

TRANSFORMING FUTURE



2021

ANNUAL REPORT

BANK OF THE YEAR 2021 PAKISTAN

AWARDED BY
“THE BANKER”
THE MOST PRESTIGIOUS BANKING
PUBLICATION IN THE WORLD



*The Banker is a monthly international financial affairs publication of Financial Times group of London U.K since 1926 for last 95 years.





Vision

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

Mission

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

Core Values

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

ABOUT THIS REPORT

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

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

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

- 📖 A limited number of printed reports have been produced to be dispatched to those who have requested for the same.
- 💻 Readers who prefer viewing our report online and on the go can access through <https://www.abl.com/services/downloads/financial-reports/>
- 📀 A soft copy (PDF) version of the report is also available in CD (compact disk) format for those who would like to maintain an easily-portable digital version of the Report.

ADOPTION OF INTERNATIONAL INTEGRATED REPORTING FRAMEWORK

Adoption of International Integrated Reporting Framework assists our readers in assessing our business by providing information about the state of affairs, connection between its financial and non-financial information, overall performance and outlook of the Bank. It fairly addresses the material matters pertaining to sustainability of the Bank and its integrated performance. Integrated report benefits all stakeholders interested in the Bank's ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy makers. Our value creation business model supported by the outputs, outcomes and impacts of various forms of capitals associated with business activities, and how we look forward towards business opportunities, has been explained in this annual report.

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

There are three fundamental concepts underpinning Integrated Reporting;

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

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

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

The Bank has followed the guiding principles of the integrated reporting framework which strengthen the preparation of an integrated report, information content of the report and how this information is presented. These guiding principles include;

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

The Bank's Annual Report covers the period from January 01, 2021 to December 31, 2021 and is consistent with our usual annual reporting cycle for financial and integrated reporting. Subsequent events up to the issuance of this report have also been explained in various sections of the Annual Report.

CONTENTS



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.

Strategy and Resource Allocation

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

Stakeholders Engagement

This section highlights stakeholders engagement activities.

Risk Management

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

06	About Allied Bank
07	Corporate Information
08	Awards and Recognition
10	Network Outreach
12	Board of Directors
16	Chairman's Message
20	CEO's Review
30	Directors' Report
43	Products and Services

52	Strategic Objectives
52	Strategies to achieve Objectives
54	Resource Allocation Plan
55	PESTEL Analysis
57	Strategy to overcome Liquidity Problem
57	Significant Plans and Decisions
58	Our Value Creation Business Model
60	Role of Bank in Value Chain

62	Identification of Stakeholders
62	Summary of Analyst Briefing
62	Redressal of Investors' Complaints
63	Investor Relation Section on Corporate Website
63	Steps to Encourage Minority Shareholders
	Participation in General Meetings
63	Statement of Value Creation
64	Stakeholders Engagement
70	Business at Last Annual General Meeting
70	Financial Calendar

72	Risk Management Framework
72	Risk Management Policies
73	Assessment of the Principal Risks facing the Bank
74	Risk Evaluation and Management Strategies
79	Inadequacy in Capital Structure
79	Initiatives taken in Promoting and Enabling Innovation
79	Competitive Landscape and Market Positioning
79	SWOT Analysis
80	Sensitivity Analysis

Governance

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

Performance and Position

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

Outlook

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

Corporate Social Responsibility

Financial Statements and Other Reports

82	Management Team
85	Corporate Structure
86	Board Committees
88	Our Governance Philosophy
93	Statement on Internal Control
94	Report of Audit Committee
96	Statement of Compliance
97	Independent Auditors' Review Report
98	Shariah Board
99	Report of Shariah Board
104	IT Governance
106	Whistle Blowing Policy
106	Investor Grievance
107	Managing Conflict of Interest
108	Other Policies and Guidelines
111	Remuneration Report
<hr/>	
114	Highlights of 2021
115	Non-Financial Information
116	Analysis of Non-Financial Information
117	Six years Vertical Analysis
118	Six years Horizontal Analysis
119	Statement of Financial Position
122	Profit and Loss Account
124	Financial Ratios
125	Graphical Presentation of Financial Ratios
126	Value Creation for Shareholders
127	Sensitivity Analysis
128	Economic Value Added
129	Cash Flow Statement
131	Other Information
131	CEO's Review on Business Performance
132	Group Reviews
<hr/>	
148	Forward Looking Statement
149	Performance Meeting the Forward Looking Disclosures
149	Status of the Projects
150	Source of Information and Assumptions used for Projections and Forecasts
150	Bank's Response to Critical Challenges and Uncertainties
<hr/>	
152	Corporate Sustainability Report
159	Adoption of International Standards for Corporate Social Responsibility
<hr/>	
161	Unconsolidated Financial Statements
257	Consolidated Financial Statements
343	Pattern of Shareholding
345	Notice of 76th Annual General Meeting
348	Glossary
351	Form of Proxy

ABOUT ALLIED BANK

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

The Bank offers full suite of banking products and services through a large network of 1,429 (Conventional: 1,310; Islamic: 117; Overseas: 1; Export Processing Zone: 1) online branches in over 547 cities and towns. The Bank also have vast network of 1,558 ATMs across the country.

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

Credit Rating

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

Corporate Governance Rating

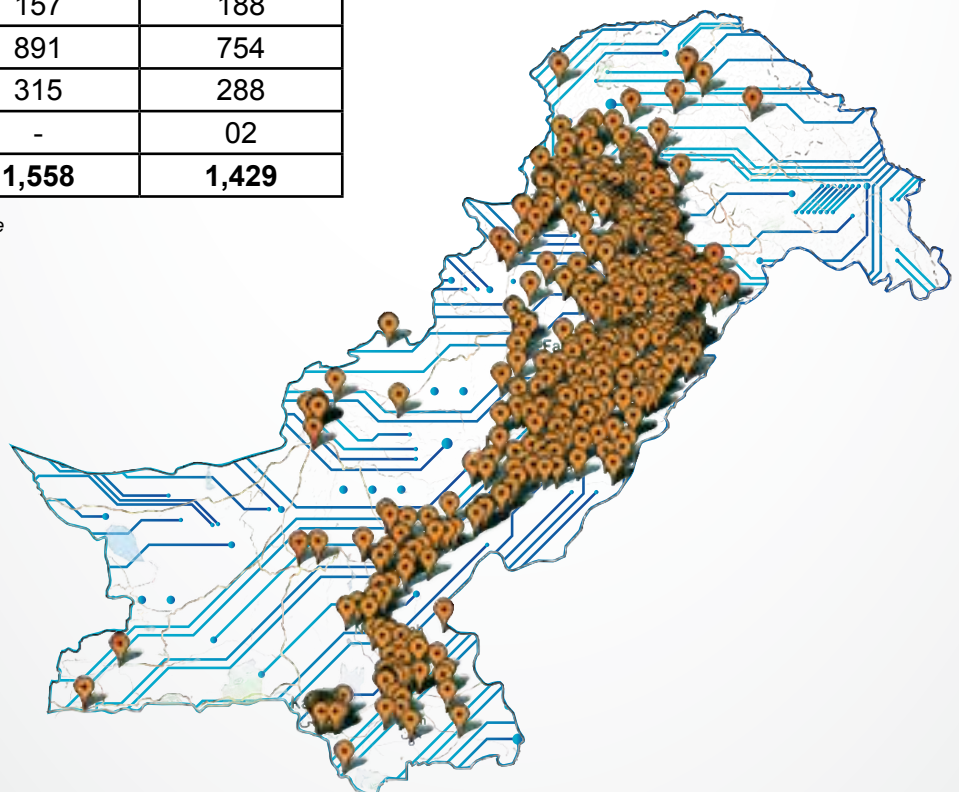
VIS Credit Rating Company Limited (VIS) has upgraded Corporate Governance Rating of Allied Bank Limited (ABL) at "CGR-9++" out of maximum scale of 10. This Corporate Governance Rating of CGR-9++ indicates strong commitment of the Bank towards governance framework.

Province	ATMs	Branches
Azad Kashmir	45	65
Balochistan	41	50
Gilgit Baltistan	09	11
Islamabad	100	71
Khyber Pakhtunkhwa	157	188
Punjab	891	754
Sindh	315	288
Overseas	-	02
Grand Total	1,558	1,429

**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
Zafar Iqbal
Nazrat Bashir
Mubashir A. Akhtar
Aizid Razzaq Gill (Chief Executive Officer)

Shariah Board

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

Chief Financial Officer

Muhammad Atif Mirza

Company Secretary

Adeel Javaid

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

EY Ford Rhodes
Chartered Accountants

Legal Advisor

Mandviwalla & Zafar Advocates

Share Registrar

CDC Share Registrar Services Limited
(CDCSRSL)

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[/user/alliedbankltd](https://youtube.com/user/alliedbankltd)
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AWARDS AND RECOGNITION



Your Bank has been privileged to hold the **Best Progressive Bank** awards by **HR Global Diversity Equality and Inclusion Benchmarks, Corporate Social Responsibility Award** by **Asia Money** and has also been awarded with **Corporate Excellence Award in Commercial Banks Sector** by the **Management Association of Pakistan**.

In addition to this, Your Bank has been acknowledged as **Best Place to Work** in the financial services category consecutively for the second time and amongst Top 10 Large Organization category in a survey conducted by **Engage Consulting and PSHRM** jointly, and also awarded with **JP Morgan USD Clearing Quality Recognition Award** and **ADB TSCFT Awards 2021** under category **Momentum Award - Issuing Bank**.

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



The Bank won the prestigious **'Bank of the Year 2021 - Pakistan'** award for the third time in a decade from **'The Banker'**.

NETWORK OUTREACH





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

BOARD OF DIRECTORS



Sheikh Mukhtar Ahmad



Mohammad Naeem Mukhtar



Nazrat Bashir



Mubashir A. Akhtar



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-six years of experience of Finance and Industrial Manufacturing. He is also a Chief Executive Officer and Director of Ibrahim Fibres Limited, Ibrahim Holdings (Private) Limited. In addition, he is also on the Board of Directors of Ibrahim Agencies (Private) Limited, ABL Asset Management Company Limited, Karachi Education Initiative and Pakistan German Business Forum. He is also a member of the Board of Governors of National Management Foundation, the parent body of Lahore University of Management Sciences (LUMS). He is also representing the Bank at Pakistan Business Council and is Industry Co-Chair Banking Sector of National University of Sciences and Technology (NUST) Corporate Advisory Council as well as Senior Fellow at Global Think Tank Network (GTTN).

Sheikh Mukhtar Ahmad

Non-Executive Sponsor Director

Sheikh Mukhtar Ahmad instituted his business career immediately after migrating from the India at the time of independence of Pakistan in 1947 and has contributed to the industrial and business growth of Pakistan through his entrepreneurship skills and business acumen. He has over sixty 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-four years of diversified experience of Finance, Information Technology and Industry. His strategic guidance has played a vital role in technological up-gradation of the Bank. He is a "Certified Director" from Pakistan Institute of Corporate Governance. He is also a member of the Board of Directors of Ibrahim Fibres Limited, Ibrahim Holdings (Private) Limited, Ibrahim Agencies (Private) Limited 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-eight years in the fields of General Banking, Credit, Lease Finance, Business Development and Administration including nine years of international banking, holding key positions abroad. In his professional career in the corporate and financial sector he has remained Chief Executive Officer of Ibrahim Leasing for eleven years. He is the member of Board of Directors of the Bank since 2004.





Zafar Iqbal
Independent Director

Mr. Zafar Iqbal is a Fellow member of Institute of Chartered Accountants in England & Wales (ICAEW) and the Institute of Chartered Accountants of Pakistan (ICAP). He has thirty-six 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 specialized in Investment Banking, Corporate Finance, Capital Markets, Leasing, Aircraft Financing and Energy and Power Generation. He is the member of the Board of Directors of the Bank since August 2015. He is also a nominee director on the Board of Directors of Habib Allied Holding Limited (HAHL), United Kingdom on behalf of the Bank.

Mubashir A. Akhtar
Independent Director

Mr. Mubashir A. Akhtar is a law graduate and has over five decades of banking experience in both local and international markets. His extensive international banking experience includes key assignments in Turkey, Qatar and UK. He was a Financial Consultant of Asian Development Bank (ADB) and remained actively involved in various assignments of ADB especially on capital markets development and reforms of NBFIs in Pakistan. He is also fellow member of Institute of Bankers in Pakistan (1989), Institute of Chartered Secretaries and Managers (1993) and Institute of Marketing Management (1999). He remained on the Board of Directors of Allied Bank Limited from August 2006 to August 2018 and is a "Certified Director" from Pakistan Institute of Corporate Governance.



Nazrat Bashir
Independent Director

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



She has over thirty-six years of diversified civil service experience to her credit. During her career she served in different ministries. She remained Additional Finance Secretary, 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. Presently, she is Director N-Ovative Health Technologies (Private) Limited, Chairperson of Certification Panel of Pakistan Centre for Philanthropy and Member of Pay and Pension Commission. 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-five years of experience in Financial Management, Risk Analysis and Research and expertise in Portfolio Management of Corporate and Commercial Banking obligors. He has worked with various financial institutions and held key positions in the Corporate Banking Sector. After joining the Bank in 2005 as Regional Corporate Head, he has held different senior management positions such as Head-Commercial Assets, Head of Commercial and Retail Risk, Head of Operational Risk, Group Head Corporate and Financial Institutions Risk and Group Head Liabilities.

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

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





CHAIRMAN'S MESSAGE

In the Year 2021 global economic outlook remained uncertain due to ongoing impact of the pandemic. Successive waves of Covid-19 continued to disrupt the livelihood in many regions of the World. Steady roll out of vaccines marked a significant step towards containing the virus spread.

Globally, the pandemic has accelerated digital technologies advancement by minimum five years, stimulating the need for digital adoption and transformation across economies. Digital channels are fast becoming the preferred customer engagement medium along with automated processes; being the key drivers of productivity. Enhanced digitization in the wake of the Pandemic is now being viewed as a means to ensure business continuity and operational resilience, with innovation and technological advancement.

Banking is at a revolutionary crossroad with tech giants and FinTechs growing their customer niche by offering payment services, mobile e-wallets and flexible 'buy-now-pay-later' options. An enormous surge has been witnessed in cards & cashless payments, online banking and e-commerce. As a result, banks need to integrate digitized product offerings by partnering with third parties to ensure that today's traditional banking is relevant tomorrow.

Technological advancements have prompted Artificial Intelligence (AI) backed e-banking services. Financial Institutions are harnessing the power of AI to enhance banking services; by simplifying and digitizing interactions, saving time and cost with added convenience and delivering meaningful value. This is also transforming risk management practices.

As technological innovations have become more rapid, industry revolutions have followed in quick succession. Industry 5.0 is envisioned in less than a decade since Industry 4.0 first surfaced; Industry 5.0 is an upgrade of Industry 4.0 by adding personal human touch to robotic process automation and efficiency. The interconnectivity of Computers, Robots and Human workers will eventually be more meaningful, practical and enlightening.

Financial sectors' initial hesitation towards adoption of cloud computing has been eased out to a great extent with the arrival of agile Cybersecurity. Financial Institutions are investing in Cybersecurity to mitigate the new risks and cope with the security vulnerabilities. Cost optimization and supplemental flexibility can only be acquired through investment in cloud technology.

Pakistan embarked upon its digital transformation journey years ago. However, a marked shift towards digital services has been witnessed amid Covid-19 and digital adoption has accelerated manifold.

With growing number of smartphone users and one of the biggest potential retail markets in the world, Digital Banking in Pakistan would prove to be a game changer for Financial Sector; improving outreach, boosting revenue, elevating efficiency, enhancing service delivery and redefining the value proposition.

Introduction of Digital Pakistan Policy emphasized on augmenting e-banking activities and enhanced usage of mobile financial services. State Bank of Pakistan (SBP) introduced innovative solutions of customers' digital onboarding; Roshan Digital Account, Raast - Instant Payment System, Issuance of Electronic Money Institutions licenses and Asaan Mobile Accounts. To further harness the virtual world of technology, SBP has introduced Licensing and Regulatory Framework for Digital Banks in line with international best practices.

In order to utilize digital revolution capacity together with building strategic alliances for the sustainable growth, Your Bank, partnered with Pakistan Freelancers Association (PAFLA), to promote SBP's vision of financial inclusion by encouraging, supporting and facilitating the flourishing freelancers' community of Pakistan.

Amid the pandemic, e-commerce transactions gained traction and it would stay relevant and adaptable even post pandemic. E-commerce platforms can provide access to diverse global markets and mitigate risk within supply chains in a cost-effective manner. Your Bank's e-commerce transactions count has also increased to 2.1 million in 2021 from 0.6 million in 2020.

Your Bank leveraged its technology infrastructure through automated processes and suite of financial products to augment financial inclusion. The Bank launched 'Asaan Mobile Account' to serve the financial needs of the market segment not possessing a smartphone. Moreover, biometric verification of myABL wallet account holders was enabled on entire ATMs network for enhanced security. Consequently, myABL Wallet registered users increased by 2.4 times and financial transaction count crossed 1 million in just 1st year of its launch.

While the Global Economies progress to growth trajectory, multiple challenges keep the forecasts vulnerable to uncertainties. Accordingly, International Monetary Fund (IMF) moderately lowered the Global growth forecast to 5.9% for 2021 from 6.0% projected earlier on the back of weakened growth momentum, successive pandemic waves, climate changes and rising commodity prices.

Despite a difficult Global economic outlook, Pakistan steered through the challenging environment and its real GDP rebounded to 3.9% in 2021 as against initial forecast

CHAIRMAN'S MESSAGE

of 1% by IMF. However, the rising Inflation driven by high commodity prices globally, widening current account deficit, surging fuel price and electricity tariff hike, all pose serious impediment to sustainable growth.

To contain these challenges, SBP raised policy rate by 275 bps from September 2021 to bring it to 9.75% by December 2021, aiming towards mildly positive real interest rates on a forward-looking basis.

During 2021, banking sector of Pakistan exhibited strong capital and liquidity cushions against Covid-19 driven shocks. Asset footing reflected a strong growth of 19%. Major increase in Assets was driven by rise in Investments and Advances by 22% and 20% respectively.

Similarly, Deposits displayed a healthy increase of 17%. The strong deposit growth is on the back of improvement in business and consumer confidence, significant rise in workers' remittances, Roshan Digital Account (RDA) initiative and discontinuation of large denominated bearer prize bonds.

Your Bank, remaining fully cognizant of the challenging environment pursued its strategy of consistent growth through robust risk management framework, technology driven automation and enhanced digitization. Over the years, infection ratio of the Bank was ranked consistently as one of the lowest in the industry. Capital Adequacy Ratio (CAR) stayed resilient at 22.32% against a statutory requirement of 11.5%; Indicative of robust Capital positioning of the Bank.

The Bank continues to strive in achieving its Vision by upholding to its core values of Integrity, High Performance, Excellence in Service and Innovation & Growth. The Bank aligned its focus on proactively balancing stakeholder interest and allocating resources accordingly.

It is a matter of great pride that Your Bank has been acknowledged as "Bank of the Year 2021 – Pakistan" by The Banker for the third time in a decade. The Banker is world renowned financial affairs publication of Financial Times Group U.K, being published since 1926. This award is a testament of long term & well thought out business strategy, excellent service delivery, quality work and strong technological infrastructure supplemented by robust risk management framework.

Allied Bank strives to maintain its robust financial position, capable of absorbing economic cycles and shocks. This is reflected in its sustained highest "AAA" long term credit rating by Pakistan Credit Rating Agency Limited (PACRA). Moody's Investors Service has also maintained the Bank's Long-Term Deposit rating at B3/NP (Domestic and Foreign)

during 2021, with outlook retained at "stable", aligned with sovereign rating.

Your Bank's well established Corporate Governance Framework supported by Board & Management Committees leading to strong financial transparency has been acknowledged by VIS Credit Rating Company Limited. Resultantly, Corporate Governance Rating (CGR) for 2021 has been upgraded by one notch to CGR-9++, signifying a very high level of corporate governance.

Future Outlook

A pattern of disrupted recovery continued in the Year 2021, as the Omicron variant caused reimposition of mobility restrictions, border closures and health concerns.

Consequently, IMF has downgraded Global growth outlook for 2022 from 4.9% to 4.4%. Forecast for Advanced economies exhibit decline from 4.5% to 3.9%, caused by withdrawal of monetary accommodation, continued supply shortages and pandemic-induced disruptions. Likewise, growth forecast for 2022 in Emerging Markets & Developing Economies has contracted to 4.8% from earlier estimate of 5.1%. Inflation is anticipated to remain high in the medium term, on the back of supply chain disruption and high volatility in energy prices.

Considering that Pakistan managed to contain successive waves of Covid-19 pandemic through implementation of mass vaccination campaign and smart lockdowns, IMF projects GDP growth of 4.0% in 2022 for Pakistan, gradually rising to 5.0% by 2026.

Current Account deficit is anticipated to peak at 3.1% of the GDP in 2022 with rising imports triggered by revived domestic demand after the easing of Covid-led restrictions. However, as the lagged impact of monetary tightening materializes, Current Account Deficit is anticipated to narrow to 2.8% of GDP by 2026.

State Bank of Pakistan's (SBP) monetary tightening will also assist in price stability by dampening aggregate demand pressures. Consequently, IMF anticipates inflation to drop to 8.5% in 2022 and further moderate to 6.5% by 2026.

Digital banking technologies; including artificial intelligence, analytics, personal financial management software, Internet of Things (IoT), voice banking, Banking as a Service, Blockchain Technology and Fintech innovation; all are converging toward one end goal, "Invisible Banking".

Digital technologies have the potential to add notable economic value to Pakistan's GDP. It is estimated that digital technologies can create an annual economic value



of Rs. 9.7 trillion (US\$ 59.7 billion) in Pakistan by 2030 which is significant enough to surpass 19% of Pakistan's 2020 GDP.

Recent developments have necessitated the scaling up of the domestic Banking industry to ensure error-free digital journeys while ensuring robust Cybersecurity, in order to accommodate increased digital traffic. Moreover, digital tooling will enable customer-centric behavior which is the main pillar of banks' strategies in current times. At the macro level, according to SBP, increased adoption of electronic payments could potentially create 4 million jobs in Pakistan and boost its GDP by US\$ 36 billion by 2025.

Technology also plays a transformational role in customer service offerings for the financial industry. Accordingly, Your Bank constantly focuses to integrate technology in its operations to augment stakeholders' value and develop a long-term sustainable competitive advantage.

Your Bank, having a strong vision for the future, aims to strive in two operating worlds – Traditional Business and pivot to a far more Digital World. While holding the legacy of 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 also focused to be first choice bank of "Tech Savvy Millennials" by providing customer-centric latest digital solutions.

Moving forward in 2022, Your Bank aspires to adapt to the changing environmental dynamics and continue to pursue its strategy of sustainable growth while maintaining the quality of its assets and risk absorption capacity in terms of capital. Your Bank stands committed to capitalize on technology adoption and advancements in order to deliver value to its Stakeholders. This firm commitment would enable Your Bank to streamline processes, optimize efficiencies and control costs.

Envisioning 2022, 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 continuous assistance and co-operation. I would also like to appreciate our valued shareholders for having confidence in the Bank's long-term strategic goals.

Finally, I would like to pay my gratitude to Allied Bank's management team and over 11,000 Allied bankers, for their utmost hard work and commitment on the road to building a robust and technologically empowered Allied Bank.

Mohammad Naeem Mukhtar
Chairman Board of Directors



CEO'S REVIEW

Global economies demonstrated incredible resilience against operating conditions largely demarcated by lockdowns, owing to successive waves of COVID-19 with its emerging mutated variants and steered towards stability and sustainable growth.

Despite 2021 has been marked as another year with significant market volatility and uncertainty for consumers and businesses as a result of uneven vaccine rollouts against Delta and Omicron variants of Covid-19, International Monetary Fund (IMF) moderately downgraded global growth projection for 2021 from 6.0% to 5.9%.

Pakistan fared well against various waves and variants of Covid-19 without imposing wide-scale closedown of industry and services. Consequently, Pakistan is ranked among the best performing countries by Global Normalcy Index of The Economist for its successful control over Covid-19.

Smart lockdowns strategy, consistent high inflow of remittances and accommodative monetary policy aided in strengthening economic recovery during 2021 amid tough operating conditions. Consequently, IMF upgraded Pakistan's growth projection for 2021 from 1.5% to 3.9%.

Aforementioned economic rebound is attributable to massive growth in Industrial and Services sector of 8.94% and 4.92% in FY 2021 against a contraction by 4.01% and 0.50% in FY 2020, after ease in lockdown measures.

Agriculture sector growth muted to 2.8% in FY 2021 as compared to 3.3% in FY 2020. Decline is attributable to the lowest cotton production due to pest attacks and extraordinary heavy monsoon rains.

Large Scale Manufacturing (LSM) increased by an average of 14.86% in FY 2021 as against a contraction by 9.78% in FY 2020. Which on the back of high cost of doing business caused by recent hike in electricity tariffs and monetary tightening moderated to 3.26% in July-Nov 2021-22.

On the external front, pressures are materializing from spike in import bill. Current account deficit widened to 5.7% of GDP during Jul-Dec FY 2021-22 as against a surplus of 0.9% of GDP during the last year.

Import upsurge is partially attributable to the increasing pace of economic activity and ascent in the Global commodity prices. Imports recorded at US\$ 41,664 million during Jul-Dec FY 2021-22 as against US\$ 26,985 million during last year; reflecting a sizable growth of 54%.

Exports on the other hand also increased substantially by 27% to record at US\$ 18,651 million during Jul-Dec FY 2021-

22. All export groups manifested positive growth with Textile, Food, Petroleum and Other Manufacture recorded 34%, 21%, 17% and 14% increase respectively as against a contraction by 25%, 17%, 29% and 12% respectively in the last year.

Consequent to escalation in exports being overshadowed by drastic rise in import bill, trade deficit widened to US\$ 23,013 million during Jul-Dec 2021-22 as against US\$ 12,330 million during last year.

Workers' remittances maintained its unprecedented streak of remaining above US\$ 2 billion mark for the 19th consecutive month. This sustained growth is attributable to accumulation of additional funds of expat Pakistanis due to pandemic-led restriction of air travel, and measures undertaken towards transition to formalized banking channels. Accumulated remittances stood at US\$ 15,808 million during Jul-Dec FY 2021-22 as compared to US\$ 14,203 million during Jul-Dec FY 2020-21.

Despite widened current account and financial account deficit, overall balance of payment deficit stood at US\$ 788 million during Jul-Dec FY 2021-22, lowered considerably from the deficit of US\$ 1,282 million during Jul-Dec FY 2020-21. Additional funds have been raised through issue of US\$ 1 billion Eurobonds and IMF Special Drawing Rights (SDR) allocation of US\$2.75 billion for COVID-19 support funds.

Aforementioned inflows aided in augmenting Gross Foreign Exchange (FX) Reserves to US\$ 24,018 million as on December 2021. Net reserves with SBP stood at US\$ 17,686 million as on December 2021.

FBR tax collection stood at Rs. 2,920 billion during Jul-Dec FY 2021-22 as against 2,204 billion during last year' reflecting a sizable growth of 32%. On account of improved tax revenues and decreased growth in Government's current spending, consolidated budget deficit narrowed to 0.8% of GDP for first quarter of FY 2022 as against 1.1% of GDP during last year.

In order to safeguard financial stability and boost economic activity, SBP maintained policy rate at 7% for almost 15 months. However, to curb looming current account deficit and elevated inflation readings of 12.3% in December 2021, SBP gradually raised policy rate by 275bps in total since September 2021 to bring it to 9.75% in December 2021.

Banking Sector Performance

Pakistan's banking sector exhibited resilience against multi-pronged challenges emanating from continued restrictions to contain Covid-19 subsequent variants,

domestic macro-economic bottlenecks, rising inflationary pressures and uncertain interest rate scenario. Moreover, emerging disruptions from non-conventional payment channels, including digital banks and FinTechs, concurrently pose an additional long-term challenge for the banks; necessitating the urgency to mold strategic business models from traditional banking service provider to technology driven dynamic banks, fit for the Digital era.

Despite the aforementioned multifarious challenges, banking industry's asset base (domestic operations) elevated by strong 19% to reach at Rs. 28,882 billion as on December 31, 2021.

Investments remained principal driver in asset growth with escalation by Rs. 2.6 trillion or 22% to reach at Rs. 14,124 billion as on December 31, 2021. This increase is attributable to substantial investment in conventional risk-free securities particularly Market Treasury bill (MTBs) and floating rate Pakistan Investment Bonds (PIBs).

Attributable to low interest rate scenario for major part of 2021 and SBP's multiple refinance schemes led to a visible uptick of 19% in industry gross advances recorded at Rs. 10,149 billion as on December 31, 2021. Likewise, industry net advances stood at Rs. 9,479 billion as December 31, 2021, exhibiting a robust growth of 20%.

Aforementioned surge in gross advances and improved quality of lending portfolio resulted in a decline in infection ratio from 9.2% as on December 2020 to 8.8% as on September 30, 2021. Similarly, coverage ratio strengthened from 88.3% as on December 31, 2020 to 88.9% as on December 31, 2021.

Deposits manifested an encouraging broad-based growth of 17% emanating from improved economic activities, substantial increase in Workers' remittances, SBP's Roshan Digital Account initiative and discontinuation of Rs. 15,000 and Rs. 7,500 bearer prize bonds. Industry deposits were recorded at Rs. 20,972 billion as on December 31, 2021 as against Rs. 17,876 billion as on December 31, 2020.

Industry net assets exhibited a muted growth of 2% during 2021 due to comparatively higher dividend payout during the year, subsequent to dividend suspension imposed by SBP for two consecutive quarters of 2020. Restriction allowed banks to conserve capital, increase lending and loss absorption capacity amid tough operating environment during 2020.

Business Performance

Your Bank quickly adapted to the "New Normal" of the pandemic, accelerating

CEO'S REVIEW

its digital transformation and unifying as a team to ensure uninterrupted service to its customers and facilitating essential banking services across the country. Your Bank while upholding its vision to "Be the first-choice bank for the customers" is motivated to deliver value to its stakeholders whilst upholding the highest standards of integrity and transparency.

Well formulated strategic priorities of Your Bank are manifested in key business activities of lending, mobilizing deposits, investing and transactional banking. Consequently, asset base of Your Bank crossed two trillion mark and reached Rs. 2,010,156 million as on December 31, 2021, exhibiting a robust increase of 26% as against 7% increase during comparative period last year.

Your Bank's digital transformation processes are underpinned by robust governance practices and proactive risk management. Thereby, enabling Your Bank to conduct business with agility and resilience together with managing challenges and change without compromising service quality standards.

On account of current macro-economic variables, Your Bank's strong policy frameworks and clearly defined procedures exhibited a solid foundation for navigating through the complexities of the year. Resultantly, Your Bank managed to sustain its industry position of having one of the lowest infection ratio and high coverage ratio of 2.04% and 94.49% respectively.

Consistent focus on robust risk management framework and effective monitoring led to a decline of 4% in Non-Performing Loans (NPLs) to record at Rs. 13,601 million as on December 31, 2021 as against Rs. 14,161 million as on December 31, 2020.

Private sector credit off-take was stimulated subsequent to economic recovery. Consequently, Your Bank's gross loan portfolio recorded a robust growth of 30%, surpassing the 19% Industry growth and was recorded at Rs. 665,740 million as on December 31, 2021 as against Rs. 510,174 during last year. Likewise, Net advances augmented by 32% to record at Rs. 652,889 million as on December 31, 2021 as against Rs. 496,432 million as at December 31, 2020.

Proactive review of economic scenario led to prudent management of investment portfolio to counter the pressures emanating from probable policy rate hike. As a consequence, Net Investments increased by 28% to reach at Rs. 1,064,495 million as on December 31, 2021 as against Rs. 829,621 million during the last year. The growth is primarily

driven by deployment of funds in risk free government securities.

Persistent efforts, to provide convenient customer access to every financial service is translated into 16% growth in customer accounts as on December 31, 2021 as against 8% growth during the last year. Total accounts crossed 5 million mark as on December 31, 2021 with 1 million plus accounts opened during the year ended December 31, 2021.

Your Bank's deposit base reached Rs. 1,413,295 million as on December 31, 2021 as against 1,216,678 million during last year; reflecting a healthy growth of 16%. Growth in zero-cost and low-cost deposits remained key strategic objective of your Bank. Thereby, current deposits manifested a robust growth of 24% to close at Rs. 607,181 million as on December 31, 2021; improving their mix in total deposit to 43% in 2021, significantly higher from 40% in 2020.

Low interest rates prevailing for considerable period of 2021 led to the average policy rate to contract to 7.28% against 8.95% in the last year. Consequently, Net Interest Income (NII) declined by 6% to reach Rs. 45,587 million during the year ended December 31, 2021.

Your Bank's persistent emphasis of capitalizing on the emerging digital financial avenues led to Digital vs Counter transaction mix to record at 65:35 during 2021. Enhanced digitization along with maintaining diversification of revenue streams through sustained enrichment of services has also facilitated a growth of 25% in Fee Income which stood at Rs. 6,811 million during the year ended December 31, 2021 compared to Rs. 5,441 million in the last year.

Following the suspension of dividend restriction imposed by State Bank of Pakistan (SBP) on banking institutions, Your Bank's dividend income surged by 30% to stand at Rs. 2,151 million during the year ended December 31, 2021 as against Rs. 1,656 million during last year.

Amidst evolving yield curve expectations and uncertain macro-economic scenario, Your Bank's prudent disposal of investment portfolio realized a capital gain of Rs. 4,334 million during the year ended December 31, 2021. Capital gain for the previous year stood at Rs. 3,420 million thereby exhibiting a robust growth of 27% during the year ended December 31, 2021.

Capitalizing on opportunities in the interbank FX market, Your Bank posted a significant growth of 19% in income from dealing in foreign currencies,

closing the year at Rs. 1,973 million as compared to Rs. 1,664 million in the last year. Your Bank's multipronged strategy encompasses focus on enhancement of financial inclusion and customer onboarding through conventional and digital channels together with proactively augmenting diversifying revenue streams. Adherence to aforementioned objectives earned your Bank non-markup income of Rs. 15,938 million during the year ended December 31, 2021; exhibiting a robust growth of 27%.

Ongoing focus on cost efficiencies and automation resulted in the Bank's operating expenses growth to restrict at 11%. Despite the PKR devaluation led inflationary pressures, continued technological investment on customer onboarding and increased CSR measures amid covid-19 pandemic, non-markup expenses recorded at Rs. 33,946 million during the year ended December 31, 2021

Monetary squeezing subsequent to an accommodative policy stance maintained for the major part of 2021, led towards immanent asset liability repricing lag. Resultantly, Your Bank's Profit before tax registered a decline of 4% to stand at Rs. 28,391 million during the year ended December 31, 2021.

Effective Income Tax rate for the year ended December 31, 2021 is 39.02%, slightly higher by 0.1% as compared to corresponding year ended December 31, 2020. Current year tax expense includes additional income tax on taxable income attributable to mark-up income on investment in federal government securities based on ADR of over 40% of the Bank at year end.

Likewise, Profit after tax stood at Rs. 17,314 million during the year ended December 31, 2021 as against Rs. 18,029 million during last year. EPS of Your Bank for the period ended December 31, 2021 was recorded at Rs 15.12.

E-Banking Initiatives

Since the inception of pandemic, digitization moved from convenience to necessity thereby, augmenting banks' digital penetration by driving migration to online and mobile banking platforms. Technology redefined the standard of living by raising consumer expectations on simple, convenient and agile e-banking solutions. Your Bank, while harnessing the opportunities and possibilities to create a better tomorrow for its customers accelerated its investments in digital initiatives, improving quality and cost effectiveness to deliver digitally-enabled products and services in line with customers' changing needs. The unflinching commitment of Your Bank

to cater to a diverse customer base and adaptation towards e-banking transition is reflected in its strategic business alliances.

Resultantly, Your Bank partnered with National Incubation Centre (NIC), one of its kind and the largest Incubation centre in Pakistan, to work together and explore opportunities in the fintech space. NIC is, providing state-of-the-art facilities and coaching for start-ups and acting as a bridge between entrepreneurs, innovators and investors.

Your Bank, in collaboration of NIC organized "Hactivate", a Hackathon bringing together the coder community to create innovative solutions for given problems. While recognizing the increased competition from newer banks and Fintechs, Your Bank has implemented a cohesive brand-building strategy to strengthen its position and appeal to new customer segments. Thereby, the Hackathon also included an ABL specific segment called "ABL Innovation Challenge" where participants were required to use ABL's Open APIs in their solutions. ABL was the core sponsor of this event, and the judges panel consisted of ABL's Senior Management.

Your Bank won Karandaaz Pakistan's Innovation Challenge Fund 5, while Techlogix Mobility as its technology partner. Through this challenge, Your Bank received a grant of Rs.42 million, coupled with additional Rs.8 million as risk cover, to provide instantaneous financing to small distributors through myABL digital banking.

Striving to be Industry leader in terms of technology and innovation, Your Bank, partnered with Pakistan Freelancers Association (PAFLA) to facilitate the

freelancers' community and promote financial inclusion in Pakistan.

The pandemic restricted people to their homes, setting off a new era of online shopping by innovating customer convenient 'just-a-tap-away' solutions. Your bank, signed a strategic partnership with OLX Mall, an e-commerce platform, to bring unmatched offers and discounts for customers to upgrade or purchase smartphones, electronics, home appliances and lifestyle products at discounted rates.

Strengthening the Bank's digital presence and offering its customers with universal Banking services fit for today's connected consumer expectations, Your Bank launched myABL WhatsApp banking service wherein additional feature of "Chat with ABL" has been added to facilitate users to get 24/7 information regarding ABL products and get queries answered on real time basis.

In line with SPB's vision of providing diversified financial services access points to segments having less financial inclusion Your Bank introduced myABL Wallet Asaan Mobile Account (AMA) enabling transactions in Branchless Banking accounts.

With an aim to minimize customers' footfall in branches in line with current pandemic-led restricted movement and to augment digitization, the withholding tax (WHT) certificate feature was introduced in myABL Digital Banking. Customers can now download their WHT certificate of any of their linked account with ease and convenience without visiting the branch.

Your bank pioneered the launch of Pakistan's first Online Account Opening

Facility "myPakistan Digital Account" where customers can easily open their bank account by visiting ABL's corporate website or via myABL Digital Banking. Your Bank also launched "Roshan Digital Account" in, whereby expats can open accounts from their respective countries in PKR or Foreign Currency with the option of full repatriation.

With a goal to boost digitization, Your Bank enabled "Pay Anyone through ATM". Pay Anyone is a domestic remittance service offered by ABL where customers can send funds to anyone in Pakistan with no mandatory requirement for the beneficiary to have an account with any bank and beneficiaries can collect the funds from any ABL branch. Now beneficiaries can collect the remitted funds directly from any ABL ATM upon successful biometric verification at their convenience.

Smart Branches are a cornerstone of Allied Bank's Digital Transformation Strategy, contributing to further innovation and multichannel transformation of its processes, products, and services, leading towards enhanced efficiency and superior customer services. During 2021 ABL augmented its Hybrid branch model by opening 2 new SMART branches at Y Block DHA, Lahore and Centaurus Mall, Islamabad.

Green Banking and Environment Protection

Global warming and Climate change are the most complicated issues that the world is facing today. Relentless efforts are being made across the globe, to measure and mitigate this climate change risks. Pakistan is one of several nations that have made a commitment for controlling such threats. To supplement the governmental



CEO'S REVIEW

efforts, Allied Bank has taken genuine strides forward in setting out a series of initiatives/targets/commitments to assist in the global transition to a low-carbon economy.

As part of the plan to reduce carbon emission by direct operational impact, bank has invested Rs.164 million towards installation of solar panels and Rs.1,208 million towards installation of inverters. The total solar locations stand at 59 while inverter-based locations increased to 1,432.

ABL focuses towards advocacy of ozone-safe business practices through its Green Advisory Services. 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.

To enhance impact of Green Financing in the overall environment safety, Your Bank has developed an Environment Risk Management (EnvRM) System which is being monitored by Green Banking Office (GBO), a dedicated function in Risk Management Group.

Ozone-Safe Business Practices at ABL Premises.

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

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

Management System to Oracle-HRMS providing paperless management of multiple HR related processes.

- Shifted Change Request Management from paper-based requisitions to complete automated approval hierarchy.
- Increased usage of In-house Innovation Lab serving as an incubation center to ensure constant technological developments.
- Launched web-based Agri advisory services under collaboration with Bakhbar Kissan (BKK) Pvt. Ltd.; helping the farmers by revolutionizing agriculture ecosystem and creating a digital hub for farming techniques.
- Reduction in paper wastage in ATM receipts by introducing charged receipts as an option for ATM transactions.
- End-to-end automated cheque clearing process with sign-up with NIFT ePay.
- Employee digital signatures are marked with a quote "Please consider the environment before printing this email" as a daily reminder towards sustainable and green environment.

Service Excellence Measures

Service Quality is a strategic priority for Your Bank and is viewed as a key product offering to our valued customers.

Your Bank introduced top 100 flagship branches to provide a stimulus to service quality across the Bank through creation of a pleasant ambiance for customers and development of human resources placed at these branches.

Electronic queue management systems and feedback tablets have been installed at the flagship top 100 branches and

additional 250+ branches to facilitate customers to execute transactions conveniently and provide valuable feedback about the banking services. Furthermore, installation is underway at around 40 branches, and another 100 branches have been shortlisted for installation of queue management system during the year 2022.

With the aim to create awareness among customers about the Bank's complaint lodgment process and available channels, information was disseminated through corporate website, digital signages, ATMs and SMS as part of Your Bank's initiatives for Fair Treatment of Customers (FTC) and Consumer Grievance Handling Mechanism (CGHM). During the year 2021, 56,799 complaints were registered and the Bank achieved 97% resolution rate with an average turnaround time of 7.6 working days for resolution of customer complaints.

The Bank has introduced further channels of complaint lodgment by introducing 'Complaint Lodgment' facility on myABL Digital Banking application, Self-Service Kiosks (SSKs) and Digital Signages in order to create convenience for customers in reaching out to us.

Risk Management, Compliance and Controls

Risk Management (RM) 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. It safeguards the strength the capital base of Your Bank in an automated environment while achieving maximum value for the stakeholders. In order to ensure meticulous compliance





regarding smooth transition towards the SBP's instructions for implementation of International Financial Reporting Standard 9, "Financial Instruments" (IFRS9), the Bank has ensured its readiness through implementation of IFRS-9 system to comply with regulatory requirements and accounting standards. Your Bank has been successfully submitting the impact of Expected Credit Loss under IFRS9 to SBP.

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 of 2.0% in the industry.

The Bank also conducted various Security assessment exercises in 2021 on Information assets of the Bank which included Vulnerability Assessment (VA) and Penetration Testing (PT) activities.

Payment Card Industry Data Security Standard (PCI DSS) Certification was also achieved for the 3rd year in 2021 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 has also initiated a project to develop an Information Security Risk Management Program for aligning its

Governance structure with International Standards and Industry best practices.

Your 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.

Customer Awareness Sessions

Your bank conducted various awareness sessions in order to provide latest insight on business management and strategies to its valued customers.

During the year under review, Your Bank conducted an interactive seminar with the Religious Scholars/Ulmas in collaboration with State Bank of Pakistan (SBP) via Zoom link amid to provide awareness to masses about Shariah compliant Islamic Banking solutions as an alternate choice.

As a distinguishing initiative of obligors' engagement, Your Bank organized regular Farmers Financial Literacy Programs in order to create awareness among the farming community. Your Bank also arranged 954 National Financial Literacy Program (NFLP) sessions in the rural districts with an aim of 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

Amid Covid-19 pandemic, Your Bank has continued to make significant advancement in serving its customers using state of the art technology and by enhancing its digital footprint so that customers are provided with all "digital and networked banking services" on the go.

In order to support data driven business decisions for customers by using Big Data technologies, the Bank has created Data Lake comprising of structured and unstructured data. The Bank is also working with multiple Data Science companies to capitalize on the investment of Big Data for implementing multiple use cases through machine learning models, and in turn, improve and personalize customer experiences.

Your Bank is in the process of implementing additional use cases on "Robotic Process Automation Solution" for improving operational efficiency, control and cost saving. Automation of these manual processes resulted in timely availability of services to the customers and reduction in resolution turn-around time consequently task automation has improved human resource management.

The Bank has implemented IBM Business Process Manager (BPM) which focuses on automating and streamlining the internal processes through digitized workflows. The objective of the BPM is to discover, document, automate and continuously improve the business processes in order to increase organizational efficiency and reduced costs. BPM also offers native connector that allows seamless integration with Robotics Process Automation (RPA) implemented use cases wherever required.

CEO'S REVIEW

The Bank has also been on the forefront for implementing SBP initiative Raast, Pakistan's first instant payment system. This has enabled end-to-end digital payments among individuals, businesses and government entities. Allied Bank is a partner Bank in this project of SBP that has successfully implemented the First Phase (bulk credit) and Second Phase (P2P transactions). ABL is one of first 12 Banks who has achieved these milestones.

In order to safeguard today's complex security landscape and the sophistication of new upcoming cyber threats, in addition to the first line of defense already implemented i.e. antivirus and anti-malware, the Bank has implemented Endpoint Detection and Response (EDR) to enable timely detection of attacks and incident response and providing continuous monitoring and response to advanced threats on endpoints.

Investment in Human Capital

Your Bank works rigorously in cultivating trust and responding with agility by retaining and nurturing the best human capital in line with the core values, mission and vision of the Bank.

Your Bank consistently focuses on inducting, training and retaining quality human capital along with providing career growth opportunities to its employees, at all hierarchy levels. Consequently, 285 cadre elevations were made through effective career progression at junior management levels along with 1505 grade promotions during the year 2021. In line with the Bank's business strategy, 1,364 new employees were recruited for supporting the expanding branch network. Resultantly, total number of employees stood at 11,598 with annual turnover rate of 10% and female employees' ratio at 18.2% as on December 31, 2021.

Strategic capacity building remained pivotal for Your Bank. Upskilling sessions were held across the management development centers to enhance the employee digital proficiency.

Digital fluency remained a top priority area for capacity building interventions. Fast changing landscape of digital transformation requires an agile approach enabling the employees to learn and apply the latest concepts and technologies. Moreover, during the year 2021, extensive training activities resulted in 8.38 training man-days per employee. In order to achieve the required coverage, an array of learning technologies was deployed. Android and iOS-based mLearning app, virtual learning environment (VLE), live streaming, automated learning streams, mobile training and classroom sessions played a key role in nurturing a healthy learning culture.

Your Bank remained committed towards gender equality and financial inclusion, Resultantly, the Bank covered over 45,000 female citizens under NFLP program enabling opening of over 35,000 bank accounts of female beneficiaries.

Following awards and accolades are the manifestation of the Bank's unwavering professional resolve and holding up the legacy of being "employer of choice".

Best Place to Work in Pakistan by PSHRM (Pakistan Society of Human Resource Management).

- 'Financial Services' for the year 2021.
- "Large Organization' for the year 2021.

HR Global Diversity Equality & Inclusion Benchmarks (GDEIB) during the Year 2021, under the following categories:

- Vision, Strategy, And Business Impact
- Leadership And Accountability
- Recruitment
- DEI (Diversity Equality & Inclusion) Learning and Development

The well-being and health of employees is imperative for maintaining a balanced working environment in any organization.

In order to enhance the working experience for its female employees, Your Bank focused towards providing them awareness regarding health and stress management against the potential challenges and conducted specialized Yoga sessions to unwind their positive energies and foster healthy mind.

Outreach Expansion

The proliferation of digital technologies has transformed the financial services dynamics. Your Bank being at the forefront of such transformation, combines expansive physical presence with digital capabilities, thereby breaking down geographic barriers and deploying innovative ways to take formal banking channels to the last mile. During the year under review outreach is expanded to 1,429 branches including 1,303 domestic conventional branches, 07 digital branches, 117 Islamic branches and 02 overseas branches. Geared towards serving the unbanked and under-banked population of the country, Your Bank added 09 new rural branches, resultantly, the total reached to 293 rural branches. Simultaneously 17 new urban branches were added, which aggregated to 1,135 branches at end December 31, 2021.

In Islamic Banking network, 25 windows were added at viable conventional banking branches; thereby Islamic banking windows totaled to 110 at December 31, 2021. Moreover, Automated Teller



Machine (ATM) network has increased to 1,558, inclusive of 1,269 on-site ATMs, 284 offsite ATMs and 05 Mobile Banking Units (MBUs) during the year.

Awards and Accolades

In a year marked by challenging operating conditions, robust delivery network and unmatched service excellence of Your Bank is evident by an array of awards and accolades received during the year. Highlighting Bank's sound business strategy, aided by a strong technological infrastructure, robust risk management and high focus on compliance with domestic and international applicable regulatory requirements were acknowledged by following multiple national as well as international publications during 2021.

- Bank of the Year 2021 - Pakistan by The Banker.
- Asia Money-Best Bank for CSR 2021.
- PSHRM- Best place to work "Winner" in Financial Services.
- PSHRM- Best place to work among Top 10 in Large Organization.
- Global Diversity & Inclusion Benchmarks Award 2021 – Best Progressive Bank in Leadership & Recruitment & Development.
- 36th Corporate Excellence Awards 2021 in Financial Category by Management Association of Pakistan.
- Best Corporate & Sustainability Report Awards 2020 – 4th position for Best Corporate & Sustainability Report.
- Asset Triple A Country Awards 2021, Best Structured Finance Deal
- ADB TSCFP Awards 2021, Momentum Award – Issuing Bank
- JPMorgan USD Clearing Quality Recognition Award, Best in Class MT202 STP Rate 98.91%,

ABL Asset Management Company Limited

ABL Asset Management Company Limited, wholly owned subsidiary of the Bank, is engaged in Asset Management and Investment Advisory Services. The Company is also licensed to carry out business as Pension Fund Manager. ABL AMC strives to deliver superior investment performance consistently through time and deepening client relationships together with creating value and delivering long-term sustainable benefits to all its stakeholders.

ABL AMC offers a portfolio of 13 Open ended mutual funds and 2 Pension funds to cater specific investment needs of a wide array of customers. ABL AMC has also introduced value added services including investment through 1Link, 1 bill payment option, Revamping of Mobile



Application, Revamping of Online Service - Web Portal, Tele Transactions, Mobile Transaction Alert Service, E-Statement Service, SMS Service, WhatsApp Business Solution and Investor Risk Profiling Calculator.

ABL AMC recorded profit after tax for the year ended December 31, 2021 of Rs. 265 million with Rs. 5.29 earnings per share. Balance sheet remained healthy and closed at Rs. 2,974 million, increased by 9.78%. Compounded Annual Growth Rate (CAGR) for the last 5 years stood at 13% with breakup value per share is Rs. 59.48.

ABL AMC offers wide array of Conventional and Islamic funds. The assets under management closed at Rs. 91.71 billion with the market share of 8% displaying a YoY growth of 34%. Separately Managed Assets (SMA) closed at Rs. 9.8 billion as against Rs. 6.4 billion for FY20, up by 53%.

In order to attain substantial share and better position in the market, ABL AMC mainly focuses on digitization across the asset management value chain by adopting an integrated platform that manages all activities of Investment, Distribution, Operation and valuation. ABL AMC Aims to promote the use of Digital Channels including web portal/ mobile app/others for investment/redemption transactions.

Going forward, ABL AMC aims to encourage investors to go paperless and conveniently transact in ABL AMC Funds by offering Online Account Opening feature for digital onboarding of investors through Mobile and Web App. Moreover, to enhance Client Growth Strategy, ABL AMC plans to launch 6 new open-ended Products and Funds.

Credit and Corporate Governance Ratings

Entity Ratings

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

Corporate Governance Rating

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

International Rating

Moody's Investors Service maintained Your Bank's deposit rating at B3/NP (Domestic and Foreign) during 2021, with outlook sustained to stable, aligned with the stable outlook on the sovereign rating; indicating stable deposit – based funding

CEO'S REVIEW

profile, high liquidity buffer and good earnings generating capacity.

Future Outlook

Despite the incessant vaccination drive, risks of new COVID-19 variants and waves loom on the horizon up to the present time. Resultantly, Global economy kicked off 2022 in a more tenuous position than anticipated. Consequently, International Monetary Fund (IMF) downgraded the global outlook for 2022 from 4.9% to 4.4%. The growth trajectory is expected to further subside to 3.4% in 2023 and 3.3% in 2026. On top of that, inflation elevated persistently during the second half of 2021 on the back of increasing energy prices and food price hike. Going forward inflation is anticipated to stay aloft in 2022, averaging to 3.9% in advanced economies and 5.9% in emerging markets and developing economies, before moderating in 2023.

Pakistan's well calibrated measures to curb the spread of the pandemic, followed by record-high official remittance inflows and an accommodative monetary policy have boosted the economic recovery. Resultantly IMF projected real GDP growth of 4.0% and 5.0% for 2022 and 2026 respectively.

According to World Bank, agriculture sector outlook is expected to decelerate to 2.7% in FY 2022-23 as against 3.2% in FY 2021-22. On the contrary, Industry and Services sector are anticipated to grow by 4.3% and 4.4% respectively in FY 2022-23, higher as compared to 3.8% and

3.4% respectively in FY 2021-22.

Inflation is projected to edge up to 8.5% in 2022, according to IMF, before moderating to 6.5% in 2026. The elevation is attributable to electricity tariff hikes together with rising food, oil and commodity prices.

IMF further projects current account deficit to widen to 3.1% of GDP in 2022 due to increased imports from higher economic growth coupled with rising oil prices. Going forward, as global commodity price hike settles and tariff reform measures gain traction, supporting export competitiveness, current account deficit is foreseen to be moderated to 2.8% of GDP. Likewise, World bank anticipated current account deficit to widen to 2.5% of GDP in FY 2022-23.

Imports are projected to moderate at 5.7% in FY 2022-23 from 6.0% in FY 2021-22, as per World Bank. Restrained import growth outlook is attributable to fiscal measures enacted to curtail surge in imports; regulatory duties on non-essential luxury imports. Moreover, recent placement of 114 items to the list of import products requiring 100% cash margin by SBP, mandates importers to hold deposits of a value equivalent to the import order. Thereby, increasing financial cost and acting as a non-tariff barrier to imports.

Exports, on the other hand, are expected to grow by 4.2% in FY 2022-23 from 3.7% in FY 2021-22. Export of services gained traction with globalization of business services facilitating Pakistani freelancers and SMEs to dispense knowledge-intensive services. Moreover Covid-19

pandemic fueled the trend of remote working thereby amplifying the export of services.

Domestic revenue collection through implementation of structural reforms is pivotal in order to mitigate the increased risks of fiscal and debt sustainability. World Bank projects fiscal deficit at 7.2% in FY 2022-23 compared to 7.1% of GDP projected in FY 2021-22. Implementation of critical reforms including domestic revenue mobilization, increasing competitiveness and improving the financial viability of the energy sector will assist in moderating debt to 89.3% of GDP in FY 2022-23 from 90.6% of GDP in FY 2021-22.

State Bank of Pakistan (SBP) resumed scaling up policy rate during the last quarter of 2021 in order to hold emerging external pressures and hiked inflation together with managing long-standing fiscal challenges. In total, SBP tuned up the policy rate by 275bps up to December 2021. Going forward, SBP anticipates inflation to fall within a range of 5%-7% in the medium term.

Banking dynamics are contingent upon reappearance of Covid-19 subsequent variants and its consequent economic effects. Amid uncertain outlook, credit demand of the government and investment in government's securities still remains preferable fund deployment option for banks. With escalated deployment in low-risk government securities, Industry Capital Adequacy Ratio (CAR) is likely to strengthen.



Amid high penetration of smartphones, banks continue to tap into the digital domain by offering innovative and enriched mobile applications along with web access to a wider community to remain competitive and boost financial inclusion. Moreover, in a digitally disruptive environment, Banks' ability to exploit opportunities by progressively transforming processes, leveraging intelligent analytics and incubating robotic assisted environments shall aid in creating value for our diverse customer base.

Your bank aims to Transform customers' interaction by providing seamless omni channel experience, through continuously evolving banking solutions including Automated Self Service Banking, Digital Lending, Conversational banking, Payment Gateways and other value-added services.

Your Bank aims to continue adopting emerging technology trends and increasing data capabilities to create insight-driven propositions and augment Bank's operational resilience in providing uninterrupted banking services. To streamline workflows & carry through efficient project management, implementation of JIRA software solution is lined up to plan, track and manage all agile software development projects from a single tool.

Your Bank will continue to steer its active social media engagement on Facebook Twitter, Instagram, YouTube and LinkedIn to financially include our underbanked population and enlighten our customers with a broader and clearer perspective of digital banking.

Perpetuating financial resilience remains prime focus of Your Bank with prudent approach to risk management, assisting the Bank's transition to new normalcy together with creating long-term sustainable stakeholder value. Core of any resilient bank is good governance, effective risk management and robust internal controls. Your Bank while capitalizing on this narrative, implemented Modules of OFSAA (Oracle Financial Services Analytical Applications) and Bench Matrix for enabling process design assessments and control testing to facilitate automation of workflows in Risk Assessment & Management System. It also manages information security awareness campaigns and augmentation of the Bank's maintained warehouses for pledge financing.

Your Bank aspires to become leading Islamic Bank by delivering innovative customer-centric financial solutions approved by Islamic principles. ABL Aitebar endeavors to offer a complete range of Shariah' compliant products and services ensuring operational efficiency and superior customer service enabling the

Bank to augment its market positioning. Moreover, customer awareness sessions are planned for the promotion of Islamic banking and enhancing financial inclusion. Likewise, adhering to the digital transformation strategy, digitalization and automation would also remain pivotal in the future development and growth of Islamic Banking.

The conditions that prevailed during the year, necessitated a focus on proactively balancing stakeholder interests. Consequently, Your Bank placed higher priority on fulfilling the needs of its customers through ensuring prompt, efficient and effective service via 24/7 Call Centre. Going forward, Your Bank plans to continuously augment its complaint handling function through enabling seamless Financial Transactions, Service Request processing, and assurance of First Call Resolution.

Your Bank aims to augment bank-wide Operational Risk Framework through enhanced awareness and trainings, analysis of Loss Incidents along with implementing mitigating controls. It also plans to strengthen control design reviews mechanism for both system and processes and enhance controls testing through self-assessment (RCSA – Risk Control and Self-Assessment) in co-ordination with respective groups.

Your Bank progressively aims to build agile and lean operating models by deploying technology such as Robotic Process Automation (RPA) and workflow automation, thereby contributing towards sustained optimization in cost-to-income ratios. Your Bank plans for implementation of Robotic Processes across the Bank for efficiency and cost reduction together with enhancing the use of AI based use cases through Machine and Deep Learning for descriptive, predictive and prescriptive analysis. Moreover, keeping Enterprise Application Architecture in view, Your Bank intends to revamp the existing auxiliary banking applications with tailor-made solutions to support strategic business goals.

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.

Keeping in view the fundamental shift in credit impairment rules, Your Bank aims to build capacity to determine provisions



against financial assets based on IFRS-9 methodologies including Expected Credit Loss (ECL) model subject to SBP instructions for implementation.

Your Bank recognizes the importance of making a positive contribution to the society by promoting ethical banking practices, environmental awareness and contribution to the community. Joining in the fight against the Breast Cancer, Your Bank dedicated the month of October 2021 as "Pinktober" for the support of Breast Cancer Patients around the globe. An awareness session for female employees above 40 years was conducted where the significance of early detection and regular checkups was stressed upon.

Your Bank's strong capital positioning is manifested by high Capital Adequacy Ratio of 22.3% as on December 31, 2021, well above the industry ratio of 17.9% as on September 30, 2021, providing adequate buffer to prevent capital adequacy depletion.

Acknowledgment

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

Azid Razzaq Gill
Chief Executive Officer

Dated: February 17, 2022

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, 2021. The operating results and appropriations, as recommended by the Board of Directors are included in the appended table:

	Year ended December 31,		
	2021	2020	Growth
	Rs. In Million		%
Profit after tax for the period	17,314	18,029	(4)
Accumulated profits brought forward	66,995	55,821	20
Transferred from surplus on revaluation of non-banking assets to un-appropriated profit – net of tax	77	7	1,000
Transferred from surplus on revaluation of fixed assets to un-appropriated profit – net of tax	406	323	26
Re-measurement on defined benefit obligations – net of tax	151	(803)	119
Profit available for appropriation	84,943	73,377	16
Final cash dividend for the year ended December 31, 2020: Rs. 6.00 per share (2020: Year ended December 31, 2019: Rs. 2.00 per share)	(6,870)	(2,290)	200
First interim cash dividend for the year ended December 31, 2021: Rs. 2.00 per share (2020: Year ended December 31, 2020: Rs. 2 per share)	(2,290)	(2,290)	-
Second interim cash dividend for the year ended December 31, 2021: Rs. 2.00 per share (2020: Year ended December 31, 2020: Rs. NIL per share)	(2,290)	-	100
Third interim cash dividend for the year ended December 31, 2021: Rs. 2.00 per share (2020: year ended December 31, 2020: Rs. NIL per share)	(2,290)	-	100
Transfer to Statutory Reserves	(1,731)	(1,803)	(4)
Accumulated profits carried forward	69,471	66,995	4
Earnings Per Share (EPS) (Rs.)	15.12	15.75	(4)

The Board of Directors has proposed a final cash dividend of Rs. 2 per share (Aggregate cash dividend of Rs. 8 per share including interim dividends). This, together with the interim cash dividends declared during 2021, will be approved in the forthcoming Annual General Meeting.

Macro-Economic Developments

The recovery path of global economies continues amidst a surge in pandemic and wide range of policy responses. International Monetary Fund (IMF) revised global growth for 2021 down to 5.9% from an earlier projection of 6.0%. Furthermore, surging international commodity prices have accelerated inflation worldwide, thereby curtailing spending power of the consumers in general. Going forward, inflation is anticipated to further moderate to 4.4% and 3.8% in 2022 and 2023 respectively.

Due to outbreak of COVID-19 and subsequent stabilization measures adopted by the Government, the Pakistan's economy observed volatile growth patterns. Despite these unprecedented challenges domestic economy has witnessed a V-shaped recovery with 5.4% growth in FY2021 as against a negative growth of 0.5% in FY2020.

Positive GDP growth in FY2021 is supported by strong growth rebound of 4.9% and 8.9% in Services and Industrial sector respectively, as

compared to contraction by 0.6% and 3.8% respectively during FY2020. On the other hand, growth in agriculture sector declined marginally from 3.31% in FY 2020 to 3.29% in FY 2021.

Growth in Large Scale Manufacturing (LSM) moderated to 3.4% during Jul-Dec 2021-22 from 7.6% in corresponding period last year. This outcome is based on stabilizing periodic conditions in the main export markets and high cost of doing business.

Rising global commodity prices along with strong domestic demand stimulated sharp increase in imports. Imports increased by substantial 54% to stand at US\$ 41,664 million during Jul-Dec FY 2021-22. Exports, on the other hand, stood at US\$ 18,651 million for the period Jul-Dec FY 2021-22 compared to US\$ 14,655 million during Jul-Dec FY 2020-21; registering a strong growth of 27%. Due to a deteriorating balance of trade, Current Account Deficit (CAD) soared to US\$ 9,092 million during Jul-Dec FY 2021-22 as compared to a surplus of US\$ 1,247 million during corresponding period last year.

Workers' Remittances maintained its growth trajectory for the 19th consecutive month to record at US\$ 15,808 million during Jul-Dec FY 2021-22 as against US\$ 14,203 million during corresponding period last year; recording a growth of 11%.

Pakistan's Foreign Exchange reserves and Net Reserves with SBP stood at US\$ 23,883 million and 17,686 million respectively as on December 31, 2021.

Foreign Direct Investment (FDI) clocked in at US\$ 1,058 million during Jul-Dec FY 2021-22; reflecting a healthy growth of 20%. Communication and Financial Business sector share in total FDI increased to 14% and 19% respectively during Jul-Dec FY 2021-22 as compared to -5% and 14% respectively during corresponding period last year.

Prudent expenditure management and effective revenue mobilization strategy helped in lowering overall fiscal deficit to 2.1% of GDP in the first six months of FY2022 as against 2.5% of GDP in the corresponding period last year. Similarly, sales tax increased by 39%

during Jul-Dec FY 2021-22 to Rs. 1,274 billion as against Rs. 918 billion during comparable period last year.

Inflation for the month of December 2021 was recorded at 12.3%; highest since December 2020. Rise in inflation is attributable to low base effect, rising international commodity prices and depreciating exchange rate.

Pakistan Stock Exchange reached the level of 44,596 points as on December 31, 2021 as against 43,755 points as on December 31, 2020; registering a growth of 2%.

Ensuring appropriate policy mix and to come closer to attaining the end goal of mildly positive real interest rates and countering inflationary pressures, SBP decided to raise the policy rate by 275 bps since September 2021 to bring it to 9.75% in December 2021.

Going forward, domestic growth is anticipated to remain within the forecasted range of 4%-5%. Recent outturns in Current Account deficit (CAD) due to higher imports has led SBP to revise CAD forecast to 4% of GDP, from earlier estimate of 2%-3%. Similarly, SBP has also increased inflation forecast range to 9%-11% in near term from a previous forecast range of 7%-9%.

Subsequently, on anticipated cut back of global commodity prices and materialization of demand-moderating policies, SBP forecasts inflation to decline to 5%-7% range during FY 2023.

Financial Performance

Banking sector's performance remained encouraging with 19% increase in asset base during 2021; despite encountering many challenges stemming from difficult operating environment and continued disruptions caused by subsequent waves of Covid-19. Asset growth is substantially driven by increase in Investments and Advances on the back of revived economic activity and SBP relief measures. Improved business and consumer confidence is displayed in a significant increase of 17% in deposits.

Under the challenging operating environment emanating from macro-economic bottlenecks and digital transformation; Your Bank diligently worked towards improving all aspects of banking operations, enhancing customer offerings, enriching technological platforms and gearing up towards e-banking transition.

Positive volumetric growth in average earning assets counterbalanced the

negative rate variance emanating from lower yield on Investments, Advances and Bank placements. Resultantly, mark-up earned increased by 7% to reach Rs. 118,649 million during the year ended December 31, 2021. On the contrary, favorable rate variance on Bank's funding cost has been offset by higher volumes resulting in increased borrowing expense leading to an increase of 18% in interest expense. Your Bank posted a net mark-up income of Rs. 45,587 million during the year ended December 31, 2021 as against Rs. 48,421 million during last year.

Your Bank posted a healthy growth of 25% in fee-based income during the year ended December 31, 2021 as compared to 7% growth for the year ended December 31, 2020, this was achieved through improved and upgraded digital banking services along with diversification of revenue streams through persistent enrichment of service suite and strategic business arrangements.

Active debit card campaign and revision in card renewal fee led to a strong growth of 34% in Card related fees. Branch banking customer fees also registered growth of 16% during the year ended December 31, 2021.

Your Bank's dividend income rose by 30% to reach at Rs. 2,151 million during year ended December 31, 2021, as compared to a decline of 9% last year.

Banking Institutions distributed higher dividends during the year ended December 31, 2021 after earlier suspension of dividend for two consecutive quarters under the instructions of SBP to maintain capital buffer, amidst the pandemic during 2020. On account of prudent disposal of equity portfolio, Your Bank realized a capital gain of Rs. 4,334 million during the year ended December 31, 2021 as against a gain of Rs. 3,420 million during December 31, 2020; registering a healthy growth of 27%.

Comparatively favorable swap curves led to an increase of 19% in foreign exchange income during the year ended December 31, 2021 as compared to 16% decline during the corresponding year.

Total non-markup income exhibited a robust growth of 27% to record at Rs.15,938 million during the year ended December 31, 2021 as against Rs. 12,542 million during the year ended December 31, 2020.

On the other hand, total non-markup expense increased by 11% to record at Rs. 33,946 million during the year ended December 31, 2021. This increase is due to persistently high average inflation during the first half of FY 2022, touching 9.8% in December 2021 as against 8.6% during the last year. Moreover, Your Bank's increased spending towards technological transformation and Corporate Social Responsibility (CSR) measures amid Covid-19 also contributed towards increased non-interest expense.

Your Bank has always strived to be ahead in digital innovation by delivering a seamless banking experience. Although the transition is dependent on development of digital ecosystem, the brick and mortar-based network expansion is also unavoidable. Therefore, Your Bank has adopted a hybrid growth strategy comprising of digital innovation as well as optimized expansion in branch banking operations. Branch network with addition of 27 branches during the year remained at 1,429 branches including 1,303 conventional branches, 117 Islamic branches, 7 digital branches and 02 overseas branches. These include 110 Islamic banking Windows in conventional branches.

Automated Teller Machines (ATMs) network augmented to 1,558 with 1,269 on-site ATMs, 284 off-site ATMs and 05 Mobile Banking Units (MBU). Moreover, on account of the Bank's customer centric product offerings, more than 1 million accounts were opened and 900,000+ debit cards were issued during the year 2021 thereby increasing cards in circulation by 17%.

SBP's course towards monetary squeezing by the end of 2021, following an accommodative policy stance maintained for the major part of 2021, led towards immanent asset liability repricing lag. Resultantly, Your Bank posted a comparatively higher growth in markup expense than growth in markup income. Hence, Profit Before Tax registered a decline of 4% to stand at Rs. 28,391 million during the year ended December 31, 2021. Profit After Tax stood at Rs. 17,314 million during the year ended December 31, 2021 as against Rs. 18,029 million during the year ended December 31, 2020. EPS of Your Bank for the year ended December 31, 2021 was recorded at Rs 15.12.

Driven by strong economic recovery and improved sentiment, Gross Advances increased by 30% to Rs. 665,740 million as on December 31, 2021. Provision against advances decreased by Rs. 891

DIRECTORS' REPORT

million during the year ended December 31, 2021. Accordingly, Your Bank's Net Advances increased by 32% to Rs. 652,890 million.

Contrary to significant rise in the risk factors amid tough operating environment, Your Bank registered a contraction of 4% in its non-performing loans. Moreover, Your Bank's infection and coverage ratios were registered at 2.04% and 94.5% respectively, ranked amongst one of the best in the industry. No forced sale value (FSV) benefit was availed while determining the provision against non-performing Advances, despite of being allowed under the guidelines of the SBP.

Proactive evaluation of economic scenario led to the prudent management of investment portfolio and duration optimization. Net investments increased by 28% to reach Rs. 1,064,495 million as on December 31, 2021 as against Rs. 829,621 million as on December 31, 2020.

Uncertain interest rate scenario leading to repricing lags between earning assets and liabilities, emphasized the need to accumulate zero and low-cost deposits. Your Bank maintained its strategic focus, leading to a significant growth of 24% in current deposits. Total deposits, on the other hand, were recorded at Rs. 1,413,295 million as on December 31, 2021, showing growth of 16% over last year.

Asset base of Your Bank reflected a strong growth of 26% as compared to 19% growth in Industry assets footing. Total assets were marked at Rs. 2,010,156 million as on December 31, 2021.

Net assets of Your Bank stood at Rs. 127,245 million as on December 31, 2021. Return on Assets and Return on Equity were recorded at 1.0% and 16.5% respectively during year ended December 31, 2021. Capital Adequacy Ratio (CAR) stayed resilient at 22.32% against a statutory requirement of 11.5%; Indicative of robust Capital positioning of Your Bank.

It is a matter of great pride that Your Bank has been acknowledged as "Bank of the Year 2021 – Pakistan" by The Banker for the third time in a decade. The Banker is world renowned financial affairs publication of Financial Times Group U.K, being published since 1926. This award is a testament of long term & well thought out business strategy, excellent service delivery, quality work and strong technological

infrastructure supplemented by robust risk management framework.

Going forward, Your Bank is well positioned for creating long-term sustainable value for its stakeholders. The Bank is also determined to provide customer centric innovative digital financial solutions to its diverse customer base together with committing towards agility, resilience, high level of ethics, governance and professionalism.

Risk Management Framework

Risk Management Group (RMG) is continuously striving towards management of risk through an augmented framework of sound risk principles, reinforced by optimum organizational structure, robust risk assessment models and effective monitoring systems. All this is carried in an automated environment to safeguard the 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 & Governance and Enterprise Risk – where all of these operate cohesively to augment the risk monitoring and assessment architecture. This is reflected in quality of asset portfolio while keeping the aggregate risks well within the Bank's overall risk acceptance criteria.

During 2021, 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:

- Considering Small and Medium Enterprises' (SME) economic significance and in light of SBP's initiative to promote SME financing, the Bank has taken various initiatives for promoting lending to SMEs through conventional as well as digital platform. The Bank has partnered with Karandaz Pakistan (a non-profit organization) for two Innovative Challenge Funds; (I) ICF3 - Transforming SME Financing, Innovative Credit Scoring Model of SMEs and (II) ICF5 –Small Distributors Lending through digital platform in collaboration with Fintech.

Your Bank has also been selected for lending to SMEs under SBP SME Assan Finance Scheme. These initiatives envisage cash flow based

collateral free lending which will not only help the Bank in fulfilling its social responsibility of SME's financial inclusion but also facilitate in creating business opportunities for the Bank.

- To ensure meticulous compliance with smooth transition towards the SBP's instructions for implementation of International Financial Reporting Standard 9, "Financial Instruments" (IFRS-9), the Bank has ensured its readiness through implementation of IFRS-9 system to comply with regulatory requirements and accounting standards. Your Bank has been timely submitting the impact of Expected Credit Loss under IFRS-9 to SBP.
- In line with Basel guidelines and best practices, the Bank has arranged validation and recalibration of Obligor Risk Rating Models through an external consultant. The Models have been recalibrated to improve their predictive power to provide a fair risk assessment of the obligor.
- The Bank has an in-house developed state-of-the-art Risk Assessment and Management System (RAMS) for loan 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 updated framework and conducted stress testing according to this framework results of which were submitted to the relevant forum.
- In continuation of the Bank's distinctive initiative of engaging with the obligors to provide them with latest insight on business management and strategies; an interactive Webinar for Corporate, Commercial & SME obligors, was arranged on "Transition from Family-Owned Business Structure to Corporate Structure" during 2021. Renowned Speaker Dr. Ishrat Hussain (ex-Governor State Bank) was invited to address the selected target audience (sponsors of low to mid-tier businesses) to emphasize the importance of resilient growth in family-owned businesses.
- The Bank also conducted various Security assessment exercises in 2021 on Information assets of the

Bank which included Vulnerability Assessment (VA) and Penetration Testing (PT) activities. Payment Card Industry Data Security Standard (PCI DSS) Certification was also achieved for the 3rd year in 2021 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 has also initiated a project to develop an Information Security Risk Management Program for aligning its Governance structure with International Standards and Industry best practices.
- The Bank continued to focus on energy savings and environment friendly projects, by investing in energy saving solutions through installation of solar panels and inverters at the branches. 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. Moreover, journey towards digitalization continued by automating the existing manual processes to reduce the use of paper and promote paperless banking.
- 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 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, which were supported for ensuring economic sustainability.
- 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 initiatives launched by Government of Pakistan including Prime Minister's Kamyab Jawan Youth Entrepreneurship

Scheme and Mera Pakistan and Mera Ghar.

Risk Management aims to continue the pace of major initiatives in 2022 such as effective utilization of the implemented Modules of OFSAA (Oracle Financial Services Analytical Applications) and Benchmatrix process design assessments and control testing, automation of workflows in Risk Assessment and Management System, information security awareness campaigns, augmentation of the Bank maintained warehouses for pledge financing.

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, 2021.

Statement of Internal Control

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

Corporate Sustainability

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

Entity Rating

During the year, Pakistan Credit Rating Agency (PACRA) maintained Bank's long-term and short-term credit rating at the highest level of "AAA" (Triple A) and "A1+" (A One Plus) respectively. These ratings indicate highest credit quality and an exceptionally strong capacity for payment of financial commitments.

Corporate Governance Rating

Your Bank's well established Corporate Governance Framework supported by Board & Management Committees leading to a strong financial transparency has been acknowledged by VIS Credit Rating Company Limited. Resultantly, Corporate Governance Rating (CGR) for 2021 has been upgraded by one notch to CGR – 9++, which signifies very high level of corporate governance.

Board of Directors

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

Directors' committees is also disclosed separately in the Annual Report.

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

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

Performance Evaluation Mechanism for the Board

The Board of Directors, while ensuring regulatory compliance is also vested with fiduciary responsibility on behalf of the shareholders to protect the Bank's interests, provide strategic direction and monitor the execution of strategic objectives.

The Companies Act 2017, Banking Companies Ordinance 1962, SBP's Prudential Regulations and Code of Corporate Governance (the Code) describe the role of the Board of Directors along with its responsibilities and functions. In order to comply with the requirement of the Code, the Board of Directors, in the year 2014, put in place an effective mechanism for the Board of Directors' evaluation.

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 2021.

As per approved mechanism, performance evaluation was carried out by independent valutors, i.e., M/s. Yousuf Adil, Chartered Accountants. They issued a formal report covering following areas:

- I. Board's structure and composition
- II. Board's role and responsibilities
- III. Board's processes
- IV. Board's committees' organization and process
- V. CEO Oversight
- VI. Board's compensation
- VII. Potential Board development needs

DIRECTORS' REPORT

- VIII. Role of Independent Directors & Non-Executive Directors
- IX. Sponsor Directors
- X. Chairman

The independent evaluation was placed before Board of Directors for review and consideration in its 256th meeting held on February 17, 2022. The Board of Directors noted the contents of Board of Directors Annual Evaluation for the year 2021 along with external evaluator's recommendations and expressed its satisfaction on the results.

External Auditors

The Listed Companies (Code of Corporate Governance) Regulations, 2019 requires listed companies including the Banks to rotate their external auditors every five years. Existing Joint Auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants and M/s EY Ford Rhodes Chartered Accountants have been retired.

Joint Auditor M/s KPMG Taseer Hadi & Co., Chartered Accountants, have completed their five years term and two

years extension period, as allowed by Securities and Exchange Commission of Pakistan and State Bank of Pakistan as on December 31, 2021, and are not eligible for reappointment for the next term.

The other retiring Joint Auditors M/s EY Ford Rhodes Chartered Accountants, being eligible for re-appointment, have submitted their consent to continue as statutory auditors of the Bank for the year ending December 31, 2022.

The Board of Directors, on recommendation of the Audit Committee, has recommended M/s EY Ford Rhodes Chartered Accountants against professional fee of Rs. 19.635 million, as sole statutory auditors for the next term.

Pattern of Shareholding

Pattern of Shareholding is annexed.

Acknowledgment

On behalf of the Board of Directors and the Management, we would like to place

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

For and on behalf of the Board of Directors.

