
هَذَا مِنْ فَضْلِ رَبِّي



VISION STATEMENT

TO BE OUR CUSTOMERS' MOST CONVENIENT
AND TRUSTED BANK

MISSION STATEMENT

TO MAKE BANKING SAFE, SIMPLE, AND PLEASANT



CORPORATE INFORMATION

Board of Directors	Abbas D. Habib	<i>Chairman</i>
	Anwar Haji Karim	
	Farhana Mowjee Khan	
	Syed Mazhar Abbas	
	Qumail R. Habib	<i>Executive Director</i>
	Safar Ali Lakhani	
	Syed Hasan Ali Bukhari	
	Murtaza H. Habib	
	Arshad Nasar	
	Adnan Afridi	
	Mansoor Ali Khan	<i>Chief Executive</i>
Audit Committee	Safar Ali Lakhani	<i>Chairman</i>
	Syed Mazhar Abbas	<i>Member</i>
	Anwar Haji Karim	<i>Member</i>
	Syed Hasan Ali Bukhari	<i>Member</i>
	Arshad Nasar	<i>Member</i>
Human Resource & Remuneration Committee	Syed Hasan Ali Bukhari	<i>Chairman</i>
	Syed Mazhar Abbas	<i>Member</i>
	Abbas D. Habib	<i>Member</i>
	Farhana Mowjee Khan	<i>Member</i>
	Arshad Nasar	<i>Member</i>
Credit Risk Management Committee	Syed Mazhar Abbas	<i>Chairman</i>
	Safar Ali Lakhani	<i>Member</i>
	Qumail R. Habib	<i>Member</i>
	Syed Hasan Ali Bukhari	<i>Member</i>
	Murtaza H. Habib	<i>Member</i>
Risk Management Committee	Adnan Afridi	<i>Chairman</i>
	Qumail R. Habib	<i>Member</i>
	Farhana Mowjee Khan	<i>Member</i>
	Anwar Haji Karim	<i>Member</i>
	Safar Ali Lakhani	<i>Member</i>
IT Committee	Abbas D. Habib	<i>Chairman</i>
	Qumail R. Habib	<i>Member</i>
	Arshad Nasar	<i>Member</i>
	Syed Mazhar Abbas	<i>Member</i>
	Mansoor Ali Khan	<i>Member</i>



IFRS 9 Committee	Syed Hasan Ali Bukhari Arshad Nasar Qumail R. Habib	<i>Chairman</i> <i>Member</i> <i>Member</i>
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Company Secretary	Mohammad Taqi Lakhani
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Chief Financial Officer	Ashar Husain
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Statutory Auditors	EY Ford Rhodes Chartered Accountants
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Legal Advisor	LMA Ebrahim Hosain Barristers, Advocates & Corporate Legal Consultants
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Registered Office	126-C, Old Bahawalpur Road, Multan
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Principal Office	2nd Floor, Mackinnons Building, I.I. Chundrigar Road, Karachi
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Share Registrar	CDC Share Registrar Services Limited CDC House 99-B, Block-B, S.M.C.H.S. Main Shahrah-e-Faisal, Karachi-74400.
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Website	www.bankalhabib.com
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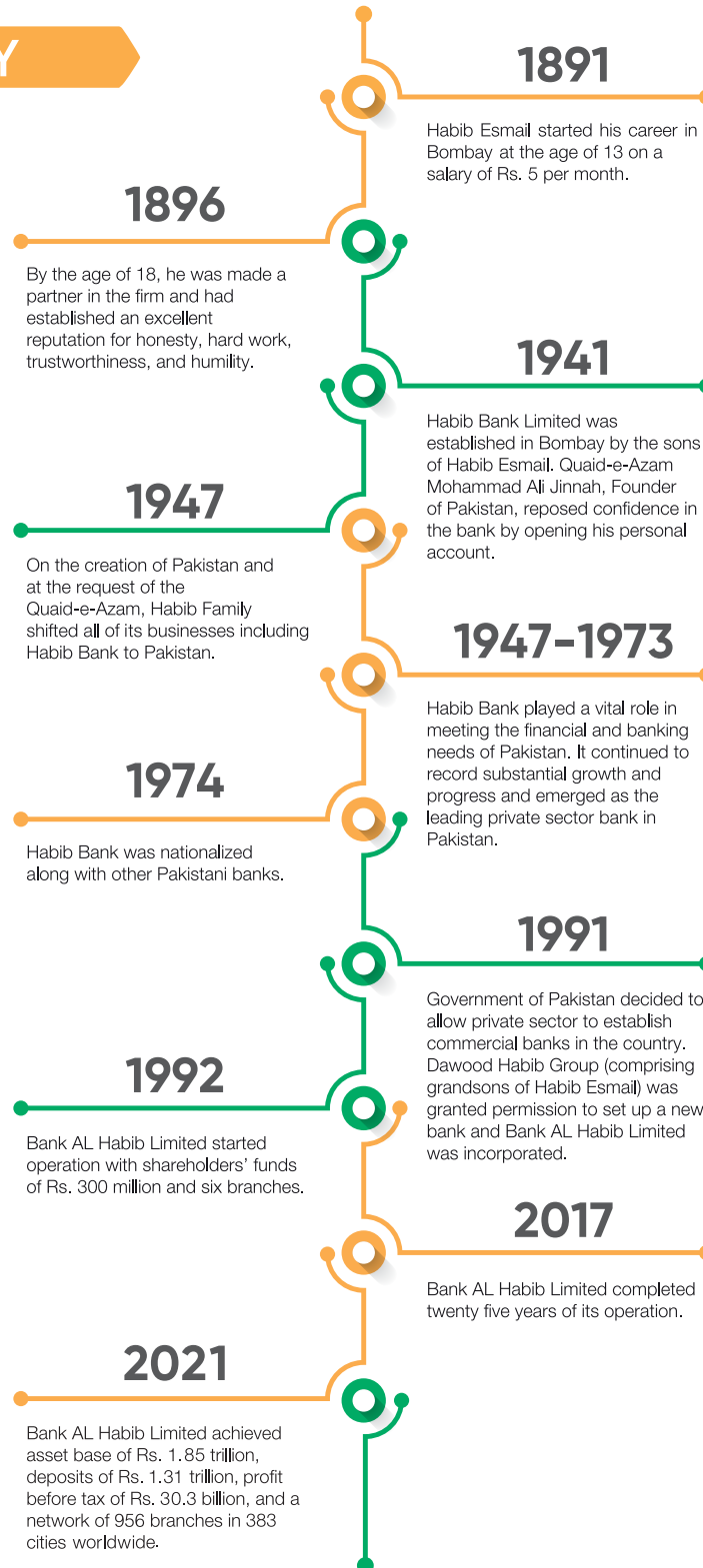


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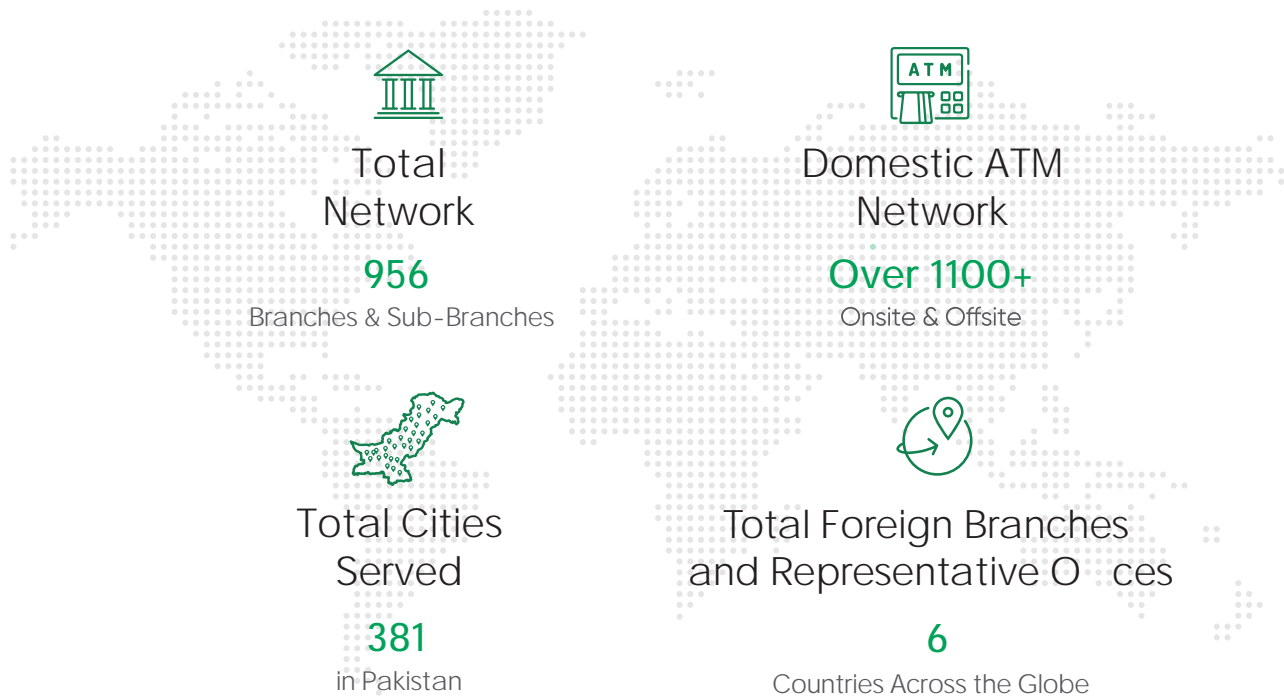
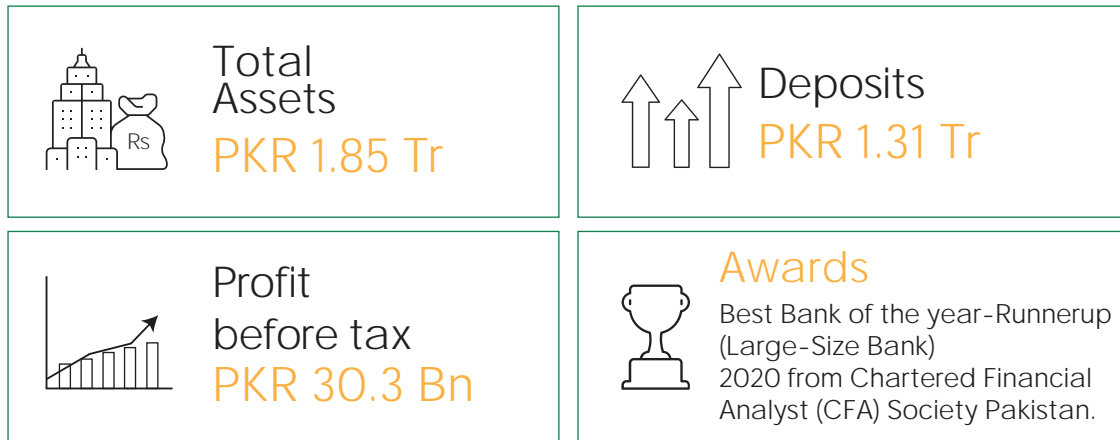


HISTORY



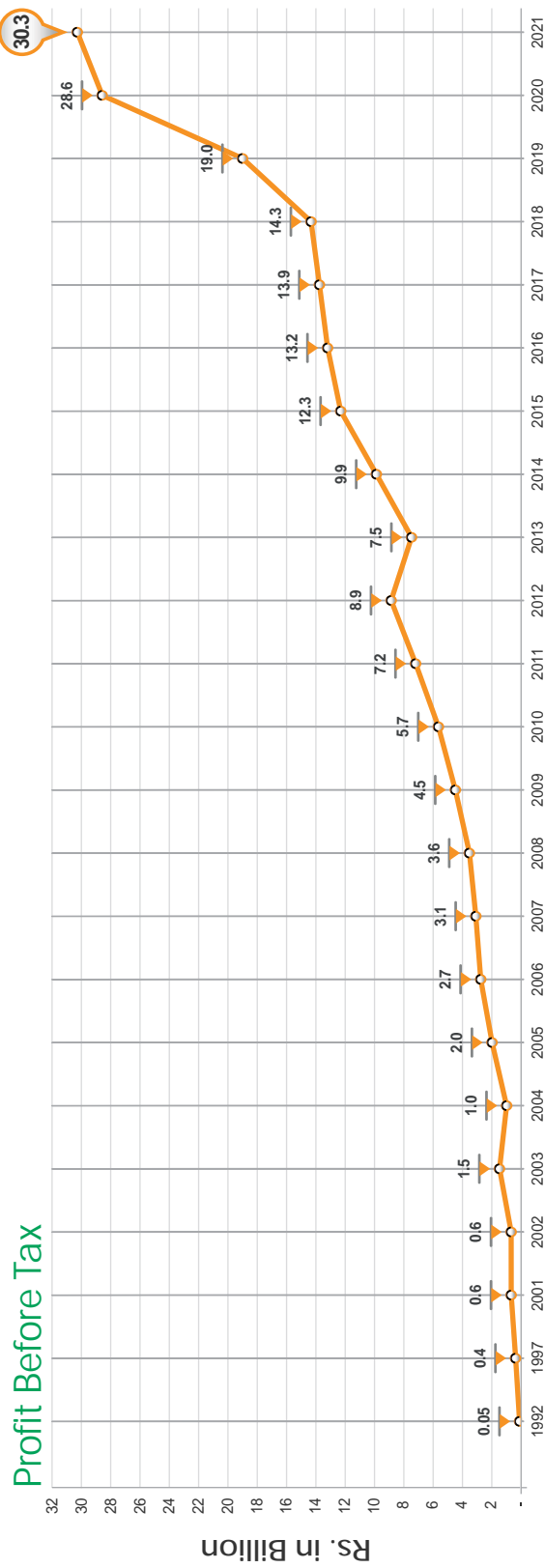
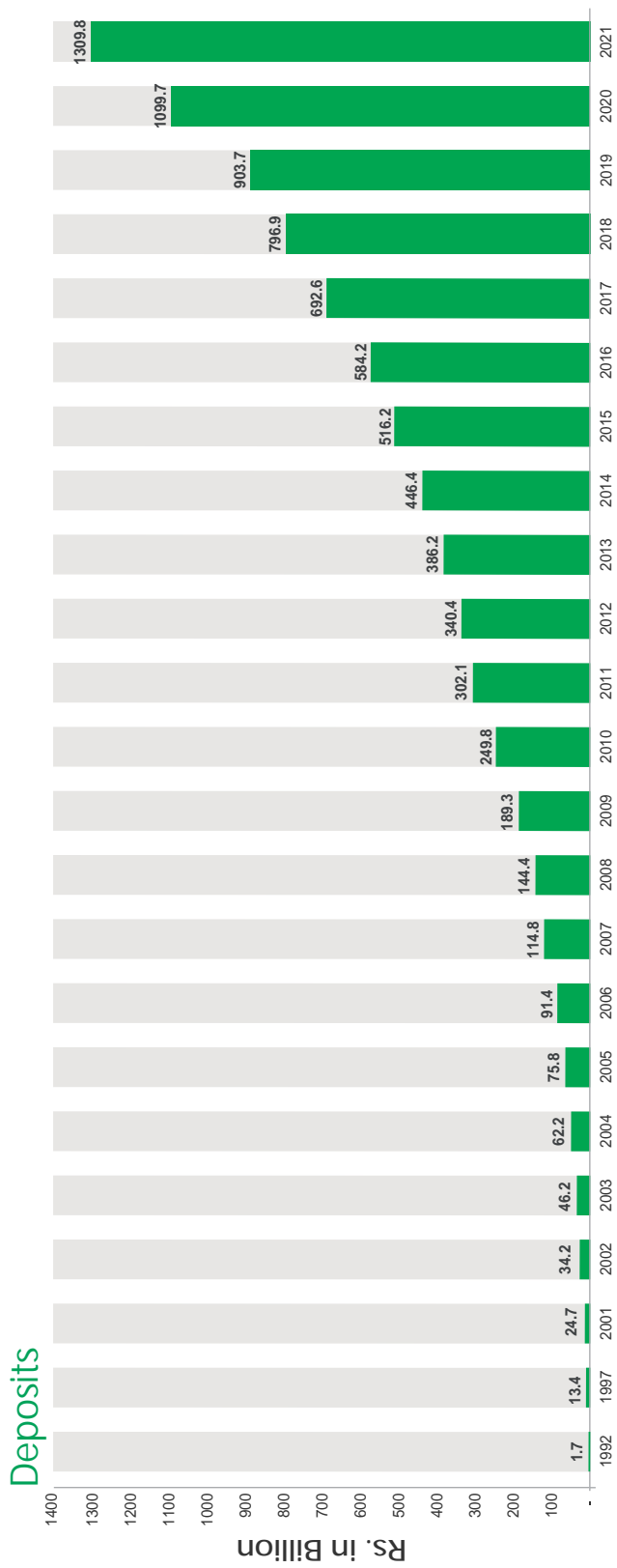


HIGHLIGHTS YEAR 2021





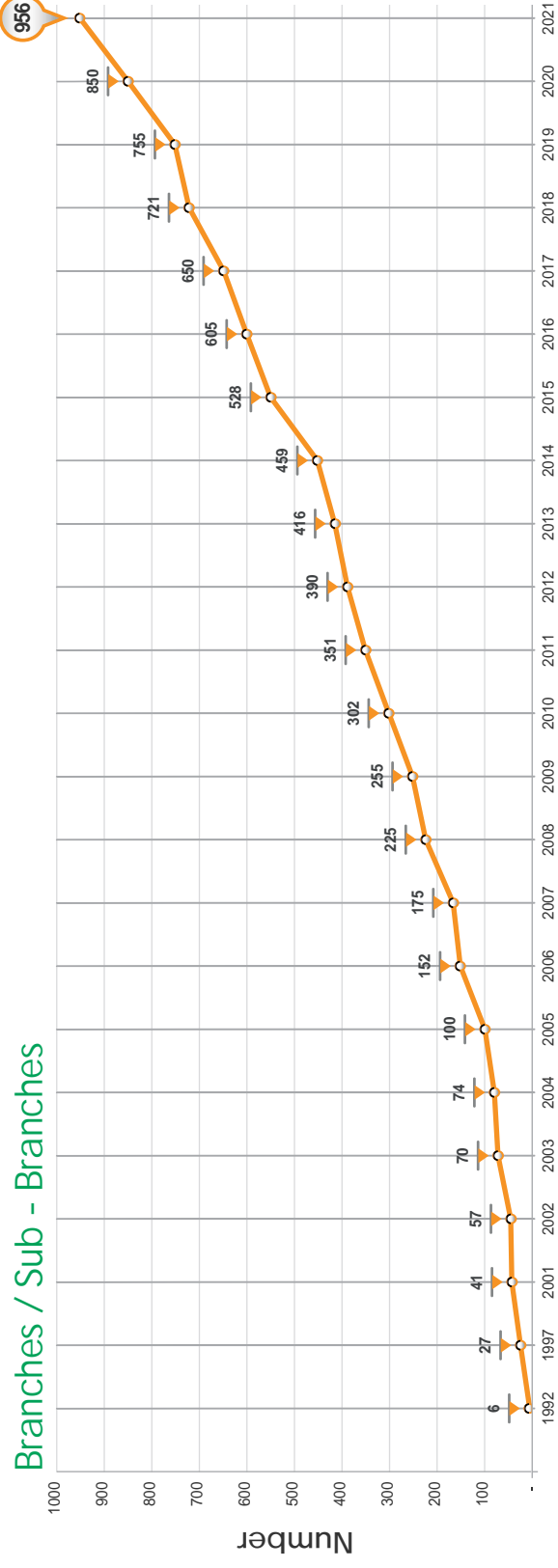
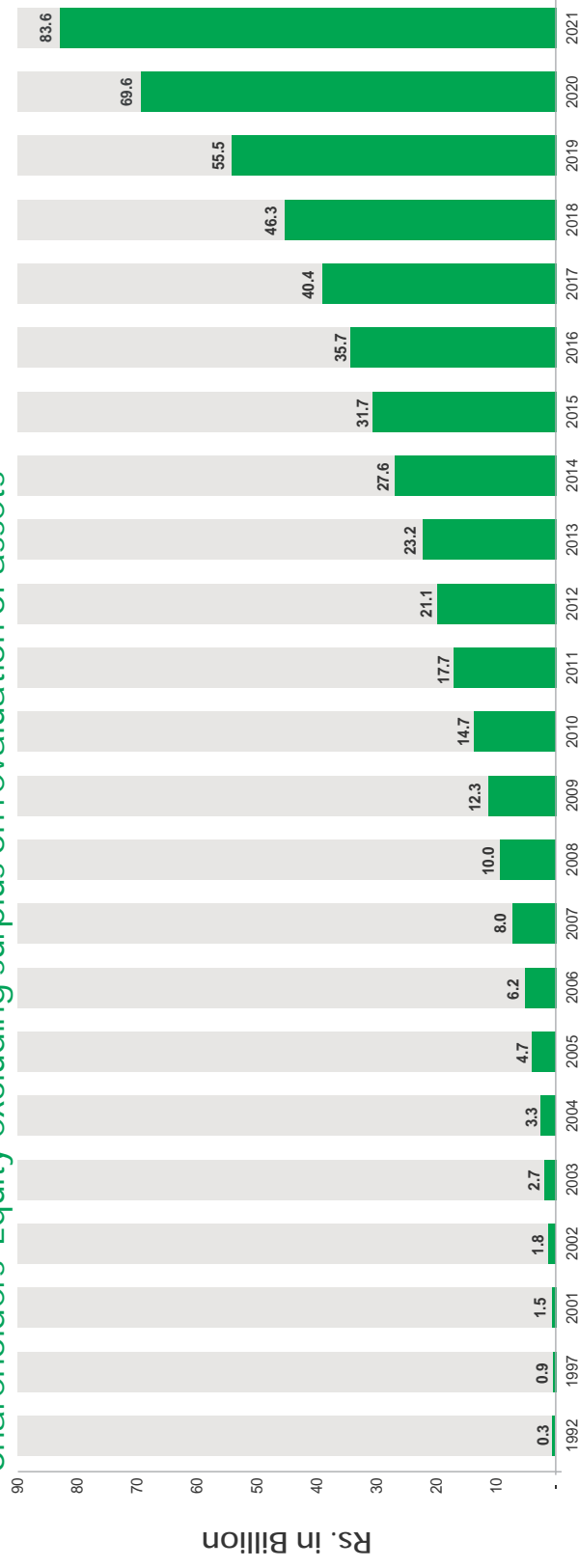
PERFORMANCE 1992-2021





PERFORMANCE 1992 - 2021

Shareholders' Equity excluding surplus on revaluation of assets





Performance 1992-2021

(Rupees in Million)

Years	Assets	Deposits	Advances	Investments	Shareholders' Equity excluding surplus on revaluation of assets	Profit Before Tax	Profit After Tax	Cash Dividend	Stock Dividend
1992	2,727	1,679	607	1,060	325	51	25	–	–
1993	5,590	3,372	1,647	1,907	421	151	96	–	–
1994	8,346	5,200	3,067	1,932	528	224	107	–	–
1995	11,395	6,353	4,254	2,055	611	255	127	15.0%	–
1996	11,248	8,573	5,664	2,489	718	341	153	15.0%	10.0%
1997	16,515	13,445	7,372	7,440	851	442	199	20.0%	15.0%
1998	16,897	13,226	7,564	6,999	1,016	445	203	10.0%	32.0%
1999	19,870	14,113	10,925	4,601	1,169	373	153	–	20.0%
2000	24,226	17,823	14,722	1,289	1,322	403	153	–	20.0%
2001	29,025	24,697	15,902	5,664	1,532	551	246	5.0%	20.0%
2002	49,437	34,240	23,775	18,831	1,822	620	290	–	25.0%
2003	58,066	46,178	35,232	14,109	2,726	1,513	1,012	10.0%	25.0%
2004	77,436	62,171	47,367	14,414	3,274	1,039	541	–	35.0%
2005	91,502	75,796	55,304	19,758	4,746	2,022	1,464	15.0%	40.0%
2006	114,998	91,420	70,796	21,023	6,186	2,689	1,761	15.0%	40.0%
2007	141,234	114,819	79,224	35,287	8,014	3,052	2,211	15.0%	30.0%
2008	177,324	144,390	100,197	48,234	9,967	3,579	2,425	12.5%	27.5%
2009	249,807	189,280	105,985	111,018	12,287	4,512	2,856	20.0%	20.0%
2010	301,552	249,774	125,773	137,168	14,706	5,656	3,602	20.0%	20.0%
2011	384,282	302,099	114,872	222,959	17,723	7,155	4,533	25.0%	15.0%
2012	453,106	340,393	147,869	249,754	21,058	8,878	5,455	30.0%	–
2013	460,727	386,161	167,579	239,753	23,227	7,513	5,155	20.0%	10.0%
2014	579,394	446,409	181,737	331,423	27,555	9,917	6,349	30.0%	–
2015	639,973	516,213	207,289	356,649	31,698	12,332	7,405	35.0%	–
2016	768,018	584,172	261,440	405,028	35,673	13,164	8,119	35.0%	–
2017	944,134	692,576	339,833	476,125	40,409	13,890	8,501	30.0%	–
2018	1,048,239	796,901	478,215	414,605	46,283	14,264	8,418	25.0%	–
2019	1,298,682	903,703	488,669	586,141	55,489	19,011	11,169	35.0%	–
2020	1,522,091	1,099,686	510,252	764,944	69,570	28,581	17,81	45.0%	–
2021	1,849,652	1,309,823	733,799	826,600	83,569	30,273	18,702	70.0%	–



REVIEW REPORT BY THE CHAIRMAN ON THE OVERALL PERFORMANCE OF THE BOARD

Alhamdulillah, I am pleased to present a report on the overall performance of the Board and effectiveness of the role played by the Board in achieving the Bank's objectives.

Power for management and control of affairs of the Bank rest with the Board of Directors, except for powers expressly required to be exercised by shareholders in general meeting. The Directors delegate day-to-day operations of the Bank to the Management, but such delegation remains subject to the control and direction of the Board, to the best of their knowledge. The Directors are required to carry out their fiduciary duties and exercise their independent judgement to the best of their abilities in the interests of the Bank.

The Board has approved a formal process for its performance evaluation. The Bank has adopted In-House Approach and Quantitative Technique with scored questionnaires for Board evaluation.

Overall objective of performance evaluation of the Board is to ensure sustainable growth and development of the Bank, with focus on the following areas:

- (a) Board Composition and Functioning
- (b) Corporate Strategy and Business plan
- (c) Monitoring of Bank Performance
- (d) Internal Audit and Internal Control
- (e) Risk Management and Compliance
- (f) Disclosure of Material Information
- (g) Ideas for Improvement

Accordingly, performance evaluation of the Board was conducted in 2021 as per mechanism approved by the Board. It was concluded that the overall performance of the Board, including effectiveness of the role played by the Board in achieving the Bank's objective, was found to be generally satisfactory.

