



Annual Report **2020**



## About this report


The Board of Directors is responsible for the preparation of this Annual Report. It 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/investor-relations/financials/financial-presentations/>**

 **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.**

# 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 and resource allocation plan.

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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 details our commitment to sound and effective corporate governance practices.

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## Performance and Position

This section details our analysis of financial information.

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## Corporate Social Responsibility

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## Financial and Other Reports

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02		The Bank at a glance
03		Corporate Information
04		Awards and Accolades
06		Vision, Mission, Strategic Objectives and Core Values
08		Board of Directors
13		Chairman's Message
17		CEO's Review
26		Our Value Creation Business Model
28		Products & Services
34		Directors' Report

---

48		Strategic Objectives
48		Key Performance Indicators
50		Resource Allocation Plan
50		Strategy to Overcome Liquidity Problem
50		Significant Plans and Decisions

---

52		Stakeholders Engagement
58		Business at Last Annual General Meeting
58		Financial Calendar

---

60		Risk Management Approach and Oversight
61		Risk and Opportunities

---

68		Management Team
70		Corporate Structure
71		Board Committees
73		Our Governance Philosophy
76		Managing Conflict of Interest
77		Report of Audit Committee
78		Statement of Compliance
79		Independent Auditor's Review Report
80		Statement on Internal Controls
81		Shariah Board
82		Report of Shariah Board
87		Policies and Guidelines

---

94		Highlights of 2020
95		Six Years Vertical Analysis
96		Six Years Horizontal Analysis
102		Financial Ratios
104		Value Creation for Shareholders
106		Economic Value Added Statement
107		Cash Flow Statement
109		Group Reviews

---

122		Corporate Sustainability Report
128		Our Commitment to Sustainable Development Goals

---

130		Unconsolidated Financial Statements
224		Consolidated Financial Statements
309		Pattern of Shareholding
311		Notice of 75th Annual General Meeting
314		Glossary
317		Form of Proxy

# THE BANK AT A GLANCE

Rich with the banking experience of almost eight decades, Allied Bank Limited is one of the leading commercial Bank in Pakistan.

Our growth stems from constantly re-prioritizing innovative services in our pursuit of meeting the evolving needs of our stakeholders.

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.

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 aims to evolve into technologically innovative solutions provider by building a digital interface to sustain competitive advantage in the industry.

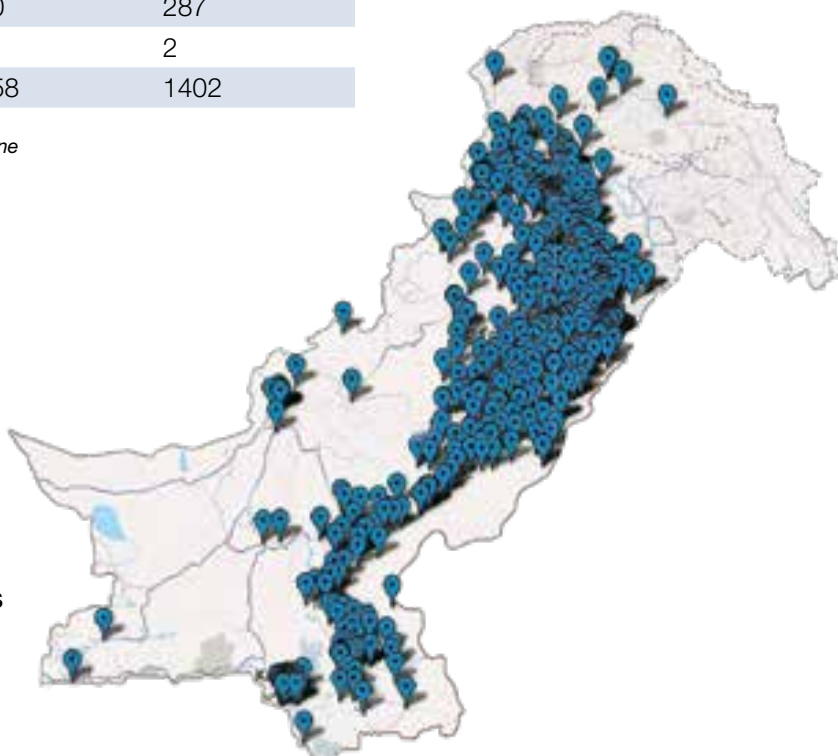
The Bank is among the league of select few, which have been awarded highest long-term and short-term entity credit ratings of AAA (Triple A) and A1+ (A One Plus) respectively. The Bank has been assigned CGR-9+ (Corporate Governance Rating) by VIS Credit Rating Company Limited, indicative of “very high level of corporate governance”.

Province	ATMs	Branches
Azad Kashmir	46	64
Baluchistan	38	50
Gilgit Baltistan	9	8
Islamabad	97	67
Khyber Pakhtunkhwa	152	182
Punjab	896	742
Sindh	320	287
Overseas*	-	2
Grand Total	1558	1402

\*including branch in Export Processing Zone

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

**128 & 547**  
Districts      Cities/Towns



# CORPORATE INFORMATION

## Board of Directors

Mohammad Naeem Mukhtar (Chairman)  
Sheikh Mukhtar Ahmad  
Muhammad Waseem Mukhtar  
Abdul Aziz Khan  
Muhammad Akram Sheikh  
Zafar Iqbal  
Nazrat Bashir  
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

Muhammad Raffat

## Auditors

KPMG Taseer Hadi & Co.  
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



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# Together We



Your Bank has been privileged to hold the **Syndicated Loan of the Year** and **Green Deal of the Year** awards by **ABF Corporate and Investment Banking Awards**, the **Pakistan Domestic Initiative of the Year for Green Banking** by **ABF Wholesale Banking Awards**, and also honoured with **Best Telecom Deal of the Year** by **The Asset Triple A Asia Infrastructure Awards** and the prestigious **Best Bank of the Year 2020** by **Finance Asia Country Awards 2020**.

# Succeed!



Your Bank has also been awarded with **Corporate Excellence Award in Commercial Banks Sector** by the **Management Association of Pakistan**, **Top Issuer of PayPak Debit Cards** by **1-Link** and **Best App and Web Enabled Market Award**, **Best Digital Innovation Award** and **Best Mobile Banking Application Award** by **Pakistan Digital Awards**.

In addition to this, Your Bank has been acknowledged as **Best Progressive Bank** on **HR Global Diversity and Inclusion Benchmarks (GDIB)** for **Leadership and Recruitment & Development** and also awarded with the **Best Loan Adviser 2020** by **The Asset Triple A Sustainable Capital Markets Country Awards 2020**.

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 stay connected towards achieving sustained growth in the years to come.

## 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

## Strategic Objectives

- Enhancing brand image and creating shareholders' value through sustainable performance, while optimizing return against acceptable risk appetite.
- Augmenting financial inclusion of unbanked population through innovative and diversified technologies, building customers' confidence through convenient delivery channels and product designs.
- Continuous re-engineering of policies, procedures, SOPs, SLAs and TATs, ensuring operational efficiencies through effective management of key resources.
- Instilling a culture of ethics and responsibility among human resource and becoming an 'Employer of Choice' for the Top Professionals.

## Core Values

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

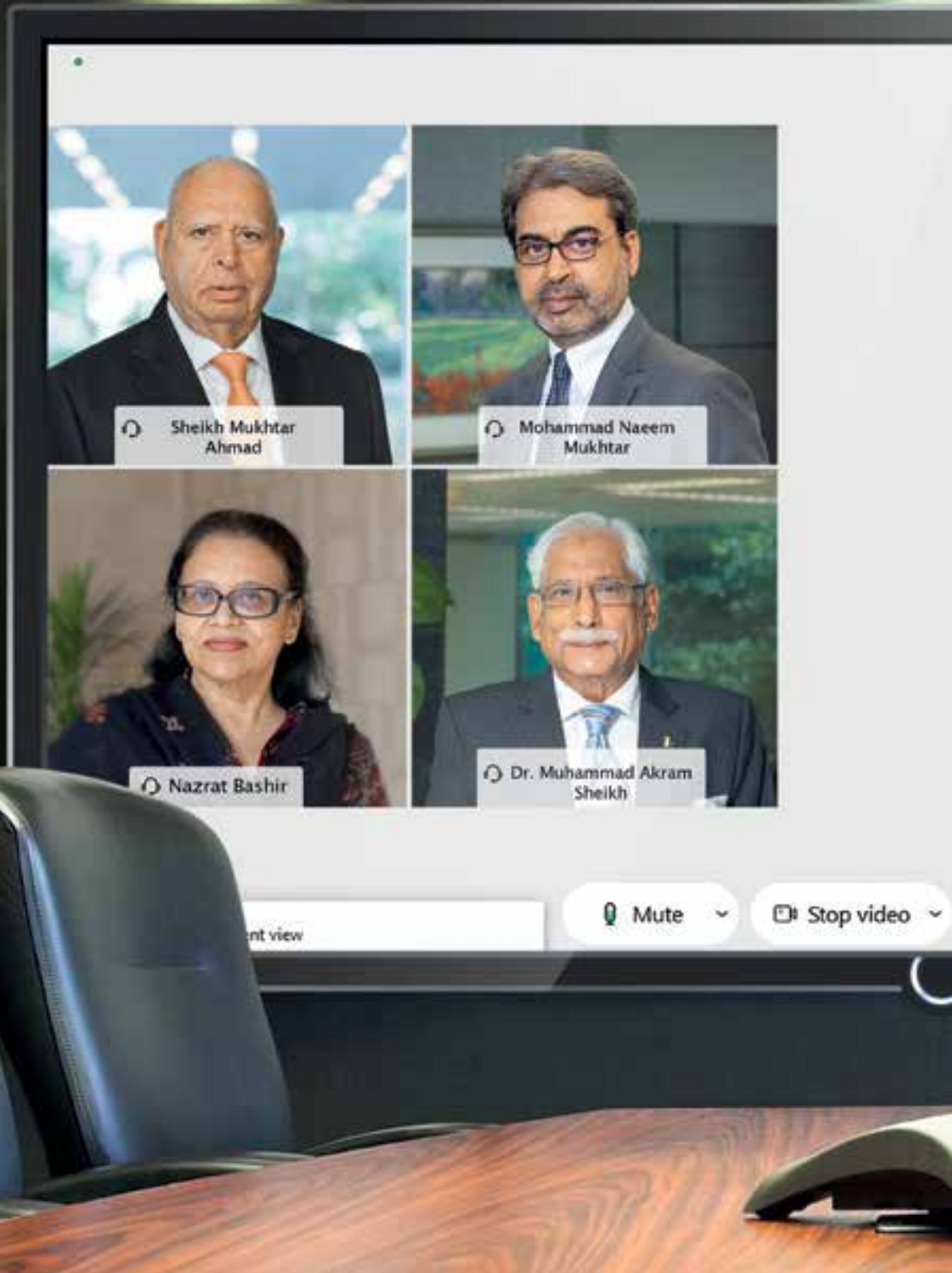


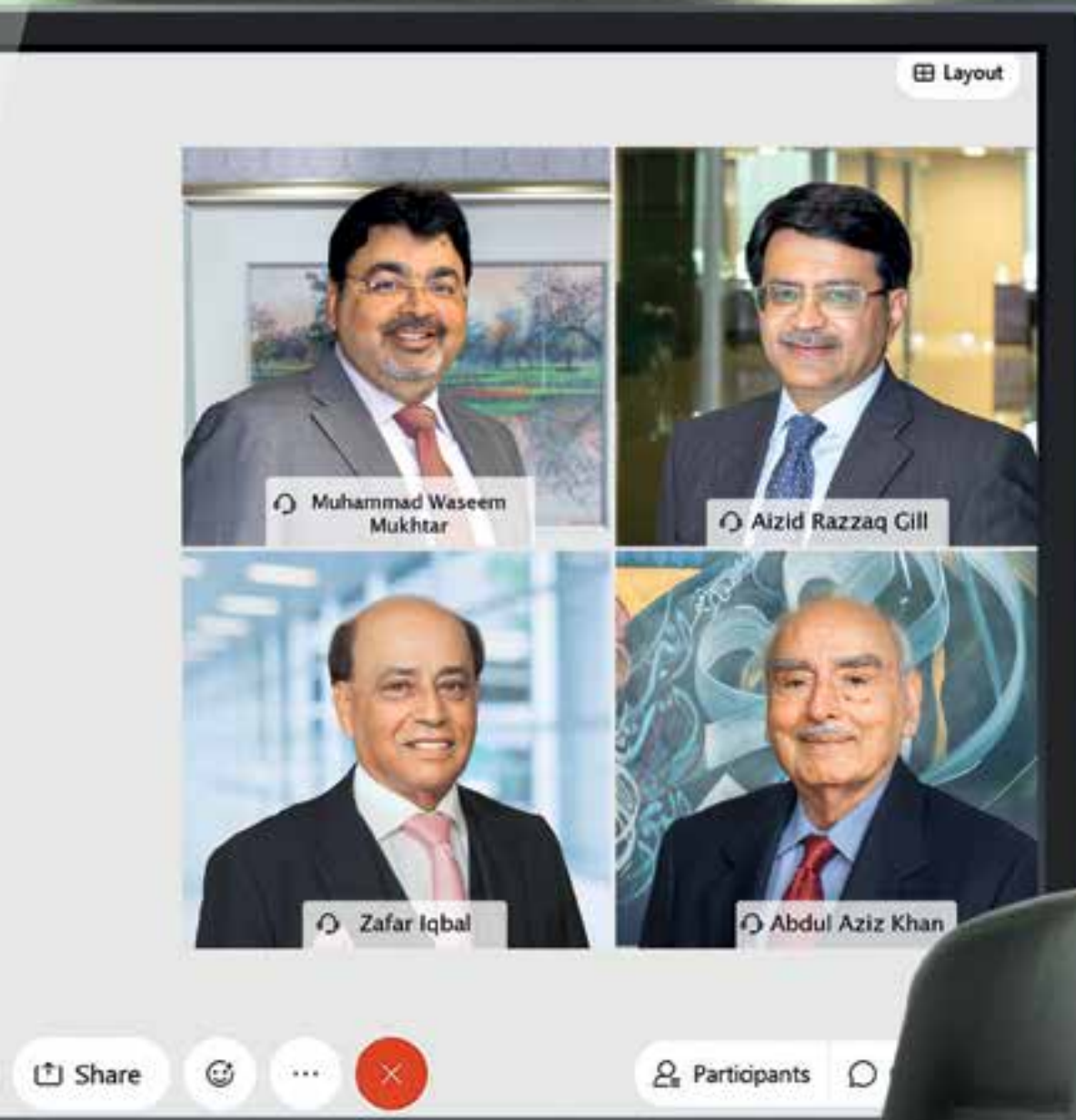




*Allied Bank owes its existence to Australasia Bank, commenced its operations before independence in 1942; merged with three other banks (Sarhad Bank Limited, Lahore Commercial Bank Limited and Pak Bank Limited) upon nationalization in 1974 with the name changed to Allied Bank of Pakistan Limited; recapitalized 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.*

# BOARD OF DIRECTORS





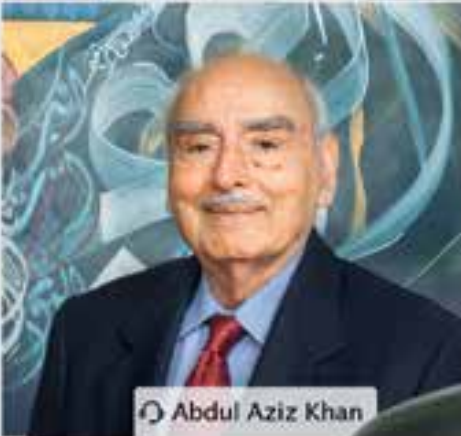
Muhammad Waseem Mukhtar



Aizid Razzaq Gill



Zafar Iqbal



Abdul Aziz Khan

# 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 Master of Business Administration degree from Cardiff Business School United Kingdom, Post Graduate diploma in Textiles from United Kingdom and Chartered Textile Engineer (CText ATI) certification from The Textile Institute in Manchester United Kingdom. He has over thirty-five years of experience of Finance and Industrial Manufacturing. Besides, being the Chairman of Board of Directors of Allied Bank Limited, he is also a Chief Executive Officer and Director of Ibrahim Fibres Limited, Ibrahim Holdings (Private) Limited. 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 fifty-nine 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 also Chairman of the Board of Directors of Ibrahim Fibres Limited, Ibrahim Holdings (Private) Limited, Ibrahim Agencies (Private) Limited and ABL Asset Management Company Limited.



## 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-three 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 also 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 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-seven 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.





## Dr. Muhammad Akram Sheikh

**Independent Director**

Dr. Muhammad Akram Sheikh (Hilal-e-Imtiaz) has over fifty-five years of work experience in the public and private sectors. He has founded Global Think Tank Network and currently chairs its Board of Directors. He is also independent Director on the Board of Directors of Quality School Foundation and Tricon Boston Consulting Corporation (Private) Limited (a 100% subsidiary of Sapphire Textile Mills Limited).

In addition to the above, Dr. Akram Sheikh is a member of Khyber Pakhtunkhwa Search and Selection Committee for Vice Chancellors and Pakistan Engineering Council Elders Committee.

He has held prestigious senior positions including Federal Minister and Head of Planning Commission, Federal Secretary of the Ministries of Communication, Water & Power and Industries & Production, Managing Director and Chairman of some of the largest public sector industrial establishments. During the period from 1998 to 2008, he also spearheaded many strategic policy initiatives including Medium Term Development Framework and Vision 2030 which lays down strategic directions for the future of the Country. He is on the Board of Directors of the Bank since February 2015.

## 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-five years of experience in senior management positions in financial and power generation sector. 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 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 specializes in Investment Banking, Corporate Finance, Capital Markets, Leasing, Aircraft Financing and Energy and Power Generation. Presently, he is associated in advisory business and extensively travels within Middle East, South Asia, Europe and North America for business negotiation. He is the member of the Board of Directors of the Bank since August 2015. He is also a nominee director on the Board of Directors of Habib Allied Holding Limited (HAHL), United Kingdom on behalf of the Bank.



## 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-five years of diversified civil service experience to her credit. During her career she served in different ministries. She remained Additional Finance Secretary, Internal Finance, 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. 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-four 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 (JET) 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).





# CHAIRMAN'S MESSAGE

Year 2020 has been the most challenging year across the Globe. Unfortunately, many precious lives were lost and spread of the COVID-19 pandemic has impelled countries to observe stringent lockdowns. Cessation of the Global economic activities aggravated unemployment and the worst economic downturn since the Great Depression. Mankind was disproportionately affected, hence exposing growing foundational weaknesses in the Society.

The pandemic has accelerated digital adoption and how organizations create value influenced by changing consumer behavior with entirely new patterns of consumption. According to McKinsey & Company 73% of banking consumers are pursuing digital adoption with 51% regular users and 22% first time users who tend to continue e-banking post-COVID-19 pandemic.

Organizations that have already incorporated fourth industrial revolution to scale, have experienced unprecedented increase in efficiency and productivity. Advances in data proliferation, connectivity, automation and sustainable technology are disrupting existing markets and creating new ones. Digitization has moved from convenience to necessity; enabling high-speed internet access, digital identity frameworks and multi-sided platforms to build the foundations for effective digital citizenship, digital lifestyles and Global e-commerce.

Rapid technological developments have lowered traditional high barriers to entry that had been previously considered monopolistic. As new technologies become economical and efficient; opportunistic disruptors are increasing their claim for market share in many sub-sectors by offering alternatives to existing services. While creating new risks for incumbent investors about asset valuations and long-term contracting structures, it also leads to introduction of the fifth industrial revolution.

More broadly, investment in new growth areas would aid in the post pandemic reorganization of the economy by exploiting the emerging cluster of growth opportunities relating to the accelerated shift to e-commerce and possible innovation of new data-enabled services.

While payment and lending fintechs have traditionally dominated the landscape around the Globe, the advent of 'neo-banks' have been an innovative development in the financial technology landscape originating a complete digital banking layer on the mobile phone. Neo-banks are transforming the way banking is contemplated by combining convenience with innovation and providing low-cost model for end consumers.

Pakistan is at a nascent stage of virtual banking offering elementary mobile financial services. Digital financial revolution in Pakistan necessitates to change the way of life by its populace and do away with its reliance on cash transactions. Keeping in perspective large rural population of Pakistan, combination of fintechs with commercial banks can provide a worthwhile scenario.

In the light of current scenario, it has become imperative to reformulate the digitization strategy in Pakistan by focusing on transforming the role across all sectors of socio-economic development and integrating the components of a holistic knowledge-based economy.

Digital tools, such as biometric identification, e-signatures, digital identities, blockchain applications, cloud computing and use of Artificial Intelligence will transform the financial sector by the next decade.

The four V's of Big Data; volume, velocity, variety and veracity enable systematic extraction and analysis of information to find correlations, historical trends, unusual data anomalies and use of information to take informed decisions. Robotic process automation is a form of business process automation solution based on algorithmic software robots or on artificial intelligence to save business time and augment customer satisfaction by providing services twenty four hours a day, seven days a week.

Your Bank has also embarked on its cognitive journey by initiating Oracle Big Data Platform, wherein an enterprise wide "Data Lake" is being built with advanced machine learning capabilities. This will aid in revolutionizing data driven decision making across the Bank, hence allowing to leverage cognitive capabilities in Robotic Process Automation. These technology driven initiatives will yield long-term benefits in the coming years by way of significant improvement in turn-around times for voluminous operational activities.

Aforementioned technologies serve as an inspiration for defining a strategy, improving the skills of the workforce and managing changes throughout the organization. A strengthened collaboration among stakeholders is needed to understand and manage the transition.

According to International Monetary Fund (IMF) Global Gross Domestic Product (GDP) growth rate is projected at negative 3.5% in 2020 as compared to 2.8% in 2019. This decline in growth was primarily driven by disruption in value chains due to trade and tariff wars, aggravated by the pandemic requiring isolations, lockdowns and extensive closures.

According to IMF, GDP growth rate slowdown was more pronounced in emerging markets and developing economies, with Pakistan's real GDP growth rate projected at negative 0.4% in 2020 as compared to 1.9% in 2019.

Despite a dismal Global economic growth, Pakistan is emerging from one of its worst recessions faced over the past decade and beginning a subdued recovery with the support of accommodative monetary policy and relief compendium by the State Bank of Pakistan. The refinancing schemes announced by the Central Bank have incentivized many firms to refinance and restructure their loan portfolios at concessional terms thereby mitigating the dampened demand for additional loans by companies to expand or meet working capital requirements owing to deep economic recession. Fiscal stimulus provided by the Government to lessen the detrimental effects of the pandemic have also supported the economy.

However, the package together with the increased debt servicing cost has created a fiscal pressure in the first quarter of FY 2020-21 as gross revenues decreased and expenditure grew at a double-digit pace. Pakistan's current account showed a surplus for first half of FY2020-21 of US\$ 1,131 million mainly supported by sustained workers' remittances and decreased trade deficit. Broad money and currency in circulation have registered a growth of 17.9% and 17.5% respectively for the year ended December 31, 2020; depicting an unrelenting growth in the undocumented economy.

Pakistan's Information Technology sector is carving a differentiated position as the preferred source for software development, business process outsourcing and freelancing. The Country is ranked at number four for freelance development in the World and telecommunications, while computer and information services exports have increased by 21% during the FY 2019-20.

The banking industry of Pakistan is currently going through a phase, owing to declining banking spreads in response to the precipitous intervention, which had decreased to the lowest level in nearly seventeen years. Subdued economic backdrop has resulted in accumulation of banking sector deposits.

Amidst this challenging environment, Your Bank's strength was never more evident. Guided by its Vision "to become a dynamic and efficient bank providing integrated solutions in order to be the first-choice bank for the customers"; the Bank is being led with a heightened

# CHAIRMAN'S MESSAGE

sense of realization of long-term value for its customers, clients, communities and shareholders.

Your Bank has always been committed to sustainable value creation for all its stakeholders with high standards of corporate governance through an elaborative and methodical system of internal controls. Supplemented by robust assets quality which has enabled a strong financial position with stable profitability despite the aforementioned challenges. Finance Asia Country Awards 2020 has acknowledged Your Bank as the "Best Bank of the Year".

Your Bank has continued to augment the customer experience through digital channels by attracting a broader range of customers, expanding value proposition across business lines and following a differentiated model that blends the best in service with technology. Your Bank has continued to promote the use of digital channels for fulfilling banking needs by enhancing and providing uninterrupted digital banking services. In these testing times, significant investment in technological infrastructure has enabled Your Bank to effectively implement various steps to contain the pandemic including work from home, social distancing and provision of medical supplies.

Aligned with the digital banking initiatives, Your Bank aspires to provide services on fingertips of the diversified customer base and create the convenience of 'anytime anywhere' banking. Consequently, Your Bank pioneered the launch of NIFT ePay, a domestic e-commerce gateway service launched by National Institutional Facilitation Technologies under "Digital Financial Services Platform" in order to re-align digital transformation and augment e-banking ecosystem in the Country. With this service, valued customers of the Bank will be able to conduct e-commerce transactions directly from their bank accounts on all e-commerce merchants powered by the said payment option.

Self Service Kiosks have been configured to facilitate opening of all variants of Allied Asaan Accounts in 105 Branches enabling the customers to initiate their account opening requests. On a roadmap towards improved and seamless customer experience, Your Bank has rolled out "Customer's 360° View" for branches, thus enabling customer facing employees to offer more personalized services.

In a quest to augment digital banking experience for the customers, Your Bank has launched myABL Wallet, to offer wide range of easy and convenient banking services for the non-conventional bank account

holders. Your Bank has achieved another milestone with launch of Visa Contactless Debit Cards, also known as Near Field Communication cards, to facilitate customers with contactless payment technology.

Your Bank takes a leading role in fulfilling the customers and communities' ambitions and financial inclusion through adoption of hybrid expansion strategy with blended business model of "bricks and clicks". Consequently, Pakistan Digital Awards 2020 has acknowledged the Bank's innovative mobile application and awarded "Best Mobile Banking App", "Best Digital Innovation" and "Best App and Web Enabled Market Award". The deployment of the "Universal Banker" has also inculcated service efficiencies in the Bank's service suite.

Your Bank's continuous efforts to achieve robust financial position, capable of absorbing foreseeable economic cycles and shocks transpired in sustaining the highest "AAA" long term credit rating by Pakistan Credit Rating Agency Limited (PACRA). Moody's Investor Service has maintained the Bank's Long-Term Deposits at B3 (Domestic and Foreign) during 2020, with outlook maintained at "stable", in alignment with the stable outlook of the sovereign rating; indicating stable deposit base. VIS Credit Rating Company Limited has also re-affirmed the Bank's Corporate Governance Rating of 'CGR-9+' which indicates a 'high level of corporate governance' and depicts a strong commitment towards governance framework by the Board of Directors and management of the Bank.

## Future Outlook

COVID vaccine approvals, improved treatments and effective management of pandemic precautions have uplifted hopes of a turnaround in 2021 thereby IMF has revised upwards Global economy projection by 0.3% to 5.5% in 2021 and 4.2% in 2022. Likewise, GDP is expected to grow at 1% in 2021 and gradually increase to 5% in 2025. Global recovery is expected on maintaining reforms momentum, proper fiscal support, adherence to a macroeconomic-sustainable framework and effective vaccination for the pandemic. The emerging economies possess a downside risk of financial and debt distress caused by an abrupt tightening of financing conditions together with widespread corporate bankruptcies.

In Pakistan, well calibrated containment measures together with Government stimulus and numerous housing and construction incentives countered the detrimental impact of pandemic.

Resultantly, the real sector has shown signs of recovery post lockdown primarily driven by manufacturing, automobile and construction related activities.

Attributable to decline in imports and increased remittances, current account deficit posted a surplus for five consecutive months in FY 2020-21. Going forward, external account is expected to manifest positive recuperation based on rise in exports to pre-pandemic level, higher remittances and strong foreign exchange reserve position. However, expected increase in foreign demand on the back of Global economic recovery together with mounting debt, current account deficit is anticipated to remain between the range of 0.5% - 1.5% of GDP in FY-2021, lower than its initial projection of around 2.0% of GDP.

Government's ability to prioritize efforts in maintaining financial discipline has reaped broad-based recovery in construction and manufacturing sector accompanied with sales of fast-moving consumer goods to rebound. Inflation outlook is expected to remain well-anchored with food price shocks and increase in utility tariffs to be short-lived. According to SBP, average inflation for FY 2020-21 is projected in the range of 7% - 9%, providing the broadly unchanged outlook for growth and inflation, the policy rate remains unchanged in the near future.

According to recent research, emerging markets' and developed economy's growth prospects depend upon 4 key elements; (a) Human and Physical capital accumulation for better utilization (b) Optimization of work force (c) Total Factor productivity and (d) Potential growth. Therefore, Pakistan thrives to become a competitive and innovative powerhouse attracting significant Foreign Direct Investment.

A strategic financial inclusion drive was launched side by side with the Government's initiative of "one woman, one bank account", to enhance availability and equality of opportunities to access financial services for this majorly un-banked segment of the population. Your Bank has been on vanguard for facilitating digital financial services penetration into rural vicinities of the country having notable success in supporting nations evolution into digital society.

Government's first ever e-commerce policy framework has led to an increased use of digital applications. According to McKinsey this will aid in increasing GDP by cumulative seven points and create four million new jobs. Going forward, Pakistan will continue to avail youth prominence for almost another thirty





years since the age of 60% population of Pakistan is under twenty-nine years. Youth is more conversant with the use of advanced technology. This together with enhanced access to mobile phone and internet will lead to accelerated digitalization.

“Ease of doing business” ranking of the Country has augmented from 136 to 108, imputable to reforms strategy. It will aid to capitalize on the potential opportunities in Foreign Direct investment.

Despite a sharp decline in policy rate, increased regulatory scrutiny and lockdown restrictions, the banking sector’s collective response to the pandemic was notable. Consequently, the banking operations were executed smoothly from remote locations thus facilitating the customers and ensuring serenity of all the stakeholders. Banks effectively deployed technology and demonstrated unprecedented agility and resilience. Additionally, banking industry is reshaping on a number of dimensions, ushering a new competitive landscape, prompting a new wave of innovation, reorganizing the role of branches and of course accelerating digitization in almost every sphere of the banking.

The post pandemic era has proved that precise and timely assessment of risk remains a serious challenge for financial institutions. This entails the importance of effective analysis of large or unstructured data sets with sharp insights into domains that could help make better decisions and improve customer service.

The emerging concept of cryptocurrency based on decentralized networks of blockchain technology is taking digitization into a new era. Virtual currencies are not a legal tender in Pakistan owing to the enhanced risk of money laundering and terrorism financing as the identity of users on virtual currency network remains

anonymous. However, use of virtual technology and block chain and distributed ledger-based technologies has opened new avenues to e-Banking.

Banks have a strong requirement for cost-savings through automation, resources optimization and agile technologies to increase security while promoting operational efficiency. Micro-segmentation allows financial institutions to achieve these key goals by using flexible, quickly deployed, and easy-to-understand micro-segmentation controls. Micro segmentation also aids in understanding customer needs in a relevant way thus assisting in retaining most valuable customers, increasing share of wallet and identifying underserved customer segments.

Your Bank aims to continue its efforts towards expanding the horizon of Robotic Process Automation and Machine Learning solutions, combining traditional automation tools with advanced technologies to scale process efficiencies further and provide deeper and faster insights on enterprise performance including predictive analytics leveraging external data which will not only inculcate operational efficiencies but shall also optimize resource allocation.

Your Bank’s strategic focus remains on improved data governance and risk reporting systems to ensure comprehensive and accurate identification of risks to support well-informed decision-making for our businesses and valued customers. Your Bank shall continue to accelerate upon emerging technologies including shifting of customer from conventional banking mediums to e-banking, expansion of smart branches and digital Kiosks, implementation of advanced artificial intelligence solutions and penetration into acquiring business.

While digital banking has gained increased momentum in 2020, it is unlikely that brick-and-mortar financial

institutions will be displaced in the medium term, as there are certain segments of customers who still prefer face-to-face interactions. Therefore, Your Bank’s digital transformation is designed to retain the strengths of the traditional person-to-person business model. Resultantly, Your Bank retains focus on proactively responding to various growing service quality dimensions through smart, mobile and online channels in an omni-channel environment.

Visualizing 2021, I am optimistic that Your Bank remains well positioned to sustainable enhancement in the shareholders’ value. 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 uninterrupted assistance and co-operation. I would also like to appreciate our valued shareholders for having their confidence in 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 utmost hard work and commitment on the road to building a robust and technologically empowered Allied Bank.

**Mohammad Naeem Mukhtar**  
Chairman



# CEO'S REVIEW

## Economic Review

The World has transformed substantially during 2020 owing to COVID-19 pandemic; which has not only paralyzed the continents by disrupting the supply chains but has also resulted in loss of human lives.

International Monetary Fund (IMF) downgraded the Global Gross Domestic Product (GDP) from negative 3.0% to negative 4.9% in 2020 as compared to a growth rate of 2.8% in 2019.

Global economy has started to show signs of subdued recovery leading to a revised GDP projection of negative 3.5% by IMF. The Global recovery would continue to remain fragile in the short-run owing to the uncertainty caused by the second wave of COVID-19. Similarly, commodity prices are recovering but as per the Bloomberg Composite Monthly Index, they are still below December 31, 2018 position.

At the start of 2020, the Pakistan's economy was transitioning from stabilization to growth; however, the outburst of COVID-19 pandemic brought multifarious challenges.

According to IMF, Pakistan's economy has remained muted at negative 0.4% in 2020 as compared to positive 1.9% in 2019. The subdued economic recovery is attributable to the second wave of COVID-19, supply-side shocks from uncertain weather conditions.

The accommodative fiscal and monetary policy geared towards mitigating the economic fallout of the COVID-19 shock has steered the economy towards growth trajectory after lifting of lockdown. Manufacturing activity has registered a recovery during the first half of FY 2020-21; leading to an expansion of 9.12% year on year (YoY) as compared to a decline of 3.41% during the corresponding period last year.

The agriculture sector's performance during the Kharif season was broadly encouraging. However, Cotton crop has suffered due to exceptionally heavy monsoon rains and locust attacks. Resultantly the Agricultural annual growth was registered at 2.7% in FY 2019-20 compared to 0.6% in FY 2018-19.

The external sector has continued to steer through the COVID-19 crisis smoothly, manifesting a surplus of US\$ 1,131 million during the first half of FY 2020-21 as compared to a deficit of US\$ 2,032 million during the corresponding period last year; registering a growth of 156%. The surplus is attributable to a healthy increase in workers' remittance together with a sharp fall in imports of services due to restrictions on air travel.

The unsustainable growth momentum in imports leading to looming trade deficit was curtailed by managing the aggregate demand and addressing the overvaluation of the exchange rate and aligning it to the market value-based exchange rate adjustments together with imposing import tariff on non-essential items. Further, the import demand was negatively affected as the economy nearly came to a halt. As a consequence of the aforementioned factors, imports have declined by 9% and amounted to US\$ 51,108 million in Calendar Year (CY) 2020 as compared to US\$ 56,158 million in CY 2019.

Exports have depicted a V-shaped recovery and rebounded to their pre-COVID monthly volume of around US\$ 2 billion from September 2020 onwards. Exports amounted to US\$ 27,312 million during CY 2020 compared to US\$ 30,435 million during CY 2019. As a consequence, trade deficit manifested a modest improvement and amounted to US\$ 23,706 million in CY 2020 as compared to US\$ 25,723 million in CY 2019.

Improvement in Current Account is primarily driven by the exceptional rise in Workers' Remittances owing to the pandemic related air travel restrictions and stimulus packages announced by the Government, assisting in diverting Workers' Remittances from informal to formal channels together with continued policy measures under the Pakistan Remittance Initiative (PRI) and the promotion of formal and digital channels. Workers' Remittance exceeded US\$ 2 billion mark for the seven consecutive months at the end of 2020 to reach at US\$ 25,963 million in CY 2020 as compared to US\$ 22,123 million in CY 2019; registering a growth of 17%.

Pursuant to the progressing balance of payments position, Pakistan's foreign exchange reserves have elevated by 15% to reach at US\$ 20,545 million in December 31, 2020 as compared to US\$ 17,930 million in December 31, 2019. Net reserves with State Bank of Pakistan reached at US\$ 13,412 million as on December 31, 2020 compared to US\$ 11,336 million as on December 31, 2019; registering a growth of 18%.

Primary Surplus was increased to 0.7% of GDP during July-December 2020, despite the Government's announcement for incentives for the construction industry and introduction of tariff concessions on multiple industrial raw materials to support exports and general economic activity. Total Revenue increased by 3.7% to reach at Rs. 3,531,156 million during first half of FY 2021 as compared to Rs. 3,231,930 million during the corresponding period last year. FBR tax collection increased by 5.6% on the back of early recovery in the domestic economy, accumulated

collections from the preceding quarter and impact of higher electricity and sugar prices.

## Banking Sector Performance

Banking industry is passing through a critical phase in Pakistan, mainly due to apparent challenges of low interest rate scenario, lack of broad-based growth in private sector credit and risk of infection in existing portfolio. Concurrently, robust growth opportunities in e-banking avenues are evolving banking dynamics towards ease and convenience.

Despite the prevailing operating environment, banking industry has managed to augment its asset base by a robust 17% to reach at Rs. 23,510 billion as at December 31, 2020.

COVID-19 pandemic has adversely affected private sector credit demand owing to heightened uncertainty together with a generalized loss of business confidence. Despite State Bank of Pakistan's measures to contain credit risk together with accommodative monetary policy, banks have directed funds deployment to fixed income debt securities from the traditional lending business. Resultantly, industry investments reached at Rs. 11,443 billion as on December 31, 2020 as compared to Rs. 8,767 billion on December 31, 2019; reflecting growth of 31%.

Industry gross advances have depicted mere growth of 2% as on December 31, 2020 to reach at Rs. 8,158 billion as compared to Rs. 7,993 billion as on December 31, 2019. Moreover, net advances have manifested a growth of 1% to reach at Rs. 7,602 billion as on December 31, 2020 as compared to Rs. 7,507 billion as at December 31, 2019.

Industry infection ratio has deteriorated to 8.6% as at December 31, 2020 as compared to 8.1% in December 31, 2019. However, coverage ratio has improved from 84.7% in December 31, 2019 to 91.6% as on December 31, 2020.

Bank's prudent Asset Liability Management (ALM) framework leading to favorable time-lag in asset repricing together with optimized deposit mobilization led Return on Assets (ROA) and Return on Equity (ROE) to notably improve to reach at 1.8% and 14.5% respectively on December 31, 2020 as compared to ROA and ROE of 1.5% and 12.3% respectively as at December 31, 2019.

Prevailing uncertainty, depressed economic activity together with constraints on spending avenues due to lockdowns have led to accumulation of bank deposits. Consequently, Deposits manifested a strong growth of 17% to reach at Rs. 17,078 billion for the year ended December 31,

# CEO'S REVIEW

2020 as compared to Rs. 14,575 billion in the corresponding year. As a consequence of constricting movement in advances and robust growth in deposits, Gross Advances to Deposits ratio dropped to 48% on December 31, 2020 as compared to 55% on December 31, 2019.

During the year, State Bank of Pakistan suspended dividend declaration by banks for a period of two consecutive quarters in order to conserve capital and enhance the lending and loan loss absorption capacity of the banks; which has resulted in the banks' profit accumulation and rise in the statutory Reserves. Moreover, revaluation surplus on securities stands at Rs. 1,823 billion on December 31, 2020 as compared to Rs. 1,610 billion as on December 31, 2019. Resultantly Banking sector's equity rose by Rs. 213 billion or 13%.

## Business Performance

During the year under review, Your Bank steered through the challenging macroeconomic and operating environment to maintain its growth trajectory by focusing on its ability to adapt and innovate. The investment in the Bank's technological infrastructure along with augmenting risk management framework and constant improvement in Bank's service quality standards has enabled to conduct business with agility and manage challenges and change; thereby deriving steady profitability as well as robust growth in its financial position.

Successful implementation of envisioned long term multifaceted strategies has enabled Statement of Financial Position's growth accompanied with ample liquidity and robust capital levels. Resultantly, 7% growth is manifested in Asset base which reached at Rs. 1,590,458 million as at December 31, 2020, while equity base elevated by 14%, in line with industry, to reach at Rs. 131,560 million.

The shift in the operating environment necessitated to increase value creation over the longer term, through an innovative and agile strategic approach and effective risk management. Your Bank manages the risk through a framework of sound risk principles which includes a resilient risk assessment models, effective pre-disbursement evaluation tools and post disbursement monitoring systems which operate cohesively to perpetuate focus on building superior quality assets along with keeping aggregated risks within the Bank's overall risk acceptance criteria.

Your Banks' risk culture promotes informed decision-making through leveraging technology and implementing sound risk principles and procedures. Consequently, Your Bank sustained its industry position of having one of the lowest infection ratio

and high coverage ratio of 2.78% and 97.04% respectively. Proactive monitoring contributed towards the decline of Rs. 1,693 million in Non-Performing Loans to reach at Rs. 14,161 million as at December 31, 2020. In line with the cautious industry growth, Gross Advances reached at Rs. 510,174 million as on December 31, 2020 as compared to Rs. 500,168 million in the corresponding year. Whereas net advances recorded at Rs. 496,432 million as on December 31, 2020; reflecting a net advances growth of 2% slightly above the 1% industry growth.

Your Bank while adopting a prudent approach, re-profiled the investment mix from exposure in short term treasury bills to Pakistan Investment Bonds (PIBs), to provide natural hedge in decreasing interest rate scenario. Resultantly PIBs to total investment mix rose from 21% to 49% as on December 31, 2020. Attributable to limited quality lending avenues, investments grew by 9% to reach at Rs. 829,621 million as on December 31, 2020 as compared to Rs. 757,957 million in the corresponding year.

Sustained efforts, to enable convenient customer access to every financial service, translated into 8% growth in customer accounts which crossed 4.5 million as on December 31, 2020. Your Bank's enhanced focus to bring vast unbanked and under-banked populace into the economic mainstream, led to opening of all variants of Allied Asaan Accounts through Self Service Kiosk in 105 Branches; thereby augmenting Asaan Accounts to Total Accounts mix from 18% in 2019 to 21% in 2020.

While maintaining the market share of deposits at 7%, Your Bank's continued effort to improve zero and low-cost deposit mix led to growth in Current Account (CA) by 20% as on December 31, 2020; achieving 40% of the total deposits mix. Current Account Saving Account mix improved from 83% as on December 31, 2019 to 87% as at December 31, 2020. Resultantly, Total Deposits exhibited a growth of 16% in line with Industry growth to reach at Rs. 1,216,678 million as on December 31, 2020 as compared to Rs. 1,049,043 million as on December 31, 2019.

Equity base of Your Bank augmented by 14% and reached at Rs. 131,560 million at December 31, 2020. Tier 1 equity increased to Rs. 102,722 million enabling Your Bank to post a strong Capital Adequacy ratio (CAR) of 25.2% at standalone basis which is sufficiently above the regulatory requirements. Common Equity Tier ratio (CET) and Tier 1 ratio (CET1) reached at 19.44%; which is indicative of a strong capital positioning of the Bank.

In line with the accommodative monetary policy announcements during the year, comparatively lower earning yield resulted in decline of 10% in markup income, which was Rs. 110,547 million during year ended December 31, 2020. Likewise, decline of 23% in interest expense was also witnessed. Consequently, Net Interest Income (NII) registered a growth of 16%, which reached at Rs. 48,421 million during the year ended December 31, 2020 as compared to 41,880 million during the corresponding year.

Your Bank continued to enrich its fee based product portfolio with concurrent focus on upholding high service standards through increased digitization and technology exploitation. Despite regulatory requirement of selected free of charge customer services for e-banking transactions during COVID-19 pandemic, Your Bank registered 7% growth in the fee-based income, which reached at Rs. 5,441 million during the year ended December 31, 2020 as compared to Rs. 5,097 million during the year ended December 31, 2020.

Your Bank prudently realized sizable capital gains from fixed income portfolio and equity investments amounting to Rs. 3,420 million during the year ended December 31, 2020 as compared to Rs. 1,579 million during the corresponding period; indicating a strong growth of 117% or Rs. 1,841 million. On the contrary, dividend income reduced by Rs 169 million and reached at Rs. 1,656 million during the year ended December 31, 2020 as compared to Rs. 1,825 million during year ended December 31, 2019, attributable to liquidity constraints of the investee companies amid COVID-19 pandemic. Moreover, Foreign Exchange (FX) income of Your Bank declined by 16%, which amounted to Rs. 1,664 million during the year ended December 31, 2020.

Despite increased spending on employees and customers health care to mitigate socio-economic impact of COVID-19 pandemic, devaluation of Rupee and increased digitalization related initiatives, Your Bank curtailed operating expenses growth at 5% during the year ended December 31, 2020 as compared to 15% increase during the year ended December 31, 2019.

Amidst the manifold challenges emanating from low interest rates scenario, tough operating environment, lower economic activity and rising cost of doing business, Profit before tax of Your Bank aggregated to Rs. 29,515 million during the year ended December 31, 2020, reflecting a healthy growth of 22% as compared to Rs. 24,242 million during the corresponding year.

An incremental super tax levy for the tax year 2018 amounting to Rs. 835 million was recognized in 2019, resulting in

higher effective tax rate of 42% in 2019. Accordingly, Profit after Tax showed a robust growth of 28% and reached at Rs. 18,029 million during the year ended December 31, 2020. Additionally, Earnings Per Share reached at Rs. 15.75 during the year ended December 31, 2020 as compared to Rs. 12.32 during the year ended December 31, 2019.

### E-Banking Initiatives

Pakistan banking industry is emerging as strongest industry experiencing financial liberalization and technical challenges arising globally. The unrivaled disruption by COVID-19 pandemic is accelerating the urgency for agility, adaptability and transformation. Keeping in mind diverse customer base Pakistan's banking sector is focusing on blend of conventional and digital banking targeting both Millennials and customers acquainted with brick-and-mortar banking. Remaining fully cognizant of the Global acceleration in digital adoption, Your Bank enhanced its digital capabilities with continuous incremental investment in cutting-edge technology driven innovative services to cater the evolving needs of diverse customer base.

Banks are now compelled to opt for digitalization to cater customers' needs. Following key initiatives are undertaken by Your Bank in year 2020;

- Voice-Assisted Banking
- myABL Wallet Commercial Launch
- NFC Debit Cards
- Open API Platform
- Transaction through NIFT ePay
- Launch of Basic Debit Card
- Relaunch of Premium Debit Card
- Launch of Payday Finance
- Extension & Availability of Self-Service Kiosk (SSK)

- Fee Payments on Self Service Kiosk
- Hybrid Digital branch

Your Bank pioneered the launch of NIFT ePay which is a domestic e-commerce gateway service launched by NIFT's (National Institutional Facilitation Telecommunication) "Digital Financial Services Platform". With this service, valued Bank customers shall be facilitated to conduct e-Commerce transactions directly from their bank accounts on all e-commerce merchants powered with "NIFT ePay" payment option. Consequently, e-commerce transactions during the year ended December 31, 2020 crossed Rs. 1,800 million as compared to Rs. 427 million in 2019.

Your Bank has introduced Pakistan's first ever voice-assisted banking using Siri. Apple iPhone users can now perform banking services with the convenience of a simple voice command. Siri is a virtual assistant for iPhone users which uses voice commands to answer questions and perform actions.

In line with evolving banking dynamics Your Bank commercially launched myABL Wallet to fulfil a wide range of banking requirements without the need of a conventional bank account. Customers can download myABL Wallet Application; self-register from anywhere at any time free of cost and start their 'Branchless' banking journey instantly.

myABL Digital Banking platform has been upgraded this year with multiple exciting features. Customers can conveniently update their Address, Email and Mobile Number, along with setting preferred correspondence address anytime from anywhere through myABL.

An industry first feature, PFM (Personal Finance Management) was also introduced under the ambit of myABL Digital Banking. This powerful spend analysis tool helps customers to execute smart financial decisions by tracking their expenses over time compared to a specified budget.

myABL has also become a digital investments platform in collaboration with ABL Asset Management Company (AMC). Now users can invest, redeem or transfer funds on myABL Digital Banking with ease and convenience. Consequently, myABL registered users augmented by 50%, myABL personal internet banking transactions and myABL business internet Banking transactions have increased by 140% and 227% respectively.

Your Bank introduced a globally acceptable "Contactless Debit Card" in partnership with VISA, UPI & PayPak. Contactless payment technology is an easy way to pay using "Near Field Communication" feature. ABL customers can conveniently tap the card on any POS/ATM in order to make instant payments. POS number of transactions have increased by 5% and POS value of transactions have increased by 14%.

Your Bank, while maintaining its pioneer status in technological initiatives, launched open banking "Application Programming Interface" (API) portal to provide collaboration opportunities for Fintechs and Startups. The Bank's Open Banking API platform empowers people and institutions for creation of digital experience by building and extending products and services through the Bank's simple and easy to use APIs such as title fetch, funds transfer, bill payment and much more.



# CEO'S REVIEW

Your Bank launched Basic Debit card to accommodate the needs of the non-educated customer base. This card is enabled with a Chip & PIN security and can be conveniently used anywhere in Pakistan on thousands of ATMs and POS terminals.

Your Bank launched its first myABL Digital Lending product "Payday Finance" (Advance Salary Loan). It offers short-term loan facility to ABL customers maintaining salary account with the Bank without requiring any physical documentation.

Your Bank introduced Biometric ATM service on its complete network of 1555+ ATMs. Now ABL debit cardholders can seamlessly perform ATM transactions without the need of a card. Consequently, Debit Cards issuance during the year has increased by 17%.

As part of the Bank's digitalization drive, Self Service Kiosks (SSK) have been placed at top 105 branches, to enable customers to perform an array of banking services, which include, initiation of Allied Asaan Account opening request and perform basic account management services, without being dependent on branch staff. All these services are biometrically authenticated and performed in a completely secure environment at customer's convenience.

"Self Service Branch" is a cornerstone of Allied Bank's Digital Strategy, leveraging and complimenting the strong technology base of the Bank, with an aim to transform the "traditional branch banking model", leading towards enhanced efficiency and superior customer services. Your bank opened a new Hybrid Digital Branch, offering a blend of "Conventional" and "Self-Service Banking" facilities to its account holders and walk-in customers. Eliminating the need of cumbersome paper work and long waits in queues, it is equipped with modern devices and diverse digital touchpoints.

## Green Banking and environment Protection

Your Bank constantly considers innovative methods of conducting business that are less harmful to the environment. These efforts showcase in the firm commitment to integrate sustainability into the Bank's operations. In order to create eco-friendly environment and ensure compliance with the State Bank of Pakistan's Green Banking Guidelines, Your Bank maintains a dedicated Green Banking Office (GBO) to promote environmentally friendly practices. Your Bank has formulated and implemented Green Banking Policy to reinforce its commitment for environmental sustainability, diminish the vulnerability of the Bank from the Environmental Risks and to reduce its carbon footprint on the environment

In order to promote Green Banking and promote paperless banking, Your Bank has made the Automated Teller Machine (ATM) receipt printing optional for all types of ATM transactions.

Solar-powered branches demonstrate Your Bank's commitment towards exploiting renewable energy to build a healthy and clean carbon-free environment. This unique initiative also sets direction for effective utilization of solar power opportunities in Pakistan and assists in mitigating national energy crisis. Your Bank invested Rs. 332 Million (2019: Rs. 204 Million) towards energy saving solutions through installation of solar panels and inverters. Currently Your Bank operates with 59 Solar-powered branches and 1,191 inverter-based branches.

Furthermore, administrative measures resulted in reduced electricity and fossil fuel consumption by 15% (2019: 13%). To bring awareness among employees, Your Bank

conducted Training Need Assessment (TNA) session on Green banking by the experts from "Frankfurt School of Finance & Management" and "Gesellschaft für Internationale Zusammenarbeit (GIZ) Germany".

Your Bank, under the Clean & Green Pakistan Campaign, organized a tree plantation campaign in collaboration with Punjab Forest Department Lahore, where 1,000 fruit trees were planted at various schools, colleges and public locations at Lahore.

## Service Excellence Measures

Your Bank continues to focus on achieving excellence in customer services by incessantly surpassing the expectations of customers, understanding their needs, and regularly bringing refinement in service offerings.

Thoroughly committed to provide superior, customer centric services and enhance user experiences, Customer Support Officers have been designated at top 100 flagship branches to inculcate "meet and greet" concept. Dedicated greeting stations are placed at branch entrances to enable customer facilitation.

Electronic queue management system and feedback tablet have been installed at top 100 branches and installation is underway at additional 200 branches to ensure customer convenience and enable valuable customer feedback. Additionally, Your Bank achieved 98% resolution rate of customer complaints with average turnaround time of 4.7 working days, during the year under review.

Adoption of effective technology measures to gauge network efficiency and availability of secondary-link at branches to ensure





un-interrupted service offerings enabled maintaining an astounding 96% ATM uptime and related network services despite the COVID-19 pandemic situation nationwide.

Allied Phone Banking is an indispensable medium for identification and resolution of customer complaints. A specialized portal has been developed for call center staff which contains information about all circulars, products and procedures to facilitate information retrieval on real time basis to address customer's requests.

With the aim to create awareness among customers about the Bank's complaint lodgment process and available channels, information was disseminated through multiple mediums like corporate website, digital signage and ATMs as part of Your Bank's initiatives for Fair Treatment of Customers (FTC).

### Risk Management, Compliance and Controls

Risk Management (RM) of any bank is one of the core components of its success. Your Bank's Risk Management (RM) system consists of sound risk principles supported by optimum organizational structure, efficient risk assessment models and effective monitoring system in an IT enabled environment to protect the strength of the capital base of Your Bank while safeguarding shareholders value.

In order to ensure meticulous compliance regarding smooth transition towards the State Bank of Pakistan's instructions for implementation of International Financial Reporting Standard-9 (IFRS-9) in accordance with BPRD Circular No. 04, dated October 23, 2019, Project steering committee of the management comprising of senior members of Finance, Risk, IT

and Business Group and Board Risk Management Committee continuously monitored the progress of IFRS-9 implementation in the Bank.

During the year 2020, the main stakeholders worked in a coordinated manner and successfully deployed IFRS-9 system. Parallel run results for the period ending September 2020 were also submitted to State Bank of Pakistan along with the quarterly progress report. In order to ensure effective training of staff members before system implementation, The Bank has also conducted various in-house training sessions to update relevant stakeholders about the concept of Expected Credit Loss and potential impact of IFRS-9 on business operations. Due to COVID-19 situation, banks are still waiting for issuance of finalized guidelines on IFRS-9 by State Bank of Pakistan and any change required in IFRS-9 system after the issuance of guidelines shall be dealt accordingly.

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 the Bank to have effective management of Credit Risk, also reflected by one of the lowest Infection Ratio of 2.78% as on December, 31 2020 compared to the industry Infection ratio of 8.6% as on December 31, 2020. During the year, the management has undertaken initiative for major upgrade in the system providing additional tools and information for the risk assessor and monitoring teams.

Your Bank also conducted various security assessment exercises in 2020 on Information assets of the Bank. This includes Vulnerability Assessment (VA) and Penetration Testing (PT).

Payment Card Industry Data Security Standard (PCI DSS) Certification was also achieved for the 2nd year in 2020 along with compliance to Swift Customer Security Program (CSP) as mandated by Swift International.

Major focus of the Bank in the year 2020 was 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. The main idea is to enhance the visibility of the threat landscape of the Bank and response to Information Security Incidents effectively.

Under the umbrella of various initiatives introduced by State Bank of Pakistan to Combat the adverse effects of COVID-19 pandemic on the economy, Your Bank processed financing applications for principal deferment, restructuring, temporary economic refinance facility (TERF) and other schemes. During the tough pandemic time period, almost all sectors of economy faced liquidity / working capital issues. Through financing under State Bank of Pakistan Refinance Scheme for Payment of Wages & Salaries, Your Bank has disbursed substantial financing that helped industries in saving sizable number of jobs (more than 107,000 workers and employees).

Cognizant with Government's initiatives and our corporate responsibility to support underserved segments, low earning individuals and supporting new entrepreneurs, Your Bank actively participated in initiative launched by Government of Pakistan for Prime Minister Kamyab Jawan Youth Entrepreneurship Scheme. Keeping in view the importance of construction sector in growth of the economy, the Government announced

# CEO'S REVIEW



various relief measures, supported by State Bank of Pakistan's actions in creating an enabling environment to promote financing in this segment. Your bank financed actively in construction sector and despite being a relatively new entrant in housing finance segment, made an appreciable progress.

## Customer Awareness Sessions

In sequel of the Bank's distinguishing initiative of obligors' engagement to provide latest insight on business management & strategies, Your Bank organized an awareness seminar on "Transition from Family-owned structure to Corporate Structure". Additionally, Your Bank arranged 725 sessions (2019: 496) on "National Financial Literacy Program (NFLP)" in the rural districts to ensure financial inclusion of unbanked segments of the society.

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

## Information Technology

Big Data, Machine Learning and Deep Learning are creating disruption in the entire financial landscape. Your Bank has created Data Lake to store structured and unstructured information to assist data driven business decisions based on meaningful insights. The Bank has service level agreements with handful Data Science companies to capitalize on the investment of Big Data for implementing multiple use cases through machine learning models, and in turn, improving and personalizing customer experiences. Evolving digital and technological avenues attract increased chances of cyber-attacks. To prepare itself against these attacks, Your

Bank has implemented Trend Micro Virtual Patch Management (VPM) solution which protects information assets from hacking attempts.

In order to provide real-time business insight for better decision making and customers' facilitation by internal process optimization, implementation of Business Process Manager (BPM) solution is in process, which automates the approval process through digitized workflows. BPM also offers native connector that allows seamless integration with Robotics Process Automation (RPA) implemented use cases wherever required.

Raast is Pakistan's first instant payment system initiated by State Bank of Pakistan and Center of Digital Financial Services (DFS) ecosystem in Pakistan that will enable end-to-end digital payments among individuals, businesses and government entities instantaneously. Your Bank being a strategic partner Bank, has successfully implemented the first phase and is one of first 12 Banks which have achieved this milestone within stipulated time frame.

Your Bank conducts mock exercises for monitoring security and robustness of the Disaster Recovery (DR) Sites on annual basis, likewise, the Bank successfully shifted and ran the critical business applications from Bank's DR Site for 1 week during the year under review.

## Investment in Human Capital

Your Bank has continued to play pivotal role in organizational development through strategic capacity building of all functions of the Bank and it remained focused on recruiting, training and retaining quality human capital. The Bank's culture was further strengthened with forward looking positivity thus paving way for conducive work environment.

Your Bank believes in 'Pay for Performance' strategy and each year the Branch performance management matrix is evaluated and redefined. This year based on the business and market analysis, the scope of Key Performance Indicators was enhanced to cover the relationship management segment and to bring in the right mix of over the counter transactions and digital platform.

Career growth opportunities were offered to employees at all hierarchical levels through merit-based elevations of the Bank's internal resources to provide cross functional exposures at Chief, Group Head, Divisional Head, Regional Head and Unit Head positions. Through effective succession planning at junior management levels, 173 cadre change promotions were made along with 1,035 grade promotions during the year to provide adequate growth opportunities within the organization. Induction of the best available and tech savvy talent to support expanding branch network and the Bank's business strategy was carried on with recruitment of 897 new employees.

Your Bank supports gender diversity and equal employment opportunities were offered to females and candidates belonging to minority groups across the Bank, at present the female employees' ratio is 18%.

A number of strategic initiatives were introduced, such as competency assessment for new Management Trainee Officers (MTOs), learnability curve assessment and personality profiling of existing MTOs and aptitude test for new Tellers. In Pakistan, Your Bank is a pioneer in the banking industry that established its in-house Psychometric Assessment namely 'Center for Assessment Research and Employees' (CARE) Evaluation'.



Training & Development of employees remained a primary focus of HR initiatives during the 2020. Training Needs Assessment (TNA), implementation of Agile Instructional System of Design, proactive COVID-19 pandemic response, content design, gamification of learning, development initiatives, regulatory compliance, strengthening & capacity building of training resources, automation of assessment system and enhanced use of E Learning (resulting in cost saving of approximately Rs. 105.3 million) are some of the key highlights of Training & Development activities during 2020. Similarly, Tellers Training Program was revamped taking into account digital transformation, customer service, branch service health and fair treatment of customer among other areas. Employee training coverage reached at 91% with 68,240 participants and 5.6 training mandays per employee.

During the year, the Bank launched industry's first ever mobile learning application for its employees. The application provides limitless possibilities of learning on the go. Available on both android and iOS platforms, ABL m Learning application offers a large inventory of mandatory, functional trainings, self-development training videos, computer-based trainings, micro learnings and thousands of books just a click away. The application enables the Bank to offer omnichannel delivery of learning making it the first Bank to have a complete learning echo system.

During 2020, the Bank also launched Automated Learning Stream for Islamic Banking; fully customized automated online program designed for employees related to Islamic Banking, across all functions of the Bank. The program provides comprehensive eleven modules. 524 participants attended the program during the year.

#### Outreach Expansion

Complying with the State Bank of Pakistan's National Financial inclusion Strategy, Your Bank has taken stringent measures to elevate digital banking and conventional banking services all over Pakistan. During the year under review, outreach was expanded to 1,402 branches including 1,279 conventional, 117 Islamic banking branches and 6 Digital branches: thereby improving the digital vs counter transaction mix to 65:35 in 2020 (56:44 in 2019). District-wide coverage of the Bank's branch network increased to 132 districts across Pakistan at December 31, 2020. Geared towards serving the unbanked and under-banked population of the country, Your Bank added 5 new rural branches, resultantly, the total reached 284 rural branches. Simultaneously 18

new urban branches were added, which aggregated to 1,118 branches at end December 31, 2020.

In Islamic Banking network, 25 windows were added at viable conventional banking branches; thereby Islamic banking windows totaled to 85 at December 31, 2020. Moreover, Automated Teller Machine (ATM) network has increased to 1,555+, inclusive of 1,222 on-site ATMs, 333 off-site ATMs and 3 Mobile Banking Units during the year.

#### Awards and Accolades

It is a matter of great pride that Your Bank's sound business strategy, service delivery excellence, aided by a strong technological infrastructure, robust risk management, high focus on compliance with domestic and international applicable regulatory requirements and high standards of corporate governance were acknowledged by following multiple national as well as international publications during 2020.

- Best Mobile Banking App Award by Pakistan Digital Awards 2020
- Best Digital Innovation Award by Pakistan Digital Awards 2020
- Best App and Web Enabled Market Award by Pakistan Digital Awards 2020
- Syndicated Loan of the Year – Pakistan by ABF Corporate & Investment Banking Awards 2020
- Green Deal of the Year – Pakistan by ABF Corporate & Investment Banking Awards 2020
- Best Progressive Bank awards on HR Global Diversity and Inclusion Benchmarks (GDIB) for Leadership and Recruitment & Development.
- Pakistan Domestic Initiative of the Year for Green Banking by ABF Wholesale Banking Awards 2020
- Best Telecom Deal of the Year by The Asset Triple A Infrastructure Awards 2020
- Best Bank by Finance Asia Country Awards 2020
- Top Issuer of PayPak Debit Cards by 1-Link
- Best Loan Adviser-2020 by The Asset Triple A Country Awards 2020
- Corporate Excellence Award by Management Association of Pakistan

#### 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 as a Non-Banking Finance Company (NBFC) under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The Company has also obtained license to carry out business as Pension

Fund Manager, under the Voluntary Pension System Rules, 2005.

ABL AMC offers a portfolio of 13 Open ended mutual funds and 2 Pension funds to cater specific investment needs of a wide array of customers. ABL AMC has also introduced value added services including Investment through 1Link, E-Statement Service, Revamped Mobile Application and web portal, Tele Transactions and SMS Service.

Despite the outbreak of COVID-19 pandemic The Statement of Financial Position at year end remained healthy and closed at Rs. 2,709 million, which is up by 14.76%. Compounded Annual Growth Rate (CAGR) for the last 5 years (FY16 – FY20) is 15%. The breakup value per share reached at Rs. 54.18. The asset under management closed at Rs.68.55 billion with the market share of 7% displaying a Year-on-Year (YoY) growth of 24%; depicting a consistent growth of 24% for 2 consecutive years. ABL AMC surpassed the 5-year CAGR of Industry by 5%.

In line with State Bank of Pakistan's Roshan Digital Account (RDA) initiative for Non-Resident Pakistanis (NRPs), ABL AMC plans to introduce ABL Roshan Infrastructure Fund and ABL Roshan Financial Sector Fund to enhance reasonable foreign inflow in Pakistan and to attract potential investment in mutual funds through RDA and the Stock Funds will be a preferred asset class for NRPs due to better economy outlook.

In order to encourage investors to go paperless and conveniently transact in ABL Funds, Digital Account Opening feature will be offered to our customers through our own web portal/ mobile application and myABL Digital Banking platform.

Going Forward, to improve the company's communication with customers on their preferred platform, allowing to connect with our clients around the globe. WhatsApp Business Solution (API) is an opportunity to have two-way communication with the customers. The customers can explore Products and Services with Self Service channel and Notifications and also interact via Live Chat with the agent.

#### 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

# CEO'S REVIEW

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 have 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 Investor Service maintained Your Bank's deposit rating at B3 during 2020, with outlook sustained to stable, aligned with the stable outlook on the sovereign rating; indicating stable deposit – based funding profile, high liquidity buffer and good earnings generating capacity.

## Future Outlook

Global economy appears to be adapting to subdued contact-intensive activity with time and expected to further aggregated by the approval and launch of COVID-19 vaccine. Resultantly, International Monetary Fund (IMF) has projected Global economic growth recovery to 5.5% in 2021 and 4.2% in 2022. Consistent with recuperation, Global trade volumes are forecasted to grow approximately by 8% in 2021, before moderating to 6% percent in 2022. In accordance with persistent negative output gaps, inflation is expected to remain muted during 2021 and 2022.

According to IMF Pakistan's Real Gross Domestic Product (GDP) is projected at 1% in 2021 as compared to negative 0.4% in 2020. Notwithstanding the depressed short-term outlook, IMF projects Pakistan's real GDP growth of 5% in 2025, above the region's average GDP growth of 3.3%.

Agricultural sector assisted in further suppressing the GDP decline. As a consequence, in Annual Plan 2020-21, the Ministry of Planning, Development & Special Initiatives has set GDP growth target of 2.8% for agriculture and 2.1% for the overall economy.

Going forward, continuation of the accommodative monetary policy by the State Bank of Pakistan would facilitate the manufacturers through subsidized financing costs leading to improvement in Large Scale Manufacturing (LSM).

However, downward pressures exist from gas shortage and hiking of power tariffs in the coming days.

Moving forward on the External front, Current Account is anticipated to remain below 1% of GDP owing to rise in imports of machinery, oil and industrial raw material, pursuant to economic pickup together with increased wheat and sugar imports to close demand and supply gaps in the domestic market. Resumption of IMF Extended Fund Facility will further aggregate the pressure on current account in the near term thereby exerting strain on Foreign Exchange (FX) position of the country.

Support Package for additional electricity consumption for industrial consumers of Distribution company (DISCOs) and K-Electric has been approved by National Electric Power Regulatory Authority (NEPRA). Economic Coordination Committee (ECC) has removed the regulatory duty of 5% on import of cotton yarn till 30th June 2021 to further leverage the exports of apparel sector.

Government has signed a Memorandum of Understanding (MOU) with State Bank of Pakistan of Rs. 33 billion mark-up subsidy for financing the construction and purchase of new houses over a period of 10 years. Government has given relief to export oriented industries of Rs. 126 billion in tax refunds during FY2020 and FY2021, which will support businesses and have spillover effect on industrial sector.

Going forward, Fiscal Deficit is anticipated to broaden in the short term as the Government continues to make the necessary expenditures to counter the severe impact of COVID-19 under the stimulus package like bill deferment subsidy to the power sector, refunds to business and exporters, relief to agriculture and aid under Benazir Income Support Program. Within development expenditure, the rupee component of Public Sector Development Program (PSDP) has witnessed an increase of 13.8% July-October FY2020-21 which bodes well for achieving sustainable economic growth in the post pandemic scenario. However, it is expected that Federal Board of Revenue's (FBR) collective efforts to improve the tax collection through various policy and administrative measures will boost tax collection in the medium term.

In the medium to longer term, inflation is expected to be influenced by monetary and fiscal developments, international oil and food commodity prices and the exchange rate. In the short run, seasonal factors, supply disruptions and distortions in domestic food markets may play a pivotal role in rising inflation.

Operating conditions for Banking Sector are expected to improve, but would remain difficult on the back of narrowed interest

margins together with rising provisioning needs and subdued business generation. However, going forward stable deposit funding and expected increase in credit off take will aid in mitigating the curb in bottom-line profits.

Pakistan is the sixth most populous country in the world with fifth largest youth population that is rapidly becoming digital-savvy. This together with expanding middle class population and increased internet penetration is expected to lead to the existing incumbents in key industries to strive for disruption. Consequently, the country has the infrastructure to realize true potential for digitalization and startups.

To enhance digital touchpoints and augment digital transactions mix. Your Bank aims to collaborate with the global cloud communications provider, Infobip to facilitate the customers with the widely used social media touchpoint to access various banking services with ease and convenience. The newly implemented WhatsApp Banking service will offer customers a highly convenient and efficient platform to conveniently communicate 24/7 over a secure platform using an encrypted messaging functionality.

Your Bank's vision is to power digital transformation in Banking Sector by adopting latest technology. The Bank aims to impart customized trainings to branch staff relating to FinTech and other e-banking products and services to meet future banking needs. To enhance cultural transformation for digital banking, Your Bank plans to conduct bank-wide periodic organizational development analysis to measure organization's readiness towards future challenges, innovation, technology sophistication, modification in processes, systems and structures for achievement of its strategic goals.

Remaining abreast of the Bank's strategic objective to be the "Employer of Choice", Your Bank strives to build quality employee connect. For higher employee engagement Bank plans to launch 'Employee Connect' program to communicate with employees regarding important family life events. Your Bank also aims to launch smart story board on m-Learning app enabling publishing of selected success stories of customer service, compliance, motivation, adversity coping to enhance motivation and organization building.

Your Bank is implementing Artificial Intelligence and Machine Learning based use-cases for Advanced Analytics. The Bank, while leveraging on its technology backbone, automated processes, suite of financial products and quick turnaround times offers a differentiated service to its customers. To enhance the Agile framework for digital era to develop new products with high degree of reusability



and customization, Your Bank aims to implement Arrangement Architecture (AA) on T24-16 core banking system.

Your Bank prudently aims to ensure effective Know Your Customer & strengthen review of Anti Money Laundering, Combating the Financing of Terrorism & Proliferation Financing measures by implementation of Trade related Risk Model, updated risk matrix profiling for liability customers. The Bank also targets to comply with State Bank of Pakistan's Compliance Risk Management guidelines by planning to update Risk Control Design Assessment (RCDA) for conducting self-assessment for compliance risk.

In the light of State Bank of Pakistan's instructions, Your Bank has developed a web-based application "FX Facilitation Portal" which is digital solution for submission of Foreign Exchange related cases where prior approval of Foreign Exchange Operation Department (FEOD) and Exchange Policy Department (EPD) of State Bank of Pakistan and our Bank is required to execute transaction.

Keeping in view, the significant contribution of Small and Medium Enterprises (SMEs) in the Gross Domestic Product (GDP) of developed countries. Government of Pakistan is now focusing on SME sector to assist in poverty alleviation together with boosting the export sector. As a consequence, Your Bank launched "Allied Bharosa Account", a powerful product for attracting Small and Medium sized businesses, which are otherwise compelled to operate outside the formal economy. Allied Bharosa Account attempts to re-shape SMEs' perception about banking channel to a more rewarding one by providing transaction-based benefits.

Your Bank's business performance and its role in the society are closely linked to support its Corporate Social Responsibility on priority. Pink Ribbon Pakistan is a non-funded, self-sustained and the only organization in the country which is working on the issue of breast cancer with nationwide outreach since 2004. Your Bank aims to on-board Pink Ribbon on myABL Donations to facilitate collection of Donations.

Your Bank aspires to achieve Islamic Banking leadership by continuing to deliver innovative client-centric universal financial solutions based on Islamic principles. The Bank aims to launch new asset products Allied Aitebar Solar System Finance, Islamic Refinance Scheme for Working Capital Financing of Small Enterprises and Low-End Medium Enterprises. Simultaneously, the Bank also plans to develop and launch new liability products.

Your Bank prudently administers its focal business subject to evolving regulations and associated legal and compliance risks. As per provisions of Pakistan Stock Exchange's Notice No. PSX/N-92 dated January 28th, 2019, Your Bank, while maintaining Social Distancing amid COVID-19 pandemic and ensuring safety of the Stakeholders, successfully conducted Virtual Corporate Briefing Session during the year under review to enlighten shareholders and analysts with the Bank's strategic, operational and financial developments.

International Financial Reporting Standard-9 (IFRS-9) marks a fundamental shift in credit impairment rules. Banks anticipate three key drivers of higher impairment; providing lifetime expected credit loss of exposures that have declined

in creditworthiness but not yet incurred a loss, recognizing future losses on undrawn commitments and developing probability-weighted loss estimates against a range of macroeconomic scenarios. Going forward, Your Bank has prepared a fair and open assessment for IFRS-9 implementation.

A surge in impairment inevitably depletes the capital adequacy of banks. However, Your Bank's strong capital positioning manifested by high Capital Adequacy Ratio of 25.2% as on December 31, 2020, well above the Industry CAR of 18.4% as on December 31, 2020, provides 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.

Aizid Razzaq Gill  
Chief Executive Officer

Dated: February 17, 2021

# OUR VALUE CREATION BUSINESS MODEL

## OUR CAPITALS - Inputs

### OUR CAPITALS - Inputs



#### Financial Capital

• Equity - Tier 1	Rs.102,722 million
• Total Equity	Rs.131,560 million
• Deposits	Rs.1,216,678 million



#### Manufactured Capital

• Domestic & Foreign Branches	1,402
• ATM Network	1,558
• Digital Touch points	17
• Other Fixed Assets	



#### Human Capital

• Engaged and capable employees	
• Female Employees	2,095
• Male Employees	9,508
• Total Number of Employees	11,603
• State of the Art Management Development Centers	3
• Culture of Empathy	



#### Social and Relationship Capital

• Depositors	4.5 million+
• Obligors	28,977
• Regulators, Pakistan Business Council, PBA, Chambers of Commerce and Industry	
• Community Service (CSR)	
• Strong Social Media Presence	
• Robust Complaint Handling Mechanism	



#### Intellectual Capital

• 10 Year Strategic Rolling Plan	
• Strong IT Platform	
• Robust Risk Management (RAMS)	
• Comprehensive Compliance Management	
• Detailed Policies & Procedures	
• Strong Management Structure - Leadership Teams	



#### Natural Capital

• Solar Branches	59
• Inverters	1,191
• Green Banking Initiatives	
• Compliance to Environmental Laws	

## ACTIVITIES

- Enrichment of Customer experience
- Facilitate payments and transactions - Conventional and Digital
- Risk Management to balance risk and reward
- Maintain, optimize and invest in our operations, including technology, infrastructure and regulatory compliance
- Reward and compensation structure linked with performance and value drivers; staff development and retention of quality staff

■ **Generate Net Interest Margin on earning Assets and Liabilities**

■ **Data Analytics**

■ **Data Governance**

■ **Automation**

■ **Pay taxes in the jurisdictions in which we operate**

■ **Collaboration and Alliances**

## VALUE FOR STAKEHOLDERS



### Shareholders

• Profit Before Tax	Rs. 29,515 million
• Profit After Tax	Rs. 18,029 million
• Earning per Share	Rs. 15.75
• Full-year dividend per share	Rs. 8.00
• Return on Equity (Tier 1)	18.80%
• Return on Assets	1.20%
• Capital Adequacy Ratio (CAR)	25.20%



### Customer

• Advances Growth	2%
• Deposits Mobilization	16%
• Non Performing Loans Reduction	-11%
• CASA Mix	87%
• Customer Onboarding (Approx)	750,000+
• Customer Complaint Resolutions	98%
• myABL Registered Users (Approx)	640,000+
• myABL volume of transactions	Rs. 221,864 million
• No. of Debit Cards issued (Approx)	489,000+
• Digital Transactions increase	2%
• Corporate Website Visits	6,520,456
• Social Media Fan	1,186,766



### Employees

• Salaries and Benefits	Rs. 13,955 million
• Employee Retention Ratio	90%
• Employees Trained in Service	10,800+
• Total Investment in Employee Trainings	Rs. 65 million
• Team building events	



### Regulators

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



### Society

• Contribution to National Exchequer	Rs. 22,960 million
• Customer Relations	Rs. 1,005 million
• Improving Workplace Environment	Rs. 273 million
• Environmental Sustainability	Rs. 332 million
• Plantation of Fruit Trees	1,000

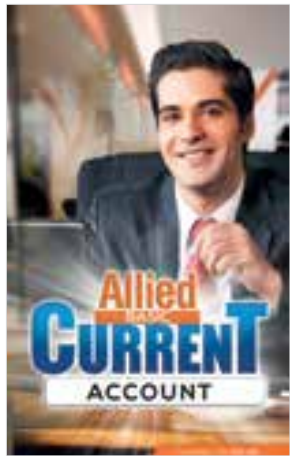
# PRODUCTS AND SERVICES



**Allied Bharosa Account**  
Allied Bharosa Account primarily aims to encourage SME segment to route commercial business funds through a formal banking channel by providing them a cash back solution. While providing transaction-based benefits, this account attempts to re-shape SMEs' perception about banking channel to a more rewarding one.

**Mera Pakistan – Mera Ghar**  
Mera Pakistan Mera Ghar is offered to mid and low-income strata of population to facilitate long term affordable funding for housing under State Bank of Pakistan's scheme of markup subsidy. Individual customers can avail the facility for purchase or construction of house for areas covering 5 or 10 marlas.

**Allied Solar System Finance**  
Allied Bank offers Allied Solar System Finance as a green banking initiative in order to secure environment for future generations and promote environment friendly alternatives for production of energy, sustainable growth and reduction of carbon footprint from the environment.



**Prime Minister's Kamyab Jawan Youth Entrepreneurship Scheme**  
Long-term loan scheme specifically focused to support young entrepreneurs in their startups as well as to expand existing businesses. Loans are offered in three tiers at subsidized markup rates.

**Refinance and Credit Guarantee Scheme for Women Entrepreneurs**  
ABL introduced long term loans at subsidized markup towards realization of financial inclusion of women, which extends to private sector employees.

**NFC Debit Cards**  
Allied Bank offers a globally acceptable "Contactless Debit Card" in partnership with VISA, UPI & PayPak. ABL customers can conveniently tap the card on any POS / ATM in order to make instant payments, without the requirement of handing over the card to merchant for dipping or swiping to conduct transactions.

**Allied Basic Card**  
Allied Basic Card caters to the needs of the non-educated class of Pakistan. This card is enabled with a Chip & PIN security and can

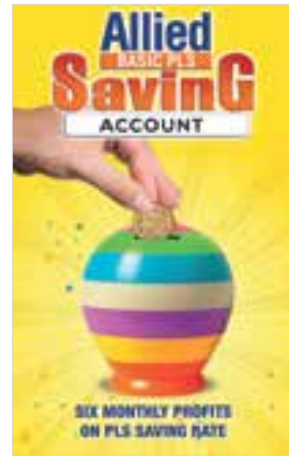


be conveniently used anywhere in Pakistan on thousands of ATMs and POS terminals.

**Allied Payday Finance**  
This is the First Digital Lending product "Payday Finance" (Advance Salary Loan) on myABL. With the addition of this unique feature, myABL has evolved as a digital lending platform that offers loan facility to ABL customers maintaining salary account at ABL without requiring any physical documentation. The loan requests are processed electronically through automated means with instant disbursement.

**Transaction through NIFT ePay**  
ABL leads the way to become the first bank to go live with NIFT ePay, an e-commerce Payment Gateway under SBP's rules for Payment System Operators and Payment System Providers (PSO/PSP). This provides an opportunity to ABL customers to conduct e-commerce transactions directly through their Bank Accounts without requiring a Debit or Credit Card.

**Premium Debit Card**  
Allied Bank's Premium Debit card provides ABL customers



an exclusive range of services that compliments their lifestyle including higher limits for ATM, POS/eCommerce, mobile and internet banking (myABL Digital Banking), worldwide access to airport lounges, exciting offers at luxurious hotels and dine-in locations, purchase protection, extended warranty, exclusive card limits, travel insurance and much more.

**myABL Wallet**  
myABL Wallet application is designed to fulfil a wide range of banking requirements without the need of a conventional bank account. Customers can simply download myABL Wallet Application; self-register from anywhere at any time; free of cost and start their 'Branchless' banking journey instantly.

**Hybrid Digital branch**  
Allied Bank's Hybrid Digital branch is offering a blend of "Conventional" and "Self-Service Banking" facilities to its account holders as well as walk-in customers. It is equipped with modern devices, which enable the customers to address their banking needs while interacting with diverse range of digital touch





points i.e. Tablets, Self Service Kiosks, Interactive Teller Machine (ITM), Cash and Cheque Deposit Machines (CCDM) and video phone banking eliminating the need of cumbersome paper work and long waits in queues.

**Fee Payments on Self Service Kiosk**

ABL deployed Self Service Kiosks enabling the students to pay their education fee eliminating the need of filling in paper-based forms, and reducing Turn Around Time (TAT).

**Allied UPI PayPak Classic Debit Card**

Allied Bank launched contactless Co-Badged UPI PayPak Classic Debit Card. UPI PayPak Classic Debit Card is accepted at millions of ATMs, Point of Sale (POS) merchants and online shopping stores across the globe.

**ABL Self Service Branch**

Recognizing the power of digitalization and understanding the banking needs of tech-savvy youth, Allied Bank has introduced its first Self-Service branch at LUMS, which offers full-scale, rapid, secure and hassle-free banking services with superior



customer experience. This means that it enables you to carry out a variety of transactions on your own, making it easier and decentralized.

Allied Bank's Self-Service branch is the bedrock to its digital transformation strategy which expands its innovative approach towards the processes, products, and services it has been offering. The major objective of this initiative is to provide seamless customer experience, empowering you to meet your day-to-day banking needs, with much ease and convenience.

**Allied Aitebar Waseela Hajj and Umrah Account**

A tailor made Shariah compliant Mudharabah based product (Saving) especially developed to cater the banking needs of individuals, intending to save money for fulfilment of the Holy journey of Pilgrimage and/or Umrah.

**Allied Business Account**

Allied Business Account is meant for growing business proprietors looking for exceptional value and services, packed with multiple free of cost features. It is a cost effective



and simple way to consolidate business and personal banking needs into one tailored package.

**Allied Khanum Assan Account**

Access to a bank account is essential for women's economic empowerment as it provides a safe place to save money and opens up a channel to credit which can be used for investing in education, property or business along with bundle of free of cost services including lower locker fee.

**Allied Advance Profit Plus Payment**

Is equally beneficial for individuals and institutions as it provides a chance to earn an instant profit on the earnings to meet their personal as well as business expenses.

**Allied Senior Citizen Account**

Your Bank launched Allied Senior Citizen account offering a host of free services including free visa debit card, free cheque books, 2 free online transactions per month, myABL internet banking access, pay anyone, no monthly fee on maintaining average balance along with health insurance and discounted lab testing facilities, which relieves senior citizens from their health worries.

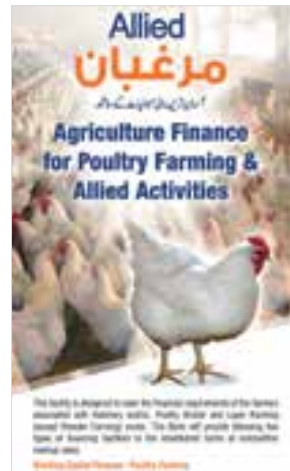
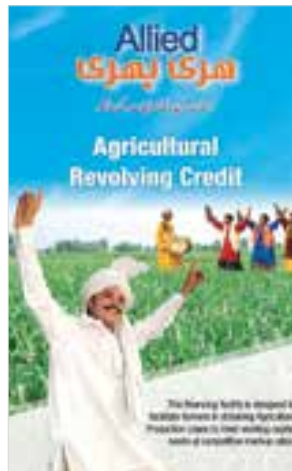


**Allied Youth Account**

Your Bank launched Allied Youth Account to meet the financial needs of millennials across the country. The account offers Branded Youth Visa Debit Card along with free accidental insurance coverage, free cheque book, Corporate Internship opportunity, free myABL internet banking access, pay anyone, no monthly charges on maintaining average balance and premium access to Vouch365 application with exciting offers for restaurants, health & fitness and leisure/travel activities.

**Allied Express Account**

You can now receive foreign remittances, with complete peace of mind. Just intimate your account number to your overseas relatives and friends, enabling them to remit directly into your current account. Allied Express Account is an easy and hassle-free account for the Home Remittance beneficiaries. This account provides you relief in receiving your money without having to go to the bank's branch and enjoy free of cost banking services i.e. no requirement of minimum balance, no zakat deduction, no withholding tax deductions, free ATM/Cheque book.



# PRODUCTS AND SERVICES



**Allied Express Plus 1 Term Deposit**  
Remittances received in Allied Express Account may be booked in Allied Express plus 1 term deposit to enjoy a better profit and other additional benefits with an ease of various tenors.

### Allied Rising Star – Youth’s 1st Bank Account

Allied Rising Star Account is a great way to accumulate children’s savings for their future while inculcating saving habits amongst children with exclusive free features like welcome pack, birthday gift, accidental insurance coverage up to Rs. 500,000, ATM/ VISA debit card and cheque book.

### Allied Term Plus Deposit

Allied Term Plus is a regular term deposit with the flexibility of tenure and frequency of profit payment which allows the customers to opt for investment plan best suited to their need.

### Foreign Currency Term Deposit

Allied Bank’s Foreign Currency Term Deposit offers industry’s competitive profit rates for customer chosen term and is ideal to help them save in a foreign



currency. This particular account is available in multiple currencies, including: US Dollar, British Sterling Pound and Euro.

### Allied Business Finance (ABF)

Allied Business Finance is designed for SME sector to avail financing against non-cash securities. The Bank offers evergreen line in shape of Running Finance, Letter of Guarantee, Finance for Exports (Working Capital) and Letter of Credit along with Term Loans.

### Allied Fast Finance (AFF)

Allied Fast Finance is a facility secured against cash backed securities i.e. Lien on TDR and Account designed to meet liquidity requirements of obligors without disturbing their core savings. This product offers evergreen line in shape of Running Finances, Letter of Guarantee & Letter of Credit as well as Term Loan.

### Allied Home Finance

The Bank, in its endeavor to provide current and prospective customers a complete suite, launched “Allied Home Finance” to fulfill customers’ needs to build, buy and renovate their own home.



### Allied Car Finance

This product is designed to serve vehicle financing needs of bank’s depositors and the employees of institutional customers. It’s a demand finance facility with repayment in equal monthly installments spread over the term of the finance with a competitive mark-up rate.

### Allied Personal Finance (APF)

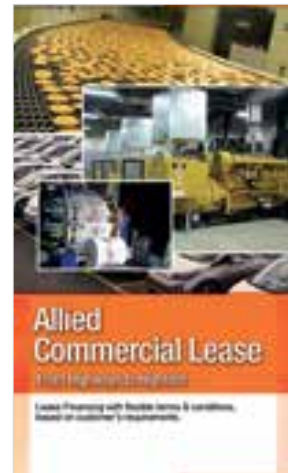
Allied Personal Finance is a term loan facility targeting Employees of Corporate under corporate arrangement, Salaried Individuals fall under Cross-Sell Criteria and Affluent Individual of the Bank with a low mark-up rate. Product offers smart financial solutions to customers for their immediate personal financial needs.

### Hari Bhari Agriculture Revolving Credit Scheme

This facility is designed to facilitate farmers in obtaining agriculture based loans to meet working capital needs of farming. Credit is available on revolving basis.

### Allied Kashtkar (Tractor Financing)

Tractor Financing facility is designed to facilitate farmers in



obtaining Agriculture Development Loans (Term Finance) to purchase brand new Tractor.

### Agriculture Financing for Dairy Farming

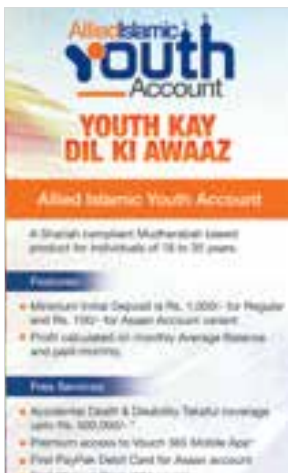
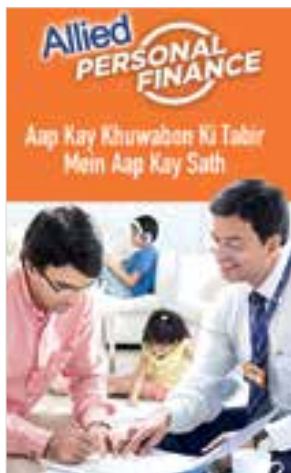
This product is designed to support dairy farmers in meeting working capital needs of businesses as well as purchase of assets and construction of sheds for extension of their dairy farms for enhanced productivity.

