBs they are paid on bi-annual basis.

## Call Deposits

These include short notice and special notice deposits

## Current Deposits

Non-remunerative Chequing account deposits wherein withdrawals and deposit of funds can be made frequently by the account holders.

## Contingencies

A condition or situation existing at date of Statement of Financial Position where the outcome will be confirmed only by occurrence of one or more future events.

## CAGR

An abbreviation for Compound Annual Growth Rate.

## Corporate Governance

It is "the system by which companies are directed and controlled" by the Securities and Exchange Commission of Pakistan. It involves regulatory and market mechanisms, which govern the roles and relationships between a company's management, its board, its shareholders and other stakeholders.

## Defined Contribution

A post-employment benefit plan under which entity and employee pays fixed contribution into a separate entity (a fund) and will have no legal or constructive obligation to pay further contribution if the fund does not hold sufficient assets to pay all the employee benefits relating to employee service in the current and prior periods.

## Derivatives

A financial instrument or a contract where;

- Its value is dependent upon or derived from one or more underlying assets.
- Requires no or very little initial net investment
- It is settled at a future date.

## Defined Benefits

In a defined benefit plan, an employer typically guarantees a worker a specific lifetime annual retirement benefit, based on years of service, final rate of pay, age and other factors. The risks of paying for the plan rest entirely with the plan.

## Deferred Taxation

Sum set aside for tax in financial statements that will become payable or receivable in a financial year other than current financial year due to differences in accounting policies and applicable taxation legislations.

## Discount rate

Discount is the rate at which SBP provides three-day Repo facility to banks, acting as the lender of last resort.

## Effective Tax Rate

Provision for taxation excluding deferred tax divided by the profit before taxation.

## Euro-pay, Master-card and Visa (EMV)

EMV is a global standard for cards equipped with computer chips and the technology used to authenticate chip-card transactions.

## Finance Lease

Finance lease is the one in which risk and rewards incidental to the ownership of the leased asset is transferred to lessee but not the actual ownership.

## Financial Capital

Financial Capital represent shareholder's equity.

## Fixed Deposits

Deposits having fixed maturity dates and a rate of return.

## Forced Sale Value (FSV)

Forced Sale Value means the value which fully reflects the possibility of price fluctuations and can currently be obtained by selling the mortgaged or pledged assets in a forced or distressed sale conditions.

## Forward Exchange Contract

Forward contracts are agreements between two parties to exchange two designated currencies at a specific time in the future.

## Gross Domestic Product (GDP)

GDP is a monetary value of all the finished goods and services produced in a country in a specified time period. GDP includes all private and public consumption, government outlays, investments and exports minus imports that occur within a country.

## Guarantees

A promise to answer for the payment of some debt, or the performance of some duty, in case of the failure of another person, who is, in the first instance, liable to such payment or performance.

## Historical Cost Convention

Recording transactions at the actual value received or paid.

## Human Capital

The collective skills, knowledge, and other intangible assets of individuals that can be used to create economic value for our customers.

## Impairment

Impairment of an asset is an abrupt decrease of its fair value and measured in accordance with applicable regulations.

# Glossary of Financial & Banking Terms

## Intellectual Capital

Brand value, research and development, innovation capacity, reputation and strategic partnerships.

## Interest Rate Swap (IRS)

An Interest Rate Swap (the swap) is a financial contract between two parties exchanging or swapping a stream of interest payments for a 'Notional Principal' amount on multiple occasions during a specified period. The swap is usually "fixed to floating" or "floating to floating" exchanges of interest rate. As per the contract, on each payment date during the swap period, the cash payments based on difference in fixed or floating or floating and floating rates are exchanged by the parties from one another. The party incurring a negative interest. The party incurring a negative interest rate differential for that leg pays the other counter-party.

## Interest Spread

Represents the difference between the average interest rate earned and the average interest rate paid on funds.

## Interest in Suspense

Interest suspended on non-performing loans and advances.

## KIBOR – (Karachi Interbank Offered Rate)

KIBOR is the interbank lending rate between banks in Pakistan and is used as a benchmark for lending.

## LIBOR (London Interbank Offered Rate)

An interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market. The LIBOR is fixed on a daily basis by the British Bankers' Association.

## Liquid Assets

An asset that can be converted into cash quickly and with minimal impact to the price received.

## Market Capitalization

Number of ordinary shares in issue multiplied by the market value of share as at any cutoff date.

## Market Treasury bills (MTBs)

MTBs are negotiable debt instrument issued by State Bank of Pakistan on behalf of Government of Pakistan with tenors available in 3 months, 6 months and one year maturities.