Karachi: February 09, 2022

Abbas D. Habib
Chairman
Board of Directors



DIRECTORS' REPORT

Alhamdulillah, the Directors of Bank AL Habib Limited are pleased to present the Thirty First Annual Report together with the audited financial statements of the Bank for the year ended December 31, 2021.

The operating results and appropriations, as recommended by the Board, are given below:

	(Rupees in '000)
Profit for the year before tax	30,272,788
Taxation	(11,570,489)
Profit for the year after tax	18,702,299
Unappropriated profit brought forward	40,024,361
Transfer from surplus on revaluation of fixed assets – net of tax	120,440
Other comprehensive income – net of tax	(177,387)
	39,967,414
Profit available for appropriations	58,669,713
Appropriations:	
Transfer to Statutory Reserve	(1,870,230)
Cash dividend – 2020	(5,001,414)
	(6,871,644)
Unappropriated profit carried forward	51,798,069
Basic / Diluted earnings per share – after tax	Rs. 16.83

For the year ended December 31, 2021, the Directors propose a cash dividend of 70%, i.e., Rs. 7.0 per share.

Performance Review

Alhamdulillah, the performance of your Bank continued to be satisfactory during the year. Deposits rose to Rs. 1,309.8 billion against Rs. 1,099.7 billion a year earlier, while advances increased to Rs. 733.8 billion from Rs. 510.3 billion. Foreign Trade Business handled by the Bank during the year was Rs. 2,540.6 billion. Profit before tax for the year was Rs. 30.3 billion as compared to Rs. 28.6 billion last year, while profit after tax was Rs. 18.7 billion against Rs. 17.8 billion last year.

During the year, the Bank opened 107 new branches and converted 3 sub-branches into full-fledged branches, bringing our network to 960, which comprises 927 branches (including 138 Islamic Banking Branches and 2 Overseas Branches, one each in Bahrain and Malaysia), 29 sub-branches, and 4 Representative Offices, one each in Dubai, Istanbul, Beijing, and Nairobi. The Bank will continue to expand its network. During the year, the Bank had closed its overseas branch in Seychelles. The closure of a Branch is in line with the Bank's strategy, and it will not have any material impact on the overall operating and financial position of the Bank.

In September 2021, the Bank successfully completed its eighth issue of rated, unsecured, and subordinated Term Finance Certificates (TFCs) amounting to Rs. 5,000 million (inclusive of a "Green Shoe" option of Rs. 2,000 million), through private placement. This private placement was managed and arranged by your Bank. These TFCs have further enhanced the Bank's capital adequacy and will also support future growth in our operations.



AWARDS AND RECOGNITION

Chartered Financial Analyst (CFA) Society Pakistan Award for the Year 2020

The Bank received the Runner Up award for “Best Bank of the Year (Large-Size Banks) 2020” from the Chartered Financial Analyst (CFA) Society Pakistan. These awards recognized the outstanding performance of a financial institution.

COMPOSITION OF BOARD OF DIRECTORS

Total number of Directors is as follows:

- Male 09
- Female 01
- 10

The composition of the Board is as follows:

Independent Directors	Syed Hasan Ali Bukhari Mr. Arshad Nasar Mr. Safar Ali Lakhani
Non-Executive Directors	Mr. Abbas D. Habib Mr. Anwar Haji Karim Syed Mazhar Abbas Mr. Murtaza H. Habib Mr. Adnan Afridi
Executive Director	Mr. Qumail R. Habib
Female Director-Non Executive	Ms. Farhana Mowjee Khan

Mr. Mansoor Ali Khan is the Chief Executive of the Bank. Being CEO of the Bank, he is deemed to be a Director.

Board Meetings

During the year, four meetings of the Board were held and the attendance of each Director was as follows:

Name of Director	Meetings Held	Meetings Attended
Mr. Abbas D. Habib	4	4
Mr. Anwar Haji Karim	4	4
Ms. Farhana Mowjee Khan	4	4
Syed Mazhar Abbas	4	4
Mr. Qumail R. Habib	4	4
Mr. Safar Ali Lakhani	4	3
Syed Hasan Ali Bukhari	4	3
Mr. Murtaza H. Habib	4	4
Mr. Arshad Nasar	4	3
Mr. Adnan Afridi	4	4
Mr. Mansoor Ali Khan, Chief Executive	4	4



Committees Meetings

The Listed Companies (Code of Corporate Governance) Regulations, 2019 requires the Bank to disclose the composition of all Committees of the Board, viz. Audit Committee, Human Resource & Remuneration Committee, Credit Risk Management Committee, Risk Management Committee, IT Committee, and IFRS 9 Committee.

During the year, eight meetings of the Audit Committee, and four meetings of Human Resource & Remuneration Committee, Credit Risk Management Committee, Risk Management Committee, IT Committee, and IFRS 9 Committee were held, and the attendance of members was as follows:

Audit Committee			Human Resource & Remuneration Committee		
Name of Director	Meetings Held	Meetings Attended	Name of Director	Meetings Held	Meetings Attended
Mr. Safar Ali Lakhani, Chairman	8	6	Syed Hasan Ali Bukhari, Chairman	4	3
Syed Mazhar Abbas	8	8	Syed Mazhar Abbas	4	4
Mr. Anwar Haji Karim	8	7	Mr. Abbas D. Habib	4	4
Syed Hasan Ali Bukhari	8	6	Ms. Farhana Mowjee Khan	4	4
Mr. Arshad Nasar	8	6	Mr. Arshad Nasar	4	3

Credit Risk Management Committee			Risk Management Committee		
Name of Director	Meetings Held	Meetings Attended	Name of Director	Meetings Held	Meetings Attended
Syed Mazhar Abbas, Chairman	4	4	Mr. Adnan Afridi, Chairman	4	4
Mr. Safar Ali Lakhani	4	3	Mr. Qumail R. Habib	4	3
Mr. Qumail R. Habib	4	4	Ms. Farhana Mowjee Khan	4	4
Syed Hasan Ali Bukhari	4	3	Mr. Anwar Haji Karim	4	3
Mr. Murtaza H. Habib	4	4	Mr. Safar Ali Lakhani	4	3

IT Committee			IFRS 9 Committee		
Name of Director	Meetings Held	Meetings Attended	Name of Director	Meetings Held	Meetings Attended
Mr. Abbas D. Habib, Chairman	4	4	Syed Hasan Ali Bukhari, Chairman	4	3
Mr. Qumail R. Habib	4	3	Mr. Arshad Nasar	4	3
Mr. Arshad Nasar	4	3	Mr. Qumail R. Habib	4	3
Syed Mazhar Abbas	4	4			
Mr. Mansoor Ali Khan	4	4			

Directors Training Programme

Directors have either attended the required training in prior years or stand exempted, as per criteria mentioned in the Code.



Directors' Remuneration Policy

The shareholders of the Bank have approved a 'Policy & Procedure for Fixing Remuneration of Directors', which states that:

- The remuneration of Non-Executive Directors for attending Board and Committee meetings shall be decided by the Board within the maximum limit as specified by the State Bank of Pakistan from time to time.
- The Chairman of the Board is also entitled to have 20% additional remuneration fee of the remuneration set for him for attending Board and its Committee meeting considering the Chairman's vast knowledge, experience, insight, sense of judgement and market contacts. The Chairman of the Board shall also monitor the performance of the Bank's management and implementation of the Business Plan of the Bank on behalf of the Board.
- A full time Director shall receive such remuneration as the members (shareholders) may fix.
- The Chairman of the Board (in case of individual Directors) and Independent Directors with the help of other Directors (in case of Chairman of the Board) shall decide regarding reconsideration in remuneration of underperforming Director/Chairman if the overall performance of the Director/Chairman consistently remains in "Needs Improvement" category for the two consecutive years as per Annual Performance Evaluation of the Board members.

Credit Rating

Alhamdollah, as informed earlier in our review for the period ended June 30, 2021, Pakistan Credit Rating Agency Limited (PACRA) has upgraded the Bank's long term entity rating from **AA+** (Double A plus) to **AAA** (Triple A) while maintaining the short term entity rating at **A1+** (A One plus). This long term credit rating **AAA** (Triple A) denotes the highest credit quality with the lowest expectation of credit risk, and indicates exceptionally strong capacity for timely payment of financial commitments.

The ratings of our unsecured, subordinated Term Finance Certificates (TFCs) were also upgraded from **AA** (Double A) to **AA+** (Double A Plus) for TFC-2018 and from **AA-** (Double A minus) to **AA** (Double A) for TFC-2017 (perpetual). The initial rating of our unsecured, subordinated TFC-2021 issued during the year is **AA+** (Double A plus). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

Future Outlook

Proactive steps taken by the Government and the State Bank of Pakistan mitigated the effects of Covid-19 during the year to a large extent, making Pakistan one of the best performing countries for its effective handling of the pandemic. The country's GDP posted a remarkable recovery after registering a contraction in the previous year. Growth in GDP was led by large scale manufacturing, construction, and agriculture. Fiscal deficit declined in spite of additional government spending related to Covid-19; current account deficit reached a ten-year low; workers' remittances continued to rise; and foreign exchange reserves witnessed a surge. However, mismatch between the country's imports and exports and unanticipated increase in global commodity prices have exposed the economy to exchange rate instability as well as inflationary pressures. The State Bank has, therefore, commenced raising the benchmark policy rate, while the Government has decided to introduce new fiscal measures. These, together with potential emergence of new Covid-19 variants, may affect the overall economic and business environment. Nevertheless, the aforementioned sectors may continue to support the economy. Accordingly, we are confident that, by the Grace of Allah, the Bank will continue to grow and progress, as in the past.

Auditors

The present auditors EY Ford Rhodes, Chartered Accountants, retire and offer themselves for reappointment. As suggested by the Audit Committee, the Board of Directors has recommended their reappointment as auditors of the Bank for the year ending December 31, 2022, at a fee to be mutually agreed.



Risk Management Framework

The Bank always had a risk management framework commensurate with the size of the Bank and the nature of its business. This framework has developed over the years and continues to be refined and improved. A key guiding principle of the Bank is to treat the depositors' money as a trust which must be protected. Therefore, the Bank aims to take business risks in a prudent manner, guided by a conservative outlook. Salient features of the Bank's risk management framework are summarized below:

- Credit risk is managed through the credit policies approved by the Board; a well-defined credit approval mechanism; use of internal risk ratings; prescribed documentation requirements; post-disbursement administration, review, and monitoring of credit facilities; and continuous assessment of credit worthiness of counterparties. The Bank has also established a mechanism for independent, post-disbursement review of large credit risk exposures. Decisions regarding the credit portfolio are taken mainly by the Central Credit Committee. Credit Risk Management Committee of the Board provides overall guidance in managing the Bank's credit risk.
- Market risk is managed through the market risk policy approved by the Board; approval of counterparty limits and dealer limits; treasury & investment policy; and regular review and monitoring of the investment portfolio by the Bank's Asset Liability Management Committee (ALCO). In addition, the liquidity risk policy provides guidance in managing the liquidity position of the Bank, which is monitored on daily basis by the Treasury and the Middle Office. Decisions regarding the investment portfolio are taken mainly by ALCO. Risk Management Committee of the Board provides overall guidance in managing the Bank's market and liquidity risks, capital adequacy, and integrated risk management (also known as enterprise risk management).
- Operational risk is managed through the audit policy, the operational risk policy, the compliance policy & programme, IT and IT security policies, human resource policy, consumer protection framework, and outsourcing policy approved by the Board, along with the fraud prevention policy; consumer grievance handling policy; operational manuals and procedures issued from time to time; a system of internal controls and dual authorization for important transactions and safe-keeping; a Business Continuity Plan, including a Disaster Recovery Plan for I.T.; and regular audit of the branches and divisions. Audit Committee of the Board provides overall guidance in managing the Bank's operational risk.

In addition, Risk Management Policy, Risk Tolerance Statement, and Country Risk Management Policy provide further guidance on managing the potential risk exposures of the Bank.

In order to comply with SBP's guidelines on risk management, the Bank has established a separate Risk Management Division, including a Middle Office, that independently monitors and analyses the risks inherent in Treasury operations. The steps taken by the Division include: sensitivity testing of Government Securities portfolio; computation of portfolio duration and modified duration; analysis of maturity mismatch and rate sensitive assets and liabilities, analysis of forward foreign exchange gap positions; more detailed reporting of TFCs and equities portfolios; development of improved procedures for dealing in equities and settlements; monitoring of off-market foreign exchange rates and foreign exchange earnings; collecting operational loss data and developing Key Risk Indicators; identifying Top Ten Risks of the Bank; conducting risk evaluation of products and processes; and establishment of a mechanism for independent, post-disbursement review of large credit risk exposures. Assessment of enterprise-wide integrated risk profile of the Bank is carried out, using the Basel Framework, Key Risk Indicators, Internal Capital Adequacy Assessment Process, Stress Testing, and Recovery Plan.

Corporate Social Responsibility (CSR)

Your Bank is fully committed to the concept of Corporate Social Responsibility and fulfills this responsibility by engaging in a wide range of activities which include:

- corporate philanthropy amounting to Rs. 487.32 million by way of donations & charities during the year for social and educational development and welfare of people;
- energy conservation, environmental protection, and occupational safety and health by restricting unnecessary lighting, implementing tobacco control law and "No Smoking Zone", and providing a safe and healthy work environment;



- business ethics and anti-corruption measures, requiring all staff members to comply with the Bank's "Code of Conduct" and "Anti-Bribery And Corruption Policy".
- consumer protection measures, requiring disclosure of the schedule of charges and terms and conditions that apply to the Bank's products and services;
- amicable staff relations, recognition of merit and performance, and on-going opportunities for learning and growth of staff, both on-the-job and through formal training programmes;
- employment through a transparent procedure, without discrimination on the basis of religion, caste, language, etc., including employment of special persons;
- expansion of the Bank's branch network to rural areas, which helps in rural development;
- contribution to the national exchequer by the Bank by way of direct taxes of about Rs. 10.51 billion paid to the Government of Pakistan during the year; furthermore, an additional amount of over Rs. 18.41 billion was deducted/collected by the Bank on account of withholding taxes, federal excise duties and sales tax on services, and paid to the Government of Pakistan/Provincial Governments.
- During the last five years, the Bank has disbursed Rs. 16.21 million under the Prime Minister's Youth Business Loan programme.

Statement on Corporate and Financial Reporting

1. The financial statements, prepared by the Bank, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account have been maintained by the Bank.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements; changes, if any, have been adequately disclosed and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards and Islamic Financial Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure therefrom, if any, has been adequately disclosed.
5. The system of internal controls is sound in design and has been effectively implemented and monitored. The Board's endorsement of the management's evaluation related to Internal Control over Financial Reporting, along with endorsement of overall Internal Controls is given on page 32.
6. Going concern assumption is appropriate. There is no identifiable material uncertainty that raises doubt about the ability of the Bank to continue as a going concern.
7. Key operating and financial data for last six years are summarized below:

	(Rupees in million)					
	2021	2020	2019	2018	2017	2016
Total customer deposits	1,309,823	1,099,686	903,703	796,901	692,576	584,172
Total advances	733,799	510,252	488,669	478,215	339,833	261,440
Profit before tax	30,273	28,581	19,011	14,264	13,890	13,164
Profit after tax	18,702	17,812	11,169	8,418	8,501	8,119
Shareholders' Equity	83,569	69,570	55,489	46,283	40,409	35,673
Earnings per share (Rs.)	16.83	16.03	10.05	7.57	7.65	7.31
Cash Dividend (%)	70	45	35	25	30	35



8. Value of investments of Provident Fund and Gratuity Fund Schemes based on latest audited financial statements as at December 31, 2020 was as follows:

	(Rupees in '000)
Provident Fund	8,314,541
Gratuity Fund	3,439,971

9. The pattern of shareholding and additional information regarding pattern of shareholding is given on pages 138, 139 & 140.
10. The Board has approved a formal process for its performance evaluation. The Bank has adopted In-House Approach and Quantitative Technique with scored questionnaires for Board evaluation. Scope of Board evaluation covers evaluation of the full Board, Individual Directors, Board Committees, the Chairman, and the Chief Executive. Consolidated results/findings will be discussed with the relevant parties. Any areas of improvement identified during the evaluation will be noted for appropriate action. Evaluation process for each calendar year will be completed latest by March 31 of the next year. Additionally, performance evaluation of the Board will be conducted by an external independent evaluator at least every three years. We have appointed Pakistan Institute of Corporate Governance (PICG) for external independent evaluation of the Board.

There is no conflict of interest between the experts hired by the Bank and any Board member or Key Executive.

11. No trade in the shares of the Bank was carried out by the Directors, CEO, CFO, Head of Internal Audit, Company Secretary, and Executives and their spouses and minor children, during the year, except the following:
- Son of a Director, who acts independently, sold 77,042 shares through a CDC account in which spouse of the Director is a joint account holder with the son.
 - 400 shares purchased by an Executive.

For the purpose of this disclosure, the definition of "Executive" includes Assistant General Managers and above, in addition to officials already mentioned in the Rule Book of the Pakistan Stock Exchange regulations.

General

We wish to thank our customers, for their continued trust and support, local and foreign correspondents for their confidence and cooperation, and the State Bank of Pakistan for their guidance. We also thank all our staff members for their sincerity, dedication and hard work.

MANSOOR ALI KHAN
Chief Executive

ABBAS D. HABIB
Chairman
Board of Directors

Karachi: February 09, 2022



CORPORATE GOVERNANCE

Corporate Governance Culture

Habib Family has been engaged in the business of banking for over 80 years, and is well known for commitment to its traditional values of integrity, prudence, and trust. We are committed to continue all our business activities as per highest ethical and professional standards and practices. We ensure good corporate governance culture by remaining true to our values and by following the Prudential Regulations issued by the State Bank of Pakistan and the Code of Corporate Governance Regulations issued by the Securities & Exchange Commission of Pakistan. Board of Directors of the Bank comprises reputable businessmen, bankers, professional managers, and chartered accountants, representing a range of industries. They carry out their fiduciary duties to protect the interests of shareholders, depositors, and creditors, and exercise their independent judgement in the best interests of the Bank. We have clearly defined the responsibilities of the Board, Chief Executive, and Senior Management.

Nomination and Selection of Board Members

There is a defined procedure for election of Directors in Companies Act, 2017 and the Bank's Articles of Association which has been strictly followed by the Bank. Accordingly, the Bank announces the schedule of election of Directors in the year when the election is due. Any person desirous to become a Director can submit his/her nomination papers as per the requirements of the Companies Act, 2017 and regulations of State Bank of Pakistan (SBP). The person elected by the shareholders shall hold the office of Director, subject to Fit and Proper Criteria and approval of the State Bank of Pakistan. Any casual vacancy on the Board is filled up by the Directors, subject to applicable regulations.

Profile of Board Members

1. Mr. Abbas D. Habib – Chairman

Mr. Abbas D. Habib, Founder Member & Chairman of the Board, has over 50 years' commercial, industrial and banking experience in the domestic and international markets. He is a Fellow Member of the Institute of Bankers, Pakistan. He has held senior management positions with various organizations of the Habib Group and gained international banking experience while working with Habibsons Bank Limited, London, as Regional Director and later as Executive Director. Upon the inception of Bank AL Habib Limited in 1991, he became its Director and Joint Managing Director. He assumed responsibilities as Managing Director and Chief Executive of the Bank on May 8, 1994 and served in that position till October 31, 2016. He has been on the Board of Habib Insurance Company Limited since June 13, 2000. He became Chairman of Bank AL Habib Limited on November 1, 2016. He is also the Chairman of the Board of AL Habib Asset Management Limited a wholly owned subsidiary of the Bank since August 11, 2020.

2. Mr. Anwar Haji Karim

Mr. Anwar Haji Karim holds a Bachelor's degree in commerce and has over 40 years' experience in business and industry. He belongs to the Al Karam Group, a reputable business group of Pakistan, with interests in textiles and synthetics. He is Chief Executive of Al Karam Textile Mills (Private) Limited and Iqbal Textile Mills (Private) Limited. He is a Founder Member of the Board of Directors of the Bank since its inception in 1991.

3. Ms. Farhana Mowjee Khan

Ms. Farhana Mowjee Khan, Director of Razaque Steels (Private) Limited, has over 30 years' experience in the local and international environment. She has also served as Managing Director of Razaque Steels (Private) Limited from 1994 to 2006. She graduated from University College London, UK and is a qualified Chartered Accountant from Institute of Chartered Accountants in England and Wales, UK. Ms. Farhana Mowjee Khan is also a director of Shabbir Tiles and Ceramics Limited. She joined the Board of Bank AL Habib Limited in April 2019.



4. Syed Mazhar Abbas

Syed Mazhar Abbas studied at American University of Beirut. He has over 45 years' experience in commercial banking, including senior executive positions at Habib Bank Limited and Bank AL Habib Limited. He has had extensive exposure to international banking in several countries including Bahrain, Lebanon, France, UK, Egypt, and Hong Kong. He joined Bank AL Habib Limited in 1992 as a senior executive and became its Director in 2000.

5. Mr. Qumail R. Habib – Executive Director

Mr. Qumail R. Habib is a graduate of the University of California in Business Economics and has over 35 years' commercial, industrial, and banking experience. He is a Founder Member of the Board and Executive Director of the Bank since its inception in 1991. Prior to that, he was Resident Director of AL Ghazi Tractors Limited. He has been actively involved with the operations of the Bank since its inception. He is responsible for enhanced oversight on Enterprise Risk and Corporate Strategy, and for monitoring Fraud Investigation Unit. He has been on the Board of Habib Insurance Company Limited since October 03, 2017.

6. Mr. Safar Ali Lakhani

Mr. Safar A. Lakhani holds a Bachelor's degree in Commerce and is also a Law graduate. He is a Diplomaed Associate of the Institute of Bankers, Pakistan. He has extensive experience of working in banks in senior positions. He served in Habib Bank Limited as Senior Executive Vice President & General Manager for East & Pacific Region, based in Singapore. Also served as the founder President of Soneri Bank from 1991 until his retirement in 2010. He has been associated with Bank AL Habib Limited as advisor/consultant during the years 2011-2013 and was appointed as a Director in January 2014.

7. Syed Hasan Ali Bukhari

Syed Hasan Ali Bukhari is a Commerce graduate and a Fellow of the Institute of Chartered Accountant of Pakistan (FCA). Mr. Bukhari has also attended General Management Course at Henley Management College, England. He has vast experience in a professional accounting firm and the shipping industry. His corporate experience span over 36 years in various positions with Mackinnon Mackenzie & Co. of Pakistan, until his retirement as Chief Executive & Managing Director of the company in 2010. Mr. Bukhari is Advisor to Chairman of Hilton Pharma (Private) Limited since 2011. Mr. Bukhari has served as a Board member of Karachi Port Trust and Pakistan Institute of Corporate Governance, and he is currently a Director of Pakistan Oxygen Limited, Quick Food Industries (Private) Limited, and Pakistan Gum & Chemicals Limited. He was appointed as a Director of Bank AL Habib Limited in June 2014.

8. Mr. Murtaza H. Habib

Mr. Murtaza H. Habib holds a Bachelor's degree in finance from Texas A&M University, USA, and has over 25 years' experience in business and industry. He is currently Executive Director of Habib Sugar Mills, and also holds Directorships in several other companies of Habib Group. He is actively involved with social welfare activities of the Group. He is a Founder Member of the Board of Directors of the Bank since its inception in 1991, except for a gap of one year.

9. Mr. Arshad Nasar

Mr. Arshad Nasar served as Chairman and Chief Executive of Oil & Gas Development Company Ltd (OGDCL) from 2005 - 2008. Under his watch, OGDCL successfully launched a Global Depository Receipt (GDR) issue and was listed on London Stock Exchange. Mr. Nasar previously served as Country Chairman and Managing Director of Caltex Oil (Chevron) Pakistan Ltd from 1998 – 2004, the first Pakistani to lead Caltex Oil in Pakistan. He retired from the Company after 36 years of service. He holds a Master's Degree in Economics and has extensive functional and Management experience in a wide ranging international corporate career spanning more than 40 years. Mr. Nasar has served as Director on the Boards of: Oil & Gas Development Company Limited (OGDCL), Caltex Oil (Chevron) Pakistan Ltd, Engro Corporation Pakistan Ltd, Engro Fertilizer Ltd, Pakistan Industrial Development Corporation (PIDC), Pakistan Refinery Limited (PRL), Mari Gas Company, The American Business Council of Pakistan, and Petroleum Institute of Pakistan. Presently, he is also on the Board of FAST National University of Computer and Emerging Sciences. He joined the Board of Bank AL Habib Limited in March 2016.



10. Mr. Adnan Afridi

Mr. Adnan Afridi holds a Bachelor's degree in Economics and a Juris Doctor degree in Law from Harvard University, USA. He assumed charge as Managing Director, National Investment Trust Limited (NITL) in February 2019. He has 26 years' international experience in change management, business transformation, innovation and profitability enhancement in blue chip companies, public sector, and start-up situations. He had a distinguished local career in financial services and capital markets, including the position of Managing Director of the Karachi Stock Exchange, CEO of Overseas Chamber of Commerce and Industry, Chairman of National Clearing Corporation of Pakistan, and a Director of Central Depository Company. He is also a Member of the SECP Policy Board. He represents NITL as a Director on the Boards of several well-known and multinational companies in Pakistan. Mr. Afridi also serves as Vice Chairman of the Board of Governors of The Kidney Center Post Graduate Institute and also as Board member of Shaukat Khanum Memorial Trust. He was also former president of Old Grammarians Society and Board member of Young Presidents' Organization (YPO) as well and currently serving as member of Young Presidents' Organization (YPO) – Gold Pakistan. He joined the Board of Bank AL Habib Limited as a nominee of NITL in April 2019.