### Agriculture Financing for Poultry Farming & Allied Activities

The Bank has developed this product for poultry farmers to cater working capital needs as well as long term investment for purchase of new equipment and machinery for farm, hatchery incubators, generators, farms equipment and construction of sheds for extension of current poultry farms.

### Allied Aabayari (Irrigation Solution)

This financing facility is designed to facilitate farmers in obtaining Agriculture Development Loans for purchase and installation of electric or solar tube wells, lift pumps and high efficiency irrigation systems e.g. sprinkler, trickles, drip and rain gun etc. This product will target the







prospective obligors who possess experience in the farm sector activities and actively involved in the farm business management interested to achieve operational efficiencies.

**Allied Farm Mechanization**

This financing facility is designed to facilitate farmers in obtaining Agriculture Development Loans (Term Finance) to purchase agricultural equipment to be employed for farm mechanization.

**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.

**Allied Visa Credit Card (Pay wave – Chip Based)**

Allied Visa Gold and Platinum Credit Cards are exclusively being offered to the bank's valued customers. Allied Visa Credit Card offers a host



of privileges, benefits and savings, together with attractive service charges and a free credit period of up to 50 days.

**Allied Easy Current Account**

Allied Easy current account is tailored to meet banking needs of every individual. With Allied Easy Current Account, Financial transactions can be conducted through variety of e-banking channels without any minimum balance requirement with zero service charges on minimum balance requirement.

**Allied Basic Banking Account**

A non-remunerative PKR checking account that gives our customers the support they need to manage their bank account in a simple and hassle-free way.

**Allied Asaan Account**

Allied Asaan Account is tailored to cater to the banking needs of unbanked people of society with simplified account opening requirement. Customers can open current or saving account according to their needs with a number of free facilities offered.



**PLS Saving Account**  
Bank offers saving accounts bundled with free features on maintenance of certain minimum monthly average balance.

**Allied Commercial Lease**

Allied Bank offers leasing products to meet the business needs of its customers with flexible terms and conditions based on customers' choice of asset and repayments.

**Allied Pay Anyone**

A unique product in which the Bank's customers can send cash to any individual in Pakistan even if the beneficiary doesn't have a bank account. This is done at the click of a button through myABL.

**SME Financing**

The Bank continues to focus on SME business with a vision to capitalize on the bank's countrywide footprint and longstanding customer loyalty to become a preferred and prudent provider of a "Total Banking Solution". The Bank offers a wide range of funded and non-funded products and services to meet needs of various types of SME businesses under the umbrella of Allied Hunarmand, Allied Tijarat,



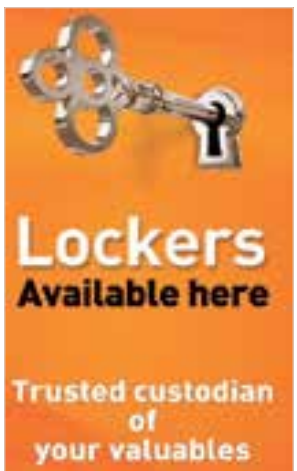
Allied Seasonal Support Financing and Allied Warehouse Financing.

**ATMs and CCDMs (Cash & Cheque Deposit Machines)**

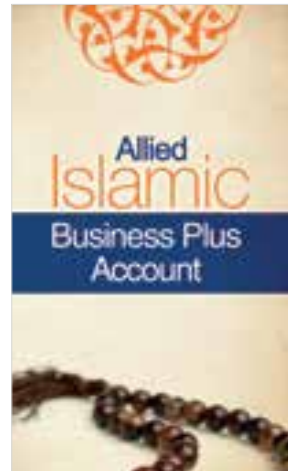
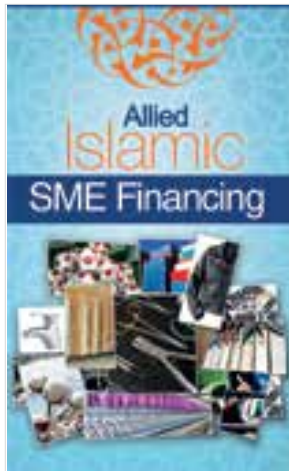
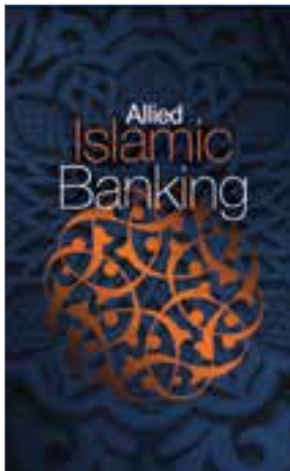
The vast network of 1,555+ ATMs, including 3 mobile ATMs, all over the country gives 24/7 access to cash withdrawals, mini statement, bill payments, fund transfers and much more. ABL has 12 CCDMs installed at selected branches offering facility to deposit cash & cheques round the clock.

**Allied EZCash Prepaid Card**

Allied EZCash is a re-loadable Prepaid Card which comes with the convenience of easy load/reload/top-up from any ABL branch. This is the first prepaid cash launched on local payment scheme PayPak. This card is instantly issued from all ABL branches and can be used on ATM for cash withdrawal, bill payment, mobile top-ups and purchasing goods from merchants at Point of Sale (POS) machines where PayPak cards are accepted. Allied EZCash offers added security of PIN for POS transactions as well .i.e. use of prepaid card for shopping requires cardholders to enter PIN to authorize their purchase transactions.



# PRODUCTS AND SERVICES



## Allied VISA Debit Card

Allied Visa Debit Card is Allied Bank's flagship product that gives our customers access to their bank accounts and convenience to use it at over 50,000 retailers in Pakistan and millions of retailers worldwide. It also gives cardholders access to millions of retailers and over 13,000 ATMs in Pakistan.

## Debit Card Variants

Customers have liberty to choose from a variety of Visa Debit Card 'Sapphire' packages, offering wide-ranging transactional limits to pay for everyday shopping or get access to funds at ATMs in Pakistan and abroad.

## E-commerce Transactions on VISA Debit Card

Allied Bank Visa Debit Card holders can now use their VISA Debit cards for online and ecommerce transactions. Considering evolving customer needs Allied Bank delivers services that fit customers' lifestyles and offers more choice as to where, when and how customers conduct transactions. Allied Bank differentiates not just by offering multi-dimensional channels to customer but also by enhancing their experience from utilization of the new and innovative channels.

myABL Personal Internet Banking  
myABL Personal Internet Banking is the internet and mobile banking platform which offers a more secure, reliable and efficient e-banking service.

myABL Business Internet Banking  
myABL Business Internet Banking (BIB) provides a robust and customized Digital platform addressing dynamic needs of businesses. Through myABL BIB, subscribers can replace their manual processes into automated approval workflows. myABL Business Internet Banking (BIB) solution provides Bulk Payment Services (including Dividend

and Salary Payments), Bill & Tax Payments, Trade Finance transactions and much more. It also provides 24/7 access to accounts with complete details including Account Statements, Transaction Details, Account Balances, Cheque management etc.

## Digital Lockers

First ever bank in Pakistan to bring an innovative, secure and customer friendly technology in the form of Allied Digital Lockers. Digital Lockers are fully automated version of traditional lockers operational around the clock (even on weekends and non-banking hours). These lockers are powered by revolutionary robotic technology enabling access of your locker 24/7 at any time of your convenience. Digital Lockers are made accessible via self-service Kiosks placed in a secure room at our branch that can be entered through electronic verification only.

## myABL integration with Fintechs

The Bank has integrated with Fintechs like GoLootlo, Easy Tickets, 1 Link and Avanza Premier Payment Services through myABL mobile applications. Now customer can scan QR and avail different deals at thousands of merchants through myABL mobile application.

## Allied Islamic Current Account

Based on principles of "Qard", it provides convenience of conducting day-to-day transactions available both in local and foreign currencies. There is no restriction on withdrawals or number of transactions.

## Allied Islamic Asaan Account

It is developed on the guidelines provided by SBP for Pakistani Nationals with simplified account opening procedure, initial deposit requirement of Rs. 100.

The product is available both

in Current and Saving deposit categories.

## Allied Islamic Basic Banking Account

It is a banking account for day-to-day transactions without any risks or rewards. A simple bank account for individuals with minimum transactional requirements. It enables customers to fulfill their basic banking needs.

## Allied Islamic Youth Account

ABL-IBG has developed a Shariah compliant Mudharabah based product (Saving Account) for individuals between the age group of 18 to 35 years. This product is designed to cater the Banking requirements of Youth segment through a Shariah compliant solution and is offered in Regular & Asaan variants.

## Allied Aitebar Senior Citizen Account

A Shariah compliant Mudharabah based product (Saving Account) for individuals of 55 years or above age. This Account is designed to cater the banking requirements of senior citizens and offered in regular & asaan variants.

## Allied Islamic Saving Account

Regular chequing account, offered in local and foreign currencies, on the basis of "Mudharabah" with no minimum balance requirement. Profit is calculated on monthly average balance and credited on six monthly basis, offering a number of free services on maintaining a minimum monthly average balance.

## Allied Islamic Anmol Plus Account

This is a "Mudharabah" deposit product for individuals available in local currency. Profit is calculated on monthly average balance and credited on six monthly basis. The customers can avail a large number of free services by maintaining a certain average monthly balance as per specifications.

## Allied Islamic Business Plus Account

This is a savings account with several unique features that make it very suitable for use as a business account. On maintaining minimum monthly average balance, as per specification, the customer can avail a large number of free services. Account can be opened in local currency only.

## Allied Islamic Khalis Munafa Account

This is a tier based savings account specially designed to encourage and promote savings. Minimum deposit required for opening an account is Rupees 1,000 only.

## Allied Islamic Sahulat Account

The product is designed to facilitate allocation of complimentary safe deposit lockers upon maintaining of certain balance in account. The account is offered in Pak Rupees only and profit is paid semi-annually.

## Allied Islamic Investment Certificates

Islamic Investment Certificates are Term Deposit certificates for investment periods ranging from period of 1 month to 5 years with profit payment options of monthly, quarterly, half yearly or at maturity. Investment certificates are issued with investment of Rs. 25,000 with no maximum limit. Pre-mature withdrawal can be made as per product features.

## Allied Aitebar Institutions Account

This is a "Mudharabah" deposit product for Financial Institutions and Non-Banking Financial Institutions available in local currency.

Profit is calculated on daily average balance and paid on monthly basis.

## Allied Aitebar Premium Account

A Shariah compliant saving deposit product particularly for high net-



worth individuals, business entities, pension / benevolent funds, Govt. / semi-Govt. bodies which is based on Mudharabah. This account will be operated like normal chequing accounts on profit / loss sharing basis. Profit is calculated on daily average balance and paid monthly.

#### Allied Aitebar Express Account

A Shariah compliant banking product especially designed for Home Remittance Beneficiaries to facilitate hassle free transfer of home remittances. This Pak Rupee based product is developed on the concept of Mudharabah and operated like normal chequing account(s) on profit / loss sharing basis.

#### Allied Islamic Notice Period Certificate

This product is designed to cater to the requirements of the customers who want to place their deposit for short tenure like 7 days, 30 days etc. The profit is calculated on daily basis and paid at maturity.

#### Islamic Financing Products

Various Islamic Financing Products based on the following modes of finance are being offered by the Bank

- Murabaha
- Salam
- Istisna
- Islamic Export Refinance Scheme
- Ijarah

- Diminishing Musharakah
- Business Musharakah
- Forward Cover
- Allied Islamic Car Ijarah
- Allied Aitebar Home
- Musharakah
- Allied Aitebar Tractor Financing
- Allied Aitebar Hari Bhari
- Agriculture Financing
- Allied SME Financing

#### 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 Finance Facilities, Letters of Guarantee, Letters of Credit and Export Financing.

#### Corporate Banking

Corporate Banking provides a single point within the Bank to cater to all business requirements of our corporate and institutional customers, including public sector enterprises with the primary objective of enhancing customer service. Bank offers full suite of products including Working Capital Facilities, Term Loans, Structured Trade Finance Facilities, Letters of Guarantee, Letters of Credit, Fund Transfers / Remittances, Bill Discounting, Export Financing and Receivable Discounting.

#### Investment Banking

Investment Banking (IB) wing of

the Bank strives to meet complex financing 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.

#### Home Remittances

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

#### 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.

#### Branch Banking

With a vast network of 1402 branches and 1,555+ ATMs, Bank is committed to provide real time online banking solution to its customers in an efficient and convenient manner.

#### Saturday Banking & Extended Hours Banking

ABL offers added convenience of "full service" Saturday Banking to its customers. The extended week of banking operations, is currently available at 83 branches from 10:00 AM to 02:00 PM. Extended hours banking facility is also offered at selected branches.

#### Theme Branches

In the quest to evolve into a customer friendly bank in the retail industry, Bank is adopting modern technology and signature themes. Accordingly, the Bank has launched Women branches, Youth branches and Village branches.

#### Biometric ATM Service

ABL has set another milestone by introducing the Biometric ATM service on the entire ATM network for the convenience of valued customers. Now customers can seamlessly perform ATM transactions without using the Prepaid or Debit card.

#### Allied Bank Call Center

Customers no longer have to take time out to visit branches for everyday banking needs. Self-service banking offers assistance in all transactions by Interactive Voice Response System (IVR).

#### Treasury Product Services

Bank offers fixed income treasury services, having attractive returns, to its institutional and retail clients. ABL's treasury is an active participant in the interbank securities trading and FX trading, capitalizing on its primary dealer status, providing competitive pricing.



# 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, 2020. The operating results and appropriations, as recommended by the Board of Directors are included in the appended table:

	Year ended December 31,		
	2020	2019	Growth
	Rs. In Million		%
Profit after tax for the year	18,029	14,113	28
Accumulated profits brought forward	55,821	52,501	6
Effect of re-measurement of defined benefit plans - net of tax	(803)	(503)	(60)
Transferred from surplus on revaluation of operating fixed assets to un-appropriated profit - net of tax	323	116	178
Transferred from surplus on revaluation of non-banking assets to un-appropriated profit - net of tax	7	166	(96)
<b>Profit available for appropriation</b>	<b>73,377</b>	<b>66,392</b>	<b>11</b>
Final cash dividend for the year ended December 31, 2019 at Rs. 2.00 per share (2019: Year ended December 31, 2018 at Rs. 2.00 per share)	(2,290)	(2,290)	-
First interim cash dividend for the year ended December 31, 2020 at Rs. 2.00 per share (2019: Year ended December 31, 2019 at Rs. 2.00 per ordinary share)	(2,290)	(2,290)	-
Second interim cash dividend for the year ended December 31, 2020 at Rs. 0.00 per share (2019: Year ended December 31, 2019 at Rs. 2.00 per ordinary share)	-	(2,290)	100
Third interim cash dividend for the year ended December 31, 2020 at Rs. 0.00 per share (2019: Year ended December 31, 2019 at Rs. 2.00 per ordinary share)	-	(2,290)	100
Transfer to statutory Reserves	(1,803)	(1,411)	28
<b>Accumulated profits carried forward</b>	<b>66,995</b>	<b>55,821</b>	<b>20</b>
<b>Earnings Per Share (EPS) (Rs.)</b>	<b>15.75</b>	<b>12.32</b>	<b>28</b>

The Board of Directors has proposed a final cash dividend of Rs. 6.00 per share (aggregate cash dividend of Rs.8.00 per share including interim dividends). This, together with the interim dividends declared during 2020, will be approved in the forthcoming Annual General Meeting.

As a precautionary measure to conserve capital and enhance the liquidity and stress absorption capacity of the banks during the COVID-19 pandemic, State Bank of Pakistan (SBP) vide its circular BPRD/BA&CPD/006315/20 dated April 22, 2020, had advised the banks to suspend paying dividend for the two consecutive quarters of 2020 that is June 2020 and September 2020 in the case of Your Bank.

## Macroeconomic Developments 2020

2020 has witnessed a historic slowdown in year-over-year growth triggered by Global pandemic COVID-19, leading to a sudden halt in economic activity aggravated by subsequent preventive measures of general and smart lock downs, mask mandate and social distancing norms. While 2020 was challenging on many fronts, it has rapidly driven acceleration of digital transformation trends and new capabilities, delivering positive impact. The incipient economic recuperation was initially supported by a partial easing of stringent lockdowns. However, various restrictive measures have been re-instated as COVID-19 pandemic has continued to surge around the World; although Global economic activity is recovering again by exploring new frontiers.

In synchronization with the Global trend, Pakistan's economy has witnessed a contraction by 0.4% compared to a Gross Domestic Product (GDP) growth rate of 1.9% during 2019. Amidst the unfavorable economic conditions, agriculture sector has recorded a strong growth of 2.7% in FY 2019-20; i.e., 2.1% higher than the growth rate achieved in FY 2018-19. However, overall GDP growth rate trajectory remained overshadowed by the adverse performance of Services and Industrial Sector which declined by 0.6% and 2.6% respectively during FY 2019-20. Nonetheless, swift measures taken by the Government and timely stimulus provided by the State Bank of Pakistan (SBP) including rapid policy rate cuts and timely measures adopted by the SBP to mitigate the impact of the COVID-19 pandemic has aided Large Scale Manufacturing (LSM) to rebound

by significant 7.4% in July-November 2020-21, leading to uptrend in major manufacturing sectors, including textiles, food and beverages, petroleum products, paper and board, pharmaceuticals, chemicals, cement, fertilizer, and rubber products.

Current account has witnessed a surplus for five consecutive months of FY 2020-21 leading to a surplus of US\$ 1,131 million during first Half of FY 2020-21 as compared to a deficit of US\$ 2,032 during July-December FY 2019-20; registering a growth of 156%. Visible decline in petroleum import, majorly on the back of lower oil prices has helped in containing the country's overall import bill. However, post lockdown rise in crude oil prices have led to an increase of 1% in imports, which amounted to US\$ 27,028 million in July-December FY 2020-21 as

compared to US\$ 26,668 million in the corresponding period of the previous year. Exports have recuperated to pre-pandemic monthly volume of US\$ 2 billion registering a growth of 9% year-on-year basis in December 2020. Consequently, trade deficit has contracted by 8% and amounted to US\$ 12,381 million during first half of FY 2020-21.

Strong Workers' Remittances have proved to be yet another key savior for the current account, which has amounted to US\$ 14,203 million during first half of FY 2020-21 registering a robust growth of 25% as compared to US\$ 11,371 million during the corresponding period of last year. On the contrary, Foreign Direct Investments during the first half of FY 2020-21, have stood at US\$ 953 million, a decline of 30%, emanating from economic uncertainty.

Consequently, Foreign exchange reserves have reached at US\$ 20,545 million at December 2020 end as compared to US\$ 17,930 million in December 2019; registering a robust growth of 15%. Similarly, net reserves with the SBP have stood at US\$ 13,412 million in December 2020, highest ever since December 2017 depicting an elevation of 18% from December 2019.

The sizable current account surplus and manageable economic outlook have supported a 5% appreciation in the US\$ PKR parity since June 2020.

Pakistan's Fiscal Deficit for the quarter ended September 2020 amounted to Rs. 484,324 million, i.e., -1.1% of GDP as compared to a deficit of Rs. 286,024 million -0.7% of GDP same period last year. However, primary balance was maintained at 0.6% of GDP which is in line with the International Monetary Fund's (IMF) pre-pandemic target. Amidst comprehensive tax measures, Sales tax collection has registered a growth of 8% year-on-year during the first quarter of FY 2020-21 and amounted to Rs. 435,734 million. On the contrary Income Tax revenue for first quarter of FY 2020-21 stood at Rs. 1,122,399 million as compared to Rs. 1,142,935 million during corresponding period of FY-2019-20.

Consumer price index (CPI) under new base methodology for the month of December 2020 has indicated 7.8% as compared to 12.6% in December 2019, registering a decrease of 6.6%. The decline is primarily driven by largely stable core inflation in line with subdued underlying demand in the economy

together with deceleration in food inflation.

Pakistan Stock Exchange crossed its pre pandemic level to 43,755 points in December 2020 as compared to 40,735 points in December 2019, registering a growth of 7%.

Unchanged outlook for growth and inflation would further weaken the case of monetary tightening. Therefore, SBP has decided to sustain the Policy rate at the existing level of 7% to support the emerging recovery while keeping inflation expectations well positioned and maintaining financial stability.

Going forward, despite rising exports and rapid surge in import demand will keep the trade deficit elevated. In spite of higher debt repayments due this year, Foreign exchange reserves (FX) are anticipated to be sustained at the current position owing to expected receipt of third tranche of US\$ 450 million from IMF upon successful review and Euro-bond issuance in coming months along with G-20 debt relief. Rate movement may be delayed until the end of fiscal year 2021, with the emphasis of turning keenly towards the resumption of the IMF program. CPI is forecasted to bottom out initially supported by receding food prices due to the arrival of fresh crops and a favorable base.

## Financial Performance

The Banking industry steered through the challenging economic conditions prevailing due to smart lockdown, necessary quarantines and social distancing practices to combat COVID-19 pandemic. Timely and well-calibrated policy measures rolled out by the SBP have facilitated the banking industry to improve profitability, enhance resilience and restrict the credit risk to an acceptable level. However, the accumulation of Deposits was majorly diverted towards investments which has resulted in expansion of 17% in industry assets, evident of banks enhanced focus towards risk-free earning assets.

Under the challenging and competitive operating environment owing to COVID-19 pandemic, Your Bank's sustained its focus towards long-term multi-pronged strategy, driven towards continuous augmentation of innovative technology-based service offerings to customers through enhancing digital touchpoints, strengthening risk management and optimizing operating efficiencies.

Sharp decline in interest rates have resulted in average Policy rate of 8.95% in December 2020 as compared to 11.98% in December 2019. Consequently, positive volume variance of earning assets has been fully offset by negative rate variance of mark-up bearing assets. Despite the aforementioned contraction in revenue from earning assets; effective duration management, favorable repricing delay and funding cost decrease on account of volumetric increase in Current and Saving deposits has enabled Your Bank to earn Net Interest Income of Rs. 48,421 million during year ended December 31, 2020 as compared to Rs. 41,880 million during corresponding year; reflecting a growth of 16%.

Amidst the pandemic, Your Bank together with maintaining diversification of revenue streams through sustained enrichment of services, continued to focus on upholding high service standards by capitalization on the emerging digital financial services, which boosted digital verses counter transaction percentage to 65:35 in 2020 as compared to 56:44 in 2019 and has facilitated 7% growth in fee income which amounted to Rs. 5,441 million during the year ended December 31, 2020 as compared to 5,097 million during the year ended December 31, 2019.

Prevailing economic conditions have impacted dividend distribution capacity of investee companies due to liquidity constraints. However, the economic pickup post lockdown had restricted the decline of dividend income to single digit i.e., 9% during the year ended December 31, 2020 and amounted to Rs. 1,656 million.

Your Bank's capital gain earnings augmented by Rs. 1,841 million and amounted to Rs. 3,420 million during the year ended December 31, 2020 as compared to Rs. 1,579 million during the corresponding period last year; manifesting a strong triple digit growth of 117%. On the contrary foreign exchange income has showed a decline of 16% owing to relatively stable swap points as compared to last year.

Resultantly, total Non-Markup Income has registered a solid growth of 15% and accumulated to Rs. 12,542 million during the year ended December 31, 2020 as compared to 10,891 million during year ended December 31, 2019.

Despite continuous investment towards

# DIRECTORS' REPORT

technological upgradation to facilitate digital migration, additional spending to comply with socio-economic requisites of COVID-19 pandemic and escalated inflationary pressures, Your Bank managed to curtail growth of operating expenses to 5% during the year ended December 31, 2020.

Your Bank has taken concrete measures through augmentation of e-banking and conventional banking services all across Pakistan to satiate the needs of diverse range of clientele. During the year under review outreach expanded to 1,402 including 1,279 conventional, 117 Islamic and 6 Digital branches. Islamic Network was further augmented through addition of 85 Islamic windows at viable conventional branches while concurrent growth in automated teller machine (ATM) network to reach 1,558 machines inclusive of 1,222 on-site, 333 off-site ATMs and 3 Mobile Banking Units.

Notwithstanding the strenuous economic outlook, Your Bank has registered a 22% increase in Profit Before Tax, which amounted to Rs. 29,515 million during the year ended December 31, 2020 as compared to Rs. 24,242 million in the corresponding period last year. Profit After Tax has elevated to Rs. 18,029 million for the year ended December 31, 2020; registering a robust growth of 28%. Resultantly, earnings per share (EPS) of Your Bank is recorded at Rs. 15.75 per share as against an EPS of 12.32 per share in the corresponding year.

Industry wide muted growth in Advances has been a manifestation of prevalent economic stress leading to broad based reduction in private sector advances. Your Bank's gross Advances stood at Rs. 510,174 million as on December 31, 2020; registering a growth of 2% in line with Industry. Net Advances stood at Rs. 496,432 million as on December 31, 2020 as compared to 485,016 million at the close of the corresponding period; registering a comparatively better growth of 2% as compared to the industry growth of 1%.

Consistent focus on robust risk management framework together with timely introduction of regulatory relief package has led to a drop in Non-Performing Advances by Rs. 1,693 million which stood at Rs. 14,161 million as at December 31, 2020. Consequently, Your Bank's infection and coverage ratio registered the Bank's strength at 2.78%

and 97.4% respectively; well above the industry infection and coverage ratio of 9.2% and 87.4% respectively for September 30, 2020. No forced sale value (FSV) benefit was availed while determining the provision against Non-Performing Advances, allowed under the guidelines of the SBP.

Net investments have elevated by 9% and amounted to Rs. 829,621 million as on December 31, 2020 compared to Rs. 757,957 million, owing to duration optimization and prudent management of investment portfolio.

Total Deposits manifested an encouraging growth of 16% and amounted to Rs. 1,216 billion. Your Bank pivoted its concentration towards Current Deposits which led to Current Non-Remunerative deposits to show astounding growth of 20% and resulted at Rs. 491,010 million as on December 31, 2020, depicting 40% of the total Deposits percentage. Consequently, Current Account and Saving Account (CASA) Deposit percentage has improved from 83% in December 31, 2019 to 87% in December 31, 2020.

Hence, Asset base of Your Bank has augmented to Rs. 1,590,458 million as on December 31, 2020 as compared to Rs. 1,481 billion as on December 31, 2019 depicting a growth of 7%.

Equity base of Your Bank was recorded at Rs. 131,560 million as on December 31, 2020 compared to Rs. 115,351 million as on December 31, 2019; reflecting a healthy growth of 14%. Your Bank manifested a strong Return on Asset and Return on Equity of 1.2% and 18.8% respectively. Indicative of robust Capital positioning of Your Bank, whereas, Capital Adequacy ratio was registered at 25.2% against a statutory requirement of 11.5%.

Looking ahead, the Growth trajectory of the economy as well as the Banking sector remains clouded as the financial and economic impact of COVID-19 pandemic would take time to subside. Similarly, implementation of envisaged governance and structural reforms to strengthen institutional frameworks and enhancing documentation of economic activities shall remain critical to credibly reversing the trend of fiscal deterioration. Going forward, banks need to remain vigilant to assess the implications of re-escalation of the pandemic on their asset quality and solvency.

Your Bank is poised to achieve its strategic objectives based on the core values of; Integrity, High Performance, Excellence in Service and Innovation and Growth. Your Bank also focuses on achieving services leadership, operational efficiency and sustainability in unison with environmental, social and governance performance .

## Risk Management Framework

Risk management function of Your Bank 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 Your Bank while achieving maximum value for the stakeholders.

Dedicated functions of risk management include Corporate and Financial Institution Risk; Commercial, Small and Medium Enterprise (SME) and Consumer Risk; Credit Administration and Monitoring; Technical Appraisal; Information Security and Governance and Enterprise Risk, operating cohesively to continuously augment the risk monitoring and assessment architecture, ensuring superior quality of asset portfolio while keeping the aggregate risks within the Your Bank's overall risk acceptance criteria.

During 2020, Risk Management Function continued to hone and innovate its risk management practices through use of latest technology and took following key initiatives to further strengthen risk monitoring and assessment processes:

- Bearing in mind economic significance of SME and to endorse SBP's initiative of promoting SME financing, Your Bank partnered with Karandaz Pakistan (a non-profit organization) for Innovative Challenge Fund (ICF3) "Transforming SME Financing, Innovative Credit Scoring Model of SMEs". Your Bank, after conducting extensive research, has developed the cash flow based innovative model for lending to this segment and financing activity shall commence soon. Detailed product program outlining the target market and eligibility criteria has also been approved by the Board of Directors. This project will not only help us in fulfilling our social responsibility of SME financial

inclusion but also facilitate in creating business opportunities for the Bank.

- With the aim to meticulously comply with mandatory transition towards the SBP's directives for implementation of International Financial Reporting Standard-9 (IFRS-9), project steering committee of the management and Board Risk Management Committee continuously monitored the progress of IFRS-9 implementation. During the year 2020, all the stakeholders have worked in a coordinated manner and successfully deployed IFRS-9 system. Accordingly, parallel run results for the period ending September 30, 2020 were submitted to the SBP along with the quarterly progress report.

Your Bank has conducted various in-house sessions to ensure effective training of staff members before system implementation and to update relevant stakeholders about the concept of expected credit loss and potential impact of IFRS-9 on business operations.

- Your Bank has a state-of-the-art in-house Risk Assessment and Management System (RAMS) for loans processing and monitoring. The system has enabled Your Bank to effectively manage credit risk, which reflects in its, one of the lowest infection and highest coverage ratios in the industry. During the year, Your Bank has undertaken major upgrade in the system providing additional tools and information for the risk assessor and monitoring teams.
- The SBP has issued revised guidelines on stress testing vide FSD Circular No. 1, dated September 01, 2020. Accordingly, Your Bank has made the necessary preparations to conduct the stress testing exercise under the revised guidelines.
- In continuance of Bank's distinctive initiative of obligors' engagement, an interactive seminar for corporate, commercial and SME obligors on the topic "Transition from Family-Owned Business Structure to Corporate Structure" was organized during the year in order to enlighten with latest insight on business management & strategies.
- Your Bank has conducted various security assessment exercises during the year on information assets of the Bank. This includes Vulnerability

Assessment and Penetration Testing. Payment Card Industry Data Security Standard (PCI DSS) Certification was achieved for the 2nd year in 2020 along with compliance to Customer Security Program (CSP) as mandated by Swift International. Various Information Security Awareness campaigns were conducted for valued Customer and Bank's employees to educate and enhance awareness about latest Cyber security threats. Major focus of the Bank in the year 2020 was on the capacity building and enhancement of security operations center and significant investment was made on the technology upgrades, improvement of processes and development of human resources skillset. The main idea is to enhance the visibility of the threat landscape of Your bank and respond to Information Security Incidents effectively.

- Your Bank continued to invest in environment friendly projects during the year under review and invested significant amounts toward energy saving solutions, through installation of solar panels and inverters. Furthermore, journey towards digitalization was continued with automation of the existing processes to promote paperless banking. Through its Green Advisory services, Your Bank continues its advocacy for ozone-safe business practices and participated in multiple campaigns and collaborated in tree plantation drives.
- Under the umbrella of various initiatives announced by SBP to Combat the adversities of COVID-19 pandemic on the economy, Your Bank played significant role by processing financing applications for principal deferment, restructuring, temporary economic refinance facility and other schemes. During the tough pandemic time period, almost all sectors of economy have faced liquidity and working capital issues. Through Financing under SBP Refinance Scheme for Payment of Wages & Salaries, Your Bank has disbursed substantial financing that helped industries in saving sizable number of jobs (more than 107,000 workers and employees).
- Cognizant with the Government's initiatives and our corporate responsibility to support under served segments, low earning individuals and

to promote young entrepreneurship, Your Bank has actively participated in "Prime Minister Kamyab Jawan Youth Entrepreneurship Scheme" initiated by Government of Pakistan. Acknowledging the value of construction sector's role in economic growth, Your Bank has financed vigorously in this segment and played an active role in construction and purchase of new houses, shopping malls and apartments

Your Bank devotes significant resources towards prudent management of the risks to which it is exposed. The journey will continue in future through ample investment in technology, human resource and training.

### 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, 2020.

### 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

VIS Credit Rating Company Limited has re-affirmed Allied Bank's Corporate Governance Rating of 'CGR-9+'. The rating indicates a 'very high level of corporate governance'; thus, depicting a strong commitment towards governance framework by the Board of Directors and Management of Your Bank. VIS rating

# DIRECTORS' REPORT

derives strength from major headways 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.

## 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 (excluding those who have opted not to receive meeting fee on voluntary basis) 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 38.

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.

The Board of Directors would like to place on record its sincere appreciation to the outgoing Chief Executive Officer Mr. Tahir Hassan Qureshi for his invaluable services. The Board of Directors also welcomes the incoming Chief Executive Officer Mr. Aizid Razzaq Gill, having rich professional experience and continued association with the Bank.

## 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 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 and Code of Corporate Governance (the Code) describes 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.

Subsequently, SBP vide BPRD Circular No. 11 dated August 22, 2016, 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. Accordingly, independent assessment was conducted in 2018, in-house approach has been exercised.

As per approved mechanism, performance evaluation of following categories was carried out:

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

The responses and feedback from the Directors on each of the above-mentioned categories (except Chairman Board of Directors) is 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 so desired.

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.

Accordingly, the report comprising of consolidated 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 245th meeting dated February 17, 2021, noted contents of Board of Directors Annual evaluation for the year 2020 and expressed its satisfaction on its results.

## External Auditors

The retiring auditors M/s KPMG Taseer Hadi & Co. Chartered Accountants have completed the maximum period of five years in accordance with the regulation No. 33 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and one year extended term with

permission of State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP). However, SBP and SECP have granted permission to the Bank to extend term of M/s KPMG Taseer Hadi & Co. Chartered Accountants for one year subject to appointment of another audit firm as joint auditors. The extension was sought to avoid self-review threat in light of exceptional circumstances which arose due to implementation of automated solutions to comply with regulatory requirements.

M/s KPMG Taseer Hadi & Co. Chartered Accountants retired and offered themselves for re-appointment.

The Board of Directors, on recommendation of the Audit Committee, has recommended appointment of M/s. KPMG Taseer Hadi & Co. Chartered Accountants along with M/s. EY Ford Rhodes, Chartered Accountants as joint statutory auditors of the Bank, against professional fee of Rs. 12.485 million and 12.780 million respectively, 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 17, 2021



# ڈائریکٹرز رپورٹ

محترم حصص مالکان،

بورڈ آف ڈائریکٹرز کی جانب سے ہم آپ کے بینک کے 31 دسمبر 2020ء 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 پر اختتام 31 دسمبر		
اضافہ	2019	2020
فی صد	ملین روپے	
28	14,113	18,029
6	52,501	55,821
(60)	(503)	(803)
178	116	323
(96)	166	7
11	66,392	73,377
-	(2,290)	(2,290)
-	(2,290)	(2,290)
100	(2,290)	-
100	(2,290)	-
28	(1,411)	(1,803)
20	55,821	66,995
28	12.32	15.75

پذیر، سال بہ سال کی، نمو کے حوالے سے سست روی کا ایک تاریخی مظاہرہ دیکھا گیا جس کے باعث معاشی سرگرمیوں میں جمود کی کیفیت طاری رہی اور اس کے بعد عام اور سمارٹ لاک ڈاؤنز، ماسک کا لازمی استعمال اور سماجی فاصلوں کے رواج جیسے حفاظتی اقدامات کو اختیار کرنے میں اضافہ ہوا۔ جہاں سال 2020ء کی محاذوں پر مشکلات کا باعث بنا، وہیں اس میں ڈیجیٹل منتقلی کے رجحان اور نئی صلاحیتوں کی دریافت میں تیزی بھی دیکھی گئی جو کہ مثبت پہلوؤں کا اظہار ہے۔

بی پی) نے حفاظتی اقدامات کے طور پر اپنے سرکلر نمبر بی پی آر ڈی/ بی اے اینڈ سی پی ڈی 006315/20 مورخہ 22 اپریل 2020ء کے تحت بینکوں کو ہدایت کی ہے کہ وہ سال 2020ء کی پہلی دوسرے ماہیوں کیلئے ڈیویڈنڈ کی ادائیگی کو معطل کر دیں۔ آپ کے بینک کے حوالے سے یہ جون 2020ء اور ستمبر 2020ء کا عرصہ ہے۔

سال 2020 میں کلاں معاشی پیش رفت  
سال 2020 میں کووڈ-19 کی عالمگیر وباء سے ظہور

بورڈ آف ڈائریکٹرز نے 6.00 روپے فی شیئر کا فائل کیش ڈیویڈنڈ تجویز کی ہے۔ (مجموعی کیش ڈیویڈنڈ 8.00 روپے فی شیئر بشمول عبوری ڈیویڈنڈز) اس تجویز اور سال 2020ء کے دیگر مجوزہ ڈیویڈنڈز کی منظوری آنے والی سالانہ جنرل میٹنگ (عام اجلاس) میں کی جائے گی۔

کووڈ 19 کی عالمگیر وباء کے دوران سرمائے کو محفوظ بنانے اور سیال پذیری اور کسی بھی دباؤ کو برداشت کرنے صلاحیت میں اضافہ کیلئے، اسٹیٹ بینک آف پاکستان (ایس

ابتدائی معاشی بحالی کو شروع میں کڑے لاک ڈاؤن میں جزوی آسانی کا تعاون حاصل رہا۔ تاہم پوری دنیا میں کووڈ 19 کی عالمگیر وباء کی لہر کے جاری رہنے کے باعث مختلف حفاظتی اقدامات کو دوبارہ بحال کرنا پڑا۔ چچائیک، نئی جہتوں کے آغاز کے باعث عالمی معاشی سرگرمیوں میں دوبارہ بہتری کے آثار نمایاں ہیں۔

عالمی رجحانات کی مطابقت میں، پاکستان کی معیشت میں سال 2019 کی مجموعی کل داخلی پیداوار (GDP) کی 9.1 فیصد شرح کی نمو کے مقابلے میں 0.4 فیصد کا سکڑاؤ دیکھا گیا۔ اس ناموافق معاشی صورتحال کے درمیان زراعت کے شعبہ میں مالی سال 2020 - 2019 میں 2.7 فیصد کی مضبوط نمو ریکارڈ کی گئی جو کہ مالی سال 2019 - 2018 میں حاصل کردہ نمو سے 2.1 فیصد زائد ہے۔ تاہم مجموعی کل داخلی پیداوار (GDP) کی شرح ترقی پر خدمات اور صنعتی شعبہ کی ناقص کارکردگی کے اثرات نمایاں رہے جن میں مالی سال 2020 - 2019 کے دوران بالترتیب 0.6 فیصد اور 2.6 فیصد تک کی کمی درج کی گئی۔ تاہم حکومت پاکستان کی جانب سے اٹھائے گئے فوری اقدامات اور اسٹیٹ بینک آف پاکستان کی بروقت تحریک بشمول پالیسی ریٹ میں فوری کٹوتی اور کووڈ - 19 کی عالمگیر وباء کے اثرات سے نمٹنے کے لیے بروقت اقدامات نے بڑے پیمانے پر پیداوار کی صنعت کو تقویت پہنچائی اور جولائی تا نومبر 2021 - 2020 کے دوران اس میں 7.41 فیصد کی شاندار واپسی دیکھی گئی۔ جس کی بدولت نمایاں صنعتی شعبے جس میں ٹیکسٹائل، فوڈ اینڈ بیورجز، پٹرولیم پراڈکٹس، چیمبر اینڈ بورڈ، فارماسیوٹیکل، کیمیکلو، سینٹ اور ربر پراڈکٹس شامل ہیں، میں بہتری کا رجحان نمودار ہوا۔

کرنٹ اکاؤنٹ میں مالی سال 2021 - 2020 کے مسلسل 5 ماہ کے دوران سرپلس دیکھا گیا جو کہ مالی سال 2020 - 2019 کے جولائی تا دسمبر کے دوران 2,032 بلین امریکی ڈالر کے خسارے کے مقابلہ میں، 156 فیصد کی نمو کو درج کرتے ہوئے مالی سال 2021 - 2020 کی پہلی ششماہی میں 1,131 بلین امریکی ڈالر کے سرپلس پر درج کیا گیا۔ تیل کی قیمتوں میں کمی کی بنیاد پر پٹرولیم کی درآمد

میں واضح کمی کا مشاہدہ کیا گیا جس سے مجموعی درآمدی بل کو محدود رکھنے میں مدد حاصل ہوئی۔ تاہم، لاک ڈاؤن کے بعد خام تیل کی قیمتوں میں اضافہ کی بدولت درآمدات میں فیصد کی بڑھوتی ہوئی جو کہ گزشتہ تقابلی مدت کے 26,668 بلین امریکی ڈالر ز پر جا پہنچیں۔ دسمبر 2020ء میں برآمدات، سال بہ سال کی بنیاد پر، 9 فیصد کے اضافہ کے اندراج کے ساتھ عالمگیر وباء سے پہلے کی 2 بلین امریکی ڈالر کی سطح پر پہنچ گئیں۔ چنانچہ تجارتی خسارہ، مالی سال 2021 - 2020 کی پہلی ششماہی کے دوران 8 فیصد تک سکڑ کر 12,381 بلین امریکی ڈالر پر درج کیا گیا۔

مضبوط افرادی ترسیلات، کرنٹ اکاؤنٹ کے لیے مزید مددگار ثابت ہوئیں جن کا حجم گزشتہ سال کی تقابلی مدت کے 11,371 بلین امریکی ڈالر کے مقابلے میں 25 فیصد کی توانا نمو کے ساتھ مالی سال 2021 - 2020 کی پہلی ششماہی میں 14,203 بلین امریکی ڈالر پر ریکارڈ کیا گیا۔ اس کے برخلاف، غیر ملکی براہ راست سرمایہ کاری میں معاشی غیر یقینی کی بدولت 30 فیصد کی کمی ہوئی جو کہ مالی سال 2021 - 2020 کی پہلی ششماہی کے دوران 953 بلین امریکی ڈالر پر جا پہنچی۔

چنانچہ، غیر ملکی زرمبادلہ کے ذخائر دسمبر 2019ء کی 17,930 بلین امریکی ڈالر کی نسبت 15 فیصد کی توانا نمو درج کرتے ہوئے دسمبر 2020ء کے اختتام تک 20,545 بلین امریکی ڈالر پر پہنچ گئے۔ اسی ممانگت میں، یہ ذخائر دسمبر 2019ء سے 18 فیصد کے اضافے کے ساتھ دسمبر 2020ء میں 13,412 بلین امریکی ڈالر پر درج ہوئے جو کہ دسمبر 2017 سے اب تک کی بلند ترین سطح ہے۔

کرنٹ اکاؤنٹ سرپلس کے موزوں حجم اور قابل انتظام معاشی پیش بینی، امریکی ڈالر کے مقابلے میں روپے کی قدر میں بہتری میں معاون رہی ہے اور جون 2020ء سے اب تک 5 فیصد کی افزائش کا باعث بنی ہے۔

ستمبر 2020ء کو اختتام پذیر سہ ماہی کے لیے پاکستان کا مالی خسارہ گزشتہ سال کے ممالٹی عرصہ میں 286,024 ملین روپے کے خسارے، جو کہ جی ڈی پی کا منفی 0.7 فیصد تھا، کی نسبت 484,324 ملین روپے پر رہا جو کہ جی ڈی پی کا منفی 1.1 فیصد ہے۔ تاہم، بنیادی توازن کو جی ڈی پی کی 0.6 فیصد کی شرح پر برقرار رکھا گیا جو کہ عالمی مالیاتی فنڈ (آئی ایم ایف) کے عالمگیر وباء سے پیشتر کے ہدف کے عین مطابق ہے۔ جامع ٹیکس اصلاحات کے مابین، سیلز ٹیکس کی وصولیاں مالی سال 2021 - 2020 کی پہلی سہ ماہی کے دوران، سال بہ سال کی بنیاد پر، 8 فیصد کے اضافے کے ساتھ، 435,734 ملین روپے پر رہیں۔ اس کے برخلاف، آکم ٹیکس آمدنی مالی سال 2020 - 2019 کی تقابلی مدت کے دوران حاصل کی گئی 1,142,935 ملین روپے کی سطح کی نسبت مالی سال 2021 - 2020 کی پہلی سہ ماہی کے دوران 1,122,399 ملین روپے پر رہی۔

نئے بنیادی نظام کے تحت کنزیومر پرائس انڈیکس (Consumer Price Index - CPI) دسمبر 2019ء کی 12.6 فیصد کی شرح کے مقابلہ میں 6.6 فیصد کی درج کرتے ہوئے دسمبر 2020ء میں 7.8 فیصد پر جا پہنچا۔ اس کمی میں زیادہ کردار معیشت میں طلب کے انحطاط اور ایشیا، خورد و نوش کے افراط میں فرسودگی کی وجہ سے خالص افراط زر میں مجموعی طور پر استحکام، کارہا۔

پاکستان اسٹاک ایکسچینج نے دسمبر 2019ء کی 40,735 پوائنٹس کی سطح کی نسبت، 7 فیصد کے اضافہ کے ساتھ دسمبر 2020ء میں 43,755 پوائنٹس کے حصول کے ساتھ عالمگیر وباء سے پیشتر کی سطح کو عبور کیا۔

شرح نمو اور افراط زر کی غیر تبدیلی شدہ پیش بینی نے مالیاتی انضباط کے مقدمے کو مزید کمزور کیا ہے۔ لہذا، اسٹیٹ بینک آف پاکستان نے مالیاتی استحکام کو برقرار اور افراط زر کی توقعات کو مناسب سطح پر رکھتے ہوئے، اس ظہور پذیر بحالی کو تعاون فراہم کرنے کی غرض سے پالیسی ریٹ کو اس کی 7 فیصد کی موجودہ سطح پر برقرار رکھنے کا فیصلہ کیا ہے۔

مستقبل میں، برآمدات میں اضافہ کے باوجود درآمدات کی طلب میں بڑھوتی کی لہر تجارتی خسارے میں اضافے کا باعث رہے گی۔ اس سال کے دوران، قرض کی بھاری ادائیگیوں کے باوجود غیر ملکی زرمبادلہ کے ذخائر آئی ایم ایف سے، ان کے کامیاب جائزے کے بعد، حاصل ہونے والی 450 ملین ڈالر کی تیسری قسط، آئندہ مہینوں میں پورا بانڈ (Euro Bond) کے اجراء اور جی - 20 (G-20) ممالک سے ملنے والی قرض کی سہولت کی وجہ سے، موجودہ سطح پر قرار رہنے کی توقع ہے۔ آئی ایم ایف پروگرام کی فوری بحالی پر خصوصی اور فوری انحصار کے ساتھ ریٹ میں تبدیلی مالی سال 2021ء کے اختتام تک موخر کی جاسکتی ہے۔ سی پی آئی (CPI) میں، تازہ فصلوں کی آمد اور ایک مفید بنیاد کے ابتدائی تعاون سے ایشیا خورد و نوش کی قیمتوں میں ہونے والی تطہیر سے، کمی کی توقع کی جاسکتی ہے۔

#### مالیاتی کارکردگی

بینکنگ کی صنعت کو ووڈ - 19 کی عالمگیر وباء سے نبرد آزمانی کے لیے اختیار کی گئی سمارٹ لاک ڈاؤن، قرنطین کی ناگزیریت اور سماجی فاصلوں کی تدابیر سے متاثر مشکل معاشی صورتحال کا سامنا کر رہی ہے۔ اسٹیٹ بینک آف پاکستان کی جانب سے اٹھائے گئے بروقت اور ٹھوس اقدامات کی بدولت بینکنگ کی صنعت کو اپنے منافع میں بہتری، اپنی صلاحیتوں میں اضافہ اور قرض کے خدشات کو قابل قبول سطح تک محدود رکھنے میں مدد حاصل ہوئی ہے۔ تاہم، ڈیپازٹس کی اس جامعیت میں سرمایہ کاری سے منتقل شدہ رقم کو بنیادی کردار رہا، جو کہ صنعت کے اثاثہ جات میں 17 فیصد اضافہ کا باعث بنا۔ اور بینکوں کا خدشات سے پاک پیداواری اثاثہ جات پر بڑھتے ارتکاز کا پتہ ثبوت ہے۔

کو ووڈ - 19 کی عالمگیر وباء کی وجہ سے ایک مشکل اور مسابقتی کاروباری ماحول میں آپ کے بینک نے ڈیجیٹل رسائی میں اضافہ، خدشات کے انتظام کو مضبوط اور کاروباری صلاحیتوں کے بہترین استعمال کے ذریعے اپنے صارفین کو جدید ٹیکنالوجی سے مزین خدمات کی فراہمی میں فروغ میں مسلسل اضافے پر انحصار کی اپنی طویل المدت حکمت عملی

پر خصوصی توجہ جاری رکھی۔

انٹرسٹ ریٹس میں تیز کمی کے باعث اوسط پالیسی ریٹ دسمبر 2019ء کے 11.98 فیصد کے مقابلے میں دسمبر 2020ء میں کم ہوتا ہوا 8.95 فیصد پر رہا۔ جس کے نتیجے میں پیداواری اثاثہ جات میں مثبت مقداری تغیرات، مارک اپ کے حامل اثاثہ جات کے منفی ریٹ کے تغیرات کو مکمل طور پر زائل کر سکے۔ پیداواری اثاثہ جات سے حاصل شدہ آمدنی میں کمی کے مندرجہ بالا اسباب کے باوجود موزوں مدتی انتظام، قیمتوں کے ازسرنو تعین میں مفید تقاوت اور کرنٹ اور سیونگ ڈیپازٹس میں مقداری اضافے کے باعث لاگت میں کمی نے آپ کے بینک کو 31 دسمبر 2020ء کو اختتام پذیر سال کے لیے 48,421 ملین روپے کی خالص انٹرسٹ آمدنی حاصل کرنے کے قابل کیا جو کہ گزشتہ تقابلی مدت کے 41,880 ملین روپے کے حجم سے 16 فیصد زائد نمو کا اظہار ہے۔

عالمگیر وباء کے درمیان، آپ کے بینک نے اپنی آمدنی کے ذرائع میں خدمات میں پائیدار افزودگی میں تنوع کو برقرار رکھتے ہوئے، ابھرتی ہوئی ڈیجیٹل مالیاتی خدمات سے استفادہ کے ساتھ اپنی خدمات کے اعلیٰ ترین معیار کو قائم رکھنے پر اپنی توجہ جاری رکھی ہے۔ جس کے باعث ڈیجیٹل کے مقابلہ کاؤنٹر لین دین کی فی صد شرح کا توازن سال 56: 44 کی نسبت سال 2020ء میں 65: 35 پر پہنچ گیا اور اس طرح فیس آمدنی میں 7 فیصد کی نمو کے حصول میں معاون ثابت ہوا جس کا حجم سال ختمتہ 31 دسمبر 2019ء کے 5,097 ملین روپے کے تناسب میں 31 دسمبر 2020ء کو اختتام پذیر سال کے دوران 5,441 ملین روپے پر درج کیا گیا۔

موجودہ معاشی صورتحال میں سیالیت کی مشکلات کے سبب سرمایہ کار کمپنیوں کی ڈیویڈنڈ تقسیم کرنے کی صلاحیت بہت متاثر ہوئی۔ تاہم لاک ڈاؤن کے خاتمہ سے شروع ہونے والی معاشی بحالی نے ڈیویڈنڈ کی آمدنی کو مزید کرنے سے بچا لیا اور اس کی شرح 9 فیصد تک درج ہوئی۔ جبکہ 31 دسمبر 2020ء کو اختتام پذیر سال کے لیے اس کا حجم 1,656 ملین روپے رہا۔

آپ کے بینک کی کپٹل گین کی آمدنی 31 دسمبر 2020ء کو اختتام پذیر سال کے دوران 1,841 ملین روپے کے اضافے سے ساتھ 3,420 ملین روپے پر جا پہنچی جو کہ گزشتہ سال کے تقابلی عرصہ کی 1,579 ملین روپے کی آمدنی سے 117 فیصد کی، تین ہندسوں کی، نہایت مضبوط نمو ظاہر کرتی ہے۔ اس کے برخلاف غیر ملکی زرمبادلہ کی آمدنی گزشتہ سال کی نسبت قدرے مستحکم سو دوں (Swap Points) کی وجہ سے 16 فیصد کمی کا شکار رہی۔

جس کے نتیجے میں کل نان مارک آمدنی سال ختمتہ 31 دسمبر 2019ء کی 10,891 ملین روپے کی سطح سے 5 1 فیصد کی ٹھوس نمو کے اظہار کے ساتھ 31 دسمبر 2020ء کو اختتام پذیر سال کے دوران 12,542 ملین روپے پر ریکارڈ کی گئی۔

اپنی ڈیجیٹل منتقلی کے عمل میں سہولت کے لیے جدید ٹیکنالوجی کے حصول میں مسلسل سرمایہ کاری، کو ووڈ - 19 کی عالمگیر وباء سے جڑی سماجی اور معاشی ضروریات کو پورا کرنے کے اضافی اخراجات اور بڑھتے ہوئے افراط زر کے دباؤ کے باوجود آپ کے بینک نے اپنے کاروباری اخراجات کو 31 دسمبر 2020ء کو اختتام پذیر سال کے دوران 5 فیصد کی شرح پر محدود رکھا۔

آپ کے بینک نے ای بینکنگ کے اجراء اور پورے پاکستان میں بینکنگ کی روایتی خدمات میں اضافے کے ذریعے اپنے صارفین کی وسیع صف بندی کی توقعات پر پورا اترنے کے لیے ٹھوس اقدامات اٹھائے ہیں۔ اس زیر تجزیہ سال کے دوران اپنی رسائی میں فروغ کو 1,402 برانچوں تک پہنچا دیا گیا جس میں 1,279 روایتی، 117 اسلامک نیٹ ورک میں موزوں روایتی برانچوں میں 85 اضافی اسلامک ونڈوز (Windows) کے قیام سے مزید وسعت ہوئی جبکہ آٹو میٹڈ ٹیلر مشین (ایس ٹی ایم) (Automated Teller Machine - ATM) کا نیٹ ورک 1,558 مشینوں تک جا پہنچا جس میں 1,222 آن سائٹ، 333 آف سائٹ ای ٹی ایجز اور 03 موبائل بینکنگ پونٹ

شامل ہیں۔

فروخت کے فوائد کا اندراج نہیں کیا گیا۔

انضباطی اور تعمیری اصلاحات کا نفاذ اس مالی حتمی کے رجحان کو بدلنے کے لیے ایک ناگزیر عمل کی حیثیت کو برقرار رکھے گا۔

اس مستعد معاشی پیش بینی سے قطع نظر، آپ کے بینک نے 31 دسمبر 2020ء کو اختتام پذیر سال کے دوران 29,515 ملین روپے کا منافع قبل از ٹیکس حاصل کیا جو کہ گزشتہ سال کے تقابلی عرصہ کے 24,242 ملین روپے کے منافع سے 22 فیصد کے اضافے کا مظہر ہے۔ منافع بعد از ٹیکس بھی 31 دسمبر 2020ء کو اختتام پذیر سال کے دوران 28 فیصد کے اضافے کا اندراج کرتے ہوئے 18,029 ملین روپے پر ریکارڈ ہوا۔ چنانچہ، آپ کے بینک کی فی حصص آمدنی تقابلی سال کی 12.32 روپے فی حصص کی ای پی ایس (EPS) کے مقابلے میں 15.75 روپے فی حصص پر ریکارڈ ہوئی۔

سرمایہ کاری کے پورٹ فولیو کے دانشمندانہ انتظام اور مدنی موزونیت کے نتیجے میں خالص سرمایہ کاری 31 دسمبر 2020ء تک 757,957 ملین روپے کے مقابلے میں 9 فیصد کے اضافے کے ساتھ 829,621 ملین روپے تک پہنچ گئی۔

آنے والے دنوں میں بینکوں کو اپنے اثاثہ جات کے معیار اور مقدرت پر عالمگیر وباء کے دوبارہ شدت اختیار کرنے کے اثرات پر گہری نظر برقرار رکھنی ہوگی۔

کل ڈیپازٹس 16 فیصد کی حوصلہ افزاء نمودار کرتے ہوئے 1,216,678 ملین روپے پر جا پہنچے۔ آپ کے بینک نے اپنی توجہ کا محور کرنٹ کے ڈیپازٹس کے حصول پر پرکوز رکھا جس کے باعث کرنٹ غیر پیداواری ڈیپازٹس 31 دسمبر 2020ء تک 20 فیصد کی قابل ستائش نمو کے ساتھ 491,010 ملین روپے کی سطح پر درج ہوئے۔ جو کہ کل ڈیپازٹس کی فی صد شرح کا 40 فیصد حصہ ظاہر کرتے ہیں۔ چنانچہ کرنٹ اکاؤنٹ اور سیوینگ اکاؤنٹ (کاسا) ڈیپازٹس کی فی صد شرح 31 دسمبر 2020ء تک بہتر ہوتے ہوئے 87 فیصد پر پہنچ گئی۔ لہذا آپ کے بینک کے اثاثہ جات کی بنیاد 31 دسمبر 2019ء کے 1,481,121 ملین روپے کے تناسب میں 31 دسمبر 2020ء تک 7 فیصد کی نمو ظاہر کرتے ہوئے 1,590,428 ملین روپے کی مضبوط سطح پر شمار کی گئی۔

آپ کا بینک دیانتداری، اعلیٰ کارکردگی، خدمات میں مہارت و جدیدیت اور مجموعی خالص اقدار پر منحصر کلیدی مقصد کے حصول کے لیے رو بہ عمل ہے۔ بینک کی توجہ خدمات، لیڈر شپ، کاروباری صلاحیت اور ماحولیاتی، سماجی و انتظامی کارکردگی سے ہم آہنگ، پائیداری کے حصول پر بھی مبذول ہے۔

قرضہ جات میں صنعت کی سطح پر ساقط نمو جو کہ موجودہ معاشی دباؤ کا شاہکار ہے، نے نئی شعبہ کے قرضہ جات میں وسیع البنیاد کی واقع ہوئی۔ آپ کے بینک کے کل قرضہ جات 31 دسمبر 2020ء تک، صنعت کی مطابقت میں 2 فیصد کی نمو کے اندراج کے ساتھ 510,174 ملین روپے تک جا پہنچے۔ خالص قرضہ جات کا حجم، صنعت کی شرح نمو کے مقابلے میں 2 فیصد کی زائد نمو کے ساتھ، 485,016 ملین روپے کی تقابلی عرصہ کی سطح کی نسبت، 31 دسمبر 2020ء تک 496,432 ملین روپے کی سطح پر شمار کیا گیا۔

رسک مینجمنٹ فریم ورک آپ کے بینک کی رسک مینجمنٹ فنکشن (شعبہ)، 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 آپ کے بینک کے سرمائے کی اساس کی قوت کا تحفظ کیا جاسکے۔

آپ کے بینک کی ایکویٹی کی بنیاد 14 فیصد کی توانا نمو کے ساتھ 31 دسمبر 2019ء کی 115,351 ملین روپے کی سطح کی نسبت 31 دسمبر 2020ء تک 131,560 ملین روپے پر ریکارڈ ہوئی۔ آپ کے بینک نے اثاثہ جات کی آمدنی اور ایکویٹی کی آمدنی کی بالترتیب 1.2 فیصد اور 18.8 فیصد کی نہایت مضبوط شرح کا مظاہرہ کیا ہے۔ جبکہ آپ کے بینک کے سرمائے کی معقولیت (کیپٹل ایڈیکویٹی) کی شرح، 11.5 فیصد کی اپنی مطلوبہ ضوابطی شرح کی نسبت 25.2 فیصد پر رہی۔

رسک مینجمنٹ کے مختص عوامل میں کارپوریٹ اور مالیاتی اداروں کے خدشات، کمرشل، چھوٹے اور درمیانی کاروباروں (ایس ایم ای) (SME) اور صارفین کے خدشات، قرضوں کے انتظام اور نگرانی، تکنیکی تنگی، 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 رکھنے ہوئے، اثاثہ جات کے بلند معیار کو یقینی بنانا شامل ہے۔

خدشات کے انتظام کے مضبوط فریم ورک اور اس کے ساتھ اصلاحاتی ریلیف پیکیج کے بروقت آغاز پر مسلسل ارتکاز کے باعث غیر فعال قرضوں میں 1,693 ملین روپے کی کمی واقع ہوئی جن کا حجم 31 دسمبر 2020ء تک 14,161 ملین روپے پر رہا۔ جس کی بدولت، آپ کے بینک کی انفیکشن اور کوریج کی شرحیں بینک کی طاقت اور مضبوطی کا اظہار کرتے ہوئے بالترتیب 2.9 فیصد اور 97.4 فیصد کی سطح پر رہیں جو کہ ستمبر 2020ء کے لیے صنعت کی انفیکشن اور کوریج کی بالترتیب شرح 9.2 فیصد اور 87.4 فیصد کی شرح سے خاصی بلند ہے۔ اسٹیٹ بینک آف پاکستان کی جانب دیئے گئے رہنمائی کے اصولوں میں اجازت کے باوجود، غیر فعال قرضوں کے لیے اخراجات (پروویژن) کا شمار کرتے ہوئے جبری

سال 2020ء کے دوران رسک مینجمنٹ فنکشن جدید ٹیکنالوجی کے ذریعے اپنے خدشات کے انتظام کے طریقہ کار میں ترقی اور جدت میں مسلسل اضافہ کرتا رہا اور خدشات کی نگرانی اور جانچنے کے عمل کو مزید تقویت پہنچانے کے لیے مندرجہ ذیل اہم اقدامات اٹھائے گئے ہیں:

مستقبل میں معیشت اور بینکاری کے شعبہ کی نمو کا خط پرواز مبہم رہنے کا اندیشہ ہے کیونکہ کووڈ - 19 کی عالمگیر وباء کے مالیاتی اور معاشی مضمرات کے دور ہونے میں ابھی وقت درکار ہے۔ اسی طرح، اداروں کے فریم ورک کو تقویت بخشنے اور معاشی سرگرمیوں کی دستاویزات کے فروغ کے لیے مطلوبہ

- ایس ایم ای (SME) کے شعبہ کی معاشی اہمیت اور اسٹیٹ بینک آف پاکستان کی جانب سے ایس ایم ای کے قرض کے فروغ کے اقدامات کا ادراک رکھتے ہوئے آپ کے بینک نے کاران دا ز پاکستان (ایک غیر منصف بخش ادارہ) کی جانب سے آغاز کئے گئے انوویشن چیلنج فنڈ (Innovative Challenge Fund - ICF 3) ایس ایم ای فنانسنگ کی ہیئت میں تبدیلی ایس ایم ای کے قرضوں کے نئے ماڈل میں، شراکت کی ہے۔ بینک نے ایک بھرپور تحقیق کے بعد، اس شعبہ کو قرض کی فراہمی کے لیے کیش فلو (نقد) پر مشتمل ایک جدید ماڈل تیار کیا ہے جبکہ قرض کی سہولت کا معیار آگاز کر دیا جائے گا۔ بورڈ آف ڈائریکٹرز نے اس پراڈکٹ کا تفصیلی پروگرام جس میں اسکی مارکیٹ کا ہدف اور اہلیت کا طریقہ کار بھی منظور کر لیا ہے یہ پراجیکٹ ناصر ایس ایم ای کی مالی شمولیت بارے ہماری سماجی ذمہ داری کو پورا کرنے میں معاون ہوگا بلکہ بینک کے لیے نئے کاروباری مواقع پیدا کرنے میں سہولت بھی فراہم کرے گا۔

- اسٹیٹ بینک آف پاکستان کی عالمی مالیاتی رپورٹنگ اسٹیٹرزڈ (IFRS - 9) کے نفاذ کی ہدایات کی روشنی میں اس لازمی تبدیلی کو فوری طور پر نافذ العمل کرنے کے مقصد کے تحت، مینجمنٹ کی پراجیکٹ سٹیٹنگ کمیٹی اور بورڈ رسک مینجمنٹ کمیٹی، بینک میں آئی ایف آریس - 9 (IFRS - 9) کے نفاذ کی مسلسل نگرانی کر رہی ہے۔ سال 2020ء کے دوران تمام متعلقہ افراد نے مکمل تعاون اور ہم آہنگی کے ساتھ آئی ایف آریس - 9 (IFRS - 9) کے نظام کو ترتیب دے دیا۔ چنانچہ ستمبر 2020ء کو اختتام پذیر مدت کے لیے مساوی طور پر حاصل کیے گئے نتائج اور اس کے ساتھ ساتھ ماہی پراگریس رپورٹ، اسٹیٹ بینک آف پاکستان کے پاس جمع کروا دی گئی ہے۔

آپ کے بینک نے اس نظام کے نفاذ سے قبل اور تمام متعلقہ افراد کو متوقع قرض کے نقصان (Expected Credit Loss) اور کاروباری سرگرمیوں پر آئی ایف آریس - 9

(IFRS - 9) کے امکانی اثرات سے روشناس کرنے کے لیے، سٹاف ممبران کی ضروری ٹریننگ کو یقینی بنانے کے مقصد کے تحت اندرون خانہ نشستوں کا اہتمام کیا ہے۔

قرضہ جات کی تکمیل اور نگرانی کے لیے، بینک کے پاس اسکا خود ساختہ اور جدید ترین رسک ایسیمیٹ اینڈ مینجمنٹ سسٹم (Risk Assessment and Management System) موجود ہے۔ اس نظام کی مدد سے بینک نے اپنے کریڈٹ (قرض) رسک کا موثر طریقہ سے انتظام کیا ہے جس کا مکمل صنعت میں انکیشن کی کم ترین اور کوریج کی بلند ترین شرح کا حامل بینک ہونے سے بھی نظر آتا ہے۔ سال کے دوران انتظامیہ نے اپنے نظام میں جدت اور خدشات کی منظوری، نگرانی کرنے والی ٹیم کے لیے اضافی طریقہ کار اور معلومات کی فراہمی کے لیے کئی اقدامات اٹھائے ہیں۔

اسٹیٹ بینک آف پاکستان نے ایف ایس ڈی (FSD) برکھ نمبر 01 بتاریخ 01 ستمبر 2020ء کے تحت سٹریس ٹیسٹنگ (Stress Testing) بارے نظر ثانی شدہ ہدایات جاری کی ہیں چنانچہ آپ کے بینک نے دباؤ برداشت کرنے (سٹریس ٹیسٹنگ) کی مشق کو نئے اصول و ضوابط کی روشنی میں ادا کرنے کے لیے ضروری تیاریاں کر لی ہیں۔

سال کے دوران بینک نے قرض دہندگان سے رابطے کے اپنے امتیازی اقدام کو جاری رکھتے ہوئے، اپنے کارپوریٹ، کمرشل اور ایس ایم ای قرض داروں کے لیے "خاندانی ملکیتی کاروباری ڈھانچے سے کارپوریٹ ڈھانچے میں منتقلی" کے موضوع پر ایک انٹرایکٹیو (Interactive) (متعلقہ) سیمینار کا انعقاد کیا تاکہ کاروباری انتظام اور اس سے بڑی حکمت عملیوں سے تازہ ترین آگہی فراہم کی جاسکے۔

- آپ کے بینک نے اس سال کے دوران بینک کے معلوماتی اثاثوں کے تحفظ کے لیے بہت سی حفاظتی جانچ کی تدابیر اختیار کی ہیں اس میں وولنریبلٹی ایسٹیمٹ اینڈ مینجمنٹ (Vulnerability and

Panetration Testing) ، پینٹ کارڈ انڈسٹری ڈیٹا سکیورٹی اسٹینڈرزڈ (Payment Card Industry Data Security Standard - PCI-DSS) سرٹیفیکیشن جس کو سال 2020ء میں مسلسل دوسری مرتبہ حاصل کیا گیا، اور سوئیٹ (SWIFT) انٹرنیشنل سے تفویض شدہ کسٹمر سکیورٹی پروگرام کی تعمیل شامل ہے۔

اپنے معزز صارفین اور بینک کے ملازمین کی تعلیم اور تازہ ترین سائبر سکیورٹی خطرات سے انکو روشناس کروانے کے لیے بہت سی انفارمیشن سکیورٹی تحریک کا انعقاد کیا گیا۔ سال 2020ء میں بینک کی زیادہ تر توجہ اپنی صلاحیت کی تعمیر اور سکیورٹی آپریشن سینٹرز کی وسعت پر رہی اور ٹیکنالوجی کے درجات، طریقہ کار میں بہتری اور افرادی وسائل کی صلاحیتوں کی ترقی میں نمایاں سرمایہ کاری کی گئی۔ جس کا بنیادی مقصد یہ ہے کہ آپ کے بینک کو درپیش خدشات و خطرات کی رویت میں اضافہ کیا جاسکے اور انفارمیشن سکیورٹی کے واقعات کا موزوں تدارک کیا جاسکے۔

- سال کے دوران آپ کے بینک نے ماحول دوست پراجیکٹس میں اپنی سرمایہ کاری جاری رکھی اور سولر پینلز اور انورٹرز (Inverters) کی تنصیب کے ذریعے توانائی کے بچاؤ کے منصوبوں میں نمایاں رقم خرچ کی گئی۔ مزید برآں، اے بی ایل کا کانڈکٹ بفر بینکاری کے فروغ کے لیے اپنے مروجہ طریقہ کار کی خود کاریت کے ساتھ ڈیجیٹلائزیشن کا سفر جاری ہے۔ اپنی گرین ایڈوائزری خدمات کے ذریعے آپ کا بینک اوزون (Ozone) کے لیے محفوظ کاروباری سرگرمیوں کے لیے آواز بلند کر چکا ہے اور شجر کاری کی مہم میں اسٹھ کام کر چکا ہے۔

معیشت پر کووڈ - 19 کی عالمگیر وبا کے مضر اثرات سے نبھنے کے لیے اسٹیٹ بینک آف پاکستان کے اعلان شدہ مختلف اقدامات کی چھتری کے تلے، آپ کے بینک نے قرض کی اصل رقم کو موخر، دوبارہ تشکیل دینے، عارضی معاشی ری فنانس سہولت اور دیگر سکیورٹی کی درخواستوں کی پراسیسنگ کے

ذریعے ایک نمایاں کردار نبھایا ہے۔ عالمگیر وباء کے کڑے وقت کے دوران ہمیشہ کے تقریباً تمام شعبوں کو سیال پذیری اور کاروباری سرمائے سے متعلق مشکلات درپیش تھیں۔ اسٹیٹ بینک آف پاکستان کی اجرتوں اور تنخواہوں کی ادائیگی کے لیے ری فنانس سکیم کے تحت قرض کی فراہمی کے ذریعے آپکے بینک نے خطیر رقم تقسیم کی ہے جس نے صنعتوں کو اپنے ملازمین کی نوکریاں محفوظ رکھنے میں خاصی مدد حاصل ہوئی (107,000 سے زائد روزگار اور ملازمین)۔

حکومت کے اقدامات اور اپنی کارپوریٹ ذمہ داریوں کا مکمل ادراک کے ساتھ مستحق شعبوں اور کم آمدنی والے افراد کی مدد اور نوجوانوں کے کاروبار کے فروغ کے لیے آپکے بینک نے حکومت پاکستان کی جانب سے آغاز کردہ "وزیر اعظم کامیاب جوان پوتھ انٹر پرائیور سکیم" میں مستعدی کے ساتھ حصہ لیا۔ معاشی نمو میں تعمیراتی شعبے کے کردار کی اہمیت کو سراہتے ہوئے، آپکے بینک نے اس شعبے میں پرزور فنانسنگ کی اور نئے گھروں، شاپنگ مالز اور پارٹننس کی خریداری و تعمیر میں اہم کردار ادا کیا۔

بینک نے قابل ذکر ذرائع اور وسائل، خود کو درپیش خدشات کے انتظام کے لیے وقف کر رکھے ہیں۔ مستقبل میں اس سفر کو جاری رکھنے کے لیے افرادی وسائل، ٹریڈنگ اور ٹیکنالوجی میں نمایاں سرمایہ کاری جاری رہے گی۔

چیف ایگزیکٹو آفیسر کا تجزیہ

بورڈ آف ڈائریکٹرز، چیف ایگزیکٹو آفیسر کے 31 دسمبر 2020ء کو اختتام پذیر سال میں بینک کی 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۔

ایٹھٹی ریٹنگ

دی پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے اس سال کا دوران الا سیڈ بینک کی طویل المدتی ریٹنگ کو "AA+" (ڈبل اے پلس) کی سطح سے بہتری دیتے ہوئے "AAA" ٹریپل اے پر شمار کیا ہے۔ جبکہ قلیل المدتی ریٹنگ 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 ریٹنگ

وی آئی ایس (VIS) کریڈٹ ریٹنگ کمپنی لمیٹڈ نے الا سیڈ بینک کی کارپوریٹ گورننس کی ریٹنگ کو سی جی آر۔ 9+ (CGR-9+) پر برقرار رکھا ہے۔ یہ ریٹنگ کارپوریٹ گورننس کے اعلیٰ ترین معیار کی عکاس ہے اور آپکے بینک کے بورڈ آف ڈائریکٹرز اور بینک کی انتظامیہ کے گورننس فریم ورک کے بارے میں مضبوط ارادے کا مظہر ہے۔ وی آئی ایس ریٹنگ، بینک کی نمو کی توقعات اور اس کے ساتھ درمیانی اور طویل مدت کے دوران لاگت کو کمزور کرنے میں مدد فراہم کرنے کے غرض سے ڈسٹریٹریٹ اور آڈیشن کے ذریعے انفارمیشن ٹیکنالوجی کے محاذ میں وقوع پذیر ہر اہم پیش رفت سے اپنے نتائج اخذ کرتی 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

کمٹیوں کی بناوٹ کو بھی سالانہ رپورٹ میں الگ طور پر واضح کیا گیا ہے۔

غیر انتظامی ڈائریکٹرز (ماسوائے جنہوں نے اجلاس کی فیس نہ لینے کے اختیار کو اپنایا ہے) کو بورڈ یا اور اسکی کمیٹی کے اجلاس میں شریک ہونے کے لیے ایک مناسب اور موزوں معاوضہ دیا جاتا ہے۔ جبکہ ذمہ داریوں کے نوٹ نمبر 38 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۔ جوڈائریکٹرز 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 آف ڈائریکٹرز رخصت ہونے والے چیف ایگزیکٹو آفیسر جناب طاہر حسن قریشی کا انکی گراں قدر خدمات کے پُر خلوص اعتراف کو ریکارڈ کا حصہ بنانا چاہتے ہیں۔ بورڈ آف ڈائریکٹرز نئے آنے والے چیف ایگزیکٹو آفیسر جناب ایزد رزاق گل، جو نہایت شاندار پیشہ ورانہ تجربہ اور بینک کے ساتھ طویل رفاقت کو جاری رکھے ہوئے ہیں، کو خوش آمدید کہتے ہیں۔

بورڈ آف ڈائریکٹرز کی کارکردگی کا جائزہ لینے کا طریقہ بورڈ آف ڈائریکٹرز انضباطی تکمیل 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 پروڈیٹنل ریگولیشنز میں بورڈ کے کردار کو واضح کیا گیا ہے۔ اس کے ساتھ کارپوریٹ گورننس میں بھی بورڈ کی ذمہ داریوں اور کارگزاری کو احسن طریقہ سے بیان کیا گیا ہے۔ اسی کوڈ کے تحت بورڈ نے سال 2014 میں اپنی کارکردگی کو موثر انداز میں جانچنے کے لیے ایک نظام رائج کیا ہے۔

بعد میں، سال 2016 میں، اسٹیٹ بینک نے (BPRD) پی بی آر ڈی سرکلر نمبر 11 بتاریخ 22 اگست 2016 کے ذریعہ 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۔ چنانچہ سال 2018 کے ایک آزادانہ تخمینہ لگوا گیا اور اس کے لیے بینک میں موجود وسائل کا ہی انتخاب کیا گیا۔

ایک منظور شدہ نظام پر کاربند رہتے ہوئے مندرجہ ذیل اقسام کی کارکردگی کو جانچا ہے:

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

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

مجاز آزاد ڈائریکٹرز اس بارے میں چیئرمین بورڈ آف ڈائریکٹرز کی رائے سے کمپنی سیکریٹری کو آگاہ کیا تاکہ اس کو مجموعی کارکردگی کی رپورٹ کا حصہ بنایا جاسکے۔

چنانچہ چیئرمین کی جانب سے بھیجی گئی اس جانچ کے مجموعی نتائج اور عملی تدابیر پر مشتمل رپورٹ کو بورڈ آف ڈائریکٹرز کے سامنے جائزے کے لیے پیش کیا گیا۔ بورڈ آف ڈائریکٹرز نے اپنے 245 ویں اجلاس مورخہ 17 فروری 2021ء میں سال

2020ء کے لیے بورڈ کی سالانہ جانچ کے مندرجات کو نوٹ کیا اور اس کے نتائج پر اطمینان کا اظہار کیا۔

### بیرونی آڈیٹرز

میسرز کے پی ایم جی (KPMG) تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹینٹس، سٹیڈ کینیڈا (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے تحت اپنی 5 سال کی زیادہ سے زیادہ مدت اور اسٹیٹ بینک آف پاکستان اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی اجازت سے اس مدت میں ایک سال کی توسیع کا عرصہ بھی مکمل کر چکے ہیں۔ تاہم اسٹیٹ بینک آف پاکستان اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے بینک کو خصوصی اجازت کے ذریعہ میسرز کے پی ایم جی (KPMG) تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹینٹس کی مدت میں مزید ایک سال کی توسیع کر دی ہے بشرطیکہ ان کے ساتھ کسی دوسری آڈٹ فرم کو بطور مشترکہ آڈیٹرز تعینات کیا جائے۔

اس توسیع کا مقصد ضوابطی مطلوبات کی تعمیل کے لیے خود کار نظام کے نفاذ سے جڑے غیر معمولی حالات کی روشنی میں کسی بھی خود تجرباتی خدشے کا تدارک تھا۔ میسرز کے پی ایم جی (KPMG) تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس اپنی ریٹائرمنٹ کے بعد اپنی دوبارہ تعیناتی کے لیے اپنی خدمات پیش کرتے ہیں۔

بورڈ آف ڈائریکٹرز نے آڈٹ کمپنی کی سفارش کے مطابق میسرز کے پی ایم جی (KPMG) تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹینٹس اور این کے ساتھ میسرز ای وائی (EY) فورڈ روڈ چارٹرڈ اکاؤنٹینٹس کو بالترتیب 12.485 ملین روپے اور 12.780 ملین روپے کے معاوضے کے عوض اگلی ٹرم کے لیے بینک کے قانونی مشترکہ آڈیٹرز مقرر کیا ہے۔

### حصص کی ملکیت کی ترتیب

حصص کی ملکیت کی ترتیب ساتھ منسلک ہے۔

### تسلیم و تحسین

ہم، بورڈ اور مینجمنٹ کی جانب سے، اپنے قابل قدر صارفین اور معزز شیئرز ہولڈرز کے الائیڈ بینک پر اسکے اعتماد، سیکورٹی اینڈ ایکسچینج 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 لیے اپنے سٹاف ممبرز کی انتھک محنت اور بینک کے اغراض و مقاصد کے حصول کے لیے اگلی لگن پر بھی نہایت شکر گزار ہیں۔

منجانب و برائے بورڈ آف ڈائریکٹرز

ایزد ذاق رگل

چیف ایگزیکٹو آفیسر

محمد نعیم مختار

چیئرمین بورڈ آف ڈائریکٹرز

لاہور

17 فروری 2021ء







# STRATEGY AND RESOURCE ALLOCATION

# STRATEGIC OBJECTIVES

<b>Short Term</b>	<ul style="list-style-type: none"> <li>Enhanced focus on digitalization and process automation to enhance efficiency and reduce cost to income ratio</li> <li>To continue with quality asset retention with measures to consistently decrease the NPLs of the Bank</li> <li>To increase deposit mobilization</li> <li>Augment diversified revenue streams amid low interest environment</li> <li>Deliver superior customer centric service and developing innovative products to cater wide array of customers</li> </ul>
<b>Medium Term</b>	<ul style="list-style-type: none"> <li>Conserving robust profitability trend</li> <li>Continuously improve operational efficiencies</li> <li>Create a sustainable culture of integrity, transparency and ethics</li> <li>To 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 socio-environmentally conscious citizen</li> <li>To become "Employee of Choice" for top professionals</li> </ul>

# KEY PERFORMANCE INDICATORS

Strategic Objective	Key Operational Milestones	Key Performance Indicators	Future Relevance
Augmenting Financial Inclusion	<ul style="list-style-type: none"> <li>Launched myABL Wallet in Branchless Banking.</li> <li>Launched Visa contactless debit cards also known as NFC cards to facilitate customers with contactless payment technology.</li> <li>Launched Allied Basic Debit Card for illiterate customers.</li> <li>Opened all variants of Allied Assan Accounts vide self-service kiosk (SSK) in 105 branches.</li> <li>Launched open banking "Application Programming Interface" (API) portal to provide collaboration opportunities for FinTechs and Startups.</li> <li>Pioneered the launch of NIFT e-Pay.</li> <li>Business 2 Customer Home Remittance development.</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
Enhancing Brand Image & Shareholders' Value	<ul style="list-style-type: none"> <li>Stable Dividend stream and increasing Equity.</li> <li>Highest acquirer Automated Teller Machines business and uptime at 96%.</li> <li>Best Mobile Banking App Award by Pakistan Digital Awards 2020</li> <li>Best Digital Innovation Award by Pakistan Digital Awards 2020</li> <li>Best App and Web Enabled Market Award by Pakistan Digital Awards 2020</li> <li>Syndicated Loan of the Year – Pakistan by ABF Corporate &amp; Investment Banking Awards 2020</li> <li>Green Deal of the Year – Pakistan by ABF Corporate &amp; Investment Banking Awards 2020</li> <li>Best Progressive Bank awards on HR Global Diversity and Inclusion Benchmarks (GDIB) for Leadership and Recruitment &amp; Development.</li> <li>Pakistan Domestic Initiative of the Year for Green Banking by ABF Wholesale Banking Awards 2020</li> <li>Best Telecom Deal of the Year by The Asset Triple A Infrastructure Awards 2020</li> <li>Best Bank by Finance Asia Country Awards 2020</li> <li>Top Issuer of PayPak Debit Cards by 1-Link</li> <li>Best Loan Adviser-2020 by The Asset Triple A Country Awards 2020</li> <li>Corporate Excellence Award by Management Association of Pakistan</li> </ul>	<ul style="list-style-type: none"> <li>Profitability</li> <li>Stakeholders trust</li> </ul>	Shall remain relevant in future

Strategic Objective	Key Operational Milestones	Key Performance Indicators	Future Relevance
Operating Effectiveness	<ul style="list-style-type: none"> <li>• Oracle big data platform initiated, for building enterprise wide "Data Lake" with machine learning capabilities.</li> <li>• Rolled out "Customer 360" view for branches.</li> <li>• Invoked Business Continuity Plan, adopted social distancing measures and work from home to ensure availability of round the clock, seamless and uninterrupted financial services during pandemic.</li> <li>• Launched Foreign Exchange (FX) Portal.</li> <li>• Electronic Queue Management System Integration with core banking software.</li> <li>• Implemented "Universal Banker" in additional 150 branches.</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
Employer of Choice for top Professionals	<ul style="list-style-type: none"> <li>• "ABL <i>m</i> Learning" application for staff training and development.</li> <li>• Implemented Standard Operating Procedures for the safety of the employees and also provided Work from Home facility to implement social distancing.</li> <li>• Enhanced medical care against the COVID-19.</li> <li>• Best Progressive Bank awards on HR Global Diversity and Inclusion Benchmarks (GDIB) for Leadership and Recruitment &amp; Development.</li> </ul>	<ul style="list-style-type: none"> <li>• Employee Engagement</li> <li>• Operational Efficiency</li> </ul>	Shall remain relevant in future
Enhanced Focus on Digitization	<ul style="list-style-type: none"> <li>• Launched industry first feature, PFM (Personal Finance Management) under the ambit of myABL Digital Banking.</li> <li>• myABL became digital investments platform in collaboration with ABL Asset Management Company (AMC).</li> <li>• MyABL Digital Banking integrated with Golootlo.</li> <li>• Introduced Biometric Automated Teller Machine service on its complete network of 1550+ Automated Teller Machine.</li> <li>• Launched its First myABL Digital Lending product "Payday Finance".</li> <li>• Launched country's first voice-assisted banking facility using "Siri".</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 hybrid Branch strategy.
Natural capital	Increase financing to renewable energy projects to promote green banking, introducing paperless environment and installing solar energy equipment in branches.
Financial Capital	Elevated Investment on infrastructure including buildings and equipment.
Human capital	Human capital capacity enhancement and capability building by focusing on trainings, talent management and talent retention.
Intellectual Capital	Continuous improvement in governance culture by utilizing strong institutionalized knowledge. Formulation of new products focusing the diverse range of customer base.
Social and Relationship Capital	Enhance brand image through public awareness campaigns and ongoing dialogue with customers.

## 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. Your Bank maintains strong liquidity position which is frequently monitored by the respective groups. The liquidity ratios together with industry's high Coverage Ratio and Non-Performing Loan Ratio indicate the strong liquidity position of Your Bank.

## SIGNIFICANT PLANS AND DECISIONS


Your Bank's objectives & strategies are well calibrated and persistently implemented. No significant change occurred during the year to affect the objectives and business strategies.



# STAKEHOLDERS ENGAGEMENT



# 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> </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 focus provides the basis to achieve a profitable and sustainable business model.</p>	<p>Understanding evolving customer requirements to roll out more efficient channels thereby delivering competitive, convenient, technology driven 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 needs of its clients.</li> <li>• Expansion in the Bank's footprint; branch network added 23 new branches during the year to reach at 1,402; expanded ATM network to 1558 (including On-site and Off-site ATMs), while providing Internet banking.</li> <li>• Increased Gross Advances by Rs. 10,005 million and deposits by Rs. 167,635 million.</li> <li>• The Bank partnered with Karandaaz (Non-Profit Organization) for Innovation Challenge Fund "Transforming SME Financing - Innovative Credit Scoring of SMEs" to promote access of finance primarily to collateral deficient entrepreneurs.</li> <li>• The Bank actively participated in various initiatives launched by Government of Pakistan and developed products for Prime Minister Kamyab Jawan Youth Entrepreneurship Scheme and Credit Guarantee &amp; Refinance Scheme for Women Entrepreneurs.</li> <li>• Launched "Mera Pakistan-Mera Ghar" to facilitate low income segment of society under subsidized mark-up scheme for housing finance.</li> </ul>
	<p>Safeguarding deposits and investments while growing returns.</p>	<ul style="list-style-type: none"> <li>• Your Bank paid Rs. 48,927 million, interest / profit to its depositors.</li> <li>• Continued investment in technological infrastructure and to improve data security and maintain customer privacy.</li> <li>• Conducted Vulnerability Assessment and Penetration Testing to ensure controlled environment for customer related information.</li> <li>• Implementation of Web Application Firewall to secure web applications and invested in building Software-Defined Networking (SDN) to automate, provision, manage and program networks through software interfaces to serve customers in timely manner and to respond rapidly changing business needs.</li> <li>• SMS Alerts of all digital banking transactions sent 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 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 the Banks' services portfolio.</li> <li>• Launched Open Banking Application Program Interface (API) portal and partnered with Fintechs for new digital offerings for customers. In addition, myABL was continuously updated to cater the evolving digital needs of the Bank's customers.</li> <li>• ABL completed API system integration with Western Union for Home Remittances.</li> </ul>
	<p>Upholding highest standards of service quality across the Bank.</p>	<ul style="list-style-type: none"> <li>• Efficiently and effectively 98% resolution of customers' complaints within a Turnaround Time of 4.7 Days.</li> <li>• High ATM uptime further improved to 96.3%.</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	<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> </ul>	●	●	●	●	Sustainable performance, dividend payout, return on equity, return on assets, earning per share, future growth strategy, corporate governance, risk management, compliance with rules and regulations.
 Regulators	State Bank of Pakistan (SBP) Federal Board of Revenue (FBR) Securities and Exchange Commission of Pakistan (SECP) 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 payments 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. Managing risks while optimizing our cost base.</p>	<ul style="list-style-type: none"> <li>Generated a sustainable ROE and ROA at 18.8% and 1.2% respectively; Increased dividend yield ratio to 9.37%.</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 7% to Rs. 1,590,458 million; Your Bank's Equity base stood at the robust level of Rs. 131,560 million;</li> <li>Reduction in infection ratio: 2.8% and improvement in coverage ratio: 97%.</li> </ul>
	<p>Providing existing and potential shareholders with 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>Analyst briefings and conference calls were conducted following announcements of quarterly financial statements.</li> <li>Virtual Corporate Briefing Program to enlighten shareholders and analysts with the Bank's strategic, operational and financial developments. The session was attended by over 40 shareholders, investors and brokers.</li> <li>Major financial information disclosed under a separate section of "Investor Relations" on corporate website.</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 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>Achieved the long-term rating of "AAA" and maintained short-term rating at "A1+" from Pakistan Credit Rating Agency Limited.</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 and maintained a high corporate governance rating of "CGR-9+".</li> <li>Complied with all key aspects of Basel III requirements, with Capital Adequacy ratio (Tier 1 and Tier 2) of 25.2%, above the SBP requirements of 11.5%.</li> <li>Disbursements under financing schemes introduced by SBP.</li> <li>Your Bank paid Rs 22,960 million in direct, indirect, staff taxes and Zakat contribution while fulfilling its responsibility towards the society.</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 records 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	Society at large Media	<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, ethical business practices.