Aizid Razzaq Gill

Chief Executive Officer

Mohammad Naeem Mukhtar

Chairman Board of Directors

Lahore

Date: February 17, 2022

ڈائریکٹرز رپورٹ

ڈائریکٹرز رپورٹ 2021

محترم حصص مالکان،

بورڈ آف ڈائریکٹرز کی جانب سے ہم آپ کے بینک کے 31 دسمبر 2021ء کو اختتام پذیر ہونے والے سال کی سالانہ رپورٹ پیش کرتے ہوئے نہایت مسرت محسوس کر رہے

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

سال بہ اختتام 31 دسمبر			
اضافہ	2020	2021	
فی صد	ملین روپے		
(4)%	18,029	17,314	منافع بعد از ٹیکس
20%	55,821	66,995	گزشتہ جمع شدہ منافع
1000%	7	77	غیر بینکنگ اثاثہ جات کی قدر و پیمائش سے غیر تخصیص شدہ کو منتقلی۔ نیٹ آف ٹیکس
26%	323	406	پائیدار اثاثہ جات کی قدر و پیمائش سے منتقلی۔ نیٹ آف ٹیکس
119%	(803)	151	معیں شدہ منصوبوں کی تخصیص ثانی کے اثرات۔ نیٹ آف ٹیکس
16%	73,377	84,943	تخصیص کے لیے دستیاب منافع
			حتمی کیش ڈیویڈنڈ برائے سال ختمہ 31 دسمبر 2020
200%	(2,290)	(6,870)	@ 6.00 روپے فی عام حصص (2020: سال ختمہ 31 دسمبر 2019 - 2.00 @ روپے فی عام حصص)
			پہلا عبوری کیش ڈیویڈنڈ برائے سال ختمہ 31 دسمبر 2021
0%	(2,290)	(2,290)	@ 2 روپے فی عام حصص (2020: سال ختمہ 31 دسمبر 2020 - 2.00 روپے فی عام حصص)
			دوسرا عبوری کیش ڈیویڈنڈ برائے سال ختمہ 31 دسمبر 2021
100%	-	(2,290)	@ 2 روپے فی عام حصص (2020: سال ختمہ 31 دسمبر 2020 - صفر روپے فی عام حصص)
			تیسرا عبوری کیش ڈیویڈنڈ برائے سال ختمہ 31 دسمبر 2020
100%	-	(2,290)	@ 2 روپے فی عام حصص (2020: سال ختمہ 31 دسمبر 2020 - صفر روپے فی عام حصص)
(4)%	(1,803)	(1,731)	ضوابطی ریزرو میں منتقلی
4%	66,995	69,471	آگے منتقل کیا گیا جمع شدہ منافع
(4)%	15.75	15.12	فی حصص آمدنی (EPS) روپے

میں اضافے نے افراط زر میں شدید اضافہ کیا ہے۔ جس سے صارفین کی قوت خرید میں بھی مجموعی طور کی واقع ہوئی ہے۔ مستقبل میں، افراط زر کی شرح قدرے اعتدال کے ساتھ سال 2022ء اور سال 2023ء میں بالترتیب 4.4 فیصد اور 3.8 فیصد تک رہنے کی توقع ہے۔

کووڈ-19 کے پھیلاؤ اور اس کے ردعمل

کلاں معاشی پیش رفت:

عالمی معیشت کی بحالی میں، اس عالمگیر وباء کے بار بار نمودار ہونے اور مختلف انواع کے پالیسی ردعمل کے مابین، مسلسل تنوع جاری ہے۔ عالمی مالیاتی فنڈ (آئی ایم ایف) نے مالی سال 2021ء کے لیے معاشی نمو کے اپنے سابقہ 6 فیصد کے تخمینے پر نظر ثانی کرتے ہوئے اس کو 5.9 فیصد شرح پر مقرر کیا ہے۔ مزید برآں، دنیا بھر میں اشیاء کی عالمی قیمتوں

بورڈ آف ڈائریکٹرز 2.00 روپے فی شیئر کا

فائل کیش ڈیویڈنڈ تجویز کی ہے۔ (مجموعی کیش ڈیویڈنڈ 8.00 روپے فی شیئر بشمول عبوری ڈیویڈنڈز) اس تجویز کردہ اور سال 2021ء کے دیگر مجوزہ ڈیویڈنڈز کی منظوری آنے والی سالانہ جنرل میٹنگ (عام اجلاس) میں کی جائے گی۔

کے طور پر حکومت کی جانب سے استحکام کے اقدامات کی بدولت پاکستان کی معیشت کی نمو میں مختلف مراحل درپیش ہیں۔ ان غیر متوقع خدشات کے باوجود داخلی معیشت میں، مالی سال 2020ء کی 0.5 فیصد کی منفی نمو کے مقابلے میں مالی سال 2021ء کے دوران 5.4 فیصد کی نمو کے ساتھ عموماً بحالی دیکھی گئی۔

سال 2021ء کی اس مثبت جی ڈی پی کی نمو کو خدمات اور صنعتی شعبے کی بالترتیب 4.9 فیصد اور 8.9 فیصد کی مضبوط ترقی کا تعاون بھی حاصل رہا۔ جبکہ اس کے تناسب میں مالی سال 2020ء کے دوران بالترتیب 0.6 فیصد اور 3.8 فیصد کا سکڑاؤ درج کیا گیا تھا۔ مزید یہ کہ زرعی شعبے کی نمو مالی سال 2020ء کی 3.31 فیصد کی شرح کے مقابلے میں سال 2021ء کے دوران معمولی کمی کے ساتھ 3.29 فیصد پر درج ہوئی۔

بڑے پیمانے کی صنعت کی نمو مالی سال 2021 - 22 کے جولائی تا دسمبر میں گزشتہ تقابلی مدت کی 7.6 فیصد کی شرح سے کمی کے ساتھ 3.4 فیصد پر رہی۔ اس صورتحال کی بنیادی وجہ میں برآمدات کی بڑی منڈیوں میں مستحکم ہوتے حالات اور کاروباری لاگت میں اضافہ تھیں۔

اشیاء کی بڑھتی عالمی قیمتوں اور اس کے ساتھ داخلی طلب میں بڑھتی کے باعث درآمدات میں تیزی سے اضافہ دیکھا گیا۔ درآمدات، مالی سال 2021 - 22 کے جولائی تا دسمبر کے عرصے میں 54 فیصد کے ہوشربا اضافے کے ساتھ 41.664 امریکی ڈالرز پر جا پہنچیں۔ دوسری طرف برآمدات مالی سال 2021 - 22 کے جولائی تا دسمبر کے عرصے کی 14,655 ملین امریکی ڈالرز کی سطح کے مقابلے میں مالی سال 2021 - 22 کے جولائی تا دسمبر کے عرصے کے دوران 18,651 ملین امریکی ڈالرز پر درج

ہوئیں اور اس طرح 27 فیصد کی مضبوط نمو کا اندراج کیا۔ تجارتی خسارے کی اس خستہ حال صورتحال کے باعث کرنٹ اکاؤنٹ کا خسارہ گزشتہ سال کی تقابلی مدت میں حاصل شدہ 1,247 ملین امریکی ڈالرز کے سرپلس کی نسبت مالی سال 2021 - 22 کے جولائی تا دسمبر کے عرصے میں بڑھتا ہوا 9,092 ملین امریکی ڈالرز پر جا پہنچا۔

افراد کی ترسیلات زر اپنی 19 ماہ کی مسلسل بہتری کے رجحان کو برقرار رکھتے ہوئے گزشتہ سال کی تقابلی مدت کی 14,203 ملین امریکی ڈالرز کی سطح کی نسبت 11 فیصد کے اضافے کے ساتھ مالی سال 2021 - 22 کے جولائی تا دسمبر کے عرصے کے دوران 15,808 ملین امریکی ڈالرز پر ریکارڈ کی گئیں۔

پاکستان کے زرمبادلہ کے ذخائر اور اسٹیٹ بینک آف پاکستان کے خالص ذخائر 31 دسمبر 2021ء تک بالترتیب 23,883 ملین امریکی ڈالرز اور 17,686 ملین امریکی ڈالرز پر درج کئے گئے۔

غیر ملکی براہ راست سرمایہ کاری (ایف ڈی آئی) مالی سال 2021 - 22 کے جولائی تا دسمبر کے عرصے میں 20 فیصد کی توانا نمو کے ساتھ بڑھتے ہوئے 1,058 ملین امریکی ڈالرز پر ریکارڈ ہوئی۔ گل براہ راست سرمایہ کاری میں مواصلات اور مالیاتی کاروبار کے شعبوں کا حصہ گزشتہ سال کے تقابلی عرصہ کی بالترتیب 5 فیصد اور 14 فیصد کی شرح کے مقابلے میں مالی سال 2021 - 22 کے جولائی تا دسمبر کے عرصے میں، بالترتیب 14 فیصد اور 19 فیصد درج ہوا۔

اخراجات کے دانشمندانہ انتظام اور آمدنی

کی موزوں تحریک کی حکمت عملی نے گزشتہ سال کے تقابلی عرصہ کی جی ڈی پی 2.5 فیصد کی شرح کی نسبت مالی سال 2022ء کی پہلی ششماہی کے دوران مجموعی مالی خسارہ کو کمی کے ساتھ جی ڈی پی کے 2.1 فیصد تک شرح پر لانے میں مدد فراہم کی۔ اسی مماثلت میں سبزی ٹیکس گزشتہ سال کے تقابلی عرصے کے 918 ملین روپے کے حجم کے مقابلے میں مالی سال 2021 - 22 کے جولائی تا دسمبر کے عرصے کے دوران 39 فیصد کے اضافے کے ساتھ 1,274 ملین روپے پر ریکارڈ کیا گیا۔

دسمبر 2021ء کے مہینے کے دوران افراط زر 12.3 فیصد پر ریکارڈ ہوا جو کہ دسمبر 2020ء سے اب تک کی بلند ترین سطح ہے۔ افراط زر میں اس اضافے کی بنیادی وجہ کم ٹیس اینفلیکٹ (Low Base Effect)، اشیاء کی بڑھتی عالمی قیمتیں اور شرح تبادلہ کی فرسودگی رہیں۔

پاکستان اسٹاک ایکسچینج 31 دسمبر 2020ء کے حاصل شدہ 43,755 پوائنٹس کی نسبت 2 فیصد کے اضافے کے ساتھ 31 دسمبر 2021ء تک 44,596 پوائنٹس کی سطح پر پہنچ گیا۔

موزوں پالیسی کی ترکیب کو یقینی بنانے، قدرے مثبت حقیقی انٹرسٹ ریٹ کے حتمی مقصد کے حصول سے قریب تر ہوتے ہوئے افراط زر کے دباؤ سے نمٹنے کے لئے اسٹیٹ بینک آف پاکستان نے ستمبر 2021ء سے پالیسی ریٹ میں 275 بی پی ایس اضافے کا فیصلہ کیا اور دسمبر 2021 تک اس کی شرح کو 9.75 فیصد پر مقرر کیا۔

مستقبل میں، داخلی نمو 4 فیصد تا 5 فیصد کی اپنی پیش بین شرح کی حدود میں رہنے کی توقع ہے۔ کرنٹ اکاؤنٹ خسارے میں بڑھتی درآمدات

کے سبب پیدا ہونے والی حالیہ منفی صورتحال کے مد نظر، اسٹیٹ بینک آف پاکستان نے اس بارے میں اپنے سابقہ 2 فیصد تا 3 فیصد کے تخمینے پر نظر ثانی کرتے ہوئے اس کی شرح کو جی ڈی پی کا 4 فیصد پر اندازہ کیا ہے۔

اسٹیٹ بینک آف پاکستان نے افراط زر کے اضافے کی شرح کے اپنے سابقہ 7 فیصد تا 9 فیصد کے تخمینے پر بھی نظر ثانی کرتے ہوئے اس کی شرح کو 9 فیصد تا 11 فیصد کی سطح پر تجویز کیا ہے۔ تاہم، ایشیا کی عالمی قیمتوں میں متوقع کمی، بڑھتی قیمتوں کے موثر انتظام اور طلب کو اعتدال پر لانے کی پالیسیوں کے نفاذ سے مشروط، اسٹیٹ بینک آف پاکستان نے اس توقع کا اظہار کیا ہے کہ مالی سال 2023ء کے دوران افراط زر کی شرح کم ہوتے ہوئے 5 فیصد تا 7 فیصد تک آ سکتی ہے۔

مالیاتی کارکردگی:

مشکل کاروباری ماحول اور کووڈ - 19 کی نئی شکلوں اور لہروں سے پیدا ہونے والی مسلسل رکاوٹوں سے بڑے کثیر الجہت چیلنجز کے باوجود، بینکنگ کے شعبے کی کارکردگی اپنے اثاثہ جات کی اساس میں 19 فیصد کے اضافے کے ساتھ حوصلہ افزاء نمو کو برقرار رکھے ہوئے ہے۔ اثاثہ جات کی یہ نمو بحال ہوتی معاشی سرگرمی اور اسٹیٹ بینک آف پاکستان کے سہولت کے اقدامات کی وجہ سے سرمایہ کاری اور قرضہ جات میں اضافے کی بدولت حاصل ہوئی۔ صارفین اور کاروبار میں بہتر ہوتی اعتماد کی فضاء کا اظہار ڈیپازٹس میں ہونے والی 17 فیصد کمی سے ہوتا ہے۔

میکرو اکنامک (کلاں معاشی) دشواریوں اور جاری ڈیجیٹل منتقلی سے ابھرنے والے مشکل کاروباری ماحول کے تحت آپ کے بینک نے

بینکاری کے کاروبار، صارفین کو مہیا کردہ خدمات میں اضافے، اپنی ٹیکنالوجی کے پلیٹ فارمز کی افزودگی اور ای۔بینکنگ کی طرف اپنی منتقلی سمیت تمام شعبوں کی بہتری کے لیے نہایت دلچسپی سے کام کیا ہے۔

اوسط پیداواری اثاثہ جات میں مثبت مقداری نمو نے سرمایہ کاری، قرضہ جات اور بینک پلیسمنٹس کی کم آمدنی سے حاصل ہونے والے منفی ریٹ کی تفاوت کے اثر کو زائل کیا۔ جس کے نتیجے میں 31 دسمبر 2021ء کو اختتام پذیر سال کے دوران حاصل شدہ مارک اپ آمدنی 7 فیصد کے اضافے کے ساتھ 118,649 ملین روپے تک جا پہنچی۔ اس کے برعکس بینک کی فنڈنگ کی لاگت کے مثبت ریٹ کے اثرات کو قرضہ جات کی بڑھتی مقدار نے بڑی حد تک زائل کیا جس کے نتیجے میں قرضہ جات کے اخراجات میں اضافہ ہوا اور انٹرسٹ اخراجات کی مد میں 18 فیصد بڑھتی درج ہوئی۔ آپ کے بینک نے گزشتہ سال کے دوران حاصل شدہ 48,421 ملین روپے کی نسبت 31 دسمبر 2021ء کو اختتام پذیر سال کے دوران 45,587 ملین روپے کی خالص مارک اپ آمدنی کا اندراج کیا۔

شدید مسابقتی کاروباری ماحول کے درمیان، اپنی بہتر اور جدید ڈیجیٹل خدمات اور اپنی خدمات کے معیار میں مسلسل افزودگی اور کاروبار کے کلیدی انتظامات کے ذریعے اپنی آمدنی کے ذرائع میں تنوع نے آپ کے بینک کو فیس سے متعلقہ آمدنی میں 31 دسمبر 2021ء کو اختتام پذیر سال کے دوران کی 7 فیصد شرح کے مقابلے میں 31 دسمبر 2021ء کو اختتام پذیر سال کے دوران 25 فیصد نہایت شاندار نمو حاصل کرنے کے قابل کیا۔

ڈیٹ کارڈ کی جاری مہم اور کارڈ کی تجدید کی فیس میں معمولی اضافے کے باعث کارڈ سے متعلقہ آمدنی میں 34 فیصد کی مضبوط نمو دیکھی گئی۔ اور 31 دسمبر 2021ء کو اختتام پذیر سال کے دوران براؤن بینکنگ کسٹمر فیس میں بھی 16 فیصد کی نمودار جی ہوئی۔

آپ کے بینک کی ڈیوٹیڈ آمدنی گزشتہ سال کی 9 فیصد کی تنزیل کے مقابلے میں 31 دسمبر 2021ء کو اختتام پذیر سال کے دوران، 30 فیصد اضافے کا اندراج کرتے ہوئے، 2,151 ملین روپے پر درج ہوئی۔ سال 2020ء میں عالمگیر وباء کے باعث اسٹیٹ بینک آف پاکستان کی جانب سے کیپٹل بفرز کو برقرار رکھنے کے لیے دو مسلسل سہ ماہیوں کے لیے ڈیوٹیڈ کی معطلی کے بعد 31 دسمبر 2021ء کو اختتام پذیر سال کے دوران بینکاری کے اداروں نے زیادہ بلند شرح پر ڈیوٹیڈ تقسیم کیا۔

اپنے ایکویٹی پورٹ فولیو کی دانشمندانہ فروخت کی مرہون منت آپ کے بینک نے کیپٹل گین کی مد میں 31 دسمبر 2021ء کے سال کے دوران 3,420 ملین روپے کے مقابلے میں 31 دسمبر 2021ء کے سال کے دوران 27 فیصد کی توانا نمو کے ساتھ 4,334 ملین روپے کی آمدنی حاصل کی۔

نسجاً مثبت تبادلہ کے خطوط (SWAP) (CURVES) نے غیر ملکی شرح تبادلہ کی آمدنی کی مد میں 19 فیصد کی آمدنی حاصل کی جبکہ گزشتہ تقابلی سال کے دوران اس میں 16 فیصد کمی درج ہوئی تھی۔

جس کے باعث نان مارک آمدنی 31 دسمبر 2020ء کو اختتام پذیر سال کے دوران کی 12,542 ملین روپے کی سطح سے 31 دسمبر 2021ء کو اختتام پذیر سال

کے دوران 27 فیصد کی مضبوط نمو ظاہر کرتے ہوئے
15,938 ملین روپے پر جانچی۔

جبکہ دوسری جانب کل نان مارک اپ
اخراجات 31 دسمبر 2021ء کو اختتام پذیر سال کے
دوران 11 فیصد کے اضافے کے ساتھ 33,946
ملین روپے پر ریکارڈ ہوئے۔ اس اضافے کی بنیادی
وجہ اوسط افراط زر میں مسلسل اضافہ ہے جو کہ
گزشتہ سال کی 8.6 فیصد کی شرح کے مقابلے
میں بڑھتا ہوا 9.8 فیصد پر درج ہوا۔ اس کے علاوہ،
آپکے بینک نے اپنی ٹیکنالوجیکل منتقلی اور
کوڈز - 19 کی مسلسل جاری لہروں اور شکلوں کے
بار بار ظہور سے پیدا ہونے والی صورتحال کی بناء پر
اپنی کارپوریٹ سماجی ذمہ داریوں کو نبھانے کے
لیے اٹھائے جانے والے اقدامات اور اخراجات پر
اضافی رقم خرچ کی۔

اپنے مضبوط عزم پر کار بند رہتے
ہوئے آپکے بینک نے ڈیجیٹل انوویشن میں سرکردہ
کردار ادا کرنے کی کوشش کی ہے تاکہ ہر رکاوٹ
سے پاک بینکاری کی خدمات فراہم کی جاسکیں۔
جیسا کہ یہ منتقلی ڈیجیٹل ایکو سسٹم (Digital
Eco System) کی تعمیر پر انحصار کرتی ہے
اور برک اور ماٹریس (Brick and Mortar
Base) نیٹ ورک کی وسعت بھی ناگزیر ہے۔
چنانچہ، آپکے بینک نے اپنی نمو کی دہری حکمت عملی
کو اختیار کیا ہے جس میں ڈیجیٹل انوویشن کے
ساتھ ساتھ برانچ بینکنگ کے کاروبار کی موزوں
وسعت بھی شامل ہے۔ سال کے دوران برانچ نیٹ
ورک 27 اضافی برانچوں کے ساتھ 1,429 برانچوں
پر درج ہوا۔ جس میں 1,303 روایتی برانچیں، 117
اسلامی برانچیں، 7 ڈیجیٹل برانچیں اور 2 بیرون ملک
برانچیں اور روایتی برانچوں میں 110 اسلامک
بینکنگ کی ونڈوز شامل ہیں۔

آٹومیٹڈ ٹیلر مشینز (اے ٹی ایم) کا نیٹ ورک
مضبوط ہوتے ہوئے 1,558 پر جانچی۔ جس
میں 1,269 آن سائٹ اے ٹی ایمز، 284 آف
سائٹ اے ٹی ایمز اور 05 موبائل بینکنگ پونٹس شامل
ہیں۔ علاوہ ازیں، صارفین کی توقعات پر مرکز
پراڈکٹس کی فراہمی کے تناظر میں سال 2021ء کے
دوران 1 ملین سے زائد اکاؤنٹ کھولے گئے اور
900,000+ ڈیٹ کارڈ جاری کئے گئے جو کہ کارڈز
کی سرکولیشن میں 17 فیصد کی مضبوط ترقی کو ظاہر کرتا
ہے۔

سال 2021ء کے زیادہ عرصے میں
مفاہمانہ پالیسی بیانیہ برقرار رکھنے کے بعد سال
2021 کے اختتام پر اسٹیٹ بینک آف پاکستان کے
مالیاتی سختی کی راہ پر گامزن ہونے سے اثاثہ جات
اور واجبات کی قیمتوں کی تشخیص نو میں نمایاں
تفاوت پیدا ہوئی۔ جس کے نتیجے میں آپ کے
بینک نے گزشتہ سال کے مقابلے میں مارک اپ
اخراجات میں نسبتاً زیادہ اور مارک اپ آمدنی میں قدرے
کم نمو کا اندراج کیا۔ لہذا، منافع قبل از ٹیکس 31
دسمبر 2021ء کو اختتام پذیر سال کے دوران 4 فیصد
کی کمی کے ساتھ 28,391 ملین روپے پر درج ہوا۔

اسی طرح منافع بعد از ٹیکس 31 دسمبر
2020ء کو اختتام پذیر سال کے دوران کی 18,029
ملین روپے کی سطح کی نسبت 31 دسمبر 2021ء کو
اختتام پذیر سال کے دوران، کمی کے ساتھ،
17,314 ملین روپے پر درج ہوا۔ آپ کے بینک
کی فی حصص آمدنی 31 دسمبر 2020ء کو اختتام پذیر
سال کے دوران 15.12 روپے فی حصص پر درج ہوئی۔

معاشی بحالی، بہتر ہوتے کاروباری اعتماد
اور اسٹیٹ بینک کی جانب سے مختلف اقسام کی قرضوں
کی سکیموں کی بدولت کل قرضہ جات 31 دسمبر

2021ء تک 30 فیصد کے اضافے کے ساتھ
665,740 ملین پر جانچی۔ قرضہ جات کے
اخراجات (پروویژن) میں 31 دسمبر 2021ء کو
اختتام پذیر سال کے دوران 891 ملین روپے کی کمی
ہوئی۔ اس طرح خالص قرضہ جات مندرجہ بالا
مدت میں 32 فیصد کے اضافے کے ساتھ 652,890
ملین روپے پر پہنچ گئے۔

ایک مشکل کاروباری ماحول میں
خداشات کی صورتحال میں نمایاں تبدیلی کے باوجود
آپکے بینک نے اپنے غیر فعال قرضوں میں 4 فیصد
کی کمی کا اندراج کیا۔ مزید برآں آپکے بینک کی
انفیکشن اور کوریج کی شرحیں صنعت میں بہترین رشتے
ہوئے بالترتیب 2.04 فیصد اور 94.5 فیصد پر ہیں۔
اسٹیٹ بینک آف پاکستان کی اجازت کے باوجود غیر
فعال قرضوں کے لیے اخراجات (پروویژن) کا تعین
کرتے ہوئے جبری فروخت کے فوائد کو شمار نہیں کیا
گیا۔

معاشی صورتحال کے پیش قدم جائزے
کی بدولت سرمایہ کاری کے پورٹ فولیو اور اسکی مدت
میں موزونیت اور دانشمندانہ انصرام حاصل کیا گیا۔
خالص سرمایہ کاری 31 دسمبر 2020ء کی
829,621 ملین روپے کے مقابلے میں 28 فیصد کی
قابل قدر نمو کے ساتھ 31 دسمبر 2021ء تک
1,064,495 ملین روپے پر ریکارڈ ہوئی۔

انٹرسٹ ریٹ کی غیر یقین صورتحال
میں پیداواری اثاثہ جات اور واجبات کی دوبارہ پیمائش
شدہ قیمتوں کی تفاوت نے کم یا بغیر لاگت کے
ڈیپازٹس کے حصول اور جمع کرنے کی ضرورت کو
اجاگر کیا۔ آپکے بینک نے اپنے کلیدی مقصد پر
توجہ مرکوز رکھتے ہوئے کرنٹ ڈیپازٹس میں 24 فیصد
کی مضبوط نمو کو حاصل کیا۔ دوسری طرف کل

ڈیپازٹس، گزشتہ سال سے 16 فیصد کی نمو کے اظہار کے ساتھ 31 دسمبر 2021ء تک 1,413,295 ملین روپے پر جا پہنچے۔

آپ کے بینک کے اثاثہ جات کی اساس میں، صنعت کے اثاثہ جات کی 19 فیصد کی بنیاد کے مقابلے میں، 26 فیصد کی شاندار نمو دیکھی گئی۔ 31 دسمبر 2021ء تک کل اثاثہ جات کا حجم 2,010,156 ملین روپے پر درج کیا گیا۔

آپ کے بینک کے خالص اثاثہ جات 31 دسمبر 2021ء تک 127,245 ملین روپے پر رہے۔ 31 دسمبر 2021ء کو اختتام پذیر سال کے دوران اثاثہ جات اور ایکویٹی پر آمدنی کی شرحیں بالترتیب 1.0 فیصد اور 16.5 فیصد پر ریکارڈ ہوئیں۔ سرمائے کی معقولیت کی شرح (سی اے آر) اپنی مطلوبہ ضوابطی 11.5 فیصد کی شرح کے مقابلے میں 22.32 فیصد پر رجسٹر ہوئی جو کہ آپ کے بینک کے مضبوط سرمائے کی صورتحال کی عکاس ہے۔

آپ کے بینک نے بینکنگ کی صنعت اعلیٰ ترین شہرت کا حامل ایوارڈ "دی بینکر۔ بینک آف دی ایئر 2021 (پاکستان)" جیتا ہے۔ دی بینکر، برطانیہ کے فنانشل ٹائمز گروپ کی جانب سے اشاعت کردہ عالمی مالیاتی معاملات کے بارے ایک مشہور ماہانہ جریدہ ہے جو 1926 سے شائع ہو رہا ہے۔ یہ ایوارڈ، بینک کی مضبوط بنیاد، بہترین کاروباری حکمت عملی، خدمات کی فراہمی، مضبوط رسک مینجمنٹ اور جدید ڈیجیٹل پیشکشوں کا منہ بولتا ثبوت ہے۔

مستقبل میں، آپ کا بینک خود کو مستقبل کا بینک بنانے کے اپنے ویژن پر عملدرآمد اور اپنے اسٹیک ہولڈرز کے لیے پائیدار اور طویل المدت افادیت کے

حصول کے لیے مکمل طور پر تیار اور مستعد ہے۔ بینک اپنے مختلف صارفین کی ضروریات اور توقعات کے مطابق جدید ڈیجیٹل مالیاتی خدمات کو ڈھالنے اور اس کے ساتھ نہایت مستعدی، جانفشانی، اخلاقیات کے بلند معیار، گورننس اور پیشہ دارانہ طریقہ کو اپنانے کے لیے پرعزم ہے۔

رسک مینجمنٹ فریم ورک:

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

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

سال 2021ء میں رسک مینجمنٹ جدید ٹیکنالوجی کے استعمال اور اپنے رسک کی نگرانی اور تعین کے نظام کو مزید تقویت دینے کے لیے مندرجہ ذیل اہم اقدامات کے ذریعے اپنے خدشات کے تدارک کے عمل کو مضبوط اور جدید بنانے کے لیے کوشاں ہے:

چھوٹے اور درمیانی نوعیت کے کاروباروں کی معاشی

اہمیت اور اسٹیٹ بینک آف پاکستان کے ایس ایم ایز کے لیے قرضہ جات کے فروغ کی سکیموں کے پیش نظر، آپ کے بینک نے روایتی اور ڈیجیٹل پلیٹ فارمز کے ذریعے ایس ایم ایز کو قرضوں کی فراہمی کے لیے کئی اقدامات اٹھائے ہیں۔ بینک نے کارانداز پاکستان (جو ایک غیر منافع بخش ادارہ ہے) کے تعاون سے دو جدید فنڈز کے قیام کے لیے شراکت داری کی ہے۔ آئی سی ایف - 3 (ICF3) ایس ایم ای فنڈنگ کی ہیئت میں تبدیلی، ایس ایم ایز کے جدید کریڈٹ سکورنگ ماڈل اور آئی سی ایف - 5 (ICF-5) چھوٹے ڈسٹری بیوٹرز کو ڈیجیٹل پلیٹ فارم اور فن ٹیک (Fin Tech) کے تعاون کے ذریعے قرض کی فراہمی۔ آپ کے بینک کو اسٹیٹ بینک آف پاکستان کی ایس ایم ای آسان فنانس سکیم کے تحت ایس ایم ایز کو قرض کی فراہمی کے لیے بھی منتخب کیا گیا ہے۔ یہ اقدامات ضمانت کے بغیر قرض کی نقد فراہمی کا مظہر ہیں جو کہ ناصر ایس ایم ایز کی مالی شمولیت بارے ہماری سماجی ذمہ داری کی تکمیل میں مددگار ہیں بلکہ بینک کے لیے نئے کاروباری مواقع فراہم کرنے میں بھی معاون ہیں۔

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

بازل گائیڈ لائنز اور بہترین پریکٹسز کی مطابقت

میں بینک نے بیرونی کنسلٹنٹ کے ذریعے اوبلیگور (Obligor) رسک ریٹنگ ماڈلز کی پیمانہ بندی اور توثیق کا انتظام کیا۔ ماڈلز کو انکی متوقع طاقت اور اہلیت کے مطابق بہتر کرنے لیے انکی پیمانہ بندی کی گئی تاکہ اوبلیگور ان خدشات کو درست طریقے سے جانچ سکے۔

بینک کے پاس اپنے قرضوں کی پراسیدنگ اور نگرانی کے لیے خود کا تیار کردہ ایک جدید ترین رسک ایسیسمنٹ اور مینجمنٹ سسٹم (آر اے ایم ایس - RAMS) موجود ہے۔ اس نظام سے کریڈٹ رسک کے موزوں انتظام کی صلاحیت پیدا ہوئی جس کا اظہار صنعت میں ایک کم ترین انفیکشن کی شرح کے حامل بینک کی حیثیت سے ہوتا ہے۔ بینک RAMS کی افادیت میں اضافہ کرنے کے غرض سے اس کو جدید تقاضوں سے ہم آہنگ رکھنے کے عمل میں مسلسل طور پر مصروف ہے۔

اسٹیٹ بینک آف پاکستان نے اپنے ایف ایف ایس ڈی سرکلر نمبر 1 مورخہ 01 ستمبر 2020ء کے تحت سٹریس ٹیسٹنگ (stress testing) کی نظر ثانی شدہ گائیڈ لائنز کو جاری کیا ہے۔ بینک نے اپنے نظام کو ان ہدایات سے ہم آہنگ کرتے ہوئے سٹریس ٹیسٹنگ کی اور اس کے نتائج سے متعلقہ اداروں کو آگاہی فراہم کی۔

بینک نے سال 2021ء کے دوران اپنے امتیازی قدم، جس کے ذریعے اوبلیگورز سے رابطے میں رہتے ہوئے ان کو کاروباری انتظام اور حکمت عملیوں کے بارے میں معلومات فراہم کی جاتی ہیں، کو جاری رکھتے ہوئے اپنے کارپوریٹ، کمرشل اور ایس ایم ایز اوبلیگورز کے لیے "ٹرانزیشن فراہم فیملی اوئڈ بزنس سٹرکچر ٹو کارپوریٹ سٹرکچر" (Transition from Family-Owned Business Structure to Corporate Structure) کے لیے انفارمیشن سکیورٹی رسک مینجمنٹ

(کے نام سے ایک تعاملی (Interactive) ویب سائٹ کا انعقاد کیا۔ ڈاکٹر عشرت حسین (سابق گورنر اسٹیٹ بینک) جو کہ ایک معروف اسپیکر ہیں، کو خاص طور پر منتخب سامعین (نسبتاً کم اور درمیانی سطح کے کاروباروں سے متعلقہ) سے خطاب کے لیے مدعو کیا گیا۔ تاکہ وہ خاندانی کاروبار میں مضبوط ترقی کی اہمیت کو اجاگر کر سکیں۔

آپ کے بینک نے سال 2021ء کے دوران بینک کے معلوماتی اثاثوں کے تحفظ کے لیے بہت سی حفاظتی جانچ کی تدابیر اختیار کی ہیں اس میں دلنرا پینلٹی ایسیسمنٹ (VA) اینڈ پینٹریشن ٹیسٹنگ (PT) (Vulnerability and Penetration Testing) کی سرگرمیاں شامل ہیں۔ مینجمنٹ کارڈ انڈسٹری ڈیٹا سکیورٹی اسٹینڈرڈ (Payment Card Industry Data Security Standard - PCI-DSS) سرٹیفیکیشن جس کو سال 2021ء میں مسلسل تیسری مرتبہ حاصل کیا گیا، اور اس کے ساتھ سوئفٹ (SWIFT) انٹرنیشنل سے تفویض شدہ سوئفٹ کسٹمر سکیورٹی پروگرام کی تعمیل بھی کی گئی۔

اپنے معزز صارفین اور بینک کے ملازمین کی تعلیم اور تازہ ترین سائبر سکیورٹی خطرات سے انکو روشناس کروانے کے لیے ایس ایم ایس (SMS) اور ای میلز (E-Mails) کے پلیٹ فارمز کے ذریعے بہت سی انفارمیشن سکیورٹی تحریک کا انعقاد کیا گیا۔ 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۔ بینک نے اپنی گورننس کے ڈھانچے کو انٹرنیشنل اسٹینڈرڈز اور صنعت کی بہترین پریکٹسز سے ہم آہنگ کرنے کے لیے انفارمیشن سکیورٹی رسک مینجمنٹ

پروگرام کے ایک پروجیکٹ کا بھی آغاز کیا ہے۔

سال کے دوران آپ کے بینک نے توانائی کی بچت اور ماحول دوست پراجیکٹس میں اپنی سرمایہ کاری جاری رکھی اور اپنی برانچوں میں سولر پینلز اور انورٹرز (Inverters) کی تنصیب کے ذریعے توانائی کے بچاؤ کے منصوبوں میں نمایاں رقم خرچ کی گئی۔ اس کے علاوہ، اپنی گرین ایڈوائزری خدمات کے ذریعے آپ کا بینک محفوظ اور گرین کاروباری سرگرمیوں کے لیے مسلسل آواز بلند کر رہا ہے اور گرین کمپنیز میں شرکت کے ساتھ شہر کاری کی مہم میں بھی مدد فراہم کر چکا ہے۔ مزید برآں، اپنے مروجہ طریقہ کار کی خود کاریت کے ساتھ ڈیجیٹلائزیشن اور کاغذ کے لیے استعمال اور کاغذ کے بغیر بینکاری کے فروغ کے لیے سفر جاری ہے۔

معیشت پر کووڈ - 19 کی عالمگیر وباء کے مضمرات سے نمٹنے کے لیے اسٹیٹ بینک آف پاکستان کی جانب سے اٹھائے گئے مختلف اقدامات کی چھتری کے تلے بینک نے عارضی معاشی ری فنانس کی سہولت (TERF) اور قرض کی دیگر سہولتوں کی درخواستیں وصول کیں۔ عالمگیر وباء کے سخت مشکل وقت کے دوران معیشت کے تقریباً تمام شعبوں کو سیالیت اور کاروباری سرمائے (ورکنگ کپٹل) کی دشواریوں کا سامنا تھا۔ تاہم ان اقدامات سے پائیدار معاشی کو یقینی بنانے میں مدد ملی ہے۔

حکومت کے اقدامات اور معاشرے کے محروم شعبوں، کم آمدنی کے حامل افراد اور نئے کاروباروں کی مدد کے لیے اپنی کارپوریٹ ذمہ داریوں کا مکمل ادراک رکھتے ہوئے، بینک نے حکومت پاکستان کی جانب سے جاری کردہ اقدامات جن میں وزیر اعظم کامیاب جوان یوتھ انٹر پرائیور شپ (entrepreneur) سکیم اور میرا پاکستان اور

میرا گھر شامل ہیں، میں بھرپور کردار اور سرگرمی کے ساتھ حصہ لیا۔

ایسٹریٹیجی ریٹنگ:

مالیاتی گوشواروں کے نوٹ نمبر 37 میں کیا گیا ہے۔

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

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

رسک مینجمنٹ اپنے اہم اقدامات جیسا کہ Oracle Financial (OFSAA) Services Analytical Application کے نافذ شدہ موڈلز کے موزوں ترین استعمال اور بیچ میٹرکس پراس ڈیٹا مینٹریکس (BenchMatrix) Process Design کی جانچ اور کنٹرول ٹیسٹنگ، رسک ایسٹیمٹ اور مینجمنٹ سسٹم کے ورک فلوز (کام کے طریقہ کار) کی خود کاریت، انفارمیشن سیکورٹی کی آگاہی سے متعلقہ مہم، بینک کے زیر انتظام رہن اور گروہی قرضہ جات کے لیے گواہوں کو مضبوط بنانے کے اقدامات وغیرہ کو سال 2022ء میں بھی جاری رکھنے کا ارادہ رکھتا ہے۔

کارپوریٹ گورننس ریٹنگ:

بورڈ کی کارکردگی کا جائزہ لینے کا طریقہ کار:

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۔

آپ کے بینک کے تشکیل کردہ کارپوریٹ گورننس فریم ورک کا بورڈ اور مینجمنٹ کمیٹیوں کی جانب سے موثر استعمال اور مضبوط مالیاتی شفافیت کا اعتراف دی آئی ایس (VIS) کریڈٹ ریٹنگ کمپنی لمیٹڈ نے کیا۔ جس کے نتیجے میں سال 2021ء کے لیے کارپوریٹ گورننس کی ریٹنگ کو ایک درجہ بلندی کے ساتھ سی جی آر - ++9 (CGR-9++) پر مقرر کیا ہے جو کہ کارپوریٹ گورننس کے اعلیٰ ترین معیار کی عکاس ہے۔

چیف ایگزیکٹو آفیسر کا تجزیہ:

بورڈ آف ڈائریکٹرز، چیف ایگزیکٹو آفیسر کے 31 دسمبر 2020ء کو اختتام پذیر سال میں بینک کی کاروباری کارکردگی کے بارے میں تجزیہ کی مکمل تصدیق کرتے ہیں۔

کمپنیز ایکٹ 2017، بینکنگ کمپنیز آرڈیننس 1962 اور اسٹیٹ بینک کے پروڈینشل 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۔

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۔

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۔

بعد میں، سال 2016 میں، اسٹیٹ بینک نے (BPRD) بی پی 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 مقدماتی تکنیک کے ساتھ بینک کے اندرونی نقطہ نظر اور ہر تین سال بعد ایک آزاد ترمیمیہ ساز سے اس کی جانچ کو اختیار کرنے کا فیصلہ کیا

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

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۔

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 انکی لگن پر بھی نہایت شکرگزار ہیں۔

منجانب ویرائے بورڈ آف ڈائریکٹرز

ایزد رزاق گل

چیف ایگزیکٹو آفیسر

محمد نعیم مختار

چیئرمین بورڈ آف ڈائریکٹرز

جی (KPMG) تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس اور میسرز ای وائے (EY) فورڈ رہوڈز، چارٹرڈ اکاؤنٹنٹس ریٹائر ہو چکے ہیں۔

مشترکہ آڈیٹرز میسرز کے پی ایم جی (KPMG) تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، اپنی 5 سال کی مدت اور سیکورٹی اینڈ ایچجی کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان کی جانب سے مرحمت کردہ 2 سال کی توسیعی مدت بھی پوری کر چکے ہیں اور اس طرح اگلی مدت کے لیے تعیناتی کے اہل نہیں رہے۔

دیگر مشترکہ ریٹائرنگ آڈیٹرز میسرز ای وائے (EY) فورڈ رہوڈز، چارٹرڈ اکاؤنٹنٹس دوبارہ تعیناتی کی اہلیت رکھتے ہیں اور 31 دسمبر 2022ء کو اختتام پذیر سال کے لیے بینک کے قانونی آڈیٹرز کے طور پر تعیناتی کے لیے اپنی رضامندی کا اظہار کر چکے ہیں۔

بورڈ آف ڈائریکٹرز، آڈٹ کمیٹی کی سفارش پر میسرز ای وائے (EY) فورڈ رہوڈز، چارٹرڈ اکاؤنٹنٹس کو 19.635 ملین روپے کی پیشہ ورانہ فیس کے عوض، اگلی مدت کے لیے، بینک کا واحد قانونی آڈیٹرز مقرر کرنے کی تجویز دیتے ہیں۔

حصص کی ملکیت کا نمونہ:

حصص کی ملکیت کا نمونہ ساتھ منسلک ہے۔

تسلیم و تحسین:

ہم، بورڈ اور مینجمنٹ کی جانب سے، اپنے قابل قدر صارفین اور معزز شیئر ہولڈرز کے الائنڈ بینک پر انکے اعتماد، سیکورٹی اینڈ ایچجی کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان اور دیگر انتظامی

ہے۔ چنانچہ سال 2021 کے لیے ایک آزادانہ تخمینہ لگوایا گیا۔

میسرز یوسف عادل، چارٹرڈ اکاؤنٹنٹس کو اس سال کے دوران آزادانہ جانچ کے لیے تعینات کیا گیا تاکہ وہ مندرجہ ذیل عوامل کے بارے میں باقاعدہ رپورٹ جاری کر سکیں:

- I- بورڈ کا ڈھانچہ اور اسکی تشکیل
- II- بورڈ کا کردار اور اسکی ذمہ داریاں
- III- بورڈ کے طریقہ کار
- IV- بورڈ کی کمیٹیوں کی تنظیم سازی اور طریقہ کار
- V- سی ای او فروگداشت (اور سائٹ)
- VI- بورڈ کے معاوضے
- VII- بورڈ کی متوقع پیش رفت کی ضروریات
- VIII- آزاد ڈائریکٹرز اور غیر انتظامی ڈائریکٹرز کے کردار
- IX- مجاز (سپانسر) ڈائریکٹرز
- X- چیئرمین

اس آزاد جانچ کو بورڈ آف ڈائریکٹرز کے ملاحظے اور تجزیے کے لیے اسکے 245 ویں اجلاس مورخہ 17 فروری 2022ء میں پیش کیا گیا۔ بورڈ آف ڈائریکٹرز نے سال 2021ء کے لیے بورڈ آف ڈائریکٹرز کی سالانہ جانچ کے مندرجات اور اس کے ساتھ بیرونی ایویلیٹیور (evaluator) کی سفارشات کا جائزہ لیا اور نتائج پر اطمینان کا اظہار کیا۔

بیرونی آڈیٹرز:

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019ء کے مطابق لسٹڈ کمپنیاں بشمول بینکس اس امر کے پابند ہیں کہ ہر پانچ سال کے بعد اپنے بیرونی آڈیٹرز کو روٹیت (تبدیل) کریں۔

موجودہ مشترکہ آڈیٹرز میسرز کے پی ایم

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.

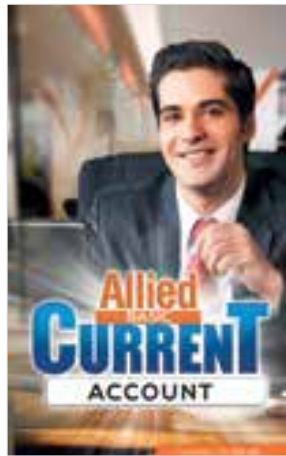
Behtar Munafa Term Deposit

ABL is pleased to introduce Behtar Munafa Term Deposit that gives you the opportunity of earning a higher return with attractive Profit Rates on your investments.

Mera Pakistan Mera Ghar—Govt's Mark-Up Subsidy Scheme for Housing Finance

In line with SBP and GOP's initiative, Allied Bank launched Mera Pakistan Mera Ghar (MPMG) under its Allied Home Finance product. It is a mark-up subsidy scheme initiative by GOP whereby middle and low-income segments of the society are being facilitated at a low markup rate. Bank has built up a decent portfolio under this scheme and is member of Billion Club.

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.

Allied Easy Finance (Chalta Rahe Karobar Ka Pahiya)

ABL launched "Allied Easy Finance" to promote collateral free / cash flow-based lending for SMEs with aim to maximize their financial inclusion. The product is specifically designed to cater need financing need of Small Auto Parts Manufacturers. Allied Easy Finance is based on innovative credit scoring model with ability to screen eligible obligors and various facilities are being offered under this product to fulfill



business requirements of Small Auto Parts Manufacturers.

ABL Warehouse Financing

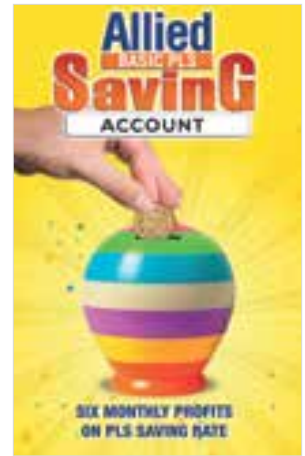
ABL is pioneer in launching the idea of setting up Commodity Warehouses in commodity trading hubs. This initiative provides ABL direct access to the core commodity producing areas of the country and support SMEs in these areas to maximize access to formal financing sources. Salient features include No Storage Cost, No Insurance Cost, No Muccaddamage charges.

Refinance and Credit Guarantee Scheme for Women Entrepreneurs

ABL launched Refinance and Credit Guarantee Scheme for Women Entrepreneurs in line with the Government of Pakistan's policy to support and revive economic activities in the country and enhancing financial inclusion of women which is one of the priority areas of the State Bank of Pakistan.

SME ASAAN Finance Scheme (SAAF)

ABL has been selected as



participating bank in recently launched SBP SME Finance Scheme for clean financing up to Rs. 10 M. Core purpose of this scheme is to support SME business through access to finance. Lending will be done through conventional and digital platforms under this initiative. The product will be formally launched in 2022.

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



PRODUCTS AND SERVICES



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.

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.

Voice-Assisted Banking

Allied Bank has introduced Pakistan's first ever voice-assisted banking using Siri. Apple iPhone users can now enjoy convenience like never before. With just a simple voice command, they can perform banking services with ease. This voice assisted service is secured with biometric (Face ID and Touch ID) authentication.

Self-Service Banking

ABL is focused to promote "Self Service Banking" to convert overall transaction mix towards Digital Banking and inculcating the culture of Customer Relationship Management. The following set of services were launched during the year 2021 on Self Service Kiosks at top 100 Branches:

- Asaan Account Opening
- Fee Payment (Schools etc.)
- Balance inquiry
- Cheque book request
- Mini statement of account
- eCRF - Updating of demographic profile.

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.

myABL Asaan Mobile Account (AMA) Wallet

For people not possessing a smartphone or having feature phone with limited access to data connectivity, ABL introduces a new medium through which customers can use the USSD channel to open and operate Branchless Banking accounts; branded as myABL

Wallet Asaan Mobile Account (AMA). myABL Wallet Customers can use AMA platform to perform bill payment, mobile top-up, fund transfer, balance inquiry and mini statement.

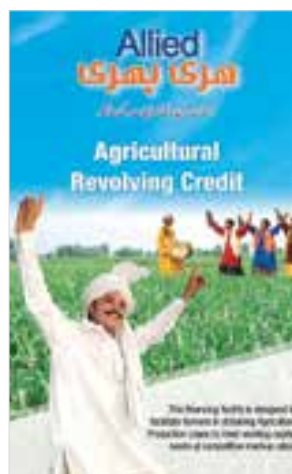
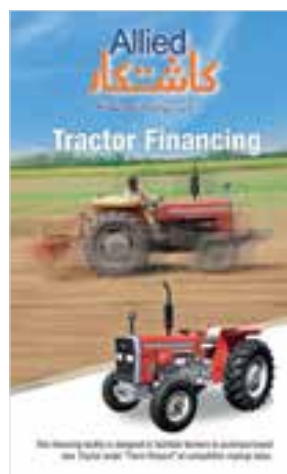
myABL WhatsApp Banking Services

This facility enables ABL accountholders to avail following free services through their whatsapp account:

- Enquire their account balance
- Check mini statements
- Search for the nearest Branches & ATMs
- Offers and Discounts
- Chat with ABL

myPakistan Digital Account (myPDA)

Being a trend-setter, ABL is a pioneer in offering digital onboarding of Resident Pakistanis in Pakistan. Now, Resident Pakistanis having CNIC/ SNIC can open their account with any branch of the bank by providing their details over the bank's onboarding portal. ABL is offering accounts in Pak Rupees & Foreign Currencies as well.





Allied Roshan Digital Account (RDA)

Roshan Digital Account (RDA) initiative is being appreciated by each & every quarter as it fully integrates Non-Resident Pakistanis (NRPs) with Pakistan's Banking & Payments System. Through this initiative, NRPs have been enabled to open bank account digitally in ABL and to see the macro level impacts on the economy which the Bank has developed in a short span of approx. 3 months whereas the industry took more than 9 months and launched the product with a lot of gaps.

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.

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 Business Account

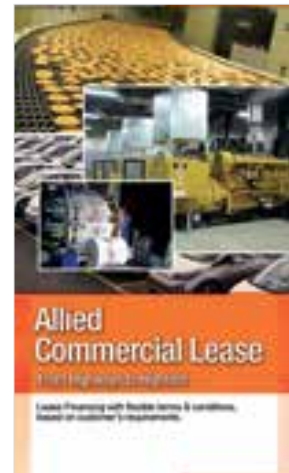
Allied Business Account is meant for growing business proprietors looking for exceptional value and services, packed with multiple free of cost features. It is a cost effective and simple way to consolidate business and personal banking needs into one tailored package.

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.

Platinum Rewarding Profit Account (NEW)

Get all the benefits and features of a remunerative current account with premium profit rates and manage your daily transactions,



frequent payments and flow of funds.

Allied Advance Profit Plus Payment

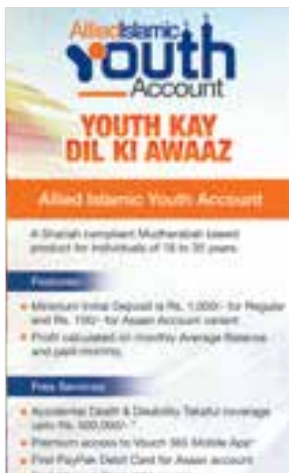
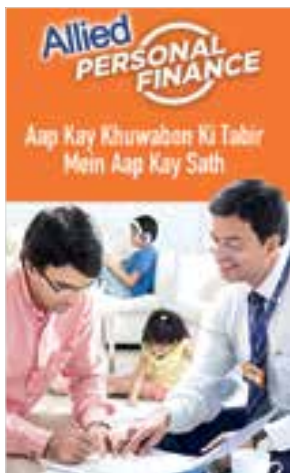
Is equally beneficial for individuals and institutions as it provides a chance to earn an instant profit on the earnings to meet their personal as well as business expenses.

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



PRODUCTS AND SERVICES



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.

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.

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.

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 Roshan Apni Car

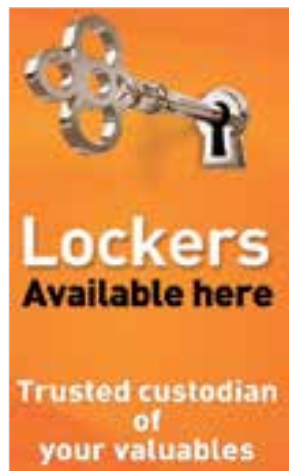
Allied Roshan Apni Car is launched in 2021 in two categories i.e., lien based and remittance based. The product is specifically designed, under the guidelines of SBP, to cater the needs of car financing for non-resident Pakistanis maintaining Roshan Digital Account in ABL, for their families living in Pakistan.

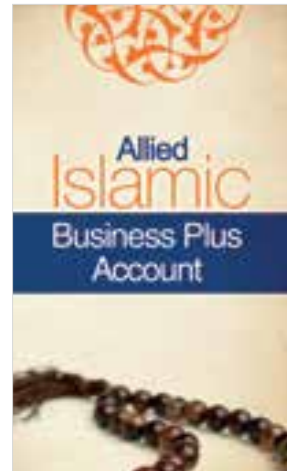
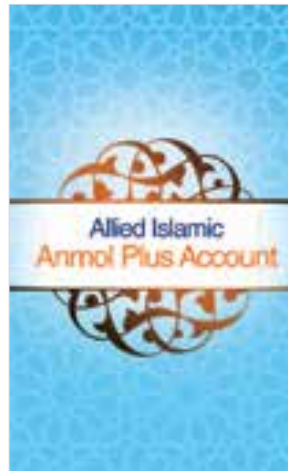
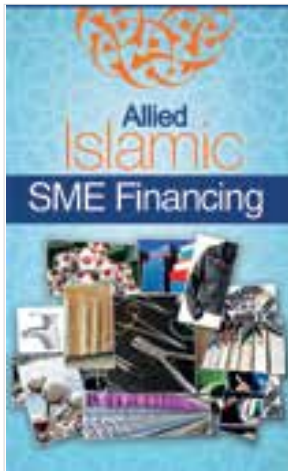
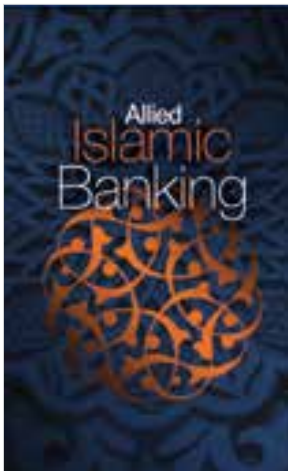
Allied Personal Finance (APF)

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 Visa Credit Card (Chip Based)

Allied Bank is the first bank to launch chip-enabled contactless NFC credit cards to provide its valued customers the convenience of contactless transactions coupled with security of chip; in addition, with 3D Secure Allied Visa Credit Card provides additional security to carry out more secure online transactions. Further, Allied Visa Credit Card also offers attractive discounts to its customers at different prestigious brands outlets.

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 along with free cheque book, free issuance of DD /TT/PO/Allied Banker's cheque, exemption of service charges on salary accounts of institutions under

special arrangements with Allied Bank, no joining fee for the issuance of Allied Cash+Shop Visa Debit Card.

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.

Safe Deposit Lockers

Safe Deposit Lockers are available at Allied Bank's branches for all our account holders with singly or joint operating option. As an additional security and track recording, account holders' locker visit is supervised by our cordial staff along with signature verification to ensure safety and vigilance.

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 card 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.

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

PRODUCTS AND SERVICES



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 App
Allied Bank is one of the few banks in Pakistan, which is offering a mobile banking app for its business clients. This app allows myABL users to authorize various transactions as well as manage their business accounts on the go.

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 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 fulfillment of the Holy journey of Pilgrimage and/or Umrah.

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 Islamic Express Plus1 AIC (Investment Certificate)

A unique Islamic Mudharabah Term deposit product to cater the Home remittance beneficiaries by offering better profit and additional benefits. This is an investment certificate of minimum Rs.25,000 for periods ranging from 1 month to 12 months (1 year) and profit payment options of 'on maturity' and 'monthly'.

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
- Musawamah
- Salam
- Istisna
- Islamic Export Refinance Scheme
- Ijarah
- Diminishing Musharakah
- Business Musharakah
- Forward Cover
- Allied Aitebar Car Ijarah
- Allied Aitebar Home Musharakah
- Allied Aitebar Tractor Financing
- Allied Aitebar Hari Bhari
- Allied SME Financing
- Allied Aitebar Business Finance
- Islamic Financing Facility for Storage of Agricultural Produce
- Islamic Refinance Facility for Modernisation of SMEs.
- Islamic Financing Facility for Renewable Energy.
- Islamic Refinance Scheme for Working Capital Financing of Small Enterprise and Low-End Medium Enterprises.

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.

Allied Share Financing (ASF)

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

Allied Salary Management Account

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

PRODUCTS AND SERVICES



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). Following are the customer services offered through Allied Bank Call Centre:

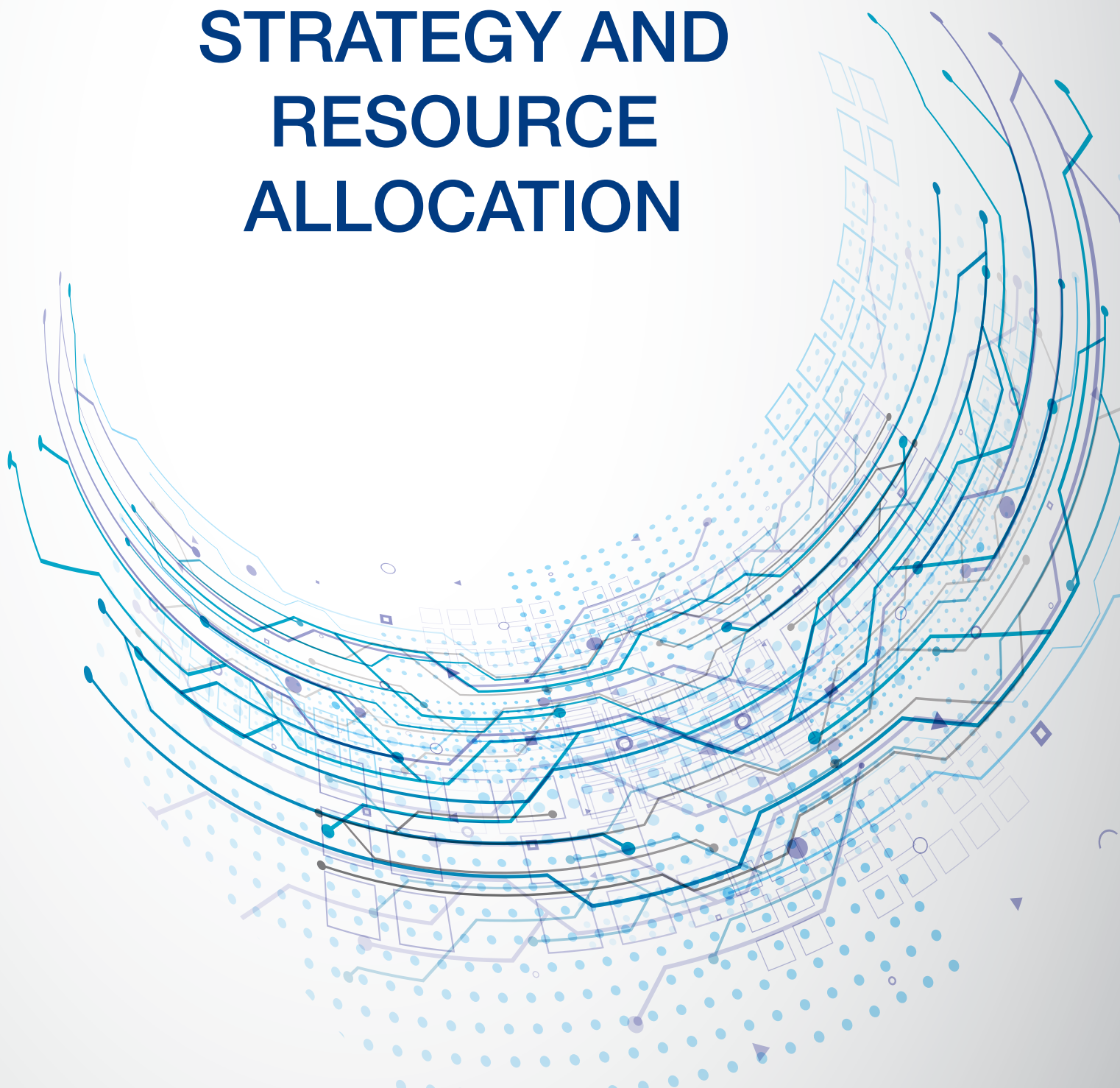
- Allied Phone Banking
- Interactive Voice Response System
- Self Service Card Activation
- Call Bank Feature
- Customer Satisfaction Surveys – Customer Feedback through IVR
- Social Media | Chat Solutions and Facilitation

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.



STRATEGY AND RESOURCE ALLOCATION



STRATEGIC OBJECTIVES

Short Term	<ul style="list-style-type: none"> Enhanced focus on digitalization and process automation to enhance efficiency and reduce cost to income ratio. To accumulate quality assets with measures to consistently decrease the NPLs of the Bank. To accelerate deposit mobilization Augment diversified revenue streams amid uncertain interest environment Deliver superior customer centric service and developing innovative products to cater wide array of customers.
Medium Term	<ul style="list-style-type: none"> Conserving robust profitability trend Continuously improve operational efficiencies Create a sustainable culture of integrity, transparency and ethics To maintain a strong capital and asset base
Long Term	<ul style="list-style-type: none"> Enhancing Brand Image and Creating Shareholders' value Augmenting Financial Inclusion Being a top stakeholder value generator in Pakistan's banking sector while remaining a socio environmentally conscious citizen. To become "Employee of Choice" for top professionals

Effect of operating environment on the Bank's strategy

Technology has redefined the standard of living, raising consumer expectations on convenient and seamless banking; thereby evolving the entire banking landscape. Accordingly, the Bank reaping the benefits of latest technology has reengineered processes to enhance the customers' experience. Use of Artificial Intelligence, Robotic Process Automation, Workflow Automation and introducing digital banking services are contributing towards provision of cost-effective seamless services to the customers.

Retention of right talent with sufficient knowledge and know-how of emerging technologies and automated system and processes poses a challenge. Moreover, addition of new IT related entrants in the industry including FinTechs coupled with different expectations and career ambitions of the tech savvy workforce enhance the employee turnover ratio. Therefore, the Bank strives to build and retain an agile and dynamic workforce through appropriate trainings, upgraded remuneration structure, performance awards and career path growth including development through Allied Leadership Talent Pipeline Program.

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 thus increasing the inverter-based branches and offices. Moreover, journey towards digitalization continued by automating the existing manual processes to reduce the use of paper and promote paperless banking. Additional, through its Green Advisory Services, the Bank continues its advocacy for Green Business Practices, and participated in green campaigns and collaborated in tree plantation drives.

STRATEGIES TO ACHIEVE STRATEGIC OBJECTIVES, KPIs AND THEIR FUTURE RELEVANCE

Strategic Objective	Key Operational Milestones	Key Performance Indicators	Future Relevance
Augmenting Financial Inclusion	<ul style="list-style-type: none"> Launched "Resident Pakistani" (myPakistan Digital Account) Launched Pakistan's First myABL WhatsApp Banking service Disbursement of Pay Anyone domestic remittances via ATMs Expanded e-Commerce payments on leading online merchants including Careem, Netflix, Uber, Google, Apple, Food Panda etc. Opened 27 Conventional Branches and 25 Islamic Banking Windows (Total Branches 1429 and Islamic Banking Windows 110) Enabled IBFT through 1-link API "2" new Mobile Banking Units added – (Total units 5) Asaan Mobile Account' was launched to financially include the market segment which does not possess a smartphone Launched "Allied Roshan Digital Account" 	<ul style="list-style-type: none"> Profitability Increased Non-Fund based income Customer Acquisition Increased Market Share 	Shall remain relevant in future

Strategic Objective	Key Operational Milestones	Key Performance Indicators	Future Relevance
Enhancing Brand Image & Shareholders' Value	<ul style="list-style-type: none"> • Highest acquirer Automated Teller Machines business; ATM uptime 97%. • Stable Dividend stream and increasing Equity. • Bank of the year 2021 – (Pakistan) Award by “The Banker”. • Asia Money – Best Bank for CSR 2021. • PSHRM-Best place to work “Winner” in Financial Services & Best place to work “Top 10 in Large Organization”. • Corporate Excellence Award-Management Association of Pakistan-2020. • Global Diversity & Inclusion Benchmarks Award 2021-Best Progressive Bank in Leadership & Recruitment & Development. • Best Corporate & Sustainability Report Awards 2020 - 4th position • Best Structured Finance Deal by Asset Triple A Country Awards 2021. • Momentum Award – Issuing Bank by ADB TSCFP Awards 2021. • USD Clearing Quality Recognition Award by JPMorgan. 	<ul style="list-style-type: none"> • Profitability • Stakeholders trust 	Shall remain relevant in future
Employer of Choice for top Professionals	<ul style="list-style-type: none"> • Introduced Allied Leadership Talent Pipeline to ensure effective succession at the mid-level management. • Established in-house Psychometric Assessment ‘Center for Assessment Research and Employees’ Evaluation. • Conducted training of the employees based on Training Need Analysis for the year 2021, Training Coverage of employees is 95% and 11,002 trainees. • Implemented code of ethics and anti-harassment policy and its compliance • Completed renovation and construction of 2 management Development Centers • Oracle HRMS deployed for all functionals areas to ensures best international practices • Arranged Vaccine facilitations desk for its employees and their families 	<ul style="list-style-type: none"> • Operational Efficiency • Profitability 	Shall remain relevant in future
Operating Effectiveness	<ul style="list-style-type: none"> • Implemented Pakistan Single Window (PSW) to accommodate seamless Government Payments through one window platform. • Consumer Loan (Mera Ghar Mera Pakistan) Application Initiation and Approval process in Loan Originating system (LOS). • Implemented Enterprise Project Management (EPM) for monitoring IT projects. • Implemented Phase-1 and Phase-2 of Micro Payment Gateway “Raast”. • Introduced Robo Calls and Call back feature for customers facilitation and onboarding. • Completed implementation of Data Lake. • Implemented Trade-Based Money Laundering Solution for transaction screening. • Completed installation of additional ‘250’ Digital signage Machines (Total DSMs) 1,024). • Achieved Payment Card Industry Data Security Standard (PCI DSS) Certification for the 3rd year in 2021 along with compliance to Swift Customer Security Program (CSP) as mandated by SWIFT International. 	<ul style="list-style-type: none"> • Operational Efficiency • Profitability • Reduced Cost to Income ratio 	Shall remain relevant in future

STRATEGIC OBJECTIVES

Strategic Objective	Key Operational Milestones	Key Performance Indicators	Future Relevance
Enhanced Focus on Digitization	<ul style="list-style-type: none"> Launched myABL WhatsApp Banking. Launched myABL Business App. Launched myABL Wallet Asaan Mobile Account. Biometric verification of myABL Wallet at ABL ATM Launched Digital Lobby (Self Service Area) in Y-Block Branch Lahore. Issuance of Withholding Tax Certificate via myABL. Dormant Account Activation via ATM. Launched VISA Platinum and UnionPay & PayPak Gold Debit Card. Issuance of Debit Cards to Foreign Currency (FCY) Roshan Digital Account (RDA) account holders. Pay anyone through ATM. Increase in cash withdrawals limit of Debit Cards SPRINKLR - a unified digital media CXM platforms are implemented to gain critical insights on digital media and enhance user experience on our official social media platforms such as Facebook, Instagram, Twitter, YouTube, LinkedIn and App stores, Introduced Biometric Automated Teller Machine service on its complete network of 1550+ Automated Teller Machine. 	<ul style="list-style-type: none"> Customer Onboarding Increase in fee income market share Operational efficiency 	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 with enhanced technological infrastructure.
Natural capital	Increased financing to renewable energy projects to promote green banking Introducing paperless environment and enhancing number of branches and offices using invertors .
Financial Capital	Elevated investment on infrastructure including buildings and equipment. Capitalize on process automation and IT network improvements. Expend in good quality asset base with inflated yield.
Human capital	Human capital capacity enhancement and capability building by focusing on trainings, talent management and talent retention. Recruit and Retain tech savvy employees
Intellectual Capital	Continuous improvement in governance culture by utilizing strong institutionalized knowledge. Formulate new products focusing the diverse range of customer base.
Social and Relationship Capital	Enhance brand image through public awareness campaigns and ongoing dialogue with customers

Strategic decisions formulation

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

- 10 Years' Rolling Strategic Plan which covers short to long term strategies and is reviewed annually to adjust in accordance with changes in the operating environment.
- SWOT analysis assesses the Bank's competitive positing in short to medium term and assists in capitalizing on emerging opportunities and mitigating arising risks
- Peer bank analysis focuses on the Bank's position in the industry landscape.
- The Bank has in place capital planning processes including assessing capital adequacy ratio, stress testing, maintaining appropriate capital levels and integrating business strategy to ensure that the Bank's capital planning process and capital level commensurate with overall risks.
- Bank approves and monitors overall objectives, strategic goals, business plans, risk acceptance criteria, control frameworks, and culture of the Bank through Board of Directors, Board Committees and Management Committees.

PESTEL ANALYSIS



Prudent administering of emerging opportunities and threats in the operating landscape and persistent ongoing assessment of these trends enables the Bank to proactively leverage these prospects while mitigating emerging risks.

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

Political

Following the outbreak of the pandemic, the Government and State Bank of Pakistan (SBP) implemented a range of fiscal and monetary policy measures in order to stimulate economic recovery, safeguard borrowers, mitigate external sectors' risks and ensure uninterrupted service delivery by financial institutions.

- SBP undertook accommodative monetary policy response to support growth amidst downside risks and to maintain financial stability, thereby policy rate was sustained to 7.00% for 15 months since June 2020 to September 2021.
- As economy appeared less vulnerable for pandemic related uncertainty, SBP gradually raised the policy rate from 7.00% to 9.75% since September 2021, in order to keep inflation expectations anchored and curb the growth in the current account deficit.
- To safeguard the borrowers SBP took several other measures to support economy and combat unemployment majorly including; Reduction in the capital conservation buffer by 100bps to 1.5%, increase in regulatory limit on extension of credit to SMEs to Rs. 180 million and relaxation in debt burden ratio for consumer loans from 50% to 60%.
- To restrict looming current account deficit (CAD) Government has also imposed several taxes and restrictions on import of non-essential items including vehicles, in order to restrain the outflow of foreign currency while providing considerable stimuli towards encouraging the export sector and local manufacturers.

Impact	Response
Pressure on Net interest margin (NIM)	Effective repricing and duration management
Low credit demand and its impact on bottom-line.	Augmented fee-based income

Economic

- The Global economic ramifications are expected to linger for several years, due to disruptions caused by Covid-19 including its subsequent waves and variants. Consequently, International Monetary Fund (IMF) revised Global growth for 2021 down to 5.9% from an earlier projection of 6.0%.
- Pakistan's economy witnessed a V-shaped recovery with 5.4% growth in FY2021 as against a negative growth of 0.5% in FY2020 owing to well calibrated stabilization measures. Furthermore, IMF also upgraded Pakistan's growth projection for 2021 from 1.5% to 3.9%. Agriculture, Industries and Services sectors witnessed a growth of 2.8%, 8.94% and 4.92% respectively during FY 2021.
- Pakistan's external sector experienced significant pressure due to the elevated imports and rising global commodity prices. Current account deficit (CAD) soared to US\$ 9,092 million during Jul-Dec FY 2021-22 on the back of 54% rise in imports which overshadowed the 27% growth in exports for the captioned period. On the contrary, Workers' Remittances sustained its growth trajectory for the 19th consecutive month to exhibit 11% growth during Jul-Dec FY 2021-22.
- Attributable to low base effect, rising international commodity prices and depreciating exchange rate, Inflation for the month of December 2021 reached at 12.3%; Outlook: Despite the resurgence of infections by various COVID-19 variants, the economy has posted gradual pick-up and improving business sentiments. Therefore, going forward, domestic growth is anticipated to remain within the forecasted range of 4%-5%. Recent outturns in Current Account deficit (CAD) due to higher imports has led SBP to upgrade its CAD forecast to 4% of GDP, from earlier estimate of 2%-3% of GDP. On the back of rising global commodity prices SBP has increased inflation forecast range to 9%-11% in near term from a previous forecast range of 7%-9%.

Impact	Response
Increased volatility of exchange rate.	Effective hedging of assets and liabilities denominated in foreign currency.
Potential escalation in impairments due to uncertain economic rebound.	Prudent and robust risk management framework in place.

PESTEL ANALYSIS

Social

- Retention of right talent with sufficient knowledge and know-how of emerging technologies and automated system and processes poses a challenge. Moreover, addition of new IT related entrants in the industry including FinTechs coupled with different expectations and career ambitions of the tech savvy workforce may have impact on the employee turnover ratio.
- Increased thrust towards digitization and automated operating models highlight the critical need of developing the agility and responsiveness of employees through integrative development propositions.
- Increased customer demands towards convenient, accessible and personalized solutions lead to increased cost of fulfilling these rapidly changing diverse customer needs.
- Technology has emerged as a key differentiator in transforming the customer experience and responding to these emerging dynamics. Onboarding tech savvy customers is a critical factor, as young customers engage due to convenience of enhanced technological and e-banking service offering.

Impact	Response
Bank's strong reputation for good employer practices.	Agile and dynamic work place environment. Recognized as 'Best Place to Work'.
Projected increase in capital and recurrent expenditure on training and development over the short-and medium term.	Retain the workforce through appropriate trainings, upgraded remuneration structure, performance awards and career path growth including development through Allied Leadership Talent Pipeline Program.

Technology

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

Impact	Response
Enhanced risk of breach in Cyber Security; Leading to Reputational Risk.	The Bank has in place robust Info-Sec setup with emerging controls and continuous updates in line with best industry practices.
Leveraging on digital and e-banking products to cater tech savvy customer base	The Bank has in-house innovation lab to ensure delivery of digitized solutions to its diverse customer base.
Lag in automation results in decline in ATM uptime and Branch connectivity.	The Bank has augmented its efficiency through timely capitalization of automated processes and monitoring tools.

Environment

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

Impact	Response
Implications on climate change and sustainable environment.	<ul style="list-style-type: none"> • Bank has in place green banking policy ensuring green financing, green business facilitation and own impact reduction. • Use of Environment Risk Management system to ensure that financing of the Bank is directed towards environment friendly projects and activities. • Various green products have been introduced. • Moreover, the Bank has in place solar power and inverter installed branches and offices. • Processes automation to reduce use of paper.

Legal

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

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

STRATEGY TO OVERCOME LIQUIDITY PROBLEM

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

SIGNIFICANT PLANS AND DECISIONS

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

OUR VALUE CREATION BUSINESS MODEL

INPUTS

Financial Capital	<ul style="list-style-type: none"> • Common Equity Rs. 107,705 million • Total Equity Rs. 127,245 million • Deposits Rs. 1,413,295 million • Borrowings Rs. 420,006 million
Manufactured Capital	<ul style="list-style-type: none"> • Domestic & Foreign Branches 1,429 • ATM Network 1,558 • Digital Touch points 18 • Other Fixed Assets
Human Capital	<ul style="list-style-type: none"> • Engaged and capable employees • Female Employees 2,116 • Male Employees 9,482 • Total Number of Employees 11,598 • State of the Art Management Development Centers 3 • Culture of Empathy
Social and Relationship Capital	<ul style="list-style-type: none"> • Depositors 5.2 million+ • Obligors 22,000+ • Regulators, Pakistan Business Council, PBA, Chambers of Commerce and Industry • Community Service (CSR) • Strong Social Media Presence • Robust Complaint Handling Mechanism
Intellectual Capital	<ul style="list-style-type: none"> • 10 Year Rolling Strategic Plan • Strong IT Infrastructure • Robust Risk Management • Comprehensive Compliance Management • Detailed Policies & Procedures • Strong Management Structure - Leadership Teams
Natural Capital	<ul style="list-style-type: none"> • Solar Branches 59 • Inverter Branches 1,432 • Green Banking Initiatives and Products • Compliance to Environmental Laws

Value Driver



Activities



Mission

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

• Profit Before Tax	Rs. 28,391 million
• Profit After Tax	Rs. 17,314 million
• Earning per Share	Rs. 15.12
• Full-year dividend per share	Rs. 8
• Return on Equity	16.5%
• Return on Assets	1%
• Capital Adequacy Ratio (CAR)	22.32%

Shareholders

• Advances Growth	32%
• Deposits Growth	16%
• Decrease in Non Performing Loans	4%
• CASA Mix	84%
• Customer Onboarding (Approx)	1 million +
• Customer Complaint Resolutions	97%
• myABL Registered Users (Approx)	945,000+
• myABL volume of transactions	Rs. 435,402 million
• No. of Debit Cards issued (Approx)	900,000+
• Digital / Counter Transactions mix	65%: 35%
• Corporate Website Visits	7,673,355
• Social Media Subscribers	1,296,256

Customer

• Salaries and Benefits	Rs. 15,253 million
• Employee Retention Ratio	90%
• Employees Trained in Service	11,000+
• Total Investment in Employee Trainings	Rs. 58 million
• Team building events	

Employees

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

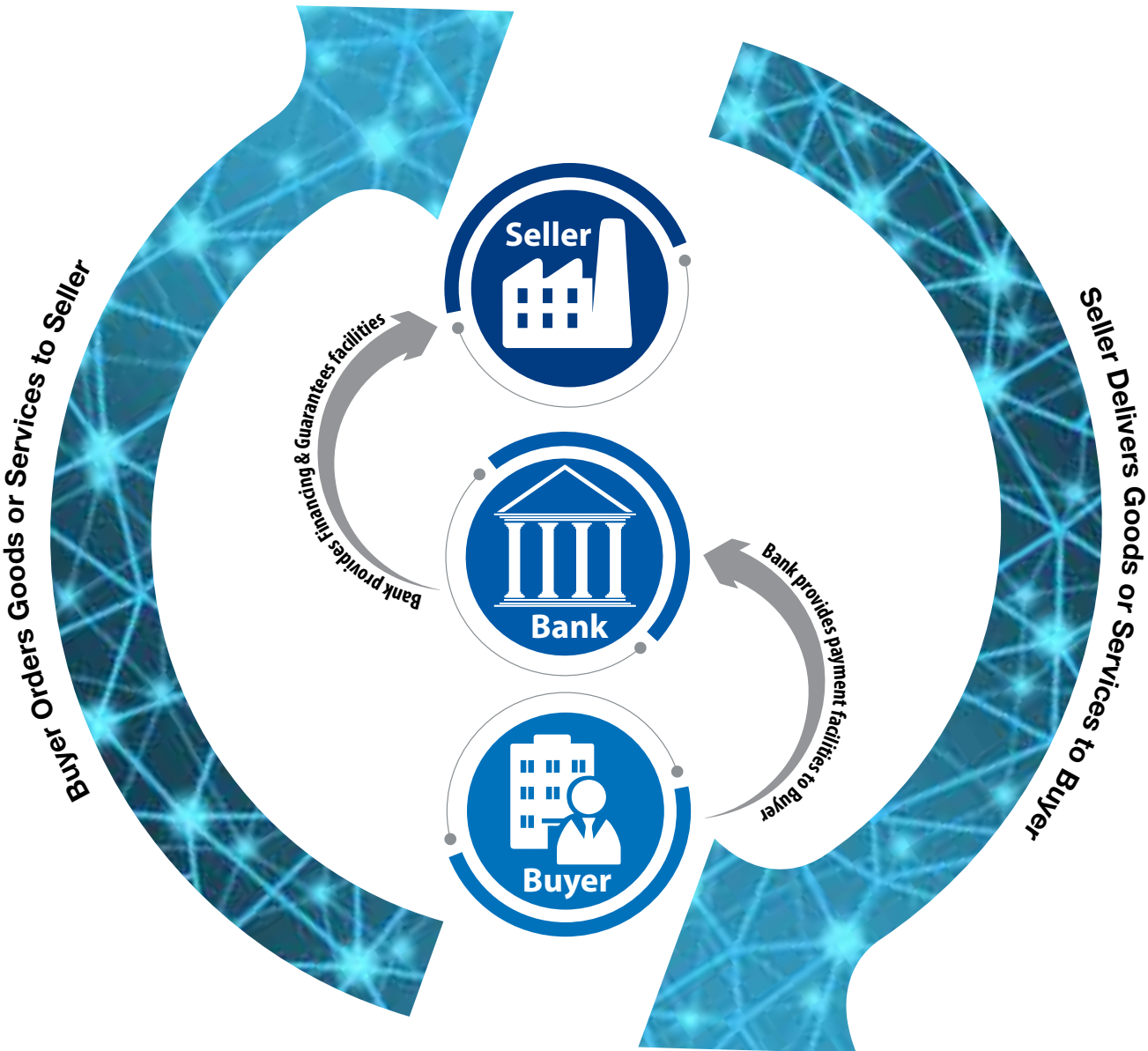
Regulators

• Contribution to National Exchequer	Rs. 25,560 million
• Customer Deposit Protection	Rs. 1,195 million
• Improving Workplace Environment	Rs. 274 million
• Environmental Sustainability	Rs. 168 million
• Plantation of Trees	47,000+
• Community Services	Rs. 91 million

Society

OUTCOMES

ROLE OF BANK IN VALUE CHAIN



STAKEHOLDERS ENGAGEMENT



IDENTIFICATION OF STAKEHOLDERS

Allied Bank operates beyond profitability objectives, thereby pivoting its focus towards effectively balancing its stakeholders' interests, with view of creating long-term value. Our mission is underpinned by our corporate values coupled with formal mechanisms for stakeholders' engagement; facilitated through numerous formal and informal platforms and the feedback thus obtained forms a vital input in our corporate planning process to create value for the stakeholders.

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

SUMMARY OF THE ANALYST BRIEFINGS

The Bank maintains strong relationship with all its stakeholders and continually engage with them through different activities to share the Bank's financial performance and future outlook.

Analyst briefings and investors conference calls were conducted, following the announcements of quarterly, half yearly and annual financial results in February, May, August and November 2021. These were attended by various research organizations, local and foreign investor services, bankers, asset management companies and brokerage houses. Detailed investor presentations were uploaded at the Bank's website before briefings and these presentations were also discussed in detail during the conference calls. After the presentation, queries raised by the participants were duly discussed and explained regarding the Bank's performance. Investor presentations are available at Bank's website <https://www.abl.com/investor-relations/financials/financial-presentations/>

Corporate Briefing Session is conducted once a year to enlighten the shareholders and analysts with the Bank's strategic, operational and financial developments. This session in 2021 was attended by 60 shareholders, investors and brokers.

REDRESSAL OF INVESTORS' COMPLAINTS

Investors can approach at investor.relations@abl.com for the redressal of their grievances and complaints. However, there were no such grievances during the year 2021.

INVESTORS' RELATIONS SECTION ON THE CORPORATE WEBSITE

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

STEPS TO ENCOURAGE MINORITY SHAREHOLDERS PARTICIPATION IN GENERAL MEETINGS

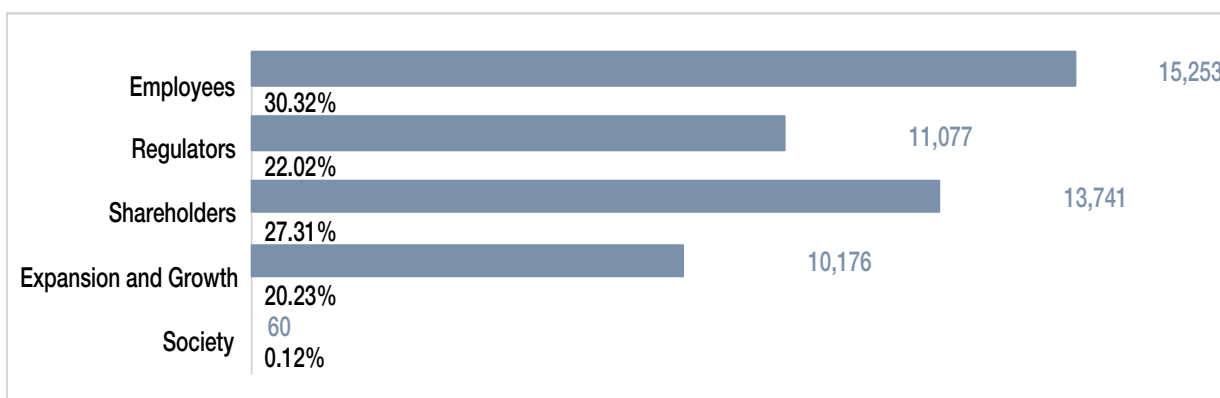
The Bank ensures equitable treatment of all shareholders including minority shareholders to attend, contribute and vote at the General Meetings. The Bank takes following measures to ensure maximum participation of minority shareholders in Annual General Meeting and in election of Board of Directors;

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

STATEMENT OF VALUE CREATION


VALUE ADDED	Rs. In Million
Income from banking services	60,900
Cost of services	(12,029)
Value added by banking services	48,871
Non - banking income	625
Provision against non-performing assets	(811)
Total Value Added	50,307

Value Allocated





STAKEHOLDERS ENGAGEMENT

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

			Occasionally	Regularly	Periodically	Continuously	
 Customers	Individuals Institutions Corporates Entrepreneurs	<ul style="list-style-type: none"> • Video Mystery Shopping • Customer Access Points • Corporate website • SMS & Email Alerts • CSR activities • Customer Awareness Seminars • Road Shows • Promotional campaigns • Print and electronic media • Social Media • Customer Surveys 	●	●	●	●	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 and displays at 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"> • Conducted video mystery shopping to assess service delivery standards and understand customers' experience and level of satisfaction when using banking services and service channels. • Launched various innovative solutions to make banking more convenient and meet the needs of its clients. • Expansion in Bank's footprint; branch network added 25 new branches during the year to reach at 1,427; expanded ATM network to 1558 (including On-site and Off-site ATMs), while providing Internet banking. • Increased Gross Advances by Rs. 155,567 million and Deposits by Rs. 196,617 million. • ABL actively participated in various initiatives launched by Government of Pakistan and developed products for Prime Minister Kamyab Jawan Youth Entrepreneurship Scheme and Credit Guarantee & Refinance Scheme for Women Entrepreneurs. • The Bank has also been on the forefront for implementing SBP initiative Raast, Pakistan's first instant payment system. This has enabled end-to-end digital payments among individuals, businesses and government entities. Allied Bank is a partner bank in this project of SBP that has successfully implemented the First Phase (bulk credit) and Second Phase (P2P transactions). ABL is among the first 12 Banks who has achieved these milestones.
	<p>Safeguarding deposits and investments while growing returns.</p>	<ul style="list-style-type: none"> • Your Bank paid Rs. 43,401 million, interest / profit to its depositors. • Continued investment in technological infrastructure, including upgradation of T-24 core banking software, to improve data security and maintain customer privacy. • Conducted Vulnerability Assessment, Penetration Testing and Technical Risk Assessments to ensure controlled environment for customer related information. • In addition to the first line of defense already implemented i.e. antivirus and anti-malware, the Bank has implemented Endpoint Detection and Response (EDR) to enable timely detection of attacks and incident response and providing continuous monitoring for and response to advanced threats on endpoints. • SMS Alerts of all digital banking transactions to customers.
	<p>Timely communication of relevant information on products and services</p>	<ul style="list-style-type: none"> • Undertook marketing communications through various channels to extend outreach to customers and public at large. • Your Bank arranged awareness seminars and road shows to engage customers and disseminate information regarding Banks' services portfolio. • 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.
	<p>Upholding highest standards of service quality across the Bank.</p>	<ul style="list-style-type: none"> • Efficiently and effectively 97% resolution of customers' complaints. • High ATM uptime further improved to 97%.

STAKEHOLDERS ENGAGEMENT

Stakeholder Group	Methods of Engagement	Frequency of Engagement				Needs & Expectations
		Occasionally	Regularly	Periodically	Continuously	
 Sponsors Minority Shareholders Individual Investors Institutional Investors Shareholders / Institutional Investors	<ul style="list-style-type: none"> Annual Report Interim Financial Statements Corporate Website Annual General Meeting Extra Ordinary General Meetings Analyst Briefings Corporate Briefing Sessions 	●		● ● ● ●	●	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.
 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 Regulators	<ul style="list-style-type: none"> Directives and circulars Financial statements Statutory examination Regulatory reporting Filing of income tax federal Excise and sales tax returns Filing of corporate return Interviews and meetings with representatives of regulators, Pakistan Banking Association, Business Council 	●	● ● ●	● ● ●		Compliance with all legal and regulatory requirements, remain responsible tax payer, corporate governance practices, adherence to reporting requirements, risk management, sustainable business practices, timely withholding taxes and deposit, income tax, FED & sales tax payment including advance tax.

Why do they Matter	How We Create Value for Stakeholders	Activities
<p>To ensure long term shareholder value and uphold the rights of the shareholder to ensure their wealth maximization.</p>	<p>Generating sustainable financial returns, enabled by growing revenues. Managing risks while optimizing our cost base.</p>	<ul style="list-style-type: none"> Generated a sustainable ROE and ROA at 16.5% and 1.0% respectively; Increased dividend yield ratio to 9.7%.
	<p>Maintaining a strong balance sheet and safeguarding asset quality which contributes towards sustainable performance.</p>	<ul style="list-style-type: none"> Total Assets increased by 26% to Rs. 2,010,156 million; Your Bank's Equity base stood at the robust level of Rs. 127,245 million; Reduction in infection ratio: 2.04% with coverage ratio of 94%.
	<p>Providing existing and potential shareholders with relevant and timely information.</p>	<ul style="list-style-type: none"> Annual Audited Financial statements together with the Auditor's and Director's report were circulated to all shareholders along with the Notice of AGM within statutory timelines. Abridged Annual Audited Financial Statements along with Auditors' and Directors Report were published in the newspaper. Analyst briefings and investors conference calls were conducted, following the announcements of quarterly, half yearly and annual financial results. Corporate Briefing Session is conducted once a year to enlighten the shareholders and analysts with the Bank's strategic, operational and financial developments. This session in 2021 was attended by 60 shareholders, investors and brokerage houses. Quarterly, Half Yearly and Annual Financial Statements, Investors' Presentations and Major financial information is disclosed under a separate section of "Investors Relations" on Corporate Website of the Bank.
	<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"> All required support is being provided to minority shareholders for participation in election of Directors.
<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"> Maintained the long-term rating of "AAA" and short-term rating at "A1+" by Pakistan Credit Rating Agency Limited.
	<p>Ensuring regulator confidence in the Bank and reducing potential for reputational risk.</p>	<ul style="list-style-type: none"> Continued to be the only bank in industry to be rated on Corporate Governance, with rating of CGR-9++ upgraded from CGR-9+; depicting a very high level of corporate governance.
	<p>Providing timely and detailed regulatory updates and reporting disclosures.</p>	<ul style="list-style-type: none"> On-time submission of statutory returns and statutory payments. Adherence to PSX requirements for disclosure of key information.
	<p>Record Management</p>	<ul style="list-style-type: none"> The Bank has a record management program that ensures maintenance, protection, retention and disposal of records in accordance with applicable regulations, operations, fiscal and legal requirements.

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>	<ul style="list-style-type: none"> Total workforce of 11,598 employees. Female representation increased to 18.2%. Awarded with "Best Progressive Bank" by HR Global Diversity Equality and Inclusion Benchmark in following four categories: <ul style="list-style-type: none"> Vision, Strategy and Business Impact Leadership and Accountability Recruitment Learning and Development
	<p>Inducting and retaining quality human resource in all functions of the Bank.</p>	<ul style="list-style-type: none"> 1364 recruitments for permanent and contractual positions.
	<p>Offering competitive remuneration and rewarding performance. Motivating and inspiring our work force.</p>	<ul style="list-style-type: none"> Rs. 15,253 million in terms of salaries, allowance and other benefits to employees Rewarded performance through 1,505 grade promotions.
	<p>Skills training and development initiatives to align workforce with strategic objectives of the Bank.</p>	<ul style="list-style-type: none"> Invested Rs 58 million on staff training and development programs. Training coverage of 11,000+ employees during the year.
	<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"> Employees Survey by Independent Consultant. Won the 'BEST PLACE TO WORK IN PAKISTAN – FINANCIAL SERVICES' award second year in a row. Also won the inaugural award of 'BEST PLACE TO WORK IN PAKISTAN – LARGE ORGANIZATION'. Other activities delineated in detailed CSR report.
<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"> Your Bank plays a proactive role in contributing towards the society. Detailed CSR report is included in the Annual Report.

BUSINESS AT LAST ANNUAL GENERAL MEETING

The 75th Annual General Meeting of the Shareholders of Allied Bank Limited (hereafter referred to as the Bank) was held on Thursday, March 25, 2021 at 11:00 A.M. The meeting was convened virtually through Zoom facility from Bank's Head Office, Lahore. All Directors (except Mr. Mohammad Naeem Mukhtar & Mr. Abdul Aziz Khan), Chief Financial Officer and Company Secretary attended the Meeting. Engagement Partner of the statutory Auditors M/s. KPMG Taseer Hadi & Co. Chartered Accountant and M/s. EY Ford Rhodes Chartered Accountants also attended the meeting through Zoom, whereas, representatives of M/s CDC Share Registrar Services Limited, the Bank's Shares Registrar were also present at the venue of the meeting.

In order to proceed the meeting, Dr. Muhammad Akram Sheikh, an Independent Director, proposed Mr. Muhammad Waseem Mukhtar to chair 75th AGM of the Bank's shareholders which was seconded by Ms. Nazrat Bashir, Independent Director. Accordingly, Mr. Muhammad Waseem Mukhtar, Non-Executive Director of the Bank, chaired the Meeting.

The Company Secretary apprised the participating Shareholders that due to the threat posed by COVID-19 pandemic and in compliance with the Standard Operating Procedures of the Government to avoid large indoor public 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 Zoom.

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

1. Confirmation of minutes of 74th Annual General Meeting of the Bank held on March 25, 2020.
2. Receive, consider and adopt Annual Audited Financial Statements of the Bank (consolidated & unconsolidated) for the year ended December 31, 2020 together with the Directors' Report, Auditors' Report and Chairman's Review Report thereon.
3. Consideration and approval of Final Cash Dividend @ 60% (i.e. Rs.6.00 per share) as recommended by the Board of Directors. This Final Cash Dividend was in addition to 20% Interim Cash Dividend (i.e., Rs.2.00 per share for the 1st quarter 2020) already paid to the Shareholders during the year 2020.
4. Appointment of Statutory Auditors of the Bank for the year ending December 31, 2021 and fixation of their remuneration.

FINANCIAL CALENDAR

2021	
1st Quarter results issued on	April 22, 2021
2nd Quarter results issued on	August 17, 2021
3rd Quarter results issued on	October 27, 2021
Recommendation of Annual Results by Board of Directors	February 17, 2022
76th Annual General Meeting schedule for approval of Annual Results	March 24, 2022

RISK AND OPPORTUNITIES

The background features a complex, abstract graphic design. It consists of numerous thin, curved lines in shades of blue and purple, some ending in arrowheads. These lines are arranged in a roughly circular, funnel-like shape that tapers towards the center. Interspersed among the lines are small, semi-transparent dots and geometric shapes like squares and circles. The overall effect is that of a dynamic, interconnected network or data flow, set against a light, gradient background.

RISK MANAGEMENT FRAMEWORK

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

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

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

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

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

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

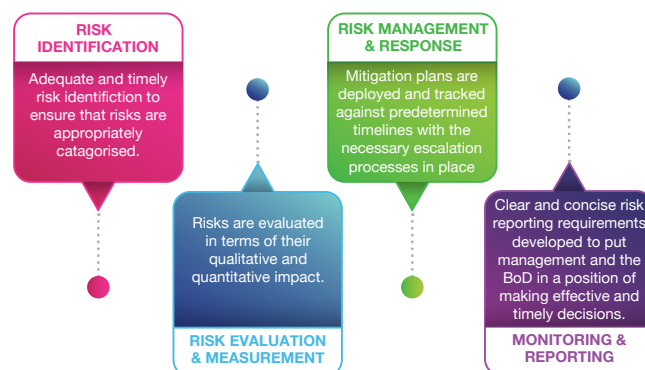
Risk organization includes the set-up for an independent, resourceful and effective risk management group. Risk Management functions at the Bank include Corporate & Financial Institution Risk, Commercial, Small & Medium Enterprises & Consumer Risk, Enterprise Risk, Credit Administration, Information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

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

RISK MANAGEMENT POLICIES

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

Risk Management Process



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

The Bank's comprehensive and integrated risk management governance structure is focused on monitoring and governance over

various categories of risk. The Bank has in place Risk Policies for all material risks faced by the Bank, which includes:

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

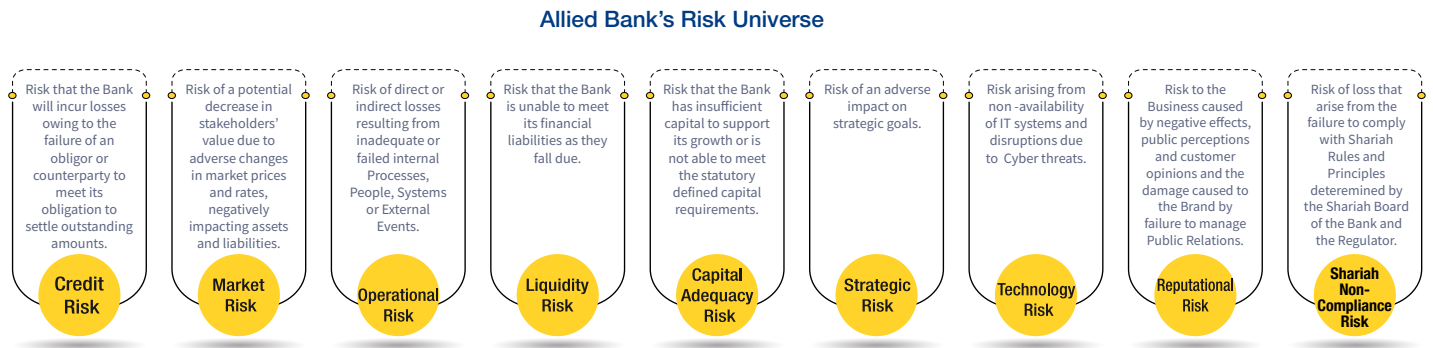
The Risk Acceptance Criteria Statement (RACS) is part of the Risk Management Strategy and is used to quantify the total amount of risk the Bank is prepared to carry in aggregate across the key risk types i.e., Credit Risk, Market & Liquidity Risk, Operational Risk, Strategic Risk, Regulatory Risk, Legal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

ASSESSMENT OF THE PRINCIPAL RISKS FACING THE BANK

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

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

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



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

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

RISK EVALUATION AND MANAGEMENT STRATEGIES

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

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

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

RISK EVALUATION AND MANAGEMENT STRATEGIES

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

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

RISK EVALUATION AND MANAGEMENT STRATEGIES

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

OPPORTUNITIES

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

INADEQUACY IN CAPITAL STRUCTURE

The Bank has in place adequate capital which is well above the regulatory limits set under the Basel Capital Adequacy Framework. Bank's Capital Adequacy Ratio stood at 22.32% against regulatory requirement of 12.5% (currently reduced by SBP under COVID-19 relief measures to 11.5% including capital conservation buffer of 1.5%). Common Equity Tier 1 Capital Adequacy Ratio is 18.48% against regulatory requirement of 6%. Leverage ratio of the Bank is 3.91% as compared to regulatory limit of 3%.

INITIATIVES TAKEN IN PROMOTING AND ENABLING INNOVATION

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

The Bank has developed an Innovation Lab equipped with the latest gadgets and acts as a research hub for Digital Banking and technology initiatives. The initiatives undertaken in promoting innovation during the year include launch of myABL Business App, myABL WhatsApp Banking, myABL Wallet Asaan account, Issuance of WHT certificate via myABL and Dormant account activation via ATM.

COMPETITIVE LANDSCAPE AND MARKET POSITIONING

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

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

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

SWOT ANALYSIS

The Bank prudently and on an ongoing basis assesses its operating and macroeconomic environment for diligent strategic formulation. To achieve its strategic objectives, the Bank undertakes various methods including the SWOT analysis to help management better leverage its strengths to take advantage of future business opportunities and to combat possible threats.

The SWOT analysis of the Bank formally evaluates its strengths, areas of improvement, opportunities and threats which is also deliberated at various forums including management committee and Board of Directors.

Identifying existing strengths

The Bank identified the areas where it is succeeding and excelling in reaching its goals. Following is the list of major strengths:

- Strong brand image – Serving customers for 8 decades
- Ranks among top 5 banks in term of total assets footing, large number of branches with country-wide out reach
- Strongest possible entity rating of "AAA" by Pakistan Credit Rating Agency and Strong capital positioning – Highest Capital Adequacy Ratio in the industry; along with low infection ratio and high coverage ratio.
- Extensive network, Automated Teller Machines (ATMs) with continuous enrichment by Digitalization and one of the leading ATM up-time in the industry and transaction acquirer.

RISK EVALUATION AND MANAGEMENT STRATEGIES

- State of the art technological platform – Temenos T24 core banking software, Oracle based ERP and Analytical Applications, use of Data Lake, Business Intelligence Dashboards, Robotic Process Automation and AI tools.
- Robust Risk Management framework for obligor assessment and technical understanding along with Environmental and Social Risk Assessment, resulting in solid asset quality.
- Diversified services offerings to cater customer requirements.

Realizing potential opportunities

The potential opportunities identified in the Bank's SWOT analysis highlights the areas where the Bank has room for growth and could take advantage of opportunities in the marketplace. Major opportunities include:

- Opportunity to enhance financial inclusion through tapping the 80% unbanked population in the country.
- Improve market share in all segments including Retail and Islamic Banking.
- Enhanced Business Intelligence and decision making through disruptive technologies.
- Augment remittance business from untapped markets.
- Collaboration with FinTechs to explore the digital arena for banking services.
- Explore new avenues to increase fee based income including acquiring business and innovative digital service products.
- Inculcate Green Banking practices within the Bank and for the customers.

Assessing possible threats

Through assessing possible threats in SWOT analysis, the Bank highlights areas including external factors which can impact the Bank's ability to achieve its strategic objectives. Notable threats having potential impact are as under:

- Data governance, standardization and Information Security challenges and threats – Cyber risks
- Rising compliance related cost amidst Financial Action Task Force and Anti Money Laundering and Combating Financing of Terrorism requirements.
- Economic challenges including the fiscal and monetary measures, having potential impact on the Bank's Operations.
- Current Account deficit and US\$-PKR parity – prospects of devaluation.
- Rising cost of doing business and inflation – Incremental Security costs, indirect taxes, rise in rents and possible increase in fuel and electricity costs.
- Emerging Digital Banks and FinTechs might disrupt traditional brick and mortar banking system.

Addressing areas of improvement

The SWOT analysis emphasizes the areas where further improvement is required to become more competitive and to achieve the Bank's strategic objectives.

These areas emanate from potential opportunities and addressing possible threats, as detailed above, while capitalizing on the Bank's strengths. These are incorporated in the Bank's Rolling Strategic Plan and monitored at various levels.

SENSITIVITY ANALYSIS

The Pak Rupee depreciated by around 10.62% and 10.49% in the Open Market and Inter Bank Exchange Market respectively during CY 2021 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 fluctuations and volatility. The types of the instruments exposed to this risk are mainly investments in foreign branches, advances and deposits denominated in foreign currency, cash flows in foreign currencies arising from foreign exchange transactions, etc.