Details of Membership on the Bank's & other Boards

Sr. No.	Name of Director	Date of Joining /Leaving the Board (dd/mm/yyyy)	Status of Director (Independent, Non-Executive, Executive)	Member of Board Committees	Number of other Board Memberships along with name of Company(ies)
1	Mr. Abbas D. Habib	15/10/1991	Non-Executive	<ul style="list-style-type: none"> Human Resource and Remuneration Committee IT Committee 	<ol style="list-style-type: none"> Habib Insurance Company Limited Habib & Sons (Private) Limited AL Habib Asset Management Limited
2	Mr. Anwar Haji Karim	15/10/1991	Non-Executive	<ul style="list-style-type: none"> Audit Committee Risk Management Committee 	<ol style="list-style-type: none"> AL - Karam Textile Mills (Private) Limited Iqbal Textile Mills (Private) Limited
3	Ms. Farhana Mowjee Khan	17/04/2019	Non-Executive	<ul style="list-style-type: none"> Human Resource and Remuneration Committee Risk Management Committee 	<ol style="list-style-type: none"> Razaque Steels (Private) Limited Razaque Sino (Private) Limited Shabbir Tiles and Ceramics Limited
4	Syed Mazhar Abbas	10/10/2000	Non-Executive	<ul style="list-style-type: none"> Audit Committee Human Resource and Remuneration Committee Credit Risk Management Committee IT Committee 	-
5	Mr. Qumail R. Habib	15/10/1991	Executive	<ul style="list-style-type: none"> Credit Risk Management Committee Risk Management Committee IT Committee IFRS 9 Committee 	Habib Insurance Company Limited
6	Mr. Safar Ali Lakhani	29/01/2014	Independent	<ul style="list-style-type: none"> Audit Committee Credit Risk Management Committee Risk Management Committee 	-



Details of Membership on the Bank's & other Boards

Sr. No.	Name of Director	Date of Joining /Leaving the Board (dd/mm/yyyy)	Status of Director (Independent, Non-Executive, Executive)	Member of Board Committees	Number of other Board Memberships along with name of Company(ies)
7	Syed Hasan Ali Bukhari	02/06/2014	Independent	<ul style="list-style-type: none"> • Audit Committee • Human Resource and Remuneration Committee • Credit Risk Management Committee • IFRS 9 Committee 	<ol style="list-style-type: none"> 1. Pakistan Gum & Chemicals Limited 2. Pakistan Oxygen Limited 3. Quick Food Industries (Private) Limited
8	Mr. Murtaza H. Habib	15/10/1991 to 22/12/1997 and 24/11/1998 to date	Non-Executive	<ul style="list-style-type: none"> • Credit Risk Management Committee 	<ol style="list-style-type: none"> 1. Habib Sugar Mills Limited 2. Habib & Sons (Private) Limited 3. Investment Consultancy (Private) Limited 4. Habib Capital Management (Private) Limited 5. Habib Leasing Corporation (Private) Limited 6. Habib Management Services (Private) Limited 7. Habib Energy (Private) Limited 8. HSM Energy Limited
9	Mr. Arshad Nasar	28/03/2016	Independent	<ul style="list-style-type: none"> • Audit Committee • Human Resource and Remuneration Committee • IT Committee • IFRS 9 Committee 	–
10	Mr. Adnan Afridi	17/04/2019	Non-Executive	<ul style="list-style-type: none"> • Risk Management Committee 	<ol style="list-style-type: none"> 1. Habib Sugar Mills Limited 2. Dynea Pakistan Limited 3. International Industries Limited 4. Mari Petroleum Company Limited 5. Lotte Chemical Pakistan Limited 6. Siemens (Pakistan) Engineering Limited

Appointment of the Shariah Board (SB) Members

Shariah scholars who meet the Fit and Proper Criteria as laid down by State Bank of Pakistan are appointed as SB members for a term of three years by the Board of Directors and are eligible for re-appointment. Their appointment and re-appointment is subject to prior written clearance of SBP. The three years' term of SB commenced from the date of SBP's clearance for appointment / re-appointment. Any SB member (including Chairperson) may be re-appointed as a member of SB for another term by the Board of Directors, at least two months prior to expiry of the term, subject to a fresh prior written clearance of SBP and pursuant to Fit and Proper Criteria of SBP.

During the year, SBP amended the criteria of composition of Shariah Board members with effect from July 1st, 2021 via IBD Circular Letter No. 01 of 2021 dated February 03, 2021 as follows;

"The SB members, except Resident Shariah Board Member (RSBM), may serve on the SBs of up to three IBIs in Pakistan. However, the IBI must ensure that its SB has at least 2 members (other than RSBM), who are not on the SB of any other IBI. Hence, each Islamic Banking Institution (IBI) will have at least three unique members in SB including RSBM".



Shariah Board of the Bank constituted of three Shariah Board members including the Resident Member (RSBM) who was the only unique member at that time. To comply with the new regulatory requirement, a new member, Mufti Sher Ali, was inducted as a unique member in the Shariah Board while the Chairman, Mufti Ismatullah Hamdullah opted to become a unique member in the Bank's Shariah Board by resigning as member Shariah Board of other Financial Institution. Effective July 01, 2021 Bank's Shariah Board is compliant with the SBP's related directives. It is pertinent to mention that upon expiry of their 3-Year term, these members have been reappointed for another 3-Year term w.e.f October 8, 2021.

Casual vacancy

Board of Directors of the Bank fills the casual vacancy on the SB that may occur as a result of resignation, removal, termination or death of a member, within three months from the date on which such vacancy arises. However, the SB member appointed on casual vacancy shall hold the office till the expiry of the existing term of the SB. During the year, RSBM Mufti Muhammad Sarfraz Nihal resigned and, to fill this vacancy a new member Mufti Muhammad Hamza was appointed as Shariah Board Member, while Mufti Sher Ali was designated as Resident Shariah Board Member.

Profile of each of the Shariah Board member

Mufti Ismatullah Hamdullah

Mufti Ismatullah holds the degrees of "Shahadat-ul-Aalamiyyah" and "Takhassus Fil Fiqh" from Jamia Dar-ul-Uloom, Karachi. He is a PhD in Islamic Economics from University of Karachi. He has been associated with Islamic Banking Division of Bank AL Habib Limited since 2006 as Shariah Advisor prior to his appointment as the Chairman of Shariah Board.

He has been teaching Quran, Hadith, Fiqh, Philosophy and Arabic Grammar in Dar-ul-Uloom since 1993. He has a vast experience in issuing Shariah rulings (Fatwa) and is currently serving Dar-ul-Ifta' of Dar-ul-Uloom. So far, he has issued about 25,000 Fatwas regarding various topics and Shariah issues.

His thesis – Zar (Money) in light of Shariah – is considered as one of the most useful research on Islamic Economics and has already been published. He is a renowned research scholar; his research papers have been published in Monthly "Al Balaagh". He wrote a book "Guide to Takaful or Islamic Insurance" that has also been published.

Mufti Sahab is Shariah Advisor of AL Habib Asset Management Limited, IGI window Takaful and Pak Qatar Family Takaful Ltd, he is also a Shariah Board member of Pak Qatar Takaful Group.

Mufti Mohib ul Haq

Mufti Mohib ul Haq Siddiqui graduated from Jamia Dar-ul-Uloom, Karachi. He obtained Shahadat-ul-Aalamia (Master's in Arabic and Islamic Studies) and Al-T'akhassus fi al-Iftaa' (Specialization in Islamic Jurisprudence and Fatwa) qualifications from Darul Uloom.

He joined the Shariah Board of Bank AL Habib Limited – Islamic Banking in November 2015 as a Member. With substantial and diversified experience in the field of Islamic Finance, he has served several financial institutions as a member of their Shariah Boards.

Mufti Mohib ul Haq is currently associated with Faysal Barkat Islamic Banking as the Chairman of Shariah Board. He is also a member of the State Bank of Pakistan's Forum for Shariah review, standardization of Islamic products and processes, and formalization of Shariah Accounting standards for the Pakistan banking industry.

He is a member of the Shariah Board of Bank Alfalah Islamic Banking Division. Formerly, he was also member of the Shariah Board of Takaful Pakistan Limited, Royal Bank of Scotland Berhad, Malaysia and JS Islamic Fund. He has over twelve years of teaching experience at renowned institutions and is also a Faculty Member/ Visiting Faculty Member of various well-known institutions such as:

- Jamia Dar-ul-Uloom Karachi – Centre for Islamic Economics
- National Institute of Banking and Finance (NIBAF) – SBP

Mufti Sher Ali

Mufti Sher Ali obtained the degrees of "Shahadat-ul-Aalamiyyah" and "Specialization in Ifta wa Fiqhil halal" from Jamiah tur Rasheed, besides having a Masters degree in Islamic Studies from the University of Karachi, while currently he is pursuing his M.Phil. He has an outstanding academic record in both Islamic and Contemporary education throughout his career, winning numerous awards & positions at institution, university and national level. Before becoming Shariah Board member Mufti Sher Ali served in Shariah Compliance Department of BAHIL-IB as Shariah Scholar for three years.



Having been a member of the Darul Ifta at Jamia tur Rasheed, he has issued numerous verdicts (Fatawas) on various issues. He also serves as a faculty member at Al –Burhan (An International Academy offering Islamic education for professionals.). He possesses a vast Shariah Compliance experience and command over conducting Shariah review of corporate, SME and consumer post-execution transactions, review of legal documents and internal policies, training and educating branch and corporate banking staff on Islamic Banking & Finance, vetting of investment banking transactions, Shariah review of product manuals and policies etc.

Mufti Muhammad Hamza

Mufti Muhammad Hamza is serving Bank AL Habib – Islamic Banking as Shariah Board Member since September 2021. He has a diverse professional experience in IBIs and Audit Firms. Prior to his joining, he has served as Shariah Scholar (Assistant Manager Shariah Support) in Product Management and Development Department at Faysal Bank Limited-Islamic. He also served as Shariah Consultant in EY Ford Rhodes.

Mufti Muhammad Hamza possesses both contemporary as well as religious academic qualifications. He holds Shahadat-ul-Aalamiyah (Masters in Islamic and Arabic Studies) along with Takhassus Fiqh-ul-Muamlaat (Islamic Commercial Law and Management Science) from Jamia Tur Rasheed, Karachi.

He is also an MBA (Finance) from University of Karachi. Furthermore, he holds “Post Graduate Diploma in Islamic Banking and Takaful” from Centre for Islamic Economics Jamia Darul Uloom Karachi.

He is presently associated with Jamia-tur-Rasheed, Karachi as a Member of Darul Iftaa and lecturer in department of Dars-e-Nizami. Mufti Muhammad Hamza has significant experience of teaching Islamic Jurisprudence (Fiqh) and other related subjects in renowned institutions as Permanent and Visiting Faculty Member such as Jamia tur Rasheed and Al-Burhan international Karachi.

Details of Membership on Bank’s and other Shariah Boards

Sr. No.	Name of Shariah Board Member	Date of Joining /Leaving the Shariah Board (dd/mm/yyyy)	Status of Shariah Board Member	Number of other Shariah Board Memberships along with name of Company(ies)
1	Mufti Ismatullah Hamdullah	08/10/2015	Chairman (Unique)	<ul style="list-style-type: none"> Member, Shariah Board - Pak Qatar Takaful Group
2	Mufti Mohib ul Haq	08/10/2015	Member	<ul style="list-style-type: none"> Chairman, Shariah Board - Faysal Bank Limited Member, Shariah Board - Bank Alfalah Limited
3	Mufti Muhammad Sarfaraz Nihal	Date of Leaving 07/07/2021	Outgoing Resident Member	–
4	Mufti Sher Ali	01/07/2021	Resident Member (Unique)	–
5	Mufti Muhammad Hamza	07/10/2021	Member (Unique)	–



Composition of Board Committees and their Terms of References (TORs)

The Listed Companies (Code of Corporate Governance) Regulations, 2019 requires the Bank to disclose the composition of all Committees of the Board, viz. Audit Committee, Human Resource & Remuneration Committee, Credit Risk Management Committee, Risk Management Committee, IT Committee and IFRS 9 Committee.

Composition of Board's Committees					
Audit Committee	Human Resource & Remuneration Committee	Credit Risk Management Committee	Risk Management Committee	IT Committee	IFRS 9 Committee
Mr. Safar Ali Lakhani, Chairman	Syed Hasan Ali Bukhari, Chairman	Syed Mazhar Abbas, Chairman	Mr. Adnan Afridi, Chairman	Mr. Abbas D. Habib, Chairman	Syed Hasan Ali Bukhari, Chairman
Syed Mazhar Abbas	Syed Mazhar Abbas	Mr. Safar Ali Lakhani	Mr. Qumail R. Habib	Mr. Qumail R. Habib	Mr. Arshad Nasar
Mr. Anwar Haji Karim	Mr. Abbas D. Habib	Mr. Qumail R. Habib	Ms. Farhana Mowjee Khan	Mr. Arshad Nasar	Mr. Qumail R. Habib
Syed Hasan Ali Bukhari	Ms. Farhana Mowjee Khan	Syed Hasan Ali Bukhari	Mr. Anwar Haji Karim	Syed Mazhar Abbas	-
Mr. Arshad Nasar	Mr. Arshad Nasar	Mr. Murtaza H. Habib	Mr. Safar Ali Lakhani	Mr. Mansoor Ali Khan	-

During the year, eight meetings of the Audit Committee and four meetings of Human Resource & Remuneration Committee, Credit Risk Management Committee, Risk Management Committee, IT Committee, and IFRS 9 Committee were held, and the attendance of members was as follows:

Sr. No.	Name of Director	No. of Board Meetings Attended	Number of Board Committees Meetings Attended					
			Audit Committee	Human Resource & Remuneration Committee	Risk Management Committee	Credit Risk Management Committee	IT Committee	IFRS 9 Committee
1	Mr. Abbas D. Habib	4	-	4	-	-	4	-
2	Mr. Anwar Haji Karim	4	7	-	3	-	-	-
3	Ms. Farhana Mowjee Khan	4	-	4	4	-	-	-
4	Syed Mazhar Abbas	4	8	4	-	4	4	-
5	Mr. Qumail R. Habib	4	-	-	3	4	3	3
6	Mr. Safar Ali Lakhani	3	6	-	3	3	-	-
7	Syed Hasan Ali Bukhari	3	6	3	-	3	-	3
8	Mr. Murtaza H. Habib	4	-	-	-	4	-	-
9	Mr. Arshad Nasar	3	6	3	-	-	3	3
10	Mr. Adnan Afridi	4	-	-	4	-	-	-
11	Mr. Mansoor Ali Khan	4	-	-	-	-	4	-
Total Meetings Held		4	8	4	4	4	4	4



TORs of Audit Committee of the Board

The key functions in the TORs include the following:

- Recommend to the Board the appointment / re-appointment of external auditors, their removal, audit fees and provision by external auditors of any services to the Bank in addition to audit of its financial statements for Pakistan Operations and Overseas jurisdictions.
- Discuss with external auditors the major observations arising from interim and final audits and review management letter issued by them and management's response thereto;
- Review quarterly, half-yearly and annual financial statements of the Bank before their publication.
- Review of quarterly, half-yearly and annual financial statements of the Bank, focusing on:
 - ° Major judgmental areas;
 - ° Significant adjustments resulting from the audit;
 - ° the going-concern assumption;
 - ° any changes in accounting policies and practices;
 - ° compliance with applicable accounting standards;
 - ° compliance with listing regulations and other statutory and regulatory requirements;
 - ° review of preliminary announcement of results prior to publication;
 - ° review of significant related party transactions.
- Appropriate measures to safeguard the Bank's assets.
- Review of implementation of Customer Risk Profile (CRP), Know Your Customers (eKYC), Anti Money Laundering (AML)/Combating Financing Terrorism (CFT), Terrorist Financing (TF), Proliferation Financing (PF), Trade Based Money Laundering (TBML), and sanctioned screening related measures.
- Approve the half-yearly audit planning schedule and the estimated timeframe for completion of various audits.
- Ensure that policies and procedures of the Bank are in line with prevailing banking laws and regulations of the State Bank of Pakistan and other relevant statutory requirement.
- Institute special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body.
- Recommend the development/ amendments in the Bank's Internal Control Systems and Internal Audit Policy, Audit Manual and Internal Audit Strategy to the Board of Directors for approval.
- Review and approve Internal Audit Charter and Internal Audit Risk Assessment Policy.
- Review of periodical reporting made by the Audit Division on significant findings pointed out during the testing of existing key controls relating to Internal Control over Financial Reporting (ICFR).
- Review the significant audit findings presented by Audit Division in Internal Audit Reports of domestic & overseas operations (Branch Audits, Centralized Credit Audits, Management Audits, Information System Audit, Islamic Banking Branches Audits and Shariah Audits).
- Review the significant findings of Inspection Reports of State Bank of Pakistan, regulators of overseas branches and the status of compliance submitted by the Bank's Management.
- Ensure compliance of the corrective actions as required by Shariah Board on the reports of 'Internal Shariah Audit' and 'External Shariah Audit' as per Shariah Governance Framework for Islamic Banking Institutions.
- Review of quarterly report of all Shariah Non-Compliance events/transactions.
- Review the reports on internal control system presented by Audit Division on quarterly basis as required under internal control guidelines issued by the State Bank of Pakistan.
- Review of six monthly compliance report on Bank's compliance status, in each jurisdiction, to host country's regulatory requirements and inspection reports etc. as required under SBP Governance Framework for Bank Overseas Operations.
- Review and approve the increments of internal auditors and recommend the performance appraisal and increment / promotion of Head of Internal Audit.



- Approve annual budget of Audit Division for expenditures and staff requirements.
- Coordination between the internal and external auditors of the Bank and review their findings to ensure that necessary steps for implementing their recommendations have been taken.
- Adequacy and effectiveness of internal control systems including financial and operational controls, accounting systems and reporting structure;
- Compliance with the best practices of Corporate Governance;
- Consideration of major findings of internal investigation of activities characterized by fraud, forgeries and misuse of powers and management responses.
- Review of matters relating to operational risk and operational loss event reports including implementation of Operational Risk Framework.
- Review of observations pointed out by the Audit Division during the annual review of BASEL design and implementation.
- Review of Zero Tolerance cases decided by the Disciplinary Action Committee.
- Review of summary of cases investigated by Fraud Investigation Unit (FIU) under Bank's Policy on Employees' Duty to Report (Whistle Blowing Policy).
- Review of summary of cases received and investigated by Fraud Investigation Unit (FIU) under Bank's Anti-Bribery & Corruption Policy.
- Review of the significant audit findings on the Bank's outsourced/insourced arrangements.
- Review of annual report of containing incidents of robbery and dacoity.
- Review of summary of long-outstanding issues / exceptions and the suggested future course of action.
- Consider any other issue or matter as may be assigned by the Board of Directors or required by regulatory authorities.

TORs of Human Resource & Remuneration Committee of the Board

The key functions in the TORs include the following:

- Review and recommend to the Board for approval of Human Resource Policy & Service Rules of the Bank.
- Recommend to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO.
- Recommend to the Board the selection, evaluation, compensation (including retirement benefits) of COO (if any), CFO, Company Secretary, and Head of Internal Audit.
- Consider and approve recommendations of CEO on above matters for key management positions who report directly to CEO or COO (if any).
- Review the manpower budget of the Bank, taking into consideration the expansion programme proposed by the Management.
- Review training activities and management development programmes for employees of the Bank.
- Review total staff strength with cadre and location-wise break-up of employees.
- Review on quarterly basis name-wise details of employees of Senior Chief Manager level and above who have joined on left service of the Bank during the period, along with reasons for their separation.
- Recommend the Remuneration Policy to the Board for approval, ensuring that the Remuneration Policy is fair and competitive, and encourages performance and motivation.
- Recommend to the Board the "structure" of compensation package of Executive Directors, Chief Executive, Key Executives, and other employees, as may be required by the Board.

TORs of Credit Risk Management Committee of the Board

The key functions in the TORs include the following:

- Review from time to time that the Management has put in place effective policies and information systems to identify and mitigate credit risk.
- Review that the Management follows appropriate procedures to recognize adverse trends in the credit portfolio of the Bank, identifies weaknesses in the loan portfolio, takes corrective/remedial actions and maintains an adequate level of provisions for potential loan losses in the light of the requirements of the Prudential Regulations.
- Review and recommend to the Board any changes in the Bank's policies related to credit.



- Review the quality of the Bank's credit portfolio on a quarterly basis through various comparisons / benchmarking, including but not limited to:
 - Industry Benchmarks / Positioning.
 - Diversification of advances by industry, business segment, etc.
 - Concentration of advances in private and public sectors.
 - Movement / changes in advances by region / industry / business segments.
 - Details of large limits approved / enhanced during the quarter, as per the threshold prescribed by the Committee.
 - Maturity profile of the loan portfolio.
 - Review of Non-Performing Loans (NPLs).
 - Review of Watch-List & NPL accounts, as per the threshold prescribed by the Committee.
 - Review / approval of any policy exceptions.
 - Review restructured / rescheduled accounts and written-off advances, as per the threshold prescribed by the Committee.
 - Review any adverse findings of Credit Risk Review Department (CRRD).
- Consider Write Off/Waiver of NPLs up to Rs. 50 million.
- Recommend cases for Write Off/Waiver, exceeding Rs. 50 million, to the Board of Directors for consideration and approval.

TORs of Risk Management Committee of the Board

The key functions in the TORs include the following:

- Review from time to time that the management has put in place effective policies and information systems to identify and mitigate the following risks.
 - Market Risk, which includes Interest Rate Risk, Foreign Exchange Risk, and Equity Price Risk.
 - Liquidity Risk.
- Review summary of risk reports relating to the following risks:
 - Credit Risk
 - Operational RiskWhich are reviewed in detail by the Credit Risk Management Committee and the Audit Committee of the Board, respectively.
- Review and provide guidance regarding integrated risk management (also known as enterprise risk management), covering various significant risk exposures of the Bank.
- Review the Bank's capital adequacy ratio and establish a process for internal capital adequacy assessment process (ICAAP) using integrated risk management.
- Review and recommend to the Board any changes in the Bank's Treasury and Investment Policy, Market Risk Policy, Liquidity Risk Policy, Risk Management Policy, and ICAAP.
- Review the credit rating report of the Bank, issued by the credit rating agency.
- Review any changes in laws and regulations relating to Market Risk, Liquidity Risk and Capital Adequacy.
- Review changes in prevailing economic and market conditions.
- Review the financial data of other comparable banks.

TORs of IT Committee of the Board

The key functions in the TORs include the following:

- Review and recommend the Bank's IT and digital strategies, relevant policies, frameworks and changes thereof, for the Board's approval.
- Review the role of IT as an enabler to provide competitive advantage and efficient services to customers.
- Review the level of expertise of IT personnel and assess their adequacy in number and skillset as well as continuous professional development.
- Review major IT related risks and ensure that IT Risk Management strategies are designed and implemented to address IT related risks including cyber-attacks and attacks on multiple critical infrastructure sectors in order to achieve resilience.
- Receive periodic updates from IT Steering Committee to monitor all IT related projects, particularly those which are approved by the Board.



- Ensure that IT related procurements are in line with the strategic directions provided by the Board.
- Review and recommend any IT related material outsourcing arrangement including obtaining IT experts' opinion.
- Constitute/reconstitute IT Steering Committee and approve its TORs and any revisions thereof.
- Review the MIS on incidents, logs, breaches and significant incidents on a regular basis.

TORs of IFRS 9 Committee of the Board

The key functions in the TORs include the following:

- Constitution of IFRS 9 Project Steering Committee of management to administer the Project.
- Review and approve Bank AL Habib Limited's transition plan for IFRS 9 implementation.
- Quarterly review of the progress made against the IFRS 9 implementation challenges (resolution plan).
- Ensure smooth implementation of IFRS 9 within the timelines stipulated by State Bank of Pakistan.
- Review of Expected Credit Loss (ECL) and ensure compliance of ECL policy.

Board's Oversight over Shariah Compliance Functions and Shariah Board (SB)

The Shariah Board members meet the Board of Directors on half yearly basis and give detailed briefings on the Shariah compliance environment, the issues/weaknesses (if any), and recommendations to improve Shariah compliance environment and to ensure timely and effective enforcement of the SB's decisions, Fatwas, observations and recommendations.

Further, every year, Shariah Board Report is also presented by the Shariah Board in the meeting of the Board of Directors of the Bank.

TORs of Shariah Board (SB) of the Bank

The key functions in the TORs include the following:

- The SB shall be empowered to consider, decide and supervise all Shariah related matters of Islamic Banking Division. All decisions, rulings, Fatwas of the SB shall be binding on Islamic Banking Division whereas SB shall be responsible and accountable for all its Shariah related decisions.
- The SB shall cause to develop a comprehensive Shariah compliance framework for all areas of operations of the Islamic Banking Division and shall approve all products/services to be offered and/or launched by the Islamic Banking Division.
- The SB shall review and approve all the Islamic Banking Division's procedure manuals, product programs/structures, process flows, related agreements, marketing advertisements, sales illustrations and brochures so that they are in conformity with the rules and principles of Shariah.
- The SB shall have at all reasonable times unhindered access to all books of accounts, records, documents and information from all sources including professional advisors and Bank's employees in the due discharge of its duties.
- Considering the importance of the SB decisions, rulings and Fatwas given by SB, it shall rigorously deliberate on the issue placed before it for consideration before giving any decision/ Fatwa. All such deliberations and rationale for allowing or disallowing a particular product or service shall be duly recorded and documented.
- All reports of internal Shariah audit, external Shariah audit, Shariah compliance reviews and SBP Shariah compliance inspection shall be submitted to the SB for consideration and prescribing appropriate enforcement action. The report of Internal Shariah shall be finalized by the Internal Shariah Audit Unit (ISAU) and the final report shall be submitted to SB for prescribing appropriate enforcement/corrective actions. The SB shall take up the unresolved issues with Management and shall include all significant outstanding issues in its annual report on the Shariah compliance environment of Islamic Banking Division. Moreover, the Head-Shariah Compliance Department and RSBM shall discuss both the significant and unresolved issues with SBP inspection team during their onsite inspection.
- The SB shall also specify the process/procedures for changing, modifying or revisiting Fatwas/rulings/guidelines etc. already issued by SB.
- The SB shall not delegate any of its roles and responsibilities prescribed in Shariah Governance Framework (updated time to time) to any other person or any of its members.



- All the decisions and rulings of the SB of the Bank shall be in conformity with the directives, regulations, instructions and guidelines issued by SBP in accordance with the rulings of Shariah Advisory Committee of SBP.
- The SB shall, in addition to its meetings with the BOD, meet at least on quarterly basis and each member of SB shall attend at least two-thirds of the meetings during a calendar year. Further, in addition to the mandatory quarterly meeting, the Chairperson of SB may convene SB meetings as and when he deems it necessary.
- The quorum of the SB meetings, including that with BOD of the Bank, shall be at least two thirds of Shariah Board members.
- The SB decisions should preferably be made through consensus of the Shariah Board members; however, in case of difference of opinion, the decisions may be made by a majority vote of the Shariah Board members. In the event of equality of votes, the Chairman shall have a second or casting vote.
- All meetings shall be chaired by the Chairman of SB and in his absence one of the Shariah Board members, other than the RSBM, shall be elected as the acting Chairperson to preside over the meeting.
- The agenda of the SB meeting along with sufficient details and documents shall be sent to SB members well in advance enabling them to come prepared to the meeting; the specific timelines for submission of the agenda shall be set by the SB itself.
- The meetings of the SB shall be held by physical presence of the members. However, in appropriate circumstances to be determined by the Chairman of the SB, meeting(s) may be held through video conferencing subject to recording of proper minutes of the meeting.
- The SB shall ensure to cause that minutes of its meetings are properly recorded incorporating necessary details of all deliberations, decisions, rulings and Fatwas issued along with the rationale and difference of opinion or dissenting note, if any. Further, the minutes shall be signed by all the SB members who attended the meeting and a copy thereof be provided to each member of the SB.
- All SB approvals taken through circulation shall be placed for ratification of the SB at its next meeting. A resolution in writing signed by all SB members for the time being and shall be as valid and effective as if it had been ratified at a SB meeting.
- For implementation of the decisions of SB meeting prior to the confirmation of the minutes of the meeting, the approval/ confirmation of the relevant resolution / decision for the specific agenda must be obtained from SB through written consent duly signed by the SB members or through email by the SB members. However, the same shall be ratified in the subsequent meeting of SB.
- The approved / confirmed minutes of meetings of the SB shall be submitted to IBD-SBP within 15 days of its approval/confirmation for information and record. Further, the minutes shall be made available to the BOD, SBP inspection teams, internal auditors and external auditors on request, enabling them to appreciate and understand the rationale and background of the SB rulings, decisions and fatawa.
- The SB shall, based on the findings and reports of internal Shariah audit and external Shariah audit and Shariah compliance review, prepare a report on Islamic Banking Division's Shariah compliance environment and conditions. The minimum requirements for the report shall be as per prescribed Annexure – B of Shariah Governance Framework. The report shall be signed by all the members of the SB. Further, the report shall also be placed before the BOD meeting for discussion and shall be published in English and Urdu translation in the Bank's annual report.