Why do they Matter	How We Create Value for Stakeholders	Activities
<p>Skills, experience, and activities that our employees carry out drive the day to day operations of the bank. 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 workforce of 11,603 employees. Female representation increased to 18%.</li> <li>897 recruitments for permanent and contractual positions.</li> <li>Rs. 13,955 million in terms of salaries, allowance and other benefits to employees</li> <li>Rewarded performance through 1,035 grade promotions.</li> <li>Invested Rs 65 million on staff training and development programs.</li> <li>Training coverage of 91% employees during the year.</li> <li>Best Progressive Bank awards on HR Global Diversity and Inclusion Benchmarks (GDIB) for Leadership and Recruitment &amp; Development.</li> <li>Other activities delineated in detailed CSR report.</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 74th Annual General Meeting of the Shareholders of Allied Bank Limited (hereafter referred to as the Bank) was held on Wednesday, March 25, 2020 at 11:00 A.M. at the Bank's Head Office, Lahore. Mr. Mohammad Naeem Mukhtar, Chairman of Board of Directors, chaired the meeting. All the Directors (except Mr. Abdul Aziz Khan, due to illness) and the Company Secretary attended the Meeting through Webinar software from remote locations, whereas the Chief Executive Officer along with Chief Financial Officer were present at the venue of the Meeting. Engagement Partner of the statutory Auditors M/s. KPMG Taseer Hadi & Co. Chartered Accountant also attended the meeting through Webinar whereas representatives of M/s CDC Share Registrar Services Limited, the Bank's Shares Registrar were also present at the venue.

The Company Secretary apprised the participating Shareholders that due to the threat posed by evolving COVID-19 pandemic situation and observing the Standard Operating Procedures of the Government to avoid large gatherings, meeting was convened at the Bank's Head Office, Lahore instead of The Nishat Hotel, Lahore, accordingly the notice (addendum) of this change was shared with the Shareholders. SOPs defined for combating COVID-19 impact were properly implemented at the venue of the meeting.

With a view to ensure maximum participation of Shareholders they were also facilitated to participate in the meeting through Webinar.

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

1. Confirmation of minutes of 73rd Annual General Meeting of the Bank held on March 28, 2019.
2. Receive, consider and adopt Annual Audited Financial Statements of the Bank (consolidated & unconsolidated) for the year ended December 31, 2019 together with the Directors' Report, Auditors' 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 already paid to the Shareholders during the year 2019.
4. Appointment of Statutory Auditor of the Bank for the year ending December 31, 2020 and fixation of their remuneration.
5. Post facto approval of the Bank's "Board Remuneration Policy" as approved by the Board of Directors in its 243rd meeting held on December 16, 2019.

The Chairman thankfully acknowledged participation of the Shareholders in the meeting and appreciated team efforts of the Bank in holding the Annual General Meeting in critical situation of COVID-19 pandemic.

## FINANCIAL CALENDAR

2020	
1st Quarter results issued on	April 22, 2020
2nd Quarter results issued on	August 20, 2020
3rd Quarter results issued on	October 21, 2020
Recommendation of Annual Results by Board of Directors	February 17, 2021
75th Annual General Meeting schedule for approval of Annual Results	March 25, 2021



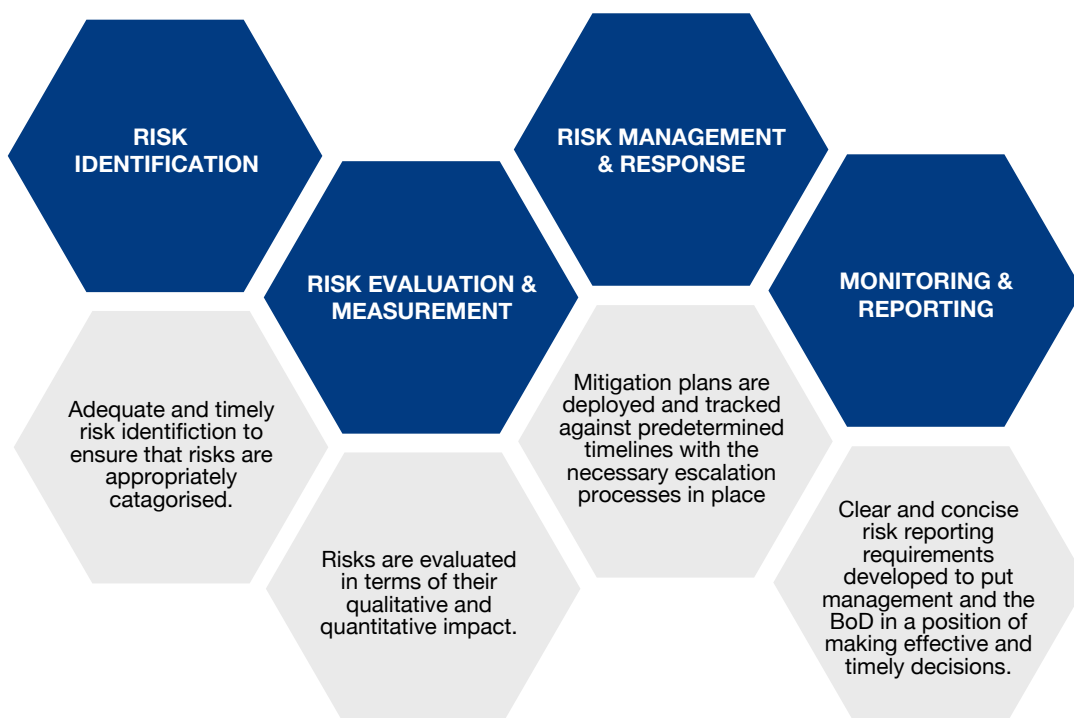
# RISK AND OPPORTUNITIES

# RISK MANAGEMENT APPROACH & OVERSIGHT

## Risk Management Approach and Oversight

The Board of Directors is responsible for the overall effective risk management of the Bank and has a comprehensive risk management and governance framework in place to effectively identify, evaluate and mitigate all risks undertaken in the achievement of long-term strategic objectives of Your Bank. The robust risk management platform ensures that sustainable value is created for all stakeholders.

The Board of Directors monitors the implementation of risk strategy, approves the risk acceptance criteria while ensuring that risks are managed within tolerance level.



The Bank's comprehensive and integrated risk management governance structure consists of the Board of Directors committees and the management sub-committees, with varying areas of responsibilities, in order to maintain sustained focus on monitoring and governance over different categories of risk within the following risk universe;



# RISK AND OPPORTUNITIES

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

Risk	Likelihood	Key Source of Risk	Mitigating Strategy	Impact Area
Credit Risk	Low	Sovereign credit risk on exposure to Public sector enterprises (PSE)	<ul style="list-style-type: none"> <li>- Oversight is kept through guidance of the Board of Directors and its sub-committee "Board Risk Management Committee" as well as through management committee of "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
	High	Counterparty credit risk on exposure to Private sector advances and Interbank limits.	<ul style="list-style-type: none"> <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 Risk Policy approved by the Board of Directors</li> <li>- Detailed Credit Procedure Manual in line with State Bank of Pakistan's Prudential Regulation and best practices for Credit Risk, approved by the Management Committee.</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 mitigants.</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 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 exposures on foreign domiciled counter parties; limits linked to the sovereign ratings</li> <li>- Specialized team comprising 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	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 guidance of Board of Directors 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 AND OPPORTUNITIES

Risk	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>	Financial Capital
Operational Risk	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 the Board of Director's sub-committee "Board Risk Management Committee" as well as through management sub-committee of "Risk Management Committee (RMC)".</li> <li>- Board of Directors' approved Operational Risk Management (ORM) Policy</li> <li>- Detailed Operational Risk Management (ORM) Procedures are also approved by 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 is in place aimed 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 were tested successfully during the year.</li> <li>- Information Technology disaster recovery plans are tested on ongoing basis.</li> <li>- Insurance coverages are in place for theft and damage to physical assets.</li> </ul>	Financial Capital
	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> <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>	Human and Intellectual Capital



Risk	Likelihood	Key Source of Risk	Mitigating Strategy	Impact Area
	Medium	Risk arising from non-compliance with statutory and or regulatory provisions applicable to the Bank	<ul style="list-style-type: none"> <li>- Independent Compliance Group to ensure compliance with specific regulatory requirements.</li> <li>- Compliance Policies and procedures are in place</li> </ul>	Financial Capital
Liquidity Risk	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 of Directors and its sub-committee "Board Risk Management Committee" as well as through management committee - "Asset and Liability Committee (ALCO)".</li> <li>- ALCO oversees the activities of treasury, which operates in terms of an approved ALM policy.</li> <li>- Well-defined ALM triggers and limits, exposures against which are regularly monitored by ALCO.</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 performs liquidity stress tests as part of its liquidity monitoring activities regularly.</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 liquidity stress.</li> </ul>	Financial Capital
Capital Adequacy Risk	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 sub committees of "Risk Management Committee" (RMC) and "Asset &amp; Liability Committee (ALCO)".</li> <li>- ALCO assesses capital adequacy on a quarterly basis, including a historical and future capital positioning review and stress tests and reports regularly to the BRMC.</li> <li>- The Internal Capital Adequacy Assessment Process (ICAAP) Framework is updated and reviewed annually.</li> <li>- Policy of sufficient profit retention.</li> <li>- Periodic extensive stress testing activity in line with SBP requirements.</li> </ul>	Financial Capital
Strategic Risk	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 of Directors' and its sub- committee "Strategic Planning and Monitoring Committee" as well as through Management Committees namely "Management Committee" (MANCO), "Risk Management Committee" (RMC), "Compliance Committee" (CC) and "Asset and Liability Committee" (ALCO).</li> <li>- Rolling 10-year strategic plan which is reviewed on annual interval 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 forecast results is constantly monitored and quantified.</li> </ul>	Financial Capital

# RISK AND OPPORTUNITIES

Risk	Likelihood	Key Source of Risk	Mitigating Strategy	Impact Area
Technological Risk	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 of Director's sub committees "e-Vision Committee" as well as through "Information Technology Steering Committee" (ITSC).</li> <li>- Information Technology and Information Security planning is conducted as part of Your Bank's strategic and operational planning process.</li> <li>- Systems audits, Information Technology Security and Risk Assessments are performed for system before and after the deployment into live environment.</li> <li>- Significant ongoing investments is being done in Technology and Processes to protect customer data as part of the information security posture.</li> <li>- Security Operation Center utilizes Security Information and Event Management (SIEM) solution to proactively monitor and respond to security 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
Reputational Risk	Low	Risk arising from any action or inaction perceived by any stakeholders to be inappropriate, unethical or inconsistent with the Bank's values and beliefs.	<ul style="list-style-type: none"> <li>- Oversight kept through Board of Directors' sub committees "Board Risk Management Committee" as well as through 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

## Opportunities

Source	Opportunity	Strategy to be implemented
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 Block Chains	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 non-residents with ease of doing Banking with lower requirements.
External	Government of Pakistan and State Bank of Pakistan initiatives for economy revival	Product Development and working closely with Business teams to attract new customers and retain them
External	85% unbanked population in the country; opportunity to enhance financial inclusion	Branch expansion plan, Digital Products for untapped segments, Road shows and Seminars, increasing outreach through Social Media.

### **Information about Defaults in Payment of any Debts and reason thereof**

There is no default by the Bank in payments of any debts during the year.

### **Inadequacy in the Capital Structure and Plans to address such inadequacy**

The Bank is not facing any kind of inadequacy in capital structure.

### **Sensitivity Analysis due to Foreign Currency Fluctuations**

The Pak rupee depreciated by around 3.22% in 2020 against US Dollar. Foreign Exchange Risk exposes the Bank to changes in the value of exposure denominated in foreign currencies due to the exchange rate fluctuation 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's maintains 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 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.





# CORPORATE GOVERNANCE

# MANAGEMENT TEAM



**Aizid Razzaq Gill**  
Chief Executive Officer



**Owais Shahid**  
Chief Corporate & Investment Banking



**Ahmad Faheem Khan**  
Chief Treasury



**Asif Bashir**  
Chief Commercial & Retail Banking South



**Shahid Aamir**  
Chief Commercial & Retail Banking North



**Sohail Aziz Awan**  
Chief Digital Banking



**Shaikh Raashed Rauf**  
Chief Islamic Banking



**Mujahid Ali**  
Chief Information Technology



**Imran Maqsood**  
Chief Banking Services



**Saira Shahid Hussain**  
Chief Human Resource



**Moin Khalid**  
Chief Risk Management



**Muhammad Atif Mirza**  
Chief Financial Officer



**Abid Anwar**  
Chief Special Assets Management



**Ahmad Mansoor**  
Chief Compliance



**Muhammad Mohsin**  
Chief General Services & Real Estate

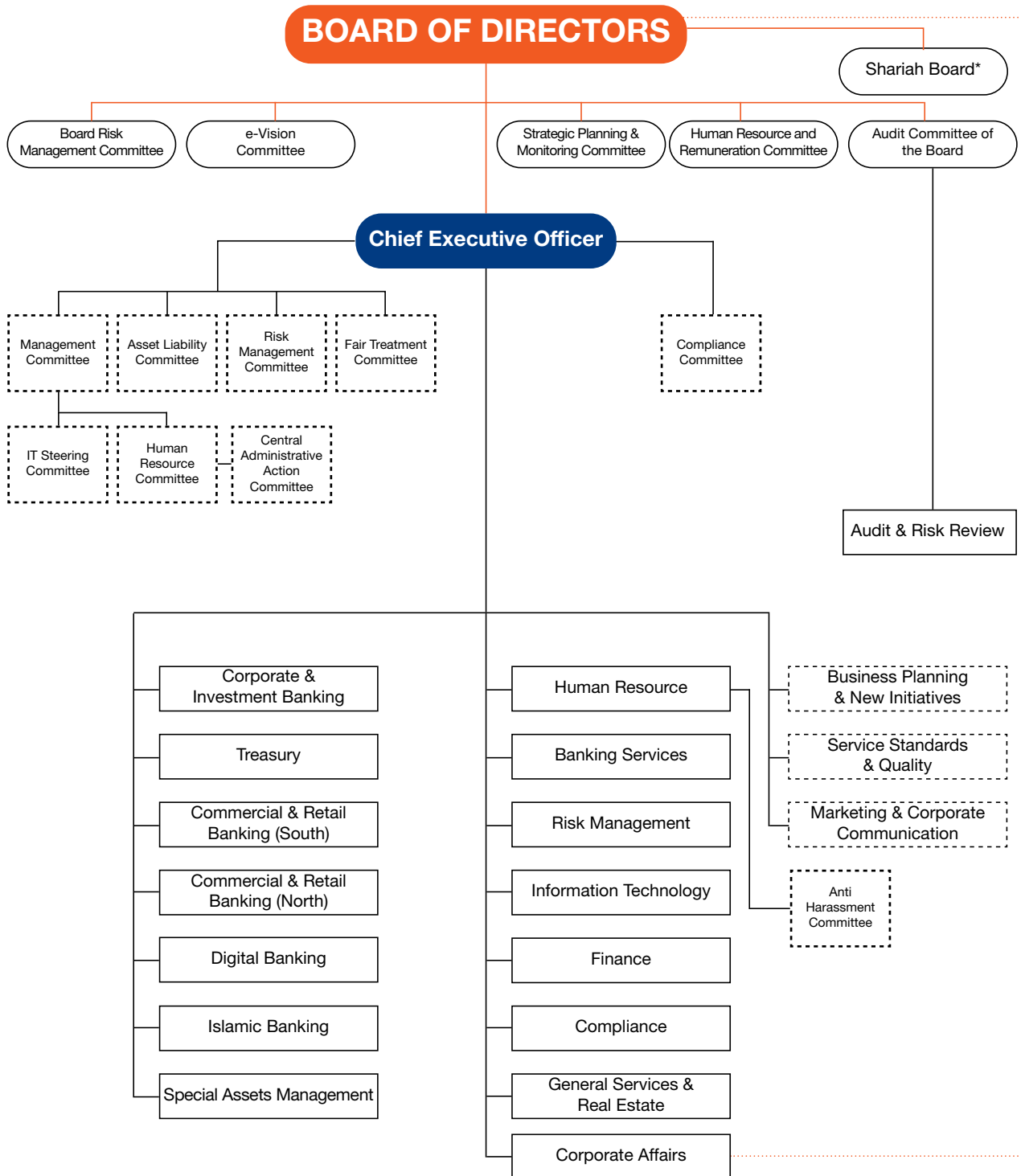


**Muhammad Raffat**  
Company Secretary



**Shaffa Hussain**  
Chief Audit & Risk Review

# 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

Muhammad Waseem Mukhtar  
Member

Dr. Muhammad Akram Sheikh  
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 functions 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

Dr. Muhammad Akram Sheikh  
Member

Tahir Hassan Qureshi\*  
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 appetite of the Bank. The Committee also 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. In term of the Bank's recovery policy, the Committee considers and approves debt-asset-swap proposals. It also monitors Bank's Basel initiatives including capital adequacy requirements and up-gradation of Risk Management Systems. The Committee also reviews information security governance initiatives and periodical risk assessments. Overseeing of Asset Liability Committee, Risk Management Committee, Internal Financial Reporting Standards (IFRS)-9 Project Steering Committee and Compliance Committee, Risk Management, Special Asset Management and Compliance functions is also undertaken by the Committee. 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 criterias and the findings of National Risk Assessment, quarterly progress report on the transition plan of IFRS-9 implementation and quarterly progress report on the transition plan.

## e-Vision Committee

Constitution:

Mohammad Naeem Mukhtar  
Chairman

Zafar Iqbal  
Member

Ms. Nazrat Bashir  
Member

Tahir Hassan Qureshi\*  
Member

## Terms of Reference

One of the key functions of the e-Vision Committee is 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 delivery 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 function. Besides the above, the Committee also decides in principle on matters related to acquiring, replacing and upgrading technology, software and hardware involving Rs. 15 million and above.

# BOARD COMMITTEES

## Strategic Planning & Monitoring Committee

Constitution:

Muhammad Waseem Mukhtar  
Chairman

Abdul Aziz Khan  
Member

Ms. Nazrat Bashir  
Member

Tahir Hassan Qureshi\*  
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 also 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 upto 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:

Abdul Aziz Khan  
Chairman

Muhammad Waseem Mukhtar  
Member

Dr. Muhammad Akram Sheikh  
Member

Tahir Hassan Qureshi\*  
(Permanent Invitee)

## Terms of Reference

Human Resource & 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 key position holders. 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. Besides 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'.

\* Mr. Tahir Hassan Qureshi has completed his term as Chief Executive Officer on December 31, 2020 and Mr. Aizid Razzaq Gill has been appointed as Chief Executive Officer with effect from January 01, 2021.

## Board of Directors and Board Committees' Attendance for the year 2020

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	5/5	x	x	x	3/4	x
Sheikh Mukhtar Ahmad	5/5	x	4/4	x	x	x
Muhammad Waseem Mukhtar	5/5	6/6	x	11/11	x	4/4
Abdul Aziz Khan	5/5	x	4/4	11/11	x	4/4
Dr. Muhammad Akram Sheikh	5/5	6/6	4/4	x	x	4/4
Zafar Iqbal	5/5	6/6	x	x	4/4	x
Nazrat Bashir	5/5	x	x	11/11	4/4	x
Tahir Hassan Qureshi (Chief Executive Officer)	2/5	x	3/4	8/11	3/4	x
*Mr. Aizid Razzaq Gill (Officiating Chief Executive Officer)	3/3	x	1/1	3/3	1/1	x
<b>Total Number of meetings held as of December 31, 2020</b>	<b>5</b>	<b>6</b>	<b>4</b>	<b>11</b>	<b>4</b>	<b>4</b>

\* Mr. Tahir Hassan Qureshi was on leave and in his absence Mr. Aizid Razzaq Gill was officiating Chief Executive Officer.

## Board Meetings held outside Pakistan

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

The information related to directorship of the Board members in other companies is as disclosed in Board of Directors section of the report.

# OUR GOVERNANCE PHILOSOPHY

## 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 successful 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 existing 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, authorities and tenure. These Committees support the Board in various important areas with special focus on internal controls, risk management, strategic planning, human resource and technology:

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

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

The 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.

The Chief Executive Officer is responsible for all matters affecting the operations, performance and strategy of the business 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 its overall affairs within the responsibilities delegated by the Board of Directors.

## Appointment and term of office

With a view to enable the Board to discharge its responsibilities effectively, the Directors are nominated and appointed through election, ensuring that the Members so elected possess required skillset, knowledge and experience and fulfill Fit & Proper Test (FPT) criteria regarding eligibility of a Director as set by the State Bank of Pakistan.

The Directors of the Bank are elected by Shareholders of the Bank in a General Meeting for a three years' term, Casual Vacancy, if any occurred, is filled by the Directors for the remaining term in accordance with the provisions of the Companies Act 2017 and SBP regulations. To facilitate minority shareholders to contest election of directors, the Bank provides them support as per regulatory requirements.

## Review of overall performance of the Board

The Bank has formalized an in-house process 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.

Primary objectives of the Board of Directors, apart from carrying out its fiduciary duties as required under relevant regulations, includes providing strategic direction, financial oversight and guidance to the Management.

The Board of Directors is assisted by five Board Committees. These Committees performed its duties diligently and effectively in the best interest of all stakeholders, despite of challenging operating and regulatory environment, whilst upholding the vision, mission and core values of the Bank. Board of Directors are 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 remain committed in carrying out their duties diligently and professionally while maintaining focus on sustainable growth of the Bank.

## 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 in the year 2018 and next such independent evaluation will be carried out in 2021.

## 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. The Members of the Board of Directors were regularly updated on changes in law and regulations and important news relating to financial sector and economic environment of the Country.

## 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 Prudential Regulations 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

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
3. Dr. Muhammad Akram Sheikh

In addition, newly appointed Chief Executive Officer Mr. Aizid Razaq Gill has taken charge as CEO with effect from January 1, 2021; and shall attend the Director Training Program in due course.

## Board's Remuneration Policy

The Bank's Board Remuneration Policy, formulated in accordance with SBP's guidelines, was approved by Bank's Shareholders on post facto basis. The scale of remuneration to be paid to Chairman of the Board of Directors and Non-Executive Directors 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.
- No consultancy or allied work is awarded to Non-Executive Directors or to the firms, institutions, companies etc. in which they hold substantial interest.
- 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 Razaq 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 Directors 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 highest 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 the 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.

#### 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 17, 2021 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 74th Annual General Meeting held on March 25, 2020 to answer questions on the activities and matters within the scope of Audit Committee of the Board's responsibilities.

#### Related Party Transaction:

- The Bank has devised a mechanism for identification of related parties and execution of related party transaction at arm's length which are executed in the normal course of business. Based on the statutory requirements, complete transactional details of related parties are presented before the Audit Committee of the Board (ACOB) for review and deliberations. ACOB reviews and recommends the related party transactions to the Board of Directors and Annual General Meeting (where required) for its approval.
- Moreover, as a statutory requirement, a comprehensively prepared return is submitted on half yearly interval to State bank of Pakistan that primarily covers related party transaction executed during the said period.

#### Key Governance Practices

- The Board of Directors comprises of an appropriate mix of Directors in terms of experience, competence and financial acumen.
- Four members of the Board of Directors are certified directors, whereas three directors are exempted from the requirement based on their 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, e-Vision Committee, Board Risk Management Committee, Strategic Planning & Monitoring Committee and Human Resources & Remuneration Committee.
- Corporate Governance rating of "CGR 9+" (out of maximum scale of 10) 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. However, the Bank believes in adopting Corporate Governance practices over and above the applicable laws, regulations and rules.

# MANAGING CONFLICT OF INTEREST

## 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 powers for shareholders' interests and not for his 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.

## Disclosure of Interest by Director:

- Every Director (including 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.
- Directors are required to disclose existing or perceived conflicts of interest at the Board of Directors meeting as per the requirements of prevailing law. Where a conflict of interest or potential conflict of interest has been disclosed, the concerned Board member shall not take part in the Board of Directors discussion on that agenda item. The member who has disclosed the conflict cannot vote on that agenda item.

## Abidance of Laws and Rules:

- Conform to and abide by all the legal and standing requirements and Code of Corporate Governance 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 (comes 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:

- 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, he or she would immediately declare such interest before the Board of Directors.
- No Director shall exploit for his own personal gain, opportunities that are discovered through use of corporate property, information or position, unless the opportunity is disclosed completely in writing to the Board of Directors of the Bank and the Board of Directors allows him or her to avail such opportunity.
- No interested person shall 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.

- 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 or 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.

- 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 relation between the Bank and the public including all the 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.

- 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.

## Insider Trading:

- Directors shall not deal directly or indirectly in the securities of the Bank whether on their own account or their relative's 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.

- 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. Such director shall also deliver a written record of the price, number of shares, form of share certificates, (i.e., whether physical or electronic within the Central Depository System), and nature of transaction to the Company Secretary. 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.

# 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 members including two independent directors, one being Chairman of the Committee. The members of the Committee bring years of diversified rich experience at senior management positions and strategic roles in commercial banking, investment banking, planning, energy, manufacturing and engineering 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 Code of Corporate Governance and Prudential Regulations 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, 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.

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 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 2020, six 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.
- Approval of revised organogram of A&RRG.
- Approval of appointment of A.F. Ferguson & Co. for conducting external assessment of A&RRG.
- Perusal of results of external quality assessment of A&RRG carried out by A.F. Ferguson & Co. Chartered Accountants
- Review of A&RRG's assessment on overall internal controls of the Bank for the year 2019.
- Approval of Annual Assessment Report on Efficacy of Internal Controls over Financial Reporting (ICFR) 2019 for onward submission to SBP.
- Approval of A&RRG's Charter and procedures manuals.
- Monitoring of compliance status of observations highlighted in SBP's inspection reports.
- 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, 2021 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 along with resolutions thereof.
- Review of periodic activity review reports of A&RRG. The Committee also met with senior staff members 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 2019;
  - o Appointment of Statutory Auditors of the Bank, Bahrain Branch and China Office for the year ending December 31, 2020 along with fixation of their remuneration;
  - o Annual Anti Money Laundering (AML) and Combatting the Financing of Terrorism (CFT) Risk Assessment Report – 2018 and 2019 of ABL wholesale banking branch, Bahrain conducted by Ernst and Young (EY);
  - o Management Letter by external auditors along with the Action Plan submitted by the Management;
  - o Internal Audit Policy
  - 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 Bank's existing external auditors namely M/s KPMG Taseer Hadi & Co., Chartered Accountants, have completed their five years term and one year extension shall conclude upon completion of the assignment for the year ended December 31, 2020. The Committee reviewed the requirements for the rotation of external auditors in accordance with the Code of Corporate Governance and in line with the permission granted by the Securities and Exchange Commission of Pakistan and State Bank of Pakistan.

The Committee recommended to the Board of Directors re-appointment of M/s KPMG Taseer Hadi & Co. Chartered Accountants jointly with M/s EY Ford Rhodes Chartered Accountants, as statutory auditors of the Bank for the year ending December 31, 2021, 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 submit 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 16, 2021

# STATEMENT OF COMPLIANCE

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

Allied Bank Limited for the year ended December 31, 2020

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;
  - a. Male: Seven (07)
  - b. Female: One (01)

2. The Composition of Board is as follows

Category	Names
Independent Director	Dr. Muhammad Akram Sheikh
	Mr. Zafar Iqbal
	Ms. Nazrat Bashir
Non-Executive Directors	Mr. Mohammad Naeem Mukhtar
	Sheikh Mukhtar Ahmad
	Mr. Muhammad Waseem Mukhtar
	Mr. Abdul Aziz Khan
Executive Director	*Mr. Tahir Hassan Qureshi, Chief Executive Officer
Female Director	Ms. Nazrat Bashir

\* Deemed Director – Mr. Tahir Hassan Qureshi completed his term as Chief Executive Officer on December 31, 2020 and replaced by Mr. Aizid Razzaq Gill with effect from January 01, 2021.

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, 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. Five members of the Board of Directors (including the outgoing Chief Executive Officer) are Certified Directors from The Pakistan Institute of Corporate Governance or Institute of Chartered Accountants of Pakistan. Whereas three Directors are exempted from such requirement on account of their experience and qualifications.
10. During the period under report, the Board of Directors has approved re-appointment of Company Secretary, including his remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

There has been no appointment of Chief Financial Officer and Head of Internal Audit during the stated period.

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 the 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 are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank.
16. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants 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 and 36 of the Regulations have been complied with; however, regulation 33 has been relaxed with the approval of State Bank of Pakistan and Securities and Exchange Commission of Pakistan, rationale of which is given below;

*The external auditors, M/s KPMG Taseer Hadi & Co, Chartered Accountants completed their statutory term of five years in 2019. Other potential audit firms have already engaged with the Bank in other major assignments. Therefore, keeping in view the scale and complexity of the Bank's operations and to avoid self-review threat by the other potential audit firms, the term of the retiring external auditors M/s KPMG Taseer Hadi & Co, Chartered Accountants was extended after obtaining approval from the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan for one year, i.e. 2020.*

Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36, are given below:

*Chairman of Human Resource and Remuneration Committee (HR&RC) is a non-executive Director. Due to his acumen and vast experience of Human Resource Management the Board of Directors considered him as a most appropriate choice for this position. He is the Chairman of HR&RC of the Bank since June 28, 2011 and has the capacity to run affairs of HR&RC effectively. His profile is separately disclosed in the annual report.*

Mohammad Naeem Mukhtar  
Chairman

Place & Dated:  
Lahore, February 17, 2021



# INDEPENDENT AUDITOR'S 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 for the year ended 31 December 2020 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 2020.

Lahore  
Date: 3 March 2021

KPMG Taseer Hadi & Co.  
Chartered Accountants

# 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, outlines 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 department and an independent Audit and Risk Review department (ARR) respectively.

ARR works under direct supervision of Audit Committee of the Board of Directors (herein after referred as the Committee). The Committee comprises of majority of independent Directors and is chaired by an independent Director.

ARR assists the Committee and the Board of Directors in discharge of their responsibility in respect of Internal Control System. ARR 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 interest 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 department is entrusted with the responsibility to minimize compliance risk with reference to regulatory framework; internal, external and regulatory audit compliance; control self-assessment, monitoring completeness and maintaining up to date inventory of the Bank's policies, procedures and controls. 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. In order to further strengthen the control environment, the Bank has automated the compliance processes especially related to Anti Money Laundering and Combatting the Financing of Terrorism 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 department is entrusted for implementation of effective operational risk management framework. Risk control design assessment and control implementation self-assessment is carried out to evaluate operational controls both at design and implementation levels. Incident and loss data are gathered for analysis 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 risk.

Concerted efforts are made by all functions of the Bank to improve the control environment at grass root level by continuous review and streamlining of policies and procedures to prevent and rectify control lapses.

Furthermore, compliance status of all irregularities identified during various audits and inspections are 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.

In addition, projections of effective evaluation pertaining to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. However, 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.

Bank has completed all the stages of Internal Control over Financial Reporting as specified by State Bank of Pakistan (SBP), which has granted exemption from the requirement of submission of Long Form Report by the External Auditors. As a result, the Bank is submitting "Annual Assessment Report on Efficacy of Bank's Internal Controls over Financial Reporting (ICFR)" prepared by ARR and approved by the Committee from Year 2019 onwards.

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 Razzaq Gill**  
Chief Executive Officer

Lahore  
Dated: February 17, 2021

# 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

He is serving the Bank since February 18, 2013 and as Chairman Shariah Board since August 17, 2018. He graduated as a Mufti, achieving Masters in Traditional Islamic Studies and specializing in Islamic Jurisprudence from Pakistan's renowned Islamic School, Jamia Darul-Uloom Karachi. He is also a Law graduate from University of Karachi (KU).

He has been serving for more than seventeen years at different local and international Banks and Mudarabah Companies, Insurance Companies (Window Takaful Operation) as Shariah Advisor and 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

He is serving as member Shariah Board of the Bank. He is among the few scholars who possess a unique combination of religious and contemporary education. He graduated as a Mufti, achieving Masters in Traditional Islamic Studies and specializing in Islamic Jurisprudence from Wifaqu-ul-Almadaris Alarabia. Later he accomplished his Master in Arabic from University of the Punjab, Lahore and MPhil in Islamic Banking and Finance from University of Management and Technology (UMT). This unique blend of educational combination gives him an edge to understand, correlate and align modern day banking practices with Shariah principles.

He has also earned Takhassus-Fi-Alifta in Islamic Fiqh and Fatawa from Jamia Darul-Uloom, Karachi. He has experience of more than five years as member Shariah Board with Islamic Bank and has eight years of experience as a Shariah consultant with Islamic Micro-Finance and other organizations. He is Mufti and lecturer in renowned Islamic university - Al Jamia Al Ashrafia Lahore and also serves as Assistant Professor in College of Accountancy and Finance, University of Lahore (UOL).

### Mufti Tayyab Amin

#### Resident Shariah Board Member

He is serving as Resident Shariah Board Member (RSBM) of the Bank. He earned his Al-Aalamiyyah (a degree recognized by the HEC Pakistan as a Masters in Arabic & Islamic studies) and specialization in Islamic Jurisprudence from Jamia Darul-Uloom, Karachi, which is one of the most reputed and prestigious religious institution in the Country. He completed his Master's degree (MA) in Islamic Studies from Punjab University and M-Phil from University of Sargodha.

Prior to joining the Bank, he has worked as Shariah advisor for six years at First Elite Capital Mudharabah and three years at First Punjab Mudharbah. He also worked in Alfalah Insurance Company (Window Takaful Operation) as Shariah Compliance officer for three years.

He regularly delivers lectures on Islamic Economics and Finance at different forums and educational institutions.

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 have 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, 2020

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

By the grace of Almighty Allah, the year under review was the 9th year of Islamic Banking Operations of Allied Bank Limited (ABL-IBG). The scope of this report is to cover the affairs of ABL-IBG, from Shariah perspective as described under Shariah Governance Framework of State Bank of Pakistan. Shariah Board is pleased to submit a report on the overall Shariah compliance environment of ABL-IBG.

The Board of Directors and Executive Management are solely responsible to ensure that the operations of ABL-IBG 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-IBG operations conducted during the year.

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

The business affairs of ABL-IBG, especially with reference to transactions, relevant documentation and procedures, performed during the year 2020 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 Musharkah, Diminishing Musharkah, Salam and Ijarah for its financing activities during the year. The bank under review period also maintained

gradual shift from Trade based modes to Participative mode which is an encouraging development.

ABL-IBG 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 branch 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. Rs. 0.074 million transferred to Charity Payable Account in the normal course of business on account of late payments by clients in various financial transactions. An amount of Rs. 0.075 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, in every activity under taken by the ABL-IBG, on sample basis. 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. Moreover, SCD has conducted the review of branches to evaluate the Shariah knowledge of staff.

**Review and Development:** ABL-IBG has completed yet another

successful year. Upon achieving a branch network of 117 dedicated Islamic branches and 60 Islamic Banking windows, further expansion in outreach has been done through addition of 25 Windows at selected conventional branches during 2020. Similarly, significant growth in assets, Investments, deposit, trade and other business avenues have been registered.

**Asset Review:** During the year, financing portfolio has increased by 158.76% to Rs. 32,642 million as compared to 12,615 million in last year, which mainly constitutes of Business Musharkah (55.07%), Diminishing Musharkah (35.36%), Islamic Export Re-Finance-Business Musharkah (3.06%).

Besides, the investment portfolio has also risen by 57.81% to Rs. 19,650 million as compared to 12,452 million in last year, which mainly constituting Government Ijarah Sukuk, Corporate Sukuks and Bai-Muajjal with Government of Pakistan

During the year, the SB approved new products including Allied Aitebar Solar System Finance, IRS for Working Capital Financing, IRS for Combating COVID – 19, Islamic Temporary Economic Refinance Facility, Islamic Refinance Facility for Modernization of SMEs (IRFMS), IRS for Payment of Wages & Salaries and Allied Aitebar Prime Minister's Kamyab Jawan Youth Entrepreneurship Scheme on assets side.

**Deposit Review:** The total deposits of ABL-IBG have increased by 21.66% during the year reaching to Rs. 41,839 million at December 31, 2020 as compared to Rs. 34,389 million as of last year.

During the year, the SB approved new deposit products including Allied Islamic Express Plus 1, Allied Aitebar Rising Star, Allied Aitebar Roshan Digital and Allied Aitebar Khanum Account.

During the year 2020, IBG has shown remarkable results. The profitability of IBG has grown by 867% from last year and reached to 754 million.

Other Key Activities: SB also reviewed following policies and manuals during the year:

- Islamic Banking Window Operations Policy
- Treasury & Investment Policy
- Islamic Banking Policy for Pool Management
- Allied Aitebar Home Musharakah Policy
- Group Charter - Islamic Banking
- Master Service Level Agreement between IBG & Other Groups
- Musawamah Finance Manual
- Islamic Banking Deposit Manual
- Procedural Manual for Islamic Banking Pool Management
- Allied Aitebar Car Ijarah
- Manual for Conversion of Conventional Banking Branches to Islamic Banking Branches
- Interbank Transactional Manual under Waad
- Allied Aitebar Senior Citizen Account
- Allied Islamic Youth Account

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: Shariah Board had held four meetings during the year 2020 wherein multiple issues were discussed upon, reviewed and resolved.

#### 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.

Management Development Center of ABL, arranged various mandatory and refresher training sessions and 1243 employees attended these sessions. Moreover, 10 employees attended training session conducted by NIBAF and other reputed Islamic banking training institutes.

#### BOD and Shariah Board Training and Orientation

In order to enhance Islamic banking knowledge and acumen, an orientation session for BOD was conducted by the Shariah Board. Moreover, different trainings included AACIFI Shariah Standards, information security and AML were attended by the members of Shariah Board.

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

#### Recommendations:

Following are some areas, which require continuous focus:

1. Bank's increased focus on creating awareness regarding misconceptions of Islamic banking by conducting seminars / programs and awareness sessions is well appreciated. It is recommended that such programs should also be continued in future at mass level.
2. Bank's policy of appointing new staff members for Islamic banking branches with inclination /commitment to the ideology of Islamic banking should be continued.
3. 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 Islamic Banking refresher, certification and Shariah documentation

courses. Moreover, enhanced training for HRG staff dealing with staff finance should also be conducted. This will ensure enhanced capacity building as well as address the possible Shariah non-compliance risk.

4. Conventional insurance is not permissible from Shariah perspective. Therefore, it is recommended to convert IBG's assets to Takaful as soon as possible.
5. Bank may introduce new version of Business Musharakah wherein profit calculation basis is delinked with KIBOR.

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 17, 2021

# شریعی بورڈ کی رپورٹ برائے اختتام سال 31 دسمبر 2020

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

اللہ سبحانہ و تعالیٰ کے فضل و کرم سے، الاینڈ بینک لمیٹڈ میں اسلامی بینکاری کے کاروبار (ABL-IBG) نے، اس زیر بحث مدت کے ساتھ اپنے 09 سال مکمل کر لیے ہیں۔ اس رپورٹ کا مقصد ABL-IBG میں، اسٹیٹ بینک آف پاکستان کی طرف سے جاری کردہ شریعی گورننس فریم ورک 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 ABL-IBG میں 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 ABL-IBG میں ہونے والے تمام معاملات کی ہمہ وقت شرعی اصولوں کے مطابق انجام دی کو یقینی بنائیں۔ 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 اپنی مزکورہ رائے کو قائم کرنے کے لیے، جیسا کہ اس رپورٹ میں اظہار کیا گیا ہے، تمام معاملات اور اس سے متعلقہ دستاویزات اور انکی انجام دی کے طریقہ کار کا نمونہ کی بنیاد پر تجزیہ کیا ہے۔ علاوہ ازیں، ہم نے انٹرنل شریعی آڈٹ اور اس سال کے دوران ہونے والے ABL-IBG کے ایکسٹرنل شریعی آڈٹ رپورٹوں کا بھی جائزہ لیا ہے۔

مندرجہ بالا امور کی بنیاد پر ہماری رائے یہ ہے کہ:

ABL - IBG، کے سال 2020ء 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۔

تمویلی سرگرمیوں کے لیے بینک نے اس سال کے دوران زیادہ تر اجارہ، شرکت متناقصہ، سلم اور بزنس مشارکہ کو استعمال کیا۔ اس زیر بحث مدت کے دوران، بینک نے تجارتی سرمایہ کاری سے شراکتی سرمایہ کاری کی طرف اپنی بتدریج منتقلی کے عمل کو برقرار رکھا جو کہ حوصلہ افزاء ہے اور اسلامک بینکنگ انڈسٹری پر اس کے مثبت اثرات مرتب ہوں گے۔

ABL-IBG نے اپنے تمام معاملات میں شریعی کمپلائنس کو یقینی بنانے کے لیے آڈٹ اور شریعی کمپلائنس ریویو کی شکل میں ایک موثر نظام تشکیل دیا ہے۔ اور آنے والے سالوں میں ایک وسیع برانچ نیٹ ورک کی ضروریات کو پورا کرنے کے لیے اس نظام میں مسلسل بہتری کے عمل پر اپنی توجہ مرکوز رکھے ہوئے ہے۔ 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 ہو) کو آمدنی کا حصہ بننے سے روک سکے۔ عام کاروباری معاملات میں، مختلف مالی لین دین کی تاخیری ادائیگیوں کی وجہ سے صارفین کی طرف سے چیرٹی (خیراتی) پے ایبل اکاؤنٹ (Charity Payable Account) میں 0.074 ملین روپے منتقل کیے گئے جبکہ 0.075 ملین روپے کی رقم منظور شدہ فلاحی اداروں کو گرانٹ کی گئی۔

انٹرنل شریعی آڈٹ (Internal Shariah

(Audit Function - ISAF) کی جانب سے اختیار کی گئی ہر سرگرمی کی شریعی بورڈ، ریزولوشن شریعی بورڈ ممبر (RSBM) اور اسٹیٹ بینک آف پاکستان کے اسلامی بینکاری ڈویژن کی طرف سے جاری کردہ شرعی ضوابط و ہدایات سے ہم آہنگ کر کے شریعی کمپلائنس کو یقینی بنانے میں اہم کردار ادا کرتا ہے۔ ISAF، RSBM / شریعی بورڈ کو اسکی معلومات، تجزیے اور اصلاحات کے تعین کے لیے وقتاً فوقتاً رپورٹس فراہم کرتا ہے۔

بینک کا شریعی کمپلائنس کا شعبہ (SCD) موزوں افراد کی قوت کے ساتھ شریعی بورڈ کی زیر نگرانی کام کرتا ہے۔ اس شعبے کے بنیادی مقاصد میں تمام جدید تحقیقات میں معاونت اور شریعی کمپلائنس کو یقینی بنانا، اسلامی بینکاری کی تربیت (ٹرینینگ) کا انعقاد، ہر طرح کے لین دین، دستاویزات اور انکی انجام دی کے طریقہ کار میں شریعی کمپلائنس کا جائزہ لینا شامل ہے۔ اس کے علاوہ شریعی کمپلائنس کے شعبے نے سٹاف کی اسلامک بینکنگ کی معلومات کا جائزہ لینے کے لیے برانچز کا دورہ بھی کیا ہے۔

## ریویو اینڈ ڈیپلپمنٹ

ABL - IBG نے ایک اور کامیاب سال مکمل کر لیا ہے۔ 117 مستقل بنیادوں پر کام کرنے والی برانچوں کے نیٹ ورک اور 60 اسلامی بینکاری کی ونڈوز (Windows) کے حصول کے بعد، سال 2020ء میں منتخب کنٹریٹل برانچوں میں 25 اضافی ونڈوز کے ذریعے اسلامک بینکنگ میں مزید اضافہ کیا گیا ہے۔ اسی طرح اثاثوں، 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 12,615 ملین روپے کی نسبت 158.76 فیصد کے اضافے کے ساتھ 2,642 ملین روپے تک بڑھ گیا جس میں بزنس مشارکہ (55.07%)، شرکت متناقصہ (35.36%)، اسلامک ایکسپورٹ ری فننس - بزنس مشارکہ (3.06%) کا نمایاں کردار رہا۔

علاوہ ازیں، سرمایہ کاری کا مجموعی حجم حکومتی اجارہ صلوک، کارپوریٹ صلوک اور حکومت پاکستان کے ساتھ بیج موصول کے بنیادی عوامل کی وجہ سے، گزشتہ سال کے 12,452 ملین روپے کے حجم کی نسبت 57.81 فیصد کے اضافے کے ساتھ، 19,650 ملین روپے تک بڑھ گیا۔

اس سال کے دوران، بینک کے شریعہ بورڈ نے فنانسنگ کے لیے چند نئی پروڈکٹس کی منظوری بھی دی ہے جن میں الائیڈ اعتبار سولرسٹم فننس، ورکنگ کیپٹل فننس کے لیے آئی آر ایس (IRS)، کووڈ - 19 کے حالات سے نمٹنے کے لیے آئی آر ایس (IRS)، اسلامک ٹمپریری اکنامک ری فننس فسیلیٹی، ایس ایم ایز کی ماڈرنائزیشن کے لیے اسلامک ری فننس فسیلیٹی، اجرت اور تنخواہوں کی ادائیگی کے لیے آئی آر ایس اور اثاثوں کے حوالہ سے الائیڈ اعتبار ووزیر اعظم کامیاب جوان پوتھ انٹرپرائیور شپ (Entrepreneurship) سکیم شامل ہیں۔

## ڈیپازٹ کا تجزیہ

ABL - IBG کے مجموعی ڈیپازٹس گزشتہ سال کی 34,389 ملین روپے کی سطح کی نسبت 21.66 فیصد

کے اضافے کے ساتھ 31 دسمبر 2020 تک 41,839 ملین روپے تک جا پہنچے۔ اس سال کے دوران شریعہ بورڈ نے ڈیپازٹ کی نئی پروڈکٹس کو بھی منظور کیا ہے جن میں الائیڈ اسلامک ایکسپریس پلس، الائیڈ اعتبار رائزنگ سٹار، الائیڈ اعتبار روشن ڈیجیٹل اور الائیڈ اعتبار خانم اکاؤنٹ شامل ہیں۔

سال 2020 کے دوران، IBG نے شاندار نتائج حاصل کئے ہیں۔ IBG کا منافع گزشتہ سال سے 867 فیصد کے اضافے کے ساتھ 754 ملین روپے تک پہنچ گیا ہے۔

## دیگر اہم سرگرمیاں

شریعی بورڈ نے سال کے دوران مندرجہ ذیل پالیسیوں اور مینوئلز (Manuals) کا بھی جائزہ لیا:

\* اسلامک بینکنگ ونڈو آپریشن پالیسی

\* ٹریڈی اینڈ انویسٹمنٹ پالیسی

\* اسلامک بینکنگ پالیسی برائے

پول (Pool) مینجمنٹ

\* الائیڈ اعتبار ہوم مشارکہ پالیسی

\* گروپ چارٹر۔ اسلامک بینکنگ

\* IBG اور دیگر گروپس کے مابین ماسٹرسروس

لیول ایگریمنٹ

\* مسادمہ فننس مینوئل

\* اسلامک بینکنگ ڈیپازٹ مینوئل

\* اسلامک بینکنگ پول مینجمنٹ کے لیے

پرائسجرل (procedural) مینوئل

\* الائیڈ اعتبار کاراجارہ

\* روایتی بینکنگ پرائسجرل کی اسلامک بینکنگ

پرائسجرل میں منتقلی کا مینوئل

\* وعدہ (Wa'ad) کے تحت بینکوں کے مابین

لین دین کا مینوئل

\* الائیڈ اعتبار سینئر سٹیٹن اکاؤنٹ

\* الائیڈ اسلامک پوتھ اکاؤنٹ

## منافع کی تقسیم کی پالیسی

شریعی کمپلائنس کے ڈیپارٹمنٹ نے منافع کی ماہانہ بنیاد پر تقسیم کے عمل کا بھی جائزہ لیا اور اس امر کو یقینی بنایا کہ یہ تقسیم شریعی بورڈ اور اسٹیٹ بینک آف پاکستان کی ہدایات کے عین مطابق ہو۔ مزید یہ کہ، پول مینجمنٹ کا سہ ماہی بنیاد پر انٹرنل شریعی 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۔

## شریعی بورڈ کے اجلاس (میٹنگز)

سال 2020ء کے دوران شریعی بورڈ کے چار اجلاس ہوئے جن میں مختلف امور زیر بحث آئے اور انکا تجزیہ اور انکا حل تجویز کیا گیا۔

## عملہ کی تربیت (ٹرییننگ)

اسلامک بینکنگ کی معلومات اور فہم میں 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۔ ABL کے مینجمنٹ ڈیولپمنٹ سینٹر نے متعدد لازمی و تجدیدی تربیتی سیشنز کا انعقاد کیا جس میں 1,243 ملازمین نے شرکت کی۔ اس کے علاوہ 10 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 / 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 ممبران نے مختلف تربیتی نشستوں جن میں AAOIFI شریعہ اسٹینڈرڈز، انفارمیشن سکیورٹی اور AML شامل ہیں، میں شرکت کی۔ عام لوگوں میں اسلامک بینکنگ کی واقفیت کو بڑھانے کے لیے بینک نے علماء اور عام لوگوں کے لیے تربیتی نشستوں کا بھی انعقاد کیا۔

#### تجاویز / سفارشات

مندرجہ ذیل چند عوامل مسلسل توجہ طلب ہیں:

1- اسلامک بینکنگ کے بارے میں غلط فہمیوں کو دور کرنے اور اس بارے میں آگاہی کی نشستوں کے انعقاد پر بینک کی توجہ میں اضافہ خوش آئند اور قابل قدر ہے

تاہم ایسی نشستوں کو مستقبل میں بھی جاری رکھنے اور بڑے پیمانے پر کرنے کی سفارش کی جاتی ہے۔

2- 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۔

3- بینک، مختلف نشستوں اور سیمینارز کے انعقاد کے ذریعے، اپنے سٹاف کو اسلامی بینکنگ اور فنانس کے مختلف پہلوؤں کے بارے میں تربیت فراہم کر رہا ہے۔ تاہم اس سلسلے میں ہمہ وقت توجہ مبذول رکھنے کی ضرورت ہے۔ اور اسلامک بینکنگ کے ریفریشر، سرٹیفیکیشن اور شرعی دستاویزات سے متعلق کورسز کے ذریعے اس کی آگاہی بڑھانے کی ضرورت ہے۔ بالخصوص HRG کے عملہ کے لیے جو سٹاف فنانس کے شعبہ کو دیکھتے ہیں اضافی تربیت کا انعقاد کیا جانا چاہیے۔ اس سے ناصرف قابلیت

میں اضافہ ہوگا بلکہ شرعی اصولوں کی ممکنہ خلاف ورزی کے خدشات کا تدارک بھی ہو سکے گا۔

4- شرعی نقطہ نظر سے روایتی انشورنس جائز نہیں ہے لہذا IBGI کے اثاثوں کو جلد از جلد تکافل (Takaful) پر منتقل کرنے کی سفارش کی جاتی ہے۔

5- بینک، بزنس مشارکہ میں نئی جدت پیدا کر سکتا ہے جس میں اسکے منافع کی تخمینہ سازی کی بنیاد کو کمپیوٹر (KIBOR) سے منقطع کر دیا جائے۔ 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: 17 فروری 2021



# POLICIES AND GUIDELINES

## Whistle Blowing Policy

### Preamble

The purpose of Whistle Blowing Policy (herein referred as Policy) is to create a channel whereby the Bank's staff is encouraged to report, without any fear, any malicious activity or conduct of employees, which may cause financial or reputational loss to the Bank. The Policy provides assurance to the Whistleblowers about secrecy and protection of their legitimate personal interests. It also provides incentives for the Whistleblowers on reporting of suspicious activities.

### Objectives

The intended objectives of this policy are:

- Develop a culture of openness, accountability and integrity;
- Provide an environment whereby employees of the Bank blow whistle where they know or suspect any immoral, unethical, fraudulent act of any current or former employees, vendors, contractors, service providers and customers which may cause financial or reputational risk to the Bank;
- Create awareness amongst employees and stakeholders regarding the Whistle Blowing function; and
- Enable Management to be informed at an early stage about aforementioned activities or misconduct and take appropriate actions.

### Scope

The scope of this Policy includes, without limitation all types of unlawful acts and orders, fraud, corruption, misconduct, collusive practices 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 Unit is established under supervision of Audit Committee of the Board, for handling and monitoring allegations, complaints and concerns raised by the complainant or whistleblower under the Policy.

### 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.

Your Bank stands committed to protect Whistleblowers for Whistle Blowing and any subsequent harassment or victimization of the Whistleblower is not to be tolerated. If the Whistleblower feels that at his or her existing place of posting, he or she might be subject to victimization or harassment by the alleged officials after blowing the Whistle, the management may consider transferring him or her to another suitable place on his or her request.

Indemnity from disciplinary action will be provided to the whistleblower employee, against actions or involvement in the activity against which whistle is blown, based on the merits of the subject case.

### Incentives for Whistle Blowing

On the recommendation of Audit Committee of the Board, the Whistleblower will be suitably awarded according to the significance of the information he or 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 Audit Committee of the Board.
- Whistle blowing forms available on the Bank's corporate website.
- Post or courier addressed to Chairman Audit Committee of the Board, 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 Audit Committee of the Board in year 2020: Six (6).

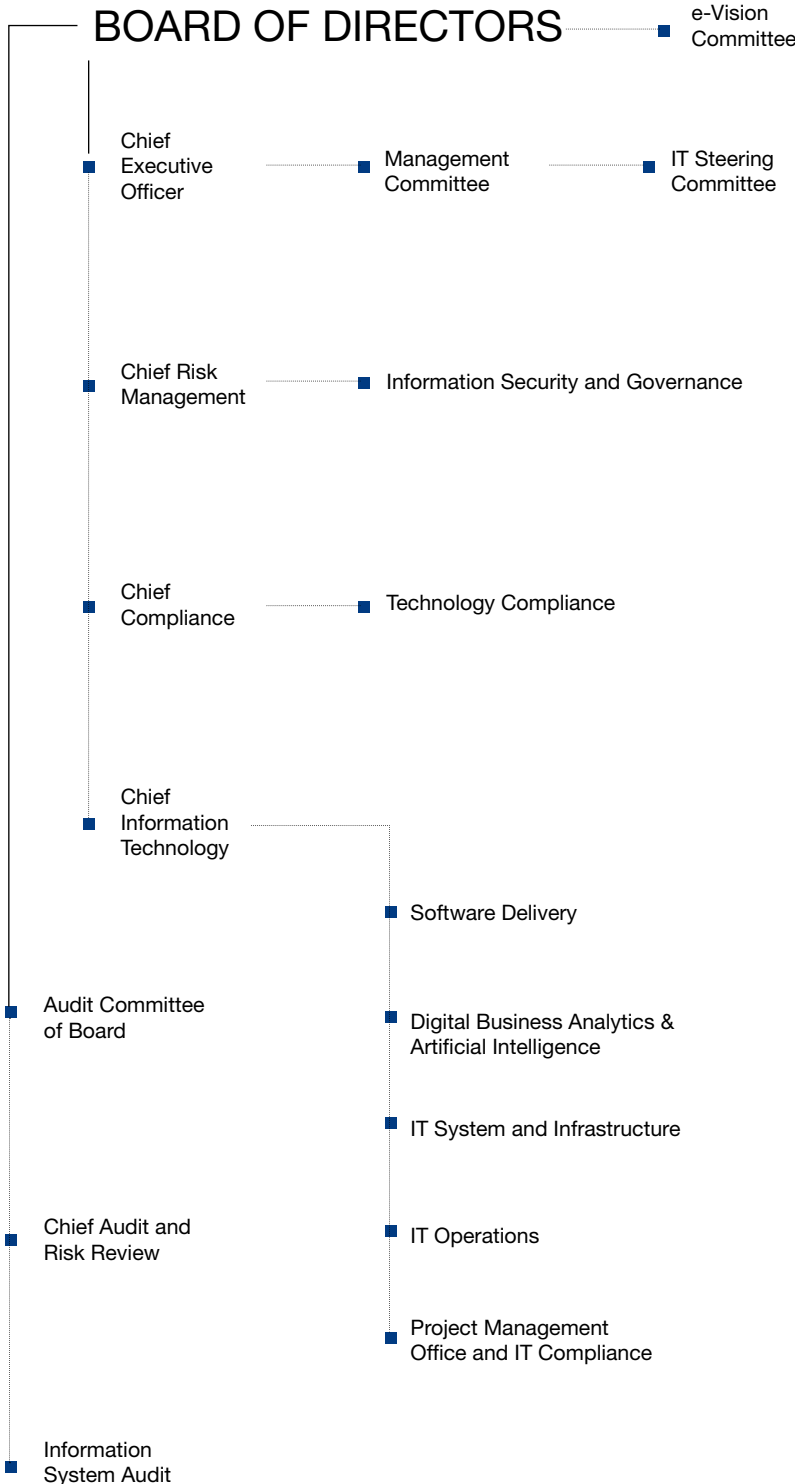
## Investor Grievance

The 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 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 is given on the Bank's corporate website for this purpose.
- In addition, if shareholders grievances are not resolved by the Shares Registrar of the Bank, as well as 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 links of SECP website which are available in investor grievance 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, using email address investor.relations@abl.com (which is available on corporate website as well).

# POLICIES AND GUIDELINES

## Information Technology (IT) Governance



IT Governance framework, policies and procedures ensure that Your Bank's significant investment in IT infrastructure is duly aligned with the long-term strategies and objectives of Your 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 ensuring that:

- IT strategic plan fits with the current and evolving needs of Your Bank and customers.
- IT based policies and procedures conform to the Bank's, statutory and regulatory requirements.
- IT function designs, specifies and maintains systems for optimal utilization by Your Bank.
- IT acquisitions follow the necessary approvals ensuring that there is appropriate balance between cost, risks, short term and long-term benefits.
- Roles and responsibilities are clearly defined for smooth delivery of business requirements and services.

IT Governance of Your Bank comprises monitoring by:

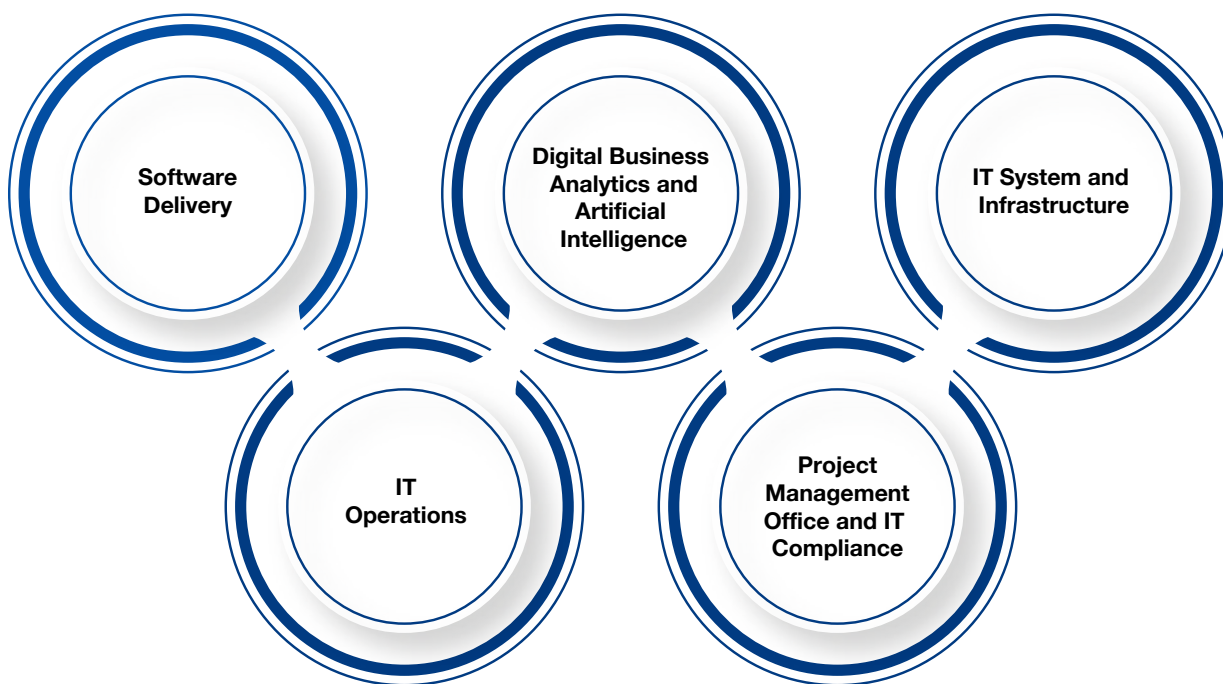
### e-Vision Committee of the Board

Supervises the IT Governance in Your Bank and provides strategic direction for adoption and 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 Your Bank to improve IT infrastructure and automation of processes and systems including alternate delivery channels. The Committee extends assistance to the Board of Directors with insights regarding evolving technologies in the field of e-banking and digital platforms. It also oversees performance of Information Technology function of Your Bank.

**IT Steering Committee (ITSC)** of Your Bank is entrusted to review initiatives and prioritize projects for their implementation along with recommendation for required infrastructure and monitor their performance. ITSC reviews and recommends the annual and long-term Strategic IT plan before its recommendation to Management Committee (MANCOM) and to the e-Vision Committee of the Board for review and approval by the Board of Directors. ITSC assists MANCOM in implementing IT and Digital strategies approved by the Board of Directors and also play an advisory role in all technology related matters. ITSC also reviews the result of vulnerability and IT risk assessment exercises and ascertains measures taken to mitigate identified risks. Chief IT is the chairman of ITSC.

**Information Technology Function** is headed by Chief IT, reporting to Chief Executive Officer of Your Bank. Information Technology function is responsible for development and delivery of technology driven services in line with directions of the Board of Directors and its committees under the strategic guidance of ITSC. Chief IT is responsible for the development and implementation of IT policies and procedures in line with best practices, providing valuable insights to keep the Bank transformed with emerging technological enhancements and maintain professional staff strength with sufficient skills and experience to keep up with the latest technologies and concepts.

Information Technology function of Your Bank is strengthened by the following sub functions which are headed by committed professionals, providing innovative and efficient solutions to achieve organizational objectives.



**Information Security and Governance** functioning under the umbrella of Risk Management function, 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 campaign across the Bank.

**Technology Compliance** under Compliance function 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 report 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.

# POLICIES AND GUIDELINES

## Remuneration Report

### Compensation Governance

Employee compensation plays an integral role in the successful delivery of Your Bank's strategic objectives. Attracting and retaining the capable employees is central to Your 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 societal values. 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 IBP 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. Functions are identified as MRTs or MRCs 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.

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.

# 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. 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 disabled.
- Our working style should have positive impact on "ENVIRONMENT" promoting green banking, use of renewable energy sources, reducing carbon omissions, promoting trees and plants 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.
- Strengthen "CUSTOMER RELATIONS" by ensuring satisfaction and privacy.
- Protecting Human rights, ensuring transparency, taking anti-corruption measures, 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.

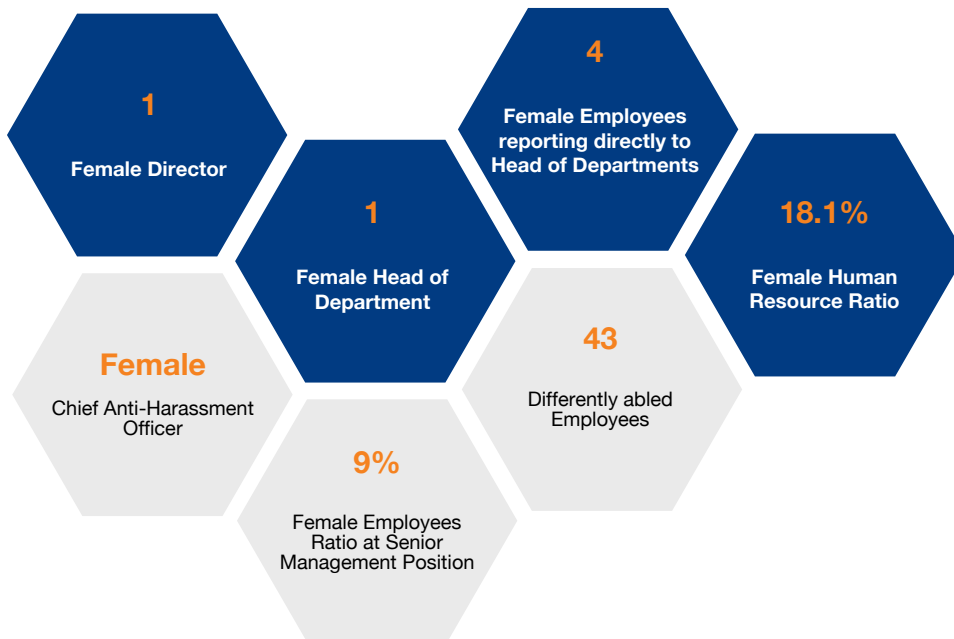
The Bank's contributions towards these areas are mentioned in Corporate Sustainability Report.

# POLICIES AND GUIDELINES

## Human Resource Diversity

Your 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. Achieving gender parity index equilibrium along with providing a respectable working environment to a diverse human resource of Your Bank is

the cornerstone of all Human Resource related policies and procedures of the Bank. A clear roadmap along with measurable objectives is already in place to further improve the Human Resource diversity of Your Bank. The commitment towards bringing diversity is further augmented by the following statistics.



## Human Resource Management and Succession Planning

Your Bank is adamant to the fact that to create, develop and retain the human capital is key to achieve its strategic objectives which is envisaged by instilling a culture of continuous learning and development. The Human Resource function of Your Bank is entrusted to execute best industry practices to make Allied Bank, a first choice employer to work for, and is recognized by awarded as “Best Progressive Bank” on HR Global Diversity and Inclusion Benchmarks (GDIB) for Leadership and Recruitment & Development.

Key initiatives for implementation of effective human resource management policies including preparation of a succession plan are as under;

- Introduction of Allied Leadership Talent Pipeline (ALTP) to ensure effective succession at the mid-level management. The salient features of this program are:
  - o Identification and categorization of potential successors.
  - o Development of focused training programs for each category.
  - o Execution of Training through in-house mentors and external industry leaders.
- Construction of custom-built Management Development Center.
- Target setting for minimum training requirements of each function.

## Record Management

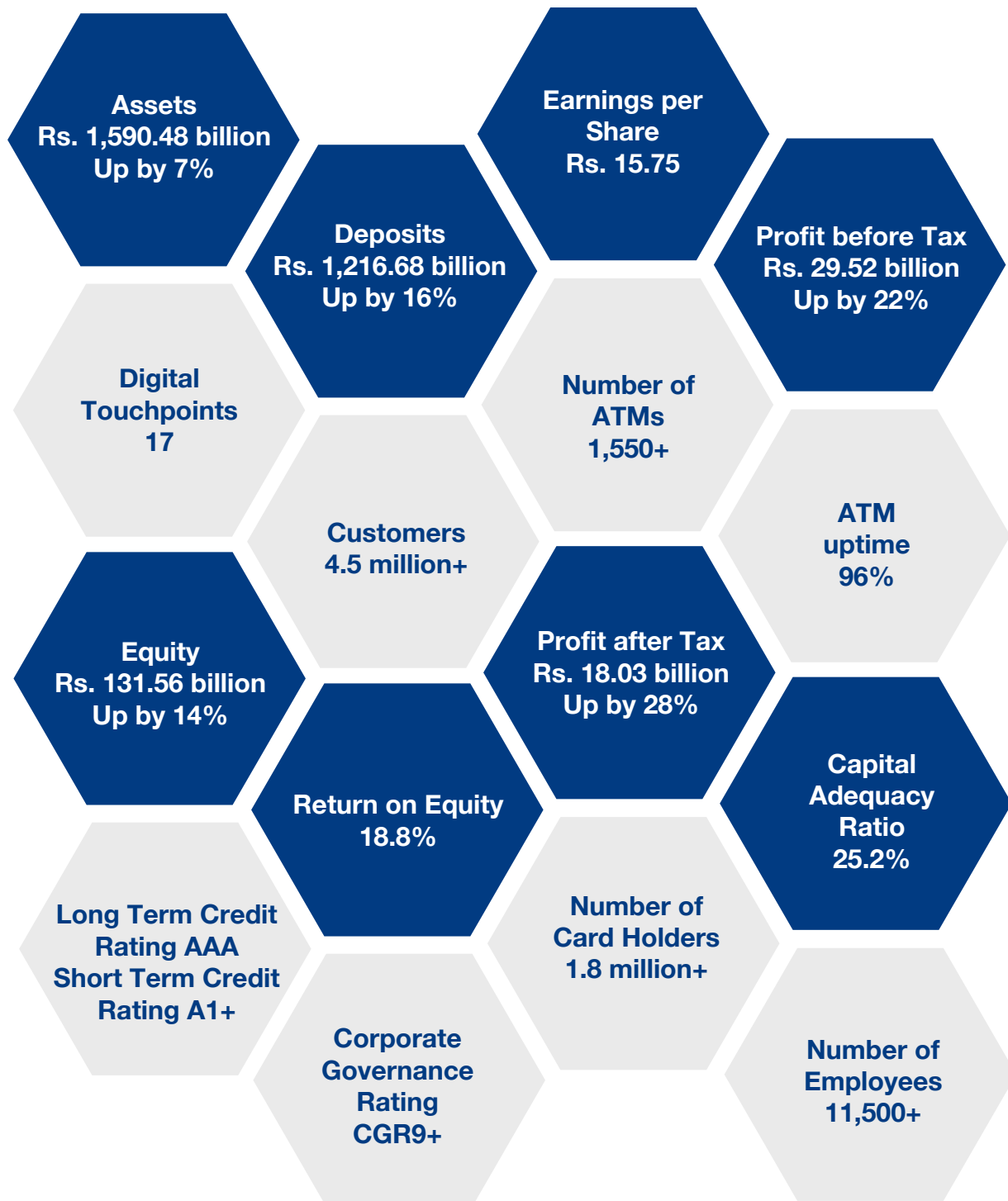
Record management is an organizational function to control the maintenance and disposition of organization’s record. Record management ensures the valuable record evidence of an organization’s activities that have legal, financial, administrative or historical value are protected and accessible while obsolete record is systematically destroyed.

The Bank has a records management program that ensures maintenance, protection, retention and disposal of records in accordance with applicable regulations, operations need and fiscal and legal requirements.



# PERFORMANCE AND POSITION

# HIGHLIGHTS OF 2020





# SIX YEARS VERTICAL ANALYSIS

## Statement of Financial Position

	2020		2019		2018		2017		2016		2015	
	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	135,628	9%	120,546	8%	101,763	8%	86,016	7%	73,884	7%	60,789	6%
Lending to financial institutions	17,996	1%	13,607	1%	53,780	4%	8,694	1%	10,513	1%	3,356	0%
Investments- Net	829,621	52%	757,957	51%	671,228	50%	698,082	56%	589,865	55%	544,349	55%
Advances - Net	496,432	31%	485,016	33%	438,317	32%	372,038	30%	329,562	31%	321,605	32%
Operating Fixed assets	76,246	5%	64,084	4%	52,128	4%	48,327	4%	32,757	3%	28,850	3%
Other assets	34,535	2%	39,911	3%	33,382	2%	36,508	3%	35,598	3%	34,148	3%
<b>Total Assets</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>1,072,179</b>	<b>100%</b>	<b>993,097</b>	<b>100%</b>
<b>LIABILITIES</b>												
Bills payable	9,622	1%	7,879	1%	7,753	1%	7,835	1%	9,849	1%	4,942	0%
Borrowings	193,928	12%	266,448	18%	225,883	17%	223,556	18%	126,369	12%	137,960	14%
Deposits	1,216,678	76%	1,049,043	71%	984,475	73%	883,741	71%	805,111	75%	734,596	74%
Other liabilities	38,670	2%	42,400	3%	25,183	2%	27,817	2%	30,176	3%	26,343	3%
Sub-ordinated loans	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
<b>Total Liabilities</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>971,505</b>	<b>91%</b>	<b>903,841</b>	<b>91%</b>
<b>NET ASSETS</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>100,674</b>	<b>9%</b>	<b>89,256</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	24,277	2%	22,270	2%	20,276	2%	17,980	1%	16,533	2%	15,102	2%
Un - appropriated profit	66,995	4%	55,821	4%	52,500	4%	49,212	4%	46,490	4%	41,415	4%
Surplus on revaluation of assets	28,837	2%	25,809	2%	23,077	2%	28,073	2%	26,200	2%	21,288	2%
	<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>100,674</b>	<b>9%</b>	<b>89,256</b>	<b>9%</b>
<b>Profit and Loss Account</b>												
<b>Interest / Return / Non Interest Income earned</b>												
Markup / Return / Interest earned	110,547	90%	122,637	92%	73,274	87%	65,709	88%	64,606	85%	72,116	88%
Fee, Commission & Brokerage	5,441	4%	5,092	4%	4,361	5%	3,917	5%	4,014	5%	3,570	4%
Foreign Exchange Income	1,664	1%	1,992	1%	1,504	2%	762	1%	645	1%	838	1%
Gain on securities and Dividend income	5,076	4%	3,404	3%	5,172	6%	3,869	5%	6,449	9%	4,361	5%
Other income	361	0%	403	0%	252	0%	323	0%	102	0%	986	1%
Non-markup Income	12,542	10%	10,891	8%	11,289	13%	8,871	12%	11,210	15%	9,755	12%
<b>Total Income</b>	<b>123,089</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>75,816</b>	<b>100%</b>	<b>81,871</b>	<b>100%</b>
<b>Markup / Return / Interest and Non Interest Expense</b>												
Markup / Return / Interest expensed	(62,126)	-50%	(81,130)	-61%	(41,159)	-49%	(34,130)	-46%	(31,345)	51%	(35,977)	-44%
Operating expenses	(30,471)	-25%	(27,555)	-21%	(23,365)	-28%	(21,884)	-29%	(20,797)	34%	(18,603)	-23%
Donations	(133)	0%	(55)	0%	(113)	0%	(54)	0%	(42)	0%	(139)	0%
Non-markup Expense	(30,604)	-25%	(27,610)	-21%	(23,478)	-28%	(21,938)	-29%	(20,839)	34%	(18,742)	-23%
(Provisions) / Reversals	(844)	-1%	(547)	0%	1,090	1%	2,367	3%	199	0%	(1,649)	-2%
Taxation	(11,486)	-9%	(10,129)	-8%	(8,136)	-10%	(8,145)	-11%	(9,404)	15%	(10,383)	-13%
Total expense - percentage of total income	(105,060)	-85%	(119,416)	-89%	(71,683)	-85%	(61,846)	-83%	(61,389)	100%	(66,751)	-82%
<b>Profit / (Loss) after taxation</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>	<b>14,427</b>	<b>19%</b>	<b>15,120</b>	<b>18%</b>

# SIX YEARS HORIZONTAL ANALYSIS

## Statement of Financial Position

	2020	20 vs 19	2019	19 vs 18	2018	18 vs 17	2017	17 vs 16	2016	16 vs 15	2015	15 vs 14
	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	135,628	13%	120,546	18%	101,763	18%	86,016	16%	73,884	22%	60,789	44%
Lendings to financial institutions	17,996	32%	13,607	-75%	53,780	519%	8,694	-17%	10,513	213%	3,356	65%
Investments- Net	829,621	9%	757,957	13%	671,228	-4%	698,082	18%	589,865	8%	544,349	27%
Advances - Net	496,432	2%	485,016	11%	438,317	18%	372,038	13%	329,562	2%	321,605	5%
Operating Fixed assets	76,246	19%	64,084	23%	52,128	8%	48,327	48%	32,757	14%	28,850	6%
Other assets	34,535	-13%	39,911	20%	33,382	-9%	36,508	3%	35,598	4%	34,148	-5%
<b>Total Assets</b>	<b>1,590,458</b>	<b>7%</b>	<b>1,481,121</b>	<b>10%</b>	<b>1,350,598</b>	<b>8%</b>	<b>1,249,665</b>	<b>17%</b>	<b>1,072,179</b>	<b>8%</b>	<b>993,097</b>	<b>18%</b>
<b>LIABILITIES</b>												
Bills payable	9,622	22%	7,879	2%	7,753	-1%	7,835	-20%	9,849	99%	4,942	2%
Borrowings	193,928	-27%	266,448	18%	225,883	1%	223,556	77%	126,369	-8%	137,960	109%
Deposits	1,216,678	16%	1,049,043	7%	984,475	11%	883,741	10%	805,111	10%	734,596	10%
Other liabilities	38,670	-9%	42,400	68%	25,183	-9%	27,817	-8%	30,176	15%	26,343	35%
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-100%
<b>Total Liabilities</b>	<b>1,458,898</b>	<b>7%</b>	<b>1,365,770</b>	<b>10%</b>	<b>1,243,294</b>	<b>9%</b>	<b>1,142,949</b>	<b>18%</b>	<b>971,505</b>	<b>7%</b>	<b>903,841</b>	<b>19%</b>
<b>NET ASSETS</b>	<b>131,560</b>	<b>14%</b>	<b>115,351</b>	<b>7%</b>	<b>107,304</b>	<b>1%</b>	<b>106,716</b>	<b>6%</b>	<b>100,674</b>	<b>13%</b>	<b>89,256</b>	<b>10%</b>
<b>EQUITY</b>												
Share capital	11,451	0%	11,451	0%	11,451	0%	11,451	0%	11,451	0%	11,451	0%
Reserves	24,277	9%	22,270	10%	20,276	13%	17,980	9%	16,533	9%	15,102	11%
Un - appropriated profit	66,995	20%	55,821	6%	52,500	7%	49,212	6%	46,490	12%	41,415	12%
Surplus on revaluation of assets	28,837	12%	25,809	12%	23,077	-18%	28,073	7%	26,200	23%	21,288	13%
	<b>131,560</b>	<b>14%</b>	<b>115,351</b>	<b>7%</b>	<b>107,304</b>	<b>1%</b>	<b>106,716</b>	<b>6%</b>	<b>100,674</b>	<b>13%</b>	<b>89,256</b>	<b>10%</b>
<b>Profit and Loss Account</b>												
<b>Interest / Return / Non Interest Income earned</b>												
Markup / Return / Interest earned	110,547	-10%	122,637	67%	73,274	12%	65,709	2%	64,606	-10%	72,116	8%
Fee, Commission & Brokerage	5,441	7%	5,092	17%	4,361	11%	3,917	-2%	4,014	12%	3,570	8%
Foreign Exchange Income	1,664	-16%	1,992	32%	1,504	97%	762	18%	645	-23%	838	84%
Gain on securities and Dividend income	5,076	49%	3,404	-34%	5,172	34%	3,869	-40%	6,449	48%	4,361	-44%
Other income	361	-10%	403	60%	252	-22%	323	217%	102	-90%	986	-13%
Non-markup Income	12,542	15%	10,891	-4%	11,289	27%	8,871	-21%	11,210	15%	9,755	-23%
<b>Total Income</b>	<b>123,089</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>75,816</b>	<b>-7%</b>	<b>81,871</b>	<b>3%</b>
<b>Markup / Return / Interest and Non Interest Expense</b>												
Markup / Return / Interest expensed	(62,126)	-23%	(81,130)	97%	(41,159)	21%	(34,130)	9%	(31,345)	-13%	(35,977)	-7%
Operating expenses	(30,471)	11%	(27,555)	18%	(23,365)	7%	(21,884)	5%	(20,797)	12%	(18,603)	7%
Donations	(133)	142%	(55)	-51%	(113)	109%	(54)	29%	(42)	-70%	(139)	83%
Non-markup Expense	(30,604)	11%	(27,610)	18%	(23,478)	7%	(21,938)	5%	(20,839)	11%	(18,742)	7%
(Provisions) / Reversals	(844)	54%	(547)	-150%	1,090	-54%	2,367	1089%	199	-112%	(1,649)	31%
Taxation	(11,486)	13%	(10,129)	24%	(8,136)	0%	(8,145)	-13%	(9,404)	-9%	(10,383)	44%
Total expense - percentage of total income	(105,060)	-12%	(119,416)	67%	(71,683)	16%	(61,846)	1%	(61,389)	-8%	(66,751)	3%
<b>Profit / (Loss) after taxation</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>	<b>14,427</b>	<b>-5%</b>	<b>15,120</b>	<b>1%</b>

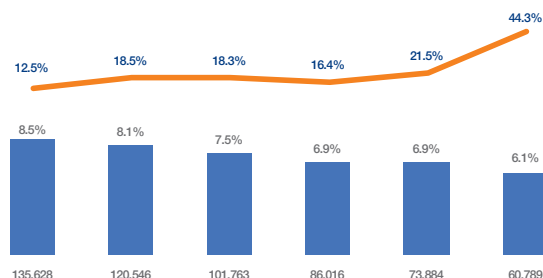
# STATEMENT OF FINANCIAL POSITION

## Six Years Horizontal & Vertical Performance Highlights

2020	2019	2018	2017	2016	2015
Rs. in Million					

### ASSETS

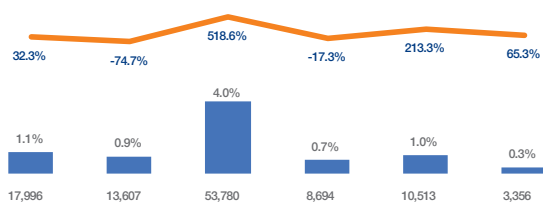
#### Cash & Balances with Treasury & Other Banks



CAGR for the last six years-annualized is 14.3%

12.5% YOY growth is due to multiple factors including, increased quarantined cash balances of local and foreign currency maintained at branches in light of ongoing COVID-19 pandemic, significant deposits growth and increased volume of National Prize Bonds.

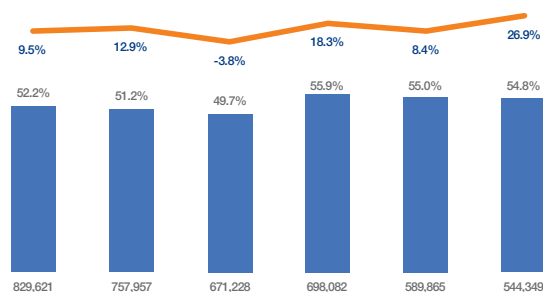
#### Lendings to Financial Institutions



CAGR for the last six years-annualized is 32.3%

32.3% YOY growth is mainly due to increase in Call Money Lendings (Local and Foreign) surpassing the average industry growth rate of 13%.

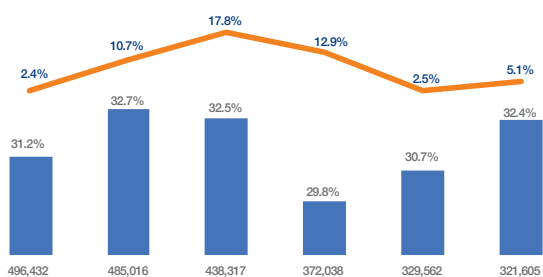
#### Investments - Net



CAGR for the last six years-annualized is 7.3%

Investments continue to take the major share of the total asset base. 9.5% YOY growth in investment portfolio is due to investment in debt government securities to maintain the steady inflow of income.

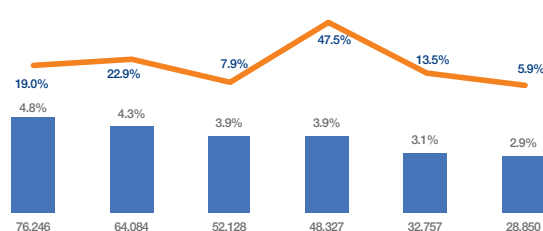
#### Advances - Net



CAGR for the last six years-annualized is 7.5%

Steady growth in advances over the last six years coupled with 2.4% YOY growth is due to various New Schemes announced by State Bank of Pakistan.

#### Fixed Assets (including Intangible Assets)



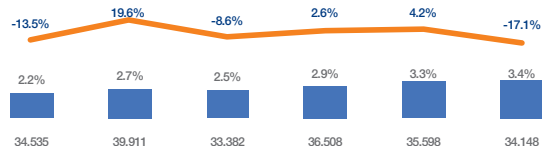
CAGR for the last six years-annualized is 17.6%

YOY growth of 19% is mainly due to revaluation of Land and Buildings in current year as per policy and transfer of Properties from Non-banking assets.

## Six Years Horizontal & Vertical Performance Highlights

2020	2019	2018	2017	2016	2015
Rs. in Million					

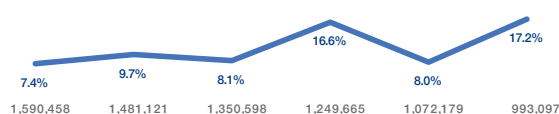
### Other Assets



CAGR for the last six years-annualized is 0.2%

13.5% YOY decline primarily on account of transfer of Non-banking Assets to Fixed Assets and less Advance Taxation due to one time Prior Year Super Tax payments in 2019.

### Total Assets

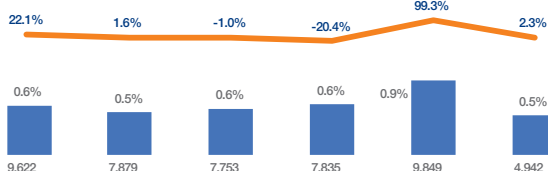


CAGR for the last six years-annualized is 8.2%

ABL managed to grow its asset base by 7% YOY.

### LIABILITIES

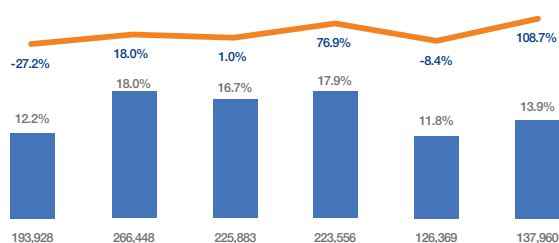
#### Bills Payable



CAGR for the last six years-annualized is 11.7%

22.1% YOY growth.

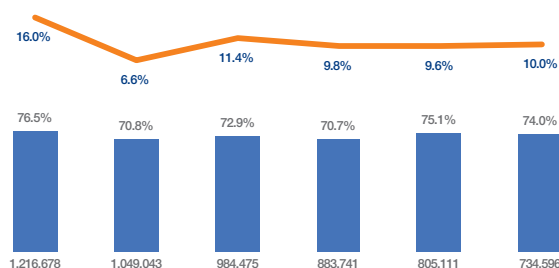
#### Borrowings



CAGR for the last six years-annualized is 5.8%

27.2% YOY decline is mainly due to decrease in secured Borrowings by Rs. 56,514 million and unsecured Borrowings by Rs. 16,007 million.

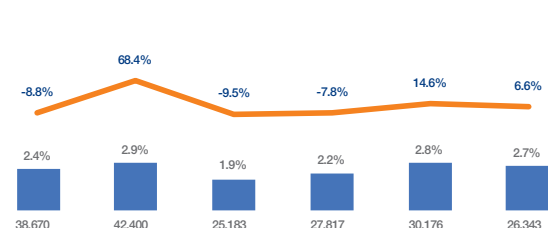
#### Deposits and other accounts



CAGR for the last six years-annualized is 8.8%

16% YOY steady growth in outstanding deposits in line with industry's Deposit growth of 17%. In light of the prevailing pandemic scenario, mix of deposit was improved, Current Account and Saving Account (CASA) percentage stood at 87 on outstanding basis as at December 31, 2020 .

#### Other Liabilities (Including Deferred Tax Liabilities)



CAGR for the last six years-annualized is 6.6%

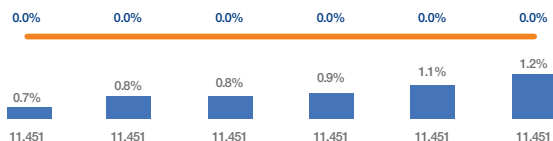
8.8% YOY decline is mainly due to reduction of deferred tax liability attributable to reduction in Surplus on Investments and Actuarial Gains.

## Six Years Horizontal & Vertical Performance Highlights

2020	2019	2018	2017	2016	2015
Rs. in Million					

### EQUITY

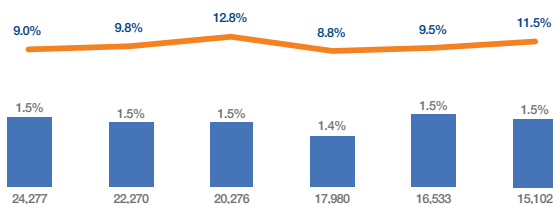
#### Share Capital



CAGR for the last six years-annualized is 0.0%

Compliant with the regulatory requirement.

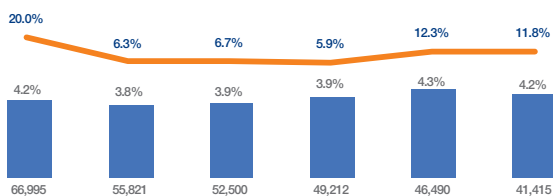
### Reserves



CAGR for the last six years-annualized is 8.2%

9% YOY growth is on account of exchange translation of net investment in foreign branches & statutory reserve transfer from un-appropriated profits.

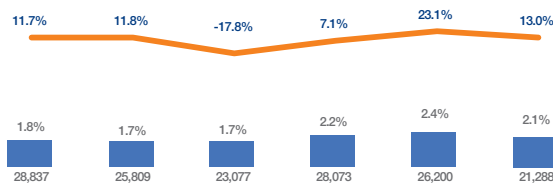
### Unappropriated Profits



CAGR for the last six years-annualized is 8.3%

20% YOY growth is on account of current year's profit after appropriations.