The Bank maintains net foreign currency exposure in US Dollar and 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



Abid Anwar
Chief Commercial & Retail Banking North



Jamil Khan
Chief Commercial & Retail Banking South



Sohail Aziz Awan
Chief Digital Banking



Shahid Aamir
Chief Islamic Banking



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



Asif Bashir
Chief Special Assets Management



Ahmad Mansoor
Chief Compliance



Muhammad Mohsin
Chief General Services & Real Estate



Adeel Javaid
Company Secretary



Shaffa Hussain
Chief Audit & Risk Review

Long Term Credit Rating

AAA

Short Term Credit Rating

A1+

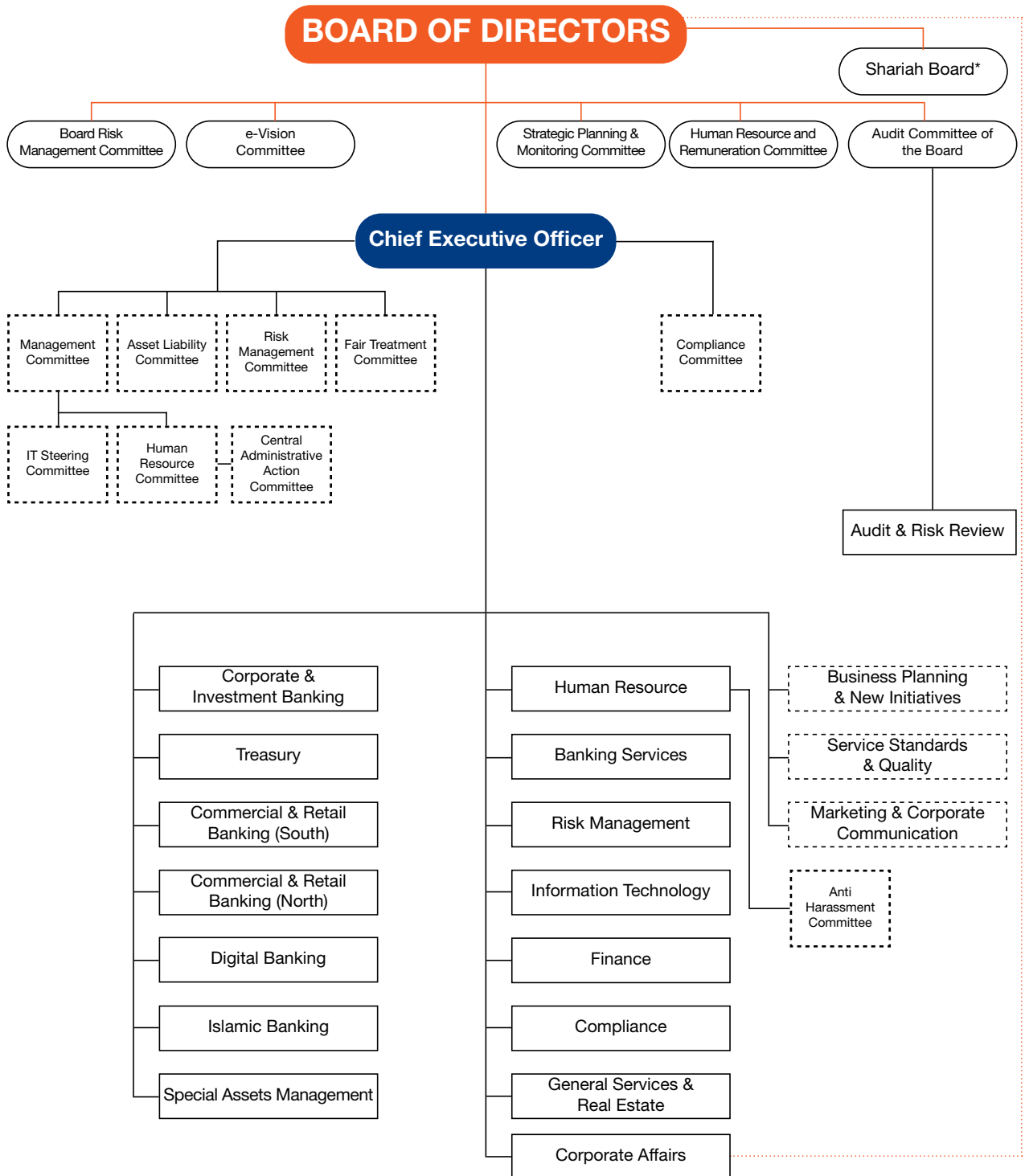
(By Pakistan Credit Rating Agency)

Corporate Governance Rating

CGR 9++

(By VIS Credit Rating Company)

CORPORATE STRUCTURE



○ Board Committee □ Management Committee □ Group □ Function

* Independent Shariah Board oversees Islamic banking operations

BOARD COMMITTEES

Audit Committee of the Board

Constitution:

Zafar Iqbal
Chairman

Mubashir A. Akhtar
Member

Nazrat Bashir
Member

Terms of Reference

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

Board Risk Management Committee

Constitution:

Sheikh Mukhtar Ahmad
Chairman

Abdul Aziz Khan
Member

Nazrat Bashir
Member

Aizid Razzaq Gill
Member

Terms of Reference

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

e-Vision Committee

Constitution:

Mohammad Naeem Mukhtar
Chairman

Muhammad Waseem Mukhtar
Member

Zafar Iqbal
Member

Aizid Razzaq Gill
Member

Terms of Reference

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

Strategic Planning & Monitoring Committee

Constitution:

Muhammad Waseem Mukhtar
Chairman

Abdul Aziz Khan
Member

Nazrat Bashir
Member

Aizid Razzaq Gill
Member

Terms of Reference

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

Human Resource & Remuneration Committee

Constitution:

Mubashir A. Akhtar
Chairman

Muhammad Waseem Mukhtar
Member

Abdul Aziz Khan
Member

Aizid Razzaq Gill
(Permanent Invitee)

Terms of Reference

Human Resource and Remuneration Committee defines the organizational structure and functional responsibilities of all areas of the Bank. It approves staff strength, key appointments, salary revisions, bonuses and special allowances and recommends to the Board of Directors regarding appointment, remuneration, bonuses and performance awards, terms and conditions of employment and other benefits of the 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. In addition to the above, the Committee also ensures that a fair, transparent and competitive remuneration mechanism is developed and put in place to encourage the culture of 'pay for performance'.

Board of Directors' and Board Committees' Attendance for the year 2021

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	7/7	x	x	x	4/4	x
Sheikh Mukhtar Ahmad	7/7	x	4/4	x	x	x
Muhammad Waseem Mukhtar*	7/7	4/4	x	11/12	2/2	4/4
Abdul Aziz Khan	7/7	x	4/4	12/12	x	4/4
Dr. Muhammad Akram Sheikh**	4/4	4/4	3/3	x	x	3/3
Zafar Iqbal	7/7	6/6	x	x	4/4	x
Mubashir A. Akhtar***	2/2	2/2	x	x	x	1/1
Nazrat Bashir****	7/7	2/2	1/1	12/12	2/2	x
Aizid Razzaq Gill	7/7	x	4/4	12/12	4/4	x
Total Number of meetings held as of Dec 31, 2021	7	6	4	12	4	4

* Mr. Muhammad Waseem Mukhtar was inducted as a member in e-Vision Committee w.e.f. 08.09.2021.

** Dr. Muhammad Akram Sheikh completed his term on 27.08.2021.

*** Mr. Mubashir A. Akhtar elected on ABL's Board of Directors w.e.f. 27.08.2021. He was inducted as a member in Audit Committee of the Board and Chairman Human Resource & Remuneration Committee w.e.f. 08.09.2021.

**** Ms. Nazrat Bashir was inducted as a member in Audit Committee of the Board & Board Risk Management Committee w.e.f. 08.09.2021.

Board Meetings held outside Pakistan

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

OUR GOVERNANCE PHILOSOPHY

BOARD COMPOSITION

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

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

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

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

Independent Directors and their Independence

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

Modus Operandi of the Board of Directors

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

The Board approves policies and ensures 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, responsibilities and tenure. These Committees support the Board in various important areas with focusing on strategic planning, risk management, technology, human resource and internal controls:

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

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

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

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

Review report by the Chairman on overall performance of the Board

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

The Bank has formalized an in-house approach with quantitative techniques and evaluation by an external independent evaluator every three years for reviewing the Board of Directors' overall performance including performance of Chairman of the Board of Directors, individual Directors including Chief Executive Officer and Board Committees as per the requirements set out in the Companies Act, 2017, the Listed Companies (Codes of Corporate Governance) Regulation, 2019 and SBP regulations. Accordingly, independent assessment was conducted in the year 2021.

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

The Bank's Board of Directors shall remain committed in carrying out its duties diligently and professionally while maintaining focus on sustainable growth of the Bank.

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

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

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

Criteria for Annual Evaluation of Performance

The Bank uses criteria mentioned in the SBP Circular referred above for in house annual performance evaluation of the members of the Board, Committees, CEO and the Chairman. Following are the main attributes of the performance evaluation criteria:

Category	Names
Chairman	Effective Leadership Relationship with Other Members, Management and Shareholders Conflict Resolution Promoting Constructive Debate and Effective Decision Making Shareholders' confidence in Board
Members of the Board	Attendance at the Meetings Contribution at Board / Committee Meetings Commitment to the Bank Relationship with Other Members and Management Integrity and Confidentiality
Committees	Size, Structure and Skillset of Committees Performance against Terms of Reference Frequency of Committee Meetings Participation of Members
CEO	Performance against Financial / Business Targets Leadership Qualities Communication with Stakeholders

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

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

Board of Directors' Performance Evaluation by the External Consultant

As per the requirements of SBP BPRD Circular 11, dated August 22, 2016, regarding Guidelines on Performance Evaluation of

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

Subsequently, SBP vide BPRD Circular No. 11 dated August 22, 2016, issued detailed Guidelines on Performance Evaluation of Board of Directors. As per these Guidelines, Board decided to opt for in-house approach with quantitative techniques and evaluation by an external independent evaluator every three years.

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

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

Board of Directors, the Bank carries out an external independent evaluation once in every three years. In 2021, M/s Yousaf Adil, Chartered Accountants were engaged as an independent evaluator to issue a formal report covering following areas:

- I. Board's structure and composition
- II. Board's role and responsibilities
- III. Board's processes
- IV. Board's committees' organization and process
- V. CEO Oversight
- VI. Board's compensation
- VII. Potential Board development needs
- VIII. Role of Independent Directors & Non-Executive Directors
- IX. Sponsor Directors
- X. Chairman

OUR GOVERNANCE PHILOSOPHY

The independent evaluation was placed before Board of Directors for review and consideration in its 256th meeting held on February 17, 2022. The Board of Directors noted the contents of Board of Directors Annual Evaluation for the year 2021 along with external evaluator's recommendations and expressed its satisfaction on the results.

Directors' Training Program

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

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

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

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

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

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

Directors' Orientation Program

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

Board's Remuneration Policy

The Bank's Board Remuneration Policy, formulated in accordance with SBP's guidelines, was approved by the Bank's Shareholders. The scale of remuneration to be paid to Chairman of the Board of Directors and Non-Executive Directors 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 Razzaq Gill, being CEO is the only Executive Director on the Board (Deemed Director). He is serving as a Non-executive Director on the Board of ABL Asset Management Company Limited. He is also the Bank's Representative on the following:

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

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

The respective roles and responsibilities of the Chairman of the Board of Directors and Chief Executive Officer are defined by the Board of the Directors in accordance with the guidelines of the Companies Act 2017, Code of Corporate Governance and laws and regulations presently in vogue. The Bank being rated with very high Corporate Governance Rating 9++ has ensured that respective roles and responsibilities are clearly defined, communicated and practiced. However, for the purpose of information to the stakeholders these are summarized hereunder:

Roles and Responsibilities of the Chairman of the Board of Directors

The Chairman of the Board of Directors is responsible for leadership

of the Board and ensures that the Board plays an effective role in fulfilling its responsibilities. The Chairman plays a leading role in defining the “Vision” and “Mission” statements of the Bank and ensuring the implementation of the same by developing strategies through the Board of 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, issues 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.

Chairman’s Significant Commitments

The significant commitments of the Chairman are mentioned in the Directors’ Profile section of the annual report and there are no changes as compared to last year.

External Oversight of Functions

Banks need to have robust governance arrangements to ensure sound and effective decision making and functioning. Oversight is a critical governance function and is being performed by the Board of Directors, Committees, and also through External Specialists. Oversight refers to the action taken to review and monitor public interest companies and their policies, plans, functions and procedures to ensure that they:

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

External Oversight at the Bank

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

- External Assessment of the Bank’s Internal Audit Function to review compliance with the requirements of SBP guidelines and International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA)
- Validation and Back Testing Process of Obligor’s Risk Rating Models
- Assessment of e-CIB Data Reporting Mechanism
- External Penetration Testing exercise
- PCI DSS (Payment Card Industry Data Security Standard) compliance assessment

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

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, 2022 by the Board of Directors of the Bank.

OUR GOVERNANCE PHILOSOPHY

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

Chairman of Audit Committee of the Board attended the 75th Annual General Meeting held on March 25, 2021 to answer questions on the activities and matters within the scope of Audit Committee of the Board's responsibilities.

Appointment of Non-Executive Directors through an External Search Consultancy

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

Key Governance Practices

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

assist in the governance of the Bank i.e. Audit Committee, e-Vision Committee, Board Risk Management Committee, Strategic Planning & Monitoring Committee and Human Resources & Remuneration Committee.

- Corporate Governance rating of "CGR 9++" given by VIS Credit Rating Company Limited, indicates very high level of corporate governance; depicting a strong commitment towards governance framework by the Board of Directors and management of the Bank.

Governance Practices exceeding Legal Requirements

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

Shares held by Sponsors, Directors and Executives

Shares held by Sponsors, Directors and Executives and respective percentage shareholding as on December 31, 2021 is disclosed in detail under Pattern of Shareholding section of the Annual Report.

Impact of Government's Policies on Banking Sector

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

STATEMENT ON INTERNAL CONTROL

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

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

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

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

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

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

The Compliance Group is entrusted with the responsibility to minimize compliance risk with reference to regulatory framework; internal, external and regulatory audit compliance; control self-assessment, monitoring completeness and maintaining up to date inventory of the Bank's policies, procedures and controls. The Bank has implemented effective document life cycle management mechanism necessitating timely review and updation of documentation to incorporate material regulatory requirements and enhance control environment. 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 Group is entrusted for implementation of effective operational risk management framework. Risk Control Self-Assessment (RCSA) is carried out to assess design of controls and to evaluate the operational effectiveness of controls. Incidents of loss data are gathered for analysis, reporting and suggesting improvements in existing control structure. Further, Key Risk Indicators on bank-wide basis are defined in coordination with the stakeholders for effective monitoring of potential risks and taking proactive measures for mitigating these risks.

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.

The Bank has completed all the stages of Internal Control over Financial Reporting as specified by the SBP which has granted exemption from the requirement of preparation of Long Form Report by the External Auditors. As a result, A&RRG is preparing "Annual Assessment Report on Efficacy of Bank's Internal Controls over Financial Reporting (ICFR)" under ICFR framework which is approved by the Committee from the year 2019 onwards. Furthermore, submission of this Annual Assessment Report to SBP has been discontinued vide BSD Circular Letter No.1 of 2021.

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, 2022

REPORT OF AUDIT COMMITTEE

Composition of Audit Committee

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

Role of Audit Committee

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

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

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

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

The Committee reviews and recommends to Board of Directors the Internal Audit policy and Whistle Blowing policy for approval.

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

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

Audit Committee Meetings

The meetings of the Committee are designed to facilitate and encourage communication between the Committee, A&RRG, the Bank's senior management and the external auditors. During the year 2021, 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.
- Review of A&RRG's assessment on overall internal controls of the Bank for the year 2020.
- Approval of Annual Assessment Report on Efficacy of Internal Controls over Financial Reporting (ICFR) 2020 for onward submission to SBP.
- Monitoring of compliance status of observations highlighted in SBP's inspection reports.
- Review of Annual report on Periodic Self-Assessments conducted by A&RRG under Quality Assurance & Improvement Program.
- Review and approval of Strategic Plan of A&RRG (2022-2031) for inclusion in the overall Strategic Plan of the Bank.
- Review and approval of A&RRG's revised Branch Audit Rating Model.
- Review and approval of Revised Whistle blowing Procedures Manual.
- 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, 2022 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.
- 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 2020
 - o Re-appointment of Statutory Auditors of the Bank's

- o Bahrain Branch and China Office for the year ending December 31, 2021 along with fixation of their remuneration
- o Appointment of approved audit firm for inspection of records of Allied Bank Limited shares relating to CDS transactions
- o Annual Compliance Review for the year 2020 of ABL wholesale Banking Branch, Bahrain
- o Management Letter by external auditors along with the Action Plan submitted by the Management
- o Revised Whistle Blowing Policy of the Bank
- o 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 appointed M/s KPMG Taseer Hadi & Co., Chartered Accountants jointly with M/s EY Ford Rhodes, Chartered

Accountants as external auditors for the year ending December 31, 2021 in line with the permission granted by Securities and Exchange Commission of Pakistan and State Bank of Pakistan for extension in the term of existing external auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants for another year, which shall conclude upon completion of the assignment for the year ended December 31, 2021.

The Committee reviewed the requirements for the rotation of external auditors in accordance with the Listed Companies (Code of Corporate Governance) Regulations and in line with the exemption 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 EY Ford Rhodes Chartered Accountants, as statutory auditors of the Bank for the year ending December 31, 2022, 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, 2022

STATEMENT OF COMPLIANCE

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

Allied Bank Limited for the year ended December 31, 2021

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

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

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

- The Composition of the Board is as follows:

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

- The directors have confirmed that none of them is serving as a director on more than seven listed companies including Allied Bank Limited.
- 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.
- 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.
- 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.
- 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 Directors.
- 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.
- Appropriate arrangements were made for orientation of Directors on their election with a view to acquaint them with their duties and responsibilities. During the period under review, the Board has arranged Directors Training Program for the CEO. Six members of the Board of Directors (including the Chief Executive Officer) are Certified Directors from The Pakistan Institute of Corporate Governance. Whereas, two Directors are exempted from such requirement on account of their experience and qualifications.
- The Board of Directors has approved appointments of Chief Financial Officer and Company Secretary, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

Besides, Audit Committee of the Board (ACOB) had approved appointment of Head of Internal Audit during the stated period.

- Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board of Directors.
- The Board of Directors has formed five Committees. The names and composition of the Committees along with the details of its Members are disclosed separately in the Annual Report.
- The terms of reference of the aforesaid Committees have been formed, documented and advised to the Committee for compliance.
- The frequency of meetings of the Committee is disclosed separately in the Annual Report.
- 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.
- The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and are registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Directors of the Bank.
- 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.
- 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 and one year extension in 2020. 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 for another year with the addition of M/s EY Ford Rhodes Chartered Accountants as the joint auditors for the year 2021, after obtaining approval from Securities and Exchange Commission of Pakistan.

Mohammad Naeem Mukhtar
Chairman

Lahore
Dated: February 17, 2022

INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Allied Bank Limited

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Allied Bank Limited for the year ended 31 December 2021 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 2021.

KPMG Taseer Hadi & Co.
Chartered Accountants

Lahore
Date: 3 March 2022

UDIN: CR202110089URnLpXDig

EY Ford Rhodes
Chartered Accountants

Lahore
Date: 3 March 2022

UDIN: CR202110079i3AmPuFyJ

SHARIAH BOARD

Terms of Reference

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

Process of Appointment and Nomination

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

Profile of Shariah Advisors

Mufti Muhammad Iftikhar Baig

Chairman Shariah Board

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

His previous experience includes Shariah Advisory services in local and international banks. He regularly delivers lectures on Islamic Economics and Finance at different forums and educational institutions. He is visiting faculty members of Hailey collage of Banking and Finance and renowned Islamic university - Jamia Al Ashrafia Lahore.

Mufti Mahmood Ahmad

Member Shariah Board

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

He has also completed his M Phil in Islamic Banking. He has experience of eight years as a Shariah consultant with Islamic Micro-Finance and other organizations. He is a Mufti and Lecturer in world renowned Islamic university – Al Jamia Al Ashrafia Lahore.

Mufti Tayyab Amin

Resident Shariah Board Member

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

He facilitated to First Elite Capital Mudharabah as Shariah Advisor for six years and First Punjab Mudharbah for three years. He also facilitated to Alfalah Insurance (Window Takaful Operation) as Shariah Compliance Officer for three years.

Overall he has experience of eleven years as a Shariah consultant for business sector including Islamic Micro-Finance and other organizations.

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 except Chairman Shariah Board have attended all the meetings. Chairman Shariah Board attended three 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, 2021

In the name of Allah, the Beneficent, the Merciful

By the grace of Almighty Allah, the year under review was the 10th year of Islamic Banking Operations of Allied Bank Limited (ABL-Aitebar Islamic Banking). The scope of this report is to cover the affairs of ABL-Aitebar Islamic Banking, from Shariah perspective as described under Shariah Governance Framework of State Bank of Pakistan.

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

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

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

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

The business affairs of ABL-Aitebar Islamic Banking, especially with reference to transactions, relevant documentation and procedures, performed during the year 2021 are in conformity with the principles and guidelines of Shariah issued by Shariah Board (SB) and State Bank of Pakistan.

The Bank primarily used Business Musharakah, Diminishing Musharakah, Salam 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-Aitebar Islamic Banking has put a mechanism in place in the form of Internal Shariah Audit and Shariah Compliance reviews to ensure Shariah compliance in its overall operations that will keep its focus on continuous improvement for catering to the large branches/windows network over the coming years. The system within the Bank is sound enough to ensure that amounts realized from prohibited sources, if any, are not made a part of the income. During the Shariah Review and audit of the financing portfolio, no non-Shariah compliant transaction was observed. The Bank received an amount of Rs. 0.162 million from the clients in respect of charity on delays in payments in various financial transactions and credited these payments to the Charity Account.

Since the charity funds are kept under Mudharabah base account, the accrued Mudarabah profit of Rs. 0.0048 million was also credited to the charity account. An amount of Rs. 0.14 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-Aitebar Islamic Banking, 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-Aitebar Islamic Banking has completed yet another successful year. Upon achieving a branch network of 117 dedicated Islamic branches and 85 Islamic Banking windows, further expansion in outreach has been done through addition of 25 Windows at selected conventional branches during 2021. 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 151.83% to Rs. 82,203 million as compared to Rs. 32,642 million in preceding year, which mainly constitutes of Business Musharakah (77.47%), Diminishing Musharakah (16.43%) and Istisna (3.73%).

Besides, the investment portfolio has also risen by 48.33% to Rs. 29,147 million as compared to Rs. 19,650 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/manual including Allied Aitebar Agriculture Finance for Dairy Farming, Allied Aitebar Aabayri and Islamic Banking Window Operations manual.

Deposit Review: The total deposits of ABL-Aitebar Islamic Banking have increased by 55.39% during the year reaching to Rs. 65,014 million by December 31, 2021 as compared to Rs. 41,839 million as of last year.

During the year, the SB approved new deposit products including Allied Aitebar Rising Star Account, Allied Aitebar Khanum Account, Allied Aitebar Salary Management Account, Allied Aitebar NRP (Non-Resident Pakistani) and Allied Aitebar Islamic Special Foreign Currency (STZ) Accounts.

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

REPORT OF SHARIAH BOARD

For the year ended December 31, 2021

- Ijarah (Muntahia Bittamleek) Finance Manual
- Salam Finance Manual
- Diminishing Musharakah Finance Manual
- Islamic Banking Policy for Charity Fund
- Islamic Long Term Financing Facility Manual
- Procedure Manual for Islamic Banking Charity Fund
- Allied Aitebar Senior Citizen Account
- Allied Islamic Youth Account
- Murabaha Finance Manual
- Allied Aitebar Hari Bhari Agriculture Financing
- Procedural Manual - Islamic Trade Finance
- Prime Minister Kamyab Jawan Youth Entrepreneur Scheme
- Allied Aitebar Khanum Account
- Allied Aitebar Roshan Digital Account
- Allied Aitebar NRP (Non-Resident Pakistani) Accounts
- Allied Aitebar Rising Star Account
- Allied Aitebar Roshan Digital Account
- Allied Aitebar Car Ijarah
- Business Musharakah
- Accounting Manual
- Branch Banking Manual
- Financial Consumer Protection Framework
- Market Liquidity Risk Policy
- SWIFT Operational Manual
- Dormant Account Manual
- FOBC Manual
- Operational Risk Management Policy and Procedure Manual
- Islamic Desk Treasury Procedure Manual
- Compliance Policy and Procedure
- Safe Deposit Locker

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: During the year 2021, four Shariah Board meetings were held wherein multiple issues were discussed and resolved. SCD remained in close coordination with the Shariah Board and management in order to implement Shariah Board decisions. The ongoing involvement of SB not only ensured that it constantly remained on board with all the Shariah affairs of the Bank but it also enabled them to engage in order to approve different matters by way of circulation.

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 with the assistance of SCD, arranged various mandatory and refresher training sessions and 719 employees attended these sessions. Moreover, 45 employees attended training session conducted by NIBAF

and other reputed Islamic banking training institutes. BOD and Shariah Board Training/Orientation

In order to enhance Islamic banking knowledge and acumen, an orientation session for BOD was conducted by the Shariah Board. Moreover, different trainings 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 Ulama.

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 practical nature Islamic Banking refresher, certification and Shariah documentation courses.
4. State Bank of Pakistan is focusing on Islamic banking training. Therefore, it is suggested that in order to cope with the increasing requirement of training in the Bank, a dedicated team of Islamic banking trainers should be available in the Bank.
5. Conventional insurance is not permissible from Shariah perspective. Therefore, it is recommended to convert IBG's assets to Takaful as soon as possible.

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

Mufti Tayyab Amin

Resident Shari'ah Board Member

Mufti Mahmood Ahmad

Member Shari'ah Board

Mufti Muhammad Iftikhar Baig

Chairman Shari'ah Board

Date of Report: February 17, 2022

شریہ بورڈ کی رپورٹ برائے اختتام سال 31 دسمبر 2021

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

اللہ سبحانہ و تعالیٰ کے فضل و کرم سے، الائیڈ بینک لمیٹڈ کے اسلامی بینکاری کے کاروبار (اے بی ایل - اعتبار اسلامک بینکنگ) نے اس زیر تجزیہ مدت کے ساتھ اپنے 10 سال مکمل کر لیے ہیں۔ اس رپورٹ کا مقصد اے بی ایل - اعتبار اسلامک بینکنگ میں، اسٹیٹ بینک آف پاکستان کی طرف سے جاری کردہ شریہ گورننس فریم ورک کے تحت، اسلامی بینکاری کے معاملات کا شرعی نقطہ نظر سے جائزہ لینا ہے۔

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

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

ہم نے اپنی مذکورہ رائے کو قائم کرنے کے لیے، جیسا کہ اس رپورٹ میں اظہار کیا گیا ہے، ہر قسم کے لین دین اور اس سے متعلقہ دستاویزات اور انکی انجام دہی کے طریقہ

کار کا نمونوں کی بنیاد پر تجزیہ کیا ہے۔ علاوہ ازیں، ہم نے انٹرنل شریہ آڈٹ اور اس سال کے دوران ہونے والے اے بی ایل - اعتبار اسلامک بینکنگ کے کاروبار کی شریہ کمپلائنس رپورٹ اور ایکسٹرنل آڈٹ رپورٹوں کا بھی جائزہ لیا ہے۔

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

اے بی ایل - اعتبار اسلامک بینکنگ، کے سال 2021ء کے دوران کاروباری معاملات، خصوصاً لین دین اور اس سے متعلقہ دستاویزات اور طریقہ کار، شریہ بورڈ اور اسٹیٹ بینک لمیٹڈ کے فراہم کردہ شرعی اصولوں اور ضوابط سے مکمل مطابقت رکھتے ہیں۔

بینک نے اس سال کے دوران زیادہ تر بزنس مشارکہ، شرکت متناقصہ، سلم اور اجارہ کی مصنوعات کو تمویلی سرگرمیوں کے لیے استعمال کیا۔ اس زیر تجزیہ مدت کے دوران، بینک نے تجارتی سرمایہ کاری سے شراکتی سرمایہ کاری کی طرف اپنی بتدریج منتقلی کے عمل کو برقرار رکھا۔ جو کہ ایک حوصلہ افزاء اور مثبت تبدیلی ہے۔

اے بی ایل - اعتبار اسلامک بینکنگ نے اپنے مجموعی کاروبار کی شریہ کمپلائنس کو یقینی بنانے کے لیے انٹرنل شریہ آڈٹ اور شریہ کمپلائنس کے تجربے کی شکل میں ایک نظام تشکیل دیا ہے۔ اور آنے والے سالوں میں ایک وسیع برانچ اوپنڈوز نیٹ ورک کی ضروریات کو پورا کرنے کے لیے اس نظام میں مسلسل بہتری کے عمل پر اپنی توجہ مرکوز رکھے گا۔ بینک کے موجودہ نظام میں اس بات کو یقینی بنانے کی صلاحیت ہے کہ کسی بھی

ممنوع ذرائع سے حاصل ہونے والی رقم (بالفرض، اگر ہوں) کو آمدنی کا حصہ بننے سے روک سکے۔ تمویلات کے پورٹ فولیو کے شرعی جائزے اور آڈٹ میں کسی طرح کی غیر شرعی تمویل نہیں پائی گئی۔ بینک نے مختلف مالی لین دین کی تاخیری ادائیگیوں کی وجہ سے چیرٹی (خیراتی) کی مد میں 0.162 ملین روپے وصول کیے اور اس رقم کو چیرٹی کے اکاؤنٹ میں جمع کروایا۔ چونکہ، چیرٹی کی رقم مضاربہ اکاؤنٹ کے تحت رکھی جاتی ہے، لہذا، 0.0048 ملین روپے کا جمع شدہ مضاربہ منافع بھی چیرٹی کے اکاؤنٹ میں کریڈٹ کیا گیا۔ منظور شدہ فلاحی اداروں کو 0.14 ملین روپے کی گرانٹ دی گئی۔

انٹرنل شریہ آڈٹ (آئی ایس اے

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

آئی ایس اے ایف (ISAF)، آرائس بی ایم (RSBM) شریہ بورڈ کو اسکی معلومات، تجربے اور اصلاحات کے تعین کے لیے وقتاً فوقتاً رپورٹس فراہم کرتا ہے۔

بینک کا شریہ کمپلائنس کا شعبہ موزوں افرادی قوت کے ساتھ شریہ بورڈ کی زیر نگرانی کام کرتا ہے۔ اس شعبے کا بنیادی مقصد

جدید تحقیقات میں معاونت اور شریعہ کمپلائنس کو یقینی بنانا، اسلامی بینکاری کی تربیت (Trainings) کا انعقاد، ہر طرح کے لین دین، دستاویزات اور انکی انجام دہی کے طریقہ کار میں شریعہ کمپلائنس کا جائزہ لینا شامل ہے۔ اس کے علاوہ شریعہ کمپلائنس کے شعبے نے سٹاف کی شرعی معلومات کا جائزہ لینے کے لیے براؤنجز کا دورہ بھی کیا ہے۔

ریویو اینڈ ڈیولپمنٹ:

اے بی ایل۔ اعتبار اسلامک بینکنگ نے ایک اور کامیاب سال مکمل کر لیا ہے۔ 117 مستقل بنیادوں پر کام کرنے والی برانچوں کے نیٹ ورک اور 85 اسلامی بینکاری کی ونڈوز (Windows) کے حصول کے بعد، سال 2021ء میں منتخب روایتی برانچوں میں 25 اضافی ونڈوز کے ذریعے اسلامک بینکنگ میں مزید اضافہ کیا جا رہا ہے۔ اسی طرح اثاثہ جات، سرمایہ کاری، ڈیپازٹ، ٹریڈ (تجارت) اور دیگر کاروباری شعبوں میں بھی نمایاں بہتری حاصل کی گئی ہے۔

اثاثہ جات کا تجزیہ:

اس سال کے دوران تمویل کا مجموعی حجم گزشتہ سال کے 32,642 ملین روپے کی نسبت 151.83 فیصد کے اضافے کے ساتھ 82,203 ملین روپے تک بڑھ گیا جس میں بزنس مشارکہ (77.47%)، شرکت متناقصہ (16.43%)، اور استصناع 3.73% کا نمایاں کردار رہا۔

حکومت پاکستان کے ساتھ بیج موبل کے بنیادی عوامل کی وجہ سے، گزشتہ سال کے 19,650 ملین روپے کے حجم کی نسبت 48.33 فیصد کے اضافے کے ساتھ، 29,147 ملین روپے تک بڑھ گیا۔

اس سال کے دوران، بینک کے شریعہ بورڈ نے چند نئی مصنوعات کی منظوری بھی دی ہے جن میں ڈیری فارمنگ کے لیے الائیڈ ایگریکلچر فنانس، الائیڈ اعتبار آبیاری اور اسلامک بینکنگ ونڈوز آپریشنل مینوئل شامل ہیں۔

ڈیپازٹ کا تجزیہ:

اے بی ایل۔ اعتبار اسلامک بینکنگ کے مجموعی ڈیپازٹس گزشتہ سال کی 41,839 ملین روپے کی سطح کی نسبت 55.39 فیصد کے اضافے کے ساتھ 31 دسمبر 2021ء تک 65,014 ملین روپے تک جا پہنچے۔ سال کے دوران، بینک کے شریعہ بورڈ نے ڈیپازٹس کی چند نئی مصنوعات کی منظوری بھی دی ہے جن میں الائیڈ رازنگ اشار اکاؤنٹ، الائیڈ اعتبار خانم اکاؤنٹ، الائیڈ اعتبار این آر پی (نان ریزیڈنٹ پاکستانی) اکاؤنٹ اور الائیڈ اعتبار اسلامک اسٹیشن فارن کرنسی (ایس ٹی زیڈ) اکاؤنٹس شامل ہیں۔

دیگر اہم سرگرمیاں:

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

- اجارہ (منصیہ بالتملیک) فنانس مینوئل

- سلم فنانس مینوئل

- شرکت متناقصہ فنانس مینوئل

- اسلامک بینکنگ پالیسی برائے چیرٹی فنڈ
- اسلامک طویل المدت فنانسنگ فیسلٹی مینوئل
- اسلامک بینکنگ چیرٹی فنڈ کے لیے پراسیجرل (procedural) مینوئل
- الائیڈ اعتبار سینئر سٹیٹن اکاؤنٹ
- الائیڈ اعتبار یوتھ اکاؤنٹ

- مراسم فنانس مینوئل
- الائیڈ اعتبار ہری بھری ایگریکلچر فنانسنگ
- پراسیجرل مینوئل برائے اسلامک ٹریڈ فنانس
- پرائم فنانس کامیاب جوان یوتھ اینٹرپرائیور (youth entrepreneur) سکیم

- الائیڈ اعتبار خانم اکاؤنٹ
- الائیڈ اعتبار روشن ڈیجیٹل اکاؤنٹ

- الائیڈ اعتبار کار اجارہ
- بزنس مشارکہ
- اکاؤنٹنگ مینوئل
- براؤنچ بینکنگ مینوئل
- فنانشل کنزرویٹو پروٹیکشن مینوئل
- مارکیٹ لیکویڈیٹی رسک مینوئل
- سوئفٹ آپریشنل مینوئل
- ڈورمنٹ اکاؤنٹ مینوئل
- ایف او بی سی (FOBC) مینوئل
- آپریشنل رسک منجمنٹ پالیسی اور پراسیجر
- اسلامک ڈیبٹ ٹریڈری پراسیجر مینوئل
- کمپلائنس پالیسی اور پراسیجر
- سیف ڈیپازٹ لاکر

منافع کی تقسیم کی پالیسی:

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

بنیاد پر انٹرنل شریعہ آڈٹ کیا گیا جس سے پول مینجمنٹ، نفع و نقصان کی تقسیم کے طریقہ کار میں بہتری اور شرعی نگرانی کا نظام مزید مضبوط ہوا ہے۔

شریعہ بورڈ کے اجلاس (میٹنگز):

سال 2021ء کے دوران شریعہ بورڈ کے چار اجلاس ہوئے جن میں مختلف امور پر تبادلہ خیال کر کے انکا حل تجویز کیا گیا۔ شریعہ کمپلائنس کا ڈیپارٹمنٹ، شریعہ بورڈ اور انتظامیہ کے ساتھ مسلسل رابطے میں رہتا ہے تاکہ شریعہ بورڈ کے فیصلوں پر عمل درآمد کروایا جاسکے۔ شریعہ بورڈ کی اس مسلسل شمولیت سے ناصرف اس کو بینک کے تمام شرعی معاملات سے آگہی رہتی ہے بلکہ دیگر معاملات میں بھی، سرکولیشن کے ذریعے، شرکت اور انکی فیصلہ سازی میں مدد ملتی ہے۔

عملہ کی تربیت (ٹریننگ):

اسلامک بینکنگ کی معلومات اور مہارت میں اضافہ کے پیش نظر، اسلامک بینکنگ گروپ کے سٹاف کی اسلامک بینکنگ کے نظریات اور اس کی پراڈکٹس کے بارے اسلامک بینکنگ کے تمام عملے کو تربیت فراہم کی گئی۔ اسے بی ایل (ABL) کے مینجمنٹ ڈیپارٹمنٹ سینئر نے شریعہ کمپلائنس ڈیپارٹمنٹ کے ساتھ مل کر متعدد لازمی و تجدیدی تربیتی سیشنز کا انعقاد کیا جس میں 719 ملازمین نے شرکت کی۔ اس کے علاوہ 45 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 اتھارٹی 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 میں شرکت کی۔ عام لوگوں میں اسلامک بینکنگ کی واقفیت کو بڑھانے کے لیے بینک نے علماء اور عام لوگوں کے لیے مختلف سیمیناروں 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 تربیت فراہم کر رہا ہے۔ تاہم اس سلسلے میں ہمہ وقت توجہ مبذول رکھنے کی ضرورت ہے۔ اور عملی نوعیت کے اسلامک بینکنگ کے ریفریشر، سرٹیفیکیشن اور شرعی دستاویزات سے متعلق کورسز کے ذریعے اس کی آگاہی بڑھانے کی ضرورت ہے۔

4- اسٹیٹ بینک آف پاکستان اسلامک بینکنگ کی تربیت پر خصوصی توجہ مرکوز کیے ہوئے ہے۔ چنانچہ یہ تجویز کیا جاتا ہے کہ بینک میں تربیت کی بڑھتی ہوئی ضرورت کو پورا کرنے کے لیے بینک کے پاس تربیتی عملے کی ایک مخصوص ٹیم دستیاب ہونی چاہیے۔

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

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

مفتی طیب امین

ریزیڈنٹ شریعہ بورڈ ممبر

مفتی محمود احمد

ممبر شریعہ بورڈ

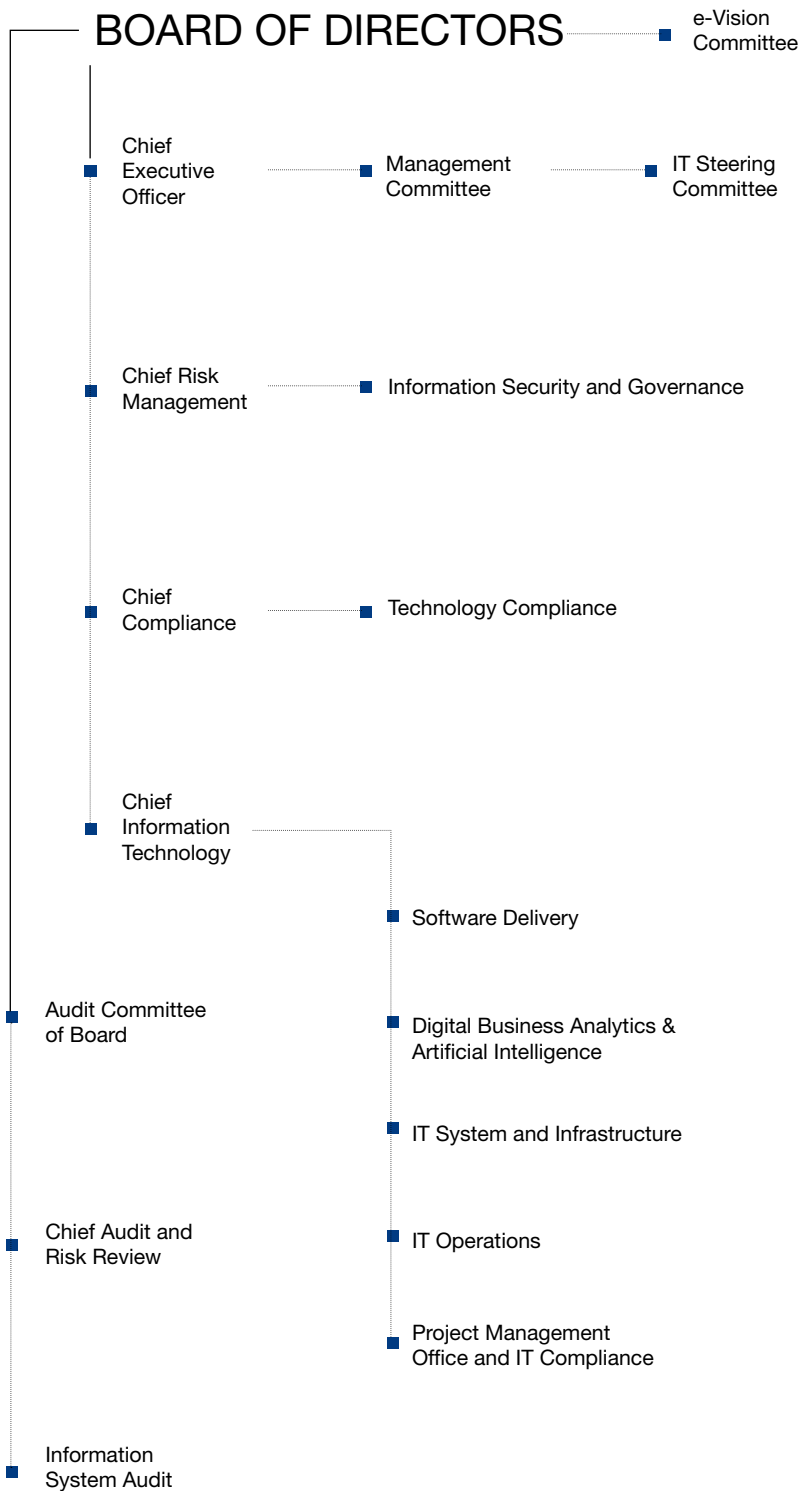
مفتی محمد افتخار بیگ

چیئر مین شریعہ بورڈ

رپورٹ کی تاریخ:

17 فروری 2022ء

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 following principles:

Objectives

- To maintain clear understanding of IT Group roles and responsibilities for smooth delivery of business requirements and services.
- Plan IT Group to best support the Bank ensuring that IT Strategic plan fit the current and ongoing needs.
- All IT acquisitions will follow the necessary approvals as per procurement policy of the Bank ensuring that there is an appropriate balance between costs, risks, long-term and short-term benefits.
- Ensure IT Group conforms to statutory and regulatory requirements and also complies with all the Bank's policies and procedures.
- Ensure IT Group will design, specify and maintain systems by keeping users in mind and will ensure that IT is a service to the Bank and to its staff.
- Identify resources gap related to IT (people, process & technology) and take appropriate steps to fill the gaps.

IT Governance of the Bank comprises monitoring by:

e-Vision Committee of Board supervises the IT Governance in the Bank and provides strategic direction for adoption/upgrading of evolving technologies in order to provide new customer centric products and services and to improve internal control environment. The Committee reviews the strategic plan of Your Bank to improve IT infrastructure and automation of processes and systems including alternate delivery channels. The Committee extends assistance to the Board with insights regarding evolving technologies in the field of e-banking and digital platforms. It also oversees performance of Information Technology Group of Your Bank.

IT Steering Committee (ITSC) assists MANCO in implementing IT and Digital strategies approved by the Board of Directors and also plays an advisory role to MANCO in all technology-related matters. ITSC is entrusted to review and recommend technology initiatives and prioritize projects for

their implementation along with recommendation for required infrastructure to MANCO. The Committee ensures an efficient IT operating environment that supports the institution's goals and objectives. ITSC also reviews the result of vulnerability and IT risk assessment exercises and ascertains measures taken to mitigate identified risks. Chief ITG is the chairman of ITSC.

Information Technology Group (ITG) is headed by Chief ITG, reporting to Chief Executive Officer of the Bank. ITG is responsible for development and delivery of technology driven services in line with the Board of Directors and its committees under the strategic guidance of ITSC. Chief ITG is responsible to:

- Formulate an annual Strategic and Operational technology plan on the basis of business needs in consultation with Bank's other stakeholders.
- Implement the formulated plan, including as appropriate any special tasks or projects assigned by the CEO and the various Management and Board level committees.
- Keep the Management and Board level committee's informed about emerging trends and developments in Information Technologies and give recommendations for necessary revisions in Bank's Information Technology roadmap.
- Ensure that the Group complies with sound Information Technology principles, industry best practices and regulatory guidelines.
- To keep ITG abreast with the emerging Information Security Technologies

ITG of the Bank is strengthened by the following functions which are headed by committed professionals, providing innovative and

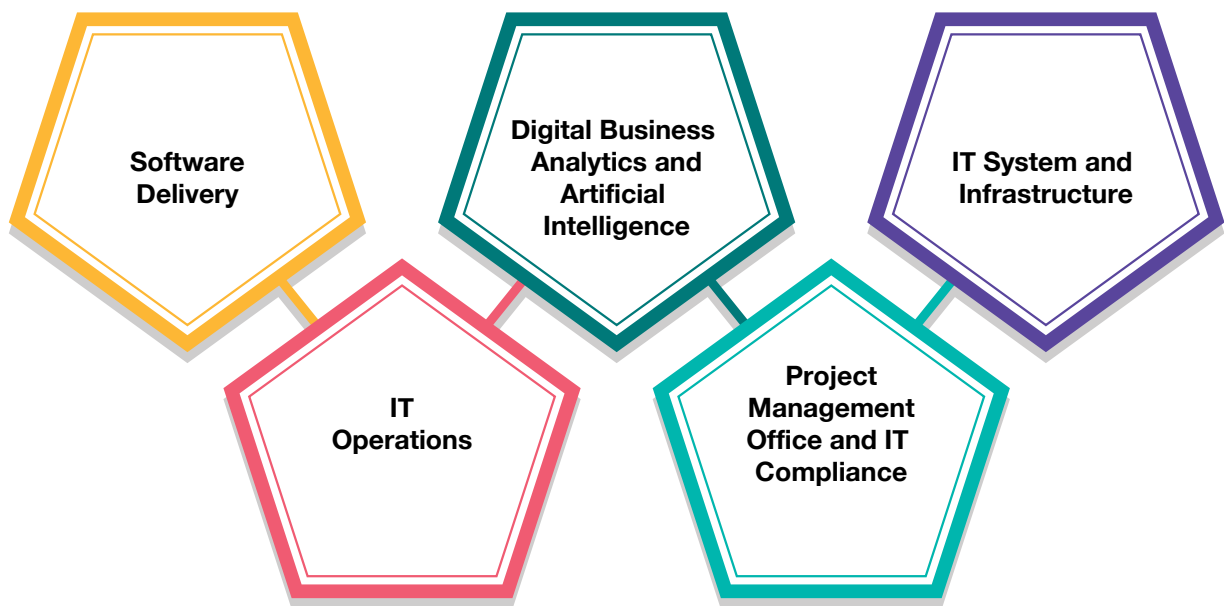
efficient solutions to achieve organizational objectives.

- Core Banking and Digital Channels
- Analytics, AI and Software Solutions
- IT System & Infrastructure
- IT Operations
- Project Management Office & IT Compliance

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.



WHISTLE BLOWING POLICY (WBP)

Preamble

The purpose of WBP is to create a channel at Allied Bank Limited (the Bank) whereby the Bank's staff, vendor and service providers are encouraged to report, without any fear, any malicious activity or conduct of employees, vendors, contractors, service providers and customers which may cause financial or reputational loss to the Bank. Bank's WBP provides assurance to the Whistleblowers about secrecy and protection of their legitimate personal interests. 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, vendors, service providers and concerned blow whistle where they may genuinely know or suspect any immoral, unethical, fraudulent act of any current or former employees, vendors, contractors, service providers and customers which may have potential to cause financial or reputational risk or loss to the Bank;
- 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.
- Provide a swift and confidential process for rectifying malfeasance wherever and whenever it occurs in the Bank

Scope

The scope of this policy includes, without limitation all types of unlawful acts / orders, fraud, corruption/bribery, misconduct, collusive practices 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 has been established under supervision of ACOB, for handling and monitoring allegations, complaints and concerns raised by the complainant /whistleblower under the WBP.

Protection of Whistleblowers

All matters are dealt with confidentiality and the identification of the Whistleblower is not to be disclosed except for inevitable situations, where disclosure of identity of the Whistleblower is essential.

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

Indemnity from disciplinary action will be provided to the whistleblower employee, against actions/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 the ACOB, the Whistle blower will be suitably awarded according to the significance of the information he / she had provided and impact of losses averted as a result.

Process of Whistle Blowing

The Bank has established the following communication channels for whistle blowing complaints:

- A dedicated e-mail address for whistle blowing (whistle.blowing@abl.com) accessible by the Chairman ACOB.
- Whistle blowing forms available on the Bank's corporate website.
- Post / courier addressed to Chairman ACOB, Allied Bank Limited, Head Office, 3 Tipu Block, New Garden Town, Lahore.

Number of instances reported to ACOB

Number of whistle blowing incidences reported to ACOB in year 2021: Thirteen (13).

INVESTOR GRIEVANCE

Your Bank has put in place comprehensive guidelines for Investors and Shareholders to address their grievances. The guidelines conform to the Bank's internal policy to address the Investor grievances as well as statutory requirements as stipulated under SECP SRO # 1196(I)/2019 dated 03.10.2019.

- For all shares related issues, shareholders are advised to contact Shares Registrar of the Bank with contact details available on the Bank's corporate website.
- In order to facilitate the shareholders who, intend to register a complaint, the contact details of the focal person of Shares Department are given on the Bank's corporate website for this purpose.
- In addition, if Shareholder's grievances are not resolved by the Shares Registrar of the Bank, as well as Bank's Shares Department, they may escalate their complaints to the Company Secretary of the Bank.
- If any complaint still remains unsatisfied, the same can be forwarded to Securities and Exchange Commission of Pakistan (SECP); using the link of SECP website which is available in Investor Complaints and Grievances section of Bank's corporate website.
- Furthermore, queries with respect to financial results of the Bank can be directed to 'Investor Relations' department, which is headed by Chief Financial Officer, at the email address investor.relations@abl.com (which is available on corporate website as well).

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 or her own or others' interest. The Board of Directors and the Management of the Bank are committed towards transparent disclosure, management and constant monitoring of potential conflicts of interest to ensure that no undue benefit is passed on. The Board of Director recognizes the responsibility to adhere to the defined policies and procedures and avoid perceived conflicts of interest that may arise during the course of business. Directors of the Board shall immediately report to the Chairman of the Board about any conflict of interest or potential conflict of interest that may arise and shall provide all relevant information in this regard.

Disclosure of Interest by Director

- Every Director (including parents, spouse and children) of a Bank who is in any way, whether directly or indirectly, concerned or interested in any contract or arrangement entered into, or to be entered into, by or on behalf of the Bank shall disclose the nature of his concern or interest at a meeting of the Directors.
- For the purpose of consideration and decision by the Board of Directors on any agenda item, or in respect of any other matter, if any Director has an existing or perceived conflict of interest or concern, he/she shall disclose the nature of his concern or potential interest at a meeting of the Board and the Board would take appropriate steps in accordance with the regulatory requirements in this regard and the details should be recorded in the minutes.

Abidance of Laws and Rules

- Conform to and abide by all the legal and standing requirements and Code of Corporate Governance Regulations, 2019 while performing their duties and obey all lawful orders and directives. All Board of Directors members shall comply with and observe all applicable related statutory requirements, regulatory directives and the Bank's policies.
- Shall not bring or attempt to bring

political or other pressure or influence directly or indirectly on the Bank.

Integrity

- Conduct themselves with the highest standards of ethics, professional integrity and dignity in all dealings with all stakeholders and not engage in acts discreditable to the Bank, their profession and the nation. If they become aware of any irregularity that might affect the interests of the Bank, they shall inform the Board of Directors immediately.
- Maximum utilization of their abilities, experience and expertise for achieving set goals, maintain high standards of professional conduct, protect the Bank's assets and respect interest of all the stakeholders. Practice transparency in all acts and deeds related to the business of the Bank.
- Reject corruption in all forms - direct, indirect, public or private and do not directly or indirectly engage in bribery, kick-backs, payoffs, or any other corrupt practices.
- Remain loyal to the Bank, keeping its interest above own personal interests at all times.

Confidentiality

- Maintain the privacy and confidentiality of all the information acquired being Member of the Board of Directors of the Bank or come into their knowledge and refrain from disclosing the same unless otherwise required by statutory authorities or law and 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

- All appointments in the Board as well as President/CEO and Key Executives in the bank/DFI shall not create any

conflict-of-interest situation.

- Directors, President/CEO and Sponsor Shareholders shall avoid conflict of interest in their activities with the bank, and commitments to other organizations.
- All Directors shall not involve in a situation in which they may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Bank.
- The Directors shall not achieve or attempt to achieve any undue gain or advantage either to themselves or to their relatives, partners, or associates and if any Director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the Bank.
- Any Director shall not assign his office and any assignment so made shall be void.
- All Director shall avoid all such circumstances in which there is personal interest conflict, or may appear to be in conflict with any of the stakeholder as prescribed by the statutes and in probable case their interest conflicts with any of the stakeholder, they would immediately declare such interest before the Board of Directors.
- No Director shall exploit for their own personal gain, opportunities that are discovered through use of corporate property, information or position, unless the opportunity is disclosed fully in writing to the Board of Directors of the Bank and the Board allow him to avail such opportunity.
- Interested Directors shall not participate in the discussion or vote in the Board's proceedings or participate in any other manner in the conduct or supervision of such dealings.
- Directors shall avoid any dealing with Contractors or Suppliers of the bank that compromises the ability to transact business on a professional, impartial and competitive basis or that may influence discretionary decision to be made by the Board Members / Bank.
- No Director shall hold any position or job or engage in outside business or other interest that is prejudicial to the interests of the Bank.
- Directors shall not make any statement which has the effect of adverse criticism of any policy or action of the Bank or which is capable of embarrassing the relations between the Bank and the public including

MANAGING CONFLICT OF INTEREST

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.

- Directors shall refrain from accepting gifts, personal favors or preferential treatment, that could, in any way, influence or appear to influence, business decisions in favor of any person or organization with whom or with which the Bank has or is likely to have business dealings.
- No person can become a Director/CEO of the Bank if he/she is:
 - i. A Director of any other Bank / DFI
 - ii. Holding substantial interest or is working as Chairman, Director, CEO, CFO, Chief Internal Auditor, Financial Advisor, Research Analyst, Trader or member (by whatever name/designation called) of a:
 - a. Exchange Company
 - b. Stock Exchange
 - c. Corporate Brokerage Firm/ Entity
 - d. Credit Information Bureau
 - e. Any company/entity owned and controlled by the person mentioned at (a) to (d) above

However, an independent Director of Pakistan Stock Exchange (PSX) can become Board Member of the Bank if he does not have any association with other categories mentioned above.

- iii. Acting, either in personal capacity and/or through firm/company where he has substantial interest, as consultant /advisor to Bank.
 - iv. Member of Senate, National/ Provincial Assembly or Local bodies.
 - v. Office bearer of any political party.
- No sponsor shareholder shall be appointed in the Bank in any capacity except as Director, CEO and/or Executive Director of the bank, subject to compliance with FPT Criteria and other regulatory requirements.
 - For the purpose of consideration and decision by the Board of Directors on any agenda item, or in respect of any other matter, if any Director has an existing or perceived conflict of interest or concern, he/she shall disclose the nature of his concern or potential interest at a meeting of the Board and the Board would take appropriate steps in accordance with the regulatory requirements in this regard and the details should be recorded in the minutes.

Insider Trading

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

OTHER POLICIES AND GUIDELINES

RELATED PARTY TRANSACTIONS POLICY

The Board of Directors of the Bank has approved Related Transaction Policy which aims to set-up a framework, inline with the applicable laws and regulations, that not only addresses approval requirements, limitations, potential risks and pricing policy but also ensures proper and timely identification, monitoring, record maintenance, reporting and disclosure of transactions by the Bank with those persons deemed "Related Party" under the policy. The governance framework for Related Party Transaction Policy is derived from;

- o The Companies Act, 2017;
- o The Banking Companies Ordinance, 1962;
- o Related Party Transactions and Maintenance of Related Records (RPT) Regulations – 2018;
- o Listed Companies (Code of Corporate Governance) Regulations – 2019;
- o State Bank of Pakistan (SBP) Prudential Regulations for Corporate and Commercial Banking;
- o SBP Corporate Governance Regulatory Framework for Banks / DFIs;
- o SBP Prudential Returns Regarding Details of Related Parties Exposures and Transactions;
- o International Financial Reporting Standards (IFRS) International Accounting Standard (IAS) 24 'Related Party Disclosures'; and
- o Any other applicable law and regulations issued by SBP, Securities and Exchange Commission of Pakistan (SECP) or other authorities from time to time.

Disclosure of Interest by Directors

The policy for Disclosure of Interest by Directors is outlined in Managing Conflict of Interest section.

List of Related Parties

List of related parties and the nature of their relationships with the Bank as identified under the Related Party Transactions Policy are as under:

- All Directors of the Bank
- Group Companies including Parent, Subsidiary and Associated Companies as disclosed under Group Structure
- Key Executives of the Bank as disclosed under the Management Team section
- Close family members including spouse, children, dependents, siblings and lineal ascendants and descendants of Directors and Key Executives of the Bank

OTHER POLICIES AND GUIDELINES

- All funds managed by the ABL Asset Management Company Limited as disclosed under the Status and Nature disclosure of the consolidated financial statements and employee funds maintained by the Bank
- Organizations controlled or jointly controlled or under significant influence of the Directors or Key Executives of the Bank or their close family members including those mentioned under the Directors' Profile section of the Annual Report.

Related Party Transactions

The details of the related party transactions of the Bank are disclosed under relevant sections of the Financial Statements. The reference to these sections is as under:

- Note 28.3 of the Financial Statements presenting the Donations made during the year 2021 to the related parties.
- Note 40 of the Financial Statements presenting the related party transactions during the year 2021.
- Annexure III of the Financial Statements presenting the details of the fixed assets disposed of during the year 2021 to the related parties.

CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

Our Philosophy

CSR vision of Your Bank "To be a socially responsible corporate citizen" delineated in its CSR policy which outlines Corporate Social Responsibility objectives of Your Bank. 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 differently abled persons.
- Our working style should have positive impact on "ENVIRONMENT" promoting green banking, use of renewable energy sources, reducing carbon emissions, 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 is mentioned in Corporate Sustainability Report

RECORDS MANAGEMENT AND SAFETY POLICY

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

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

The Bank's records are maintained in soft form as well as hard copies. The Data Backup and Recovery policy is in place for all applications and databases processing transactions and maintaining records to ensure the availability and integrity of data at all times.

The physical records are maintained both in house and at specialized external warehousing facilities as well.

HUMAN RESOURCE MANAGEMENT POLICIES INCLUDING PREPARATION OF A SUCCESSION PLAN

Allied Leadership Talent Pipeline (ALTP) was introduced to ensure effective succession at the mid-level management. Under this program, based on individual leadership potential, young leaders were categorized in three echelons: High potential successor, Intrinsic potential successor and Extrinsic potential successor. A comprehensive training cycle based on identified individual needs in each echelon was delivered to enhance employee leadership 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.

PANDEMIC RECOVERY PLAN

Since the outbreak of COVID 19 and continuous resurgence of pandemic waves due to mutation of the virus, the impact on operating environment remained a cause of concern for the organizations. The impact on Banking industry was no different and it required continuous transformation of existing way of doing business to cope with the pandemic in light of new information. The operating procedures of the Bank were transformed in line with the guidelines issued by the Government and regulatory authorities, in a timely manner to minimize the impact of disruption on business activities and on service delivery to the customers without compromise to the safety of all the stakeholders including customers and employees in particular.

The Bank has a robust Business Continuity Plan in place, which was updated in line with the guidelines issued by health and regulatory authorities, to address the challenges posed by the pandemic. The major evolvments in the operations of the Bank included;

OTHER POLICIES AND GUIDELINES

- Enabling Work from Home as per requirement for de-crowding of staff at major offices, when needed
- Encouraging employees to get immunized against the virus
- Provision of safety supplies at branches and offices and frequent sanitization
- Shifting from the counter banking transactions to digital channels
- Quarantine of cash collected at branches to stop spread of virus through circulation of currency notes
- Virtual meetings among employees and with stakeholder to avoid physical contact and to ensure social distancing
- Monitoring of COVID-19 impact on employees and business operations through customized Management Information System

REVIEW OF BUSINESS CONTINUITY PLAN BY THE BOARD OF DIRECTORS

The objective of Business Continuity Planning (BCP) is to ensure continuity of critical business operations that are essential

for conducting business during disaster and to minimize the disruption of critical activities by putting in place a robust and resilient business continuity strategy and management system while meeting regulatory and the Bank's internal requirements.

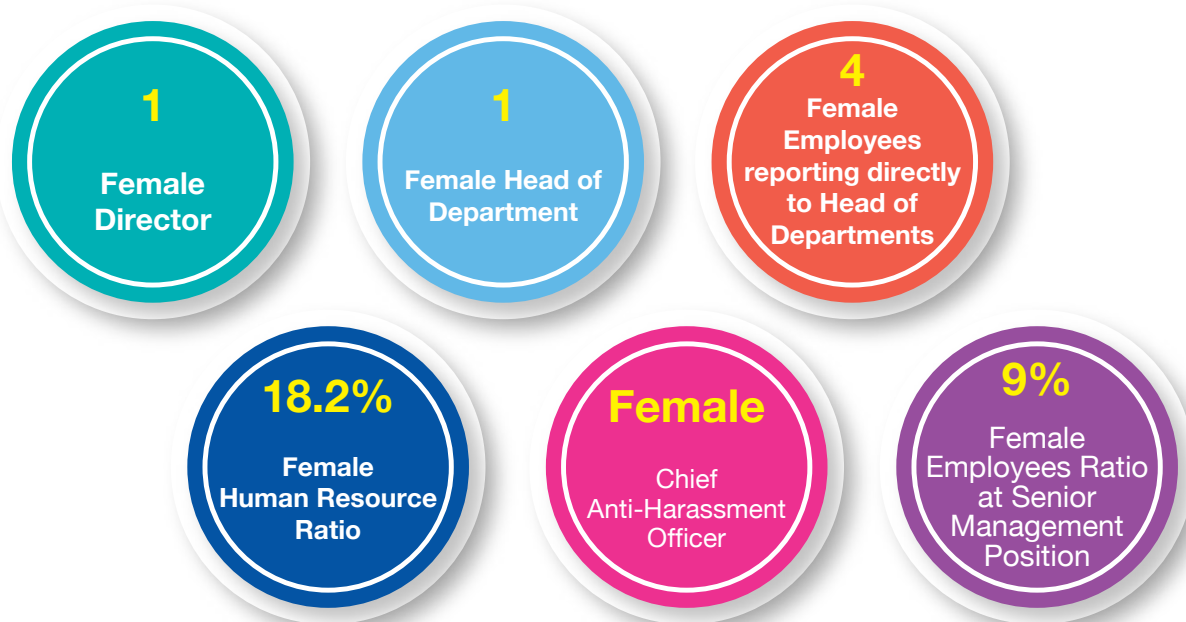
The overall responsibility for BCP rests with the Bank's Board of Directors and the BCP Steering Committee. The Board of Directors have strategic oversight responsibilities to ensure compliance with the Bank's objectives and regulatory regime and BCP Steering committee has the leadership role in carrying out the business continuity management system, infrastructure, policies, procedures and plan.

The Board of Directors periodically reviews and gauges the Bank's preparedness to deal with any untoward situation. During the year 2021, the Board of Directors approved full scope periodic review of the Business Continuity Planning Policy of the Bank to align the policy with evolving scenarios and regulatory requirements.

In addition, the Board of Directors annually reviews the adequacy of the Bank's Business Continuity Plans submitted through the Board's Risk Management Committee, and ensure that plans are based on comprehensive Business Impact Analysis (BIA) and Risk Assessment Exercise. The Board of Directors also reviews the Annual Summary Report submitted by BCP Steering Committee to monitor the BCP activities during the year as per plan.

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. 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.



REMUNERATION REPORT

Compensation Governance

Employee compensation plays an integral role in the successful delivery of the Bank's strategic objectives. Attracting and retaining the capable employees is key to the Bank's compensation strategy. The cornerstone is the concept of pay for performance within a sound risk management and governance framework and with due consideration of market factors and social values. The Bank regularly reviews and aligns human resource policies encompassing all aspects of the remuneration to the ever evolving internal and external dynamics.

The Human Resource and Remuneration Committee of the Board of Directors is entrusted with the overall governance of all areas of the Human Resource including remuneration.

Total Remuneration Structure

As part of the compensation strategy, the Bank employs a total compensation philosophy, which comprises fixed pay, variable compensation and benefits.

Element	Purpose
Fixed Pay	<ul style="list-style-type: none"> Attract and retain employees by paying market competitive pay for the role, skills and experience required. This include base pay and allowances as part of monthly salary as per terms of employment.
Variable Compensation	<ul style="list-style-type: none"> 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. Awards vary with performance achievement and the Bank has the discretion to assess the extent to which performance has been achieved. 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. This include annual performance award, cash award on passing Institute of Bankers Pakistan diploma and any other reward for target achievement or extraordinary performance.
Benefits	<ul style="list-style-type: none"> Ensure market competitiveness and provide benefits in accordance with market practice. This include but not limited to medical benefits, education assistance and post-employment benefits.

Bank employees are graded into 12 salary grades, from MG1 to MG12, with MG1 being the senior most and MG 12, being the junior most. The management of the Bank is further classified in the following four levels according to salary grades:

Management level	Salary Grades
Executive Management	MG1 to MG3
Senior Management	MG4 to MG6
Middle Management	MG7 to MG9
Junior Management	MG10 to MG12

The above categories may include, from time to time, Material Risk Takers (MRTs) and Material Risk Controllers (MRCs). The remuneration of employees categorized as such is based on risk-based pay structure which is referred to as 'risk-based employee's remuneration pool'. The remuneration of employees other than such categories have pay structure which is referred to as 'general employee's remuneration pool'

Classification of Material Risk Takers (MRT) and Material Risk Controllers (MRC)

Material Risk Takers (MRTs) and Material Risk Controllers (MRCs) of the Bank are identified as functions and designations having appropriate level of authority and control within the Bank either working as regular or contractual employees. No third-party employee is designated as either MRT or MRC. Identification of MRTs or MRCs is based on designations or functions involved in critical business decision making, i.e. Chief Executive Officer, direct reportees of Chief Executive Officer, members of critical Management committees involved in business decision making and risk management. Further, relevant Group Heads and other senior level positions managing critical areas, and meeting the risk materiality and threshold criteria as approved by the Board of Directors are also designated as MRTs or MRCs respectively.

Remuneration of Material Risk Takers (MRT) and Material Risk Controllers (MRC)

Fixed pay of MRTs and MRCs is decided based on fixed pay determination criteria for overall bank's employees and includes same components.

REMUNERATION REPORT

Variable remuneration (performance bonus) is based upon performance score calculated against defined key performance indicators and rating scores achieved by each individual. Furthermore, rating assigned to MRTs or MRCs through annual performance appraisal process against their managerial capabilities and personal traits is then clubbed together against predefined weightages to reach consolidated performance score which is used as basis for deciding variable remuneration which is adjusted against underlying risks specifically for MRTs.

MRCs are identified as functions and designations having appropriate level of authority and control duly governed by approved organograms having clearly defined independent reporting lines from the function they oversee. Organizational hierarchy of the Bank ensures segregation of roles and independence among Business, Operational support as well as Risk management.

Basis of deferral of payment

Quantum of associated risk is considered while deciding deferred portion of variable remuneration of MRTs. Percentage as per following grid is withheld and deferred from variable remuneration of MRTs for a period of 3 years:

	High Risk	Medium Risk	Low Risk
CEO, Chiefs & Executive Management	25 %	20 %	15 %
Senior Management	20 %	15 %	12.5 %
Middle Management	15 %	12.5 %	10 %

Assessment of Risk Factors

Risk Matrices encompassing Key Risk Indicators (KRIs) are used for assessment of major types of risks undertaken by identified MRTs. Percentage of variable remuneration of identified MRTs which has been deferred is based on quantum of respective current and future risks undertaken, assessed using Risk Matrices based on data for the current year.

PERFORMANCE AND POSITION

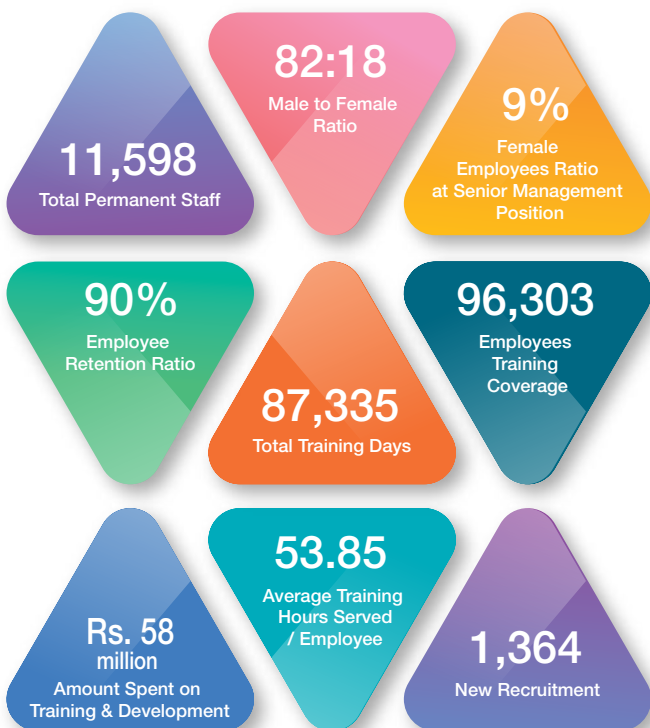


HIGHLIGHTS OF 2021

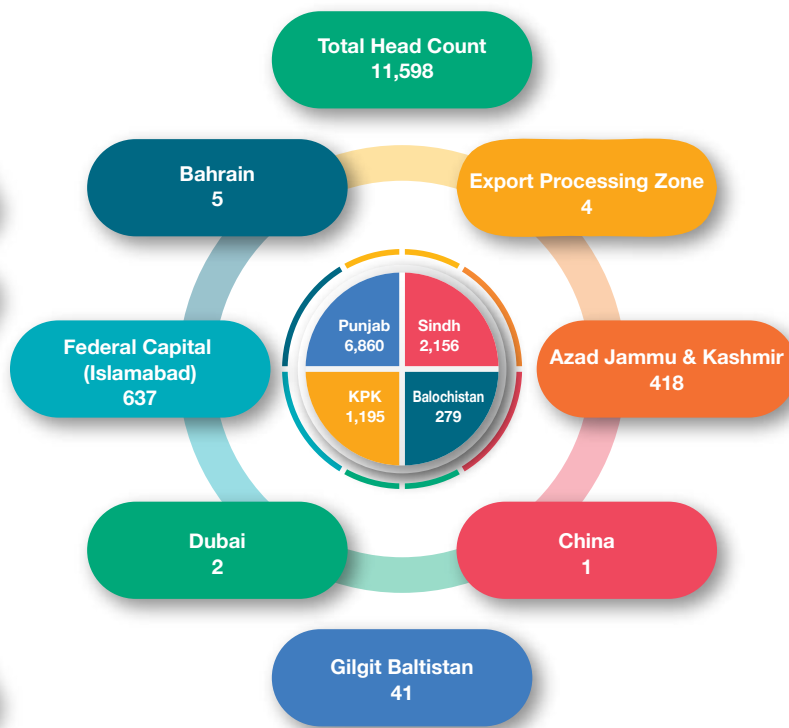


NON-FINANCIAL INFORMATION

HUMAN RESOURCE ATTRIBUTES



GEOGRAPHICAL POSITIONING OF HUMAN RESOURCE CAPITAL



DIGITAL TRANSACTIONS ATTRIBUTES



ANALYSIS OF NON-FINANCIAL PERFORMANCE

Human Capital

Human resource capital remains the key asset to our success. Human resource management continues to be the top priority for the Bank and is designed in such a way to motivate our employees to pursue goals that will enable the Bank to achieve its strategic goals. Key statistics of our human resource as compared to last year are as under:

	2021	2020
Staff Strength	11,598	11,603
New Recruitment	1,364	897
Number of Employees Trained	11,002	10,839
Investment in Training & Development	Rs. 58 million	Rs. 65 million
Promotions	1,505	1,035
Number of Female Staff	2,116	2,095
Female Staff to Total Staff Ratio	18.2%	18.1%

Manufactured Capital

Intellectual Capital

8 decades of banking services	Strong Governance	Trustworthy Brand Name
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Intangibles associated with the Bank – culture, ethics, values, organizational knowledge, systems, procedures and brand value. These intangibles, while not reflected in the balance sheet, are indeed the real assets of the Bank.

	2021	2020
Governance Rating	CGR 9++	CGR 9+
Technology Infrastructure	Robo Calls, Big Data & Artificial Intelligence, Business Process Management	Robotic Process Automation, Business Intelligence, Human Resource Management System

Capital Expenditure	Branches including sub-branches	ATMs
Rs. 8,436 million	1,429	1,558

Manufactured capital consists of our physical branch network and other tangible and intangible items that support our operations outreach such as equipment, IT systems and network.

During the year, the Bank has expanded its network by 29 branches.

The banking model is in gradual transformation from traditional banking to digital era. Hence, to cater to the growing segment of millennials among our customers, the Bank has been continuously investing in the digital banking platforms. We are increasing our digital touch points at a steady pace, providing our customers transactional convenience while ensuring financial security.

	2021	2020
Branches	1,429	1,402
ATMs – Onsite	1,269	1,222
ATMs – Offsite	284	333
Mobile ATMs	5	3

Social and Relationship Capital

No. of Customers	Dividend to Shareholders (Rs. in million)	CSR Funds (Rs. in million)
5.2 million+	9,161	59

Bank values its stakeholders and remained cognizant of its responsibilities towards the society. Analysis of social and relationship capital as compared to last year is as follows:

	2021	2020
No of Customers	5.2 million+	4.5 million+
Complaint Resolution	97%	98%
Website Visits	7,673,355	6,520,456
Social Media Fan Following / Subscribers	1,296,256	1,186,766
Internet Banking Customers	1,004,458	659,387
Tree Plantation	47,000+	1,000

SIX YEARS VERTICAL ANALYSIS

Statement of Financial Position

	2021		2020		2019		2018		2017		2016	
	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%
ASSETS												
Cash & Balances with Treasury & Other Banks	125,310	6%	135,628	9%	120,546	8%	101,763	8%	86,016	7%	73,884	7%
Lending to financial institutions	45,453	3%	17,996	1%	13,607	1%	53,780	4%	8,694	1%	10,513	1%
Investments- Net	1,064,495	53%	829,621	52%	757,957	51%	671,228	50%	698,082	56%	589,865	55%
Advances - Net	652,890	32%	496,432	31%	485,016	33%	438,317	32%	372,038	30%	329,562	31%
Operating Fixed assets	80,871	4%	76,246	5%	64,084	4%	52,128	4%	48,327	4%	32,757	3%
Other assets	41,138	2%	34,535	2%	39,911	3%	33,382	2%	36,508	2%	35,598	3%
Total Assets	2,010,157	100%	1,590,458	100%	1,481,121	100%	1,350,598	100%	1,249,665	100%	1,072,179	100%
LIABILITIES												
Bills payable	10,060	1%	9,622	1%	7,879	1%	7,753	1%	7,835	1%	9,849	1%
Borrowings	420,006	21%	193,928	12%	266,448	18%	225,883	17%	223,556	18%	126,369	12%
Deposits	1,413,295	70%	1,216,678	76%	1,049,043	71%	984,475	73%	883,741	71%	805,111	75%
Other liabilities	39,551	2%	38,670	3%	42,400	2%	25,183	1%	27,817	1%	30,176	3%
Sub-ordinated loans	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Total Liabilities	1,882,912	94%	1,458,898	92%	1,365,770	92%	1,243,294	92%	1,142,949	91%	971,505	91%
NET ASSETS	127,245	6%	131,560	8%	115,351	8%	107,304	8%	106,716	9%	100,674	9%
EQUITY												
Share capital	11,451	1%	11,451	1%	11,451	1%	11,451	1%	11,451	1%	11,451	1%
Reserves	26,784	1%	24,277	1%	22,270	1%	20,276	1%	17,980	2%	16,533	2%
Un - appropriated profit	69,471	3%	66,995	4%	55,821	4%	52,500	4%	49,212	4%	46,490	4%
Surplus on revaluation of assets	19,539	1%	28,837	2%	25,809	2%	23,077	2%	28,073	2%	26,200	2%
	127,245	6%	131,560	8%	115,351	8%	107,304	8%	106,716	9%	100,674	9%
Profit and Loss Account												
Interest / Return / Non Interest Income earned												
Markup / Return / Interest earned	118,649	88%	110,547	90%	122,637	92%	73,274	87%	65,709	88%	64,606	85%
Fee, Commission & Brokerage	6,811	5%	5,441	4%	5,092	4%	4,361	5%	3,917	5%	4,014	5%
Foreign Exchange Income	1,973	2%	1,664	2%	1,992	1%	1,504	2%	762	1%	645	1%
Gain on securities and Dividend income	6,485	5%	5,076	4%	3,404	3%	5,172	6%	3,869	4%	6,449	9%
Other income	669	0%	362	0%	403	0%	252	0%	323	0%	102	0%
Non-markup Income	15,938	12%	12,543	10%	10,891	8%	11,289	13%	8,871	12%	11,210	15%
Total Income	134,587	100%	123,090	100%	133,528	100%	84,563	100%	74,580	100%	75,816	100%
Markup / Return / Interest and Non Interest Expense												
Markup / Return / Interest expensed	(73,062)	-54%	(62,126)	-50%	(81,130)	-61%	(41,159)	-49%	(34,130)	-45%	(31,345)	41%
Operating expenses	(33,886)	-24%	(30,472)	-26%	(27,555)	-21%	(23,365)	-28%	(21,884)	-29%	(20,797)	28%
Donations	(60)	0%	(133)	0%	(55)	0%	(113)	0%	(54)	0%	(42)	0%
Non-markup Expense	(33,946)	-25%	(30,605)	-25%	(27,610)	-20%	(23,478)	-27%	(21,938)	-28%	(20,839)	34%
(Provisions) / Reversals	811	1%	(844)	-1%	(547)	0%	1,090	1%	2,367	3%	199	0%
Taxation	(11,077)	-8%	(11,486)	-9%	(10,129)	-8%	(8,136)	-9%	(8,145)	-10%	(9,404)	12%
Total expense - percentage of total income	(117,274)	-87%	(105,061)	-85%	(119,416)	-89%	(71,683)	-85%	(61,846)	-83%	(61,389)	81%
Profit / (Loss) after taxation	17,313	13%	18,029	15%	14,112	11%	12,880	15%	12,734	17%	14,427	19%

SIX YEARS HORIZONTAL ANALYSIS

Statement of Financial Position

	2021	21 vs 20	2020	20 vs 19	2019	19 vs 18	2018	18 vs 17	2017	17 vs 16	2016	16 vs 15
	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%
ASSETS												
Cash & Balances with Treasury & Other Banks	125,310	-8%	135,628	13%	120,546	18%	101,763	18%	86,016	16%	73,884	22%
Lendings to financial institutions	45,453	153%	17,996	32%	13,607	-75%	53,780	519%	8,694	-17%	10,513	213%
Investments- Net	1,064,495	28%	829,621	9%	757,957	13%	671,228	-4%	698,082	18%	589,865	8%
Advances - Net	652,890	32%	496,432	2%	485,016	11%	438,317	18%	372,038	13%	329,562	2%
Operating Fixed assets	80,871	6%	76,246	19%	64,084	23%	52,128	8%	48,327	48%	32,757	14%
Other assets	41,138	19%	34,535	-13%	39,911	20%	33,382	-9%	36,508	3%	35,598	4%
Total Assets	2,010,157	26%	1,590,458	7%	1,481,121	10%	1,350,598	8%	1,249,665	17%	1,072,179	8%
LIABILITIES												
Bills payable	10,060	5%	9,622	22%	7,879	2%	7,753	-1%	7,835	-20%	9,849	99%
Borrowings	420,006	117%	193,928	-27%	266,448	18%	225,883	1%	223,556	77%	126,369	-8%
Deposits	1,413,295	16%	1,216,678	16%	1,049,043	7%	984,475	11%	883,741	10%	805,111	10%
Other liabilities	39,551	2%	38,670	-9%	42,400	68%	25,183	-9%	27,817	-8%	30,176	15%
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	1,882,912	29%	1,458,898	7%	1,365,770	10%	1,243,294	9%	1,142,949	18%	971,505	7%
NET ASSETS	127,245	-3%	131,560	14%	115,351	7%	107,304	1%	106,716	6%	100,674	13%
EQUITY												
Share capital	11,451	0%	11,451	0%	11,451	0%	11,451	0%	11,451	0%	11,451	0%
Reserves	26,784	10%	24,277	9%	22,270	10%	20,276	13%	17,980	9%	16,533	9%
Un - appropriated profit	69,471	4%	66,995	20%	55,821	6%	52,500	7%	49,212	6%	46,490	12%
Surplus on revaluation of assets	19,539	-32%	28,837	12%	25,809	12%	23,077	-18%	28,073	7%	26,200	23%
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Other income	669	85%	362	-10%	403	60%	252	-22%	323	217%	102	-90%
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Total Income	134,587	9%	123,090	-8%	133,528	58%	84,563	13%	74,580	-2%	75,816	-7%
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Donations	(60)	-55%	(133)	142%	(55)	-51%	(113)	109%	(54)	29%	(42)	-70%
Non-markup Expense	(33,946)	11%	(30,605)	11%	(27,610)	18%	(23,478)	7%	(21,938)	5%	(20,839)	11%
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Profit / (Loss) after taxation	17,313	-4%	18,029	28%	14,112	10%	12,880	1%	12,734	-12%	14,427	-5%

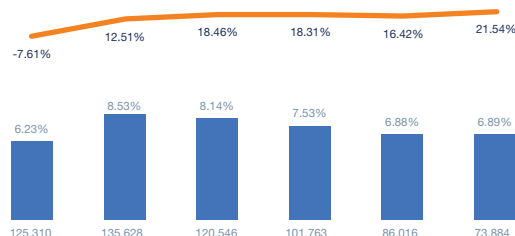
STATEMENT OF FINANCIAL POSITION

Six Years Horizontal & Vertical Performance Highlights

2021	2020	2019	2018	2017	2016
Rs. in Million					

ASSETS

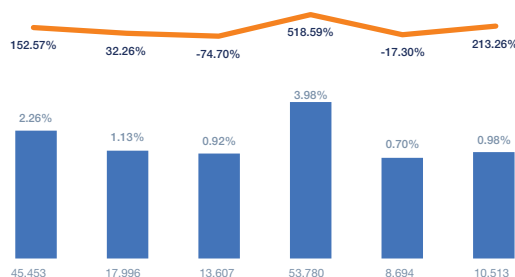
Cash & Balances with Treasury & Other Banks



CAGR for the last six years-annualized is 9.2%

The cash reserve requirements of the bank were relaxed by the SBP based on housing finance target achievements due to which cash and bank balances reduced in current year. Furthermore, balances in nostro accounts were deployed based on favorable opportunities in foreign currencies to maintain the return.

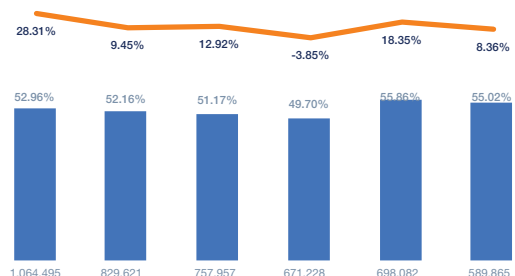
Lendings to Financial Institutions



CAGR for the last six years-annualized is 27.6%

Current year growth is due to increase in short term lendings on account of uncertainties in policy rate movement at year end.

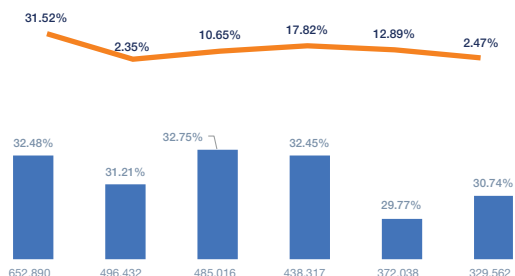
Investments - Net



CAGR for the last six years-annualized is 10.3%

Investments holds major share of the total asset base. 28% YOY growth in investment portfolio is due to growth in average volume of Treasury bills and Pakistan investment bonds to capitalize on increasing trends on policy rate movements.

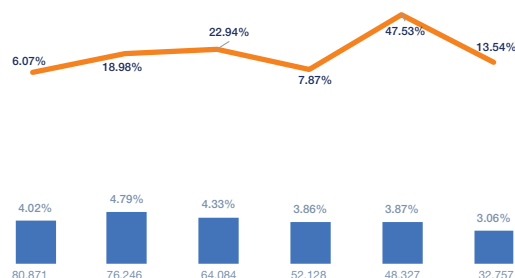
Advances - Net



CAGR for the last six years-annualized is 12.1%

32% YOY growth is mainly to improve the ADR ratio in view of additional tax on markup income on government securities and also in line with the growth in deposits.

Fixed Assets (including Intangible Assets)



CAGR for the last six years-annualized is 16.3%

4% YOY growth is mainly due to additions in land and buildings and related equipment to support the network expansion.

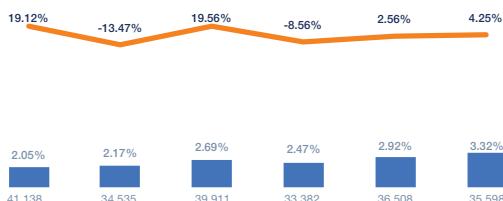
STATEMENT OF FINANCIAL POSITION

Six Years Horizontal & Vertical Performance Highlights

2021	2020	2019	2018	2017	2016
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Rs. in Million

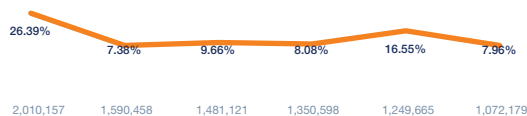
Other Assets (Including Deferred Tax Assets)



CAGR for the last six years-annualized is 1.8%

19% YOY increase is primarily on account of increase in markup receivables due to positive rate volume variance in advances and investments. Furthermore, net deferred tax asset was recognized in current year due to deficit on revaluation of government securities as a result of increase in policy rate.

Total Assets

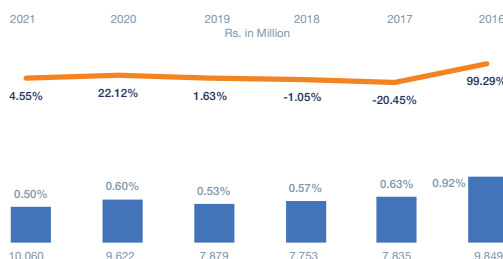


CAGR for the last six years-annualized is 11.0%

ABL managed to grow its asset base by 26% YOY.

LIABILITIES

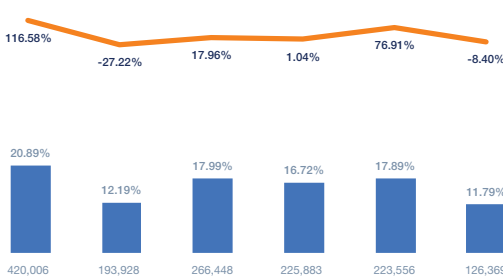
Bills Payable



CAGR for the last six years-annualized is 0.4%

5% YOY growth.

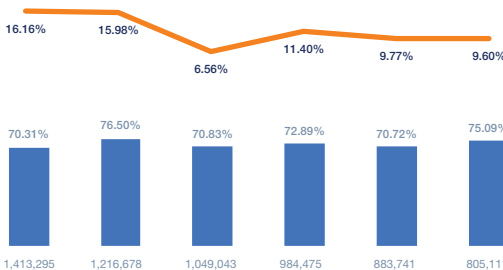
Borrowings



CAGR for the last six years-annualized is 22.2%

Bank Borrowings have increased by Rs. 226,078 million or 1.2 times from Rs. 193,928 million to Rs. 420,006 million mainly to capitalize on opportunities in money market to maximize returns.

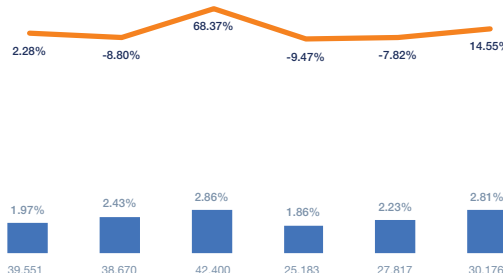
Deposits and other accounts



CAGR for the last six years-annualized is 9.8%

Outstanding deposits were higher than last year by 16%, in line with industry growth of 17%. Average Current deposits manifested robust YoY growth of 22%. Current Account and Saving Account (CASA) percentage improved to 66% as compared to 65% last year.

Other Liabilities (Including Deferred Tax Liabilities)



CAGR for the last six years-annualized is 3.9%

2% YOY increase is primarily on account of increase in markup payable due to higher interest rates as compared to last year.

Six Years Horizontal & Vertical Performance Highlights

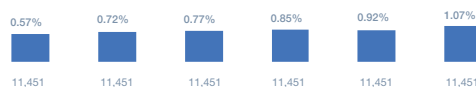
2021	2020	2019	2018	2017	2016
Rs. in Million					

EQUITY

Share Capital



CAGR for the last six years-annualized is 0.0%

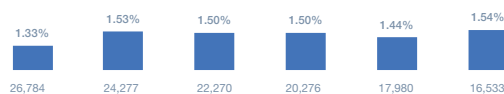


Compliant with the regulatory requirement.

Reserves



CAGR for the last six years-annualized is 8.4%

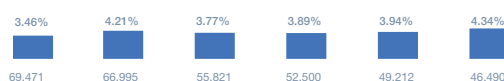


10% YOY growth is on account of exchange translation of net investment in foreign branches & statutory reserve transfer from un-appropriated profits.

Unappropriated Profits



CAGR for the last six years-annualized is 6.9%

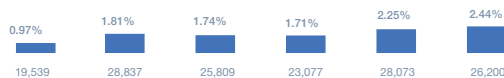


4% YOY growth is on account of current year's profit after appropriations including payment of dividends and transfers to statutory reserves.

Surplus on revaluation of assets - net



CAGR for the last six years-annualized is -4.8%



32% YOY decline is due to deficit in revaluation of fixed income securities on account of change in policy rate.

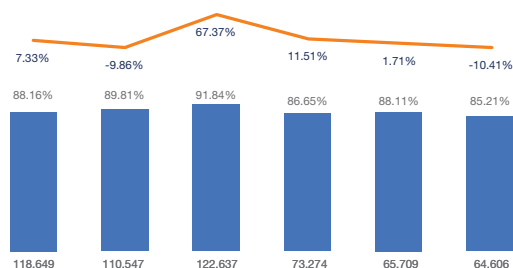
PROFIT AND LOSS ACCOUNT

Six Years Horizontal & Vertical Performance Highlights

2021	2020	2019	2018	2017	2016
Rs. in Million					

INCOME

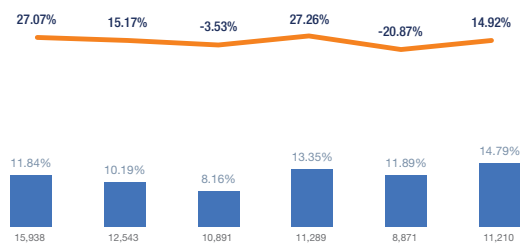
Markup Income



“CAGR for the last six years-annualized is 10.7%”

7% YOY increase is primarily due to positive volume variance of mark-up bearing assets of Rs. 44,897 million, partially offset by negative rate variance of Rs. 36,796 million in line with lower average policy rate in 2021 as compared to 2020.