Shariah Board Meetings

During the year, four meetings of the Shariah Board were held and the attendance of each member was as follows:

Name of Member	Meetings Held	Meetings Attended
Mufti Ismatullah Hamdullah, Chairman	4	4
Mufti Mohib ul Haq, Member	4	4
Mufti Muhammad Sarfaraz Nihal, Outgoing Resident Member *	4	2
Mufti Sher Ali, Resident Member **	4	2
Mufti Muhammad Hamza, Member **	4	1
* Mufti Muhammad Sarfaraz Nihal ceased to be the members of the Shariah Board. He attended all Shariah Board meeting while he was a member.		
** Mufti Sher Ali and Mufti Muhammad Hamza attended all meetings after they become Shariah Board member.		

The Bank had engaged KPMG Taseer Hadi & Co. to assist in developing the draft of remuneration policy, keeping in view the culture and values of the Bank, and other related matters.

Additionally, performance evaluation of the Board is to be conducted by an external independent evaluator at least every three years. The Bank has appointed Pakistan Institute of Corporate Governance (PICG) for external independent evaluation of the full Board, Individual Directors, Board Committees, the Chairman, and the Chief Executive.

There is no conflict of interest between the experts hired by the Bank and any Board member or Key Executive.

Disclosure relating to the Remuneration Policy:

Key objectives of Remuneration Policy are to:

- Attract, retain, and develop competent employees.
- Identify senior Risk Takers and Controllers.
- Offer remuneration that is fair and competitive.
- Encourage behaviour and practices, consistent with the Bank's Strategy, Vision, Mission, Values, and Guiding Principles.
- Discourage material risk taking.
- Avoid any conflict of interest between the employee and the Bank.
- Establish a management structure to administer and oversee implementation of this Policy.

Bank AL Habib has low tolerance for risk and is averse to taking material risks, i.e., risks that can have a material adverse impact on its business and financial position. Therefore, the Bank does not have any defined Bonus Policy (in any form like cash, stocks, stock options, or other types of incentive pay) to incentivise achievement of performance targets, which may prompt material risk taking. Accordingly, a fundamental principle of the Bank is that employee remuneration is paid in the form of Fixed Remuneration. This has enabled the Bank to maintain sustainable growth and profitability over the years, with a low risk profile and low staff turnover.

There are management committees/senior employees who are authorized to approve risk exposures involving large amounts and deal with other institutionally important matters. They are designated as Senior Risk Takers, who are responsible not only for taking risks, but also for mitigating, monitoring, and controlling the risks taken by the Bank. The Bank encourages and emphasizes risk control, rather than risk taking, which means that control responsibilities take precedence for employees at all levels. Therefore, in case of Senior Risk Takers also, their control responsibilities are paramount and take precedence over their other responsibilities.



Risk Controllers are employees whose professional activities include review, identification, mitigation, and control of risks to which the Bank may be exposed, or providing assistance or assurance related to such activities. Risk control is the responsibility of all functional units of the Bank, including various functions at Principal Office who provide input to line functions on risk management and control, assist them in designing and implementing adequate controls, and independently monitor that the prescribed controls and limits are being complied with.

It is a key principle of employee appraisal that employees must not get penalized or suffer as a consequence of carrying out control activities for which they are institutionally responsible and duly authorized. Any deviation from this principle will be taken very seriously.

Key criteria for evaluation of performance are as follows:

- Compliance with applicable laws and regulations.
- Commitment to the Bank's Vision, Mission, and Values.
- Compliance with the Bank's risk and control policies, procedures, and limits.
- Behaviour with customers and colleagues.
- Knowledge and quality of work.
- New ideas and suggestions.
- Growth of business and profitability vs. business objectives (as applicable).
- Persistence and productivity.
- Job performance.
- Teamwork and People Development.

Fixed Remuneration is determined on the basis of role and responsibility of the individual, professional expertise and experience, job performance, and potential for growth. In addition, all employees of the Bank are required to carry out their duties with due care and in an ethical manner. They must act in accordance with the Bank's Strategy, Vision, Mission, Values, Guiding Principles, Code of Conduct, Policies and Procedures, within the authorities and limits delegated to them. This means that protection of the Bank's reputation, trustworthiness, and safety is of paramount importance and takes precedence over profit maximization.

Risk management policies, together with the Risk Tolerance Statement, authorities, and limits approved by the Board, provide the necessary guidance on risk taking activities of the Bank. Actions taken and decisions made by the employees are institutionally owned and protected by the Bank, as long as these are within the ambit of the prescribed policies and procedures and there is no evidence of self-dealing.

Governance of remuneration is accomplished through a formal structure which includes: Board of Directors; Human Resource & Remuneration Committee; Chief Executive; Human Resource Division; and Finance, Audit, Compliance, and Risk Management Divisions.



STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

FOR THE YEAR ENDED DECEMBER 31, 2021

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

1. The total number of Directors are ten as per the following:

- Male 09
- Female 01

2. The composition of the Board is as follows:

Independent Directors	Syed Hasan Ali Bukhari Mr. Arshad Nasar Mr. Safar Ali Lakhani
Non - Executive Directors	Mr. Abbas D. Habib Mr. Anwar Haji Karim Syed Mazhar Abbas Mr. Murtaza H. Habib Mr. Adnan Afridi
Executive Director	Mr. Qumail R. Habib
Female Director - Non - Executive	Ms. Farhana Mowjee Khan

The Bank has Ten (10) elected Directors. The Independent Directors' fraction of 0.33 is below half (0.50) and accordingly, the same has not been rounded up as one.

Mr. Mansoor Ali Khan is the Chief Executive of the Bank. Being the CEO of the Bank, he is deemed to be a Director.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Bank.
4. The Bank has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the Bank.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / Shareholders as empowered by the relevant provisions of the Act and these regulations.
7. The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
8. The Board have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.
9. The Bank is compliant with the requirement of Directors' Training Program provided in these Regulations. Directors have either attended the required training in prior years or stand exempted, as per criteria mentioned in the Code.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.



12. The Board has formed six committees comprising of members given below:

A.	Audit Committee	Position
1	Mr. Safar Ali Lakhani	Chairman
2	Syed Mazhar Abbas	Member
3	Mr. Anwar Haji Karim	Member
4	Syed Hasan Ali Bukhari	Member
5	Mr. Arshad Nasar	Member

B.	Human Resource & Remuneration Committee	Position
1	Syed Hasan Ali Bukhari	Chairman
2	Syed Mazhar Abbas	Member
3	Mr. Abbas D. Habib	Member
4	Ms. Farhana Mowjee Khan	Member
5	Mr. Arshad Nasar	Member

C.	Credit Risk Management Committee	Position
1	Syed Mazhar Abbas	Chairman
2	Mr. Safar Ali Lakhani	Member
3	Mr. Qumail R. Habib	Member
4	Syed Hasan Ali Bukhari	Member
5	Mr. Murtaza H. Habib	Member

D.	Risk Management Committee	Position
1	Mr. Adnan Afridi	Chairman
2	Mr. Qumail R. Habib	Member
3	Ms. Farhana Mowjee Khan	Member
4	Mr. Anwar Haji Karim	Member
5	Mr. Safar Ali Lakhani	Member

E.	IT Committee	Position
1	Mr. Abbas D. Habib	Chairman
2	Mr. Qumail R. Habib	Member
3	Mr. Arshad Nasar	Member
4	Syed Mazhar Abbas	Member
5	Mr. Mansoor Ali Khan	Member



F.	IFRS 9 Committee	Position
1	Syed Hasan Ali Bukhari	Chairman
2	Mr. Arshad Nasar	Member
3	Mr. Qumail R. Habib	Member

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

14. The frequency of meetings of Board's Committees were as per following:

Board's Committees	Frequency
Audit Committee	Eight meetings held in the year
Human Resource & Remuneration Committee	Four meetings held in the year
Credit Risk Management Committee	Four meetings held in the year
Risk Management Committee	Four meetings held in the year
IT Committee	Four meetings held in the year
IFRS 9 Committee	Four meetings held in the year

15. The Bank has an effective internal audit division that is manned by suitably qualified and experienced personnel. The audit team is conversant with the policies and procedures of the Bank.

16. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) 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 Director of the Bank.

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

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

MANSOOR ALI KHAN
Chief Executive

ABBAS D. HABIB
Chairman
Board of Directors

Karachi: February 09, 2022



INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Bank AL Habib 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 Bank AL Habib Limited (the Bank) 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.

Karachi: February 28, 2022

EY Ford Rhodes
Chartered Accountants

UDIN: CR202110191Qim2cJzDL



STATEMENT ON INTERNAL CONTROLS

The Management of the Bank 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 Internal Control System has evolved over the years, as it is an ongoing process and is included in the Bank's policies, procedures, financial limits, etc., as detailed in various manuals, circulars and instructions issued by the Bank. This system continues to be reviewed, refined and improved from time to time and immediate corrective action is taken to minimize risks which are inherent in banking business and operations.

The Internal Control System is reviewed by the Internal Auditors as well as External Auditors and their findings and recommendations are reported to the management and to the Audit Committee of the Board, and corrective action is taken to address control deficiencies and for improving procedures and systems as they are identified. The Board, acting through the Audit Committee, provides supervision and overall guidance in improving the effectiveness of the Internal Control System.

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. Accordingly, even an effective Internal Control System can only provide reasonable but not absolute assurance that the system's objectives will be achieved.

Internal Control over Financial Reporting (ICFR) aims to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the applicable financial reporting standards. During the year, Internal Auditors tested the Bank's ICFR and reported their findings to the management and the Audit Committee of the Board. While no material deficiencies were detected, indicating that ICFR is effectively implemented in the Bank, it may be reiterated that any control system can provide reasonable but not absolute assurance that its objectives will be achieved.

In accordance with the State Bank of Pakistan (SBP) directives, the Bank has completed all the stages of ICFR. Upon satisfactory completion of ICFR roadmap, the Bank has been granted exemption by SBP from the requirement of submission of Long Form Report by the External Auditors.

The Bank has endeavored to follow the guidelines issued by SBP on internal controls. Updation and review of ICFR exercise for the year 2021 as per SBP Guidelines on Internal Controls has been successfully completed. In accordance with SBP directives, the annual assessment report for the year 2021 is being prepared. Evaluation and management of significant risks is an on-going process and we will make further efforts to improve our Internal Control System during 2022.

ASHAR HUSAIN
Chief Financial Officer

ARIF SAEED KHAN
Head of Internal Audit

Karachi: February 09, 2022

BOARD OF DIRECTORS' REMARKS ON THE MANAGEMENT'S EVALUATION OF INTERNAL CONTROLS

Keeping in view the feedback received by the Board of Directors from the Audit Committee and the management, the Board of Directors endorse management's evaluation of Internal Controls, including Internal Control over Financial Reporting.

On behalf of the Board of Directors

ABBAS D. HABIB
Chairman
Board of Directors

Karachi: February 09, 2022



INDEPENDENT AUDITORS' REPORT

To the members of Bank AL Habib Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Bank Al Habib Limited, 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 flows statement for the year then ended, along with unaudited certified returns received from the branches except for thirty branches which have been audited by us and notes to the 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, unconsolidated statement of profit and loss and the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and 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 and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Following is the key audit matter:

Key audit matter	How the matter was addressed in our audit
1. Provision against non-performing loans and advances	
<p>The Bank's advances portfolio represents 39.67% of its total assets as of 31 December 2021. A substantial portion of the advances portfolio include corporate finances to public sector entities and large to small size businesses operating in diverse sectors of the economy.</p> <p>As per the Bank's accounting policy (refer note 4.4 to the unconsolidated financial statements), the Bank determines provisions against non-performing advances exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan (SBP) and also maintains general provision in respect of potential credit losses in the portfolio. The Prudential Regulations require specific provisioning for loan losses on the basis of an age-based criteria which should be supplemented by a subjective evaluation of Bank's credit portfolio. The determination of loan loss provision therefore, involve use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realizability of collateral held by the Bank.</p> <p>In view of the significance of this area in terms of its impact on the unconsolidated financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of provision against advances as a significant area of audit judgment and 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:</p> <ul style="list-style-type: none"> - We reviewed the Bank's process for identification and classification of non-performing advances. As part of such review we performed an analysis of the changes within the different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired advances and declassification of accounts from non-performing to regular and vice versa, as the case may be. - 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, financial condition as depicted by the borrowers' financial statements, nature of collateral held by the Bank and status of litigation, if any, with the borrower; - 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 and the regulatory approvals in place for such policy. - 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.



Information Other than the Financial Statements and Auditors' 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 financial statements and our auditors' report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the 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 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 statement of financial position, the statement of profit or loss, the statement of comprehensive income, statement of changes in equity and 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.
2. We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

The engagement partner on the audit resulting in this independent auditors' report is Arslan Khalid.

Karachi: February 28, 2022

EY Ford Rhodes
Chartered Accountants

UDIN: AR202110191SEBrPFL8y



**UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

	Note	2021 (Rupees in '000)	2020
ASSETS			
Cash and balances with treasury banks	5	118,599,741	105,935,947
Balances with other banks	6	6,740,008	19,662,515
Lendings to financial institutions	7	20,063,828	2,175,301
Investments	8	826,599,884	764,943,506
Advances	9	733,799,311	510,251,632
Fixed assets	10	55,692,777	43,967,993
Intangible assets	11	268,246	211,111
Deferred tax assets	12	2,074,828	–
Other assets	13	85,813,497	74,943,322
		1,849,652,120	1,522,091,327
LIABILITIES			
Bills payable	15	29,803,755	31,013,221
Borrowings	16	302,212,902	211,599,405
Deposits and other accounts	17	1,309,823,329	1,099,686,361
Liabilities against assets subject to finance lease		–	–
Subordinated debt	18	15,995,200	14,989,600
Deferred tax liabilities	12	–	176,751
Other liabilities	19	101,801,886	84,769,613
		1,759,637,072	1,442,234,951
NET ASSETS		90,015,048	79,856,376
REPRESENTED BY			
Share capital	20	11,114,254	11,114,254
Reserves		20,656,466	18,431,277
Surplus on revaluation of assets	21	6,446,259	10,286,484
Unappropriated profit		51,798,069	40,024,361
		90,015,048	79,856,376
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 47 and annexures I and II form an integral part of these unconsolidated financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 (Rupees in '000)	2020
Mark-up / return / interest earned	24	116,752,195	125,272,587
Mark-up / return / interest expensed	25	(61,143,480)	(67,652,611)
Net mark-up / interest income		55,608,715	57,619,976
NON MARK - UP / INTEREST INCOME			
Fee and commission income	26	9,304,850	6,636,244
Dividend income		655,075	486,008
Foreign exchange income		2,969,917	2,142,728
Income / (loss) from derivatives		–	–
(Loss) / gain on securities-net	27	(41,146)	185,622
Other income	28	1,138,321	780,255
Total non mark-up / interest income		14,027,017	10,230,857
Total income		69,635,732	67,850,833
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	29	(38,753,850)	(33,997,952)
Workers welfare fund		(620,060)	(671,716)
Other charges	30	(36,294)	(56,672)
Total non mark-up / interest expenses		(39,410,204)	(34,726,340)
Profit before provisions		30,225,528	33,124,493
Reversals / (provisions) and write offs-net	31	47,260	(4,543,429)
Extra ordinary / unusual items		–	–
PROFIT BEFORE TAXATION		30,272,788	28,581,064
Taxation	32	(11,570,489)	(10,769,528)
PROFIT AFTER TAXATION		18,702,299	17,811,536
		(Rupees)	
Basic and diluted earnings per share	33	16.83	16.03

The annexed notes 1 to 47 and annexures I and II form an integral part of these unconsolidated financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

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Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021	2020
	(Rupees in '000)	
Profit after taxation for the year	18,702,299	17,811,536
Other comprehensive income		
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>		
Effect of translation of net investment in foreign branches	533,555	182,841
Movement in (deficit) / surplus on revaluation of investments - net of tax	(3,419,883)	1,222,568
	(2,886,328)	1,405,409
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>		
Remeasurement loss on defined benefit obligations-net of tax	(177,387)	(128,275)
Movement in surplus on revaluation of operating fixed assets-net of tax	(260,923)	3,056,238
Movement in surplus on revaluation of non banking assets-net of tax	(38,979)	98,346
	(477,289)	3,026,309
Total comprehensive income	15,338,682	22,243,254

The annexed notes 1 to 47 and annexures I and II form an integral part of these unconsolidated financial statements.

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Director

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Chairman



UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves		Surplus / (deficit) on revaluation of		Unappropriated Profit	Total
				Special Reserve	General Reserve	Investments	Fixed / Non Banking Assets		
	(Rupees in '000)								
Balance as at 01 January 2020	11,114,254	13,859,667	1,941,115	126,500	540,000	1,538,874	4,474,942	27,907,758	61,503,110
Profit after taxation	-	-	-	-	-	-	-	17,811,536	17,811,536
Other comprehensive income - net of tax	-	-	182,841	-	-	1,222,568	3,154,584	(128,275)	4,431,718
Total comprehensive income for the year	-	-	182,841	-	-	1,222,568	3,154,584	17,683,261	22,243,254
Transfer to statutory reserve	-	1,781,154	-	-	-	-	-	(1,781,154)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(104,484)	104,484	-
Transactions with owners, recorded directly in equity									
Final cash dividend (Rs. 3.5 per share)	-	-	-	-	-	-	-	(3,889,988)	(3,889,988)
Balance as at 31 December 2020	11,114,254	15,640,821	2,123,956	126,500	540,000	2,761,442	7,525,042	40,024,361	79,856,376
Profit after taxation	-	-	-	-	-	-	-	18,702,299	18,702,299
Other comprehensive income - net of tax	-	-	533,555	-	-	(3,419,883)	(299,902)	(177,387)	(3,363,617)
Total comprehensive income for the year	-	-	533,555	-	-	(3,419,883)	(299,902)	18,524,912	15,338,682
Transfer to statutory reserve	-	1,870,230	-	-	-	-	-	(1,870,230)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(120,440)	120,440	-
Exchange gain realised on closure of overseas branch - net of tax	-	-	(178,596)	-	-	-	-	-	(178,596)
Transaction with owners, recorded directly in equity									
Final cash dividend (Rs. 4.5 per share)	-	-	-	-	-	-	-	(5,001,414)	(5,001,414)
Balance as at 31 December 2021	11,114,254	17,511,051	2,478,915	126,500	540,000	(658,441)	7,104,700	51,798,069	90,015,048

The annexed notes 1 to 47 and annexures I and II form an integral part of these unconsolidated financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021	2020
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		30,272,788	28,581,064
Less: Dividend income		(655,075)	(486,008)
		<u>29,617,713</u>	<u>28,095,056</u>
Adjustments:			
Depreciation		2,962,305	2,787,181
Depreciation on right-of-use assets		1,854,453	1,661,393
Amortisation		306,880	287,387
(Reversals) / provisions and write - offs - net	31	(47,260)	4,543,429
Gain on sale of fixed assets - net		(460,918)	(437,189)
Loss / (gain) on sale / redemption of securities - net		41,146	(185,622)
Charge for compensated absences		155,639	247,041
Mark-up expense on lease liability against right-of-use assets		1,124,704	956,906
Exchange gain realised on closure of overseas branch		(292,780)	—
		<u>5,644,169</u>	<u>9,860,526</u>
		<u>35,261,882</u>	<u>37,955,582</u>
(Increase) / decrease in operating assets			
Lendings to financial institutions		(17,888,527)	(317,726)
Held - for - trading securities		656	(85,792)
Advances		(223,754,717)	(24,572,057)
Other assets		(10,885,386)	(13,843,443)
		<u>(252,527,974)</u>	<u>(38,819,018)</u>
(Decrease) / increase in operating liabilities			
Bills payable		(1,209,466)	10,844,548
Borrowings from financial institutions		90,451,133	(16,439,509)
Deposits and other accounts		210,136,968	195,983,579
Other liabilities (excluding current taxation)		13,479,937	13,405,228
		<u>312,858,572</u>	<u>203,793,846</u>
		<u>95,592,480</u>	<u>202,930,410</u>
Income tax paid		(10,511,307)	(12,095,087)
Net cash flow generated from operating activities		<u>85,081,173</u>	<u>190,835,323</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(49,058,361)	(160,952,824)
Net investments in held-to-maturity securities		(11,978,746)	(15,538,169)
Net investments in associates		(5,710,108)	(890,390)
Investment in subsidiary		—	(683,250)
Dividends received		666,539	471,651
Investments in operating fixed assets		(14,072,244)	(5,262,480)
Proceeds from sale of fixed assets		436,082	596,045
Exchange differences on translation of net investment in foreign branches		354,959	182,841
Net cash flow used in investing activities		<u>(79,361,879)</u>	<u>(182,076,576)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts / (payments) of subordinated debt-net		1,005,600	(3,200)
Dividend paid		(4,930,117)	(3,841,582)
Payment against lease liabilities		(2,215,854)	(1,972,143)
Net cash flow used in financing activities		<u>(6,140,371)</u>	<u>(5,816,925)</u>
(Decrease) / increase in cash and cash equivalents		<u>(421,077)</u>	<u>2,941,822</u>
Cash and cash equivalents at beginning of the year	34	<u>125,400,165</u>	<u>122,458,343</u>
Cash and cash equivalents at end of the year	34	<u>124,979,088</u>	<u>125,400,165</u>

The annexed notes 1 to 47 and annexures I and II form an integral part of these unconsolidated financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. STATUS AND NATURE OF BUSINESS

Bank AL Habib Limited (the Bank) is a banking company incorporated in Pakistan on 15 October 1991 as a public limited company under repealed Companies Ordinance, 1984 (now the Companies Act, 2017) having its registered office at 126-C, Old Bahawalpur Road, Multan with principal place of business in Karachi. Its shares are listed on Pakistan Stock Exchange Limited. It is a scheduled bank principally engaged in the business of commercial banking with a network of 927 branches (2020: 818 branches), 29 sub-branches (2020: 32 sub-branches), 04 representative offices (2020: 04 representative offices) and 03 booths (2020: 02 booths). The branch network of the Bank includes 02 overseas branches (2020: 03 overseas branches) and 138 Islamic Banking branches (2020: 106 Islamic Banking branches). During the year, the Bank closed its branch in Seychelles.

2. BASIS OF PRESENTATION

2.1 These unconsolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 02, dated 25 January 2018.

2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing includes purchase of goods by banks from customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchase and resale arising under these arrangements are not reflected in these unconsolidated financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon. However, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the provisions of the Companies Act, 2017.

2.3 Key financial information of the Islamic Banking branches is disclosed in annexure II to these unconsolidated financial statements.

2.4 These are separate financial statements of the Bank in which investments in subsidiaries and associates are stated at cost less provision for impairment, if any and are not consolidated or accounted for by using equity method of accounting.

2.5 The Bank believes that there is no significant doubt on the Bank's ability to continue as a going concern. Therefore, the unconsolidated financial statements continue to be prepared on the going concern basis.

2.6 Statement of compliance

2.6.1 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;
- IFAS issued by ICAP, 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 SBP and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by SBP and SECP differ with the requirements of the IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.



- 2.6.2** SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter No. 10 dated 26 August 2002 till further instructions. Further, SBP vide its BPRD Circular Letter No. 24 of 2021 dated 05 July 2021 directed the banks in Pakistan to implement IFRS 9, 'Financial Instruments' with effect from 01 January 2022. SECP has deferred the applicability of IFRS 7, 'Financial Instruments: Disclosures' through its notification S.R.O 411 (I) / 2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars. In case of overseas branches, IFRS 9 / respective foreign regulatory requirements are considered for recording, classification and valuation of investment.
- 2.6.3** SBP vide its BPRD Circular No. 04 dated 25 February 2015, has clarified that the reporting requirements of IFAS 3, 'Profit and Loss Sharing on Deposits' for Islamic Banking Institutions (IBIs) relating to annual, half yearly and quarterly financial statements would be notified by SBP through issuance of specific instructions and uniform disclosure formats in consultation with IBIs. These reporting requirements have not been ratified to date. Accordingly, the disclosure requirements under IFAS 3 have not been considered in the preparation of these unconsolidated financial statements.
- 2.6.4** IFRS 10, 'Consolidated Financial Statements' was made applicable from period beginning on or after 01 January 2015 vide S.R.O 633 (I) / 2014 dated 10 July 2014 by SECP. However, SECP has directed through S.R.O 56 (I) / 2016 dated 28 January 2016 that the requirement of consolidation under section 228 of the Companies Act, 2017 and IFRS 10, 'Consolidated Financial Statements' is not applicable in case of investment by companies in mutual funds established under trust structure.

2.7 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year

The Bank has adopted the following accounting standards, interpretations and amendments of IFRSs and the improvements to accounting standards which became effective for the current year:

COVID-19-Related Rent Concessions - Amendment to IFRS 16

The IASB has issued amendments to IFRS 16 (the amendments) to provide optional practical relief for lessees in accounting for rent concessions. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all the conditions described in IFRS 16 paragraph 46B are met.

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 mark-up rate (RFR).

The above mentioned accounting standards and amendments of IFRSs did not have any material impact on the unconsolidated financial statements of the Bank.

2.8 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

2.8.1 IFRS 9, 'Financial Instruments'

IFRS 9, 'Financial Instruments' - IFRS 9 will replace the existing guidance in IAS 39, 'Financial Instruments : Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets. It



also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. SBP vide its BPRD Circular Letter No. 24 of 2021 dated July 05, 2021 has extended the implementation date of IFRS 9 to January 01, 2022 from an earlier implementation date of January 01, 2021. However, SBP has directed the banks in Pakistan to submit IFRS 9 parallel run and proforma financial statements on periodic basis based on the instructions issued by SBP for parallel run of IFRS 9 and the Bank has been complying with these requirements.

2.8.2 Further, the following IFRS as notified under the Companies Act, 2017 and the amendments thereto will be effective for future periods and not early adopted:

Standards and amendments	Effective date (accounting periods beginning on or after)
- IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract (Amendments)	January 01, 2022
- IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use (Amendments)	January 01, 2022
- IFRS 3 - Reference to the Conceptual Framework	January 01, 2022
- IAS 1 - Classification of liabilities as current or non-current (Amendments)	January 01, 2022
- IFRS 9 - Financial Instruments - Fees in the '10 percent' test for derecognition of financial liabilities (Amendments)	January 01, 2022
- IAS 8 - Definition of Accounting Estimates	January 01, 2022
- IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies	January 01, 2023
- IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	Not yet announced

The above standards, amendments and improvements are not expected to have any material impact on the unconsolidated financial statements of the Bank for the futures periods.