### Surplus on revaluation of assets - net



CAGR for the last six years-annualized is 5.2%

11.7% YOY growth is due to increase in revaluation of fixed assets carried out as per Bank policy

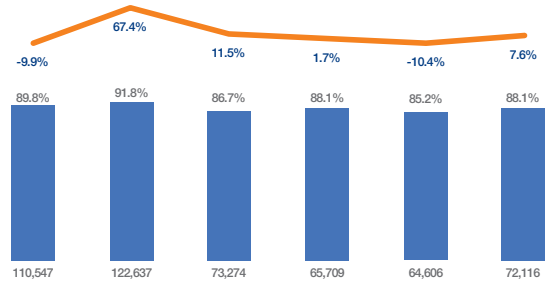
# PROFIT AND LOSS ACCOUNT

## Six Years **Horizontal** & Vertical Performance Highlights

2020	2019	2018	2017	2016	2015
Rs. in Million					

### INCOME

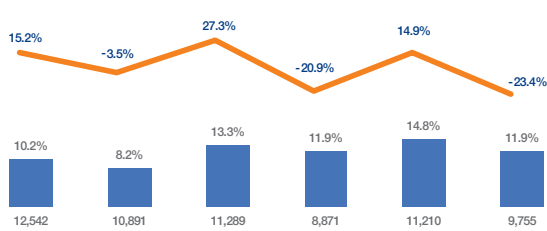
#### Markup Income



CAGR for the last six years-annualized is 7.4%

9.9% YOY decline is primarily due to negative rate variance of mark-up bearing assets in line with the lower average benchmark policy rate. This negative rate variance was accommodated with the positive volume growth in Investments and advances portfolio as compared to year 2019.

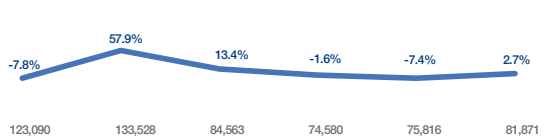
#### Non-Markup Income



CAGR for the last six years annualized is -4.3%

15.2% YoY growth is mainly because of higher capital gains on sale of fixed income and shares portfolio and increased growth of Debit Card income and remittances partially offset by decline in lower dividend payout by the investee company.

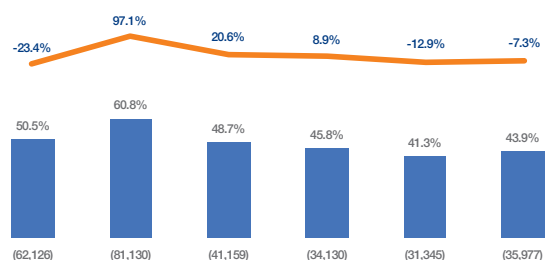
#### Total Income



CAGR for the last six years annualized is 7.0%

### EXPENSES

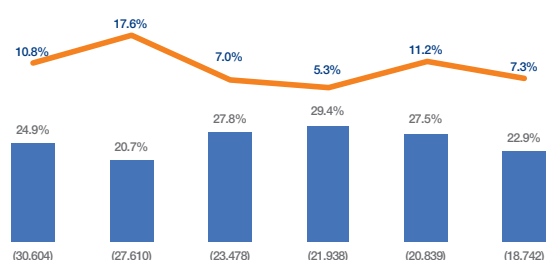
#### Markup Expense



CAGR for the last six years annualized is 9.5%

The decrease is mainly on account of lower cost of deposits and borrowing due to downward revision in policy rate during the year, partially offset by higher average deposit volume.

#### Non-Markup Expense



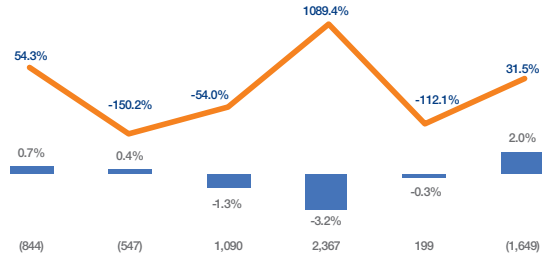
CAGR for the last six years annualized is 8.5%

10.8% YOY increase in Non mark-up expense is mainly due to charge in Workers Welfare Fund in current year as compared to reversal in 2019, revision of outsourced staff salaries in line with minimum wage rates, increased maintenance expenses to adopt additional safety measures during COVID-19 pandemic.

## Six Years Horizontal & Vertical Performance Highlights

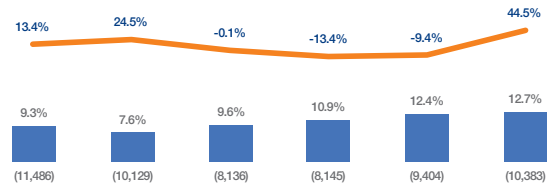
2020	2019	2018	2017	2016	2015
Rs. in Million					

(Provisions) / Reversals



Better infection and coverage ratio than industry average.

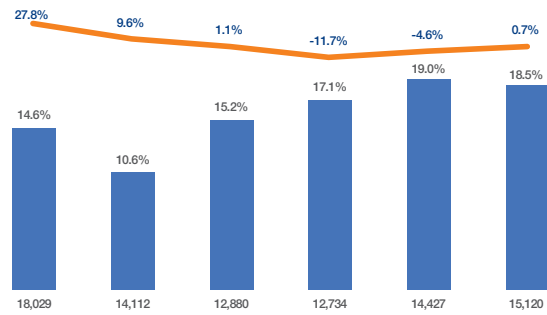
Taxation



CAGR for the last six years annualized is 1.7%

13.4% YOY growth mainly due to increase profits partially off set by one time prior year super tax charged in 2019.

Profit after Taxation



CAGR for the last six years annualized is 3.0%

Sustained Profitability

# FINANCIAL RATIOS

## A Strong Balance Sheet Enabled An Attractive Dividend Payout

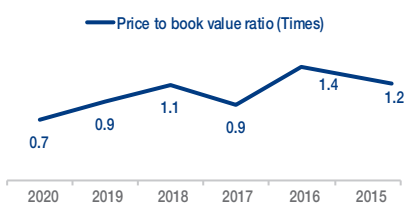
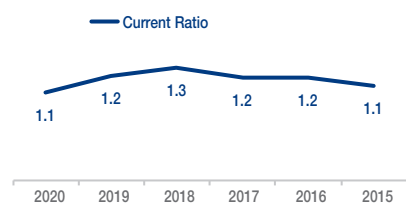
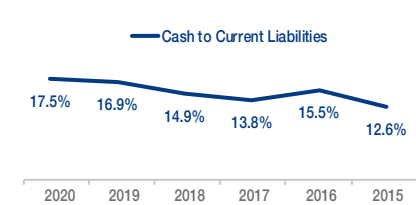
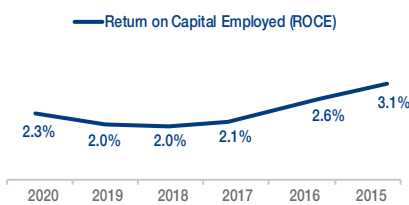
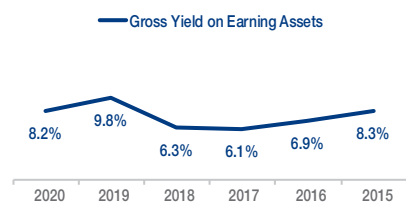
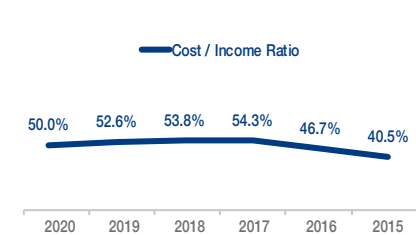
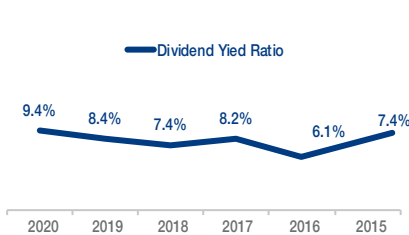
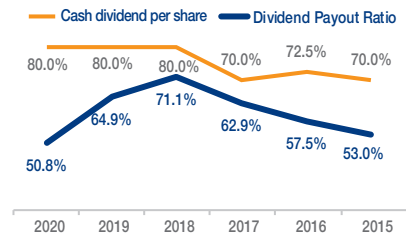
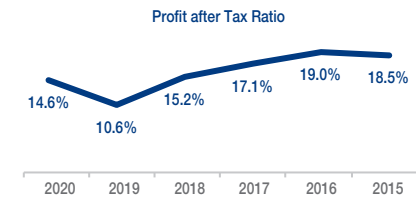
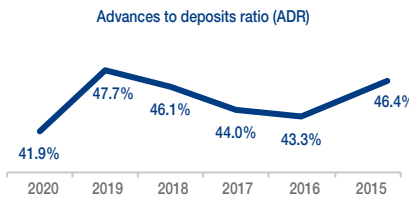
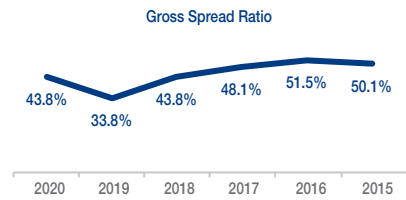
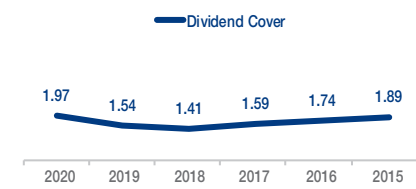
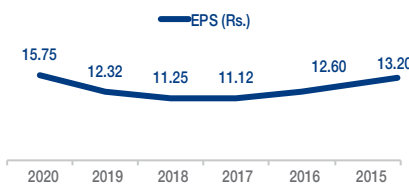
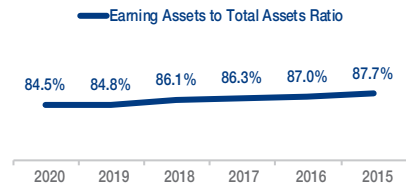
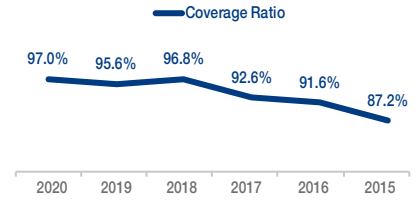
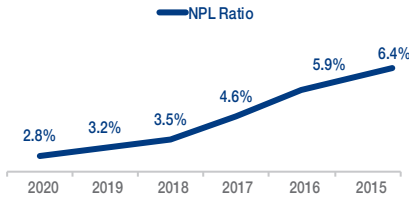
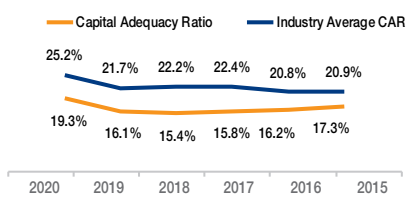
Our CET1 or Tier 1 and Capital Adequacy ratios of 19.44 % and 25.20% respectively, Liquidity Coverage Ratio of 179.27% and Net Stable Funding Ratio of 155.27 % on a pro forma basis, are all Basel III-compliant and are a reflection of a strong balance sheet. On the back of solid earnings growth in operations and a strong capital position, a final dividend of Rs. 6.00 per share was declared making total dividend to Rs. 8.00 per share. Our full-year dividend cover was 1.97 times.

### Financial Ratios

For the year ended		2020	2019	2018	2017	2016	2015
<b>Profitability Ratios</b>							
Profit before tax ratio	%	24.0%	18.2%	24.9%	28.1%	31.4%	31.2%
Gross yield on earning assets	%	8.2%	9.8%	6.3%	6.1%	6.9%	8.3%
Gross spread ratio	%	43.8%	33.8%	43.8%	48.1%	51.5%	50.1%
Cost to income ratio	%	50.0%	52.6%	53.8%	54.3%	46.7%	40.5%
Return on equity	%	18.8%	16.2%	15.8%	16.6%	20.3%	23.3%
Return on capital employed	%	2.3%	2.0%	2.0%	2.1%	2.6%	3.1%
<b>Liquidity Ratios</b>							
Advances to deposits ratio	%	41.9%	47.7%	46.1%	44.0%	43.3%	46.4%
Current ratio	Times	105.6	124.3	134.9	121.9	122.5	113.1
Cash to current liabilities	%	17.5%	16.9%	14.9%	13.8%	15.5%	12.6%
<b>Investment Ratios</b>							
Earnings per share	Rs.	15.75	12.32	11.25	11.12	12.60	13.20
Price earnings ratio	Times	5.4	7.8	9.6	7.6	9.5	7.1
Price to book ratio	Times	0.7	0.9	1.1	0.9	1.4	1.2
Dividend yield ratio	%	9.4%	8.4%	7.4%	8.2%	6.1%	7.4%
Dividend payout ratio	%	50.8%	64.9%	71.1%	62.9%	57.5%	53%
Cash dividend per share	%	80%	80%	80%	70%	72.5%	70%
Market value per share at the end of year	Rs.	85.4	95.6	107.5	85.0	119.2	94.1
Break-up value per share without surplus	Rs.	89.7	78.2	73.6	68.7	65.0	59.4
Break-up value per share with surplus	Rs.	114.9	100.7	93.7	93.2	87.9	77.9
<b>Capital Structure</b>							
Capital adequacy ratio	%	25.2%	21.7%	22.2%	22.4%	20.8%	20.9%
Earnings assets to total assets	%	84.5%	84.8%	86.1%	86.3%	87.0%	87.7%
Cost of deposit	%	4.0%	5.6%	3.1%	3.0%	3.9%	3.9%
Net asset per share	Rs.	11,489	10,073	9,371	9,319	8,791	7,794



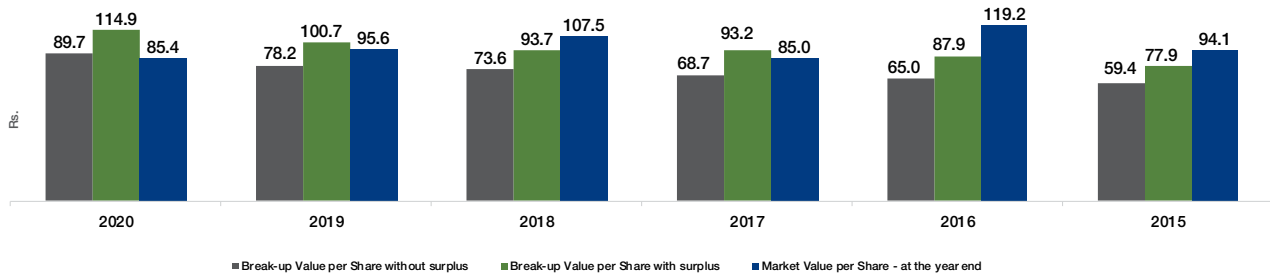
# FINANCIAL RATIOS GRAPHICAL PRESENTATION



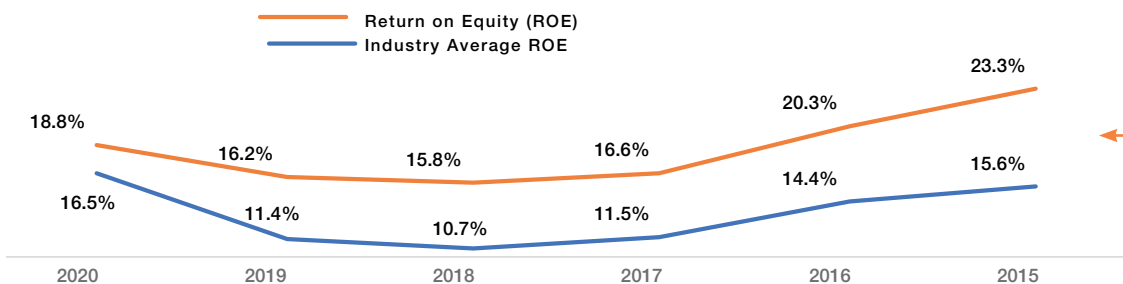
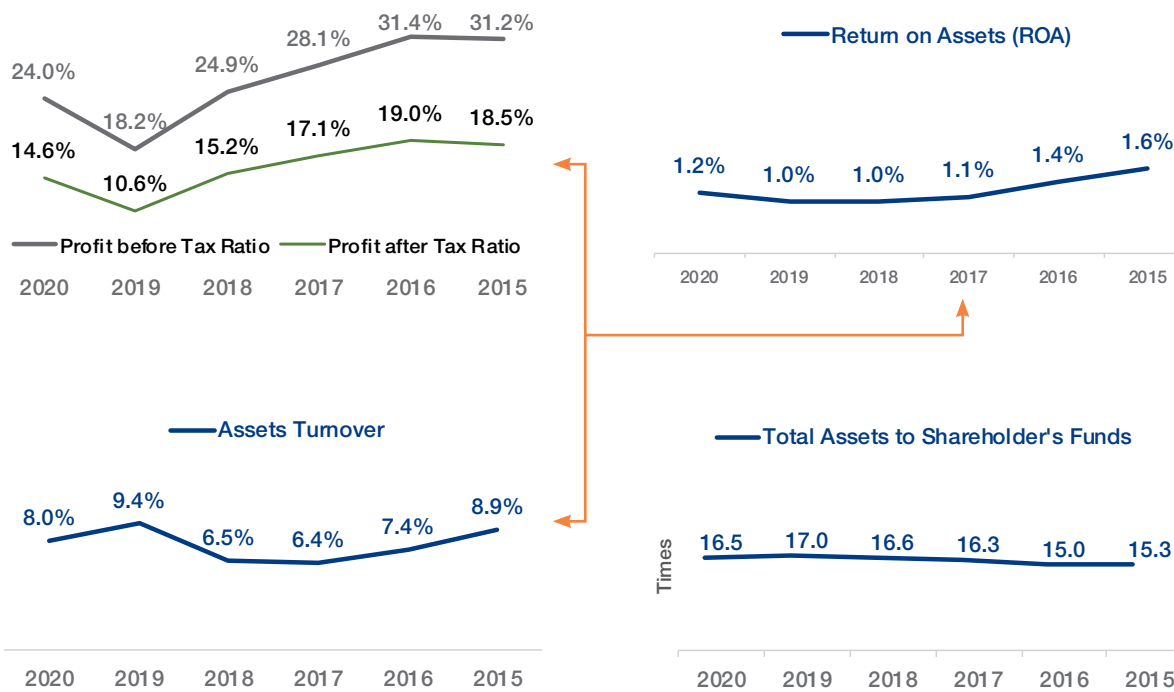
# VALUE CREATION FOR SHAREHOLDERS

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 Compound Annual Growth Rate of 7.1%. 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



# Sensitivity Analysis

	High	Low	Closing	Market Capitalization	
	Rupees			Capital (Rs. in Million)	Value (Rs. in Million)
December 31, 2020	86.4	83.8	85.4	11,451	97,755
September 30, 2020	85.0	84.3	84.3	11,451	96,495
June 30, 2020	78.5	74.0	76.6	11,451	87,690
March 31, 2020	71.8	68.0	71.1	11,451	81,438

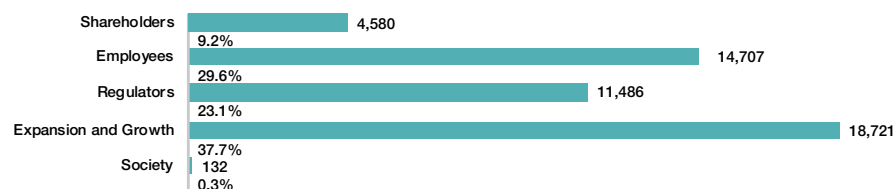


Regularly recurring matters (such as financial results and dividends) have a temporary impact on the share price of Allied Bank Limited. However, Government and Regulatory policy changes such as inflation, discount rate, monetary policy, political and environment situation of the country are the key determinant for reduction in profitability of the Bank ultimately having an impact on share prices.

## Statement of Value Creation

VALUE ADDED	Rs. In Million
Income from banking services	60,621
Cost of services	(10,492)
Value added by banking services	50,129
Non - banking income	342
Provision against non-performing assets	(844)
<b>Total Value Added</b>	<b>49,627</b>

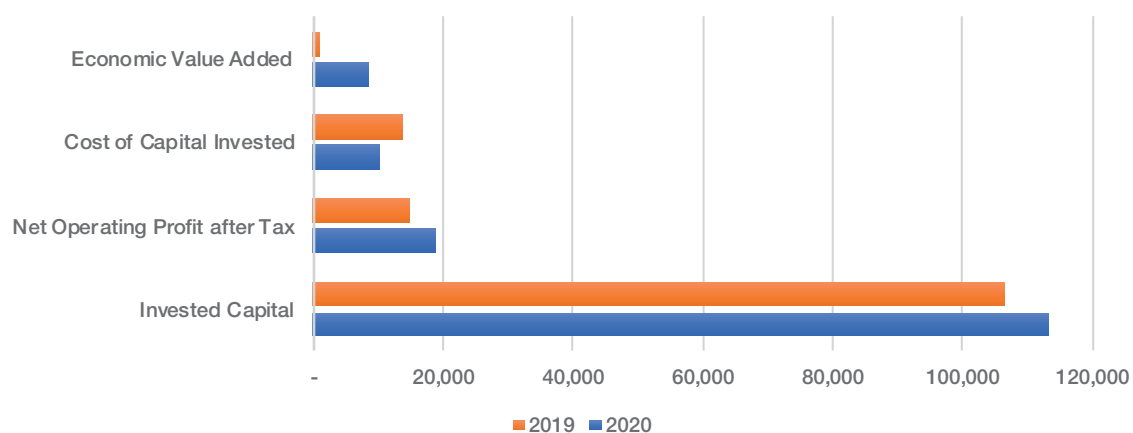
## Value Allocated



# ECONOMIC VALUE ADDED STATEMENT

	December 31, 2020	December 31, 2019
	Rupees in Million	
<b>Invested Capital</b>		
Average Shareholders Equity	96,133	86,885
Provisions against assets:		
- Investments	2,433	3,584
- Advances	13,742	15,152
- Other Assets	757	862
<b>Invested Capital - A</b>	<b>113,065</b>	<b>106,483</b>
Net Operating Profit after Tax		
Profit after tax	18,029	14,113
Provisions for the year	844	547
<b>Net Operating Profit after Tax - B</b>	<b>18,873</b>	<b>14,660</b>
Economic Cost - C	9.13%	12.89%
Cost of Capital Invested - D - (A x C)	10,323	13,726
<b>Economic Value Added (B - D)</b>	<b>8,550</b>	<b>934</b>

## Statement of Economic Value Added



# CASH FLOW STATEMENT

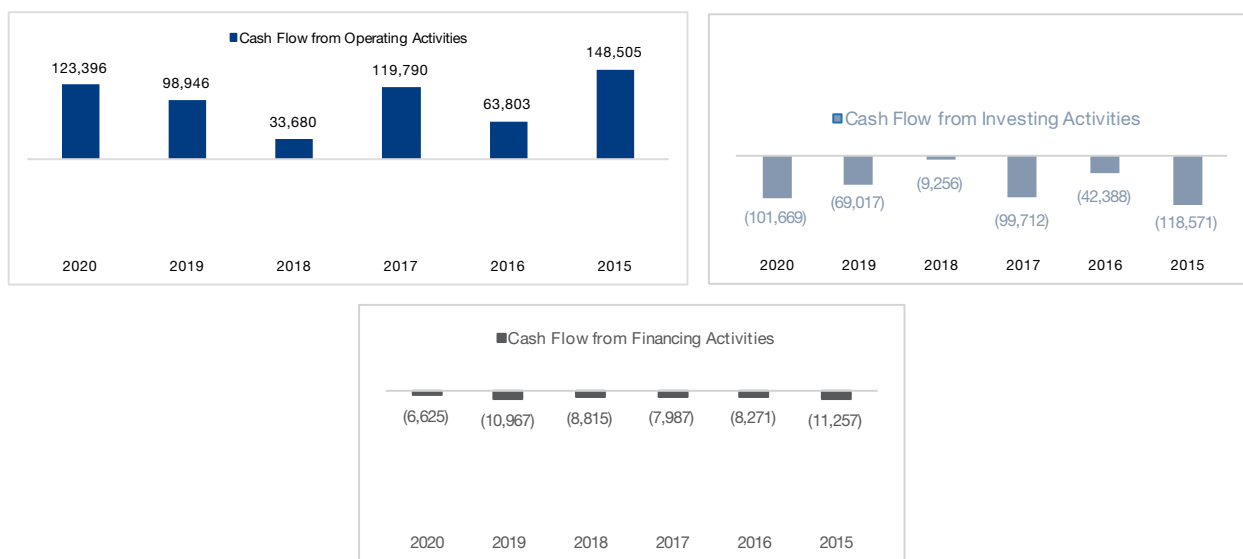
## Direct Method

	2020	2019
	Rs. In Million	
<b>STATEMENT FOR THE YEAR</b>		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Mark-up / return / interest and commission receipts	124,032	128,678
Mark-up / return / interest payments	(63,687)	(78,997)
Cash payments to employees, suppliers and others	(25,033)	(21,492)
	35,312	28,189
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(4,389)	40,173
Held for trading securities	19,862	(19,862)
Advances	(11,765)	(46,449)
Other assets (excluding advance taxation)	601	(7,822)
	4,309	(33,960)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	1,743	126
Borrowings	(72,500)	40,745
Deposits	167,635	64,568
Other liabilities (excluding current taxation)	(2,517)	8,507
	94,361	113,946
<b>Cash flow from operating activities before tax</b>	133,983	108,175
Income tax paid	(10,586)	(9,229)
<b>Net cash flow from operating activities</b>	123,396	98,946
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in 'available-for-sale' securities	(85,460)	(67,525)
Net investments in 'held-to-maturity' securities	(10,577)	3,137
Dividend income received	1,653	1,826
Investments in operating fixed assets	(8,116)	(7,409)
Proceeds from sale of fixed assets	627	373
Effect of translation of net investment in foreign wholesale branch	204	582
<b>Net cash used in investing activities</b>	(101,669)	(69,017)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividends paid	(4,571)	(9,130)
Payment of lease liability against right of use assets	(2,054)	(1,837)
<b>Net cash used in financing activities</b>	(6,625)	(10,967)
Increase in cash and cash equivalents during the year	15,102	18,962
<b>Cash and cash equivalents at beginning of the year</b>	120,987	103,874
Effect of exchange rate changes on opening cash and cash equivalents	(505)	(2,354)
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	135,585	120,482

## Summary of Cash Flow Statement

	2020	2019	2018	2017	2016	2015
	Rs. In Million					
Cash flows from operating activities	123,396	98,946	33,680	119,790	63,803	148,505
Cash flows used in investing activities	(101,669)	(69,017)	(9,256)	(99,712)	(42,388)	(118,571)
Cash flows used in financing activities	(6,625)	(10,967)	(8,815)	(7,987)	(8,271)	(11,257)
Cash and cash equivalents at the beginning of the year	120,482	101,520	85,911	73,820	60,676	42,010
Cash and cash equivalents at the end of the year	135,585	120,482	101,520	85,911	73,820	60,687

## SIX YEARS CASH FLOW ANALYSIS



## Free Cash Flow Statement

	2020	2019	2018	2017	2016
	Rupees in Million				
Profit before taxation	29,515	24,242	21,016	20,878	23,831
Adjustment for non-cash items	5,796	3,947	(1,377)	(2,625)	(1,315)
Operating assets/ liabilities changes	88,085	70,757	14,041	101,537	41,287
Net cash generated from operating activities	123,396	98,946	33,680	119,790	63,803
Capital expenditure	(8,116)	(7,409)	(6,912)	(8,220)	(6,115)
Free cash flows	115,280	91,537	26,768	111,570	57,688

# GROUP REVIEWS

## Corporate & Investment Banking

Corporate and Investment Banking (CIBG) continued to excel in providing wholesale banking services to corporate and institutional clients in domestic as well as international markets. CIBG offers a broad array of products and services covering advances, trade finance facilities, customized cash management solutions, home remittances and investment banking solutions. CIBG maintains a well-diversified and profitable capital markets portfolio with exposure in high quality stocks having a steady and resilient dividend stream. CIB is also responsible for overseas operations of the Bank in Bahrain, Dubai and China. Furthermore, CIB synergizes with other business groups for maximizing cross sell opportunities on a consistent basis.

During 2020, amidst the rising economic challenges and disruptions caused by COVID-19, CIB continued to deliver on its business goals and ensured the upholding of the Bank's strategy of prudent lending with key focus on deepening of relationships with top tier corporates, expanding client base, enhancing relationship coverage and maximizing non-funded and ancillary business income.

Corporate Banking remained vigilant and focused on micro monitoring of the existing credit portfolio, while ensuring continuity of lending momentum through structured financing primarily aimed to sustain optimal operations of our business relationships as well as to steer them away from adverse effects of the pandemic.

The Emerging Corporates (EC) provides customized services with the aim to expand footprint in rapidly expanding market segment. Through EC, CIB also endeavors to leverage its corporate relationships by engaging their value chain partners including vendors, suppliers, distributors, retailers and service providers, thereby providing the Bank an attractive opportunity for business growth and expansion. During the year, EC continued to grow its assets portfolio with valuable contribution in enhancing trade business volumes.

Financial Institutions & International Division continued to cultivate and enhance the Bank's global institutional banking relationship base with leading and reputed financial institutions to support the Bank's trade, treasury and foreign exchange payments. ABL currently has more than 300 international correspondents located



in 77 countries, providing global reach and acceptability. In addition, our partnerships with various multi-lateral agencies and global banks continued to facilitate smooth execution of customers' growing and diversifying international banking requirements.

Bahrain (Wholesale Banking Branch) and Dubai (Representative Office) remained active in exploring opportunities for business in the Gulf region. Through prudent business strategies, the Bank remained fully compliant with home and host country regulations. Our Representative Office in Beijing, People's Republic of China, continued to develop relationships with leading Chinese Banks to explore potential business opportunities for trade and investment flows between China and Pakistan.

Home Remittance Division (HRD) continued to delivers services for the overseas Pakistanis to remit funds effectively and efficiently through multiple channels. During 2020, promoting remittances through digital channels remained a key focus to ensure continuity of remittance inflows amid COVID-19 pandemic and worldwide lockdown. During the year, ABL also successfully launched Western Union (WU) service.

Investment Banking (IB) carried on to build business through its existing strong corporate relationships supported by an in-depth understanding of structured finance and local regulations coupled with an extensive past transactional experience. During the year, IB team advised and financed multiple transactions covering diverse sectors including power generation and distribution, steel, microfinance, paper & board and telecommunications.

During the year, the Bank won the award

for "Telecom Deal of the Year Pakistan" from The Asset Triple A Asia Infrastructure Awards 2020; "Syndicated Loan of the Year - Pakistan" and "Green Deal of the Year - Pakistan" from Asian Banking & Finance Corporate & Investment Banking Awards 2020; and "Pakistan Domestic Initiative of the Year for Green Banking" from Asian Banking & Finance Wholesale Banking Awards 2020.

The Debt Syndication and Advisory unit's forte lies in executing big ticket debt arrangement transactions within the ambit of IPO Advisory, Debt & Equity Underwriting, Divestment, Debt Restructuring and Advisory on Mergers & Acquisitions. The Project Finance unit offers services for developing credit-worthy, financially feasible, and bankable structures for both Greenfield and Brownfield Projects ensuring viable projects with appropriate levels of risk management.

Capital Markets has invested in a well-diversified equity portfolio which has provided the Bank with steady income stream. During 2020, the challenges emanating from COVID-19 pandemic and structural constraints in energy chain tested pliancy of our portfolio income. Equity portfolio demonstrated its resilience with total capital gain and dividend income amounted to Rs.1,455 million and Rs. 1,656 million respectively during the year.

## Future Outlook

Going forward, CIB aims to maintain its prudent 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 mid-tier corporate segment and to diversify and generate a sustainable revenue stream. CIBG seeks to maintain its contribution towards the Bank's overall profitability through cross selling

# GROUP REVIEWS

of financial institutional products while capitalizing upon 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

Year 2020 started on a promising note for global risk assets as major global indices were making new highs amid concerted easing bias from global central banks. Pakistan's economy had also started to show signs of stabilization after a stringent reforms' agenda implemented post IMF program.

Emergence of COVID-19 pandemic impacted the global economy on a scale similar to the global financial crisis more than a decade ago.

Treasury played a significant role in safeguarding the Bank and its customers during the highly turbulent economic and market conditions. The interbank desks ensured continued market making activity and smooth market access for Bank's customers despite significant challenges while actively managing the Bank's exposures. Sales desk ensured continued support to Bank's customers and kept them abreast of market developments for effective management of their risks.

Like previous years, the Bank continued to make its presence felt in fixed income and Foreign Exchange (FX) markets through aggressive price making. As a result, the Bank retained its Primary Dealer status and was ranked among the top 5 Primary Dealers in the industry. Our active strategy and competitive price making attracted international institutional investors and remained the choice bank for a number of corporate and retail clients for covering of their trade exposures. Resultantly, the Bank posted healthy foreign exchange and capital gains income for the year 2020.

## Future Outlook

Going forward in 2021, we expect further consolidation in economic activity as global markets have mostly recovered their post pandemic losses. However, the risks remain high and vigilance is warranted. We expect significant secular shifts in the global economic infrastructure and the

ability to adapt would be the most valuable asset.

Treasury will work closely with other business functions and expand the distribution base of Government of Pakistan (GoP) securities and maintain its active price making status in the industry for foreign exchange and fixed income securities.

## 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 amid the COVID-19 pandemic

Despite the unparalleled impact on the economic outlook of the country, 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; owing to which the digital to counter transaction ratio improved from 56%:44% in 2019 to 65%:35% in 2020.

Additionally, the Bank achieved a historic milestone of surpassing the deposit of 1,200 billion on year ended December 31, 2020, complemented by impressive growth in CASA deposit mix from 83% to 87%. Moreover, 20% growth was witnessed in Current Account volume, enabling 13.5% average deposit growth and is well positioned to exhibit further growth while remaining part of the "Trillion" Club.

The Bank continued to expand its footprint; resulting in the overall branch network to reach at 1,402 along with 5 sub branches and 24 booths with 85 exclusive Islamic windows to support business expansion in new demographics. Remaining focused on boarding New to Bank relationships, the Bank added 600,000 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 and Allied Senior Citizen Account continued to contribute towards financial inclusion of relatively un-banked, low-income segments of the society and also adding to deposit

base of the Bank. The Bank introduced 'Allied Express plus -1 Term Deposit Receipt' (TDR) providing our customers greater value on receiving remittances from anywhere in the world. The Bank provided a digitized solution to its corporate clients by offering free services in its improved version of Salary Management Account. Allied Bharosa account; a unique proposition, was introduced to encourage the informal economy to channel funds through the banking network.

The Bank remained amongst the industry leaders who went the extra mile to facilitate customers during the pandemic and lockdown. An awareness campaign was run to educate the staff on how to carry on the business without violating Standard Operating Procedures (SOPs). Furthermore, in order to facilitate customers to execute their banking transactions, even from home, Utility Bill payment campaign was run, resulting in a significant customer base switching to alternate digital mediums.

It goes without saying that Small and Medium Enterprise (SME) sector plays a significant role in the economic development of the country, the Bank offers solutions to this core segment including multiple financing products and services. The Bank effectively provided necessary funding post pandemic under SBP schemes, to provide financial relief to SMEs, especially for payment of salaries and wages to prevent lay-offs.

In order to support underserved segments and budding entrepreneurs, the Bank actively participated in various initiatives launched by Government of Pakistan and developed product programs for Prime Minister Kamyab Jawan Youth Entrepreneurship Scheme and Credit Guarantee and Refinance scheme for Women Entrepreneurs. The Bank will continue to serve this previously underserved segment that can play an instrumental role in transforming country's financial landscape.

Taking further "Transforming SME Financing - Innovative Credit Scoring of SMEs" initiated by Karandaaz Pakistan, the Bank launched "Allied Easy Finance" wherein multitude of collateral free services products are offered to small and medium auto parts manufacturers.

During the year, Your Bank expanded the scope of consumer finance through launch of "Allied Solar System Finance", in order to promote environment friendly alternatives





for production of energy. Moreover, 'Mera Pakistan – Mera Ghar' was added to facilitate low-income segments of society under Government's Markup Subsidy Scheme. The Bank also launched a digital variant of personal loan "Allied Payday Finance" for employees of corporates and institutions maintaining salary accounts with the Bank, providing instant access to financing within minutes on 24/7 basis.

The Bank has collaborated with Peer Mehr Ali Shah (PMAS) -Arid Agriculture University Rawalpindi to promote research on viability of the Hydroponic Farming in Pakistan and donated a 10 KW Solar Grid Sharing System to PMAS under Corporate Social Responsibility (CSR). All designated Agri Branches in Punjab have been equipped with necessary gadgetry and training under Punjab Land Record Authority (PLRA) for issuance of Computerized Fard. The Bank has collaborated with Bakhabbar Kissan (Pvt) Ltd. to showcase ABL's Agri financing, liabilities and digital banking products at Bakhabbar Kissan's Website and Mobile Application

#### Future Outlook

Amidst uncertainty and speculation of unanticipated challenges, Your Bank aspires to continue 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 transform its customers towards digital platform by focusing on internal and external awareness about

e-banking services and financial inclusion by increasing outreach of service offerings. Optimization of the network in light of the Bank's long term strategic plan and gradual transformation towards digital era shall be further focused upon.

#### Islamic Banking

The Bank is spreading its wings in Islamic Banking and is positioning for continued growth. In 2020 Islamic Banking has not only achieved its breakeven but has also registered annual profit of Rs. 754 million. The total assets and deposits have registered healthy growth of 43% and 22% respectively on YoY basis, i.e., Assets increased to Rs. 59,631 million from Rs. 41,581 million and deposits increased to Rs. 41,839 million from Rs. 34,389 million. Total Advances reached at Rs. 32,642 million, with "Nil" non-performing loans, and investments clocked at Rs. 19,650 million respectively showing a robust growth of 159% and 58%.

Islamic Banking expanded outreach by opening 25 more Islamic Banking Windows (IBWs) at selected conventional branches and making the total count to 85 IBWs besides its network of 117 dedicated Islamic Banking Branches.



Strengthening the product suite, Islamic Banking developed and launched segment based Shariah Compliant financing services products for Consumer and Agriculture segments and following the initiative of SBP, also launched Islamic Financing Facility for Renewable Energy (IFRE) and other accommodative COVID-19 schemes.

Under the banner of Aitebar Islamic Banking two focused interactive awareness seminars were arranged for guidance and financial inclusion of faith sensitive clientele, one at Islamabad Chamber of Commerce & Industry and other as virtual through Zoom for Karachi based business community.

During the year in-house and reputable external training institutes sessions were conducted to provide Islamic Banking training to enhance human resource capabilities of the staff.

Digitalization and automation in Islamic Banking Group has remained an important part of the Bank's overall strategy during the year. In order to keep pace with the rapid technological advancements in the competitive banking industry; Islamic Banking Group is meeting challenges of digital era and availing every opportunity for its implementation within the Group.

#### Future Outlook

Meeting the post pandemic challenges and taking advantage of recent ideas and business trends, Islamic Banking endeavors to offer a complete range of Shariah' compliant customer centric services ensuring operational efficiency and superior customer service enabling the Bank to

# GROUP REVIEWS



attain sizable growth. Customer awareness sessions would be given significant importance to promote Islamic banking and to spread savoir-faire on services being offered. Similarly, digitalization and automation would also remain mainstay in the future development and growth for Islamic Banking.

## Digital Banking

Across the globe, mass adoption of digital technologies has accelerated economic growth, facilitated digital entrepreneurship, reduced socio-economic inequalities and enabled transparent and efficient governance. In line with today's approach towards digital innovation, the financial industry is going through swift transformation towards facilitation and improved customer experience in a highly competitive environment. With a proficient insight of these developments, Digital Banking is sustaining strategic focus on broad based digitalization to augment the services products suite by offering personalized and innovative solutions catering to the evolving needs of diverse customer segments.

Digital Banking has enriched myABL with following industry competitive features resulting significant increase in myABL users:

- Voice Assisted Banking
- Personal Finance Management (PFM)
- Digital Lending (Allied Payday Finance)
- Online Investments (ABL Mutual Funds)
- Proximity Marketing
- Booking of Tickets and QR Payments through myABL Digital Banking
- Enabling card activation, blocking, PIN change, e-commerce and international use
- Round the clock update of correspondence address, email and mobile number

Allied Bank has become the first bank

to collaborate with NIFT-ePay offering a secured path of online payment solution to its customers. This collaboration focuses to execute interoperable and secure digital commerce payments providing an opportunity to the customers to conduct e-commerce transactions directly through their Bank Accounts without requiring credit or debit cards.

Consistent with the SBP's objective of building a dynamic and inclusive financial sector under National Financial Inclusion Strategy, which aims to encourage people to have a bank account and ensured digital presence, the Bank has launched Branchless Banking services 'myABL Wallet'.

The Bank launched Contactless Visa and UPI PayPak Debit cards to provide state-of-the-art services to its valued customers. To facilitate illiterate Photo Account or Shaky Signature Account customers, Basic Debit Card has been launched to meet their financial needs. E-commerce transactions exponentially increased in 2020.

The Bank introduced biometric ATM service on its complete network of 1555+ ATMs facilitating the cardholder to avail the services and perform transactions by authenticating themselves through biometric verification.

Digital Banking extended digital footprint of the Bank by providing seamless Self-Service facilities enabling the customers to cater their banking needs through a diverse range of digital touch points including tablets, interactive tables, video conferencing and digital kiosks.

Total 105 branches have been successfully deployed with Self-Service Kiosks to enable opening of Asaan accounts. Cash and Cheque Deposit Machine (CCDM) services have been enhanced to provide cash and cheque deposit electronically.

Hybrid Branch has been launched, which is equipped with modern devices to fulfil banking needs using diverse range of digital touch points i.e. Tablets, Self Service Kiosks, Interactive Teller Machine (ITM), Cash & Cheque Deposit Machines (CCDM) and video phone banking.

Continuous digital enrichment has been acknowledged at Pakistan Digital Awards 2020 enabling the Bank to win in three prestigious categories;

- "Best Digital Innovation" award for Self Service branch at LUMS and Digital Lockers
- "Best Mobile Banking App" award for myABL Digital Banking app
- "Best App & Web Enabled Market" for myABL Digital Banking platform





Multiple discount campaigns have been launched around the year with industry leading retailers in order to encourage card-based transactions and promote cashless economy, resulting in a phenomenal YoY growth of 14% on retail transactions.

#### Future Outlook

With an aim to broaden canvas of digital universe of the Bank and address the banking needs of our millennial customers, the Bank is highly enthusiastic towards refining the Bank's digital services product suite. Digital Banking aims to adopt agile approach towards product development for faster implementation and in order to strengthen the eco-system the bank is continuously expending building strategic partnership with various organizations.

#### Information Technology

The Bank has made significant advancement in serving the customers through state of the art technology. The Bank is focusing on delivering services to its customers, using emerging technologies and fast Internet, by enhancing digital footprint for providing all "digital and networked banking services" on the go.

In order to meet the customers' expectations major upgrade has been completed in IBM Power 9 Servers to optimize the response on Core Banking, Digital Channels and other peripheral applications. The Bank has also invested in building Software-Defined Networking (SDN) to automate, manage and program networks through software interfaces.

The Bank has implemented Web Application Firewall (WAF) to secure web applications like "Internet Banking" by

filtering and monitoring the traffic between a web application and the Internet to strengthen data confidentiality and integrity. Furthermore, to combat with the cyber threats, Bank has implemented TrendMicro Virtual Patch Management (VPM) solution which protects information assets from hacking attempts.

Big Data, Machine Learning & Deep Learning are transforming entire financial landscape. The Bank has created Data Lake where data from structured and unstructured sources is being stored to support data driven business decisions based on meaningful insights. The Bank has collaborated with multiple Data Science companies for implementing multiple use cases through machine learning models.

The Bank is in the process of implementing additional use cases on Robotic Process Automation Solution for improving operational efficiency, strengthening the controls and cost savings. Automation of manual processes resulted in enhanced customers' experience and reduced turn-around time and has also improved human resource management.

The Bank has also entered into the role of Bill Aggregator in collaboration with 1-Link's 1-Bill which would facilitate customers to pay their Bill using 1-Link's platform.

The Bank has effective measures to gauge network efficiency that is evident from proven 96% uptime of its ATM and Branch network services despite of the COVID-19 pandemic situation nationwide.

The Bank has successfully implemented first phase of "Raast", which is Pakistan's

first instant payment system, introduced by the State Bank of Pakistan to improve the payment infrastructure, interoperability amongst all the financial institutions, simplifying the transactional experience and bringing new use cases in the market.

For the availability of critical services to the customers even in case of a disaster, the Bank annually conducts 1 week long mock exercise to monitor the security and robustness of the Disaster Recovery site. The uptime of all segments of the system such as VPN Segment, Internet Segment, Core Segment and access segment remained 99.99% during mock testing exercise.

#### Future Outlook

Information Technology aims to augment Core banking for Agile Framework, Graphic-based Web Services, Wizard-based development techniques, adoption to Big Data, Artificial Intelligence using Convolutional Neural Network for image processing, Data Governance, Business Process Management, enhanced network visibility and security analytics. In line with "Customer First" strategy, the Bank has signed agreement with Oracle Siebel Enterprise Customer Relationship Management solution for providing better service and customer experience.

#### 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

# GROUP REVIEWS



capital base of Your 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 and 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 2020, 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:

- Owing to Small and Medium Enterprises economic significance and

in light of SBP's initiative to promote SME financing, the Bank partnered with Karandaaz Pakistan (a non-profit organization) for Innovative Challenge Fund (ICF3) "Transforming SME Financing, Innovative Credit Scoring Model of SMEs". The Bank after conducting extensive research has now developed the cash flow based innovative model for lending to this segment. This project will not only help us in fulfilling our social responsibility of SME's financial inclusion but also facilitate in creating business opportunities for the Bank.

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) in accordance with BPRD Circular No. 04, dated October 23, 2019, the Bank constituted a Project Steering Committee,

under the oversight of Board Risk Management Committee, which monitored the implementation of IFRS-9 ensuring compliance with regulatory requirements and accounting standards. Your Bank has been successfully submitting the quarterly progress report to SBP regarding implementation of IFRS-9.

- In order to ensure effective training of staff members before system implementation, the Bank has also conducted various in-house training sessions to update relevant stakeholders about the concept of Expected Credit Loss and potential impact of IFRS-9 on business operations.
- 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.
- State Bank of Pakistan (SBP) issued revised Guidelines on Stress Testing vide FSD Circular No. 1, dated September 01, 2020. The Bank has also made the necessary preparations to conduct the Stress Testing exercise under the revised guidelines.
- In continuance of the Bank's distinctive initiative of engaging with the obligors to provide them with latest insight on business management and strategies; an interactive seminar for corporate, commercial & SME obligors on the





topic “Transition from Family-Owned Business Structure to Corporate Structure” was held during 2020.

- The Bank also conducted various Security assessment exercises in 2020 on Information assets of the Bank which included Vulnerability Assessment (VA) and Penetration Testing (PT). Payment Card Industry Data Security Standard (PCI DSS) Certification was also achieved for the 2nd year in 2020 along with compliance to Swift Customer Security Program (CSP) as mandated by SWIFT International. Various Information Security Awareness campaigns were conducted for valued Customers and Staff via SMSs and Emails respectively to educate and enhance awareness about latest Cyber security threats. 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.
- The Bank continued to invest in energy saving and environment friendly projects during the year under review and invested significant amounts toward energy saving solutions, through installation of solar panels and inverters. Moreover, journey towards digitalization continued by automating the existing manual processes to reduce the use of paper and promote paperless banking. Further, 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.

- Under the umbrella of various initiatives introduced by SBP to combat the adverse effects of COVID-19 pandemic on the economy, the Bank processed financing applications for principal deferment, restructuring, temporary economic refinance facility (TERF) and other schemes. During the tough pandemic time period, almost all sectors of economy faced liquidity or working capital issues. Through financing under SBP Refinance Scheme for Payment of Wages & Salaries, the Bank approved and disbursed substantial financing that helped industries in saving sizable number of jobs (more than 107,000 workers or employees).
- Cognizant with Government’s initiatives and our corporate responsibility to support underserved segments, low earning individuals and supporting new entrepreneurs, the Bank actively participated in initiative launched by Government of Pakistan for Prime Minister’s Kamyab Jawan Youth Entrepreneurship Scheme. Keeping in view the importance of construction sector in growth of the economy, the bank financed the construction sector and played active role in construction and purchase of new houses, shopping malls and apartments etc.

#### Future Outlook

Risk Management aims to continue the pace of major initiatives in 2021 such as effective utilization of the implemented Modules of OFSAA (Oracle Financial Services Analytical Applications) and Benchmatrix, process design assessments and control

testing, re-validation and calibration of Obligor Risk Rating Models by external consultant, automation of workflows in Risk Assessment and Management System, information security awareness campaigns, augmentation of the Bank maintained warehouses for pledge financing.

Meanwhile, 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.

#### Human Resource

Human Resource Group (HRG) continued to play pivotal role in organizational development through strategic capacity building of all functions in the Bank and remained focused on recruiting, training and retaining quality human capital.

Career growth opportunities were offered to employees at all hierarchal levels through merit-based elevations of the Bank’s internal resources to provide cross functional exposures at Chief, Group Head, Divisional Head, Regional Head and Unit Head positions. Through effective succession planning at junior management levels, 173 cadre change promotions were made along with 1,035 grade promotions during the year 2020 to provide adequate growth opportunities within the organization. Induction of the best available and tech savvy talent to support expanding branch network and bank’s business strategy was carried on with recruitment of 897 new employees.

# GROUP REVIEWS



The Bank supports gender diversity and equal employment opportunities were offered to females and candidates belonging to minority groups across the Bank, at present the female employees' ratio is 18.1%. Total number of employees stood at 11,603 with 897 new recruitments and turnover rate of 10% during the year 2020. Consequently, employee retention ratio reached at 90%.

The in-house Psychometric Assessment Center 'CARE' continued to perform its function with vigor. A number of strategic initiatives were introduced, such as competency assessment for new Management Trainee Officers (MTOs), learnability curve assessment and personality profiling of existing MTOs and aptitude test for new Tellers. In Pakistan's banking industry, the Bank is pioneer in establishing in-house Psychometric Assessment 'Center for Assessment Research and Employees' Evaluation (CARE), which has significantly contributed and sustained its various activities from its inception until now, including the following

1. Competency assessment during induction process of a MTO batch covering 1,227 candidates
2. Learnability assessment and personality

profiling of 1,854 candidates from various MTO batches.

3. Tellers' Aptitude Test was conducted for the three batches of newly hired tellers counting for 601 candidates
4. Change of Cadre test for the position of Regional Heads 2020 was carried out with 58 candidates; for junior cadres (Business Development Officers, Tellers and Customer Service Officers) assessment was carried out involving 1,810 candidates and
5. Two assessments of Senior Grade Promotion assessment from MG7 to MG6 were also conducted in February 2020 and in December 2020, accumulatively including 265 candidates

Training and Development (T&D) function understands the fast-changing landscape of emerging learning and development requirements. Accordingly, a comprehensive plan for digital transformation training was chalked out for 2020. Based on comprehensive content design for capacity building of training resources, three level transformation training was attended by 1,016 participants.

During 2020, Automated Learning Stream was launched for Islamic Banking. Fully

customized automated online program on Islamic Banking was designed for employees across all functions of the Bank. The program provides comprehensive eleven modules. 524 participants attended the program during the year.

Professional development remained a key focus during the year as specialized training programs were arranged for staff of Audit, Risk Management, Information Technology, Digital Banking and Human Resource. Employee training coverage reached at 91%.

During the challenging times of pandemic, Human Resource launched a series of world class online trainings, webinars and live stream sessions from best universities and institutions like Harvard Business School, MIT Sloan, IESE Spain, IMD Switzerland, London Business School, HEC Paris, INSEAD and Stanford University. The purpose of sessions was to provide support to leaders and their teams to tackle the ongoing challenges and to help them prepare for a new normal amidst global pandemic. A total of 1,699 participants from all over the Bank benefited from these world class webinars and live stream sessions.

The Bank won Best Progressive Bank awards on HR Global Diversity & Inclusion



Benchmarks (GDIB) during the Year 2020, organized by Diversity Hub HR Metrics in following categories:

- 1) Leadership; and
- 2) Recruitment & Development.

These GDIB are global standards helping organizations in managing the diversity and fostering inclusion as well as creating more equitable and better functioning organizations, confronting racism, sexism, and all forms of oppression, cultivate trust, acceptance, physical and psychological safety, respond with agility retaining and nurturing the best human capital.

In line with the best HR practices to identify, develop and groom second tier succession, the project of "Allied Leadership Talent Pipeline (ALTP)" was launched which contributed in identification of 24 successors for key positions. 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 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.

During the year, Human Resource launched industry's first ever mobile learning application 'ABL m Learning' for its employees. The application provides limitless possibilities of learning on the go. Available on both android and iOS

platforms, 'ABL m Learning' application offers a large inventory of mandatory and functional trainings, self-development training videos, computer-based trainings, micro learnings and thousands of books. The application enables the Bank to offer omni-channel delivery of learning making it the first Bank to have a complete learning echo system.

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, erstwhile FATA, and Gilgit/Baltistan. Similarly, the Bank conducted over 725 sessions in 41 remote districts assigned to the Bank under National Financial Literacy Program (NFLP). These programs were attended by over 19,216 citizens from local communities.

#### Future Outlook

HRG shall continue its concerted efforts towards providing and augmenting the right human capital. HRG shall focus on establishing world class Management Development Centers (MDCs); equipped with video conference facility, collaboration and resource sharing of MDCs with other reputable institutions, leading Digital Transformation training for middle management, shift toward e-recruitment, introduction of shared performance objectives program, career development plan aligning individual career objectives and organizational goals and improve female employee ratio.

#### Banking Services

Banking Services Group (BSG) envisions to achieve excellence in customer services while ensuring 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; resulting in opening and revival of more than 860,000 customer accounts.

The Bank continued its journey towards process automation and digitization; consequently, launching digital locker facility for customers. Your Bank installed Dual Screen monitors at selected branches and enhanced scope of Universal Banker (One-window operation), reflecting the Bank's strong commitment towards high class customer service.

Along with regular banking operations, Your Bank ensures dedicated support to the Compliance function ensuring compliance with the State Bank of Pakistan (SBP) guidelines and regulation to maintain a regulatory compliant environment.

The Bank further capitalized on evolving technologies, issuance of electronic guarantee through SWIFT; imbedding state of the art security features to ensure efficient issuance of Letter of Guarantee (LG) and auto generation of intimation letters in case of upcoming expiring LGs was initiated.

T24 system developments have been implemented enabling financial and non-financial transactions from remote branches and various automation initiatives were taken to achieve the operational efficiencies.

Intimation Letters to customers were replaced with Short Message Service (SMS) alerts for; Change of Minor to Major, Expired Computerized National Identity Card (CNIC), Term Deposit Issuance/ Premature Withdrawals, for enhancing cost and time efficiency. Auto SMS alerts to Customers for Uncollected Debit Cards were also activated during the year under review.

SWIFT Payment Control was developed to strengthen the operational control over transmission of SWIFT messages by imbedding different threshold, timeline and control parameters.

The Bank is first in Pakistan to complete Application Programming Interface (API) system integration with Western Union, facilitating the overseas Pakistanis transferring the Home Remittances on



# GROUP REVIEWS



real time basis. Additional Controls were implemented on Home Remittance Web tracker and feature of transmitting remittances status to inquirer through SMS was introduced. Moreover, system development was made for business-to-customer (B2C) Home Remittance model in line with SBP guidelines.

Dedicated efforts were continued to be made during the year to facilitate Your Bank in achieving industry's leading ATM uptime and top acquirer status. ATM Cash Withdrawals were made for more than 54 million transactions with Rs. 652 billion plus amount dispensed. 43 new ATMs were installed during the year to further expand outreach through 1,555+ ATMs.

Process flows for Business Internet Banking were re-designed with respect to onboarding of corporate customers and witnessed 19% Year-on-Year (YoY) increase of Business Internet Banking Users.

The Business Continuity Plan (BCP) function of the Bank under Banking Services played a pivotal role in successful implementation of measures and ensured un-disrupted operations during lock down. The function not only ensured continuous reinforcement of preventive and hygiene advisories and disinfection of branches, ATM vestibules and other workplaces. Daily update on vital operational areas was monitored for evolving situation of COVID-19 pandemic to amicably address the posed challenges.

### Future Outlook

Going forward, BSG will pursue automation of processes using technologies like Robotics Process Automation (RPA), machine learning and artificial intelligence to enhance customer experience. Biometric verification-based customer transactions, extension of digital lockers, mobile banking facilities, data enrichment, implementation of Enterprise level ATM monitoring solution, expanding systematic reconciliations, providing value added features in Business

Internet Banking augment home remittance transactions and digital signage at branches shall remain the focal points.

### Special Assets Management

Special Asset Management (SAM) continued its journey for recovery against non-performing assets while being a focal point for remedial measures related to fraud, forgery and dacoity incidents and provided legal support across the Bank.

Fragile economic conditions, subdued business activity, closure of production units and other business concerns due to COVID-19 resulted in impaired repayment capacity of businesses and obligors which in-turn, deteriorated the industry's infection ratio.

Under the circumstances SAM through its dedicated remedial team efforts, continued its multipronged strategy for recovery against non-performing loans during the year. Constructive recovery efforts more





focused on negotiated settlements, to avoid unnecessary cost and lengthy litigation process, resulted in recovery of Rs. 885 million. Infection ratio (NPL/ Gross advances) decreased to 2.8% as at December 31, 2020 compared to 3.2% in December 2019. Meanwhile, loan loss coverage (including general provision) increased to 97.04% as at December 31, 2020 from 95.6% as at December 31, 2019.

In line with the Bank's vision towards digitalization and paperless banking SAM upgraded version of Litigation Management System (LMS) provides a platform to record Bank wide litigation cases. Upgraded version of FALCON (V6) has been implemented for monitoring Credit Cards Transactions.

#### Future Outlook

Going forward, SAM plans to acquire and implement FRACTALS Module for monitoring Alternate Delivery Channels (ADC) transactions and ABL Wallet transactions. Multiple staff trainings have been planned for 2021 to enhance staff professional expertise.

#### Compliance

Compliance Group (CG) aims to inculcate strong compliance culture in coordination with all stakeholders through effective adoption of regulatory instructions. CG ensures strong compliance environment through;

- Reinforcing compliance review function;
- Ensuring timely compliance of internal and external audit observations;
- Enhancing stakeholder engagement and awareness;
- Skill enhancement of compliance staff; and
- Ensuring technology driven controls for effective implementation of Anti Money Laundering (AML), Combating Finance of Terrorism (CFT) and Countering Proliferation Financing (CPF) within the Bank

Year 2020 proved to be demanding owing to rapidly changing regulatory landscape and out-turn of COVID-19 pandemic. In recent times there has also been an increment in the importance and significance of compliance culture as well as enhancement in importance of compliance risk management in the financial sector.

During the year, CG performed its core responsibility of ensuring strong regulatory compliant environment, augmenting compliance culture and establishing robust compliance risk management framework empowering the Bank to remain abreast with the persistently evolving domestic and international regulatory requirements. CG continuously enriched the monitoring environment by maintaining highest focus with industry standards to enhance compliance at all the levels of the Bank including the following key areas:

- Compliance risk management and monitoring;
- Entity and Process level controls to avoid Money Laundering (ML), Terrorism Financing (TF) and Proliferation Financing (PF);
- Continuous and consistent adherence to regulatory promulgations and frameworks;
- Maintaining and updating bank-wide Policies and Procedure documents;
- Conducting compliance reviews of the Bank's material and high-risk areas to evaluate the adequacy of implemented compliance controls.
- Using key risk indicators to identify, assess and monitor compliance risk
- Coordination with the regulator along with ensuring accurate and timely regulatory reporting;
- Enhanced and Effective Stakeholder Management & Organization wide outreach by Recurring & Significant Training/ Education through online tools;
- Effective technology utilization and upgradation;
- Resolution of internal and external reviews and audits observations by focusing on the process improvement

During the year 2020, Your Bank also enhanced effective monitoring towards Trade Based Money Laundering (TBML) and harmonized e-KYC (Know Your Customer) mechanics with ingestion of vital trade related due diligence parameters along with development of Trade Customer Risk Profiling Model for their due diligence to mitigate trade-based Money Laundering related risks.

Entity Level Internal Risk Assessment (IRA) was conducted which, coupled with National Risk Assessment (NRA) report of Pakistan, enabled the Bank to effectively identify and assess inherent AML/CFT/CPF

risks at entity level. The Bank completed integration of Name-Screening Solution (NSS) with Branchless Banking module, along with ingestion of additional private lists within NSS and screening of Legacy Customer Portfolio for improvisation in effective monitoring and mitigation of Terrorist Financing and Transnational risks for AML and CFT. It's worth mentioning that the Bank is in process of further strengthening of Entity Wide Risk Model for customer risk profiling.

During the year, benchmarks scenarios of Oracle's Financial Crime and Compliance Management solution were rationalized and deployed to enhance efficacy and effectiveness of transaction monitoring process. The Bank remained abreast with international as well as national level terrorism related incidents and executed comprehensive case analysis to adequately identify and mitigate risks of money laundering and financing of terrorism.

The Bank also performed various Regulatory Compliance Reviews during the year to affirm compliance of prerequisites and conducted Gap Analysis of significant regulatory changes, amendments and updates to ensure opportune and effective regulatory compliance.

#### Future Outlook

Going forward Compliance function will continue its concerted efforts in strengthening compliance culture and enhancement of skills through trainings, certifications and awareness sessions on areas like AML, KYC, CFT, CPF, TBML for Staff and Customers. Compliance function shall deploy artificial intelligence-based solution for rationalizing transaction monitoring and sanction screening caseload in conjunction with ensuring effectiveness of these systems. As part of implementation for Trade-Based Money Laundering framework; upgradation of Name Screening Solution and Transaction Monitoring System shall remain key priority of CG.

#### Service Standards & Quality

Service Quality is a strategic priority for Your Bank and is viewed as a key product offered to our valued customers. Seamless and higher standard customer service is vital to create brand image and in today's high-tech banking environment service standard and quality is one of the most important tools to enhance market share. Besides traditional mediums with the widespread

use of Internet, e-service quality has been introduced enabling the Banks to address customers banking needs and resolve the complaints digitally using advanced technological tools.

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 100 flagships branches and installation is underway at further 200 branches to facilitate customers to conduct transactions conveniently and provide valuable feedback about the delivered banking services.

Self-service internet banking kiosks and interactive digital signages have also been installed at 105 branches enabling the customers to open Asaan Account, enquire their account balance, get mini statement of account, and place request for cheque book through these self-service kiosks. Feedback and rating regarding self-service kiosks can be provided through myABL Digital Banking.

The documents, notices and circulars intended for providing information and creating awareness amongst customers have been digitized on the interactive digital signages, placed at the selected branches through which customers can conveniently browse information repository via menu driven options.

Phone booths with eye-catching and prominent design have also been created at 100 flagship branches to provide customers a hassle-free way to contact Allied Phone Banking from the branch lobby for their banking needs. In addition,

product walls near customer waiting areas have been designed to provide customers an avenue to browse the Bank's product brochures and take these away with them, if desired.

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. Moreover, the process of measuring service standards across the entire branch network has been automated.

A centralized Complaint Management Division is in place to efficiently and effectively resolve customers' grievances and strengthen cordial relationship between the Bank and its customers/ stakeholders by providing resolution through working in collaboration with all segments of the Bank. Customers can lodge their complaints directly both on self-service kiosks and digital signages or through Complaint Lodgment Form available at the corporate website of the Bank. The lodged complaints are automatically routed to Complaint Management Division, which acknowledges receipt of complaints, and keeps them informed throughout the complaint resolution process.

With the aim to create awareness among customers about the Bank's complaint lodgment process and available channels, information is cascaded through corporate website, digital signages and ATMs as part of Your Bank's initiatives for Fair Treatment of Customers (FTC). The Bank resolved 98% of the customers complaints registered during 2020 within average turnaround time of 4.7 working days.. The Bank achieved the rating of 1.88 (out of 2.00) in 'Dispute Resolution Mechanism' Area of Conduct Assessment Framework (CAF) in the year 2020.

Allied Phone Banking is striving 24/7 to serve its customers with the optimum level of standards in providing information, assistance in problem resolution, extended support and solutions for account maintenance and transaction management and contributes in revenue line of the bank through product penetration. Allied Bank customers are welcomed to get in touch with Allied Phone Banking agents through telephone, email, webchat, social media and high-tech ABL Video Phone Banking.

During the year under review, Allied Phone Banking provided exceptional customers services and maintained Service Level of 98% in December 2020. In addition to this, existing Interactive Voice Recorder (IVR) was upgraded with enhanced features.

Another distinguished feature is activating local e-commerce services for the Non-Debit Card Account holders through Allied Phone Banking.

With the facility of Live chat, customer's queries have been resolved swiftly resulting in improved customer experience. In 2020, Allied phone banking served 240,000 chat customers ensuring smoother communication and efficient response.

#### Future Outlook

Service Standards and Quality aspires to make Allied Phone Banking a communication hub of the bank and would carry on the initiatives of installation of Electronic Queue Management System (EQMS) and feedback tablet in additional 100 branches and arranging for video mystery shopping of top 100 and additional 100 branches through an external research partner.





# **CORPORATE SOCIAL RESPONSIBILITY**

# CORPORATE SUSTAINABILITY REPORT

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.

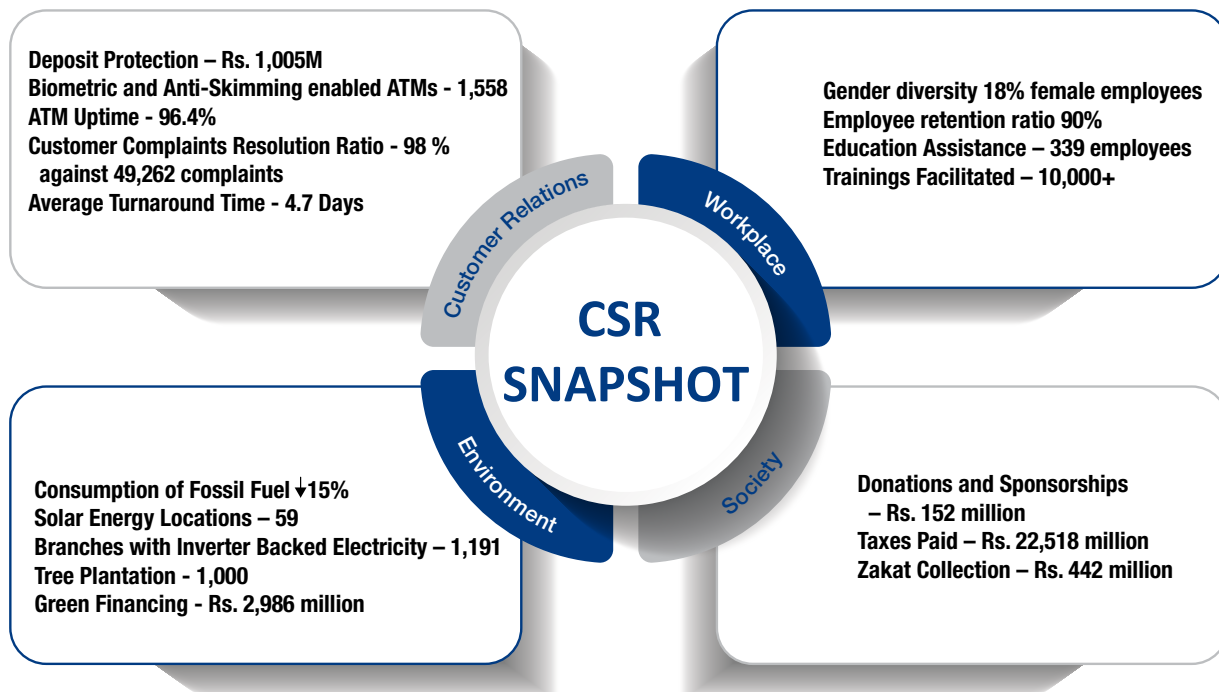
## Our Philosophy Of CSR

Your Bank has been precisely noticing globally recognized ecological and social practices through its endorsed CSR policy. The key CSR objectives of the policy have been aligned with the rolling strategic plan of the Bank; ensuring close adherence to the global Sustainable Development Goals (SDGs).

Under the CSR Policy, Your Bank focuses on these four key areas to achieve following objectives:

- Customer Relation:** First Choice bank for the customers.
- Workplace:** Build an engaged, healthy and inclusive workplace, with an emphasized focus on achieving an equitable gender employment ratio.
- Environment:** Contribute towards sustainable growth; with no adverse impact on the environment.
- Society:** Contribute towards wider social development including health, education and general community welfare.

In line with the aforementioned CSR objectives during the year, the Bank's contributions towards these key areas are as follows:



### Customer Relations

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, 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 its market share. It includes responding to customers' needs and addressing their complaints in a thorough and timely manner by interacting with customers through Allied Phone Banking and vide other communication mediums.

Focusing on technology driven 24/7 banking solutions, the growth in Bank's ATM network was maintained during the year with an addition of 43 ATMs. In order to expand services and security, all ATMs are equipped with biometric access facility to allow transactions without use of cards. All ATMs are equipped with anti-skimming devices to enhance security of transactions.

Identifying the impact of digitalization and focusing on banking needs for the millennials, Your Bank has introduced its first Self-Service branch at Lahore University of Management Sciences (LUMS), which offers fully automated 24/7 banking services covering a wide array of banking transactions, including account opening, instant debit card

issuance, fund transfers, fee payments, deposits and withdrawals. Allied Digital Lockers allow customers to access their lockers around-the-clock without assistance of bank staff with complete privacy and convenience. Equipped with multi-layered verification process for customer security this is a one of its kind services offered by Your Bank, which is unmatched by any other bank in the industry.

In the testing times of COVID-19, Your Bank provided un-interrupted 99%+ ATM uptime during the occasions of Eid-ul-Fitr and Eid-ul-Adha holidays; processing around 1.7 million transactions involving Cash Withdrawals of approximately Rs. 20.1 billion. During the year, Your Bank extended the banking facility at cattle

markets through Mobile Banking Van. Your Bank also introduced WhatsApp Banking channel for its customers, further broadening the products for digital banking platform.

Your Bank installed Electronic Queue Management Systems in 100 branches with total cost Rs. 49.72 million, facilitating the customers to conduct transactions conveniently. In continuation of the Bank's journey towards digitalization, 105 Self Service Kiosks worth Rs. 40 million are installed to improve customer experience at branches.

In order to receive impartial feedback on customer experience, Your Bank arranged video mystery shopping through an external research partner. Further, Your Bank installed the state-of-the-art Robo Call technology, which will help in onboarding customers and increase in product penetration through Robo Call to all those customers who are not availing products like Debit card, myABL, e-statement subscription etc. The Bank further strengthened customer relations through the following initiatives:

#### Customer Awareness and Financial Literacy Seminars

Hampered by Lockdown restrictions during 2020; Your Bank remained focused in arranging the following seminars by adopting the precautionary measures:

- Interactive seminars regarding "Awareness Program on Islamic Banking" were arranged, with respect to its extensive role particularly in financial inclusion of faith sensitive clientele in particular. One at Islamabad Chamber of Commerce and Industry and another virtually held for Karachi based business community. The objective is to make cognizant to the business community about the possible options of banking solutions within Shariah ambit and providing avenues of Islamic Banking as an alternate choice meeting to the specific requirements of the customers within their religious elucidation.
- In line with SBP's vision to promote



SME, awareness seminar was organized in Hyderabad.

- Awareness Seminar was arranged on "Transforming Family-Owned Structure to Corporate Structure" in Hyderabad for promoting the corporate structures among the business community.



small depositors across the banking industry.

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; augmented by re-issuance of Europay, MasterCard and VISA (EMV) chip-based cards for secured Point-of-Sale (POS) transactions.

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 2020 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.

Through Customer Relationship Management (CRM) system; Your Bank

The Bank's Human Resource function in coordination with the SBP, arranged 725 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, improved the awareness levels, which was appreciated by all the participants. During the year, Your Bank ranked top amongst the participating Banks in Mansehra, Rawalpindi and selected districts of Karachi for the highest account opening ratio; the efforts lauded by SBP.

#### Customer Protection and Quality Assurance



Your Bank is constantly aspiring to achieve excellence in services to earn customers loyalty.

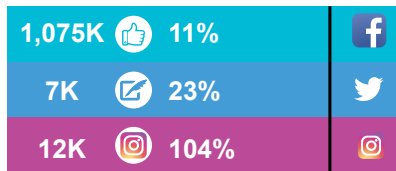
Your Bank spent Rs.1,005 million towards deposit protection insurance complying with SBP initiative to provide protection to





Complaints Received 49,262  
 Resolution Percentage 98.3%  
 Average Turned Around Time 4.7 Days

continued to improve the resolution rate and timelines to further strengthen the complaint handling mechanism. With the objective to engage customers and nourish relationships, Your Bank maintains profiles on Facebook, Twitter and Instagram and actively interacts with the customers on a variety of topics. This engagement is providing significant boost 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 endeavor towards financial inclusion in rural areas and providing quality financial services at grass root level. Your Bank has opened 1 branch in Azad Jammu and Kashmir and 7 branches in Khyber Pakhtunkhwa (KPK); increasing the total number of rural branches to 284. Another 1 branch was opened in Un-Banked areas of Main Bazar Shutiyal in Gilgit Baltistan. In order to play an operative role in the development of agricultural economy of the country, Your Bank is also extending agricultural financing across the country and offers vast range of agricultural finance products through Agri designated branches. The Bank also continued supporting Prime Minister Youth Business Loan Scheme to eligible small borrowers under this segment. Continuing the efforts for effective participation in national economic development; Your Bank launched Allied Home Finance offering to meet the soaring housing demand in the country.

### Digital Innovation



COVID-19 pandemic accelerated the mass adoption of digital technologies during the year under review; which facilitated digital entrepreneurship, reduced socioeconomic inequalities

and enabled transparent and efficient governance. Your Bank in line with today's approach towards advancement and digital innovation, introduced multiple industry leading features such as Voice Assisted Banking, Personal Finance Management (PFM), Digital Lending (Allied Payday Finance), Online Investments (ABL Mutual Funds), Proximity Marketing, Tickets Booking and Quick Response (QR) code Payments.



In order to enhance the digital convenience, Your Bank became the first bank in Pakistan to collaborate with National Institutional Facilitation Technologies (NIFT) and offering electronic payments, a secured path of online payment solution to its customers. This collaboration focuses to execute inter-operable and secure digital commerce payments for large number of banking customers in Pakistan, providing an opportunity to the customers to conduct e-Commerce transactions directly through their Bank Accounts and Wallets without requiring credit or debit cards.

### Workplace

Building an engaged, healthy and inclusive team is a cornerstone to accomplish the business strategies of the Bank while meeting the ever-evolving external challenges in the 'digital era'. Recognizing the health hazards arising from COVID-19 pandemic in 2020; Your Bank responded promptly and implemented human de-crowding strategy at workplace. Staff was immediately allowed to continue their official responsibility under "Work-from-Home" arrangements as well as through deputation at Business Continuity Planning Sites; successfully making all arrangements for seamless banking

services amid the worst health crisis. Your Bank continued to support the staff through implementing COVID-19 Standard Operating Procedures (SOPs) and ensuring availability of precautionary health supplies to upkeep working environments at branches and offices. Resultantly, Your Bank recognized additional expense of Rs. 54 million for health supplies during the year under review.

Your Bank is continually pursuing recruiting the skilled staff while at the same time putting resources into pertinent trainings to improve their ability and giving the best culture to flourish. In recognition of its efforts towards nurturing the best human capital and creating an inclusive environment, Your Bank received the award on 'HR Global Diversity & Inclusion Benchmarks (GDIB)' under the category of 'Leadership, Recruitment and Development' for the Year 2020 from Pakistan Society of Human Resource Management.



81.9%

Equal Opportunity Employer and Employment of Special Persons



18.1%

Continuous focus was maintained

towards increasing the diversity of Bank's human capital; reinforcing the inclusive culture of Your Bank. Your Bank aims to ensure that employees of all backgrounds are treated equally and have an equal opportunity to be successful. Over the years, Your Bank has engendered direct and indirect employment which is currently exceeding 11,600+ employees, who are mainly employed from diverse areas of Pakistan; thereby positively impacting the broad-based economy and society at large.

Your Bank being equal opportunity employer, encourages employment of





**Education and Training**  
Expense Rs.100 Million



**Health and Medical Facility**  
Expenditure Rs. 143 Million



**Financial Assistance for Marriage and Burial Grants**  
Rs. 30 Million

special persons and currently 43 special persons are honorably earning their livelihood while contributing towards the growth of the Bank and society at large. Simultaneously 2095 - females, representing 18.1% of total permanent staff members, are diligently performing their duties.

#### Occupational Health and Safety

Your Bank exhibited its commitment for occupational health and safety during COVID-19 pandemic.

During the year 2020, Your Bank spent Rs.143 million under the approved medical expense policy to 2,403 staff members; including Rs.9 million spent on COVID-19 diagnostic tests.

Adhering to responsibility towards eligible ex-employees, during the year, from the platform of "Post-retirement Medical Fund", Your Bank paid Rs.118 million towards the health of 609 ex-employees. Your Bank ensures that extreme security standards are met at all buildings. For training and awareness of the employees on how to act during any emergency in the building, 11 safety drills were conducted at major buildings in Lahore, Karachi, Islamabad, Faisalabad, Peshawar 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



Training – Rs. 65Million

Education – Rs. 35Million

Your Bank firmly believes in educational well-being of the staff enabling them to excel in their current roles and thrive in the future. Cognizant of this fact, Your Bank spent Rs. 65 million on trainings to 10,840 employees and Rs. 35 million towards employee's education.

During the year, Your Bank through its platform of "Staff Welfare Fund" spent Rs.29.5 million to assist 65 employees by financially enabling them in important social events like marriage ceremony of their daughters or to meet the burial expense of their departed loved ones.

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. However, due to COVID-19; Hajj could not be performed for Muslims residing outside Kingdom of Saudi Arabia.

#### 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.

#### Environment

Your Bank assumes a positive part for a better climate, to meet the environmental commitments and contribute towards more manageable future development. Your Bank is encouraging green banking, paperless culture, environmental friendly power sources and decrease of fossil fuel byproducts.

#### Green Banking and Environment Protection



Electricity decreases by 16%

Fossil Fuel decrease by 8%

59 Solar Locations 1,191 Inverter

Locations

As a capable corporate citizen, Your Bank is taking genuine leaps forward in setting out a series of targets to assist in the transition to a low-carbon economy. Your Bank invested Rs. 332 million toward energy saving solutions through installation of solar panels and inverters. Your Bank's total solar locations stand at 59 while inverter-based locations increased to 1,191.



Administrative measures including maintenance of electrical equipment carried out during the year resulted in reduced consumption in electricity and reduction in consumption on fossil fuel by 15%.

Further as part of Green Banking efforts, Your Bank has established a Green Advisory Services Desk at Head Office Lahore to advocate, guide and support obligors for Green Business Practices. During the year, Your Bank collaborated a tree plantation campaign wherein a total 1,000 fruit trees were planted at various public schools, colleges and public locations. This tree plantation campaign was organized in collaboration with Punjab Forest Department, Lahore.

### Health

Limited Healthcare access for the under-privileged population is another key area of concern within the country.

Beside the regular donees from Education and Health sector, the major focus of the Bank's CSR activities endured on the COVID-19 related projects during 2020. Your Bank donated for Personal Protective Equipment's and bio-medical equipment



### SOCIETY



Bank as a trusted member of the community is playing an active role in following CSR activities and community engagements:

#### Community Welfare

Lockdown restrictions due to COVID-19 pandemic extended to impact beyond the health sector and hammered the earning capacity of under-privileged and daily wage earners; consequently, creating a gap for food availability for hard-hit segment of the society. Your Bank collaborated with the well-reputed welfare organizations including Akhuwat Foundation, Edhi Foundation and Saylani Welfare International Trust; which worked for arrangement of food supplies for deserving segments across the country. Your Bank specifically donated Rs. 33.5 million, during peak health crisis of COVID-19, for food supplies to under-privileged segment. This activity was in addition to Your Bank's regular CSR objective of community welfare.

Your Bank also contributed Rs. 10 million towards Prime Minister COVID-19, Pandemic Relief Fund 2020, further strengthening the role in counter-measures against global pandemic.

Your Bank's staff members voluntarily joined hands with the Robin Hood Army in a mega food distribution drive at Government Girls Secondary School and adjoining community in Korangi, serving meals enough to feed 10,000 persons.

to the institutions in the health sector to effectively combat the COVID-19 outbreak in the country. Donation was also made to support the medical institutions for free COVID-19 diagnostic tests as well as procurement of Polymerase Chain Reaction (PCR) machines; enabling the health sector in efficient counter-measures against pandemic spread. During the year, Your Bank donated Rs. 16.5 million to healthcare institutions to support COVID-19 related measures.

#### Education

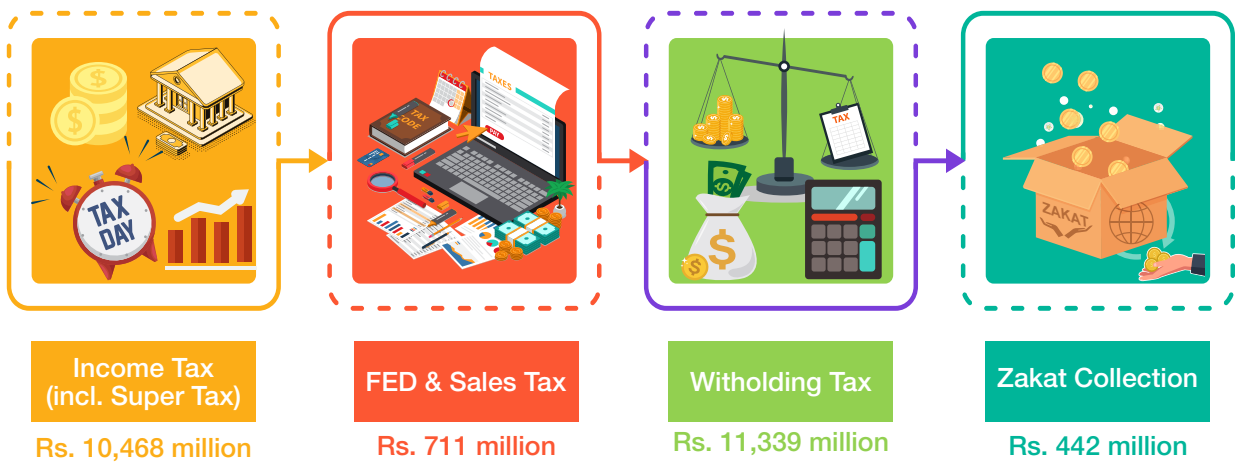
Bank contributed Rs. 30 million to The Lahore University of Management Sciences (LUMS) towards the development of Hostel and Rs.10 million to The Noorani Foundation Trust for the construction of school from class 6 to class 10 with the capacity of 400 pupils.

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 a total of 75 personal computers to 2 educational institutions during 2020.

#### 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. 10,468 million as Income Tax (inclusive of Super Tax), deposited Rs. 11,339 million as withholding tax agent and contributed Rs. 711 million on account of Federal Excise duty and Sales Tax to the national exchequer. Further, Your Bank collected Rs. 442 million Zakat from 72,007 account holders and deposited to the national exchequer.





# OUR COMMITMENT TO SUSTAINABLE DEVELOPMENT GOALS



Pakistan is a third world country where the prevalence of undernourishment is an important indicator for measuring our progress on SDG 2 Zero Hunger. Economic challenges arising from COVID-19 and subsequent social lockdowns, tended to increase in poverty.

- Your Bank has been making significant contributions to fight hunger in Pakistan with monthly provision of food to the needy. In 2020, Rs. 43.5 million have been spent for arrangement of food supplies for deserving segments across the country.
- Your Bank contributed Rs. 10 million towards Prime Minister's COVID-19 Pandemic Relief Fund.



Working for the Society, especially for the health sector is one of the main objectives under the CSR Plan of the Bank.

- Your Bank donated Personal Protective Equipment's and Bio-medical equipment's to the institutions in the health sector to effectively combat the COVID-19.
- Your Bank also donated to healthcare institutions including Shaukat Khanum Memorial Trust, Indus Hospital, Dow University Hospital and Institute of Public Health for free COVID-19 diagnostics.



Education is the fundamental human right and cornerstone of building the country's future and enabling a secure future of our children.

- In our drive to encourage growth in this sector, the Bank donated Rs. 30 million for the construction of Hostel at Lahore University of Management Sciences.
- The Bank provided donations to Noorani Foundation Trust for construction of boys school (Grade 6 to 10) with capacity of 400 pupils.
- The Bank donated to People's University of Medical and Health Sciences For Women for scholarship to deserving underprivileged students.



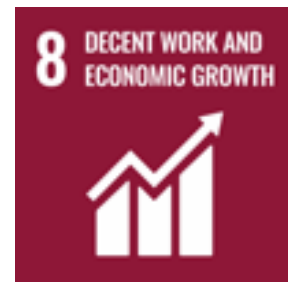
Your Bank places utmost importance to gender equality in its work environment. Gender equality is a central component to development.

- Female employees account for 18% in Your Bank as Gender diversity in 2020.



Pakistan has tremendous potential to generate solar and wind power. However, renewable energy in Pakistan has not been focused in past. Reliance on fossil fuel has drastic effects on the climate. To reduce the effects, pursuance of clean energy sources is essential.

- Your Bank has 59 locations running on Solar Energy and 1,191 locations switched to inverter technology for energy back-up.
- Considering the needs of country's renewable energy requirements, Your Bank extends the Green Financing facility and disbursed Rs. 2,986 Million during the year to contribute in development.



Your Bank is zealous to reasonable development of the economy. Our business activity at its core is for the purpose of liquidity distribution to sectors that require it, while using the funds deposited from the more privileged. In addition, our products involve targeted advances to youth and senior citizens as well as Small and Medium Enterprises.

- Your Bank emphasis on empowering its employees to earn better in the current inflationary economy. There are 43 special persons in our employment.
- Your Bank also spent Rs. 33 million on the education of clerical and non-clerical staff.



Investment in infrastructure and innovation are crucial drivers of economic growth and development of the country. The country's economy cannot achieve optimal growth without the development of the SME sector.

- Your Bank facilitated its eligible obligors by deferring and restructuring their financing facilities enabling them to sustain amid COVID-19 crisis.
- Multiple awareness seminars have been conducted to involve further potential SMEs and increase the proportion of small scale business.



Your Bank's Green Banking Policy lays the foundation to promote environment friendly practices. Our objective is to manage environmental risks, socially adverse actions and reduce carbon footprint while espousing paperless environment.

- Your Bank achieved 15% reduction in fossil fuel consumption through conversion to clean or efficient energy alternatives during the year.



Climate change is so important that there is no country that is not experiencing the drastic effects of climate change. Global warming is causing long-lasting changes to our climate system, which threatens irreversible consequences if we do not act.

- Tree plantation campaign was organized in collaboration with Punjab Forest Department where a total of 1,000 fruit trees were planted at various public schools, colleges and public locations in Lahore. Main objectives of the plantation were to control soil erosion in waterlogged areas and restoration of waste lands.



The Bank is ideally positioned to partner with related organizations in order to encourage sustainable development of various sectors of the economy.

- Your Bank is in partnership with Karandaaz Pakistan which has been established to promote access to finance for micro, small and medium sized business. This approach further increases the Bank's involvement in financial inclusion of SMEs and their business growth.