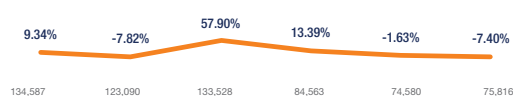
Non-Markup Income



CAGR for the last six years annualized is 6.0%

27.07% YoY growth is mainly because of higher dividend income and capital gains on sale of shares portfolio along with increased growth of Debit Card income on account of on-the-trot Debit card campaigns.

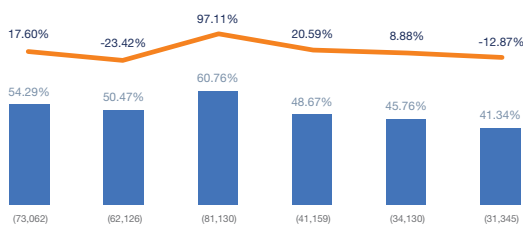
Total Income



CAGR for the last six years annualized is 10.0%

EXPENSES

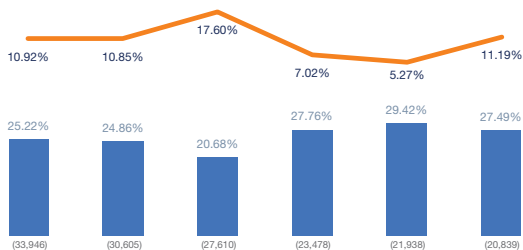
Markup Expense



CAGR for the last six years annualized is 15.1%

The increase is mainly on account of higher borrowing cost on account of higher average borrowing volumes resulting in higher expense by Rs. 13,685 million, along with unfavorable rate variance of Rs. 3,955 million.

Non-Markup Expense



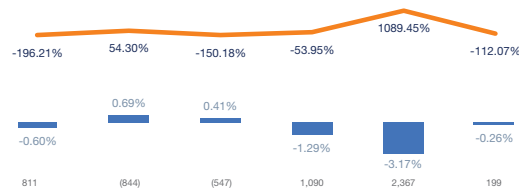
CAGR for the last six years annualized is 8.5%

10.9% YOY increase in non-mark-up expense is mainly due to annual revision of staff salaries in line with increasing inflation rate, increased maintenance expenses, and increased deposit protection cost.

Six Years Horizontal & Vertical Performance Highlights

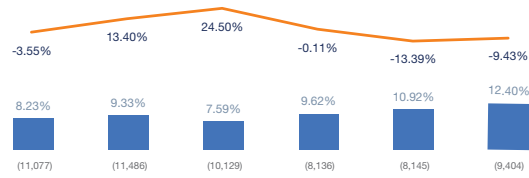
2021	2020	2019	2018	2017	2016
Rs. in Million					

(Provisions) / Reversals



Better infection and coverage ratio than industry average.

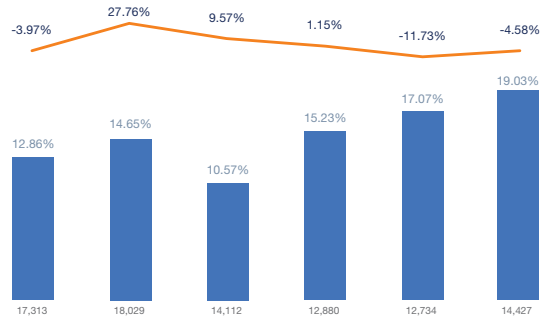
Taxation



CAGR for the last six years annualized is 2.8%

Effective Tax rate is 39.02%, slightly higher by 0.1% as compared to corresponding year. Current period tax expense includes additional income tax on taxable income attributable to mark-up income on investment in federal government securities based on ADR of the Bank over 40% at year end.

Profit after Taxation



CAGR for the last six years annualized is 3.1%

Monetary squeezing subsequent to an accommodative policy stance maintained for the major part of 2021, led towards immanent asset liability repricing lag.

FINANCIAL RATIOS

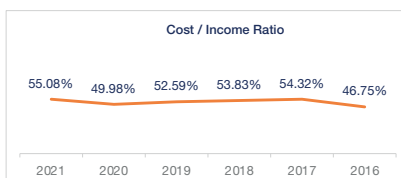
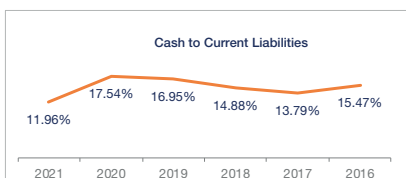
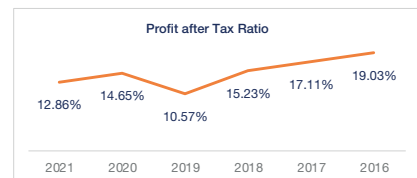
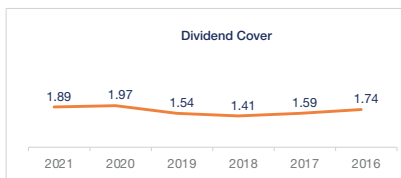
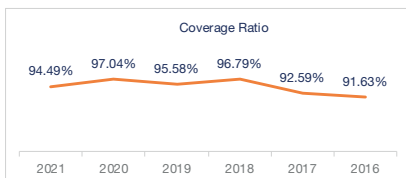
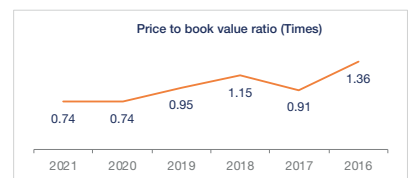
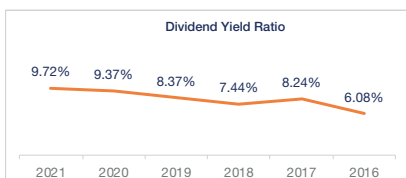
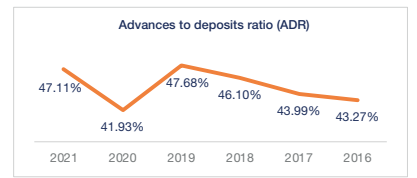
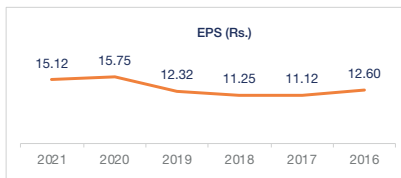
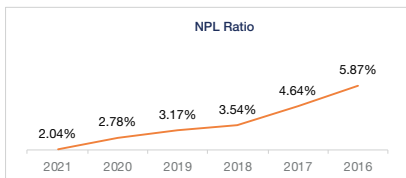
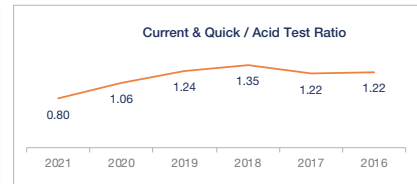
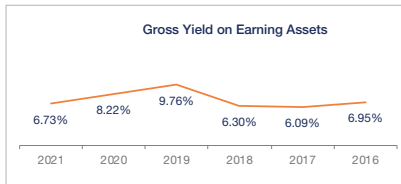
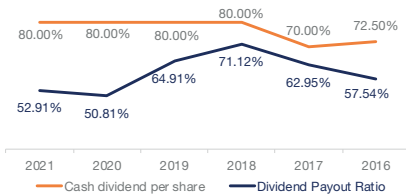
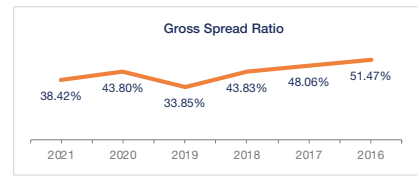
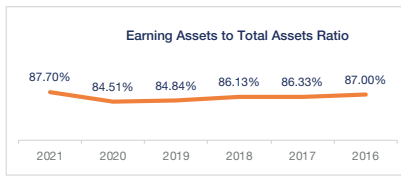
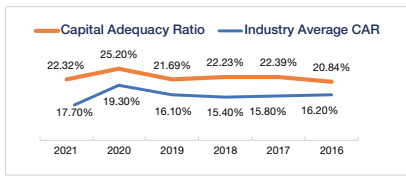
A Strong Balance Sheet Enabled An Attractive Dividend Payout

Our CET1 or Tier 1 and Capital Adequacy ratios of 18.48 % and 22.32% respectively, Liquidity Coverage Ratio of 186.17% and Net Stable Funding Ratio of 142.39 % on a pro forma basis, are all Basel III-compliant and are a reflection of a strong balance sheet. On the back of solid earnings growth in operations and a strong capital position, a final dividend of Rs. 2.00 was declared. Our full-year dividend cover was 1.89 times.

Financial Ratios

For the year ended		2021	2020	2019	2018	2017	2016
Profitability Ratios							
Profit before tax Ratio	%	21.09%	23.98%	18.15%	24.85%	28.05%	31.44%
Gross yield on earning assets	%	6.73%	8.22%	9.76%	6.30%	6.09%	6.95%
Gross spread ratio	%	38.42%	43.80%	33.85%	43.83%	48.06%	51.47%
Cost to Income ratio	%	55.08%	49.98%	52.59%	53.83%	54.32%	46.75%
Return on Equity	%	16.46%	18.75%	16.24%	15.82%	16.63%	20.26%
Return on capital employed	%	1.95%	2.27%	1.97%	1.99%	2.09%	2.62%
Shareholders' Funds	Rs. Mn	127,245	131,560	115,351	107,304	106,716	100,674
Return on Shareholders' Funds	%	13.61%	13.70%	12.23%	12.00%	11.93%	14.33%
Liquidity Ratios							
Advances to deposits ratio	%	47.11%	41.93%	47.68%	46.10%	43.99%	43.27%
Current, Quick or Acid test ratio	Times	0.80	1.06	1.24	1.35	1.22	1.22
Cash to current liabilities	%	11.96%	17.54%	16.95%	14.88%	13.79%	15.47%
Net interest income as a percentage of working funds	%	2.49%	3.43%	3.16%	2.65%	2.85%	3.57%
Operating cost - Efficiency ratio							
Liquid Asset ratio - LCR	%	186.17%	179.27%	167.84%	151.54%	142.41%	NA
Gross Non-Performing assets to gross advances	%	2.24%	3.64%	4.03%	5.79%	4.76%	6.00%
Non-Performing loans to gross loan	%	2.04%	2.78%	3.17%	3.54%	4.64%	5.87%
Investment Ratios							
Earnings per share	Rs.	15.12	15.75	12.32	11.25	11.12	12.60
Price earnings ratio	Times	5.44	5.42	7.76	9.55	7.64	9.46
Price to book ratio	Times	0.74	0.74	0.95	1.15	0.91	1.36
Dividend yield ratio	%	9.72%	9.37%	8.37%	7.44%	8.24%	6.08%
Dividend payout ratio	%	52.91%	50.81%	64.91%	71.12%	62.95%	57.54%
Cash dividend per share	%	80.00%	80.00%	80.00%	80.00%	70.00%	72.50%
Market value per share at the end of year	Rs.	82.27	85.37	95.6	107.47	84.98	119.21
Break-up value per share without surplus	Rs.	94.06	89.71	78.20	73.56	68.68	65.04
Break-up value per share with surplus	Rs.	111.12	114.89	100.74	93.71	93.20	87.92
Breakup value per share including investment in related party at fair value with surplus	Rs.	111.58	115.35	101.20	94.17	93.63	88.36
Capital Structure							
Capital Adequacy ratio	%	22.32%	25.20%	21.69%	22.23%	22.39%	20.84%
Earnings assets to total assets	%	87.70%	84.51%	84.84%	86.13%	86.33%	87.00%
Cost of deposit	%	3.07%	4.02%	5.61%	3.06%	3.02%	3.94%
Net asset per share	Rs.	111.12	114.89	100.74	93.71	93.20	87.92
Non-Financial Ratios							
Staff turnover ratio	%	10%	10%	7%	6%	9%	7%
Counter Transactions Productivity per day (No. of Transactions)	No.	78	67	-	-	-	-

FINANCIAL RATIOS GRAPHICAL PRESENTATION

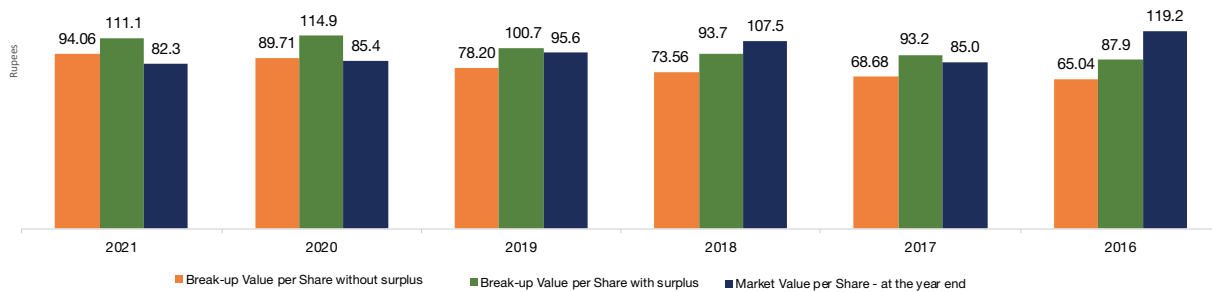


VALUE CREATION FOR SHAREHOLDERS

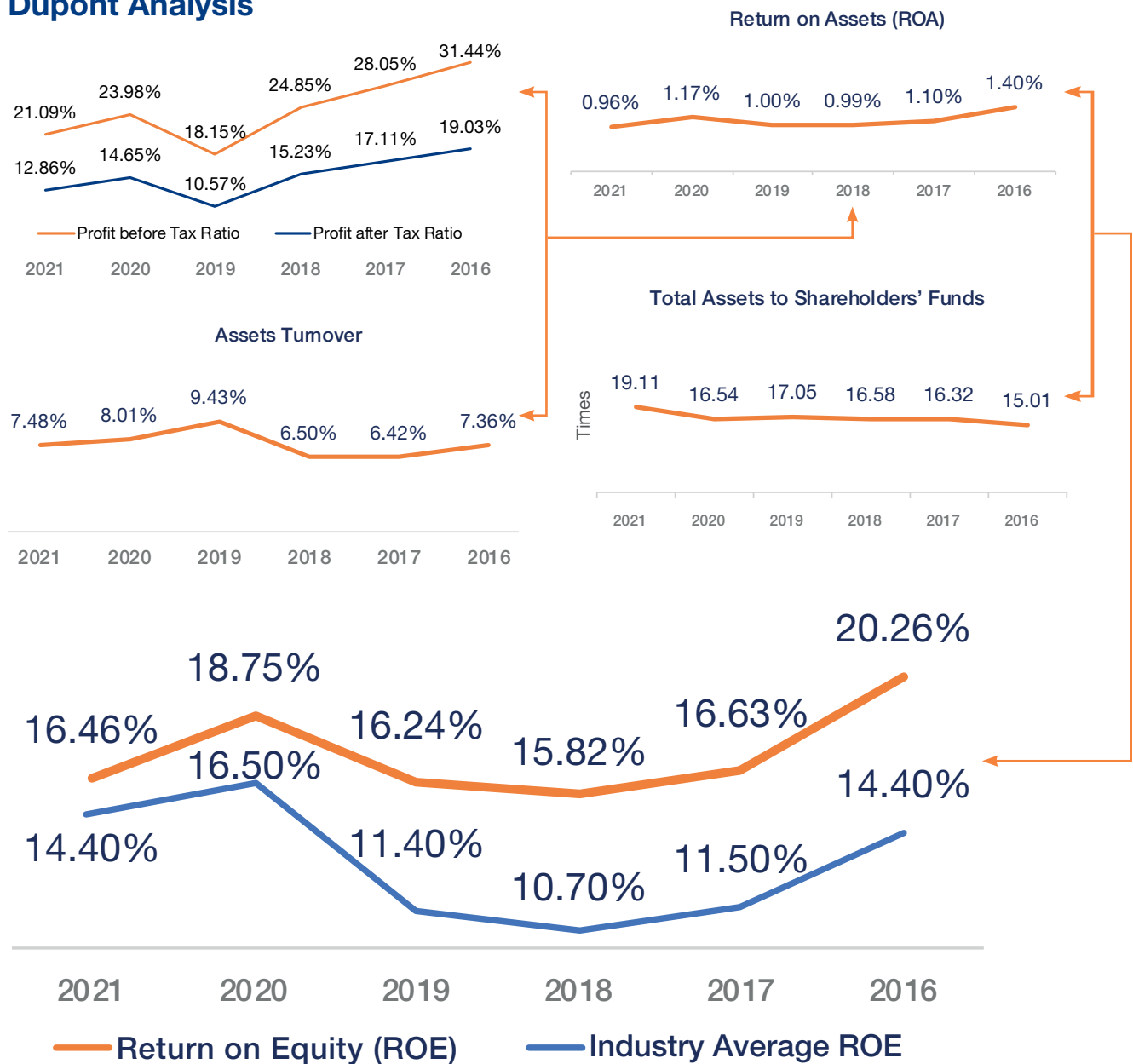
Through our financial performance we demonstrate our commitment to delivering long-term value for our shareholders.

Over the last six years the Bank increased its break-up value per share without surplus at a Compounded Annual Growth Rate of 6.3%. Growing "Total assets to shareholders' funds" coupled with Return on Assets also contributed in achieving higher Return on Equity as compared to industry.

Breakup Value vs Market Price

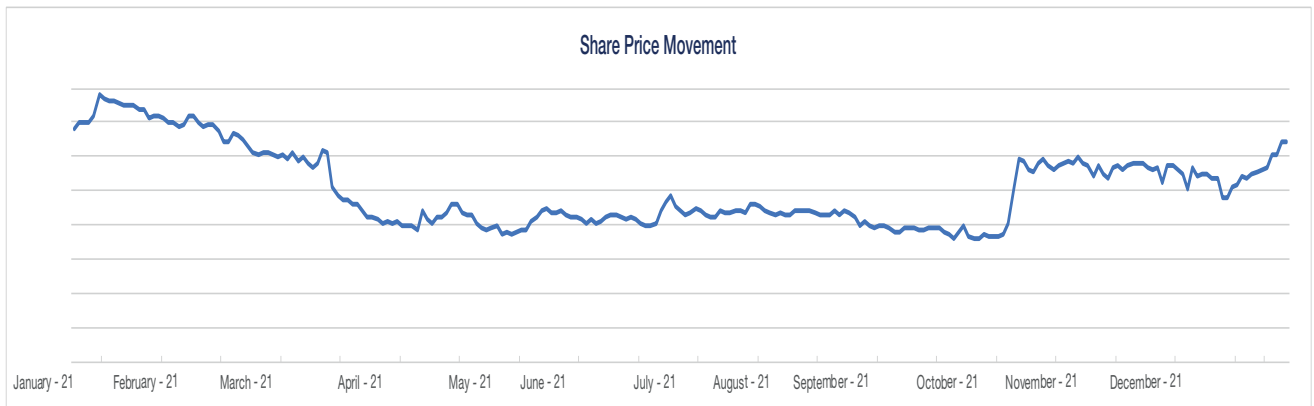


Dupont Analysis



SENSITIVITY ANALYSIS

	High	Low	Closing	Market Capitalization	
	Rupees			Capital (Rs. in Million)	Value (Rs. in Million)
December 31, 2021	83.5	82.0	82.3	11,451	94,207
September 30, 2021	69.9	67.8	68.0	11,451	77,867
June 30, 2021	75.0	72.0	74.2	11,451	84,909
March 31, 2021	72.3	70.5	70.8	11,451	81,107

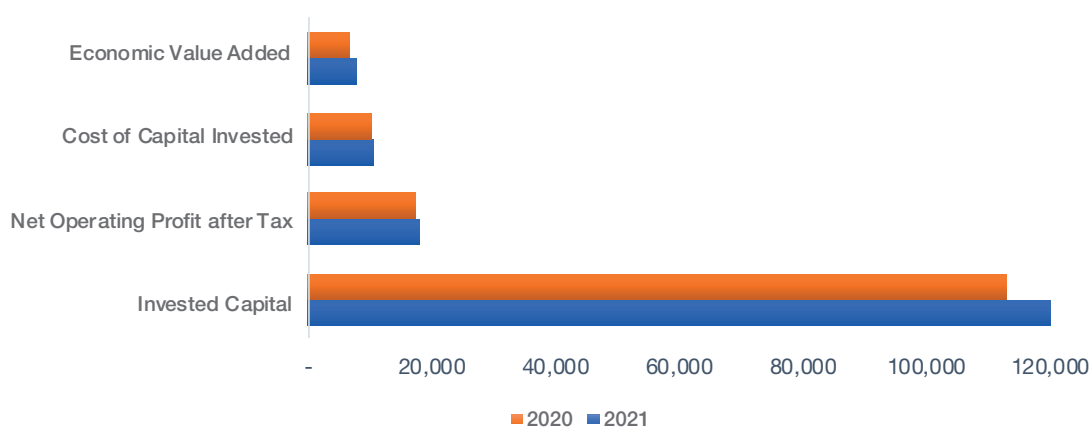


Regularly recurring matters (such as financial results and dividends) have a temporary impact on the share price of Allied Bank Limited. However, Government and Regulatory policy changes such as inflation, discount rate, monetary policy, political and environment situation of the country are the key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

ECONOMIC VALUE ADDED STATEMENT

	December 31, 2021	December 31, 2020
	Rupees in Million	
Invested Capital		
Average Shareholders Equity	105,215	96,133
Provisions against assets:		
- Investments	2,093	2,433
- Advances	12,851	13,742
- Other Assets	760	757
Invested Capital - A	120,919	113,065
Net Operating Profit after Tax		
Profit after tax	17,314	18,029
Provisions for the year	(811)	844
Net Operating Profit after Tax - B	18,125	17,185
Economic Cost - C *	8.67%	9.13%
Cost of Capital Invested - D - (A x C)	10,487	10,323
Economic Value Added (B - D)	7,638	6,862

Statement of Economic Value Added



CASH FLOW STATEMENT

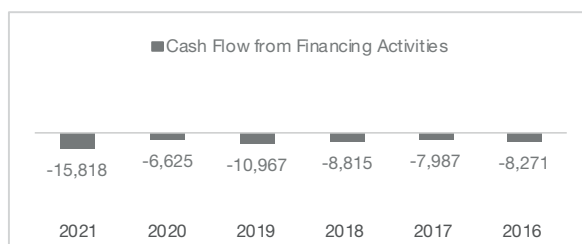
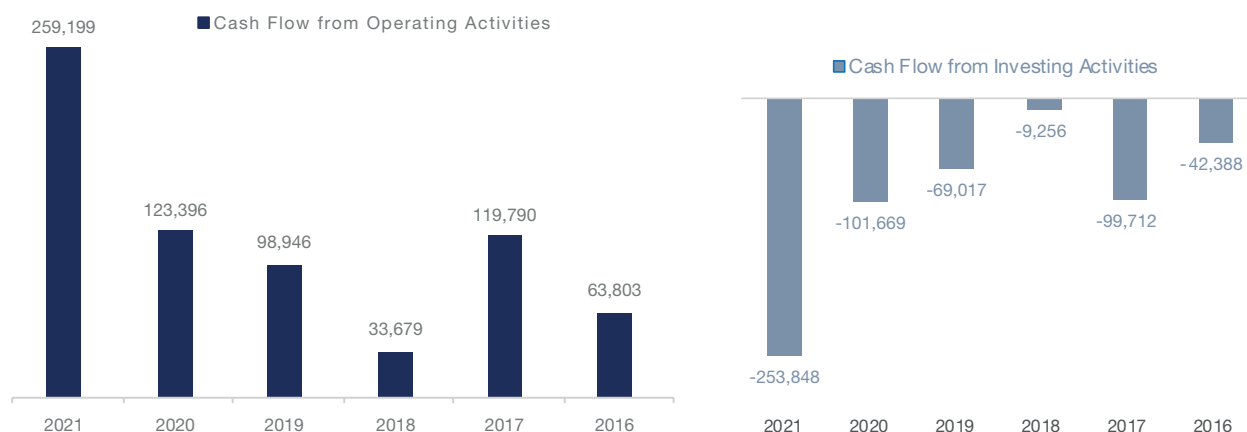
Direct Method

	2021	2020
	Rs. In Million	
STATEMENT FOR THE YEAR		
CASH FLOW FROM OPERATING ACTIVITIES		
Mark-up / return / interest and commission receipts	131,569	124,032
Mark-up / return / interest payments	(71,845)	(63,687)
Cash payments to employees, suppliers and others	(26,962)	(24,722)
	32,762	35,623
(Increase) / decrease in operating assets		
Lendings to financial institutions	(27,457)	(4,389)
Held for trading securities	(126)	19,862
Advances	(155,650)	(11,765)
Other assets (excluding advance taxation)	(3,396)	601
	(186,629)	4,309
Increase / (decrease) in operating liabilities		
Bills payable	438	1,743
Borrowings	225,930	(72,500)
Deposits	196,617	167,635
Other liabilities (excluding current taxation)	3,008	(2,586)
	425,993	94,292
Cash flow from operating activities before tax	272,126	134,226
Income tax paid	(12,708)	(10,586)
Defined benefits paid	(219)	(243)
Net cash flow from operating activities	259,199	123,396
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in 'available-for-sale' securities	(216,119)	(85,460)
Net investments in 'held-to-maturity' securities	(32,876)	(10,577)
Dividend income received	2,153	1,653
Investments in operating fixed assets	(8,857)	(8,116)
Proceeds from sale of fixed assets	1,077	627
Effect of translation of net investment in foreign wholesale branch	776	204
Net cash used in investing activities	(253,848)	(101,669)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(2,126)	(2,054)
Payment of lease liability against right of use assets	(13,692)	(4,571)
Net cash used in financing activities	(15,818)	(6,625)
Increase in cash and cash equivalents during the year	(10,466)	15,102
Cash and cash equivalents at beginning of the year	137,251	120,987
Effect of exchange rate changes on opening cash and cash equivalents	(1,666)	(505)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	125,118	135,585

Summary of Cash Flow Statement

	2021	2020	2019	2018	2017	2016
	Rs. In Million					
Cash flows from operating activities	259,199	123,396	98,946	33,680	119,790	63,803
Cash flows used in investing activities	(253,848)	(101,669)	(69,017)	(9,256)	(99,712)	(42,388)
Cash flows used in financing activities	(15,818)	(6,625)	(10,967)	(8,815)	(7,987)	(8,271)
Cash and cash equivalents at the beginning of the year	135,585	120,482	101,520	85,911	73,820	60,676
Cash and cash equivalents at the end of the year	125,118	135,585	120,482	101,520	85,911	73,820

SIX YEARS CASH FLOW ANALYSIS



Free Cash Flow Statement

	2021	2020	2019	2018	2017	2016
	Rupees in Million					
Profit before taxation	28,391	29,515	24,242	21,016	20,878	23,831
Adjustment for non-cash items	4,371	6,109	3,947	(1,377)	(2,625)	(1,315)
Operating assets/ liabilities changes	226,437	88,084	70,757	14,041	101,537	41,287
Net cash generated from operating activities	259,198	123,708	98,946	33,680	119,790	63,803
Capital expenditure	(8,857)	(8,116)	(7,409)	(6,912)	(8,220)	(6,115)
Free cash flows	250,341	115,592	91,537	26,768	111,570	57,688

OTHER INFORMATION

Defaults in payment of any debts and reason thereof

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

History of major events

- The Bank was recognized as “Bank of the year – Pakistan” by The Banker Magazine U.K.
- Corporate Governance Rating upgraded to CGR 9++
- Election of Directors
- Asset base surpassed Rs. 2 trillion

Method and Assumptions in Compiling Indicators

The Bank identifies its indicators which correctly reflect the Bank's performance and analyses its market standing, competitors and overall market conditions while compiling its indicators. The Bank considers deposits, advances, capital adequacy ratios, profit after tax and EPS on a regular basis to measure its performance. These are the basic indicators of Bank's financial performance and profitability.

Market price is a measure of Bank's sensitivity in the market.

The bank regularly analyses its cash flows and strives to keep it on positive side.

Dividend Payout and Future Prospects of Dividend

The Board of Directors declared a final cash dividend of Rs. 2 per share for the year ended December 31, 2021, which is in addition to the Rs. 6 per share of interim dividend already paid to the shareholders for the quarter ended March 31, 2021, June 30, 2021 and September 30, 2021 taking the dividend payout ratio to 52.91%.

Dividend payout is also expected to be streamlined for the year 2022 as the Bank manages its profitability while ensuring that sufficient capital buffers are available to meet regulatory requirements.

Management's Assessment of Sufficiency of Tax

The Bank maintains sufficient provision for taxation as required under the accounting standards and the relevant regulations. Contingencies with respect to the direct or indirect taxation have been disclosed in the Note 21 to these financial statements. It is our assessment that tax provision recognized in the financial statements is satisfactory.

Performance versus budget

During 2021, the Bank performed well and surpassed its deposits and profitability budgeted targets.

Capital Expenditures Rationale

During the year ended December 31, 2021; Your Bank invested Rs. 8,436 million for business expansion and Information Technology infrastructure to ensure seamless services across the geographical diversity of the country.

Your Bank is committed to continue its focus on prudent investments in business expansion and technological infrastructure; keeping itself aligned with developing business needs and updated information technology enhancements for digital transformation.

CEO's REVIEW

The CEO's video message on the Bank's business performance and strategy is available at:
<https://www.abl.com/investor-relations/financials/financial-presentations>

GROUP REVIEWS

CORPORATE AND INVESTMENT BANKING

Corporate and Investment Banking Group (CIBG) continued to capitalize on its strategic positioning as one of the leading wholesale banking outfits in Pakistan. CIBG's strength lies in its highly customer-centric approach, strong understanding of business relationships, competency to provide complex and structured financial solutions and comprehensive relationship coverage to ensure consistent level of service excellence. CIBG offers a diverse product suite covering all types of funding and trade facilities, cash management, home remittance and customized investment banking solutions.

CIBG also maintains a well-diversified capital markets portfolio with exposure in high quality stocks having a steady and resilient dividend stream. Additionally, CIBG manages, the Bank's relationships with both overseas and local Financial Institutions; and is also responsible for the Overseas Offices / Operations of the bank in Bahrain, Dubai and China. Furthermore, CIBG synergizes with other business groups for maximizing cross sell opportunities for the Bank on an on-going basis.

During 2021, CIBG's performance remained aligned with improved macroeconomic environment. The group capitalized on the opportunities created by the swift recovery in industrial and business growth from the pandemic induced slowdown. CIBG made progress on the most of Central Bank's stimulus measures against Covid-19 particularly the Temporary Economic Refinance Facility (TERF) to support economic activity.

Corporate Banking (CB) aims to foster long-term customers relationships with the primary objective of meeting all business requirements of corporate and institutional obligors while offering tailored and cost-effective credit solutions with highly personalized services without compromising on credit quality. Focus remained on achieving sustainable portfolio growth, improving quality of loan book and ensuring a 'zero surprises credit culture' through proactive portfolio monitoring.

Emerging Corporate (EC) segment within CIBG remained focused on its core objective of providing value added



financing solutions and advisory services to mid-tier clientele including emerging corporates and growing commercial entities; while simultaneously enlightening them with better corporate practices. To expand Bank's customer base through EC platform, a new product "Allied Share Financing" was developed and launched during the year which aims to grow Bank's advances portfolio through small ticket loans under a structured risk-based lending program.

Financial Institutions Division continued to augment 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. The Bank has more than 550 international correspondents located in 76 countries, providing global reach and acceptability. During the year 2021, the bank was awarded "Momentum Award-Issuing Bank" by ADB Trade Supply Chain Finance Program (TSCFP), with highest percentage increase in the value of transactions supported by ADB's TSCFP on YoY basis; and "The 2021 U.S. Dollar Clearing Quality Recognition Award for Outstanding Achievement, Best in Class MT202 STP Rate 98.91%" by J.P. Morgan.

Bahrain (Wholesale Banking Branch) and Dubai (Representative Office) remained active in exploring opportunities for business in the Gulf region. During the year, the Bahrain Branch witnessed decent growth in advances and profitability while adhering to applicable regulatory guidelines. Furthermore, the Bank's Representative Office in Beijing, People's Republic of China, continued to focus on developing relationships with leading Chinese Banks and corporates to explore potential business opportunities for trade and investment flows between China and

Pakistan.

Home Remittance Business (HRB) continued to enhance remittance inflows by strengthening relationships with existing correspondent partners and adding new tie-ups globally, through capitalizing on extensive network of correspondent relationships across the world and country-wide 1,400+ online branches. During 2021, new tie-up relationships were established with correspondent partners from Australia and UAE; while relationships were also activated with multiple tie-ups from UK, Canada, Australia, UAE and Kuwait to support sustainability and growth in remittance volumes. Consistent marketing and promotion activities were executed to boost remittances through 'Allied Express' for brand visibility in local and international markets.

The Cash Management Division expanded its horizons with ongoing new client acquisition and marketing efforts. Our strong transaction banking capabilities are fully customizable, highly scalable and available across our entire real-time online branch network.

Investment Banking (IB) offers a wide range of investment banking products and solutions to corporate clients to assist in achieving their growth and strategic objectives. The Debt Syndication and Advisory Unit's forte is executing big ticket debt arrangement transactions for our corporate clientele by offering cost effective and customized corporate financing solutions. It also offers a broad array of advisory services/products ranging from advising on IPOs, Underwritings, Divestments, Debt Restructurings and Merger & Acquisition Deals. The Project Finance Unit offers services to project

sponsors for development of a credit-worthy and bankable financial structure for Greenfield / Brownfield Investment Projects with appropriate risk allocation. The team also arranges funding on a syndicate basis to finance these Projects.

During the outgoing year, the Bank won the award for the “Best Structured Finance Deal” from The Asset Triple A Country Awards 2021.

The Capital Markets division manages a well-diversified equity portfolio with enhanced focus on investment quality, diversification and stable dividend payout. The Bank capitalized on improved market conditions and matured few long-term investments which yielded healthy capital gains. The total capital gain and dividend income for the year from equity portfolio was recorded at Rs. 5,264 million against Rs.3,111 million in 2020.

Future outlook

Going forward, CIBG will continue to maintain its selective lending approach with primary focus on top tier and blue-chip corporate clientele to continue adding high quality assets while simultaneously exploring bankable avenues in mid-tier corporate segment to diversify and generate a sustainable revenue stream. CIBG seeks to boost its contribution towards the Bank’s overall profitability through cross sell business while simultaneously capitalizing upon established corporate relationships and international operations to explore avenues for maximizing fee based and ancillary business income with accelerated efforts to explore new corridors for remittance business.

TREASURY

In 2021, the Bank’s Treasury continued to play a significant role in enhancing the stakeholders’ value. The interbank desks ensured continued market making activity and smooth market access for the Bank’s customers despite significant challenges while actively managing the Bank’s exposures in highly disruptive and volatile market conditions. Our sales desk ensured continued support to the Bank’s customers and kept them abreast of market developments for effectively managing their risks.

Furthermore, active and aggressive market

making in the interbank market and client front by the Bank’s fixed income team helped in achieving the 2nd Primary Dealer position for 2021 in the industry. The Bank’s Treasury remained an active player in the domestic FX market as well while strengthening the status as choice bank for a number of corporate and retail clients for covering of their trade exposures. The interbank desks maintained their status as leading market makers while posting healthy FX and capital gains for the Bank.

Future Outlook

Going forward, we expect consolidation in economic activity as global markets have mostly recovered their pandemic losses and as supply disruptions persist and monetary overhang may fuel inflationary pressures. Risks remain high and vigilance is warranted as global policy makers ponder to create a balance between controlling inflation and unwinding the unprecedented policy accommodation. We expect significant secular shifts in the global economic infrastructure and the ability to adapt would be the most valuable asset.

On the domestic front, since growth has gathered pace since Q2 2021, policy maker’s main objective would be to sustain this momentum. Political stability and settlement with donor agencies will be key in maintaining the momentum. Pressures emanating from worsening of current account deficit and inflation pose a significant risk to the growth trajectory and we expect policy makers to remain vigilant and proactive in countering these pressures.

In 2022, asset portfolio yields will improve as books gets repriced. Treasury Group’s task will be to time the portfolio built-up and avail opportunities as the curve twists or shifts. Moreover, Treasury Group will work closely with other business groups and expand the distribution base of Government Securities and maintain its active price making status in the industry for FX and fixed income products.

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 to 65:35 in 2021.

Additionally, the Bank achieved a historic milestone of surpassing the deposit of Rs. 1,400 billion in year ended December 31, 2021 complemented by impressive Zero cost Current Account deposit mix of 43% from 40% last year. Moreover, 24% growth was witnessed in Current Account volume, enabling 17% 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 1,429 including 5 sub branches and 22 booths with 110 exclusive Islamic windows to support business expansion in new demographics. Remaining focused on boarding New to Bank relationships, the Bank added 1,000,000 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, Allied Senior Citizen Account, Allied Khanum Account and Allied Asaan Account continued to contribute towards financial inclusion of relatively un-banked, low-income segments of the society and also adding to deposit base of the Bank. The Bank relaunched ‘Allied Behtar Munafa Term Deposit Receipt’ (TDR) providing our customers greater return on their short-term investments.

SMEs play a pivotal role in economic growth of any country and maximizing financial inclusion of SMEs has always remained our focus. The Bank has continued its support for this segment through provision of financial and non-financial services.

Taking forward our existing partnership



with Karandaaz, Pakistan (Non-Profit Organization) for Innovation Challenge Fund “Transforming SME Financing - Innovative Credit Scoring of SMEs”, the Bank has ventured for another initiative Innovation Challenge Fund- 5 “Small Distributor Financing” which is based on data driven lending model using Digital Platform.

The bank has also been selected as participating bank in newly launched SBP SME ASAN finance scheme for collateral free lending upto PKR 10 M and has started loan disbursements under this scheme. The Bank is also making significant contributions in other government initiatives like Prime Minister Kamyab Jawan Youth Entrepreneurship Scheme, Mera Pakistan Mera Ghar Scheme and Credit Guarantee and Refinance scheme for Women Entrepreneurs.

The Bank enhanced the scope of a digital variant of personal loan “Allied Payday Finance” by adding more corporates and institutions and their employees maintaining salary accounts with the Bank, providing instant access to financing round the clock.

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 Bakhbar Kissan

(Pvt) Ltd. to showcase the Bank’s Agri financing, liabilities and digital banking product offerings at Bakhbar Kissan’s Website and Mobile Application.

Future Outlook

Moving into 2022, as a strategy, in addition to building relationships with new obligors, we will also concentrate on strengthening relationships with existing customers/depositors of the Bank by offering attractive consumer products to meet their specific financial needs.

Amidst uncertainty and speculation of unanticipated challenges, the Bank aspires to continuously focus on volumetric deposit growth through augmentation of account opening run-rates, low costs deposit mobilization, quality credit expansion, introduction of innovative offerings and digital banking.

The Bank aims to transform its customers towards digital platform by focusing on internal and external awareness about 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 has successfully completed its first decade of Islamic Banking operations. ABL Aitebar Islamic Banking achieved

another milestone by posting record annual profit of Rs. 810 million for the year 2021. The total assets and deposits have registered exceptional growth of 99% and 55% respectively on YoY basis. The assets increased to Rs. 118,977 million from Rs. 59,631 million and deposits increased to Rs. 65,014 million from Rs. 41,839 million. Total Financing reached at Rs. 82,203 million, with “Nil” non-performing financing portfolio, and investments clocked at Rs. 29,147 million respectively showing a robust growth of 152% and 48% respectively.

Islamic Banking expanded outreach by opening 25 additional Islamic Banking Windows (IBWs) at selected conventional branches, making the total count to 110 IBWs besides its network of 117 dedicated Islamic Banking Branches. Strengthening the product suite, Islamic Banking developed and launched segment based Shariah Compliant financing products for Consumer and SME segments. Following the initiative of SBP, the Bank also launched Islamic Refinance Scheme for Working Capital Financing of Small Enterprises and Low-End Medium Enterprises (IWCF), Islamic Refinance Facility for Modernization of SMEs (IRFMS), Islamic Financing Facility for Renewable Energy (IFRE) and Islamic Financing Facility for Storage of Agricultural Produce (IFFSAP).

Digitalization and automation in Islamic Banking Group has remained an important



part of the overall strategy during the year evident from the launch of Roshan Digital Account for customer digital onboarding. During 2021, with SBP's collaboration, one focused interactive online seminar was conducted with Religious Scholars/ Ulmas on banking solutions within Shariah ambit and providing avenues of Islamic Banking as an alternate choice.

Future Outlook

In the competitive Islamic Banking industry, ABL Aitebar endeavors to offer a complete range of Shariah' compliant products and services ensuring operational efficiency and superior customer service enabling the Bank to attain sizable growth. Customer awareness sessions would remain in focus and significant importance shall be given to the promotion of Islamic banking in Pakistan contributing to the country's financial inclusion. Similarly, digitalization and automation would also remain mainstay in the future development and growth for Islamic Banking.

DIGITAL BANKING

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

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 ensure digital presence, 'Asaan Mobile Account' was launched to cater to the market segment which does not possess a smartphone. Biometric verification of myABL wallet accounts was also made available on all Bank ATMs for enhanced security. More than 41,000 new customers were onboarded on myABL Wallet during the

myABL wallet registration and engagement campaign in 2021.

Enlightened with the capacity of digital revolution, DBG has always strived to be ahead in terms of technology and innovation. It is in this spirit that the Bank and Pakistan Freelancers Association (PAFLA) formed a partnership to support, shape, and facilitate the freelancers' community of Pakistan consistent with the SBP's vision to promote financial incorporation in the country.

myABL Personal Internet Banking (PIB) offers an intuitive user experience over its mobile apps for Apple iOS, Google Android and Huawei App Gallery which works seamlessly across a wide array of devices offering a list of comprehensive customer features, available 24/7 on the internet and mobile. The numbers of registered myABL users have increased by 47% during 2021 as a result of the registration campaign in 2021.

In order to enhance digital convenience, DBG has launched myABL WhatsApp Banking for facilitating the Bank's account holders to conveniently access their account information on their preferred messaging platform. DBG has managed

to achieve over 940,000+ registrations for myABL Digital Banking and 285,000+ registrations for myABL WhatsApp Banking in 2021. To provide undisrupted customer experience, myABL App has been redesigned with a new and improved user interface. myABL facilitates its customers to now download their WHT certificate of any of their linked accounts conveniently. Furthermore, Allied Roshan Digital Account and Foreign Currency Account holders can perform financial transactions using myABL Digital Banking.

Keeping pace with the ever-evolving needs of business and institutional customers, an exclusively designed user friendly and device responsive interface; myABL Business Internet Banking (BIB) facility enables customers to execute a wide range of banking transactions online from their respective workstation. Business entities can initiate multiple transactions on BIB including specialized trade finance transactions, letter of credits, guarantees, export collections and term deposit issuance & encashment.

DBG has recently onboarded Sprinklr for achieving diversity in our Social Media presence, gain critical insights on digital



GROUP REVIEWS



media and enhance user experience on our official social media platforms such as Facebook, Instagram, Twitter, YouTube, LinkedIn, and App Stores thus, creating a unified process for monitoring, reaching, engaging, and listening to our customers proficiently.

DBG also had the privilege to go LIVE on Facebook & YouTube for the first time to broadcast message of the Bank's CEO's given in the "The Bankers" awards ceremony attended through weblink.

Our digital facilities paced up to improved usability and launched an online account opening facility for both National & International residents of Pakistan namely myPakistan Digital Account and Roshan Digital Account for Non-Resident Pakistanis.

Bank's new smart branches are a cornerstone of Allied Bank's Digital Transformation Strategy, contributing to further innovation and multichannel transformation of its processes, products, and services, leading towards enhanced efficiency and superior customer services. DBG ensured un-interrupted 24/7 services with 97% ATM Network uptime throughout the year. E-commerce transactions were drastically increased from 558,060 to 2,132,761 in 2021.

This year marked a celebration for the Bank's cardholders as VISA Platinum along with UPI & PayPak Gold Debit Cards were launched to let our customers experience a hassle free personalized cashless environment. It has been observed that

900,000+ new debit cards were issued this year.

Visa Debit Cards are now being issued against Foreign Currency and Roshan Digital Accounts in order to facilitate Resident Customers having Foreign Currency accounts and Non-Resident Customers having Foreign Currency Roshan Digital Accounts.

Numerous discount campaigns have been executed during the year with leading retailers including OLX Mall, AirSial, Daraz.pk, Serene Air, Pearl Continental Hotels, Marriot, Grocer App and many more in order to encourage card-based transactions and promote a cashless economy.

The Innovation Lab at DBG has introduced low-cost but efficient solutions and equipment for both conventional and digital banking channels by working close with all teams within DBG and also cross-group to improve and optimize bank-wide operations and processes.

Future Outlook:

Strengthening the broad digital perspective and addressing the needs of our millennial customers, DBG is highly enthusiastic towards refining its product suite. DBG aims to adapt the agile approach towards product development for faster implementation. To strengthen the global eco-system, DBG has started building strategic partnerships with various organizations through cross-department collaboration in order to foster internal incubation and external

partnerships. Looking forward to the year 2022, JIRA solution will be used within DBG to streamline workflow and achieving efficient project management. Various targeted Social Media campaigns will also be launched to facilitate our underbanked population and enlighten our customers with a broader and clearer perspective of digital banking.

INFORMATION TECHNOLOGY

Amid Covid-19 pandemic, the Bank has continued to make significant advancement in serving its customers using state of the art technology and by enhancing its digital footprint so that customers are provided with all "digital and networked banking services" on the go.

In order to support data driven business decisions for customers by using Big Data technologies, the Bank has created Data Lake comprising of structured and unstructured data. The Bank is also working with multiple Data Science companies to capitalize on the investment of Big Data for implementing multiple use cases through machine learning models, and in turn, improve and personalize customer experiences.

The Bank is in the process of implementing additional use cases on "Robotic Process Automation Solution" for improving operational efficiency, control and cost saving. The Bank has introduced service called 'Self-Service Card Activation' that enables our valuable customers to activate their debit cards without interacting with the phone banking agent.



Moreover, the Bank has implemented “Robocall” (a computerized auto-dialler) to deliver a pre-recorded message. This service has dual functionality of “Message Intimation” and “Campaign Feedback” to obtain customer consent on the Bank’s offering.

The Bank has developed cross platform Android and iOS based Mobile application that has the capability to monitor ATM Network in real time. The application has derived following benefits:

- Optimization of Field force staff and Workload Management
- Real time visibility of ATM Cash Status
- Improved Service Level Turn Around Times (TATs)

The Bank has procured IBM Business Process Manager (BPM) which focuses on automating and streamlining the internal processes through digitized workflows.

The objective of the BPM will be to discover, document, automate and continuously improve the business processes in order to increase organizational efficiency and reduced costs. BPM also offers native connector that allows seamless integration with Robotics Process Automation (RPA) implemented use cases wherever required.

myPakistan Digital Account (myPDA) is an Allied Bank’s initiative to start customer on-boarding digitally. This innovative banking solution facilitates Pakistani Residents to digitally open an account through an online process. Moreover, for non-resident Pakistanis, Roshan Digital Account (RDA) is a major initiative of SBP in collaboration with local commercial banks, seeking to undertake banking, payment and investment activities in Pakistan.

In order to conduct Know Your Customer (KYC) of overseas and local customers,

the Bank is in the process of implementing video conferencing software solution to ensure customer genuineness through picture liveliness. The solution will compare live image with CNIC/NICOP/POC picture facilitating customers without visiting a bank branch.

The Bank has also been on the forefront for implementing SBP initiative Raast, Pakistan’s first instant payment system. This has enabled end-to-end digital payments among individuals, businesses and government entities. Allied Bank is a partner Bank in this project of SBP that has successfully implemented the First Phase (bulk credit) and Second Phase (P2P transactions). The Bank is one of first 12 Banks who has achieved these milestones.

The Bank has also implemented Artificial Intelligence (AI) based algorithm through CNN (Convolutional Neural Network) to identify fake cheque by recognizing the Ultra Violet (UV) mark and the Bank’s Logo. The same solution will be implemented for real time document digitization.

The Bank is among the first 3 banks who have volunteered for PBA initiative in implementing blockchain based eKYC, which is customer information sharing platform among the member banks. In the first phase, shared information will be transparently viewed and updated by the banks to perform customer KYC. Bank has successfully conducted POC.

In order to safeguard today’s complex security landscape and the sophistication of new upcoming cyber threats, in



GROUP REVIEWS



addition to the first line of defense already implemented i.e., antivirus and anti-malware, the Bank has implemented Endpoint Detection and Response (EDR) to enable timely detection of attacks and incident response and providing continuous monitoring for and response to advanced threats on endpoints.

With the aim to protect sensitive information, the Bank is evaluating Data Loss and Prevention (DLP) solution to monitor, detect and block potential data breaches and data ex-filtration.

For the availability of critical services to the customers' even in case of a disaster, the Bank annually conducts one week long mock exercise to monitor the availability and robustness of the DR site.

Future Outlook:

Going forward, ITG shall continue to improve its inter-linked advancement to cater challenges faced by the Bank in order to smooth down the operations. The Bank aims to provide Robust IT-system in order to safeguard today's complex security landscape and the sophistication of upcoming cyber threats. The Bank shall continue to invest in revolutionized IT systems for better connectivity with branches, offices and ATMS. The Bank aims to provide more enabled end to end digital payments among individuals, business and government entities.

RISK MANAGEMENT

Risk Management Group (RMG) is continuously striving towards management of risk through an augmented framework of sound risk principles, reinforced by

optimum organizational structure, robust risk assessment models and effective monitoring systems in an automated environment to safeguard the strength of the capital base of the Bank while achieving maximum value for the stakeholders.

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

During 2021, Risk Management continued to refine and innovate Risk Management practices through use of latest technology and took following key initiatives to further strengthen risk monitoring and assessment processes:

- The Bank has partnership with Karandaaz Pakistan (a non-profit organization) for two Innovative Challenge Funds; ICF3 - Transforming SME Financing, Innovative Credit Scoring Model of SMEs and ICF5 - Small Distributors Lending through digital platform in collaboration with Fintech. The bank has also been selected for lending to SMEs under SBP SME Assan Finance Scheme.
- In order to ensure meticulous compliance regarding smooth transition

towards the SBP's instructions for implementation of International Financial Reporting Standard 9, "Financial Instruments" (IFRS9), the Bank has ensured its readiness through implementation of IFRS-9 system to comply with regulatory requirements and accounting standards. The Bank has been successfully submitting the impact of Expected Credit Loss under IFRS9 to SBP.

- In line with Basel guidelines and best practices, the Bank has arranged validation and recalibration of Obligor Risk Rating Models through external consultant.
- The Bank has an in-house developed state of the art Risk Assessment and Management System (RAMS) for loans processing and monitoring. The system has enabled effective management of Credit Risk, also reflected by one of the lowest infection ratio in the industry. The Bank follows a continuous process for upgradation in RAMS to enhance its effectiveness.
- SBP issued revised Guidelines on Stress Testing vide FSD Circular No. 1, dated September 01, 2020. The Bank has updated framework and conducted stress testing according to this framework; results of which were submitted to the relevant forum.
- In continuation of the Bank's distinctive initiative of engaging with the obligors to provide them with latest insight on business management and strategies; an interactive Webinar for Corporate,



Commercial & SME obligors, was arranged with Renowned Speaker Dr. Ishrat Hussain (ex-Governor State Bank) on "Transition from Family-Owned Business Structure to Corporate Structure" during 2021.

The Bank also conducted various security assessment exercises in 2021 on Information assets of the Bank which included Vulnerability Assessment (VA) and Penetration Testing (PT) activities. Payment Card Industry Data Security Standard (PCI DSS) Certification was also achieved for the 3rd year in 2021 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 has also

initiated a project to develop an Information Security Risk Management Program for aligning its Governance structure with International Standards and Industry best practices.

Future Outlook

Risk Management aims to continue the pace of major initiatives in 2022 such as effective utilization of the implemented Modules of Oracle Financial Services Analytical Applications (OFSA) and Bench Matrix, process design assessments and control testing, automation of workflows in Risk Assessment and Management System, information security awareness campaigns, augmentation of the Bank maintained warehouses for pledge financing.

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 GROUP

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 own resources to provide cross functional exposures at Chief, Group Head, Divisional Head, Regional Head and Unit Head positions. Through effective career progression at junior management levels, 285 cadre change elevations were made along with 1505 grade promotions during the year 2021 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 1364 new employees. The Bank actively supports gender diversity and equal employment opportunities were offered to females and candidates belonging to minority groups across the Bank. Total number of employees stood at 11,598 with turnover rate of 10% during 2021 and female employees' ratio at 18.2% at the end of 2021.



GROUP REVIEWS



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. 'CARE' continued to perform its function with vigor with multiple strategic initiatives were introduced, such as:

- Learnability assessment and personality profiling of various MTO & Teller batches;
- Psychological assessment for elevation for the position of Regional Heads 2021 was carried out, similarly for junior cadre (BDOs, Tellers & CSOs) assessment was also carried out;
- Psychometrics of Senior Grade Promotion assessments from MG7 to MG6 were also conducted in December 2021;
- Recruitment Test – 2021 (Batch-II) for Management Trainee Officers IT (MTITs) was conducted;
- During 2021, Employee Job

Satisfaction Survey (EJSS) was also carried out pan-Pakistan and the responses of 2,087 candidates were assessed and reported.

Along with managing the past projects, the CARE team also performed new initiatives. One such new venture was 'Orientation to Psychometric Assessment Program (OTPsyMax)'. Under OTPsyMax, sixty-nine (69) candidates from Senior Grade Promotion Assessment (i.e., MG7 to MG6) who were unable to advance to the interview stage, despite numerous attempts, were identified and a Capacity Building Module was developed to help them overcome the hindrances. It was a well-received program as the targeted candidates were also skeptical about their futures. Pre- and post-assessments were carried out along with the module to assess their progress.

The Bank has a firm belief in nurturing human resources on personal and professional dimensions, which serves as a pre-requisite of wholesome development

of future managers and executives in the Bank. In this regard, 'Allied Leadership Talent Pipeline' was our flagship program to strengthen the Bank's preparedness for future leadership requirements as well as for succession planning. The succession planning has been implemented in the Bank up to the level of 'Divisional Head'. Under this initiative, Bank trained 95 team members (Unit Heads, Divisional Heads and Group Heads) in a phased manner to refine their knowledge, skill set and personalities. After successful completion of training, these employees have achieved elevations in functional titles, management grades or both.

Under a focused employee development strategy, a carefully chalked out employee development map has been presented and approved by the Board and will be a part of our next year's roster. These include the second conduction of the Allied Leadership Talent Pipeline Program (ALTP) "A Higher-Grade Assessment". This successful leadership program is being expanded to junior management grades as well; ABL RISE (Allied Leadership Recognition and Investment in Sustaining Employees) Program for MG9 to MG7 shall be launched in 2022.

Training & Development of employees remained a primary focus of HR initiatives during the 2021. Training Needs Assessment (TNA), agile instructional system of design, learning podcasts, peer to peer learning story board, capacity building initiatives, regulatory compliance, automation of assessment system and enhanced use of eLearning, achieved enhanced employee outreach with reduced cost.





During the year 2021, extensive training activities resulted in 8.38 training man-days per employee. In order to achieve the required coverage, HR deployed an array of learning approaches and learning technologies. Android and iOS-based mLearning app, virtual learning environment (VLE), live streaming, automated learning streams, mobile training and classroom trainings played a key role in nurturing a healthy learning culture.

Digital fluency remained a top priority area for capacity building training interventions. Fast changing landscape of digital transformation requires an agile approach enabling the employees to learn and apply the latest concepts/technologies. Upskilling sessions were held across management development centers of the Bank to enhance the digital proficiency of the employees.

Technology agility, business continuity, resilience, employee engagement, ethics & compliance, regulations, leadership and customer care are few areas that reflect a vast array of knowledge, skills and abilities that were targeted during the year.

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 employees based in areas such as Baluchistan, Ex-FATA districts, Gilgit/Baltistan, etc. Allied Bank has so far conducted over 3,300 sessions in 41 remote districts assigned to the Bank under National Financial Literacy Program (NFLP). These programs were attended by over 86,400 citizens from local communities.

Human Resource remains committed towards gender equality and financial inclusion initiatives. Bank covered over 45,000 female citizens under NFLP program enabling opening of over 35,000 bank accounts of female beneficiaries. Similarly, awareness sessions for employees on gender sensitivity continued during the year. Training was provided to 92% of the employees with 8.38 training Man Days per employee wherein 96,303 participants attended the training sessions.

Professional development remained a key focus during the year as specialized training programs were arranged for employees in various functions across the Bank.

Moreover, specialized training modules for fresh MTOs on Trade Business and fresh Tellers on Universal Banker module were also arranged.

We are pleased to share the following key accolades and laurels, which the Bank achieved, recently:

- a) 'Bank of the Year 2021 Award' from The Banker (Financial Times, UK)
The Bank won the prestigious 'Bank of the Year 2021 Award', in Pakistan, for the third time in a decade from 'The Banker' magazine, which is owned and published by Financial Times Limited (UK).
- b) 'Best Bank for CSR Pakistan 2021' from Asia Money
The 'Asia Money' magazine conferred upon our Bank, 'Corporate Social Responsibility Award' Pakistan - 2021, a manifestation of the Bank's focus and empathetic approach towards the society.
- c) 'Best Place to Work Award 2021' from Engage Consulting and PSHRM
Through an independent survey conducted by Engage Consulting and PSHRM jointly, the Bank won the 'Best Place to Work Award – 2021', in the 'Financial Services' category, consecutively for the second time. Simultaneously, this year, the Bank also achieved the inaugural award of 'The Best Organization' amongst large organizations category.
- d) 'Best Progressive Bank 2021' from GDEIB

The Bank won four 'Best Progressive Bank' awards on HR Global Diversity Equality & Inclusion Benchmarks (GDEIB) during the Year 2021, exceeding the two awards won in 2020, in following categories:

- Vision, Strategy, and Business Impact;
- Leadership and Accountability;
- Recruitment; and
- DEI, Learning and Development.

- e) 'Winner of Annual CSR Award 2022' from NFEH

National Forum for Health & Environment (NFEH) – an affiliated arm of the United Nations Environment Program (UNEP) – has acknowledged Bank's efforts by declaring it as 'Winner' in the following three award categories:

- Women Welfare, Empowerment & Development;
- Green Energy Initiatives; and
- Corporate Governance.

- f) Corporate Governance Rating – CGR 9++

This year, the Bank achieved a significant higher level of corporate governance rating from CGR 9+ to CGR 9++ from credit rating company VIS.

These recognitions of the Bank are indeed a reflection of corporate

GROUP REVIEWS



governance par excellence, professional acumen of human resource, exceptional team effort, commitment and dedication of all employees for making the Bank, a strong corporate entity.

The well-being and state of mental health of employees is imperative for maintaining a balanced working environment in any organization. Allied Bank has resolved to enhance the working experience for its female employees and provide them a platform to raise awareness regarding mental health, stress management and aiding to other challenges faced by females within the Bank.

The first initiative began in October 2021, by conducting multiple Yoga sessions for females to provide them an opportunity to unwind and discover a channel for balancing positive energies. The participants applauded the Bank for this initiative and felt a sense of increased motivation.

HRG is working rigorously, in cultivating trust, acceptance, physical and psychological safety, lead inclusively, respond with agility retaining and nurturing the best human capital as well as successfully managing all functions of human resource management in line with the core values, mission and vision of the Bank.

Future Outlook

HRG shall continue its concerted efforts towards providing and augmenting the right human capital. Bank inaugurated its state of the art and purpose-built learning and development centers at Karachi and Islamabad, which have been designed and architected to augment learning experience of its employees. These centers shall also serve as 'Virtual Knowledge Village', through which online training programs will be conducted. The training outreach shall be further increased through establishing of a new learning excellence center at Multan. Further, to address training and development needs, a new spacious and state of the art Training and Development facility is being built at Lahore.

HRG shall focus on 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 enable business growth, enhance customer experience and operational excellence by leveraging on technology 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 1.3 plus million customer accounts.

The Bank continued its journey towards process simplification, automation and digitization; consequently:

- Account opening processes simplified - enabling instant opening and regularization of accounts at branches – over 57% growth in account opening
- Added channels including email & surface mail; call center & ATMs for Dormant account activation – 46% increase in activations
- Business Internet Banking - Process redesigned resulting 34% YoY increase of BIB Users
- Introduced Biometric cash withdrawal facility - To facilitate customers in emergent situations when they do not possess cheque book or debit cards
- eCRF implemented – Facility enables instant update of customer profile upon biometric authentication at branch end
- ePRC implemented – Self-service automated solution for Issuance & Verification of ePRC, customers can generate directly through ABL Corporate Website or from branch
- Instant biometric opening and regularization of Allied express



account without Central Account Opening Approval Process

- Implementation of eKYC in coordination with Compliance Group
- Launch of Real Time Gross Settlement (RTGS) Facility for myABL Business Internet Banking Customer
- myABL Business - Internet Banking Facility for Sole Proprietor Customers
- Rolled out Bank wide Centralized Inward Clearing whereby over 2 million transactions of NIFT dealing branches will be centrally managed to reduce workload of branches and improve efficiency.
- Introduced Cash Pick up from Customers' Doorstep by connecting CIT Vendor, Customer and the Bank through technology
- Biometric cheque book delivery and auto destruction of undelivered cheque books in system
- Introduction of system generated locker form and biometric delivery of break

opened locker articles to claimant

- Implemented movement of cash between branches along with system-based approval
- Automation of Remote Area clearing payments – MT102
- Automation of prize bond encashment directly in customer account
- Simplified Branch user ID management
- In order to reduce processing time and courier cost, process of account linking and delinking with debit cards is revamped and automated
- Added 2 Mobile Banking Units (MBUs) - Total fleet of 5 MBUs operating in Lahore, Karachi, Islamabad, Faisalabad and Multan are being utilized to capture business opportunities
- Added 1 Digital Locker facility at Islamabad
- Established dedicated desk to serve our overseas Pakistanis in opening their Roshan digital accounts and booking their investments.

In order to provide better clearing services and to comply with regulator and NIFT requirements, Image Base Clearing System (IBCS) has been successfully rolled out in pilot city of Karachi, and shall be rolled out PAN Pakistan in phases. The Bank and its customers shall take benefits through IBCS in-terms of timely and accurate settlements in clearing processes, with reduced human errors, fraud risk and improved internal controls.

- Certain initiatives were taken to achieve the operational efficiencies and their direct impact on cost reduction, few are as under:
- Replaced physical Letter of Thanks and Dormancy Notices with SMS
- Measures taken for effective Cash Management
- Pilot launch of Outsourcing of Cash processing function to bring in efficiency and cost saving and to improve Cash-to-Deposit ratio of the Bank.



GROUP REVIEWS



- Implemented 1Link Same day Settlements (SDS) - Under SDS mechanism, settlements of funds are carried out twice a day.
- Initiated centralized monitoring of ATM replenishment vs. Utilization
- Initiated remote trainings using Digital Signage Machines - conducted multiple sessions covering RDA, Account opening, Debit cards, ABL AMC, Home Remittances, branch upkeep and SBP housing scheme.

Along with regular banking operations, the 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 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, vital operational areas were monitored for evolving situation of COVID-19 pandemic to amicably address the posed challenges.

Future Outlook

Going forward, BSG will pursue automation and simplification of processes using technologies like Robotics Process Automation (RPA), machine learning, artificial intelligence and adding service channels like customer facilitation portal

on ABL's website to enhance customer experience. Biometric verification-based customer transactions, implementation of Enterprise level ATM monitoring along with Customer experience marketing 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 Assets Management Group (SAMG) performs key functions related to recovery of non-performing assets of the bank, acts as focal point for remedial measures related to fraud, forgery and dacoity incidents as well provides legal support across the Bank.

Despite tough economic conditions, and higher industry infection ratios, Special Asset Management Group (SAMG) depicted impressive performance through coordinated team efforts. Diversified strategies with special emphasis on settlements through negotiation of complex non-performing assets of the Bank helped in sizable cash recovery and

regularization effecting decrease in NPLs during 2021. Bank's infection ratio (NPL / Gross advances) has improved to 2.0% as compared to 2.8% in 2020. Meanwhile, loan loss coverage (including general provision) was recorded at 94.49% by December 31, 2021.

During 2021, upgraded version of FRACTALS was implemented for monitoring On-U's transactions including the Bank's ATM and myABL FT/Pay Anyone Transactions. Furthermore, control parameters are also developed for monitoring IRIS switch transactions. Moreover, multiple training sessions for Allied Phone Banking and field offices were conducted for general awareness against Digital Frauds.

Future Outlook

In order to further strengthen fraud monitoring and to achieve cost effectiveness, SAMG is evaluating multiple enterprise-based fraud monitoring solutions such as on-Prem acquisition for monitoring of the Bank's portfolio-based transactions on alternate delivery channels (ADCs), Branch and ABL wallet transactions.

COMPLIANCE

Compliance Group (CG) functions as a key component of the Bank's second line of defense for managing risks with primary role to ensure that the Bank operates with integrity and adheres to all applicable laws, regulations and internal policies. CG remains focused upon inculcating strong compliance culture in coordination with all stakeholders through effective adoption of regulatory instructions and continuously striving through integrated and robust risk mitigation framework.

CG ensures strong compliance environment through;

- Performing compliance reviews;



- Ensuring timely compliance of internal and external audit observations;
- Enhancing stakeholder engagement and awareness;
- Continuous skill enhancement of the compliance staff;
- Ensuring technology driven controls for effective implementation of Anti Money Laundering (AML), Combating Finance of Terrorism (CFT) and Countering Proliferation Financing (CPF) within the Bank; and
- Structured oversight of Compliance Committee of the management with respect to relevant regulations, policies & procedures and initiatives of the Bank for both domestic and overseas operations.

Year 2021 witnessed enhanced pressure on the financial sector with respect to complying with the regulatory requirements along-with ensuring its effective and efficient adherence especially in the areas of AML, CFT and CPF requirements in line with the FATF expectations. CG has not only ensured that all regulatory requirements are timely communicated and implemented on bank-wide basis but has also been instrumental in inculcating Compliance Culture within the core of the Bank via continuous monitoring, training, learning and automation. Apart from performing various "Compliance Risk" mitigating tasks, following remained the key areas for effective Compliance Risk Management & monitoring:

- Augmenting Entity and Process level controls to avoid Money Laundering (ML), Terrorism Financing (TF), Proliferation Financing (PF) and Trade Based Money Laundering (TBML);
- Continuous and consistent adherence to regulatory promulgations and frameworks ensuring documentation development and implementation, where required;
- Maintaining and updating bank-wide documentation and process flow charts inventory;
- Conducting compliance reviews of the Bank's material and high-risk areas to evaluate regulatory compliance and adequacy of implementation;
- Using Key Risk Indicators (KRIs) to identify, assess and monitor compliance risk;
- Coordination with the regulator along with ensuring accurate and timely regulatory reporting;



- Enhanced and Effective Stakeholder Management and Organization wide outreach by Recurring and Significant Training & Education through online tools;
- Effective technology utilization and upgradation to monitor out-of-pattern transactions to detect possible Money Laundering, Terrorism Financing and Proliferation Financing activities; and
- Resolution of internal and external reviews and audits observations by conducting root cause analysis and focusing on the process improvement.

During the year 2021, the 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 due diligence to mitigate trade-based Money Laundering related risks especially pertinent to dual use of goods and vessel tracking. The Bank has also revamped e-KYC functionality and the same has been harmonized in core banking to address regulatory framework regime. The Bank also updated its Entity Level Internal Risk Assessment (IRA) in line with regulatory requirement and National Risk Assessment (NRA) of Pakistan to effectively identify and assess inherent AML, CFT and CPF risks at entity level.

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 and latest regulatory requirements for Staff and Customers.

Compliance function will 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 will remain key priority of CG. Further, to comply with SBP TBML framework, Compliance Function through its risk-based approach will deploy and implement Trade Customer and Entity wide Risk Profiling Model to mitigate Trade-Based Money Laundering related risks along with implementation of Liability Customer Risk Profiling Model.

CG will also be coordinating with concerned functions for automation of SBP returns being submitted on periodic basis for ensuring accurate and timely submission to meet regulatory expectations.

SERVICE STANDARDS & QUALITY

Service Quality is a strategic priority for the Bank and is viewed as a key product offering to our valued customers.

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

GROUP REVIEWS

delivery of services. Service Standards & Quality (SS&Q) function, in line with the organizational goals, remains committed to nurture a service culture across the organization.

The Bank introduced top 100 flagship branches to provide a stimulus to service quality across the Bank through creation of a pleasant ambiance for customers and development of human resources placed at these branches.

Electronic Queue Management systems and feedback tablets have been installed at the flagship top 100 branches and additional 250+ branches to facilitate customers in conducting transactions conveniently and providing valuable customer feedback.

Self-service kiosks and interactive digital signages have also been installed at top 100 flagship branches to provide customers the convenience of self-service banking. Customers are able to open Asaan Account, enquire about their account balance, get mini statement of account, and place request for cheque book through these self-service kiosks. Moreover, customers can also request for change in mobile number, email address, physical address, and subscription to electronic statement of account (e-SOA) and transaction alerts using these kiosks.

Phone booths with eye-catching and prominent design have also been created at the top 100 flagship branches to provide customers a hassle-free way to contact Allied Phone Banking from the branch lobby to obtain information or should they need to register their grievance. In case a customer has not been satisfied with the branch services, Outbound Team at

Allied Phone Banking rapidly makes calls to the unhappy customer on the basis of service rating provided on customer feedback tablet or self-service kiosk. The Outbound Team tries to immediately resolve the problem for the customers and, if required, promptly registers a customer complaint.

To enhance customer engagement and to nourish customer relationship on the mediums of their preference, the Bank maintains profiles on social media websites and actively interacts with the customers on a variety of topics. Customer engagement through timely attention and resolution of customer queries, total social media footage stood at 1,296,256 with LinkedIn page followers reached 143,366; Facebook followers reached 1,095,054; Instagram followers touched 18,457; Twitter followers raised to 9,604 and YouTube subscribers grew to 29,775 in 2021.

With an objective to learn about the actual experience of customers when using the Bank's products and services, video mystery shopping of branches was arranged during the year 2021. The results provided an objective view of services delivered to customers at branches and helped to prepare improvement plans.

Allied Bank maintains customer trust by striving to deliver fair outcomes for them and redressal of customer grievances in a timely manner. The Bank has a centralized Complaint Management Division in place to efficiently and effectively resolve customers' grievances and strengthen cordial relationship between the Bank and its customers & stakeholders by providing resolution through collaboration with all relevant segments of the Bank.

The Bank has introduced 'Complaint Lodgment' facility on myABL Digital Banking application, Self-Service Kiosks (SSKs) and Digital Signages in order to create convenience for customers in reaching out to us.

During the year 2021, 56,799 complaints were registered and the Bank achieved 97% resolution rate with an average turnaround time of 7.6 working days for resolution of customer complaints.

Future Outlook

Going forward, Service Quality function would carry on the initiative of installing Electronic Queue Management System (EQMS) and feedback tablet at additional 100 branches during the year 2022. It will arrange its next cycle of customer satisfaction survey and video mystery shopping of top 100 and additional 100 branches through an external research partner. Allied Phone Banking through its newly designed IVR shall become a communication hub of the Bank for welcoming new customers while reducing cost of printing of welcome packs. Additionally, product penetration through Robocalls for products like Debit card, myABL etc. is planned for next year for making aware of these valuable products. Allied Phone Banking shall be equipped with state-of-the-art Customer Relationship Management (CRM) system for providing 360-degree view of customers thus enabling provision of better services. Complaint Management Division (CMD) is in the process of developing system for handling Robotic calls for Complaint Acknowledgement and Interim Status. Moreover, the introduction of Robocall Registration through Digital Signages in branches is also underway.



OUTLOOK



FORWARD LOOKING STATEMENT

Forward-looking statements are used in different sections of the Annual Report of Allied Bank Limited. These Statements are based on assumptions that are subject to inherent uncertainties and, as a consequence, prone to the risk that the predictions, forecasts, projections, expectations or conclusions may deviate in actual occurrence, therefore, should be read in conjunction with relevant economic parameters including applicable fiscal and monetary pronouncements for the decision making.

Economic outlook

Pakistan's economy is showing signs of recovery after coping-up with the Covid-19 pandemic. However, with heightened inflationary pressure and current account deficit (CAD) levels are posing concerns on the economic outlook. CAD elevated to US\$ 1,932 million in December 2021, highest monthly deficit since August 2018. Inflation reached at 12.3% during December 2021 and is anticipated to remain in double digits during the short-term.

State Bank of Pakistan (SBP) further raised policy rate by 100bps to reach 9.75% in December 2021. Increasing real interest rates emphasize to counter inflationary pressures, curb current account deficit and ensure sustainable growth. Going forward SBP anticipates growth to close in the middle of the forecast range of 4%-5%.

Future outlook

Although the future remains challenging, the Bank is cautiously optimistic that it would steer through smoothly to shape a successful future while delivering increased value to all its stakeholders. The Bank is focused on being forward-looking in harnessing its digital innovation in order to adapt with the ever-changing banking environment and to ensure higher profitability.

Going forward ABL is optimistic to achieve the following key strategic objectives:

Enhanced digitization

ABL aims to shift customers from branches to e-banking channels, augment SMART branches, venture into Open Banking and further penetrate Branchless Banking.

Process enrichment through robotic automation

Use of Robotic Process Automation (RPA) to enable the Bank in implementing strategies and inputs that are cost effective, time-saving and at the same time, precise and accurate.

New-to-bank customer onboarding

Creating a convenient and accessible digital onboarding process is one of the key strategic goals of the Bank to meet the demands of the tech savvy customers, who require easy and instant access to the Bank through multiple touchpoints.

Financial inclusion

Pakistan's readiness indicators show great potential for growth of e-financial services. Going forward, over an existing base of above 5,000,000 accounts, ABL targets to further penetrate into large unbanked segment of population groups through promotion of Asaan, Youth, Senior Citizen and Khanum accounts.

Data governance

Advanced technologies like Artificial Intelligence, Robotic Process Automation, Cloud Computing and Blockchain is leveraging Financial Sector to enhance customer experience. ABL targets to gear towards prudent long-term data governance and management strategy to facilitate growth in digital era.

Information security

With enhanced digitization, agile and pro-active Information Security is necessitated to address cybercrime risk. The Bank plans to expand continuously its robust info-sec set-up by adopting the industry best practices and embed its systems with emerging controls.

Human resource and intellectual capital

Technology Savvy Human Capital is essential for successful digital transformation in progressively complex and competitive environment. Along with induction of Technology Savvy resources, emphasis is being laid on traditional as well as e-learning techniques to upskill and develop workforce in line with ever-changing banking dynamics.

Fee Based Income

Amid Fluctuating interest rate environment, diversification, base broadening and optimization of revenue streams will remain pertinent. The Bank intends to exploit opportunities in e-banking services, Trade Finance, Consumer Finance, etc. to augment the fee-based income.

Outreach

Keeping in mind the developments in Global e-banking dynamics together with the need for traditional banking to cater the diversified population base of the country, the Bank focuses on Hybrid Banking Strategy involving a mix of conventional and e-banking channels.

Uncertainties that may affect the Bank's resource, revenues and operations

The Bank informs readers regarding multiple factors beyond its control, which may cause the actual results to differ materially from the expectations expressed in these statements. Following factors may also affect the Bank's results going forward;

- Fiscal and Monetary measures;
- Geo-political risks;
- Regulatory changes and Taxation;
- Political Stability; and
- Exchange rate volatility and Inflation.

PERFORMANCE MEETING THE FORWARD-LOOKING DISCLOSURES

Strategic Objective	Key Operational Milestones
Enhance Operational Effectiveness to provide customer centric Experience.	<ul style="list-style-type: none"> • Implemented Pakistan Single Window to enable seamless Government Payments through one window. • Implemented Mera Pakistan Mera Ghar Application processing in Loan Originating system. • Implemented Enterprise Project Management. • Implemented Micro Payment Gateway "Raast" Phase – I & II • Implemented Robo Calls and Call Back feature for customers facilitation and onboarding. • "Data Lake" implementation completed. • Implemented Trade Based Money Laundering Solution for Transaction Screening. • Installed additional '250' Digital Signage Machines. • Launched Digital Lobby in customer self-service branch.
Augmenting financial inclusion	<ul style="list-style-type: none"> • Launched "Resident Pakistani" (myPakistan Digital Account). • Launched Pakistan's First myABL WhatsApp Banking service. • Enabled disbursement of Pay Anyone domestic remittance via ATMs. • Expanded e-commerce payments on leading online merchants including Careem, Netflix, Uber, Google, Apple, Foodpanda etc. • Opened 27 Conventional Branches and 25 Islamic Banking Windows • Enabled Inter Bank Fund Transfer - IBFT through 1-link API • "2" new Mobile Banking Units added – (Total MBUs 5)
Enhancing brand image	<ul style="list-style-type: none"> • Highest acquirer ATM business; ATM uptime at 97% • Stable Dividend stream and increasing Equity
Employer of Choice for top Professionals	<ul style="list-style-type: none"> • Conducted Staff Trainings based on Training Need Analysis (TNA). 11,002 participants (95% staff) were trained during the year. • Implementation and compliance of Code of Ethics and Anti-Harassment Policy • Completed renovation and construction of 2 Management Development Centers • Oracle - HRMS deployed to ensure best international practices • Arranged Vaccine facilitation desk for employees and their families

STATUS OF PROJECTS

The Bank undertook various projects during the year to augment its customer services, regulatory compliance and to augment information technology infrastructure.

List of Major Projects completed are detailed below:

Projects	Status
Price Benchmarking Data Extraction – Phase 1	Completed
Non-Debit Card holder profile on Customer Relationship Management (CRM)	Completed
Proceed Realization Certificate (PRC) Automation – Phase 1	Completed
Biometric Verification of customer on various banking transaction	Completed
Robo Call Campaigns for Electronic Statement of Account (eSOA) & Visa Debit Card (VDC) Issuance Consent	Completed
Upgrade Allied Phone Banking Web Chat Solution	Completed
Roadmap finalization of Data Loss prevention	Completed
Identification of fake cheque through AI based Hardware solution.	Completed
Trade Based Money Laundering (TBML) Implementation for Transaction Screening	Completed

SOURCE OF INFORMATION AND ASSUMPTIONS USED FOR PROJECTIONS AND FORECASTS

The Bank prudently analyses market dynamics to formulate its projections and forecasts. The Bank also uses assumptions and forecasts provided by International Monetary Fund, World Bank, Asian Development Bank, State Bank of Pakistan, Ministry of Finance and Pakistan Bureau of Statistics.

BANK'S RESPONSE TO CRITICAL CHALLENGES AND UNCERTAINTIES

The Bank's robust Risk Management Framework together with strong technological and intellectual infrastructure enables the Bank to adhere impending risks and uncertainties. The Bank's unique positioning, together with its adequate capital and liquidity including robust systems and processes, makes the Bank confident to rise through year 2022 and beyond.

CORPORATE SOCIAL RESPONSIBILITY



CORPORATE SUSTAINABILITY REPORT FOR THE YEAR ENDED DECEMBER 31, 2021

Allied Bank Limited 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 are 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.

Regulatory Compliance of CSR Policy

Your Bank's CSR policy ensures compliance of all regulatory requirements including the adoption of Corporate Social Responsibility (Voluntary) Guidelines, 2013 issued by Securities and Exchange Commission of Pakistan as well as Corporate Regulatory Framework issued by State Bank of Pakistan.

CSR HIGHLIGHTS

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

Customer Services

- Deposit Protection – Rs. 1,195 million
- Customer Complaints Resolution: 97%
- ATM Uptime - 97%
- Electronic Queue Management Systems – 305 Locations
- National Financial Literacy Program (NFLP) Sessions – 954

Digital Services

- Implementation of Raast Pakistan
- Digital Lockers
- Self Service Kiosk – 106 Locations
- Self-Service Branch – 2 Branches
- WhatsApp Banking channel for customers
- Robo Call technology
- Information Security Awareness campaigns

Employee Empowerment

- Best Place to Work Award 2021
- Gender Diversity – 18.2%
- Trainings – 11,000+ Employees
- Medical Facility – 2,430 Employees
- Post Retirement Medical Facility – 564 Employees
- Benevolent Grants – 45 Employees
- M-Learning App for Employees

Green Banking

- Tree Plantation Campaign – 47,000+
- Solar Energy Locations – 59
- Green Financing – Rs. 8,567 Million
- Fossil Fuel decrease by 13%

Contribution to National Exchequer

- Income Tax – Rs.11,474 Million
- Super Tax – Rs.1,234 Million
- With Holding Tax as Agent – Rs.11,380 Million
- Federal Excise Duty and Sales Tax – Rs.1,057 Million
- Zakat Collection – Rs.415 Million

Community Services

- Education – Rs.39 Million
- Social Welfare – Rs. 33 Million
- Health Sector – Rs.18 Million

CUSTOMER RELATIONS

Your Bank continuously strives to achieve excellence in customer services by consistently surpassing the expectations of customers, understanding their needs, disrupting the industry and continually bringing improvement in delivery of services to set the bar high, in-line with the organizational goals, remains committed to nurture a service culture across the organization.

Customer service in Your Bank is the most important tools to enhance the Bank's market share. It includes responding to customers' needs and addressing their complaints in a 'thorough and timely' manner by interacting with customers through multiple communication mediums including Allied Phone Banking, social media platforms and live chat facility at corporate website; resulting in service efficiency and customer empowerment.

Your Bank has been the pioneer in offering the complete end-to-end Digital Customer Onboarding services through corporate website and myABL Digital Banking. Now customers are no more required to visit branch and they can get themselves onboarded from the comfort of their homes and offices. This initiative is a cornerstone towards financial inclusion and driving the economy towards digitization. Your Bank also introduced 'Self-Service Card Activation' that enables our valuable customers to activate their debit cards without assistance of the Allied Phone Banking agent. To further complement the digital services for customers, Your Bank added WhatsApp Banking channel offering balance inquiry, mini statement and information on promotional services introduced by Bank for their ease.

Your Bank has introduced NFC enabled Visa debit card for Foreign Currency (FCY) accountholders which ensures 24-hour accessibility to the customers around the globe.

Voice Assisted Banking

Your Bank provides Pakistan's first ever voice-assisted banking service using "Siri" for iPhone users. Now customers can perform banking services with just a simple voice command such as enquiring account balance, making instant payments to any Bank account and enquiring credit card outstanding balance. This voice assisted services are secured with biometric (Face ID and Touch ID) authentication.

Biometric Access Facility

Focusing on technology driven 24/7

banking solutions, all ATMs are equipped with biometric access facility to allow transactions without use of cards. All ATMs are also equipped with anti-skimming devices to enhance security of transactions.

Self-Service Branch

Identifying the impact of digitalization and focusing on banking needs for the millennials, Your Bank added in its network another Self-Service branch at Centaurus Mall, Islamabad; a Self-Service Branch is already serving the customers at Lahore University of Management Sciences (LUMS). Self-Service Branch offers fully automated

to access their lockers around-the-clock without assistance of the Bank's staff with complete privacy and convenience. Equipped with multi-layered verification process for customer security this is "One of a Kind" service offered by Your Bank, which is unmatched by any other bank in the industry.

ATM Uptime

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 2.77 million transactions involving Cash Withdrawals of approximately Rs. 32.97 billion.



Anti-Skimming Enabled

100%

No. of Onsite ATMs

1,269

No. of Offsite ATMs

284

No. of Mobile ATMs

5

Total ATMs

1,558

EVM Compliance

100%

Bio-Metric Enabled

100%

24/7 banking services covering a wide array of banking services, including account opening, instant debit card issuance, fund transfers, fee payments, deposits and withdrawals.

Hybrid Digital Branch

Furthermore, Your Bank started Hybrid Digital branch in Y-block DHA Lahore, which is offering a blend of "Conventional" and "Self-Service Banking" facilities to its account holders as well as walk-in customers. The prime objective of the "Hybrid Digital Branch" initiative is to provide a seamless customer experience, empowering customers to meet their day-to-day banking needs, with ease and convenience they expect.

Allied Digital Lockers

Allied Digital Lockers allow customers

Electronic Queue Management System and Self-Service Kiosk

Your Bank installed Electronic Queue Management Systems in 305 branches with total cost Rs. 104.88 million, facilitating the customers to conduct transactions conveniently. In continuation of the Bank's journey towards digitalization, 106 Self Service Kiosks worth Rs. 40.26 million are installed to improve customer experience at branches. These Kiosks enable customers to perform banking services including account opening of Allied Asaan Accounts, performing balance inquiry, mini statement of account, cheque book requests and subscribing to alerts and e-statement of account. All these services are biometrically authenticated and can be performed in a completely secure environment at customer's convenience.

CORPORATE SUSTAINABILITY REPORT FOR THE YEAR ENDED DECEMBER 31, 2021

Robo Call Technology

Your Bank makes use of the state-of-the-art Robo Call technology, which helps in onboarding the customers and increase in product penetration to all those customers who are not availing products like Debit card, myABL and e-statement subscription. In order to receive impartial feedback on customer experience, Your Bank arranged video mystery shopping through an external research partner.

Customer Awareness and Financial Literacy Seminars

Amidst the challenging times of pandemic; Your Bank remained focused in arranging seminars in order to create financial literacy and awareness among the customers. During the year following seminars were arranged:

- Interactive virtual seminar was organized in collaboration with State Bank of Pakistan to create awareness for Islamic Banking solutions.
- Awareness seminar was organized along with SBP and Department of Agriculture in Rahim Yar Khan, to create the awareness among the farmers about Agri products.
- Webinar was arranged on "Transforming Family-Owned Structure to Corporate Structure" for existing and prospective obligors based in Lahore, Faisalabad, Gujranwala and other adjoining cities for promoting the corporate structures among the business community.
- The Bank's Human Resource function in coordination with the SBP, arranged 954 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 28,000+ citizens (70% Females), improved the awareness levels, which was appreciated by all the participants. During the year, Your Bank ranked top amongst the participating Banks in rural areas of the districts i.e., Rawalpindi, Matiari, Mardan, Mansehra and selected districts of Karachi for the highest account opening ratio; the efforts lauded by SBP.

CUSTOMER PROTECTION AND QUALITY ASSURANCE

Deposit Protection Insurance

Your Bank spent Rs.1,195 million towards deposit protection insurance complying

with SBP initiative to provide protection to small depositors across the banking industry.



Customer Data Protection

In this Digital era, customer information is more vulnerable than ever before. Cognizant to this

fact, Your Bank continued to safeguard Data and Information Technology assets including compliance of PCI DSS and Customer Security Program (CSP) by SWIFT.



Your Bank conducted assessment exercises including Vulnerability

Assessment (VA) and Penetration Testing (PT); ensuring a controlled environment for customers' related information.

Information Security Awareness Campaigns

Information Security Awareness campaigns were conducted for valued Customers and Staff via Short Messaging Service (SMS) and emails to educate and enhance awareness about latest Cyber security threats.

Major focus of Your Bank in 2021 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.

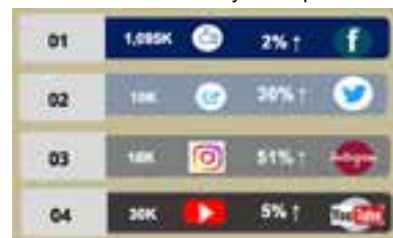
Customer Relationship Management

Through Customer Relationship Management (CRM) system; Your Bank continued to improve the resolution rate and timelines to further strengthen the complaint handling mechanism.



Social Media Followers

In order to keep our customers updated about our products and stay connected, Your Bank maintains profiles on Facebook, Twitter, Instagram and YouTube and actively interacts with the customers on a variety of topics. This



engagement is providing significant enhancement to the Bank's presence on the social media platforms, especially with the millennial segment of the society.

Contribution towards Financial Inclusion

During the year under review, Your Bank continued to endeavor towards financial inclusion in rural areas and providing quality financial services at grass root level. Your Bank opened 5 branches in Khyber Pakhtunkhwa (KPK), 4 branches in Punjab and 1 branch in Sindh; increasing the total number of rural branches to 293. One branch was opened in Banked area of Main Bazar Astore in Gilgit Baltistan.

Your Bank conducted a ceremony at regional office Multan to recognize the efforts of female staff who played an active role in the successful launch of the Bank's program based on the SBP initiative "Financial Inclusion of Women Entrepreneurs". It aimed at identifying potential female entrepreneurs and provided them with a banking platform for their banking needs.



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

Agricultural Financing

In order to play an operative role in the development of agricultural economy of the country, Your Bank is extending agricultural financing across the country and offers vast range of agricultural finance products through 245 Agri designated branches.



Participation in Economic Development

Continuing the efforts for effective participation in national economic development; Your Bank signed an MoU with Pakistan Poverty Alleviation Fund (PPAF) to supplement the functions of two organizations through collaboration in a project of 'Growth for Rural Advancement and Sustainable Progress (GRASP)', an initiative for underserved areas of Sindh and Balochistan Provinces by providing support in development of Livestock and horticulture value chains in targeted districts.

Digital Innovation

Amid Covid-19 pandemic, Your Bank continued to make significant advancement in serving its customers using state of the art technology and by enhancing its digital footprint so that customers are provided with all "digital and networked banking services" on the go.

Your Bank has procured IBM Business Process Manager (BPM) which focuses on automating and streamlining the internal processes through digitized workflows, resulting in increased organizational efficiency and cost reduction.

Your Bank has also been on the forefront for implementing SBP initiative "Raast", Pakistan's first instant payment system. This has enabled end-to-end digital payments for Bulk Payments under Government to Person (G2P) transactions and Person to Person (P2P) transactions.

WORKPLACE

Your Bank, acting as Responsible Organization, places special significance in employee empowerment by building an engaged, healthy and inclusive team to accomplish the business strategies while meeting the ever-evolving external challenges in the 'digital era'.

Cognizant of health hazards arising from Covid-19 pandemic; Your Bank remained vigilant to respond promptly through human de-crowding and implementing safety measures at workplace. Business Continuity Plan of Your Bank proved its resilience where staff discharged their responsibility under "Work-from-Home" arrangements as well as through deputiation at alternate sites; successfully making all arrangements for seamless banking services amid the worst health crisis. Resultantly, Your Bank recognized additional expense of Rs. 17.3 million for health supplies during the year under review.

Best Place to Work

Your Bank is incessantly employing the skilled staff while at the same time

tapping resources into appropriate trainings to improve their ability and giving the best culture to thrive. In recognition of its efforts towards fostering the best human capital and creating an inclusive environment, Your Bank has won 2 prestigious accolades "Best Place to Work Award 2021 in the Financial Services" and "Best Place to Work in Pakistan in Large Organizations". These awards demonstrate exceptional team effort and devotion of all employees to the Bank's commitment towards best Human Resource practices and customer services in the financial industry.

Equal opportunity employer and employment of special persons

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.

Your Bank has created direct and indirect employment which is currently exceeding 11,500+ employees, who represent diverse geographical areas of Pakistan; thereby positively impacting the broad-based economy and society at large.

Gender Diversity

Your Bank being equal opportunity employer, encourages employment of special persons and currently 43 special persons are honorably earning their livelihood while serving Your Bank with pride.

Simultaneously 2,116 - females, representing 18.2% of total permanent staff members, are diligently performing their duties. Among the senior management positions, Your Bank's Gender diversity ratio is 9%.