Further, following new standards have been issued by IASB which are yet to be notified by SECP for the purpose of applicability in Pakistan.

Standard	IASB effective date (accounting periods beginning on or after)
- IFRS 1 – First time adoption of IFRSs	January 01, 2004
- IFRS 17 – Insurance Contracts	January 01, 2023

2.9 Critical accounting estimates, judgments and assumptions

The preparation of financial statements requires management to make estimates, judgments and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in period of revision and future periods if the revision affects both current and future periods. The estimates and judgments that have a significant effect on the unconsolidated financial statements are in respect of the following:



Note

Classification and provisioning against investments	4.3, 4.13 & 31
Classification and provisioning against loans and advances	4.4, 9 & 31
Useful lives of fixed, right of use assets and intangible assets, depreciation, amortisation and revaluation	4.5, 10 & 11
Determination of lease term and borrowing rate	4.5, 10 & 19
Non - banking assets acquired in satisfaction of claims	4.6 & 13
Defined benefit plan related assumptions	4.9 & 36
Provisions against off-balance sheet obligations	4.15, 19 & 31
Current and deferred taxation	4.12, 12 & 32

3. BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention except for certain investments and derivative financial instruments which are carried at fair value, certain land and buildings, and non-banking assets acquired in satisfaction of claims are carried at revalued amount. Employee benefits and lease liability against right-of-use assets are carried at present value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of the previous financial year.

4.1 Cash and cash equivalents

Cash and cash equivalents as referred to in the unconsolidated cash flow statement comprise cash and non restricted balances with treasury and other banks less overdrawn nostros accounts. Restricted balances not available for use if any, are excluded from cash and cash equivalents.

4.2 Lendings to / borrowings from financial institutions

The Bank enters into transactions of lendings and borrowings at contracted rates for a specified period of time. These are recorded as under:

Sale under repurchase obligation

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is amortised as expense over the term of the repo agreement. These are initially recognised at amount of funds received and subsequently reported as payable under the contractual terms.

Purchase under resale obligation

Securities purchased with a corresponding commitment to resale at a specified future date (reverse repos) are not recognised as investments in the statement of financial position. Amounts paid under these arrangements are included in repurchase agreement lendings. The difference between purchase and resale price is accrued as income over the term of the reverse repo agreement. These are initially recognised at amount of funds disbursed and subsequently reported as receivable under the contractual terms.

Bai Muajjal

In Bai Muajjal, the Bank sells sukuk 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.

4.3 Investments

Subsidiaries

Subsidiaries are entities over which the Bank has control. Investment in subsidiaries is stated at cost less provision for impairment, if any.



Associates

Associates are all entities over which the Bank has significant influence but not control. Investment in associates is stated at cost less provision for impairment, if any. Certain mutual funds are managed by the subsidiary company of the Bank and hence, the Bank has significant influence over such funds and therefore, investments in these mutual funds are considered as investment in associates.

Held-for-trading

These are investments acquired principally for the purpose of generating profits from short-term fluctuations in price or dealer's margin or are securities included in a portfolio in which a pattern of short-term trading exists.

Held-to-maturity

These are investments with fixed or determinable payments and fixed maturities which the Bank has the intention and ability to hold till maturity.

In Bai Muajjal, the Bank sells sukuk on credit to Government of Pakistan. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

Available-for-sale

These are investments which do not fall under held for trading and held to maturity categories.

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investments.

Investments (other than held for trading) are initially measured at fair value plus transaction cost associated with the investment. Investments classified as held for trading are initially measured at fair value, and transaction costs are expensed in the profit and loss account.

After initial recognition, quoted securities (other than those classified as held to maturity) are carried at market value. Unquoted securities are valued at cost less impairment in value, if any. Held to maturity securities are carried at amortised cost.

Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available-for-sale', is included in the statement of comprehensive income and is shown in the statement of financial position as part of equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal or in case of impairment of securities. The unrealised surplus / (deficit) arising on revaluation of quoted securities which are classified as held for trading is taken to the profit and loss account.

Premium or discount on debt securities classified as available for sale and held to maturity is amortised using effective interest method and taken to the profit and loss account.

Details of valuation techniques used in determination of fair value is included in note 39 of unconsolidated financial statements.

4.4 Advances

Loans and advances

These are stated net of provisions for non-performing advances.

Receivables against lease finance where Bank is a lessor (other than Ijarah)

Leases where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognised at an amount equal to the present value of the lease payments including any guaranteed residual value.

Islamic Financing and Related Assets

Ijarah finance

Assets leased out under ijarah arrangements are stated at cost less accumulated depreciation and impairment, if any. Such assets are depreciated over the terms of ijarah contracts.



Murabaha

Funds disbursed under murabaha arrangements for purchase of goods are recorded as advance for murabaha. On culmination of murabaha i.e. sale of goods to customers, murabaha receivables are recorded at the sale price net of deferred income. Goods purchased but remaining unsold at the reporting date are recorded as inventories.

Inventory

The Bank values its inventories at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale. Cost of inventories represents actual purchases made by the Bank / customers as an agent of the Bank for subsequent sale. Inventory against each contract is maintained on specific identification method.

Istisna

In Istisna financing, the Bank places an order to purchase some specific goods / commodities from its customers to be delivered to the Bank within an agreed time. The goods are then sold and the amount hence financed is paid back to the Bank.

Diminishing Musharaka

In Diminishing Musharaka financing, the Bank enters into Musharaka based on Shirkat-ul-milk for financing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers and enters into periodic rental payment agreement for the utilisation of the Bank's Musharaka share by the customer. The customer purchases the Bank's share gradually as per his undertaking.

Running Musharaka

In Running Musharaka financing, the Bank enters into financing with the customer based on Shirkat-ul-Aqd or Business Partnership in customers operating business. Under this mechanism the customer can withdraw and return funds to the Bank subject to his Running Musharakah Financing limit during the Musharakah period. At the end of each quarter / half year the customer pays the provisional profit as per the desired profit rate which is subject to final settlement based on the relevant quarterly / half-yearly / annual accounts of the customer.

Musawama

In Musawama financing, the Bank purchases specific goods / commodities on cash basis from its customer for onward sale. Upon realisation of sale proceeds, the finance is adjusted.

Provision for non-performing advances

Provision for non-performing advances is determined in accordance with the requirements of the Prudential Regulations for domestic branches, whereas requirements of respective central banks is followed in respect of overseas branches and 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 the management's risk assessment.

The Bank reviews its loan portfolio to assess amount of non-performing loans and determine provision required there against. While assessing this requirement various factors including the past dues, delinquency in the account, financial position and future business / financial plan of the borrower, value of collateral held and requirements of Prudential Regulations are considered. The Bank is allowed to consider the effect of Forced Sale Value (FSV) of collaterals in determining the amount of provision, however, no benefit of FSV of collateral is taken in determining provisioning amount.

The amount of general provision against domestic consumer and SME advances is determined in accordance with the relevant \ Prudential Regulations and SBP directives.

For overseas operations, the Bank records an allowance for Expected Credit Loss (ECL) for all loans and other debt financial assets not held at Fair Value through Profit and Loss (all referred to as 'financial instruments'). The ECL allowance is based on the credit losses expected to arise over the life of the asset (the Lifetime Expected Credit Losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' Expected Credit Losses (12mECL). The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.



Advances are written-off when there are no realistic prospects of recovery.

4.5 Operating fixed assets and depreciation

Capital work in progress

Capital work in progress is stated at cost less impairment, if any.

Property and equipment - owned

Land is measured at cost at the time of initial recognition and is subsequently carried at revalued amount less impairment, if any. Buildings are initially measured at cost and upon revaluation, are carried at revalued amount less accumulated depreciation and impairment, if any. All other operating fixed assets are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to profit and loss account on straight line basis so as to charge the assets over their expected useful lives at the rates specified in note 10.2. The depreciation charge is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed annually and adjusted, if appropriate. Depreciation is charged on prorata basis, i.e., full month charge in the month of purchase and no charge in the month of disposal.

Land and buildings are revalued by independent professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from the fair value. The valuations involve estimates / assumptions and various market factors and conditions. Any revaluation surplus is credited to the surplus on revaluation of land and buildings, except to the extent that it reversal of a deficit already charged to profit and loss account on the same asset. Any revaluation deficit is recognised in profit and loss account, except for a deficit directly offsetting a previous surplus on the same asset recognised in the asset revaluation surplus.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposal of fixed assets are included in income currently, except that the related surplus on revaluation of land and buildings (net of deferred tax) is transferred directly to unappropriated profit.

Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within note 10 fixed assets and are subject to impairment in line with the Bank's policy as described in note 4.13 impairment of non-financial assets.



Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate. The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental lending rate to measure lease liabilities.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and impairment, if any. Amortisation is based on straight line method by taking into consideration the estimated useful life of assets at the rates specified in note 11. Intangible assets are amortised on prorata basis i.e. full month amortisation in the month of purchase and no amortisation in the month of disposal.

4.6 Non-banking assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims are initially measured at settlement amount and upon revaluation, are carried at revalued amounts less accumulated depreciation and impairment, if any. The useful lives and depreciation method are reviewed annually and adjusted, if appropriate. These assets are revalued as per SBP's requirement by independent professionally qualified valuers to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of assets is credited to the 'surplus on revaluation of non-banking assets acquired in satisfaction of claims' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title of assets is charged to profit and loss account and not capitalised.

4.7 Borrowings / deposits

Borrowings / deposits are recorded at the amount of proceeds received. The cost of borrowings / deposits is recognised on an accrual basis as an expense in the period in which it is incurred.

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 / Current remunerative deposits'.

4.8 Subordinated debt

Subordinated debt is initially recorded at the amount of proceeds received and subsequently reported at outstanding amounts as a financial liability. Mark-up accrued on subordinated debt is recognised separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

4.9 Employees' benefits

Defined benefit plan

The Bank operates an approved gratuity fund for all its confirmed employees, which is administered by the Trustees. The Bank's costs and contributions are determined based on actuarial valuation carried out at each year end using Projected Unit Credit Actuarial Method. All actuarial gains and losses are recognised in 'other comprehensive income' as they occur and are not reclassified to profit and loss in subsequent periods. The liabilities for employees' benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets and future salary increases as disclosed in note 36. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.



Defined contribution plan

The Bank operates an approved provident fund scheme for all its regular permanent employees, administered by the Trustees. Equal monthly contributions are made both by the Bank and its employees to the fund at the rate of 10% of the basic salary in accordance with the terms of the scheme.

Compensated absences

The Bank accounts for all accumulating compensated absences when employees render service that increases their entitlement to future compensated absences. The liability is determined based on actuarial valuation carried out using the Projected Unit Credit Method.

4.10 Foreign currencies

Functional and presentation currency

These financial statements are presented in Pak Rupees which is the Bank's functional and presentation currency.

Transactions and balances in foreign currencies

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains or losses are included in income currently.

Foreign operations

The assets and liabilities of foreign operations are translated to Pak Rupees at exchange rates prevailing at the reporting date. The income and expense of foreign operations are translated at rate of exchange prevailing during the year. Exchange gain or loss on such translation is taken to equity through statement of other comprehensive income under "foreign currency translation reserve".

Commitments

Commitments for outstanding forward foreign exchange contracts are translated at forward rates applicable to their respective maturities. Contingent liabilities / commitments for letter of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the exchange rates ruling on the reporting date.

Translation gains and losses are included in the profit and loss account.

4.11 Revenue recognition

- (a) Mark-up / return / interest on advances and investments is recognised on accrual basis, except in case of advances classified under the Prudential Regulations on which mark-up is recognised on receipt basis. Mark-up / return / interest on rescheduled / restructured loans and advances and investments is recognised as permitted by the regulations of SBP.
- (b) Financing method is used in accounting for income from lease financing. Under this method, the unrealised lease income 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. Gain / loss on termination of lease contracts, front end fee and other lease income are recognised as income on receipt basis.
- (c) The rentals from ijarah are recognised as income over the term of the contract net of depreciation expense relating to the ijarah assets.



- (d) Income from murabaha is accounted for on a time proportionate basis over the period of murabaha transaction.
- (e) Income from istisna and musawama is recognised on time proportionate basis commencing from the time of sale of goods till the realisation of sale proceeds.
- (f) Income from diminishing musharaka is recognised on time proportionate basis over the term of contract.
- (g) Income from running musharaka financing is recognised on time proportionate basis and is subject to adjustment upon declaration of profit by musharaka partners.
- (h) Income from Bai-Muajjal is recognised on time proportionate basis from the date of disbursement to the due date of payment.
- (i) Dividend income is recognised when the right to receive is established.
- (j) Gain or loss on sale of investments are recognised in profit and loss account in the year in which they arise.
- (k) The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

The Bank recognises fees earned on transaction-based arrangements at a point in time when the Bank has provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the related services. Unearned fee and commission are included under Other Liabilities.

4.12 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss account except to the extent that it relates to the items recognised directly in equity or surplus on revaluation of assets, in which case it is recognised in equity or surplus on revaluation of assets.

Current

Provision for current tax is based on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date and any adjustments to the tax payable in respect of previous years. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities.

Deferred

Deferred tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences, except in respect of taxable temporary differences associated with investment in foreign operations, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit or taxable temporary differences will be available to allow all or part of the deferred income tax asset to be utilised.



Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

In making the estimates for current and deferred taxes, the management looks at the income tax law 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 department and such amounts are shown as contingent liability.

4.13 Impairment

Investments

Provision for diminution in the investments classified as available-for-sale and held-to-maturity (except for debt securities) is recognised after considering impairment, if any, in their value and is taken to profit and loss account. Impairment is booked when there is an objective evidence of significant or prolonged decline in the value of such securities. This determination of what is significant or prolonged requires judgment.

Provision for impairment against debt securities (other than government securities) is made in accordance with the requirements of the Prudential Regulations of SBP. In case of unquoted equity securities, the breakup value of the security is considered to determine impairment amount.

Associates and subsidiaries

The carrying values of investments in associates and subsidiaries are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the investments are written down to their recoverable amounts and the resulting impairment loss is taken to profit and loss account.

Non-financial assets

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts and the resulting impairment loss is taken to profit and loss account except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the relevant surplus.

4.14 Contingent assets / liabilities

Contingent assets are not recognised, and are also not disclosed unless an inflow of economic benefits is probable. Contingent liabilities are not recognised and are disclosed unless the probability of an outflow of resources embodying economic benefits are remote.

4.15 Provisions against off - balance sheet obligations

The Bank, in the ordinary course of business, issues letters of credit, guarantees, bid bonds, performance bonds etc. The commission against such contracts is recognised in the profit and loss account under "fees and commission income" over the period of contracts. The Bank's liability under such contracts is measured at the higher of the amount representing unearned commission income at the reporting date and the best estimate of the amount expected to settle any financial obligation arising under such contracts.

4.16 Off setting

Financial assets and financial liabilities are only off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set-off the recognised amount and the Bank intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements. Income and expenses are presented on a net basis only when permitted by the approved accounting standards as applicable in Pakistan.



4.17 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 derecognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Financial liabilities are derecognised when obligation is discharged, cancelled or expired. Any gain or loss on derecognition of the financial asset and liability is recognised in the profit and loss account of the current period.

4.18 Derivative financial instruments

Derivative financial instruments are initially recognised at their fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as asset when fair value is positive and liabilities when fair value is negative. Any change in the value of derivative financial instruments is taken to the profit and loss account.

4.19 Dividend and reserves

Dividend declared and appropriations, except for transfer to statutory reserve, made subsequent to the date of statement of financial position are considered as non adjusting events and are recorded as a liability in the financial statements in the year in which these are approved by shareholders / directors as appropriate.

4.20 Earnings per share

The Bank presents basic and diluted earnings per share (EPS). 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. There were no convertible dilutive potential ordinary shares in issue at 31 December 2021.

4.21 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from those of other segments. The Bank's primary format of reporting is based on business segments.

4.22 Business segments

Retail banking

It consists of retail lending, deposits and banking services to private individuals and small businesses. The retail banking activities include provision of banking and other financial services, such as current and savings accounts, credit cards, consumer banking products etc., to individual customers, small merchants and small and medium enterprises.

Commercial banking

Commercial banking represents provision of banking services including treasury and international trade related activities to large corporate customers, multinational companies, government and semi government departments and institutions and small and medium enterprises treated as corporate under the Prudential Regulations.



4.23 Geographical segments

The Bank operates in four geographic regions, being:

- Pakistan
- Middle East
- Asia Pacific
- Africa

4.24 Statutory / special reserve

Every bank incorporated in Pakistan is required to transfer 20% of its profit to a statutory reserve until the reserve equals share capital, thereafter 10% of the profit of the Bank is to be transferred to this reserve.

Special reserve was created to meet regulatory requirements.

4.25 Provisions against liabilities

These are recognised when the Bank has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provision against contingencies is determined based on the management judgement regarding the probability of future out flows of resources embodying economic benefits to settle an obligation arising from past events. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

4.26 Clients' assets

The Bank provides services that result in the holding of assets on behalf of its clients. Such assets are not reported in the financial statements, as they are not the assets of the Bank.

4.27 Acceptances

Acceptances comprise undertakings by the Bank to pay bill 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.



	Note	2021 (Rupees in '000)	2020 (Rupees in '000)
5. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		25,102,090	23,716,890
Foreign currencies		1,731,629	4,761,414
		26,833,719	28,478,304
In transit:			
Local currency		230,555	600,285
Foreign currencies		422	4,412
		230,977	604,697
With State Bank of Pakistan in:			
Local currency current accounts	5.1	53,360,569	44,211,071
Local currency current accounts - Islamic Banking	5.1	5,651,972	3,339,015
Foreign currency deposit accounts			
Cash reserve account	5.1	3,733,261	3,508,365
Cash reserve / special cash reserve account - Islamic Banking	5.1	408,717	299,769
Special cash reserve account	5.1	7,466,521	7,016,730
Local US Dollar collection account	5.2	786,071	99,696
		71,407,111	58,474,646
With National Bank of Pakistan in:			
Local currency current account		19,846,650	16,110,129
Prize bonds		281,284	2,268,171
		118,599,741	105,935,947

5.1 These deposits and reserves are maintained by the Bank to comply with the statutory requirements. The special cash reserve carries interest rate of Nil (2020: upto 0.76%) per annum.

5.2 This represents US Dollar collection account maintained with SBP.

	Note	2021 (Rupees in '000)	2020 (Rupees in '000)
6. BALANCES WITH OTHER BANKS			
In Pakistan:			
In current accounts		229,228	131,311
In deposit accounts	6.1	557,419	184,012
		786,647	315,323
Outside Pakistan:			
In current accounts	6.2	4,131,543	5,965,561
In deposit accounts	6.3	1,821,822	13,381,635
		5,953,365	19,347,196
		6,740,012	19,662,519
Less: impairment against IFRS 9 in overseas branches		(4)	(4)
		6,740,008	19,662,515



- 6.1 These carry expected profit rates ranging from 2.32% to 7.26% (2020: 2.32% to 11.28%) per annum.
 6.2 These carry interest rates upto 0.75% (2020: upto 0.75%) per annum.
 6.3 These carry interest rates of Nil (2020: upto 1.32%) per annum.

2021 **2020**
(Rupees in '000)

7. LENDING TO FINANCIAL INSTITUTIONS

In local currency:

Repurchase agreement lendings (Reverse Repo)	20,063,828	–
Bai Muajjal receivable from the State Bank of Pakistan	–	2,175,301
	20,063,828	2,175,301

7.1 Securities held as collateral against amounts due from financial institutions

	2021			2020		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	(Rupees in '000)					
Market Treasury Bills	18,343,998	–	18,343,998	–	–	–
Pakistan Investment Bonds	1,719,830	–	1,719,830	–	–	–
	20,063,828	–	20,063,828	–	–	–

- 7.1.1 Repurchase agreement lendings carry mark-up at rates ranging from 10.00% to 10.75% per annum (2020: Nil).
 7.1.2 The market value of securities held as collateral against repurchase agreement lendings amounted to Rs. 20,120.78 million (2020: Nil).

8. INVESTMENTS

	Note	2021				2020			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
8.1 Investments by type:		(Rupees in '000)							
Held-for-trading securities									
Shares		96,835	–	1,641	98,476	95,778	–	771	96,549
Available-for-sale securities	8.3 & 8.4								
Federal Government Securities		594,514,031	(224,825)	(1,277,763)	593,011,443	548,726,362	(226,825)	4,578,492	553,078,029
Shares		4,541,805	(1,781,770)	614,262	3,374,297	4,376,102	(1,791,073)	580,654	3,165,683
Non Government Debt Securities		29,941,356	–	141,257	30,082,613	26,645,389	–	(46,105)	26,599,284
Foreign Securities		6,718,457	(947,343)	(853,977)	4,917,137	6,891,856	(909,432)	(1,215,066)	4,767,358
Units of Mutual Funds		2,176,022	(365,225)	296,808	2,107,605	2,125,000	(444,440)	350,397	2,030,957
		637,891,671	(3,319,163)	(1,079,413)	633,493,095	588,764,709	(3,371,770)	4,248,372	589,641,311
Held-to-maturity securities	8.3 & 8.5								
Federal Government Securities		182,347,089	(100,982)	–	182,246,107	170,825,082	(130,790)	–	170,694,292
Foreign Securities		2,191,873	(77,573)	–	2,114,300	1,708,659	(127,901)	–	1,580,758
Other		4,481	(4,481)	–	–	4,481	(4,481)	–	–
		184,543,443	(183,036)	–	184,360,407	172,538,222	(263,172)	–	172,275,050
Associates	8.6	7,764,656	–	–	7,764,656	2,047,346	–	–	2,047,346
Subsidiaries	8.7	883,250	–	–	883,250	883,250	–	–	883,250
Total Investments		831,179,855	(3,502,199)	(1,077,772)	826,599,884	764,329,305	(3,634,942)	4,249,143	764,943,506



	2021				2020			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
8.2 Investments by segments:	(Rupees in '000)							
Federal Government Securities								
Market Treasury Bills	123,991,225	-	(374,150)	123,617,075	143,416,675	-	490,699	143,907,374
Pakistan Investment Bonds	534,070,230	-	(591,411)	533,478,819	515,252,493	-	4,083,498	519,335,991
Foreign Currency Bonds	18,002,018	(312,404)	165,736	17,855,350	10,724,047	(292,213)	198,212	10,630,046
Ijarah Sukuks	86,966,523	-	(489,423)	86,477,100	26,952,616	-	(209,517)	26,743,099
Sukuks	13,023,972	(13,403)	11,485	13,022,054	22,919,899	(65,402)	15,600	22,870,097
Naya Pakistan Certificates	807,152	-	-	807,152	-	-	-	-
Term Finance Certificates - Unlisted	-	-	-	-	285,714	-	-	285,714
	776,861,120	(325,807)	(1,277,763)	775,257,550	719,551,444	(357,615)	4,578,492	723,772,321
Shares								
Listed Companies	4,484,404	(1,776,070)	615,903	3,324,237	4,317,644	(1,785,373)	581,425	3,113,696
Unlisted Companies	154,236	(5,700)	-	148,536	154,236	(5,700)	-	148,536
	4,638,640	(1,781,770)	615,903	3,472,773	4,471,880	(1,791,073)	581,425	3,262,232
Non Government Debt Securities								
Listed	24,768,436	-	141,257	24,909,693	24,420,449	-	(46,105)	24,374,344
Unlisted	5,172,920	-	-	5,172,920	2,224,940	-	-	2,224,940
	29,941,356	-	141,257	30,082,613	26,645,389	-	(46,105)	26,599,284
Others								
Unlisted Company	4,481	(4,481)	-	-	4,481	(4,481)	-	-
Foreign Securities								
Government Securities	8,910,330	(1,024,916)	(853,977)	7,031,437	8,600,515	(1,037,333)	(1,215,066)	6,348,116
Associates								
Habib Sugar Mills Limited	-	-	-	-	182,690	-	-	182,690
AL Habib Money Market Fund	100,000	-	-	100,000	-	-	-	-
AL Habib Islamic Cash Fund	100,000	-	-	100,000	-	-	-	-
AL Habib Islamic Savings Fund	100,000	-	-	100,000	-	-	-	-
First Habib Income Fund	400,000	-	-	400,000	150,000	-	-	150,000
First Habib Stock Fund	10,000	-	-	10,000	10,000	-	-	10,000
First Habib Cash Fund	7,000,000	-	-	7,000,000	1,650,000	-	-	1,650,000
First Habib Islamic Stock Fund	10,000	-	-	10,000	10,000	-	-	10,000
First Habib Islamic Income Fund	24,656	-	-	24,656	24,656	-	-	24,656
First Habib Asset Allocation Fund	20,000	-	-	20,000	20,000	-	-	20,000
	7,764,656	-	-	7,764,656	2,047,346	-	-	2,047,346
Subsidiaries								
AL Habib Capital Markets (Private) Limited	200,000	-	-	200,000	200,000	-	-	200,000
AL Habib Asset Management Limited	683,250	-	-	683,250	683,250	-	-	683,250
	883,250	-	-	883,250	883,250	-	-	883,250
Units of Mutual Funds	2,176,022	(365,225)	296,808	2,107,605	2,125,000	(444,440)	350,397	2,030,957
Total Investments	831,179,855	(3,502,199)	(1,077,772)	826,599,884	764,329,305	(3,634,942)	4,249,143	764,943,506



	2021	2020
	(Rupees in '000)	
8.2.1 Investments given as collateral		
Market Treasury Bills	34,993,379	98,427,365
Pakistan Investment Bonds	84,993,500	-
	119,986,879	98,427,365
8.3 Provision for diminution in value of investments		
Opening balance	3,634,942	2,211,794
Exchange adjustments against IFRS 9 in overseas branches (Reversals) / charge	144,654	3,978
Charge for the year (Reversals) / charge of impairment as per IFRS 9 in overseas branches	-	295,807
Reversal on disposal	(188,882)	1,120,117
	(88,515)	(1,235)
	(277,397)	1,414,689
Others	-	4,481
Closing balance	3,502,199	3,634,942
8.4 Quality of Available for Sale Securities		
Details regarding quality of available-for-sale securities are as follows:		
	Cost	
	2021	2020
	(Rupees in '000)	
8.4.1 Federal Government Securities - Government guaranteed		
Market Treasury Bills	123,991,225	143,416,675
Pakistan Investment Bonds	367,146,464	360,611,418
Foreign Currency Bonds	12,155,197	6,510,541
Ijarah Sukuks	86,966,523	26,952,616
Sukuks	3,447,470	10,949,398
Naya Pakistan Certificates	807,152	-
Term Finance Certificates-Unlisted	-	285,714
	594,514,031	548,726,362
8.4.2 Shares		
8.4.2.1 Listed companies		
Automobile Assembler	199,842	199,842
Cement	292,921	292,921
Commercial Banks	150,024	150,024
Fertiliser	923,380	923,380
Food and Personal Care Products	23,211	23,211
Insurance	29,975	29,975
Securities Companies	92,509	92,509
Oil and Gas Marketing Companies	788,541	788,541
Paper and Board	38,264	38,264
Pharmaceuticals	21,775	21,775
Power Generation and Distribution	1,590,653	1,607,640
Technology and Communication	13,140	13,140
Textile Composite	40,644	40,644
Sugar and Allied Industries	182,690	-
	4,387,569	4,221,866



8.4.2.2 Unlisted Companies	Break up value	2021		2020	
		Cost	Breakup value	Cost	Breakup value
		(Rupees in '000)			
Khushhali Bank Limited	December 31, 2020	30,000	189,922	30,000	165,372
Pakistan Export Finance Guarantee Agency Limited	—	5,700	—	5,700	—
Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T)	—	18,536	—	18,536	—
Pakistan Mortgage Refinance Company Limited	December 31, 2020	50,000	83,892	50,000	64,183
1LINK (Guarantee) Limited	December 31, 2020	50,000	267,895	50,000	202,032
		154,236	541,709	154,236	431,587

The above breakup values are based on the latest available audited financial statements of the unlisted companies.