**UNCONSOLIDATED  
FINANCIAL STATEMENTS**  
For the year ended December 31, 2020

# 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 2020 and the unconsolidated profit and loss account, 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 forty nine 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 profit and loss account, 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 2020 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key Audit Matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	<b>Provision against Advances</b>	
	<p>Refer to note 10 and the accounting policies in notes 2.4.2 and 5.4 to the unconsolidated financial statements.</p> <p>The Bank makes provision against advances on a time based criteria that involves ensuring all non-performing loans and advances are classified in accordance with the ageing criteria specified in the Prudential Regulations (PRs) issued by the State Bank of Pakistan (SBP).</p> <p>In addition to the time based criteria the PRs require a subjective evaluation of the credit worthiness of borrowers to determine the classification of advances.</p> <p>The Bank's advances to the customers represent 31.21% of its total assets as at 31 December 2020 and are stated at Rs. 496,432 million which is net of provision of Rs. 13,742 million at the year end.</p> <p>The determination of provision against advances was identified as a key audit matter in our audit as it involves a considerable degree of management judgment and estimation in complying with the above criteria.</p>	<p>Our audit procedures in respect of provision against advances, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• Assessing the design and operating effectiveness of key controls to determine provision required against non-performing advances, including: <ul style="list-style-type: none"> <li>– Controls over correct classification of non-performing advances on time based criteria;</li> <li>– Controls over monitoring of advances with higher risk of default and migration of these advances on a timely basis to watch list or to non-performing advances category on subjective criteria;</li> <li>– Controls over accurate computation and recording of provisions; and</li> <li>– Controls over the governance and approval process related to provision.</li> </ul> </li> <li>• Testing on a sample basis, credit exposures identified by the management as displaying indicators of impairment, assessed the number of days overdue and assessed appropriateness of amount reported for provision in accordance with the Prudential Regulations;</li> <li>• Checking on a sample basis, the accuracy of specific provision made against non-performing advances and of general provision by recomputing the provision amount in accordance with the criteria prescribed under the PRs.</li> </ul>

S. No.	Key Audit Matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> <li>Examining the credit history, account movement, financial ratios, repayment pattern in respect of advances where the management has not identified indicators displaying impairment, on a sample basis and challenging the management's assessment based on our view of the credit risk from the review of credit file.</li> </ul>
2	<b>Valuation of Investments</b>	
	<p>Refer to note 9 and the accounting policies in notes 2.4.1, 2.4.3 and 5.3 to the unconsolidated financial statements.</p> <p>As at 31 December 2020, the Bank has investments classified as "Available-for-sale", "Held to maturity" and "Investment in subsidiary" amounting to Rs. 829,621 million which in aggregate represent 52.16% of the total assets of the Bank.</p> <p>Investments are carried at cost or fair value in accordance with the Bank's accounting policy relating to their recognition. Provision against investment is made based on impairment policy of the Bank which includes both objective and subjective factors.</p> <p>We identified assessing the valuation of investments as a key audit matter because of its significance to the unconsolidated financial statements and because assessing the key impairment assumptions involves a significant degree of management judgement.</p>	<p>Our procedures in respect of valuation of investments, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>Obtaining an understanding of and testing the design and operation effectiveness of the controls relating to the valuation of investments;</li> <li>Checking on a sample basis, the valuation of investments to supporting documents, externally quoted market prices and break-up values;</li> <li>Evaluating the Bank's assessment of available for sale and held to maturity investments for any additional impairment in accordance with the Bank's accounting policies and performed an independent assessment of the assumptions; and</li> <li>Considering the Bank's disclosures of investments, to the guidelines laid down by the State Bank of Pakistan regarding forms and disclosures.</li> </ul>

#### 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 Bank's Annual Report but does not include the unconsolidated financial statements and our auditors' 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 scepticism 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.

- 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 Bank's internal control.
- 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 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.
- e) 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:

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
- b) the unconsolidated statement of financial position, the unconsolidated profit and loss account, 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;
- c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Fahad Bin Waheed.

#### **KPMG Taseer Hadi & Co.**

Chartered Accountants

Date: 03 March 2021

Lahore

# Unconsolidated Statement of Financial Position

as at December 31, 2020

December 31, 2020	December 31, 2019		Note	December 31, 2020	December 31, 2019
US \$ in '000				Rupees in '000	
<b>ASSETS</b>					
803,281	750,426	Cash and balances with treasury banks	6	128,391,896	119,943,828
45,275	3,770	Balances with other banks	7	7,236,502	602,582
112,592	85,131	Lendings to financial institutions	8	17,996,123	13,606,921
5,190,504	4,742,139	Investments - net	9	829,621,110	757,956,993
3,105,913	3,034,490	Advances - net	10	496,431,756	485,015,881
460,035	388,619	Fixed assets	11	73,529,440	62,114,648
16,998	12,319	Intangible assets	12	2,716,789	1,969,051
-	-	Deferred tax assets		-	-
216,064	249,704	Other assets - net	13	34,534,399	39,911,348
9,950,662	9,266,598			1,590,458,015	1,481,121,252
<b>LIABILITIES</b>					
60,200	49,292	Bills payable	15	9,622,020	7,878,626
1,213,306	1,667,028	Borrowings	16	193,928,086	266,448,386
7,612,118	6,563,312	Deposits and other accounts	17	1,216,678,254	1,049,043,032
-	-	Liabilities against assets subject to finance lease		-	-
-	-	Sub-ordinated debt		-	-
24,974	36,903	Deferred tax liabilities - net	18	3,991,750	5,898,310
216,961	228,374	Other liabilities	19	34,677,798	36,502,065
9,127,559	8,544,909			1,458,897,908	1,365,770,419
823,103	721,689	<b>NET ASSETS</b>		<b>131,560,107</b>	<b>115,350,833</b>
<b>REPRESENTED BY</b>					
71,641	71,641	Share capital	20	11,450,739	11,450,739
151,890	139,333	Reserves		24,277,184	22,270,225
180,422	161,471	Surplus on revaluation of assets - net of tax	21	28,837,661	25,808,658
419,150	349,244	Unappropriated profit		66,994,523	55,821,211
823,103	721,689			131,560,107	115,350,833

## CONTINGENCIES AND COMMITMENTS

22

The annexed notes 1 to 46 and annexures I to III form an integral part of these unconsolidated financial statements.

Mehmud ul Hassan  
Chief Financial Officer

Azid Razzaq Gill  
President and Chief Executive

Nazrat Bashir  
Director

Dr. Muhammad Akram Sheikh  
Director

Mohammad Naeem Mukhtar  
Chairman



# Unconsolidated Profit and Loss Account

for the year ended December 31, 2020

December 31, 2020	December 31, 2019	Note	December 31, 2020	December 31, 2019	
US \$ in '000			Rupees in '000		
691,635	767,279	Mark-up / return / interest earned	24	110,546,934	122,637,434
388,690	505,259	Mark-up / return / interest expensed	25	62,126,061	80,757,714
302,945	262,020	<b>Net mark-up / interest income</b>		48,420,873	41,879,720
<b>NON MARK-UP / INTEREST INCOME</b>					
34,041	31,893	Fee and commission income	26	5,440,833	5,097,460
10,359	11,419	Dividend income		1,655,763	1,825,206
10,410	12,464	Foreign exchange income		1,663,815	1,992,194
-	-	Income from derivatives		-	-
21,397	9,878	Gain on securities - net	27	3,420,051	1,578,881
2,263	2,487	Other income	28	361,768	397,439
78,470	68,141	<b>Total non-markup / interest income</b>		12,542,230	10,891,180
381,415	330,161	Total income		60,963,103	52,770,900
<b>NON MARK-UP / INTEREST EXPENSES</b>					
186,909	178,665	Operating expenses	29	29,874,463	28,556,778
3,860	(4,813)	Workers welfare fund - net		617,008	(769,220)
705	1,220	Other charges	30	112,682	195,045
191,474	175,072	<b>Total non-markup / interest expenses</b>		30,604,153	27,982,603
189,941	155,089	<b>Profit before provisions</b>		30,358,950	24,788,297
5,278	3,421	Provisions and write offs - net	31	843,550	546,658
-	-	Extra-ordinary or unusual items		-	-
184,663	151,668	<b>PROFIT BEFORE TAXATION</b>		29,515,400	24,241,639
71,862	63,371	Taxation	32	11,485,943	10,128,728
112,801	88,297	<b>PROFIT AFTER TAXATION</b>		18,029,457	14,112,911
<b>In US \$</b>			<b>In Rupees</b>		
0.10	0.08	<b>Basic and diluted earnings per share</b>	33	15.75	12.32

The annexed notes 1 to 46 and annexures I to III form an integral part of these unconsolidated financial statements.

Mehmud ul Hassan  
Chief Financial Officer

Dr. Muhammad Akram Sheikh  
Director

Aizid Razzaq Gill  
President and Chief Executive

Mohammad Naeem Mukhtar  
Chairman

Nazrat Bashir  
Director

# Unconsolidated Statement of Comprehensive Income

for the year ended December 31, 2020

December 31, 2020		December 31, 2019			
US \$ in '000				December 31, 2020	
				December 31, 2019	
				Rupees in '000	
112,801	88,297	<b>Profit after taxation for the year</b>		18,029,457	14,112,911
<b>Other comprehensive income</b>					
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>					
1,276	3,644	Effect of translation of net investment in foreign branches		204,013	582,419
(15,973)	14,035	Movement in (deficit) / surplus on revaluation of investments - net of tax		(2,553,031)	2,243,212
(14,697)	17,679			(2,349,018)	2,825,631
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>					
(5,023)	(3,144)	Re-measurement loss on defined benefit obligations - net of tax		(802,820)	(502,598)
35,972	-	Movement in surplus on revaluation of fixed assets - net of tax		5,749,574	-
1,016	4,822	Movement in surplus on revaluation of non-banking assets - net of tax		162,377	770,648
31,965	1,678			5,109,131	268,050
130,069	107,654	<b>Total comprehensive income</b>		20,789,570	17,206,592

The annexed notes 1 to 46 and annexures I to III form an integral part of these unconsolidated financial statements.

Mehmud ul Hassan  
Chief Financial Officer

Dr. Muhammad Akram Sheikh  
Director

Aizid Razzaq Gill  
President and Chief Executive

Mohammad Naeem Mukhtar  
Chairman

Nazrat Bashir  
Director

# Unconsolidated Cash Flow Statement

for the year ended December 31, 2020

December 31, 2020	December 31, 2019	Note	December 31, 2020	December 31, 2019
US \$ in '000			Rupees in '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
184,662	151,667		29,515,400	24,241,639
(10,359)	(11,419)		(1,655,763)	(1,825,206)
174,303	140,248		27,859,637	22,416,433
<b>Adjustments:</b>				
20,708	20,650	11.2	3,309,927	3,300,579
213			33,987	19,851
10,542	10,074		1,684,915	1,610,134
5,944	6,136		950,095	980,709
1,739	1,530		277,979	244,545
5,440	4,332	31	869,542	692,374
-	(36)		-	(5,767)
3,860	(4,813)		617,008	(769,220)
(1,848)	(1,679)		(295,395)	(268,304)
30	(202)		4,772	(32,266)
46,628	35,992		7,452,830	5,772,635
220,931	176,240		35,312,467	28,189,068
<b>Decrease or (increase) in operating assets</b>				
(27,461)	251,343		(4,389,202)	40,173,274
124,269	(124,269)		19,862,396	(19,862,396)
(73,608)	(290,605)		(11,765,053)	(46,448,602)
3,759	(48,937)		600,769	(7,821,787)
26,959	(212,468)		4,308,910	(33,959,511)
<b>Increase or (decrease) in operating liabilities</b>				
10,908	786		1,743,394	125,667
(453,594)	254,919		(72,499,890)	40,744,817
1,048,806	403,967		167,635,222	64,567,849
(15,750)	53,225		(2,517,386)	8,507,210
590,370	712,897		94,361,340	113,945,543
838,260	676,669		133,982,717	108,175,100
(66,233)	(57,740)		(10,586,273)	(9,228,776)
772,027	618,929		123,396,444	98,946,324
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
(534,681)	(422,470)		(85,460,421)	(67,525,173)
(66,175)	19,624		(10,577,099)	3,136,581
10,341	11,422		1,652,779	1,825,661
(50,777)	(46,353)		(8,115,974)	(7,408,881)
3,925	2,331		627,300	372,579
1,276	3,644		204,013	582,419
(636,091)	(431,802)		(101,669,402)	(69,016,814)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
(12,849)	(11,492)		(2,053,680)	(1,836,761)
(28,598)	(57,124)		(4,570,964)	(9,130,391)
(41,447)	(68,616)		(6,624,644)	(10,967,152)
(3,157)	(14,730)		(504,571)	(2,354,435)
91,332	103,781		14,597,827	16,607,923
756,951	649,887		120,986,774	103,874,280
848,283	753,668	34	135,584,601	120,482,203

The annexed notes 1 to 46 and annexures I to III form an integral part of these unconsolidated financial statements.

Mehmud ul Hassan  
Chief Financial Officer

Aizid Razzaq Gill  
President and Chief Executive

Nazrat Bashir  
Director

Dr. Muhammad Akram Sheikh  
Director

Mohammad Naeem Mukhtar  
Chairman

# Unconsolidated Statement of Changes in Equity

for the year ended December 31, 2020

	Capital reserve			Revenue reserve	Surplus 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, 2019</b>	11,450,739	1,239,301	19,031,214	6,000	5,185,769	15,755,409	2,135,996	52,500,405	107,304,833
Profit after taxation for the year ended December 31, 2019	-	-	-	-	-	-	-	14,112,911	14,112,911
<b>Other Comprehensive Income - net of tax</b>									
Surplus on revaluation of investments - net of tax	-	-	-	-	2,243,212	-	-	-	2,243,212
Surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-	770,648	-	770,648
Remeasurement gain on defined benefit obligation - net of tax	-	-	-	-	-	-	-	(502,598)	(502,598)
Effect of translation of net investment in foreign branches	-	582,419	-	-	-	-	-	-	582,419
	-	582,419	-	-	2,243,212	-	770,648	(502,598)	3,093,681
Transfer to statutory reserve	-	-	1,411,291	-	-	-	-	(1,411,291)	-
Transferred from surplus in respect of incremental depreciation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	(106,684)	-	106,684	-
Surplus realised on disposal of revalued fixed assets - net of tax	-	-	-	-	-	(9,729)	-	9,729	-
Transferred from surplus in respect of incremental depreciation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	(2,224)	2,224	-
Surplus realised on disposal of revalued non-banking assets - net of tax	-	-	-	-	-	-	(163,739)	163,739	-
<b>Transactions with owners recognized directly in equity</b>									
Final cash dividend for the year ended December 31, 2018 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
First interim cash dividend for the year ended December 31, 2019 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
Second interim cash dividend for the year ended December 31, 2019 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
Third interim cash dividend for the year ended December 31, 2019 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
	-	-	-	-	-	-	-	(9,160,592)	(9,160,592)
<b>Balance as at December 31, 2019</b>	11,450,739	1,821,720	20,442,505	6,000	7,428,981	15,638,996	2,740,681	55,821,211	115,350,833
Profit after taxation for the year ended December 31, 2020	-	-	-	-	-	-	-	18,029,457	18,029,457
<b>Other Comprehensive Income - net of tax</b>									
Deficit on revaluation of investments - net of tax	-	-	-	-	(2,553,031)	-	-	-	(2,553,031)
Surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	5,749,574	-	-	5,749,574
Surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-	162,377	-	162,377
Remeasurement loss on defined benefit obligation - net of tax	-	-	-	-	-	-	-	(802,820)	(802,820)
Effect of translation of net investment in foreign branches	-	204,013	-	-	-	-	-	-	204,013
	-	204,013	-	-	(2,553,031)	5,749,574	162,377	(802,820)	2,760,113
Transfer to statutory reserve	-	-	1,802,946	-	-	-	-	(1,802,946)	-
Transfer of revaluation surplus on change in use - net of tax	-	-	-	-	-	2,257,200	(2,257,200)	-	-
Transferred from surplus in respect of incremental depreciation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	(110,016)	-	110,016	-
Surplus realised on disposal of revalued fixed assets - net of tax	-	-	-	-	-	(213,015)	-	213,015	-
Transferred from surplus in respect of incremental depreciation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	(1,080)	1,080	-
Surplus realised on disposal of revalued non-banking assets - net of tax	-	-	-	-	-	-	(5,806)	5,806	-
<b>Transactions with owners recognized directly in equity</b>									
Final cash dividend for the year ended December 31, 2019 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
First interim cash dividend for the year ended December 31, 2020 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
	-	-	-	-	-	-	-	(4,580,296)	(4,580,296)
<b>Balance as at December 31, 2020</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

The annexed notes 1 to 46 and annexures I to III form an integral part of these unconsolidated financial statements.

Mehmud ul Hassan  
Chief Financial Officer

Aizid Razzaq Gill  
President and Chief Executive

Nazrat Bashir  
Director

Dr. Muhammad Akram Sheikh  
Director

Mohammad Naeem Mukhtar  
Chairman

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

## 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 1,400 (2019: 1,393) branches in Pakistan including 117 (2019: 117) Islamic banking branches, 1 branch (2019: 1) in Karachi Export Processing Zone and 1 Wholesale banking branch (2019: 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, Main Boulevard, 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.

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. 159.8344 per US\$ has been used for 2020 and 2019, 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.

**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.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

**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 (IFS). 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**

There are certain amended standards, interpretations and amendments that have become applicable to the Bank for accounting periods beginning on or after January 1, 2020 but are considered not to be either relevant or not have any significant impact on these financial statements.

## **2.3 STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE**

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 01, 2021:

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after June 01, 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - there is no substantive change to the other terms and conditions of the lease.

The amendment is not likely to have an impact on the Bank's financial statements.

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after January 01, 2021 with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met. The amendment is not likely to have a significant impact on the Bank's financial statements.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after January 01, 2022 amends IAS 1 by mainly adding paragraphs which clarify what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendment is not likely to have an impact on the Bank's financial statements.
- Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after January 01, 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

These above mentioned amendments are not likely to have an impact on the Bank's financial statements.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after January 01, 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendment is not likely to have an impact on the Bank's financial statements.
- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 01, 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by References to the Conceptual Framework in IFRS Standards, issued in March 2018. The amendment is not likely to have an impact on the Bank's financial statements.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after January 01, 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The amendment is not likely to have an impact on the Bank's financial statements.
- The SECP, through SRO 229(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, as per BPRD Circular No. 04 of 2019 dated October 23, 2019 of SBP, effective date of IFRS 9 implementation is January 01, 2021.  
  
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. The ECL approach has an impact on all assets of the Bank which are exposed to credit risk. The Bank is in the process of assessing the full impact of this standard.

## 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 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.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

- 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'.

## 2.4.2 Provision against non-performing loans and advances and debt securities classified as investments

The Bank reviews its loan portfolio and debt securities classified as investments to assess amount of non-performing loans and advances and debt securities 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.

## 2.4.3 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.

## 2.4.4 Income taxes

In making the estimates for income taxes currently payable by the Bank, the management looks at the current income tax laws and the decisions of appellate authorities. In determination of deferred taxes, estimates of the Bank's future taxable profits are taken into account.

## 2.4.5 Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest rates in effect at the reporting date and the rates contracted.

## 2.4.6 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.

## 2.4.7 Defined benefits plan

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 36.

## 2.4.8 Fair value hierarchy of assets and liabilities

The fair value of the assets and liabilities is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. 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).

## 2.4.9 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.



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

## 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:

- Investments (Note 5.3);
- Certain operating fixed assets (Note 5.5);
- Staff retirement and other benefits (Note 5.8);
- Non-banking assets acquired in satisfaction of claims (Note 5.9); and
- Derivative financial instruments (Note 5.16.2).

## 4 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

The COVID-19 pandemic has impacted all economies and emerged as a contagion risk around the globe. Various preventive strategies adopted by the governments including the general lockdown resulted in to halt in the operations of various industries, which has translated into a negative GDP growth rate. These measures had also impacted the Pakistan economy in no different way and disrupted the supply chain and operations of almost all industries resulting into liquidity crisis during the year.

The State Bank of Pakistan responded in a timely manner and undertook various initiatives like:

- Reduction of the policy rate from 13.25% to 7% since the start of the pandemic.
- Reduction in the capital conservation buffer by 100 basis points to 1.5%
- Increasing the regulatory limit on extension of credit to SMEs to Rs 180 million.
- Relaxing the debt burden ratio for consumer loans from 50% to 60%.
- Allowing banks to defer borrowers principal loan payments by one year and or restructure and reschedule loans to borrowers who require relief of principal repayment exceeding one year and or mark up with no reflection on credit history; and
- Introduction of refinancing scheme for payment of wages and salaries.

COVID-19 could impact banks in Pakistan on a number of fronts including increase in overall credit risk pertaining to loans and advances portfolio, reduced fee income due to free of cost service offering and overall slowdown in economic activity, continuity of business operations and managing cyber security threats.

The financial risk management objectives and policies adopted by the Bank to monitor and handle the impact of COVID-19 on the financial statements have been explained as follows:

### 4.1 Credit Risk Management

The Risk Management function of the Bank is regularly conducting the assessment of the credit portfolio to identify obligors most likely to get affected due to changes in the business and economic environment resulting from the COVID-19 outbreak. The Bank is continuously strengthening its credit review procedures. Some of the obligors have availed the SBP enabled deferment, restructuring and rescheduling relief.

The Bank is cognizant of the fact that COVID-19 situation may pose challenges for the industry on overall basis and the risk management function of the Bank is proactively keeping an eye on the delinquency in the accounts, financial position of the counter party and other relevant information. However, since opening of lockdown in May 2020, the overall economic and industry performance has substantially improved.

### 4.2 Operational Risk Management

The Bank, like all financial institutions, is exposed to operational risk and the risk of Business Continuity in current pandemic situation. The Management of the Bank is closely monitoring the situation and taking prompt decisions to ensure the uninterrupted services to the customers.

Business Continuity Plans (BCP) for all critical processes is already in place and are being tested on regular basis. However, during pandemic, the Bank has significantly enhanced monitoring of risk related to business continuity and disruption. The Bank recognizes that pandemic can cause varying degrees of disruption to normal business processes and that it has the responsibility to its customers to continue critical operations during this event. The Bank's goal is to meet this obligation with no or minimal interruption, given the circumstances and scope of disruptive event.

### 4.3 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.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

## 4.4 Capital Adequacy Ratio (CAR)

The SBP has relaxed CAR requirements for all Tiers by reducing the Capital Conservation Buffer (CCB) from 2.5% to 1.5%. The initiative will encourage banks to extend lending despite probable reduction in profits and increased credit risk. The Bank's CAR as at December 31, 2020 stands at a sound level of 25.20%, providing cushion to absorb any unexpected shocks.

## 4.5 Suspension of dividends

The SBP through its Circular Letter No. BPRD/BA & CPD/006315-2/20 dated April 22, 2020 has advised that banks which had declared dividend for the quarter ended March 31, 2020 to suspend cash dividend distribution for the next two quarters.

## 5 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. Significant accounting policies are enumerated as follows:

### 5.1 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.

### 5.2 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.

### 5.3 Investments

5.3.1 The Bank at the time of purchase classifies its investment portfolio as mentioned in note 2.4.1.

5.3.2 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.

5.3.3 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.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

Unrealized surplus and (deficit) arising on revaluation of the Bank's 'held-for-trading' investment portfolio is taken to the Profit and Loss Account. Surplus and (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.

**5.3.4** Investments in subsidiaries are stated at cost less impairment.

## **5.4 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, Diminishing Musharakah, Business Musharakah and Salam. 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.

## **5.5 Fixed assets and depreciation**

### **a. Tangible assets**

Property and equipment owned by the Bank, other than land which is not depreciated, are stated at cost or revalued amount less accumulated depreciation and impairment losses, if any. Land is carried at revalued amount.

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 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.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

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.

## 5.6 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 .

## 5.7 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.

### 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.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

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'.

## 5.8 Staff retirement and other benefits

### 5.8.1 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.

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).

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, 2002.2.

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.

### 5.8.2 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.

#### 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.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

## 5.9 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.

## 5.10 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'.

## 5.11 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.

## 5.12 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.

## 5.13 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.

## 5.14 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.

## 5.15 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.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

## 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.

## 5.16 Financial instruments

### 5.16.1 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.

### 5.16.2 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.

### 5.17 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.

### 5.18 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.

#### 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.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

Gains / 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.

## 5.19 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.

## 5.20 Geographical Segment Reporting

Geographically the Bank operates in Pakistan, Middle East and China.

## 5.21 Earnings per share

The Bank presents basic and diluted Earnings per Share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank 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, 2020

	Note	December 31, 2020	December 31, 2019
Rupees in '000			
<b>6 CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		21,697,705	13,645,304
Foreign currencies		868,206	1,008,793
		22,565,911	14,654,097
<b>Remittances in transit</b>		475,807	1,528,644
<b>With State Bank of Pakistan (SBP) in</b>			
Local currency current accounts	6.1	62,965,250	51,250,399
Foreign currency current account	6.2	22,221	91,812
Foreign currency deposit accounts (non-remunerative)	6.1	4,693,248	5,515,729
Foreign currency deposit accounts (remunerative)	6.3	9,525,239	16,509,764
		77,205,958	73,367,704
<b>With National Bank of Pakistan in</b>			
Local currency current accounts		25,953,691	30,059,400
<b>Prize Bonds</b>			
		2,190,529	333,983
		128,391,896	119,943,828

**6.1** 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.

**6.2** This represents US\$ settlement account maintained with the State Bank of Pakistan (SBP).

**6.3** 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 0.51% to 0.76% (2019: 0.7% to 1.51%) per annum.

	Note	December 31, 2020	December 31, 2019
Rupees in '000			

## 7 BALANCES WITH OTHER BANKS

<b>Outside Pakistan</b>			
In current accounts		1,885,460	300,295
In deposit accounts	7.1	5,351,042	302,287
		7,236,502	602,582

**7.1** Balances with other banks outside Pakistan in deposit account carry interest rates 0.03% (2019: 0.03%) per annum.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

	Note	December 31, 2020	December 31, 2019
Rupees in '000			
<b>8 LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings - local currency	8.1	6,000,000	-
Call money lendings - foreign currency	8.2	3,196,688	-
Repurchase agreement lendings (Reverse Repo)	8.3 & 8.8	7,345,000	2,052,491
Musharaka lendings	8.4	500,000	1,000,000
Bai Muajjal receivable from:			
- State Bank of Pakistan	8.5	954,435	2,704,142
- other financial institutions		-	7,850,288
Certificates of investment	8.6	70,000	70,000
		<b>18,066,123</b>	<b>13,676,921</b>
Less: Provision held against lendings to financial institutions	8.6 & 8.9	(70,000)	(70,000)
Lendings to financial institutions - net of provision		<b>17,996,123</b>	<b>13,606,921</b>

**8.1** These represent local currency call money lendings to financial institutions at the mark-up rate of 7.50% (2019: Nil) per annum, maturing on January 04, 2021.

**8.2** These represent foreign currency call money lendings to financial institutions at the mark-up rate of 0.01% (2019: Nil) per annum, maturing on January 04, 2021.

**8.3** These are short-term local currency lendings to financial institutions against government securities as shown in note 8.8 below. These carry mark-up at the rate of 7.1% to 7.2% (2019: 13.45% to 13.50%) per annum, maturing on January 04, 2021.

**8.4** These represent local currency lendings by Islamic banking business under Musharaka agreement at expected profit of 7% (2019: 12.15%) per annum, maturing on January 04, 2021.

**8.5** This represent local currency lending by Islamic banking business under Bai Muajjal agreement with the State Bank of Pakistan at expected profit of 9.32% (2019: 10.53%) per annum, maturing on January 29, 2021.

**8.6** This represents local currency classified certificates of investment and related provisioning, amounting to Rs. 70 million (2019: Rs. 70 million).

	December 31, 2020	December 31, 2019
Rupees in '000		

## 8.7 Particulars of lending

In local currency	14,869,435	13,676,921
In foreign currencies	3,196,688	-
	<b>18,066,123</b>	<b>13,676,921</b>

	December 31, 2020			December 31, 2019		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
Rupees in '000						

## 8.8 Securities held as collateral against lending to financial institutions

Pakistan Investment Bonds	7,345,000	-	7,345,000	2,200,000	-	2,200,000
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# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2020		December 31, 2019	
	Classified Lending	Provision Held	Classified Lending	Provision Held
Rupees in '000				
<b>8.9 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

	December 31, 2020				December 31, 2019				
	Note	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000									

## 9 INVESTMENTS

### 9.1 Investments by type:

#### Held-for-trading securities

Federal Government Securities	-	-	-	-	19,862,396	-	5,767	19,868,163
					19,862,396		5,767	19,868,163

#### Available-for-sale securities

Federal Government Securities*	758,053,707	(12,306)	1,795,459	759,836,860	677,300,056	(15,961)	1,689,073	678,973,168	
Shares	19,566,119	(2,055,595)	5,787,108	23,297,632	24,349,646	(3,202,822)	9,686,372	30,833,196	
Non Government Debt Securities	21,433,961	(21,071)	(81,907)	21,330,983	13,633,213	(21,071)	(37,667)	13,574,475	
Foreign Securities	1,037,692	-	-	1,037,692	1,037,692	-	-	1,037,692	
Open Ended Mutual Funds	25,000	-	802	25,802	63,834	-	91,424	155,258	
	9.4	800,116,479	(2,088,972)	7,501,462	805,528,969	716,384,441	(3,239,854)	11,429,202	724,573,789

#### Held-to-maturity securities

Federal Government Securities	23,592,141	-	-	23,592,141	13,015,041	-	-	13,015,041	
Non Government Debt Securities	344,260	(344,260)	-	-	344,260	(344,260)	-	-	
	9.5	23,936,401	(344,260)	-	23,592,141	13,359,301	(344,260)	-	13,015,041

#### Subsidiaries

	500,000	-	-	500,000	500,000	-	-	500,000
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#### Total Investments

	824,552,880	(2,433,232)	7,501,462	829,621,110	750,106,138	(3,584,114)	11,434,969	757,956,993
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### 9.2 Investments by segments:

#### Federal Government Securities:

Market Treasury Bills	360,865,049	-	34,601	360,899,650	542,565,953	-	176,506	542,742,459
Pakistan Investment Bonds	407,299,507	-	1,134,094	408,433,601	154,349,214	-	784,365	155,133,579
GOP Ijarah Sukuks	500,011	-	(21,450)	478,561	876,511	-	(8,765)	867,746
GOP Sukuks (US\$)	3,995,021	(12,306)	36,003	4,018,718	3,869,387	(15,961)	59,871	3,913,297
Foreign Currency Bonds (US\$)	6,412,831	-	612,211	7,025,042	6,215,907	-	682,863	6,898,770
GOP Ijarah Sukuks - Bai Muajjal Placement	2,573,429	-	-	2,573,429	2,300,521	-	-	2,300,521
	781,645,848	(12,306)	1,795,459	783,429,001	710,177,493	(15,961)	1,694,840	711,856,372

#### Shares:

Listed Companies	18,229,940	(2,040,345)	5,787,108	21,976,703	21,940,832	(3,168,936)	9,686,372	28,458,268
Unlisted Companies	1,336,179	(15,250)	-	1,320,929	2,408,814	(33,886)	-	2,374,928
Units of open-ended mutual funds	25,000	-	802	25,802	63,834	-	91,424	155,258
	19,591,119	(2,055,595)	5,787,910	23,323,434	24,413,480	(3,202,822)	9,777,796	30,988,454

#### Non Government Debt Securities

Listed	14,445,514	(103,499)	(81,907)	14,260,108	4,817,804	(103,498)	(37,667)	4,676,639
Unlisted	7,332,707	(261,832)	-	7,070,875	9,159,669	(261,833)	-	8,897,836
	21,778,221	(365,331)	(81,907)	21,330,983	13,977,473	(365,331)	(37,667)	13,574,475

#### Foreign Securities

Equity securities	1,037,692	-	-	1,037,692	1,037,692	-	-	1,037,692
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#### Subsidiaries

ABL - Asset Management Company	500,000	-	-	500,000	500,000	-	-	500,000
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#### Total Investments

	824,552,880	(2,433,232)	7,501,462	829,621,110	750,106,138	(3,584,114)	11,434,969	757,956,993
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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, 2020

	December 31, 2020	December 31, 2019
	Rupees in '000	
<b>9.2.1 Investments given as collateral</b>		
Market Treasury Bills	28,776,013	145,442,739
Pakistan Investment Bonds	81,963,094	48,417,010
Government of Pakistan Foreign Currency Sukuks (US\$)	-	2,957,611
<b>Total Investments given as collateral</b>	<b>110,739,107</b>	<b>196,817,360</b>
<b>9.3 Provision for diminution in value of investments</b>		
<b>9.3.1</b> Opening balance	3,584,114	2,654,539
Exchange adjustments	209	3,163
<b>Charge and reversals</b>		
Charge for the year	600,351	1,118,302
Reversals for the year	(22,851)	(139,161)
	577,500	979,141
Reversal on disposals	(1,728,591)	(52,729)
<b>Closing Balance</b>	<b>2,433,232</b>	<b>3,584,114</b>

	December 31, 2020		December 31, 2019	
	*NPI	Provision	*NPI	Provision
	Rupees in '000			

## 9.3.2 Particulars of provision against debt securities

### Category of classification

	December 31, 2020		December 31, 2019	
	*NPI	Provision	*NPI	Provision
	Rupees in '000			
<b>Domestic</b>				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	365,331	365,331	365,331	365,331
	365,331	365,331	365,331	365,331
<b>Overseas</b>				
Not past due but impaired**	3,995,021	12,306	3,869,387	15,961
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
<b>Total</b>	<b>4,360,352</b>	<b>377,637</b>	<b>4,234,718</b>	<b>381,292</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, 2020

	December 31, 2020	December 31, 2019
	Cost	
	Rupees in '000	

## 9.4 Quality of Available for Sale Securities

### *Federal Government Securities – Government guaranteed*

Market Treasury Bills	360,865,049	524,797,544
Pakistan Investment Bonds	386,280,795	141,540,707
Government of Pakistan Sukuks (US\$)	3,995,021	3,869,387
Foreign Currency Bonds (US\$)	6,412,831	6,215,907
Government of Pakistan Ijarah Sukuks	500,011	876,511
	<u>758,053,707</u>	<u>677,300,056</u>

### *Shares*

#### *Listed Companies*

Power Generation and Distribution	4,209,774	8,159,528
Oil & Gas Exploration Companies	5,293,408	5,093,606
Fertilizer	3,868,645	3,827,631
Commercial Banks	2,898,950	2,900,903
Oil & Gas Marketing Companies	1,043,460	1,043,460
Real Estate Investment Trust	455,851	455,851
Chemical	268,289	268,289
Leasing Companies	89,322	89,322
Close-end Mutual Funds	51,603	51,603
Investment Banks	50,000	50,000
Cement	638	638
	<u>18,229,940</u>	<u>21,940,831</u>

	December 31, 2020		December 31, 2019	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			

#### *Unlisted Companies*

Security General Insurance Limited	569,999	1,440,396	1,075,652	2,527,369
Habib Allied Holding Limited	1,035,922	1,320,626	1,035,922	1,241,538
Nishat Hotels And Properties Limited	-	-	566,982	1,025,523
Atlas Power Limited	355,000	1,257,173	355,000	1,070,210
Pakistan Mortgage Refinance Co. Limited	200,000	256,732	200,000	202,984
1 Link Private Limited	50,000	202,032	50,000	147,330
Central Depository Company of Pakistan Limited	40,300	63,013	40,300	61,068
ISE Towers REIT Management Company Limited	30,346	46,890	30,346	43,979
First Women Bank Limited	21,200	72,287	21,200	72,287
LSE Financial Services Limited	8,440	19,576	8,440	19,155
SME Bank Limited	5,250	-	5,250	-
Arabian Sea Country Club Limited	5,000	351	5,000	351
Eastern Capital Limited	5,000	-	5,000	-
Society for Worldwide Interbank Financial Telecommunication	1,770	7,919	1,770	6,431
National Institutional Facilitation Technologies Private Limited	1,527	51,998	1,527	51,641
Pakistan Agricultural Storage and Services Corporation	1,000	495,619	1,000	295,078
Pakistan Corporate Restructuring Company	43,117	43,117	43,117	43,117
	<u>2,373,871</u>	<u>5,277,729</u>	<u>3,446,506</u>	<u>6,808,061</u>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2020	December 31, 2019
	Rupees in '000	
<b>Non Government Debt Securities</b>		
<i>Listed</i>		
- AAA	1,997,300	1,497,900
- AA+, AA, AA-	3,844,715	2,716,405
- A+, A, A-	-	500,000
- <i>Unrated</i>	8,500,000	-
	<u>14,342,015</u>	<u>4,714,305</u>
<i>Unlisted</i>		
- AAA	2,750,000	3,250,000
- AA+, AA, AA-	2,460,432	4,209,436
- A+, A, A-	1,860,443	1,438,401
- Unrated	21,071	21,071
	<u>7,091,946</u>	<u>8,918,908</u>
<b>Open Ended Mutual Funds</b>		
HBL Growth Fund – Class B Segment	-	38,834
Allied Finergy Fund	25,000	25,000
	<u>25,000</u>	<u>63,834</u>
<b>Foreign Securities</b>		
<i>Equity Securities – Unlisted</i>		
Habib Allied Holding Limited	1,035,922	1,035,922
Society for Worldwide Interbank Financial Telecommunication	1,770	1,770
	<u>1,037,692</u>	<u>1,037,692</u>
<b>9.5</b>	<b>Particulars relating to Held to Maturity securities are as follows:</b>	
<b>Federal Government Securities – Government guaranteed</b>		
Pakistan Investment Bonds	21,018,712	10,714,521
Government of Pakistan Ijarah Sukuks - Bai Muajjal Placement	2,573,429	2,300,521
	<u>23,592,141</u>	<u>13,015,042</u>
<b>Non Government Debt Securities</b>		
<i>Listed</i>		
- Unrated	103,499	103,499
<i>Unlisted</i>		
- Unrated	240,761	240,761

**9.5.1** The market value of securities classified as held-to-maturity as at December 31, 2020 amounted to Rs. 21,971.9 million (December 31, 2019: Rs. 10,848.5 million). This represents the market value of Pakistan Investment Bonds.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

		Subsidiary Asset Management Company
		Rupees in '000

## 9.6 Details regarding subsidiary company:

Country of incorporation	Pakistan
Percentage holding	100%
Assets	3,182,192
Liabilities	473,015
Revenue	730,402
Profit after taxation	348,147
Total comprehensive income	348,457

Note	Performing		Non Performing		Total	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019

Rupees in '000							
<b>10 ADVANCES</b>							
Loans, cash credits, running finances, etc.	10.1	459,187,682	467,845,262	12,740,989	14,450,873	471,928,671	482,296,135
Islamic financing and related assets	A-II. 3	32,642,319	12,615,228	-	-	32,642,319	12,615,228
Bills discounted and purchased		4,183,084	3,853,892	1,419,670	1,403,045	5,602,754	5,256,937
<b>Advances – gross</b>	10.2	496,013,085	484,314,382	14,160,659	15,853,918	510,173,744	500,168,300
<b>Provision against advances</b>							
Specific	10.3 & 10.4	-	-	(13,632,529)	(15,112,624)	(13,632,529)	(15,112,624)
General	10.4	(109,459)	(39,795)	-	-	(109,459)	(39,795)
		(109,459)	(39,795)	(13,632,529)	(15,112,624)	(13,741,988)	(15,152,419)
<b>Advances – net of provision</b>		495,903,626	484,274,587	528,130	741,294	496,431,756	485,015,881

	December 31, 2020				December 31, 2019			
	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

## 10.1 Includes net investment in finance lease as described below

Lease rentals receivable	642,926	1,010,123	48,042	1,701,091	606,329	1,331,279	85,114	2,022,722
Residual value	94,215	540,634	116,602	751,451	50,138	510,411	147,989	708,538
Minimum lease payments	737,141	1,550,757	164,644	2,452,542	656,467	1,841,690	233,103	2,731,260
Financial charges for future periods	(93,056)	(166,295)	(5,152)	(264,503)	(108,826)	(206,316)	(19,224)	(334,366)
Present value of minimum lease payments	644,085	1,384,462	159,492	2,188,039	547,641	1,635,374	213,879	2,396,894

		December 31, 2020	December 31, 2019
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## 10.2 Particulars of advances (Gross)

In local currency	495,717,569	484,420,108
In foreign currencies	14,456,175	15,748,192
	510,173,744	500,168,300

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

**10.3** Advances include Rs. 14,160.659 million (2019: Rs. 15,853.918 million) which have been placed under non-performing status as detailed below:

	December 31, 2020		December 31, 2019	
	Non Performing Loans	Specific Provision	Non Performing Loans	Specific Provision

Rupees in '000

## Category of Classification

### Domestic

Other Assets Especially Mentioned	31,881	121	35,436	449
Substandard	253,289	62,451	809,938	202,107
Doubtful	611,064	305,532	196,952	98,476
Loss	13,264,425	13,264,425	14,811,592	14,811,592
	14,160,659	13,632,529	15,853,918	15,112,624

	Note	December 31, 2020			December 31, 2019		
		Specific	General	Total	Specific	General	Total

Rupees in '000

## 10.4 Particulars of provision against advances

Opening balance		15,112,624	39,795	15,152,419	15,533,497	15,868	15,549,365
Exchange adjustments		-	1,478	1,478	-	(896)	(896)
Charge for the year		911,464	1,404,515	2,315,979	589,752	24,823	614,575
Reversals	10.5	(630,472)	(1,336,329)	(1,966,801)	(1,008,707)	-	(1,008,707)
		280,992	68,186	349,178	(418,955)	24,823	(394,132)
Amounts written off	10.6	(1,761,087)	-	(1,761,087)	(1,918)	-	(1,918)
Closing balance		13,632,529	109,459	13,741,988	15,112,624	39,795	15,152,419
<b>10.4.1</b> In local currency		13,257,185	17,077	13,274,262	14,748,991	16,820	14,765,811
In foreign currencies		375,344	92,382	467,726	363,633	22,975	386,608
		13,632,529	109,459	13,741,988	15,112,624	39,795	15,152,419

**10.4.2** 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.

**10.5** This includes reversal of provision on account of a non performing loan, classified as loss, settled against Debt Property Swap amounting to Rs. 31.994 million (2019: Rs. 311.2 million).

	Note	December 31, 2020	December 31, 2019
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Rupees in '000

## 10.6 Particulars of write-offs

<b>10.6.1</b> Against provisions		1,761,087	1,918
Directly charged to Profit and Loss account		-	-
		1,761,087	1,918
<b>10.6.2</b> Write-offs of Rs. 500,000 and above – Domestic	10.7	1,761,087	1,918
Write-offs of below Rs. 500,000		-	-
		1,761,087	1,918



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

## 10.7 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, 2020 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, 2020	December 31, 2019
Rupees in '000			
<b>11 FIXED ASSETS</b>			
Capital work-in-progress	11.1	2,891,147	2,991,144
Property and equipment	11.2	63,434,780	51,103,181
Right-of-Use Assets	11.2	7,203,513	8,020,323
		<u>73,529,440</u>	<u>62,114,648</u>
<b>11.1 CAPITAL WORK-IN-PROGRESS</b>			
Civil works		1,958,105	2,219,464
Equipment		331,677	6,546
Advances to suppliers		601,365	765,134
		<u>2,891,147</u>	<u>2,991,144</u>

	December 31, 2020									
	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	Right-of-use Asset-property
Rupees in '000										
<b>11.2 Property and Equipment</b>										
<b>At January 1, 2020</b>										
Cost or Revalued amount	19,112,278	11,316,717	7,916,459	4,765,246	2,138,103	15,276,891	1,236,909	4,886,954	66,649,557	9,615,703
Accumulated depreciation	-	-	(701,946)	(433,788)	(1,217,295)	(9,595,418)	(528,574)	(3,069,355)	(15,546,376)	(1,595,380)
<b>Net book value</b>	<u>19,112,278</u>	<u>11,316,717</u>	<u>7,214,513</u>	<u>4,331,458</u>	<u>920,808</u>	<u>5,681,473</u>	<u>708,335</u>	<u>1,817,599</u>	<u>51,103,181</u>	<u>8,020,323</u>
<b>Year ended December 31, 2020</b>										
Opening net book value	19,112,278	11,316,717	7,214,513	4,331,458	920,808	5,681,473	708,335	1,817,599	51,103,181	8,020,323
Additions	3,404,431	627,240	3,012,710	193,186	297,074	1,423,623	137,575	756,376	9,852,215	1,280,865
Movement in surplus on assets										
revalued during the year	4,394,769	476,437	970,780	380,555	-	-	-	-	6,222,541	-
Net disposal (book value)	-	(201,050)	(48,810)	(67,155)	(389)	(2,584)	(8,526)	-	(328,514)	(413,845)
Depreciation charge	-	-	(369,594)	(226,651)	(196,726)	(1,626,923)	(226,047)	(663,986)	(3,309,927)	(1,684,915)
Exchange rate adjustments	-	-	-	-	(94)	12	(59)	(677)	(818)	1,085
Other adjustments and transfers	(167,464)	(5,380)	(89,069)	155,568	-	-	-	2,447	(103,898)	-
<b>Closing net book value</b>	<u>26,744,014</u>	<u>12,213,964</u>	<u>10,690,530</u>	<u>4,766,961</u>	<u>1,020,673</u>	<u>5,475,601</u>	<u>611,278</u>	<u>1,911,759</u>	<u>63,434,780</u>	<u>7,203,513</u>
<b>At December 31, 2020</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	10,198,179
Accumulated depreciation	-	-	-	-	(1,395,260)	(11,021,930)	(724,551)	(3,729,571)	(16,871,312)	(2,994,666)
<b>Net book value</b>	<u>26,744,014</u>	<u>12,213,964</u>	<u>10,690,530</u>	<u>4,766,961</u>	<u>1,020,673</u>	<u>5,475,601</u>	<u>611,278</u>	<u>1,911,759</u>	<u>63,434,780</u>	<u>7,203,513</u>
Rate of depreciation (percentage)	-	-	5%	5%	10%	14.28% -50%	20%	20%	4.35% - 100%	

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

December 31, 2019										
	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	Right-of-use Asset-property
Rupees in '000										
<b>At January 1, 2019</b>										
Cost or Revalued amount	17,564,604	10,962,212	7,120,644	4,558,168	1,929,172	13,546,580	1,155,158	4,076,878	60,913,416	-
Accumulated depreciation	-	-	(340,664)	(228,787)	(1,035,342)	(8,125,715)	(636,528)	(2,506,337)	(12,873,373)	-
<b>Net book value</b>	<b>17,564,604</b>	<b>10,962,212</b>	<b>6,779,980</b>	<b>4,329,381</b>	<b>893,830</b>	<b>5,420,865</b>	<b>518,630</b>	<b>1,570,541</b>	<b>48,040,043</b>	<b>-</b>
<b>Year ended December 31, 2019</b>										
Opening net book value	17,564,604	10,962,212	6,779,980	4,329,381	893,830	5,420,865	518,630	1,570,541	48,040,043	-
Impact of adoption of IFRS-16 at January 01, 2019	-	-	-	-	-	-	-	-	-	8,774,405
Additions	1,547,674	354,505	795,815	296,857	223,379	1,870,492	427,830	810,629	6,327,181	856,276
Net disposal (book value)	-	-	-	(73,348)	(1,594)	(12,632)	(19,805)	-	(107,379)	(224)
Depreciation charge	-	-	(361,282)	(221,432)	(194,807)	(1,597,130)	(218,320)	(563,571)	(3,156,542)	(1,610,134)
Exchange rate adjustments	-	-	-	-	-	(122)	-	-	(122)	-
Other adjustments and transfers	-	-	-	-	-	-	-	-	-	-
<b>Closing net book value</b>	<b>19,112,278</b>	<b>11,316,717</b>	<b>7,214,513</b>	<b>4,331,458</b>	<b>920,808</b>	<b>5,681,473</b>	<b>708,335</b>	<b>1,817,599</b>	<b>51,103,181</b>	<b>8,020,323</b>
<b>At December 31, 2019</b>										
Cost or Revalued amount	19,112,278	11,316,717	7,916,459	4,765,246	2,138,103	15,276,891	1,236,909	4,886,954	66,649,557	9,615,703
Accumulated depreciation	-	-	(701,946)	(433,788)	(1,217,295)	(9,595,418)	(528,574)	(3,069,355)	(15,546,376)	(1,595,380)
<b>Net book value</b>	<b>19,112,278</b>	<b>11,316,717</b>	<b>7,214,513</b>	<b>4,331,458</b>	<b>920,808</b>	<b>5,681,473</b>	<b>708,335</b>	<b>1,817,599</b>	<b>51,103,181</b>	<b>8,020,323</b>
Rate of depreciation (percentage)	-	-	5%	5%	10%	14.28% -50%	20%	20%	4.35% - 100%	-

**11.3** 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)	18,603,914
- Building	10,890,298

**11.4** Fair value of property and equipment excluding land and buildings is not expected to be materially different from their carrying amount.

	Note	December 31, 2020	December 31, 2019
Rupees in '000			
<b>11.5</b> Incremental depreciation charged during the year transferred to unappropriated profit	21.1	169,255	164,129
<b>11.6</b> Restriction or discrepancy in the title of property having a net book value of		61,193	63,370
<b>11.7</b> The cost of fully depreciated assets that are still in use:			
Furniture and fixtures		677,391	510,781
Electrical, office and computer equipments		6,354,976	5,317,286
Vehicles		243,750	108,035
Leasehold Improvements		2,178,583	1,738,160

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

	Note	December 31, 2020	December 31, 2019
Rupees in '000			
<b>11.8</b>	The carrying amount of property and equipment that have retired from active use and held for disposal	452,361	283,457
<b>11.9</b>	The sale of fixed assets (otherwise than a regular auction) to related parties are disclosed in Annexure III.		
<b>12</b>	<b>INTANGIBLE ASSETS</b>		
	Capital work in progress	499,577	644,315
	Intangible Assets	2,217,212	1,324,736
		<u>2,716,789</u>	<u>1,969,051</u>
<b>12.1</b>	<b>Capital work in progress</b>		
	Softwares	496,703	617,519
	Advances for softwares to suppliers	2,874	26,796
		<u>499,577</u>	<u>644,315</u>
		<b>December 31, 2020</b>	
		<b>Computer software</b>	<b>Others</b>
			<b>Total</b>
		<b>Rupees in '000</b>	
<b>12.2</b>	<b>Intangible Assets</b>		
	<b>At January 1, 2020</b>		
	Cost	3,298,425	-
	Accumulated amortisation and impairment	(1,973,689)	-
	<b>Net book value</b>	<u>1,324,736</u>	<u>-</u>
	<b>Year ended December 31, 2020</b>		
	Opening net book value	1,324,736	-
	Additions:		
	Directly purchased	1,170,454	-
	Disposals cost	(25)	-
	Disposals accumulated depreciation	25	-
		-	-
	Amortisation charge	(277,979)	-
	<b>Closing net book value</b>	<u>2,217,211</u>	<u>-</u>
	<b>At December 31, 2020</b>		
	Cost	4,468,855	-
	Accumulated amortisation and impairment	(2,251,643)	-
	<b>Net book value</b>	<u>2,217,212</u>	<u>-</u>
	<b>Rate of amortisation (percentage)</b>	<u>5% to 14.28%</u>	<u>5% to 14.28%</u>
	<b>Useful life</b>	<u>7 to 20 Years</u>	<u>7 to 20 Years</u>

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2019		
	Computer software	Others	Total
	Rupees in '000		
<b>At January 1, 2019</b>			
Cost	3,141,857	-	3,141,857
Accumulated amortisation and impairment	(1,729,879)	-	(1,729,879)
<b>Net book value</b>	<b>1,411,978</b>	<b>-</b>	<b>1,411,978</b>
<b>Year ended December 31, 2019</b>			
Opening net book value	1,411,978	-	1,411,978
Additions:			
Directly purchased	157,303	-	157,303
Disposals cost	(735)	-	(735)
Disposals accumulated depreciation	735	-	735
	-	-	-
Amortisation charge	(244,545)	-	(244,545)
<b>Closing net book value</b>	<b>1,324,736</b>	<b>-</b>	<b>1,324,736</b>
<b>At December 31, 2019</b>			
Cost	3,298,425	-	3,298,425
Accumulated amortisation and impairment	(1,973,689)	-	(1,973,689)
<b>Net book value</b>	<b>1,324,736</b>	<b>-</b>	<b>1,324,736</b>
<b>Rate of amortisation (percentage)</b>	<b>5% to 14.28%</b>	<b>-</b>	<b>5% to 14.28%</b>
<b>Useful life</b>	<b>7 to 20 Years</b>	<b>-</b>	<b>7 to 20 Years</b>
		<b>December 31, 2020</b>	<b>December 31, 2019</b>
		<b>Rupees in '000</b>	
<b>12.3</b> The cost of fully amortized assets that are still in use:			
Intangible assets – software		533,304	323,406

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

	Note	December 31, 2020	December 31, 2019
Rupees in '000			
<b>13 OTHER ASSETS</b>			
Income, Mark-up accrued in local currency – net of provision		19,310,016	20,573,788
Income, Mark-up accrued in foreign currency – net of provision		204,777	245,676
Advances, deposits, advance rent and other prepayments		952,041	888,144
Advance taxation (payments less provisions)		2,358,198	3,817,847
Non-banking assets acquired in satisfaction of claims	13.1	792,216	1,609,193
Acceptances		5,329,898	5,182,716
Due from the employees' retirement benefit schemes			
Pension fund	36.4	3,786,440	4,440,411
Fraud and forgeries		539,178	524,357
Stationery and stamps in hand		304,116	286,343
Overdue foreign bills negotiated or discounted		107,472	97,601
Home Remittance Cell agent receivable		83,999	93,978
Receivable from State Bank of Pakistan - customers encashments		-	6,033
Charges receivable		27,711	32,329
Automated Teller Machine or Point of Sale settlement account		830,819	-
Suspense Account		1,865	1,387
Others		12,182	96,535
		34,640,928	37,896,338
Less: Provision held against other assets	13.2	(756,559)	(862,460)
Other assets (net of provision)		33,884,369	37,033,878
Surplus on revaluation of non-banking assets acquired			
in satisfaction of claims		650,030	2,877,470
Other assets – net		34,534,399	39,911,348
<b>13.1 Market value of non-banking assets acquired in satisfaction of claims</b>		<b>1,442,246</b>	<b>4,486,663</b>

Full-scope revaluation was carried out at December 31, 2020 through five independent valuers approved by Pakistan Banks' Association (A-1 Warda Engineering Services, Unicorn International Surveyors, Sadruddin Associates, Indus Surveyors & 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, 2020	December 31, 2019
Rupees in '000		
<b>13.1.1 Non banking assets acquired in satisfaction of claims</b>		
Opening balance	4,486,663	4,107,306
Additions	175,258	361,584
Revaluation	149,825	884,673
Disposals and Transfers	(3,335,513)	(847,049)
Depreciation	(33,987)	(19,851)
Closing balance	1,442,246	4,486,663

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

	Note	December 31, 2020	December 31, 2019
Rupees in '000			

## 13.1.2 Loss and Gain on Disposal of Non banking assets acquired in satisfaction of claims

Disposal proceeds		9,260	879,316
Less:			
Cost		(14,032)	(847,050)
Impairment or Depreciation		-	-
		(14,032)	(847,050)
(Loss) and Gain		(4,772)	32,266

## 13.2 Provision held against other assets

Advances, deposits, advance rent and other prepayments		147,067	120,584
Provision against fraud and forgeries		539,178	524,357
Overdue Foreign Bills Negotiated / Discounted		24,295	24,295
Charges receivable		27,711	32,327
Suspense account		-	6,453
Others		18,308	154,444
		756,559	862,460

### 13.2.1 Movement in provision held against other assets

Opening balance		862,460	787,203
Charge for the year		65,537	213,529
Reversals		(110,723)	(112,865)
Net (reversal) and charge		(45,186)	100,664
Written off and adjusted		(60,715)	(25,407)
Closing balance		756,559	862,460

## 14 CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2020 and December 31, 2019.

## 15 BILLS PAYABLE

In Pakistan		9,622,020	7,878,626
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## 16 BORROWINGS

### Secured

Borrowings from State Bank of Pakistan			
Repurchase agreement borrowings	16.1	69,899,415	170,120,570
Under export refinance scheme	16.2	28,781,058	22,523,266
Under payroll refinance scheme	16.3	17,579,785	-
Under long term financing facility	16.4	24,598,291	21,426,590
Under financing scheme for renewable energy	16.5	2,898,310	426,031
Under Temporary Economic Refinance Scheme	16.6	388,385	-
Other borrowings		8,432	-
Under refinance scheme for wages and salaries	16.7	121,270	-
		144,274,946	214,496,457
Repurchase agreement borrowings from Financial Institutions	16.8	40,293,084	26,585,287

### Unsecured

Call borrowings	16.9	9,263,438	24,602,435
Overdrawn nostro accounts		43,797	64,207
Musharaka borrowing		-	700,000
Other borrowings		52,821	-
		9,360,056	25,366,642
		193,928,086	266,448,386

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

- 16.1** This represents local currency borrowing from the State Bank of Pakistan against government securities, carrying mark-up at the rate of 7.06% (2019: 13.31%) per annum, maturing on January 04, 2021.
- 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% (2019: 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% (2019: Nil) 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% (2019: 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 3% per annum.
- 16.7** 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.
- 16.8** These represent borrowings in local currency from local and foreign interbank markets against government securities, carrying mark-up at the rate of 6.25% to 7.01% (2019: 13% to 13.20%) per annum. These borrowings are maturing on various dates, latest by March 24, 2021.
- 16.9** These represent unsecured borrowings in local and foreign currency from the local and foreign interbank markets, carrying mark-up at the rate of 6.15% (2019: 12.25% to 12.50%) per annum for local currency borrowings, and at the rate of 1.15% to 3.45% (2019: 2.40% to 3%) per annum for foreign currency borrowings. These borrowings are maturing on various dates, latest by April 30, 2021.
- 16.10** Note 9.2.1 includes the carrying amount of investments given as collateral against re-purchase agreement borrowings.

	December 31, 2020	December 31, 2019
	Rupees in '000	
<b>16.11 Particulars of borrowings with respect to currencies</b>		
In local currency	185,664,648	245,915,573
In foreign currencies	8,263,438	20,532,813
	<u>193,928,086</u>	<u>266,448,386</u>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2020			December 31, 2019		
	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	391,581,042	23,736,666	415,317,708	327,547,304	20,719,488	348,266,792
Savings deposits	461,231,842	33,740,375	494,972,217	403,489,789	21,019,875	424,509,664
Term deposits	107,223,558	35,015,861	142,239,419	107,203,269	63,293,352	170,496,621
Others	23,540,199	58,247	23,598,446	19,207,173	30,890	19,238,063
	983,576,641	92,551,149	1,076,127,790	857,447,535	105,063,605	962,511,140
<b>Financial Institutions</b>						
Current deposits	52,236,902	11,655	52,248,557	39,711,458	41,039	39,752,497
Savings deposits	75,358,579	-	75,358,579	33,722,513	-	33,722,513
Term deposits	12,896,350	41,557	12,937,907	10,011,200	40,261	10,051,461
Others	5,421	-	5,421	3,005,421	-	3,005,421
	140,497,252	53,212	140,550,464	86,450,592	81,300	86,531,892
	1,124,073,893	92,604,361	1,216,678,254	943,898,127	105,144,905	1,049,043,032
<b>December 31, 2020      December 31, 2019</b>						
<b>Rupees in '000</b>						

## 17.1 Composition of deposits

Individuals	557,553,525	457,188,412
Private Sector	298,695,278	270,915,027
Government (Federal and Provincial)	125,646,881	125,409,058
Public Sector Entities	94,232,106	108,998,643
Non-Banking Financial Institutions	129,648,843	77,158,043
Banking Companies	10,901,621	9,373,849
	1,216,678,254	1,049,043,032

**17.2** This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 746,521 million (2019: 628,087 million).

**17.3** Net outstanding value against prepaid cards is Rs. 105.507 million as at reporting date (2019: 128.403 million).



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

December 31, 2020				
	At January 1, 2020	Recognised in profit and loss account	Recognised in other comprehensive Income	At December 31, 2020
Rupees in '000				
<b>18 DEFERRED TAX LIABILITIES</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	115,184	107,767	-	222,951
- Post retirement medical benefits	42,980	-	-	42,980
- Workers welfare fund	520,980	215,953	-	736,933
	752,020	323,720	-	1,075,740
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	(1,091,465)	78,513	(585,565)	(1,598,517)
- Surplus on revaluation of investments	(4,000,221)	-	1,374,709	(2,625,512)
- Surplus on revaluation on non banking assets	(136,789)	582	125,150	(11,057)
- Actuarial gains	(68,002)	-	432,288	364,286
- Accelerated tax depreciation or amortization	(1,340,647)	157,163	-	(1,183,484)
- Excess of investment in finance lease over written down value of leased assets	(13,206)	-	-	(13,206)
	(6,650,330)	236,258	1,346,582	(5,067,490)
	(5,898,310)	559,978	1,346,582	(3,991,750)
December 31, 2019				
	At January 1, 2019	Recognised in profit and loss account	Recognised in other comprehensive Income	At December 31, 2019
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	46,313	68,871	-	115,184
- Post retirement medical benefits	42,980	-	-	42,980
- Workers welfare fund	790,207	(269,227)	-	520,980
	952,376	(200,356)	-	752,020
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	(1,154,147)	62,682	-	(1,091,465)
- Surplus on revaluation of investments	(2,792,338)	-	(1,207,883)	(4,000,221)
- Surplus on revaluation on non banking assets	(23,962)	-	(112,827)	(136,789)
- Actuarial gains	(338,631)	-	270,629	(68,002)
- Accelerated tax depreciation or amortization	(1,385,520)	44,873	-	(1,340,647)
- Excess of investment in finance lease over written down value of leased assets	(13,206)	-	-	(13,206)
	(5,707,804)	107,555	(1,050,081)	(6,650,330)
	(4,755,428)	(92,801)	(1,050,081)	(5,898,310)

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

	Note	December 31, 2020	December 31, 2019
Rupees in '000			
<b>19 OTHER LIABILITIES</b>			
Mark-up, return, interest payable in local currency		3,024,818	4,323,269
Mark-up, return, interest payable in foreign currencies		257,307	519,548
Accrued expenses		1,626,257	1,544,570
Retention money payable		417,668	342,559
Unearned commission and income on bills discounted		247,103	115,745
Acceptances		5,329,898	5,182,716
Unclaimed dividends		363,404	330,514
Dividend payable		-	23,558
Branch adjustment account		268,872	41,140
Unrealized loss on forward foreign exchange contracts		2,006,994	2,714,153
Provision for:			
Gratuity	36.4	609,275	606,906
Employees' medical benefits	36.4	1,514,300	1,365,237
Employees' compensated absences	36.4	774,381	668,547
Payable to defined contribution plan		29,657	84,946
Provision against off-balance sheet obligations	19.1	301,093	313,043
Security deposits against lease		757,009	712,112
Automated Teller Machine or Point of Sale settlement account		-	1,243,494
Charity fund balance		14	15
Home Remittance Cell overdraft		1,177,680	490,972
With-holding tax payable		1,835,535	2,345,071
Sundry deposits		2,652,177	2,451,078
Workers welfare fund payable	19.2	2,105,522	1,488,514
Present value of lease liability		8,316,966	8,555,677
Others		1,061,868	1,038,681
		<b>34,677,798</b>	<b>36,502,065</b>

	December 31, 2020	December 31, 2019
Rupees in '000		

## 19.1 Provision against off-balance sheet obligations

Opening balance	313,043	306,342
Charge for the year	-	6,701
Reversals	(11,950)	-
Net (reversal) and charge	(11,950)	6,701
Closing balance	301,093	313,043

The above provision includes provisions made against letters of guarantee issued by the Bank.

## 19.2 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 is reversed from the provision maintained for WWF from 2014 to 2019.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

## 20 SHARE CAPITAL

### 20.1 Authorized capital

December 31, 2020	December 31, 2019		December 31, 2020	December 31, 2019
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

### 20.2 Issued, subscribed and paid-up capital

December 31, 2020	December 31, 2019		December 31, 2020	December 31, 2019
No. of shares			Rupees in '000	
		Fully paid-up Ordinary shares of Rs. 10/- each		
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		
9,148,550	9,148,550	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.		
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 972,510,410 (84.93%) [2019: 972,510,410 (84.93%)] ordinary shares of Rs. 10 each respectively, as at reporting date.

Note	December 31, 2020	December 31, 2019
	Rupees in '000	

## 21 SURPLUS ON REVALUATION OF ASSETS – NET OF TAX

Surplus arising on revaluation of:			
fixed assets	21.1	24,921,256	16,730,460
non-banking assets acquired in satisfaction of claims	21.2	650,030	2,877,470
available-for-sale securities	9.1	7,501,462	11,429,202
Surplus on revaluation of assets – net of tax		33,072,748	31,037,132
Deferred tax on surplus on revaluation of:			
Fixed assets	21.1	(1,598,517)	(1,091,464)
Non-banking assets acquired in satisfaction of claims	21.2	(11,058)	(136,789)
Available-for-sale securities		(2,625,512)	(4,000,221)
		(4,235,087)	(5,228,474)
		28,837,661	25,808,658

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

	Note	December 31, 2020	December 31, 2019
Rupees in '000			
<b>21.1 Surplus on revaluation of fixed assets</b>			
Surplus as at January 1, 2020		16,730,460	16,909,555
Surplus on revaluation during the year		6,222,541	-
Surplus related to transfer or adjustments		2,369,797	-
Surplus realised on disposal during the year		(232,287)	(14,966)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(110,016)	(106,684)
Related deferred tax liability		(59,239)	(57,445)
	11.5	(169,255)	(164,129)
Surplus on revaluation as at December 31, 2020		24,921,256	16,730,460
Less: Related deferred tax liability on :			
Revaluation surplus as at January 1, 2020		(1,091,464)	(1,154,146)
Deferred tax liability on revaluation surplus		(472,967)	-
Deferred tax liability related to transfer or adjustments		(112,597)	-
Deferred tax on surplus on disposal during the year		19,272	5,237
Deferred tax on incremental depreciation transferred to profit and loss account		59,239	57,445
		(1,598,517)	(1,091,464)
		23,322,739	15,638,996
<b>21.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims</b>			
Surplus as at January 1, 2020		2,877,470	2,159,958
Surplus on revaluation during the year		149,825	884,673
Surplus related to transfer or adjustments		(2,369,797)	-
Surplus realised on disposal during the year		(5,806)	(163,739)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(1,080)	(2,224)
Related deferred tax liability		(582)	(1,198)
		(1,662)	(3,422)
Surplus on revaluation as at December 31, 2020		650,030	2,877,470
Less: Related deferred tax liability on :			
Revaluation surplus as at January 1, 2020		(136,789)	(23,962)
Deferred tax asset and (liability) on revaluation surplus		12,552	(114,025)
Deferred tax liability related to transfer or adjustments		112,597	-
Deferred tax on incremental depreciation transferred to Profit and Loss Account		582	1,198
		(11,058)	(136,789)
		638,972	2,740,681

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

	Note	December 31, 2020	December 31, 2019
Rupees in '000			
<b>22</b>	<b>CONTINGENCIES AND COMMITMENTS</b>		
Guarantees	22.1	36,224,791	32,308,285
Commitments	22.2	304,718,422	424,307,597
Other contingent liabilities	22.3	8,594,509	8,923,603
		<u>349,537,722</u>	<u>465,539,485</u>
<b>22.1</b>	<b>Guarantees</b>		
Financial guarantees		8,401,931	4,594,077
Performance guarantees		6,014,712	5,508,570
Other guarantees		21,808,148	22,205,638
		<u>36,224,791</u>	<u>32,308,285</u>
<b>22.2</b>	<b>Commitments</b>		
Documentary credits and short term trade related transactions:			
letters of credit		84,039,527	60,392,362
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	216,047,094	358,881,918
- forward government securities transactions	22.2.2	-	513,938
- operating leases	22.2.3	349,303	320,145
Commitments for acquisition of:			
- fixed assets		3,683,381	4,199,234
- intangible assets		599,117	-
		<u>304,718,422</u>	<u>424,307,597</u>
<b>22.2.1</b>	<b>Commitments in respect of forward foreign exchange contracts</b>		
Purchase		136,626,044	220,381,401
Sale		79,421,050	138,500,517
		<u>216,047,094</u>	<u>358,881,918</u>
<b>22.2.2</b>	<b>Commitments in respect of forward government securities transactions</b>		
Purchase		-	464,217
Sale		-	49,721
		-	<u>513,938</u>
<b>22.2.3</b>	<b>Commitments in respect of operating leases</b>		
Not later than one year		146,859	76,013
Later than one year and not later than five years		179,634	213,971
Later than five years		22,810	30,161
		<u>349,303</u>	<u>320,145</u>
<b>22.3</b>	<b>Other contingent liabilities</b>		
<b>22.3.1</b>	Claims against the Bank not acknowledged as debt	22.3.1.1	8,594,509
			<u>8,923,603</u>

**22.3.1.1** 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, 2020

**22.3.2** The income tax assessments of the Bank have been finalized upto and including tax year 2020 for local, Azad Kashmir and Gilgit Baltistan operations. While finalizing income tax assessments upto tax year 2020, income tax authorities made certain add backs with aggregate tax impact of Rs.27,815 million (2019: 25,455 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 or references before higher forums against unfavorable decisions. Pending finalization of appeals or references no provision has been made by the Bank on aggregate sum of Rs.27,815 million (2019: 25,455 million). The management is confident that the outcome of these appeals or 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 (2019: 1,700 million). The Bank's appeals before CIR(A) and 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 (2019: 1,700 million).

Tax authorities have also issued orders under Federal Excise Act, 2005 and 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. 963 million (2019: 963 million). The Bank's appeals before CIR(A) and 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. 963 million (2019: 963 million).

**22.3.3** 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, along with 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 CPs were 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.

## 23 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, 2020

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 5.16.2. The risk management framework of derivative instruments is given in note 43.

	Note	December 31, 2020	December 31, 2019
Rupees in '000			
<b>24</b>	<b>MARK-UP, RETURN, INTEREST EARNED</b>		
	On:		
	Loans and advances	43,006,850	49,549,601
	Investments	66,089,498	64,070,753
	Lendings to financial institutions	1,411,988	8,639,234
	Balances with banks	38,598	377,846
		<u>110,546,934</u>	<u>122,637,434</u>
<b>25</b>	<b>MARK-UP, RETURN, INTEREST EXPENSED</b>		
	On:		
	Deposits	48,926,827	58,822,780
	Borrowings	6,954,992	14,853,286
	Cost of foreign currency swaps against foreign currency deposits	5,294,147	6,100,939
	Interest expense on lease liability	950,095	980,709
		<u>62,126,061</u>	<u>80,757,714</u>
<b>26</b>	<b>FEE AND COMMISSION INCOME</b>		
	On:		
	Card related fees (debit and credit cards)	1,951,967	1,644,627
	Branch banking customer fees	1,327,539	1,381,406
	Commission on remittances including home remittances	853,618	691,815
	Investment banking fees	474,162	578,270
	Commission on trade	369,011	346,940
	Commission on cash management	178,021	153,897
	Commission on guarantees	164,432	134,569
	Commission on bancassurance	87,960	119,076
	Credit related fees	28,986	42,775
	Consumer finance related fees	5,137	4,085
		<u>5,440,833</u>	<u>5,097,460</u>
<b>27</b>	<b>GAIN ON SECURITIES</b>		
	Realised – net	27.1	3,420,051
	Unrealised – held for trading		-
			<u>3,420,051</u>
			<u>1,578,881</u>
<b>27.1</b>	<b>Realised gain or (loss) on:</b>		
	Federal government securities	1,965,437	583,191
	Shares	1,366,285	990,608
	Non Government debt securities	(461)	(685)
	Open Ended Mutual Funds	88,790	-
		<u>3,420,051</u>	<u>1,573,114</u>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

	Note	December 31, 2020	December 31, 2019
<b>Rupees in '000</b>			
<b>28 OTHER INCOME</b>			
Recovery of written off mark-up and charges		1,272	12,198
Gain on sale of fixed assets – net		295,395	268,304
Other assets disposal		39,898	68,247
Rent on property		11,905	7,135
Fee for attending Board meetings		1,830	3,384
Income from data center hosting service		16,240	5,905
(Loss) and gain on sale of non-banking assets	28.1	(4,772)	32,266
		<b>361,768</b>	<b>397,439</b>

**28.1** This includes loss on sale of a non-banking asset amounting to Rs. (4.772) million (2019: gain of Rs. 32.266 million).

	Note	December 31, 2020	December 31, 2019
<b>Rupees in '000</b>			
<b>29 OPERATING EXPENSES</b>			
<b>Total compensation expense</b>	29.1	13,954,733	13,458,144
<b>Property expense:</b>			
Depreciation		4,103,613	3,880,133
Rent and taxes		276,302	294,992
Utilities cost		1,202,989	1,225,114
Security (including guards)		991,617	888,206
Repair and maintenance (including janitorial charges)		880,485	735,836
Insurance		86,460	69,922
		<b>7,541,466</b>	<b>7,094,203</b>
<b>Information technology expenses:</b>			
Network charges		705,749	689,087
Depreciation		665,182	668,223
Amortization		277,979	244,545
Software maintenance		588,874	546,047
Hardware maintenance		340,986	346,507
Others		8,599	9,232
		<b>2,587,369</b>	<b>2,503,641</b>
<b>Other operating expenses:</b>			
Marketing, advertisement and publicity		754,200	730,917
Insurance		1,177,196	1,148,296
Outsourced service costs	35.1	752,209	625,208
Cash in Transit service charge		549,857	521,405
Stationery and printing		401,333	463,995
Travelling and conveyance		154,308	232,428
Legal and professional charges		193,961	118,999
Postage and courier charges		175,725	204,440
Depreciation		226,047	218,320
Donations	29.3	132,874	55,253
National Institutional Facilitation Technologies clearing charges		127,609	123,966
Communication		95,062	89,261
Directors fees and allowances		37,298	30,260
Fees and allowances to Shariah Board		6,213	6,059
Training and development		44,797	96,671
Brokerage expenses		185,145	151,187
Card related expenses		340,802	221,063
Auditors Remuneration	29.2	17,077	19,633
Others		419,182	443,429
		<b>5,790,895</b>	<b>5,500,790</b>
		<b>29,874,463</b>	<b>28,556,778</b>



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2020	December 31, 2019
	Rupees in '000	
<b>29.1 Total compensation expense</b>		
Salaries	9,291,363	8,733,678
Fees And Allowances etc.	1,553,621	1,476,956
Bonus and Awards		
Variable	1,020,546	979,147
Fixed	623,385	568,546
Charge For Defined Benefit Plan	311,689	206,946
Contribution To Defined Contribution Plan	569,861	567,067
Conveyance expense	252,761	289,602
Medical expense	149,948	189,264
Insurance	73,265	86,675
Education Subsidy	36,387	29,793
Hajj Expenses	-	24,494
Staff Uniform	14,948	12,219
Executive Club Membership	4,072	5,291
Verification Charges Educational Documents	2,927	3,821
Recruitment Charges	3,157	4,631
Others	817	2,048
Sub–Total	13,908,747	13,180,178
Voluntary Retirement Scheme	45,986	277,966
<b>Grand Total</b>	<b>13,954,733</b>	<b>13,458,144</b>

**29.1.1** The Bank announced the Voluntary Retirement Scheme (VRS) for its employees. Thirty one (31) employees (2019: 48) of the Bank opted for retirement under this scheme.

**29.1.2** Total cost for the year included in Other Operating Expenses relating to outsourced activities is Rs. 875,769 million (2019: Rs. 751,666 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, 2020	December 31, 2019
	Rupees in '000	
<b>29.2 Auditors' remuneration</b>		
Audit fee	6,425	6,110
Fee for other statutory certifications	3,397	5,859
Annual audit overseas business unit*	2,462	2,341
Half year review	2,665	2,535
Special certifications and miscellaneous services	150	605
Sales tax	568	631
Out–of–pocket expenses	1,410	1,552
	17,077	19,633

\*This includes audit fee amounting to Bahraini Dinar 4,800 (2019: 5,500) and Chinese Yuan 3,000 relating to Wholesale Bahrain Branch and China Representative Office respectively.

**29.3** 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, 2020

	Note	December 31, 2020	December 31, 2019
Rupees in '000			
Akhuwat Foundation		13,000	-
Anjuman Himayat-i-Islam	29.3.1	1,901	4,454
Custom Public School		1,000	-
Government College of Science, Lahore		-	599
Chaman (Center for Mentally Challenged Children)		1,596	-
Lahore Businessmen Association For Rehabilitation Of The Disabled		-	5,000
Pakistan Hindu Council		400	-
Saylani Welfare International Trust		3,160	-
Various Educational and Social Service Institutions		230	-
Liver Foundation Trust		-	1,000
Prime Minister's COVID-19 Pandemic Relief Fund-2020		10,000	-
National Management Foundation (LUMS)		30,000	30,000
Mashal Association		-	200
Abdul Sattar Edhi Foundation		6,000	-
RAAST Welfare Society		1,000	1,000
Institute of Public Health		5,400	-
Shaukat Khanum Memorial Trust		5,000	-
Progressive Education Network		5,000	-
Tamir Welfare Organization		3,000	3,000
Alamgir Welfare Trust		4,400	-
Dow University of Health Sciences		3,000	-
Orange Tree Foundation		1,000	-
Family Educational Services Foundation		1,000	-
Zaman Foundation		1,000	-
The Noorani Foundation Trust		10,000	-
People's University Of Medical & Health Sciences For Women		2,184	-
Charity Right Welfare Association		1,000	-
Madarsa Jamiat Ul Uloom Islamia Binori Town Karachi		246	-
The Indus Hospital		22,357	10,000
		132,874	55,253

**29.3.1** This represents charitable expenses on account of sadqa & feeding to under privileged.

	December 31, 2020	December 31, 2019
Rupees in '000		
<b>30 OTHER CHARGES</b>		
Penalties imposed by State Bank of Pakistan	23,720	120,914
Education cess	46,930	54,187
Depreciation – non-banking assets	33,987	19,851
Other assets written off	8,045	93
	112,682	195,045

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

	Note	December 31, 2020	December 31, 2019
Rupees in '000			
<b>31</b>	<b>PROVISIONS AND WRITE OFFS – NET</b>		
Provision for diminution in the value of investments	9.3.1	577,500	979,141
Provision and (Reversal) against loans and advances	10.4	349,178	(394,132)
(Reversal) and Provision against other assets	13.2.1	(45,186)	100,664
(Reversal) and Provision against off balance sheet obligations	19.1	(11,950)	6,701
		869,542	692,374
Recovery of written off bad debts		(25,992)	(145,716)
		843,550	546,658
		<b>December 31, 2020</b>	<b>December 31, 2019</b>
		Rupees in '000	
<b>32</b>	<b>TAXATION</b>		
Current – for the year including super tax		12,045,921	9,201,094
– for prior year		-	834,833
		12,045,921	10,035,927
Deferred – current		(559,978)	92,801
		11,485,943	10,128,728
<b>32.1</b>	<b>Relationship between tax expense and accounting profit</b>		
Accounting profit for the year		29,515,400	24,241,639
Tax on income @ 35% (2019: 35%)		10,330,390	8,484,574
Super Tax @ 4%		1,234,015	964,348
Prior year Super Tax @ 4%		-	834,833
Others		(78,462)	(155,027)
Tax charge for the year		11,485,943	10,128,728
<b>33</b>	<b>EARNINGS PER SHARE – BASIC AND DILUTED</b>		
Profit after taxation		18,029,457	14,112,911
		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		15.75	12.32
There is no dilution effect on basic earnings per share.			
		<b>December 31, 2020</b>	<b>December 31, 2019</b>
		Rupees in '000	
<b>34</b>	<b>CASH AND CASH EQUIVALENTS</b>		
Cash and balances with treasury banks		128,391,896	119,943,828
Balances with other banks		7,236,502	602,582
Overdrawn nostro accounts		(43,797)	(64,207)
		135,584,601	120,482,203

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

## 34.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	December 31, 2020				December 31, 2019			
	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>	8,555,677	354,072	55,821,211	64,730,960	8,479,326	323,871	52,500,405	61,303,602
Changes from Financing cash flows								
Payment of lease liability against right-of-use-assets	(2,053,680)	-	-	(2,053,680)	(1,755,992)	-	-	(1,755,992)
Dividend Paid	-	(4,570,964)	-	(4,570,964)	-	(9,130,391)	-	(9,130,391)
<b>Total changes from financing cash flows</b>	<b>(2,053,680)</b>	<b>(4,570,964)</b>	<b>-</b>	<b>(6,624,644)</b>	<b>(1,755,992)</b>	<b>(9,130,391)</b>	<b>-</b>	<b>(10,886,383)</b>
<b>Liability related</b>								
Changes in Other liabilities								
- Dividend announced	-	4,580,296	(4,580,296)	-	-	9,160,592	(9,160,592)	-
- Lease liability recognised	1,814,969	-	-	1,814,969	1,832,343	-	-	1,832,343
<b>Total liability related other changes</b>	<b>1,814,969</b>	<b>4,580,296</b>	<b>(4,580,296)</b>	<b>1,814,969</b>	<b>1,832,343</b>	<b>9,160,592</b>	<b>(9,160,592)</b>	<b>1,832,343</b>
<b>Total equity related other changes</b>	<b>-</b>	<b>-</b>	<b>15,753,608</b>	<b>15,753,608</b>	<b>-</b>	<b>-</b>	<b>12,481,398</b>	<b>12,481,398</b>
<b>Balance as at December 31, 2020</b>	<b>8,316,966</b>	<b>363,404</b>	<b>66,994,523</b>	<b>75,674,893</b>	<b>8,555,677</b>	<b>354,072</b>	<b>55,821,211</b>	<b>64,730,960</b>

## Numbers

### 35 STAFF STRENGTH

Permanent	11,267	11,207
Temporary, on contractual basis, trainee	336	458
<b>Bank's own staff strength at the end of the year</b>	<b>11,603</b>	<b>11,665</b>
<b>Average number of employees</b>	<b>11,634</b>	<b>11,436</b>

35.1 In addition to the above, 571 (2019: 501) 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, 8 (2019: 7) employees were posted abroad. The rest were working domestically.

### 36 DEFINED BENEFIT PLANS

#### 36.1 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.

#### 36.2 Number of employees and beneficiaries under the schemes

The number of employees covered under the following defined benefit scheme or plans are:

	December 31, 2020	December 31, 2019
Numbers		
- Pension fund	527	632
- Gratuity fund	11,358	11,245
- Post retirement medical benefits	11,293	11,183
- Employees' compensated absences	11,293	11,183
In addition, the number of beneficiaries covered under the following defined benefit scheme / plans are:		
- Pension fund	2,369	2,330
- Post retirement medical benefits	1,610	1,610

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

## 36.3 Principal actuarial assumptions

The actuarial valuations were carried out for December 31, 2020 based on the Projected Unit Credit Method, using the following significant assumptions:

	Sources of estimation	December 31, 2020	December 31, 2019
<b>Withdrawal rate</b>			
Pension fund		Low	Low
Gratuity fund		Moderate	Moderate
Benevolent fund		-	-
Post retirement medical benefits		Moderate	High
Employees' compensated absences		Moderate	High
<b>Mortality rate</b>		Adjusted SLIC	Adjusted SLIC
		2001-2005	2001-2005
<b>Discount rate</b>	Yield on investments in Government Bonds	9.75%	11.25%
<b>Expected rate of return on plan assets</b>			
Pension fund	Yield on investments in Government Bonds	9.75%	11.25%
Gratuity fund	Yield on investments in Government Bonds	9.75%	11.25%
Benevolent fund	Yield on investments in Government Bonds	-	-
<b>Expected rate of salary increase</b>	Rate of salary increase	7.75%	9.25%

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.

## 36.4 Reconciliation of (receivable from) and payable to defined benefit plans

Note	December 31, 2020					December 31, 2019					
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences	
	Rupees in '000					Rupees in '000					
Present value of defined benefit obligations	36.6	1,707,213	3,655,868	-	1,514,300	774,381	1,661,826	3,351,328	-	1,365,237	668,547
Fair value of plan's / scheme's assets	36.7	(5,493,653)	(3,046,593)	-	-	-	(6,102,237)	(2,744,422)	-	-	-
Net (asset) and liability		(3,786,440)	609,275	-	1,514,300	774,381	(4,440,411)	606,906	-	1,365,237	668,547

## 36.5 Movement in (receivable from) and payable to defined benefit plans

Note	December 31, 2020					December 31, 2019					
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences	
	Rupees in '000					Rupees in '000					
Opening balance	(4,440,411)	606,906	-	1,365,237	668,547	(4,560,065)	444,655	(115,915)	1,332,925	606,216	
(Reversal) / charge for the year	36.9	(497,435)	416,357	-	171,674	230,280	(466,025)	462,416	(28,157)	192,559	185,679
Other comprehensive (income) / losses		1,151,406	(12,027)	-	95,729	-	727,746	90,737	-	(44,640)	-
Contribution to the fund and benefits paid		-	(401,961)	-	(118,340)	(124,446)	(142,067)	(390,902)	144,072	(115,607)	(123,348)
Closing balance		(3,786,440)	609,275	-	1,514,300	774,381	(4,440,411)	606,906	-	1,365,237	668,547

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

## 36.6 Movement in defined benefit obligations

	December 31, 2020				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Opening balance	1,661,826	3,351,328	-	1,365,237	668,547
Current service cost	-	345,121	-	23,922	38,200
Interest cost	174,637	361,555	-	146,933	68,211
Benefits paid	(218,993)	(275,007)	-	(118,340)	(124,446)
VRS settlement loss	2,111	2,959	-	819	3,298
Re-measurement loss and (gain)	87,632	(130,088)	-	95,729	120,571
Closing balance	1,707,213	3,655,868	-	1,514,300	774,381

	December 31, 2019				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Opening balance	1,585,703	2,827,757	9,206	1,332,925	606,216
Current service cost	-	400,530	-	21,879	38,186
Interest cost	178,867	357,867	-	168,954	72,152
Benefits paid	(471,523)	(253,741)	(9,206)	(115,607)	(123,348)
VRS settlement loss	147,596	2,970	-	1,726	15,391
Re-measurement loss and (gain)	221,183	15,945	-	(44,640)	59,950
Closing balance	1,661,826	3,351,328	-	1,365,237	668,547

## 36.7 Movement in fair value of plan assets

	December 31, 2020				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Opening balance	6,102,237	2,744,422	-	-	-
Expected return on plan assets	674,183	293,278	-	-	-
Bank's contribution	-	401,961	-	-	-
Benefits paid	(218,993)	(275,007)	-	-	-
Re-measurement loss	(1,063,774)	(118,061)	-	-	-
Closing balance	5,493,653	3,046,593	-	-	-

	December 31, 2019				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Opening balance	6,145,768	2,383,102	241,036	-	-
Expected return on plan assets	792,488	298,951	-	-	-
Bank's contribution	142,067	390,902	-	-	-
Benefits paid	(471,523)	(253,741)	(241,036)	-	-
Re-measurement loss	(506,563)	(74,792)	-	-	-
Closing balance	6,102,237	2,744,422	-	-	-

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

## 36.8 Composition of plan assets

	December 31, 2020				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Equity securities	4,262,048	639,896	-	-	-
Cash and cash equivalents	1,231,605	2,406,697	-	-	-
	<u>5,493,653</u>	<u>3,046,593</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 36.8.1 Fair value of Bank's financial instruments included in plan assets

Shares of ABL	2,366,291	520,329	-	-	-
Term deposit receipts	1,032,468	2,370,244	-	-	-
Bank balances with ABL	199,137	36,452	-	-	-
	<u>3,597,896</u>	<u>2,927,025</u>	<u>-</u>	<u>-</u>	<u>-</u>

	December 31, 2019				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Equity securities	4,880,641	738,956	-	-	-
Cash and cash equivalents	1,221,596	2,005,466	-	-	-
	<u>6,102,237</u>	<u>2,744,422</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 36.8.2 Fair value of Bank's financial instruments included in plan assets

Shares of ABL	2,649,848	582,681	-	-	-
Term deposit receipts	1,047,174	1,895,966	-	-	-
Bank balances with ABL	174,422	109,500	-	-	-
	<u>3,871,444</u>	<u>2,588,147</u>	<u>-</u>	<u>-</u>	<u>-</u>

36.8.3 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.