## Manufactured Capital

It includes business structure and operational processes, including physical, digital and IT Infrastructure, Product and Services that provides the framework and mechanics of

how the bank does business and create values.

## Materiality

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of financial statements.

## Natural Capital

Impact on natural resources through operations and business activities.

## Non-Performing Loan

A non-performing loan is a loan that is in default or close to being in default. Loans become non-performing in accordance with provision of prudential regulations issued by SBP.

## Non-Performing Loan Substandard Category

Where mark-up or interest or principal is overdue by 90 days or more from the due date. Non-Performing Loan-Doubtful Category Where mark-up or interest or principal is overdue by 180 days or more from the due date.

## Non-Performing Loan-Loss Category

Where mark-up or interest or principal is overdue by one year or more from the due date and Trade Bill (Import or Export or Inland Bills) are not paid or adjusted within 180 days of the due date.

## Nostro Account

An account held with a bank outside Pakistan.

## Net Interest Income

The difference between what a bank earns on interest bearing assets such as loans and securities and what it pays on interest bearing liabilities such as deposits, refinance funds and inter-bank borrowings.

## Off Balance Sheet Transactions

Transactions that are not recognized as assets or liabilities in the statement of financial position but which give rise to contingencies and commitments.

## Organization of the Petroleum Exporting Countries (OPEC)

OPEC is a permanent intergovernmental Organization whose objective is to coordinate and unify petroleum policies among member Countries.

## Pakistan Investment Bonds (PIBs)

They are the long term coupon yielding instruments of the Government of Pakistan with tenors available in 3, 5, 10, 15 and 20 years.

## Prudence

Inclusion of degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, so that assets or income are not overstated and liabilities or expenses are not understated.

## Risk Weighted Assets

On Balance Sheet assets and the credit equivalent of off Balance Sheet assets multiplied by the relevant risk weighting factors.

## Repurchase Agreement

Contract to sell and subsequently repurchase securities at a specified date and price.

## Reverse Repurchase Agreement

Transaction involving the purchase of securities by a bank or dealer and resale back to the seller at a future date and specified price.

## Related Parties

where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

## Revenue Reserve

Reserves set aside for future distribution and investment.

## Subsidiary Company

A company is a subsidiary of another company if the parent company holds more than 50% of the nominal value of its equity capital or holds some share in it and controls the composition of its Board of Directors.

## Shareholders' Funds

Total of Issued and fully paid share capital and revenue reserves.

## Statutory Reserve Funds

A capital reserve created as per the provisions of the Banking Companies Ordinance, 1962.

## Social & Relationship Capital

Strong stakeholder relationships, including the communities in which we operate. Building a strong and thriving society as well as financial and digital ecosystem.

## YOY

Year on Year (2020 vs 2019)

## Financial Ratios Formulas

Profit before Tax Ratio	=	$\frac{\text{Profit before Tax}}{\text{Interest Income} + \text{Non-Interest Income}}$
Gross Spread Ratio	=	$\frac{\text{Net markup Income}}{\text{Gross Markup Income}}$
Cost / Income Ratio	=	$\frac{\text{Operating expenses}}{\text{Gross Income}}$
Return on Equity	=	$\frac{\text{Net Income}}{\text{Shareholder's Equity-CET1}}$
Profit Margin	=	$\frac{\text{Net Profit}}{\text{Markup} + \text{Non Markup Income}}$
Advances to Deposits Ratio (Net)	=	$\frac{\text{Loans \& Advances (Net)}}{\text{Deposits}}$
Total Asset to Shareholder Fund (Tier 1)	=	$\frac{\text{Total Assets}}{\text{Shareholder's Equity-CET1}}$
NPL Ratio	=	$\frac{\text{Non-Performing Loans}}{\text{Gross Advances}}$
Net Infection Ratio	=	$\frac{\text{Non-performing Loans} - \text{Provision on NPL's}}{\text{Net Advances}}$
Earnings Per Share (EPS)	=	$\frac{\text{Profit after Tax}}{\text{Weighted Average Number of Ordinary Shares}}$
Price Earnings Ratio	=	$\frac{\text{Market value of share at Year End}}{\text{EPS}}$
Dividend Yield Ratio	=	$\frac{\text{Annual Dividends per Ordinary Share}}{\text{Market Price of Share at Year End}}$
Dividend Payout Ratio	=	$\frac{\text{Dividend per Share}}{\text{EPS}}$
Dividend Cover Ratio	=	$\frac{\text{Basic EPS}}{\text{Annual Total Dividend per Share}}$
Break-up Value per share without Surplus	=	$\frac{\text{Total Equity} - \text{Revaluation Surplus}}{\text{Total Ordinary Shares Outstanding}}$
Break-up Value per share including Surplus	=	$\frac{\text{Total Shareholders' Equity}}{\text{Total Ordinary Shares Outstanding}}$
Capital Adequacy Ratio	=	$\frac{\text{Tier One Capital} + \text{Tier Two Capital}}{\text{Risk Weighted Assets}}$
Earning Assets to Total Assets Ratio	=	$\frac{\text{Earning Assets}}{\text{Total Assets}}$
Net Assets per Share	=	$\frac{\text{Net Assets}}{\text{Number of Shares outstanding}}$
Assets Turnover	=	$\frac{\text{Mark-up Income} + \text{Non mark-up Income}}{\text{Total Assets}}$
Price to Book Ratio	=	$\frac{\text{Market value of share at Year End Net Assets}}{\text{No of Shares}}$
NPL Coverage Ratio	=	$\frac{\text{Provision against NPL's}}{\text{Non-performing Loans}}$