8.4.3 Non Government Debt Securities	Cost	
	2021	2020
	(Rupees in '000)	
8.4.3.1 Listed		
AA+	1,086,038	1,267,724
AA	200,000	200,000
AA-	1,029,894	500,000
A+	1,000,000	—
A	300,000	1,300,000
A-	50,000	50,000
Government Guaranteed	21,102,504	21,102,725
	24,768,436	24,420,449
8.4.3.2 Unlisted		
AAA	1,798,000	—
AA+	1,450,000	—
AA	—	1,200,000
AA-	1,550,000	750,000
A+	75,000	75,000
A	200,000	100,000
BBB+	99,920	99,940
	5,172,920	2,224,940
8.4.4 Mutual Funds		
AAA(f)	50,000	50,000
AA(f)	550,000	550,000
AA-(f)	200,000	200,000
A+(f)	—	100,000
Unrated	1,376,022	1,225,000
	2,176,022	2,125,000



8.4.5 Foreign Securities	2021		2020	
	Cost	Rating (Rupees in '000)	Cost	Rating
Government Securities				
Bahrain	–	–	319,668	B+
Egypt	2,309,504	B+	2,097,411	B+
Srilanka	3,570,661	CC	3,723,756	CCC
Turkey	838,292	BB-	751,021	BB-
	<u>6,718,457</u>		<u>6,891,856</u>	

Cost
2021 2020
(Rupees in '000)

8.5 Particulars relating to Held to Maturity securities are as follows:

Federal Government Securities - Government guaranteed

Pakistan Investment Bonds	166,923,766	154,641,075
Foreign Currency Bonds	5,846,821	4,213,506
Sukuks	9,576,502	11,970,501
	<u>182,347,089</u>	<u>170,825,082</u>

Others

Pakistan Corporate Restructuring Company Limited (PCRCL)	<u>4,481</u>	<u>4,481</u>
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Foreign Securities	2021		2020	
	Cost	Rating (Rupees in '000)	Cost	Rating
Government Securities				
Egypt	531,555	B+	482,090	B+
Srilanka	1,660,318	CC	1,226,569	CCC
	<u>2,191,873</u>		<u>1,708,659</u>	

8.5.1 The market value of securities classified as held to maturity at 31 December 2021 amounted to Rs. 181,472 million (2020: Rs. 168,809 million).



8.6 Associates

2021	2020	Name of company / funds	2021	2020
No. of ordinary shares / units			(Rupees in '000)	
-	9,415,312	Habib Sugar Mills Limited	-	182,690
1,000,000	-	AL Habib Money Market Fund % of holding 22.14% (2020: Nil) Average cost per unit: Rs. 100 (2020: Nil) Net asset value Rs. 100 (2020: Rs. Nil)	100,000	-
1,000,000	-	AL Habib Islamic Cash Fund % of holding 22.19% (2020: Nil) Average cost per unit: Rs. 100 (2020: Nil) Net asset value Rs. 100 (2020: Rs. Nil)	100,000	-
1,000,000	-	AL Habib Islamic Saving Fund % of holding 5.54% (2020: Nil) Average cost per unit: Rs. 100 (2020: Rs. Nil) Net asset value Rs. 100 (2020: Rs. Nil)	100,000	-
3,788,497	1,363,808	First Habib Income Fund % of holding: 24.65% (2020: 17.86%) Average cost per unit: Rs. 105.58 (2020: Rs. 109.99) Net asset value: Rs. 105.02 (2020: Rs. 103.48)	400,000	150,000
100,000	100,000	First Habib Stock Fund % of holding: 2.81% (2020: 7.09%) Average cost per unit: Rs. 100 (2020: Rs. 100) Net asset value: Rs. 87.92 (2020: Rs. 86.07)	10,000	10,000
69,271,923	16,288,303	First Habib Cash Fund % of holding: 24.52% (2020: 12.47%) Average cost per unit: Rs. 101.05 (2020: Rs. 101.30) Net asset value: Rs. 102.21 (2020: Rs. 100.98)	7,000,000	1,650,000
100,929	100,929	First Habib Islamic Stock Fund % of holding: 2.61% (2020: 8.23%) Average cost per unit: Rs. 99.08 (2020: Rs. 99.08) Net asset value: Rs. 80.13 (2020: Rs. 84.99)	10,000	10,000
250,421	250,421	First Habib Islamic Income Fund % of holding: 0.39% (2020: 0.22%) Average cost per unit: Rs. 98.46 (2020: Rs. 98.46) Net asset value: Rs. 101.15 (2020: Rs. 100.58)	24,656	24,656
200,149	200,149	First Habib Asset Allocation Fund % of holding: 19.22% (2020: 19.75%) Average cost per unit: Rs. 99.93 (2020: Rs. 99.93) Net asset value: Rs. 103.47 (2020: Rs. 101.98)	20,000	20,000
			7,764,656	2,047,346

8.6.1 The place of incorporation and business of associates is Pakistan.

8.6.2 All of the above funds are managed by AL Habib Asset Management Limited (the subsidiary company). The Chief Executive of the Management Company is Mr. Kashif Rafi.

8.6.3 During the year, the Bank reclassified Habib Sugar Mills Limited from associates to available-for-sale investments due to change in directorship structure.



8.6.4 Associates - Key Information

	First Habib Income Fund	First Habib Stock Fund	First Habib Cash Fund	First Habib Islamic Stock Fund	First Habib Islamic Income Fund	First Habib Asset Allocation Fund
	(Rupees in '000)					
Assets	1,436,424	240,141	16,952,954	294,039	14,184,707	110,998
Liabilities	23,862	5,668	53,605	5,671	54,930	2,049
Total income	80,647	36,617	568,923	29,221	888,016	19,111
Profit before taxation	65,321	30,629	513,010	21,113	768,015	14,788
Profit after taxation	65,321	30,629	513,010	21,113	768,015	14,788

8.7 Subsidiaries

2021	2020	Name of companies	2021	2020
No. of ordinary shares			(Rupees in '000)	
20,000,000	20,000,000	AL Habib Capital Markets (Private) Limited % of holding: 66.67% (2020: 66.67%) Par value per share: Rs. 10 Break up value per share: Rs. 11.56 based on audited financial statements for the year ended 31 December 2020 Chief Executive: Mr. Aftab Q. Munshi	200,000	200,000
75,000,000	75,000,000	AL Habib Asset Management Limited % of holding: 100% (2020: 100%) Par value per share: Rs. 10 Break up value per share: Rs. 10.18 based on audited financial statements for the year ended 31 December 2021 Chief Executive: Mr. Kashif Rafi	683,250	683,250
			883,250	883,250

8.7.1 The place of incorporation and business of subsidiaries is Pakistan.

9. ADVANCES

	Note	Performing		Non-Performing		Total	
		2021	2020	2021	2020	2021	2020
		(Rupees in '000)					
Loans, cash credits, running finances, etc.	9.1	602,544,792	429,521,092	7,123,857	6,970,943	609,668,649	436,492,035
Islamic financing and related assets		84,965,477	58,248,930	410,650	218,174	85,376,127	58,467,104
Bills discounted and purchased		51,632,418	27,742,924	212,428	192,356	51,844,846	27,935,280
Advances - gross		739,142,687	515,512,946	7,746,935	7,381,473	746,889,622	522,894,419
Provision against advances							
- Specific		-	-	6,494,129	6,497,479	6,494,129	6,497,479
- General as per regulations		369,390	267,290	-	-	369,390	267,290
- General		5,750,000	5,750,000	-	-	5,750,000	5,750,000
- As per IFRS 9 in overseas branches		476,792	128,018	-	-	476,792	128,018
		6,596,182	6,145,308	6,494,129	6,497,479	13,090,311	12,642,787
Advances-net of provision		732,546,505	509,367,638	1,252,806	883,994	733,799,311	510,251,632



9.1 Includes net investment in finance lease as disclosed below:

	2021			2020		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
	(Rupees in '000)					
Lease rentals receivable	9,110,176	12,824,748	21,934,924	7,448,062	12,376,700	19,824,762
Residual value	1,598,147	5,211,797	6,809,944	1,707,629	2,978,287	4,685,916
Minimum lease payments	10,708,323	18,036,545	28,744,868	9,155,691	15,354,987	24,510,678
Financial charges for future periods	(1,734,744)	(1,522,420)	(3,257,164)	(1,059,738)	(1,702,182)	(2,761,920)
Present value of minimum lease payments	8,973,579	16,514,125	25,487,704	8,095,953	13,652,805	21,748,758

9.2 Particulars of advances (Gross)

	2021	2020
	(Rupees in '000)	
In local currency	621,968,544	453,533,720
In foreign currencies	124,921,078	69,360,699
	746,889,622	522,894,419

9.3 Advances include Rs. 7,746.935 million (2020: Rs. 7,381.473 million) which have been placed under non-performing status as detailed below:

Category of classification	2021		2020	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other assets especially mentioned	47,122	1,887	62,671	292
Substandard	1,352,895	331,166	165,014	33,385
Doubtful	222,455	105,141	1,118,292	499,908
Loss	4,028,738	3,960,210	3,987,501	3,965,101
	5,651,210	4,398,404	5,333,478	4,498,686
Overseas				
Overdue by:				
181 to 365 days	85,363	85,363	136,600	87,398
> 365 days	2,010,362	2,010,362	1,911,395	1,911,395
	2,095,725	2,095,725	2,047,995	1,998,793
Total	7,746,935	6,494,129	7,381,473	6,497,479



9.4 Particulars of provision against advances

	Note	2021			2020		
		Specific	General	Total	Specific	General	Total
(Rupees in '000)							
Opening balance		6,497,479	6,145,308	12,642,787	6,201,412	3,389,309	9,590,721
Exchange adjustments		223,681	17,349	241,030	68,496	5,158	73,654
Charge for the year							
- Specific provision		807,714	-	807,714	887,878	-	887,878
- General provision as per regulations		-	102,100	102,100	-	4,000	4,000
- As per IFRS 9 in overseas branches		-	331,425	331,425	-	(3,159)	(3,159)
- General provision for loans and advances	9.4.2	-	-	-	-	2,750,000	2,750,000
Reversals		(1,034,201)	-	(1,034,201)	(648,847)	-	(648,847)
		(226,487)	433,525	207,038	239,031	2,750,841	2,989,872
Amounts written off	9.5	(544)	-	(544)	(6,979)	-	(6,979)
Others		-	-	-	(4,481)	-	(4,481)
Closing balance		6,494,129	6,596,182	13,090,311	6,497,479	6,145,308	12,642,787

9.4.1 Particulars of provision against advances

	2021			2020		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
In local currency	4,398,404	6,119,390	10,517,794	4,498,686	6,017,290	10,515,976
In foreign currencies	2,095,725	476,792	2,572,517	1,998,793	128,018	2,126,811
	6,494,129	6,596,182	13,090,311	6,497,479	6,145,308	12,642,787

9.4.2 In line with its prudent policies, the Bank also makes general provision against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations and as of 31 December 2021 amounts to Rs. 5,750 million (2020: Rs. 5,750 million).

9.4.3 For the purposes of determining provision against non-performing advances, the Bank has not taken into account the Forced Sales Value of pledged stock and mortgaged properties held as collateral against non-performing advances.

9.5 PARTICULARS OF WRITE OFFs

	Note	2021	2020
(Rupees in '000)			
9.5.1 Against Provisions	9.4	544	6,979
Directly charged to Profit and Loss account		-	-
		544	6,979
9.5.2 Against Provisions			
Write Offs of below Rs. 500,000	9.6	544	2,619
Write Offs of Rs. 500,000 and above		-	4,360
		544	6,979



9.6 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 rupees five hundred thousand or above allowed to a person(s) during the year ended is given in Annexure I.

	Note	2021 (Rupees in '000)	2020
10. FIXED ASSETS			
Capital work-in-progress	10.1	1,738,112	2,279,324
Property and equipment	10.2	53,954,665	41,688,669
		55,692,777	43,967,993
10.1 Capital work-in-progress			
Civil works		595,516	454,808
Advance payment for purchase of equipments		125,432	51,867
Advance payment towards suppliers, contractors and property		1,015,099	1,740,546
Consultants' fee and other charges		2,065	32,103
		1,738,112	2,279,324

10.2 Property and Equipment

	2021							
	Leasehold land	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Improvements to leasehold building	Right of use assets	Total
	(Rupees in '000)							
At 01 January 2021								
Cost / Revalued amount	12,850,032	12,082,997	1,681,760	10,117,278	3,731,350	3,114,048	12,652,438	56,229,903
Accumulated depreciation	-	(284,535)	(694,593)	(6,686,117)	(1,755,689)	(2,208,605)	(2,911,695)	(14,541,234)
Net book value	<u>12,850,032</u>	<u>11,798,462</u>	<u>987,167</u>	<u>3,431,161</u>	<u>1,975,661</u>	<u>905,443</u>	<u>9,740,743</u>	<u>41,688,669</u>
Year ended 31 December 2021								
Opening net book value	12,850,032	11,798,462	987,167	3,431,161	1,975,661	905,443	9,740,743	41,688,669
Additions	3,565,705	6,188,274	329,501	2,234,677	921,689	1,009,595	-	14,249,441
Additions to ROUs	-	-	-	-	-	-	3,184,111	3,184,111
Movement in surplus on assets revalued during the year	-	-	-	-	-	-	-	-
Disposals	-	(2,226)	(3,365)	(6,720)	(35,494)	(6,652)	(335,406)	(389,863)
Depreciation charge	-	(583,277)	(154,430)	(1,134,945)	(684,373)	(397,980)	(1,854,453)	(4,809,458)
Other adjustments / transfers	-	4,406	-	-	-	(4,406)	31,765	31,765
Closing net book value	<u>16,415,737</u>	<u>17,405,639</u>	<u>1,158,873</u>	<u>4,524,173</u>	<u>2,177,483</u>	<u>1,506,000</u>	<u>10,766,760</u>	<u>53,954,665</u>
At 31 December 2021								
Cost / Revalued amount	16,415,737	18,321,869	1,994,269	12,140,362	4,296,594	4,025,751	14,928,314	72,122,896
Accumulated depreciation	-	(916,230)	(835,396)	(7,616,189)	(2,119,111)	(2,519,751)	(4,161,554)	(18,168,231)
Net book value	<u>16,415,737</u>	<u>17,405,639</u>	<u>1,158,873</u>	<u>4,524,173</u>	<u>2,177,483</u>	<u>1,506,000</u>	<u>10,766,760</u>	<u>53,954,665</u>
Rate of depreciation (percentage)	-	2.08% - 20%	10%	20%	20%	20%	As per lease term	



2020

	Leasehold land	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Improvements to leasehold building	Right of use assets	Total
	(Rupees in '000)							
At 01 January 2020								
Cost / Revalued amount	10,724,438	10,083,880	1,420,179	8,831,843	3,390,210	2,766,206	9,594,046	46,810,802
Accumulated depreciation	-	(779,371)	(576,463)	(5,761,312)	(1,601,324)	(1,732,020)	(1,395,355)	(11,845,845)
Net book value	<u>10,724,438</u>	<u>9,304,509</u>	<u>843,716</u>	<u>3,070,531</u>	<u>1,788,886</u>	<u>1,034,186</u>	<u>8,198,691</u>	<u>34,964,957</u>
Year ended 31 December 2020								
Opening net book value	10,724,438	9,304,509	843,716	3,070,531	1,788,886	1,034,186	8,198,691	34,964,957
Additions	291,338	1,100,546	274,354	1,439,840	947,251	394,308	-	4,447,637
Additions to ROUs	-	-	-	-	-	-	3,224,658	3,224,658
Movement in surplus on assets revalued during the year	1,703,806	1,914,291	-	-	-	-	-	3,618,097
Disposals	-	(14,051)	(2,207)	(3,680)	(137,195)	(1,723)	-	(158,856)
Depreciation charge	-	(434,007)	(128,696)	(1,075,530)	(623,281)	(518,608)	(1,661,393)	(4,441,515)
Other adjustments / transfers	130,450	(72,826)	-	-	-	(2,720)	(21,213)	33,691
Closing net book value	<u>12,850,032</u>	<u>11,798,462</u>	<u>987,167</u>	<u>3,431,161</u>	<u>1,975,661</u>	<u>905,443</u>	<u>9,740,743</u>	<u>41,688,669</u>
At 31 December 2020								
Cost / Revalued amount	12,850,032	12,082,997	1,681,760	10,117,278	3,731,350	3,114,048	12,652,438	56,229,903
Accumulated depreciation	-	(284,535)	(694,593)	(6,686,117)	(1,755,689)	(2,208,605)	(2,911,695)	(14,541,234)
Net book value	<u>12,850,032</u>	<u>11,798,462</u>	<u>987,167</u>	<u>3,431,161</u>	<u>1,975,661</u>	<u>905,443</u>	<u>9,740,743</u>	<u>41,688,669</u>
Rate of depreciation (percentage)	-	<u>2.22% - 12.5%</u>	<u>10%</u>	<u>20%</u>	<u>20%</u>	<u>20%</u>	As per lease term	

10.3 In accordance with the Bank's accounting policy, the Bank's leasehold land and buildings on leasehold land were revalued at 01 June 2020. The revaluation was carried out by an independent valuer, M/s. Iqbal A. Nanjee & Co. on the basis of present physical condition and location of leasehold land and buildings on leasehold land. Fair values were ascertained by the independent valuer under market approach through various enquiries conducted by them at site from real estate agents and brokers. The revaluation resulted in surplus of Rs. 3,618.097 million over the book value of the respective properties and also net deficit of Rs. 122.190 million on certain properties. Had the leasehold land and buildings on leasehold land not been revalued, the total carrying amounts of revalued properties as at 31 December 2021 would have been as follows:

	2021 (Rupees in '000)	2020
Leasehold land	<u>12,474,150</u>	<u>8,908,446</u>
Buildings on leasehold land	<u>13,053,397</u>	<u>7,253,599</u>
10.4 The gross carrying amount of fully depreciated assets still in use is as follows:		
Furniture and fixture	<u>257,991</u>	225,879
Electrical, office and computer equipment	<u>5,058,620</u>	4,099,451
Vehicles	<u>660,814</u>	514,711
Improvements to leasehold buildings	<u>1,606,236</u>	1,330,514
	<u>7,583,661</u>	<u>6,170,555</u>



10.5 Details of disposal of fixed assets during the year:

Particulars	2021		
	Cost	Book value	Insurance claim
Habib Insurance Company Limited - (Related Party - Karachi)		(Rupees in '000)	
Furniture and fixture	2,137	1,227	3,239
Electrical, office and computer equipment	14,024	5,084	11,886
Vehicles	13,664	7,420	13,735

11. INTANGIBLE ASSETS

	2021	2020
	(Rupees in '000)	
Computer software		
At 01 January,		
Cost	1,412,077	1,279,007
Accumulated amortisation and impairment	(1,200,966)	(913,579)
Net book value	211,111	365,428
Year ended 31 December,		
Opening net book value	211,111	365,428
Additions - directly purchased	364,015	133,070
Amortisation charge	(306,880)	(287,387)
Closing net book value	268,246	211,111
At 31 December,		
Cost	1,776,092	1,412,077
Accumulated amortisation and impairment	(1,507,846)	(1,200,966)
Net book value	268,246	211,111
Rate of amortisation (percentage)	50%	50%
Useful life	2 years	2 years

11.1 As at 31 December 2021, the gross carrying amount of fully amortised intangible assets still in use amounted to Rs. 1,507.846 million (2020: Rs. 867.542 million).

12. DEFERRED TAX ASSET / (LIABILITIES)

	2021			
	As at 01 January 2021	Recognised in profit and loss account	Recognised in other comprehensive income	As at 31 December 2021
	(Rupees in '000)			
Deductible Temporary Differences on				
Provision against diminution in the value of investments	1,270,805	93,402	-	1,364,207
Provision against loans and advances, off-balance sheet, etc.	1,725,436	358,170	-	2,083,606
Workers' welfare fund	848,152	338,756	-	1,186,908
	3,844,393	790,328	-	4,634,721
Taxable Temporary Differences on				
Accelerated tax depreciation	(927,430)	(219,219)	-	(1,146,649)
Surplus on revaluation of fixed assets / non-banking assets	(1,606,514)	77,005	(304,067)	(1,833,576)
Remeasurement of defined benefit plan	-	-	-	-
Surplus on revaluation of available-for-sale investments	(1,486,930)	-	1,907,902	420,972
Surplus on revaluation of held-for-trading securities	(270)	(370)	-	(640)
	(4,021,144)	(142,584)	1,603,835	(2,559,893)
	(176,751)	647,744	1,603,835	2,074,828



	2020			
	As at 01 January 2020	Recognised in profit and loss account	Recognised in other comprehensive income	As at 31 December 2020
	(Rupees in '000)			
Deductible Temporary Differences on				
Provision against diminution in the value of investments	772,704	498,101	–	1,270,805
Provision against loans and advances, off-balance sheet, etc.	785,860	939,576	–	1,725,436
Workers' welfare fund	–	848,152	–	848,152
	<u>1,558,564</u>	<u>2,285,829</u>	<u>–</u>	<u>3,844,393</u>
Taxable Temporary Differences on				
Accelerated tax depreciation	(960,038)	32,608	–	(927,430)
Surplus on revaluation of fixed assets / non-banking assets	(984,461)	56,261	(678,314)	(1,606,514)
Remeasurement of defined benefit plan	(165,629)	165,629	–	–
Surplus on revaluation of available-for-sale investments	(828,625)	–	(658,305)	(1,486,930)
Surplus on revaluation of held-for-trading securities	–	(270)	–	(270)
	<u>(2,938,753)</u>	<u>254,228</u>	<u>(1,336,619)</u>	<u>(4,021,144)</u>
	<u>(1,380,189)</u>	<u>2,540,057</u>	<u>(1,336,619)</u>	<u>(176,751)</u>

13. OTHER ASSETS	Note	2020	
		2021	2020
		(Rupees in '000)	
Income / mark-up accrued in local currency - net of provision		19,758,226	16,941,538
Income / mark-up accrued in foreign currencies - net of provision		1,174,158	691,713
Advances, deposits, advance rent and other prepayments		1,161,812	672,169
Non-banking assets acquired in satisfaction of claims	13.1	811,454	814,912
Mark to market gain on forward foreign exchange contracts		2,993,003	931,153
Acceptances		55,030,553	52,522,498
Stationery and stamps on hand		436,018	393,693
Receivable from SBP on encashment of Government Securities		150,135	33,013
ATM settlement account		–	943,062
Others		4,166,147	867,290
		85,681,506	74,811,041
Less: Provision held against other assets	13.2	(7,497)	(6,884)
Other Assets (net of provision)		85,674,009	74,804,157
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	13.1	139,488	139,165
Other Assets-total		85,813,497	74,943,322
13.1 Market value of non-banking assets acquired in satisfaction of claims		1,016,627	957,093

Market value of the non-banking assets acquired in satisfaction of claims has been carried out by independent valuers, M/s. K.G.Traders (Pvt.) Ltd. and M/s. MYK Associates (Pvt.) Ltd. based on present physical condition and location of non-banking assets. Fair values were ascertained by the independent valuers under market approach through various enquiries conducted by them at site from real estate agents and brokers.



	2021 (Rupees in '000)	2020
13.1.1 Non-banking assets acquired in satisfaction of claims		
Opening balance	954,077	909,382
Revaluations	4,165	106,658
Transferred to fixed assets	-	(54,904)
Depreciation	(7,300)	(7,059)
Closing balance	<u>950,942</u>	<u>954,077</u>
13.2 Provision held against other assets		
Receivable against consumer loans	<u>7,497</u>	<u>6,884</u>
13.2.1 Movement in provision held against other assets		
Opening balance	6,884	7,383
Charge for the year	2,740	6,080
Reversals	(2,127)	(5,255)
Amount written off	613	825
	-	(1,324)
Closing balance	<u>7,497</u>	<u>6,884</u>
14. CONTINGENT ASSETS		
There were no contingent assets of the Bank as at 31 December 2021 (2020: Nil).		
	Note	2021 (Rupees in '000)
15. BILLS PAYABLE		
In Pakistan		<u>29,803,755</u>
		<u>31,013,221</u>
16. BORROWINGS		
Secured		
Borrowings from the State Bank of Pakistan		
Under export refinance scheme	16.1	72,330,093
Under renewable energy	16.2	13,588,833
Under long term financing for imported and locally manufactured plant and machinery	16.3	31,605,152
Under modernisation of small and medium enterprises	16.4	566,723
Under women entrepreneurship	16.5	26,893
Under financing facility for storage of agricultural produce	16.6	735,467
Under refinance scheme for payment of wages and salaries	16.7	7,842,569
Under temporary economic refinance facility	16.8	32,012,142
Under refinance facility for combating COVID-19	16.9	100,000
		<u>158,807,872</u>
Repurchase agreement borrowings	16.10	119,942,164
Borrowings from financial institutions	16.11	23,102,205
Total secured		<u>301,852,241</u>
		113,056,078
		98,345,030
		-
Unsecured		
Overdrawn nostro accounts		360,661
		198,297
		<u>302,212,902</u>
		<u>211,599,405</u>
16.1	These carry mark-up rates ranging from 1% to 2% (2020: 1% to 2%) per annum, payable quarterly at the time of partial payment or upon maturity of loan, whichever is earlier.	
16.2	These carry mark-up rates of 2% to 3% (2020: 2% to 3%) per annum having maturity periods over ten years.	