## 36.9 Charge for defined benefit plan

	December 31, 2020				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Current service cost	-	345,121	-	23,922	38,200
Interest cost	-	-	-	146,933	-
Net interest	(499,546)	68,277	-	-	68,211
VRS loss	2,111	2,959	-	819	3,298
Re-measurement loss recognised	-	-	-	-	120,571
	<u>(497,435)</u>	<u>416,357</u>	<u>-</u>	<u>171,674</u>	<u>230,280</u>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2019			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Current service cost	-	400,530	21,879	38,186
Interest cost	-	-	168,954	72,152
Net interest	(613,621)	58,916	-	-
VRS loss	147,596	2,970	1,726	15,391
Re-measurement loss recognised	-	-	-	59,950
	(466,025)	462,416	192,559	185,679

## 36.10 Re-measurements recognized in other comprehensive income

	December 31, 2020			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Re-measurement (loss) and gain on obligations				
- Experience adjustments	(87,632)	130,088	(95,729)	-
Re-measurement loss on assets	(1,063,774)	(118,061)	-	-
Re-measurement (loss) or gain in OCI	(1,151,406)	12,027	(95,729)	-

	December 31, 2019			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Re-measurement (loss) and gain on obligations	(221,183)	(15,945)	44,640	-
Re-measurement loss on assets	(506,563)	(74,792)	-	-
Re-measurement (loss) or gain in OCI	(727,746)	(90,737)	44,640	-

	December 31, 2020	December 31, 2019
	Rupees in '000	

## 36.11 Actual (loss) and return on plan assets

- Pension fund	(389,591)	285,925
- Gratuity fund	175,217	224,159

## 36.12 Five year data of defined benefit plan and experience adjustments

	Pension fund				
	2020	2019	2018	2017	2016
	Rupees in '000				
Present value of defined benefit obligation	1,707,213	1,661,826	1,585,703	1,979,453	2,001,618
Fair value of plan assets	(5,493,653)	(6,102,237)	(6,145,768)	(5,671,485)	(6,616,345)
	(3,786,440)	(4,440,411)	(4,560,065)	(3,692,032)	(4,614,727)
<b>Experience adjustments on plan obligations / assets</b>					
Re-measurement (loss) and gain on obligation	(87,632)	(221,183)	364,271	(94,595)	(172,722)
Re-measurement (loss) and gain on assets	(1,063,774)	(506,563)	382,517	(1,191,876)	660,173



## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

<b>Gratuity fund</b>					
	2020	2019	2018	2017	2016
<b>Rupees in '000</b>					
Present value of defined benefit obligation	3,655,868	3,351,328	2,827,757	2,531,300	2,285,523
Fair value of plan assets	(3,046,593)	(2,744,422)	(2,383,102)	(2,019,381)	(2,030,232)
	<u>609,275</u>	<u>606,906</u>	<u>444,655</u>	<u>511,919</u>	<u>255,291</u>
<b>Experience adjustments on plan obligations / assets</b>					
Re-measurement gain and (loss) on obligation	130,088	(15,945)	(73,576)	(20,492)	36,036
Re-measurement (loss) and gain on assets	(118,061)	(74,792)	145,719	(230,025)	26,301
<b>Benevolent fund</b>					
	2020	2019	2018	2017	2016
<b>Rupees in '000</b>					
Present value of defined benefit obligation	-	-	9,206	8,036	8,776
Fair value of plan assets	-	-	(278,393)	(232,158)	(221,007)
	-	-	(269,187)	(224,122)	(212,231)
<b>Experience adjustments on plan obligations / assets</b>					
Re-measurement (loss) and gain on obligation	-	-	(2,632)	(1,111)	931
Re-measurement (gain) and loss on assets	-	-	(8,150)	(3,976)	1,136
<b>Post retirement medical</b>					
	2020	2019	2018	2017	2016
<b>Rupees in '000</b>					
Present value of defined benefit obligation	1,514,300	1,365,237	1,332,925	1,240,250	1,298,380
Fair value of plan assets	-	-	-	-	-
	<u>1,514,300</u>	<u>1,365,237</u>	<u>1,332,925</u>	<u>1,240,250</u>	<u>1,298,380</u>
<b>Experience adjustments on plan obligations</b>					
Re-measurement (loss) and gain on obligation	(95,729)	44,640	(105,031)	62,068	(97,990)
<b>Employees' compensated absences</b>					
	2020	2019	2018	2017	2016
<b>Rupees in '000</b>					
Present value of defined benefit obligation	774,381	668,547	606,216	570,128	698,964
Fair value of plan assets	-	-	-	-	-
	<u>774,381</u>	<u>668,547</u>	<u>606,216</u>	<u>570,128</u>	<u>698,964</u>
<b>Experience adjustments on plan obligations</b>					
Re-measurement (loss) and gain on obligation	(120,571)	(59,950)	(137,850)	71,640	11,662

### 36.13 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 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, 2021 would be as follows:

	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
<b>Rupees in '000</b>				
Expected (reversal) and charge for the next year	(369,178)	383,134	176,069	235,355

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

## 36.14 Sensitivity analysis

Description	+1% Discount Rate	-1% Discount Rate	+1% Salary Increase Rate	-1% Salary Increase Rate	+10% Withdrawal Rate	-10% Withdrawal Rate	1Year Mortality age set back	1Year Mortality age set forward
	Rupees in '000							
Pension fund	1,601,960	1,826,716	1,715,148	1,700,225	1,707,253	1,707,176	1,743,989	1,672,800
Gratuity fund	3,391,276	3,959,643	3,980,824	3,368,763	3,670,489	3,640,423	3,654,050	3,657,678
Post retirement medical	1,554,944	1,471,169	1,557,318	1,476,269	1,507,886	1,521,083	1,513,224	1,515,364
Leave compensated absences	722,140	833,458	834,036	720,760	766,252	782,817	772,713	776,043

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, 2020			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
The weighted average duration of the obligation (in years)	6.58	7.77	7.62	7.19

## 36.15 Maturity Profile

The weighted average duration of the obligation (in years)	6.58	7.77	7.62	7.19
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## 36.16 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.

## 36.17 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.

## 37 DEFINED CONTRIBUTION PLAN

The Bank operates an approved contributory provident fund for 10,380 (2019: 10,089) employees where contributions are made by the Bank and employees at 8.33% per annum (2019: 8.33% per annum) of the basic salary every month.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

## 38 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

	December 31, 2020						
	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>38.1 Total compensation expense</b>							
Fees and allowances etc.	2,000	-	34,600	-	-	-	-
Managerial remuneration							
- Fixed (including Eid bonus)	-	-	-	2,919	15,825	97,162	203,291
- Total Variable	-	-	-	455	24,500	117,400	100,900
of which							
a. Cash Bonus / awards	-	-	-	455	24,500	117,400	100,900
b. Bonus and awards in Shares	-	-	-	-	-	-	-
Charge for defined benefit plans	-	-	-	256	1,506	18,140	36,570
Contribution to defined contribution plan	-	-	-	224	1,318	8,094	16,317
Rent and house maintenance	-	-	-	1,616	9,495	58,297	117,528
Utilities	-	-	-	539	3,165	19,432	39,176
Medical	-	-	-	539	3,165	20,104	40,926
Conveyance	-	-	-	827	3,000	47,475	61,259
Others	-	-	-	270	600	11,972	43,317
<b>Total</b>	<b>2,000</b>	<b>-</b>	<b>34,600</b>	<b>7,645</b>	<b>62,574</b>	<b>398,076</b>	<b>659,284</b>
Number of persons	1	-	6	3	1	16	77
	December 31, 2019						
	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.	-	-	27,400	-	-	-	-
Managerial remuneration							
- Fixed (including Eid bonus)	-	-	-	2,842	14,200	96,537	186,385
- Total Variable	-	-	-	-	22,000	114,000	84,501
of which							
a. Cash Bonus / awards	-	-	-	-	22,000	114,000	84,501
b. Bonus and awards in Shares	-	-	-	-	-	-	-
Charge for defined benefit plans	-	-	-	294	1,590	19,303	35,936
Contribution to defined contribution plan	-	-	-	219	1,183	8,042	15,526
Rent and house maintenance	-	-	-	1,574	8,520	57,922	107,860
Utilities	-	-	-	525	2,840	19,307	35,965
Medical	-	-	-	525	2,840	20,335	35,965
Conveyance	-	-	-	813	3,000	50,475	58,203
Others	-	-	-	284	349	12,805	41,375
<b>Total</b>	<b>-</b>	<b>-</b>	<b>27,400</b>	<b>7,076</b>	<b>56,522</b>	<b>398,726</b>	<b>601,716</b>
Number of persons	1	-	6	3	1	18	75

\* CEO stands for Chief Executive Officer

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

## 38.2 Remuneration paid to Directors for participation in Board and Committee Meetings

Sr. No.	Name of Director	December 31, 2020						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	1,200	-	-	-	800	-	2,000
2	Sheikh Mukhtar Ahmad	1,200	-	-	800	-	-	2,000
3	Muhammad Waseem Mukhtar	1,700	1,800	1,150	-	-	3,350	8,000
4	Abdul Aziz Khan	1,700	-	1,150	1,300	-	3,350	7,500
5	Dr. Muhammad Akram Sheikh	1,700	1,800	1,150	1,300	-	-	5,950
6	Zafar Iqbal	1,700	1,800	-	-	1,300	-	4,800
7	Nazrat Bashir	1,700	-	-	-	1,300	3,350	6,350
		10,900	5,400	3,450	3,400	3,400	10,050	36,600

Sr. No.	Name of Director	December 31, 2019						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	Sheikh Mukhtar Ahmad	-	-	-	-	-	-	-
3	Muhammad Waseem Mukhtar	1,750	1,150	1,400	-	-	2,400	6,700
4	Abdul Aziz Khan	1,250	-	1,150	1,150	-	2,150	5,700
5	Dr. Muhammad Akram Sheikh	1,750	1,400	1,400	1,150	-	-	5,700
6	Zafar Iqbal	1,750	1,400	-	-	1,000	-	4,150
7	Nazrat Bashir	1,750	-	-	-	1,000	2,400	5,150
		8,250	3,950	3,950	2,300	2,000	6,950	27,400

## 38.3 Remuneration paid to Shariah Board Members

Items	December 31, 2020			December 31, 2019		
	Chairman	Resident Member	Non-Resident Member(s)	Chairman	Resident Member	Non-Resident Member(s)
	Rupees in '000					
Salaries and allowances	4,402	1,750	1,493	4,433	1,220	1,423
Total Number of Persons	1	1	1	1	1	1

38.4 Deferred cash bonus and remuneration for MRTs for the year 2020 is Rs. 14,500,250 (2019: 15,828,450).

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

## 39 FAIR VALUE OF FINANCIAL INSTRUMENTS

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:

On-Balance sheet Financial Instruments	December 31, 2020							Fair Value			
	Carrying Value							Level 1	Level 2	Level 3	Total
	Held to Maturity	Held for Trading	Available for Sale	Financing and receivables	Other financial assets	Other financial liabilities	Total				
Rupees in '000											
<b>Financial assets – measured at fair value</b>											
<b>Investments</b>											
Shares and Open Ended Mutual Funds	-	-	22,002,506	-	-	-	22,002,506	21,976,704	25,802	-	22,002,506
Federal Government Securities	-	-	759,836,860	-	-	-	759,836,860	-	759,836,860	-	759,836,860
Non Government Debt Securities	-	-	14,260,108	-	-	-	14,260,108	-	14,260,108	-	14,260,108
<b>Financial assets – not measured at fair value</b>											
Cash and balances with treasury banks	-	-	-	-	128,391,896	-	128,391,896	-	-	-	-
Balances with other banks	-	-	-	-	7,236,502	-	7,236,502	-	-	-	-
Lendings	-	-	-	17,996,123	-	-	17,996,123	-	-	-	-
Advances	-	-	-	496,431,756	-	-	496,431,756	-	-	-	-
Other assets	-	-	-	-	26,447,917	-	26,447,917	-	-	-	-
Investments (Federal Government Securities, unlisted ordinary shares, Term finance certificate, sukuk subsidiaries, Bai Muajjal)	23,592,141	-	9,929,497	-	-	-	33,521,638	-	-	-	-
	23,592,141	-	806,028,971	514,427,879	162,076,315	-	1,506,125,306	21,976,704	774,122,768	-	796,099,472
<b>Financial liabilities – not measured at fair value</b>											
Bills payable	-	-	-	-	-	9,622,020	9,622,020	-	-	-	-
Borrowings	-	-	-	-	-	193,928,086	193,928,086	-	-	-	-
Deposits and other accounts	-	-	-	-	-	1,216,678,254	1,216,678,254	-	-	-	-
Other liabilities	-	-	-	-	-	26,804,010	26,804,010	-	-	-	-
	-	-	-	-	-	1,447,032,370	1,447,032,370	-	-	-	-
<b>Off-balance sheet financial instruments – measured at fair value</b>											
<b>Forward foreign exchange contracts</b>											
Purchase	-	-	-	-	136,626,044	-	136,626,044	-	136,626,044	-	136,626,044
Sale	-	-	-	-	79,421,050	-	79,421,050	-	79,421,050	-	79,421,050
	-	-	-	-	216,047,094	-	216,047,094	-	216,047,094	-	216,047,094
December 31, 2019											
On-Balance sheet Financial Instruments	Carrying Value							Fair Value			
	Held to Maturity	Held for Trading	Available for Sale	Financing and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	Rupees in '000										
<b>Financial assets – measured at fair value</b>											
<b>Investments</b>											
Shares and Open Ended Mutual Funds	-	-	28,613,526	-	-	-	28,613,526	28,458,268	155,258	-	28,613,526
Federal Government Securities	-	19,868,163	678,973,168	-	-	-	698,841,331	-	698,841,331	-	698,841,331
Non Government Debt Securities	-	-	4,176,639	-	-	-	4,176,639	-	4,176,639	-	4,176,639
<b>Financial assets – not measured at fair value</b>											
Cash and balances with treasury banks	-	-	-	-	119,943,828	-	119,943,828	-	-	-	-
Balances with other banks	-	-	-	-	602,582	-	602,582	-	-	-	-
Lending	-	-	-	13,606,921	-	-	13,606,921	-	-	-	-
Advances	-	-	-	485,015,881	-	-	485,015,881	-	-	-	-
Other asset	-	-	-	-	35,112,658	-	35,112,658	-	-	-	-
Investments (Federal Government Securities, unlisted ordinary shares, Term finance certificate, sukuk subsidiaries, Bai Muajjal)	13,015,041	-	13,310,456	-	-	-	26,325,497	-	-	-	-
	13,015,041	19,868,163	725,073,789	498,622,802	155,659,068	-	1,412,238,863	28,458,268	703,173,228	-	731,631,496
<b>Financial liabilities – not measured at fair value</b>											
Bills payable	-	-	-	-	-	7,878,626	7,878,626	-	-	-	-
Borrowings	-	-	-	-	-	266,448,386	266,448,386	-	-	-	-
Deposits and other accounts	-	-	-	-	-	1,049,043,032	1,049,043,032	-	-	-	-
Other liabilities	-	-	-	-	-	29,112,423	29,112,423	-	-	-	-
	-	-	-	-	-	1,352,482,467	1,352,482,467	-	-	-	-
<b>Off-balance sheet financial instruments – measured at fair value</b>											
<b>Forward foreign exchange contracts</b>											
Purchase	-	-	-	-	220,381,401	-	220,381,401	-	220,381,401	-	220,381,401
Sale	-	-	-	-	138,500,517	-	138,500,517	-	138,500,517	-	138,500,517
Forward government securities transactions	-	-	-	-	513,938	-	513,938	-	513,938	-	513,938
	-	-	-	-	359,395,856	-	359,395,856	-	359,395,856	-	359,395,856

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2020				December 31, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Rupees in '000								
<b>39.1 Fair value of non-financial assets</b>								
Fixed assets	-	54,415,469	-	54,415,469	-	41,974,966	-	41,974,966
Non-banking assets	-	1,442,246	-	1,442,246	-	4,486,663	-	4,486,663

## 39.2 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 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 Mutual Funds Association of Pakistan (MUFAP) rates.
Operating fixed assets (land & building) & NBA	The Valuation is based on their assessment of market value of the properties.

## 40 SEGMENT INFORMATION

### 40.1 Segment Details with respect to Business Activities

	December 31, 2020					
	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	38,702,211	(45,628,271)	53,851,077	1,869,913	(374,057)	48,420,873
Inter segment revenue - net	(32,334,013)	80,191,037	(41,839,763)	-	(6,017,261)	-
Non mark-up, return, interest income	4,795,540	3,573,405	3,625,159	210,875	337,251	12,542,230
<b>Total Income</b>	<b>11,163,738</b>	<b>38,136,171</b>	<b>15,636,473</b>	<b>2,080,788</b>	<b>(6,054,067)</b>	<b>60,963,103</b>
Segment direct expenses	630,977	16,675,649	194,351	1,326,208	11,776,968	30,604,153
Total expenses	630,977	16,675,649	194,351	1,326,208	11,776,968	30,604,153
Provisions for taxation	(1,209,061)	(274,067)	-	(128)	639,706	(843,550)
Profit before tax	9,323,700	21,186,455	15,442,122	754,452	(17,191,329)	29,515,400
<b>Balance Sheet</b>						
Cash & Bank balances	63,515	56,549,630	70,345,528	3,372,243	5,297,482	135,628,398
Investments	40,137,617	-	769,333,252	19,650,241	500,000	829,621,110
Net inter segment lending	(367,667,313)	1,115,262,750	(753,028,599)	(1,691,159)	7,124,321	-
Lendings to financial institutions	-	-	30,817,586	1,454,435	(14,275,898)	17,996,123
Advances - performing	424,399,594	30,103,282	-	32,642,319	8,867,890	496,013,085
Advances - non-performing	690,533	261,900	-	-	13,208,226	14,160,659
Provision against advances	(397,684)	(152,904)	-	(149)	(13,191,251)	(13,741,988)
Advances - net	424,692,443	30,212,278	-	32,642,170	8,884,865	496,431,756
Others	3,731,162	8,967,967	11,335,908	2,512,076	84,233,515	110,780,628
<b>Total Assets</b>	<b>100,957,424</b>	<b>1,210,992,625</b>	<b>128,803,675</b>	<b>57,940,006</b>	<b>91,764,285</b>	<b>1,590,458,015</b>
Borrowings	81,851,296	5,433,733	111,289,117	9,553,220	(14,199,280)	193,928,086
Deposits & other accounts	-	1,169,568,083	-	41,839,270	5,270,901	1,216,678,254
Others	3,163,510	14,806,920	903,740	2,547,537	26,869,861	48,291,568
<b>Total liabilities</b>	<b>85,014,806</b>	<b>1,189,808,736</b>	<b>112,192,857</b>	<b>53,940,027</b>	<b>17,941,482</b>	<b>1,458,897,908</b>
Equity/Reserves	15,942,618	21,183,889	16,610,818	3,999,979	73,822,803	131,560,107
<b>Total Equity &amp; liabilities</b>	<b>100,957,424</b>	<b>1,210,992,625</b>	<b>128,803,675</b>	<b>57,940,006</b>	<b>91,764,285</b>	<b>1,590,458,015</b>
<b>Contingencies &amp; Commitments</b>	<b>93,691,022</b>	<b>20,979,810</b>	<b>216,047,094</b>	<b>5,540,979</b>	<b>13,278,817</b>	<b>349,537,722</b>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2019					Total
	Corporate & Investment Banking	Commercial and Retail Banking	Trading & Sale (Treasury)	Islamic Banking	Other	
Rupees in '000						
<b>Profit &amp; Loss</b>						
Net mark-up, return, profit	45,813,790	(54,926,966)	49,983,718	1,203,117	(566,190)	41,507,469
Inter segment revenue - net	(45,178,102)	95,831,440	(47,548,684)	-	(3,104,654)	-
Non mark-up, return, interest income	4,419,600	3,339,124	2,611,642	161,154	359,661	10,891,181
<b>Total Income</b>	<b>5,055,288</b>	<b>44,243,598</b>	<b>5,046,676</b>	<b>1,364,271</b>	<b>(3,311,183)</b>	<b>52,398,650</b>
Segment direct expenses	(582,516)	(15,889,959)	(114,760)	(1,285,405)	(9,737,713)	(27,610,353)
Total expenses	(582,516)	(15,889,959)	(114,760)	(1,285,405)	(9,737,713)	(27,610,353)
Provisions	(1,292,941)	(205,842)	-	(12)	952,137	(546,658)
Profit before tax	<b>3,179,831</b>	<b>28,147,797</b>	<b>4,931,916</b>	<b>78,854</b>	<b>(12,096,759)</b>	<b>24,241,639</b>
<b>Balance Sheet</b>						
Cash & Bank balances	59,821	51,303,207	61,984,899	2,045,240	5,153,243	120,546,410
Investments	47,128,653	-	697,876,038	12,452,302	500,000	757,956,993
Net inter segment lending	(413,717,279)	972,381,940	(557,387,800)	161,300	(1,438,161)	-
Lendings to financial institutions	4,753,821	-	2,052,492	11,554,430	(4,753,822)	13,606,921
Advances - performing	437,660,414	25,631,709	-	12,615,228	8,407,030	484,314,381
Advances - non-performing	511,117	461,688	-	-	14,881,113	15,853,918
Provision against advances	(127,779)	(205,889)	-	(20)	(14,818,730)	(15,152,418)
Advances - net	438,043,752	25,887,508	-	12,615,208	8,469,413	485,015,881
Others	7,072,635	8,706,936	7,215,579	2,752,910	78,246,987	103,995,047
<b>Total Assets</b>	<b>83,341,403</b>	<b>1,058,279,591</b>	<b>211,741,208</b>	<b>41,581,390</b>	<b>86,177,660</b>	<b>1,481,121,252</b>
Borrowings	63,149,483	2,415,660	203,936,638	1,700,000	(4,753,395)	266,448,386
Deposits & other accounts	-	1,012,571,004	-	34,389,411	2,082,617	1,049,043,032
Others	2,413,361	16,402,958	1,917,549	2,143,144	27,401,989	50,279,001
<b>Total liabilities</b>	<b>65,562,844</b>	<b>1,031,389,622</b>	<b>205,854,187</b>	<b>38,232,555</b>	<b>24,731,211</b>	<b>1,365,770,419</b>
Equity and Reserves	17,778,559	26,889,969	5,887,021	3,348,835	61,446,449	115,350,833
<b>Total Equity &amp; liabilities</b>	<b>83,341,403</b>	<b>1,058,279,591</b>	<b>211,741,208</b>	<b>41,581,390</b>	<b>86,177,660</b>	<b>1,481,121,252</b>
<b>Contingencies &amp; Commitments</b>	<b>78,732,154</b>	<b>12,055,398</b>	<b>359,395,856</b>	<b>1,907,886</b>	<b>13,448,191</b>	<b>465,539,485</b>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

## 40.2 GEOGRAPHICAL SEGMENT ANALYSIS

	December 31, 2020			Total
	Domestic Operations	Middle East	China	
Rupees in '000				
<b>Profit and Loss Account</b>				
Net mark-up, return, profit	47,894,249	526,624	-	48,420,873
Inter segment revenue - net	(130,758)	130,758	-	-
Non mark-up, return, interest income	12,542,165	65	-	12,542,230
<b>Total Income</b>	<b>60,305,656</b>	<b>657,447</b>	<b>-</b>	<b>60,963,103</b>
Segment direct expenses	(30,458,766)	(120,538)	(24,849)	(30,604,153)
<b>Total expenses</b>	<b>(30,458,766)</b>	<b>(120,538)</b>	<b>(24,849)</b>	<b>(30,604,153)</b>
Provisions	(783,667)	(59,883)	-	(843,550)
<b>Profit or (loss) before tax</b>	<b>29,063,223</b>	<b>477,026</b>	<b>(24,849)</b>	<b>29,515,400</b>
<b>Statement of Financial Position</b>				
Cash & Bank balances	135,604,743	23,655	-	135,628,398
Investments	824,724,263	4,896,847	-	829,621,110
Net inter segment lendings	4,341,901	-	-	4,341,901
Lendings to financial institutions	13,654,222	-	-	13,654,222
Advances - performing	482,765,371	13,247,714	-	496,013,085
Advances - non-performing	14,160,659	-	-	14,160,659
Provision against advances	(13,741,988)	-	-	(13,741,988)
Advances - net	483,184,042	13,247,714	-	496,431,756
Others	110,602,732	177,896	-	110,780,628
<b>Total Assets</b>	<b>1,572,111,903</b>	<b>18,346,112</b>	<b>-</b>	<b>1,590,458,015</b>
Borrowings	181,322,746	8,263,439	-	189,586,185
Subordinated debt	-	-	-	-
Deposits & other accounts	1,214,360,336	2,317,918	-	1,216,678,254
Net inter segment borrowing	-	4,341,901	-	4,341,901
Others	48,245,216	46,352	-	48,291,568
<b>Total liabilities</b>	<b>1,443,928,298</b>	<b>14,969,610</b>	<b>-</b>	<b>1,458,897,908</b>
Equity	128,183,605	3,376,502	-	131,560,107
<b>Total Equity and liabilities</b>	<b>1,572,111,903</b>	<b>18,346,112</b>	<b>-</b>	<b>1,590,458,015</b>
<b>Contingencies and commitments</b>	<b>349,537,722</b>	<b>-</b>	<b>-</b>	<b>349,537,722</b>



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2019			
	Domestic Operations	Middle East	China	Total
	Rupees in '000			
<b>Profit and Loss Account</b>				
Net mark-up, return, profit	41,133,593	373,877	-	41,507,470
Inter segment revenue - net	(134,330)	134,330	-	-
Non mark-up, return, interest income	10,722,859	168,321	-	10,891,180
<b>Total Income</b>	<b>51,722,122</b>	<b>676,528</b>	<b>-</b>	<b>52,398,650</b>
Segment direct expenses	(27,484,843)	(91,819)	(33,691)	(27,610,353)
<b>Total expenses</b>	<b>(27,484,843)</b>	<b>(91,819)</b>	<b>(33,691)</b>	<b>(27,610,353)</b>
Provisions	(528,487)	(18,171)	-	(546,658)
<b>Profit or (loss) before tax</b>	<b>23,708,792</b>	<b>566,538</b>	<b>(33,691)</b>	<b>24,241,639</b>
<b>Statement of Financial Position</b>				
Cash & Bank balances	120,521,423	24,987	-	120,546,410
Investments	753,181,351	4,775,642	-	757,956,993
Net inter segment lendings	-	4,748,676	-	4,748,676
Lendings to financial institutions	8,858,245	-	-	8,858,245
Advances - performing	469,626,834	14,687,548	-	484,314,382
Advances - non-performing	15,853,918	-	-	15,853,918
Provision against advances	(15,152,419)	-	-	(15,152,419)
Advances - net	470,328,333	14,687,548	-	485,015,881
Others	103,773,102	221,945	-	103,995,047
<b>Total Assets</b>	<b>1,456,662,454</b>	<b>24,458,798</b>	<b>-</b>	<b>1,481,121,252</b>
Borrowings	241,166,918	20,532,792	-	261,699,710
Subordinated debt	-	-	-	-
Deposits & other accounts	1,048,500,756	542,276	-	1,049,043,032
Net inter segment borrowing	4,748,676	-	-	4,748,676
Others	50,185,782	93,219	-	50,279,001
<b>Total liabilities</b>	<b>1,344,602,132</b>	<b>21,168,287</b>	<b>-</b>	<b>1,365,770,419</b>
Equity	112,060,322	3,290,511	-	115,350,833
<b>Total Equity and liabilities</b>	<b>1,456,662,454</b>	<b>24,458,798</b>	<b>-</b>	<b>1,481,121,252</b>
<b>Contingencies and commitments</b>	<b>464,997,969</b>	<b>541,516</b>	<b>-</b>	<b>465,539,485</b>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

## 41 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 / 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, 2020					December 31, 2019								
	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	351	-	25,000
Investment made during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment redeemed and disposed off during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in and (out) - net	-	-	-	-	-	-	-	-	-	-	-	(351)	-	-
Closing balance	-	-	-	500,000	-	-	25,000	-	-	-	500,000	-	-	25,000
Provision for diminution in value of investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Advances</b>														
Opening balance	-	4,764	196,884	-	-	-	575	-	8,704	264,404	-	-	-	593
Addition during the year	-	17,055	62,385	-	-	-	4,287	-	25,719	97,754	-	-	-	9,129
Repaid during the year	-	(18,850)	(102,845)	-	-	-	(4,366)	-	(29,659)	(165,274)	-	-	-	(9,147)
Transfer in and (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	2,969	156,424	-	-	-	496	-	4,764	196,884	-	-	-	575
Provision held against advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2020						December 31, 2019							
	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	-	-	74,205	-	-	-	-	-	7,860	69,367	-	-	-	-
Receivable from staff retirement fund	-	-	-	-	-	3,138,502	-	-	-	-	-	-	-	3,705,491
Other receivable	-	-	-	26,644	-	-	-	-	-	7,348	-	-	-	-
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	2,849	357,194	34,882	24,228	123,315	-	16,917,539	1,784	24,424	70,387	12,116	82,381	-	18,296,520
Received during the year	10,401,559	1,684,041	515,345	1,550,051	12,786,639	-	330,938,208	8,594,379	1,824,926	524,289	970,413	7,718,711	-	247,376,037
Withdrawn during the year	(10,403,605)	(1,896,992)	(509,555)	(1,564,272)	(12,863,209)	-	(320,894,021)	(8,593,314)	(1,492,156)	(559,794)	(658,301)	(7,677,777)	-	(248,755,018)
Transfer in and (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	803	144,243	40,672	10,007	46,745	-	26,961,726	2,849	357,194	34,882	24,228	123,315	-	16,917,539
<b>Other Liabilities</b>														
Interest or mark-up payable	-	-	3	-	130	-	67,270	-	-	-	-	599	-	116,987
Payable to staff retirement fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Contingencies and Commitments</b>														
Other contingencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

## 41.1 RELATED PARTY TRANSACTIONS

	December 31, 2020						December 31, 2019							
	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>Income</b>														
Mark-up, return, interest earned	-	375	15,790	-	-	-	-	-	422	18,179	-	-	-	-
Fee and commission income	3	37	121	5,974	10	-	653	1	21	97	7,857	16	-	667
Dividend income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net gain on sale of securities	-	-	14	-	-	-	3,354	-	-	14	-	-	-	465
Rental Income	-	-	-	11,905	-	-	-	-	-	-	7,135	-	-	-
Other Income	-	-	-	16,240	-	-	-	-	-	-	5,905	-	-	-
<b>Expense</b>														
Mark-up, return, interest paid	-	13,159	518	2,806	811	-	921,405	-	14,749	559	4,607	5,108	-	884,506
Directors meeting fee	-	36,600	-	-	-	-	-	-	27,400	-	-	-	-	-
Remuneration	-	59,750	371,842	-	-	-	-	-	53,749	371,381	-	-	-	-
Charge for defined benefit plans	-	1,506	18,140	-	-	-	-	-	1,590	19,303	-	-	-	-
Contribution to defined contribution plan	-	1,318	8,094	-	-	-	-	-	1,183	8,042	-	-	-	-
Other expenses**	-	-	-	-	30,507	-	-	-	-	-	-	31,211	-	-
Rent expense***	-	-	-	-	14,384	-	-	-	-	-	-	14,191	-	-
Charge in respect of staff retirement benefit funds	-	-	-	-	-	-	257,168	-	-	-	-	-	-	60,868
Insurance premium paid	-	126	825	-	-	-	-	-	167	879	-	-	-	-
Insurance claims settled	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Shares held by the holding company, outstanding at the end of year are included in note 20 to these unconsolidated financial statements.

\* Associated companies are as per IAS 24 'Related Party Disclosures'.

\*\*Other expenses mainly include donation of Rs. 30 million to National Management Foundation for construction of hostel building.

\*\*\*Rent expense of ABL Branch with associated company (Ibrahim Fibres Limited) was carried out on agreed terms with prior permission of State Bank of Pakistan.

During the year ended December 31, 2020; certain movable assets were disposed off for Rs. 124,110/- having net book value of Rs. 10 to the key management personnel of the bank.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2020	December 31, 2019
	Rupees in '000	
<b>42 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	93,659,434	80,480,270
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	93,659,434	80,480,270
Eligible Tier 2 Capital	27,703,024	22,351,157
Total Eligible Capital (Tier 1 + Tier 2)	121,362,458	102,831,427
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	345,701,270	345,902,918
Market Risk	41,310,018	44,703,919
Operational Risk	94,653,446	83,485,603
Total	481,664,734	474,092,440
Common Equity Tier 1 Capital Adequacy ratio	19.44%	16.98%
Tier 1 Capital Adequacy Ratio	19.44%	16.98%
Total Capital Adequacy Ratio	25.20%	21.69%

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, 2020 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, 2020 stood at 25.20% 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, 2020	December 31, 2019
	Rupees in '000	
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	93,659,434	80,480,270
Total Exposures	1,847,990,820	1,798,987,646
Leverage Ratio	5.07%	4.47%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	526,731,728	460,376,621
Total Net Cash Outflow	293,826,179	274,294,059
Liquidity Coverage Ratio	179.27%	167.84%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	1,167,425,806	1,007,506,800
Total Required Stable Funding	751,874,375	703,906,177
Net Stable Funding Ratio	155.27%	143.13%

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

42.1 The link to the full disclosure is available at <https://www.abl.com/investor-relations/>

## 43 RISK MANAGEMENT

The principal risks associated with ABL's business are credit risk, market risk, liquidity risk, reputational risk, operational risk and information security and governance 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 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

### 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. Asset & Liability Committee (ALCO), Management Committee (MANCO), Compliance Committee (CC) and Risk Management Committee (RMC). Independent supervision of risk management activities is provided by the Audit Committee of the Board.
- The Risk Management Group is head by a Group Chief responsible to set-up and implement 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.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

## 43.1 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 mitigates. 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.

The Risk Management function of the Bank is regularly conducting the assessment of the credit portfolio to identify obligors most likely to get affected due to changes in the business and economic environment resulting from the COVID-19 outbreak. The Bank is continuously strengthening its credit review procedures. Some of the obligors have availed the SBP enabled deferment, restructuring and rescheduling relief.

The Bank is cognizant of the fact that COVID-19 situation may pose challenges for the industry on overall basis and the risk management function of the Bank is proactively keeping an eye on the delinquency in the accounts, financial position of the counter party and other relevant information. However, since opening of lockdown in May 2020, the overall economic and industry performance has substantially improved.

### 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 all over the country. 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 Unit, Vigilance Unit and Warehouse Management unit.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

	Gross lendings		Non-performing lendings		Provision held	
	December 31,2020	December 31,2019	December 31,2020	December 31,2019	December 31,2020	December 31,2019

Rupees in '000

## 43.1.1 Lendings to financial institutions

### Credit risk by public and private sector

Public and Government	954,435	2,704,142	-	-	-	-
Private	17,041,688	10,972,779	70,000	70,000	70,000	70,000
	17,996,123	13,676,921	70,000	70,000	70,000	70,000

	Gross Investments		Non-performing Investments		Provision held	
	December 31,2020	December 31,2019	December 31,2020	December 31,2019	December 31,2020	December 31,2019

Rupees in '000

## 43.1.2 Investment in debt securities

### Credit risk by industry sector

Basic metals (iron, steel)	500,000	500,000	-	-	-	-
Financial	6,029,152	5,631,006	-	-	-	-
Hotel, restaurant and clubs	440,444	470,000	-	-	-	-
Power, gas, water and sanitary	12,843,295	5,411,136	-	-	-	-
Chemicals	1,600,000	1,600,000	-	-	-	-
Sugar	10,487	10,487	10,487	10,487	10,487	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	781,645,847	710,177,493	3,995,021	3,869,387	12,306	15,961
Others	103,498	103,498	103,498	103,498	103,498	103,498
	803,424,068	724,154,965	4,360,351	4,234,717	377,636	381,291

### Credit risk by public and private sector

Public and Government	792,895,847	713,427,493	3,995,021	3,869,387	12,306	15,961
Private	10,528,221	10,727,472	365,330	365,330	365,330	365,330
	803,424,068	724,154,965	4,360,351	4,234,717	377,636	381,291



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

	Gross advances		Non-performing advances		Provision held	
	December 31,2020	December 31,2019	December 31,2020	December 31,2019	December 31,2020	December 31,2019
Rupees in '000						
<b>43.1.3 Advances</b>						
<b>Credit risk by industry sector</b>						
Agriculture, Forestry and Hunting	84,694,483	79,583,981	633,891	654,964	580,929	511,318
Basic metals (iron, steel)	5,182,450	5,243,108	426,200	413,828	416,364	214,278
Cement, clay and ceramics	21,328,282	19,359,961	72,089	74,089	72,089	74,089
Chemical and pharmaceutical	25,228,172	25,230,941	380,438	372,744	380,438	372,744
Construction	7,406,481	6,701,913	156,783	190,283	156,783	176,038
Education	341,272	130,146	123	123	123	123
Financial	34,432,016	31,875,767	51,254	56,154	51,254	56,154
Footwear and leather garments	4,088,083	2,823,053	107,050	111,740	107,050	106,841
Furniture and sports goods	2,195,714	1,978,284	180,809	265,984	180,809	265,984
Grains, food and beverages	13,946,988	10,952,503	2,031,510	1,853,302	1,969,975	1,853,302
Health and social welfare	677,930	27,029	1,879	2,688	1,879	2,688
Hotel, restaurant and clubs	7,120	7,120	7,120	7,564	7,120	7,564
Individuals	10,703,791	10,060,120	356,814	368,240	346,586	337,085
Machinery and equipment	2,035,009	5,790,537	10,321	1,097,134	10,321	1,097,134
Manufacture of transport equipment	1,334,035	2,176,982	139,322	139,822	139,322	139,822
Paper and paper boards	8,299,420	7,046,681	208,134	208,574	208,134	208,574
Petroleum products	10,829,532	3,934,730	16,246	176,351	13,934	94,073
Power, gas, water and sanitary	139,165,794	156,149,658	-	637,015	-	637,015
Printing, publishing and allied	431,699	206,458	10,056	10,056	10,056	10,056
Real estate, renting, and business activities	8,905,436	8,331,917	-	-	-	-
Rubber and plastic	354,959	288,680	215,563	230,563	215,563	230,563
Sugar	7,092,113	6,897,513	45,866	51,066	45,866	51,066
Textile –Manufacture of made up & ready made garments	35,591,391	30,431,729	2,975,300	3,002,600	2,937,800	3,002,601
Textile - Finishing	17,322,221	15,189,368	2,819,937	2,872,372	2,819,938	2,872,372
Textile - Spinning	20,349,866	18,024,943	1,240,095	1,261,119	1,240,095	1,157,244
Textile - Weaving	3,480,392	3,210,115	457,029	38,482	246,691	38,482
Transport, storage and communication	16,343,070	16,154,933	111,434	126,459	42,790	46,546
Wholesale and retail trade	7,532,677	9,199,116	796,424	967,415	778,290	885,681
Others	20,873,348	23,161,014	708,972	663,187	652,330	663,187
	510,173,744	500,168,300	14,160,659	15,853,918	13,632,529	15,112,624
<b>Credit risk by public and private sector</b>						
Public and Government	217,105,175	204,243,892	134,330	134,430	134,330	134,430
Private	293,068,569	295,924,408	14,026,329	15,719,488	13,498,199	14,978,194
	510,173,744	500,168,300	14,160,659	15,853,918	13,632,529	15,112,624

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2020	December 31, 2019
	Rupees in '000	
<b>43.1.4 Contingencies and Commitments</b>		
<b>Credit risk by industry sector</b>		
Agriculture, Forestry and Hunting	662,389	517,460
Basic metals (iron, steel)	3,782,399	2,865,799
Cement, clay and ceramics	4,763,917	3,578,271
Chemical and pharmaceutical	3,322,475	2,844,113
Construction	6,576,197	3,942,101
Education	112,070	61,193
Financial	224,962,287	367,806,904
Footwear and leather garments	381,473	341,512
Furniture and sports goods	36,860	112,737
Grains, food and beverages	1,166,655	1,055,823
Health and social welfare	318,214	337,057
Hotel, restaurant and clubs	960	960
Individuals	6,133,001	7,391,727
Machinery and equipment	24,615,744	16,099,059
Manufacture of transport equipment	1,332,343	188,471
Paper and paper boards	923,951	626,468
Petroleum products	18,510,153	23,298,418
Power, gas, water and sanitary	15,806,650	12,693,725
Printing, publishing and allied	168,415	67,631
Rubber and plastic	2,348,868	35,037
Sugar	56,147	59,430
Textile - Manufacture of madeup & ready made garments	1,084,714	227,892
Textile - Finishing	7,247,609	4,891,277
Textile - Spinning	1,702,452	1,368,295
Textile - Weaving	5,227,105	1,618,571
Transport, storage and communication	2,725,212	3,015,015
Wholesale and retail trade	9,332,606	342,676
Others	6,236,856	10,151,863
	<b>349,537,722</b>	<b>465,539,485</b>
<b>Credit risk by public and private sector</b>		
Public and Government	42,926,933	63,282,369
Private	306,610,789	402,257,116
	<b>349,537,722</b>	<b>465,539,485</b>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

## 43.1.5 Concentration of Advances

The Bank's top 10 exposures on the basis of total (funded and non-funded) exposures aggregating to Rs. 224,082.04 million (2019: Rs. 222,105.62 million) are as following:

	December 31, 2020	December 31, 201-
	Rupees in '000	
Funded	179,022,993	191,393,656
Non Funded	45,059,043	30,711,963
Total Exposure	224,082,036	222,105,619

The sanctioned limits against these top 10 exposures aggregated to Rs. 277,083.62 million (2019: Rs. 265,900.73 million).

## 43.1.6 Advances – Province/Region-wise Disbursement and Utilization

	During the year ended December 31, 2020						
	Disbursements		Utilization				
			Punjab	Sindh	KPK including FATA	Balochistan	Islamabad
	Rupees in '000						

Province and Region								
Punjab	603,090,028	575,697,105	22,421,239	4,742,435	12,921	176,246	40,082	
Sindh	898,582,543	90,868,553	796,530,607	6,755,641	4,407,718	18,626	1,398	
KPK including FATA	946,677	-	-	946,677	-	-	-	-
Balochistan	977,341	-	-	-	977,341	-	-	-
Islamabad	77,206,114	38,413,782	5,820	-	-	38,786,512	-	-
AJK including Gilgit-Baltistan	647,205	-	-	-	-	-	-	647,205
Total	1,581,449,908	704,979,440	818,957,666	12,444,753	5,397,980	38,981,384	688,685	

	During the year ended December 31, 2019						
	Disbursements		Utilization				
			Punjab	Sindh	KPK including FATA	Balochistan	Islamabad
	Rupees in '000						

Province and Region								
Punjab	691,256,822	683,293,584	4,672,048	3,172,039	3,810	104,071	11,270	
Sindh	1,110,838,731	74,993,563	1,034,704,724	35,148	9,290	1,075,242	20,764	
KPK including FATA	1,621,529	243,216	-	1,378,313	-	-	-	-
Balochistan	618,127	-	-	-	618,127	-	-	-
Islamabad	16,733,824	-	-	-	-	16,733,824	-	-
AJK including Gilgit-Baltistan	881,289	-	-	-	-	-	-	881,289
Total	1,821,950,322	758,530,363	1,039,376,772	4,585,500	631,227	17,913,137	913,323	

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

## 43.2 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 credit risk, market risk and operational risk exposures in the capital adequacy calculation. In Market risk exposures, 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.

### 43.2.1 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, 2020

	December 31, 2020			December 31, 2019		
	Banking book	Trading book	Total	Banking book	Trading book	Total
Rupees in '000						
<b>43.2.2 Balance sheet split by trading and banking books</b>						
Cash and balances with treasury banks	128,391,896	-	128,391,896	119,943,828	-	119,943,828
Balances with other banks	7,236,502	-	7,236,502	602,582	-	602,582
Lendings to financial institutions	17,996,123	-	17,996,123	13,606,921	-	13,606,921
Investments	814,213,251	15,407,859	829,621,110	721,486,859	36,470,134	757,956,993
Advances	496,431,756	-	496,431,756	485,015,881	-	485,015,881
Fixed assets	73,529,440	-	73,529,440	62,114,648	-	62,114,648
Intangible assets	2,716,789	-	2,716,789	1,969,051	-	1,969,051
Deferred tax assets	-	-	-	-	-	-
Other assets	34,534,399	-	34,534,399	39,911,348	-	39,911,348
	1,575,050,156	15,407,859	1,590,458,015	1,444,651,118	36,470,134	1,481,121,252

## 43.2.3 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, 2020				December 31, 2019			
	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	1,532,039,158	1,343,681,669	(56,271,575)	132,085,914	1,422,889,052	1,227,520,873	(80,271,378)	115,096,801
United States Dollar	57,531,093	105,927,822	47,812,442	(584,287)	56,981,096	130,223,325	73,575,765	333,536
Great Britain Pound Sterling	320,386	5,282,279	4,967,145	5,252	892,579	4,561,262	3,611,463	(57,220)
Japanese Yen	(7,063)	1,203	9,299	1,033	14,613	1,110	(22,808)	(9,305)
Euro	428,987	3,999,336	3,581,242	10,893	310,246	3,435,978	3,105,506	(20,226)
Other currencies	145,454	5,599	(98,553)	41,302	33,666	27,871	1,452	7,247
	58,418,857	115,216,239	56,271,575	(525,807)	58,232,200	138,249,546	80,271,378	254,032
	1,590,458,015	1,458,897,908	-	131,560,107	1,481,121,252	1,365,770,419	-	115,350,833

	December 31, 2020		December 31, 2019	
	Banking book	Trading book	Banking book	Trading book
Rupees in '000				
After tax Impact of 1% change in foreign exchange rates on:				
- Profit and loss account	-	(3,418)	-	(1,651)
- Other comprehensive income	-	-	-	-
	-	(3,418)	-	(1,651)

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

### 43.2.4 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.

	December 31, 2020		December 31, 2019	
	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	(214,326)	(500,755)	(517,536)	(539,564)

### 43.2.5 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, 2020		December 31, 2019	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
After tax Impact of increase in interest rates by 1%				
- Profit and loss account	-	-	-	(153,019)
- Other comprehensive income	(4,908,511)	-	(2,014,326)	-

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

## 43.2.6 Mismatch of Interest Rate Sensitive Assets and Liabilities

	Effective Yield/ Interest rate	December 31, 2020										Above 10 Years	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				
Rupees in '000														
<b>On-balance sheet financial instruments</b>														
<b>Assets</b>														
Cash and balances with treasury banks		128,391,896	9,525,239	-	-	-	-	-	-	-	-	-	-	118,866,657
Balances with other banks		7,236,502	-	-	-	-	-	-	-	-	-	-	-	7,236,502
Lending to financial institutions	9.52%	17,996,123	17,996,123	-	-	-	-	-	-	-	-	-	-	-
Investments	10.76%	829,621,110	54,050,903	330,395,827	140,016,031	106,561,554	91,313,665	7,363,549	66,723,872	18,334,582	18,334,582	6,460,172	24,861,127	
Advances	9.48%	496,431,756	195,956,320	114,916,864	88,598,704	37,863,327	18,904,507	1,354,729	6,041,336	20,765,372	20,765,372	6,460,172	5,570,425	
Other assets		32,592,554	-	-	-	-	-	-	-	-	-	-	-	32,592,554
		1,512,269,941	277,528,585	445,312,691	228,614,735	144,424,881	110,218,172	8,718,278	62,765,208	39,099,954	6,460,172	189,127,265		
<b>Liabilities</b>														
Bills payable		9,622,020	-	-	-	-	-	-	-	-	-	-	-	9,622,020
Borrowings	5.41%	193,928,086	108,894,707	32,409,509	7,580,131	106,025	17,587,637	670,935	3,858,238	20,739,092	20,739,092	2,081,812	-	
Deposits and other accounts	4.82%	1,216,678,254	142,138,423	298,890,973	351,899,316	66,814,833	33,267,651	618,665	1,717,021	438,436	438,436	-	320,892,936	
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-	-	
Subordinated debt		-	-	-	-	-	-	-	-	-	-	-	-	
Other liabilities		34,107,832	-	-	-	-	-	-	-	-	-	-	-	34,107,832
		1,454,336,192	251,033,130	331,300,482	359,479,447	66,920,858	50,855,288	1,289,600	5,575,259	21,177,528	2,081,812	364,622,788		
<b>On-balance sheet gap</b>		57,933,749	26,495,455	114,012,209	(130,864,712)	77,504,023	59,362,884	7,428,678	57,199,949	17,922,426	4,378,360	(175,495,523)		
<b>Off-balance sheet financial instruments</b>														
Documentary credits and short-term trade-related transactions		120,264,318	10,617,782	15,251,620	56,215,695	20,930,779	13,137,720	2,682,342	204,799	290	1,223,291	-	-	
Commitments in respect of purchase of:														
- forward foreign exchange contracts		136,626,044	48,753,614	40,244,675	47,549,541	78,214	-	-	-	-	-	-	-	
- forward government securities transactions		-	-	-	-	-	-	-	-	-	-	-	-	
- derivatives		-	-	-	-	-	-	-	-	-	-	-	-	
- forward lending		-	-	-	-	-	-	-	-	-	-	-	-	
		136,626,044	48,753,614	40,244,675	47,549,541	78,214	-	-	-	-	-	-	-	
Commitments in respect of sale of:														
- forward foreign exchange contracts		79,421,050	36,254,455	28,818,504	12,676,904	1,671,187	-	-	-	-	-	-	-	
- forward government securities transactions		-	-	-	-	-	-	-	-	-	-	-	-	
- derivatives		-	-	-	-	-	-	-	-	-	-	-	-	
- forward lending		-	-	-	-	-	-	-	-	-	-	-	-	
		79,421,050	36,254,455	28,818,504	12,676,904	1,671,187	-	-	-	-	-	-	-	
Other commitments		28,353,965	6,971,564	8,082,241	5,279,466	7,818,250	44,909	44,909	89,817	22,809	-	-	-	
<b>Off-balance sheet gap</b>		205,823,277	30,088,505	34,760,032	96,367,798	27,156,056	13,182,629	2,727,251	294,616	23,099	1,223,291	-	-	
<b>Total Yield and Interest Risk Sensitivity Gap</b>		263,757,026	56,583,960	148,772,241	(34,496,914)	104,660,079	72,545,513	10,155,929	57,484,565	17,945,525	5,601,661	(175,495,523)		
<b>Cumulative Yield and Interest Risk Sensitivity Gap</b>		263,757,026	56,583,960	205,356,201	170,859,287	275,519,366	348,064,879	358,220,808	415,705,373	433,650,898	439,252,549			

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2019										Non-interest bearing financial instruments	
	Effective Yield/ Interest rate	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 12 Months	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		119,943,828	16,509,764	-	-	-	-	-	-	-	-	103,434,064
Balances with other banks		602,582	-	-	-	-	-	-	-	-	-	602,582
Lending to financial institutions	10.70%	13,606,921	9,902,779	3,704,142	-	-	-	-	-	-	-	-
Investments	11.97%	757,956,993	273,486,166	299,087,158	11,271,561	55,989,298	58,286,547	9,452,969	10,765,765	7,091,383	32,526,146	-
Advances	11.54%	485,015,881	199,689,195	133,195,835	95,709,661	24,414,511	548,136	1,168,105	5,108,162	18,140,328	4,778,872	2,263,076
Other assets		35,112,658	-	-	-	-	-	-	-	-	-	35,112,658
		1,412,238,863	499,587,904	435,987,135	106,981,222	80,403,809	58,834,683	10,621,074	15,873,927	25,231,711	4,778,872	173,938,626
<b>Liabilities</b>												
Bills payable		7,878,626	-	-	-	-	-	-	-	-	-	7,878,626
Borrowings	9.48%	266,448,386	220,053,947	17,002,396	7,539,422	140,611	400,733	199,152	3,137,791	17,974,334	-	-
Deposits and other accounts	6.24%	1,049,043,032	125,035,940	235,893,774	312,174,543	42,431,719	14,219,030	1,965,574	1,734,959	370,974	-	315,216,519
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Subordinated debt		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		36,147,882	-	-	-	-	-	-	-	-	-	36,147,882
		1,359,517,926	345,089,887	252,896,170	319,713,965	42,572,330	14,619,763	2,164,726	4,872,750	18,345,308	-	359,243,027
<b>On-balance sheet gap</b>		52,720,937	154,498,017	183,090,965	(212,732,743)	37,831,479	44,214,920	8,456,348	11,001,177	6,886,403	4,778,872	(185,304,501)
<b>Off-balance sheet financial instruments</b>												
Documentary credits and short-term trade-related transactions		92,700,647	10,620,023	19,877,017	37,388,266	10,648,056	12,520,902	577,593	196,028	-	872,762	-
Commitments in respect of purchase of:												
- forward foreign exchange contracts		220,381,401	71,170,538	59,117,691	85,699,466	4,393,706	-	-	-	-	-	-
- forward government securities transactions		464,217	464,217	-	-	-	-	-	-	-	-	-
- derivatives		-	-	-	-	-	-	-	-	-	-	-
- forward lending		220,845,618	71,634,755	59,117,691	85,699,466	4,393,706	-	-	-	-	-	-
Commitments in respect of sale of:												
- forward foreign exchange contracts		138,500,517	46,693,645	38,926,182	52,880,690	-	-	-	-	-	-	-
- forward government securities transactions		49,721	49,721	-	-	-	-	-	-	-	-	-
- derivatives		-	-	-	-	-	-	-	-	-	-	-
- forward lending		138,550,238	46,743,366	38,926,182	52,880,690	-	-	-	-	-	-	-
Other commitments		38,311,885	16,914,205	5,340,939	8,850,528	7,206,213	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		213,307,912	52,425,617	45,409,465	79,057,570	22,247,975	12,520,902	577,593	196,028	-	872,762	-
<b>Total Yield and Interest Risk Sensitivity Gap</b>		266,028,849	206,923,634	228,500,430	(133,675,173)	60,079,454	56,735,822	9,033,941	11,197,205	6,886,403	5,651,634	(185,304,501)
<b>Cumulative Yield and Interest Risk Sensitivity Gap</b>		266,028,849	206,923,634	435,424,064	301,748,891	361,828,345	418,564,167	427,598,108	438,795,313	445,681,716	451,333,350	-



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

Reconciliation to total assets	December 31, 2020	December 31, 2019	Reconciliation to total liabilities	December 31, 2020	December 31, 2019
	(Rupees in '000)	(Rupees in '000)		(Rupees in '000)	(Rupees in '000)
Balance as per balance sheet	1,590,458,015	1,481,121,252	Balance as per balance sheet	1,458,897,908	1,365,770,419
<b>Less: Non financial assets</b>			<b>Less: Non financial liabilities</b>		
Fixed assets	76,246,229	64,083,699	Deferred tax liabilities	3,991,750	5,898,310
Other assets	1,941,845	4,798,690	Other liabilities	569,966	354,183
	78,188,074	68,882,389		4,561,716	6,252,493
<b>Total financial assets</b>	<b>1,512,269,941</b>	<b>1,412,238,863</b>	<b>Total financial liabilities</b>	<b>1,454,336,192</b>	<b>1,359,517,926</b>

## 43.3 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 Board of Directors approved Operational Risk Management Policy, 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.

Further, Operational Losses are being collected through workflow based system and a database of operational losses is being maintained, in conformance with regulatory guidelines. 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 & Board of Directors.

The Bank has a Board of Directors 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 Tread way 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 readiness of the Bank to move to advance approach.

The Management of the Bank is closely monitoring the situation of COVID-19 and taking prompt decisions to ensure the uninterrupted services to the customers.

Business Continuity Plans (BCP) for all critical processes is already in place and are being tested on regular basis. However, during pandemic, the Bank has significantly enhanced monitoring of risk related to business continuity and disruption. The Bank recognizes that pandemic can cause varying degrees of disruption to normal business processes and that it has the responsibility to its customers to continue critical operations during this event. The Bank's goal is to meet this obligation with no or minimal interruption, given the circumstances and scope of disruptive event.

## 43.4 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.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

## 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)

### 43.4.1 Maturities of Assets and Liabilities – based on contractual maturity of the assets and liabilities of the Bank

	December 31, 2020													
	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	128,391,896	128,391,896	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	7,236,502	7,236,502	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	17,996,123	-	17,041,688	-	954,435	-	-	-	-	-	-	-	-	-
Investments – net	829,621,110	24,861,127	-	18,023,012	1,464,299	108,877,066	142,921,529	85,065,795	101,364,030	5,197,524	91,387,360	51,902,232	60,794,498	137,622,638
Advances – net	496,431,756	61,951,259	148,450	1,045,401	9,982,833	13,404,291	29,856,460	31,258,590	13,620,599	115,327,895	65,549,030	46,936,234	70,055,105	37,095,809
Fixed assets	73,529,440	17,179	103,076	120,256	292,050	532,561	532,561	1,597,682	1,597,682	1,597,683	3,442,331	3,389,111	3,303,700	57,002,969
Intangible assets	2,716,789	1,044	6,257	7,300	17,729	32,330	32,331	96,989	96,989	96,990	387,957	387,957	775,915	777,001
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets – net	34,534,399	551,111	3,306,668	3,857,779	9,368,894	2,751,646	4,633,995	3,375,752	868,014	765,958	215,780	206,035	1,674,218	2,958,546
	1,590,458,015	223,010,118	20,606,139	23,053,748	22,080,240	125,597,894	177,976,879	121,394,807	117,747,314	122,985,850	160,983,058	102,821,569	136,543,436	235,656,963
<b>Liabilities</b>														
Bills payable	9,622,020	9,622,020	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	193,928,096	-	98,011,365	1,312,675	8,570,667	4,296,464	26,514,701	7,580,131	1,588,667	105,702	17,587,637	670,935	3,868,238	22,820,904
Deposits and other accounts	1,216,678,254	1,061,500,928	3,822,665	941,152	25,538,739	25,478,832	30,922,101	28,274,101	16,290,357	19,196,040	1,939,217	618,665	1,717,021	438,436
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities – net	3,991,750	1,070	6,421	7,491	18,194	48,084	81,912	186,872	66,241	45,825	411,401	293,757	293,584	2,530,798
Other liabilities	34,677,798	503,021	3,018,124	3,521,145	8,551,352	899,546	1,243,551	1,643,108	1,170,263	1,120,408	2,133,065	1,585,138	2,654,022	6,635,055
	1,458,897,908	1,071,627,039	105,858,575	5,782,463	42,678,952	30,772,926	58,762,265	37,684,212	19,125,628	20,467,975	22,071,320	3,168,495	8,522,865	32,425,193
<b>Net assets</b>	<b>131,560,107</b>	<b>(848,616,921)</b>	<b>(85,252,436)</b>	<b>17,271,285</b>	<b>(20,598,712)</b>	<b>94,874,968</b>	<b>119,214,614</b>	<b>83,710,595</b>	<b>96,621,686</b>	<b>102,517,875</b>	<b>138,911,739</b>	<b>99,653,074</b>	<b>128,020,571</b>	<b>203,231,770</b>
Share capital	11,450,739													
Reserves	24,277,184													
Unappropriated profit	66,994,523													
Surplus on revaluation of assets net of tax	28,837,661													
	131,560,107													

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

December 31, 2019													
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	119,943,828	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	602,582	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	13,606,921	-	3,425,999	5,065,760	1,411,020	3,704,142	-	-	-	-	-	-	-
Investments - net	757,956,993	32,526,146	178,403,209	-	79,249,756	139,546,347	91,671,218	867,746	55,989,298	-	59,246,823	10,175,613	13,925,985
Advances - net	485,015,881	79,624,296	547,774	1,187,531	13,862,657	7,893,474	16,933,739	36,596,571	53,828,814	86,266,196	47,305,243	48,805,745	60,437,040
Fixed assets	62,114,648	17,185	103,109	120,294	292,141	532,729	532,729	1,598,188	1,598,188	3,352,692	3,306,222	3,033,557	46,029,426
Intangible assets	1,969,051	756	4,535	5,291	12,850	23,432	23,432	70,295	70,295	281,180	281,180	562,361	563,149
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets - net	39,911,348	596,785	3,580,707	4,177,492	10,145,337	4,005,541	2,554,371	3,964,817	1,194,215	642,806	640,952	2,762,041	4,242,178
	1,481,121,252	233,311,578	186,065,333	10,556,368	104,973,761	155,707,665	111,715,549	43,097,617	112,890,701	110,828,744	63,209,712	80,720,984	178,914,346
<b>Liabilities</b>													
Bills payable	7,878,626	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	266,446,386	2,071	198,180,537	1,284,249	15,167,424	5,174,127	11,828,269	12,959,088	134,392	400,733	199,152	3,137,791	17,974,334
Deposits and other accounts	1,049,043,032	868,660,834	12,906,548	9,854,157	20,993,265	25,220,982	30,861,262	46,929,499	19,856,144	716,644	1,965,574	1,734,959	370,975
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	5,898,310	38,451	230,705	289,156	653,666	581,039	328,947	75,154	362,993	62,071	491,239	218,208	2,355,305
Other liabilities	36,502,065	551,860	3,311,162	3,863,023	9,381,627	2,007,265	975,964	1,479,030	1,061,118	2,016,077	1,599,754	2,633,810	6,584,526
	1,365,770,419	877,031,842	214,627,952	15,270,585	46,195,982	32,983,413	43,994,442	61,442,771	21,113,725	3,624,693	3,395,856	7,724,768	27,285,140
<b>Net assets</b>	115,350,833	(643,720,264)	(28,562,619)	(4,714,217)	58,777,779	122,724,252	67,721,107	(18,345,154)	68,015,169	107,204,051	59,273,856	72,986,216	151,629,206
Share capital	11,450,739	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	22,270,225	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	55,821,211	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets net of tax	25,808,658	-	-	-	-	-	-	-	-	-	-	-	-
	115,350,833	-	-	-	-	-	-	-	-	-	-	-	-

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

## 43.4.2 Maturities of assets and liabilities – based on expected maturities of the assets and liabilities of the Bank

	December 31, 2020									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees in '000									
<b>Assets</b>										
Cash and balances with treasury banks	128,391,896	38,967,516	12,625,840	6,260,157	5,691,302	3,431,358	3,348,408	-	-	58,067,315
Balances with other banks	7,236,502	7,236,502	-	-	-	-	-	-	-	-
Lending to financial institutions	17,996,123	17,996,123	-	-	-	-	-	-	-	-
Investments – net	829,621,110	20,057,311	251,798,595	85,065,795	106,561,554	99,091,289	59,606,162	60,734,498	144,791,257	1,914,649
Advances – net	496,431,756	18,550,289	44,724,296	33,182,673	131,634,773	81,783,545	63,170,750	86,289,621	25,891,418	11,204,391
Fixed assets	73,529,440	532,561	1,065,122	1,597,681	3,195,365	3,442,931	3,389,111	3,303,700	4,477,010	52,525,959
Intangible assets	2,716,789	32,330	64,661	96,989	193,979	387,957	387,957	775,915	777,001	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets – net	34,534,399	17,084,452	7,385,644	3,375,752	1,633,972	215,780	206,035	1,674,218	2,958,546	-
	1,590,458,015	120,457,084	317,664,158	129,579,047	248,910,945	188,352,860	130,108,423	152,777,952	178,895,232	123,712,314
<b>Liabilities</b>										
Bills payable	9,622,020	9,622,020	-	-	-	-	-	-	-	-
Borrowings	193,928,086	108,894,707	30,811,165	7,580,131	1,704,369	17,587,637	670,935	3,858,238	20,739,092	2,081,812
Deposits and other accounts	1,216,678,254	142,138,423	198,255,167	98,299,093	89,366,732	55,819,549	53,196,489	1,717,021	438,436	577,447,344
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities – net	3,991,750	33,176	129,996	186,872	112,166	411,401	293,757	293,584	613,297	1,917,501
Other liabilities	34,677,798	15,593,642	2,143,097	1,643,108	2,290,671	2,133,065	1,585,138	2,654,022	6,635,055	-
	1,458,897,908	276,281,968	231,339,425	107,709,204	93,473,938	75,951,652	55,746,319	8,522,865	28,425,880	581,446,657
<b>Net assets</b>	131,560,107	(155,824,884)	86,324,733	21,869,843	155,437,007	112,401,208	74,362,104	144,255,087	150,469,352	(457,734,343)
Share capital	11,450,739									
Reserves	24,277,184									
Unappropriated profit	66,994,523									
Surplus on revaluation of assets net of tax	28,837,661									
	131,560,107									
<b>December 31, 2019</b>										
	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	119,943,828	33,818,371	10,456,036	6,768,479	4,526,963	2,496,978	2,774,287	-	-	59,102,714
Balances with other banks	602,582	602,582	-	-	-	-	-	-	-	-
Lending to financial institutions	13,606,921	9,902,779	3,704,142	-	-	-	-	-	-	-
Investments – net	757,956,993	259,295,601	231,219,565	867,746	55,989,298	67,547,808	18,476,599	13,925,985	108,719,391	1,915,000
Advances – net	485,015,881	25,890,266	27,701,487	39,002,766	142,911,817	67,716,835	69,217,337	80,848,632	26,990,835	4,735,906
Fixed assets	62,114,648	532,729	1,065,458	1,598,188	3,196,376	3,352,692	3,306,222	3,033,557	3,885,367	42,144,059
Intangible assets	1,969,051	23,432	46,864	70,295	140,590	281,180	281,180	562,361	563,149	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets – net	39,911,348	18,500,321	6,559,912	3,964,817	2,598,321	642,806	640,952	2,762,041	4,242,178	-
	1,481,121,252	348,566,081	280,753,464	52,272,291	209,363,365	142,038,299	94,696,577	101,132,576	144,400,920	107,897,679
<b>Liabilities</b>										
Bills payable	7,878,626	7,878,626	-	-	-	-	-	-	-	-
Borrowings	266,448,386	214,634,281	17,002,396	12,959,088	140,611	400,733	199,152	3,137,791	17,974,334	-
Deposits and other accounts	1,049,043,032	125,035,940	149,008,992	96,457,612	64,513,767	36,301,078	41,501,940	1,734,959	370,974	534,117,770
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities – net	5,898,310	1,191,978	909,986	75,154	425,064	491,239	231,376	218,208	746,915	1,608,390
Other liabilities	36,502,065	17,107,672	2,983,229	1,479,030	2,157,967	2,016,077	1,539,754	2,633,810	6,584,526	-
	1,365,770,419	365,848,497	169,904,603	110,970,884	67,237,409	39,209,127	43,472,222	7,724,768	25,676,749	535,726,160
<b>Net assets</b>	115,350,833	(17,282,416)	110,848,861	(58,698,593)	142,125,956	102,829,172	51,224,355	93,407,808	118,724,171	(427,828,481)
Share capital	11,450,739									
Reserves	22,270,225									
Unappropriated profit	55,821,211									
Surplus on revaluation of assets net of tax	25,808,658									
	115,350,833									

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2020

## 43.5 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 exposure

## 44 NON ADJUSTING EVENT AFTER THE REPORTING DATE

- 44.1 The Board of Directors of the Bank in its meeting held on February 17, 2021 has proposed a final cash dividend in respect of 2020 of Rs. 6.00 per share (2019: 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, 2020 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2021.

## 45 GENERAL

- 45.1 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- 45.2 Corresponding figures have been rearranged or reclassified where considered necessary, for the purpose of better presentation. However, no material restatements have been made.

## 46 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 17, 2021 by the Board of Directors of the Bank.

Mehmud ul Hassan  
Chief Financial Officer

Dr. Muhammad Akram Sheikh  
Director

Aizid Razzaq Gill  
President and Chief Executive

Mohammad Naeem Mukhtar  
Chairman

Nazrat Bashir  
Director

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND OR ABOVE FROM (JANUARY 1, 2020 TO DECEMBER 31, 2020)

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	INTEREST/ MARK-UP WRITTEN-OFF	OTHER FINANCIAL RELIEF PROVIDED	TOTAL 9+10+11
		NAME OF DIRECTORS	NIC NOS.		PRINCIPAL	INTEREST/ MARK-UP	OTHER	TOTAL					
			3	4	5	6	7	8	9	10	11	12	
1	SHAHEEN CORPORATION 44-A, Mir Afzal, Hyderabad	QAMAR ZAMAN	41304-3633849-7	MUHAMMAD ZAMAN	9,487	-	4,778	14,265	-	-	4,745	4,745	
2	DATA TRADERS Hosue No.50, Block 2K, P.E.C.H, Karachi	SALMAN HASSAN	42201-0421699-5	ZAHID HASSAN	0,900	-	0,809	1,709	-	-	0,708	0,708	
3	NAVAZ JEWELLERY Sarafa Bazar, Multan	MAZHAR NAWAZ SYED HAMID RAZA	36302-5767780-3 36302-0290203-1	GHULAM RASOOL SYED GHULAM MURTAZA	2,000	-	1,554	3,554	-	-	1,454	1,454	
4	DHA COGEN LIMITED 2-B, East Street, Pakistan Defence Officers Housing Authority, Phase-I, Karachi	COL (RETD) ASAD NAUMAN COL RASHID JAVED BUTT COL (RETD) MUBARAK ALI MAZHAR MUHAMMAD TAHA HAMDANI KHURRAM NOOR BRIG. HAFIZULLAH KHAN	42501-7319209-9 17201-2298690-5 35202-2458512-7 42301-3539796-9 42101-1583659-7 17201-9503417-9	SAEED UR RAHMAN QURESHY MUHAMMAD JAHANGIR BUTT MUHAMMAD SHARIF SADIO ALI HAMDANI NOOR HASSAN SIDDIQUI NASRULLAH KHAN	637,015	-	374,216	1,011,231	587,243	-	374,216	971,459	
5	MITHO KHAN MAHAR ALIAS GHAZI KHAN Village Ahmad Khan Mahar Post Office Dataraki Taluka Dataraki District Ghotki	MITHO KHAN MAHAR ALIAS GHAZI KHAN	45101-2333429-1	AHMED KHAN MAHAR	1,500	-	1,170	2,670	-	-	1,149	1,149	
6	AL ABD SILK MILLS LTD. A-39, S.I.T.E., Manghopir Road, Karachi	NASEEM A. SATTAR AZEEM AHMED AMIR NASEEM ZARINA NASEEM ADIA NASEEM SADAF NADEEM REENA AZIM ASRA AMIR HASAN MAHMOOD SYED RAZA ABBAS JAFFARI MEHMOOD SHAH MUHAMMAD SHAFI	42301-0840043-1 42301-0912143-9 42301-0658944-7 42301-0829619-0 42301-0783384-4 42301-0878886-8 42301-0831483-6 42301-0785813-2 212-69-087723 42201-0215685-1 42201-1726632-5 501-47-019051	LATE SHAIKH ABDUL SATTAR NASEEM ABDUL SATTAR NASEEM ABDUL SATTAR NASEEM ABDUL SATTAR NASEEM ABDUL SATTAR NADEEM YOUNUS AZIM AHMED AMIR NASEEM M. YASMEEN S. SHABAHAT HUSSAIN MUMTAZ ALI KHAN MUMTAZ ALI KHAN	47,608	-	26,545	74,153	35,622	-	26,545	62,167	
7	NEW ALLIED ELECTRONICS (PVT) LTD. Head Office, Laison Square Building No.1, Sarwar Hussain Shaheed Road, Karachi	MIAN PERVAIZ AKHTAR ABDUL RAUF KAUSAR PERVAIZ AKHTAR	42301-7176596-3 42201-3539213-1 42301-7865061-4	MIAN M. RAFIQ ANWER A.G. ATEEO W/O. MIAN PERVAIZ AKHTAR	1,069,994	-	1,435,769	2,505,763	1,089,994	-	1,043,739	2,113,733	
8	FATEH SPORTS WEAR LTD., 442-Mirpurkhas Road Hyderabad	RAUF ALAM AFTAB ALAM SYED SAEED ALAM MUHAMMAD MOHSIN MUHAMMAD NAVEED MRS.NAJMA ROSHAN MRS.JAMILA ALAM	451-85-146957 517-91-367052 451-91-250964 451-92-236018 451-76-297932 451-12-620059 517-34-379866	JAN ALAM JAN ALAM FOSHAN ALI FOSHAN ALI JAN ALAM FOSHAN ALI	47,429	-	81,638	129,067	-	-	81,638	81,638	
9	AKASH TRADERS Factory Area, Tandlianwala	ASHFAQ AHMAD	33106-0339354-4	MUHAMMAD SHAFI	3,550	-	2,803	6,353	-	-	2,886	2,886	
10	CHAUDHRY TRADERS Jamli Shopping Centre, Rahim Yar Khan	SARFRAZ KHAN	35200-1432412-3	ABDUL PASHEED	1,000	-	0,975	1,975	-	-	0,875	0,875	
11	MUHAMMAD ARIF AND CO. Shop No.62 Gram Market, Ghalla Mandi	MUHAMMAD ARIF BAEER NADEEM MUHAMMAD IMRAN MUHAMMAD RIZWAN	38403-6654377-1 38403-5306449-1 38403-6593292-7 38403-0695034-7	TALIB HUSSAIN TALIB HUSSAIN TALIB HUSSAIN TALIB HUSSAIN	2,850	-	1,699	4,549	-	-	1,699	1,699	
12	MECO INTERNATIONAL Anseri Hamza Chowk, Gujranwala Road, Alipur Chaitla, Teh: Wazirabad, Dist: Gujranwala	SYED AZEEM HAIDER KAZMI	38403-7727760-7	SYED MUKHTAR ALI KAZMI	0,256	-	0,609	0,865	-	-	0,565	0,565	
13	DAWN BUILDERS H.No.G-33, Street No.11, Phase-IV, Officer Colony Wala Carri	AUPANGZAB JANJUA SHAFQAT JANJUA	37406-1036900-3 37406-7494529-7	NAZIF AHMED JANJUA NAZIF AHMED JANJUA	6,650	-	6,458	13,108	-	-	2,908	2,908	
14	CASIT - N - LINK PRODUCTS LTD. Plot No. C-133, Norisabad Industrial Estate, Distt: Dadu	NISAR AHMED ANWAR AHMED	42301-3612315-7 42301-7452922-5	MUHAMMAD YAQOOB MUHAMMAD YAQOOB	1,020	-	3,318	4,338	-	-	1,388	1,388	

Amount in Million



## ISLAMIC BANKING BUSINESS

The Bank is operating 117 (2019: 117) Islamic Banking Branches and 85 (2019: 60) Islamic Banking Windows at the end of the year.

### Statement of Financial Position

As at December 31, 2020

	Note	December 31, 2020	December 31, 2019
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks		3,267,478	1,985,765
Balances with other banks		104,765	59,475
Due from financial institutions	1	1,454,435	11,554,430
Investments	2	19,650,241	12,452,302
Islamic financing and related assets - net	3	32,642,170	12,615,208
Fixed assets		1,661,209	2,041,413
Intangible assets		635	764
Due from Head Office	4	-	159,062
Other assets		850,232	710,733
<b>Total Assets</b>		<b>59,631,165</b>	<b>41,579,152</b>
<b>LIABILITIES</b>			
Bills payable		481,518	164,687
Due to financial institutions		9,553,220	1,700,000
Deposits and other accounts	5	41,839,270	34,389,411
Due to Head Office	4	1,691,159	-
Subordinated debt		-	-
Other liabilities		2,066,020	1,978,457
		55,631,187	38,232,555
<b>NET ASSETS</b>		<b>3,999,978</b>	<b>3,346,597</b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		4,100,000	4,100,000
Reserves		(305)	(305)
Surplus/ (Deficit) on revaluation of assets		(24,583)	76,488
Accumulated Losses	7	(75,134)	(829,586)
		3,999,978	3,346,597
<b>CONTINGENCIES AND COMMITMENTS</b>	8		



## Profit and Loss Account

for the year ended December 31, 2020

	Note	December 31, 2020	December 31, 2019
Rupees in '000			
Profit / return earned	9	3,884,149	2,960,335
Profit / return expensed	10	2,014,236	1,756,141
Net Profit / return		1,869,913	1,204,194
<b>OTHER INCOME</b>			
Fee and commission income		196,241	158,643
Dividend income		-	-
Foreign exchange gain		11,879	5,002
Loss on securities		(2,121)	(4,974)
Other Income		4,876	2,483
Total other income		210,875	161,154
<b>TOTAL INCOME</b>		<b>2,080,788</b>	<b>1,365,348</b>
<b>OTHER EXPENSES</b>			
Operating expenses		1,326,068	1,286,482
Workers welfare fund		-	-
Other charges		140	-
Total other expenses		1,326,208	1,286,482
<b>PROFIT BEFORE PROVISIONS</b>		<b>754,580</b>	<b>78,866</b>
Provisions and write offs - net		128	12
<b>PROFIT BEFORE TAXATION</b>		<b>754,452</b>	<b>78,854</b>
Taxation		-	-
<b>PROFIT AFTER TAXATION</b>		<b>754,452</b>	<b>78,854</b>

# ISLAMIC BANKING BUSINESS

## Notes to the Annexure II

for the year ended December 31, 2020

	December 31, 2020			December 31, 2019		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
Rupees in '000						
<b>1 DUE FROM FINANCIAL INSTITUTIONS</b>						
Bai Muajjal Receivable from other						
Financial Institutions	-	-	-	7,850,288	-	7,850,288
Bai Muajjal Receivable from						
State Bank of Pakistan	954,435	-	954,435	2,704,142	-	2,704,142
Musharaka Lending	500,000	-	500,000	1,000,000	-	1,000,000
	1,454,435	-	1,454,435	11,554,430	-	11,554,430

	December 31, 2020				December 31, 2019			
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000								
<b>2 INVESTMENTS BY SEGMENTS</b>								
<b>Federal Government Securities:</b>								
- Ijarah Sukuks	500,000	-	(21,450)	478,550	876,500	-	(8,765)	867,735
- Other Federal Securities	2,573,429	-	-	2,573,429	2,300,521	-	-	2,300,521
	3,073,429	-	(21,450)	3,051,979	3,177,021	-	(8,765)	3,168,256
<b>Non Government Debt Securities</b>								
- Listed	11,273,295	-	(72,477)	11,200,818	2,222,735	-	15,910	2,238,645
- Unlisted	5,397,444	-	-	5,397,444	7,045,401	-	-	7,045,401
	16,670,739	-	(72,477)	16,598,262	9,268,136	-	15,910	9,284,046
<b>Total Investments</b>	19,744,168	-	(93,927)	19,650,241	12,445,157	-	7,145	12,452,302

	Note	December 31, 2020	December 31, 2019
Rupees in '000			

### 3 ISLAMIC FINANCING AND RELATED ASSETS

Ijarah	3.1	381,940	294,553
Istisna		529,049	504,728
Financing under Islamic Export Re-finance - Istisna		500,000	-
Murabaha	3.2.1	104,532	114,409
Musawamah		314	-
Islamic Export Re-finance - Business Musharakah		1,000,000	1,000,000
Islamic Re-finance against wages and salaries - Business Musharakah		40,286	-
Diminishing Musharaka		11,369,086	3,200,020
Islamic refinance against renewable energy Diminishing Musharakah		40,286	-
Finance against Dishonored Bills		-	309,737
Salam		233,002	-
Business Musharakah - Financings		17,935,445	6,752,116
Staff Ijarah		374,813	348,929
Staff - Diminishing Musharakah		133,566	90,736
Gross Islamic financing and related assets		32,642,319	12,615,228
Less: provision against Islamic financings			
- Specific		-	-
- General		149	20
		149	20
		32,642,170	12,615,208

# ISLAMIC BANKING BUSINESS

## Notes to the Annexure II

for the year ended December 31, 2020

December 31, 2020							Book Value as at 31 Dec 2020
Cost			Accumulated Depreciation				
As at Jan 01, 2020	Additions / (deletions)	As at Dec 31, 2020	As at Jan 01, 2020	Charge for the year	As at Dec 31, 2020		

Rupees in '000

### 3.1 Ijarah

	As at Jan 01, 2020	Additions / (deletions)	As at Dec 31, 2020	As at Jan 01, 2020	Charge for the year	As at Dec 31, 2020	Book Value as at 31 Dec 2020
Vehicles	429,083	134,945	564,028	150,873	44,446	195,319	368,709
Equipment	22,230	-	22,230	5,887	3,112	8,999	13,231
Total	451,313	134,945	586,258	156,760	47,558	204,318	381,940

December 31, 2019							Book Value as at 31 Dec 2019
Cost			Accumulated Depreciation				
As at Jan 01, 2019	Additions / (deletions)	As at Dec 31, 2019	As at Jan 01, 2019	Charge for the year	As at Dec 31, 2019		

Rupees in '000

Vehicles	331,241	97,842	429,083	82,182	68,691	150,873	278,210
Equipment	22,230	-	22,230	2,775	3,112	5,887	16,343
Total	353,471	97,842	451,313	84,957	71,803	156,760	294,553

	December 31, 2020				December 31, 2019			
	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	43,937	171,175	44,318	259,430	5,952	222,937	1,124	230,013
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Note December 31, December 31,  
2020 2019  
Rupees in '000

### 3.2 Murabaha

Murabaha financing	3.2.2	94,144	102,282
Inventory for Murabaha		-	-
Advances for Murabaha		11,970	13,664
		106,114	115,946

3.2.1 Murabaha receivable - gross	3.2	106,114	115,946
Less: Deferred murabaha income	3.2.4	(1,582)	(1,537)
Profit receivable shown in other assets		-	-
Murabaha financings		104,532	114,409

#### 3.2.2 The movement in Murabaha financing during the year is as follows:

Opening balance	102,282	74,796
Sales during the year	265,765	140,959
Adjusted during the year	(273,903)	(113,473)
Closing balance	94,144	102,282

3.2.3 Murabaha sale price	265,765	140,959
Murabaha purchase price	(256,763)	(134,855)
	9,002	6,104

# ISLAMIC BANKING BUSINESS

## Notes to the Annexure II

for the year ended December 31, 2020

	December 31, 2020	December 31, 2019
	Rupees in '000	

### 3.2.4 Deferred Murabaha income

Opening balance	1,537	1,680
Arising during the year	9,002	6,104
Less: Recognised during the year	(8,957)	(6,247)
Closing balance	1,582	1,537

### 4 DUE FROM and (DUE TO) HEAD OFFICE

Daily settlement with Head Office	1,691,159	161,300
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	December 31, 2020			December 31, 2019		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	Rupees in '000					

### 5 DEPOSITS

#### Customers

Current deposits	8,170,428	412,628	8,583,056	5,584,908	430,610	6,015,518
Savings deposits	18,358,385	124,189	18,482,574	11,707,652	46,487	11,754,139
Term deposits	427,416	-	427,416	1,518,756	-	1,518,756
Others	1,922,870	-	1,922,870	2,089,570	-	2,089,570
	28,879,099	536,817	29,415,916	20,900,886	477,097	21,377,983

#### Financial Institutions

Current deposits	13,470	-	13,470	5,057	-	5,057
Savings deposits	12,409,884	-	12,409,884	8,196,371	-	8,196,371
Term deposits	-	-	-	4,810,000	-	4,810,000
Others	-	-	-	-	-	-
	12,423,354	-	12,423,354	13,011,428	-	13,011,428
	41,302,453	536,817	41,839,270	33,912,314	477,097	34,389,411

	December 31, 2020	December 31, 2019
	Rupees in '000	

### 5.1 Composition of deposits

- Individuals	14,131,097	8,929,921
- Government	2,984,690	3,954,561
- Public Sector Entities	11,537	2,438
- Banking Companies	37,755	3,645,353
- Non-Banking Financial Institutions	12,385,589	9,366,078
- Private Sector	12,288,602	8,491,060
	41,839,270	34,389,411

5.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 21,692 million. (2019: 15,833 million)

# ISLAMIC BANKING BUSINESS

## Notes to the Annexure II

for the year ended December 31, 2020

	December 31, 2020	December 31, 2019
	Rupees in '000	
<b>6 CHARITY FUND</b>		
Opening Balance	15	3
Additions during the period:		
Received from customers on account of delayed payment	70	64
Dividend purification amount	-	-
Other Non-Shariah compliant income	-	-
Profit on charity saving account	3	5
Others	1	3
	74	72
Payments and utilization during the period:		
Education	-	60
Health	75	-
	75	60
Closing Balance	14	15
<b>6.1</b> During the year charity exceeding Rs 0.5 million and charity to related party is Nil. (2019: Nil)		
<b>7 ISLAMIC BANKING BUSINESS UNAPPROPRIATED PROFIT</b>		
Opening Balance	(829,586)	(906,202)
Add: Islamic Banking profit for the period	754,452	76,616
Less: Taxation	-	-
Less: Reserves	-	-
Less: Transferred or Remitted to Head Office	-	-
Closing Balance	(75,134)	(829,586)
<b>8 CONTINGENCIES AND COMMITMENTS</b>		
-Guarantees	4,409,985	200,370
-Commitments	1,084,549	1,660,217
-Other contingent liabilities	46,445	47,299
	5,540,979	1,907,886
<b>9 PROFIT/RETURN EARNED OF FINANCING, INVESTMENTS AND PLACEMENT</b>		
Profit earned on:		
Investments	1,823,016	1,819,319
Financings	1,847,061	938,926
Placements	214,072	202,090
	3,884,149	2,960,335
<b>10 PROFIT ON DEPOSITS AND OTHER DUES EXPENSED</b>		
Deposits and other accounts	1,252,195	1,336,705
Profit paid on Musharaka borrowings	545,404	228,213
Other expenses (IFRS-16)	140,546	154,017
Due to Financial Institutions	43,078	7,364
Cost of foreign currency swap on foreign currency deposits	-	28,268
Profit paid on Mudaraba borrowings	33,013	1,574
Other profit expenses	-	1,077
	2,014,236	1,757,218

# ISLAMIC BANKING BUSINESS

## Notes to the Annexure II

for the year ended December 31, 2020

### 11 POOL MANAGEMENT

Allied Bank Limited – Islamic Banking operating in general and specific pools for deposits and inter-bank funds accepted or acquired under Mudaraba, Musharakah 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, Musharakah, Wakala)
- 5- Islamic Export Refinance Pool (Musharakah)
- 6- Equity Pool

#### 1– General Pool for Local Currency Depositors (Mudaraba)

Remunerative deposits are tagged to general pool and their funds generated from the depositors are invested on priority basis over the bank's own source funds, 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. The Bank may 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- 2- General Pool for Foreign Currency (US\$, Great Britain Pound and EURO) depositors (Mudaraba)

Foreign Currency pools are being maintained for customers maintaining mudarba based deposit in US\$, Great Britain Pound and EURO currencies, All Foreign Currency deposits are parked in these pool(s) by converting funds from Foreign Currency to Pakistani Rupee and return is shared among Foreign Currency deposit holders on the principals of mudarba according to the weightages of respective.

#### 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 created, to manage liquidity, on the basis of Musharakah, Mudarabah, 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.

#### 5- Islamic Export Refinance Pool (Musharkah)

Islamic Export Refinance Pool is created with SBP, to manage export refinance customers, on the basis of Musharakah, wherein ABL-IBG and State Bank of Pakistan share actual return earned by the pool according to pre-defined profit sharing ratio.

#### 6- Equity Pool

Funds from banks own sources and current deposit (Qard basis) from customers are tagged to this pool, to safeguard the interest of customers, all high risk investments are done through equity pool and further all fixed assets, subsidized financing to the Bank's employees are also tagged to equity pool. The Bank as Mudarib in the general pools responsible for admin cost and cost of assets such as land, building, furniture, fixtures, computers and Information Technology system from its own sources and equity.

#### 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.

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 xposed to general credit risk, asset ownership risk and profit rate risk of the underlying assets involved in pool.

# ISLAMIC BANKING BUSINESS

## Notes to the Annexure II

for the year ended December 31, 2020

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, 2020	December 31, 2019
	Rupees in '000	
<b>11.1 Avenues and sectors where Mudaraba based deposits have been deployed</b>		
Production and Transmission of Energy	11,217,970	4,164,902
Manufacturing of Miscellaneous Plastic Products	610,936	736,066
Chemicals and Allied Products	615,575	2,498,502
Petroleum and Gas	458,305	845,275
Leather and Leather products	1,638	2,349
Financial Institutions	480,596	768,812
Agriculture and Food Products	15,384,206	19,064
Transportation and Logistics	146,660	90,303
Auto and Allied Products	3,576	152,807
Metal products - Steel Foundries	457,500	484,328
Cement	1,000,000	1,000,000
Textile - Knitting	917,140	850,000
Textile - Ginning	75,175	-
Retail Chain	500,000	500,000
Communication	29,183	24,626
Construction and real estate	115,794	-
Others	628,065	478,194
<b>Total Gross Financing and Related Assets</b>	<b>32,642,319</b>	<b>12,615,228</b>
GOP Ijarah Sukuks	3,051,979	3,168,257
Power and Energy Generation	12,736,419	5,411,046
Financial Institutions	1,287,000	1,287,000
Chemicals	1,634,400	1,616,000
Hotel Business	440,444	470,000
Steel Processing	500,000	500,000
<b>Total Investments and Placements</b>	<b>19,650,242</b>	<b>12,452,303</b>
<b>Total Invested Funds</b>	<b>52,292,561</b>	<b>25,067,531</b>

# ISLAMIC BANKING BUSINESS

## Notes to the Annexure II

for the year ended December 31, 2020

### 11.2 Profit and (loss) distribution to general depositor's pool

Remunerative Depositor's Pool	Profit rate and weightage announcement period	Profit rate return earned on earning assets	Profit sharing ratio	Mudarib share	Profit rate return distributed to remunerative deposits (Savings and Fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
				Rupees in '000'			Rupees in '000'
General Pool	Monthly	9.32%	50% : 50%	799,182	4.99%	8.79%	70,261
Foreign Currency Pool - EUR	Monthly	10.18%	1% : 99%	379	0.12%	0.13%	0.51
Foreign Currency Pool - GBP	Monthly	10.18%	1% : 99%	168	0.12%	0.12%	0.21
Foreign Currency Pool - US\$	Monthly	10.02%	1% : 99%	6224	0.12%	0.17%	10.77

### 11.3 Profit and (loss) distribution to specific pool

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) Musharkah Pool	Monthly	7.11%	-*	2.00%
InterBank Musharkah Pools	As required	9.73%	-*	6.90%
Mudarba based specific pools for interbank, Investment certificates and remunerative accounts	As required	15.25% - 5.95%	-*	13.25% - 3.20%
Charity Pool	As required	7.47%	100% : 0%	7.47%

\*Profit sharing ratios varies from case to case basis



## Details of Disposal of Fixed Assets to Related Party for the year ended December 31, 2020

### 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						
<b>Electrical and Computer Equipments</b>	394	394	-	39	As Per Bank Policy	Abid Anwar
	247	247	-	25	As Per Bank Policy	Asif Bashir
	149	149	-	15	As Per Bank Policy	Ahmad Mansoor
	143	143	-	14	As Per Bank Policy	Tariq Javed Ghumman
	139	139	-	14	As Per Bank Policy	Ahmad Faheem Khan
	85	85	-	9	As Per Bank Policy	Mujahid Ali Sheikh
	85	85	-	9	As Per Bank Policy	Muhammad Mohsin
	1,241	1,241	-	124		

\*They are Key Management Personnel of the Bank.