Further, Your Bank organized Women's Day event at Head Office Lahore. The event was characterized by multiple activities including sharing of personal experiences by participants.

It acknowledged the pivotal role that women play in workforce by working tirelessly to ensure professionalism and resilience together with striking a right balance in their work and family life.

Furthermore, Your Bank has consistently

stressed upon enabling a harmonious and safe environment for female employees and customers. In 2021, 100% employees of the Bank completed mandatory training on 'Gender Sensitivity'.

Occupational Health and Safety

Your Bank continued its endeavor, exhibiting commitment for occupational health and safety during Covid-19 pandemic and beyond. During the year; 2,430 employees availed medical facility worth Rs. 166 million under the approved medical expense policy.



Adhering to responsibility towards eligible ex-employees, during the year, from the platform of "Post-retirement Medical Fund", Your Bank paid Rs. 118 million towards the health of 564 ex-employees. Your Bank ensures that extreme security standards are met at all premises. For training and awareness of the employees on how to act during any emergency in the building, 29 safety drills were conducted at major buildings in Lahore, Karachi, Islamabad, Rawalpindi, Faisalabad, Abbottabad, Peshawar, Quetta and Multan.

Your Bank ensured availability of emergency lights, fire and smoke detection equipment, alarm systems, portable fire extinguishers, periodic evacuation, safety drills in order to enhance staff security at the workplace.

Education and wellbeing of the staff

Your Bank decisively believes in educational well-being of the staff empowering them to excel in their current roles and thrive in the future. Your Bank has already launched mobile application "m-Learning" providing access to learning sources around the clock, further bolstering Your Bank's aim of educational well-being of staff.



CORPORATE SUSTAINABILITY REPORT FOR THE YEAR ENDED DECEMBER 31, 2021

In addition, Your Bank spent Rs. 58 million on trainings to 11,000+ employees and Rs.31 million towards employee's education.

Benevolent Grants

During the year, Your Bank through its platform of "Staff Welfare Fund" spent Rs.18.8 million to assist 45 employees by financially enabling them in important social events like marriage ceremony of their daughters and to meet the burial expense of their departed loved ones.

Hajj Assistance

Keeping in view the religious sentiments of our employees, Your Bank is fully committed to sponsor its clerical, non-clerical and executive staff to perform Hajj. 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

Global warming and Climate change are the most complicated issue that the world is facing today. Relentless efforts are being made across the globe, to measure and mitigate this climate change risks. Pakistan is one of the several nations to have made a commitment to controlling such threats. To supplement the Government efforts, Your Bank has taken strides forward in setting out a series of targets to assist in the global transition to a low-carbon economy.

Green Banking and Environment Protection



Low Carbon Footprints

As part of the plan to reduce carbon emission by direct operational impact, Your Bank has cumulatively invested Rs.168.3 million towards installation of solar panels. The total solar locations stand at 59. Your Bank is committed to increase the share of solar power in overall electricity consumption and has planned to install solar power at various locations of the Bank in coming years.

Through continuous focus on automation of processes, Your Bank is reducing paper consumption which assists in lowering the carbon footprint as well as enhance the efficiency in customer services. In order to accelerate digitization and promote Green Banking (reduce the usage of paper on ATM), Your Bank has made the ATM receipt printing optional for all types of ATM transactions.

Administrative measures including maintenance of electrical equipment carried out during the year resulted in reduced consumption on fossil fuel by 13%.



also collaborated with Forest Division, Government of Punjab.

Green Banking Office

As part of Green Banking efforts, Your Bank has established a Green Advisory Services Desk to advocate, guide and support obligors for Green Business Practices. To further enhance the impact of Green Financing in the overall environment safety, Your Bank has developed an Environment Risk Management (EnvRM) System which is being monitored by Green Banking Office (GBO). The Environment Risk Management (EnvRM) System ensures that financing of the Bank is directed towards environment friendly projects / activities in the country.

Followings are the key components of Environmental Risk Management (EnvRM):

- Environmental Risk Avoidance List: Contains specific activities/businesses prohibited under the applicable



Tree Plantation

During the year, Your Bank conducted a tree plantation campaign, wherein a total of 47,000+ sapling trees were planted at various locations across the country. Your Bank is further committed to enhance tree plantation efforts, in line with national target for "Clean and Green Pakistan". Tree plantation campaigns are being organized at schools, universities and public places. In this regard, efforts are

environmental laws and/or regulations.

- Environmental Due-Diligence (EnvDD): Assess environmental implications and their effect on credit quality of a particular financing transaction.

- Environmental Risk Rating (ERR)/Risk Categorization Model:

Entails measuring an obligor's performance against pre-specified

“Environmental” and “Social” risk elements and rating the obligor therein.

- **Environmental Risk Monitoring:**
Incorporates effective credit decision making processes, environmental improvement plans and environmental risk covenants in financing contracts with obligors.
- **Reporting and Documentation**
The system allows the Bank to get reasonable assurance that obligor is in compliance with the Legal and Regulatory requirements. EnvRM is forward looking and incorporates anticipated potential risks resulting from possible changes in environmental laws and regulations during the life of financing transaction.

Green Financing

Your Bank has financed Rs. 3,098 million in year 2021 to its obligors for installation of renewable energy/Green projects. Total outstanding Green Financing of the Bank stood at Rs.8,567 million.

Project Type	Portfolio (Rs. in Million)
Wind Power	3,826
Solar Power	3,516
Others (Effluent Treatment Plant, WHR Boiler, Air Quality Improvement, Solid Waste Management)	1,225
Total	8,567



SOCIETY

Education Institution
Rs. 39 Million

General Welfare
Rs. 34 Million

Health Institutions
Rs. 18 Million

Bank as a trusted member of the community is playing an active role in following CSR activities and community engagements:

Health

Your Bank recognizes the challenges faced by society-at-large in health sector and always focuses for uplift of health infrastructure through contribution towards renowned health providers.

Your Bank contributed Rs. 8 million to healthcare facilities across cities of the country, focusing on treatment of cancer, impaired vision and mental health of the under-privileged. Your Bank also contributed Rs. 10 million to Women Empowerment Group, under the initiative of State Bank of Pakistan, for construction of Pink Ribbon Hospital. The Bank also arranged in-house awareness seminar and illuminated Head Office building as part of Pinktober Awareness efforts.

Education

During the year, Rs. 30 million were contributed to The Lahore University of Management Sciences (LUMS) towards the construction of Hostel.

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 100 personal computers to educational institution during 2021.



Contribution to Educational Institutes in Rural Areas

In continuation of efforts in educational sector, Your Bank extended its contribution to rural areas of the country, enabling the children in those areas, seeking access for quality education. Your Bank entered into arrangement with Million Smiles Foundation sponsoring educational expenses of 200 pupils in northern areas of Pakistan. Further, Your Bank is sponsoring the campus of The Citizen

CORPORATE SUSTAINABILITY REPORT FOR THE YEAR ENDED DECEMBER 31, 2021



Foundation, with capacity of 900 pupils, in remote area of Balochistan province. As part of these initiatives, a vehicle was donated to Balochistan Residential College at Loralai to assist transportation of ration/ food from Quetta to Loralai for students of the college.

Sports

Your Bank contributed two specially equipped vehicles worth Rs. 14 million to Special Olympics Pakistan to facilitate transportation for differently abled athletes.

In addition, Your Bank sponsored Rs. 6 million for various sports events including Golf, Cricket and Volleyball.

Community Welfare

Your Bank collaborated with the well-reputed welfare organizations including Akhuwat Foundation, Anjuman Himayat-e-Islam, Edhi Foundation and Saylani Welfare International Trust; which worked for provision of food to deserving segments of the society.

Furthermore, Your Bank contributed towards arrangement of mass weddings of deserving Hindu families through Pakistan Hindu Council, in recognition of the community's role in development of Pakistan.

Your Bank's staff members voluntarily joined hands with the Robin Hood Army in a mega food distribution for needy people in the city of Karachi.

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. 12,708 million as Income Tax (inclusive of Super Tax), deposited Rs. 11,380 million as withholding tax agent and contributed Rs. 1,057 million on account of Federal Excise duty and Sales Tax to the national exchequer. Further, the Bank collected Rs. 415 million Zakat from 46,920 account holders and deposited to the national exchequer.



ADOPTION OF INTERNATIONAL STANDARDS FOR CORPORATE SOCIAL RESPONSIBILITY

Your Bank is committed towards achieving the targets assigned under Sustainable Development Goals, also known as the Global Goals, of United Nations. Key contributions against respective Global Goals are as under:

Goals

Bank's Contribution



- Provision of food supplies to the deserving segment of the society through contributions to renowned charitable organizations namely Akhuwat Foundation, Anjuman Himayat-e-Islam, Edhi Foundation and Saylani International Trust.



- Rs. 10 million for construction of Pink Ribbon Hospital under the initiative of State Bank of Pakistan.
- Donated two specially equipped vehicles worth Rs.14 million to Special Olympics Pakistan to facilitate transportation of differently abled athletes.
- Contributions towards healthcare institutions including Shaukat Khanum Memorial Trust Hospital, Lahore Mental Health Association, and Cancer Care Hospital.



- Construction of a Hostel at Lahore University of Management Sciences through annual contribution of Rs. 30 million.
- Donation of a vehicle to Balochistan Residential College, Loralai to meet their transportation need, being located in remote area.
- Sponsoring educational expenses of deserving pupils in remote areas through collaboration with renowned Million Smiles Foundation and The Citizen Foundation

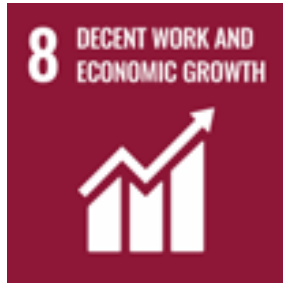


- Maintaining Gender Diversity ratio of 18.2%; with 9% Gender Diversity at senior management positions.
- 70% participation of female customers at National Financial Literacy Program (NFLC), organized by Your Bank in coordination with State Bank of Pakistan.



- Green Financing facilities worth Rs. 8,567 million.
- Solar energy usage at 59 locations.
- Inverters installation at 1,432 business locations as back-up power arrangement.
- Reduction in fossil fuel consumption.

ADOPTION OF INTERNATIONAL STANDARDS FOR CORPORATE SOCIAL RESPONSIBILITY



- Emphasis on empowering its employees through access to learning resources.
- Employment of Special persons, enabling them to build respectable life in society.
- Educational support to clerical and non-clerical staff amounting to Rs. 29 million.



- Seminars for businessmen, farmers and Islamic Banking customers to create awareness on products.
- Seminars for business community; presenting the benefits of corporatization of family-owned businesses.



- Launching Digital channels for banking services.
- Processes automation to reduce paper-based consumption.

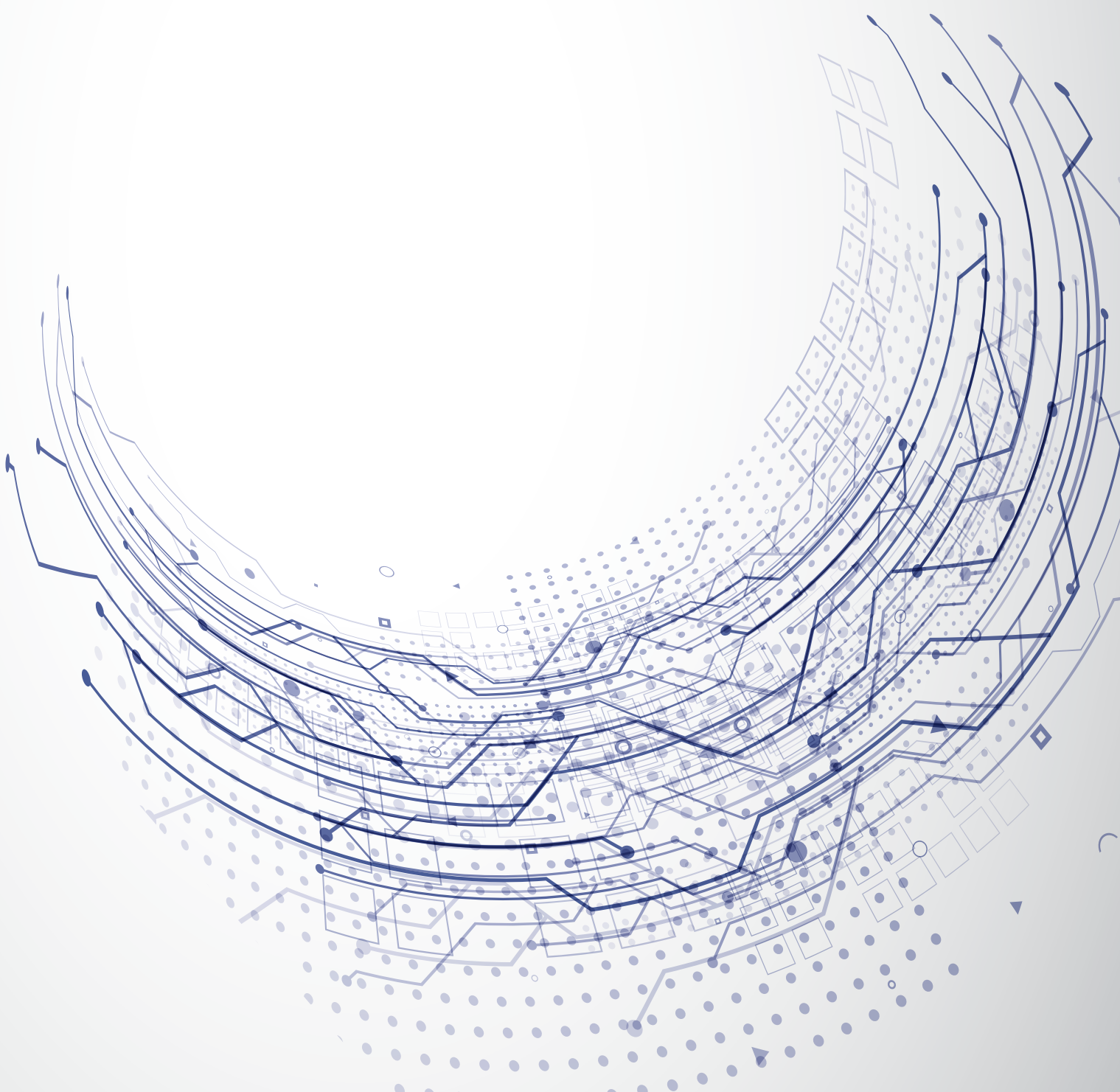


- Plantation of 47,000+ tree saplings at business premises, schools and public parks.
- Collaboration with Forest Department on national tree plantation campaign.



- Partnership with Pakistan Poverty Alleviation Fund (PPAF) on project of "Growth for Rural Advancement and Sustainable Progress".
- In addition to above, Collaborations are disclosed against respective Goal.

**UNCONSOLIDATED
FINANCIAL STATEMENTS**
For the year ended December 31, 2021





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 2021, and the unconsolidated profit and loss account and the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for twenty five (25) branches which have been audited by us and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit and loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2021 and of the profit, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Following are the Key Audit Matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	Provision against non-performing advances	
	<p>The Bank's credit portfolio is spread across various domestic branches including one foreign branch and mainly includes corporate financing to several public sector entities and large to small size businesses operating in the private sector.</p> <p>As per the Bank's accounting policy (refer note 2.4.1 to the unconsolidated financial statements), the Bank determines provisions against non-performing advances in accordance with the requirements of Prudential Regulations (PRs) of State Bank of Pakistan (SBP) and also maintains general provision as required by PRs. The PRs require specific provisioning against advances on the basis of an age-based criteria which is supplemented by a subjective evaluation of Bank's advances portfolio. The determination of subjective provision against advances involves use of management judgment, on a case-to-case basis, considering factors such as the borrower's economic, financial and business conditions, repayment behaviors and credit worthiness. The Bank's advances to the customers represent 32% of its total assets as at 31 December 2021 and are stated at Rs. 652,890 million which is net of provision of Rs. 12,851 million at the year end.</p> <p>In view of the magnitude of advances in the unconsolidated financial statements and the level of involvement of management's judgement, we identified provision against advances as a key audit matter.</p> <p>The accounting policy and disclosures relating to provisioning against non-performing advances are included in note 4.4 and 9 respectively to the unconsolidated financial statements.</p>	<p>We applied a range of audit procedures including the following: We reviewed the Bank's process for identification and classification of non-performing advances, monitoring of advances with higher risk of default and migration of these advances to non-performing advances category and accurate computation and recording of provisions.</p> <p>We performed independent checks on test basis for the computations of provisions to assess that the same is in line with the requirements of the applicable Prudential Regulations.</p> <p>In addition, we selected a representative sample of borrowers from the advances portfolios including individually significant credit facilities and performed tests and procedures such as review of credit documentation, repayment history and past due status and financial condition as depicted by the borrowers' financial statements.</p> <p>In respect of the level of general provision maintained by the Bank, we discussed the approach and policy followed by the Bank with the management.</p> <p>We also assessed adequacy of disclosures as included in note 9 to the unconsolidated financial statements regarding the non-performing advances and provisions made for the same in the unconsolidated financial statements in accordance with the requirements of the applicable financial reporting framework.</p>

2	Valuation of listed equity shares classified as available for sale	
	<p>As disclosed in note 8 and the accounting policies in notes 2.4.2 and 4.11 to the financial statements, the bank has a significant investment in listed shares classified as available for sale amounting to Rs. 16,972 million which is stated net of provision of Rs. 1,711 million as at 31 December 2021.</p> <p>These investments are carried at fair value in accordance with the Bank's accounting policy relating to their measurement. Provision against investment in listed shares classified as available for sale is made based on the impairment policy of the Bank which comprises of subjective factors.</p> <p>Because of its significance to the unconsolidated financial statements and the use of management judgment in determination of impairment against listed shares classified as available for sale, we have considered this as a key audit matter.</p>	<p>Our procedures in respect of valuation of investments, amongst others, included the following:</p> <p>Obtaining an understanding of and testing the design and operation effectiveness of the controls relating to the valuation of available for sale equity investments including an assessment of the methodology and the appropriateness of the valuation models and inputs used to value investments available for sale.</p> <p>Checking on a sample basis, the valuation of equity shares to supporting documents and externally quoted market prices.</p> <p>Comparing the cost of each equity investments to its market value to determine decline in valuation and checked the impact of significant or prolonged decline was recognized as per the policy of the bank as disclosed in note 4.11.</p> <p>Assessing the completeness and accuracy of the disclosures relating to equity share classified as available for sale to assess compliance with disclosure requirements laid down by the State Bank of Pakistan regarding forms and disclosures.</p>

Information Other than the Unconsolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the unconsolidated financial statements and our 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements:

Based on our audit, we further report that in our opinion:

- 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 statement of profit and loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- 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.

Other Matter

The unconsolidated financial statements of the Bank for the year ended 31 December 2020, were audited by KPMG Taseer Hadi & Co., Chartered Accountants, who expressed an unmodified opinion on those statements on 3 March 2021.

The engagement partners on the audit resulting in this independent auditors' report are Fahad Bin Waheed (KPMG Taseer Hadi & Co.) and Ahsan Shahzad (EY Ford Rhodes).

KPMG Taseer Hadi & Co.
Chartered Accountants

Date: 03 March 2022
Lahore

UDIN: AR202110089DrsTul2Zv

EY Ford Rhodes
Chartered Accountants

Date: 03 March 2022
Lahore

UDIN: AR2021100790XzKH4D3A

Unconsolidated Statement of Financial Position

as at December 31, 2021

December 31, 2021	December 31, 2020	Note	December 31, 2021	December 31, 2020	
US \$ in '000			Rupees in '000		
ASSETS					
704,798	727,377	Cash and balances with treasury banks	5	124,406,408	128,391,896
5,117	40,997	Balances with other banks	6	903,243	7,236,502
257,504	101,953	Lendings to financial institutions	7	45,452,910	17,996,123
6,030,671	4,700,043	Investments - net	8	1,064,494,900	829,621,110
3,698,809	2,812,429	Advances - net	9	652,889,677	496,431,756
441,908	416,566	Fixed assets	10	78,002,712	73,529,440
16,250	15,391	Intangible assets	11	2,868,311	2,716,789
8,432	-	Deferred tax assets - net	12	1,488,287	-
224,626	195,647	Other assets - net	13	39,649,555	34,534,399
11,388,115	9,010,403			2,010,156,003	1,590,458,015
LIABILITIES					
56,992	54,512	Bills payable	15	10,059,879	9,622,020
2,379,454	1,098,659	Borrowings	16	420,005,768	193,928,086
8,006,726	6,892,834	Deposits and other accounts	17	1,413,295,261	1,216,678,254
-	-	Liabilities against assets subject to finance lease		-	-
-	-	Sub-ordinated debt		-	-
-	22,614	Deferred tax liabilities - net		-	3,991,750
224,065	196,459	Other liabilities	18	39,550,556	34,677,798
10,667,237	8,265,078			1,882,911,464	1,458,897,908
720,878	745,325	NET ASSETS		127,244,539	131,560,107
REPRESENTED BY					
64,872	64,872	Share capital	19	11,450,739	11,450,739
151,739	137,537	Reserves		26,784,066	24,277,184
110,695	163,373	Surplus on revaluation of assets - net of tax	20	19,539,127	28,837,661
393,572	379,543	Unappropriated profit		69,470,607	66,994,523
720,878	745,325			127,244,539	131,560,107

CONTINGENCIES AND COMMITMENTS

21

The annexed notes 1 to 45 and annexures I to III form an integral part of these unconsolidated financial statements.

Muhammad Atif Mirza
Chief Financial Officer

Aizid Razzaq Gill
President and Chief Executive

Nazrat Bashir
Director

Zafar Iqbal
Director

Mohammad Naeem Mukhtar
Chairman

Unconsolidated Profit and Loss Account

for the year ended December 31, 2021

December 31, 2021	December 31, 2020	Note	December 31, 2021	December 31, 2020	
US \$ in '000			Rupees in '000		
672,180	626,280	Mark-up / return / interest earned	23	118,648,853	110,546,934
413,916	351,962	Mark-up / return / interest expensed	24	73,061,711	62,126,061
258,264	274,318	Net mark-up / interest income		45,587,142	48,420,873
NON MARK-UP / INTEREST INCOME					
38,588	30,824	Fee and commission income	25	6,811,261	5,440,833
12,185	9,380	Dividend income		2,150,845	1,655,763
11,179	9,426	Foreign exchange income		1,973,233	1,663,815
-	-	Income from derivatives		-	-
24,554	19,376	Gain on securities - net	26	4,334,118	3,420,051
3,789	2,050	Other income	27	668,774	361,768
90,295	71,056	Total non-markup / interest income		15,938,231	12,542,230
348,559	345,374	Total income		61,525,373	60,963,103
NON MARK-UP / INTEREST EXPENSES					
187,994	169,247	Operating expenses	28	33,183,442	29,874,463
3,353	3,496	Workers welfare fund - net		591,921	617,008
965	638	Other charges	29	170,275	112,682
192,312	173,381	Total non-markup / interest expenses		33,945,638	30,604,153
156,247	171,993	Profit before provisions		27,579,735	30,358,950
(4,595)	4,779	Provisions and write offs - net	30	(811,100)	843,550
-	-	Extra-ordinary or unusual items		-	-
160,842	167,214	PROFIT BEFORE TAXATION		28,390,835	29,515,400
62,755	65,071	Taxation	31	11,077,036	11,485,943
98,087	102,143	PROFIT AFTER TAXATION		17,313,799	18,029,457
In US \$			In Rupees		
0.09	0.09	Basic and diluted earnings per share	32	15.12	15.75

The annexed notes 1 to 45 and annexures I to III form an integral part of these unconsolidated financial statements.

Muhammad Atif Mirza
Chief Financial Officer

Zafar Iqbal
Director

Aizid Razzaq Gill
President and Chief Executive

Mohammad Naeem Mukhtar
Chairman

Nazrat Bashir
Director

Unconsolidated Statement of Comprehensive Income

for the year ended December 31, 2021

December 31, 2021		December 31, 2020		December 31, 2021		December 31, 2020	
US \$ in '000				Rupees in '000			
98,087	102,143	Profit after taxation for the year		17,313,799	18,029,457		
Other comprehensive income							
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>							
4,393	1,156	Effect of translation of net investment in foreign branches		775,502	204,013		
		Movement in deficit on revaluation of investments - net of tax		(8,997,786)	(2,553,031)		
(50,975)	(14,464)			(8,222,284)	(2,349,018)		
(46,582)	(13,308)						
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>							
		Remeasurement gain / (loss) on defined benefit obligations - net of tax		150,994	(802,820)		
855	(4,548)						
		Effect of change in tax rate / movement in surplus on revaluation of fixed assets - net of tax		(199,010)	5,749,574		
(1,127)	32,573						
		Movement in surplus on revaluation of non-banking assets - net of tax		381,820	162,377		
2,163	920						
1,891	28,945			333,804	5,109,131		
53,396	117,780	Total comprehensive income		9,425,319	20,789,570		

The annexed notes 1 to 45 and annexures I to III form an integral part of these unconsolidated financial statements.

Muhammad Atif Mirza
Chief Financial Officer

Zafar Iqbal
Director

Aizid Razzaq Gill
President and Chief Executive

Mohammad Naeem Mukhtar
Chairman

Nazrat Bashir
Director

Unconsolidated Cash Flow Statement

for the year ended December 31, 2021

December 31, 2021	December 31, 2020	Note	December 31, 2021	December 31, 2020
US \$ in '000			Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES				
160,842	167,213		28,390,835	29,515,400
(12,185)	(9,380)		(2,150,845)	(1,655,763)
148,657	157,833		26,239,990	27,859,637
Adjustments:				
20,819	18,752	10.2	3,674,783	3,309,927
32	193		5,620	33,987
9,538	9,546		1,683,609	1,684,915
5,115	5,383		902,861	950,095
2,334	1,575		411,977	277,979
(4,288)	4,926	30	(756,918)	869,542
-	-		(2)	-
3,353	3,496		591,921	617,008
2,491	1,766		439,652	311,689
(2,260)	(1,673)		(398,979)	(295,395)
(184)	27		(32,479)	4,772
36,950	43,991		6,522,045	7,764,519
185,607	201,824		32,762,035	35,624,156
Decrease or (increase) in operating assets				
(155,551)	(24,866)		(27,456,787)	(4,389,202)
(714)	112,526		(126,081)	19,862,396
(881,805)	(66,652)		(155,650,443)	(11,765,053)
(19,238)	3,404		(3,395,744)	600,769
(1,057,308)	24,412		(186,629,055)	4,308,910
Increase or (decrease) in operating liabilities				
2,481	9,877		437,859	1,743,394
1,279,959	(410,733)		225,930,017	(72,499,890)
1,113,892	949,702		196,617,007	167,635,222
17,041	(14,652)		3,008,009	(2,586,289)
2,413,373	534,194		425,992,892	94,292,437
1,541,672	760,430		272,125,872	134,225,503
(71,992)	(59,974)		(12,707,588)	(10,586,273)
(1,242)	(1,375)		(219,210)	(242,786)
1,468,438	699,081		259,199,074	123,396,444
CASH FLOW FROM INVESTING ACTIVITIES				
(1,224,378)	(484,158)		(216,119,170)	(85,460,421)
(186,254)	(59,922)		(32,876,354)	(10,577,099)
12,198	9,363		2,153,053	1,652,779
(50,180)	(45,979)		(8,857,449)	(8,115,974)
6,101	3,554		1,076,897	627,300
4,393	1,156		775,502	204,013
(1,438,120)	(575,986)		(253,847,521)	(101,669,402)
CASH FLOW FROM FINANCING ACTIVITIES				
(12,045)	(11,635)		(2,126,139)	(2,053,680)
(77,568)	(25,896)		(13,691,826)	(4,570,964)
(89,613)	(37,531)		(15,817,965)	(6,624,644)
(9,440)	(2,859)		(1,666,336)	(504,571)
(68,735)	82,705		(12,132,748)	14,597,827
777,566	685,425		137,250,937	120,986,774
708,831	768,130	33	125,118,189	135,584,601

The annexed notes 1 to 45 and annexures I to III form an integral part of these unconsolidated financial statements.

Muhammad Atif Mirza
Chief Financial Officer

Aizid Razzaq Gill
President and Chief Executive

Nazrat Bashir
Director

Zafar Iqbal
Director

Mohammad Naeem Mukhtar
Chairman

Unconsolidated Statement of Changes in Equity

for the year ended December 31, 2021

	Share capital	Capital reserve		Revenue reserve	Surplus / (Deficit) on revaluation of			Un-appropriated profit	Total
		Exchange translation reserve	Statutory reserve	General reserve	Investments	Fixed assets	Non-banking assets		
Rupees in '000									
Balance as at January 01, 2020	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
Other Comprehensive Income - net of tax									
Deficit on revaluation of investments - net of tax	-	-	-	-	(2,553,031)	-	-	-	(2,553,031)
Surplus on revaluation of investments - 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	-
Transactions with owners recognized directly in equity									
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)
Balance as at December 31, 2020	11,450,739	2,025,733	22,245,451	6,000	4,875,950	23,322,739	638,972	66,994,523	131,560,107
Profit after taxation for the year ended December 31, 2021	-	-	-	-	-	-	-	17,313,799	17,313,799
Other Comprehensive Income - net of tax									
Deficit on revaluation of investments - net of tax	-	-	-	-	(8,997,786)	-	-	-	(8,997,786)
Effect of change in tax rate on revaluation surplus of fixed assets - net of tax	-	-	-	-	-	(199,010)	-	-	(199,010)
Surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-	381,820	-	381,820
Remeasurement gain on defined benefit obligation - net of tax	-	-	-	-	-	-	-	150,994	150,994
Effect of translation of net investment in foreign branches	-	775,502	-	-	-	-	-	-	775,502
	-	775,502	-	-	(8,997,786)	(199,010)	381,820	150,994	(7,888,480)
Transfer to statutory reserve	-	-	1,731,380	-	-	-	-	(1,731,380)	-
Transfer of revaluation surplus on change in use - net of tax	-	-	-	-	-	4,399	(4,399)	-	-
Transferred from surplus in respect of incremental depreciation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	(139,872)	-	139,872	-
Surplus realised on disposal of revalued fixed assets - net of tax	-	-	-	-	-	(266,469)	-	266,469	-
Transferred from surplus in respect of incremental depreciation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	(859)	859	-
Surplus realised on disposal of revalued non-banking assets - net of tax	-	-	-	-	-	-	(76,358)	76,358	-
Transactions with owners recognized directly in equity									
Final cash dividend for the year ended									
December 31, 2020 (Rs. 6 per ordinary share)	-	-	-	-	-	-	-	(6,870,443)	(6,870,443)
First interim cash dividend for the year ended									
December 31, 2021 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
Second interim cash dividend for the year ended									
December 31, 2021 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
Third interim cash dividend for the year ended									
December 31, 2021 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
	-	-	-	-	-	-	-	(13,740,887)	(13,740,887)
Balance as at December 31, 2021	11,450,739	2,801,235	23,976,831	6,000	(4,121,836)	22,721,787	939,176	69,470,607	127,244,539

* Statutory reserves represents amount set aside as per the requirement of section 21 of the Banking Companies Ordinance, 1962. The annexed notes 1 to 45 and annexures I to III form an integral part of these unconsolidated financial statements.

Muhammad Atif Mirza
Chief Financial Officer

Azid Razzaq Gill
President and Chief Executive

Nazrat Bashir
Director

Zafar Iqbal
Director

Mohammad Naeem Mukhtar
Chairman

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

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 1,427 (2020: 1,400) branches in Pakistan including 117 (2020: 117) Islamic banking branches, 1 branch (2020: 1) in Karachi Export Processing Zone and 1 Wholesale banking branch (2020: 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 its registered office is in Pakistan.

The Bank is the holding company of ABL Asset Management Company Limited.

The registered office of the Bank is situated at 3 - Tipu Block, New Garden Town, Lahore.

2 BASIS OF PRESENTATION

These unconsolidated financial statements represent separate financial statements of the Bank. The consolidated financial statements of the Bank are being issued separately.

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

The financial results of the Islamic banking branches have been consolidated in these financial statements for reporting purposes, after eliminating inter-branch transactions and balances. Key financial figures of the Islamic banking branches are disclosed in Annexure II to these financial statements.

These unconsolidated financial statements have been presented in Pakistan Rupees (PKR), which is the currency of the primary economic environment in which the Bank operates. The amounts are rounded to nearest thousand of rupees unless otherwise stated.

The US\$ Dollar amounts presented in the Statement of Financial Position, Profit and Loss Account, Statement of Comprehensive Income and Statement of Cash Flow are stated as additional information, solely for the convenience of the users of financial statements. For the purpose of translation to US\$, spot rate of Rs. 176.5135 per US\$ has been used for 2021 and 2020, 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) (SBP has directed the banks in Pakistan to implement IFRS 09 'Financial Instruments' with effect from January 01, 2022 vide BPRD Circular Letter no. 24) and International Accounting Standard 40 'Investment Property' (IAS 40) for banking companies till further instructions. Further, according to a notification of Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, International Financial Reporting Standard 7 'Financial Instruments Disclosure' (IFRS 7), has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and disclosed in accordance with the requirements prescribed by SBP through various circulars.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

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 Bank.

2.2 STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE EFFECTIVE IN THE CURRENT YEAR

Following amendments to existing standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2021 but are considered not to be either relevant or not have any significant impact on these financial statements:

- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

These amendments had no impact on the unconsolidated financial statements of the Bank, except for potential insignificant impact on financial instruments, not requiring disclosures, held by the Bank's Branch in Bahrain. 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 Bank intends to use the practical expedients, available under (IBOR) reform, in future periods if they become applicable.

- Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On May 28, 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, on March 31, 2021, the IASB extended the period of application of the practical expedient to June 30, 2022. The amendment applies to annual reporting periods beginning on or after April 1, 2021. However, the Bank has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

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, 2022:

- 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 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

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

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, effective for the annual period beginning on or after January 01, 2022. 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, 2023. 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.

- IAS 41 Agriculture – Taxation in fair value measurements. As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 01, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Bank.

- Definition of Accounting Estimates - Amendments to IAS 8. In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 01, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Bank.

- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2. In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The Bank is currently assessing the impact of the amendments to determine the impact they will have on the Bank's accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after January 01, 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

- The 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. 24 of 2021 dated July 05, 2021 of SBP, effective date of IFRS 9 implementation is January 01, 2022.

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 and the Bank awaits final guidelines from SBP for application of some aspects of IFRS 9.

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



Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates, underlying assumptions and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies are as follows:

2.4.1 Provision against non-performing loans and advances

The Bank reviews its loan portfolio to assess amount of non-performing loans and advances and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower and the requirements of the Prudential Regulations are considered. The amount of general provision is determined in accordance with the requirements set out in Prudential Regulations.

2.4.2 Valuation and impairment of 'available-for-sale' equity investments

The Bank determines that 'available-for-sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant and prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

Other areas where judgments are exercised in application of accounting policies are as follows:

2.4.3 Defined benefit plans

Liability is determined on the basis of actuarial advice using the Projected Unit Credit Method. The actuarial assumptions used to determine the liability and related expense are disclosed in note 35.

2.4.4 Classification of investments

In classifying investments as 'held-for-trading' the Bank has determined securities which are acquired with the intention to trade by taking advantage of short term market or interest rate movements and are to be sold within 90 days.

In classifying investments as 'held-to-maturity' the Bank follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity.

The investments, other than those in subsidiary, which are not classified as 'held-for-trading' or 'held-to-maturity' are classified as 'available-for-sale'.

2.4.5 Depreciation, amortization and revaluation of operating fixed assets

In making estimates of the depreciation and amortization, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank and estimates the useful life. The method applied and useful lives estimated are reviewed at each financial year end and if there is a change in the expected pattern or timing of consumption of the future economic benefits embodied in the assets, the estimate would be changed to reflect the change in pattern. Such a change is accounted for as change in accounting estimates in accordance with International Accounting Standard 8 - Accounting Policies, 'Changes in Accounting Estimates and Errors'. Further, the bank estimates the revalued amount of land and buildings on a regular basis. The estimates are based on the valuations carried out by independent professional valuers under the market conditions.

2.4.6 Fair value hierarchy of assets and liabilities

The fair value of the assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Bank categorizes fair value measurements within the following fair value hierarchy:

a) Level 1

These are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date.

b) Level 2

These are inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly or indirectly.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

c) Level 3

These are input for the assets or liabilities that are not based on observable market data (unobservable Inputs).

2.4.7 Lease term

The Bank applies judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Bank is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

2.4.8 Income taxes

In making estimates for income taxes currently payable by the Bank, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Bank's view differs with the view taken by the income tax authorities and such amounts are shown as a contingent liability.

3 BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention except for the following which are stated at revalued amounts or fair values or present values:

- Certain investments (Note 4.3);
- Certain operating fixed assets (Note 4.5);
- Staff retirement and other benefits (Note 4.8);
- Non-banking assets acquired in satisfaction of claims (Note 4.9); and
- Derivative financial instruments (Note 4.16.2);
- Lease liability and related right of use assets (Note 4.6).

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated financial statements have been applied consistently to all periods presented in these unconsolidated financial statements of the Bank. Significant accounting policies are enumerated as follows:

4.1 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.

4.2 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.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

Lendings are stated net of provision. Return on such lending is accrued to the Profit and Loss Account on a time proportion basis except mark-up on impaired or delinquent lendings, which is recognized on receipt basis

4.3 Investments

4.3.1 The Bank at the time of purchase classifies its investment portfolio as mentioned in note 2.4.4.

4.3.2 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.

4.3.3 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.

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.

4.3.4 Investments in subsidiaries are stated at cost less impairment, if any.

4.4 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. The Bank also maintains general provision in addition to the requirements of the Prudential Regulations on the basis of management's risk assessment if necessary. 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.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

4.5 Fixed assets and depreciation

a. Tangible assets

Property and equipment owned by the Bank, other than land and building, are stated at cost less accumulated depreciation and impairment losses, if any. Land is carried at revalued amount less any subsequent impairment losses if any, and is not depreciated while buildings are stated at cost less accumulated depreciation and any subsequent impairment losses, if any.

Depreciation is calculated using the straight line method, except buildings which are depreciated using the reducing balance method, to write down the cost of property and equipment to their residual values over their estimated useful lives. The rates at which the fixed assets are depreciated are disclosed in note 10.2. The residual values, useful lives and depreciation methods are reviewed and adjusted, if required. Adjustments in residual values, useful lives and depreciation methods are treated as change in accounting estimates.

Depreciation on additions is charged from the month the assets are available for use, while no depreciation is charged in the month in which the assets are disposed off.

When an asset or class of assets is revalued, any increase in the carrying amount arising on revaluation is recorded through other comprehensive income and credited to the revaluation reserve in equity. However, the increase shall be recognized in the Profit and Loss Account to the extent it reverses previously recognised revaluation decrease/impairment loss of the same asset in the Profit and Loss Account, net of amortization or depreciation had no revaluation decrease/impairment been required for the asset in prior years. A decrease resulting from a revaluation is initially charged directly against any related revaluation surplus held in respect of that asset and the remaining portion being charged as an expense.

The surplus on revaluation of fixed assets to the extent of incremental depreciation (net of deferred tax) charged on the related assets is transferred directly to un-appropriated profit.

Revaluation of entire class of assets is carried out by independent professionally qualified valuers with sufficient regularity (every third year) to ensure that the carrying amount of the entire class of assets does not differ materially from their fair value.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in the Profit and Loss Account in the year the asset is derecognized, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to unappropriated profit.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Profit and Loss Account.

b. Intangible assets

Intangible assets are carried at cost less any accumulated amortization and impairment losses, if any. The cost of intangible assets is amortized over their estimated useful lives, using the straight line method. Amortization is charged from the month the assets are available for use at the rate stated in note 11.2. The useful lives are reviewed and adjusted, if appropriate, at each reporting date.

c. Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any.

4.6 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

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

lease contract with corresponding adjustment to right-of-use asset. Gain or loss on termination of lease contract is recognised in the Profit and Loss Account.

The Bank has elected not to recognize a right-of-use asset and the corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Payments associated with these leases are recognized as an expense in the Profit or Loss Account on a straight-line basis.

4.7 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.

The Bank also recognizes a deferred tax asset or liability on deficit or surplus on revaluation of fixed assets, non-banking assets and investments which is adjusted against the related deficit or surplus in accordance with the requirements of IAS-12 'Income Taxes'.

4.8 Staff retirement and other benefits

4.8.1 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.

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 Crl.O.No. 98 and 99 of 2018

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

and after consultation with Bank's legal counsel, the monthly pension of eligible pensioners has been fixed with indexation levels for eligible pensioners effective from February 13, 2018.

c. Post-retirement medical benefits

The Bank provides post-retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefits on the basis of actuarial valuation carried out using the Projected Unit Credit Method.

Annual contributions towards the defined benefit schemes are made on the basis of actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in Other Comprehensive Income in the period of occurrence

4.8.2 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.

4.9 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.

4.10 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'.

4.11 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.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

4.12 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.

4.13 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.

4.14 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.

4.15 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.

b) Foreign operations

The assets and liabilities of foreign operating branches are translated to Pakistan Rupee (PKR) at exchange rates prevailing at reporting date. The results of foreign operations are translated at the average exchange rate for the period.

c) Translation gains and losses

Translation gains and losses arising on revaluation of net investments in foreign operations are taken to equity under "Exchange Translation Reserve" through Other Comprehensive Income and on disposal are recognised in Profit and Loss Account. Regular translation gains and losses are taken to Profit and Loss Account.

d) Commitments

Commitments for outstanding forward contracts disclosed in these financial statements are translated at forward rates applicable to their respective maturities. Contingent liabilities or commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing on the reporting date.

4.16 Financial instruments

4.16.1 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.

4.16.2 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.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

4.17 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.

4.18 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.

Gains or losses on termination of lease contracts and other lease income are recognized when realized.

c. Islamic financing and related assets

Profit on Business Musharakah financing is booked on accrual basis and is adjusted upon declaration of profit by Musharakah partners.

Ijarah and Diminishing Musharakah income is recognised on an accrual basis as and when the rental becomes due.

Murabaha, Musawamah and Salam income is recognised on deferred income basis.

Profit on Istisna financing is recognized on an accrual basis commencing from time of sale of goods till the realization of sale proceeds by the Bank

d. Fees, brokerage and commission

Fee, Commission and Brokerage income is recognized on an accrual basis to the extent it is highly likely that significant reversal will not occur upon conclusion of related uncertainty.

4.19 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.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

b. Trading and sales (Treasury)

This segment undertakes the Bank's treasury and money market activities.

c. Commercial & retail banking

Commercial and retail banking provides services to commercial and retail customers including agriculture sector. It includes loans, deposits and other transactions with commercial and retail (conventional and Islamic) customers.

d. Islamic Banking

Islamic banking provides Shariah compliant services to customers including loans, deposits and other transactions.

e. Others

Others includes functions which cannot be classified in any of the above segments.

4.20 Geographical Segment Reporting

Geographically the Bank operates in Pakistan, Middle East and China.

4.21 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, 2021

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
5 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		22,823,027	21,697,705
Foreign currencies		967,026	868,206
		23,790,053	22,565,911
Remittances in transit		508,766	475,807
With State Bank of Pakistan (SBP) in			
Local currency current accounts	5.1	59,570,982	62,965,250
Foreign currency current account	5.2	54,580	22,221
Foreign currency deposit accounts (non-remunerative)	5.1	4,807,522	4,693,248
Foreign currency deposit accounts (remunerative)	5.3	9,588,566	9,525,239
		74,021,650	77,205,958
With National Bank of Pakistan in			
Local currency current accounts		25,567,776	25,953,691
Prize Bonds		518,163	2,190,529
		124,406,408	128,391,896

- 5.1** Deposits with the State Bank of Pakistan (SBP) are maintained to comply with the cash reserve requirement, under section 22 of the Banking Companies Ordinance, 1962 and State Bank of Pakistan statutory requirements issued from time to time.
- 5.2** This represents US\$ settlement account maintained with the State Bank of Pakistan (SBP).
- 5.3** This represents special cash reserve maintained with the State Bank of Pakistan (SBP). The return on this account is declared by SBP on a monthly basis and carries mark-up at the rate of 0% (2020: 0.51% to 0.76%) per annum.

	Note	December 31, 2021	December 31, 2020
Rupees in '000			

6 BALANCES WITH OTHER BANKS

Outside Pakistan			
In current accounts		650,288	1,885,460
In deposit accounts	6.1	252,955	5,351,042
		903,243	7,236,502

- 6.1** Balances with other banks outside Pakistan in deposit account carry interest rates of 0.001% (2020: 0.03%) per annum.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
7	LENDINGS TO FINANCIAL INSTITUTIONS		
Call money lendings - local currency	7.1	6,000,000	6,000,000
Call money lendings - foreign currency		-	3,196,688
Repurchase agreement lendings (Reverse Repo)	7.2 & 7.5	39,452,910	7,345,000
Musharaka lendings		-	500,000
Bai Muajjal receivable from:			
- State Bank of Pakistan		-	954,435
Certificates of investment	7.3	70,000	70,000
		45,522,910	18,066,123
Less: Provision held against lendings to financial institutions	7.3 & 7.6	(70,000)	(70,000)
Lendings to financial institutions - net of provision		45,452,910	17,996,123

7.1 These represent local currency call money lendings to financial institutions at the mark-up rate of 10.75% (2020: 7.50%) per annum, maturing on January 04, 2022.

7.2 These are short-term local currency lendings to financial institutions against government securities as shown in note 7.5 below. These carry mark-up at the rate of 9.75% to 10.75% (2020: 7.1% to 7.2%) per annum, maturing on January 07, 2022.

7.3 This represents local currency classified certificates of investment and related provisioning, amounting to Rs. 70 million (2020: Rs. 70 million).

	December 31, 2021	December 31, 2020
Rupees in '000		

7.4 Particulars of lending

In local currency	45,522,910	14,869,435
In foreign currencies	-	3,196,688
	45,522,910	18,066,123

	December 31, 2021			December 31, 2020		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
Rupees in '000						

7.5 Securities held as collateral against lending to financial institutions

Pakistan Investment Bonds	14,183,352	-	14,183,352	7,345,000	-	7,345,000
Market Treasury Bills	25,269,558	-	25,269,558	-	-	-
	39,452,910	-	39,452,910	7,345,000	-	7,345,000

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

	December 31, 2021		December 31, 2020	
	Classified Lending	Provision Held	Classified Lending	Provision Held
Rupees in '000				
7.6 Category of classification				
Domestic				
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, 2021				December 31, 2020				
	Note	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000									
8 INVESTMENTS									
8.1 Investments by type:									
Held-for-trading securities									
Federal Government Securities		126,081	-	2	126,083	-	-	-	-
Available-for-sale securities									
Federal Government Securities*		972,123,080	(1,807)	(9,403,483)	962,717,790	758,053,707	(12,306)	1,795,459	759,836,860
Shares		16,598,013	(1,726,160)	2,496,231	17,368,084	19,566,119	(2,055,595)	5,787,108	23,297,632
Non Government Debt Securities		25,350,035	(21,071)	150,924	25,479,888	21,433,961	(21,071)	(81,907)	21,330,983
Foreign Securities		1,037,692	-	-	1,037,692	1,037,692	-	-	1,037,692
Naya Pakistan Certificate		772,649	-	-	772,649	-	-	-	-
Open Ended Mutual Funds		25,000	-	(780)	24,220	25,000	-	802	25,802
	8.4	1,015,906,469	(1,749,038)	(6,757,108)	1,007,400,323	800,116,479	(2,088,972)	7,501,462	805,528,969
Held-to-maturity securities									
Federal Government Securities		56,468,494	-	-	56,468,494	23,592,141	-	-	23,592,141
Non Government Debt Securities		344,260	(344,260)	-	-	344,260	(344,260)	-	-
	8.5	56,812,754	(344,260)	-	56,468,494	23,936,401	(344,260)	-	23,592,141
Subsidiaries		500,000	-	-	500,000	500,000	-	-	500,000
Total Investments		1,073,345,304	(2,093,298)	(6,757,106)	1,064,494,900	824,552,880	(2,433,232)	7,501,462	829,621,110

8.2 Investments by segments:									
Federal Government Securities:									
Market Treasury Bills		455,866,245	-	(1,045,190)	454,821,055	360,865,049	-	34,601	360,899,650
Pakistan Investment Bonds		553,427,682	-	(8,801,215)	544,626,467	407,299,507	-	1,134,094	408,433,601
GOP Ijarah Sukuks		9,500,000	-	(95,850)	9,404,150	500,011	-	(21,450)	478,561
GOP Sukuks (US\$)		-	-	-	-	3,995,021	(12,306)	36,000	4,018,718
Naya Pakistan Certificate		772,649	-	-	772,649	-	-	-	-
Foreign Currency Bonds (US\$)		7,078,137	(1,807)	538,774	7,615,104	6,412,831	-	612,211	7,025,042
GOP Ijarah Sukuks - Bai Muajjal Placement		2,845,591	-	-	2,845,591	2,573,429	-	-	2,573,429
		1,029,490,304	(1,807)	(9,403,481)	1,020,085,016	781,645,848	(12,306)	1,795,459	783,429,001
Shares:									
Listed Companies		16,186,833	(1,710,910)	2,496,231	16,972,154	18,229,940	(2,040,345)	5,787,108	21,976,703
Unlisted Companies		411,180	(15,250)	-	395,930	1,336,179	(15,250)	-	1,320,929
Units of open-ended mutual funds		25,000	-	(780)	24,220	25,000	-	802	25,802
		16,623,013	(1,726,160)	2,495,451	17,392,304	19,591,119	(2,055,595)	5,787,910	23,323,434
Non Government Debt Securities									
Listed		15,397,128	(103,499)	150,924	15,444,553	14,445,514	(103,499)	(81,907)	14,260,108
Unlisted		10,297,167	(261,832)	-	10,035,335	7,332,707	(261,832)	-	7,070,875
		25,694,295	(365,331)	150,924	25,479,888	21,778,221	(365,331)	(81,907)	21,330,983
Foreign Securities									
Equity securities		1,037,692	-	-	1,037,692	1,037,692	-	-	1,037,692
Subsidiaries									
ABL - Asset Management Company		500,000	-	-	500,000	500,000	-	-	500,000
Total Investments		1,073,345,304	(2,093,298)	(6,757,106)	1,064,494,900	824,552,880	(2,433,232)	7,501,462	829,621,110

* 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, 2021

	December 31, 2021	December 31, 2020
	Rupees in '000	
8.2.1 Investments given as collateral		
Market Treasury Bills	220,234,899	28,776,013
Pakistan Investment Bonds	81,656,107	81,963,094
Government of Pakistan Euro Bonds (US\$)	1,647,863	-
Total Investments given as collateral	303,538,869	110,739,107
8.3 Provision for diminution in value of investments		
8.3.1 Opening balance	2,433,232	3,584,114
Exchange adjustments	254	209
Charge and reversals		
Charge for the year	-	600,351
Reversals for the year	(10,753)	(22,851)
	(10,753)	577,500
Reversal on disposals	(329,435)	(1,728,591)
Closing Balance	2,093,298	2,433,232

	December 31, 2021		December 31, 2020	
	*NPI	Provision	*NPI	Provision
	Rupees in '000			

8.3.2 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**	889,292	1,807	3,995,021	12,306
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
Total	1,254,623	367,138	4,360,352	377,637

* 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, 2021

	December 31, 2021	December 31, 2020
	Cost	
	Rupees in '000	

8.4 Quality of Available for Sale Securities

Federal Government Securities – Government guaranteed

Market Treasury Bills	455,740,164	360,865,049
Pakistan Investment Bonds	499,804,779	386,280,795
GOP Sukuks (US\$)	-	3,995,021
Naya Pakistan Certificate	772,649	-
Foreign Currency Bonds (US\$)	7,078,137	6,412,831
GOP Ijarah Sukuks	9,500,000	500,011
	<u>972,895,729</u>	<u>758,053,707</u>

Shares

Listed Companies

Power Generation and Distribution	2,283,161	4,209,774
Oil & Gas Exploration Companies	4,851,828	5,293,408
Fertilizer	3,279,237	3,868,645
Commercial Banks	3,216,487	2,898,950
Oil & Gas Marketing Companies	1,043,460	1,043,460
Real Estate Investment Trust	997,589	455,851
Chemical	323,508	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>16,186,833</u>	<u>18,229,940</u>

	December 31, 2021		December 31, 2020	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			

Unlisted Companies

Security General Insurance Limited	-	-	569,999	1,440,396
Habib Allied Holding Limited	1,035,922	1,141,856	1,035,922	1,320,626
Atlas Power Limited	-	-	355,000	1,257,173
Pakistan Mortgage Refinance Co. Limited	200,000	503,350	200,000	256,732
1 Link Private Limited	50,000	267,895	50,000	202,032
Central Depository Company of Pakistan Limited	40,300	65,546	40,300	63,013
ISE Towers REIT Management Company Limited	30,346	50,902	30,346	46,890
First Women Bank Limited	21,200	72,287	21,200	72,287
LSE Financial Services Limited	8,440	20,534	8,440	19,576
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	8,840	1,770	7,919
National Institutional Facilitation Technologies Private Limited	1,527	35,899	1,527	51,998
Pakistan Agricultural Storage and Services Corporation	1,000	627,021	1,000	495,619
Pakistan Corporate Restructuring Company	43,117	43,117	43,117	43,117
	<u>1,448,872</u>	<u>2,837,598</u>	<u>2,373,871</u>	<u>5,277,729</u>

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

	December 31, 2021	December 31, 2020
	Rupees in '000	
Non Government Debt Securities		
<i>Listed</i>		
- AAA	500,000	1,997,300
- AA+, AA, AA-	4,295,629	3,844,715
- A+, A, A-	500,000	-
- Unrated	8,500,000	8,500,000
	13,795,629	14,342,015
<i>Unlisted</i>		
- AAA	4,950,000	2,750,000
- AA+, AA, AA-	5,234,280	2,460,432
- A+, A, A-	1,349,055	1,860,443
- Unrated	21,071	21,071
	11,554,406	7,091,946
Open Ended Mutual Funds		
Allied Finergy Fund	25,000	25,000
	25,000	25,000
Foreign Securities		
<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
	1,037,692	1,037,692
8.5	Particulars relating to Held to Maturity securities are as follows:	
Federal Government Securities – Government guaranteed		
Pakistan Investment Bonds	53,622,903	21,018,712
Government of Pakistan Ijarah Sukuks - Bai Muajjal Placement	2,845,591	2,573,429
	56,468,494	23,592,141
Non Government Debt Securities		
<i>Listed</i>		
- Unrated	103,499	103,499
<i>Unlisted</i>		
- Unrated	240,761	240,761

8.5.1 The market value of securities classified as held-to-maturity as at December 31, 2021 amounted to Rs. 50,857.5 million (December 31, 2020: Rs. 21,971.9 million). This represents the market value of Pakistan Investment Bonds.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

		Subsidiary Asset Management Company
		Rupees in '000
8.6	Details regarding subsidiary company:	
	Country of incorporation	Pakistan
	Percentage holding	100%
	Assets	3,460,908
	Liabilities	487,124
	Revenue	734,703
	Profit after taxation	264,567
	Total comprehensive income	264,606

	Note	Performing		Non Performing		Total		
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	
Rupees in '000								
9	ADVANCES							
	Loans, cash credits, running finances, etc.	9.1	567,291,774	459,187,682	12,188,573	12,740,989	579,480,347	471,928,671
	Islamic financing and related assets	A-II. 3	82,203,444	32,642,319	-	-	82,203,444	32,642,319
	Bills discounted and purchased		2,644,451	4,183,084	1,412,187	1,419,670	4,056,638	5,602,754
	Advances – gross	9.2	652,139,669	496,013,085	13,600,760	14,160,659	665,740,429	510,173,744
	Provision against advances							
	Specific	9.3 & 9.4	-	-	(12,750,397)	(13,632,529)	(12,750,397)	(13,632,529)
	General	9.4	(100,355)	(109,459)	-	-	(100,355)	(109,459)
			(100,355)	(109,459)	(12,750,397)	(13,632,529)	(12,850,752)	(13,741,988)
	Advances – net of provision		652,039,314	495,903,626	850,363	528,130	652,889,677	496,431,756

	December 31, 2021				December 31, 2020				
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total	
Rupees in '000									
9.1	Includes net investment in finance lease as described below								
	Lease rentals receivable	617,072	1,065,661	174,254	1,856,987	642,926	1,010,123	48,042	1,701,091
	Residual value	113,658	530,200	217,360	861,218	94,215	540,634	116,602	751,451
	Minimum lease payments	730,730	1,595,861	391,614	2,718,205	737,141	1,550,757	164,644	2,452,542
	Financial charges for future periods	(128,768)	(142,878)	(13,290)	(284,936)	(93,056)	(166,295)	(5,152)	(264,503)
	Present value of minimum lease payments	601,962	1,452,983	378,324	2,433,269	644,085	1,384,462	159,492	2,188,039

		December 31, 2021	December 31, 2020
		Rupees in '000	
9.2	Particulars of advances (Gross)		
	In local currency	637,546,049	495,717,569
	In foreign currencies	28,194,380	14,456,175
		665,740,429	510,173,744

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

- 9.3** Advances include Rs. 13,600.760 million (2020: Rs. 14,160.659 million) which have been placed under non-performing status as detailed below:

Category of Classification	December 31, 2021		December 31, 2020	
	Non Performing Loans	Specific Provision	Non Performing Loans	Specific Provision
Rupees in '000				
Domestic				
Other Assets Especially Mentioned	21,390	623	31,881	121
Substandard	713,919	177,740	253,289	62,451
Doubtful	586,834	293,417	611,064	305,532
Loss	12,278,617	12,278,617	13,264,425	13,264,425
	13,600,760	12,750,397	14,160,659	13,632,529

Note	December 31, 2021			December 31, 2020		
	Specific	General	Total	Specific	General	Total
Rupees in '000						

9.4 Particulars of provision against advances

Opening balance	13,632,529	109,459	13,741,988	15,112,624	39,795	15,152,419
Exchange adjustments	-	2,271	2,271	-	1,478	1,478
Charge for the year	337,741	49,901	387,642	911,464	1,404,515	2,315,979
Reversals	(1,133,844)	(61,276)	(1,195,120)	(630,472)	(1,336,329)	(1,966,801)
	(796,103)	(11,375)	(807,478)	280,992	68,186	349,178
Amounts written off	(86,029)	-	(86,029)	(1,761,087)	-	(1,761,087)
Closing balance	12,750,397	100,355	12,850,752	13,632,529	109,459	13,741,988
9.4.1 In local currency	12,335,885	19,016	12,354,901	13,257,185	17,077	13,274,262
In foreign currencies	414,512	81,339	495,851	375,344	92,382	467,726
	12,750,397	100,355	12,850,752	13,632,529	109,459	13,741,988

- 9.4.2** 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.

- 9.5** This includes reversal of provision on account of a non performing loan, classified as loss, settled against Debt Property Swap amounting to Rs. Nil (2020: Rs. 31.994 million).

Note	December 31, 2021	December 31, 2020
Rupees in '000		

9.6 Particulars of write-offs

9.6.1 Against provisions		86,029	1,761,087
Directly charged to Profit and Loss account		-	-
		86,029	1,761,087
9.6.2 Write-offs of Rs. 500,000 and above – Domestic	9.7	86,029	1,761,087
Write-offs of below Rs. 500,000		-	-
		86,029	1,761,087

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

9.7 Details of loan write-off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the Statement in respect of written-off loans or any other financial relief of five hundred thousand rupees and above allowed to a person(s) during the year ended December 31, 2021 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, 2021	December 31, 2020
Rupees in '000			
10 FIXED ASSETS			
Capital work-in-progress	10.1	3,630,604	2,891,147
Property and equipment	10.2	66,669,052	63,434,780
Right-of-Use Assets	10.3	7,703,056	7,203,513
		78,002,712	73,529,440
10.1 CAPITAL WORK-IN-PROGRESS			
Civil works		2,901,559	1,958,105
Equipment		-	331,677
Advances to suppliers		729,045	601,365
		3,630,604	2,891,147

	December 31, 2021								
	Freehold Land	Leasehold Land	Building on Freehold Land	Building on Leasehold Land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Building Improvements (Leased Premises)	Total
Rupees in '000									

10.2 Property and Equipment

At January 1, 2021									
Cost or Revalued amount	26,744,014	12,213,964	10,690,530	4,766,961	2,415,933	16,497,531	1,335,829	5,641,330	80,306,092
Accumulated depreciation	-	-	-	-	(1,395,260)	(11,021,930)	(724,551)	(3,729,571)	(16,871,312)
Net book value	26,744,014	12,213,964	10,690,530	4,766,961	1,020,673	5,475,601	611,278	1,911,759	63,434,780
Year ended December 31, 2021									
Opening net book value	26,744,014	12,213,964	10,690,530	4,766,961	1,020,673	5,475,601	611,278	1,911,759	63,434,780
Additions	1,835,595	396,066	1,286,220	356,649	296,637	2,177,901	550,337	703,272	7,602,677
Net disposal (book value)	(250,000)	(291,000)	(863)	(110,803)	(1,760)	(10,328)	(26,114)	(2,678)	(693,546)
Depreciation charge	-	-	(553,135)	(236,532)	(198,500)	(1,732,162)	(234,044)	(720,410)	(3,674,783)
Exchange rate adjustments	-	-	-	-	(1)	(2)	(7)	(66)	(76)
Other adjustments and transfers	(14,465)	-	(286,377)	(21,635)	5,654	331,447	-	(14,624)	-
Closing net book value	28,315,144	12,319,030	11,136,375	4,754,640	1,122,703	6,242,457	901,450	1,877,253	66,669,052
At December 31, 2021									
Cost or Revalued amount	28,315,144	12,319,030	11,689,482	4,972,177	2,669,577	18,622,559	1,648,261	6,313,132	86,549,362
Accumulated depreciation	-	-	(553,107)	(217,537)	(1,546,874)	(12,380,102)	(746,811)	(4,435,879)	(19,880,310)
Net book value	28,315,144	12,319,030	11,136,375	4,754,640	1,122,703	6,242,457	901,450	1,877,253	66,669,052
Rate of depreciation (percentage)	-	-	5%	5%	10%	14.28% -50%	20%	20%	

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

	December 31, 2020								Total
	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)	
	Rupees in '000								
At January 1, 2020									
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
Accumulated depreciation	-	-	(701,946)	(433,788)	(1,217,295)	(9,595,418)	(528,574)	(3,069,355)	(15,546,376)
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
Year ended December 31, 2020									
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
Additions	3,404,431	627,240	3,012,710	193,186	297,074	1,423,623	137,575	756,376	9,852,215
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)
Depreciation charge	-	-	(369,594)	(226,651)	(196,726)	(1,626,923)	(226,047)	(663,986)	(3,309,927)
Exchange rate adjustments	-	-	-	-	(94)	12	(59)	(677)	(818)
Other adjustments / transfers	(167,464)	(5,380)	(89,069)	155,568	-	-	-	2,447	(103,898)
Closing net book value	26,744,014	12,213,964	10,690,530	4,766,961	1,020,673	5,475,601	611,278	1,911,759	63,434,780
At December 31, 2020									
Cost or Revalued amount	26,744,014	12,213,964	10,690,530	4,766,961	2,415,933	16,497,531	1,335,829	5,641,330	80,306,092
Accumulated depreciation	-	-	-	-	(1,395,260)	(11,021,930)	(724,551)	(3,729,571)	(16,871,312)
Net book value	26,744,014	12,213,964	10,690,530	4,766,961	1,020,673	5,475,601	611,278	1,911,759	63,434,780
Rate of depreciation (percentage)	-	-	5%	5%	10%	14.28% -50%	20%	20%	

10.3 Movement in Right-of-use Assets

	December 31, 2021	December 31, 2020
	Rupees in '000	
Opening Balance	7,203,513	8,020,323
Additions / Adjustments	2,298,921	1,280,865
Derecognition	(118,328)	(413,845)
Depreciation	(1,683,609)	(1,684,915)
Exchange Rate Adjustment	2,559	1,085
Closing Net Book Value	7,703,056	7,203,513

10.4 Bank arranged for valuation of all Land and Buildings as at December 31, 2020 from five independent valuers {Sadruddin Associates (Private) Limited, Unicorn International Surveyors, Indus Surveyors (Private) Limited, A1 Warda Engineering Services and Harvester Services (Private) Limited}. The revalued amounts of properties have been determined on the basis of market value. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	Rupees in '000
- Land (Freehold and leasehold)	20,569,957
- Building	11,534,343

10.5 Fair value of property and equipment excluding land and buildings is not expected to be materially different from their carrying amount.

	Note	December 31, 2021	December 31, 2020
		Rupees in '000	
10.6 Incremental depreciation charged during the year transferred to unappropriated profit	20.1	229,298	169,255
10.7 Restriction or discrepancy in the title of property having a net book value of		56,689	61,193
10.8 The cost of fully depreciated assets that are still in use:			
Furniture and fixtures		738,638	677,391
Electrical, office and computer equipments		7,011,071	6,354,976
Vehicles		181,623	243,750
Leasehold Improvements		2,794,456	2,178,583

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
10.9	The carrying amount of property and equipment that have retired from active use and held for disposal	52,963	452,361
10.10	The sale of fixed assets (otherwise than a regular auction) to related parties are disclosed in Annexure III.		
11	INTANGIBLE ASSETS		
	Capital work in progress	229,582	499,577
	Intangible Assets	2,638,729	2,217,212
		2,868,311	2,716,789
11.1	Capital work in progress		
	Softwares	226,708	496,703
	Advances for softwares to suppliers	2,874	2,874
		229,582	499,577
		December 31, 2021	
		Computer software	Others
		Total	
		Rupees in '000	
11.2	Intangible Assets		
	At January 1, 2021		
	Cost	4,468,855	-
	Accumulated amortisation and impairment	(2,251,643)	-
	Net book value	2,217,212	-
	Year ended December 31, 2021		
	Opening net book value	2,217,212	-
	Additions:		
	Directly purchased	833,513	-
	Disposals cost	(516)	-
	Disposals accumulated depreciation	497	-
		(19)	-
	Amortisation charge	(411,977)	-
	Closing net book value	2,638,729	-
	At December 31, 2021		
	Cost	5,301,852	-
	Accumulated amortisation and impairment	(2,663,123)	-
	Net book value	2,638,729	-
	Rate of amortisation (percentage)	5% to 14.28%	5% to 14.28%
	Useful life	7 to 20 Years	7 to 20 Years

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

	December 31, 2020		
	Computer software	Others	Total
	Rupees in '000		
At January 1, 2020			
Cost	3,298,425	-	3,298,425
Accumulated amortisation and impairment	(1,973,689)	-	(1,973,689)
Net book value	1,324,736	-	1,324,736
Year ended December 31, 2020			
Opening net book value	1,324,736	-	1,324,736
Additions:			
Directly purchased	1,170,454	-	1,170,454
Disposals cost	(25)	-	(25)
Disposals accumulated depreciation	25	-	25
	-	-	-
Amortisation charge	(277,979)	-	(277,979)
Closing net book value	2,217,211	-	2,217,211
At December 31, 2020			
Cost	4,468,855	-	4,468,855
Accumulated amortisation and impairment	(2,251,643)	-	(2,251,643)
Net book value	2,217,212	-	2,217,212
Rate of amortisation (percentage)	5% to 14.28%		5% to 14.28%
Useful life	7 to 20 Years		7 to 20 Years
		December 31, 2021	December 31, 2020
		Rupees in '000	
11.3 The cost of fully amortized assets that are still in use:			
Intangible assets – software		561,805	533,304

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

December 31, 2021				
	At January 1, 2021	Recognised in profit and loss account	Recognised in other comprehensive Income	At December 31, 2021

Rupees in '000

12 DEFERRED TAX ASSETS / (LIABILITIES)

December 31, 2021				
	At January 1, 2021	Recognised in profit and loss account	Recognised in other comprehensive Income	At December 31, 2021
Deductible Temporary Differences on				
Provision against:				
- Investments	19,093	-	-	19,093
- Other assets	38,959	-	-	38,959
- Off balance sheet obligations	14,824	-	-	14,824
- Advances	222,951	38,393	-	261,344
- Post retirement medical benefits	42,980	-	-	42,980
- Actuarial losses	364,286	-	(28,286)	336,000
- Workers welfare fund	736,933	315,070	-	1,052,003
	1,440,026	353,463	(28,286)	1,765,203
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	(1,598,517)	99,677	(200,262)	(1,699,102)
- Surplus on revaluation of investments	(2,625,512)	-	5,260,784	2,635,272
- Surplus on revaluation on non banking assets	(11,057)	(5,724)	1	(16,780)
- Accelerated tax depreciation or amortization	(1,183,484)	384	-	(1,183,100)
- Excess of investment in finance lease over written down value of leased assets	(13,206)	-	-	(13,206)
	(5,431,776)	94,337	5,060,523	(276,916)
	(3,991,750)	447,800	5,032,237	1,488,287

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

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)	581	125,150	(11,058)
- Actuarial (gains)/ losses	(68,002)	-	432,288	364,286
- Accelerated tax depreciation or amortization	(1,340,647)	157,164	-	(1,183,483)
- 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)

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
13 OTHER ASSETS			
Income, Mark-up accrued in local currency – net of provision		21,433,765	19,310,016
Income, Mark-up accrued in foreign currency – net of provision		430,467	204,777
Advances, deposits, advance rent and other prepayments		1,328,747	952,041
Advance taxation (payments less provisions)		3,534,663	2,358,198
Non-banking assets acquired in satisfaction of claims	13.1	571,346	792,216
Acceptances		5,646,815	5,329,898
Due from the employees' retirement benefit schemes			
Pension fund	35.4	4,379,974	3,786,440
Receivable against fraud and forgeries		523,692	539,178
Stationery and stamps in hand		475,818	304,116
Overdue foreign bills negotiated or discounted		132,573	107,472
Home Remittance Cell agent receivable		659	83,999
Receivable from State Bank of Pakistan		934,298	-
Charges receivable		33,291	27,711
ATM / Point of Sale settlement account		-	830,819
Suspense account		3,012	1,865
Others		24,631	12,182
		39,453,751	34,640,928
Less: Provision held against other assets	13.2	(760,152)	(756,559)
Other assets (net of provision)		38,693,599	33,884,369
Surplus on revaluation of non-banking assets acquired			
in satisfaction of claims		955,956	650,030
Other assets – net		39,649,555	34,534,399
13.1 Market value of non-banking assets acquired in satisfaction of claims		1,527,302	1,442,246

Full-scope revaluation was carried out at December 31, 2021 through five independent valuers approved by Pakistan Banks' Association (A-1 Warda Engineering Services, Tristar International Consultant, 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, 2021	December 31, 2020
Rupees in '000		
13.1.1 Non banking assets acquired in satisfaction of claims		
Opening balance	1,442,246	4,486,663
Constructions / additions	721	175,258
Revaluation	389,355	149,825
Disposals and transfers	(299,400)	(3,335,513)
Depreciation	(5,620)	(33,987)
Closing balance	1,527,302	1,442,246

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
13.1.2 Gain/(Loss) on Disposal of Non banking assets acquired in satisfaction of claims			
Disposal proceeds		153,175	9,260
Less:			
Cost		(120,700)	(14,032)
Impairment or Depreciation		4	-
		(120,696)	(14,032)
Gain/(Loss)		32,479	(4,772)
13.2 Provision held against other assets			
Advances, deposits, advance rent and other prepayments		153,018	147,067
Provision against fraud and forgeries		523,692	539,178
Overdue Foreign Bills Negotiated / Discounted		24,295	24,295
Charges receivable		28,811	27,711
Others		30,336	18,308
		760,152	756,559
13.2.1 Movement in provision held against other assets			
Opening balance		756,559	862,460
Charge for the year		70,766	65,537
Reversals		(7,264)	(110,723)
Net charge		63,502	(45,186)
Written off and adjusted		(59,909)	(60,715)
Closing balance		760,152	756,559
14 CONTINGENT ASSETS			
There were no contingent assets of the Bank as at December 31, 2021 and December 31, 2020.			
15 BILLS PAYABLE			
In Pakistan		10,059,879	9,622,020
16 BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan			
Repurchase agreement borrowings	16.1	235,497,430	69,899,415
Under export refinance scheme	16.2	33,230,671	28,781,058
Under payroll refinance scheme	16.3	7,681,205	17,579,785
Under long term financing facility	16.4	27,772,856	24,598,291
Under financing scheme for renewable energy	16.5	3,330,929	2,898,310
Under temporary economic refinance scheme	16.6	10,013,124	388,385
Under refinance scheme for modernization of SMEs	16.7	22,500	-
Other borrowings		6,915	8,432
Under refinance scheme for wages and salaries	16.8	763,347	121,270
		318,318,977	144,274,946
Repurchase agreement borrowings from Financial Institutions	16.9	65,134,454	40,293,084
Unsecured			
Call borrowings	16.10	28,516,551	9,263,438
Trading liability		5,644,324	-
Overdrawn nostro accounts		191,462	43,797
Musharaka borrowing	16.11	2,200,000	-
Other borrowings		-	52,821
		36,552,337	9,360,056
		420,005,768	193,928,086

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

- 16.1** This represents local currency borrowing from the State Bank of Pakistan against government securities, carrying mark-up at the rate of 9.89% to 9.96% (2020: 7.06%) per annum, maturing on various dates latest by March 04, 2022.
- 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% (2020: 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% (2020: 1.00% to 2.00%) per annum.
- 16.4** This represents Long Term Financing facility availed by the Bank for further extending the same to its customers, for a maximum period of 10 years. The borrowing carries mark-up at the rate of 1.50%, 2.50% and 3.00% (2020: 1.50%, 2.50% and 3.00%) per annum for financing up-to 3 years, 5 years & 10 years respectively.
- 16.5** These represent borrowings from the State Bank of Pakistan availed by the Bank for financing power projects and facilities using alternative and renewable energy (solar, wind, hydro, biogas, bio-fuels, bagasse cogeneration, and geothermal as fuel) for a maximum period of 12 years under Category I and for a maximum period of 10 years under Category II and III. The borrowing carries mark-up at the rate of 3% for Category I, 2% for Category II and 3% for Category III.
- 16.6** These borrowings have been obtained from the State Bank of Pakistan for providing concessionary refinancing facility to the industry for purchase of new imported and locally manufactured plant & machinery to set up new projects. These borrowings are repayable within a period of ten years including a grace period of upto 2 years. These carry mark up rate of 1% per annum.
- 16.7** These borrowings have been obtained from the State Bank of Pakistan for providing refinancing facility to wide range of SME clusters / sectors for purchase of new and imported / local plant and machinery for BMR of existing units and setting up new SME units. These borrowings are repayable for a maximum period of 10 years. These carry mark up rate ranging from 6% per annum.
- 16.8** These borrowings have been obtained from the State Bank of Pakistan for providing financing facilities to help businesses in payment of wages and salaries to their workers and employees for supporting continued employment. These borrowing are repayable in 8 equal quarterly installments beginning from January 2021. These carry mark up rates ranging from 0% to 2% per annum.
- 16.9** These represent borrowings in local currency from local and foreign interbank markets against government securities, carrying mark-up at the rate of 9.80% to 9.90% (2020: 6.25% to 7.01%) per annum, and at the rate of 1.10% to 1.15% (2020: Nil) per annum for foreign currency borrowings. These borrowings are maturing on various dates, latest by January 13, 2022.
- 16.10** These represent unsecured borrowings in local and foreign currency from the local and foreign interbank markets, carrying mark-up at the rate of 10.65% (2020: 6.15%) per annum for local currency borrowings, and at the rate of 1.00% to 1.41% (2020: 1.15% to 3.45%) per annum for foreign currency borrowings. These borrowings are maturing on various dates, latest by June 21, 2022.
- 16.11** This represents unsecured local currency borrowings by Islamic banking business under Musharaka agreement at profit of 10% (2020: Nil) per annum, maturing on January 07, 2022.
- 16.12** Note 8.2.1 includes the carrying amount of investments given as collateral against re-purchase agreement borrowings.

	December 31, 2021	December 31, 2020
	Rupees in '000	
16.13 Particulars of borrowings with respect to currencies		
In local currency	393,841,354	185,664,648
In foreign currencies	26,164,414	8,263,438
	420,005,768	193,928,086

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

	December 31, 2021			December 31, 2020		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
Rupees in '000						
17 DEPOSITS AND OTHER ACCOUNTS						
Customers						
Current deposits	487,101,187	25,141,039	512,242,226	391,581,042	23,736,666	415,317,708
Savings deposits	506,117,895	25,910,230	532,028,125	461,231,842	33,740,375	494,972,217
Term deposits	175,366,193	39,218,366	214,584,559	107,223,558	35,015,861	142,239,419
Others	30,029,090	41,106	30,070,196	23,540,199	58,247	23,598,446
	1,198,614,365	90,310,741	1,288,925,106	983,576,641	92,551,149	1,076,127,790
Financial Institutions						
Current deposits	64,781,898	86,694	64,868,592	52,236,902	11,655	52,248,557
Savings deposits	49,880,491	-	49,880,491	75,358,579	-	75,358,579
Term deposits	9,581,350	39,716	9,621,066	12,896,350	41,557	12,937,907
Others	6	-	6	5,421	-	5,421
	124,243,745	126,410	124,370,155	140,497,252	53,212	140,550,464
	1,322,858,110	90,437,151	1,413,295,261	1,124,073,893	92,604,361	1,216,678,254
			December 31,	December 31,		
			2021	2020		
Rupees in '000						

17.1 Composition of deposits

Individuals	661,313,945	557,553,525
Private Sector	332,671,879	298,695,278
Government (Federal and Provincial)	165,099,322	125,646,881
Public Sector Entities	129,839,960	94,232,106
Non-Banking Financial Institutions	115,129,804	129,648,843
Banking Companies	9,240,351	10,901,621
	1,413,295,261	1,216,678,254

17.2 Total deposits include deposits eligible to be covered under insurance arrangements amounting to Rs. 865,799 million (2020: 746,521 million).

17.3 Net outstanding value against prepaid cards is Rs. 85.022 million as at reporting date (2020: 105.507 million).

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
18 OTHER LIABILITIES			
Mark-up, return, interest payable in local currency		4,387,835	3,024,818
Mark-up, return, interest payable in foreign currencies		111,457	257,307
Present value of lease liability		9,252,665	8,316,966
Accrued expenses		1,561,131	1,626,257
Retention money payable		580,710	417,668
Unearned commission and income on bills discounted		472,824	247,103
Acceptances		5,646,815	5,329,898
Unclaimed dividends		390,644	363,404
Dividend payable		21,821	-
Branch adjustment account		179,774	268,872
Unrealized loss on forward foreign exchange contracts		638,730	2,006,994
Provision for:			
Gratuity	35.4	716,131	609,275
Employees' medical benefits	35.4	1,515,000	1,514,300
Employees' compensated absences	35.4	923,138	774,381
Payable to defined contribution plan		54,641	29,657
Provision against off-balance sheet obligations	18.1	298,904	301,093
Security deposits against lease		863,526	757,009
Automated Teller Machine or Point of Sale settlement account		820,679	-
Charity fund balance		46	14
Home Remittance Cell overdraft		1,052,343	1,177,680
With-holding tax payable		2,260,045	1,835,535
Sundry deposits		3,577,163	2,652,177
Workers welfare fund payable	18.2	2,697,443	2,105,522
Others		1,527,091	1,061,868
		39,550,556	34,677,798
		December 31, 2021	December 31, 2020
		Rupees in '000	

18.1 Provision against off-balance sheet obligations

Opening balance	301,093	313,043
Charge for the year	12,862	-
Reversals	(15,051)	(11,950)
Net reversal	(2,189)	(11,950)
Closing balance	298,904	301,093

The above provision includes provisions made against letters of guarantee issued by the Bank.

18.2 Workers Welfare Fund

Supreme Court of Pakistan vide order dated November 10, 2016 held that the amendments made in the law through Finance Act 2008, introduced by the Federal Government for the levy of Worker Welfare Fund (WWF) were unlawful. Federal Board of Revenue filed review petition against the subject order, which is currently pending for adjudication.

WWF provision from 2014 to 2019 has been maintained conservatively based on tax advisor's opinion in view of provincial levy of WWF by the provinces with effect from 2014, including levy by Sindh which is under litigation.

Punjab Government has promulgated Punjab Workers Welfare Fund Act 2019 (PWWF) with effect from December 13, 2019, therefore, provision related to Punjab and pertaining to the period from 2014 till the date of promulgation of PWWF was reversed from the provision maintained for WWF from 2014 to 2019.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

19 SHARE CAPITAL

19.1 Authorized capital

December 31, 2021	December 31, 2020		December 31, 2021	December 31, 2020
No. of shares			Rupees in '000	
1,500,000,000	1,500,000,000	Ordinary shares of Rs.10/- each	15,000,000	15,000,000

19.2 Issued, subscribed and paid-up capital

Fully paid-up Ordinary shares of Rs. 10/- each

December 31, 2021	December 31, 2020		December 31, 2021	December 31, 2020
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 990,767,307 (86.52%) [2020: 972,510,410 (84.93%)] ordinary shares of Rs. 10 each respectively, as at reporting date.

Note	December 31, 2021	December 31, 2020
Rupees in '000		

20 SURPLUS ON REVALUATION OF ASSETS – NET OF TAX

Surplus / (deficit) arising on revaluation of:

Fixed assets	20.1	24,420,889	24,921,256
Non-banking assets acquired in satisfaction of claims	20.2	955,956	650,030
Available-for-sale securities	8.1	(6,757,108)	7,501,462
		18,619,737	33,072,748
Deferred tax on surplus / (deficit) on revaluation of:			
Fixed assets	20.1	(1,699,102)	(1,598,517)
Non-banking assets acquired in satisfaction of claims	20.2	(16,780)	(11,058)
Available-for-sale securities	12	2,635,272	(2,625,512)
		919,390	(4,235,087)
		19,539,127	28,837,661

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
20.1 Surplus on revaluation of fixed assets			
Surplus as at January 1, 2021		24,921,256	16,730,460
Surplus on revaluation during the year		-	6,222,541
Surplus related to transfer or adjustments		5,651	2,369,797
Surplus realised on disposal during the year		(276,720)	(232,287)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(139,872)	(110,016)
Related deferred tax liability		(89,426)	(59,239)
	10.6	(229,298)	(169,255)
Surplus on revaluation as at December 31, 2021		24,420,889	24,921,256
Less: Related deferred tax liability on :			
Revaluation surplus as at January 1, 2021		(1,598,517)	(1,091,464)
Deferred tax liability due to change in tax rate / on revaluation surplus		(199,010)	(472,967)
Deferred tax liability related to transfer or adjustments		(1,252)	(112,597)
Deferred tax on surplus on disposal during the year		10,251	19,272
Deferred tax on incremental depreciation transferred to profit and loss account		89,426	59,239
		(1,699,102)	(1,598,517)
		22,721,787	23,322,739
20.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims			
Surplus as at January 1, 2021		650,030	2,877,470
Surplus on revaluation during the year		389,355	149,825
Surplus related to transfer or adjustments		(5,651)	(2,369,797)
Surplus realised on disposal during the year		(76,370)	(5,806)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(859)	(1,080)
Related deferred tax liability		(549)	(582)
		(1,408)	(1,662)
Surplus on revaluation as at December 31, 2021		955,956	650,030
Less: Related deferred tax liability on :			
Revaluation surplus as at January 1, 2021		(11,058)	(136,789)
Deferred tax (liability) / asset on revaluation surplus		(7,535)	12,552
Deferred tax liability related to transfer or adjustments		1,252	112,597
Deferred tax on surplus on disposal during the year		12	-
Deferred tax on incremental depreciation transferred to unappropriated profit		549	582
		(16,780)	(11,058)
		939,176	638,972

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
21	CONTINGENCIES AND COMMITMENTS		
Guarantees	21.1	38,151,849	36,224,791
Commitments	21.2	395,509,858	304,718,422
Other contingent liabilities	21.3	6,668,875	8,594,509
		<u>440,330,582</u>	<u>349,537,722</u>
21.1	Guarantees		
Financial guarantees		4,751,558	8,401,931
Performance guarantees		7,218,569	6,014,712
Other guarantees		26,181,722	21,808,148
		<u>38,151,849</u>	<u>36,224,791</u>
21.2	Commitments		
Documentary credits and short term trade related transactions:			
letters of credit		113,658,809	84,039,527
Commitments in respect of:			
- forward foreign exchange contracts	21.2.1	277,034,728	216,047,094
- operating leases	21.2.2	307,316	349,303
Commitments for acquisition of:			
- fixed assets		4,178,585	3,683,381
- intangible assets		330,420	599,117
		<u>395,509,858</u>	<u>304,718,422</u>
21.2.1	Commitments in respect of forward foreign exchange contracts		
Purchase		161,470,903	136,626,044
Sale		115,563,825	79,421,050
		<u>277,034,728</u>	<u>216,047,094</u>
21.2.2	Commitments in respect of operating leases		
Not later than one year		142,691	146,859
Later than one year and not later than five years		142,348	179,634
Later than five years		22,277	22,810
		<u>307,316</u>	<u>349,303</u>
21.3	Other contingent liabilities		
21.3.1	Claims against the Bank not acknowledged as debt	21.3.1.1	6,668,875
			<u>8,594,509</u>

21.3.1.1 This represent certain claims by third parties against the Bank, which are being contested in Courts of law. The management is of the view that these relate to the normal course of the business and the possibility of an outflow of economic resource is remote.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

21.3.2 The income tax assessments of the Bank have been finalized upto and including tax year 2021 for local, Azad Kashmir and Gilgit Baltistan operations. While finalizing income tax assessments upto tax year 2021, income tax authorities made certain add backs with aggregate tax impact of Rs. 32,741 million (2020: 27,815 million). As a result of appeals filed by the Bank before appellate authorities, most of the add backs have been deleted. However, the Bank and Tax Department are in appeals / references before higher forums against unfavorable decisions. Pending finalization of appeals / references no provision has been made by the Bank on aggregate sum of Rs.32,741 million (2020: 27,815 million). The management is confident that the outcome of these appeals / references will be in favor of the Bank.

Tax Authorities have conducted proceedings of withholding tax audit under section 161/205 of Income Tax Ordinance, 2001 for tax year 2003 to 2006 and tax year 2008 to 2018 and created an arbitrary demand of Rs. 1,700 million (2020: 1,700 million). The Bank's appeals before CIR(A)/Appellate Tribunal Inland Revenue (ATIR) are pending for adjudication. The management is confident that these appeals will be decided in favor of the Bank; therefore, no provision has been made against the said demand of Rs. 1,700 million (2020: 1,700 million).

Tax authorities have also issued orders under Federal Excise Act, 2005 / Sales Tax Act, 1990 and Sindh Sales Tax on Services Act, 2011 for the year 2008 to 2017 thereby creating arbitrary aggregate demand of Rs. 963 million (2020: 963 million). The Bank's appeals before CIR(A) / Appellate Tribunal Inland Revenue (ATIR) are pending for adjudication. The management is confident that aforesaid demand will be deleted by appellate authorities and therefore no provision has been made against the said demand of Rs. 963 million (2020: 963 million).

21.3.3 While adjudicating foreign exchange repatriation cases of exporter namely: Fateh Textile Mills Limited, the Foreign Exchange Adjudicating Court (FEAC) of the State Bank of Pakistan (SBP) has arbitrarily adjudicated penalties against various banks including Rs.2,173 million in aggregate against Allied Bank Limited (the Bank). Against the said judgments, the Bank had filed appeals before the Appellate Board and Constitutional Petitions (CP) in the High Court of Sindh, Karachi. The Honorable High Court granted relief to the Bank by way of interim orders. Meanwhile, alongwith other banks, Bank filed a further CP whereby vires of section 23C of the FE Regulations Act, 1947 was sought to be declared ultra vires. On November 8, 2018, the Honorable court was pleased to order that the Appellate Board shall not finally decide the appeals. Subsequently, the earlier CP was disposed of vide order dated 15.01.2019 with a direction to the Appellate Board to first decide the stay application of the Bank and till then, the Foreign Exchange Regulation Department has been restrained from taking any coercive action against the Bank. Based on merits of the appeals, the management is confident that these appeals shall be decided in favor of the Bank and therefore no provision has been made against the impugned penalty.

22 DERIVATIVE INSTRUMENTS

The Bank at present does not offer structured derivative products such as Interest Rate Swaps, Forward Rate Agreements or FX Options. However, the Bank buys and sells derivative instruments such as:

- Forward Exchange Contracts
- Foreign Exchange Swaps
- Equity Futures
- Forward Contracts for Government Securities

Forward Exchange Contracts

Forward Exchange Contract (FEC) is a product which is offered to the obligor who transact internationally. These obligor use this product to hedge themselves from unfavorable movements in a foreign currency, however, by agreeing to fix the exchange rate, they do not benefit from favorable movements in that currency.

An FEC is a contract between the Obligor and the Bank in which both agree to exchange an amount of one currency for another currency at an agreed forward exchange rate for settlement over more than two business days after the FEC is entered into (the day on which settlement occurs is called the value date). FEC is entered with those Obligors whose credit worthiness has already been assessed, and they have underlined trade transactions.

If the relevant exchange rate moves un-favorably, Obligor will benefit from that movement because the Bank must exchange currencies at the FEC rate. In order to mitigate this risk of adverse exchange rate movement, the Bank hedges its exposure by taking opposite forward position in inter-bank FX.

Foreign Exchange Swaps

A Foreign Exchange Swap (FX Swap) is used by the Bank if it has a need to exchange one currency for another currency on one day and then re-exchange those currencies at a later date. Exchange rates and forward margins are determined in the "inter-bank" market and fluctuate according to supply and demand.

An FX Swap prevents the Bank from gaining any benefit resulting from a favorable exchange rate movement in the relevant currency pair between the time Bank enters into the transaction deal and when settlement occurs. Cancellation of the swap may also result in exposure to market movements. The key advantage of an FX swap is that it provides the Bank with protection against unfavorable currency movements between the time it enters into the transaction and settlement. The term and amounts for FX Swap can also be tailored to suit the Bank's particular needs.

Equity Futures

An equity futures contract is a standardized contract, traded on a futures counter of the stock exchange, to buy or sell a certain underlying script at a certain date in the future, at a specified price.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

The Bank may use equity futures as a hedging instrument to hedge its equity portfolio, in both 'held-for-trading' and 'available-for-sale', against equity price risk. Only selected shares are allowed to be traded on futures exchange. Equity futures give flexibility to the Bank either to take delivery on the future settlement date or to settle it by adjusting the notional value of the contract based on the current market rates. Maximum exposure limit to the equity futures is 10% of Tier I Capital of the Bank, based on prevailing SBP regulations.

The accounting policies used to recognize and disclose derivatives are given in Note 4.16.2. The risk management framework of derivative instruments is given in note 42.