- 16.3** These carry mark-up rates ranging from 2% to 6% (2020: 2% to 6%) per annum having maturity periods upto ten years.
- 16.4** These carry mark-up rates of 2% (2020: 2%) per annum having maturity periods upto ten years.
- 16.5** These carry mark-up rate of Nil (2020: Nil) per annum having maturity periods upto five years.
- 16.6** These carry mark-up rates from 2.0% to 3.5% (2020: 2.5% to 3.5%) per annum having maturity periods upto seven years.
- 16.7** These carry mark-up rates upto 1% (2020: 1%) per annum having maturity periods upto three years.
- 16.8** These carry mark-up rates of 1% (2020: 1%) per annum having maturity periods upto ten years.
- 16.9** These carry mark-up rates of Nil (2020: Nil) per annum having maturity periods upto five years.
- 16.10** These repurchase agreement borrowings are secured against Pakistan Investment Bonds and Market Treasury Bills. These carry effective mark-up rates ranging from 9.89% to 10.70% (2020: 7.05%) per annum, having maturity periods upto two months.
- 16.11** These borrowings from financial institutions carry mark - up rates ranging from 0.95% to 1.64% per annum having maturity periods upto one year.

16.12 Particulars of borrowings with respect to currencies	2021	2020
	(Rupees in '000)	
In local currency	278,750,036	211,401,108
In foreign currencies	23,462,866	198,297
	302,212,902	211,599,405

17. DEPOSITS AND OTHER ACCOUNTS

	2021			2020		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	451,790,944	50,037,483	501,828,427	351,389,228	40,963,348	392,352,576
Savings deposits	331,340,746	47,617,002	378,957,748	283,179,499	43,773,628	326,953,127
Term deposits	204,273,302	38,981,706	243,255,008	177,719,569	40,377,454	218,097,023
Current deposits - remunerative	117,604,631	3,844,969	121,449,600	120,360,146	2,247,064	122,607,210
Others	20,969,061	8,647,765	29,616,826	15,419,195	7,337,309	22,756,504
	1,125,978,684	149,128,925	1,275,107,609	948,067,637	134,698,803	1,082,766,440
Financial institutions						
Current deposits	4,373,863	361,260	4,735,123	3,568,698	203,742	3,772,440
Savings deposits	10,929,524	18	10,929,542	576,096	18	576,114
Term deposits	1,363,787	193,282	1,557,069	1,335,500	135,060	1,470,560
Current deposits - remunerative	17,195,258	284,878	17,480,136	10,381,784	697,737	11,079,521
Others	13,850	-	13,850	21,286	-	21,286
	33,876,282	839,438	34,715,720	15,883,364	1,036,557	16,919,921
	1,159,854,966	149,968,363	1,309,823,329	963,951,001	135,735,360	1,099,686,361



	2021	2020
	(Rupees in '000)	
17.1 Composition of deposits		
- Individuals	805,485,582	694,690,728
- Government (Federal and Provincial)	42,529,298	43,377,359
- Public Sector Entities	53,091,501	52,701,961
- Banking Companies	240,760	341,145
- Non-Banking Financial Institutions	34,474,960	16,578,776
- Private Sector	374,001,228	291,996,392
	<u>1,309,823,329</u>	<u>1,099,686,361</u>
17.2 Deposits includes eligible deposits covered under deposit protection mechanism as required by the Deposit Protection Act, 2016 amounting to Rs. 903,117.371 million (2020: Rs. 787,834.683 million).		
	Note	2021
		2020
		(Rupees in '000)
18. SUBORDINATED DEBT - Unsecured		
Term Finance Certificates (TFCs) - V - (Unquoted)	18.1	-
Term Finance Certificates (TFCs) - VI - (Unquoted)	18.2	7,000,000
Term Finance Certificates (TFCs) - VII - (Unquoted)	18.3	3,995,200
Term Finance Certificates (TFCs) - VIII - (Unquoted)	18.4	5,000,000
		<u>15,995,200</u>
		<u>14,989,600</u>
18.1 During the period, the Bank exercised the call option of Term Finance Certificates - V in accordance with the Trust Deed and Terms and Conditions for the TFC issue, after completing the regulatory requirements. Accordingly, the said TFCs were redeemed in full on 17 March 2021.		
18.2 Term Finance Certificates - VI (Unquoted)		
Issue amount	Rupees 7,000 million	
Issue date	December 2017	
Maturity date	Perpetual	
Rating	AA	
Profit payment frequency	semi-annually	
Redemption	No fixed or final redemption date.	
Mark-up	Payable six monthly at six months KIBOR (ask side) plus 1.50% without any floor or cap. The Issuer will have full discretion over the amount and timing of profit distribution and waiver of any profit distribution or other payment will not constitute an event of default.	
Call option	On or after five years with prior SBP approval. As per SBP's requirement, the Bank shall not exercise call option unless the called instrument is replaced with capital of same or better quality.	
Lock-in-clause	No profit may be paid if such payment will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").	
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a point of non-viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).	



18.3 Term Finance Certificates - VII (Unquoted)

Issue amount	Rupees 4,000 million
Issue date	December 2018
Maturity date	December 2028
Rating	AA+
Profit payment frequency	semi-annually
Redemption	6th - 108th month: 0.02% per each semi-annual period; 114th and 120th month: 49.82% each.
Mark-up	6 - Months KIBOR (ask side) + 1.00% per annum.
Call option	On or after five years with prior SBP approval.
Lock-in-clause	Neither profit nor principal may be paid if such payments will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).

18.4 Term Finance Certificates - VIII (Unquoted)

Issue amount	Rupees 5,000 million
Issue date	September 2021
Maturity date	September 2031
Rating	AA+
Profit payment frequency	semi-annually
Redemption	6th - 108th month: 0.02% per each semi-annual period; 114th and 120th month: 49.82% each.
Mark-up	6 - Months KIBOR (ask side) + 0.75% per annum.
Call option	On or after five years with prior SBP approval.
Lock-in-clause	Neither profit nor principal may be paid if such payments will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).



	Note	2021	2020
(Rupees in '000)			
19. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		2,045,632	1,683,612
Mark-up / return / interest payable in foreign currencies		302,370	196,066
Unearned commission income		1,416,819	304,009
Accrued expenses		2,942,988	2,532,647
Acceptances		55,030,553	52,522,498
Unclaimed / dividend payable		546,228	474,931
Mark to market loss on forward foreign exchange contracts		787,128	490,822
Branch adjustment account		5,764,199	2,639,104
Payable to defined benefit plan		974,313	683,514
Charity payable		12,978	41,298
Provision against off - balance sheet items	19.1	173,319	146,692
Security deposits against leases / ijarah		7,174,202	5,690,619
Provision for compensated absences	19.2	1,127,704	969,754
Other security deposits		765,531	647,203
Workers' welfare fund		3,043,353	2,423,293
Payable to SBP / NBP		1,323,252	455,014
Payable to supplier against murabaha		223,202	166,017
Insurance payable		610,916	470,883
Lease liability against right-of-use assets		12,235,539	10,526,139
Current taxation (payments less provisions)		2,043,762	450,248
ATM settlement account		1,729,169	—
Others		1,528,729	1,255,250
		<u>101,801,886</u>	<u>84,769,613</u>
19.1 Provision against off - balance sheet obligations			
Opening balance		146,692	129,369
Exchange adjustment against IFRS 9 in overseas branches		4,141	1,470
Charge for the year		60,763	19,748
Reversals		(38,277)	(3,895)
		<u>22,486</u>	<u>15,853</u>
Closing balance		<u>173,319</u>	<u>146,692</u>
19.1.1 The provision against off-balance sheet obligations includes provision in respect of letter of guarantees and shipping guarantee.			
19.2 Provision for compensated absences has been determined on the basis of independent actuarial valuation. The significant assumptions used for actuarial valuation were as follows:			
		2021	2020
(% per annum)			
Discount rate		<u>12.25%</u>	<u>10.25%</u>
Expected rate of increase in salary in future years		<u>11.25%</u>	<u>9.25%</u>



20. SHARE CAPITAL

20.1 Authorised Capital

2021	2020		2021	2020
Number of shares			(Rupees in '000)	
<u>1,500,000,000</u>	<u>1,500,000,000</u>	Ordinary shares of Rs. 10 each	<u>15,000,000</u>	<u>15,000,000</u>

20.2 Issued, subscribed and paid up capital

2021	2020		2021	2020
Number of shares			(Rupees in '000)	
<u>30,000,000</u>	30,000,000	Fully paid in cash	<u>300,000</u>	300,000
<u>1,081,425,416</u>	<u>1,081,425,416</u>	Issued as bonus shares	<u>10,814,254</u>	<u>10,814,254</u>
<u>1,111,425,416</u>	<u>1,111,425,416</u>		<u>11,114,254</u>	<u>11,114,254</u>

20.3 As of statement of financial position date 162,731,961 (2020: 162,818,503) ordinary shares of Rs. 10/- each were held by the related parties.

Note
2021
2020
(Rupees in '000)

21. SURPLUS ON REVALUATION OF ASSETS

Surplus / (deficit) on revaluation of:

- Available for sale securities	8.1	(1,079,413)	4,248,372
- Fixed Assets	21.1	8,869,136	9,062,739
- Non-banking assets acquired in satisfaction of claims	21.2	139,488	139,165
		7,929,211	13,450,276

Deferred tax on surplus / (deficit) on revaluation of:

- Available for sale securities		(420,972)	1,486,930
- Fixed Assets	21.1	1,849,120	1,663,701
- Non-banking assets acquired in satisfaction of claims	21.2	54,804	13,161
		1,482,952	3,163,792
		6,446,259	10,286,484

21.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at 01 January	9,062,739	5,495,269
Surplus on revaluation of the Bank's fixed assets during the year	-	3,726,240
Transferred to unappropriated profit in respect of incremental depreciation charged during the year	(193,603)	(158,770)
Surplus on revaluation of fixed assets as at 31 December	8,869,136	9,062,739

Less: related deferred tax liability on:

- revaluation as at 01 January	1,663,701	1,049,269
- adjustment / revaluation recognised during the year	260,923	670,002
- incremental depreciation charged during the year	(75,504)	(55,570)
	1,849,120	1,663,701
	7,020,016	7,399,038



	Note	2021 (Rupees in '000)	2020
21.2 Surplus on revaluation of non - banking assets acquired in satisfaction of claims			
Surplus on revaluation of non-banking assets as at 01 January		139,165	34,482
Surplus on revaluation of non-banking assets during the year		4,165	106,658
Transferred to unappropriated profit in respect of incremental depreciation charged during the year		(3,842)	(1,975)
Surplus on revaluation of non-banking assets as at 31 December		139,488	139,165
Less: related deferred tax liability on:			
- revaluation as at 01 January		13,161	5,540
- adjustment / revaluation recognised during the year		43,144	8,312
- incremental depreciation charged during the year		(1,501)	(691)
		54,804	13,161
		84,684	126,004
22. CONTINGENCIES AND COMMITMENTS			
- Guarantees	22.1	126,082,119	92,814,672
- Commitments	22.2	438,585,630	351,718,547
- Other contingent liabilities	22.3	2,030,711	1,537,827
		566,698,460	446,071,046
22.1 Guarantees:			
Financial guarantees		24,274,161	20,716,906
Performance guarantees		101,807,958	72,097,766
		126,082,119	92,814,672
22.2 Commitments:			
Documentary credits and short term trade-related transactions			
- letters of credit		301,891,236	207,740,057
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	131,220,965	128,823,137
- forward lending	22.2.2	4,717,424	7,124,914
Commitments for acquisition of:			
- operating fixed assets		756,005	8,030,439
		438,585,630	351,718,547
22.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		72,497,648	75,472,905
Sale		58,723,317	53,350,232
		131,220,965	128,823,137
The maturities of above contracts are spread over the periods upto two years.			
22.2.2 Commitments in respect of forward lending		4,717,424	7,124,914
These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.			



	2021	2020
	(Rupees in '000)	
22.3 Claims against the Bank not acknowledged as debts	2,030,711	1,537,827
22.4 Other contingent liabilities		

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2020 (Tax Year 2021). The income tax assessments of the Bank have been finalized upto and including tax year 2018. Matters of disagreement exist between the Bank and tax authorities for various tax years and are pending with the Commissioner Inland Revenue (Appeals) and Income Tax Appellate Tribunal (ITAT). These issues mainly relate to addition of general provision (specific), reversal of provision for non-performing loans, charge for defined benefit plan and provision for compensated absences.

For tax year 2012 and 2013, the Additional Commissioner Inland Revenue (ACIR) passed an amended order u/s. 122(5A) of the Income Tax Ordinance, 2001 resulting in an impact of Rs. 482.233 million. Subsequently, Commissioner Inland Revenue (Appeals) has passed order by allowing Rs. 134.616 million resulting in an aggregate net tax impact of Rs. 347.617 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned orders.

Commissioner Inland Revenue (Appeals) passed an appellate order against Deputy Commissioner Inland Revenue (DCIR) order for Tax Year 2014 (Accounting Year 2013) by allowing certain expenses resulting in an impact of Rs. 25.300 million and remanded back certain expenses to DCIR. The resulted aggregate net tax impact stands at Rs. 125.469 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2015 (Accounting Year 2014) by allowing certain expenses resulting in an impact of Rs. 75.256 million and remanded back certain expenses to ACIR. The resulted aggregate net tax impact stands at Rs. 226.599 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2016 (Accounting Year 2015) by allowing certain expenses resulting in an impact of Rs. 138.418 million and remanded back certain expenses to ACIR. The resulted aggregate net tax impact stands at Rs. 69.261 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2017 (Accounting Year 2016) by allowing certain expenses resulting in an impact of Rs. 94.672 million and remanded back certain expenses to ACIR. The resulted aggregate net tax impact stands at Rs. 103.844 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2018 (Accounting Year 2017) by allowing certain expenses resulting in an impact of Rs. 65.722 million. The resulted aggregate net tax impact stands at Rs. 194.376 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) has remanded back the order of Deputy Commissioner Inland Revenue (DCIR) against Federal Excise Duty levy on certain items for the period January 2013 to December 2015. The resulted aggregate net tax impact stands at Rs. 80.766 million.

Commissioner (HQ), Punjab Revenue Authority has passed order for the period from January to December 2016 levying Punjab Sales Tax on services on certain items resulting in an impact of Rs. 112.641 million. Appellate Tribunal – Punjab Revenue Authority has remanded back the order of Commissioner (HQ), Punjab Revenue Authority.

Commissioner Inland Revenue (Appeals) has passed orders for tax years 2009 and 2011 confirming disallowance of provision for non-performing loans, other provisions and amortization of intangible assets having an aggregate tax impact of Rs. 15.372 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned orders.

Commissioner Inland Revenue (Appeals), Mirpur AJ&K has annulled the amendments made by Assistant Commissioner Inland Revenue, Mirpur AJ&K for Tax Year 2014 to 2018. This resulted in a favorable aggregate net tax impact of Rs. 93.443 million.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Year 2019 by disallowing certain expenses resulting in an impact of Rs. 92.311 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

The management, based on the opinion of its tax advisor, is confident about the favorable outcome of the above matters.



23. DERIVATIVE INSTRUMENTS

The Bank deals in derivative financial instruments namely forward foreign exchange contracts and foreign currency swaps with the principal view of hedging the risks arising from its trade business. As per the Bank's policy, these contracts are reported on their fair value at the statement of financial position date. The gains and losses from revaluation of these contracts are included under "income from dealing in foreign currencies". Unrealised gains and losses on these contracts are recorded in the statement of financial position under "other assets / other liabilities". These products are offered to the Bank's customers to protect from unfavourable movements in foreign currencies. The Bank hedges such exposures in the inter-bank foreign exchange market.

23.1 Product Analysis

Counter Parties	2021					
	CONTRACT		SWAP		TOTAL	
	Notional Principal	Mark to Market gain / (loss)	Notional Principal	Mark to Market gain / (loss)	Notional Principal	Mark to Market gain / (loss)
	(Rupees in '000)					
Banks						
Hedging	7,709,331	(24,745)	62,902,410	(368,653)	70,611,741	(393,398)
Other Entities						
Hedging	60,609,224	2,599,273	-	-	60,609,224	2,599,273
Total						
Hedging	<u>68,318,555</u>	<u>2,574,528</u>	<u>62,902,410</u>	<u>(368,653)</u>	<u>131,220,965</u>	<u>2,205,875</u>
	2020					
Banks						
Hedging	9,107,115	(27,012)	68,172,458	372,325	77,279,573	345,313
Other Entities						
Hedging	51,543,564	95,018	-	-	51,543,564	95,018
Total						
Hedging	<u>60,650,679</u>	<u>68,006</u>	<u>68,172,458</u>	<u>372,325</u>	<u>128,823,137</u>	<u>440,331</u>

23.2 Maturity Analysis

	2021				
	Number of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
	(Rupees in '000)				
Upto 1 month	220	18,737,362	(100,927)	257,804	156,877
1 to 3 months	494	59,723,927	(402,549)	921,515	518,966
3 to 6 months	470	37,622,436	(229,758)	1,215,887	986,129
6 months to 1 year	254	15,044,175	(53,894)	595,124	541,230
1 to 2 years	1	93,065	-	2,673	2,673
	<u>1,439</u>	<u>131,220,965</u>	<u>(787,128)</u>	<u>2,993,003</u>	<u>2,205,875</u>
	2020				
Upto 1 month	297	51,974,821	(112,849)	296,381	183,532
1 to 3 months	412	46,596,575	(218,736)	340,228	121,492
3 to 6 months	352	19,991,703	(128,829)	161,815	32,986
6 months to 1 year	177	10,260,038	(30,408)	132,729	102,321
1 to 2 years	-	-	-	-	-
	<u>1,238</u>	<u>128,823,137</u>	<u>(490,822)</u>	<u>931,153</u>	<u>440,331</u>



	Note	2021 (Rupees in '000)	2020
24. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances		39,771,828	43,412,475
On investments		76,469,461	81,094,310
On deposits with financial institutions		253,845	350,731
On securities purchased under resale agreements		241,458	198,514
On lending to financial institutions		15,233	216,003
On call money lendings		370	554
		116,752,195	125,272,587
25. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		43,251,869	48,041,028
Borrowings from SBP		2,310,305	1,616,923
Subordinated debt		1,178,571	1,753,337
Cost of foreign currency swaps		1,511,934	1,165,922
Repurchase agreement borrowings		11,530,205	13,923,326
Mark-up expense on lease liability against right-of-use assets		1,124,704	956,906
Other borrowings		235,892	195,169
		61,143,480	67,652,611
26. FEE AND COMMISSION INCOME			
Branch banking customer fees		1,309,872	1,054,380
Investment banking fees		72,167	127,450
Consumer finance related fees		80,006	48,499
Card related fees (debit and credit cards)		1,376,752	491,655
Credit related fees		333,942	153,330
Commission on trade		5,132,467	4,046,591
Commission on guarantees		592,864	406,053
Commission on cash management		221,048	176,337
Commission on home remittances		149,562	118,958
Others		36,170	12,991
		9,304,850	6,636,244
27. (LOSS) / GAIN ON SECURITIES			
Realised	27.1	(42,016)	184,851
Unrealised-held for trading		870	771
		(41,146)	185,622
27.1 Realised (loss) / gain on:			
Federal Government Securities		5,199	5,494
Shares		470	10,960
Mutual Funds		(47,685)	168,397
		(42,016)	184,851
28. OTHER INCOME			
Rent on property		11,036	5,990
Gain on sale of fixed assets-net		460,918	437,189
Recovery of expenses from customers	28.1	355,536	322,776
Lockers rent		15,846	13,176
Exchange gain realised on closure of overseas branch		292,780	-
Others		2,205	1,124
		1,138,321	780,255
28.1			
Includes courier, SWIFT, postage and other charges recovered from customers.			



	Note	2021 (Rupees in '000)	2020
29. OPERATING EXPENSES			
Total compensation expenses	29.1	17,073,534	15,442,454
Property expenses			
Rent and taxes		314,726	310,778
Insurance		14,830	19,265
Utilities cost		1,522,002	1,094,841
Security (including guards)		1,289,995	1,029,806
Repair and maintenance (including janitorial charges)		390,784	326,252
Depreciation		2,843,008	2,621,067
		6,375,345	5,402,009
Information technology expenses			
Software maintenance		5,367	4,667
Hardware maintenance		1,308,829	1,194,369
Depreciation		370,878	223,401
Amortisation		306,880	287,387
Network charges		559,819	430,124
		2,551,773	2,139,948
Other operating expenses			
Directors' fees and allowances		40,770	35,037
Fees and allowances to Shariah Board		14,779	12,679
Insurance		519,064	494,678
Legal and professional charges		305,256	171,636
Outsourced services costs	29.2	1,819,571	1,639,293
Travelling and conveyance		282,181	188,097
NIFT and other clearing charges		193,036	136,532
Depreciation		1,602,872	1,604,106
Repair and maintenance		1,570,464	1,453,085
Training and development		47,460	27,116
Postage and courier charges		265,970	231,505
Communication		498,510	344,705
Stationery and printing		844,312	782,915
Marketing, advertisement and publicity		460,293	628,577
Donations	29.3	244,407	157,132
Auditors remuneration	29.4	9,187	8,117
Commission and brokerage		611,636	408,345
Entertainment and staff refreshment		385,803	285,541
Vehicle running expenses		1,599,765	1,097,251
Subscriptions and publications		224,562	209,754
CNIC verification charges		169,702	92,171
Security charges		473,360	311,961
Others		570,238	693,308
		12,753,198	11,013,541
		38,753,850	33,997,952



	2021 (Rupees in '000)	2020
29.1 Total compensation expense		
Fees and allowances etc.	1,136,888	663,964
Managerial remuneration	10,173,036	9,748,008
Charge for defined benefit plan	491,348	424,170
Contribution to defined contribution plan	703,596	600,454
Rent and house maintenance	3,070,940	2,592,508
Utilities	767,899	648,628
Medical	553,727	505,450
Charge for employees compensated absences	155,639	247,041
Social security	6,330	1,477
Staff indemnity	14,131	10,754
	17,073,534	15,442,454

The compensation provided by the Bank to employees is composed of fixed pay structures and do not include any variable element that varies based on performance benchmarks or targets.

29.2 Total cost for the year included in other operating expenses relating to material outsourced activities is Rs. 38.575 million (2020: Rs. 35.885 million) paid to a company incorporated outside Pakistan. Material outsourcing arrangements are as follows:

S.No.	Name of material outsourced activity	Name of service provider	Nature of service
1.	Point of Sale (POS) Acquiring	M/s. Wemsol (Private) Limited	Terminal Management & Merchant On Boarding
2.	Vision Plus-Credit Card System	M/s. Arab Financial Services (AFS)	Credit Card

	2021 (Rupees in '000)	2020
29.3 The detail of donations is given below:		
Al-Sayyeda Benevolent Trust	6,000	3,000
Childlife Foundation	15,000	10,000
Habib Education Trust*	6,000	3,000
Habib Medical Trust	6,000	3,000
Habib Poor Fund**	6,000	3,000
Masoomen Hospital	-	13,000
Patients' Aid Foundation	146,207	50,000
Prime Minister's Corona Philanthropy Drive	-	25,532
Rahmatbai Habib Food and Clothing Trust	6,000	3,000
Rahmatbai Habib Widows and Orphans Trust	6,000	3,000
The Citizens Foundation	6,200	5,600
The Health Foundation	1,000	-
The Indus Hospital	40,000	10,000
The Kidney Centre	-	25,000
	244,407	157,132

* Mr. Qumail R. Habib, Executive Director, is Managing Trustee of Habib Education Trust.

** Mr. Murtaza H. Habib, Director, is Trustee of Habib Poor Fund.

29.4 Auditors' remuneration		
Audit fee	3,135	3,135
Half yearly review	990	990
Other certifications	3,459	2,759
Gratuity fund	109	109
Out of pocket expenses	1,494	1,124
	9,187	8,117
30. OTHER CHARGES		
Penalties imposed by the State Bank of Pakistan	36,294	56,672



	Note	2021 (Rupees in '000)	2020
31. (REVERSALS) / PROVISIONS AND WRITE OFFS-NET			
(Reversal) / provision for diminution in value of investments - net	8.3	(277,397)	1,414,689
Provision against loans and advances - net	9.4	207,038	2,989,872
Provision against other assets	13.2.1	613	825
Provision against off-balance sheet items	19.1	22,486	15,853
Deficit on revaluation of fixed asset - net		-	122,190
		(47,260)	4,543,429
32. TAXATION			
Current		12,218,233	13,300,165
Prior years		-	9,420
Deferred		(647,744)	(2,540,057)
		11,570,489	10,769,528
32.1 Relationship between tax expense and accounting profit			
Profit before taxation		30,272,788	28,581,064
Tax at the applicable rate of 35% (2020: 35%)		10,595,476	10,003,372
Tax effects of:			
Expenses that are not deductible in determining taxable income		(278,139)	(715,091)
Tax effect of super tax		1,253,152	1,351,810
Others		-	129,437
		11,570,489	10,769,528
The effective tax rate for the year is 38% (2020: 38%).			
		2021 (Rupees in '000)	2020
33. BASIC AND DILUTED EARNINGS PER SHARE			
Profit for the year		18,702,299	17,811,536
		(Number)	
Weighted average number of ordinary shares		1,111,425,416	1,111,425,416
		(Rupees)	
Basic and diluted earnings per share		16.83	16.03
		2021 (Rupees in '000)	2020
34. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	5	118,599,741	105,935,947
Balances with other banks	6	6,740,008	19,662,515
Overdrawn nostro accounts	16	(360,661)	(198,297)
		124,979,088	125,400,165



34.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2021		
	Subordinated debt	Lease liability	Dividend payable
	(Rupees in '000)		
Balance as at 01 January 2021	14,989,600	10,526,139	474,931
Changes from financing cash flows			
Receipts / (payments) against subordinated debt-net	1,005,600	–	–
Payment against lease liability	–	(2,215,854)	–
Dividend paid	–	–	(4,930,117)
Total changes from financing cash flows	1,005,600	(2,215,854)	(4,930,117)
Other changes			
Addition to right-of-use-assets-net	–	2,800,550	–
Mark-up expense on lease liability against right-of-use assets	–	1,124,704	–
Final cash dividend (Rs. 4.50 per share)	–	–	5,001,414
	–	3,925,254	5,001,414
Balance as at 31 December 2021	15,995,200	12,235,539	546,228
	2020		
	Subordinated debt	Lease liability	Dividend payable
	(Rupees in '000)		
Balance as at 01 January 2020	14,992,800	8,316,718	426,525
Changes from financing cash flows			
Payments against subordinated debt	(3,200)	–	–
Payment against lease liability	–	(1,972,143)	–
Dividend paid	–	–	(3,841,582)
Total changes from financing cash flows	(3,200)	(1,972,143)	(3,841,582)
Other changes			
Addition to right-of-use-assets	–	3,224,658	–
Mark-up expense on lease liability against right-of-use assets	–	956,906	–
Final cash dividend (Rs. 3.50 per share)	–	–	3,889,988
	–	4,181,564	3,889,988
Balance as at 31 December 2020	14,989,600	10,526,139	474,931



	2021	2020
	(Number)	
35. STAFF STRENGTH		
Permanent	14,767	12,485
Temporary / on contractual basis	281	243
Bank's own staff at end of the year	<u>15,048</u>	<u>12,728</u>
Outsourced	3,087	2,768
Total staff strength	<u>18,135</u>	<u>15,496</u>
35.1 Domestic	18,085	15,443
Offshore	<u>50</u>	<u>53</u>
	<u>18,135</u>	<u>15,496</u>

36. DEFINED BENEFIT PLAN

36.1 General description

The Bank operates an approved gratuity fund for all its confirmed employees, which is administered by the Trustees. The benefits under the gratuity scheme are payable on retirement at the age of 60 years or on earlier cessation of service as under:

Number of years of eligible service completed:	Amount of gratuity payable:
Less than 5 years	Nil
5 years or more but less than 10 years	1/3rd of basic salary for each year served
10 years or more but less than 15 years	2/3rd of basic salary for each year served
15 years or more	Full basic salary for each year served

The Bank's costs and contributions are determined based on actuarial valuation carried out at each year end using Projected Unit Credit Actuarial Method. All actuarial gains / losses are recognised in 'other comprehensive income' as they occur and are not reclassified to profit and loss account in subsequent periods.