# **CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2020**

# Directors' Report on Consolidated Financial Statements

For the year ended December 31, 2020

## CONSOLODATED DIRECTORS' REPORT

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)

The operating results and appropriations, as recommended by the Board are given below:

	Year ended December 31,		
	2020	2019	Growth
	Rs. In Million		
<b>Profit after tax for the year</b>	18,378	14,489	27%
Accumulated profits brought forward	57,682	53,985	7%
Effect of re-measurement of defined benefit plans - net of tax	(803)	(503)	60%
Transferred from surplus on revaluation of operating fixed assets to un-appropriated profit - net of tax	323	116	177%
Transferred from surplus on revaluation of non-banking assets to un-appropriated profit - net of tax	7	166	(96)%
<b>Profit available for appropriation</b>	<b>75,587</b>	<b>68,253</b>	<b>11%</b>
Final cash dividend for the year ended December 31, 2019 at Rs. 2.00 per share (2019: Year ended December 31, 2018 at Rs. 2.00 per share)	(2,290)	(2,290)	0%
First interim cash dividend for the year ended December 31, 2020 at Rs. 2.00 per share (2019: Year ended December 31, 2019 at Rs. 2.00 per ordinary share)	(2,290)	(2,290)	0%
Second interim cash dividend for the year ended December 31, 2020 at Rs. NIL per share (2019: Year ended December 31, 2019 at Rs. 2.00 per ordinary share)	0	(2,290)	(100)%
Third interim cash dividend for the year ended December 31, 2020 at Rs. NIL per share (2019: Year ended December 31, 2019 at Rs. 2.00 per ordinary share)	0	(2,290)	(100)%
Transfer to statutory Reserves	(1,803)	(1,411)	28%
<b>Accumulated profits carried forward</b>	<b>69,204</b>	<b>57,682</b>	<b>20%</b>
<b>Earnings Per Share (EPS) (Rs.)</b>	<b>16.05</b>	<b>12.65</b>	<b>27%</b>

### Pattern of shareholding

Pattern of shareholding as at December 31, 2020 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 17, 2021

# Independent Auditor's Report

## To the members of Allied Bank Limited

### 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 2020 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 2020, 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 Advances</b>	
	<p>Refer to note 10 and the accounting policies in notes 2.4.2 and 5.4 to the consolidated financial statements.</p> <p>The Group makes provision against advances on a time based criteria that involves ensuring all non-performing loans and advances are classified in accordance with the ageing criteria specified in the Prudential Regulations (PRs) issued by the State Bank of Pakistan (SBP).</p> <p>In addition to the time based criteria the PRs require a subjective evaluation of the credit worthiness of borrowers to determine the classification of advances.</p> <p>The Group's advances to the customers represent 31.17% of its total assets as at 31 December 2020 and are stated at Rs. 496,502 million which is net of provision of Rs. 13,742 million at the year end.</p> <p>The determination of provision against advances was identified as a key audit matter in our audit as it involves a considerable degree of management judgment and estimation in complying with the above criteria.</p>	<p>Our audit procedures in respect of provision against advances, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• Assessing the design and operating effectiveness of key controls to determine provision required against non-performing advances, including: <ul style="list-style-type: none"> <li>– Controls over correct classification of non-performing advances on time based criteria;</li> <li>– Controls over monitoring of advances with higher risk of default and migration of these advances on a timely basis to watch list or to non-performing advances category on subjective criteria;</li> <li>– Controls over accurate computation and recording of provisions; and</li> <li>– Controls over the governance and approval process related to provision.</li> </ul> </li> <li>• Testing on a sample basis, credit exposures identified by the management as displaying indicators of impairment, assessed the number of days overdue and assessed appropriateness of amount reported for provision in accordance with the Prudential Regulations;</li> <li>• Checking on a sample basis, the accuracy of specific provision made against non-performing advances and of general provision by recomputing the provision amount in accordance with the criteria prescribed under the PRs;</li> <li>• Examining the credit history, account movement, financial ratios, repayment pattern in respect of advances where the management has not identified indicators displaying impairment, on a sample basis and challenging the management's assessment based on our view of the credit risk from the review of credit file.</li> </ul>

# Independent Auditor's Report

## To the members of Allied Bank Limited

<b>2</b>	<b>Valuation of Investments</b>	
	<p>Refer to note 9 and the accounting policies in notes 2.4.2, 2.4.3 and 5.3 to the consolidated financial statements.</p> <p>As at 31 December 2020, the Group has investments classified as "Available-for-sale", "Held for trading", "Held to maturity" amounting to Rs. 831,704 million which in aggregate represent 52.21% of the total assets of the Group.</p> <p>Investments are carried at cost or fair value in accordance with the Group's accounting policy relating to their recognition. Provision against investment is made based on impairment policy of the Group which includes both objective and subjective factors.</p> <p>We identified assessing the valuation of investments as a key audit matter because of its significance to the consolidated financial statements and because assessing the key impairment assumptions involves a significant degree of management judgement.</p>	<p>Our procedures in respect of valuation of investments, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of and testing the design and operation effectiveness of the controls relating to the valuation of investments;</li> <li>• Checking on a sample basis, the valuation of investments to supporting documents, externally quoted market prices and break-up values;</li> <li>• Evaluating the Group's assessment of available for sale and held to maturity investments for any additional impairment in accordance with the Group's accounting policies and performed an independent assessment of the assumptions; and</li> <li>• Considering the Group's disclosures of investments, to the guidelines laid down by the State Bank of Pakistan regarding forms and disclosures.</li> </ul>

### 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.
- 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

## Independent Auditor's Report To the members of Allied Bank Limited

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.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Fahad Bin Waheed.

**KPMG Taseer Hadi & Co.**  
Chartered Accountants

Date: 03 March 2021  
Lahore

# Consolidated Statement of Financial Position

as at December 31, 2020

December 31, 2020	December 31, 2019		Note	December 31, 2020	December 31, 2019
US \$ in '000				Rupees in '000	
<b>ASSETS</b>					
803,261	750,371	Cash and balances with treasury banks	6	128,388,720	119,935,126
45,275	3,770	Balances with other banks	7	7,236,502	602,582
112,592	85,131	Lendings to financial institutions	8	17,996,123	13,606,921
5,203,539	4,752,759	Investments - net	9	831,704,497	759,654,427
3,106,352	3,034,713	Advances - net	10	496,501,833	485,051,568
460,803	389,403	Fixed assets	11	73,652,142	62,240,062
17,036	12,362	Intangible assets	12	2,722,951	1,975,898
-	-	Deferred tax assets		-	-
218,273	252,241	Other assets - net	13	34,887,487	40,316,857
9,967,131	9,280,750			1,593,090,255	1,483,383,441
<b>LIABILITIES</b>					
60,200	49,292	Bills payable	15	9,622,020	7,878,626
1,213,306	1,667,027	Borrowings	16	193,928,086	266,448,386
7,612,055	6,563,160	Deposits and other accounts	17	1,216,668,247	1,049,018,804
-	-	Liabilities against assets subject to finance lease		-	-
-	-	Sub-ordinated debt		-	-
24,891	36,991	Deferred tax liabilities - net	18	3,978,448	5,912,375
219,754	230,949	Other liabilities	19	35,124,168	36,913,696
9,130,206	8,547,419			1,459,320,969	1,366,171,887
836,925	733,331	<b>NET ASSETS</b>		133,769,286	117,211,554
<b>REPRESENTED BY</b>					
71,641	71,641	Share capital	20	11,450,739	11,450,739
151,890	139,333	Reserves		24,277,184	22,270,225
180,423	161,471	Surplus on revaluation of assets - net of tax	21	28,837,661	25,808,658
432,971	360,886	Unappropriated profit		69,203,702	57,681,932
836,925	733,331			133,769,286	117,211,554
<b>CONTINGENCIES AND COMMITMENTS</b>			22		

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Mehmud ul Hassan  
Chief Financial Officer

Dr. Muhammad Akram Sheikh  
Director

Aizid Razzaq Gill  
President and Chief Executive

Mohammad Naeem Mukhtar  
Chairman

Nazrat Bashir  
Director

# Consolidated Profit and Loss Account

for the year ended December 31, 2020

December 31, 2020	December 31, 2019	Note	December 31, 2020	December 31, 2019	
US \$ in '000			Rupees in '000		
691,646	767,285	Mark-up / return / interest earned	24	110,548,776	122,638,580
388,859	505,278	Mark-up / return / interest expensed	25	62,153,107	80,760,742
302,787	262,007	<b>Net mark-up and interest income</b>		48,395,669	41,877,838
<b>NON MARK-UP / INTEREST INCOME</b>					
38,694	35,682	Fee and commission income	26	6,184,600	5,703,136
11,098	11,906	Dividend income		1,773,857	1,902,872
10,410	12,465	Foreign exchange income		1,663,815	1,992,194
-	-	Income from derivatives		-	-
21,818	11,033	Gain on securities - net	27	3,487,325	1,763,512
2,087	2,474	Other income	28	333,627	395,412
84,107	73,560	<b>Total non-markup / interest income</b>		13,443,224	11,757,126
386,894	335,567	Total income		61,838,893	53,634,964
<b>NON MARK-UP / INTEREST EXPENSES</b>					
189,454	181,225	Operating expenses	29	30,281,195	28,965,941
3,920	(4,846)	Workers welfare fund - net		626,529	(774,603)
705	1,220	Other charges	30	112,682	195,045
194,079	177,599	<b>Total non-markup / interest expenses</b>		31,020,406	28,386,383
192,815	157,968	<b>Profit before provisions</b>		30,818,487	25,248,581
5,278	3,421	Provisions and write offs - net	31	843,550	546,658
-	-	Extra-ordinary / unusual items		-	-
187,537	154,547	<b>PROFIT BEFORE TAXATION</b>		29,974,937	24,701,923
72,558	63,899	Taxation	32	11,597,332	10,213,160
114,979	90,648	<b>PROFIT AFTER TAXATION</b>		18,377,605	14,488,763
<b>In US \$</b>			<b>In Rupees</b>		
0.10	0.08	<b>Basic and diluted earnings per share</b>	33	16.05	12.65

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Mehmud ul Hassan  
Chief Financial Officer

Dr. Muhammad Akram Sheikh  
Director

Azid Razzaq Gill  
President and Chief Executive

Mohammad Naeem Mukhtar  
Chairman

Nazrat Bashir  
Director



# Consolidated Statement of Comprehensive Income

for the year ended December 31, 2020

December 31, 2020		December 31, 2019			
US \$ in '000				December 31, 2020	December 31, 2019
				Rupees in '000	
114,979	90,648	<b>Profit after taxation for the year</b>		18,377,605	14,488,763
<b>Other comprehensive income</b>					
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>					
1,276	3,644	Effect of translation of net investment in foreign branches		204,013	582,419
(15,973)	14,035	Movement in (deficit)/ surplus on revaluation of investments - net of tax		(2,553,031)	2,243,212
(14,697)	17,679			(2,349,018)	2,825,631
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>					
		Re-measurement (loss) on defined benefit obligations - net of tax		(802,510)	(502,707)
35,972	-	Movement in surplus on revaluation of fixed assets - net of tax		5,749,574	-
1,016	4,822	Movement in surplus on revaluation of non-banking assets - net of tax		162,377	770,648
31,967	1,677			5,109,441	267,941
132,249	110,004	<b>Total comprehensive income</b>		<b>21,138,028</b>	<b>17,582,335</b>

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Mehmud ul Hassan  
Chief Financial Officer

Dr. Muhammad Akram Sheikh  
Director

Aizid Razzaq Gill  
President and Chief Executive

Mohammad Naeem Mukhtar  
Chairman

Nazrat Bashir  
Director

# Consolidated Cash Flow Statement

for the year ended December 31, 2020

December 31, 2020	December 31, 2019	Note	December 31, 2020	December 31, 2019
US \$ in '000			Rupees in '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
187,537	154,547		29,974,937	24,701,923
(11,098)	(11,905)		(1,773,857)	(1,902,872)
176,439	142,642		28,201,080	22,799,051
<b>Adjustments:</b>				
20,820	19,791	11.2	3,327,745	3,163,348
213	123		33,987	19,662
10,656	10,122		1,703,157	1,617,769
6,131	6,184		979,928	988,344
1,743	1,543		278,664	246,646
5,440	4,332	31	869,542	692,374
(58)	1,191		(9,197)	190,398
3,920	(4,846)		626,529	(774,603)
(1,848)	(1,679)		(295,399)	(268,306)
30	(202)		4,772	(32,266)
47,047	36,559		7,519,728	5,843,366
223,486	179,201		35,720,808	28,642,417
<b>Decrease or (increase) in operating assets</b>				
(27,461)	251,343		(4,389,202)	40,173,274
121,062	(125,231)		19,349,928	(20,016,175)
(74,820)	(290,721)		(11,958,772)	(46,467,284)
4,068	(49,270)		650,130	(7,874,969)
22,849	(213,879)		3,652,084	(34,185,154)
<b>Increase or (decrease) in operating liabilities</b>				
10,908	786		1,743,394	125,667
(453,594)	254,919		(72,499,889)	40,744,817
1,048,895	403,816		167,649,443	64,543,621
(12,540)	52,366		(2,004,309)	8,369,824
593,669	711,887		94,888,639	113,783,929
840,004	677,209		134,261,531	108,241,192
(67,164)	(58,247)		(10,735,065)	(9,309,899)
772,840	618,962		123,526,466	98,931,293
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
(534,681)	(422,470)		(85,460,421)	(67,525,173)
(66,175)	19,624		(10,577,099)	3,136,581
11,079	11,908		1,770,872	1,903,327
(51,936)	(46,673)		(8,301,088)	(7,459,934)
3,925	2,331		627,381	372,634
1,276	3,644		204,013	582,419
(636,512)	(431,636)		(101,736,342)	(68,990,146)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
(13,209)	(11,627)		(2,111,236)	(1,858,363)
(28,598)	(57,124)		(4,570,964)	(9,130,391)
(41,807)	(68,751)		(6,682,200)	(10,988,754)
(3,157)	(14,730)		(504,571)	(2,354,435)
91,364	103,845		14,603,353	16,597,958
756,896	649,895		120,978,072	103,875,543
848,260	753,740	34	135,581,425	120,473,501

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Mehmud ul Hassan  
Chief Financial Officer

Aizid Razzaq Gill  
President and Chief Executive

Nazrat Bashir  
Director

Dr. Muhammad Akram Sheikh  
Director

Mohammad Naeem Mukhtar  
Chairman

# Consolidated Statement of Changes in Equity

for the year ended December 31, 2020

	Capital reserve			Revenue reserve	Surplus 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, 2019</b>	11,450,739	1,239,301	19,031,214	6,000	5,185,769	15,755,409	2,135,996	53,985,383	108,789,811
Profit after taxation for the year ended December 31, 2019	-	-	-	-	-	-	-	14,488,763	14,488,763
<b>Other Comprehensive Income - net of tax</b>									
Surplus on revaluation of investments - net of tax	-	-	-	-	2,243,212	-	-	-	2,243,212
Surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-	770,648	-	770,648
Remeasurement loss on defined benefit obligation - net of tax	-	-	-	-	-	-	-	(502,707)	(502,707)
Effect of translation of net investment in foreign branches	-	582,419	-	-	-	-	-	-	582,419
	-	582,419	-	-	2,243,212	-	770,648	(502,707)	3,093,572
Transfer to statutory reserve	-	-	1,411,291	-	-	-	-	(1,411,291)	-
Transferred from surplus in respect of incremental depreciation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	(106,684)	-	106,684	-
Surplus realised on disposal of revalued fixed assets - net of tax	-	-	-	-	-	(9,729)	-	9,729	-
Transferred from surplus in respect of incremental depreciation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	(2,224)	2,224	-
Surplus realised on disposal of revalued non-banking assets - net of tax	-	-	-	-	-	-	(163,739)	163,739	-
<b>Transactions with owners recognized directly in equity</b>									
Final cash dividend for the year ended									
December 31, 2018 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
First interim cash dividend for the year ended									
December 31, 2019 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
Second interim cash dividend for the year ended									
December 31, 2019 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
Third interim cash dividend for the year ended									
December 31, 2019 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
	-	-	-	-	-	-	-	(9,160,592)	(9,160,592)
<b>Balance as at December 31, 2019</b>	11,450,739	1,821,720	20,442,505	6,000	7,428,981	15,638,996	2,740,681	57,681,932	117,211,554
Profit after taxation for the year ended December 31, 2020	-	-	-	-	-	-	-	18,377,605	18,377,605
<b>Other Comprehensive Income - net of tax</b>									
Deficit on revaluation of investments - net of tax	-	-	-	-	(2,553,031)	-	-	-	(2,553,031)
Surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	5,749,574	-	-	5,749,574
Surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-	162,377	-	162,377
Remeasurement loss on defined benefit	-	-	-	-	-	-	-	(802,510)	(802,510)
Effect of translation of net investment in foreign branches	-	204,013	-	-	-	-	-	-	204,013
	-	204,013	-	-	(2,553,031)	5,749,574	162,377	(802,510)	2,760,423
Transfer to statutory reserve	-	-	1,802,946	-	-	-	-	(1,802,946)	-
Transfer of revaluation surplus on change in use - net of tax	-	-	-	-	-	2,257,200	(2,257,200)	-	-
Transferred from surplus in respect of incremental depreciation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	(110,016)	-	110,016	-
Surplus realised on disposal of revalued fixed assets - net of tax	-	-	-	-	-	(213,015)	-	213,015	-
Transferred from surplus in respect of incremental depreciation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	(1,080)	1,080	-
Surplus realised on disposal of revalued non-banking assets - net of tax	-	-	-	-	-	-	(5,806)	5,806	-
<b>Transactions with owners recognized directly in equity</b>									
Final cash dividend for the year ended									
December 31, 2019 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
First interim cash dividend for the year ended									
December 31, 2020 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
	-	-	-	-	-	-	-	(4,580,296)	(4,580,296)
<b>Balance as at December 31, 2020</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

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Mehmud ul Hassan  
Chief Financial Officer

Aizid Razzaq Gill  
President and Chief Executive

Nazrat Bashir  
Director

Dr. Muhammad Akram Sheikh  
Director

Mohammad Naeem Mukhtar  
Chairman

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

## 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 1,400 (2019: 1,393) branches in Pakistan including 117 (2019: 117) Islamic banking branches, 1 branch (2019: 1) in Karachi Export Processing Zone and 1 Wholesale banking branch (2019: 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, Main Boulevard, 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 management quality rating of the Company, as assigned by JCR-VIS Crediting Rating Company Limited, is AM2++ (Stable) in December 2020.

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
– Allied Capital Protected Fund	Launched on February 19, 2018
– 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
– ABL Monthly Payout Fund	To be launched

## 2 BASIS OF PRESENTATION

- a) These consolidated financial statements consists of holding company and its subsidiary company for the year ended December 31, 2020.

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 consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

The financial results of the Islamic banking branches have been consolidated in these financial statements for reporting purposes, after eliminating inter-branch transactions / balances.

These consolidated financial statements have been presented in Pakistan Rupees (PKR), which is the currency of the primary economic environment in which the Group operates. The amounts are rounded to nearest thousands.

The US\$ 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. 159.8344 per US\$ has been used for 2020 and 2019, as it was the prevalent rate on reporting date.

## b) BASIS OF CONSOLIDATION

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 (IFS). The standard will result in certain new disclosures in the financial statements of the Group.

## 2.2 STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE EFFECTIVE IN THE CURRENT YEAR

There are certain other amended standards, interpretations and amendments that have become applicable to the Group for accounting periods beginning on or after January 1, 2020 but are considered not to be either relevant or not have any significant impact on these consolidated financial statements.

Subsidiary company has adopted IFRS 09 'Financial Instruments' with effect from January 1, 2020.

## 2.3 STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 01, 2021:

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after June 01, 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - there is no substantive change to the other terms and conditions of the lease.

The amendment is not likely to have an impact on the Group's financial statements.

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after January 01, 2021 with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met. The amendment is not likely to have a significant impact on the Group's financial statements.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after January 01, 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendment is not likely to have an impact on the Group's financial statements.
- Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after January 01, 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

These above mentioned amendments are not likely to have an impact on the Groups' financial statements.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after January 01, 2022, clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendment is not likely to have an impact on the Group's financial statements.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 01, 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by References to the Conceptual Framework in IFRS Standards, issued in March 2018. The amendment is not likely to have an impact on the Group's financial statements.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after January 01, 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The amendment is not likely to have an impact on the Group's financial statements.
- The SECP, through SRO 229(I)/2019 dated February 14, 2019, has notified that for the Banks IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, as per BPRD Circular No. 04 of 2019 dated October 23, 2019 of SBP, effective date of IFRS 9 implementation is January 01, 2021.
- 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. The ECL approach has an impact on all assets of the Bank's which are exposed to credit risk. The Group is in the process of assessing the full impact of this standard.

## 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 Group'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 Group's financial statements or where judgment was exercised in application of accounting policies are as follows:

### 2.4.1 Classification of investments

- In classifying investments as 'held-for-trading' the Group 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 Group 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 Group evaluates its intention and ability to hold such investments to maturity.
- The investments, which are not classified as 'held-for-trading' or 'held-to-maturity' are classified as 'available-for-sale'.

### 2.4.2 Provision against non-performing loans and advances and debt securities classified as investments

The Group reviews its loan portfolio and debt securities classified as investments to assess amount of non-performing loans and advances and debt securities 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.

### 2.4.3 Valuation and impairment of 'available-for-sale' equity investments

The Group 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 or prolonged requires judgment. In making this judgment, the Group 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.

### 2.4.4 Income taxes

In making the estimates for income taxes currently payable by the Group, the management looks at the current income tax laws and the decisions of appellate authorities. In determination of deferred taxes, estimates of the Group's future taxable profits are taken into account.

### 2.4.5 Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

techniques take into account the relevant interest rates in effect at the reporting date and the rates contracted.

## 2.4.6 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 Group 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 Group 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.

## 2.4.7 Defined benefits plan

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 36.

## 2.4.8 Fair value hierarchy of assets and liabilities

The fair value of the assets and liabilities is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Group 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 Group 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 inputs for the assets or liability that are not based on observable market data (unobservable inputs).

## 2.4.9 Lease term

The Group 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 Group 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.

## 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:

- Investments (Note 5.3);
- Certain operating fixed assets (Note 5.5);
- Staff retirement and other benefits (Note 5.8);
- Non-banking assets acquired in satisfaction of claims (Note 5.9); and
- Derivative financial instruments (Note 5.16.2).

## 4 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

The COVID-19 pandemic has impacted all economies and emerged as a contagion risk around the globe. Various preventive strategies adopted by the governments including the general lockdown resulted in to halt in the operations of various industries, which has translated into a negative GDP growth rate. These measures had also impacted the Pakistan economy in no different way and disrupted the supply chain and operations of almost all industries resulting into liquidity crisis during the year.

The State Bank of Pakistan responded in a timely manner and undertook various initiatives like:

- Reduction of the policy rate from 13.25% to 7% since the start of the pandemic.
- Reduction in the capital conservation buffer by 100 basis points to 1.5%.
- Increasing the regulatory limit on extension of credit to SMEs to Rs 180 million.
- Relaxing the debt burden ratio for consumer loans from 50% to 60%.



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

- Allowing banks to defer borrowers principal loan payments by one year and or restructure and reschedule loans to borrowers who require relief of principal repayment exceeding one year and or mark up with no reflection on credit history; and
- Introduction of refinancing scheme for payment of wages and salaries.

COVID-19 could impact banks in Pakistan on a number of fronts including increase in overall credit risk pertaining to loans and advances portfolio, reduced fee income due to free of cost service offering and overall slowdown in economic activity, continuity of business operations and managing cyber security threats.

The financial risk management objectives and policies adopted by the Group to monitor and handle the impact of COVID-19 on the financial statements have been explained as follows:

## 4.1 Credit Risk Management

The Risk Management function of the Bank is regularly conducting the assessment of the credit portfolio to identify obligors most likely to get affected due to changes in the business and economic environment resulting from the COVID-19 outbreak. The Bank is continuously strengthening its credit review procedures. Some of the obligors have availed the SBP enabled deferment, restructuring and rescheduling relief.

The Group is cognizant of the fact that COVID-19 situation may pose challenges for the industry on overall basis and the Risk Management function of the Group is proactively keeping an eye on the delinquency in the accounts, financial position of the counter party and other relevant information. However, since opening of lockdown in May 2020, the overall economic and industry performance has substantially improved.

## 4.2 Operational Risk Management

The Group, like all financial institutions, is exposed to operational risk and the risk of Business Continuity in current pandemic situation. The Management of the Group is closely monitoring the situation and taking prompt decisions to ensure the uninterrupted services to the customers.

Business Continuity Plans (BCP) for all critical processes is already in place and are being tested on regular basis. However, during pandemic, the Bank has significantly enhanced monitoring of risk related to business continuity and disruption. The Bank recognizes that pandemic can cause varying degrees of disruption to normal business processes and that it has the responsibility to its customers to continue critical operations during this event. The Bank's goal is to meet this obligation with no or minimal interruption, given the circumstances and scope of disruptive event.

## 4.3 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.

## 4.4 Capital Adequacy Ratio (CAR)

The SBP has relaxed CAR requirements for all Tiers by reducing the Capital Conservation Buffer (CCB) from 2.5% to 1.5%. The initiative will encourage banks to extend lending despite probable reduction in profits and increased credit risk. The Group's CAR as at December 31, 2020 stands at a sound level of 25.40%, providing cushion to absorb any unexpected shocks.

## 4.5 Suspension of dividends

The SBP through its Circular Letter No. BPRD/BA & CPD/006315-2/20 dated April 22, 2020 has advised that banks which had declared dividend for the quarter ended March 31, 2020 to suspend cash dividend distribution for the next two quarters.

## 5 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. Significant accounting policies are enumerated as follows:

### 5.1 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.

### 5.2 Lendings to or borrowings from financial institutions

The Group 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:

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

## 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 Group sells or purchases 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 or expense is recognized on accrual basis.

In Musharaka / Mudaraba, the Group 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/ delinquent lendings, which is recognized on receipt basis.

## 5.3 Investments

5.3.1 The Group at the time of purchase classifies its investment portfolio as mentioned in note 2.4.1.

5.3.2 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 Group 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.

5.3.3 In accordance with the requirements of the SBP, quoted securities, other than those classified as 'held-to-maturity' are carried at market value. Investments classified as 'held-to-maturity' are carried at amortized cost.

Unrealized surplus and (deficit) arising on revaluation of the Group's 'held-for-trading' investment portfolio is taken to the profit and loss account. Surplus and (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.

## 5.4 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 State Bank of Pakistan 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 Group transfers substantially all the risks and rewards incidental to the ownership of an asset to the

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

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 Group provides Islamic financing and related assets mainly through Murabaha, Ijarah, Diminishing Musharakah, Business Musharakah and Salam. 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 Group 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.

## 5.5 Fixed assets and depreciation

**a. Tangible assets**

Property and equipment owned by the Group, other than land which is not depreciated, are stated at cost or revalued amount less accumulated depreciation and impairment losses, if any. Land is carried at revalued amount.

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 11.2. 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 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 Group 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 12.2. 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.

## 5.7 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 Groups'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 / accumulated impairment losses and are adjusted for any remeasurement of the lease liability.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

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 Group 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 .

## 5.8 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/changes in laws and changes in estimates made during the current year.

### 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 Group also recognizes a deferred tax asset / liability on deficit / surplus on revaluation of fixed assets, non-banking assets and securities which is adjusted against the related deficit / surplus in accordance with the requirements of IAS-12 'Income Taxes'.

## 5.9 Staff retirement and other benefits

### 5.9.1 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 Group is on or before July 01, 1992, i.e., who have completed ten years of continuous service as on June 30, 2002.

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).

An approved gratuity scheme (defined benefit scheme) under which the benefits are payable as under:

- i) For members whose date of joining the Group 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 Group 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 Group before July 01, 2002.

A contributory provident fund scheme to which equal contributions are made by the Group 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 Group 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 Honourable 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 Group's legal counsel, the monthly pension of eligible pensioners has been fixed with indexation levels for eligible pensioners effective from February 13, 2018.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

## c) Post-retirement medical benefits

The Group 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 / losses arising from experience adjustments and changes in actuarial assumptions are recognized in Other Comprehensive Income in the period of occurrence.

## 5.9.2 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 / losses arising from experience adjustments and changes in actuarial assumptions are recognized in Profit and Loss account in the period of occurrence.

### b) Compensation to certain class of employees

Group 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.

## 5.10 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.

## 5.11 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 'Modaraba'. Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Modaraba basis are classified as 'Saving deposits / Fixed deposits'.

## 5.12 Impairment

### a) Available-for-sale equity securities

The Group 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 Group 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 Group'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.

## 5.13 Provisions

Provisions are recognized when the Group 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 Group to settle the obligation. The loss is charged to the Profit and Loss Account net of expected recovery and is classified under other liabilities.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

Provisions are reviewed at the reporting date and are adjusted to reflect the current best estimate.

## 5.14 Acceptances

Acceptances comprise of undertakings by the Group 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.

## 5.15 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.

## 5.16 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 / 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.

## 5.17 Financial instruments

### 5.17.1 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Group 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.

### 5.17.2 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.

## 5.18 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 Group intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

## 5.19 Revenue recognition

Revenue is recognized to the extent that the economic benefits will flow to the Group and the revenue can be reliably measured. These are recognised as follows:

### a. Advances and investments

Mark-up or return on regular loans or 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.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

Interest or mark-up recoverable on classified loans, advances and investments is recognized on receipt basis. Interest or return or mark-up on classified rescheduled or restructured loans and advances and investments is recognized as permitted by the regulations of the SBP.

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.

**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 and 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 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 Group.

**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.

**e. Management fee**

Revenue from management fee is recognized over time - i.e. when the customer simultaneously receives and consumes the benefits provided by the Company's performance as the asset manager.

**f. Investment advisory fee**

Revenue from based remuneration in respect of investment advisory services are recognized at point in time when the Company achieves the performance condition at the end of the contract period.

## 5.20 Business Segment reporting

A segment is a distinguishable component of the Group 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 Group's functional and management reporting structure. The Group'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 Group. 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 Group'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. Asset Management Company**

AMC provides investment advisory services to customers licensed under NBFC rules of repelled Companies Ordinance 1984 (Now the Companies Act, 2017).

**f. Others**

Others includes functions which cannot be classified in any of the above segments.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

## 5.21 Geographical Segment Reporting

Geographically, the Group operates in Pakistan, Middle East and China.

## 5.22 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

	Note	December 31, 2020	December 31, 2019
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Rupees in '000

## 6 CASH AND BALANCES WITH TREASURY BANKS

### In hand

Local currency		21,697,765	13,636,602
Foreign currencies		868,206	1,008,793
		22,565,971	14,645,395

### Remittances in transit

		472,572	1,528,644
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### With State Bank of Pakistan (SBP) in

Local currency current accounts	6.1	62,965,250	51,250,399
Foreign currency current account	6.2	22,221	91,812
Foreign currency deposit accounts (non-remunerative)	6.1	4,693,247	5,515,729
Foreign currency deposit accounts (remunerative)	6.3	9,525,239	16,509,764
		77,205,957	73,367,704

### With National Bank of Pakistan in

Local currency current accounts		25,953,691	30,059,400
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### Prize Bonds

		2,190,529	333,983
		128,388,720	119,935,126

6.1 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.

6.2 This represents US\$ settlement account maintained with the State Bank of Pakistan (SBP).

6.3 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 0.51% to 0.76% (2019: 0.7% to 1.51%) per annum.

	Note	December 31, 2020	December 31, 2019
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Rupees in '000

## 7 BALANCES WITH OTHER BANKS

### Outside Pakistan

In current accounts		1,885,460	300,295
In deposit accounts	7.1	5,351,042	302,287
		7,236,502	602,582

7.1 Balances with other banks outside Pakistan in deposit account carry interest rates 0.03% (2019: 0.03%) per annum.



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

	Note	December 31, 2020	December 31, 2019
Rupees in '000			
<b>8 LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings - local currency	8.1	6,000,000	-
Call money lendings - foreign currency	8.2	3,196,688	-
Repurchase agreement lendings (Reverse Repo)	8.3 & 8.8	7,345,000	2,052,491
Musharaka lendings	8.4	500,000	1,000,000
Bai muajjal receivable from:			
- State Bank of Pakistan	8.5	954,435	2,704,142
- other financial institutions		-	7,850,288
Certificates of investment	8.6	70,000	70,000
		18,066,123	13,676,921
Less: Provision held against lendings to financial institutions	8.6 & 8.9	(70,000)	(70,000)
Lendings to financial institutions – net of provision		17,996,123	13,606,921

**8.1** These represent local currency call money lendings to financial institutions at the mark-up rate of 7.50% (2019: Nil) per annum, maturing on January 04, 2021.

**8.2** These represent foreign currency call money lendings to financial institutions at the mark-up rate of 0.01% (2019: Nil) per annum, maturing on January 04, 2021.

**8.3** These are short-term local currency lendings to financial institutions against government securities as shown in note 8.8 below. These carry mark-up at the rate of 7.1% to 7.2% (2019: 13.45% to 13.50%) per annum, maturing on January 04, 2021.

**8.4** These represent local currency lendings by Islamic banking business under Musharaka agreement at expected profit of 7% (2019: 12.15%) per annum, maturing on January 04, 2021.

**8.5** This represent local currency lending by Islamic banking business under Bai Muajjal agreement with the State Bank of Pakistan at expected profit of 9.32% (2019: 10.53%) per annum, maturing on January 29, 2021.

**8.6** This represents local currency classified certificates of investment and related provisioning, amounting to Rs. 70 million (2019: Rs. 70 million).

	Note	December 31, 2020	December 31, 2019
Rupees in '000			
<b>8.7 Particulars of lending</b>			
In local currency		14,869,435	13,676,921
In foreign currencies		3,196,688	-
		18,066,123	13,676,921

	December 31, 2020			December 31, 2019		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
Rupees in '000						
<b>8.8 Securities held as collateral against lending to financial institutions</b>						
Pakistan Investment Bonds	7,345,000	-	7,345,000	2,200,000	-	2,200,000
	7,345,000	-	7,345,000	2,200,000	-	2,200,000

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2020		December 31, 2019	
	Classified Lending	Provision Held	Classified Lending	Provision Held
Rupees in '000				
<b>8.9 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

## 9 INVESTMENTS

	December 31, 2020				December 31, 2019				
	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>9.1 Investments by type:</b>									
<b>Held-for-trading securities</b>									
Federal Government Securities		-	-	-	-	19,862,396	-	5,767	19,868,163
Open Ended Mutual Funds and Pension Funds		2,574,190	-	9,197	2,583,387	2,061,722	-	135,712	2,197,434
		2,574,190	-	9,197	2,583,387	21,924,118	-	141,479	22,065,597
<b>Available-for-sale securities</b>									
Federal Government Securities		758,053,707	(12,306)	1,795,459	759,836,860	677,300,056	(15,961)	1,689,073	678,973,168
Shares		19,566,119	(2,055,595)	5,787,108	23,297,632	24,349,646	(3,202,822)	9,686,372	30,833,196
Non Government Debt Securities		21,433,961	(21,071)	(81,907)	21,330,983	13,633,213	(21,071)	(37,667)	13,574,475
Foreign Securities		1,037,692	-	-	1,037,692	1,037,692	-	-	1,037,692
Open Ended Mutual Funds		25,000	-	802	25,802	63,834	-	91,424	155,258
	9.4	800,116,479	(2,088,972)	7,501,462	805,528,969	716,384,441	(3,239,854)	11,429,202	724,573,789
<b>Held-to-maturity securities</b>									
Federal Government Securities		23,592,141	-	-	23,592,141	13,015,041	-	-	13,015,041
Non Government Debt Securities		344,260	(344,260)	-	-	344,260	(344,260)	-	-
	9.5	23,936,401	(344,260)	-	23,592,141	13,359,301	(344,260)	-	13,015,041
<b>Total Investments</b>		<b>826,627,070</b>	<b>(2,433,232)</b>	<b>7,510,659</b>	<b>831,704,497</b>	<b>751,667,860</b>	<b>(3,584,114)</b>	<b>11,570,681</b>	<b>759,654,427</b>

## 9.2 Investments by segments:

<b>Federal Government Securities</b>									
Market Treasury Bills		360,865,049	-	34,601	360,899,650	542,565,953	-	176,506	542,742,459
Pakistan Investment Bonds		407,299,507	-	1,134,094	408,433,601	154,349,214	-	784,365	155,133,579
Government of Pakistan Ijarah Sukuks		500,011	-	(21,450)	478,561	876,511	-	(8,765)	867,746
Government of Pakistan Sukuks (US\$)*		3,995,021	(12,306)	36,003	4,018,718	3,869,387	(15,961)	59,871	3,913,297
Foreign Currency Bonds (US\$)		6,412,831	-	612,211	7,025,042	6,215,907	-	682,863	6,898,770
GOP Ijarah Sukuks -		-	-	-	-	-	-	-	-
Bai Muajjal Placement		2,573,429	-	-	2,573,429	2,300,521	-	-	2,300,521
		781,645,848	(12,306)	1,795,459	783,429,001	710,177,493	(15,961)	1,694,840	711,856,372
<b>Shares</b>									
Listed Companies		18,229,940	(2,040,345)	5,787,108	21,976,703	21,940,832	(3,168,936)	9,686,372	28,458,268
Unlisted Companies		1,336,179	(15,250)	-	1,320,929	2,408,814	(33,886)	-	2,374,928
Units of open-ended mutual funds		2,599,190	-	9,999	2,609,189	2,125,556	-	227,136	2,352,692
		22,165,309	(2,055,595)	5,797,107	25,906,821	26,475,202	(3,202,822)	9,913,508	33,185,888
<b>Non Government Debt Securities</b>									
Listed		14,445,514	(103,499)	(81,907)	14,260,108	4,817,804	(103,498)	(37,667)	4,676,639
Unlisted		7,332,707	(261,832)	-	7,070,875	9,159,669	(261,833)	-	8,897,836
		21,778,221	(365,331)	(81,907)	21,330,983	13,977,473	(365,331)	(37,667)	13,574,475
<b>Foreign Securities</b>									
Equity securities		1,037,692	-	-	1,037,692	1,037,692	-	-	1,037,692
<b>Total Investments</b>		<b>826,627,070</b>	<b>(2,433,232)</b>	<b>7,510,659</b>	<b>831,704,497</b>	<b>751,667,860</b>	<b>(3,584,114)</b>	<b>11,570,681</b>	<b>759,654,427</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, 2020

	Note	December 31, 2020	December 31, 2019
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Rupees in '000

## 9.2.1 Investments given as collateral

Market Treasury Bills		28,776,013	145,442,739
Pakistan Investment Bonds		81,963,094	48,417,010
Government of Pakistan Foreign Currency Sukuks (US\$)		-	2,957,611
<b>Total Investments given as collateral</b>		<b>110,739,107</b>	<b>196,817,360</b>

## 9.3 Provision for diminution in value of investments

9.3.1 Opening balance		3,584,114	2,654,539
Exchange adjustments		209	3,163
<b>Charge and reversals</b>			
Charge for the year		600,351	1,118,302
Reversals for the year		(22,851)	(139,161)
		577,500	979,141
Reversal on disposals		(1,728,591)	(52,729)
<b>Closing Balance</b>		<b>2,433,232</b>	<b>3,584,114</b>

	December 31, 2020		December 31, 2019	
	NPI*	Provision	NPI*	Provision

Rupees in '000

## 9.3.2 Particulars of provision against debt securities

### Category of classification

#### Domestic

Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	365,331	365,331	365,331	365,331
	365,331	365,331	365,331	365,331

#### Overseas

Not past due but impaired**	3,995,021	12,306	3,869,387	15,961
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
<b>Total</b>	<b>4,360,352</b>	<b>377,637</b>	<b>4,234,718</b>	<b>381,292</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, 2020

	December 31, 2020	December 31, 2019
	Cost	
	Rupees in '000	

## 9.4 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	360,865,049	524,797,544
Pakistan Investment Bonds	386,280,795	141,540,707
Government of Pakistan Sukuks (US\$)	3,995,021	3,869,387
Foreign Currency Bonds (US\$)	6,412,831	6,215,907
Government of Pakistan Ijarah Sukuks	500,011	876,511
	<u>758,053,707</u>	<u>677,300,056</u>

### Shares

#### Listed Companies

Power Generation and Distribution	4,209,774	8,159,528
Oil & Gas Exploration Companies	5,293,408	5,093,606
Fertilizer	3,868,645	3,827,631
Commercial Banks	2,898,950	2,900,903
Oil & Gas Marketing Companies	1,043,460	1,043,460
Real Estate Investment Trust	455,851	455,851
Chemical	268,289	268,289
Leasing Companies	89,322	89,322
Close-end Mutual Funds	51,603	51,603
Investment Banks	50,000	50,000
Cement	638	638
	<u>18,229,940</u>	<u>21,940,831</u>

	December 31, 2020		December 31, 2019	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			

#### Unlisted Companies

Security General Insurance Limited	569,999	1,440,396	1,075,652	2,527,369
Habib Allied Holding Limited	1,035,922	1,320,626	1,035,922	1,241,538
Nishat Hotels And Properties Limited	-	-	566,982	1,025,523
Atlas Power Limited	355,000	1,257,173	355,000	1,070,210
Pakistan Mortgage Refinance Co. Limited	200,000	256,732	200,000	202,984
1 Link Private Limited	50,000	202,032	50,000	147,330
Central Depository Company of Pakistan Limited	40,300	63,013	40,300	61,068
ISE Towers REIT Management Company Limited	30,346	46,890	30,346	43,979
First Women Bank Limited	21,200	72,287	21,200	72,287
LSE Financial Services Limited	8,440	19,576	8,440	19,155
SME Bank Limited	5,250	-	5,250	-
Arabian Sea Country Club Limited	5,000	351	5,000	351
Eastern Capital Limited	5,000	-	5,000	-
Society for Worldwide Interbank Financial Telecommunication	1,770	7,919	1,770	6,431
National Institutional Facilitation Technologies Private Limited	1,527	51,998	1,527	51,641
Pakistan Agricultural Storage and Services Corporation	1,000	495,619	1,000	295,078
Pakistan Corporate Restructuring Company	43,117	43,117	43,117	43,117
	<u>2,373,871</u>	<u>5,277,729</u>	<u>3,446,506</u>	<u>6,808,061</u>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2020	December 31, 2019
	Cost	
	Rupees in '000	
<b>Non Government Debt Securities</b>		
<i>Listed</i>		
- AAA	1,997,300	1,497,900
- AA+, AA, AA-	3,844,715	2,716,405
- A+, A, A-	-	500,000
- <i>Unrated</i>	8,500,000	-
	<u>14,342,015</u>	<u>4,714,305</u>
<i>Unlisted</i>		
- AAA	2,750,000	3,250,000
- AA+, AA, AA-	2,460,432	4,209,436
- A+, A, A-	1,860,443	1,438,401
- Unrated	21,071	21,071
	<u>7,091,946</u>	<u>8,918,908</u>
<b>Open Ended Mutual Funds</b>		
HBL Growth Fund - Class B Segment	-	38,834
Allied Finergy Fund	25,000	25,000
	<u>25,000</u>	<u>63,834</u>
<b>Foreign Securities</b>		
<i>Equity Securities - Unlisted</i>		
Habib Allied Holding Limited	1,035,922	1,035,922
Society for Worldwide Interbank Financial Telecommunication	1,770	1,770
	<u>1,037,692</u>	<u>1,037,692</u>
<b>9.5</b>	<b>Particulars relating to Held to Maturity securities are as follows:</b>	
<b>Federal Government Securities - Government guaranteed</b>		
Pakistan Investment Bonds	21,018,712	10,714,521
Government of Pakistan Ijarah Sukuks - Bai Muajjal Placement	2,573,429	2,300,521
	<u>23,592,141</u>	<u>13,015,042</u>
<b>Non Government Debt Securities</b>		
<i>Listed</i>		
- Unrated	103,499	103,499
<i>Unlisted</i>		
- Unrated	240,761	240,761

**9.5.1** The market value of securities classified as held-to-maturity as at December 31, 2020 amounted to Rs. 21,971.9 million (December 31, 2019: Rs. 10,848.5 million). This represents the market value of Pakistan Investment Bonds.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

	Note	Performing		Non Performing		Total	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Rupees in '000							
<b>10 ADVANCES</b>							
Loans, cash credits, running finances, etc.	10.1	459,257,759	467,880,949	12,740,989	14,450,873	471,998,748	482,331,822
Islamic financing and related assets		32,642,319	12,615,228	-	-	32,642,319	12,615,228
Bills discounted and purchased		4,183,084	3,853,892	1,419,670	1,403,045	5,602,754	5,256,937
<b>Advances - gross</b>	10.2	496,083,162	484,350,069	14,160,659	15,853,918	510,243,821	500,203,987
<b>Provision against advances</b>							
Specific	10.3 & 10.4	-	-	(13,632,529)	(15,112,624)	(13,632,529)	(15,112,624)
General	10.4	(109,459)	(39,795)	-	-	(109,459)	(39,795)
		(109,459)	(39,795)	(13,632,529)	(15,112,624)	(13,741,988)	(15,152,419)
<b>Advances - net of provision</b>		495,973,703	484,310,274	528,130	741,294	496,501,833	485,051,568

	December 31, 2020				December 31, 2019			
	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								

## 10.1 Includes net investment in finance lease as described below

Lease rentals receivable	642,926	1,010,123	48,042	1,701,091	606,329	1,331,279	85,114	2,022,722
Residual value	94,215	540,634	116,602	751,451	50,138	510,411	147,989	708,538
Minimum lease payments	737,141	1,550,757	164,644	2,452,542	656,467	1,841,690	233,103	2,731,260
Financial charges for future periods	(93,056)	(166,295)	(5,152)	(264,503)	(108,826)	(206,316)	(19,224)	(334,366)
Present value of minimum lease payments	644,085	1,384,462	159,492	2,188,039	547,641	1,635,374	213,879	2,396,894

	December 31, 2020	December 31, 2019
Rupees in '000		

## 10.2 Particulars of advances (Gross)

In local currency	495,787,646	484,455,795
In foreign currencies	14,456,175	15,748,192
	510,243,821	500,203,987

## 10.3 Advances include Rs. 14,160.659 million (2019: Rs. 15,853,918 million) which have been placed under non-performing status as detailed below:

	December 31, 2020		December 31, 2019	
	NPLs	Specific Provision	NPLs	Specific Provision
Rupees in '000				

### Category of Classification

#### Domestic

Other Assets Especially Mentioned	31,881	121	35,436	449
Substandard	253,289	62,451	809,938	202,107
Doubtful	611,064	305,532	196,952	98,476
Loss	13,264,425	13,264,425	14,811,592	14,811,592
	14,160,659	13,632,529	15,853,918	15,112,624

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

## 10.4 Particulars of provision against advances

	Note	December 31, 2020			December 31, 2019		
		Specific	General	Total	Specific	General	Total
Rupees in '000							
Opening balance		15,112,624	39,795	15,152,419	15,533,497	15,868	15,549,365
Exchange adjustments		-	1,478	1,478	-	(896)	(896)
Charge for the year		911,464	1,404,515	2,315,979	589,752	24,823	614,575
Reversals	10.5	(630,472)	(1,336,329)	(1,966,801)	(1,008,707)	-	(1,008,707)
		280,992	68,186	349,178	(418,955)	24,823	(394,132)
Amounts written off	10.6	(1,761,087)	-	(1,761,087)	(1,918)	-	(1,918)
Closing balance		13,632,529	109,459	13,741,988	15,112,624	39,795	15,152,419
<b>10.4.1</b> In local currency		13,257,185	17,077	13,274,262	14,748,991	16,820	14,765,811
In foreign currencies		375,344	92,382	467,726	363,633	22,975	386,608
		13,632,529	109,459	13,741,988	15,112,624	39,795	15,152,419

**10.4.2** 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.

**10.5** This includes reversal of provision on account of a non performing loan, classified as loss, settled against Debt Property Swap amounting to Rs. 31.994 million (2019: Rs. 311.2 million).

	Note	December 31, 2020	December 31, 2019
Rupees in '000			

## 10.6 Particulars of write-offs

<b>10.6.1</b> Against provisions		1,761,087	1,918
Directly charged to Profit and Loss account		-	-
		1,761,087	1,918
<b>10.6.2</b> Write-offs of Rs. 500,000 and above - Domestic	10.7	1,761,087	1,918
Write-offs of below Rs. 500,000		-	-
		1,761,087	1,918

## 10.7 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, 2020 is given in Annexure-'I'. 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, 2020

	Note	December 31, 2020	December 31, 2019	
Rupees in '000				
<b>11</b>	<b>FIXED ASSETS</b>			
	Capital work-in-progress	11.1	2,891,147	2,991,144
	Property and equipment	11.2	63,481,116	51,161,710
	Right-of-Use Assets	11.2	7,279,879	8,087,208
			<u>73,652,142</u>	<u>62,240,062</u>

## 11.1 CAPITAL WORK-IN-PROGRESS

	Civil works		1,958,105	2,219,464
	Equipment		331,677	6,546
	Advances to suppliers		601,365	765,134
			<u>2,891,147</u>	<u>2,991,144</u>

December 31, 2020										
	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	Right-of-use Asset- Property and Building
Rupees in '000										

## 11.2 Property and Equipment

<b>At January 1, 2020</b>											
	Cost / Revalued amount	19,112,278	11,316,717	7,916,459	4,765,246	2,146,982	15,370,694	1,243,077	4,886,954	66,758,407	9,699,309
	Accumulated depreciation	-	-	(701,946)	(433,788)	(1,222,244)	(9,638,071)	(531,293)	(3,069,355)	(15,596,697)	(1,612,101)
	<b>Net book value</b>	<u>19,112,278</u>	<u>11,316,717</u>	<u>7,214,513</u>	<u>4,331,458</u>	<u>924,738</u>	<u>5,732,623</u>	<u>711,784</u>	<u>1,817,599</u>	<u>51,161,710</u>	<u>8,087,208</u>
<b>Year ended December 31, 2020</b>											
	Opening net book value	19,112,278	11,316,717	7,214,513	4,331,458	924,738	5,732,623	711,784	1,817,599	51,161,710	8,087,208
	Additions	3,404,431	627,240	3,012,710	193,186	297,829	1,428,569	137,575	756,376	9,857,916	1,308,588
	Movement in surplus on assets										
	revalued during the year	4,394,769	476,437	970,780	380,555	-	-	-	-	6,222,541	-
	Net disposal (book value)	-	(201,050)	(48,810)	(67,155)	(389)	(2,661)	(8,526)	-	(328,591)	(413,845)
	Depreciation charge	-	-	(369,594)	(226,651)	(197,388)	(1,643,322)	(226,804)	(663,986)	(3,327,745)	(1,703,157)
	Exchange rate adjustments	-	-	-	-	(93)	12	(59)	(677)	(817)	1,085
	Other adjustments and transfers	(167,464)	(5,380)	(89,069)	155,568	-	-	-	2,447	(103,898)	-
	<b>Closing net book value</b>	<u>26,744,014</u>	<u>12,213,964</u>	<u>10,690,530</u>	<u>4,766,961</u>	<u>1,024,697</u>	<u>5,515,221</u>	<u>613,970</u>	<u>1,911,759</u>	<u>63,481,116</u>	<u>7,279,879</u>
<b>At December 31, 2020</b>											
	Cost / Revalued amount	26,744,014	12,213,964	10,690,530	4,766,961	2,425,566	16,596,186	1,341,995	5,641,330	80,420,546	10,309,509
	Accumulated depreciation	-	-	-	-	(1,400,674)	(11,080,960)	(728,225)	(3,729,571)	(16,939,430)	(3,029,630)
	<b>Net book value</b>	<u>26,744,014</u>	<u>12,213,964</u>	<u>10,690,530</u>	<u>4,766,961</u>	<u>1,024,892</u>	<u>5,515,226</u>	<u>613,770</u>	<u>1,911,759</u>	<u>63,481,116</u>	<u>7,279,879</u>
	Rate of depreciation (percentage)	-	-	5%	5%	10%	14.28% -50%	20%	20%	4.35% -100%	



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

December 31, 2019										
	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	Right-of-use Asset- Property and Building
Rupees in '000										
<b>At January 1, 2019</b>										
Cost / Revalued amount	17,564,604	10,962,212	7,120,644	4,558,168	1,937,930	13,594,585	1,158,143	4,076,878	60,973,164	-
Accumulated depreciation	-	-	(340,664)	(228,787)	(1,039,647)	(8,157,542)	(638,908)	(2,506,337)	(12,911,885)	-
<b>Net book value</b>	<b>17,564,604</b>	<b>10,962,212</b>	<b>6,779,980</b>	<b>4,329,381</b>	<b>898,283</b>	<b>5,437,043</b>	<b>519,235</b>	<b>1,570,541</b>	<b>48,061,279</b>	<b>-</b>
<b>Year ended December 31, 2019</b>										
Opening net book value	17,564,604	10,962,212	6,779,980	4,329,381	898,283	5,437,043	519,235	1,570,541	48,061,279	-
Impact of adoption of IFRS-16 at January 01, 2019	-	-	-	-	-	-	-	-	-	8,858,011
Additions	1,547,674	354,505	795,815	296,857	223,501	1,916,366	431,013	810,629	6,376,360	856,276
Net disposal (book value)	-	-	-	(73,348)	(1,594)	(12,684)	(19,805)	-	(107,431)	(224)
Depreciation charge	-	-	(361,282)	(221,432)	(195,452)	(1,607,980)	(218,659)	(563,571)	(3,168,376)	(1,626,855)
Exchange rate adjustments	-	-	-	-	-	(122)	-	-	(122)	-
Other adjustments / transfers	-	-	-	-	-	-	-	-	-	-
<b>Closing net book value</b>	<b>19,112,278</b>	<b>11,316,717</b>	<b>7,214,513</b>	<b>4,331,458</b>	<b>924,738</b>	<b>5,732,623</b>	<b>711,784</b>	<b>1,817,599</b>	<b>51,161,710</b>	<b>8,087,208</b>
<b>At December 31, 2019</b>										
Cost or Revalued amount	19,112,278	11,316,717	7,916,459	4,765,246	2,146,982	15,370,694	1,243,077	4,886,954	66,758,407	9,699,309
Accumulated depreciation	-	-	(701,946)	(433,788)	(1,222,244)	(9,638,071)	(531,293)	(3,069,355)	(15,596,697)	(1,612,101)
<b>Net book value</b>	<b>19,112,278</b>	<b>11,316,717</b>	<b>7,214,513</b>	<b>4,331,458</b>	<b>924,738</b>	<b>5,732,623</b>	<b>711,784</b>	<b>1,817,599</b>	<b>51,161,710</b>	<b>8,087,208</b>
Rate of depreciation (percentage)	-	-	5%	5%	10%	14.28% - 50%	20%	20%	-	4.35% - 100%

- 11.3** 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:

Rupees in '000	
- Land (Freehold and leasehold)	18,603,914
- Building	10,890,298

- 11.4** Fair value of property and equipment excluding land and buildings is not expected to be materially different from their carrying amount.

	Note	December 31, 2020	December 31, 2019
Rupees in '000			
<b>11.5</b> Incremental depreciation charged during the year transferred to unappropriated profit	21.1	169,255	164,129
<b>11.6</b> Restriction / discrepancy in the title of property having a net book value of		61,193	63,370
<b>11.7</b> The cost of fully depreciated assets that are still in use:			
Furniture and fixtures		677,391	510,781
Electrical, office and computer equipments		6,354,976	5,317,286
Vehicles		243,750	108,035
Leasehold Improvements		2,178,583	1,738,160



## Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2019		
	Computer software	Others	Total
	Rupees in '000		
<b>At January 1, 2019</b>			
Cost	3,168,039	-	3,168,039
Accumulated amortisation and impairment	(1,752,902)	-	(1,752,902)
<b>Net book value</b>	<b>1,415,137</b>	<b>-</b>	<b>1,415,137</b>
<b>Year ended December 31, 2019</b>			
Opening net book value	1,415,137	-	1,415,137
Additions:			
Directly purchased	157,303	-	157,303
Disposals cost	(735)	-	(735)
Disposals accumulated depreciation	735	-	735
Amortisation charge	(246,646)	-	(246,646)
<b>Closing net book value</b>	<b>1,325,794</b>	<b>-</b>	<b>1,325,794</b>
<b>At December 31, 2019</b>			
Cost	3,324,607	-	3,324,607
Accumulated amortisation and impairment	(1,998,813)	-	(1,998,813)
<b>Net book value</b>	<b>1,325,794</b>	<b>-</b>	<b>1,325,794</b>
<b>Rate of amortisation (percentage)</b>	<b>5% to 33.33%</b>		<b>5% to 33.33%</b>
<b>Useful life</b>	<b>7 to 20 Years</b>		<b>7 to 20 Years</b>
		<b>December 31,</b>	<b>December 31,</b>
		<b>2020</b>	<b>2019</b>
		<b>Rupees in '000</b>	
<b>12.3</b>	The cost of fully amortized assets that are still in use:		
	Intangible assets - software	<b>557,724</b>	<b>323,406</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

	Note	December 31, 2020	December 31, 2019
Rupees in '000			
<b>13 OTHER ASSETS</b>			
Income, mark-up accrued in local currency net of provision		19,310,016	20,573,788
Income, mark-up accrued in foreign currency net of provision		204,777	245,676
Advances, deposits, advance rent and other prepayments		1,297,139	1,293,653
Advance taxation (payments less provisions)		2,366,188	3,817,847
Non-banking assets acquired in satisfaction of claims	13.1	792,217	1,609,193
Acceptances		5,329,898	5,182,716
Due from the employees' retirement benefit schemes			
- Pension fund	36.4	3,786,440	4,440,411
Fraud and forgeries		539,178	524,357
Stationery and stamps in hand		304,116	286,343
Overdue foreign bills negotiated or discounted		107,472	97,601
Home Remittance Cell agent receivable		83,999	93,978
Receivable from State Bank of Pakistan - customers encashments		-	6,033
Charges receivable		27,711	32,329
Automated Teller Machine or Point of Sale settlement account		830,819	-
Suspense account		1,865	1,387
Others		12,182	96,535
		<u>34,994,017</u>	<u>38,301,847</u>
Less: Provision held against other assets	13.2	(756,559)	(862,460)
Other assets (net of provision)		<u>34,237,458</u>	<u>37,439,387</u>
Surplus on revaluation of non-banking assets acquired			
in satisfaction of claims		650,029	2,877,470
Other assets - net		<u>34,887,487</u>	<u>40,316,857</u>
<b>13.1 Market value of non-banking assets acquired in satisfaction of claims</b>		<u>1,442,246</u>	<u>4,486,663</u>

Full-scope revaluation was carried out at December 31, 2020 through five independent valuers approved by Pakistan Banks' Association (A-1 Warda Engineering Services, Unicorn International Surveyors, Sadruddin Associates, Indus Surveyors & 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, 2020	December 31, 2019
Rupees in '000		
<b>13.1.1 Non banking assets acquired in satisfaction of claims</b>		
Opening balance	4,486,663	4,107,306
Additions	175,258	361,584
Revaluation	149,825	884,673
Disposals and transfers	(3,335,513)	(847,049)
Depreciation	(33,987)	(19,851)
Closing balance	<u>1,442,246</u>	<u>4,486,663</u>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

Note	December 31, 2020	December 31, 2019
Rupees in '000		

## 13.1.2 Gain / Loss on Disposal of Non banking assets acquired in satisfaction of claims

Disposal proceeds	9,260	879,316
Less:		
Cost	(14,032)	(847,050)
Impairment / Depreciation	-	-
	(14,032)	(847,050)
(Loss) and gain	(4,772)	32,266

## 13.2 Provision held against other assets

Advances, deposits, advance rent and other prepayments	147,067	120,584
Provision against fraud and forgeries	539,178	524,357
Overdue Foreign Bills Negotiated and Discounted	24,295	24,295
Charges receivable	27,711	32,327
Suspense account	-	6,453
Others	18,308	154,444
	756,559	862,460

### 13.2.1 Movement in provision held against other assets

Opening balance	862,460	787,203
Charge for the year	65,537	213,529
Reversals	(110,723)	(112,865)
Net charge	(45,186)	100,664
Written off and adjusted	(60,715)	(25,407)
<b>Closing balance</b>	<b>756,559</b>	<b>862,460</b>

## 14 CONTINGENT ASSETS

There were no contingent assets of the Group as at December 31, 2020 and December 31, 2019.

## 15 BILLS PAYABLE

In Pakistan	9,622,020	7,878,626
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## 16 BORROWINGS

### Secured

Borrowings from State Bank of Pakistan			
Repurchase agreement borrowings	16.1	69,899,415	170,120,570
Under export refinance scheme	16.2	28,781,058	22,523,266
Under payroll refinance scheme	16.3	17,579,785	-
Under long term financing facility	16.4	24,598,291	21,426,590
Under financing scheme for renewable energy	16.5	2,898,310	426,031
Under Temporary Economic Refinance Scheme	16.6	388,385	-
Other borrowings		8,432	-
Under refinance scheme for wages and salaries	16.7	121,270	-
		144,274,946	214,496,457
Repurchase agreement borrowings from financial institutions	16.8	40,293,084	26,585,287

### Unsecured

Call borrowings	16.9	9,263,438	24,602,435
Overdrawn nostro accounts		43,797	64,207
Musharaka borrowing		-	700,000
Other borrowings		52,821	-
		9,360,056	25,366,642
		193,928,086	266,448,386

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

- 16.1** This represents local currency borrowing from the State Bank of Pakistan against government securities, carrying mark-up at the rate of 7.06% (2019: 13.31%) per annum, maturing on January 04, 2021.
- 16.2** The Group 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 Group at the date of maturity of the finance by directly debiting the current account maintained by the Group with the SBP. The borrowing carries mark-up at the rate of 1.00% to 2.00% (2019: 1.00% to 2.00%) per annum. These borrowings are repayable within six months from the deal date.
- 16.3** The Group 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 Group has granted to State Bank of Pakistan the right to recover the outstanding amount from the Group 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% (2019: Nil) 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% (2019: 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 3% per annum.
- 16.7** 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.
- 16.8** These represent borrowings in local currency from local and foreign interbank markets against government securities, carrying mark-up at the rate of 6.25% to 7.01% (2019: 13% to 13.20%) per annum. These borrowings are maturing on various dates, latest by March 24, 2021.
- 16.9** These represent unsecured borrowings in local and foreign currency from the local and foreign interbank markets, carrying mark-up at the rate of 6.15% (2019: 12.25% to 12.50%) per annum for local currency borrowings, and at the rate of 1.15% to 3.45% (2019: 2.40% to 3%) per annum for foreign currency borrowings. These borrowings are maturing on various dates, latest by April 30, 2021.
- 16.10** Note 9.2.1 includes the carrying amount of investments given as collateral against re-purchase agreement borrowings.

	December 31, 2020	December 31, 2019
Rupees in '000		
<b>16.11 Particulars of borrowings with respect to currencies</b>		
In local currency	185,664,648	245,915,573
In foreign currencies	8,263,438	20,532,813
	<b>193,928,086</b>	<b>266,448,386</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2020			December 31, 2019		
	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	391,571,035	23,736,666	415,307,701	327,523,076	20,719,488	348,242,564
Savings deposits	461,241,849	33,740,375	494,982,224	403,505,248	21,019,875	424,525,123
Term deposits	107,223,558	35,015,861	142,239,419	107,203,269	63,293,352	170,496,621
Others	23,540,199	58,247	23,598,446	19,207,173	30,890	19,238,063
	983,576,641	92,551,149	1,076,127,790	857,438,766	105,063,605	962,502,371
<b>Financial Institutions</b>						
Current deposits	52,236,902	11,655	52,248,557	39,711,458	41,039	39,752,497
Savings deposits	75,348,572	-	75,348,572	33,707,054	-	33,707,054
Term deposits	12,896,350	41,557	12,937,907	10,011,200	40,261	10,051,461
Others	5,421	-	5,421	3,005,421	-	3,005,421
	140,487,245	53,212	140,540,457	86,435,133	81,300	86,516,433
	1,124,063,886	92,604,361	1,216,668,247	943,873,899	105,144,905	1,049,018,804

	December 31, 2020	December 31, 2019
<b>Rupees in '000</b>		

## 17.1 Composition of deposits

Individuals	557,553,525	457,188,412
Private Sector	298,695,278	270,915,027
Government (Federal and Provincial)	125,646,881	125,409,058
Public Sector Entities	94,232,106	108,998,643
Non-Banking Financial Institutions	129,638,836	77,133,815
Banking Companies	10,901,621	9,373,849
	1,216,668,247	1,049,018,804

**17.2** This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 746,521 million (2019: 628,087 million).

**17.3** Net outstanding value against prepaid cards is Rs. 105.507 million as at reporting date (2019: 128.403 million).

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2020			
	At January 1, 2020	Recognised in profit and loss account	Recognised in other comprehensive Income	At December 31, 2020
Rupees in '000				
<b>18 DEFERRED TAX LIABILITIES</b>				
Deductible Temporary Differences on				
Provision against:				
- Investments	19,093	-	-	19,093
- Other assets	43,039	-	-	43,039
- Off balance sheet obligations	14,824	-	-	14,824
- Advances	115,184	114,292	-	229,476
- Post retirement gratuity benefits	42,980	4,101	(127)	46,954
- Workers welfare fund	520,980	215,953	-	736,933
- Investment in finance lease liabilities	799	752	-	1,551
	756,899	335,098	(127)	1,091,870
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	(1,091,465)	78,513	(585,565)	(1,598,517)
- Surplus on revaluation of investments	(4,015,045)	13,445	1,374,709	(2,626,891)
- Surplus on revaluation on non banking assets	(136,789)	582	125,150	(11,057)
- Actuarial gains	(68,002)	-	432,288	364,286
- Accelerated tax depreciation / amortization	(1,344,767)	159,834	-	(1,184,933)
- Excess of investment in finance lease over written down value of leased assets	(13,206)	-	-	(13,206)
	(6,669,274)	252,374	1,346,582	(5,070,318)
	(5,912,375)	587,472	1,346,455	(3,978,448)
December 31, 2019				
	At January 1, 2019	Recognised in profit and loss account	Recognised in other comprehensive Income	At December 31, 2019
Rupees in '000				
Deductible Temporary Differences on				
Provision against:				
- Investments	19,093	-	-	19,093
- Other assets	38,959	4,080	-	43,039
- Off balance sheet obligations	14,824	-	-	14,824
- Advances	46,313	68,871	-	115,184
- Post retirement medical benefits	42,980	-	-	42,980
- Workers welfare fund	790,207	(269,227)	-	520,980
	952,376	(196,276)	-	756,100
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	(1,154,147)	62,682	-	(1,091,465)
- Surplus on revaluation of investments	(2,787,505)	(19,657)	(1,207,883)	(4,015,045)
- Surplus on revaluation of non banking assets	(23,962)	-	(112,827)	(136,789)
- Actuarial gains	(338,631)	-	270,629	(68,002)
- Accelerated tax depreciation / amortization	(1,386,284)	41,517	-	(1,344,767)
- Excess of investment in finance lease over written down value of leased assets	(13,206)	799	-	(12,407)
	(5,703,735)	85,341	(1,050,081)	(6,668,475)
	(4,751,359)	(110,935)	(1,050,081)	(5,912,375)



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

	Note	December 31, 2020	December 31, 2019
Rupees in '000			
<b>19 OTHER LIABILITIES</b>			
Mark-up, return, interest payable in local currency		3,024,818	4,323,269
Mark-up, return, interest payable in foreign currencies		257,307	519,548
Accrued expenses		1,743,508	1,640,767
Retention money payable		417,668	342,559
Unearned commission and income on bills discounted		247,103	115,745
Acceptances		5,329,898	5,182,716
Unclaimed dividends		363,404	330,514
Dividend payable		-	23,558
Branch adjustment account		268,872	41,140
Unrealized loss on forward foreign exchange contracts		2,006,994	2,714,153
Provision for:			
Gratuity	36.4	627,529	620,977
Employees' medical benefits	36.4	1,514,300	1,365,237
Employees' compensated absences	36.4	774,381	668,547
Payable to defined contribution plan		29,657	84,946
Provision against off-balance sheet obligations	19.1	301,093	313,043
Security deposits against lease		757,009	712,112
Automated Teller Machine or Point of Sale settlement account		-	1,243,494
Charity fund balance		14	15
Home Remittance Cell overdraft		1,177,680	490,972
With-holding tax payable		1,838,384	2,348,629
Sundry deposits		2,652,177	2,451,078
Workers welfare fund payable	19.2	2,148,983	1,522,454
Present value of lease liability		8,398,681	8,625,316
Others		1,244,708	1,232,907
		<b>35,124,168</b>	<b>36,913,696</b>
		<b>December 31, 2020</b>	<b>December 31, 2019</b>
		<b>Rupees in '000</b>	

## 19.1 Provision against off-balance sheet obligations

Opening balance	313,043	306,342
Charge for the year	-	6,701
Reversals	(11,950)	-
Net reversal	(11,950)	6,701
Closing balance	<b>301,093</b>	<b>313,043</b>

The above provision includes provisions made against letters of guarantee issued by the Bank.

## 19.2 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.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

## 20 SHARE CAPITAL

### 20.1 Authorized capital

December 31, 2020	December 31, 2019		December 31, 2020	December 31, 2019
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

### 20.2 Issued, subscribed and paid-up capital

Fully paid-up Ordinary shares of Rs. 10/- each

December 31, 2020	December 31, 2019		December 31, 2020	December 31, 2019
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
9,148,550	9,148,550	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	8,400,000	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 972,510,410 (84.93%) [2019: 972,510,410 (84.93%)] ordinary shares of Rs. 10 each respectively, as at reporting date.

Note	December 31, 2020	December 31, 2019
	Rupees in '000	

## 21 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus arising on revaluation of:			
- Fixed assets	21.1	24,921,256	16,730,460
- Non-banking assets acquired in satisfaction of claims	21.2	650,030	2,877,470
- Available-for-sale securities	9.1	7,501,462	11,429,202
		33,072,748	31,037,132
Deferred tax on surplus on revaluation of:			
- Fixed assets	21.1	(1,598,517)	(1,091,464)
- Non-banking assets acquired in satisfaction of claims	21.2	(11,058)	(136,789)
- Available-for-sale securities		(2,625,512)	(4,000,221)
		(4,235,087)	(5,228,474)
		28,837,661	25,808,658

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

	Note	December 31, 2020	December 31, 2019
Rupees in '000			
<b>21.1 Surplus on revaluation of fixed assets</b>			
Surplus as at January 1, 2020		16,730,460	16,909,555
Surplus on revaluation during the year		6,222,541	-
Surplus related to transfer / adjustments		2,369,797	-
Surplus realised on disposal during the year		(232,287)	(14,966)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year – net of deferred tax		(110,016)	(106,684)
Related deferred tax liability		(59,239)	(57,445)
	11.5	(169,255)	(164,129)
Surplus on revaluation as at December 31, 2020		24,921,256	16,730,460
Less: Related deferred tax liability on :			
Revaluation surplus as at January 1, 2020		(1,091,464)	(1,154,146)
Deferred tax liability on revaluation surplus		(472,967)	-
Deferred tax liability related to transfer or adjustments		(112,597)	-
Deferred tax on surplus on disposal during the year		19,272	5,237
Deferred tax on incremental depreciation transferred to profit and loss account		59,239	57,445
		(1,598,517)	(1,091,464)
		23,322,739	15,638,996
<b>21.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims</b>			
Surplus as at January 1, 2020		2,877,470	2,159,958
Surplus on revaluation during the year		149,825	884,673
Surplus related to transfer or adjustments		(2,369,797)	-
Surplus realised on disposal during the year		(5,806)	(163,739)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year – net of deferred tax		(1,080)	(2,224)
Related deferred tax liability		(582)	(1,198)
		(1,662)	(3,422)
Surplus on revaluation as at December 31, 2020		650,030	2,877,470
Less: Related deferred tax liability on :			
Revaluation surplus as at January 1, 2020		(136,789)	(23,962)
Deferred tax liability on revaluation surplus		12,552	(114,025)
Deferred tax liability related to transfer or adjustments		112,597	-
Deferred tax on surplus on disposal during the year		-	-
Deferred tax on incremental depreciation transferred to profit and loss account		582	1,198
		(11,058)	(136,789)
		638,972	2,740,681
	Note	December 31, 2020	December 31, 2019
Rupees in '000			
<b>22 CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	22.1	36,224,791	32,308,285
Commitments	22.2	304,760,653	424,349,828
Other contingent liabilities	22.3	8,594,509	8,923,603
		349,579,953	465,581,716

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

	Note	December 31, 2020	December 31, 2019
Rupees in '000			
<b>22.1 Guarantees</b>			
Financial guarantees		8,401,931	4,594,077
Performance guarantees		6,014,712	5,508,570
Other guarantees		21,808,148	22,205,638
		<u>36,224,791</u>	<u>32,308,285</u>
<b>22.2 Commitments</b>			
Documentary credits and short term trade related transactions:			
letters of credit		84,039,527	60,392,362
Commitments in respect of:			
forward foreign exchange contracts	22.2.1	216,047,094	358,881,918
forward government securities transactions	22.2.2	-	513,938
operating leases	22.2.3	349,303	320,145
Commitments for acquisition of:			
fixed assets		3,683,381	4,199,234
intangible assets		599,117	-
Other Commitments		42,231	42,231
		<u>304,760,653</u>	<u>424,349,828</u>
<b>22.2.1 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		136,626,044	220,381,401
Sale		79,421,050	138,500,517
		<u>216,047,094</u>	<u>358,881,918</u>
<b>22.2.2 Commitments in respect of forward government securities transactions</b>			
Purchase		-	464,217
Sale		-	49,721
		-	<u>513,938</u>
<b>21.2.3 Commitments in respect of operating leases</b>			
Not later than one year		146,859	76,013
Later than one year and not later than five years		179,634	213,971
Later than five years		22,810	30,161
		<u>349,303</u>	<u>320,145</u>
<b>22.3 Other contingent liabilities</b>			
<b>22.3.1</b> Claims against the Bank not acknowledged as debt		<u>8,594,509</u>	<u>8,923,603</u>

**22.3.1.1** 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.

**22.3.2** The income tax assessments of the Group have been finalized upto and including tax year 2020 for local, Azad Kashmir and Gilgit Baltistan operations. While finalizing income tax assessments upto tax year 2020, income tax authorities made certain add backs with aggregate tax impact of Rs.27,827 million (2019: 25,467 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 and references before higher forums against unfavorable decisions. Pending finalization of appeals and references no provision has been made by the Group on aggregate sum of Rs.27,827 million (2019: 25,467 million). The management is confident that the outcome of these appeals and references will be in favor of the Group.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

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. 1,720 million (2019: 1,720 million). The Group's appeals before CIR(A) and 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. 1,720 million (2019: 1,720 million).

Tax authorities have also issued orders under Federal Excise Act, 2005 and 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. 963 million (2019: 963 million). The Group's appeals before CIR(A) and 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. 963 million (2019: 963 million).

**22.3.3** 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 CPs were 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 Group at present does not offer structured derivative products such as Interest Rate Swaps, Forward Rate Agreements or FX Options. However, the Group 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 Group 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 Group must exchange currencies at the FEC rate. In order to mitigate this risk of adverse exchange rate movement, the Group 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 Group 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 Group from gaining any benefit resulting from a favorable exchange rate movement in the relevant currency pair between the time Group 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 Group 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 Group's particular needs.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

## 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 Group 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 Group 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 5.16.2. The risk management framework of derivative instruments is given in note 43.

	Note	December 31, 2020	December 31, 2019
Rupees in '000			
<b>24</b>	<b>MARK-UP / RETURN / INTEREST EARNED</b>		
	On:		
	Loans and advances	43,008,692	49,550,748
	Investments	66,089,498	64,070,753
	Lendings to financial institutions	1,411,988	8,639,234
	Balances with banks	38,598	377,845
		<b>110,548,776</b>	<b>122,638,580</b>
<b>25</b>	<b>MARK-UP / RETURN / INTEREST EXPENSED</b>		
	On:		
	Deposits	48,924,040	58,818,173
	Borrowings	6,954,992	14,853,286
	Cost of foreign currency swaps against foreign currency deposits	5,294,147	6,100,939
	Interest expense on lease liability	979,928	988,344
		<b>62,153,107</b>	<b>80,760,742</b>
<b>26</b>	<b>FEE AND COMMISSION INCOME</b>		
	Card related fees (debit and credit cards)	1,951,968	1,637,042
	Branch banking customer fees	2,077,280	1,994,939
	Commission on remittances including home remittances	853,618	691,815
	Investment banking fees	474,162	578,270
	Commission on trade	369,011	346,940
	Commission on cash management	172,046	153,625
	Commission on guarantees	164,432	134,569
	Commission on bancassurance	87,960	119,076
	Credit related fees	28,986	42,775
	Consumer finance related fees	5,137	4,085
		<b>6,184,600</b>	<b>5,703,136</b>
<b>27</b>	<b>GAIN ON SECURITIES</b>		
	Realised – net	27.1	3,478,128
	Unrealised – held for trading		9,197
			<b>3,487,325</b>
<b>27.1</b>	<b>Realised gain / (loss) on:</b>		
	Federal government securities	1,965,437	583,191
	Shares	1,366,285	990,608
	Non Government debt securities	(461)	(685)
	Open Ended Mutual Funds	146,867	48,919
		<b>3,478,128</b>	<b>1,622,033</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

	Note	December 31, 2020	December 31, 2019
<b>Rupees in '000</b>			
<b>28 OTHER INCOME</b>			
Recovery of written off mark-up and charges		1,272	12,198
Gain on sale of fixed assets - net		295,399	268,306
Other assets disposal		39,898	79,258
Fee for attending Board meetings		1,830	3,384
(Loss) and gain on sale of non-banking assets	28.1	(4,772)	32,266
		<b>333,627</b>	<b>395,412</b>

**28.1** This includes loss on sale of a non-banking asset amounting to Rs. (4.772) million (2019: gain of Rs. 32.266 million).

	Note	December 31, 2020	December 31, 2019
<b>Rupees in '000</b>			
<b>29 OPERATING EXPENSES</b>			
<b>Total compensation expense</b>	29.1	14,259,743	13,749,364
<b>Property expense:</b>			
Depreciation		4,139,672	3,906,601
Rent and taxes		268,619	288,321
Utilities cost		1,207,639	1,231,431
Security (including guards)		991,617	888,206
Repair and maintenance (including janitorial charges)		907,781	751,678
Insurance		92,139	73,833
		<b>7,607,467</b>	<b>7,140,070</b>
<b>Information technology expenses:</b>			
Network charges		705,749	689,087
Depreciation		665,182	668,223
Amortization		278,664	246,646
Software maintenance		588,874	546,047
Hardware maintenance		340,986	346,507
Others		8,599	9,234
		<b>2,588,054</b>	<b>2,505,744</b>
<b>Other operating expenses:</b>			
Marketing, advertisement and publicity		756,861	746,592
Insurance		1,177,196	1,148,296
Outsourced service costs	35.1	752,209	625,208
Cash in Transit service charge		549,857	521,405
Stationery and printing		402,364	466,341
Travelling and conveyance		158,762	234,157
Legal and professional charges		194,628	119,572
Postage and courier charges		175,725	218,094
Depreciation		226,047	218,320
Donations	29.3	132,874	55,253
National Institutional Facilitation Technologies clearing charges		127,609	123,966
Directors fees and allowances		102,848	89,261
Fees and allowances to Shariah Board		39,498	32,860
Training and development		6,213	6,059
Brokerage expenses		44,797	96,671
Card related expenses	29.2	185,145	151,187
Auditors Remuneration		340,802	221,063
Others		19,167	21,360
		<b>433,329</b>	<b>475,098</b>
		<b>5,825,931</b>	<b>5,570,763</b>
		<b>30,281,195</b>	<b>28,965,941</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2020	December 31, 2019
	Rupees in '000	
<b>29.1 Total compensation expense</b>		
Salaries	9,590,530	9,014,086
Fees And Allowances etc.	1,553,621	1,476,956
Bonus and Awards:		
Variable	1,020,546	979,147
Fixed	623,385	568,546
Charge For Defined Benefit Plan	316,353	220,201
Contribution To Defined Contribution Plan	565,219	553,812
Conveyance expense	258,604	300,414
Medical expense	149,948	189,264
Insurance	73,265	86,675
Education Subsidy	36,387	29,793
Hajj Expenses	-	24,494
Staff Uniform	14,948	12,219
Executive Club Membership	4,072	5,291
Verification Charges Educational Documents	2,927	3,821
Recruitment Charges	3,157	4,631
Others	795	2,048
Sub-Total	14,213,757	13,471,398
Voluntary Retirement Scheme	45,986	277,966
<b>Grand Total</b>	<b>14,259,743</b>	<b>13,749,364</b>

**29.1.1** The Bank announced the Voluntary Retirement Scheme (VRS) for its employees. Thirty one (31) employees (2019: 48) of the Bank opted for retirement under this scheme.

**29.1.2** Total cost for the year included in Other Operating Expenses relating to outsourced activities is Rs. 875,769 million (2019: Rs. 751,666 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, 2020	December 31, 2019
	Rupees in '000	
<b>29.2 Auditors' remuneration</b>		
Audit fee	8,515	6,450
Fee for other statutory certifications	3,397	5,859
Annual audit overseas business unit*	2,462	2,341
Half year review	2,665	2,620
Special certifications and miscellaneous services	150	1,787
Sales tax	568	631
Out-of-pocket expenses	1,410	1,672
	<b>19,167</b>	<b>21,360</b>

\*This includes audit fee amounting to Bahraini Dinar 4,800 (2019: 5,500) and Chinese Yuan 3,000 relating to Wholesale Bahrain Branch and China Representative Office respectively.

**29.3** None of the directors, executives and their spouses had any interest in the donees, except Mr. Mohammad Naeem Mukhtar (Chairman/ Non-Executive Sponsor Director) is director in National Management Foundation (LUMS).



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

	Note	December 31, 2020	December 31, 2019
Rupees in '000			
Akhuwat Foundation		13,000	-
Anjuman Himayat-i-Islam	29.3.1	1,901	4,454
Custom Public School		1,000	-
Government College of Science, Lahore		-	599
Chaman (Center for Mentally Challenged Children)		1,596	-
Lahore Businessmen Association For Rehabilitation Of The Disabled		-	5,000
Pakistan Hindu Council		400	-
Saylani Welfare International Trust		3,160	-
Various Educational and Social Service Institutions		230	-
Liver Foundation Trust		-	1,000
Prime Minister's COVID-19 Pandemic Relief Fund-2020		10,000	-
National Management Foundation (LUMS)		30,000	30,000
Mashal Association		-	200
Abdul Sattar Edhi Foundation		6,000	-
RAAST Welfare Society		1,000	1,000
Institute of Public Health		5,400	-
Shaukat Khanum Memorial Trust		5,000	-
Progressive Education Network		5,000	-
Tamir Welfare Organization		3,000	3,000
Alamgir Welfare Trust		4,400	-
Dow University of Health Sciences		3,000	-
Orange Tree Foundation		1,000	-
Family Educational Services Foundation		1,000	-
Zaman Foundation		1,000	-
The Noorani Foundation Trust		10,000	-
People's University Of Medical & Health Sciences For Women		2,184	-
Charity Right Welfare Association		1,000	-
Madarsa Jamiat Ul Uloom Islamia Binori Town Karachi		246	-
The Indus Hospital		22,357	10,000
		132,874	55,253

**29.3.1** This represents charitable expenses on account of sadqa & feeding to under privileged.

	Note	December 31, 2020	December 31, 2019
Rupees in '000			
<b>30 OTHER CHARGES</b>			
Penalties imposed by State Bank of Pakistan		23,720	120,914
Education cess		46,930	54,187
Depreciation - non-banking assets		33,987	19,851
Other assets written off		8,045	93
		112,682	195,045

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

	Note	December 31, 2020	December 31, 2019
Rupees in '000			
<b>31</b>	<b>PROVISIONS AND WRITE OFFS – NET</b>		
	Provision for diminution in the value of investments	9.3.1 577,500	979,141
	Provision or (Reversal) against loans and advances	10.4 349,178	(394,132)
	(Reversal) or Provision against other assets	13.2.1 (45,186)	100,664
	(Reversal) or Provision against off balance sheet obligations	19.1 (11,950)	6,701
		869,542	692,374
	Recovery of written off bad debts	(25,992)	(145,716)
		843,550	546,658
<b>32</b>	<b>TAXATION</b>		
	Current – for the year including super tax	12,126,711	9,267,347
	– for prior year	3,358	834,833
		12,130,069	10,102,180
	Deferred – current	(532,737)	110,980
		11,597,332	10,213,160
<b>32.1</b>	<b>Relationship between tax expense and accounting profit</b>		
	Accounting profit for the year	29,974,937	24,701,923
	Tax on income @ 35% (2019: 35%)	10,491,228	8,645,673
	Super Tax @ 4%	1,234,015	964,348
	Prior year Super Tax @ 4%	-	834,833
	Others	(127,911)	(231,694)
	Tax charge for the year	11,597,332	10,213,160
<b>33</b>	<b>EARNINGS PER SHARE – BASIC AND DILUTED</b>		
	Profit after taxation	18,377,605	14,488,763
		<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	16.05	12.65

There is no dilution effect on basic earnings per share.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2020	December 31, 2019
	Rupees in '000	
<b>34 CASH AND CASH EQUIVALENTS</b>		
Cash and balances with treasury banks	128,388,720	119,935,126
Balances with other banks	7,236,502	602,582
Overdrawn nostro accounts	(43,797)	(64,207)
	<u>135,581,425</u>	<u>120,473,501</u>

## 34.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

Description	December 31, 2020				December 31, 2019			
	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>	8,625,315	384,273	57,681,932	66,691,520	8,562,931	354,072	53,985,383	62,902,386
Changes from Financing cash flows								
Payment of lease liability against right-of-use-assets	(2,111,236)	-	-	(2,111,236)	(1,777,594)	-	-	(1,777,594)
Dividend Paid	-	(4,570,964)	-	(4,570,964)	-	(9,130,391)	-	(9,130,391)
Total changes from financing cash flows	(2,111,236)	(4,570,964)	-	(6,682,200)	(1,777,594)	(9,130,391)	-	(10,907,985)
<b>Liability related</b>								
Changes in Other liabilities								
- Dividend announced	-	4,580,296	(4,580,296)	-	-	9,160,592	(9,160,592)	-
- Lease liability recognised	1,884,602	-	-	1,884,602	1,839,978	-	-	1,839,978
Total liability related other changes	1,884,602	4,580,296	(4,580,296)	1,884,602	1,839,978	9,160,592	(9,160,592)	1,839,978
Total equity related other changes	-	-	16,102,066	-	-	-	12,857,141	12,857,141
Balance as at December 31, 2020	<u>8,398,681</u>	<u>393,605</u>	<u>69,203,702</u>	<u>61,893,922</u>	<u>8,625,315</u>	<u>384,273</u>	<u>57,681,932</u>	<u>66,691,520</u>

	Numbers	
<b>35 STAFF STRENGTH</b>		
Permanent	11,461	11,389
Temporary / on contractual basis / trainee	336	458
Bank's own staff strength at the end of the year	<u>11,797</u>	<u>11,847</u>
Average number of employees	<u>11,822</u>	<u>11,623</u>

35.1 In addition to the above, 571 (2019: 501) 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, 8 (2019: 7) employees were posted abroad. The rest were working domestically.

## 36 DEFINED BENEFIT PLANS

### 36.1 General description

The Group 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 Group continues to operate a funded pension scheme.