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
23	MARK-UP, RETURN, INTEREST EARNED		
On:			
Loans and advances		35,092,843	43,006,850
Investments		82,452,195	66,089,498
Lendings to financial institutions		1,088,878	1,411,988
Balances with banks		14,937	38,598
		118,648,853	110,546,934
24	MARK-UP, RETURN, INTEREST EXPENSED		
On:			
Deposits		43,401,312	48,926,827
Borrowings		24,595,405	6,954,992
Cost of foreign currency swaps against foreign currency deposits		4,162,133	5,294,147
Interest expense on lease liability		902,861	950,095
		73,061,711	62,126,061
25	FEE AND COMMISSION INCOME		
On:			
Card related fees (debit and credit cards)		2,623,609	1,951,967
Branch banking customer fees		1,544,191	1,327,539
Commission on remittances including home remittances		969,276	853,618
Investment banking fees	25.1	652,067	474,162
Commission on trade		455,902	369,011
Commission on cash management		213,548	178,021
Commission on guarantees		218,778	164,432
Commission on bancassurance		99,178	87,960
Credit related fees		24,878	28,986
Consumer finance related fees		9,834	5,137
		6,811,261	5,440,833

25.1 This includes revenue related to performance obligation satisfied at point in time except an amount of Rs. 179.180 million (2020: 35.290 million) relating to performance obligation satisfied over time of overseas branch of the Bank.

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
26	GAIN ON SECURITIES		
Realised – net	26.1	4,334,116	3,420,051
Unrealised – held for trading	8.1	2	-
		4,334,118	3,420,051
26.1	Realised gain or (loss) on:		
Federal government securities		1,220,817	1,965,437
Shares		3,113,521	1,366,285
Non government debt securities		(222)	(461)
Open ended mutual funds		-	88,790
		4,334,116	3,420,051

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
27 OTHER INCOME			
Recovery of written off mark-up and charges		44,479	1,272
Gain on sale of fixed assets - net		398,979	295,395
Refund from Employee Old-age Benefits Institution		101,639	-
Other assets disposal		2,820	39,898
SBP reimbursement of incentive amount		50,675	-
Rent on property		10,480	11,905
Fee for attending Board meetings		2,785	1,830
Income from data center hosting service		17,716	16,240
Gain on disposal of Islamic financing and related assets		6,722	-
Gain / (loss) on sale of non-banking assets	27.1	32,479	(4,772)
		668,774	361,768
27.1	This includes gain on sale of two non-banking assets amounting to Rs. 32.175 million and Rs. 0.304 million respectively (2020: loss of Rs. 4.772 million).		
	Note	December 31, 2021	December 31, 2020
Rupees in '000			
28 OPERATING EXPENSES			
Total compensation expense	28.1	15,252,733	13,954,733
Property expense:			
Depreciation		4,437,060	4,103,613
Rent and taxes		330,259	276,302
Utilities cost		1,421,648	1,202,989
Security (including guards)		1,078,407	991,617
Repair and maintenance (including janitorial charges)		876,867	880,485
Insurance		94,528	86,460
		8,238,769	7,541,466
Information technology expenses:			
Network charges		783,002	705,749
Depreciation		687,288	665,182
Amortization		411,977	277,979
Software maintenance		859,078	588,874
Hardware maintenance		375,086	340,986
Others		7,500	8,599
		3,123,931	2,587,369
Other operating expenses:			
Marketing, advertisement and publicity		928,792	754,200
Insurance		1,401,251	1,177,196
Outsourced service costs	34.1	834,331	752,209
Cash in Transit service charge		487,450	549,857
Stationery and printing		376,754	401,333
Travelling and conveyance		205,588	154,308
Legal and professional charges		182,615	193,961
Postage and courier charges		123,540	175,725
Depreciation		234,044	226,047
Donations	28.3	59,647	132,874
NIFT clearing charges		145,924	127,609
Communication		168,998	95,062
Directors fees and allowances		55,464	37,298
Fees and allowances to Shariah Board		7,302	6,213
Training and development		61,925	44,797
Brokerage expenses		88,987	91,213
Card related expenses		609,334	435,983
Auditors remuneration	28.2	30,889	17,077
Others		565,174	417,933
		6,568,009	5,790,895
		33,183,442	29,874,463

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

	December 31, 2021	December 31, 2020
	Rupees in '000	
28.1 Total compensation expense		
Salaries	10,002,800	9,291,363
Fees and allowances etc.	1,849,023	1,553,621
Bonus and awards		
Variable	1,025,034	1,020,546
Fixed	652,228	623,385
Charge for defined benefit plan	439,652	311,689
Contribution to defined contribution plan	585,413	569,861
Conveyance expense	332,617	252,761
Medical expense	193,483	149,948
Insurance	64,061	73,265
Education subsidy	32,002	36,387
Staff uniform	12,182	14,948
Executive club membership	3,860	4,072
Verification charges educational documents	3,424	2,927
Recruitment charges	2,160	3,157
Social Security Contribution - China	2,198	719
Others	574	98
Sub-Total	15,200,711	13,908,747
Voluntary Retirement Scheme	52,022	45,986
Grand Total	15,252,733	13,954,733

28.1.1 The Bank announced the Voluntary Retirement Scheme (VRS) for its employees. Thirty two (32) employees (2020: 31) of the Bank opted for retirement under this scheme.

28.1.2 Total cost for the year included in Other Operating Expenses relating to outsourced activities is Rs. 955.604 million (2020: Rs. 835.970 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, 2021	December 31, 2020
	Rupees in '000	
28.2 Auditors' remuneration		
Audit fee	12,850	6,425
Fee for other statutory certifications	5,588	3,397
Annual audit overseas business unit*	2,905	2,462
Half year review	5,330	2,665
Special certifications and miscellaneous services	150	150
Sales tax	1,116	568
Out-of-pocket expenses	2,950	1,410
	30,889	17,077

*This includes audit fee amounting to Bahraini Dinar 5,000 (2020: 4,800) and Chinese Yuan 3,000 relating to Wholesale Bahrain Branch and China Representative Office respectively.

28.3 None of the directors, executives and their spouses had any interest in the donees, except Mr. Mohammad Naeem Mukhtar (Chairman and Non-Executive Sponsor Director) is director in National Management Foundation (LUMS).

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
Akhuwat Foundation		-	13,000
Anjuman Himayat-i-Islam	28.3.1	1,187	1,901
Custom Public School		-	1,000
IBA Karachi - Centre of Excellence in Islamic Finance		1,500	-
Chaman (Center for Mentally Challenged Children)		-	1,596
Lahore Businessmen Association For Rehabilitation Of The Disabled		1,000	-
Pakistan Hindu Council		-	400
Saylani Welfare International Trust		117	3,160
Various Educational and Social Service Institutions		-	230
Association of the Physically Handicapped Adults		1,500	-
Prime Minister's COVID-19 Pandemic Relief Fund-2020		-	10,000
National Management Foundation (LUMS)		30,000	30,000
Pink Ribbon (Women's Empowerment Group)		10,000	-
Shaheed Benazir Bhutto University		3,000	-
Jamia Ashrafia Lahore		957	-
Abdul Sattar Edhi Foundation		1,187	6,000
RAAST Welfare Society		1,500	1,000
Cancer Care Hospital And Research Centre Foundation		3,000	-
Balochistan Residential College Loralai		2,586	-
Lahore Mental Health Association		1,000	-
The Layton Rahmatulla Benevolent Trust		1,000	-
SOS Children's Village		113	-
Institute of Public Health		-	5,400
Shaukat Khanum Memorial Trust		-	5,000
Progressive Education Network		-	5,000
Tamir Welfare Organization		-	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
		59,647	132,874

28.3.1 This represents charitable expenses on account of sadqa & feeding to under privileged.

	December 31, 2021	December 31, 2020
Rupees in '000		
29 OTHER CHARGES		
Penalties imposed by State Bank of Pakistan	107,095	23,720
Education cess	57,424	46,930
Depreciation – non-banking assets	5,620	33,987
Other assets written off	39	8,045
Others	97	-
	170,275	112,682

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
30	PROVISIONS AND WRITE OFFS – NET		
	(Reversal) / provision for diminution in the value of investments	8.3.1 (10,753)	577,500
	(Reversal) / provision against loans and advances	9.4 (807,478)	349,178
	Provision / (reversal) against other assets	13.2.1 63,502	(45,186)
	Reversal against off balance sheet obligations	18.1 (2,189)	(11,950)
		(756,918)	869,542
	Recovery of written off bad debts	(54,182)	(25,992)
		(811,100)	843,550

	December 31, 2021	December 31, 2020
Rupees in '000		

31 TAXATION

Current – for the year including super tax	11,524,835	12,045,921
– for prior year	-	-
	11,524,835	12,045,921
Deferred – current	(447,799)	(559,978)
	11,077,036	11,485,943

31.1 Relationship between tax expense and accounting profit

Accounting profit for the year	28,390,835	29,515,400
Tax on income @ 35% (2020: 35%)	9,936,792	10,330,390
Super Tax @ 4%	1,183,267	1,234,015
Impact of change in tax rate	(21,705)	-
Others	(21,318)	(78,462)
Tax charge for the year	11,077,036	11,485,943

32 EARNINGS PER SHARE – BASIC AND DILUTED

Profit after taxation	17,313,799	18,029,457
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Number of Shares

Weighted average number of ordinary shares outstanding during the year	1,145,073,830	1,145,073,830
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Rupees

Earnings per share – basic and diluted	15.12	15.75
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There is no dilution effect on basic earnings per share.

	December 31, 2021	December 31, 2020
Rupees in '000		

33 CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	33.1 124,406,408	128,391,896
Balances with other banks	903,243	7,236,502
Overdrawn nostro accounts	(191,462)	(43,797)
	125,118,189	135,584,601

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

33.1 This includes balances with SBP amounting to Rs. 60,465.605 million (2020: Rs. 66,912.978 million) related to statutory cash reserve to comply with SBP requirements.

33.2 Reconciliation of movement of liabilities and equity to cash flows arising from financing activities

	December 31, 2021				December 31, 2020			
	Liabilities		Equity		Liabilities		Equity	
	Lease Liabilities	Dividend payable	Unappropriated Profit	Total	Lease Liabilities	Dividend payable	Unappropriated Profit	Total
Rupees in '000								
Balance as at January 01,	8,316,966	363,404	66,994,523	75,674,893	8,555,677	354,072	55,821,211	64,730,960
Changes from Financing cash flows								
Payment of lease liability against								
right-of-use-assets	(2,126,139)	-	-	(2,126,139)	(2,053,680)	-	-	(2,053,680)
Dividend Paid	-	(13,691,826)	-	(13,691,826)	-	(4,570,964)	-	(4,570,964)
Total changes from financing cash flows	(2,126,139)	(13,691,826)	-	(15,817,965)	(2,053,680)	(4,570,964)	-	(6,624,644)
Liability related								
Changes in Other liabilities								
- Dividend announced	-	13,740,887	(13,740,887)	-	-	4,580,296	(4,580,296)	-
- Lease liability recognised	3,061,838	-	-	3,061,838	1,814,969	-	-	1,814,969
Total liability related other changes	3,061,838	13,740,887	(13,740,887)	3,061,838	1,814,969	4,580,296	(4,580,296)	1,814,969
Total equity related other changes	-	-	16,216,971	16,216,971	-	-	15,753,608	15,753,608
Balance as at December 31, 2021	9,252,665	412,465	69,470,607	79,135,737	8,316,966	363,404	66,994,523	75,674,893

33.3 Markup receipts and markup payments during the year amounted to Rs. 116,299.414 million and Rs. 71,845 million respectively. (2020: Rs. 111,851.605 million and Rs. 63,687 million respectively)

Numbers

34 STAFF STRENGTH

Permanent	11,167	11,267
Temporary / on contractual basis / trainee	431	336
Bank's own staff strength at the end of the year	11,598	11,603
Average number of employees	11,601	11,634

34.1 In addition to the above, 627 (2020: 571) 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 (2020: 8) employees were posted abroad. The rest were working domestically.

35 DEFINED BENEFIT PLANS

35.1 General description

The Bank operates a funded gratuity scheme for all employees who opted for the staff retirement benefit scheme introduced by the management with effect from July 1, 2002. For those employees who did not opt for the new scheme, the Bank continues to operate a funded pension scheme.

The Bank also provides post retirement medical benefits (unfunded scheme) to eligible retired employees.

35.2 Number of employees and beneficiaries under the schemes

The number of employees covered under the following defined benefit scheme or plans are:

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

	December 31, 2021	December 31, 2020
	Numbers	
- Pension fund	427	527
- Gratuity fund	11,221	11,358
- Post retirement medical benefits	11,591	11,293
- Employees' compensated absences	11,162	11,293
In addition, the number of beneficiaries covered under the following defined benefit scheme / plans are:		
- Pension fund	2,363	2,369
- Post retirement medical benefits	1,610	1,610

35.3 Principal actuarial assumptions

The actuarial valuations were carried out for December 31, 2021 based on the Projected Unit Credit Method, using the following significant assumptions:

	Sources of estimation	December 31, 2021	December 31, 2020
Withdrawal rate			
Pension fund		Moderate	Moderate
Gratuity fund		Moderate	Moderate
Post retirement medical benefits		Moderate	Moderate
Employees' compensated absences		High	High
Mortality rate			
		Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005
Discount rate	Yield on investments in Government Bonds	11.75%	9.75%
Expected rate of return on plan assets			
Pension fund	Yield on investments in Government Bonds	11.75%	9.75%
Gratuity fund	Yield on investments in Government Bonds	11.75%	9.75%
Expected rate of salary increase	Rate of salary increase	9.75%	7.75%

The expected return on plan assets is based on the market expectations and depends on the asset portfolio of the Bank, at the beginning of the period, for returns over the entire life of the related obligation.

35.4 Reconciliation of (receivable from) and payable to defined benefit plans

	Note	December 31, 2021				December 31, 2020			
		Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
		Rupees in '000				Rupees in '000			
Present value of defined benefit obligations	35.6	1,389,295	4,083,960	1,515,000	923,138	1,707,213	3,655,868	1,514,300	774,381
Fair value of plan's and scheme's assets	35.7	(5,769,269)	(3,367,829)	-	-	(5,493,653)	(3,046,593)	-	-
Net (asset) and liability		(4,379,974)	716,131	1,515,000	923,138	(3,786,440)	609,275	1,514,300	774,381

35.5 Movement in (receivable from) / payable to defined benefit plans.

	Note	December 31, 2021				December 31, 2020			
		Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
		Rupees in '000				Rupees in '000			
Opening balance		(3,786,440)	609,275	1,514,300	774,381	(4,440,411)	606,906	1,365,237	668,547
(Reversal) / charge for the year	35.9	(369,044)	392,181	170,823	250,443	(497,435)	416,357	171,674	230,280
Other comprehensive (income) / losses		(224,490)	97,809	(52,599)	-	1,151,406	(12,027)	95,729	-
Contribution to the fund and benefits paid		-	(383,134)	(117,524)	(101,686)	-	(401,961)	(118,340)	(124,446)
Closing balance		(4,379,974)	716,131	1,515,000	923,138	(3,786,440)	609,275	1,514,300	774,381

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

35.6 Movement in defined benefit obligations

	December 31, 2021			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
Rupees in '000				
Opening balance	1,707,213	3,655,868	1,514,300	774,381
Current service cost	-	351,573	28,424	43,839
Interest cost	155,999	339,903	141,915	70,545
Benefits paid	(214,443)	(339,362)	(117,524)	(101,686)
VRS settlement loss / (gain)	134	(118)	484	4,251
Re-measurement loss / (gain)	(259,608)	76,096	(52,599)	131,808
Closing balance	1,389,295	4,083,960	1,515,000	923,138

	December 31, 2020			
	Pension fund	Gratuity 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 / (gain)	87,632	(130,088)	95,729	120,571
Closing balance	1,707,213	3,655,868	1,514,300	774,381

35.7 Movement in fair value of plan assets

	December 31, 2021			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
Rupees in '000				
Opening balance	5,493,653	3,046,593	-	-
Expected return on plan assets	525,177	299,177	-	-
Bank's contribution	-	383,134	-	-
Benefits paid	(214,443)	(339,362)	-	-
Re-measurement loss	(35,118)	(21,713)	-	-
Closing balance	5,769,269	3,367,829	-	-

	December 31, 2020			
	Pension fund	Gratuity 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	-	-

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

35.8 Composition of plan assets

	December 31, 2021			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
Rupees in '000				
Equity securities	3,819,009	631,186	-	-
Government securities	387,004	804,811	-	-
Cash and cash equivalents	1,563,256	1,931,833	-	-
	<u>5,769,269</u>	<u>3,367,830</u>	-	-

35.8.1 Fair value of Bank's financial instruments included in plan assets

Shares of ABL	2,280,366	501,435	-	-
Term deposit receipts	1,173,621	1,855,942	-	-
Government securities	387,004	804,811	-	-
Bank balances with ABL	389,634	75,891	-	-
	<u>4,230,625</u>	<u>3,238,079</u>	-	-

	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	-	-
	<u>5,493,653</u>	<u>3,046,593</u>	-	-

35.8.2 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>	-	-

35.8.3 Investment in term deposit receipts are subject to credit risk and interest rate risks, while equity securities are subject to price risk. These risks are regularly monitored by Trustees of the employee funds.

35.9 Charge for defined benefit plan

	December 31, 2021			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
Rupees in '000				
Current service cost	-	351,573	28,424	43,839
Interest cost	-	-	-	-
Net interest	(369,178)	40,726	141,915	70,545
VRS loss	134	(118)	484	4,251
Re-measurement loss recognised	-	-	-	131,808
	<u>(369,044)</u>	<u>392,181</u>	<u>170,823</u>	<u>250,443</u>

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

	December 31, 2020			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Current service cost	-	345,121	23,922	38,200
Interest cost	-	-	-	-
Net interest	(499,546)	68,277	146,933	68,211
VRS loss	2,111	2,959	819	3,298
Re-measurement loss recognised	-	-	-	120,571
	(497,435)	416,357	171,674	230,280

35.10 Re-measurements recognized in other comprehensive income

	December 31, 2021			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Re-measurement (loss) / gain on obligations				
- Demographic assumptions	-	-	-	-
- Financial assumptions	173,325	(48,418)	-	-
- Experience adjustments	86,283	(27,678)	52,599	-
Re-measurement loss on assets	(35,118)	(21,713)	-	-
Re-measurement (loss) / gain in OCI	224,490	(97,809)	52,599	-

	December 31, 2020			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Re-measurement (loss) / gain on obligations	(87,632)	130,088	(95,729)	-
Re-measurement loss on assets	(1,063,774)	(118,061)	-	-
Re-measurement (loss) / gain in OCI	(1,151,406)	12,027	(95,729)	-

	December 31, 2021	December 31, 2020
	Rupees in '000	

35.11 Actual (loss) and return on plan assets

- Pension fund	490,059	(389,591)
- Gratuity fund	277,464	175,217

35.12 Five year data of defined benefit plan and experience adjustments

	Pension fund				
	2021	2020	2019	2018	2017
	Rupees in '000				
Present value of defined benefit obligation	1,389,295	1,707,213	1,661,826	1,585,703	1,979,453
Fair value of plan assets	(5,769,269)	(5,493,653)	(6,102,237)	(6,145,768)	(5,671,485)
	(4,379,974)	(3,786,440)	(4,440,411)	(4,560,065)	(3,692,032)
Experience adjustments on plan obligations and assets					
Re-measurement (loss) / gain on obligation	259,608	(87,632)	(221,183)	364,271	(94,595)
Re-measurement (loss) / gain on assets	(35,118)	(1,063,774)	(506,563)	382,517	(1,191,876)

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

Gratuity fund					
	2021	2020	2019	2018	2017
Rupees in '000					
Present value of defined benefit obligation	4,083,960	3,655,868	3,351,328	2,827,757	2,531,300
Fair value of plan assets	(3,367,829)	(3,046,593)	(2,744,422)	(2,383,102)	(2,019,381)
	<u>716,131</u>	<u>609,275</u>	<u>606,906</u>	<u>444,655</u>	<u>511,919</u>
Experience adjustments on plan obligations / assets					
Re-measurement gain / (loss) on obligation	(76,096)	130,088	(15,945)	(73,576)	(20,492)
Re-measurement (loss) / gain on assets	(21,713)	(118,061)	(74,792)	145,719	(230,025)
Benevolent fund					
	2021	2020	2019	2018	2017
Rupees in '000					
Present value of defined benefit obligation	-	-	-	9,206	8,036
Fair value of plan assets	-	-	-	(278,393)	(232,158)
	-	-	-	<u>(269,187)</u>	<u>(224,122)</u>
Experience adjustments on plan obligations / assets					
Re-measurement (loss) / gain on obligation	-	-	-	(2,632)	(1,111)
Re-measurement (gain) / loss on assets	-	-	-	(8,150)	(3,976)
Post retirement medical					
	2021	2020	2019	2018	2017
Rupees in '000					
Present value of defined benefit obligation	1,515,000	1,514,300	1,365,237	1,332,925	1,240,250
Fair value of plan assets	-	-	-	-	-
	<u>1,515,000</u>	<u>1,514,300</u>	<u>1,365,237</u>	<u>1,332,925</u>	<u>1,240,250</u>
Experience adjustments on plan obligations					
Re-measurement (loss) and gain on obligation	52,599	(95,729)	44,640	(105,031)	62,068
Employees' compensated absences					
	2021	2020	2019	2018	2017
Rupees in '000					
Present value of defined benefit obligation	923,138	774,381	668,547	606,216	570,128
Fair value of plan assets	-	-	-	-	-
	<u>923,138</u>	<u>774,381</u>	<u>668,547</u>	<u>606,216</u>	<u>570,128</u>
Experience adjustments on plan obligations					
Re-measurement (loss) / gain on obligation	(131,808)	(120,571)	(59,950)	(137,850)	71,640

35.13 Expected contributions to be paid to the funds in the next financial year

The Bank contributes to the gratuity fund as per actuarial expected charge for the next financial year. No contributions are being made to pension 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, 2022 would be as follows:

	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
Rupees in '000				
Expected (reversal) / charge for the next year	(514,650)	440,688	203,135	286,820

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

35.14 Sensitivity analysis

Description	+1% Discount Rate	-1% Discount Rate	+1% Salary Increase Rate	-1% Salary Increase Rate	+10% Withdrawal Rate	-10% Withdrawal Rate	1Year Mortality age set back	1Year Mortality age set forward
	Rupees in '000							
Pension fund	1,316,235	1,470,938	1,389,295	1,389,295	1,388,890	1,389,701	1,389,268	1,389,324
Gratuity fund	3,796,424	4,413,246	4,436,391	3,771,832	4,099,455	4,067,623	4,081,996	4,085,915
Post retirement medical	1,416,000	1,627,000	1,531,000	1,497,000	1,510,000	1,520,000	1,513,000	1,516,000
Leave compensated absences	864,174	989,292	989,926	862,640	912,536	934,159	921,318	924,951

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, 2021			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
Rupees in '000				

35.15 Maturity Profile

The weighted average duration of the obligation (in years)	5.57	7.55	6.96	6.78
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35.16 Funding Policy

The Bank endeavors to ensure that liabilities under the various employee benefit schemes are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

35.17 Risk associated with defined benefit plans

The defined benefit plans may expose the bank to actuarial risks such as longevity risk, investment risk, salary increase risk and withdrawal rate risk as described below;

Longevity risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Investment risks:

The risk arises when the actual performance level of investment levels is lower than expectation and thus creating a shortfall in the funding objectives.

Salary increase risk:

The most common type of retirement benefit is one where the final benefit is linked with final salary. The risk arises when the actual increases are higher than expectations and impact the liability accordingly.

Withdrawal Rate:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

36 DEFINED CONTRIBUTION PLAN

The Bank operates an approved contributory provident fund for 10,121 (2020: 10,380) employees where contributions are made by the Bank and employees at 8.33% per annum (2020: 8.33% per annum) of the basic salary every month.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

37 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

	December 31, 2021						
	Directors			Members Shariah Board	President / CEO**	Key Man- agement Personnel	Other Ma- terial Risk Takers / Controllers
Chairman	Executive (other than CEO)*	Non- Executives					
Rupees in '000							
37.1 Total compensation expense							
Fees and allowances etc.	4,400	-	50,400	-	-	-	-
Managerial remuneration							
- Fixed (including Eid bonus)	-	-	-	3,266	12,500	101,454	209,728
- Total Variable	-	-	-	455	10,000	117,900	112,322
of which							
a. Cash Bonus / awards	-	-	-	455	10,000	117,900	112,322
b. Bonus and awards in Shares	-	-	-	-	-	-	-
Charge for defined benefit plans	-	-	-	255	1,052	17,604	35,727
Contribution to defined contribution plan	-	-	-	252	1,041	8,451	16,882
Rent and house maintenance	-	-	-	1,821	7,500	60,872	121,730
Utilities	-	-	-	607	2,500	20,291	40,530
Medical	-	-	-	607	2,524	23,330	43,354
Conveyance	-	-	-	1,232	5,400	82,405	94,964
Others	-	-	-	324	720	14,544	51,238
Total	4,400	-	50,400	8,819	43,237	446,851	726,475
Number of persons	1	-	7	3	1	16	77

* CEO stands for Chief Executive Officer

** Excluding bonus of Rs. 12.25 million paid to the retiring President / Chief Executive Officer whose term completed on December 31, 2020.

	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							
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
Total	2,000	-	34,600	7,645	62,574	398,076	659,284
Number of persons	1	-	6	3	1	16	77

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

37.2 Remuneration paid to Directors for participation in Board and Committee Meetings

Sr. No.	Name of Director	December 31, 2021						Total Amount Paid
		Board Committees						
		Board Meetings	Audit Committee of Board	Human Resource Remuneration Committee	Board Risk Management Committee	E-Vision	Strategic Planning and Monitoring Committee	
Rupees in '000								
1	Mohammad Naeem Mukhtar	2,800	-	-	-	1,600	-	4,400
2	Sheikh Mukhtar Ahmad	2,800	-	-	1,600	-	-	4,400
3	Muhammad Waseem Mukhtar	2,800	1,600	1,600	-	800	4,400	11,200
4	Abdul Aziz Khan	2,800	-	1,600	1,600	-	4,800	10,800
5	Dr. Muhammad Akram Sheikh*	1,600	1,600	1,200	1,200	-	-	5,600
6	Zafar Iqbal	2,800	2,400	-	-	1,600	-	6,800
7	Mubashir A. Akhtar	800	800	400	-	-	-	2,000
8	Nazrat Bashir	2,800	800	-	400	800	4,800	9,600
		19,200	7,200	4,800	4,800	4,800	14,000	54,800

*Dr. Muhammad Akram Sheikh completed his term as Non- Executive Director during 2021.

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

37.3 Remuneration paid to Shariah Board Members

Items	December 31, 2021			December 31, 2020		
	Chairman	Resident Member	Non-Resident Member(s)	Chairman	Resident Member	Non-Resident Member(s)
	Rupees in '000					
Salaries and allowances	5,043	1,962	1,814	4,402	1,750	1,493
Total Number of Persons	1	1	1	1	1	1

37.4 Deferred cash bonus / remuneration for MRTs for the year 2021 is Rs. 16,921,625 (2020: 14,500,250).

38 FAIR VALUE OF FINANCIAL INSTRUMENTS

38.1 Fair value of financial assets

The fair value of traded investments is based on quoted market prices other than those classified as "held to maturity". Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.4 to these unconsolidated financial statements.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities. Financial instruments included in level 1 comprise of investments in Listed Ordinary Shares.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Financial instruments included in level 2 comprise of Sukuk Bonds, Units of Mutual Funds, Pakistan Investment Bonds, Market Treasury Bills, Term Finance Certificates and Forward Government & Exchange Contracts.

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs). Currently, no financial instruments are classified in level 3.

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

Valuation Techniques used in determination of Fair Valuation of Financial Instruments within Level 2

Item	Valuation approach and input used
Federal Government Securities	Marked to Market on the basis of PKRV & PKFRV rates.
Non-Government Debt Securities	Marked to Market on the basis of MUFAP rates.
Foreign exchange contracts	Marked to Market on the basis of SBP rates.
Open ended mutual funds	Marked to Market on the basis of MUFAP rates.
Operating fixed assets (land & building) & NBA	The valuation is based on their assessment of market value of the properties.

On-Balance sheet Financial Instruments	December 31, 2021				Total
	Carrying Value	Level 1	Level 2	Level 3	
Rupees in '000					
Financial assets – measured at fair value					
Investments					
Federal Government Securities	971,471,372	-	971,471,372	-	971,471,372
Shares	16,996,375	16,972,155	24,220	-	16,996,375
Non-Government Debt Securities	4,824,319	-	4,824,319	-	4,824,319
Financial assets - disclosed but not measured at fair value					
Investments (Federal Government Securities, unlisted ordinary shares, term certificates, sukuks, subsidiaries, Bai muajjal)					
Cash and balances with treasury banks	71,202,834	-	-	-	-
Balances with other banks	124,406,408	-	-	-	-
Lendings	903,243	-	-	-	-
Advances	45,452,910	-	-	-	-
Other assets	652,889,677	-	-	-	-
	28,556,069	-	-	-	-
Non - Financial Assets measured at fair value					
Operating fixed assets	56,525,189	-	56,525,189	-	56,525,189
Non-banking assets	1,527,302	-	1,527,302	-	1,527,302
Off-balance sheet financial instruments – measured at fair value					
Forward purchase of foreign exchange	161,470,903	-	161,470,903	-	161,470,903
Forward sale of foreign exchange	115,563,825	-	115,563,825	-	115,563,825

On-Balance sheet Financial Instruments	December 31, 2020				Total
	Carrying Value	Level 1	Level 2	Level 3	
Rupees in '000					
Financial assets – measured at fair value					
Investments					
Federal Government Securities					
Shares	768,387,860	-	768,387,860	-	768,387,860
Non-Government Debt Securities	22,002,505	21,976,703	25,802	-	22,002,505
	5,709,108	-	5,709,108	-	5,709,108
Financial assets - disclosed but not measured at fair value					
Investments (Federal Government Securities, unlisted ordinary shares, term certificates, sukuks, subsidiaries, Bai muajjal)					
Cash and balances with treasury banks	33,521,637	-	-	-	-
Balances with other banks	128,391,896	-	-	-	-
Lendings	7,236,502	-	-	-	-
Advances	17,996,123	-	-	-	-
Other assets	496,431,756	-	-	-	-
	25,838,425	-	-	-	-
Non - Financial Assets measured at fair value					
Operating fixed assets	54,415,469	-	54,415,469	-	54,415,469
Non-banking assets	1,442,246	-	1,442,246	-	1,442,246
Off-balance sheet financial instruments – measured at fair value					
Forward purchase of foreign exchange	136,626,044	-	136,626,044	-	136,626,044
Forward sale of foreign exchange	79,421,050	-	79,421,050	-	79,421,050

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

39 SEGMENT INFORMATION

39.1 Segment Details with respect to Business Activities

	December 31, 2021					Total
	Corporate & Investment Banking	Commercial and Retail Banking	Trading & Sale (Treasury)	Islamic Banking	Other	
Rupees in '000						
Profit & Loss						
Net mark-up, return, profit	30,046,425	(40,299,964)	53,742,646	1,966,448	131,587	45,587,142
Inter segment revenue - net	(27,677,583)	82,271,222	(47,920,565)	-	(6,673,074)	-
Non mark-up, return, interest income	7,281,836	4,421,432	3,197,701	324,582	712,680	15,938,231
Total Income	9,650,678	46,392,690	9,019,782	2,291,030	(5,828,807)	61,525,373
Segment direct expenses	656,814	18,003,942	223,728	1,480,865	13,580,289	33,945,638
Total expenses	656,814	18,003,942	223,728	1,480,865	13,580,289	33,945,638
Provisions for taxation	(143,847)	(121,811)	-	(84)	1,076,842	811,100
Profit before tax	8,850,017	28,266,937	8,796,054	810,081	(18,332,254)	28,390,835
Balance Sheet						
Cash & Bank balances	265,776	43,509,889	71,358,163	4,305,649	5,870,174	125,309,651
Investments	35,400,389	-	999,447,524	29,146,987	500,000	1,064,494,900
Net inter segment lending	(446,532,421)	1,253,708,768	(857,849,308)	(2,415,498)	53,088,459	-
Lendings to financial institutions	-	-	82,900,029	-	(37,447,119)	45,452,910
Advances - performing	524,632,629	35,007,398	-	82,203,444	10,296,198	652,139,669
Advances - non-performing	670,589	152,873	-	-	12,777,298	13,600,760
Provision against advances	(381,005)	(102,705)	-	(233)	(12,366,809)	(12,850,752)
Advances - net	524,922,213	35,057,566	-	82,203,211	10,706,687	652,889,677
Operating fixed assets	389,184	50,947,459	7,448	1,460,572	28,066,360	80,871,023
Others	2,840,258	10,664,551	12,117,451	1,861,117	13,654,465	41,137,842
Total Assets	117,285,399	1,393,888,233	307,981,307	116,562,038	74,439,026	2,010,156,003
Borrowings	100,524,929	5,468,498	308,819,318	42,597,423	(37,404,400)	420,005,768
Deposits & other accounts	-	1,345,635,407	-	65,014,170	2,645,684	1,413,295,261
Others	1,465,092	14,712,882	212,341	3,983,158	29,236,962	49,610,435
Total liabilities	101,990,021	1,365,816,787	309,031,659	111,594,751	(5,521,754)	1,882,911,464
Equity and Reserves	15,295,378	28,071,446	(1,050,352)	4,967,287	79,960,780	127,244,539
Total Equity and Liabilities	117,285,399	1,393,888,233	307,981,307	116,562,038	74,439,026	2,010,156,003
Contingencies & Commitments	123,812,661	25,510,317	277,034,728	2,435,173	11,537,703	440,330,582
Additions to operating fixed assets	2,201	5,670,956	5,945	82,010	2,675,078	8,436,190

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

	December 31, 2020					Total
	Corporate & Investment Banking	Commercial and Retail Banking	Trading & Sale (Treasury)	Islamic Banking	Other	
Rupees in '000						
Profit & Loss						
Net mark-up, return, profit	38,702,211	(45,628,271)	53,851,077	1,869,650	(373,794)	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
Total Income	11,163,738	38,136,171	15,636,473	2,080,525	(6,053,804)	60,963,103
Segment direct expenses	630,977	16,675,649	194,351	1,331,026	11,772,150	30,604,153
Total expenses	630,977	16,675,649	194,351	1,331,026	11,772,150	30,604,153
Provisions	(1,209,061)	(274,067)	-	(128)	639,706	(843,550)
Profit before tax	9,323,700	21,186,455	15,442,122	749,371	(17,186,248)	29,515,400
Balance Sheet						
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	(368,095,111)	1,069,735,900	(753,033,372)	(1,696,240)	53,088,823	-
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	427,798	45,526,850	4,773	1,661,844	28,624,964	76,246,229
	3,731,162	8,967,967	11,335,908	850,232	9,649,130	34,534,399
Total Assets	100,957,424	1,210,992,625	128,803,675	57,934,925	91,769,366	1,590,458,015
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	2,547,538	26,869,860	48,291,568
Total liabilities	85,014,806	1,189,808,736	112,192,857	53,940,028	17,941,481	1,458,897,908
Equity and Reserves	15,942,618	21,183,889	16,610,818	3,994,897	73,827,885	131,560,107
Total Equity & liabilities	100,957,424	1,210,992,625	128,803,675	57,934,925	91,769,366	1,590,458,015
Contingencies & Commitments	93,691,022	20,979,810	216,047,094	5,540,979	13,278,817	349,537,722
Additions to operating fixed assets	3,427	5,163,666	2,132	54,441	5,799,003	11,022,669

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

39.2 GEOGRAPHICAL SEGMENT ANALYSIS

	December 31, 2021			Total
	Domestic Operations	Middle East	China	
Rupees in '000				
Profit and Loss Account				
Net mark-up, return, profit	45,110,075	477,067	-	45,587,142
Inter segment revenue - net	27,961	(27,961)	-	-
Non mark-up, return, interest income	15,760,854	177,377	-	15,938,231
Total Income	60,898,890	626,483	-	61,525,373
Segment direct expenses	(33,790,246)	(129,125)	(26,267)	(33,945,638)
Total expenses	(33,790,246)	(129,125)	(26,267)	(33,945,638)
Provisions	781,140	29,960	-	811,100
Profit or (loss) before tax	27,889,784	527,318	(26,267)	28,390,835
Statement of Financial Position				
Cash & Bank balances	125,056,068	253,583	-	125,309,651
Investments	1,063,544,594	950,306	-	1,064,494,900
Net inter segment lendings	247,119	-	-	247,119
Lendings to financial institutions	45,205,791	-	-	45,205,791
Advances - performing	624,672,451	27,467,218	-	652,139,669
Advances - non-performing	13,600,760	-	-	13,600,760
Provision against advances	(12,769,413)	(81,339)	-	(12,850,752)
Advances - net	625,503,798	27,385,879	-	652,889,677
Operating fixed assets	80,819,106	51,917	-	80,871,023
Others	40,878,714	259,128	-	41,137,842
Total Assets	1,981,255,190	28,900,813	-	2,010,156,003
Borrowings	395,242,098	24,516,551	-	419,758,649
Subordinated debt	-	-	-	-
Deposits & other accounts	1,413,295,246	15	-	1,413,295,261
Net inter segment borrowing	-	247,119	-	247,119
Others	49,549,835	60,600	-	49,610,435
Total liabilities	1,858,087,179	24,824,285	-	1,882,911,464
Equity	123,168,011	4,076,528	-	127,244,539
Total Equity and liabilities	1,981,255,190	28,900,813	-	2,010,156,003
Contingencies and commitments	440,330,582	-	-	440,330,582

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

	December 31, 2020			
	Domestic Operations	Middle East	China	Total
Rupees in '000				
Profit and Loss Account				
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
Total Income	60,305,656	657,447	-	60,963,103
Segment direct expenses	(30,458,766)	(120,538)	(24,849)	(30,604,153)
Total expenses	(30,458,766)	(120,538)	(24,849)	(30,604,153)
Provisions	(783,667)	(59,883)	-	(843,550)
Profit or (loss) before tax	29,063,223	477,026	(24,849)	29,515,400
Statement of Financial Position				
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
Operating fixed assets	76,199,218	47,011	-	76,246,229
Others	34,403,514	130,885	-	34,534,399
Total Assets	1,572,111,903	18,346,112	-	1,590,458,015
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
Total liabilities	1,443,928,298	14,969,610	-	1,458,897,908
Equity	128,183,605	3,376,502	-	131,560,107
Total Equity and liabilities	1,572,111,903	18,346,112	-	1,590,458,015
Contingencies and commitments	349,537,722	-	-	349,537,722

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

40 RELATED PARTY TRANSACTIONS

The Bank has related party relationships with its parent, subsidiary, companies with common directorship, directors, employee benefit plans and key management personnel including their associates.

Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation and terms of the contribution plan. Remuneration of the key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

	December 31, 2021					December 31, 2020								
	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													
Balances with other banks														
In current accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
In deposit accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions														
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repaid during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in and (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments														
Opening balance	-	-	500,000	-	-	25,000	-	-	-	500,000	-	-	-	25,000
Investment made during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment redeemed and disposed off during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in and (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	500,000	-	-	25,000	-	-	-	500,000	-	-	-	25,000
	-	-	500,000	-	-	25,000	-	-	-	500,000	-	-	-	25,000
Provision for diminution in value of investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advances														
Opening balance	-	2,969	156,424	-	-	496	-	4,764	196,884	-	-	-	-	575
Addition during the year	-	112,084	253,507	-	-	13,619,387	-	17,055	62,365	-	-	-	-	4,287
Repaid during the year	-	(51,242)	(108,138)	-	-	(13,617,454)	-	(18,850)	(102,845)	-	-	-	-	(4,366)
Transfer in and (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	63,811	301,793	-	-	2,429	-	2,969	156,424	-	-	-	-	496
	-	63,811	301,793	-	-	2,429	-	2,969	156,424	-	-	-	-	496
Provision held against advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

	December 31, 2021	December 31, 2020
	Rupees in '000	
41 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	11,450,739	11,450,739
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	97,235,663	93,659,434
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	97,235,663	93,659,434
Eligible Tier 2 Capital	20,152,261	27,703,024
Total Eligible Capital (Tier 1 + Tier 2)	117,387,924	121,362,458
Risk Weighted Assets (RWAs):		
Credit Risk	388,941,078	345,701,270
Market Risk	32,787,687	41,310,018
Operational Risk	104,299,052	94,653,446
Total	526,027,817	481,664,734
Common Equity Tier 1 Capital Adequacy ratio	18.48%	19.44%
Tier 1 Capital Adequacy Ratio	18.48%	19.44%
Total Capital Adequacy Ratio	22.32%	25.20%

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, 2021 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, 2021 stood at 22.32% 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, 2021	December 31, 2020
	Rupees in '000	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	97,235,663	93,659,434
Total Exposures	2,488,085,909	1,847,990,820
Leverage Ratio	3.91%	5.07%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	642,371,329	526,731,728
Total Net Cash Outflow	345,039,134	293,826,179
Liquidity Coverage Ratio	186.17%	179.27%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	1,330,494,083	1,167,425,806
Total Required Stable Funding	934,385,758	751,874,375
Net Stable Funding Ratio	142.39%	155.27%

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

41.1 The link to the full disclosure is available at <https://www.abl.com/investor-relations/>

42 RISK MANAGEMENT

The principal risks associated with the Bank's business are credit risk, market risk, liquidity risk, reputational risk, operational risk, and information security & governance risk and Shariah Non- Compliance Risk. The Risk Management Framework (henceforth to be referred to as 'The Framework') provides principles for identifying, assessing, and monitoring risk within the Bank. The Framework specifies the key elements of the risk management process in order to maximize opportunities, minimize adversities and to achieve improved outputs based on informed decision making.

The Bank performs risk measurement, monitoring and control functions through use of various risk procedures and models. To give it a formal structure, all the policies and guidelines are approved by the Board and relevant management committees.

Risk management functions have been segregated by business specialization, i.e., Credit Risk, Credit Administration, Technical Appraisal, Information Security and Enterprise Risk which inter alia includes Policy and Procedure, Risk Architecture, Reputational Risk, Operational Risk and Market & Liquidity Risk. All these functions are operating in tandem to improve and maintain the health of the Bank's assets and liabilities.

Categories of Risk

Credit Risk This risk is defined as the possibility of loss due to unexpected default or a deterioration of credit worthiness of a business partner.

Credit Risk includes Country Risk i.e., the risks that counterparty is unable to meet its foreign currency obligations as a result of adverse economic conditions or actions taken by governments in the relevant country.

Market Risk The risk that the value of on and off-balance sheet positions of the Bank will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates, equity prices, credit spreads and / or commodity prices, resulting in a loss to earnings and capital.

Liquidity Risk The risk that the Bank is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn without incurring unacceptable cost or losses.

Operational Risk Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events. The definition includes legal risk but excludes strategic risk and reputational risk.

Reputational Risk The Reputational risk arises from the negative perception on the part of stakeholders that can adversely affect a bank's ability to maintain existing, or establish new, business relationships and continued access to sources of funding.

Information Security & Governance Risk Information Security Governance Risk Management involves the identification of an organization's information assets and the development, documentation, and implementation of policies, standards, procedures and controls that ensure confidentiality, integrity and availability of the information.

Strategic Risk Risk of an adverse impact on strategic goals. Strategic risk mainly arises from strategic decisions, improper implementation of those decisions, or lack of responsiveness of Bank to industry, economic or technological changes.

Shariah Non-Compliance Risk Shariah Non Compliance Risk arises from the failure to comply with shariah rules and principles determined by the shariah board of the Bank and the Regulator.

Risk Responsibilities

- The Board of Directors shall oversee the risk management process. The Board of Directors is responsible for determining the manner in which risk authorities are set, as well as the approval of all risk policies and ensuring that these are properly implemented. Further, the Board of Directors shall also seek appointment of senior management personnel capable of managing the risk activities conducted by the Bank.
- The Board Risk Management Committee (BRMC) is responsible for ensuring that the overall risk strategy and risk acceptance criteria of the Bank is appropriately defined in the Strategic Plan and recommend the same to the Board of Directors.
- The Chief Executive Officer and Group Chiefs shall be responsible for the management of risk collectively through their membership of various committees i.e. Management Committee (MANCO), Asset & Liability Committee (ALCO), Compliance Committee (CC) and Risk Management Committee (RMC). Independent supervision of risk management activities is provided by the Audit Committee of the Board.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

- The Risk Management Group is headed by a Group Chief responsible for set-up and implementation of the Risk Management Strategy of the Bank.

Risk Management Group Organization

Risk management functions have been segregated by business specialization, i.e., Credit Risk, Credit Administration, Technical Appraisal, Information security and Enterprise Risk which interalia includes Risk Architecture, Operational Risk and Market & Liquidity Risk. All these functions are operating in tandem to monitor the health of assets and liabilities, while ensuring risk mitigants against cyber and information system threats.

42.1 Credit Risk

Credit risk, the potential default of one or more debtors, is a major source of risk for the Bank. The Bank is exposed to credit risk through its lending and investment activities. The Bank's credit risk function is divided into Corporate and Financial Institutions Risk and Commercial, SME and Consumer Risk. The functions operate within an integrated framework of credit policies, guidelines and processes. The credit risk management activities are governed by the Credit Policy of the Bank that defines the respective roles and responsibilities, the credit risk management principles and the Bank's credit risk strategy. The policy is supported by a comprehensive Credit Procedures Manual.

The Bank manages three principal sources of credit risk:

- i) Sovereign credit risk on its public sector advances
- ii) Counterparty credit risk on its private sector advances
- iii) Counterparty credit risk on interbank limits

Sovereign Credit Risk

When the Bank lends to public sector borrowers, it prefers obtaining a full sovereign guarantee or the equivalent from the Government of Pakistan (GOP). However, certain public sector enterprises have a well defined cash flow stream and appropriate business model, based on which the lending is secured through collaterals other than GOP guarantee.

Counterparty credit risk on its private sector advances

Each borrower's credit worthiness is analyzed on the Credit Application Package that incorporates a formalized and structured approach for credit analysis and directs the focus of evaluation towards a balanced assessment of credit risk with identification of proper 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.

Counter Party Credit Risk on Interbank Limits

In the normal course of its business, the Bank's Treasury utilizes products such as Reverse REPO and call lending to meet the needs of interbank borrowers and manage its exposure to fluctuations in market, interest and currency rates. Further, these products are also used to temporarily invest Bank's liquidity prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty in the transaction may be unable to meet its obligation to the Bank.

Reflecting a preference for minimizing exposure to counterparty credit risk, the Bank maintains eligibility criteria that link the exposure limits to counterparty credit ratings by external rating agencies.

A. Country Risk

The Bank has in place a Country Risk Management Framework which has been approved by the Board. This framework focuses on providing detailed roles and responsibilities with respect to country risk assessment as well as limit setting, exposure management and reporting of cross border exposure undertaken by the Bank. The Bank utilizes S&P, Fitch and Moody's country ratings as well as other macroeconomic and external risk factors in assigning a country risk limit. The Financial Institutions Division is responsible for monitoring of country exposure limits.

Credit Administration

Credit Administration is involved in minimizing losses that could arise due to security and documentation deficiencies. The Credit Administration Function constantly monitors the security and documentation risks inherent in the existing credit portfolio through four regional credit administration departments located in major cities. Further, Credit Monitoring Division ensures implementation of all post disbursement activities as per bank guidelines to safeguard interests of the Bank through its three units i.e. Classification & Monitoring, Vigilance and Warehouse Management.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

	Gross lendings		Non-performing lendings		Provision held	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020

Rupees in '000

42.1.1 Lendings to financial institutions

Credit risk by public and private sector

Public and Government	-	954,435	-	-	-	-
Private	45,452,910	17,041,688	70,000	70,000	70,000	70,000
	45,452,910	17,996,123	70,000	70,000	70,000	70,000

	Gross Investments		Non-performing Investments		Provision held	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020

Rupees in '000

42.1.2 Investment in debt securities

Credit risk by industry sector

Basic metals (iron, steel)	500,000	500,000	-	-	-	-
Financial	10,505,600	6,029,152	-	-	-	-
Hotel, restaurant and clubs	429,055	440,444	-	-	-	-
Power, gas, water and sanitary	12,294,309	12,843,295	-	-	-	-
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	1,029,490,304	781,645,847	889,292	3,995,021	1,808	12,306
Others	103,498	103,498	103,498	103,498	103,498	103,498
	1,055,184,598	803,424,068	1,254,622	4,360,351	367,138	377,636

Credit risk by public and private sector

Public and Government	1,040,240,304	792,895,847	889,292	3,995,021	1,808	12,306
Private	14,944,294	10,528,221	365,330	365,330	365,330	365,330
	1,055,184,598	803,424,068	1,254,622	4,360,351	367,138	377,636

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

	Gross advances		Non-performing advances		Provision held	
	December 31,2021	December 31,2020	December 31,2021	December 31,2020	December 31,2021	December 31,2020
	Rupees in '000					
42.1.3 Advances						
Credit risk by industry sector						
Agriculture, Forestry and Hunting	147,123,343	84,694,483	624,664	633,891	584,105	580,929
Basic metals (iron, steel)	9,592,215	5,182,450	322,084	426,200	312,248	416,364
Cement, clay and ceramics	24,078,946	21,328,282	71,591	72,089	71,591	72,089
Chemical and pharmaceutical	37,195,811	25,228,172	362,126	380,438	362,126	380,438
Construction	10,643,190	7,406,481	133,975	156,783	129,475	156,783
Education	202,236	341,272	123	123	123	123
Financial	50,951,055	34,432,016	37,454	51,254	37,454	51,254
Footwear and leather garments	4,335,475	4,088,083	29,832	107,050	29,832	107,050
Furniture and sports goods	1,376,141	2,195,714	201,841	180,809	201,841	180,809
Grains, food and beverages	18,577,881	13,946,988	2,459,124	2,031,510	2,004,931	1,969,975
Health and social welfare	354,213	677,930	1,644	1,879	1,644	1,879
Hotel, restaurant and clubs	-	7,120	7,110	7,120	7,110	7,120
Individuals	16,139,680	10,703,791	337,369	356,814	330,333	346,586
Machinery and equipment	2,732,657	2,035,009	9,399	10,321	9,399	10,321
Manufacture of transport equipment	3,226,013	1,334,035	129,499	139,322	129,499	139,322
Paper and paper boards	11,677,865	8,299,420	207,274	208,134	207,274	208,134
Petroleum products	34,074,212	10,829,532	18,244	16,246	16,844	13,934
Power, gas, water and sanitary	127,141,983	139,165,794	-	-	-	-
Printing, publishing and allied	303,199	431,699	738	10,056	738	10,056
Real estate, renting, and business activities	7,419,067	8,905,436	-	-	-	-
Rubber and plastic	855,631	354,959	166,990	215,563	166,990	215,563
Sugar	5,392,472	7,092,113	37,850	45,866	37,850	45,866
Textile –Manufacture of made up & ready made garments	43,537,542	35,591,391	2,901,668	2,975,300	2,901,668	2,937,800
Textile - Finishing	17,410,759	17,322,221	2,710,184	2,819,937	2,710,184	2,819,938
Textile - Spinning	22,837,292	20,349,866	943,308	1,240,095	943,308	1,240,095
Textile - Weaving	3,761,552	3,480,392	454,979	457,029	245,342	246,691
Transport, storage and communication	23,838,158	16,343,070	95,489	111,434	38,804	42,790
Wholesale and retail trade	7,561,992	7,532,677	740,232	796,424	731,668	778,290
Others	33,399,849	20,873,348	595,969	708,972	538,016	652,330
	665,740,429	510,173,744	13,600,760	14,160,659	12,750,397	13,632,529
Credit risk by public and private sector						
Public and Government	305,411,957	217,105,175	34,330	134,330	34,330	134,330
Private	360,328,472	293,068,569	13,566,430	14,026,329	12,716,067	13,498,199
	665,740,429	510,173,744	13,600,760	14,160,659	12,750,397	13,632,529

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

	December 31, 2021	December 31, 2020
	Rupees in '000	
42.1.4 Contingencies and Commitments		
Credit risk by industry sector		
Agriculture, Forestry and Hunting	655,478	662,389
Basic metals (iron, steel)	4,360,213	3,782,399
Cement, clay and ceramics	19,034,038	4,763,917
Chemical and pharmaceutical	8,638,835	3,322,475
Construction	6,069,105	6,576,197
Education	12,310	112,070
Financial	288,390,529	224,962,287
Footwear and leather garments	230,066	381,473
Furniture and sports goods	132,780	36,860
Grains, food and beverages	1,854,262	1,166,655
Health and social welfare	432,346	318,214
Hotel, restaurant and clubs	7,859	960
Individuals	8,161,560	6,133,001
Machinery and equipment	24,901,589	24,615,744
Manufacture of transport equipment	2,708,524	1,332,343
Paper and paper boards	779,279	923,951
Petroleum products	26,348,261	18,510,153
Power, gas, water and sanitary	9,765,018	15,806,650
Printing, publishing and allied	86,496	168,415
Rubber and plastic	3,333,648	2,348,868
Sugar	30,539	56,147
Textile - Manufacture of made up and ready made garments	2,381,756	1,084,714
Textile - Finishing	6,780,525	7,247,609
Textile - Spinning	1,452,547	1,702,452
Textile - Weaving	2,008,794	5,227,105
Transport, storage and communication	3,557,944	2,725,212
Wholesale and retail trade	11,388,996	9,332,606
Others	6,827,285	6,236,856
	440,330,582	349,537,722
Credit risk by public and private sector		
Public and Government	107,789,123	42,926,933
Private	332,541,459	306,610,789
	440,330,582	349,537,722

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

42.1.5 Concentration of Advances

The Bank's top 10 exposures on the basis of total (funded and non-funded) exposures aggregating to Rs. 338,676.3 million (December 31, 2020: Rs. 224,082.04 million) are as following:

	December 31, 2021	December 31, 2020
Rupees in '000		
Funded	271,288,662	179,022,993
Non Funded	67,387,633	45,059,043
Total Exposure	338,676,295	224,082,036

The sanctioned limits against these top 10 exposures aggregated to Rs. 363,137.31 million (December 31, 2020: Rs. 277,083.62 million).

42.1.6 Advances – Province/Region-wise Disbursement and Utilization

Province and Region	During the year ended December 31, 2021						
	Disbursements		Utilization				
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan	
Rupees in '000							
Punjab	771,407,231	705,101,872	34,983,571	1,783,082	15,704	29,472,660	50,342
Sindh	1,110,887,878	70,737,345	1,029,441,170	6,572,989	4,136,374	-	-
KPK including FATA	2,156,289	-	-	2,156,289	-	-	-
Balochistan	1,045,911	-	-	-	1,045,911	-	-
Islamabad	327,615,203	153,438,233	15,724,654	-	-	158,452,316	-
AJK including Gilgit-Baltistan	457,870	-	-	-	-	-	457,870
Total	2,213,570,382	929,277,450	1,080,149,395	10,512,360	5,197,989	187,924,976	508,212

Province and 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
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

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

42.2 Market Risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. Thus market risk can be further described into Interest Rate Risk, Foreign Exchange Risk and Equity Position Risk.

Market Risk performs risk measurement, monitoring and control functions through the use of various risk procedures and models. To give it a formal structure, all the policies and guidelines are approved by the Board of Directors and the relevant management committees.

The Bank uses three types of risk management tools to measure the Bank's Market Risk: Value-at Risk (VaR), Expected Shortfall (ES) and Stress Testing. In addition, control limits are utilized to maintain the risks within acceptable levels.

The Bank maintains adequate regulatory capital to cover all interest rate risks falling under the "Trading Book" as well as "Banking Book", as defined by Basel capital accord. The Bank uses Standardized Approach in determining 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.

42.2.1 Market Risk Pertaining to the Trading Book

Trading Book

The Trading Book of the Bank consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. To be eligible for trading book, financial instruments must be held with the intent of trading and free of any restrictive covenants on their tradability. In addition, positions need to be frequently and accurately valued and the portfolio should be actively monitored and managed accordingly.

The Bank's trading book includes securities classified as 'Held-For-Trading', 'Open Ended Mutual Fund' and non-strategic listed equity placed in 'Available-for-Sale' category. These positions are exposed to all forms of market risk and are managed actively.

Risk Pertaining to Banking Book Investment Portfolio

All investments excluding trading book are considered as part of banking book. Banking book includes:

- i) Available-for-sale securities – (other than non-strategic listed equity)
- ii) Held-to-maturity securities

Treasury investments parked in the banking book include:

- i) Government securities
- ii) Capital market investments
- iii) Investments in bonds, debentures, etc.

Due to the diversified nature of investments in banking book, it is subject to interest rate risk, equity price risk and FX risk.

Stress Testing

The Bank also conducts Stress Testing of the Bank's investment portfolio to ascertain the impact of various scenarios on the capital adequacy and sustainability of the Bank. The exercise assumes various stress conditions, with respect to Interest Rate Risk, Equity Price Risk, FX Risk and Liquidity Risk. Stress testing is also conducted on various macro-economic scenarios to test the resilience of the Bank.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

	December 31, 2021			December 31, 2020		
	Banking book	Trading book	Total	Banking book	Trading book	Total
Rupees in '000						
43.2.2 Balance sheet split by trading and banking books						
Cash and balances with treasury banks	124,406,408	-	124,406,408	128,391,896	-	128,391,896
Balances with other banks	903,243	-	903,243	7,236,502	-	7,236,502
Lendings to financial institutions	45,452,910	-	45,452,910	17,996,123	-	17,996,123
Investments	1,050,526,349	13,968,551	1,064,494,900	814,213,251	15,407,859	829,621,110
Advances	652,889,677	-	652,889,677	496,431,756	-	496,431,756
Fixed assets	78,002,712	-	78,002,712	73,529,440	-	73,529,440
Intangible assets	2,868,311	-	2,868,311	2,716,789	-	2,716,789
Deferred tax assets	1,488,287	-	1,488,287	-	-	-
Other assets	39,649,555	-	39,649,555	34,534,399	-	34,534,399
	<u>1,996,187,452</u>	<u>13,968,551</u>	<u>2,010,156,003</u>	<u>1,575,050,156</u>	<u>15,407,859</u>	<u>1,590,458,015</u>

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, 2021				December 31, 2020			
	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	1,935,743,217	1,756,492,606	(45,685,805)	133,564,806	1,532,039,158	1,343,681,669	(56,271,575)	132,085,914
United States Dollar	73,374,430	116,613,825	36,943,772	(6,295,623)	57,531,093	105,927,822	47,812,442	(584,287)
Great Britain Pound Sterling	499,291	5,795,451	5,271,808	(24,352)	320,386	5,282,279	4,967,145	5,252
Japanese Yen	29,502	1,222	(28,284)	(4)	(7,063)	1,203	9,299	1,033
Euro	212,149	4,001,202	3,789,167	114	428,987	3,999,336	3,581,242	10,893
Other currencies	297,414	7,158	(290,658)	(402)	145,454	5,599	(98,553)	41,302
	<u>74,412,786</u>	<u>126,418,858</u>	<u>45,685,805</u>	<u>(6,320,267)</u>	<u>58,418,857</u>	<u>115,216,239</u>	<u>56,271,575</u>	<u>(525,807)</u>
	<u>2,010,156,003</u>	<u>1,882,911,464</u>	<u>-</u>	<u>127,244,539</u>	<u>1,590,458,015</u>	<u>1,458,897,908</u>	<u>-</u>	<u>131,560,107</u>

	December 31, 2021		December 31, 2020	
	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	-	(38,554)	-	(3,418)
- Other comprehensive income	-	-	-	-
	-	(38,554)	-	(3,418)

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

42.2.4 Equity position Risk

Equity Price Risk is risk to earnings or capital that results from adverse changes in stock prices (single stocks, or a basket of stocks, or overall stock market). ABL holds a diversified portfolio of equity investments in order to minimize non-systematic risk while retaining acceptable systematic risk. ALCO ensures that equity price risk is mitigated through prudent portfolio management.

The Bank maintains adequate regulatory capital to cover against equity price risk. Equity investments classified as “Held-for-Trading” as well as listed non-strategic equity investments classified as “Available-for-Sale” are part of the “Trading Book” and are subject to market risk change as specified by the Basel Framework. Un-listed and listed strategic equity investment are part of the “Banking Book” and are subject to credit risk charge as specified by the Basel Framework.

	December 31, 2021		December 31, 2020	
	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	(96,194)	(422,195)	(214,326)	(500,755)

42.2.5 Yield and Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Interest rate and Rate of return risk is the current or prospective risk of losses, to both the Bank’s capital and earnings, arising from movements in interest rates and rates of return. The Bank has a robust system in place to monitor Interest rate risk and ALCO regularly analyses the interest rate scenario and devises strategies to minimize adverse impact of interest rate risk on the Bank’s equity and profits.

Interest rate risk is measured through “duration” of an instrument. To assess the interest rate risk at Balance Sheet and Income Statement level, gap analysis on “re-pricing schedule” is utilized. Re-pricing schedule is a distribution of interest-sensitive assets, liabilities, and Off-Balance Sheet positions into a number of predefined time bands according to their maturity (if fixed-rate) or time remaining to their next re-pricing (if floating-rate), and is calculated in compliance with SBP instructions. For non-contractual assets and liabilities, an ALCO approved methodology is utilized to place these assets and liabilities in the re-pricing schedule. This methodology is based on the results of a behavioural analysis which statistically models the historical trends of the last 5 years.

Government securities (PIBs & T-Bills, Sukuks), Bonds, Debentures, etc. and other money market investments are subject to interest rate / rate of return risk. To capture the risk associated with these securities, extensive modeling is being done with respect to duration analysis. Stress testing and scenario-based models are also in place to capture the sensitivity of the portfolio to adverse movement in interest rates. For prudent risk management, all money market investments are marked to market to assess changes in the market value of investments due to interest rate movements. Yield/ Interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

In accordance with BSD Circular No.03 of 2011, issued by the SBP, Bank is required to report interest rate sensitivity gap of assets and liabilities on the basis of an objective and systematic behavioural study which is approved by ALCO.

	December 31, 2021		December 31, 2020	
	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	-	-	-	-
– Other comprehensive income	(4,256,832)	(16)	(4,908,511)	-

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

42.2.6 Mismatch of Interest Rate Sensitive Assets and Liabilities

	Effective Yield/ Interest rate	Total	December 31, 2021										Non-interest bearing financial instruments	
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years			
On-balance sheet financial instruments														
Assets														
Cash and balances with treasury banks		124,406,408	9,588,566	-	-	-	-	-	-	-	-	-	-	114,817,842
Balances with other banks		903,243	-	-	-	-	-	-	-	-	-	-	-	903,243
Lending to financial institutions	4.54%	45,452,910	45,452,910	-	-	-	-	-	-	-	-	-	-	-
Investments	8.55%	1,064,494,900	331,550,505	355,855,787	175,468,682	21,614,119	2,499,737	63,487,936	42,506,119	52,582,018	-	-	-	18,929,996
Advances	7.15%	652,889,677	314,011,257	140,615,348	102,982,005	43,420,250	1,176,504	2,948,838	8,853,845	27,672,028	6,656,463	-	-	4,553,140
Other assets		37,077,831	-	-	-	-	-	-	-	-	-	-	-	37,077,831
		1,925,224,969	700,603,238	496,471,135	278,450,688	65,034,369	3,676,241	66,436,774	51,359,964	80,254,046	6,656,463	-	-	176,282,052
Liabilities														
Bills payable		10,059,879	-	-	-	-	-	-	-	-	-	-	-	10,059,879
Borrowings	6.21%	420,005,768	92,857,546	280,867,954	7,598,990	8,141,964	491,254	763,100	27,619,136	1,665,823	-	-	-	-
Deposits and other accounts	3.66%	1,413,295,261	211,693,642	272,222,073	390,099,818	109,840,580	59,430,629	5,020,534	308,734	588,149	-	-	-	384,091,101
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt		-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities		39,071,912	-	-	-	-	-	-	-	-	-	-	-	39,071,912
		1,882,432,819	304,551,189	553,090,027	397,698,808	117,982,544	39,921,884	5,783,634	27,927,870	2,253,972	-	-	-	433,222,891
On-balance sheet gap		42,792,150	396,052,049	(56,618,899)	(119,248,121)	(52,948,175)	(36,245,649)	60,653,139	23,432,094	78,000,075	6,656,463	-	-	(256,940,839)
Off-balance sheet financial instruments														
Documentary credits and short-term trade-related transactions		153,427,852	17,274,549	24,772,628	55,556,921	30,757,574	19,243,342	3,283,169	544,371	25,110	-	-	-	1,970,189
Commitments in respect of purchase of:														
- forward foreign exchange contracts		161,470,903	58,339,599	75,248,545	26,711,669	1,171,090	-	-	-	-	-	-	-	-
- forward government securities transactions		-	-	-	-	-	-	-	-	-	-	-	-	-
- derivatives		-	-	-	-	-	-	-	-	-	-	-	-	-
- forward lending		-	-	-	-	-	-	-	-	-	-	-	-	-
		161,470,903	58,339,599	75,248,545	26,711,669	1,171,090	-	-	-	-	-	-	-	-
Commitments in respect of sale of:														
- forward foreign exchange contracts		115,563,825	41,374,010	37,440,541	35,822,433	926,841	-	-	-	-	-	-	-	-
- forward government securities transactions		-	-	-	-	-	-	-	-	-	-	-	-	-
- derivatives		-	-	-	-	-	-	-	-	-	-	-	-	-
- forward lending		-	-	-	-	-	-	-	-	-	-	-	-	-
		115,563,825	41,374,010	37,440,541	35,822,433	926,841	-	-	-	-	-	-	-	-
Other commitments		21,866,605	4,285,729	2,763,532	8,934,664	5,718,055	35,587	35,587	71,174	14,851	7,426	-	-	-
Off-balance sheet gap		221,201,534	38,625,866	65,344,164	55,380,821	36,719,878	19,278,929	3,318,756	615,545	39,961	1,977,615	-	-	-
Total Yield and Interest Risk Sensitivity Gap		263,993,684	434,577,916	8,725,271	(63,867,300)	(16,228,297)	(16,986,714)	63,971,895	24,047,639	78,040,036	8,634,078	-	-	(256,940,839)
Cumulative Yield and Interest Risk Sensitivity Gap		263,993,684	434,577,916	443,303,187	379,435,887	363,207,590	346,240,876	410,212,771	434,260,410	512,300,446	520,934,523	-	-	263,993,684

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

	Effective Yield/ Interest rate	December 31, 2020										Non-interest bearing financial instruments	
		Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 Years		
On-balance sheet financial instruments													
Assets													
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	56,723,872	18,334,582	-	-	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	-	-	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	-	-	189,127,265
Liabilities													
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	3,868,238	20,739,092	-	-	-
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	-	-	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	66,920,868	50,855,288	1,289,600	5,575,259	21,177,528	-	-	364,622,788
On-balance sheet gap		57,933,749	26,495,455	114,012,209	(130,864,712)	77,504,023	59,362,884	7,428,678	57,189,949	17,922,426	-	-	(175,495,523)
Off-balance sheet financial instruments													
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	-	-	-
Off-balance sheet gap		205,823,277	30,088,505	34,760,032	96,367,798	27,156,066	13,182,629	2,727,251	294,616	23,099	-	-	1,223,291
Total Yield and Interest Risk Sensitivity Gap		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	-	-	(175,495,523)
Cumulative Yield and Interest Risk Sensitivity Gap		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, 2021

Reconciliation to total assets	December 31,	December 31,	Reconciliation to total liabilities	December 31,	December 31,
	2021	2020		2021	2020
	(Rupees in '000)	(Rupees in '000)		(Rupees in '000)	(Rupees in '000)
Balance as per balance sheet	2,012,099,731	1,593,090,255	Balance as per balance sheet	1,884,855,191	1,459,320,969
Less: Non financial assets			Less: Non financial liabilities		
Fixed assets	80,871,023	76,375,092	Deferred tax liabilities	1,943,727	3,978,448
Deferred Tax Assets	3,432,014		Other liabilities	478,645	569,966
Other assets	2,571,724	1,941,845		2,422,372	4,548,414
	86,874,761	78,316,937			
Total financial assets	1,925,224,969	1,514,773,318	Total financial liabilities	1,882,432,819	1,454,772,555

42.3 Operational Risk

The Bank, like all financial institutions, is exposed to different types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and the execution of legal, fiduciary and agency responsibilities.

In accordance with the BoD approved Operational Risk Management Policy (ORM), Bank maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the bank's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to industry best practices.

The Bank has implemented workflow based system "Risk Nucleus" for Operational Risk Loss Data Collection & Reporting, Risk Control & Self Assessment (RCSA) and Key Risk Indicators (KRIs) monitoring. Further, major Operational Risk events are also analyzed from the control breaches perspective and mitigating controls are assessed on design and operating effectiveness. Quarterly updates on Operational Risk events are presented to senior management and Board's Risk Management Committee & BoD.

The Bank has a BoD approved BCP policy and Business Continuity Plan applicable to all its functional areas. The Bank updates functional BCPs on annual basis or at any process change.

The Bank is also implementing internationally accepted Integrated Framework on Internal Control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), with a view to consolidate and enhance the existing internal control processes.

The Bank with permission of SBP is conducting a parallel run for Alternate Standardized Approach (ASA) for Basel II – Operational Risk Capital Charge Reporting, which signifies readiness of the Bank to move to advance approach.

Outbreak of COVID 19 and continuous resurgence of the pandemic waves due to mutation of the virus has been a cause of concern for the banking industry and required continuous monitoring and transformation in the existing way of doing business. The operating procedures of the Bank were transformed and business continuity plan were updated in line with the guidelines issued by the Government, Health Care and Regulatory Authorities, in a timely manner to minimize the impact of disruption on business activities and on service delivery to the customers without compromise to the safety of all the stakeholders including customers and employees in particular.

42.4 Liquidity Risk

Liquidity Risk is the risk that the Bank is unable to fund its current obligations and operations in the most cost efficient manner. The Bank's Board of Directors has delegated the responsibility to Asset and Liability Committee (ALCO) for ensuring that Bank's policy for liquidity management is adhered to on a continual basis. ALCO uses gap analysis based on "maturity schedule" to assess the Bank's liquidity risk and devise strategy accordingly. The Bank has various limits and triggers in place to monitor liquidity risk on a periodic basis, while it also utilizes stress testing to assess adequacy of Bank's liquid assets. The Bank complies with State Bank of Pakistan's instructions on Liquidity Standards as prescribed under the Basel III Framework.

Liquidity Management Framework

Daily liquidity management is carried out centrally by the Asset and Liability Management (ALM) Desk in Treasury Group which manages the day to day liquidity needs of the Bank. Funding and liquidity management strategies are regularly discussed during Asset and Liability Committee (ALCO) meetings. The discussions include analysis on composition of deposits and tenure, funding gaps and concentration, monitoring of short and long-term liquidity ratios (including Liquidity Coverage Ratio and Net Stable Funding Ratio). The Bank utilizes internal Management Action Triggers and Limits which act as early warning indicators and safeguards to ensure sufficient liquidity buffers at all times. Additionally, stress tests are performed to evaluate available liquidity under a range of adverse scenarios and to identify potential vulnerabilities in portfolios. The Bank also has in place contingency funding plan that identifies specific management actions that can be invoked in times of liquidity crisis.

Liquidity Risk Management

The Bank has in place a robust Recovery Plan in place to deal with any liquidity crisis in the most efficient and effective manner. SBP initiatives such as deferral of principal and rescheduling and restructuring of loans may have an adverse effect on liquidity and maturity profile of the Bank, however the Bank holds sufficient liquidity buffer to absorb any unforeseen shocks during the prevailing situation. Moreover, the Asset and Liability Committee (ALCO) of the Bank continues to regularly monitor the liquidity position of the Bank in view of emerging risks.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

Liquidity Risk Mitigation Techniques

The Bank uses the following tools to identify and mitigate Liquidity Risk:

- Gap Analysis
- Liquidity Ratio
- Liquidity Stress Testing
- Contingency Funding Plan
- Risk Control Limits (RCLs)

42.4.1 Maturities of Assets and Liabilities – based on contractual maturity of the assets and liabilities of the Bank

	December 31, 2021													
	Total	Upto 1 Day	Upto 7 Days	Upto 14 Days	Upto 1 Month	Upto 2 Months	Upto 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Up to 1 year	Upto 2 years	Upto 3 years	Over 3 to 5 years	Over 5 years
Rupees in '000														
Assets														
Cash and balances with treasury banks	124,406,408	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	903,243	-	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	45,452,910	-	45,452,910	-	-	-	-	-	-	-	-	-	-	-
Investments – net	1,064,494,900	18,929,996	39,717,977	104,349,534	213,159,631	60,229,821	40,543,609	21,459,589	154,530	165,495,462	110,334,627	120,694,585	169,425,638	
Advances – net	652,889,877	163,339,492	6,379,277	2,570,149	13,371,501	31,011,589	49,962,899	19,966,014	128,629,250	55,572,046	57,683,395	54,982,607	54,907,026	
Fixed assets	78,002,712	20,120	120,720	140,840	342,040	623,720	1,871,161	1,871,161	1,871,161	3,795,065	3,739,019	3,531,824	59,452,170	
Intangible assets	2,868,311	1,101	6,906	7,707	18,718	34,133	102,399	102,399	102,399	409,595	409,595	819,189	820,337	
Deferred tax assets	3,432,014	25,887	155,324	181,211	440,084	231,745	321,237	241,700	244,286	325,018	190,297	195,302	275,146	
Other assets – net	39,649,555	491,142	2,946,855	3,437,997	8,349,422	5,026,139	7,832,577	1,641,112	1,435,926	236,794	220,039	1,905,047	3,389,144	
	2,012,099,730	308,117,391	55,061,692	46,055,882	126,871,300	231,674,053	100,633,882	45,281,974	132,437,552	225,833,970	172,576,972	182,128,555	288,269,661	
Liabilities														
Bills payable	10,059,879	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	420,005,768	-	72,606,570	2,184,420	18,066,556	230,107,754	7,588,690	128,261	8,013,603	49,1254	763,100	4,723,762	24,561,198	
Deposits and other accounts	1,413,295,261	8,348,076	20,835,069	41,648,611	11,379,689	32,508,778	30,924,512	31,096,562	40,028,939	685,551	5,020,534	308,734	588,149	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	
Deferred tax liabilities – net	1,943,727	-	-	-	-	-	-	-	-	-	-	-	1,943,727	
Other liabilities	39,550,556	574,246	3,445,476	4,019,722	9,762,182	874,875	1,574,893	1,483,357	1,448,446	2,515,630	1,834,012	3,052,599	7,631,497	
	1,884,855,191	1,200,586,181	84,400,122	27,039,212	69,477,349	242,821,064	40,098,385	32,678,280	49,490,988	3,692,435	7,617,647	8,085,094	94,724,571	
Net assets	127,244,539	(892,468,790)	(29,338,430)	19,016,670	57,393,950	(11,147,011)	13,012,994	12,603,695	82,946,563	222,141,534	164,959,326	174,043,461	253,545,090	
Share capital	11,450,739													
Reserves	26,784,066													
Unappropriated profit	19,539,127													
Surplus on revaluation of assets net of tax	69,470,607													
	127,244,539													

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

December 31, 2020													
	Total	Upto 1 Day	Upto 7 Days	Upto 14 Days	Upto 1 Month	Upto 2 Months	Upto 3 Months	Upto 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												
Assets													
Cash and balances with treasury banks	126,391,886	126,391,886	-	-	-	-	-	-	-	-	-	-	-
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	5,197,524	91,387,360	51,902,232	60,734,498	137,822,638
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	115,327,695	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	1,597,681	1,597,683	3,442,831	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	96,990	387,957	387,957	775,915	777,001
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets – net	34,534,389	551,111	3,306,668	3,857,779	9,388,894	2,751,646	4,633,998	3,375,752	765,958	215,780	206,035	1,674,218	2,988,546
	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	122,985,850	160,983,058	102,821,569	136,543,436	235,656,963
Liabilities													
Bills payable	9,622,020	9,622,020	-	-	-	-	-	-	-	-	-	-	-
Borrowings	193,928,066	-	99,011,365	1,312,675	8,570,667	4,296,464	26,514,701	7,580,131	105,702	17,587,637	670,935	3,858,238	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	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	45,825	411,401	283,757	283,584	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	1,120,408	2,133,065	1,585,138	2,654,022	6,635,055
Net assets	1,458,897,908	1,071,627,039	105,858,575	5,782,463	42,678,952	30,722,926	58,762,265	37,684,212	20,467,975	22,071,320	3,188,495	8,522,865	32,425,193
	131,560,107	(848,616,921)	(85,252,436)	17,271,285	(20,598,712)	94,874,968	119,214,614	83,710,595	102,517,875	138,911,738	99,653,074	128,020,571	203,231,770
Share capital	11,450,739	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	24,277,184	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	66,984,523	-	-	-	-	-	-	-	-	-	-	-	-
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, 2021

42.4.2 Maturities of assets and liabilities – based on expected maturities of the assets and liabilities of the Bank

December 31, 2021										
Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
Rupees in '000										
Assets										
Cash and balances with treasury banks	124,406,408	40,694,138	8,289,959	5,838,168	7,586,133	3,672,951	3,056,101	-	-	55,268,958
Balances with other banks	903,243	903,243	-	-	-	-	-	-	-	-
Lending to financial institutions	45,452,910	45,452,910	-	-	-	-	-	-	-	-
Investments – net	1,064,494,900	144,067,511	273,389,152	40,543,608	21,614,119	172,416,696	117,255,861	120,694,585	172,953,717	1,559,649
Advances – net	652,889,677	34,196,469	48,947,231	52,607,058	148,645,427	104,021,519	106,132,868	103,432,080	44,833,810	10,073,215
Fixed assets	78,002,712	623,720	1,247,441	1,871,161	3,742,322	3,795,055	3,739,019	3,531,824	4,691,353	54,760,817
Intangible assets	2,868,311	34,133	68,266	102,399	204,797	409,595	409,595	819,189	820,337	-
Deferred tax assets	3,432,014	802,507	836,520	321,237	485,986	325,018	190,297	195,302	275,146	-
Other assets – net	39,649,555	15,225,417	7,763,500	7,832,577	3,077,037	236,794	220,039	1,905,047	3,389,144	-
	2,012,099,730	282,000,048	340,542,069	109,116,208	185,355,822	284,877,627	231,003,780	230,578,028	226,963,508	121,662,640
Liabilities										
Bills payable	10,059,879	10,059,879	-	-	-	-	-	-	-	-
Borrowings	420,005,768	92,857,546	280,867,954	7,598,990	8,141,964	491,254	763,100	4,723,762	22,895,375	1,665,823
Deposits and other accounts	1,413,295,261	211,693,642	160,521,044	111,449,717	140,897,311	70,487,361	63,099,561	308,734	588,149	654,249,742
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities – net	1,943,727	-	-	-	-	-	-	-	-	1,943,727
Other liabilities	39,550,556	17,801,627	2,208,495	1,574,893	2,931,803	2,515,630	1,834,012	3,052,599	7,631,497	-
	1,884,855,191	332,412,694	443,597,494	120,623,600	151,971,077	73,494,245	65,696,673	8,085,094	31,115,021	657,859,292
Net assets	127,244,539	(49,615,794)	(100,079,126)	(11,007,886)	30,113,021	211,279,462	164,546,052	222,446,133	195,759,332	(536,196,655)
Share capital	11,450,739									
Reserves	26,784,066									
Unappropriated profit	19,539,127									
Surplus on revaluation	69,470,607									
of assets net of tax	127,244,539									

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										
Assets										
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
Liabilities										
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	6,635,065	-
	1,458,897,908	276,261,968	231,339,425	107,709,204	93,473,938	75,951,652	55,746,319	8,522,865	28,425,880	581,446,657
Net assets	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									

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2021

42.5 Derivative Risk

Market & Liquidity Risk Division under Risk Management Group is responsible for assessing and monitoring the derivative risk emanating from Bank's exposures.

The Bank buys and sells derivative instruments, for hedging and market making purposes, such as:

- Forward Exchange Contracts
- Foreign Exchange Swaps
- Equity Futures
- Forward Contracts for Government Securities

The Bank's Risk Management Group, Asset and Liability Committee (ALCO) and Board Risk Management Committee monitor the derivative risk and utilize Off-Balance Sheet gap analysis to implement prudent asset liability management of the Bank's derivative exposure

43 NON ADJUSTING EVENT AFTER THE REPORTING DATE

43.1 The Board of Directors of the Bank in its meeting held on February 17, 2022 has proposed a final cash dividend in respect of 2021 of Rs. 2.00 per share (2020: cash dividend Rs. 6.00 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, 2021 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2022.

44 GENERAL

44.1 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

44.2 Corresponding figures have been rearranged or reclassified where considered necessary, for the purpose of better presentation. However, no material restatements have been made.

45 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 17, 2022 by the Board of Directors of the Bank.

Muhammad Atif Mirza
Chief Financial Officer

Zafar Iqbal
Director

Aizid Razzaq Gill
President and Chief Executive

Mohammad Naeem Mukhtar
Chairman

Nazrat Bashir
Director



STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND OR ABOVE FROM (JANUARY 1, 2021 TO DECEMBER 31, 2021)

Amount in Million

Sr. No.	NAME AND ADDRESS OF BORROWER	NAME OF INDIVIDUALS/PARTNERS/ DIRECTORS	NIC NOS.	FATHER'S NAME	OUTSTANDING LIABILITIES AT THE BEGINNING OF THE PERIOD				PRINCIPAL WRITTEN-OFF	INTEREST/ MARK-UP WRITTEN-OFF	OTHER FINANCIAL RELIEF PROVIDED	TOTAL 9+10+11
					NAME OF DIRECTORS	PRINCIPAL	INTEREST/ MARK-UP	OTHER				
1	2	3	4	5	6	7	8	9	10	11	12	
1	SHAHNAWAZ CORPORATION Room No.8, Ground Floor, Gul Tower, I.I. Chundrigar Road, Karachi	MUHAMMAD SHAHNAWAZ KHAN	42401-0530477-7	MUHAMMAD BASHARAT KHAN	8,979	-	11,407	20,386	-	-	5,552	5,552
2	BISMILLAH OIL TRADERS & AGRICENTRE Waras Chowk, 177M Dairhan Wala, Distt: Bahawalnagar, Teh: Chishtian	MUHAMMAD EJAZ ALAM	31102-2771881-3	MUHAMMAD ALAM	5,999	-	5,026	11,025	-	-	4,726	4,726
3	BISMILLAH KNITTING CENTRE Pathanwala Chowk, Naimatabad Road, Faisalabad	RIFAQAT ALI	33100-107375-5	ADALAT KHAN	-	-	4,311	4,311	-	-	1,876	1,876
4	ISLAM TRADERS Shop No.10, Ghela Mandi, Sahiwal	ABDUL SALAMI	36502-6702563-1	ABDUL HAMEED	1,998	-	2,168	4,166	-	-	1,298	1,298
5	MAJEED RICE MILLS 8-Km Ari Wala Road, Sahiwal Guji, Sahiwal	MUHAMMAD ZUBAIR MUHAMMAD AZHAR	36502-8853186-5 33100-8170566-9	CH. ABDUL MAJEED CH. ABDUL MAJEED	21,779	-	11,587	33,366	-	-	5,679	5,679
6	DECENT COTTON GINNERS Basti Bhaitan Jamalpur, Tehsil Hasilpur	MUHAMMAD ALI CH. ABDUL HAMEED	31203-4437742-7 36501-0208948-9	GUL MUHAMMAD CH. FATEH MUHAMMAD	-	-	1,525	1,525	-	-	0,771	0,771
7	AURANGZEB SAEED & COMPANY Saidar Bazaar, Chichawatni	AURANGZEB SAEED	36104-0157232-3	MUHAMMAD SAEED	1,592	-	1,642	3,234	-	-	1,185	1,185
8	MAHAR TRADERS Bukhar Road, Kot Addu	MUHAMMAD SALEEM	32303-4604305-7	MUHAMMAD RAMZAN	-	-	1,706	1,706	-	-	0,746	0,746
9	KISSAN FLOUR MILLS Mudan Road, Lodhran	MALIK SAEED AHMED	36203-1772515-9	KARAM DIN	0,439	-	0,613	1,052	-	-	0,612	0,612
10	RAFIO AHMED House No.1207, Mohallah Nai Para, Thesli Distt. Mirpurkhas	RAFIO AHMED	44103-6609144-9	NATHI KHAN	1,666	-	0,883	2,549	-	-	0,699	0,699
11	RAMA ASIF NAEEM COMMISSION SHOP Ghala Mandi Kamoke, District Gujranwala	ASIF NAEEM	34102-6795130-1	MUHAMMAD YAQOOB	1,100	-	0,816	1,916	-	-	0,573	0,573
12	WARRAICH BROTHERS Village Dhonaki, P.O Khass, Tehsil Wazirabad, District Sialkot.	MULIAHID ASLAM WAR- RAICH	34104-2310105-7	MUHAMMAD ASLAM WAR- RAICH	0,347	-	1,023	1,370	-	-	0,505	0,505
13	GULISTAN FIBRES LTD, 2nd Floor, Finlay House, I.I. Chundrigar Road, Karachi	ABDUL SHAKOOR NASEER AHMED TANVEER AHMED N.R. SIDDIQUI RIAZ AHMED MUHAMMAD ABDULLAH MUHAMMAD YOUSUF	42201-03602264-5 42201-0632509-5 42201-0350138-5 42301-9612577-3 35202-2643382-5 42000-0545449-7 216-85-010681	HAJI JAWALUDDIN ABDUL SHAKOOR ABDUL SHAKOOR S.A. SIDDIQUI SHAIKH FAZAL KARIM MUHAMMAD LIMER MUHAMMAD YOUSUF	50,000	-	48,075	98,075	34,786	-	15,859	50,845
14	PARAMOUNT SPINNING MILLS LTD., 2nd Floor, Garden Heights 8 Abak Block, New Garden Town, Lahore	ABDUL SHAKOOR NASEER AHMED TANVEER AHMED N.R. SIDDIQUI RIAZ AHMED MUHAMMAD ABDULLAH SHAMSUDDIN KHAN GUL NAWAZ	42201-03602264-5 42201-0632509-5 42201-0350138-5 42301-9612577-3 35202-2643382-5 42000-0545449-7 519-49-128542 251-72-218370	HAJI JAWALUDDIN ABDUL SHAKOOR ABDUL SHAKOOR S.A. SIDDIQUI SHAIKH FAZAL KARIM MUHAMMAD LIMER AZZUDDIN KHAN MUHAMMAD AFZAL	126,661	-	116,610	243,271	51,243	-	37,332	88,575
15	LIAQAT & CO. Grain Market, Bahawal Nagar	LIAQAT ALI JAVED NADEEM ASIF	31101-8772019-3 31101-6042287-5	GHULAM RASOOL LIAQAT ALI JAVED	4,200	-	2,409	6,609	-	-	1,856	1,856
16	SALEEM NAEEM OIL MILLS Mouza Kotla, Bukhari Road, Kot Addu	HAQ NAWAZ	32303-7228437-1	MUHAMMAD RAMZAN	1,697	-	2,062	3,759	-	-	1,016	1,016

Sr. No.	NAME AND ADDRESS OF BORROWER	NAME OF INDIVIDUALS/PARTNERS/DIRECTORS		FATHER'S NAME	OUTSTANDING LIABILITIES AT THE BEGINNING OF THE PERIOD					PRINCIPAL WRITTEN-OFF	INTEREST/ MARK-UP WRITTEN-OFF	OTHER FINANCIAL RELIEF PROVIDED	TOTAL 9+10+11
		NAME OF DIRECTORS	NIC NOS.		PRINCIPAL	INTEREST/ MARK-UP	OTHER	TOTAL					
1		2	3	4	5	6	7	8	9	10	11	12	
17	NAVEED ASIAM Chak No.86 R PO Same, Sahiwal	NAVEED ASIAM	36502-7649520-5	MUHAMMAD ASLAM	1.989	-	1.382	3.381	9	-	-	0.882	0.882
18	INDUS CHEMICALS Mulan Road, Opp Khyajaban-e-Sanwar, D.G Khan	EJAZ FAREED FAYYAZ FAREED ZAHID FAREED MUMTAZ FAREED MUHAMMAD BUX KHOSRA MUSHTAQ AHMED	32102-8256634-3 32102-2180086-5 32102-1704817-3 32102-4912040-5 32102-9883753-5 32102-0926245-1	MUHAMMAD BUX MUHAMMAD BUX MUHAMMAD BUX MUHAMMAD AZEEM KHAN DIN MUHAMMAD	10.531	-	7.446	17.977	-	-	-	3.171	3.171
19	MADINA COTTON GINNERS Karampur Road, 3-Km Adda Peer Murad, Vehari.	ASGHAR ALI MUHAMMAD IRSHAD	36101-9721277-9 36101-7852046-1	MUHAMMAD ABDULLAH MUHAMMAD ABDULLAH	19.989	-	5.117	25.116	-	-	-	2.266	2.266
20	HAJI M RAFIQUE SHOE FACTORY Khanewal Road, Near N.N Bakers, Khushal Colony, Multan	HAJI MUHAMMAD RAFIQUE	36302-5374267-3	REHMAT ULLAH	-	-	2.694	2.694	-	-	-	1.347	1.347
21	SH. SAUDAGAR ALI & SONS Shop No. 1 Grain Market, Khanewal	MUHAMMAD ALI	36103-1072059-3	SH SAUDAGAR ALI	0.999	-	0.991	1.990	-	-	-	0.840	0.840
22	KHALID BROTHERS New Grain Market, Pattoki, Distt: Kasur	CH. AFZAL AHMED MUHAMMAD KHALID	35103-1369521-3 35103-1375218-9	GHULAM ALI MUHAMMAD SADIQ	-	-	2.623	2.623	-	-	-	2.523	2.523
23	M A TRADERS Badar Colony Pattoki, Distt: Kasur	MUHAMMAD ALI	35103-1667275-7	LAL DIN	3.495	-	1.422	4.917	-	-	-	1.088	1.088
24	SADAT AUTOS Renawal Sydan Tehsil, Distt: Gujrat, Gujranwala	ASHFAQ HUSSAIN SHAH	34201-0385337-9	AHMED SHAH	-	-	0.944	0.944	-	-	-	0.744	0.744
25	HASSAN MEHMOOD & CO., Mouza Rab Nawaz Pura, Chishtian Road, Bahawal- nagar.	HASSAN MEHMOOD	31101-4121037-7	SHAH NAWAZ	10.941	-	11.822	22.763	-	-	-	2.145	2.145
26	SAJJAD BROTHERS Ambala Colony, Ismailabad Multan.	SAJJAD AHMED	36302-0288386-9	SHARAFAT ALI	5.000	-	3.267	8.267	-	-	-	1.655	1.655
27	HAJI NAZIF WEAVING FACTORY Mohallah Fazal Dewan, Kamalla	MANZOOR AHMED	33302-2247830-5	NAZIF AHMED	0.450	-	1.619	2.069	-	-	-	0.958	0.958
28	NAJMA SUGAR MILLS LTD., H.No.18 Lugman Hakeem Road G-6/3 Islamabad	ALIYA KHAN RABIA SAEED KHALID MURAD SHAH JAHANZEB SIKANDAR BASHIR AHMED FAIZ MOHAMMAD DEHRI NOOR AHMED ZEB HUB ALI JAWALI	333-66-224302 270-70-534219 449-89-168666 101-71-527302 210-30-094525 487-38-082567 101-72-527303 457-43-024739	W.O SALEEM AHMED KHAN M.C AHMED SAEED SYED MOHAMMAD MURAD SIKANDAR HAYAT KHAN CH. MUHAMMAD ISMAIL ALLAH BUX SIKANDAR HAYAT MIR MOHAMMAD JAWALI	3.616	-	9.644	13.260	-	-	-	9.460	9.460
29	SH. M. AYUB RICE MILLS Chonia Road, Theing More, Elah Abad, Kasur	SHEIKH MUHAMMAD AYUB	35103-6808108-1	SHEIKH FAZAL DIN	3.955	-	2.477	6.432	-	-	-	2.181	2.181
30	TUCSON FAVORITE BOXING EQUIPEMENTS Duchhik, Ugol Sialkot.	SHAHID SALEEM MIRZA	34603-2351257-1	MIRZA ATTA ULLAH	69.606	-	49.937	119.543	-	-	-	5.871	5.871
31	AZAM BUILDING MATERIAL STORE Badian Road Lahore Cantt	MUHAMMAD AZAM KHAN	35201-7990897-5	SHER MUHAMMAD	3.499	-	2.762	6.261	-	-	-	2.076	2.076
32	ABDUL ALI & BROTHERS Sirk Road, Quetta	ABDUL ALI	54400-2009567-1	ABDUL WALI	9.498	-	5.654	15.152	-	-	-	3.596	3.596
33	SPENCER DISTRIBUTORS LTD 1st Floor Associated House 24 - Link Mcleod Road Lahore.	SHEKH ASIF SALAMI	35202-3143089-7	SHEKH ABDUL SALAMI	6.571	-	8.847	15.418	-	-	-	8.373	8.373
34	MUJAHID MOTOR Al Tamash Road, Gujjar Khadda, Multan	BAKHIT BEDAR ALI KHAN	36302-5794950-1	MOHIB ALI	17.595	-	8.293	25.888	-	-	-	8.372	8.372
35	VISION SOFT TECHNOLOGY 1054-B, Prime House, Near Eki Gah Main Khanewal Road, Multan.	SHAFIQ UR REHMAN ANWAR KHAN ASAD RAZA KHARAL	36302-0435767-1 36302-0360914-4 36302-04303569-1	MOLA BAKHISH ANWAR KHAN TARIQ IGBAL KHARAL	1.070	-	2.066	3.156	-	-	-	1.392	1.392
36	MULTI HOUSE Chowk Hamian Wala, M.A. Jinnah Road, Okara.	TAMHIR HUSSAIN	35302-1867016-3	MUHAMMAD RAMZAN	1.791	-	0.962	2.753	-	-	-	0.756	0.756
37	AMJAD TRADERS 01-KM, Ludian Road, Vehari	MUHAMMAD AMJAD	36603-4065009-3	HAQ MUHAMMAD	0.707	-	0.898	1.605	-	-	0.587	0.587	

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND OR ABOVE FROM (JANUARY 1, 2021 TO DECEMBER 31, 2021)

Amount in Million

Sr. No.	NAME AND ADDRESS OF BORROWER	NAME OF INDIVIDUALS/PARTNERS/ DIRECTORS			FATHER'S NAME	OUTSTANDING LIABILITIES AT THE BEGINNING OF THE PERIOD				PRINCIPAL WRITTEN-OFF	INTEREST/ MARK-UP WRITTEN-OFF	OTHER FINANCIAL RELIEF PROVIDED	TOTAL 9+10+11
		NAME OF DIRECTORS	NIC NOS.			4	5	6	7				
1	2	3	4	5	6	7	8	9	10	11	12		
38	CH. MUNIR & SONS COMMISSION SHOP Kasur Road Near Shakir Petroleum Despalpur.	MUNIR AHMAD	35301-6517626-5	MUHAMMAD FAZAL	MUHAMMAD FAZAL	1,498	1,176	2,674	-	-	0.548	0.548	
39	HAFIZ TRACTORS Pull Dai, Multan Road, D.G. Khan	MUHAMMAD ABDULLAH	32102-9210130-9	ALLAH BAKHSH	ALLAH BAKHSH	0.978	0.767	1,745	-	-	0.646	0.646	
40	MEMON FERTILIZER AGENCY National Highway, Hala, District Matiari	QUBAN ALI MEMON	41301-2677823-7	ABDUL SHAKOOR MEMON	ABDUL SHAKOOR MEMON	1,297	0.892	2,189	-	-	0.647	0.647	
41	AASS ENTERPRISES CNG STATION Plot No.2, Sector No.16, Block No.9, Sheet No.1, Orangi Town, Karachi.	MUHAMMAD SADIO JAWAL	42101-1725720-9	MUHAMMAD ISRAFEEL	MUHAMMAD ISRAFEEL	5,484	6,433	11,917	-	-	2,193	2,193	
42	AMIR ALI House No.20-A, Satellite Town Scheme - II, Mirpurkhas	AMIR ALI	44103-5937592-7	RASOOL BUX RAHOO	RASOOL BUX RAHOO	0.400	1,208	1,608	-	-	0.872	0.872	
43	NAWAB PVC PIPES PVT LTD., Opp. Fruit Market, G.T. Road, Gujrat	MUHAMMAD NAWAZ MUHAMMAD AKHTAR MEHMOODA NAWAZ SAJIDA AKHTAR	34201-0341418-3 35302-9286060-1 34201-0346118-8 35302-0345981-8	CH. NAWAB KHAN CH. NAWAB KHAN WO. CH. MUHAMMAD NAWAZ WO. MUHAMMAD AKHTAR	CH. NAWAB KHAN CH. NAWAB KHAN WO. CH. MUHAMMAD NAWAZ WO. MUHAMMAD AKHTAR	48,573	44,316	92,889	-	-	42,821	42,821	
44	RIZWAN OIL MILLS Hari Pur Chowk Kingra Road Sialkot	CH MUHAMMAD SARWAR	34603-0264254-5	CH MUHAMMAD HUSSAIN	CH MUHAMMAD HUSSAIN	0.822	1,031	1,853	-	-	0.846	0.846	
45	BISMILLAH TRADERS 81 C Faisal Town Lahore	MUHAMMAD AKMAL	35202-9750263-9	MUHAMMAD AHMED	MUHAMMAD AHMED	5,989	2,294	8,283	-	-	2,238	2,238	
46	"SYED IJAZ HUSSAIN Housie No-5, Chaman Park Lahore Cantt., Lahore.	SYED IJAZ HUSSAIN	35201-9170804-1	SYED BUNYAD HUSSAIN	SYED BUNYAD HUSSAIN	0.607	0.819	1,426	-	-	0.584	0.584	
47	BASHIR AHMED BADSHA & CO., Rehmat Colony Sheikhtupura	BASHIR AHMED BADSHAH	35404-1520432-7	NOOR MUHAMMAD	NOOR MUHAMMAD	1,499	1,291	2,790	-	-	0.703	0.703	
48	J.S. CORPORATION Quresh Street Sarda Khurd Bund Road Lahore	JAMIL AHMED MALIK	35202-6229707-7	MALIK MUHAMMAD SIDDIQUE	MALIK MUHAMMAD SIDDIQUE	-	2,543	2,543	-	-	1,146	1,146	
49	MUGHAL MABLES Main Ferozepur Road, Mouli Aminwali Masjid, Chungi Amer Sidho, Lahore	TARIQ MEHMOOD MIRZA ABDUL REHMAN"	35201-6064220-7 35201-5551057-3	MUHAMMAD YAQOOB MIRZA MUHAMMAD YAQOOB MIRZA	MUHAMMAD YAQOOB MIRZA MUHAMMAD YAQOOB MIRZA	0.789	1,698	2,487	-	-	1,012	1,012	
50	MUHAMMAD ZUBAIR Chak No 165b Treh Bhalwal Dist Sargodha	MUHAMMAD ZUBAIR	38401-4827780-3	MUHAMMAD MUZAFFAR	MUHAMMAD MUZAFFAR	0.342	0.646	0.988	-	-	0.588	0.588	
51	SYED ASIM ALI 21 - Mehtab Street, Chohan Road, Islampura, Lahore	SYED ASIM ALI SHAH	36201-2137950-5	SYED HATIM ALI	SYED HATIM ALI	0.474	0.571	1,045	-	-	0.571	0.571	
				Total:-	Total:-	466,541	408,435	874,976	86,029	196,003	282,032		

ISLAMIC BANKING BUSINESS

The Bank is operating 117 (2020: 117) Islamic Banking Branches and 110 (2020: 85) Islamic Banking Windows at the end of the year.