## Form of Proxy

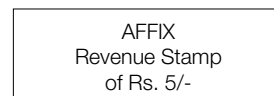
77<sup>th</sup> Annual General Meeting  
Allied Bank Limited

I/We \_\_\_\_\_ S/o, D/o, W/o \_\_\_\_\_  
of \_\_\_\_\_ being a member of Allied Bank Limited and holder of \_\_\_\_\_  
ordinary shares as per Folio No. \_\_\_\_\_ and/or CDC Participant ID No. \_\_\_\_\_  
and Account/Sub-account No. \_\_\_\_\_ do hereby appoint Mr./Ms. \_\_\_\_\_  
Folio No./ CDC Account No. \_\_\_\_\_ having CNIC \_\_\_\_\_ failing him/her, Mr./Ms. \_\_\_\_\_  
Folio No./ CDC Account No. \_\_\_\_\_ having CNIC \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy and to  
attend, act and vote for me/us on my/our behalf at the 77<sup>th</sup> Annual General Meeting of the Bank to be held on Tuesday, the March 28,  
2023 and at any adjournment thereof in the same manner as I/we myself/ourselves would vote if personally present at such meeting.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2023.

### Witness

1. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
CNIC# \_\_\_\_\_  
Address \_\_\_\_\_



Signature of  
Member (s) \_\_\_\_\_  
[The signature should agree with the  
specimen registered with the Company]

### Witness

2. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
CNIC# \_\_\_\_\_  
Address \_\_\_\_\_

### IMPORTANT NOTES:

1. A member entitled to attend and vote at a meeting is entitled to appoint another member as a proxy to attend, speak and vote for him/her. The proxy appointed should be a member of Allied Bank Limited.
2. This instrument of proxy duly completed and signed along with Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Registered Office of the Bank 3 Tipu Block, New Garden Town, Lahore or Bank's Share Registrar at M/s. CDC Share Registrar Services Limited, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi not less than 48 hours before the time of the Meeting. In calculating the 48 hours, no account shall be taken of any part of the day that is not a working day.
3. For CDC Account Holders/Corporate Entities:
  - i) Attested copies of valid Computerized National Identity Cards (CNIC) or the Passports of the beneficial owners and the proxy shall be provided with proxy form.
  - ii) The proxy shall produce his/her original CNIC or Passport at the time of meeting.
  - iii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures shall be submitted along with proxy form to the company.
4. If a member appoints more than one proxy and more than one instrument of proxies are deposited with the Share Registrar, all such instruments of proxy shall be rendered invalid.
5. Members are requested to immediately notify changes in their registered addresses if any, to Bank's Share Registrar at the address mentioned above before start of the book closure.



AFFIX  
CORRECT  
POSTAGE

**Company Secretary  
Allied Bank Limited**

Head Office / Registered Office  
3 Tipu Block, Main Boulevard  
New Garden Town  
Lahore – Pakistan.  
Postal Code: 54000  
Phone: +92 42 35880043  
Website: [www.abl.com](http://www.abl.com)