The Group also provides post retirement medical benefits (unfunded scheme) to eligible retired employees.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

## 36.2 Number of employees and beneficiaries under the schemes

The number of employees covered under the following defined benefit scheme or plans are:

	December 31, 2020	December 31, 2019
	Numbers	
– Pension fund	527	632
– Gratuity fund	11,552	11,427
– Benevolent fund	-	-
– Post retirement medical benefits	11,293	11,183
– Employees' compensated absences	11,293	11,183
In addition, the number of beneficiaries covered under the following defined benefit scheme / plans are:		
– Pension fund	2,369	2,330
– Post retirement medical benefits	1,610	1,610

## 36.3 Principal actuarial assumptions

The actuarial valuations were carried out for December 31, 2020 based on the Projected Unit Credit Method, using the following significant assumptions:

Sources of estimation	December 31, 2020	December 31, 2019
<b>Withdrawal rate</b>		
Pension fund	Low	Low
Gratuity fund	Moderate	Moderate
Post retirement medical benefits	Moderate	High
Employees' compensated absences	Moderate	High
<b>Mortality rate</b>		
	Adjusted SLIC 2001–2005	Adjusted SLIC 2001–2005
<b>Discount rate</b>	Yield on investments in Government Bonds	9.75%      11.25%
<b>Expected rate of return on plan assets</b>		
Pension fund	Yield on investments in Government Bonds	9.75%      11.25%
Gratuity fund	Yield on investments in Government Bonds	9.75%      11.25%
Benevolent fund	Yield on investments in Government Bonds	-              -
<b>Expected rate of salary increase</b>	Rate of salary increase	7.75% - 8.75%      9.25%

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, 2020

## 36.4 Reconciliation of (receivable from) / payable to defined benefit plans / other long term benefits

Note	December 31, 2020					December 31, 2019					
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences	
	Rupees in '000					Rupees in '000					
Present value of defined benefit obligations	36.6	1,707,213	3,674,998	-	1,514,300	774,381	1,661,826	3,365,399	-	1,365,237	668,548
Fair value of plan's / scheme's assets	36.7	(5,493,653)	(3,046,550)	-	-	-	(6,102,237)	(2,744,422)	-	-	-
Net (asset) and liability		(3,786,440)	628,448	-	1,514,300	774,381	(4,440,411)	620,977	-	1,365,237	668,548
Net (asset) and liability		(3,786,440)	628,448	-	1,514,300	774,381	(4,440,411)	620,977	-	1,365,237	668,548

## 36.5 Movement in (receivable from) / payable to defined benefit plans

Note	December 31, 2020					December 31, 2019					
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences	
	Rupees in '000					Rupees in '000					
Opening balance		(4,440,411)	620,977	-	1,365,237	668,548	(4,560,065)	444,655	(115,915)	1,332,925	606,880
(Reversal) / charge for the year	36.9	(497,435)	421,021	-	171,674	230,280	(466,025)	476,334	(28,157)	192,559	185,016
Other comprehensive (income) / losses		1,151,406	(11,589)	-	95,729	-	727,746	90,890	-	(44,640)	-
Contribution to the fund / benefits paid		-	(401,961)	-	(118,340)	(124,447)	(142,067)	(390,902)	144,072	(115,607)	(123,348)
Closing balance		(3,786,440)	628,448	-	1,514,300	774,381	(4,440,411)	620,977	-	1,365,237	668,548

## 36.6 Movement in defined benefit obligations

	December 31, 2020						
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences		
	Rupees in '000						
Opening balance			1,661,826	3,365,399	-	1,365,237	668,547
Current service cost			-	348,204	-	23,922	38,200
Interest cost			174,637	363,136	-	146,933	68,211
Benefits paid			(218,993)	(275,050)	-	(118,340)	(124,446)
VRS settlement loss			2,111	2,959	-	819	3,298
Re-measurement loss and (gain)			87,632	(129,650)	-	95,729	120,571
Closing balance			1,707,213	3,674,998	-	1,514,300	774,381
	December 31, 2019						
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences		
	Rupees in '000						
Opening balance			1,585,703	2,827,757	9,206	1,332,925	606,880
Current service cost			-	414,448	-	21,879	37,522
Interest cost			178,867	357,867	-	168,954	72,152
Benefits paid			(471,523)	(253,741)	(9,206)	(115,607)	(123,348)
VRS settlement loss			147,596	2,970	-	1,726	15,391
Re-measurement loss and (gain)			221,183	16,098	-	(44,640)	59,950
Closing balance			1,661,826	3,365,399	-	1,365,237	668,547

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

## 36.7 Movement in fair value of plan assets

	December 31, 2020				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Opening balance	6,102,237	2,744,422	-	-	-
Expected return on plan assets	674,183	293,278	-	-	-
Group's contribution	-	401,961	-	-	-
Benefits paid	(218,993)	(275,050)	-	-	-
Re-measurement loss	(1,063,774)	(118,061)	-	-	-
Closing balance	5,493,653	3,046,550	-	-	-

	December 31, 2019				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Opening balance	6,145,768	2,383,102	241,036	-	-
Expected return on plan assets	792,488	298,951	-	-	-
Bank's contribution	142,067	390,902	-	-	-
Benefits paid	(471,523)	(253,741)	(241,036)	-	-
Re-measurement gain / (loss)	(506,563)	(74,792)	-	-	-
Closing balance	6,102,237	2,744,422	-	-	-

## 36.8 Composition of plan assets

	December 31, 2020			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Equity securities	4,262,048	639,896	-	-
Cash and cash equivalents	1,231,605	2,406,697	-	-
	5,493,653	3,046,593	-	-

### 36.8.1 Fair value of Group's financial instruments included in plan assets

Shares of ABL	2,366,291	520,329	-	-
Term deposit receipts	1,032,468	2,370,244	-	-
Bank balances with ABL	199,137	36,452	-	-
	3,597,896	2,927,025	-	-

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2019			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Equity securities	4,880,641	738,956	-	-
Cash and cash equivalents	1,221,596	2,005,466	-	-
	6,102,237	2,744,422	-	-

## 36.8.2 Fair value of Group's financial instruments included in plan assets

Shares of ABL	2,649,848	582,681	-	-
Term deposit receipts	1,047,174	1,895,966	-	-
Bank balances with ABL	174,422	109,500	-	-
	3,871,444	2,588,147	-	-

**36.8.3** 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.

## 36.9 Charge for defined benefit plan

	December 31, 2020			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Current service cost	-	348,204	23,922	38,200
Interest cost	-	-	146,933	-
Net interest	(499,546)	69,858	-	68,211
VRS loss / (gain)	2,111	2,959	819	3,298
Re-measurement loss recognised	-	-	-	120,571
	(497,435)	421,021	171,674	230,280

	December 31, 2019			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Current service cost	-	414,448	21,879	37,523
Interest cost	-	-	168,954	72,152
Net interest	(613,621)	58,916	-	-
VRS loss	147,596	2,970	1,726	15,391
Re-measurement gain recognised	-	-	-	59,950
	(466,025)	476,334	192,559	185,016

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

## 36.10 Re-measurements recognized in other comprehensive income

	December 31, 2020				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Re-measurement gain / (loss) on obligations					
- Experience adjustments	(87,632)	130,088	-	(95,729)	-
Re-measurement gain / (loss) on assets	(1,063,774)	(117,623)	-	-	-
Re-measurement gain / (loss) in OCI	(1,151,406)	12,465	-	(95,729)	-
	December 31, 2019				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Re-measurement gain / (loss) on obligations	(221,183)	(16,098)	-	44,640	-
Re-measurement gain / (loss) on assets	(506,563)	(74,792)	-	-	-
Asset ceiling adjustment	-	-	-	-	-
Re-measurement gain / (loss) in OCI	(727,746)	(90,890)	-	44,640	-
			December 31,	December 31,	
			2020	2019	
	Rupees in '000				

## 36.11 Actual return / (loss) on plan assets

- Pension fund	(389,591)	285,925
- Gratuity fund	175,217	224,159

## 36.12 Five year data of defined benefit plan and experience adjustments

	Pension fund				
	2020	2019	2018	2017	2016
	Rupees in '000				
Present value of defined benefit obligation	1,707,213	1,661,826	1,585,703	1,979,453	2,001,618
Fair value of plan assets	(5,493,653)	(6,102,237)	(6,145,768)	(5,671,485)	(6,616,345)
	(3,786,440)	(4,440,411)	(4,560,065)	(3,692,032)	(4,614,727)
<b>Experience adjustments on plan obligations / assets</b>					
Re-measurement gain / (loss) on obligation	(87,632)	(221,183)	364,271	(94,595)	(172,722)
Re-measurement gain / (loss) on assets	(1,063,774)	(506,563)	382,517	(1,191,876)	660,173



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

	Gratuity fund				
	2020	2019	2018	2017	2016
	Rupees in '000				
Present value of defined benefit obligation	3,674,998	3,365,399	2,827,757	2,531,300	2,285,523
Fair value of plan assets	(3,046,550)	(2,744,422)	(2,383,102)	(2,019,381)	(2,030,232)
	628,448	620,977	444,655	511,919	255,291
<b>Experience adjustments on plan obligations / assets</b>					
Re-measurement gain / (loss) on obligation	129,650	(16,098)	(73,576)	(20,492)	36,036
Re-measurement gain / (loss) on assets	(118,061)	(74,792)	145,719	(230,025)	26,301
	Benevolent fund				
	2020	2019	2018	2017	2016
	Rupees in '000				
Present value of defined benefit obligation	-	-	9,206	8,036	8,776
Fair value of plan assets	-	-	(278,393)	(232,158)	(221,007)
	-	-	(269,187)	(224,122)	(212,231)
<b>Experience adjustments on plan obligations / assets</b>					
Re-measurement (loss) / gain on obligation	-	-	(2,632)	(1,111)	931
Re-measurement (gain) / loss on assets	-	-	(8,150)	(3,976)	1,136
	Post retirement medical				
	2020	2019	2018	2017	2016
	Rupees in '000				
Present value of defined benefit obligation	1,514,300	1,365,237	1,332,925	1,240,250	1,298,380
Fair value of plan assets	-	-	-	-	-
	1,514,300	1,365,237	1,332,925	1,240,250	1,298,380
<b>Experience adjustments on plan obligations</b>					
Re-measurement (loss) / gain on obligation	(95,729)	44,640	(105,031)	62,068	(97,990)
	Employees' compensated absences				
	2020	2019	2018	2017	2016
	Rupees in '000				
Present value of defined benefit obligation	774,381	668,548	606,880	570,128	698,964
Fair value of plan assets	-	-	-	-	-
	774,381	668,548	606,880	570,128	698,964
<b>Experience adjustments on plan obligations</b>					
Re-measurement (loss) / gain on obligation	(120,571)	(59,950)	(137,850)	71,640	11,662

### 36.13 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 and benevolent 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 / (reversal) in respect of defined benefit plans for the year ending December 31, 2021 would be as follows:

	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Expected (reversal) / charge for the next year	(499,546)	407,227	-	127,086	108,310

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

## 36.14 Sensitivity analysis

Description	+1%	-1%	+1% Salary	-1% Salary	+10%	-10%	1Year	1Year
	Discount Rate	Discount Rate	Increase Rate	Increase Rate	Withdrawal Rate	Withdrawal Rate	Mortality age set back	Mortality age set forward
Rupees in '000								
Pension fund	1,601,960	1,826,716	1,715,148	1,700,225	1,707,253	1,707,176	1,743,989	1,672,800
Gratuity fund	3,391,276	3,959,643	3,980,824	3,368,763	3,670,489	3,640,423	3,654,050	3,657,678
Post retirement medical	1,554,944	1,471,169	1,557,318	1,476,269	1,507,886	1,521,083	1,513,224	1,515,364
Leave compensated absences	722,140	833,458	834,036	720,760	766,252	782,817	772,713	776,043

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, 2020			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
The weighted average duration of the obligation (in years)	6.58	7.77	7.62	7.19

## 36.15 Maturity Profile

## 36.16 Funding Policy

The Group endeavours 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.

## 36.17 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.

## 37 DEFINED CONTRIBUTION PLAN

The Group operates an approved contributory provident fund for 10,380 (2019: 10,089) employees where contributions are made by the Group and employees at 8.33% per annum (2019: 8.33% per annum) of the basic salary every month.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

## 38 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

### 38.1 Total compensation expense

	December 31, 2020						
	Chairman	Directors Executive (other than CEO)*	Non- Executives	Members Shariah Board	President / CEO*	Key Man- agement Personnel	Other Ma- terial Risk Takers / Controllers
Rupees in '000							
Fees and allowances etc.	2,000	-	36,800	-	-	-	-
Managerial remuneration							
- Fixed (including Eid bonus)	-	-	-	2,919	15,825	106,842	203,291
- Total Variable	-	-	-	455	24,500	125,400	100,900
of which							
a. Cash Bonus / awards	-	-	-	455	24,500	125,400	100,900
b. Bonus and awards in Shares	-	-	-	-	-	-	-
Charge for defined benefit plans	-	-	-	256	1,506	18,140	36,570
Contribution to defined							
contribution plan	-	-	-	224	1,318	9,062	16,317
Rent and house maintenance	-	-	-	224	1,318	9,062	16,317
Utilities	-	-	-	1,616	9,495	58,297	117,528
Medical	-	-	-	539	3,165	27,614	39,176
Conveyance	-	-	-	539	3,165	20,104	40,926
Others	-	-	-	827	3,000	48,057	61,259
Total	-	-	-	270	600	11,972	43,317
	2,000	-	36,800	7,645	62,574	425,488	659,284
Number of persons	1	-	8	3	1	17	77

	December 31, 2019						
	Chairman	Directors Executive (other than CEO)*	Non- Executives	Members Shariah Board	President / CEO*	Key Man- agement Personnel	Other Ma- terial Risk Takers / Controllers
Rupees in '000							
Fees and allowances etc.	-	-	30,000	-	-	-	-
Managerial remuneration							
- Fixed (including Eid bonus)	-	-	-	2,842	14,200	112,947	186,385
- Total Variable	-	-	-	-	22,000	121,500	84,501
of which							
a. Cash Bonus / awards	-	-	-	-	22,000	121,500	84,501
b. Bonus and awards in Shares	-	-	-	-	-	-	-
Charge for defined benefit plans	-	-	-	294	1,590	20,448	35,936
Contribution to defined							
contribution plan	-	-	-	219	1,183	8,922	15,526
Rent and house maintenance	-	-	-	1,574	8,520	57,922	107,860
Utilities	-	-	-	525	2,840	19,307	35,965
Medical	-	-	-	525	2,840	20,335	35,965
Conveyance	-	-	-	813	3,000	50,990	58,203
Others	-	-	-	284	349	12,805	41,375
Total	-	-	30,000	7,076	56,522	425,176	601,716
Number of persons	1	-	8	3	1	19	75

\* CEO stands for Chief Executive Officer

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

## 38.2 Remuneration paid to Directors for participation in Board and Committee Meetings

		December 31, 2020						
		Board Committees						
Sr. No.	Name of Director	Board Meetings	Audit Committee of Board	Human Resource Remuneration Committee	Board Risk Management Committee	E-Vision	Strategic Planning and Monitoring Committee	Total Amount Paid
Rupees in '000								
1	Mohammad Naeem Mukhtar	1,200	-	-	-	800	-	2,000
2	Sheikh Mukhtar Ahmad	1,200	-	-	800	-	-	2,000
3	Muhammad Waseem Mukhtar	1,700	1,800	1,150	-	-	3,350	8,000
4	Abdul Aziz Khan	1,700	-	1,150	1,300	-	3,350	7,500
5	Dr. Muhammad Akram Sheikh	1,700	1,800	1,150	1,300	-	-	5,950
6	Zafar Iqbal	1,700	1,800	-	-	1,300	-	4,800
7	Nazrat Bashir	1,700	-	-	-	1,300	3,350	6,350
8	Kamran Shahid	1,100	-	-	-	-	-	1,100
9	Pervaiz Iqbal	1,100	-	-	-	-	-	1,100
		13,100	5,400	3,450	3,400	3,400	10,050	38,800

		December 31, 2019						
		Board Committees						
Sr. No.	Name of Director	Board Meetings	Audit Committee of Board	Human Resource Remuneration Committee	Board Risk Management Committee	E-Vision	Strategic Planning and Monitoring Committee	Total Amount Paid
Rupees in '000								
1	Mohammad Naeem Mukhtar	-	-	-	-	-	-	-
2	Sheikh Mukhtar Ahmad	-	-	-	-	-	-	-
3	Muhammad Waseem Mukhtar	1,750	1,150	1,400	-	-	2,400	6,700
4	Abdul Aziz Khan	1,250	-	1,150	1,150	-	2,150	5,700
5	Dr. Muhammad Akram Sheikh	1,750	1,400	1,400	1,150	-	-	5,700
6	Zafar Iqbal	1,750	1,400	-	-	1,000	-	4,150
7	Nazrat Bashir	1,750	-	-	-	1,000	2,400	5,150
8	Kamran Shahid	1,300	-	-	-	-	-	1,300
9	Pervaiz Iqbal	1,300	-	-	-	-	-	1,300
		10,850	3,950	3,950	2,300	2,000	6,950	30,000

## 38.3 Remuneration paid to Shariah Board Members

Items	December 31, 2020			December 31, 2019		
	Chairman	Resident Member	Non-Resident Member(s)	Chairman	Resident Member	Non-Resident Member(s)
Rupees in '000						
Salaries and allowances	4,402	1,750	1,493	4,433	1,220	1,423
Total Number of Persons	1	1	1	1	1	1

38.4 Deferred cash bonus and remuneration for MRTs for the year 2020 is Rs. 14,500,250 (2019: 15,828,450).

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

## 39 FAIR VALUE OF FINANCIAL INSTRUMENTS

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:

On-Balance sheet Financial Instruments	December 31, 2020										
	Carrying Value						Fair Value				
	Held to Maturity	Held for Trading	Available for Sale	Financing and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Rupees in '000											
<b>Financial assets – measured at fair value</b>											
<b>Investments</b>											
Shares and Open Ended Mutual Funds	-	2,583,387	22,002,506	-	-	-	24,585,893	24,560,091	25,802	-	24,585,893
Federal Government Securities	-	-	759,836,860	-	-	-	759,836,860	-	759,836,860	-	759,836,860
Non Government Debt Securities	-	-	14,260,108	-	-	-	14,260,108	-	14,260,108	-	14,260,108
<b>Financial assets – not measured at fair value</b>											
Cash and balances with treasury banks	-	-	-	-	128,388,720	-	128,388,720	-	-	-	-
Balances with other banks	-	-	-	-	7,236,502	-	7,236,502	-	-	-	-
Lendings	-	-	-	17,996,123	-	-	17,996,123	-	-	-	-
Advances	-	-	-	496,501,833	-	-	496,501,833	-	-	-	-
Other assets	-	-	-	-	26,447,917	-	26,447,917	-	-	-	-
Investments (Federal Government Securities, unlisted ordinary shares, Term finance certificate, sukuks, Bai Muajjal)	23,092,141	-	9,929,497	-	-	-	33,021,638	-	-	-	-
	23,092,141	2,583,387	806,028,971	514,497,956	162,073,139	-	1,508,275,594	24,560,091	774,122,770	-	798,682,861
<b>Financial liabilities – measured at fair value</b>											
<b>Trading Liability</b>											
<b>Financial liabilities – not measured at fair value</b>											
Bills payable	-	-	-	-	-	9,622,020	9,622,020	-	-	-	-
Borrowings	-	-	-	-	-	193,928,086	193,928,086	-	-	-	-
Deposits and other accounts	-	-	-	-	-	1,216,668,247	1,216,668,247	-	-	-	-
Other liabilities	-	-	-	-	-	27,185,816	27,185,816	-	-	-	-
	-	-	-	-	-	1,447,404,169	1,447,404,169	-	-	-	-
<b>Off-balance sheet financial instruments - measured at fair value</b>											
<b>Forward foreign exchange contracts</b>											
Purchase	-	-	-	-	136,626,044	-	136,626,044	-	136,626,044	-	136,626,044
Sale	-	-	-	-	79,421,050	-	79,421,050	-	79,421,050	-	79,421,050
	-	-	-	-	216,047,094	-	216,047,094	-	216,047,094	-	216,047,094
December 31, 2019											
On-Balance sheet Financial Instruments	Carrying Value						Fair Value				
	Held to Maturity	Held for Trading	Available for Sale	Financing and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Rupees in '000											
<b>Financial assets – measured at fair value</b>											
<b>Investments</b>											
Shares and Open Ended Mutual Funds	-	2,197,434	28,613,526	-	-	-	30,810,960	30,655,702	155,258	-	30,810,960
Federal Government Securities	-	19,868,163	678,973,168	-	-	-	698,841,331	-	698,841,331	-	698,841,331
Non Government Debt Securities	-	-	4,176,639	-	-	-	4,176,639	-	4,176,639	-	4,176,639
<b>Financial assets – not measured at fair value</b>											
Cash and balances with treasury banks	-	-	-	-	119,935,126	-	119,935,126	-	-	-	-
Balances with other banks	-	-	-	-	602,582	-	602,582	-	-	-	-
Lending	-	-	-	13,606,921	-	-	13,606,921	-	-	-	-
Advances	-	-	-	485,051,568	-	-	485,051,568	-	-	-	-
Other asset	-	-	-	-	26,854,400	-	26,854,400	-	-	-	-
Investments (Federal Government Securities, unlisted ordinary shares, Term finance certificate, sukuks, Bai Muajjal)	13,015,041	-	12,810,456	-	-	-	25,825,497	-	-	-	-
	13,015,041	22,065,597	724,573,789	498,658,489	147,392,108	-	1,405,705,024	30,655,702	703,173,228	-	733,828,930
<b>Financial liabilities – not measured at fair value</b>											
Bills payable	-	-	-	-	-	7,878,626	7,878,626	-	-	-	-
Borrowings	-	-	-	-	-	266,448,386	266,448,386	-	-	-	-
Deposits and other accounts	-	-	-	-	-	1,049,018,804	1,049,018,804	-	-	-	-
Other liabilities	-	-	-	-	-	29,621,537	29,621,537	-	-	-	-
	-	-	-	-	-	1,352,967,353	1,352,967,353	-	-	-	-
<b>Off-balance sheet financial instruments – measured at fair value</b>											
<b>Forward foreign exchange contracts</b>											
Purchase	-	-	-	-	220,381,401	-	220,381,401	-	220,381,401	-	220,381,401
Sale	-	-	-	-	138,500,517	-	138,500,517	-	138,500,517	-	138,500,517
	-	-	-	-	359,395,856	-	359,395,856	-	359,395,856	-	359,395,856
Forward government securities transactions	-	-	-	-	513,938	-	513,938	-	513,938	-	513,938
	-	-	-	-	359,395,856	-	359,395,856	-	359,395,856	-	359,395,856

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2020				December 31, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Rupees in '000								
<b>39.1 Fair value of non-financial assets</b>								
Fixed assets								
(Land and Buildings)	-	54,415,469	-	54,415,469	-	41,974,966	-	41,974,966
Non-banking assets	-	1,442,246	-	1,442,246	-	4,486,663	-	4,486,663

## 39.2 Valuation Techniques used in determination of Fair Valuation of Financial Instruments / Non-financial Assets within Level 2

Item	Valuation approach and input used
Federal Government Securities	Marked to Market on the basis of Pakistan Revaluation (PKRV) rates.
Non-Government Debt Securities	Marked to Market on the basis of Mutual Funds Association of Pakistan (MUFAP) rates.
Foreign exchange contracts	Marked to Market on the basis of State Bank of Pakistan rates.
Open ended mutual funds	Marked to Market on the basis of Mutual Funds Association of Pakistan (MUFAP) rates.
Operating fixed assets (land & building) & NBA	The valuation is based on their assessment of market value of the properties.

## 40 SEGMENT INFORMATION

### 40.1 Segment Details with respect to Business Activities

	December 31, 2020							Total
	Corporate & Investment Banking	Commercial and Retail Banking	Trading & Sale (Treasury)	Islamic Banking	Asset Management	Others		
Rupees in '000								
<b>Profit &amp; Loss</b>								
Net mark-up/return/profit	38,702,211	(45,628,271)	53,851,077	1,869,913	(25,204)	(374,057)		48,395,669
Inter segment revenue - net	(32,334,013)	80,191,037	(41,839,763)	-	-	(6,017,261)		-
Non mark-up/ return/ interest income	4,795,540	3,573,405	3,625,159	210,875	935,112	303,133		13,443,224
<b>Total Income</b>	<b>11,163,738</b>	<b>38,136,171</b>	<b>15,636,473</b>	<b>2,080,788</b>	<b>909,908</b>	<b>(6,088,185)</b>		<b>61,838,893</b>
Segment direct expenses	630,977	16,675,649	194,351	1,326,208	450,372	11,742,849		31,020,406
Total expenses	630,977	16,675,649	194,351	(1,326,208)	450,372	11,742,849		31,020,406
Provisions	(1,209,061)	(274,067)	-	(128)	-	639,706		(843,550)
<b>Profit before tax</b>	<b>9,323,700</b>	<b>21,186,455</b>	<b>15,442,122</b>	<b>754,452</b>	<b>459,536</b>	<b>(17,191,328)</b>		<b>29,974,937</b>
<b>Balance Sheet</b>								
Cash & Bank balances	63,515	56,549,630	70,345,528	3,372,243	6,832	5,287,474		135,625,222
Investments	40,137,617	-	769,333,252	19,650,241	2,583,387	-		831,704,497
Net inter segment lending	(367,667,313)	1,115,262,750	(753,028,599)	(1,691,159)	-	7,124,321		-
Lendings to financial institutions	-	-	30,817,586	1,454,435	-	(14,275,898)		17,996,123
Advances - performing	424,399,594	30,103,282	-	32,642,319	70,077	8,867,890		496,083,162
Advances - non-performing	690,533	261,900	-	-	-	13,208,226		14,160,659
Provision against advances	(397,684)	(152,904)	-	(149)	-	(13,191,251)		(13,741,988)
Advances - net	424,692,443	30,212,278	-	32,642,170	70,077	8,884,865		496,501,833
Others	3,731,162	8,967,967	11,335,908	2,512,076	521,896	84,193,571		111,262,580
<b>Total Assets</b>	<b>100,957,424</b>	<b>1,210,992,625</b>	<b>128,803,675</b>	<b>57,940,006</b>	<b>3,182,192</b>	<b>91,214,333</b>		<b>1,593,090,255</b>
Borrowings	81,851,296	5,433,733	111,289,117	9,553,220	-	(14,199,280)		193,928,086
Deposits & other accounts	-	1,169,568,083	-	41,839,270	-	5,260,894		1,216,668,247
Others	3,163,510	14,806,920	903,740	2,547,537	473,014	26,829,915		48,724,636
<b>Total liabilities</b>	<b>85,014,806</b>	<b>1,189,808,736</b>	<b>112,192,857</b>	<b>53,940,027</b>	<b>473,014</b>	<b>17,891,529</b>		<b>1,459,320,969</b>
Equity / Reserves	15,942,619	21,183,888	16,610,817	3,999,979	2,709,178	73,322,805		133,769,286
<b>Total Equity and Liabilities</b>	<b>100,957,425</b>	<b>1,210,992,624</b>	<b>128,803,674</b>	<b>57,940,006</b>	<b>3,182,192</b>	<b>91,214,334</b>		<b>1,593,090,255</b>
<b>Contingencies and Commitments</b>	<b>93,691,022</b>	<b>20,979,810</b>	<b>216,047,094</b>	<b>5,540,979</b>	<b>42,231</b>	<b>13,278,817</b>		<b>349,579,953</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2019						Total
	Corporate & Investment Banking	Commercial and Retail Banking	Trading & Sale (Treasury)	Islamic Banking	Asset Management	Others	
Rupees in '000							
<b>Profit &amp; Loss</b>							
Net mark-up/return/profit	45,813,790	(54,926,966)	49,983,718	1,203,117	(1,882)	(566,190)	41,505,587
Inter segment revenue - net	(45,178,102)	95,831,440	(47,548,684)	-	-	(3,104,654)	-
Non mark-up/ return/ interest income	4,419,600	3,339,124	2,611,642	161,154	778,874	359,661	11,670,055
<b>Total Income</b>	<b>5,055,288</b>	<b>44,243,598</b>	<b>5,046,676</b>	<b>1,364,271</b>	<b>776,992</b>	<b>(3,311,183)</b>	<b>53,175,642</b>
Segment direct expenses	(582,516)	(15,889,959)	(114,760)	(1,285,405)	(316,708)	(9,737,713)	(27,927,061)
Total expenses	(582,516)	(15,889,959)	(114,760)	(1,285,405)	(316,708)	(9,737,713)	(27,927,061)
Provisions	(1,292,941)	(205,842)	-	(12)	-	952,137	(546,658)
<b>Profit before tax</b>	<b>3,179,831</b>	<b>28,147,797</b>	<b>4,931,916</b>	<b>78,854</b>	<b>460,284</b>	<b>(12,096,759)</b>	<b>24,701,923</b>
<b>Balance Sheet</b>							
Cash & Bank balances	59,821	51,303,207	61,984,899	2,045,240	15,525	5,129,016	120,537,708
Investments	47,263,032	-	697,876,038	12,452,302	2,197,434	(134,379)	759,654,427
Net inter segment lending	(413,851,658)	972,381,940	(557,387,799)	161,300	-	(1,303,783)	-
Lendings to financial institutions	4,753,821	-	2,052,492	11,554,430	-	(4,753,822)	13,606,921
Advances - performing	437,660,414	25,631,709	-	12,615,228	35,688	8,407,030	484,350,069
Advances - non-performing	511,117	461,688	-	-	-	14,881,113	15,853,918
Provision against advances	(127,779)	(205,889)	-	(20)	-	(14,818,731)	(15,152,419)
Advances - net	438,043,752	25,887,508	-	12,615,208	35,688	8,469,412	485,051,568
Others	7,072,635	8,706,936	7,215,579	2,752,910	545,118	78,239,639	104,532,817
<b>Total Assets</b>	<b>83,341,403</b>	<b>1,058,279,591</b>	<b>211,741,209</b>	<b>41,581,390</b>	<b>2,793,765</b>	<b>85,646,083</b>	<b>1,483,383,441</b>
Borrowings	63,149,483	2,415,660	203,936,638	1,700,000	-	(4,753,395)	266,448,386
Deposits & other accounts	-	1,012,571,004	-	34,389,411	-	2,058,389	1,049,018,804
Others	2,413,361	16,402,958	1,917,550	2,143,144	433,045	27,394,639	50,704,697
<b>Total liabilities</b>	<b>65,562,844</b>	<b>1,031,389,622</b>	<b>205,854,188</b>	<b>38,232,555</b>	<b>433,045</b>	<b>24,699,633</b>	<b>1,366,171,887</b>
Equity / Reserves	17,778,559	26,889,969	5,887,021	3,348,835	2,360,720	60,946,450	117,211,554
<b>Total Equity and Liabilities</b>	<b>83,341,403</b>	<b>1,058,279,591</b>	<b>211,741,209</b>	<b>41,581,390</b>	<b>2,793,765</b>	<b>85,646,083</b>	<b>1,483,383,441</b>
<b>Contingencies and Commitments</b>	<b>78,732,154</b>	<b>12,055,398</b>	<b>359,395,856</b>	<b>1,907,886</b>	<b>42,231</b>	<b>13,448,191</b>	<b>465,581,716</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

## 40.2 GEOGRAPHICAL SEGMENT ANALYSIS

	December 31, 2020			Total
	Domestic Operations	Middle East	China	
Rupees in '000				
<b>Profit &amp; Loss</b>				
Net mark-up/return/profit	47,869,045	526,624	-	48,395,669
Inter segment revenue – net	(130,758)	130,758	-	-
Non mark-up / return / interest income	13,443,159	65	-	13,443,224
Total Income	61,181,446	657,447	-	61,838,893
Segment direct expenses	(30,875,019)	(120,538)	(24,849)	(31,020,406)
Total expenses	(30,875,019)	(120,538)	(24,849)	(31,020,406)
Provisions	(783,667)	(59,883)	-	(843,550)
Profit before tax	29,522,760	477,026	(24,849)	29,974,937
<b>Balance Sheet</b>				
Cash & Bank balances	135,601,567	23,655	-	135,625,222
Investments	826,807,650	4,896,847	-	831,704,497
Net inter segment lendings	-	-	-	-
Lendings to financial institutions	17,996,123	-	-	17,996,123
Advances – performing	482,835,448	13,247,714	-	496,083,162
Advances - non-performing	14,160,659	-	-	14,160,659
Provision against advances	(13,741,988)	-	-	(13,741,988)
Advances - net	483,254,119	13,247,714	-	496,501,833
Others	111,084,685	177,895	-	111,262,580
<b>Total Assets</b>	1,574,744,144	18,346,111	-	1,593,090,255
Borrowings	181,322,746	8,263,439	-	189,586,185
Subordinated debt	-	-	-	-
Deposits & other accounts	1,214,350,329	2,317,918	-	1,216,668,247
Net inter segment borrowing	-	4,341,901	-	4,341,901
Others	48,678,284	46,352	-	48,724,636
<b>Total liabilities</b>	1,444,351,359	14,969,610	-	1,459,320,969
Equity	130,392,785	3,376,501	-	133,769,286
<b>Total Equity &amp; liabilities</b>	1,574,744,144	18,346,111	-	1,593,090,255
<b>Contingencies and commitments</b>	349,579,953	-	-	349,579,953



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2019			
	Domestic Operations	Middle East	China	Total
	Rupees in '000			
<b>Profit &amp; Loss</b>				
Net mark-up/return/profit	41,131,711	373,877	-	41,505,588
Inter segment revenue – net	(134,330)	134,330	-	-
Non mark-up / return / interest income	11,609,702	168,321	-	11,778,023
Total Income	52,607,083	676,528	-	53,283,611
Segment direct expenses	(27,909,520)	(91,819)	(33,691)	(28,035,030)
Inter-segment expense allocation	-	-	-	-
Total expenses	(27,909,520)	(91,819)	(33,691)	(28,035,030)
Provisions	(528,487)	(18,171)	-	(546,658)
Profit before tax	24,169,076	566,538	(33,691)	24,701,923
<b>Balance Sheet</b>				
Cash & Bank balances	120,512,721	24,987	-	120,537,708
Investments	754,878,785	4,775,642	-	759,654,427
Net inter segment lendings	-	4,748,676	-	4,748,676
Lendings to financial institutions	8,858,245	-	-	8,858,245
Advances – performing	469,662,521	14,687,548	-	484,350,069
Advances - non-performing	15,853,918	-	-	15,853,918
Provision against advances	(15,152,419)	-	-	(15,152,419)
Advances - net	470,364,020	14,687,548	-	485,051,568
Others	104,310,872	221,945	-	104,532,817
<b>Total Assets</b>	<b>1,458,924,643</b>	<b>24,458,798</b>	<b>-</b>	<b>1,483,383,441</b>
Borrowings	241,166,918	20,532,792	-	261,699,710
Subordinated debt	-	-	-	-
Deposits & other accounts	1,048,476,528	542,276	-	1,049,018,804
Net inter segment borrowing	4,748,676	-	-	4,748,676
Others	50,611,478	93,219	-	50,704,697
<b>Total liabilities</b>	<b>1,345,003,600</b>	<b>21,168,287</b>	<b>-</b>	<b>1,366,171,887</b>
Equity	113,921,043	3,290,511	-	117,211,554
<b>Total Equity &amp; liabilities</b>	<b>1,458,924,643</b>	<b>24,458,798</b>	<b>-</b>	<b>1,483,383,441</b>
<b>Contingencies and commitments</b>	<b>465,040,200</b>	<b>541,516</b>	<b>-</b>	<b>465,581,716</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

## 41 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 / 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, 2020					December 31, 2019						
	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	-	-	-	-	-	2,197,434	-	-	-	351	-	1,859,024
Investment made during the year	-	-	-	-	-	3,204,791	-	-	-	-	-	4,276,363
Investment redeemed and disposed off during the year	-	-	-	-	-	(2,828,035)	-	-	-	-	-	(4,073,665)
Surplus	-	-	-	-	-	9,197	-	-	-	-	-	135,712
Transfer in and (out) - net	-	-	-	-	-	-	-	-	-	(351)	-	-
Closing balance	-	-	-	-	-	2,583,387	-	-	-	-	-	2,197,434
Provision for diminution in value of investments	-	-	-	-	-	-	-	-	-	-	-	-
<b>Advances</b>												
Opening balance	-	4,764	196,884	-	-	575	-	8,704	264,404	-	-	593
Addition during the year	-	17,055	62,385	-	-	4,287	-	25,719	97,754	-	-	9,129
Repaid during the year	-	(18,850)	(102,845)	-	-	(4,366)	-	(29,659)	(165,274)	-	-	(9,147)
Transfer in and (out) - net	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	2,969	156,424	-	-	496	-	4,764	196,884	-	-	575
Provision held against advances	-	-	-	-	-	-	-	-	-	-	-	-

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2020					December 31, 2019						
	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	-	-	74,205	-	-	-	-	684	72,335	-	-	-
Receivable from staff retirement fund	-	-	-	-	-	3,118,742	-	-	-	-	-	3,705,491
Other receivable	-	-	-	-	-	345,387	-	-	-	-	-	365,707
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	2,849	357,194	34,882	123,315	-	16,917,539	1,784	24,424	70,387	82,381	-	18,296,520
Received during the year	10,401,559	1,684,041	515,345	12,786,639	-	330,937,208	8,594,379	1,824,926	524,289	7,718,711	-	247,376,037
Withdrawn during the year	(10,403,605)	(1,896,992)	(509,555)	(12,863,209)	-	(320,894,021)	(8,593,314)	(1,492,156)	(659,794)	(7,677,777)	-	(248,755,018)
Transfer in and (out) - net	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	803	144,243	40,672	46,745	-	26,960,726	2,849	357,194	34,882	123,315	-	16,917,539
<b>Other Liabilities</b>												
Interest or mark-up payable	-	-	3	130	-	67,270	-	-	-	599	-	116,987
Payable to staff retirement fund	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Contingencies and Commitments	-	-	-	-	-	-	-	-	-	-	-	-
Other contingencies	-	-	-	-	-	-	-	-	-	-	-	-

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

## 41.1 RELATED PARTY TRANSACTIONS

	December 31, 2020					December 31, 2019						
	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	-	375	15,790	-	-	-	-	422	18,179	-	-	-
Sales Commission	-	-	-	-	-	7,679	-	-	-	-	-	22,444
Fee and commission income	3	37	121	10	-	529,520	1	21	97	16	-	492,090
Dividend income	-	-	-	-	-	-	-	-	-	-	-	-
Net gain / (loss) on sale of securities	-	-	14	-	-	3,354	-	-	14	-	-	465
Rental Income	-	-	-	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	-	-	-	-	-
<b>Expense</b>												
Mark-up / return / interest paid	-	13,159	518	811	-	921,405	-	14,749	559	5,108	-	884,506
Directors meeting fee	-	38,800	-	-	-	-	-	30,000	-	-	-	-
Remuneration	-	59,750	399,254	-	-	-	-	53,749	395,806	-	-	-
Charge for defined benefit plans	-	1,506	18,140	-	-	-	-	1,590	19,303	-	-	-
Contribution to defined contribution plan	-	1,318	9,062	-	-	-	-	1,183	8,922	-	-	-
Other expenses**	-	-	-	30,507	-	-	-	-	-	31,211	-	-
Rent expense**	-	-	-	28,851	-	-	-	-	-	28,658	-	-
Charge in respect of staff retirement benefit funds	-	-	-	-	-	269,499	-	-	-	-	-	74,123
Insurance premium paid	-	126	825	-	-	-	-	167	879	-	-	-
Insurance claims settled	-	-	-	-	-	-	-	-	-	-	-	-

\*Associated companies are as per IAS 24 'Related Party Disclosures'.

\*\*Other expenses mainly include donation of Rs. 30 million to National Management Foundation for construction of hostel building.

\*\*\*Rent expense of ABL Branch with associated company (Ibrahimi Fibres Limited) was carried out on terms other than that of arm's length with prior permission of State Bank of Pakistan. During the year ended December 31, 2020; certain movable assets were disposed off for Rs. 124,110/- having net book value of Rs. 10 to the key management personnel of the Group.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2020	December 31, 2019
	Rupees in '000	
<b>42 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	95,335,586	82,135,834
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	95,335,586	82,135,834
Eligible Tier 2 Capital	27,690,683	22,351,157
Total Eligible Capital (Tier 1 + Tier 2)	123,026,269	104,486,991
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	344,948,463	345,197,859
Market Risk	43,237,570	49,574,917
Operational Risk	96,160,368	84,845,040
Total	484,346,401	479,617,816
Common Equity Tier 1 Capital Adequacy ratio	19.68%	17.13%
Tier 1 Capital Adequacy Ratio	19.68%	17.13%
Total Capital Adequacy Ratio	25.40%	21.79%

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, 2020 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.

Group CAR as at December 31, 2020 stood at 25.40% 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, 2020	December 31, 2019
	Rupees in '000	
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	95,335,586	82,135,834
Total Exposures	1,850,090,033	1,801,242,634
Leverage Ratio	5.15%	4.56%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	526,731,728	460,376,621
Total Net Cash Outflow	293,826,179	274,294,059
Liquidity Coverage Ratio	179.27%	167.84%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	1,167,425,806	1,007,506,800
Total Required Stable Funding	751,874,375	703,906,177
Net Stable Funding Ratio	155.27%	143.13%

42.1 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, 2020

## 43 RISK MANAGEMENT

The principal risks associated with ABL's business are credit risk, market risk, liquidity risk, reputational risk, operational risk and information security and governance risk. The Risk Management Framework (henceforth to be referred to as 'The Framework') provides principles for identifying, assessing, and monitoring risk within the Group. 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 Group 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

<b>Credit Risk</b>	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.
<b>Market Risk</b>	The risk that the value of on and off-balance sheet positions of the Group 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.
<b>Liquidity Risk</b>	The risk that the Group 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.
<b>Operational Risk</b>	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.
<b>Reputational Risk</b>	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.
<b>Information Security &amp; Governance Risk</b>	Information Security 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.
<b>Strategic Risk</b>	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 Group to industry, economic or technological changes.

### Risk Responsibilities

- The Board of Directors shall oversee the risk management process. The Board 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 shall also seek appointment of senior management personnel capable of managing the risk activities conducted by the Group.
- 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 CEO and Group Chiefs shall be responsible for the management of risk collectively through their membership of various committees i.e. Asset & Liability Committee (ALCO), Management Committee (MANCO), Compliance Committee (CC) and Risk Management Committee (RMC). Independent supervision of risk management activities is provided by the Audit Committee.

The Risk Management Group is head by a Group Chief responsible to set-up and implement 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.

#### 43.1 Credit Risk

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

Credit risk, the potential default of one or more debtors, is a major source of risk for the Group. The Group is exposed to credit risk through its lending and investment activities. The Group'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 Group that defines the respective roles and responsibilities, the credit risk management principles and the Group'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 Group 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 mitigates. 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.

The Risk Management function of the Bank is regularly conducting the assessment of the credit portfolio to identify obligors most likely to get affected due to changes in the business and economic environment resulting from the COVID-19 outbreak. The Bank is continuously strengthening its credit review procedures. Some of the obligors have availed the SBP enabled deferment, restructuring and rescheduling relief.

The Group is cognizant of the fact that COVID-19 situation may pose challenges for the industry on overall basis and the risk management function of the Group is proactively keeping an eye on the delinquency in the accounts, financial position of the counter party and other relevant information. However, since opening of lockdown in May 2020, the overall economic and industry performance has substantially improved.

## Counter Party Credit Risk on Interbank Limits

In the normal course of its business, the Group'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 Group'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 Group.

Reflecting a preference for minimizing exposure to counterparty credit risk, the Group maintains eligibility criteria that link the exposure limits to counterparty credit ratings by external rating agencies.

## A. Country Risk

The Group 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 all over the country. 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 Unit, Vigilance Unit and Warehouse Management unit.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

## 43.1.1 Lendings to financial institutions

### Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	December 31,2020	December 31,2019	December 31,2020	December 31,2019	December 31,2020	December 31,2019
	Rupees in '000					
Public/ Government	954,435	2,704,142	-	-	-	-
Private	17,041,688	10,972,779	70,000	70,000	70,000	70,000
	17,996,123	13,676,921	70,000	70,000	70,000	70,000

## 43.1.2 Investment in debt securities

### Credit risk by industry sector

	Gross Investment		Non-performing Investment		Provision held	
	December 31,2020	December 31,2019	December 31,2020	December 31,2019	December 31,2020	December 31,2018
	Rupees in '000					
Basic metals (iron, steel)	500,000	500,000	-	-	-	-
Financial	6,029,152	5,631,006	-	-	-	-
Hotel, restaurant and clubs	440,444	470,000	-	-	-	-
Power, gas, water and sanitary	12,843,295	5,411,136	-	-	-	-
Chemicals	1,600,000	1,600,000	-	-	-	-
Sugar	10,487	10,487	10,487	10,487	10,487	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	781,645,847	710,177,493	3,995,021	3,869,387	12,306	15,961
Others	103,498	103,498	103,498	103,498	103,498	103,498
	803,424,068	724,154,965	4,360,351	4,234,717	377,636	381,291

	Gross Investment		Non-performing Investment		Provision held	
	December 31,2020	December 31,2019	December 31,2020	December 31,2019	December 31,2020	December 31,2019
	Rupees in '000					

### Credit risk by public / private sector

Public/ Government	792,895,847	713,427,493	3,995,021	3,869,387	12,306	15,961
Private	13,102,411	49,811,048	365,330	365,330	365,330	365,330
	805,998,258	763,238,541	4,360,351	4,234,717	377,636	381,291



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

	Gross advances		Non-performing advances		Provision held	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019

Rupees in '000

## 43.1.3 Advances

### Credit risk by industry sector

Agriculture, Forestry and Hunting	84,694,483	79,583,981	633,891	654,964	580,929	511,318
Basic metals (iron, steel)	5,182,450	5,243,108	426,200	413,828	416,364	214,278
Cement, clay and ceramics	21,328,282	19,359,961	72,089	74,089	72,089	74,089
Chemical and pharmaceutical	25,228,172	25,230,941	380,438	372,744	380,438	372,744
Construction	7,406,481	6,701,913	156,783	190,283	156,783	176,038
Education	341,272	130,146	123	123	123	123
Financial	34,432,016	31,875,767	51,254	56,154	51,254	56,154
Footwear and leather garments	4,088,083	2,823,053	107,050	111,740	107,050	106,841
Furniture and sports goods	2,195,714	1,978,284	180,809	265,984	180,809	265,984
Grains, food and beverages	13,946,988	10,952,503	2,031,510	1,853,302	1,969,975	1,853,302
Health and social welfare	677,930	27,029	1,879	2,688	1,879	2,688
Hotel, restaurant and clubs	7,120	7,120	7,120	7,564	7,120	7,564
Individuals	10,773,868	10,095,807	356,814	368,240	346,586	337,085
Machinery and equipment	2,035,009	5,790,537	10,321	1,097,134	10,321	1,097,134
Manufacture of transport equipment	1,334,035	2,176,982	139,322	139,822	139,322	139,822
Paper and paper boards	8,299,420	7,046,681	208,134	208,574	208,134	208,574
Petroleum products	10,829,532	3,934,730	16,246	176,351	13,934	94,073
Power, gas, water and sanitary	139,165,794	156,149,658	-	637,015	-	637,015
Printing, publishing and allied	431,699	206,458	10,056	10,056	10,056	10,056
Real estate, renting, and business activities	8,905,436	8,331,917	-	-	-	-
Rubber and plastic	354,959	288,680	215,563	230,563	215,563	230,563
Sugar	7,092,113	6,897,513	45,866	51,066	45,866	51,066
Textile - Manufacture of made up and ready made garments	35,591,391	30,431,729	2,975,300	3,002,600	2,937,800	3,002,601
Textile - Finishing	17,322,221	15,189,368	2,819,937	2,872,372	2,819,938	2,872,372
Textile - Spinning	20,349,866	18,024,943	1,240,095	1,261,119	1,240,095	1,157,244
Textile - Weaving	3,480,392	3,210,115	457,029	38,482	246,691	38,482
Transport, storage and communication	16,343,070	16,154,933	111,434	126,459	42,790	46,546
Wholesale and retail trade	7,532,677	9,199,116	796,424	967,415	778,290	885,681
Others	20,873,348	23,161,014	708,972	663,187	652,330	663,187
	510,243,821	500,203,987	14,160,659	15,853,918	13,632,529	15,112,624

### Credit risk by public / private sector

Public/ Government	217,105,175	204,243,892	134,330	134,430	134,330	134,430
Private	293,138,646	295,960,095	14,026,329	15,719,488	13,498,199	14,978,194
	510,243,821	500,203,987	14,160,659	15,853,918	13,632,529	15,112,624

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

	December 31, 2020	December 31, 2019
	Rupees in '000	
<b>43.1.4 Contingencies and Commitments</b>		
<b>Credit risk by industry sector</b>		
Agriculture, Forestry and Hunting	662,389	517,460
Basic metals (iron, steel)	3,782,399	2,865,799
Cement/clay and ceramics	4,763,917	3,578,271
Chemical and pharmaceutical	3,322,475	2,844,113
Construction	6,576,197	3,942,101
Education	112,070	61,193
Financial	224,962,287	367,806,904
Footwear and leather garments	381,473	341,512
Furniture and sports goods	36,860	112,737
Grains, food and beverages	1,166,655	1,055,823
Health and social welfare	318,214	337,057
Hotel, restaurant and clubs	960	960
Individuals	6,133,001	7,391,727
Machinery and equipment	24,615,744	16,099,059
Manufacture of transport equipment	1,332,343	188,471
Paper and paper boards	923,951	626,468
Petroleum products	18,510,153	23,298,418
Power, gas, water and sanitary	15,806,650	12,693,725
Printing, publishing and allied	168,415	67,631
Rubber and plastic	2,348,868	35,037
Sugar	56,147	59,430
Textile - Manufacture of madeup and ready made garments	1,084,714	227,892
Textile - Finishing	7,247,609	4,891,277
Textile - Spinning	1,702,452	1,368,295
Textile - Weaving	5,227,105	1,618,571
Transport, storage and communication	2,725,212	3,015,015
Wholesale and retail trade	9,332,606	342,676
Others	6,279,087	10,194,094
	<b>349,579,953</b>	<b>465,581,716</b>
<b>Credit risk by public / private sector</b>		
Public/ Government	42,926,933	63,282,369
Private	306,653,020	402,299,347
	<b>349,579,953</b>	<b>465,581,716</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

## 43.1.5 Concentration of Advances

The Bank's top 10 exposures on the basis of total (funded and non-funded) exposures aggregating to Rs. 224,082.04 million (2019: Rs. 222,105.62 million) are as following:

	December 31, 2020	December 31, 2019
Rupees in '000		
Funded	179,022,993	191,393,656
Non Funded	45,059,043	30,711,963
Total Exposure	224,082,036	222,105,619

The sanctioned limits against these top 10 exposures aggregated to Rs. 277,083.62 million (2019: Rs. 265,900.73 million).

## 43.1.6 Advances – Province/Region-wise Disbursement & Utilization

Province/Region	During the year ended December 31, 2020						
	Disbursements			Utilization			
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit- Baltistan	
Rupees in '000							
Punjab	603,090,028	575,697,105	22,421,239	4,742,435	12,921	176,246	40,082
Sindh	898,582,543	90,868,553	796,530,607	6,755,641	4,407,718	18,626	1,398
Khyber Pakhtunkhwa including FATA	946,677	-	-	946,677	-	-	-
Balochistan	977,341	-	-	977,341	-	-	-
Islamabad	77,206,114	38,413,782	5,820	-	-	38,786,512	-
Azad Jammu and Kashmir including Gilgit-Baltistan	647,205	-	-	-	-	-	647,205
Total	1,581,449,908	704,979,440	818,957,666	12,444,753	5,397,980	38,981,384	688,685

Province/Region	During the year ended December 31, 2019						
	Disbursements			Utilization			
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit- Baltistan	
Rupees in '000							
Punjab	691,256,822	683,293,584	4,672,048	3,172,039	3,810	104,071	11,270
Sindh	1,110,838,731	74,993,563	1,034,704,724	35,148	9,290	1,075,242	20,764
Khyber Pakhtunkhwa including FATA	1,621,529	243,216	-	1,378,313	-	-	-
Balochistan	618,127	-	-	618,127	-	-	-
Islamabad	16,733,824	-	-	-	-	16,733,824	-
Azad Jammu and Kashmir including Gilgit-Baltistan	881,289	-	-	-	-	-	881,289
Total	1,821,950,322	758,530,363	1,039,376,772	4,585,500	631,227	17,913,137	913,323

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

## 43.2 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 and the relevant management committees.

The Group 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 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 Bank uses Standardized Approach in determining credit risk, market risk and operational risk exposures in the capital adequacy calculation. In Market risk exposures, 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.

### 43.2.1 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 Bank'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, 2020

## 43.2.2 Balance sheet split by trading and banking books

	December 31, 2020			December 31, 2019		
	Banking book	Trading book	Total	Banking book	Trading book	Total
Rupees in '000						
Cash and balances with treasury banks	128,388,721	-	128,388,721	119,935,126	-	119,935,126
Balances with other banks	7,236,502	-	7,236,502	602,582	-	602,582
Lendings to financial institutions	17,996,123	-	17,996,123	13,606,921	-	13,606,921
Investments	813,713,251	17,991,246	831,704,497	720,986,859	38,667,568	759,654,427
Advances	496,501,833	-	496,501,833	485,051,568	-	485,051,568
Fixed assets	73,652,141	-	73,652,141	62,240,062	-	62,240,062
Intangible assets	2,722,951	-	2,722,951	1,975,898	-	1,975,898
Deferred tax assets	-	-	-	-	-	-
Other assets	34,887,487	-	34,887,487	40,316,857	-	40,316,857
	1,575,099,009	17,991,246	1,593,090,255	1,444,715,873	38,667,568	1,483,383,441

## 43.2.3 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 Dollars 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, 2020				December 31, 2019			
	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	1,534,671,398	1,344,104,730	(56,271,575)	134,295,093	1,425,151,241	1,227,922,341	(80,271,378)	116,957,522
United States Dollar	57,531,093	105,927,822	47,812,442	(584,287)	56,981,096	130,223,325	73,575,765	333,536
Great Britain Pound Sterling	320,386	5,282,279	4,967,145	5,252	892,579	4,561,262	3,611,463	(57,220)
Japanese Yen	(7,063)	1,203	9,299	1,033	14,613	1,110	(22,808)	(9,305)
Euro	428,987	3,999,336	3,581,242	10,893	310,246	3,435,978	3,105,506	(20,226)
Other currencies	145,454	5,599	(98,553)	41,302	33,666	27,871	1,452	7,247
	58,418,857	115,216,239	56,271,575	(625,807)	58,232,200	138,249,546	80,271,378	254,032
	1,593,090,255	1,459,320,969	-	133,769,286	1,483,383,441	1,366,171,887	-	117,211,554

	December 31, 2020		December 31, 2019	
	Banking book	Trading book	Banking book	Trading book
Rupees in '000				
After tax Impact of 1% change in foreign exchange rates on:				
- Profit and loss account	-	(3,418)	-	(1,651)
- Other comprehensive income	-	-	-	-
		(3,418)		(1,651)

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

## 43.2.4 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, 2020		December 31, 2019	
	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	(214,326)	(584,715)	(517,536)	(539,564)

## 43.2.5 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 Group’s capital and earnings, arising from movements in interest rates and rates of return. The Group 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 Group’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 and 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, Group 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, 2020		December 31, 2019	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
After tax Impact of increase in interest rates by 1%				
– Profit and loss account	-	-	-	(153,019)
– Other comprehensive income	(4,908,511)	-	(2,014,326)	-

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

## 43.2.6 Mismatch of Interest Rate Sensitive Assets and Liabilities

		December 31, 2020										Non-interest bearing financial instruments	
		Exposed to Yield/ Interest risk											
Effective Yield/ Interest rate	Total	Over 1 Upto 1	Over 1 Over 1	Over 1 Over 1	Over 1 Over 1	Over 1 Over 1	Over 1 Over 1	Over 1 Over 1	Over 1 Over 1	Over 1 Over 1	Over 1 Over 1	Above 10 Years	
		Month	to 3 Months	to 6 Months	to 1 Year	to 2 Years	to 3 Years	to 5 Years	to 10 Years	to 10 Years	to 10 Years		
		Rupees in '000											
<b>On-balance sheet financial instruments</b>													
<b>Assets</b>													
	128,388,721	9,525,239	-	-	-	-	-	-	-	-	-	-	118,863,482
Cash and balances with treasury banks	7,236,502	-	-	-	-	-	-	-	-	-	-	-	7,236,502
Balances with other banks	17,996,123	17,996,123	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	831,704,497	54,050,903	330,395,827	140,016,031	106,561,554	91,313,665	7,363,549	66,723,872	18,334,582	18,334,582	-	-	26,944,514
Investments	496,501,833	196,026,397	114,916,864	88,598,704	37,863,327	18,904,507	1,354,729	6,041,336	20,765,372	6,460,172	-	-	5,570,425
Advances	32,945,642	-	-	-	-	-	-	-	-	-	-	-	32,945,642
Other assets	1,514,773,318	277,598,662	445,312,691	228,614,735	144,424,881	110,218,172	8,718,278	62,765,208	39,099,954	6,460,172	-	-	191,560,565
<b>Liabilities</b>													
	9,622,020	-	-	-	-	-	-	-	-	-	-	-	9,622,020
Bills payable	193,928,086	108,894,707	32,409,509	7,580,131	106,025	17,587,637	670,935	3,868,238	20,739,092	2,081,812	-	-	-
Borrowings	1,216,668,247	142,128,416	298,890,973	351,899,316	66,814,833	33,267,651	618,665	1,717,021	438,436	-	-	-	320,882,936
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	34,554,202	-	-	-	-	-	-	-	-	-	-	-	34,554,202
	1,454,772,555	251,023,123	331,300,482	359,479,447	66,920,858	50,855,288	1,289,600	5,575,259	21,177,528	2,081,812	-	-	365,069,158
<b>On-balance sheet gap</b>	60,000,763	26,575,539	114,012,209	130,864,712	77,504,023	59,362,884	7,428,678	57,189,949	17,922,426	4,378,360	-	-	(173,508,593)
<b>Off-balance sheet financial instruments</b>													
Documentary credits and short-term trade-related transactions	120,264,318	10,617,782	15,251,620	56,215,695	20,930,779	13,137,720	2,682,342	204,799	290	1,223,291	-	-	-
Commitments in respect of purchase of:													
- forward foreign exchange contracts	136,626,044	48,753,614	40,244,675	47,549,541	78,214	-	-	-	-	-	-	-	-
- forward government securities transactions	-	-	-	-	-	-	-	-	-	-	-	-	-
- derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-
- forward lending	-	-	-	-	-	-	-	-	-	-	-	-	-
	136,626,044	48,753,614	40,244,675	47,549,541	78,214	-	-	-	-	-	-	-	-
Commitments in respect of sale of:													
- forward foreign exchange contracts	79,421,050	36,254,455	28,818,504	12,676,904	1,671,187	-	-	-	-	-	-	-	-
- forward government securities transactions	-	-	-	-	-	-	-	-	-	-	-	-	-
- derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-
- forward lending	-	-	-	-	-	-	-	-	-	-	-	-	-
	79,421,050	36,254,455	28,818,504	12,676,904	1,671,187	-	-	-	-	-	-	-	-
Other commitments	28,353,965	6,971,564	8,082,241	5,279,466	7,818,250	44,909	44,909	89,817	22,809	-	-	-	-
<b>Off-balance sheet gap</b>	205,823,277	30,088,505	34,760,032	96,367,798	27,156,056	13,182,629	2,727,251	294,616	23,099	1,223,291	-	-	-
<b>Total Yield/Interest Risk Sensitivity Gap</b>	265,824,040	56,664,044	148,772,241	(34,496,914)	104,660,079	72,545,513	10,155,929	57,484,565	17,945,525	5,601,661	-	-	(173,508,593)
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>	265,824,040	56,664,044	205,436,285	170,939,371	275,599,450	348,144,963	358,300,892	415,785,457	433,730,982	439,332,633	-	-	-

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

December 31, 2019												
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>												
	119,935,126	16,509,764	-	-	-	-	-	-	-	-	-	103,425,362
Cash and balances with treasury banks	602,582	-	-	-	-	-	-	-	-	-	-	602,582
Balances with other banks	13,606,921	9,902,779	3,704,142	-	-	-	-	-	-	-	-	-
Lending to financial institutions	759,654,427	273,486,166	299,087,158	55,989,298	58,286,547	9,452,969	10,765,765	7,091,383	-	-	-	34,223,580
Investments	485,051,568	199,724,882	133,195,835	24,414,511	548,136	1,168,105	5,108,162	18,140,328	4,778,872	-	-	2,263,076
Advances	36,518,167	-	-	-	-	-	-	-	-	-	-	36,518,167
Other assets	1,414,368,791	499,623,591	435,987,135	106,981,222	58,834,683	10,621,074	15,873,927	25,231,711	4,778,872	-	-	176,032,767
	7,878,626	-	-	-	-	-	-	-	-	-	-	7,878,626
<b>Liabilities</b>	266,448,386	17,002,396	7,539,422	140,611	400,733	199,152	3,137,791	17,974,334	-	-	-	-
Bills payable	1,049,018,804	125,011,712	235,893,774	312,174,543	42,431,719	14,219,030	1,965,574	370,974	-	-	-	315,216,519
Borrowings	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	36,569,513	-	-	-	-	-	-	-	-	-	-	36,569,513
	1,359,905,329	345,065,659	252,896,170	319,713,965	42,572,330	2,164,726	4,872,750	18,345,308	-	-	-	359,654,668
<b>On-balance sheet gap</b>	54,463,462	154,557,932	183,090,965	(212,732,743)	37,831,479	44,214,920	8,456,348	11,001,177	6,886,403	4,778,872	(183,621,891)	-
<b>Off-balance sheet financial instruments</b>												
Documentary credits and short-term trade-related transactions	92,700,647	10,620,023	19,877,017	37,388,266	10,648,056	12,520,902	577,593	-	872,762	-	-	-
Commitments in respect of purchase of:	220,381,401	71,170,538	59,117,691	85,699,466	4,393,706	-	-	-	-	-	-	-
- forward foreign exchange contracts	464,217	464,217	-	-	-	-	-	-	-	-	-	-
- forward government securities transactions	-	-	-	-	-	-	-	-	-	-	-	-
- derivatives	-	-	-	-	-	-	-	-	-	-	-	-
- forward lending	-	-	-	-	-	-	-	-	-	-	-	-
	220,845,618	71,634,755	59,117,691	85,699,466	4,393,706	-	-	-	-	-	-	-
Commitments in respect of sale of:	138,500,517	46,693,645	38,926,182	52,880,690	-	-	-	-	-	-	-	-
- forward foreign exchange contracts	49,721	49,721	-	-	-	-	-	-	-	-	-	-
- forward government securities transactions	-	-	-	-	-	-	-	-	-	-	-	-
- derivatives	-	-	-	-	-	-	-	-	-	-	-	-
- forward lending	-	-	-	-	-	-	-	-	-	-	-	-
	138,550,238	46,743,366	38,926,182	52,880,690	-	-	-	-	-	-	-	-
Other commitments	38,311,885	16,914,205	5,340,939	8,850,528	7,206,213	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>	213,307,912	52,425,617	45,409,465	79,057,570	22,247,975	12,520,902	577,593	196,028	-	872,762	-	-
<b>Total Yield/Interest Risk Sensitivity Gap</b>	267,771,374	206,983,549	228,500,430	(133,675,173)	60,079,454	56,735,822	9,033,941	11,197,205	6,886,403	5,651,634	(183,621,891)	-
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>	267,771,374	206,983,549	435,483,979	301,808,806	361,888,260	418,624,082	427,658,023	438,855,228	445,741,631	451,393,266	-	-



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

Reconciliation to total assets	December 31, 2020	December 31, 2019	Reconciliation to total liabilities	December 31, 2020	December 31, 2019
	(Rupees in '000)	(Rupees in '000)		(Rupees in '000)	(Rupees in '000)
Balance as per balance sheet	1,593,090,255	1,483,383,441	Balance as per balance sheet	1,459,320,969	1,366,171,887
<b>Less: Non financial assets</b>			<b>Less: Non financial liabilities</b>		
Fixed assets	76,375,092	64,215,960	Deferred tax liabilities	3,978,448	5,912,375
Other assets	1,941,845	4,798,690	Other liabilities	569,966	354,183
	78,316,937	69,014,650		4,548,414	6,266,558
<b>Total financial assets</b>	<b>1,514,773,318</b>	<b>1,414,368,791</b>	<b>Total financial liabilities</b>	<b>1,454,772,555</b>	<b>1,359,905,329</b>

## 43.3 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 Board of Directors approved Operational Risk Management Policy, 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.

Further, Operational Losses are being collected through workflow based system and a database of operational losses is being maintained, in conformance with regulatory guidelines. 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 & Board of Directors.

The Group has a Board of Directors 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 readiness of the Group to move to advance approach.

The Management of the Group is closely monitoring the situation of COVID-19 and taking prompt decisions to ensure the uninterrupted services to the customers.

Business Continuity Plans (BCP) for all critical processes is already in place and are being tested on regular basis. However, during pandemic, the Group has significantly enhanced monitoring of risk related to business continuity and disruption. The Group recognizes that pandemic can cause varying degrees of disruption to normal business processes and that it has the responsibility to its customers to continue critical operations during this event. The Group's goal is to meet this obligation with no or minimal interruption, given the circumstances and scope of disruptive event.

## 43.4 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 Group'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 Group's liquid assets. The Group 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 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.

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 Ratio
- Liquidity Stress Testing
- Liquidity Contingency Plan
- Risk Control Limits (RCLs)

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

## 43.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Group

		December 31, 2020													
		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 Groups	128,388,721	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other Groups	7,236,502	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	17,996,123	17,041,688	-	954,435	-	-	-	-	-	-	-	-	-	-	-
Investments - net	831,704,497	26,944,514	18,023,012	1,464,299	108,877,066	142,921,529	85,065,795	101,364,030	51,902,232	91,387,360	60,734,498	137,822,638	-	-	-
Advances - net	496,501,833	62,021,336	148,450	9,982,833	13,404,291	29,856,460	31,259,590	13,820,599	46,936,234	115,327,695	70,065,105	37,096,809	-	-	-
Fixed assets	73,652,141	17,179	103,076	120,256	292,050	532,561	1,597,681	1,597,682	3,442,931	3,389,111	3,303,700	57,125,670	-	-	-
Intangible assets	2,722,951	1,044	6,257	7,300	17,729	32,330	96,989	96,989	387,957	387,957	775,915	783,163	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets - net	34,887,487	551,111	3,306,668	4,210,867	9,368,894	2,751,646	3,375,752	868,014	765,958	215,780	206,035	1,674,218	2,958,546	-	-
	1,593,090,255	225,160,407	20,606,139	23,406,836	22,090,240	125,597,894	177,976,879	121,394,807	117,747,314	122,985,850	160,983,058	102,821,569	136,543,436	235,785,826	-
<b>Liabilities</b>															
Bills payable	9,622,020	9,622,020	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	183,928,086	-	99,011,365	1,312,675	6,570,667	4,296,464	26,514,701	7,580,131	1,598,667	105,702	17,587,637	670,935	3,858,238	22,820,904	-
Deposits and other accounts	1,216,668,247	1,061,500,928	3,822,665	941,152	25,528,732	25,478,832	30,922,101	28,274,101	16,290,357	19,196,040	1,939,217	618,665	1,717,021	438,436	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	3,978,448	1,070	6,421	7,491	4,892	48,084	81,912	186,872	66,341	45,825	411,401	293,757	293,584	2,530,798	-
Other liabilities	35,124,168	503,021	3,018,124	3,521,145	8,997,722	899,546	1,243,551	1,643,108	1,170,263	1,120,408	2,133,065	1,585,138	2,654,022	6,635,055	-
	1,459,320,969	1,071,627,039	105,858,575	5,782,463	43,102,013	30,722,926	58,762,265	37,684,212	19,125,628	20,467,975	22,071,320	3,168,495	8,522,865	32,425,193	-
<b>Net assets</b>	<b>133,769,286</b>	<b>(846,466,632)</b>	<b>(85,252,436)</b>	<b>17,624,373</b>	<b>(21,021,773)</b>	<b>119,214,614</b>	<b>94,874,968</b>	<b>83,710,595</b>	<b>98,621,686</b>	<b>102,517,875</b>	<b>136,911,738</b>	<b>99,653,074</b>	<b>126,020,571</b>	<b>203,360,633</b>	-
Share capital	11,450,739	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	24,277,184	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	69,203,702	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	28,637,661	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	133,769,286	-	-	-	-	-	-	-	-	-	-	-	-	-	-

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

December 31, 2019														
	Total	Upto 1 Day	Upto 7 Days	Upto 14 Days	Upto 1 Month	Upto 2 Months	Upto 3 Months	Upto 6 Months	Over 6 Months 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 Groups	119,935,126	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other Groups	602,582	602,582	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	13,606,921	-	3,425,999	5,065,760	1,411,020	3,704,142	-	-	-	-	-	-	-	-
Investments – net	759,654,427	34,223,580	178,403,209	-	79,249,756	139,548,347	91,671,218	867,746	55,989,298	-	59,246,823	10,175,613	13,925,985	96,352,852
Advances – net	485,051,568	79,659,983	547,774	1,187,531	13,862,657	7,893,474	16,933,799	36,596,571	53,828,814	86,286,196	47,305,243	48,805,745	60,437,040	31,726,741
Fixed assets	62,240,062	17,185	103,109	120,294	292,141	532,729	532,729	1,598,188	1,598,188	1,598,188	3,352,692	3,306,222	3,033,557	46,154,840
Intangible assets	1,975,898	756	4,535	5,291	12,650	23,432	23,432	70,295	70,295	70,295	281,180	281,180	562,361	569,996
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets – net	40,316,857	596,785	3,580,707	4,177,482	10,550,946	4,005,541	2,554,371	3,964,817	1,404,106	1,194,215	642,806	640,952	2,762,041	4,242,178
	1,463,383,441	235,035,997	186,065,333	10,556,368	105,379,270	155,707,665	111,715,549	43,097,617	112,890,701	88,128,694	110,828,744	63,209,712	80,720,984	179,046,607
<b>Liabilities</b>														
Bills payable	7,878,626	7,878,626	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	266,448,386	2,071	198,180,537	1,284,249	15,167,424	5,174,127	11,828,269	12,959,088	6,219	134,392	400,733	199,152	3,137,791	17,974,334
Deposits and other accounts	1,049,018,804	868,560,834	12,905,548	9,854,157	20,969,037	25,220,982	30,861,262	46,929,499	9,073,189	19,856,144	7,16,644	1,965,574	1,734,959	370,975
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities – net	5,912,375	38,451	230,705	269,156	667,731	591,039	328,947	75,154	362,893	62,071	491,239	231,376	218,208	2,355,305
Other liabilities	36,913,696	551,860	3,311,162	3,863,023	9,793,258	2,007,265	975,964	1,479,030	1,096,849	1,061,118	2,016,077	1,539,754	2,633,810	6,584,526
	1,366,171,887	877,031,842	214,627,952	15,270,585	46,597,450	32,983,413	43,994,442	61,442,771	10,539,250	21,113,725	3,624,693	3,935,856	7,724,768	27,285,140
<b>Net assets</b>	117,211,554	(641,995,845)	(28,562,619)	(4,714,217)	58,781,820	122,724,252	67,721,107	(18,345,154)	102,351,451	66,016,169	107,204,051	59,273,856	72,996,216	151,761,467
Share capital	11,450,739													
Reserves	22,270,225													
Unappropriated profit	57,681,932													
Surplus on revaluation of assets net of tax	25,808,658													
	117,211,554													

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

## 43.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

		December 31, 2020									
		Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
		Rupees in '000									
<b>Assets</b>											
Cash and balances with treasury banks	128,388,721	38,967,516	12,625,840	6,280,157	5,691,302	3,431,358	3,348,408	-	-	-	58,064,140
Balances with other banks	7,236,502	7,236,502	-	-	-	-	-	-	-	-	-
Lending to financial institutions	17,996,123	17,996,123	-	-	-	-	-	-	-	-	-
Investments - net	831,704,497	20,057,311	251,798,595	85,065,795	106,561,554	100,382,983	60,897,856	60,734,498	144,791,257	1,414,649	
Advances - net	496,501,833	18,620,366	44,724,296	33,182,673	131,634,773	81,783,545	63,170,750	86,289,621	25,891,418	11,204,391	
Fixed assets	73,652,141	532,561	1,065,122	1,597,681	3,195,365	3,442,931	3,388,111	3,303,700	4,598,711	52,525,959	
Intangible assets	2,722,951	32,330	64,661	96,989	193,979	387,957	387,957	775,915	783,163	-	
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	
Other assets - net	34,887,487	17,437,540	7,385,644	3,375,752	1,633,972	215,780	206,035	1,674,218	2,958,546	-	
	1,593,090,255	120,880,249	317,664,158	129,579,047	248,910,945	189,644,554	131,400,117	152,777,952	179,024,095	123,209,139	
<b>Liabilities</b>											
Bills payable	9,622,020	9,622,020	-	-	-	-	-	-	-	-	-
Borrowings	193,928,086	108,894,707	30,811,165	7,580,131	1,704,369	17,587,637	670,935	3,858,238	20,739,092	2,081,812	
Deposits and other accounts	1,216,668,247	142,128,416	198,255,167	98,299,093	89,366,732	55,819,549	53,196,489	1,717,021	438,436	577,447,344	
Subordinated debt	-	-	-	-	-	-	-	-	-	-	
Deferred tax liabilities - net	3,978,448	19,874	129,996	186,872	112,166	411,401	293,757	283,584	613,297	1,917,501	
Other liabilities	35,124,168	16,040,012	2,143,097	1,643,108	2,290,671	2,133,065	1,585,138	2,654,022	6,635,055	-	
	1,459,320,969	276,705,029	231,339,425	107,709,204	93,473,938	75,951,652	55,746,319	8,522,865	28,425,880	581,446,657	
<b>Net assets</b>	<b>133,769,286</b>	<b>(155,824,780)</b>	<b>86,324,733</b>	<b>21,869,843</b>	<b>155,437,007</b>	<b>113,692,902</b>	<b>75,653,798</b>	<b>144,255,087</b>	<b>150,598,215</b>	<b>(458,237,518)</b>	
Share capital	11,450,739	-	-	-	-	-	-	-	-	-	
Reserves	24,277,184	-	-	-	-	-	-	-	-	-	
Unappropriated profit	69,203,702	-	-	-	-	-	-	-	-	-	
Surplus on revaluation of assets net of tax	28,837,661	-	-	-	-	-	-	-	-	-	
	133,769,286	-	-	-	-	-	-	-	-	-	

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

December 31, 2019										
	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	119,935,126	33,818,371	10,456,036	6,768,479	4,526,963	2,496,978	2,774,287	-	-	59,094,012
Balances with other banks	602,582	602,582	-	-	-	-	-	-	-	-
Lending to financial institutions	13,606,921	9,902,779	3,704,142	-	-	-	-	-	-	-
Investments – net	759,654,427	259,295,601	231,219,565	867,746	55,989,298	68,646,525	19,575,316	13,925,986	108,719,391	1,415,000
Advances – net	485,051,568	25,925,953	27,701,487	39,002,766	142,911,817	67,716,835	69,217,337	80,848,632	26,990,835	4,735,906
Fixed assets	62,240,062	532,729	1,065,458	1,598,188	3,196,376	3,352,692	3,306,222	3,033,557	4,010,781	42,144,059
Intangible assets	1,975,898	23,432	46,864	70,295	140,590	281,180	281,180	562,361	569,996	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets – net	40,316,857	18,905,830	6,559,912	3,964,817	2,598,321	642,806	640,952	2,762,041	4,242,178	-
	1,483,383,441	349,007,277	280,753,464	52,272,291	209,363,365	143,137,016	95,795,294	101,132,576	144,533,181	107,388,977
<b>Liabilities</b>										
Billis payable	7,878,626	7,878,626	-	-	-	-	-	-	-	-
Borrowings	266,448,386	214,634,281	17,002,396	12,959,088	140,611	400,733	199,152	3,137,791	17,974,334	-
Deposits and other accounts	1,049,018,804	125,011,712	149,008,992	96,457,612	64,513,767	36,301,078	41,501,940	1,734,959	370,974	534,117,770
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities – net	5,912,375	1,206,043	909,986	75,154	425,064	491,239	231,376	218,208	746,915	1,608,390
Other liabilities	36,913,696	17,519,303	2,983,229	1,479,030	2,157,967	2,016,077	1,539,754	2,633,810	6,584,526	-
	1,366,171,887	366,249,965	169,904,603	110,970,884	67,237,409	39,209,127	43,472,222	7,724,768	25,676,749	535,726,160
<b>Net assets</b>	117,211,554	(17,242,688)	110,848,861	(58,698,593)	142,125,956	103,927,889	52,323,072	93,407,808	118,856,432	(428,337,183)
Share capital	11,450,739									
Reserves	22,270,225									
Unappropriated profit	57,681,932									
Surplus on revaluation of assets net of tax	25,808,658									
	117,211,554									

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2020

## 43.5 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 Group 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 Group's Risk Management Group, ALCO and BRMC monitor the derivative risk and utilize Off-Balance Sheet gap analysis to implement prudent asset liability management of the Group's derivative exposure.

## 44 NON ADJUSTING EVENT AFTER THE REPORTING DATE

- 44.1 The Board of Directors of the Bank in its meeting held on February 17, 2021 has proposed a final cash dividend in respect of 2020 of Rs. 6.00 per share (2019: cash dividend Rs. 2.00 per share). This appropriation will be approved in the forthcoming Annual General Meeting. The consolidated financial statements of the Group for the year ended December 31, 2020 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2021.

## 45 GENERAL

- 45.1 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- 45.2 Corresponding figures have been rearranged or reclassified where considered necessary, for the purpose of better presentation. However, no material restatements have been made.

## 46 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 17, 2021 by the Board of Directors of the Bank.

Mehmud ul Hassan  
Chief Financial Officer

Aizid Razzaq Gill  
President and Chief Executive

Nazrat Bashir  
Director

Dr. Muhammad Akram Sheikh  
Director

Mohammad Naeem Mukhtar  
Chairman

# Pattern of Shareholding

as at December 31, 2020

Information for annual financial statements as on December 31, 2020.

## 1 Issued, Subscribed and Paid-up Capital

Ordinary Shares	As on December 31, 2020		As on December 31, 2019	
	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 Held
Ibrahim Holdings (Pvt.) Ltd.	972,510,410	84.9299
Total	972,510,410	84.9299

No. of Shareholders	Shareholdings' Slab			Total Shares Held
	From		To	
6130	1	to	100	235,508
9092	101	to	500	2,533,100
1131	501	to	1000	828,964
2083	1001	to	5000	4,458,582
392	5001	to	10000	2,892,901
273	10001	to	25000	4,423,557
93	25001	to	50000	3,314,375
43	50001	to	100000	3,205,776
28	100001	to	200000	3,920,781
18	200001	to	500000	5,910,290
10	500001	to	1000000	8,377,251
9	1000001	to	2000000	12,212,915
4	2000001	to	3000000	11,219,147
3	3000001	to	5000000	13,529,226
4	5000001	to	10000000	29,964,804
2	10000001	to	50000000	65,536,243
1	50000001	and	Above	972,510,410
<b>19,316</b>				<b>1,145,073,830</b>

## Categories of Shareholders

as at December 31, 2020

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
MUHAMMAD WASEEM MUKHTAR	1	2,500	0.0002
SHEIKH MUKHTAR AHMAD	1	2,500	0.0002
ABDUL AZIZ KHAN	1	26,620	0.0023
ZAFAR IQBAL	1	2,500	0.0002
DR. MUHAMMAD AKRAM SHEIKH	1	2,500	0.0002
NAZRAT BASHIR	1	100	0.0000
<b>SUB-TOTAL</b>	<b>7</b>	<b>39,220</b>	<b>0.0034</b>
<b>PARENT, ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</b>			
TRUSTEES OF ABL EMPLOYEES SUPERANNUATION (PENSION) FUND A/C	1	34,536,243	3.0161
IBRAHIM HOLDINGS (PRIVATE) LIMITED	1	972,510,410	84.9299
<b>SUB-TOTAL</b>	<b>2</b>	<b>1,007,046,653</b>	<b>87.9460</b>
<b>EXECUTIVES*</b>	<b>1</b>	<b>10,035</b>	<b>0.0009</b>
<b>EMPLOYEES</b>	<b>471</b>	<b>529,186</b>	<b>0.0462</b>
<b>SUB-TOTAL</b>	<b>472</b>	<b>539,221</b>	<b>0.0471</b>
<b>PUBLIC SECTOR COMPANIES AND CORPORATIONS</b>	<b>11</b>	<b>7,921,975</b>	<b>0.6918</b>
<b>BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARABAS AND PENSION FUNDS</b>			
	<b>35</b>	<b>50,731,891</b>	<b>4.4304</b>
<b>MUTUAL FUNDS</b>			
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1	1,190,600	0.1040
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	40,539	0.0035
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	3,617,726	0.3159
CDC - TRUSTEE NBP STOCK FUND	1	2,908,100	0.2540
CDC - TRUSTEE NBP BALANCED FUND	1	57,800	0.0050
CDC - TRUSTEE ALFALAH GHP STOCK FUND	1	300	0.0000
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1	387	0.0000
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	1,067,614	0.0932
CDC - TRUSTEE ABL STOCK FUND	1	973,400	0.0850
CDC - TRUSTEE NBP SARMAZA IZAFAT FUND	1	37,200	0.0032
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	1	353,000	0.0308
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	1	661,200	0.0577
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	1,230,104	0.1074
CDC - TRUSTEE NBP FINANCIAL SECTOR FUND	1	363,000	0.0317
CDC - TRUSTEE UBL FINANCIAL SECTOR FUND	1	1,341,200	0.1171
CDC - TRUSTEE UBL DEDICATED EQUITY FUND	1	20,174	0.0018
CDC - TRUSTEE ALLIED FINERGY FUND	1	104,000	0.0091
<b>SUB-TOTAL</b>	<b>17</b>	<b>13,966,344</b>	<b>1.2197</b>
<b>GENERAL PUBLIC</b>			
A. LOCAL	18,583	43,250,226	3.7771
B. FOREIGN	7	40,955	0.0036
<b>SUB-TOTAL</b>	<b>18,590</b>	<b>43,291,181</b>	<b>3.7806</b>
<b>FOREIGN COMPANIES</b>	<b>2</b>	<b>6,001</b>	<b>0.0005</b>
<b>OTHERS</b>	<b>180</b>	<b>21,531,344</b>	<b>1.8803</b>
<b>GRAND TOTAL</b>	<b>19,316</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 2020 are as under:

S.NO	NAME	DESIGNATION	SALE	PURCHASE
		NIL		



# NOTICE OF 75th ANNUAL GENERAL MEETING

Notice is hereby given that 75th Annual General Meeting of Allied Bank Limited (the "Bank") will be held on Thursday, March 25, 2021 at 11:00 a.m. at Grand Ball Room 'D', 4th Floor, The Nishat Hotel, (Entrance from Gate No. 07), adjacent to Emporium Mall, Main Abdul Haque Road, Johar Town, Lahore to transact the following business:

## Ordinary Business:

1. To confirm minutes of 74th Annual General Meeting of Allied Bank Limited held on March 25, 2020. Copy of the said minutes is being provided to the shareholders along with the notice.
2. To receive, consider and adopt Annual Audited Financial Statements of the Bank (consolidated and unconsolidated) for the year ended December 31, 2020 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:*

<https://www.abl.com/investor-relations/financials/financial-presentations/>

3. To consider and approve Final Cash Dividend @ 60% (i.e. Rs. 6.00 per share) as recommended by the Board of Directors. This Final Cash Dividend would be in addition to 20% Interim Cash Dividend (i.e. Rs.2.00 per share for the 1st quarter 2020) already paid to the shareholders for the year ended December 31, 2020.
4. To appoint Statutory Auditors of the Bank for the year ending December 31, 2021 and fix their remuneration. The retiring auditors M/s. KPMG Taseer Hadi & Co. Chartered Accountants have completed the maximum period of five years in accordance with the regulation No. 33 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and one year extended term with permission of State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP). However, the Board of Directors with the permission of SBP and SECP has recommended re-appointment of M/s KPMG Taseer Hadi & Co. Chartered Accountants for next term jointly with M/s. EY Ford Rhodes Chartered Accountants and the audit firms will jointly hold office till conclusion of next Annual General Meeting to be held in 2022.

## Other Business:

5. To transact any other business with permission of the Chair.

Date: March 03, 2021  
(Lahore)

By Order of the Board

Muhammad Raffat  
Company Secretary

## NOTES:

- i) All members are entitled to attend and vote at the Meeting.
- ii) 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).

- iii) 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.
- iv) As per guidelines issued by SECP vide its Circular No. 4 of 2021 dated February 15, 2021, the 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), either in-person or through appointed proxies, in addition to physical presence. Those shareholders interested to virtually participate in the meeting are requested to forward their following particulars along with snapshot of valid CNIC (both sides) at least 24 hours before the time of AGM:

- Name
- CNIC Number (Please attach snapshot of valid CNIC)
- Folio Number
- Cell Number
- email Address

On receipt of request, the link/credentials to join the meeting through zoom will be sent to the said shareholders on the given email address or through WhatsApp messages.

- v) Share Transfer Books of the Bank will remain closed from Friday March 19, 2021 to Thursday, March 25, 2021 (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 Thursday, March 18, 2021 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.
- vi) Members are requested to immediately notify changes in their registered addresses, if any, to the Bank's Shares Registrar before start of the book closure period.
- vii) 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 as per the above-mentioned requirements.
- 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 2020:

In compliance with the Section 223(6) of Companies Act 2017, the Bank has transmitted the Annual Report 2020 through e-mail to those shareholders whose e-mail 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 e-mail 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/2018/01/Request-Form-for-Hard-Copy-of-Annual-Audited-Accounts.pdf>

### Payment of Cash Dividend Electronically / Provision of IBAN and CNIC (Mandatory requirement):

As per Companies Act, 2017 and Companies (Distribution of Dividends) Regulation 2017, any dividend payable in cash by a listed company shall ONLY be paid through electronic mode directly into the bank account of the entitled shareholder(s) which must be in their own name. In this regard, Allied Bank Limited had already sent letters & Bank Mandate Forms to the shareholders and issued various notices through publication in newspapers requesting the shareholders to comply with the requirement of providing Bank Mandate urgently.

All the shareholders are hereby once again requested to provide the Bank Mandate details including International Bank Account Number (IBAN) immediately along with a copy of valid CNIC, if not provided earlier. In case of non-provision of Bank Mandate & copy of valid CNIC, cash dividend(s) will be withheld according

to SECP directives. For providing the Bank Mandate details to CDC / Share Registrar, the Form placed on Bank's website may be used (Direct link of downloading the form is <https://www.abl.com/src/uploads/2019/08/BMFormAug2019.pdf>).

For meeting the above requirement, CDC shareholders may submit their Bank Mandate details to CDC Investor Account Services or their brokers where shares are placed electronically. In case of physical holding, the shareholders are requested to submit their Bank Mandate details to the Allied Bank's Shares Registrar at the address mentioned above.

### 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 18, 2021 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.

### Unclaimed / Unpaid Dividends and Share Certificates:

As per Section 244 of the Companies Act, 2017 shares / dividends which remain unclaimed or unpaid for a period of three years from the date these have been due and payable to be vested with the Federal Government. In this regard, Allied Bank Limited had already sent individual letters dated 20.09.2017 on the available addresses through Share Registrar requesting therein to claim their shares / dividends within 90-days of the letter. After that, as per SECP directives a final notice was also published in *Daily Business Recorder* and *Daily Nawa-e-Waqt* dated 20.12.2017. In this regard, the detail of unclaimed / undelivered shares and dividends as on December 31, 2020 have been placed on Bank's website (direct link is <https://www.abl.com/investor-relations/shareholder-information/unpaid-dividends/>). All the shareholders of ABL (old and existing) once again requested to visit the Bank's website and if any share / dividend showing unclaimed / undelivered against your name, please lodge your claim with our Share Registrar, CDC Share Registrar Services Limited by sending an application mentioning therein your Folio number, your present address along with a copy of valid CNIC on the address given above.

### Deposit/Conversion of Physical Shares into CDC Account:

As per Section 72 of the Companies Act, 2017 every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of Companies Act 2017 (i.e., May 31, 2017), according to which the deadline is May 31, 2021. The Shareholders having physical shareholding may open CDC Sub-account with any of the brokers or Investor

Account directly with CDC to place their physical shares into scrip less form, this will facilitate them in many ways including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Stock Exchange.

**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 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:

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 \_\_\_\_\_

This notice 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

# Glossary of Financial & Banking Terms

with applicable regulations.

## 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 markup or interest or principal is overdue by 90 days or more from the due date. Non-Performing Loan-Doubtful Category Where markup 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

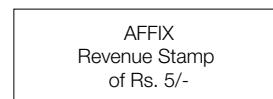
75<sup>th</sup> Annual General Meeting  
Allied Bank Limited

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 No. \_\_\_\_\_ having CNIC \_\_\_\_\_ failing him/her, Mr./Ms. \_\_\_\_\_ Folio No./ CDC No. \_\_\_\_\_  
having CNIC \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy and to attend, act and vote for me/us on my/our behalf at the 75<sup>th</sup> Annual General  
Meeting of the Bank to be held on Thursday, the March 25, 2021 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 \_\_\_\_\_ 2021.

### 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 Passport 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.



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**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 \_\_\_\_\_ اور ایسی ڈی سی شراکت دار آئی ڈی نمبر \_\_\_\_\_ اور اکاؤنٹ / ذیلی اکاؤنٹ نمبر \_\_\_\_\_  
 اور قومی شناختی کارڈ نمبر \_\_\_\_\_ عدم دستیابی کی صورت میں محترم / محترمہ \_\_\_\_\_ فولیو نمبر \_\_\_\_\_ اور ایسی ڈی سی شراکت دار آئی ڈی نمبر \_\_\_\_\_  
 اور اکاؤنٹ / ذیلی اکاؤنٹ نمبر \_\_\_\_\_ اور قومی شناختی کارڈ نمبر \_\_\_\_\_ کو پراکسی مقرر کرتا کرتی  
 کرتے ہیں تاکہ وہ میری جگہ میری / ہماری طرف سے بینک کے 75 ویں سالانہ اجلاس عام جو مورخہ 25 مارچ 2021 بروز جمعرات منعقد ہو رہا ہے میں اور یا اس کے کسی ملتوی 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 \_\_\_\_\_ 2021ء

پانچ روپے کارپوریٹ سٹیپ

دستخط ممبر \_\_\_\_\_  
 دستخط بینک میں رجسٹرڈ نمونے  
 سے مطابقت رکھنے چاہیے۔

دستخط \_\_\_\_\_  
 نام \_\_\_\_\_  
 شناختی کارڈ نمبر \_\_\_\_\_  
 پتہ \_\_\_\_\_  
 گواہ نمبر 2 \_\_\_\_\_  
 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 کئے جانے سے متعلق دستاویز (DOCUMENT) اور پاور آف اٹارنی (POWER OF ATTORNEY) یاد دہی کوئی اور اتھارٹی 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، نیو گارڈن ٹاؤن، لاہور یا میسرز CDC شیئر رجسٹرار سوسل لمیٹڈ، CDC ہاؤس، 99-بی، بلاک، بی، ایس ایم سی ایچ ایس، مین شاہرائے 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 رجسٹرار 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 پتے میں تبدیلی سے متعلق بینک کے شیئر رجسٹرار کو اپر دئیے گئے پتے 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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