Statement of Financial Position

As at December 31, 2021

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		4,140,005	3,267,478
Balances with other banks		165,644	104,765
Due from financial institutions	1	-	1,454,435
Investments	2	29,146,987	19,650,241
Islamic financing and related assets - net	3	82,203,211	32,642,170
Fixed assets		1,457,221	1,661,209
Intangible assets		3,351	635
Due from Head Office	4	-	-
Other assets		1,861,117	850,232
Total Assets		118,977,536	59,631,165
LIABILITIES			
Bills payable		1,426,659	481,518
Due to financial institutions		42,597,423	9,553,220
Deposits and other accounts	5	65,014,170	41,839,270
Due to Head Office	4	2,415,498	1,696,240
Subordinated debt		-	-
Other liabilities		2,556,499	2,066,020
		114,010,249	55,636,268
NET ASSETS		4,967,287	3,994,897
REPRESENTED BY			
Islamic Banking Fund		4,100,000	4,100,000
Reserves		-	-
Surplus/ (Deficit) on revaluation of assets		137,726	(24,583)
Accumulated Losses	7	729,561	(80,520)
		4,967,287	3,994,897
CONTINGENCIES AND COMMITMENTS	8		

Profit and Loss Account

for the year ended December 31, 2021

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
Profit / return earned	9	4,481,437	3,884,149
Profit / return expensed	10	2,514,989	2,014,499
Net Profit / return		1,966,448	1,869,650
OTHER INCOME			
Fee and commission income		263,851	196,241
Dividend income		-	-
Foreign exchange gain		58,868	11,879
Loss on securities		(5,412)	(2,121)
Other Income		7,275	4,876
Total other income		324,582	210,875
TOTAL INCOME		2,291,030	2,080,525
OTHER EXPENSES			
Operating expenses		1,480,632	1,330,885
Workers welfare fund		-	-
Other charges		233	141
Total other expenses		1,480,865	1,331,026
PROFIT BEFORE PROVISIONS		810,165	749,499
Provisions and write offs - net		84	128
PROFIT BEFORE TAXATION		810,081	749,371
Taxation		-	-
PROFIT AFTER TAXATION		810,081	749,371

ISLAMIC BANKING BUSINESS

Notes to the Annexure II

for the year ended December 31, 2021

	December 31, 2021			December 31, 2020		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total

Rupees in '000

1 DUE FROM FINANCIAL INSTITUTIONS

Bai Muajjal Receivable from						
State Bank of Pakistan	-	-	-	954,435	-	954,435
Musharaka Lending	-	-	-	500,000	-	500,000
	-	-	-	1,454,435	-	1,454,435

	December 31, 2021				December 31, 2020			
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value

Rupees in '000

2 INVESTMENTS BY SEGMENTS

Federal Government Securities:

- Ijarah Sukuks	9,500,000	-	(95,850)	9,404,150	500,000	-	(21,450)	478,550
- Other Federal Securities	3,618,241	-	-	3,618,241	2,573,429	-	-	2,573,429
	13,118,241	-	(95,850)	13,022,391	3,073,429	-	(21,450)	3,051,979

Non Government Debt Securities

- Listed	11,224,309	-	164,232	11,388,541	11,273,295	-	(72,477)	11,200,818
- Unlisted	4,736,055	-	-	4,736,055	5,397,444	-	-	5,397,444
	15,960,364	-	164,232	16,124,596	16,670,739	-	(72,477)	16,598,262
Total Investments	29,078,605	-	68,382	29,146,987	19,744,168	-	(93,927)	19,650,241

Note December 31, December 31,
2021 2020

Rupees in '000

3 ISLAMIC FINANCING AND RELATED ASSETS

Ijarah	3.1	310,152	263,112
Murabaha	3.2	531,952	92,562
Musawamah		5,324	314
Istisna		-	71,549
Istisna - Financing under Islamic Export Re-finance		-	-
Business Musharkah		62,520,891	17,935,445
Business Musharakah - Islamic Export Re-finance		1,150,000	1,000,000
Business Musharka - Islamic Re-finance against wages and salaries		13,107	40,286
Diminishing Musharaka		12,581,827	7,232,285
Salam		36,322	33,835
Staff Ijarah		519,812	374,813
Staff - Diminishing Mushraka		320,654	133,566
Advances against Islamic assets			
Ijarah		383,845	118,828
Istisna		1,266,010	457,500
Istisna - IERF		1,800,000	500,000
Murabaha		19,392	11,970
Musawamah		31,886	-
Diminishing Musharaka		73,274	4,136,801
Diminishing Musharaka - IFRE		534,316	40,286
Salam		104,680	199,167
Gross Islamic financing and related assets		82,203,444	32,642,319
Less: provision against Islamic financings			
- Specific		-	-
- General		233	149
		233	149
		82,203,211	32,642,170

ISLAMIC BANKING BUSINESS

Notes to the Annexure II

for the year ended December 31, 2021

December 31, 2021							
Cost			Accumulated Depreciation			Book Value as at 31 Dec 2021	
As at Jan 01, 2021	Additions / (deletions)	As at Dec 31, 2021	As at Jan 01, 2021	Charge for the year	As at Dec 31, 2021		
Rupees in '000							

3.1 Ijarah

December 31, 2021							
Cost			Accumulated Depreciation			Book Value as at 31 Dec 2021	
As at Jan 01, 2021	Additions / (deletions)	As at Dec 31, 2021	As at Jan 01, 2021	Charge for the year	As at Dec 31, 2021		
Rupees in '000							
Vehicles	564,028	354,691	918,719	195,319	39,521	234,840	683,879
Equipment	22,230	-	22,230	8,999	3,113	12,112	10,118
Total	586,258	354,691	940,949	204,318	42,634	246,952	693,997

December 31, 2020							
Cost			Accumulated Depreciation			Book Value as at 31 Dec 2020	
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							
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, 2021				December 31, 2020			
	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	150,983	153,375	598	304,956	43,937	171,175	44,318	259,430

	Note	December 31, 2021	December 31, 2020
Rupees in '000			

3.2 Murabaha

Murabaha financing	3.2.2	548,285	94,144
Inventory for Murabaha		-	-
Advances for Murabaha		19,392	11,970
		567,677	106,114

3.2.1 Murabaha receivable - gross	3.2.2	548,285	106,114
Less: Deferred murabaha income	3.2.4	(16,333)	(1,582)
Profit receivable shown in other assets		-	-
Murabaha financings		531,952	104,532

3.2.2 The movement in Murabaha financing during the year is as follows:

Opening balance	94,144	102,282
Sales during the year	762,749	265,765
Adjusted during the year	(308,608)	(273,903)
Closing balance	548,285	94,144

3.2.3 Murabaha sale price	762,749	265,765
Murabaha purchase price	(731,471)	(256,763)
	31,278	9,002

ISLAMIC BANKING BUSINESS

Notes to the Annexure II

for the year ended December 31, 2021

	December 31, 2021	December 31, 2020
Rupees in '000		

3.2.4	Deferred Murabaha income		
	Opening balance	1,582	1,537
	Arising during the year	31,278	9,002
	Less: Recognised during the year	(16,527)	(8,957)
	Closing balance	16,333	1,582

4 DUE FROM and (DUE TO) HEAD OFFICE

Daily settlement with Head Office	2,415,498	(1,696,240)
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	December 31, 2021			December 31, 2020		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
Rupees in '000						

5 DEPOSITS

Customers

Current deposits	11,021,914	520,353	11,542,267	8,170,428	412,628	8,583,056
Savings deposits	24,495,683	133,836	24,629,519	18,358,385	124,189	18,482,574
Term deposits	869,511	-	869,511	427,416	-	427,416
Others	2,084,495	-	2,084,495	1,922,870	-	1,922,870
	38,471,603	654,189	39,125,792	28,879,099	536,817	29,415,916

Financial Institutions

Current deposits	259,197	-	259,197	13,470	-	13,470
Savings deposits	25,629,181	-	25,629,181	12,409,884	-	12,409,884
Term deposits	-	-	-	-	-	-
Others	-	-	-	-	-	-
	25,888,378	-	25,888,378	12,423,354	-	12,423,354
	64,359,981	654,189	65,014,170	41,302,453	536,817	41,839,270

	December 31, 2021	December 31, 2020
Rupees in '000		

5.1 Composition of deposits

- Individuals	18,330,202	14,131,097
- Government	7,000,686	2,984,690
- Public Sector Entities	2,474	11,537
- Banking Companies	40,411	37,755
- Non-Banking Financial Institutions	25,847,967	12,385,589
- Private Sector	13,792,430	12,288,602
	65,014,170	41,839,270

5.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 26,348 million. (2020: 21,692 million)

ISLAMIC BANKING BUSINESS

Notes to the Annexure II

for the year ended December 31, 2021

	December 31, 2021	December 31, 2020
	Rupees in '000	
6 CHARITY FUND		
Opening Balance	14	15
Additions during the period:		
Received from customers on account of delayed payment	162	70
Dividend purification amount	-	-
Other Non-Shariah compliant income	-	-
Profit on charity saving account	5	3
Others	5	1
	172	74
Payments and utilization during the period:		
Education	-	-
Health	140	75
	140	75
Closing Balance	46	14

6.1 During the year charity exceeding Rs 0.5 million and charity to related party is Nil. (2020: Nil)

7 ISLAMIC BANKING BUSINESS UNAPPROPRIATED PROFIT

Opening Balance	(80,520)	(829,891)
Add: Islamic Banking profit for the period	810,081	749,371
Less: Taxation	-	-
Less: Reserves	-	-
Less: Transferred or Remitted to Head Office	-	-
Closing Balance	729,561	(80,520)

8 CONTINGENCIES AND COMMITMENTS

-Guarantees	1,020,748	4,409,985
-Commitments	255,688	1,084,549
-Other contingent liabilities	1,158,737	46,445
	2,435,173	5,540,979

9 PROFIT/RETURN EARNED OF FINANCING, INVESTMENTS AND PLACEMENT

Profit earned on:		
Investments	1,825,766	1,549,362
Financings	2,321,553	1,847,061
Placements	334,118	487,726
	4,481,437	3,884,149

10 PROFIT ON DEPOSITS AND OTHER DUES EXPENSED

Deposits and other accounts	1,615,879	1,252,459
Profit paid on Musharaka borrowings	696,565	545,404
Other expenses (IFRS-16)	128,889	140,546
Due to Financial Institutions	52,677	43,078
Profit paid on Mudaraba borrowings	20,979	33,012
	2,514,989	2,014,499

ISLAMIC BANKING BUSINESS

Notes to the Annexure II

for the year ended December 31, 2021

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- 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.

3- Specific Pools (Mudaraba)

Specific pool(s) are created where the customers desire to invest in high yield assets. Profit rates of these pool(s) are usually different from the general pool depending on the assets. In case of loss in special pool, the loss will be borne by the Special pool members. The distributable profit is calculated as direct costs from the gross return earned on the pool. From the net return, profit is paid to the Mudarib in the ratio of the Mudarib's equity in the pool to the total pool. Specific pool deposits are invested in assets yielding relatively higher rate of return, as relative high risk investments are involved in these pools, hence bearing relative more risk than the general pool depositors.

4- Treasury related FI Pools (Mudaraba/Musharka/Wakala)

Treasury Pools are generally created, to meet the liquidity requirements of the Bank, on the basis of Musharakah, 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. The FI pool assets generally comprise of sukuks and financings under business Musharka and diminishing Musharka modes.

5- Islamic Export Refinance Pool (Musharkah)

Islamic Export Refinance Pool is created with SBP, to manage export refinance customers, on the basis of Musharakah, IERS Pool generally comprises of blue chip companies and exporters as allowed under the applicable rules and regulations of the scheme.

6- Equity Pool

Funds from banks own sources and current deposit (Qard basis) from customers are tagged to this pool, all fixed assets, subsidized financing to the Bank's employees are part of the equity pool. further, all admin costs and cost of assets such as land, building, furniture, fixtures, computers and Information Technology system are born by bank through equity pool.

7- Charity Pool

Funds from charity collection on delayed payments from customers etc. are tagged to this pool. Gross Income, after deducting Bank's equity share, is distributed to charity account without charging any mudarib fee.

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, 2021

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, 2021	December 31, 2020
	Rupees in '000	
11.1 Avenues and sectors where Mudaraba based deposits have been deployed		
Production and Transmission of Energy	12,230,163	11,217,970
Manufacturing of Miscellaneous Plastic Products	467,869	610,936
Chemicals and Allied Products	2,395,968	615,575
Petroleum and Gas	205,475	458,305
Leather and Leather products	300,926	1,638
Financial Institutions	600,367	480,596
Agriculture and Food Products	59,062,426	15,384,206
Transportation and Logistics	409,926	146,660
Auto and Allied Products	19,615	3,576
Metal products - Steel Foundries	813,894	457,500
Cement	1,000,000	1,000,000
Textile - Knitting	817,220	917,140
Textile - Ginning	20,592	75,175
Textile - Spinning	200,000	-
Retail Chain	600,000	500,000
Communication	625,460	29,183
Construction and real estate	112,873	115,794
Rice Processing	1,064,786	-
Flour Processing	76,446	-
Others	1,179,438	628,065
Total Gross Financing and Related Assets	82,203,444	32,642,319
GOP Ijarah Sukuks	12,249,741	3,051,979
GOP - Islamic Naya Pakistan Certificates	772,649	-
Power and Energy Generation	12,431,808	12,736,418
Financial Institutions	1,137,000	1,287,000
Chemicals	1,632,000	1,634,400
Hotel Business	429,055	440,444
Steel Processing	494,734	500,000
Total Investments and Placements	29,146,987	19,650,241
Total Invested Funds	111,350,431	52,292,560

ISLAMIC BANKING BUSINESS

Notes to the Annexure II

for the year ended December 31, 2021

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	7.50%	50% : 50%	1,039,043	4.64%	24.32%	252,759
Foreign Currency Pool - EUR	Monthly	7.62%	1% : 99%	216	0.10%	0.40%	0.87
Foreign Currency Pool - GBP	Monthly	7.27%	1% : 99%	161	0.10%	0.42%	0.68
Foreign Currency Pool - US\$	Monthly	7.61%	1% : 99%	8783	0.10%	0.36%	31.83

*PSR of General pool - PKR for Dec 2021 is 70% : 30%

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	5.54%	-*	2.00%
InterBank Musharkah Pools	As required	8.02%	-*	7.20%
Mudarba based specific pools for interbank, Investment certificates and remunerative accounts	As required	5.95% - 13.02%	-*	4% - 7.95%
Charity Pool	Monthly	7.61%	100% : 0%	7.61%

*Profit sharing ratios varies from month on month and case to case basis

Details of Disposal of Fixed Assets to Related Parties

for the year ended December 31, 2021

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						
Land	250,000	-	250,000	325,137	As per Negotiation	ABL Asset Management Company
Building Freehold	890	28	863	863	As per Negotiation	ABL Asset Management Company
Electrical and Computer Equipments						
	609	519	90	98	As Per Bank Policy	Aizid Razzaq Gill
	476	476	-	48	As Per Bank Policy	Owais Shahid
	443	443	-	44	As Per Bank Policy	Mujahid Ali
	362	362	-	36	As Per Bank Policy	Muhammad Raffat
	317	317	-	32	As Per Bank Policy	Saira Shahid Hussain
	280	280	-	28	As Per Bank Policy	Ahmad Mansoor
	235	235	-	23	As Per Bank Policy	Shahid Amir
	214	214	-	21	As Per Bank Policy	Muhammad Atif Mirza
	168	168	-	17	As Per Bank Policy	Asif Bashir
	148	148	-	15	As Per Bank Policy	Moin Khalid
	117	117	-	15	As Per Bank Policy	Sohail Aziz Awan
	85	85	-	9	As Per Bank Policy	Ahmad Faheem Khan
	85	85	-	9	As Per Bank Policy	Imran Maqsood
	254,427	3,475	250,953	326,395		

**CONSOLIDATED
FINANCIAL STATEMENTS**
For the year ended December 31, 2021



Directors' Report on Consolidated Financial Statements

For the year ended December 31, 2021

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 of Directors are given below:

	Year ended December 31,		
	2021	2020	Growth
	Rs. In Million		
Profit after tax for the year	17,503	18,378	(5)
Accumulated profits brought forward	69,204	57,682	20
Transferred from surplus on revaluation of non-banking assets to un-appropriated profit – net of tax	77	7	1000
Transferred from surplus on revaluation of fixed assets to un-appropriated profit – net of tax	360	323	11
Re-measurement on defined benefit plans – net of tax	151	(803)	119
Profit available for appropriation	87,295	75,587	15
Final cash dividend for the year ended December 31, 2020: Rs. 6.00 per share (2020: Year ended December 31, 2019: Rs. 2.00 per share)	(6,870)	(2,290)	200
First interim cash dividend for the year ended December 31, 2021: Rs. 2.00 per share (2020: Year ended December 31, 2020: Rs. 2 per share)	(2,290)	(2,290)	-
Second interim cash dividend for the year ended December 31, 2021: Rs. 2.00 per share (2020: Year ended December 31, 2020: Rs. NIL per share)	(2,290)	-	100
Third interim cash dividend for the year ended December 31, 2021: Rs. 2.00 per share (2020: Year ended December 31, 2020: Rs. NIL per share)	(2,290)	-	100
Transfer to Statutory Reserves	(1,732)	(1,803)	(4)
Accumulated profits carried forward	71,823	69,204	4
Earnings Per Share (EPS) (Rs.)	15.29	16.05	(5)

Pattern of shareholding

Pattern of Shareholding as at December 31, 2021 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, 2022

Independent Auditor's Report

To the members of Allied Bank Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Allied Bank Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2021 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 2021, 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	Provision against non-performing advances	
	<p>The Group's credit portfolio is spread across various domestic branches including one foreign branch and mainly includes corporate financing to several public sector entities and large to small size businesses operating in the private sector.</p> <p>As per the Group's accounting policy (refer note 2.4.1 to the consolidated financial statements), the Group determines provisions against non-performing advances in accordance with the requirements of Prudential Regulations (PRs) of State Bank of Pakistan (SBP) and also maintains general provision as required by PRs. The PRs require specific provisioning against advances on the basis of an age-based criteria which is supplemented by a subjective evaluation of Group's advances portfolio. The determination of subjective provision against advances involves use of management judgment, on a case-to-case basis, considering factors such as the borrower's economic, financial and business conditions, repayment behaviors and credit worthiness. The Group's advances to the customers represent 32% of its total assets as at 31 December 2021 and are stated at Rs. 653,080 million which is net of provision of Rs. 12,851 million at the year end.</p> <p>In view of the magnitude of advances in the consolidated financial statements and the level of involvement of management's judgment, we identified provision against advances as a key audit matter.</p> <p>The accounting policy and disclosures relating to provisioning against non-performing advances are included in note 4.4 and 9 respectively to the consolidated financial statements.</p>	<p>We applied a range of audit procedures including the following: We reviewed the Group's process for identification and classification of non-performing advances, monitoring of advances with higher risk of default and migration of these advances to non-performing advances category and accurate computation and recording of provisions.</p> <p>We performed independent checks on test basis for the computations of provisions to assess that the same is in line with the requirements of the applicable Prudential Regulations. In addition, we selected a representative sample of borrowers from the advances portfolios including individually significant credit facilities and performed tests and procedures such as review of credit documentation, repayment history and past due status and financial condition as depicted by the borrowers' financial statements.</p> <p>In respect of the level of general provision maintained by the Group, we discussed the approach and policy followed by the Group with the management.</p> <p>We also assessed adequacy of disclosures as included in note 9 to the consolidated financial statements regarding the non-performing advances and provisions made for the same in the consolidated financial statements in accordance with the requirements of the applicable financial reporting framework.</p>

Independent Auditor's Report

To the members of Allied Bank Limited

Report on the Audit of the Consolidated Financial Statements

2	Valuation of listed equity shares classified as available for sale	
	<p>As disclosed in note 8 and the accounting policies in notes 2.4.2 and 4.11 to the financial statements, the Group has a significant investment in listed shares classified as available for sales amounting to Rs. 16,972 million which is stated net of provision of Rs. 1,711 million as at 31 December 2021.</p> <p>These investments are carried at fair value in accordance with the Group's accounting policy relating to their measurement. Provision against investment in listed shares classified as available for sale is made based on the impairment policy of the Group which comprises of subjective factors.</p> <p>Because of its significance to the consolidated financial statements and the use of management judgment in determination of impairment against listed shares classified as available for sale, we have considered this as a key audit matter.</p>	<p>Our procedures in respect of valuation of investments, amongst others, included the following:</p> <p>Obtaining an understanding of and testing the design and operation effectiveness of the controls relating to the valuation of available for sale equity investments including an assessment of the methodology and the appropriateness of the valuation models and inputs used to value investments available for sale.</p> <p>Checking on a sample basis, the valuation of equity shares to supporting documents and externally quoted market prices.</p> <p>Comparing the cost of listed shares to its market value to determine decline in valuation and checked the impact of significant or prolonged decline was recognized as per the policy of the Group as disclosed in note 4.11.</p> <p>Assessing the completeness and accuracy of the disclosures relating to listed shares classified as available for sale to assess compliance with disclosure requirements laid down by the State Bank of Pakistan regarding forms and disclosures.</p>

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Group's Annual Report but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- a) Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report

To the members of Allied Bank Limited

Report on the Audit of the Consolidated Financial Statements

- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2020, were audited by KPMG Taseer Hadi & Co., Chartered Accountants, who expressed an unmodified opinion on those statements on 3 March 2021.

The engagement partners on the audit resulting in this independent auditors' report are Fahad Bin Waheed (KPMG Taseer Hadi & Co.) and Ahsan Shahzad (EY Ford Rhodes).

KPMG Taseer Hadi & Co.
Chartered Accountants

Date: 03 March 2022
Lahore

UDIN: AR202110089dLs21DefK

EY Ford Rhodes
Chartered Accountants

Date: 03 March 2022
Lahore

UDIN: AR202110079b6FpOigLm

Consolidated Statement of Financial Position

as at December 31, 2021

December 31, 2021	December 31, 2020	Note	December 31, 2021	December 31, 2020
US \$ in '000			Rupees in '000	
ASSETS				
704,765	727,359	5	124,400,515	128,388,720
5,117	40,997	6	903,243	7,236,502
257,504	101,953	7	45,452,910	17,996,123
6,041,408	4,711,847	8	1,066,389,996	831,704,497
3,699,886	2,812,827	9	653,079,762	496,501,833
443,879	417,261	10	78,350,554	73,652,142
16,293	15,426	11	2,875,975	2,722,951
8,540	-	12	1,507,405	-
226,716	197,648	13	40,018,520	34,887,487
11,404,108	9,025,318		2,012,978,880	1,593,090,255
LIABILITIES				
56,992	54,512	15	10,059,879	9,622,020
2,379,454	1,098,659	16	420,005,768	193,928,086
8,006,627	6,892,777	17	1,413,277,683	1,216,668,247
-	-		-	-
-	-		-	-
-	22,539		-	3,978,448
226,568	198,989	18	39,992,364	35,124,168
10,669,641	8,267,476		1,883,335,694	1,459,320,969
734,467	757,842		129,643,186	133,769,286
NET ASSETS				
REPRESENTED BY				
64,872	64,872	19	11,450,739	11,450,739
151,740	137,537		26,784,066	24,277,184
110,960	163,374	20	19,585,863	28,837,661
406,895	392,059		71,822,518	69,203,702
734,467	757,842		129,643,186	133,769,286

CONTINGENCIES AND COMMITMENTS

21

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Muhammad Atif Mirza
Chief Financial Officer

Aizid Razzaq Gill
President and Chief Executive

Nazrat Bashir
Director

Zafar Iqbal
Director

Mohammad Naeem Mukhtar
Chairman

Consolidated Profit and Loss Account

for the year ended December 31, 2021

December 31, 2021	December 31, 2020	Note	December 31, 2021	December 31, 2020	
US \$ in '000			Rupees in '000		
672,211	626,291	Mark-up / return / interest earned	23	118,654,233	110,548,776
414,090	352,115	Mark-up / return / interest expensed	24	73,092,393	62,153,107
258,121	274,176	Net mark-up and interest income		45,561,840	48,395,669
NON MARK-UP / INTEREST INCOME					
43,036	35,038	Fee and commission income	25	7,596,474	6,184,600
13,146	10,049	Dividend income		2,320,427	1,773,857
11,179	9,426	Foreign exchange income		1,973,233	1,663,815
-	-	Income from derivatives		-	-
24,396	19,756	Gain on securities - net	26	4,306,138	3,487,325
3,203	1,890	Other income	27	565,442	333,627
94,960	76,159	Total non-markup / interest income		16,761,714	13,443,224
353,081	350,335	Total income		62,323,554	61,838,893
NON MARK-UP / INTEREST EXPENSES					
190,808	171,552	Operating expenses	28	33,680,176	30,281,195
3,396	3,550	Workers welfare fund - net		599,306	626,529
965	638	Other charges	29	170,275	112,682
195,169	175,740	Total non-markup / interest expenses		34,449,757	31,020,406
157,912	174,595	Profit before provisions		27,873,797	30,818,487
(4,596)	4,779	Provisions and write offs - net	30	(811,100)	843,550
-	-	Extra-ordinary / unusual items		-	-
162,508	169,816	PROFIT BEFORE TAXATION		28,684,897	29,974,937
63,347	65,702	Taxation	31	11,181,669	11,597,332
99,161	104,114	PROFIT AFTER TAXATION		17,503,228	18,377,605
In US \$			In Rupees		
0.09	0.10	Basic and diluted earnings per share	32	15.29	16.05

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Muhammad Atif Mirza
Chief Financial Officer

Zafar Iqbal
Director

Aizid Razzaq Gill
President and Chief Executive

Mohammad Naeem Mukhtar
Chairman

Nazrat Bashir
Director

Consolidated Statement of Comprehensive Income

for the year ended December 31, 2021

December 31, 2021	December 31, 2020		December 31, 2021	December 31, 2020
US \$ in '000			Rupees in '000	
99,161	104,114	Profit after taxation for the year	17,503,228	18,377,605
Other comprehensive income				
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>				
4,393	1,276	Effect of translation of net investment in foreign branches	775,502	204,013
(50,975)	(15,973)	Movement in deficit on revaluation of investments - net of tax	(8,997,786)	(2,553,031)
(46,582)	(14,697)		(8,222,284)	(2,349,018)
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>				
856	(5,021)	Remeasurement gain / (loss) on defined benefit obligations - net of tax	151,033	(802,510)
(1,127)	35,972	Effect of change in tax rate on revaluation of fixed assets	(199,010)	5,749,574
2,163	1,016	Movement in surplus on revaluation of non-banking assets - net of tax	381,820	162,377
1,892	31,967		333,843	5,109,441
54,471	121,384	Total comprehensive income	9,614,787	21,138,028

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Muhammad Atif Mirza
Chief Financial Officer

Zafar Iqbal
Director

Aizid Razzaq Gill
President and Chief Executive

Mohammad Naeem Mukhtar
Chairman

Nazrat Bashir
Director

Consolidated Cash Flow Statement

for the year ended December 31, 2021

December 31, 2021	December 31, 2020	Note	December 31, 2021	December 31, 2020
US \$ in '000			Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES				
162,508	169,817		28,684,897	29,974,937
(13,146)	(10,049)		(2,320,427)	(1,773,857)
149,362	159,768		26,364,470	28,201,080
Adjustments:				
20,919	20,820	10.2	3,692,424	3,327,745
32	213		5,620	33,987
9,660	10,656		1,705,201	1,703,157
5,305	6,131		936,407	979,928
2,336	1,743		412,350	278,664
(4,288)	5,440	30	(756,918)	869,542
355	(58)		62,712	(9,197)
3,395	3,920		599,306	626,529
2,491	1,766		439,652	311,689
(1,835)	(1,848)		(323,843)	(295,399)
(184)	30		(32,479)	4,772
38,186	48,813		6,740,432	7,831,417
187,548	208,581		33,104,902	36,032,497
Decrease or (increase) in operating assets				
(155,551)	(27,461)		(27,456,787)	(4,389,202)
(55)	121,062		(9,701)	19,349,928
(882,485)	(74,820)		(155,770,451)	(11,958,772)
(19,282)	4,068		(3,403,549)	650,130
(1,057,373)	22,849		(186,640,488)	3,652,084
Increase or (decrease) in operating liabilities				
2,481	10,908		437,859	1,743,394
1,279,959	(453,594)		225,930,017	(72,499,889)
1,113,849	1,048,895		196,609,436	167,649,443
16,823	(12,540)		2,969,415	(2,073,169)
2,413,112	593,669		425,946,727	94,819,779
1,543,287	825,099		272,411,141	134,504,360
(72,631)	(67,164)		(12,820,277)	(10,735,065)
(1,244)	(1,375)		(219,537)	(242,829)
1,469,412	756,560		259,371,327	123,526,466
CASH FLOW FROM INVESTING ACTIVITIES				
(1,224,378)	(534,681)		(216,119,171)	(85,460,421)
(186,254)	(66,175)		(32,876,354)	(10,577,099)
13,158	11,079		2,322,635	1,770,872
(50,145)	(51,936)		(8,851,267)	(8,301,088)
4,254	3,925		750,923	627,381
4,393	1,276		775,502	204,013
(1,438,972)	(636,512)		(253,997,732)	(101,736,342)
CASH FLOW FROM FINANCING ACTIVITIES				
(12,185)	(13,209)		(2,150,898)	(2,111,236)
(77,568)	(28,598)		(13,691,826)	(4,570,964)
(89,753)	(41,807)		(15,842,724)	(6,682,200)
(9,440)	(3,157)		(1,666,336)	(504,571)
(67,509)	76,459		(12,135,465)	14,603,353
777,548	756,896		137,247,761	120,978,072
710,039	833,355	33	125,112,296	135,581,425

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Muhammad Atif Mirza
Chief Financial Officer

Aizid Razzaq Gill
President and Chief Executive

Nazrat Bashir
Director

Zafar Iqbal
Director

Mohammad Naeem Mukhtar
Chairman

Consolidated Statement of Changes in Equity

for the year ended December 31, 2021

	Capital reserve			Revenue reserve	Surplus/deficit on revaluation of			Un-appropriated profit	Total
	Share capital	Exchange translation reserve	Statutory reserve	General reserve	Investments	Fixed assets	Non-banking assets		
Rupees in '000									
Balance as at January 01, 2020	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
Other Comprehensive Income - net of tax									
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 obligations - net of tax	-	-	-	-	-	-	-	(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)	-
Transferred 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	-
Transactions with owners recognized directly in equity									
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)
Balance as at December 31, 2020	11,450,739	2,025,733	22,245,451	6,000	4,875,950	23,322,739	638,972	69,203,702	133,769,286
Profit after taxation for the year ended December 31, 2021	-	-	-	-	-	-	-	17,503,228	17,503,228
Other Comprehensive Income - net of tax									
Deficit on revaluation of investments - net of tax	-	-	-	-	(8,997,786)	-	-	-	(8,997,786)
Effect of change in tax rate on revaluation surplus of fixed assets - net of tax	-	-	-	-	-	(199,010)	-	-	(199,010)
Surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-	381,820	-	381,820
Remeasurement gain on defined benefit obligation - net of tax	-	-	-	-	-	-	-	151,033	151,033
Effect of translation of net investment in foreign branches	-	775,502	-	-	-	-	-	-	775,502
	-	775,502	-	-	(8,997,786)	(199,010)	381,820	151,033	(7,888,441)
Transfer to statutory reserve	-	-	1,731,380	-	-	-	-	(1,731,380)	-
Transfer of revaluation surplus on change in use - net of tax	-	-	-	-	-	4,399	(4,399)	-	-
Transferred from surplus in respect of incremental depreciation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	(139,872)	-	139,872	-
Surplus realised on disposal of revalued fixed assets - net of tax	-	-	-	-	-	(219,733)	-	219,733	-
Transferred from surplus in respect of incremental depreciation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	(859)	859	-
Surplus realised on disposal of revalued non-banking assets - net of tax	-	-	-	-	-	-	(76,358)	76,358	-
Transactions with owners recognized directly in equity									
Final cash dividend for the year ended December 31, 2020 (Rs. 6 per ordinary share)	-	-	-	-	-	-	-	(6,870,443)	(6,870,443)
First interim cash dividend for the year ended December 31, 2021 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
Second interim cash dividend for the year ended December 31, 2021 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
Third interim cash dividend for the year ended December 31, 2021 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
	-	-	-	-	-	-	-	(13,740,887)	(13,740,887)
Balance as at December 31, 2021	11,450,739	2,801,235	23,976,831	6,000	(4,121,836)	22,768,523	939,176	71,822,518	129,643,186

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Muhammad Atif Mirza
Chief Financial Officer

Zafar Iqbal
Director

Aizid Razzaq Gill
President and Chief Executive

Mohammad Naeem Mukhtar
Chairman

Nazrat Bashir
Director

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

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 1,427 (2020: 1,400) branches in Pakistan including 117 (2020: 117) Islamic banking branches, 1 branch (2020: 1) in Karachi Export Processing Zone and 1 Wholesale banking branch (2020: 1) in Bahrain.

The long term credit rating of the Bank assigned by the Pakistan Credit Rating Agency Limited (PACRA) is ‘AAA’. Short term rating of the Bank is ‘A1+’.

Ibrahim Holdings (Private) Limited is the parent company of the Bank and it’s registered office is in Pakistan.

The Bank is the holding company of ABL Asset Management Company Limited.

The registered office of the Bank is situated at 3 - Tipu Block, New Garden Town, Lahore.

Subsidiary Company

ABL Asset Management Company Limited (“the Company”) is a public unlisted company, incorporated in Pakistan as a limited liability company on 12 October 2007 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Company has obtained licenses from the Securities and Exchange Commission of Pakistan (SECP) to carry on Asset Management Services and Investment Advisory Services as a Non-Banking Finance Company (NBFC) under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 as amended through S.R.O.1131(I) 2007 (“the NBFC Rules”) S.R.O 1233(I) / 2019. The Company received certificate of commencement of business on 31 December 2007. The Company has also obtained license to carry out business as Pension Fund Manager, under the Voluntary Pension System Rules, 2005. The registered office of the Company is situated at Plot no. 14, Main Boulevard, DHA Phase VI, Lahore. The Company is a wholly owned subsidiary of Allied Bank Limited (“the holding Company”).

The 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, 2021.

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, 2021

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. 176.5135 per US\$ has been used for 2021 and 2020, 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 (IIFS). 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

Following amendments to existing standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2021 but are considered not to be either relevant or not have any significant impact on these financial statements:

- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

These amendments had no impact on the unconsolidated financial statements of the Bank, except for potential insignificant impact on financial instruments, not requiring disclosures, held by the Bank's Branch in Bahrain. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

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 Bank intends to use the practical expedients, available under (IBOR) reform, in future periods if they become applicable.

– Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On May 28, 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, on March 31, 2021, the IASB extended the period of application of the practical expedient to June 30, 2022. The amendment applies to annual reporting periods beginning on or after April 1, 2021. However, the Bank has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

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:

- 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 a significant impact on the Group'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 Group'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 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.
- IAS 41 Agriculture – Taxation in fair value measurements. As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 01, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Bank.

- Definition of Accounting Estimates - Amendments to IAS 8. In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 01, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Bank.

- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2. In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The Bank is currently assessing the impact of the amendments to determine the impact they will have on the Bank's accounting policy disclosures.

- The amendments to IAS 1 are applicable for annual periods beginning on or after January 01, 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

- The 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. 24 of 2021 dated July 05, 2021 of SBP, effective date of IFRS 9 implementation is January 01, 2022.

- 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 Group which are exposed to credit risk. The Group is in the process of assessing the full impact of this standard and the Group awaits final guidelines from SBP for application of some aspects of IFRS 9.

2.4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates, underlying assumptions and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies are as follows:

2.4.1 Provision against non-performing loans and advances

- The Group reviews its loan portfolio to assess amount of non-performing loans and advances and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower and the requirements of the Prudential Regulations are considered. The amount of general provision is determined in accordance with the requirements set out in Prudential Regulations.

2.4.2 Provision against non-performing loans and advances and debt securities classified as 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.

2.4.3 Defined benefit plans

Liability is determined on the basis of actuarial advice using the Projected Unit Credit Method. The actuarial assumptions used to determine the liability and related expense are disclosed in note 36.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

2.4.4 Classification of investments

In classifying investments as 'held-for-trading' the Bank has determined securities which are acquired with the intention to trade by taking advantage of short term market or interest rate movements and are to be sold within 90 days.

In classifying investments as 'held-to-maturity' the Bank follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity.

The investments, other than those in subsidiary, which are not classified as 'held-for-trading' or 'held-to-maturity' are classified as 'available-for-sale'.

2.4.5 Depreciation and amortization and revaluation of operating fixed assets

In making estimates of the depreciation and amortization, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank and estimates the useful life. The method applied and useful lives estimated are reviewed at each financial year end and if there is a change in the expected pattern or timing of consumption of the future economic benefits embodied in the assets, the estimate would be changed to reflect the change in pattern. Such a change is accounted for as change in accounting estimates in accordance with International Accounting Standard 8 - Accounting Policies, 'Changes in Accounting Estimates and Errors'. Further, the bank estimates the revalued amount of land and buildings on a regular basis. The estimates are based on the valuations carried out by independent professional valuers under the market conditions.

2.4.6 Fair value hierarchy of assets and liabilities

The fair value of the assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Bank categorizes fair value measurements within the following fair value hierarchy:

a) Level 1

These are quoted prices (unadjusted) in active markets for identical assets or liabilities that the 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).

2.4.7 Lease term

'The Bank applies judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Bank is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

2.4.8 Income taxes

In making estimates for income taxes currently payable by the Bank, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Bank's view differs with the view taken by the income tax authorities and such amounts are shown as a contingent liability.

3 BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except for the following which are stated at revalued amounts or fair values or present values:

- Certain investments (Note 4.3);
- Certain operating fixed assets (Note 4.5);
- Staff retirement and other benefits (Note 4.8);
- Non-banking assets acquired in satisfaction of claims (Note 4.9); and
- Derivative financial instruments (Note 4.16.2);
- Lease liability and related right of use assets (Note 4.6).



Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements have been applied consistently to all periods presented in these consolidated financial statements of the Group. Significant accounting policies are enumerated as follows:

4.1 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.

4.2 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:

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.

4.3 Investments

4.3.1 The Group at the time of purchase classifies its investment portfolio as mentioned in note 2.4.4.

4.3.2 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.

4.3.3 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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

Provision for diminution in the value of securities (except for debentures, participation term certificates, sukuks and term finance certificates) is made after considering impairment, if any, in their value. Provision for diminution in value of debentures, participation term certificates, sukuks and term finance certificates are made in accordance with the requirements of Prudential Regulations issued by SBP.

4.4 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 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.

4.5 Fixed assets and depreciation

a. Tangible assets

Property and equipment owned by the Group, other than land and building, are stated at cost less accumulated depreciation and impairment losses, if any. Land is carried at revalued amount less any subsequent impairment losses if any, and is not depreciated while buildings are stated at cost less accumulated depreciation and any subsequent impairment losses, if any.

Depreciation is calculated using the straight line method, except buildings which are depreciated using the reducing balance method, to write down the cost of property and equipment to their residual values over their estimated useful lives. The rates at which the fixed assets are depreciated are disclosed in note 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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

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.

4.6 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 Group'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.

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.

4.7 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/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'.

4.8 Staff retirement and other benefits

4.8.1 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 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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

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.

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.

4.8.2 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 / 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.

4.9 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.

4.10 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 'Modaraba'. Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Modaraba basis are classified as 'Saving deposits / Fixed deposits'.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

4.11 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.

4.12 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.

Provisions are reviewed at the reporting date and are adjusted to reflect the current best estimate.

4.13 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.

4.14 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.

4.15 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.

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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

4.16 Financial instruments

4.16.1 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.

4.16.2 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.

4.17 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 Group intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

4.18 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.

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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

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.

4.19 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.

4.20 Geographical Segment Reporting

Geographically, the Group operates in Pakistan, Middle East and China.

4.21 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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
5 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		22,823,155	21,697,765
Foreign currencies		967,027	868,206
		23,790,182	22,565,971
Remittances in transit		502,744	472,572
With State Bank of Pakistan (SBP) in			
Local currency current accounts	5.1	59,570,982	62,965,250
Foreign currency current account	5.2	54,580	22,221
Foreign currency deposit accounts (non-remunerative)	5.1	4,807,522	4,693,247
Foreign currency deposit accounts (remunerative)	5.3	9,588,566	9,525,239
		74,021,650	77,205,957
With National Bank of Pakistan in			
Local currency current accounts		25,567,776	25,953,691
Prize Bonds		518,163	2,190,529
		124,400,515	128,388,720

5.1 Deposits with the State Bank of Pakistan (SBP) are maintained to comply with the cash reserve requirement, under section 22 of the Banking Companies Ordinance, 1962 and State Bank of Pakistan statutory requirements issued from time to time.

5.2 This represents US\$ settlement account maintained with the State Bank of Pakistan (SBP).

5.3 This represents special cash reserve maintained with the State Bank of Pakistan (SBP). The return on this account is declared by SBP on a monthly basis and carries mark-up at the rate of 0% (2020: 0.51% to 0.76%) per annum.

	Note	December 31, 2021	December 31, 2020
Rupees in '000			

6 BALANCES WITH OTHER BANKS

Outside Pakistan			
In current accounts		650,288	1,885,460
In deposit accounts	6.1	252,955	5,351,042
		903,243	7,236,502

6.1 Balances with other banks outside Pakistan in deposit account carry interest rates 0.001% (2020: 0.03%) per annum.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
7	LENDINGS TO FINANCIAL INSTITUTIONS		
Call money lendings - local currency	7.1	6,000,000	6,000,000
Call money lendings - foreign currency		-	3,196,688
Repurchase agreement lendings (Reverse Repo)	7.2 & 7.5	39,452,910	7,345,000
Musharaka lendings		-	500,000
Bai Muajjal receivable from:			
- State Bank of Pakistan		-	954,435
Certificates of investment	7.3	70,000	70,000
		45,522,910	18,066,123
Less: Provision held against lendings to financial institutions	7.3 & 7.6	(70,000)	(70,000)
Lendings to financial institutions - net of provision		45,452,910	17,996,123

7.1 These represent local currency call money lendings to financial institutions at the mark-up rate of 10.75% (2020: 7.50%) per annum, maturing on January 04, 2022.

7.2 These are short-term local currency lendings to financial institutions against government securities as shown in note 7.5 below. These carry mark-up at the rate of 9.75% to 10.75% (2020: 7.1% to 7.2%) per annum, maturing on January 07, 2022.

7.3 This represents local currency classified certificates of investment and related provisioning, amounting to Rs. 70 million (2020: Rs. 70 million).

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
7.4	Particulars of lending		
In local currency		45,522,910	14,869,435
In foreign currencies		-	3,196,688
		45,522,910	18,066,123

	December 31, 2021			December 31, 2020		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
Rupees in '000						
7.5	Securities held as collateral against lending to financial institutions					
Pakistan Investment Bonds	14,183,352	-	14,183,352	7,345,000	-	7,345,000
Market Treasury Bills	25,269,558	-	25,269,558	-	-	-
	39,452,910	-	39,452,910	7,345,000	-	7,345,000

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

	December 31, 2021		December 31, 2020	
	Classified Lending	Provision Held	Classified Lending	Provision Held
Rupees in '000				
7.6 Category of classification				
Domestic				
Other Assets Especially Mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	70,000	70,000	70,000	70,000
	70,000	70,000	70,000	70,000

8 INVESTMENTS

	December 31, 2021				December 31, 2020				
	Note	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000									
8.1 Investments by type:									
Held-for-trading securities									
Federal Government Securities		126,081	-	2	126,083	-	-	-	-
Open Ended Mutual Funds and Pension Funds		2,457,809	-	(62,713)	2,395,096	2,574,190	-	9,197	2,583,387
		2,583,890	-	(62,711)	2,521,179	2,574,190	-	9,197	2,583,387
Available-for-sale securities									
Federal Government Securities		972,123,080	(1,807)	(9,403,483)	962,717,790	758,053,707	(12,306)	1,795,459	759,836,860
Shares		16,598,013	(1,726,160)	2,496,231	17,368,084	19,566,119	(2,055,595)	5,787,108	23,297,632
Non Government Debt Securities		25,350,035	(21,071)	150,924	25,479,888	21,433,961	(21,071)	(81,907)	21,330,983
Foreign Securities		1,037,692	-	-	1,037,692	1,037,692	-	-	1,037,692
Naya Pakistan Certificate		772,649	-	-	772,649	-	-	-	-
Open Ended Mutual Funds		25,000	-	(780)	24,220	25,000	-	802	25,802
	8.4	1,015,906,469	(1,749,038)	(6,757,108)	1,007,400,323	800,116,479	(2,088,972)	7,501,462	805,528,969
Held-to-maturity securities									
Federal Government Securities		56,468,494	-	-	56,468,494	23,592,141	-	-	23,592,141
Non Government Debt Securities		344,260	(344,260)	-	-	344,260	(344,260)	-	-
	8.5	56,812,754	(344,260)	-	56,468,494	23,936,401	(344,260)	-	23,592,141
Total Investments		1,075,303,113	(2,093,298)	(6,819,819)	1,066,389,996	826,627,070	(2,433,232)	7,510,659	831,704,497
8.2 Investments by segments:									
Federal Government Securities									
Market Treasury Bills		455,866,245	-	(1,045,190)	454,821,055	360,865,049	-	34,601	360,899,650
Pakistan Investment Bonds		553,427,682	-	(8,801,215)	544,626,467	407,299,507	-	1,134,094	408,433,601
Government of Pakistan Ijarah Sukuks		9,500,000	-	(95,850)	9,404,150	500,011	-	(21,450)	478,561
Government of Pakistan Sukuks (US\$)*		-	-	-	-	3,995,021	(12,306)	36,003	4,018,718
Naya Pakistan Certificate		772,649	-	-	772,649	-	-	-	-
Foreign Currency Bonds (US\$)		7,078,137	(1,807)	538,774	7,615,104	6,412,831	-	612,211	7,025,042
GOP Ijarah Sukuks - Bai Muajjal Placement		2,845,591	-	-	2,845,591	2,573,429	-	-	2,573,429
		1,029,490,304	(1,807)	(9,403,481)	1,020,085,016	781,645,848	(12,306)	1,795,459	783,429,001
Shares									
Listed Companies		16,186,833	(1,710,910)	2,496,231	16,972,154	18,229,940	(2,040,345)	5,787,108	21,976,703
Unlisted Companies		411,180	(15,250)	-	395,930	1,336,179	(15,250)	-	1,320,929
Units of open-ended mutual funds		2,482,809	-	(63,493)	2,419,316	2,599,190	-	9,999	2,609,189
		19,080,822	(1,726,160)	2,432,738	19,787,400	22,165,309	(2,055,595)	5,797,107	25,906,821
Non Government Debt Securities									
Listed		15,397,128	(103,499)	150,924	15,444,553	14,445,514	(103,499)	(81,907)	14,260,108
Unlisted		10,297,167	(261,832)	-	10,035,335	7,332,707	(261,832)	-	7,070,875
		25,694,295	(365,331)	150,924	25,479,888	21,778,221	(365,331)	(81,907)	21,330,983
Foreign Securities									
Equity securities		1,037,692	-	-	1,037,692	1,037,692	-	-	1,037,692
Total Investments		1,075,303,113	(2,093,298)	(6,819,819)	1,066,389,996	826,627,070	(2,433,232)	7,510,659	831,704,497

* 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, 2021

	Note	December 31, 2021	December 31, 2020
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Rupees in '000

8.2.1 Investments given as collateral

Market Treasury Bills		220,234,899	28,776,013
Pakistan Investment Bonds		81,656,107	81,963,094
Government of Pakistan Euro Bonds (US\$)		1,647,863	-
Total Investments given as collateral		303,538,869	110,739,107

8.3 Provision for diminution in value of investments

8.3.1 Opening balance		2,433,232	3,584,114
Exchange adjustments		254	209
Charge and reversals			
Charge for the year		-	600,351
Reversals for the year		(10,753)	(22,851)
		(10,753)	577,500
Reversal on disposals		(329,435)	(1,728,591)
Closing Balance		2,093,298	2,433,232

	December 31, 2021		December 31, 2020	
	NPI*	Provision	NPI*	Provision

Rupees in '000

8.3.2 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**	889,292	1,807	3,995,021	12,306
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
Total	1,254,623	367,138	4,360,352	377,637

* 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, 2021

	December 31, 2021	December 31, 2020
	Cost	
	Rupees in '000	

8.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

Federal Government Securities - Government guaranteed

Market Treasury Bills	455,740,163	360,865,049
Pakistan Investment Bonds	499,804,779	386,280,795
Government of Pakistan Sukuks (US\$)	-	3,995,021
Naya Pakistan Certificate	772,649	-
Foreign Currency Bonds (US\$)	7,078,136	6,412,831
Government of Pakistan Ijarah Sukuks	9,500,000	500,011
	<u>972,895,727</u>	<u>758,053,707</u>

Shares

Listed Companies

Power Generation and Distribution	2,283,162	4,209,774
Oil & Gas Exploration Companies	4,851,828	5,293,408
Fertilizer	3,279,237	3,868,645
Commercial Banks	3,216,487	2,898,950
Oil & Gas Marketing Companies	1,043,460	1,043,460
Real Estate Investment Trust	997,589	455,851
Chemical	323,508	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>16,186,834</u>	<u>18,229,940</u>

	December 31, 2021		December 31, 2020	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			

Unlisted Companies

Security General Insurance Limited	-	-	569,999	1,440,396
Habib Allied Holding Limited	1,035,921	1,141,856	1,035,922	1,320,626
Atlas Power Limited	-	-	355,000	1,257,173
Pakistan Mortgage Refinance Co. Limited	200,000	503,350	200,000	256,732
1 Link Private Limited	50,000	267,895	50,000	202,032
Central Depository Company of Pakistan Limited	40,300	65,546	40,300	63,013
ISE Towers REIT Management Company Limited	30,346	50,902	30,346	46,890
First Women Bank Limited	21,200	72,287	21,200	72,287
LSE Financial Services Limited	8,440	20,534	8,440	19,576
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	8,840	1,770	7,919
National Institutional Facilitation Technologies Private Limited	1,527	35,899	1,527	51,998
Pakistan Agricultural Storage and Services Corporation	1,000	627,021	1,000	495,619
Pakistan Corporate Restructuring Company	43,117	43,117	43,117	43,117
	<u>1,448,871</u>	<u>2,837,598</u>	<u>2,373,871</u>	<u>5,277,729</u>

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

	December 31, 2021	December 31, 2020
	Cost	
	Rupees in '000	
Non Government Debt Securities		
<i>Listed</i>		
- AAA	500,000	1,997,300
- AA+, AA, AA-	4,295,629	3,844,715
- A+, A, A-	500,000	-
- <i>Unrated</i>	8,500,000	8,500,000
	<u>13,795,629</u>	<u>14,342,015</u>
<i>Unlisted</i>		
- AAA	4,950,000	2,750,000
- AA+, AA, AA-	5,234,280	2,460,432
- A+, A, A-	1,349,055	1,860,443
- <i>Unrated</i>	21,071	21,071
	<u>11,554,406</u>	<u>7,091,946</u>
Open Ended Mutual Funds		
Allied Finergy Fund	25,000	25,000
	<u>25,000</u>	<u>25,000</u>
Foreign Securities		
<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>

8.5 Particulars relating to Held to Maturity securities are as follows:

Federal Government Securities - Government guaranteed

Pakistan Investment Bonds	53,622,903	21,018,712
Government of Pakistan Ijarah Sukuks - Bai Muajjal Placement	2,845,591	2,573,429
	<u>56,468,494</u>	<u>23,592,141</u>

Non Government Debt Securities

<i>Listed</i>		
- Unrated	103,499	103,499
<i>Unlisted</i>		
- Unrated	240,761	240,761

8.5.1 The market value of securities classified as held-to-maturity as at December 31, 2020 amounted to Rs. 50,857.5 million (December 31, 2020: Rs. 21,971.9 million). This represents the market value of Pakistan Investment Bonds.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

	Note	Performing		Non Performing		Total	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Rupees in '000							
9 ADVANCES							
Loans, cash credits, running finances, etc.	9.1	567,489,342	459,257,759	12,181,090	12,740,989	579,670,432	471,998,748
Islamic financing and related assets		82,203,444	32,642,319	-	-	82,203,444	32,642,319
Bills discounted and purchased		2,636,968	4,183,084	1,419,670	1,419,670	4,056,638	5,602,754
Advances - gross	9.2	652,329,754	496,083,162	13,600,760	14,160,659	665,930,514	510,243,821
Provision against advances							
Specific	9.3 & 9.4	-	-	(12,750,397)	(13,632,529)	(12,750,397)	(13,632,529)
General	9.4	(100,355)	(109,459)	-	-	(100,355)	(109,459)
		(100,355)	(109,459)	(12,750,397)	(13,632,529)	(12,850,752)	(13,741,988)
Advances - net of provision		652,229,399	495,973,703	850,363	528,130	653,079,762	496,501,833

	December 31, 2021				December 31, 2020			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
Rupees in '000								

9.1 Includes Net investment in finance lease as described below

Lease rentals receivable	617,072	1,065,661	174,254	1,856,987	642,926	1,010,123	48,042	1,701,091
Residual value	113,658	530,200	217,360	861,218	94,216	540,634	116,602	751,452
Minimum lease payments	730,730	1,595,861	391,614	2,718,205	737,142	1,550,757	164,644	2,452,543
Financial charges for future periods	(128,768)	(142,878)	(13,290)	(284,936)	(93,056)	(166,295)	(5,152)	(264,503)
Present value of minimum lease payments	601,962	1,452,983	378,324	2,433,269	644,086	1,384,462	159,492	2,188,040

	December 31, 2021	December 31, 2020
Rupees in '000		

9.2 Particulars of advances (Gross)

In local currency	651,918,872	495,787,646
In foreign currencies	14,011,642	14,456,175
	665,930,514	510,243,821

9.3 Advances include Rs. 13,600.760 million (2019: Rs. 14,160.659 million) which have been placed under non-performing status as detailed below:

	December 31, 2021		December 31, 2020	
	NPLs	Specific Provision	NPLs	Specific Provision
Rupees in '000				

Category of Classification

Domestic				
Other Assets Especially Mentioned	21,390	623	31,881	121
Substandard	713,919	177,740	253,289	62,451
Doubtful	586,834	293,417	611,064	305,532
Loss	12,278,617	12,278,617	13,264,425	13,264,425
	13,600,760	12,750,397	14,160,659	13,632,529

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

9.4 Particulars of provision against advances

	Note	December 31, 2021			December 31, 2020		
		Specific	General	Total	Specific	General	Total
Rupees in '000							
Opening balance		13,632,529	109,459	13,741,988	15,112,624	39,795	15,152,419
Exchange adjustments		-	2,271	2,271	-	1,478	1,478
Charge for the year		337,741	49,901	387,642	911,464	1,404,515	2,315,979
Reversals	9.5	(1,133,844)	(61,276)	(1,195,120)	(630,472)	(1,336,329)	(1,966,801)
		(796,103)	(11,375)	(807,478)	280,992	68,186	349,178
Amounts written off	9.6	(86,029)	-	(86,029)	(1,761,087)	-	(1,761,087)
Closing balance		12,750,397	100,355	12,850,752	13,632,529	109,459	13,741,988
9.4.1							
In local currency		12,335,885	19,016	12,354,901	13,257,185	17,077	13,274,262
In foreign currencies		414,512	81,339	495,851	375,344	92,382	467,726
		12,750,397	100,355	12,850,752	13,632,529	109,459	13,741,988

9.4.2 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.

9.5 This includes reversal of provision on account of a non performing loan, classified as loss, settled against Debt Property Swap amounting to Rs. Nil (2020: Rs. 31.994 million).

	Note	December 31, 2021	December 31, 2020
Rupees in '000			

9.6 Particulars of write-offs

9.6.1	Against provisions		86,029	1,761,087
	Directly charged to Profit and Loss account		-	-
			86,029	1,761,087
9.6.2	Write-offs of Rs. 500,000 and above - Domestic	9.7	86,029	1,761,087
	Write-offs of below Rs. 500,000		-	-
			86,029	1,761,087

9.7 Details of loan write-off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the Statement in respect of written-off loans or any other financial relief of five hundred thousand rupees and above allowed to a person(s) during the year ended December 31, 2021 is given in Annexure-'I' of unconsolidated financial statements. However, these write-offs do not affect the Bank's right to recover debts from these customers.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
10	FIXED ASSETS		
Capital work-in-progress	10.1	3,630,604	2,891,147
Property and equipment	10.2	66,962,119	63,481,116
Right-of-Use Assets	10.3	7,757,831	7,279,879
		78,350,554	73,652,142
10.1	CAPITAL WORK-IN-PROGRESS		
Civil works		2,901,559	1,958,105
Equipment		-	331,677
Advances to suppliers		729,045	601,365
		3,630,604	2,891,147

	December 31, 2021								
	Freehold Land	Leasehold Land	Building on Freehold Land	Building on Leasehold Land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Building Improvements (Leased Premises)	Total
Rupees in '000									
10.2	Property and Equipment								
At January 1, 2021									
Cost / Revalued amount	26,994,014	12,213,964	10,690,530	4,766,961	2,425,566	16,596,186	1,341,997	5,641,330	80,670,548
Accumulated depreciation	-	-	-	-	(1,400,675)	(11,080,962)	(728,225)	(3,729,571)	(16,939,433)
Net book value	26,994,014	12,213,964	10,690,530	4,766,961	1,024,891	5,515,224	613,772	1,911,759	63,731,115
Year ended December 31, 2021									
Opening net book value	26,994,014	12,213,964	10,690,530	4,766,961	1,024,891	5,515,224	613,772	1,911,759	63,731,115
Additions	1,845,283	396,066	1,286,220	356,649	297,366	2,181,882	550,337	703,272	7,617,075
Net disposal (book value)	(250,000)	(291,000)	(863)	(110,803)	(1,760)	(10,353)	(26,114)	(2,678)	(693,571)
Depreciation charge	-	-	(553,135)	(236,532)	(198,974)	(1,748,692)	(234,681)	(720,410)	(3,692,424)
Exchange rate adjustments	-	-	-	-	(1)	(2)	(7)	(66)	(76)
Other adjustments / transfers	(14,465)	-	(286,377)	(21,635)	5,654	331,447	-	(14,624)	-
Closing net book value	28,574,832	12,319,030	11,136,375	4,754,640	1,127,176	6,269,506	903,307	1,877,253	66,962,119
At December 31, 2021									
Cost / Revalued amount	28,574,832	12,319,030	11,689,482	4,972,177	2,679,939	18,725,150	1,654,429	6,313,132	86,928,171
Accumulated depreciation	-	-	(553,107)	(217,537)	(1,552,763)	(12,455,644)	(751,122)	(4,435,879)	(19,966,052)
Net book value	28,574,832	12,319,030	11,136,375	4,754,640	1,127,176	6,269,506	903,307	1,877,253	66,962,119
Rate of depreciation (percentage)	-	-	5%	5%	10%	14.28% -50%	20%	20%	

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

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
Rupees in '000									
At January 1, 2020									
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
Accumulated depreciation	-	-	(701,946)	(433,788)	(1,222,244)	(9,638,071)	(531,293)	(3,069,355)	(15,596,697)
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
Year ended December 31, 2020									
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
Additions	3,404,431	627,240	3,012,710	193,186	297,829	1,428,569	137,575	756,376	9,857,916
Movement in surplus on assets revalued during the year	4,394,769	476,437	970,780	380,555	-	-	-	-	6,222,541
Disposals	-	(201,050)	(48,810)	(67,155)	(389)	(2,661)	(8,526)	-	(328,591)
Depreciation charge	-	-	(369,594)	(226,651)	(197,388)	(1,643,322)	(226,804)	(663,986)	(3,327,745)
Exchange rate adjustments	-	-	-	-	(93)	12	(59)	(677)	(817)
Other adjustments / transfers	(167,464)	(5,380)	(89,069)	155,568	-	-	-	2,447	(103,898)
Closing net book value	26,744,014	12,213,964	10,690,530	4,766,961	1,024,697	5,515,221	613,970	1,911,759	63,481,116
At December 31, 2020									
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
Accumulated depreciation	-	-	-	-	(1,400,674)	(11,080,960)	(728,225)	(3,729,571)	(16,939,430)
Net book value	26,744,014	12,213,964	10,690,530	4,766,961	1,024,892	5,515,226	613,770	1,911,759	63,481,116
Rate of depreciation (percentage)	-	-	5%	5%	10%	14.28% -50%	20%	20%	

	Note	December 31, 2021	December 31, 2020
Rupees in '000			

10.3 Movement in Right-of-use Assets

Opening Balance	7,279,879	8,087,208
Additions / Adjustments	2,298,921	1,308,588
Derecognition	(118,328)	(413,845)
Depreciation	(1,705,200)	(1,703,157)
Exchange Rate Adjustment	2,559	1,085
Closing Net Book Value	7,757,831	7,279,879

10.4 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)	20,569,957
- Building	11,534,343

10.5 Fair value of property and equipment excluding land and buildings is not expected to be materially different from their carrying amount.

	Note	December 31, 2021	December 31, 2020
Rupees in '000			

10.6 Incremental depreciation charged during the year transferred to unappropriated profit

20.1 229,298 169,255

10.7 Restriction / discrepancy in the title of property having a net book value of

56,689 61,193

10.8 The cost of fully depreciated assets that are still in use:

Furniture and fixtures	738,638	677,391
Electrical, office and computer equipments	7,011,071	6,354,976
Vehicles	181,623	243,750
Leasehold Improvements	2,794,456	2,178,583

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

	Note	December 31, 2021	December 31, 2020	
Rupees in '000				
10.9	The carrying amount of property and equipment that have retired from active use and held for disposal	52,963	452,361	
11	INTANGIBLE ASSETS			
	Capital work in progress	11.1	237,246	505,367
	Intangible Assets	11.2	2,638,729	2,217,584
			2,875,975	2,722,951
11.1	Capital work in progress			
	Softwares		226,708	496,703
	Advances for softwares to suppliers		10,538	8,664
			237,246	505,367
		December 31, 2021		
		Computer software	Others	Total
		Rupees in '000		
11.2	Intangible Assets			
	At January 1, 2021			
	Cost	4,495,037	-	4,495,037
	Accumulated amortisation and impairment	(2,277,452)	-	(2,277,452)
	Net book value	2,217,585	-	2,217,585
	Year ended December 31, 2021			
	Opening net book value	2,217,585	-	2,217,585
	Additions:			
	Developed internally	-	-	-
	Directly purchased	833,513	-	833,513
	Through business combinations	-	-	-
		833,513	-	833,513
	Disposals			
	Disposals cost	(516)	-	(516)
	Disposals accumulated depreciation	497	-	497
		(19)	-	(19)
	Amortisation charge	(412,350)	-	(412,350)
	Exchange rate adjustments	-	-	-
	Other adjustments	-	-	-
	Closing net book value	2,638,729	-	2,638,729
	At December 31, 2021			
	Cost	5,328,034	-	5,328,034
	Accumulated amortisation and impairment	(2,689,305)	-	(2,689,305)
	Net book value	2,638,729	-	2,638,729
	Rate of amortisation (percentage)		5% to 14.28%	
	Useful life		7 to 20 Years	

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

	December 31, 2020		
	Computer software	Others	Total
	Rupees in '000		
At January 1, 2020			
Cost	3,324,607	-	3,324,607
Accumulated amortisation and impairment	(1,998,813)	-	(1,998,813)
Net book value	1,325,794	-	1,325,794
Year ended December 31, 2020			
Opening net book value	1,325,794	-	1,325,794
Additions:			
Directly purchased	1,170,454	-	1,170,454
Disposals cost	(25)	-	(25)
Disposals accumulated depreciation	25	-	25
	-	-	-
Amortisation charge	(278,664)	-	(278,664)
Closing net book value	2,217,584	-	2,217,584
At December 31, 2020			
Cost	4,495,036	-	4,495,036
Accumulated amortisation and impairment	(2,277,452)	-	(2,277,452)
Net book value	2,217,584	-	2,217,584
Rate of amortisation (percentage)	5% to 33.33%		
Useful life	7 to 20 Years		
		December 31,	December 31,
		2021	2020
		Rupees in '000	
11.3	The cost of fully amortized assets that are still in use:		
		561,805	557,724
	Intangible assets - software		

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

December 31, 2021				
	At January 1, 2021	Recognised in profit and loss account	Recognised in other comprehensive Income	At December 31, 2021
Rupees in '000				
12 DEFERRED TAX ASSETS / (LIABILITIES)				
Deductible Temporary Differences on				
Provision against:				
- Investments	19,093	-	-	19,093
- Other assets	38,959	-	-	38,959
- Off balance sheet obligations	14,824	-	-	14,824
- Advances	229,476	31,868	-	261,344
- Post retirement gratuity benefits	51,035	(1,380)	(16)	49,639
- Actuarial losses	364,286	-	(28,286)	336,000
- Workers welfare fund	736,933	315,070	-	1,052,003
- Investment in finance lease liabilities	1,551	980	-	2,531
	1,456,157	346,538	(28,302)	1,774,393
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	(1,598,517)	99,677	(200,262)	(1,699,102)
- Surplus on revaluation of investments	(2,626,892)	10,787	5,260,784	2,644,679
- Surplus on revaluation on non banking assets	(11,057)	(5,724)	1	(16,780)
- Actuarial gains	-	-	-	-
- Accelerated tax depreciation / amortization	(1,184,933)	2,354	-	(1,182,579)
- Excess of investment in finance lease over written down value of leased assets	(13,206)	-	-	(13,206)
	(5,434,605)	107,094	5,060,523	(266,988)
	(3,978,448)	453,632	5,032,221	1,507,405
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				
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 medical 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 of 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)

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
13 OTHER ASSETS			
Income, mark-up accrued in local currency - net of provision		21,433,740	19,310,016
Income, mark-up accrued in foreign currency net of provision		430,467	204,777
Advances, deposits, advance rent and other prepayments		1,681,674	1,297,139
Advance taxation (payments less provisions)		3,550,725	2,366,188
Non-banking assets acquired in satisfaction of claims	13.1	571,346	792,217
Acceptances		5,646,815	5,329,898
Due from the employees' retirement benefit schemes			
- Pension fund	35.4	4,379,974	3,786,440
Fraud and forgeries		523,692	539,178
Stationery and stamps in hand		475,818	304,116
Overdue foreign bills negotiated or discounted		132,573	107,472
Home Remittance Cell agent receivable		659	83,999
Receivable from State Bank of Pakistan - customers encashments		934,298	-
Charges receivable		33,291	27,711
Automated Teller Machine or Point of Sale settlement account		-	830,819
Suspense account		3,012	1,865
Others		24,632	12,182
		39,822,716	34,994,017
Less: Provision held against other assets	13.2	(760,152)	(756,559)
Other assets (net of provision)		39,062,564	34,237,458
Surplus on revaluation of non-banking assets acquired			
in satisfaction of claims		955,956	650,029
Other assets - net		40,018,520	34,887,487

13.1 Market value of non-banking assets acquired in satisfaction of claims

	December 31, 2021	December 31, 2020
Rupees in '000		
	1,527,302	1,442,246

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, 2021	December 31, 2020
Rupees in '000		

13.1.1 Non banking assets acquired in satisfaction of claims

Opening balance	1,442,246	4,486,663
Additions	721	175,258
Revaluation	389,355	149,825
Disposals and transfers	(299,400)	(3,335,513)
Depreciation	(5,620)	(33,987)
Closing balance	1,527,302	1,442,246

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

	Note	December 31, 2021	December 31, 2020
Rupees in '000			

13.1.2 Gain / Loss on Disposal of Non banking assets acquired in satisfaction of claims

Disposal proceeds		153,175	9,260
Less:			
Cost		(120,700)	(14,032)
Impairment / Depreciation		4	-
		(120,696)	(14,032)
(Loss) and gain		32,479	(4,772)

13.2 Provision held against other assets

Advances, deposits, advance rent and other prepayments		153,018	147,067
Provision against fraud and forgeries		523,692	539,178
Overdue Foreign Bills Negotiated and Discounted		24,295	24,295
Charges receivable		28,811	27,711
Others		30,336	18,308
		760,152	756,559

13.2.1 Movement in provision held against other assets

Opening balance		756,559	862,460
Charge for the year		70,766	65,537
Reversals		(7,264)	(110,723)
Net charge		63,502	(45,186)
Written off and adjusted		(59,909)	(60,715)
Closing balance		760,152	756,559

14 CONTINGENT ASSETS

There were no contingent assets of the Group as at December 31, 2021 and December 31, 2020.

15 BILLS PAYABLE

In Pakistan		10,059,879	9,622,020
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16 BORROWINGS

Secured

Borrowings from State Bank of Pakistan			
Repurchase agreement borrowings	16.1	235,497,430	69,899,415
Under export refinance scheme	16.2	33,230,671	28,781,058
Under payroll refinance scheme	16.3	7,681,205	17,579,785
Under long term financing facility	16.4	27,772,856	24,598,291
Under financing scheme for renewable energy	16.5	3,330,929	2,898,310
Under Temporary Economic Refinance Scheme	16.6	10,013,124	388,385
Under refinance scheme for modernization of SMEs		22,500	-
Other borrowings		6,915	8,432
Under refinance scheme for wages and salaries	16.7	763,347	121,270
		318,318,977	144,274,946
Repurchase agreement borrowings from financial institutions	16.8	65,134,454	40,293,084
Unsecured			
Call borrowings	16.9	28,516,551	9,263,438
Trading liabilities		5,644,324	-
Overdrawn nostro accounts		191,462	43,797
Musharaka borrowing		2,200,000	-
Other borrowings		-	52,821
		36,552,337	9,360,056
		420,005,768	193,928,086

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

- 16.1** This represents local currency borrowing from the State Bank of Pakistan against government securities, carrying mark-up at the rate of 9.89% to 9.96% (2020: 7.06%) per annum, maturing on various dates latest by March 04, 2022.
- 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% (2020: 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% (2020: 1.00% to 2.00%) per annum.
- 16.4** This represents Long Term Financing facility availed by the Bank for further extending the same to its customers, for a maximum period of 10 years. The borrowing carries mark-up at the rate of 1.50%, 2.50% and 3.00% (2020: 1.50%, 2.50% and 3.00%) per annum for financing up-to 3 years, 5 years & 10 years respectively.
- 16.5** These represent borrowings from the State Bank of Pakistan availed by the Bank for financing power projects and facilities using alternative and renewable energy (solar, wind, hydro, biogas, bio-fuels, bagasse cogeneration, and geothermal as fuel) for a maximum period of 12 years under Category I and for a maximum period of 10 years under Category II and III. The borrowing carries mark-up at the rate of 3% for Category I, 2% for Category II and 3% for Category III.
- 16.6** These borrowings have been obtained from the State Bank of Pakistan for providing concessionary refinancing facility to the industry for purchase of new imported and locally manufactured plant & machinery to set up new projects. These borrowings are repayable within a period of ten years including a grace period of upto 2 years. These carry mark up rate of 1% per annum.
- 16.7** These borrowings have been obtained from the State Bank of Pakistan for providing refinancing facility to wide range of SME clusters / sectors for purchase of new and imported / local plant and machinery for BMR of existing units and setting up new SME units. These borrowings are repayable for a maximum period of 10 years. These carry mark up rate ranging from 6% per annum.
- 16.8** These borrowings have been obtained from the State Bank of Pakistan for providing financing facilities to help businesses in payment of wages and salaries to their workers and employees for supporting continued employment. These borrowing are repayable in 8 equal quarterly installments beginning from January 2021. These carry mark up rates ranging from 0% to 2% per annum.
- 16.9** These represent borrowings in local currency from local and foreign interbank markets against government securities, carrying mark-up at the rate of 9.80% to 9.90% (2020: 6.25% to 7.01%) per annum, and at the rate of 1.10% to 1.15% (2020: Nil) per annum for foreign currency borrowings. These borrowings are maturing on various dates, latest by January 13, 2022.
- 16.10** These represent unsecured borrowings in local and foreign currency from the local and foreign interbank markets, carrying mark-up at the rate of 10.65% (2020: 6.15%) per annum for local currency borrowings, and at the rate of 1.00% to 1.41% (2020: 1.15% to 3.45%) per annum for foreign currency borrowings. These borrowings are maturing on various dates, latest by June 21, 2022.
- 16.11** This represents unsecured local currency borrowings by Islamic banking business under Musharaka agreement at profit of 10% (2020: Nil) per annum, maturing on January 07, 2022.
- 16.12** Note 8.2.1 includes the carrying amount of investments given as collateral against re-purchase agreement borrowings.

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
16.13 Particulars of borrowings with respect to currencies			
In local currency		393,841,354	185,664,648
In foreign currencies		26,164,414	8,263,438
		<u>420,005,768</u>	<u>193,928,086</u>

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

	December 31, 2021			December 31, 2020		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
Rupees in '000						
17 DEPOSITS AND OTHER ACCOUNTS						
Customers						
Current deposits	487,083,609	25,141,039	512,224,648	391,571,035	23,736,666	415,307,701
Savings deposits	506,117,895	25,910,230	532,028,125	461,241,849	33,740,375	494,982,224
Term deposits	175,366,193	39,218,366	214,584,559	107,223,558	35,015,861	142,239,419
Others	30,029,090	41,106	30,070,196	23,540,199	58,247	23,598,446
	1,198,596,787	90,310,741	1,288,907,528	983,576,641	92,551,149	1,076,127,790
Financial Institutions						
Current deposits	64,781,898	86,694	64,868,592	52,236,902	11,655	52,248,557
Savings deposits	49,880,491	-	49,880,491	75,348,572	-	75,348,572
Term deposits	9,581,350	39,716	9,621,066	12,896,350	41,557	12,937,907
Others	6	-	6	5,421	-	5,421
	124,243,745	126,410	124,370,155	140,487,245	53,212	140,540,457
	1,322,840,532	90,437,151	1,413,277,683	1,124,063,886	92,604,361	1,216,668,247

	December 31, 2021	December 31, 2020
Rupees in '000		

17.1 Composition of deposits

Individuals	661,313,945	557,553,525
Private Sector	332,671,879	298,695,278
Government (Federal and Provincial)	165,099,322	125,646,881
Public Sector Entities	129,839,960	94,232,106
Non-Banking Financial Institutions	115,112,226	129,638,836
Banking Companies	9,240,351	10,901,621
	1,413,277,683	1,216,668,247

17.2 Total deposits include deposits eligible to be covered under insurance arrangements amounting to Rs. 865,799 million (2020: 746,521 million).

17.3 Net outstanding value against prepaid cards is Rs. 85.022 million as at reporting date (2020: 105.507 million).

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

19 SHARE CAPITAL

19.1 Authorized capital

December 31, 2021	December 31, 2020		December 31, 2021	December 31, 2020
No. of shares			Rupees in '000	
1,500,000,000	1,500,000,000	Ordinary shares of Rs.10/- each	15,000,000	15,000,000

19.2 Issued, subscribed and paid-up capital

December 31, 2021	December 31, 2020		December 31, 2021	December 31, 2020
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 Leasing Limited on the cut-off date (September 30, 2004)	91,486	91,486
		8,400,000 Ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation of First Allied Bank Modaraba with Allied Bank Limited in accordance with the share swap ratio stipulated therein.	84,000	84,000
1,145,073,830	1,145,073,830		11,450,739	11,450,739

Ibrahim Holdings (Private) Limited (holding company of the Bank), holds 990,767,307 (86.52%) [2020: 972,510,410 (84.93%)] ordinary shares of Rs. 10 each respectively, as at reporting date.

Note	December 31, 2021	December 31, 2020
Rupees in '000		

20 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus arising on revaluation of:			
- Fixed assets	20.1	24,467,625	24,921,256
- Non-banking assets acquired in satisfaction of claims	20.2	955,956	650,030
- Available-for-sale securities	8.1	(6,757,108)	7,501,462
		18,666,472	33,072,748
Deferred tax on surplus on revaluation of:			
- Fixed assets	20.1	(1,699,102)	(1,598,517)
- Non-banking assets acquired in satisfaction of claims	21.2	(16,780)	(11,058)
- Available-for-sale securities	12	2,635,272	(2,625,512)
		919,391	(4,235,087)
		19,585,863	28,837,661

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

	Note	December 31, 2021	December 31, 2020
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Rupees in '000

21.1 Surplus on revaluation of fixed assets

Surplus as at January 1, 2021		24,921,256	16,730,460
Surplus on revaluation during the year		-	6,222,541
Surplus related to transfer / adjustments		5,651	2,369,797
Surplus realised on disposal during the year		(276,720)	(232,287)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year – net of deferred tax		(139,872)	(110,016)
Related deferred tax liability		(89,426)	(59,239)
	10.6	(229,298)	(169,255)
Surplus on revaluation as at December 31, 2021		24,420,889	24,921,256
Less: Related deferred tax liability on :			
Revaluation surplus as at January 1, 2021		(1,598,517)	(1,091,464)
Deferred tax liability on revaluation surplus due to change in tax rate		(199,010)	(472,967)
Deferred tax liability related to transfer or adjustments		(1,252)	(112,597)
Deferred tax on surplus on disposal during the year		10,251	19,272
Deferred tax on incremental depreciation transferred to profit and loss account		89,426	59,239
		(1,699,102)	(1,598,517)
		22,721,787	23,322,739

20.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims

Surplus as at January 1, 2021		650,030	2,877,470
Surplus on revaluation during the year		389,355	149,825
Surplus related to transfer or adjustments		(5,651)	(2,369,797)
Surplus realised on disposal during the year		(76,370)	(5,806)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year – net of deferred tax		(859)	(1,080)
Related deferred tax liability		(549)	(582)
		(1,408)	(1,662)
Surplus on revaluation as at December 31, 2021		955,956	650,030
Less: Related deferred tax liability on :			
Revaluation surplus as at January 1, 2021		(11,058)	(136,789)
Deferred tax liability on revaluation surplus		(7,535)	12,552
Deferred tax liability related to transfer or adjustments		1,252	112,597
Deferred tax on surplus on disposal during the year		12	-
Deferred tax on incremental depreciation transferred to profit and loss account		549	582
		(16,780)	(11,058)
		939,176	638,972

	Note	December 31, 2021	December 31, 2020
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Rupees in '000

21 CONTINGENCIES AND COMMITMENTS

Guarantees	21.1	38,151,849	36,224,791
Commitments	21.2	395,552,089	304,760,653
Other contingent liabilities	21.3	6,668,875	8,594,509
		440,372,813	349,579,953

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

	Note	December 31, 2021	December 31, 2020
Rupees in '000			

21.1 Guarantees

Financial guarantees		4,751,558	8,401,931
Performance guarantees		7,218,569	6,014,712
Other guarantees		26,181,722	21,808,148
		<u>38,151,849</u>	<u>36,224,791</u>

21.2 Commitments

Documentary credits and short term trade related transactions:			
letters of credit		113,658,809	84,039,527
Commitments in respect of:			
- forward foreign exchange contracts	21.2.1	277,034,728	216,047,094
- operating leases	21.2.2	307,316	349,303
Commitments for acquisition of:			
fixed assets		4,178,585	3,683,381
intangible assets		330,420	599,117
Other Commitments		42,231	42,231
		<u>395,552,089</u>	<u>304,760,653</u>

21.2.1 Commitments in respect of forward foreign exchange contracts

Purchase		161,470,903	136,626,044
Sale		115,563,825	79,421,050
		<u>277,034,728</u>	<u>216,047,094</u>

21.2.2 Commitments in respect of operating leases

Not later than one year		142,691	146,859
Later than one year and not later than five years		142,348	179,634
Later than five years		22,277	22,810
		<u>307,316</u>	<u>349,303</u>

21.3 Other contingent liabilities

21.3.1 Claims against the Bank not acknowledged as debt		<u>6,668,875</u>	<u>8,594,509</u>
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21.3.1.1 This represent certain claims by third parties against the Bank, which are being contested in Courts of law. The management is of the view that these relate to the normal course of the business and the possibility of an outflow of economic resource is remote.

21.3.2 The income tax assessments of the Group have been finalized upto and including tax year 2021 for local, Azad Kashmir and Gilgit Baltistan operations. While finalizing income tax assessments upto tax year 2021, income tax authorities made certain add backs with aggregate tax impact of Rs. 32,753 million (2020: 27,827 million). As a result of appeals filed by the Bank before appellate authorities, most of the add backs have been deleted. However, the Group and Tax Department are in appeals / references before higher forums against unfavorable decisions. Pending finalization of appeals / references no provision has been made by the Group on aggregate sum of Rs.32,753 million (2020: 27,827 million). The management is confident that the outcome of these appeals / references will be in favor of the Group.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

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 (2020: 1,720 million). The Group's appeals before CIR(A)/Appellate Tribunal Inland Revenue (ATIR) are pending for adjudication. The management is confident that these appeals will be decided in favor of the Group; therefore, no provision has been made against the said demand of Rs. 1,720 million (2020: 1,720 million).

Tax authorities have also issued orders under Federal Excise Act, 2005 / Sales Tax Act, 1990 and Sindh Sales Tax on Services Act, 2011 for the year 2008 to 2017 thereby creating arbitrary aggregate demand of Rs. 963 million (2020: 963 million). The Group's appeals before CIR(A) / Appellate Tribunal Inland Revenue (ATIR) are pending for adjudication. The management is confident that aforesaid demand will be deleted by appellate authorities and therefore no provision has been made against the said demand of Rs. 963 million (2020: 963 million).

21.3.3 While adjudicating foreign exchange repatriation cases of exporter namely: Fateh Textile Mills Limited, the Foreign Exchange Adjudicating Court (FEAC) of the State Bank of Pakistan (SBP) has arbitrarily adjudicated penalties against various Banks including Rs.2,173 million in aggregate against Allied Bank Limited (the Group). Against the said judgments, the Group had filed appeals before the Appellate Board and Constitutional Petitions (CP) in the High Court of Sindh, Karachi. The Honorable High Court granted relief to the Group by way of interim orders. Meanwhile, alongwith other Banks, Group filed a further CP whereby vires of section 23C of the FE Regulations Act, 1947 was sought to be declared ultra vires. On November 8, 2018, the Honorable court was pleased to order that the Appellate Board shall not finally decide the appeals. Subsequently, the earlier CP was disposed of vide order dated 15.01.2019 with a direction to the Appellate Board to first decide the stay application of the Group and till then, the Foreign Exchange Regulation Department has been restrained from taking any coercive action against the Group. Based on merits of the appeals, the management is confident that these appeals shall be decided in favor of the Group and therefore no provision has been made against the impugned penalty.

22 DERIVATIVE INSTRUMENTS

The 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, 2021

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 4.16.2. The risk management framework of derivative instruments is given in note 42.