میں / ہم \_\_\_\_\_ ولد / زوجہ \_\_\_\_\_ ساکن \_\_\_\_\_  
 بحیثیت ممبر الائیڈ بینک لمیٹڈ اور ملکیتی \_\_\_\_\_ عام حصص بمطابق فولیو نمبر \_\_\_\_\_ اور ایسی ڈی سی شراکت دار آئی ڈی نمبر \_\_\_\_\_ اور اکاؤنٹ / ذیلی اکاؤنٹ نمبر \_\_\_\_\_  
 محترم / محترمہ \_\_\_\_\_ فولیو نمبر ای سی ڈی سی اکاؤنٹ نمبر \_\_\_\_\_ اور قومی شناختی کارڈ نمبر \_\_\_\_\_  
 عدم دستیابی کی صورت میں محترم / محترمہ \_\_\_\_\_ فولیو نمبر ای سی ڈی سی اکاؤنٹ نمبر \_\_\_\_\_ اور قومی شناختی کارڈ نمبر \_\_\_\_\_  
 کو پراکسی مقرر کرتا / کرتی / کرتے ہیں تاکہ وہ میری / ہماری جگہ میری / ہماری طرف سے بینک کے 77 ویں سالانہ اجلاس عام جو مورخہ 28 مارچ 2023ء بروز منگل منعقد ہو رہا ہے میں اور ایس کے کسی  
 ملتی شدہ اجلاس میں شرکت کرے، بات کرے اور حق رائے دہی استعمال کرے بالکل اس طرح جیسے اگر میں / ہم خود اس جگہ موجود ہوتا / ہوتی / ہوتے۔

گواہ نمبر 1

میرے دستخط بتاریخ \_\_\_\_\_ 2023ء

دستخط \_\_\_\_\_

نام \_\_\_\_\_

شناختی کارڈ نمبر \_\_\_\_\_

پتہ \_\_\_\_\_

پانچ روپے کار یونیورسٹی

دستخط نمبر \_\_\_\_\_

گواہ نمبر 2

دستخط بینک میں رجسٹرڈ نمونے

سے مطابقت رکھنے چاہیے۔

دستخط \_\_\_\_\_

نام \_\_\_\_\_

شناختی کارڈ نمبر \_\_\_\_\_

پتہ \_\_\_\_\_

اہم نوٹ:-

- 1) اجلاس میں شرکت کرنے، ووٹ دینے کا اہل رکن کسی اور کو اپنی جگہ پراکسی مقرر کر سکتا ہے، جس کو شرکت کرنے، بولنے اور ووٹ دینے کا حق حاصل ہوگا۔ مقررہ پراکسی کو الائیڈ بینک لمیٹڈ کا ممبر ہونا چاہیے۔
- 2) پراکسی مقرر کے جانے سے متعلق دستاویز (DOCUMENT) اور پاور آف اٹارنی (POWER OF ATTORNEY) یا دیگر کوئی اور تھارٹی جس کے تحت اس پر دستخط کئے گئے ہیں یا اس پاور آف اٹارنی کی نوٹری سے تصدیق شدہ نقل کو موثر ہونے کے لئے الائیڈ بینک لمیٹڈ کے رجسٹرڈ آفس ۳۔ ٹیپو بلاک، نیوگا روڈ ٹاؤن، لاہور یا میسرز CDC شمیر رجسٹر ارسوز لمیٹڈ، CDC ہاؤس، 99-بی، بلاک-بی، ایس ایم سی ایچ ایس، مین شاہراے فیصل، کراچی میں اجلاس کے وقت سے کم از کم 48 گھنٹے قبل لازماً جمع کروانا ہوگی۔ واضح رہے کہ 48 گھنٹے میں چھٹی کا دن شامل نہیں ہوگا۔
- 3) سی ڈی سی اکاؤنٹ رکھنے والوں / کارپوریٹ اداروں کے لئے:

\* بینیفیشل اونرز اور پراکسی کو شناختی کارڈ / پاسپورٹ کی تصدیق شدہ نقل پراکسی فارم کے ساتھ جمع کروانا ہوگی۔

\* اجلاس کے موقع پر پراکسی اپنا اصل شناختی کارڈ یا پاسپورٹ مہیا کرے گا / کرے گی۔

\* کارپوریٹ ادارہ ہونے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / مختار نامہ مخصوص دستخط کے ساتھ پراکسی فارم کے ساتھ کمپنی کو جمع کروانا ہوگی۔

- 4) اگر ایک رکن ایک سے زیادہ پراکسی مقرر کرتا ہے اور شیئر رجسٹر کے پاس رکن کی طرف سے پراکسی فارم کی ایک سے زائد دستاویزات جمع کرائی جاتی ہیں تو پراکسی کی ایسی تمام دستاویزات کا عدم تصور ہوں گی۔

- 5) ممبران سے درخواست ہے کہ وہ اپنے رجسٹرڈ پتہ میں تبدیلی سے متعلق بینک کے شیئر رجسٹر ارا کو اپر دیئے گئے پتہ پر فوری طور پر کتب کی بندش سے قبل مطلع کریں۔ ایسی درخواستیں کتب کی بندش سے قبل پہنچ جانا چاہئیں۔



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