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
23	MARK-UP / RETURN / INTEREST EARNED		
	On:		
	Loans and advances	35,098,223	43,008,692
	Investments	82,452,195	66,089,498
	Lendings to financial institutions	1,088,878	1,411,988
	Balances with banks	14,937	38,598
		<u>118,654,233</u>	<u>110,548,776</u>
24	MARK-UP / RETURN / INTEREST EXPENSED		
	On:		
	Deposits	43,398,447	48,924,040
	Borrowings	24,595,405	6,954,992
	Cost of foreign currency swaps against foreign currency deposits	4,162,133	5,294,147
	Interest expense on lease liability	936,408	979,928
		<u>73,092,393</u>	<u>62,153,107</u>
25	FEE AND COMMISSION INCOME		
	Card related fees (debit and credit cards)	2,623,609	1,951,968
	Branch banking customer fees	2,329,404	2,077,280
	Commission on remittances including home remittances	969,276	853,618
	Investment banking fees	652,067	474,162
	Commission on trade	455,902	369,011
	Commission on cash management	213,548	172,046
	Commission on guarantees	218,778	164,432
	Commission on bancassurance	99,178	87,960
	Credit related fees	24,878	28,986
	Consumer finance related fees	9,834	5,137
		<u>7,596,474</u>	<u>6,184,600</u>
26	GAIN ON SECURITIES		
	Realised – net	26.1	4,368,849
	Unrealised – held for trading		(62,711)
			<u>4,306,138</u>
26.1	Realised gain / (loss) on:		
	Federal government securities	1,220,817	1,965,437
	Shares	3,113,521	1,366,285
	Non Government debt securities	(222)	(461)
	Open Ended Mutual Funds	34,733	146,867
		<u>4,368,849</u>	<u>3,478,128</u>

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
27 OTHER INCOME			
Recovery of written off mark-up and charges		44,479	1,272
Gain on sale of fixed assets - net		323,843	295,399
Refund from EOBI		101,639	-
Other assets disposal		2,820	39,898
SBP reimbursement of incentive amount		50,675	-
Fee for attending Board meetings		2,785	1,830
Gain on disposal of islamic financing and related assets		6,722	-
Gain/(Loss) on sale of non-banking assets	27.1	32,479	(4,772)
		565,442	333,627
27.1	This includes gain on sale of two non-banking assets amounting to Rs. 32.175 million and Rs. 0.304 million respectively (2020: loss of Rs. 4.772 million).		
28 OPERATING EXPENSES			
Total compensation expense	28.1	15,611,777	14,259,743
Property expense:			
Depreciation		4,475,656	4,139,672
Rent and taxes		320,197	268,619
Utilities cost		1,424,698	1,207,639
Security (including guards)		1,078,407	991,617
Repair and maintenance (including janitorial charges)		906,588	907,781
Insurance		100,625	92,139
		8,306,171	7,607,467
Information technology expenses:			
Network charges		783,002	705,749
Depreciation		687,288	665,182
Amortization		412,350	278,664
Software maintenance		859,078	588,874
Hardware maintenance		375,086	340,986
Others		7,500	8,599
		3,124,304	2,588,054
Other operating expenses:			
Marketing, advertisement and publicity		992,438	756,861
Insurance		1,401,251	1,177,196
Outsourced service costs	34.1	834,331	752,209
Cash in Transit service charge		487,450	549,857
Stationery and printing		377,789	402,364
Travelling and conveyance		206,340	158,762
Legal and professional charges		188,184	194,628
Postage and courier charges		123,540	175,725
Depreciation		234,680	226,047
Donations	28.3	59,647	132,874
National Institutional Facilitation Technologies clearing charges		145,924	127,609
Communication		175,963	117,693
Directors fees and allowances		58,264	38,800
Fees and allowances to Shariah Board		7,302	6,213
Training and development		61,925	44,797
Brokerage expenses		88,987	91,213
Card related expenses		609,334	435,983
Auditors Remuneration	28.2	31,843	19,167
Others		552,732	417,933
		6,637,924	5,825,931
		33,680,176	30,281,195

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

	December 31, 2021	December 31, 2020
	Rupees in '000	
28.1 Total compensation expense		
Salaries	10,353,912	9,590,530
Fees And Allowances etc.	1,849,023	1,553,621
Bonus and Awards:		
Variable	1,025,034	1,020,546
Fixed	652,228	623,385
Charge For Defined Benefit Plan	444,744	316,353
Contribution To Defined Contribution Plan	580,321	565,219
Conveyance expense	340,549	258,604
Medical expense	193,483	149,948
Insurance	64,061	73,265
Education Subsidy	32,002	36,387
Hajj Expenses	-	-
Staff Uniform	12,182	14,948
Executive Club Membership	3,860	4,072
Verification Charges Educational Documents	3,424	2,927
Recruitment Charges	2,160	3,157
Social Security Contribution - China	2,198	719
Others	574	76
Sub-Total	15,559,755	14,213,757
Voluntary Retirement Scheme	52,022	45,986
Grand Total	15,611,777	14,259,743

28.1.1 The Bank announced the Voluntary Retirement Scheme (VRS) for its employees. Thirty two (32) employees (2020: 31) of the Bank opted for retirement under this scheme.

28.1.2 Total cost for the year included in Other Operating Expenses relating to outsourced activities is Rs. 955.604 million (2020: Rs. 835.970 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, 2021	December 31, 2020
	Rupees in '000	
28.2 Auditors' remuneration		
Audit fee	13,804	8,515
Fee for other statutory certifications	5,588	3,397
Annual audit overseas business unit*	2,905	2,462
Half year review	5,330	2,665
Special certifications and miscellaneous services	150	150
Sales tax	1,116	568
Out-of-pocket expenses	2,950	1,410
	31,843	19,167

*This includes audit fee amounting to Bahraini Dinar 5,00 (2020: 4,800) and Chinese Yuan 3,000 relating to Wholesale Bahrain Branch and China Representative Office respectively.

28.3 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, 2021

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
Akhuwat Foundation		-	13,000
Anjuman Himayat-i-Islam	28.3.1	1,187	1,901
Custom Public School		-	1,000
IBA Karachi - Centre of Excellence in Islamic Finance		1,500	-
Chaman (Center for Mentally Challenged Children)		-	1,596
Lahore Businessmen Association For Rehabilitation Of The Disabled		1,000	-
Pakistan Hindu Council		-	400
Saylani Welfare International Trust		117	3,160
Various Educational and Social Service Institutions		-	230
Association of the Physically Handicapped Adults		1,500	-
Prime Minister's COVID-19 Pandemic Relief Fund-2020		-	10,000
National Management Foundation (LUMS)		30,000	30,000
Pink Ribbon (Women's Empowerment Group)		10,000	-
Shaheed Benazir Bhutto University		3,000	-
Jamia Ashrafia Lahore		957	-
Abdul Sattar Edhi Foundation		1,187	6,000
RAAST Welfare Society		1,500	1,000
Cancer Care Hospital And Research Centre Foundation		3,000	-
Balochistan Residential College Loralai		2,586	-
Lahore Mental Health Association		1,000	-
The Layton Rahmatulla Benevolent Trust		1,000	-
SOS Children's Village		113	-
Institute of Public Health		-	5,400
Shaukat Khanum Memorial Trust		-	5,000
Progressive Education Network		-	5,000
Tamir Welfare Organization		-	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
		59,647	132,874

28.3.1 This represents charitable expenses on account of sadqa & feeding to under privileged.

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
29 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		107,095	23,720
Education cess		57,424	46,930
Depreciation - non-banking assets		5,620	33,987
Other assets written off		39	8,045
Others		97	-
		170,275	112,682

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
30	PROVISIONS AND WRITE OFFS – NET		
	(Reversal) / provision for diminution in the value of investments	8.3.1 (10,753)	577,500
	(Reversal) / provision against loans and advances	9.4 (807,478)	349,178
	Provision / (reversal) against other assets	13.2.1 63,502	(45,186)
	Reversal against off balance sheet obligations	18.1 (2,189)	(11,950)
		(756,918)	869,542
	Recovery of written off bad debts	(54,182)	(25,992)
		(811,100)	843,550
31	TAXATION		
	Current – for the year including super tax	11,635,000	12,126,711
	– for prior year	-	3,358
		11,635,000	12,130,069
	Deferred – current	(453,331)	(532,737)
		11,181,669	11,597,332
31.1	Relationship between tax expense and accounting profit		
	Accounting profit for the year	28,684,897	29,974,937
	Tax on income @ 35% (2020: 35%)	10,039,714	10,491,228
	Super Tax @ 4%	1,183,267	1,234,015
	Others	(41,312)	(127,911)
	Tax charge for the year	11,181,669	11,597,332
32	EARNINGS PER SHARE – BASIC AND DILUTED		
	Profit after taxation	17,503,228	18,377,605
		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	15.29	16.05

There is no dilution effect on basic earnings per share.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

	Note	December 31, 2021	December 31, 2020
Rupees in '000			
33 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks		124,400,515	128,388,720
Balances with other banks		903,243	7,236,502
Overdrawn nostro accounts		(191,462)	(43,797)
		<u>125,112,296</u>	<u>135,581,425</u>

33.1 This includes balances with SBP amounting to Rs. 60,465.605 million (2020: Rs. 66,912.978 million) related to statutory cash reserve to comply with SBP requirements.

33.2 Reconciliation of movement of liabilities and equity to cash flows arising from financing activities

	December 31, 2021				December 31, 2020			
	Liabilities		Equity		Liabilities		Equity	
	Lease Liabilities	Dividend payable	Unappropriated Profit	Total	Lease Liabilities	Dividend payable	Unappropriated Profit	Total
Rupees in '000								
Balance as at January 01,	8,398,681	393,605	69,203,702	77,995,988	8,625,315	384,273	57,681,932	66,691,520
Changes from Financing cash flows								
Payment of lease liability against right-of-use-assets	(2,150,898)	-	-	(2,150,898)	(2,111,236)	-	-	(2,111,236)
Dividend Paid	-	(13,691,826)	-	(13,691,826)	-	(4,570,964)	-	(4,570,964)
Total changes from financing cash flows	(2,150,898)	(13,691,826)	-	(15,842,724)	(2,111,236)	(4,570,964)	-	(6,682,200)
Liability related								
Changes in Other liabilities								
- Dividend announced	-	13,740,887	(13,740,887)	-	-	4,580,296	(4,580,296)	-
- Lease liability recognised	3,068,383	-	-	3,068,383	1,884,602	-	-	1,884,602
Total liability related other changes	3,068,383	13,740,887	(13,740,887)	3,068,383	1,884,602	4,580,296	(4,580,296)	1,884,602
Total equity related other changes	-	-	16,359,703	16,359,703	-	-	16,102,066	16,102,066
Balance as at December 31, 2021	<u>9,316,166</u>	<u>442,666</u>	<u>71,822,518</u>	<u>81,581,350</u>	<u>8,398,681</u>	<u>393,605</u>	<u>69,203,702</u>	<u>77,995,988</u>

33.3 Markup receipts and markup payments during the year amounted to Rs. 116,304.819 million and Rs. 71,875.251 million respectively. (2020: Rs. 111,851.605 million and Rs. 63,687 million respectively)

	Numbers	
34 STAFF STRENGTH		
Permanent	11,370	11,461
Temporary / on contractual basis / trainee	431	336
Bank's own staff strength at the end of the year	<u>11,801</u>	<u>11,797</u>
Average number of employees	<u>11,799</u>	<u>11,822</u>

34.1 In addition to the above, 627 (2020: 571) 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 (2020: 8) employees were posted abroad. The rest were working domestically.

35 DEFINED BENEFIT PLANS

35.1 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, 2021

35.2 Number of employees and beneficiaries under the schemes

The number of employees covered under the following defined benefit scheme or plans are:

	December 31, 2021	December 31, 2020
	Numbers	
– Pension fund	427	527
– Gratuity fund	11,424	11,552
– Post retirement medical benefits	11,591	11,293
– Employees' compensated absences	11,162	11,293
In addition, the number of beneficiaries covered under the following defined benefit scheme / plans are:		
– Pension fund	2,363	2,369
– Post retirement medical benefits	1,610	1,610

35.3 Principal actuarial assumptions

The actuarial valuations were carried out for December 31, 2021 based on the Projected Unit Credit Method, using the following significant assumptions:

Sources of estimation	December 31, 2021	December 31, 2020
Withdrawal rate		
Pension fund	Moderate	Moderate
Gratuity fund	Moderate	Moderate
Post retirement medical benefits	Moderate	Moderate
Employees' compensated absences	High	High
Mortality rate		
	Adjusted SLIC 2001–2005	Adjusted SLIC 2001–2005
Discount rate	Yield on investments in Government Bonds 11.75%	9.75%
Expected rate of return on plan assets		
Pension fund	Yield on investments in Government Bonds 11.75%	9.75%
Gratuity fund	Yield on investments in Government Bonds 11.75%	9.75%
Expected rate of salary increase	Rate of salary increase 9.75%	7.75% - 8.75%

The expected return on plan assets is based on the market expectations and depends on the asset portfolio of the Group, at the beginning of the period, for returns over the entire life of the related obligation.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

35.4 Reconciliation of (receivable from) / payable to defined benefit plans

Note	December 31, 2021				December 31, 2020				
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences	
	Rupees in '000				Rupees in '000				
Present value of defined benefit obligations	35.6	1,389,295	4,107,800	1,515,000	923,138	1,707,213	3,674,998	1,514,300	774,381
Fair value of plan's / scheme's assets	35.7	(5,769,269)	(3,367,786)	-	-	(5,493,653)	(3,046,550)	-	-
Net (asset) and liability		(4,379,974)	740,014	1,515,000	923,138	(3,786,440)	628,448	1,514,300	774,381
Net (asset) and liability		(4,379,974)	740,014	1,515,000	923,138	(3,786,440)	628,448	1,514,300	774,381

35.5 Movement in (receivable from) / payable to defined benefit plans

Note	December 31, 2021				December 31, 2020				
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences	
	Rupees in '000				Rupees in '000				
Opening balance	(3,786,440)	628,448	1,514,300	774,381	(4,440,411)	620,977	1,365,237	668,548	
(Reversal) / charge for the year	35.9	(369,044)	397,273	170,823	250,443	(497,435)	421,021	171,674	230,280
Other comprehensive (income) / losses		(224,490)	97,427	(52,599)	-	1,151,406	(11,589)	95,729	-
Contribution to the fund / benefits paid		-	(383,134)	(117,524)	(101,686)	-	(401,961)	(118,340)	(124,447)
Closing balance		(4,379,974)	740,014	1,515,000	923,138	(3,786,440)	628,448	1,514,300	774,381

35.6 Movement in defined benefit obligations

	December 31, 2021			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Opening balance	1,707,213	3,674,998	1,514,300	774,381
Current service cost	-	354,901	28,424	43,839
Interest cost	155,999	341,667	141,915	70,545
Benefits paid	(214,443)	(339,689)	(117,524)	(101,686)
VRS settlement loss	134	(118)	484	4,251
Re-measurement loss and (gain)	(259,608)	76,041	(52,599)	131,808
Closing balance	1,389,295	4,107,800	1,515,000	923,138

	December 31, 2020			
	Pension fund	Gratuity 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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

35.7 Movement in fair value of plan assets

	December 31, 2021			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
Rupees in '000				
Opening balance	5,493,653	3,046,550	-	-
Expected return on plan assets	525,177	299,177	-	-
Group's contribution	-	383,134	-	-
Benefits paid	(214,443)	(339,362)	-	-
Re-measurement loss	(35,118)	(21,713)	-	-
Closing balance	5,769,269	3,367,786	-	-

	December 31, 2020			
	Pension fund	Gratuity 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)	(275,050)	-	-
Re-measurement gain / (loss)	(1,063,774)	(118,061)	-	-
Closing balance	5,493,653	3,046,550	-	-

35.8 Composition of plan assets

	December 31, 2021			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
Rupees in '000				
Equity securities	3,819,009	631,186	-	-
Government securities	387,004	804,811	-	-
Cash and cash equivalents	1,563,256	1,931,833	-	-
	5,769,269	3,367,830	-	-

35.8.1 Fair value of Group's financial instruments included in plan assets

Shares of ABL	2,366,291	520,329	-	-
Term deposit receipts	1,173,621	1,855,942	-	-
Government securities	387,004	804,811	-	-
Bank balances with ABL	389,634	75,891	-	-
	4,316,550	3,256,973	-	-

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

	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	-	-

36.8.2 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	-	-

35.8.3 Investment in term deposit receipts are subject to credit risk and interest rate risks, while equity securities are subject to price risk. These risks are regularly monitored by Trustees of the employee funds.

35.9 Charge for defined benefit plan

	December 31, 2021			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Current service cost	-	354,901	28,424	43,839
Interest cost	-	-	-	-
Net interest	(369,178)	42,490	141,915	70,545
VRS loss / (gain)	134	(118)	484	4,251
Re-measurement loss recognised	-	-	-	131,808
	(369,044)	397,273	170,823	250,443

	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	-	-	-	-
Net interest	(499,546)	69,858	146,933	68,211
VRS loss	2,111	2,959	819	3,298
Re-measurement gain recognised	-	-	-	120,571
	(497,435)	421,021	171,674	230,280

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

35.10 Re-measurements recognized in other comprehensive income

	December 31, 2021			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
Rupees in '000				
Re-measurement (loss) or gain on obligations				
- Demographic assumptions	-	-	-	-
- Financial assumptions	173,325	(48,036)	-	-
- Experience adjustments	86,283	(27,678)	52,599	-
Re-measurement loss on assets	(35,118)	(21,713)	-	-
Re-measurement (loss) or gain in OCI	224,490	(97,427)	52,599	-

	December 31, 2020			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
Rupees in '000				
Re-measurement (loss) or gain on obligations	(87,632)	130,088	(95,729)	-
Re-measurement loss on assets	(1,063,774)	(117,623)	-	-
Re-measurement (loss) or gain in OCI	(1,151,406)	12,465	(95,729)	-

	December 31, 2021	December 31, 2020
Rupees in '000		

35.11 Actual return / (loss) on plan assets

- Pension fund	490,059	(389,591)
- Gratuity fund	277,464	175,217

35.12 Five year data of defined benefit plan and experience adjustments

	2021	2020	Pension fund		
			2019	2018	2017
Rupees in '000					
Present value of defined benefit obligation	1,389,295	1,707,213	1,661,826	1,585,703	1,979,453
Fair value of plan assets	(5,769,269)	(5,493,653)	(6,102,237)	(6,145,768)	(5,671,485)
	(4,379,974)	(3,786,440)	(4,440,411)	(4,560,065)	(3,692,032)
Experience adjustments on plan obligations / assets					
Re-measurement gain / (loss) on obligation	259,608	(87,632)	(221,183)	364,271	(94,595)
Re-measurement gain / (loss) on assets	(35,118)	(1,063,774)	(506,563)	382,517	(1,191,876)

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

	Gratuity fund				
	2021	2020	2019	2018	2017
	Rupees in '000				
Present value of defined benefit obligation	4,107,800	3,674,998	3,365,399	2,827,757	2,531,300
Fair value of plan assets	(3,367,786)	(3,046,550)	(2,744,422)	(2,383,102)	(2,019,381)
	740,014	628,448	620,977	444,655	511,919
Experience adjustments on plan obligations / assets					
Re-measurement gain / (loss) on obligation	(76,041)	129,650	(16,098)	(73,576)	(20,492)
Re-measurement gain / (loss) on assets	(21,713)	(118,061)	(74,792)	145,719	(230,025)

	Benevolent fund				
	2021	2020	2019	2018	2017
	Rupees in '000				
Present value of defined benefit obligation	-	-	-	9,206	8,036
Fair value of plan assets	-	-	-	(278,393)	(232,158)
	-	-	-	(269,187)	(224,122)
Experience adjustments on plan obligations / assets					
Re-measurement (loss) / gain on obligation	-	-	-	(2,632)	(1,111)
Re-measurement (gain) / loss on assets	-	-	-	(8,150)	(3,976)

	Post retirement medical				
	2021	2020	2019	2018	2017
	Rupees in '000				
Present value of defined benefit obligation	1,515,000	1,514,300	1,365,237	1,332,925	1,240,250
Fair value of plan assets	-	-	-	-	-
	1,515,000	1,514,300	1,365,237	1,332,925	1,240,250
Experience adjustments on plan obligations					
Re-measurement (loss) / gain on obligation	52,599	(95,729)	44,640	(105,031)	62,068

	Employees' compensated absences				
	2021	2020	2019	2018	2017
	Rupees in '000				
Present value of defined benefit obligation	923,138	774,381	668,548	606,880	570,128
Fair value of plan assets	-	-	-	-	-
	923,138	774,381	668,548	606,880	570,128
Experience adjustments on plan obligations					
Re-measurement (loss) / gain on obligation	(131,808)	(120,571)	(59,950)	(137,850)	71,640

35.13 Expected contributions to be paid to the funds in the next financial year

The Group contributes to the gratuity fund as per actuarial expected charge for the next financial year. No contributions are being made to pension 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, 2022 would be as follows:

	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
	Rupees in '000			
Expected (reversal) / charge for the next year	(514,650)	440,688	203,135	286,820

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

35.14 Sensitivity analysis

Description	+1%	-1%	+1%	-1%	+10%	-10%	1Year	1Year
	Discount Rate	Discount Rate	Salary Increase Rate	Salary Increase Rate	Withdrawal Rate	Withdrawal Rate	Mortality age set back	Mortality age set forward
	Rupees in '000							
Pension fund	1,316,235	1,470,938	1,389,295	1,389,295	1,388,890	1,389,701	1,389,268	1,389,324
Gratuity fund	3,796,424	4,413,246	4,436,391	3,771,832	4,099,455	4,067,623	4,081,996	4,085,915
Post retirement medical	1,416,000	1,627,000	1,531,000	1,497,000	1,510,000	1,520,000	1,513,000	1,516,000
Leave compensated absences	864,174	989,292	989,926	862,640	912,536	934,159	921,318	924,951

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, 2021			
	Pension fund	Gratuity fund	Post retirement medical	Employees' compensated absences
The weighted average duration of the obligation (in years)	5.57	7.55	6.96	6.78

35.15 Maturity Profile

The weighted average duration of the obligation (in years)	5.57	7.55	6.96	6.78
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35.16 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.

35.17 Risk associated with defined benefit plans

The defined benefit plans may expose the Group to actuarial risks such as longevity risk, investment risk, salary increase risk and withdrawal rate risk as described below;

Longevity risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Investment risks:

The risk arises when the actual performance level of investment levels is lower than expectation and thus creating a shortfall in the funding objectives.

Salary increase risk:

The most common type of retirement benefit is one where the final benefit is linked with final salary. The risk arises when the actual increases are higher than expectations and impact the liability accordingly.

Withdrawal Rate:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

36 DEFINED CONTRIBUTION PLAN

The Group operates an approved contributory provident fund for 10,121 (2020: 10,380) employees where contributions are made by the Group and employees at 8.33% per annum (2020: 8.33% per annum) of the basic salary every month.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

37 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

37.1 Total compensation expense

December 31, 2021							
	Directors				President / CEO**	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Executive (other than CEO)*	Non-Executives	Members Shariah Board			
Rupees in '000							
Fees and allowances etc.	4,400	-	50,400	-	-	-	-
Managerial remuneration							
- Fixed (including Eid bonus)	-	-	-	3,266	12,500	112,102	209,728
- Total Variable	-	-	-	455	10,000	125,900	112,322
of which							
a. Cash Bonus / awards	-	-	-	455	10,000	125,900	112,322
b. Bonus and awards in Shares	-	-	-	-	-	-	-
Charge for defined benefit plans	-	-	-	255	1,052	17,604	35,727
Contribution to defined contribution plan	-	-	-	252	1,041	9,516	16,882
Rent and house maintenance	-	-	-	1,821	7,500	60,872	121,730
Utilities	-	-	-	607	2,500	30,992	40,530
Medical	-	-	-	607	2,524	23,330	43,354
Conveyance	-	-	-	1,232	5,400	83,000	94,964
Others	-	-	-	324	720	14,544	51,238
Total	4,400	-	50,400	8,819	43,237	477,860	726,475
Number of persons	1	-	7	3	1	17	77

* CEO stands for Chief Executive Officer

** Excluding bonus of Rs. 12.25 million paid to the retiring President / Chief Executive Officer whose term completed on December 31, 2020.

December 31, 2020							
	Directors				President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Executive (other than CEO)*	Non-Executives	Members Shariah Board			
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	-	-	-	1,616	9,495	58,297	117,528
Utilities	-	-	-	539	3,165	27,614	39,176
Medical	-	-	-	539	3,165	20,104	40,926
Conveyance	-	-	-	827	3,000	48,057	61,259
Others	-	-	-	270	600	11,972	43,317
Total	2,000	-	36,800	7,645	62,574	425,488	659,284
Number of persons	1	-	8	3	1	17	77

* CEO stands for Chief Executive Officer

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

37.2 Remuneration paid to Directors for participation in Board and Committee Meetings

Sr. No.	Name of Director	December 31, 2021						Total Amount Paid
		Board Meetings	Audit Committee of Board	Human Resource Remuneration Committee	Board Risk Management Committee	E-Vision	Strategic Planning and Monitoring Committee	
Rupees in '000								
1	Mohammad Naeem Mukhtar	2,800	-	-	-	1,600	-	4,400
2	Sheikh Mukhtar Ahmad	2,800	-	-	1,600	-	-	4,400
3	Muhammad Waseem Mukhtar	2,800	1,600	1,600	-	800	4,400	11,200
4	Abdul Aziz Khan	2,800	-	1,600	1,600	-	4,800	10,800
5	Dr. Muhammad Akram Sheikh*	1,600	1,600	1,200	1,200	-	-	5,600
6	Zafar Iqbal	2,800	2,400	-	-	1,600	-	6,800
7	Mubashir A. Akhtar	800	800	400	-	-	-	2,000
8	Nazrat Bashir	2,800	800	-	400	800	4,800	9,600
9	Pervaiz Iqbal Butt	1,400	-	-	-	-	-	1,400
10	Muhammad Kamran Shehzad	1,400	-	-	-	-	-	1,400
		22,000	7,200	4,800	4,800	4,800	14,000	57,600

*Dr. Muhammad Akram Sheikh completed his term as Non- Executive Director during 2021.

Sr. No.	Name of Director	December 31, 2020						Total Amount Paid
		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
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

37.3 Remuneration paid to Shariah Board Members

Items	December 31, 2021			December 31, 2020		
	Chairman	Resident Member	Non-Resident Member(s)	Chairman	Resident Member	Non-Resident Member(s)
Rupees in '000						
Salaries and allowances	5,043	1,962	1,814	4,402	1,750	1,493
Total Number of Persons	1	1	1	1	1	1

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

37.4 Deferred cash bonus and remuneration for MRTs for the year 2021 is Rs. 16,921,625 (2020: 14,500,250).

38 FAIR VALUE OF FINANCIAL INSTRUMENTS

38.1 Fair value of financial assets

The fair value of traded investments is based on quoted market prices other than those classified as "held to maturity". Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 4.4 to these unconsolidated financial statements.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities. Financial instruments included in level 1 comprise of investments in Listed Ordinary Shares.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Financial instruments included in level 2 comprise of Sukuk Bonds, Units of Mutual Funds, Pakistan Investment Bonds, Market Treasury Bills, Term Finance Certificates and Forward Government & Exchange Contracts.

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs). Currently, no financial instruments are classified in level 3.

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

Valuation Techniques used in determination of Fair Valuation of Financial Instruments within Level 2

Item	Valuation approach and input used
Federal Government Securities	Marked to Market on the basis of PKRV & PKFRV rates.
Non-Government Debt Securities	Marked to Market on the basis of MUFAP rates.
Foreign Exchange Contracts	Marked to Market on the basis of SBP rates.
Open Ended Mutual Funds	Marked to Market on the basis of MUFAP rates.
Operating Fixed Assets (Land & Building) & NBA	The valuation is based on their assessment of market value of the properties.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

	December 31, 2021				
	Carrying Value	Level 1	Level 2	Level 3	Total
Rupees in '000					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	971,471,372	-	971,471,372	-	971,471,372
Shares	19,391,471	16,972,155	2,419,316	-	19,391,471
Non-Government Debt Securities	4,824,319	-	4,824,319	-	4,824,319
Financial assets - disclosed but not measured at fair value					
Investments (Federal government securities, unlisted ordinary shares, term certificates, sukuks, subsidiaries, Bai muajjal)					
	70,702,834	-	-	-	-
Cash and balances with treasury banks	124,400,515	-	-	-	-
Balances with other banks	903,243	-	-	-	-
Lendings	45,452,910	-	-	-	-
Advances	653,079,762	-	-	-	-
Other assets	28,556,045	-	-	-	-
Non - Financial Assets measured at fair value					
Operating fixed assets	56,784,877	-	56,525,189	-	56,525,189
Non-banking assets	1,527,302	-	1,527,302	-	1,527,302
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	161,470,903	-	161,470,903	-	161,470,903
Forward sale of foreign exchange	115,563,825	-	115,563,825	-	115,563,825
Rupees in '000					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	759,836,860	-	759,836,860	-	759,836,860
Shares	24,585,893	24,560,091	25,802	-	24,585,893
Non-Government Debt Securities	14,260,108	-	14,260,108	-	14,260,108
Financial assets - disclosed but not measured at fair value					
Investments (Federal government securities, unlisted ordinary shares, term certificates, sukuks, subsidiaries, Bai muajjal)					
	33,021,638	-	-	-	-
Cash and balances with treasury banks	128,388,720	-	-	-	-
Balances with other banks	7,236,502	-	-	-	-
Lendings	17,996,123	-	-	-	-
Advances	496,501,833	-	-	-	-
Other assets	26,447,917	-	-	-	-
Non - Financial Assets measured at fair value					
Operating fixed assets	54,415,469	-	54,415,469	-	54,415,469
Non-banking assets	1,442,246	-	1,442,246	-	1,442,246
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	136,626,044	-	136,626,044	-	136,626,044
Forward sale of foreign exchange	79,421,050	-	79,421,050	-	79,421,050

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

39 SEGMENT INFORMATION

39.1 Segment Details with respect to Business Activities

	December 31, 2021							
	Corporate & Investment Banking	Commercial and Retail Banking	Trading & Sale (Treasury)	Islamic Banking	Asset Management	Others	Total	
	Rupees in '000							
Profit & Loss								
Net mark-up/return/profit	30,046,425	(40,299,964)	53,742,646	1,966,448	(25,302)	131,587	45,561,840	
Inter segment revenue - net	(27,677,583)	82,271,222	(47,920,565)	-	-	(6,673,074)	-	
Non mark-up/ return/ interest income	7,281,836	4,421,432	3,197,701	324,582	939,314	596,849	16,761,714	
Total Income	9,650,678	46,392,690	9,019,782	2,291,030	914,012	(5,944,638)	62,323,554	
Segment direct expenses	656,814	18,003,942	223,728	1,480,865	544,813	13,539,595	34,449,757	
Total expenses	656,814	18,003,942	223,728	(1,326,208)	544,813	13,539,595	34,449,757	
Provisions	(143,847)	(121,811)	-	(84)	-	1,076,842	811,100	
Profit before tax	8,850,017	28,266,937	8,796,054	810,081	369,199	(18,407,391)	28,684,897	
Balance Sheet								
Cash & Bank balances	265,776	43,509,889	71,358,163	4,305,649	11,685	5,852,596	125,303,758	
Investments	35,400,389	-	999,447,524	29,146,987	2,395,096	-	1,066,389,996	
Net inter segment lending	(446,532,421)	1,253,708,768	(857,849,308)	(2,415,498)	-	53,088,459	-	
Lendings to financial institutions	-	-	82,900,029	-	-	(37,447,119)	45,452,910	
Advances - performing	524,632,629	35,007,398	-	82,203,444	190,085	10,296,198	652,329,754	
Advances - non-performing	670,589	152,873	-	-	-	12,777,298	13,600,760	
Provision against advances	(381,005)	(102,705)	-	(233)	-	(12,366,809)	(12,850,752)	
Advances - net	524,922,213	35,057,566	-	82,203,211	190,085	10,706,687	653,079,762	
Operating fixed assets	389,184	50,947,459	7,448	1,460,572	430,643	27,991,223	81,226,529	
Others	2,840,258	10,664,551	12,117,451	1,861,117	433,398	13,609,150	41,525,925	
Total Assets	117,285,399	1,393,888,233	307,981,307	116,562,038	3,460,907	73,800,996	2,012,978,880	
Borrowings	100,524,929	5,468,498	308,819,318	42,597,423	-	(37,404,400)	420,005,768	
Deposits & other accounts	-	1,345,635,407	-	65,014,170	-	2,628,106	1,413,277,683	
Others	1,465,092	14,712,882	212,341	3,983,158	487,124	29,191,646	50,052,243	
Total liabilities	101,990,021	1,365,816,787	309,031,659	111,594,751	487,124	(5,584,648)	1,883,335,694	
Equity / Reserves	15,295,378	28,071,446	(1,050,352)	4,967,287	2,973,783	79,385,644	129,643,186	
Total Equity and Liabilities	117,285,399	1,393,888,233	307,981,307	116,562,038	3,460,907	73,800,996	2,012,978,880	
Contingencies and Commitments	123,812,661	25,510,317	277,034,728	2,435,173	42,231	11,537,703	440,372,813	
Additions to operating fixed assets	2,201	5,670,956	5,945	82,010	4,710	2,684,766	8,450,588	

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

	December 31, 2020						Total
	Corporate & Investment Banking	Commercial and Retail Banking	Trading & Sale (Treasury)	Islamic Banking	Asset Management	Others	
Rupees in '000							
Profit & Loss							
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
Total Income	11,163,738	38,136,171	15,636,473	2,080,788	909,908	(6,088,185)	61,838,893
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)
Profit before tax	9,323,700	21,186,455	15,442,122	754,452	459,536	(17,191,328)	29,974,937
Balance Sheet							
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	(368,095,111)	1,069,735,900	(753,033,372)	(1,696,240)	-	53,088,823	-
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
Operating fixed assets	427,798	45,526,850	4,773	1,661,844	128,864	28,624,964	76,375,093
Others	3,731,162	8,967,967	11,335,908	850,231	393,032	9,609,187	34,887,487
Total Assets	100,957,424	1,210,992,625	128,803,675	57,934,924	3,182,192	91,219,415	1,593,090,255
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
Total liabilities	85,014,806	1,189,808,736	112,192,857	53,940,027	473,014	17,891,529	1,459,320,969
Equity / Reserves	15,942,618	21,183,889	16,610,818	3,994,897	2,709,178	73,327,886	133,769,286
Total Equity and Liabilities	100,957,424	1,210,992,625	128,803,675	57,934,924	3,182,192	91,219,415	1,593,090,255
Contingencies and Commitments	93,691,022	20,979,810	216,047,094	5,540,979	42,231	13,278,817	349,579,953
Additions to operating fixed assets	3,427	5,163,666	2,132	54,441	5,698	5,799,006	11,028,370

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

39.2 GEOGRAPHICAL SEGMENT ANALYSIS

	December 31, 2021			
	Domestic Operations	Middle East	China	Total
Rupees in '000				
Profit & Loss				
Net mark-up/return/profit	45,084,773	477,067	-	45,561,840
Inter segment revenue – net	27,961	(27,961)	-	-
Non mark-up / return / interest income	16,584,337	177,377	-	16,761,714
Total Income	61,697,071	626,483	-	62,323,554
Segment direct expenses	(34,294,365)	(129,125)	(26,267)	(34,449,757)
Total expenses	(34,294,365)	(129,125)	(26,267)	(34,449,757)
Provisions	781,140	29,960	-	811,100
Profit before tax	28,183,846	527,318	(26,267)	28,684,897
Balance Sheet				
Cash & Bank balances	125,050,175	253,583	-	125,303,758
Investments	1,065,439,690	950,306	-	1,066,389,996
Net inter segment lendings	247,119	-	-	247,119
Lendings to financial institutions	45,205,791	-	-	45,205,791
Advances – performing	624,862,536	27,467,218	-	652,329,754
Advances - non-performing	13,600,760	-	-	13,600,760
Provision against advances	(12,769,413)	(81,339)	-	(12,850,752)
Advances - net	625,693,883	27,385,879	-	653,079,762
Operating fixed assets	81,174,612	51,917	-	81,226,529
Others	41,266,797	259,128	-	41,525,925
Total Assets	1,984,078,067	28,900,813	-	2,012,978,880
Borrowings	395,242,098	24,516,551	-	419,758,649
Subordinated debt	-	-	-	-
Deposits & other accounts	1,413,277,668	15	-	1,413,277,683
Net inter segment borrowing	-	247,119	-	247,119
Others	49,991,643	60,600	-	50,052,243
Total liabilities	1,858,511,409	24,824,285	-	1,883,335,694
Equity	125,566,658	4,076,528	-	129,643,186
Total Equity & liabilities	1,984,078,067	28,900,813	-	2,012,978,880
Contingencies and commitments	440,372,813	-	-	440,372,813

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

	December 31, 2020			
	Domestic Operations	Middle East	China	Total
	Rupees in '000			
Profit & Loss				
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
Balance Sheet				
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
Operating fixed assets	76,199,218	47,011	-	76,246,229
Others	111,084,685	177,895	-	111,262,580
Total Assets	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
Total liabilities	1,444,351,359	14,969,610	-	1,459,320,969
Equity	130,392,785	3,376,501	-	133,769,286
Total Equity & liabilities	1,574,744,144	18,346,111	-	1,593,090,255
Contingencies and commitments	349,579,953	-	-	349,579,953

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

40 RELATED PARTY TRANSACTIONS

The Group has related party relationships with its parent, subsidiary, companies with common directorship, directors, employee benefit plans and key management personnel including their associates.

Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation / 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, 2021					December 31, 2020						
	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											
Balances with other banks												
In current accounts	-	-	-	-	-	-	-	-	-	-	-	-
In deposit accounts	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions												
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	-	-	-	-	-	-	-	-	-
Repaid during the year	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in and (out) – net	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-
Investments												
Opening balance	-	-	-	-	-	2,583,387	-	-	-	-	-	2,197,434
Investment made during the year	-	-	-	-	-	4,691,800	-	-	-	-	-	3,204,791
Investment redeemed and disposed off during the year	-	-	-	-	-	(4,792,377)	-	-	-	-	-	(2,828,035)
Surplus	-	-	-	-	-	(62,713)	-	-	-	-	-	9,197
Transfer in and (out) - net	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	2,420,097	-	-	-	-	-	2,583,387
Provision for diminution in value of investments	-	-	-	-	-	-	-	-	-	-	-	-
Advances												
Opening balance	-	2,969	156,424	-	-	496	4,764	196,884	-	-	-	575
Addition during the year	-	112,084	313,507	-	-	13,619,387	17,055	62,385	-	-	-	4,287
Repaid during the year	-	(51,242)	(109,740)	-	-	(13,617,454)	(18,850)	(102,845)	-	-	-	(4,366)
Transfer in and (out) – net	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	63,811	360,191	-	-	2,429	2,969	156,424	-	-	-	496
Provision held against advances	-	-	-	-	-	-	-	-	-	-	-	-

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

	December 31, 2021					December 31, 2020						
	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											
Other Assets												
Interest or mark-up accrued	-	1,540	78,624	-	-	29	-	-	74,205	-	-	-
Receivable from staff retirement fund	-	-	-	-	-	3,546,477	-	-	-	-	-	3,118,742
Other receivable	-	-	-	-	-	354,378	-	-	-	-	-	345,387
Provision against other assets	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings												
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings during the year	-	-	-	-	-	-	-	-	-	-	-	-
Settled during the year	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in and (out) - net	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt												
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-
Issued or Purchased during the year	-	-	-	-	-	-	-	-	-	-	-	-
Redemption and Sold during the year	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts												
Opening balance	803	144,243	40,672	46,745	26,961,726	2,849	357,194	34,882	123,315	-	-	16,917,539
Received during the year	13,701,403	1,679,675	751,007	13,867,649	542,781,289	10,401,559	1,684,041	515,345	12,786,639	-	-	330,937,208
Withdrawn during the year	(13,601,902)	(1,432,640)	(745,491)	(13,853,944)	(531,429,841)	(10,403,605)	(1,896,992)	(509,555)	(12,863,209)	-	-	(320,894,021)
Transfer in and (out) - net	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	100,304	391,278	46,188	60,450	38,313,174	803	144,243	40,672	46,745	-	-	26,960,726
Other Liabilities												
Interest or mark-up payable	-	-	64	58	184,999	-	-	3	130	-	-	67,270
Payable to staff retirement fund	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Contingencies and Commitments												
Other contingencies	-	-	-	-	-	158,177	-	-	-	-	-	-

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

40.1 RELATED PARTY TRANSACTIONS

	December 31, 2021					December 31, 2020						
	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											
Income												
Mark-up / return / interest earned	-	1,998	12,648	29	-	4	-	375	15,790	-	-	-
Sales Commission	-	-	-	-	-	25,371	-	-	-	-	-	7,679
Fee and commission income	2	44	65	27	-	531,864	3	37	121	10	-	529,520
Dividend income	-	-	-	-	-	2,053	-	-	-	-	-	-
Net gain / (loss) on sale of securities	-	-	(1)	-	-	9,334	-	-	14	-	-	3,354
Rental Income	-	-	-	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	-	-	-	-	-
Expense												
Mark-up, return, interest paid	-	17,718	670	210	-	1,410,280	-	13,159	518	811	-	921,405
Directors meeting fee	-	52,000	-	-	-	-	-	38,800	-	-	-	-
Remuneration	-	41,144	450,740	-	-	-	-	59,750	399,254	-	-	-
Charge for defined benefit plans	-	1,052	18,048	-	-	-	-	1,506	18,140	-	-	-
Contribution to defined contribution plan	-	1,041	9,516	-	-	-	-	1,318	9,062	-	-	-
Other expenses**	-	-	-	32,061	-	-	-	-	-	30,507	-	-
Rent expense***	-	-	-	30,288	-	-	-	-	-	28,851	-	-
Charge in respect of staff retirement benefit funds	-	-	-	-	-	407,085	-	-	-	-	-	269,499
Insurance premium paid	-	104	699	-	-	-	-	126	825	-	-	-
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 (Ibrahim 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, 2021; certain moveable assets having cumulative net book value of Rs. 90,000 were disposed off for Rs. 394,902 to the Key Management Personnel of the Group.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

	December 31, 2021	December 31, 2020
	Rupees in '000	
41 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	11,450,739	11,450,739
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	98,872,275	95,335,586
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	98,872,275	95,335,586
Eligible Tier 2 Capital	20,126,655	27,690,683
Total Eligible Capital (Tier 1 + Tier 2)	118,998,930	123,026,269
Risk Weighted Assets (RWAs):		
Credit Risk	388,470,764	344,948,463
Market Risk	34,566,906	43,237,570
Operational Risk	105,933,865	96,160,368
Total	528,971,535	484,346,401
Common Equity Tier 1 Capital Adequacy ratio	18.69%	19.68%
Tier 1 Capital Adequacy Ratio	18.69%	19.68%
Total Capital Adequacy Ratio	22.50%	25.40%

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, 2021 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 level CAR of the Bank as at December 31, 2021 stood at 22.50% 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, 2021	December 31, 2020
	Rupees in '000	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	98,872,275	95,335,586
Total Exposures	2,490,193,486	1,850,090,033
Leverage Ratio	3.97%	5.15%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	642,371,329	526,731,728
Total Net Cash Outflow	345,039,134	293,826,179
Liquidity Coverage Ratio	186.17%	179.27%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	1,330,494,083	1,167,425,806
Total Required Stable Funding	934,385,758	751,874,375
Net Stable Funding Ratio	142.39%	155.27%

41.1 The link to the full disclosure is available at <https://www.abl.com/investor-relations/>

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

42 RISK MANAGEMENT

The principal risks associated with the Bank's business are credit risk, market risk, liquidity risk, reputational risk, operational risk, and information security & governance risk and Shariah Non- Compliance Risk. The Risk Management Framework (henceforth to be referred to as 'The Framework') provides principles for identifying, assessing, and monitoring risk within the Bank. The Framework specifies the key elements of the risk management process in order to maximize opportunities, minimize adversities and to achieve improved outputs based on informed decision making.

The 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.

Risk management functions have been segregated by business specialization, i.e., Credit Risk, Credit Administration, Technical Appraisal, Information Security and Enterprise Risk which inter alia includes Policy and Procedure, Risk Architecture, Reputational Risk, Operational Risk and Market & Liquidity Risk. All these functions are operating in tandem to improve and maintain the health of the Bank's assets and liabilities.

Categories of Risk

Credit Risk This risk is defined as the possibility of loss due to unexpected default or a deterioration of credit worthiness of a business partner.

Credit Risk includes Country Risk i.e., the risks that counterparty is unable to meet its foreign currency obligations as a result of adverse economic conditions or actions taken by governments in the relevant country.

Market Risk The risk that the value of on and off-balance sheet positions of the 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.

Liquidity Risk 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.

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 Group to industry, economic or technological changes.

Shariah Non-Compliance Risk Shariah Non Compliance Risk arises from the failure to comply with shariah rules and principles determined by the shariah board of the Bank and the Regulator.

Risk Responsibilities

- The Board of Directors shall oversee the risk management process. The Board 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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

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.

42.1 Credit Risk

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.

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, 2021

42.1.1 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	December 31,2021	December 31,2020	December 31,2021	December 31,2020	December 31,2021	December 31,2020
	Rupees in '000					
Public/ Government	-	954,435	-	-	-	-
Private	45,452,910	17,041,688	70,000	70,000	70,000	70,000
	45,452,910	17,996,123	70,000	70,000	70,000	70,000

42.1.2 Investment in debt securities

Credit risk by industry sector

	Gross Investments		Non-performing Investments		Provision held	
	December 31,2021	December 31,2020	December 31,2021	December 31,2020	December 31,2021	December 31,2020
	Rupees in '000					
Basic metals (iron, steel)	500,000	500,000	-	-	-	-
Financial	10,505,600	6,029,152	-	-	-	-
Hotel, restaurant and clubs	429,055	440,444	-	-	-	-
Power, gas, water and sanitary	12,294,309	12,843,295	-	-	-	-
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	1,029,490,304	781,645,847	889,292	3,995,021	1,808	12,306
Others	103,498	103,498	103,498	103,498	103,498	103,498
	1,055,184,598	803,424,068	1,254,622	4,360,351	367,138	377,636

	Gross Investments		Non-performing Investments		Provision held	
	December 31,2021	December 31,2020	December 31,2021	December 31,2020	December 31,2021	December 31,2020
	Rupees in '000					

Credit risk by public / private sector

Public/ Government	1,040,240,304	792,895,847	889,292	3,995,021	1,808	12,306
Private	14,944,294	10,528,221	365,330	365,330	365,330	365,330
	1,055,184,598	803,424,068	1,254,622	4,360,351	367,138	377,636

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

	Gross advances		Non-performing advances		Provision held	
	December 31,2021	December 31,2020	December 31,2021	December 31,2020	December 31,2021	December 31,2020

Rupees in '000

42.1.3 Advances

Credit risk by industry sector

Agriculture, Forestry and Hunting	147,123,343	84,694,483	624,664	633,891	584,105	580,929
Basic metals (iron, steel)	9,592,215	5,182,450	322,084	426,200	312,248	416,364
Cement, clay and ceramics	24,078,946	21,328,282	71,591	72,089	71,591	72,089
Chemical and pharmaceutical	37,195,811	25,228,172	362,126	380,438	362,126	380,438
Construction	10,643,190	7,406,481	133,975	156,783	129,475	156,783
Education	202,236	341,272	123	123	123	123
Financial	50,951,055	34,432,016	37,454	51,254	37,454	51,254
Footwear and leather garments	4,335,475	4,088,083	29,832	107,050	29,832	107,050
Furniture and sports goods	1,376,141	2,195,714	201,841	180,809	201,841	180,809
Grains, food and beverages	18,577,881	13,946,988	2,459,124	2,031,510	2,004,931	1,969,975
Health and social welfare	354,213	677,930	1,644	1,879	1,644	1,879
Hotel, restaurant and clubs	-	7,120	7,110	7,120	7,110	7,120
Individuals	16,329,765	10,773,868	337,369	356,814	330,333	346,586
Machinery and equipment	2,732,657	2,035,009	9,399	10,321	9,399	10,321
Manufacture of transport equipment	3,226,013	1,334,035	129,499	139,322	129,499	139,322
Paper and paper boards	11,677,865	8,299,420	207,274	208,134	207,274	208,134
Petroleum products	34,074,212	10,829,532	18,244	16,246	16,844	13,934
Power, gas, water and sanitary	127,141,983	139,165,794	-	-	-	-
Printing, publishing and allied	303,199	431,699	738	10,056	738	10,056
Real estate, renting, and business activities	7,419,067	8,905,436	-	-	-	-
Rubber and plastic	855,631	354,959	166,990	215,563	166,990	215,563
Sugar	5,392,472	7,092,113	37,850	45,866	37,850	45,866
Textile -Manufacture of made up and ready made garments	43,537,542	35,591,391	2,901,668	2,975,300	2,901,668	2,937,800
Textile - Finishing	17,410,759	17,322,221	2,710,184	2,819,937	2,710,184	2,819,938
Textile - Spinning	22,837,292	20,349,866	943,308	1,240,095	943,308	1,240,095
Textile - Weaving	3,761,552	3,480,392	454,979	457,029	245,342	246,691
Transport, storage and communication	23,838,158	16,343,070	95,489	111,434	38,804	42,790
Wholesale and retail trade	7,561,992	7,532,677	740,232	796,424	731,668	778,290
Others	33,399,849	20,873,348	595,969	708,972	538,016	652,330
	665,930,514	510,243,821	13,600,760	14,160,659	12,750,397	13,632,529

Credit risk by public and private sector

Public/ Government	305,411,957	217,105,175	34,330	134,330	34,330	134,330
Private	360,518,557	293,138,646	13,566,430	14,026,329	12,716,067	13,498,199
	665,930,514	510,243,821	13,600,760	14,160,659	12,750,397	13,632,529

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

	December 31, 2021	December 31, 2020
	Rupees in '000	
42.1.4 Contingencies and Commitments		
Credit risk by industry sector		
Agriculture, Forestry and Hunting	655,478	662,389
Basic metals (iron, steel)	4,360,213	3,782,399
Cement/clay and ceramics	19,034,038	4,763,917
Chemical and pharmaceutical	8,638,835	3,322,475
Construction	6,069,105	6,576,197
Education	12,310	112,070
Financial	288,390,529	224,962,287
Footwear and leather garments	230,066	381,473
Furniture and sports goods	132,780	36,860
Grains, food and beverages	1,854,262	1,166,655
Health and social welfare	432,346	318,214
Hotel, restaurant and clubs	7,859	960
Individuals	8,161,560	6,133,001
Machinery and equipment	24,901,589	24,615,744
Manufacture of transport equipment	2,708,524	1,332,343
Paper and paper boards	779,279	923,951
Petroleum products	26,348,261	18,510,153
Power, gas, water and sanitary	9,765,018	15,806,650
Printing, publishing and allied	86,496	168,415
Rubber and plastic	3,333,648	2,348,868
Sugar	30,539	56,147
Textile - Manufacture of madeup and ready made garments	2,381,756	1,084,714
Textile - Finishing	6,780,525	7,247,609
Textile - Spinning	1,452,547	1,702,452
Textile - Weaving	2,008,794	5,227,105
Transport, storage and communication	3,557,944	2,725,212
Wholesale and retail trade	11,388,996	9,332,606
Others	6,869,516	6,279,087
	440,372,813	349,579,953
Credit risk by public / private sector		
Public/ Government	107,789,123	42,926,933
Private	332,583,690	306,653,020
	440,372,813	349,579,953

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

42.1.5 Concentration of Advances

The Bank's top 10 exposures on the basis of total (funded and non-funded) exposures aggregating to Rs. 338,676.3 million (December 31, 2020: Rs. 224,082.04 million) are as following:

	December 31, 2021	December 31, 2020
Rupees in '000		
Funded	271,288,662	179,022,993
Non Funded	67,387,633	45,059,043
Total Exposure	338,676,295	224,082,036

The sanctioned limits against these top 10 exposures aggregated to Rs. 363,137.31 million (December 31, 2020: Rs. 277,083.62 million).

42.1.6 Advances – Province/Region-wise Disbursement & Utilization

Province/Region	During the year ended December 31, 2021						
	Disbursements			Utilization			
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit- Baltistan	
Rupees in '000							
Punjab	771,407,231	705,101,872	34,983,571	1,783,082	15,704	29,472,660	50,342
Sindh	1,110,887,878	70,737,345	1,029,441,170	6,572,989	4,136,374	-	-
Khyber Pakhtunkhwa including FATA	2,156,289	-	-	2,156,289	-	-	-
Balochistan	1,045,911	-	-	-	1,045,911	-	-
Islamabad	327,615,203	153,438,233	15,724,654	-	-	158,452,316	-
Azad Jammu and Kashmir including Gilgit-Baltistan	457,870	-	-	-	-	-	457,870
Total	2,213,570,382	929,277,450	1,080,149,395	10,512,360	5,197,989	187,924,976	508,212

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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

42.2 Market Risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. Thus market risk can be further described into Interest Rate Risk, Foreign Exchange Risk and Equity Position Risk.

Market Risk performs risk measurement, monitoring and control functions through the use of various risk procedures and models. To give it a formal structure, all the policies and guidelines are approved by the Board 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 (OFSAA) Market Risk Module to automate the risk monitoring and reporting activities pertaining to Market Risk, which allows for more efficient risk monitoring and increased focus on risk analysis to help in making more informed decisions.

42.2.1 Market Risk Pertaining to the Trading Book

Trading Book

The Trading Book of the 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, 2021

42.2.2 Balance sheet split by trading and banking books

	December 31, 2021			December 31, 2020		
	Banking book	Trading book	Total	Banking book	Trading book	Total
Rupees in '000						
Cash and balances with treasury banks	124,400,515	-	124,400,515	128,388,721	-	128,388,721
Balances with other banks	903,243	-	903,243	7,236,502	-	7,236,502
Lendings to financial institutions	45,452,910	-	45,452,910	17,996,123	-	17,996,123
Investments	1,050,026,348	16,363,648	1,066,389,996	813,713,251	17,991,246	831,704,497
Advances	653,079,762	-	653,079,762	496,501,833	-	496,501,833
Fixed assets	78,350,554	-	78,350,554	73,652,141	-	73,652,141
Intangible assets	2,875,975	-	2,875,975	2,722,951	-	2,722,951
Deferred tax assets	1,507,405	-	1,507,405	-	-	-
Other assets	40,018,520	-	40,018,520	34,887,487	-	34,887,487
	1,996,615,232	16,363,648	2,012,978,880	1,575,099,009	17,991,246	1,593,090,255

42.2.3 Foreign Exchange Risk

Foreign exchange risk is the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates.

The majority of the Group's net foreign currency exposure is in US 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, 2021				December 31, 2020			
	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	1,954,560,023	1,756,916,836	(45,685,805)	135,963,453	1,534,671,398	1,344,104,730	(56,271,575)	134,295,093
United States Dollar	57,531,093	116,613,825	36,943,772	(6,295,623)	57,531,093	105,927,822	47,812,442	(584,287)
Great Britain Pound Sterling	320,386	5,795,451	5,271,808	(24,352)	320,386	5,282,279	4,967,145	5,252
Japanese Yen	(7,063)	1,222	(28,284)	(4)	(7,063)	1,203	9,299	1,033
Euro	428,987	4,001,202	3,789,167	114	428,987	3,999,336	3,581,242	10,893
Other currencies	145,454	7,158	(290,658)	(402)	145,454	5,599	(98,553)	41,302
	58,418,857	126,418,858	45,685,805	(6,320,267)	58,418,857	115,216,239	56,271,575	(525,807)
	2,012,978,880	1,883,335,694	-	129,643,186	1,593,090,255	1,459,320,969	-	133,769,286

	December 31, 2021		December 31, 2020	
	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	-	(38,554)	-	(3,418)
- Other comprehensive income	-	-	-	-
	-	(38,554)	-	(3,418)

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

42.2.4 Equity position Risk

Equity Price Risk is risk to earnings or capital that results from adverse changes in stock prices (single stocks, or a basket of stocks, or overall stock market). ABL holds a diversified portfolio of equity investments in order to minimize non-systematic risk while retaining acceptable systematic risk. ALCO ensures that equity price risk is mitigated through prudent portfolio management.

The Group maintains adequate regulatory capital to cover against equity price risk. Equity investments classified as “Held-for-Trading” as well as listed non-strategic equity investments classified as “Available-for-Sale” are part of the “Trading Book” and are subject to market risk change as specified by the Basel Framework. Un-listed and listed strategic equity investment are part of the “Banking Book” and are subject to credit risk charge as specified by the Basel Framework.

	December 31, 2021		December 31, 2020	
	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	(96,194)	(507,221)	(214,326)	(584,715)

42.2.5 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Interest rate and rate of return risk is the current or prospective risk of losses, to both the 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, 2021		December 31, 2020	
	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	-	-	-	-
- Other comprehensive income	(4,256,832)	(16)	(4,908,511)	-

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

42.2.6 Mismatch of Interest Rate Sensitive Assets and Liabilities

	Effective Yield/ Interest rate	Total	December 31, 2021										Non-interest bearing financial instruments	
			Exposed to Yield/ Interest risk											
			Upto 1 Month	Over 1 Months	Over 3 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														
On-balance sheet financial instruments														
Assets														
Cash and balances with treasury banks		124,400,515	9,588,566	-	-	-	-	-	-	-	-	-	-	114,811,949
Balances with other banks		903,243	-	-	-	-	-	-	-	-	-	-	-	903,243
Lending to financial institutions	4.54%	45,452,910	45,452,910	-	-	-	-	-	-	-	-	-	-	-
Investments	8.55%	1,066,389,996	331,550,505	355,855,787	175,468,682	21,614,119	2,499,737	63,487,936	42,506,119	52,582,018	20,825,093	-	-	20,825,093
Advances	7.13%	663,079,762	314,201,342	140,615,948	102,982,005	43,420,250	1,176,504	2,948,838	8,853,845	27,672,028	6,656,463	-	-	4,553,140
Other assets		37,446,796	-	-	-	-	-	-	-	-	-	-	-	37,446,796
		1,927,673,222	700,793,323	496,471,135	278,450,688	65,034,369	3,676,241	66,436,774	51,359,964	80,254,046	6,656,463	-	-	178,540,220
Liabilities														
Bills payable		10,059,879	-	-	-	-	-	-	-	-	-	-	-	10,059,879
Borrowings	6.21%	420,005,788	92,857,546	280,867,954	7,595,990	8,141,964	491,254	763,100	27,619,136	1,665,823	-	-	-	-
Deposits and other accounts	3.66%	1,413,277,683	211,676,064	272,222,073	390,099,818	109,840,580	39,430,629	5,020,534	308,734	588,149	-	-	-	384,091,101
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt		-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities		39,513,720	-	-	-	-	-	-	-	-	-	-	-	39,513,720
		1,882,857,049	304,533,611	553,090,027	397,698,808	117,982,544	39,921,884	5,783,634	27,927,870	2,253,972	-	-	-	433,664,699
		44,816,173	396,259,712	(56,618,893)	(119,248,121)	(52,948,175)	(36,245,643)	60,653,139	23,432,094	78,000,075	6,656,463	-	-	(255,124,478)
On-balance sheet gap														
		153,427,862	17,274,549	24,772,628	55,556,921	30,757,574	19,243,342	3,283,169	544,371	25,110	1,970,189	-	-	-
Off-balance sheet financial instruments														
Documentary credits and short-term trade-related transactions		-	-	-	-	-	-	-	-	-	-	-	-	-
Commitments in respect of purchase of:		-	-	-	-	-	-	-	-	-	-	-	-	-
- forward foreign exchange contracts		161,470,903	58,339,599	75,248,545	26,711,669	1,171,090	-	-	-	-	-	-	-	-
- forward government securities transactions		-	-	-	-	-	-	-	-	-	-	-	-	-
- derivatives		-	-	-	-	-	-	-	-	-	-	-	-	-
- forward lending		-	-	-	-	-	-	-	-	-	-	-	-	-
		161,470,903	58,339,599	75,248,545	26,711,669	1,171,090	-	-	-	-	-	-	-	-
Commitments in respect of sale of:		-	-	-	-	-	-	-	-	-	-	-	-	-
- forward foreign exchange contracts		115,563,825	41,374,010	37,440,541	35,822,433	926,841	-	-	-	-	-	-	-	-
- forward government securities transactions		-	-	-	-	-	-	-	-	-	-	-	-	-
- derivatives		-	-	-	-	-	-	-	-	-	-	-	-	-
- forward lending		-	-	-	-	-	-	-	-	-	-	-	-	-
		115,563,825	41,374,010	37,440,541	35,822,433	926,841	-	-	-	-	-	-	-	-
Other commitments		21,866,605	4,285,729	2,763,532	8,934,664	5,718,055	35,587	35,587	71,174	14,851	7,426	-	-	-
		221,201,534	38,525,866	65,344,164	55,380,821	36,719,878	19,278,929	3,318,756	615,545	39,961	1,977,615	-	-	-
Off-balance sheet gap														
		266,017,707	434,785,579	8,725,271	(63,867,300)	(16,228,297)	(16,966,714)	63,971,895	24,047,639	78,040,036	8,634,078	(255,124,478)	-	-
Total Yield/Interest Risk Sensitivity Gap														
		266,017,707	434,785,579	443,510,850	379,643,550	363,415,253	346,448,539	410,420,434	434,468,073	512,508,109	521,142,186	266,017,708	-	-

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

Effective Yield/Interest rate	Total	Exposed to Yield/Interest risk										Non-interest bearing financial instruments	
		December 31, 2020											
		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													
On-balance sheet financial instruments													
Assets													
	128,388,721	9,625,239	-	-	-	-	-	-	-	-	-	-	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	56,723,872	18,334,582	18,334,582	20,765,372	6,460,172	26,944,514
Investments	486,501,833	196,026,397	114,916,864	88,598,704	37,863,327	18,904,507	1,354,729	6,041,336	20,765,372	20,765,372	6,460,172	5,570,425	32,945,642
Advances	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	-	-
Liabilities													
	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	3,856,238	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	-	-	-	320,892,936
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	34,554,202	-	-	-	-	-	-	-	-	-	-	-	34,554,202
Other liabilities	1,454,772,555	251,023,123	331,300,482	359,479,447	66,920,858	50,856,288	1,289,600	5,575,259	21,177,528	2,081,812	365,069,158	-	-
On-balance sheet gap	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)	-	-
Off-balance sheet financial instruments													
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	-	-	-	-
Off-balance sheet gap	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	-	-	-
Total Yield/Interest Risk Sensitivity Gap	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)	-	-
Cumulative Yield/Interest Risk Sensitivity Gap	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, 2021

Reconciliation to total assets	December 31,	December 31,	Reconciliation to total liabilities	December 31,	December 31,
	2021	2020		2021	2020
	(Rupees in '000)	(Rupees in '000)		(Rupees in '000)	(Rupees in '000)
Balance as per balance sheet	2,014,922,607	1,593,090,255	Balance as per balance sheet	1,885,279,421	1,459,320,969
Less: Non financial assets			Less: Non financial liabilities		
Fixed assets	81,226,529	76,375,092	Deferred tax liabilities	1,943,727	3,978,448
Deferred tax assets	3,451,132		Other liabilities	480,033	569,966
Other assets	2,571,724	1,941,845		2,423,760	4,548,414
	87,249,385	78,316,937			
Total financial assets	1,927,673,222	1,514,773,318	Total financial liabilities	1,882,855,661	1,454,772,555

42.3 Operational Risk

The Group, like all financial institutions, is exposed to different types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and the execution of legal, fiduciary and agency responsibilities.

In accordance with the 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.

42.4 Liquidity Risk

Liquidity Risk is the risk that the Group is unable to fund its current obligations and operations in the most cost efficient manner. The Group's Board of Directors has delegated the responsibility to Asset and Liability Committee (ALCO) for ensuring that 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, 2021

42.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Group

		December 31, 2021													
		Total	Upto 1 Day	Upto 7 Days	Upto 14 Days	Upto 1 Month	Upto 2 Months	Upto 3 Months	Upto 6 Months to 6 Months	Over 3 to 9 Months	Upto 1 year	Upto 2 years	Upto 3 years	Over 3 to 5 years	Over 5 years
		Rupees in '000													
Assets															
Cash and balances with Treasury Groups	124,400,515	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other Groups	903,243	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	45,452,910	-	45,452,910	-	-	-	-	-	-	-	-	-	-	-	-
Investments - net	1,066,389,896	20,825,093	39,717,977	104,349,534	213,159,631	60,229,521	40,543,608	21,459,589	154,530	165,495,462	110,334,827	120,694,585	169,425,638	-	-
Advances - net	653,079,762	163,529,577	6,279,277	2,570,149	13,371,501	31,011,589	49,962,899	19,966,014	128,629,250	55,572,046	57,683,395	54,982,607	54,907,026	-	-
Fixed assets	78,350,554	20,120	120,720	140,840	342,040	623,720	1,871,161	1,871,161	1,871,161	3,795,055	3,739,019	3,531,824	59,800,012	-	-
Intangible assets	2,875,975	1,101	6,606	7,707	18,718	34,133	102,399	102,399	102,399	409,595	409,595	819,189	828,001	-	-
Deferred tax assets	3,451,132	25,867	155,324	181,211	459,202	604,775	321,237	241,700	244,286	325,018	190,297	195,302	275,146	-	-
Other assets - net	40,018,920	491,142	2,946,855	3,437,997	8,718,387	5,026,139	7,832,577	1,641,112	1,435,926	236,794	220,039	1,905,047	3,389,144	-	-
	2,014,922,607	310,196,679	55,061,692	46,055,892	127,259,382	231,674,053	97,156,847	100,633,862	45,281,974	132,437,552	225,833,970	172,576,972	182,128,555	288,625,167	-
Liabilities															
Bills payable	10,059,879	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	420,005,768	-	72,606,570	2,184,420	18,066,556	230,107,754	50,760,199	7,598,990	128,361	8,013,603	491,254	763,100	4,723,762	24,561,198	-
Deposits and other accounts	1,413,277,683	1,189,952,056	8,348,076	20,835,069	41,631,033	11,379,689	32,508,778	30,924,512	31,066,562	40,028,939	685,551	5,020,534	308,734	588,149	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	1,943,727	-	-	-	-	-	-	-	-	-	-	-	-	1,943,727	-
Other liabilities	39,992,364	57,426	3,445,476	4,019,722	10,203,990	874,875	1,574,893	1,483,357	1,448,446	2,515,630	1,834,012	3,052,599	7,631,498	-	-
	1,865,279,421	1,200,586,181	84,400,122	27,039,212	69,901,579	242,821,064	84,143,853	40,088,395	32,678,280	49,490,988	3,692,435	7,617,647	8,085,094	34,724,572	-
Net assets	129,643,186	(890,389,502)	(29,338,430)	19,016,670	57,357,803	(11,147,011)	13,012,994	60,535,466	12,603,695	82,946,563	222,141,534	164,959,326	174,043,461	253,900,695	-
Share capital	11,450,739	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	26,784,066	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	71,822,918	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	19,585,863	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	129,643,186	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

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
Assets														
Cash and balances with treasury Groups	128,888,721	-	-	-	-	-	-	-	-	-	-	-	-	-
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	5,197,524	91,387,360	51,902,232	60,734,498	137,822,638
Advances – net	496,501,833	62,021,336	148,450	1,045,401	9,982,833	13,404,291	29,856,460	31,268,590	13,820,599	115,327,695	65,549,030	46,936,234	70,055,105	37,095,809
Fixed assets	73,652,141	17,179	103,076	120,256	292,050	532,561	532,561	1,597,681	1,597,682	1,597,683	3,442,931	3,389,111	3,303,700	57,125,670
Intangible assets	2,722,951	1,044	6,257	7,300	17,728	32,330	32,331	96,989	96,989	96,990	387,957	387,957	775,915	783,163
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets – net	34,887,487	551,111	3,306,688	4,210,887	9,368,894	2,751,646	4,633,988	3,375,752	868,014	765,958	215,790	206,035	1,674,218	2,958,546
	1,593,090,255	225,160,407	20,806,139	23,406,636	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	235,785,826
Liabilities														
Bills payable	9,622,020	9,622,020	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	193,928,096	-	99,011,365	1,312,675	8,570,667	4,296,464	26,514,701	7,580,131	1,598,667	105,702	17,587,637	670,935	3,868,238	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	498,436
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	166,872	66,341	45,825	411,401	283,757	283,584	2,530,798
Other liabilities	35,124,188	503,021	3,018,124	3,821,145	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
	1,459,820,989	1,071,627,039	105,838,575	5,782,463	43,102,013	30,722,926	58,762,265	37,864,212	19,125,628	20,467,975	22,071,320	3,168,495	8,522,865	32,425,193
Net assets	133,769,286	(846,466,632)	(85,262,436)	17,624,373	(21,021,773)	94,874,968	119,214,614	83,710,595	98,621,686	102,517,875	138,911,738	98,653,074	128,020,571	203,360,633
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, 2021

42.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group

December 31, 2021										
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	124,400,515	40,694,138	8,289,959	5,838,168	7,586,133	3,672,951	3,056,101	-	-	55,263,065
Balances with other banks	903,243	903,243	-	-	-	-	-	-	-	-
Lending to financial institutions	45,452,910	45,452,910	-	-	-	-	-	-	-	-
Investments - net	1,066,389,996	144,067,511	273,389,152	40,543,608	21,614,119	173,614,244	118,453,409	120,694,585	172,953,717	1,059,649
Advances - net	653,079,762	34,386,554	48,947,231	52,607,058	148,645,427	104,021,519	106,132,868	103,432,080	44,833,810	10,073,215
Fixed assets	78,350,554	623,720	1,247,441	1,871,161	3,742,322	3,795,055	3,739,019	3,551,824	5,039,195	54,760,817
Intangible assets	2,875,975	34,133	66,266	102,399	204,797	409,595	409,595	819,189	828,001	-
Deferred tax assets	3,451,132	821,625	836,520	321,237	485,986	325,018	190,297	195,302	275,146	-
Other assets - net	40,018,520	15,594,382	7,763,500	7,832,577	3,077,037	236,794	220,039	1,905,047	3,389,144	-
	2,014,922,607	282,578,216	340,542,069	109,116,208	185,355,822	286,075,175	232,201,328	230,578,028	227,319,014	121,156,747
Liabilities										
Bills payable	10,059,879	10,059,879	-	-	-	-	-	-	-	-
Borrowings	420,005,768	92,857,546	280,867,954	7,598,990	8,141,964	491,254	763,100	4,723,762	22,895,375	1,665,823
Deposits and other accounts	1,413,277,683	211,676,064	160,521,044	111,449,717	140,897,311	70,487,361	63,099,561	308,734	588,149	654,249,742
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	1,943,727	-	-	-	-	-	-	-	-	1,943,727
Other liabilities	39,992,364	18,243,435	2,208,495	1,574,893	2,931,803	2,515,630	1,834,012	3,052,599	7,631,497	-
	1,885,279,421	332,836,924	443,597,494	120,623,600	151,971,077	73,494,245	65,696,673	8,085,094	31,115,021	657,859,292
Net assets	129,643,186	(50,258,708)	(103,055,425)	(11,507,392)	33,384,745	212,580,930	166,504,655	222,492,934	196,203,993	(536,702,546)
Share capital	11,450,739									
Reserves	26,784,066									
Unappropriated profit	71,869,254									
Surplus on revaluation of assets net of tax	19,559,127									
	129,643,186									

Notes to the Consolidated Financial Statements

for the year ended December 31, 2021

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									
Assets									
Cash and balances with treasury banks	128,388,721	38,967,516	12,625,940	6,260,157	5,691,302	3,431,358	-	-	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	85,066,795	106,561,554	100,382,983	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	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	3,303,700	4,599,711	52,525,959
Intangible assets	2,722,951	32,330	64,661	96,989	193,979	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	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	152,777,952	179,024,095	123,209,139
Liabilities									
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	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	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	293,584	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	2,654,022	6,635,055	-
	1,459,820,969	276,705,029	231,339,425	107,709,204	93,473,938	75,961,652	8,522,865	28,425,880	581,446,657
Net assets	133,769,286	(155,824,780)	86,324,733	21,869,843	155,437,007	113,682,902	144,255,087	150,596,215	(458,237,518)
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, 2021

42.5 Derivative Risk

Market & Liquidity Risk Division under Risk Management Group is responsible for assessing and monitoring the derivative risk emanating from Bank's exposures.

The 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.

43 NON ADJUSTING EVENT AFTER THE REPORTING DATE

43.1 The Board of Directors of the Bank in its meeting held on February 17, 2022 has proposed a final cash dividend in respect of 2021 of Rs. 2.00 per share (2020: cash dividend Rs. 6.00 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, 2021 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2022.

44 GENERAL

44.1 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

44.2 Corresponding figures have been rearranged or reclassified where considered necessary, for the purpose of better presentation. However, no material restatements have been made.

45 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 17, 2022 by the Board of Directors of the Bank.

Muhammad Atif Mirza
Chief Financial Officer

Zafar Iqbal
Director

Aizid Razzaq Gill
President and Chief Executive

Mohammad Naeem Mukhtar
Chairman

Nazrat Bashir
Director

Pattern of Shareholding

As at December 31, 2021

Information for annual financial statements as on December 31, 2021.

1 Issued, Subscribed and Paid-up Capital

Ordinary Shares	As on December 31, 2021		As on December 31, 2020	
	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
	1,145,073,830	11,450,738,300.00	1,145,073,830	11,450,738,300.00

2 Major Shareholding

Holding more than 5% of the total paid-up capital

Name of Shareholder	No. of Shares Held	Percentage Held
Ibrahim Holdings (Private) Limited	990,767,307	86.5243
Total	990,767,307	86.5243

No. of Shareholders	Shareholdings' Slab			Total Shares Held
	From		To	
6,132	1	to	100	234,757
9,037	101	to	500	2,517,206
1,141	501	to	1000	846,055
2,099	1001	to	5000	4,525,765
385	5001	to	10000	2,869,142
288	10001	to	25000	4,671,037
95	25001	to	50000	3,439,067
41	50001	to	100000	3,014,902
31	100001	to	200000	4,404,281
19	200001	to	500000	5,776,295
8	500001	to	1000000	6,113,102
11	1000001	to	2000000	15,529,470
3	2000001	to	3000000	7,531,897
1	3000001	to	5000000	5,000,000
3	5000001	to	10000000	22,297,304
2	10000001	to	50000000	65,536,243
1	50000001	&	Above	990,767,307
19,297				1,145,073,830

Categories of Shareholders

As at December 31, 2021

CATEGORIES OF SHAREHOLDERS	NO. OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
DIRECTORS AND THEIR SPOUSE(S) AND MINOR CHILDREN			
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
MUBASHIR A. AKHTAR & TAQDEES AKHTAR	1	1,500	0.0001
NAZRAT BASHIR	1	100	0.0000
SUB-TOTAL	7	38,220	0.0033
PARENT, ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES			
TRUSTEES OF ABL EMPLOYEES SUPERANNUATION (PENSION) FUND A/C	1	34,536,243	3.0161
IBRAHIM HOLDINGS (PRIVATE) LIMITED	1	990,767,307	86.5243
SUB-TOTAL	2	1,025,303,550	89.5404
EXECUTIVES*	1	10,035	0.0009
EMPLOYEES	421	484,493	0.0423
SUB-TOTAL	422	494,528	0.0432
NIT AND ICP	3	14,438	0.0013
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS			
	16	8,938,586	0.7806
INSURANCE COMPANIES			
	9	11,352,474	0.9914
MODARABAS AND MUTUAL FUNDS			
M/S. FIRST TAWAKKAL MODARABA	1	347	0.0000
M/S. MODARABA AL MALI	1	116	0.0000
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	40,839	0.0036
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	951,976	0.0831
CDC - TRUSTEE NBP STOCK FUND	1	1,794,100	0.1567
CDC - TRUSTEE NBP BALANCED FUND	1	57,800	0.0050
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	1,067,614	0.0932
CDC - TRUSTEE ABL STOCK FUND	1	2,527,900	0.2208
CDC - TRUSTEE FIRST HABIB STOCK FUND	1	35,000	0.0031
CDC - TRUSTEE NBP SARIMAYA IZAFI FUND	1	37,200	0.0032
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	1	44,500	0.0039
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	1	213,700	0.0187
CDC - TRUSTEE NBP FINANCIAL SECTOR FUND	1	158,500	0.0138
CDC - TRUSTEE UBL FINANCIAL SECTOR FUND	1	543,450	0.0475
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	1,155,104	0.1009
CDC - TRUSTEE ALLIED FINERGY FUND	1	77,500	0.0068
SUB-TOTAL	16	8,705,646	0.7603
GENERAL PUBLIC			
LOCAL	18,656	44,818,397	3.9140
FOREIGN	16	91,532	0.0080
SUB-TOTAL	18,672	44,909,929	3.9220
FOREIGN COMPANIES	2	6,001	0.0005
OTHERS	148	45,310,458	3.9570
GRAND TOTAL	19,297	1,145,073,830	100.0000

*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 2021 are as under:

S.NO	NAME	DESIGNATION	SALE	PURCHASE
1.	IBRAHIM HOLDINGS (PRIVATE) LIMITED	PARENT COMPANY	-	18,256,897**

**Shares purchased on December 30 and 31, 2021 are not included due to T+2 settlement mechanism.

NOTICE OF 76th ANNUAL GENERAL MEETING

Notice is hereby given that 76th Annual General Meeting of Allied Bank Limited (the "Bank") will be held physically as well as virtually (through Zoom) on Thursday, March 24, 2022 at 11:00 a.m. at Grand Ball Room 'A', 4th Floor, The Nishat Hotel, adjacent to Emporium Mall, Main Abdul Haque Road, Johar Town, Lahore to transact the following business:

Ordinary Business:

1. To confirm the minutes of Extra Ordinary General Meeting of Allied Bank Limited held on August 27, 2021. 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, 2021 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 @ 20% (i.e. Rs. 2.00 per share) as recommended by the Board of Directors. This Final Cash Dividend would be in addition to 60% Interim Cash Dividend (i.e. Rs.6.00 per share) already paid to the shareholders for the year ended December 31, 2021.
4. To appoint Statutory Auditors of the Bank for the year ending December 31, 2022 and fix their remuneration. One of the joint auditors M/s. EY Ford Rhodes Chartered Accountants, being eligible has offered themselves for reappointment as a sole auditors. The audit firm appointed will hold office till conclusion of the next AGM to be held in the year 2023. The other joint auditors, M/s. KPMG Taseer Hadi & Co., Chartered Accountants, have completed their term and retired.

Other Business:

5. To transact any other business with permission of the Chair.

Date: March 03, 2022 (Lahore)

By Order of the Board

Adeel Javaid
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 Letter No. SMD/SE/2(20)/2021/117 dated December 15, 2021, Circular No. 4 of 2021 dated 15th February, 2021 and Circular No. 6 of 2021 dated March 03, 2021, arrangements have also been made by the Bank to facilitate maximum participation of the shareholders in the Meeting through online platform/facility (i.e. Zoom) either in person or through appointed proxies, in addition to physical presence. Please note that in order to comply with the directives of Government, only fully vaccinated persons can attend the Meeting physically and such people must bring their vaccination certificate with them. Those shareholders who are interested to participate in the meeting virtually are requested to forward their following particulars along with snapshot of their valid CNIC (both sides) at least 24 hours before the time of AGM at WhatsApp # +92 300 2016398 or by email at Adeel.Javaid@abl.com:

- 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 **Thursday, March 17, 2022 to Thursday, March 24, 2022 (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 **Wednesday, March 16, 2022** 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.
- 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 2021:

In compliance with the Section 223(6) of Companies Act, 2017 the Bank has transmitted the Annual Report 2021 through email to those shareholders whose email addresses are available with the Bank's Share Registrar. Besides, in accordance with the shareholders' approval accorded in 71st Annual General Meeting held on March 28, 2017, DVDs have been dispatched to those shareholders whose email addresses are not available with the Share Registrar, however, the Bank would provide hard copies of the Annual Report to the shareholders on their demand at their registered addresses, free of cost, within one week of such request. In this regard, a standard request form has been placed on the Bank's website which can be downloaded directly from the link; (<https://www.abl.com/src/uploads/2022/02/Request-for-Hard-Copy-of-Annual-Report.pdf>)

Deposit/Conversion of Physical Shares into Book-Entry Form:

The Securities and Exchange Commission of Pakistan ("SECP") through its letter No. CSD/ED/Misc./2016-639-640 dated March 26, 2021 has advised listed companies to adhere with the provisions of the Section 72 of the Companies Act, 2017 (the "Act") requiring all companies to replace their shares issued by them in Physical Form into Book-Entry Form in a manner as may be specified and from the date notified by the SECP but not exceeding four years from the date of the promulgation of the Act. Therefore, the Shareholders having physical shareholding are requested to open Investor Account directly with Central Depository Company of Pakistan Limited ("CDC") or CDC Sub-account with any of the brokers to place their physical shares into book-entry form. It would facilitate the shareholders in many ways including safe custody of shares,

no loss of shares, and avoidance of formalities required for the issuance of duplicate shares and readily available for sale / purchase in stock market at better rates. The Shareholders may contact the Share Registrar and Transfer Agent of the Bank, i.e., CDC Share Registrar Services Limited (address given above) for the conversion of Physical shares into Book-Entry Form.

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 16, 2022** in lieu of valid exemption certificate for non-deduction of withholding tax. In case of non-availability of valid tax exemption certificate or relevant court order, tax under the relevant sections shall be deducted accordingly.

Claiming of Unclaimed / Unpaid Dividends and Share Certificates:

In compliance of Section 244 of the Companies Act, 2017 the Bank has already requested through publication of notices in

newspapers and individual letters to shareholders who have not yet claimed their outstanding cash dividends, right and bonus shares (Detail available at <https://www.abl.com/investor-relations/shareholder-information/unpaid-dividends/>).

Shareholders are once again requested to lodge their claims for cash dividends, right / bonus shares kept with the Share Registrar and Transfer Agent of the Bank, on the address given above.

Merger of Different Folios into one Folio:

As per Member's Register, some of the shareholders are maintaining more than one folio under the same particulars. Carrying two or more different folios may be hassle for the shareholders to reconcile and receiving different benefits in the shape of dividends / bonus 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 along with Proxy Form has been sent to all members of the Company in accordance with Section 134(1) of the Companies Act, 2017.



Glossary of Financial & Banking Terms

Accrual Basis

Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Automated Teller Machine (ATM)

ATM is an e-banking delivery channel that enables the customers to perform financial transactions 24/7.

Alternate Delivery Channels (ADCs)

ADCs are those access points that expand the reach of banking services beyond the traditional over the counter banking and traditional over the counter banking and includes internet banking, mobile banking, Point of Sale (POS) transactions, ATM, SMS and Phone banking.

Basis point

One hundredth of a per cent i.e. 0.01 percent. 100 basis points is 1 per cent. Used when quoting movements in interest rates or yields on securities.

Bonus Issue (Scrip Issue)

The issue of new shares to existing shareholders in proportion to their shareholdings. It is a process for converting a company's reserves (in whole or part) into issued capital and hence does not involve an infusion of cash.

Cash Equivalents

Short-term highly liquid investments that are readily convertible to known amounts of cash.

Capital Adequacy Ratio

The relationship between capital and risk weighted assets as defined in the framework developed by the State Bank of Pakistan and Basel Committee.

Call Money Rate

Interbank clean (without collateral) lending and borrowing rates are called Call Money Rates.

Common Equity Tier (CET)

Capital CET capital is sum of fully paid share capital, reserves and un-appropriated profit adjusted by regulatory adjustments as specified in Basel III.

Consumer Price Index (CPI)

The CPI measure changes in the cost of buying a representative fixed basket of goods and generally indicates inflation rate in the country. (Source: Pakistan Bureau of Statistics)

Coupon Rate

Coupon rate is interest rate payable on bond's par value at specific regular periods. In PIBs they are paid on bi-annual basis.

Call Deposits

These include short notice and special notice deposits

Current Deposits

Non-remunerative Chequing account deposits wherein withdrawals and deposit of funds can be made frequently by the account holders.

Contingencies

A condition or situation existing at date of Statement of Financial Position where the outcome will be confirmed only by occurrence of one or more future events.

CAGR

An abbreviation for Compound Annual Growth Rate.

Corporate Governance

It is "the system by which companies are directed and controlled" by the Securities and Exchange Commission of Pakistan. It involves regulatory and market mechanisms, which govern the roles and relationships between a company's management, its board, its shareholders and other stakeholders.

Defined Contribution

A post-employment benefit plan under which entity and employee pays fixed contribution into a separate entity (a fund) and will have no legal or constructive obligation to pay further contribution if the fund does not hold sufficient assets to pay all the employee benefits relating to employee service in the current and prior periods.

Derivatives

A financial instrument or a contract where;

- Its value is dependent upon or derived from one or more underlying assets.
- Requires no or very little initial net investment
- It is settled at a future date.

Defined Benefits

In a defined benefit plan, an employer typically guarantees a worker a specific lifetime annual retirement benefit, based on years of service, final rate of pay, age and other factors. The risks of paying for the plan rest entirely with the plan.

Deferred Taxation

Sum set aside for tax in financial statements that will become payable or receivable in a financial year other than current financial year due to differences in accounting policies and applicable taxation legislations.

Discount rate

Discount is the rate at which SBP provides three-day Repo facility to banks, acting as the lender of last resort.

Effective Tax Rate

Provision for taxation excluding deferred tax divided by the profit before taxation.

Euro-pay, Master-card and Visa (EMV)

EMV is a global standard for cards equipped with computer chips and the technology used to authenticate chip-card transactions.

Finance Lease

Finance lease is the one in which risk and rewards incidental to the ownership of the leased asset is transferred to lessee but not the actual ownership.

Financial Capital

Financial Capital represent shareholder's equity.

Fixed Deposits

Deposits having fixed maturity dates and a rate of return.

Forced Sale Value (FSV)

Forced Sale Value means the value which fully reflects the possibility of price fluctuations and can currently be obtained by selling the mortgaged or pledged assets in a forced or distressed sale conditions.

Forward Exchange Contract

Forward contracts are agreements between two parties to exchange two designated currencies at a specific time in the future.

Gross Domestic Product (GDP)

GDP is a monetary value of all the finished goods and services produced in a country in a specified time period. GDP includes all private and public consumption, government outlays, investments and exports minus imports that occur within a country.

Guarantees

A promise to answer for the payment of some debt, or the performance of some duty, in case of the failure of another person, who is, in the first instance, liable to such payment or performance.

Historical Cost Convention

Recording transactions at the actual value received or paid.

Human Capital

The collective skills, knowledge, and other intangible assets of individuals that can be used to create economic value for our customers.

Impairment

Impairment of an asset is an abrupt decrease of its fair value and measured in accordance with applicable regulations.

Glossary of Financial & Banking Terms

Intellectual Capital

Brand value, research and development, innovation capacity, reputation and strategic partnerships.

Interest Rate Swap (IRS)

An Interest Rate Swap (the swap) is a financial contract between two parties exchanging or swapping a stream of interest payments for a 'Notional Principal' amount on multiple occasions during a specified period. The swap is usually "fixed to floating" or "floating to floating" exchanges of interest rate. As per the contract, on each payment date during the swap period, the cash payments based on difference in fixed or floating or floating and floating rates are exchanged by the parties from one another. The party incurring a negative interest. The party incurring a negative interest rate differential for that leg pays the other counter-party.

Interest Spread

Represents the difference between the average interest rate earned and the average interest rate paid on funds.

Interest in Suspense

Interest suspended on non-performing loans and advances.

KIBOR – (Karachi Interbank Offered Rate)

KIBOR is the interbank lending rate between banks in Pakistan and is used as a benchmark for lending.

LIBOR (London Interbank Offered Rate)

An interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market. The LIBOR is fixed on a daily basis by the British Bankers' Association.

Liquid Assets

An asset that can be converted into cash quickly and with minimal impact to the price received.

Market Capitalization

Number of ordinary shares in issue multiplied by the market value of share as at any cutoff date.

Market Treasury bills (MTBs)

MTBs are negotiable debt instrument issued by State Bank of Pakistan on behalf of Government of Pakistan with tenors available in 3 months, 6 months and one year maturities.

Manufactured Capital

It includes business structure and operational processes, including physical, digital and IT Infrastructure, Product and Services that provides the framework and mechanics of how the bank does business and create

values.

Materiality

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of financial statements.

Natural Capital

Impact on natural resources through operations and business activities.

Non-Performing Loan

A non-performing loan is a loan that is in default or close to being in default. Loans become non-performing in accordance with provision of prudential regulations issued by SBP.

Non-Performing Loan Substandard Category

Where mark-up or interest or principal is overdue by 90 days or more from the due date. Non-Performing Loan-Doubtful Category Where mark-up or interest or principal is overdue by 180 days or more from the due date.

Non-Performing Loan-Loss Category

Where mark-up or interest or principal is overdue by one year or more from the due date and Trade Bill (Import or Export or Inland Bills) are not paid or adjusted within 180 days of the due date.

Nostro Account

An account held with a bank outside Pakistan.

Net Interest Income

The difference between what a bank earns on interest bearing assets such as loans and securities and what it pays on interest bearing liabilities such as deposits, refinance funds and inter-bank borrowings.

Off Balance Sheet Transactions

Transactions that are not recognized as assets or liabilities in the statement of financial position but which give rise to contingencies and commitments.

Organization of the Petroleum Exporting Countries (OPEC)

OPEC is a permanent intergovernmental Organization whose objective is to coordinate and unify petroleum policies among member Countries.

Pakistan Investment Bonds (PIBs)

They are the long term coupon yielding instruments of the Government of Pakistan with tenors available in 3, 5, 10, 15 and 20 years.

Prudence

Inclusion of degree of caution in the exercise

of judgment needed in making the estimates required under conditions of uncertainty, so that assets or income are not overstated and liabilities or expenses are not understated.

Risk Weighted Assets

On Balance Sheet assets and the credit equivalent of off Balance Sheet assets multiplied by the relevant risk weighting factors.

Repurchase Agreement

Contract to sell and subsequently repurchase securities at a specified date and price.

Reverse Repurchase Agreement

Transaction involving the purchase of securities by a bank or dealer and resale back to the seller at a future date and specified price.

Related Parties 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

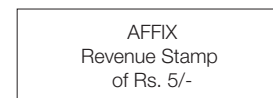
76th Annual General Meeting
Allied Bank Limited

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 76th Annual General
Meeting of the Bank to be held on Thursday, the March 24, 2022 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 _____ 2022.

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.





AFFIX
CORRECT
POSTAGE

**Company Secretary
Allied Bank Limited**

Head Office / Registered Office
3 Tipu Block, Main Boulevard
New Garden Town
Lahore – Pakistan.
Postal Code: 54000
Phone: +92 42 35880043
Website: www.abl.com

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 76 ویں سالانہ اجلاس عام جو مورخہ 24 مارچ 2022 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 _____ 2022ء

پانچ روپے کاربونیو سٹیپ

دستخط نمبر _____
 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:-

- 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۔
- پراکسی مقرر کئے جانے سے متعلق دستاویز (DOCUMENT) اور پاور آف اٹارنی (POWER OF ATTORNEY) یا دیگر 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 شیر رجسٹرار سروسز لمیٹڈ، CDC ہاؤس، 99-بی، بلاک-بی، ایس ایم سی ایچ ایس، مین شاہراے فیصل، کراچی میں اجلاس کے وقت سے کم از کم 48 گھنٹے قبل لازماً جمع کروانا ہوگی۔ واضح رہے کہ 48 گھنٹے میں چھٹی کا دن شامل نہیں ہوگا۔
- 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 کہنی کو جمع کروانا ہوگی۔
- 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۔
- ممبران سے درخواست ہے کہ وہ اپنے رجسٹرڈ پتہ میں تبدیلی سے متعلق بینک کے شیئر رجسٹرار کو اپدینے 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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