36.2 Number of employees under the scheme

The number of employees covered under the defined benefit scheme are 14,718 (2020: 12,459).

36.3 Principal actuarial assumptions

The latest actuarial valuation of the scheme was carried out on 31 December 2021 and the significant assumptions used for actuarial valuation were as follows:

	2021	2020
Discount Rate	11.75%	10.25%
Expected rate of return on plan assets	11.03%	14.83%
Expected rate of salary increase : Year 1	10.75%	9.25%
Year 2	10.75%	9.25%
Mortality rates (for death in service)	SLIC(2001-05)-1	SLIC(2001-05)-1
Rates of employee turnover	Moderate	Moderate



36.4 Reconciliation of payable to defined benefit plan	Note	2021	2020
(Rupees in '000)			
Present value of obligations		5,252,581	4,323,932
Fair value of plan assets		(4,278,268)	(3,640,418)
Payable		974,313	683,514
36.5 Movement in defined benefit obligations			
Obligation at the beginning of the year		4,323,932	3,590,184
Current service cost		424,622	369,454
Interest cost		451,993	450,696
Benefits paid during the year		(141,808)	(72,206)
Remeasurement loss / (gain)		193,842	(14,196)
Obligation at the end of the year		5,252,581	4,323,932
36.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		3,640,418	3,116,957
Interest income on plan assets		385,267	395,980
Contribution by the Bank-net		491,348	424,170
Actual benefits paid during the year		(141,808)	(72,206)
Remeasurement loss on plan assets	36.8.2	(96,957)	(224,483)
Fair value at the end of the year		4,278,268	3,640,418
36.7 Movement in payable under defined benefit scheme			
Opening balance		683,514	473,227
Charge for the year		491,348	424,170
Contribution by the Bank		(491,348)	(424,170)
Remeasurement loss recognised in			
Other Comprehensive Income during the year	36.8.2	290,799	210,287
Closing Balance		974,313	683,514
36.8 Charge for defined benefit plan			
36.8.1 Cost recognised in profit and loss			
Current service cost		424,622	369,454
Net interest on defined benefit liability		66,726	54,716
		491,348	424,170



	2021	2020
	(Rupees in '000)	
36.8.2 Re-measurements recognised in OCI during the year		
Loss / (gain) on obligation		
- Financial assumptions	42,818	(47,418)
- Experience assumptions	151,024	33,222
	193,842	(14,196)
Actuarial loss on plan assets	96,957	224,483
Total Remeasurement loss recognised in OCI	290,799	210,287
36.9 Components of plan assets		
Cash and cash equivalents-net	180,052	30,183
Government securities	4,098,214	3,610,235
Total fair value of plan assets	4,278,266	3,640,418
36.10 Sensitivity analysis		
		2021
		(Rupees in '000)
1% increase in discount rate		4,767,772
1% decrease in discount rate		5,819,239
1% increase in expected rate of salary increase		5,845,452
1% decrease in expected rate of salary increase		4,738,066
		2022
		(Rupees in '000)
36.11 Expected contributions to be paid to the funds in the next financial year		628,504
36.12 Expected charge for the next financial year		628,504
36.13 Maturity profile		
The weighted average duration of the obligation is 9.95 years.		
Distribution of timing of benefit payments		
within the next 12 months (next annual reporting period)		256,599
between 1 and 5 years		1,984,973
between 6 and 10 years		4,749,447
		6,991,019



36.14 Funding Policy

The Bank will fund the yearly contribution to the defined benefit plan each year, as per the amount calculated by the valuer.

36.15 Significant Risk

Asset Volatility

The Defined Benefit Gratuity Fund is almost entirely invested in Government Bonds with mostly fixed income bonds. Almost 32.29% of the total Investments (Rs. 1,323 billion) is invested in PIB's. This gives rise to significant reinvestment risk.

The remaining fund is invested in Treasury Bills. The T-Bills exposure is almost 67.71% (Rs. 2,775 billion).

The asset class is volatile with reference to the yield on this class. This risk should be viewed together with change in the bond yield risk.

Changes in Bond Yields

There are two dimensions to the changes in bond yields: first, as described above; second, the valuation of the gratuity liability is discounted with reference to these bond yields. So any increase in bond yields will lower the gratuity liability and vice versa, but, it will also lower the asset values.

Inflation Risk

The salary inflation is the major risk that the gratuity fund liability carries. In a general economic sense and in a longer view, there is a case that if bond yields increase, the change in salary inflation generally offsets the gains from the decrease in discounted gratuity liability. But viewed with the fact that asset values will also decrease, the salary inflation does, as an overall affect, increases the net liability of the Bank.

Life Expectancy / Withdrawal Rate

The gratuity is paid off at the maximum of age 60. The life expectancy is in almost minimal range and is quite predictable in the ages when the employee is in the accredited employment of the Bank for the purpose of the gratuity. Thus, the risk of life expectancy is almost negligible. However, had a post retirement benefit been given by the Bank like monthly pension, post retirement medical etc., this would have been a significant risk which would have been quite difficult to value even by using advance mortality improvement models.

The withdrawal risk is dependent upon the: benefit structure; age and retention profile of the staff; the valuation methodology; and long-term valuation assumptions.

Other Risks

Though, not imminent and observable, over long term there are some risks that may crystallise. This includes:



Model Risk

The defined benefit gratuity liability is usually actuarially valued each year. Further, the assets in the gratuity fund are also marked to market. This two-tier valuation gives rise to the model risk.

Retention Risk

The risk that employee will not be motivated to continue the service or start working with the Bank if no market comparable retirement benefit is provided.

Final Salary Risk

The risk, for defined benefit gratuity, that any disproportionate salary merit increases in later service years will give rise to multiplicative increase in the gratuity liability as such increase is applicable to all the past years of service.

Operational Risk related to a Separate Entity

Retirement benefits are funded through a separate trust fund which is a different legal entity than the Bank.

Generally, the protocols, processes and conventions used throughout the Bank are not applicable or are not actively applied to the retirement benefit funds. This gives rise to some specific operational risks.

Compliance Risk

The risk that retirement benefits offered by the Bank does not comply with minimum statutory requirements.

Legal / Political Risk

The risk that the legal / political environment changes and the Bank is required to offer additional or different retirement benefits than what the Bank projected.

37. DEFINED CONTRIBUTION PLAN

The general description of the plan is included in note 4.9.

	2021 (Rupees in '000)
Contributions made during the year :	
Employer's contribution	<u>703,596</u>
Employees' contribution	<u>703,596</u>

The number of employees covered under the defined contribution plan are 12,280 (2020: 11,110).



38. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

38.1 Total Compensation Expense

	2021						
	Directors			Members	Chief	Key	Other Risk
	Chairman	Executives (other than CE)	Non- Executives	Shariah Board	Executive	Management Personnel	Takers / Controllers
	(Rupees in '000)						
Fees and allowances etc.	11,520	–	29,250	–	–	–	–
Managerial remuneration	–	32,670	–	9,628	71,333	360,325	1,548,808
Charge for defined benefit plan	–	–	–	88	22,793	61,981	232,694
Contribution to defined contribution plan	–	–	–	109	5,733	21,866	118,783
Rent and house maintenance	–	10,406	–	3,766	22,933	115,752	498,649
Utilities	–	2,602	–	942	5,734	28,938	124,662
Medical	–	–	–	118	–	1,136	37,065
Others	–	–	–	128	–	4,936	42,039
Total	11,520	45,678	29,250	14,779	128,526	594,934	2,602,700
Number of persons	1	1	8	5	1	37	1,057
	2020						
Fees and allowances etc.	6,720	–	24,400	–	–	–	–
Managerial remuneration	–	33,550	–	8,316	66,333	396,585	1,401,108
Charge for defined benefit plan	–	–	–	255	29,839	98,138	270,256
Contribution to defined contribution plan	–	–	–	212	4,600	22,850	94,759
Rent and house maintenance	–	9,460	–	3,030	18,400	112,795	402,379
Utilities	–	2,374	–	758	5,480	28,199	100,595
Medical	–	22	–	108	–	1,299	30,896
Others	3,917	–	–	–	–	5,074	25,653
Total	10,637	45,406	24,400	12,679	124,652	664,940	2,325,646
Number of persons	1	1	8	3	1	40	879



Chief Executive, Executive Director, Members Shariah Board, Key Management Personal and Other Risk Takers / Controllers are entitled to Bank's maintained cars with fuel in accordance with the terms of their employment and are entitled to medical and life insurance benefits in accordance with the policy of the Bank. In addition, the Chief Executive and Executive Director are also provided with drivers, security arrangements and payment of travel bills in accordance with their terms of employment.

Chairman of the Board is also entitled to Bank's maintained cars with fuel, security guard services, payment of utility bills, club and entertainment bills, travelling bills, appropriate office, staff, and administrative support.

38.2 Remuneration paid to Directors for participation in Board and Committee Meetings

		2021							
		Meeting Fees and Allowances Paid							
		For Board Committees							
S.No.	Name of Director	For Board Meetings	Audit Committee	Human Resource & Remuneration Committee	Risk Management Committee	Credit Risk Management Committee	IFRS 9 Committee	IT Committee	Total Amount Paid
(Rupees in '000)									
1.	Mr. Abbas D. Habib	3,840	—	3,840	—	—	—	3,840	11,520
2.	Mr. Anwar Haji Karim	1,000	1,750	—	750	—	—	—	3,500
3.	Ms. Farhana Mowjee Khan	1,000	—	1,000	1,000	—	—	—	3,000
4.	Syed Mazhar Abbas	1,000	2,000	1,000	—	1,000	—	1,000	6,000
5.	Mr. Safar Ali Lakhani	750	1,500	—	750	750	—	—	3,750
6.	Syed Hasan Ali Bukhari	750	1,500	750	—	750	750	—	4,500
7.	Mr. Murtaza H. Habib	1,000	—	—	—	1,000	—	—	2,000
8.	Mr. Arshad Nasar	750	1,500	750	—	—	750	750	4,500
9.	Mr. Adnan Afridi	1,000	—	—	1,000	—	—	—	2,000
		11,090	8,250	7,340	3,500	3,500	1,500	5,590	40,770



2020

Meeting Fees and Allowances Paid

For Board Committees

S.No.	Name of Director	For Board Meetings	Audit Committee	Human Resource & Remuneration Committee	Risk Management Committee	Credit Risk Management Committee	IFRS 9 Committee	IT Committee	Total Amount Paid
(Rupees in '000)									
1.	Mr. Abbas D. Habib	2,880	–	1,920	–	–	–	1,920	6,720
2.	Mr. Anwar Haji Karim	900	1,550	–	400	–	–	–	2,850
3.	Ms. Farhana Mowjee Khan	900	–	650	650	–	–	–	2,200
4.	Syed Mazhar Abbas	900	1,400	650	–	650	–	650	4,250
5.	Mr. Safar Ali Lakhani	900	1,550	–	650	400	–	–	3,500
6.	Syed Hasan Ali Bukhari	900	1,550	650	–	650	500	–	4,250
7.	Mr. Murtaza H. Habib	900	–	–	–	650	–	–	1,550
8.	Mr. Arshad Nasar	900	1,550	650	–	–	500	650	4,250
9.	Mr. Adnan Afridi	900	–	–	650	–	–	–	1,550
		10,080	7,600	4,520	2,350	2,350	1,000	3,220	31,120

38.3 Remuneration paid to Shariah Board Members

Items	2021			2020		
	Chairman	Resident Members	Non-Resident Members	Chairman	Resident Member	Non-Resident Member
(Rupees in '000)						
Managerial remuneration	4,600	1,882	3,146	3,400	2,516	2,400
Charge for defined benefit plan	–	88	–	–	255	–
Contribution to defined contribution plan	–	109	–	–	212	–
Rent and house maintenance	1,840	667	1,259	1,360	710	960
Utilities	460	167	315	340	178	240
Medical	36	35	47	36	36	36
Others	–	128	–	–	–	–
Total	6,936	3,076	4,767	5,136	3,907	3,636
Number of persons	1	2	2	1	1	1



39. FAIR VALUE MEASUREMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value of financial instruments is based on:

Federal Government securities	PKRV rates (Reuters page)
Foreign securities	Market prices / Mashreqbank PSC
Listed securities	Prices quoted at Pakistan Stock Exchange Limited
Mutual funds	Net asset values declared by respective funds
Unlisted equity investments	Break-up value as per latest available audited financial statements

Fair value of fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non - availability of relevant active market for similar assets and liabilities. The provision for impairment of debt securities and loans and advances has been calculated in accordance with the Bank's accounting policies as stated in notes 4.13 and 4.4.

39.1 Fair value of financial assets

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.

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).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

There were no transfers between levels 1 and 2 during the year.

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:

	2021			Total
	Level 1	Level 2	Level 3	
On balance sheet financial instruments				
Financial assets-measured at fair value				
Investments				
Federal Government Securities	–	593,011,443	–	593,011,443
Shares	3,324,237	–	–	3,324,237
Non-Government Debt Securities	24,909,693	5,172,920	–	30,082,613
Foreign Securities	–	4,917,137	–	4,917,137
Mutual Funds	–	2,107,605	–	2,107,605
Financial assets-disclosed but not measured at fair value				
Investments				
Federal Government Securities	–	179,649,767	–	179,649,767
Non-Government Debt Securities	–	1,822,342	–	1,822,342
Associates				
Listed Shares	–	–	–	–
Mutual Funds	–	7,841,384	–	7,841,384
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	–	75,147,663	–	75,147,663
Forward sale of foreign exchange contracts	–	58,279,177	–	58,279,177



2020

	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
Financial assets-measured at fair value				
Investments				
Federal Government Securities	–	553,078,029	–	553,078,029
Shares	3,113,696	–	–	3,113,696
Non-Government Debt Securities	24,374,344	2,224,940	–	26,599,284
Foreign Securities	–	4,767,358	–	4,767,358
Mutual Funds	–	2,030,957	–	2,030,957
Financial assets-disclosed but not measured at fair value				
Investments				
Federal Government Securities	–	167,023,775	–	167,023,775
Non-Government Debt Securities	–	1,785,063	–	1,785,063
Associates				
Listed Shares	319,273	–	–	319,273
Mutual Funds	–	1,848,641	–	1,848,641
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	–	75,583,711	–	75,583,711
Forward sale of foreign exchange contracts	–	53,679,757	–	53,679,757

39.2 Certain fixed assets and non banking assets acquired in satisfaction of claims have been carried at revalued amounts determined by professional valuer (level 3 measurement) based on their assessment of the market value.

39.3 Foreign exchange contracts are valued using exchange rates declared by the State Bank of Pakistan.

40. TRUST ACTIVITIES

The Bank is not engaged in any trust activities other than holding investments of individuals and entities in its IPS account maintained with the State Bank of Pakistan.



41. SEGMENT INFORMATION

41.1 Segment Details with respect to Business Activities

The segment analysis with respect to business activity is as follows:

	2021		
	Commercial banking	Retail banking (Rupees in '000)	Total
Profit and loss account			
Mark-up / return / profit	105,243,360	11,508,835	116,752,195
Inter segment revenue - net	-	27,848,015	27,848,015
Non mark-up / return / interest income	4,415,340	9,611,677	14,027,017
Total income	109,658,700	48,968,527	158,627,227
Segment direct expenses	(66,865,761)	(33,687,923)	(100,553,684)
Inter segment expense allocation	(27,848,015)	-	(27,848,015)
Total expenses	(94,713,776)	(33,687,923)	(128,401,699)
Reversals / (provisions)	157,945	(110,685)	47,260
Profit before tax	15,102,869	15,169,919	30,272,788
Statement of financial position			
Cash and bank balances	105,483,009	19,856,740	125,339,749
Investments	826,599,884	-	826,599,884
Net inter segment lending	-	743,304,470	743,304,470
Lendings to financial institutions	20,063,828	-	20,063,828
Advances - performing	616,311,521	116,234,984	732,546,505
- non-performing	1,236,861	15,945	1,252,806
Others	121,126,947	22,722,401	143,849,348
Total assets	1,690,822,050	902,134,540	2,592,956,590
Borrowings	302,212,902	-	302,212,902
Subordinated debt	15,995,200	-	15,995,200
Deposits and other accounts	504,337,747	805,485,582	1,309,823,329
Net inter segment borrowing	743,304,470	-	743,304,470
Others	50,673,775	80,931,866	131,605,641
Total liabilities	1,616,524,094	886,417,448	2,502,941,542
Equity	74,297,952	15,717,092	90,015,048
Total equity and liabilities	1,690,822,050	902,134,540	2,592,956,590
Contingencies and commitments	419,856,696	8,116,659	427,973,355



	2020		
	Commercial banking	Retail banking (Rupees in '000)	Total
Profit and loss account			
Mark-up / return / profit	107,083,569	18,189,018	125,272,587
Inter segment revenue-net	—	29,560,092	29,560,092
Non mark-up / return / interest income	2,925,253	7,305,604	10,230,857
Total income	110,008,822	55,054,714	165,063,536
Segment direct expenses	(68,239,144)	(34,139,807)	(102,378,951)
Inter segment expense allocation	(29,560,092)	—	(29,560,092)
Total expenses	(97,799,236)	(34,139,807)	(131,939,043)
Provisions	(4,511,744)	(31,685)	(4,543,429)
Profit before tax	7,697,842	20,883,222	28,581,064
Statement of financial position			
Cash and bank balances	108,376,778	17,221,684	125,598,462
Investments	764,943,506	—	764,943,506
Net inter segment lending	—	663,583,850	663,583,850
Lendings to financial institutions	2,175,301	—	2,175,301
Advances-performing	439,429,041	69,938,597	509,367,638
-non-performing	858,418	25,576	883,994
Others	102,788,717	16,333,709	119,122,426
Total assets	1,418,571,761	767,103,416	2,185,675,177
Borrowings	211,599,405	—	211,599,405
Subordinated debt	14,989,600	—	14,989,600
Deposits and other accounts	412,837,148	686,849,213	1,099,686,361
Net inter segment borrowing	663,583,850	—	663,583,850
Others	43,715,576	72,244,009	115,959,585
Total liabilities	1,346,725,579	759,093,222	2,105,818,801
Equity	71,846,182	8,010,194	79,856,376
Total equity and liabilities	1,418,571,761	767,103,416	2,185,675,177
Contingencies and commitments	300,377,484	177,245	300,554,729



41.2 Segment details with respect to geographical locations

GEOGRAPHICAL SEGMENT ANALYSIS

	2021				Total
	Pakistan	Middle East	Asia Pacific	Africa	
	(Rupees in '000)				
Profit and loss account					
Mark-up / return / profit	112,812,466	1,691,982	2,134,728	113,019	116,752,195
Non mark-up / return / interest income	13,090,804	449,371	403,358	83,484	14,027,017
Total income	<u>125,903,270</u>	<u>2,141,353</u>	<u>2,538,086</u>	<u>196,503</u>	<u>130,779,212</u>
Segment direct expenses	(98,644,466)	(885,976)	(931,798)	(91,444)	(100,553,684)
Reversals / (provisions)	178,839	(117,829)	(73,793)	60,043	47,260
Profit before tax	<u>27,437,643</u>	<u>1,137,548</u>	<u>1,532,495</u>	<u>165,102</u>	<u>30,272,788</u>
Statement of financial position					
Cash and bank balances	124,685,948	621,887	31,914	—	125,339,749
Investments	800,931,505	14,218,541	11,449,838	—	826,599,884
Net inter segment lendings	6,884,028	18,366,725	1,235,596	—	26,486,349
Lending to financial institutions	20,063,828	—	—	—	20,063,828
Advances-performing	673,978,253	28,652,979	29,915,273	—	732,546,505
-non-performing	1,252,806	—	—	—	1,252,806
Others	123,891,057	3,243,433	16,714,858	—	143,849,348
Total assets	<u>1,751,687,425</u>	<u>65,103,565</u>	<u>59,347,479</u>	<u>—</u>	<u>1,876,138,469</u>
Borrowings	288,818,938	13,393,964	—	—	302,212,902
Subordinated debt	15,995,200	—	—	—	15,995,200
Deposits and other accounts	1,251,166,020	36,504,392	22,152,917	—	1,309,823,329
Net inter segment borrowings	1,588,748	6,707,512	18,190,089	—	26,486,349
Others	112,198,326	3,255,029	16,152,286	—	131,605,641
Total liabilities	<u>1,669,767,232</u>	<u>59,860,897</u>	<u>56,495,292</u>	<u>—</u>	<u>1,786,123,421</u>
Equity	81,920,193	5,242,668	2,852,187	—	90,015,048
Total equity and liabilities	<u>1,751,687,425</u>	<u>65,103,565</u>	<u>59,347,479</u>	<u>—</u>	<u>1,876,138,469</u>
Contingencies and commitments	<u>418,518,577</u>	<u>8,375,380</u>	<u>1,079,398</u>	<u>—</u>	<u>427,973,355</u>



	2020				Total
	Pakistan	Middle East	Asia Pacific	Africa	
	(Rupees in '000)				
Profit and loss account					
Mark-up / return / profit	122,501,000	1,268,780	1,372,606	130,201	125,272,587
Non mark-up / return / interest income	9,661,787	388,209	181,411	(550)	10,230,857
Total income	132,162,787	1,656,989	1,554,017	129,651	135,503,444
Segment direct expenses	(100,591,177)	(794,621)	(887,256)	(105,897)	(102,378,951)
Provisions	(3,422,585)	(576,013)	(528,892)	(15,939)	(4,543,429)
Profit before tax	28,149,025	286,355	137,869	7,815	28,581,064
Statement of financial position					
Cash and bank balances	125,387,063	160,218	47,955	3,226	125,598,462
Investments	745,208,314	10,132,651	7,503,288	2,099,253	764,943,506
Net inter segment lendings	4,489,540	7,006,181	829,541	2,552	12,327,814
Lending to financial institutions	2,175,301	—	—	—	2,175,301
Advances - performing	474,619,293	18,747,396	15,967,837	33,112	509,367,638
- non-performing	834,792	49,202	—	—	883,994
Others	98,626,780	2,462,635	17,992,718	40,293	119,122,426
Total assets	1,451,341,083	38,558,283	42,341,339	2,178,436	1,534,419,141
Borrowings	211,599,405	—	—	—	211,599,405
Subordinated debt	14,989,600	—	—	—	14,989,600
Deposits and other accounts	1,049,290,270	27,167,746	23,137,597	90,748	1,099,686,361
Net inter segment borrowings	5,143,103	5,307,456	394,791	1,482,464	12,327,814
Others	95,778,810	2,363,473	17,805,707	11,595	115,959,585
Total liabilities	1,376,801,188	34,838,675	41,338,095	1,584,807	1,454,562,765
Equity	74,539,895	3,719,608	1,003,244	593,629	79,856,376
Total equity and liabilities	1,451,341,083	38,558,283	42,341,339	2,178,436	1,534,419,141
Contingencies and commitments	294,581,495	5,157,900	815,334	—	300,554,729

42. RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise subsidiaries, associates, directors, key management personnel and other related parties.

Transactions with related parties of the Bank are carried out on arm's length basis in terms of the policy as approved by the Board of Directors. The transactions with employees of the Bank are carried out in accordance with the terms of their employment.



Transactions with related parties, other than those disclosed in note 10.5, 20.3 and 38 are summarised as follows:

	2021					2020				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key Management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
Investments										
Opening balance	-	-	883,250	2,047,346	-	-	-	200,000	1,153,346	-
Investment made during the year	-	-	-	10,200,000	182,690	-	-	683,250	1,500,000	-
Investments adjusted / redeemed / disposed off during the year	-	-	-	(4,482,690)	-	-	-	-	(606,000)	-
Surplus / (deficit) on revaluation	-	-	-	-	123,308	-	-	-	-	-
Closing balance	-	-	883,250	7,764,656	305,998	-	-	883,250	2,047,346	-
Advances										
Opening balance	332	171,544	201,173	-	2,217,749	1,487	76,626	15,622	-	3,015,256
Addition during the year	76,666	235,679	26,196,301	-	57,968,205	35,349	333,923	16,369,273	-	56,387,053
Repaid during the year	(75,378)	(211,741)	(25,934,049)	-	(57,768,669)	(36,504)	(239,005)	(16,183,722)	-	(57,184,560)
Closing balance	1,620	195,482	463,425	-	2,417,285	332	171,544	201,173	-	2,217,749
Operating fixed assets										
Right of use	-	-	-	-	786	-	-	-	-	3,931
Other assets										
Interest / mark-up accrued	-	120	-	-	-	-	118	-	-	1,289
L/C acceptance	-	-	-	-	-	-	-	-	-	1,090,910
Other receivable	-	-	-	118	-	-	-	3,890	-	-
Subordinated debt										
Opening balance	-	-	-	-	44,000	-	-	-	-	44,000
Issued / purchased during the year	-	-	-	75,000	-	-	-	-	-	-
Redemption / sold during the year	-	-	-	(75,000)	-	-	-	-	-	-
Closing balance	-	-	-	-	44,000	-	-	-	-	44,000
Deposits and other accounts										
Opening balance	1,072,684	720,918	476,584	739,762	3,619,310	955,078	624,163	111,826	1,289,465	2,761,222
Received during the year	6,376,086	3,125,505	21,273,904	83,337,951	63,034,965	6,891,056	3,205,958	20,436,016	147,123,023	50,717,883
Withdrawn during the year	(6,678,852)	(3,071,987)	(21,660,404)	(84,018,330)	(59,718,023)	(6,773,450)	(3,109,203)	(20,071,258)	(147,672,726)	(49,859,795)
Closing balance	769,918	774,436	90,084	59,383	6,936,252	1,072,684	720,918	476,584	739,762	3,619,310
Other liabilities										
Interest / mark-up payable	404	1,327	-	725	30,043	305	508	-	2,359	14,567
Payable to staff retirement fund	-	-	-	-	974,312	-	-	-	-	683,514
L/C acceptance	-	-	-	-	-	-	-	-	-	1,090,910
Unrealised loss on forward exchange contracts	-	-	-	-	-	-	-	-	-	922
Other liabilities	-	2	908	-	-	-	4	1,353	-	-
Contingencies and commitments										
	-	-	-	-	918,205	-	-	-	-	2,022,871
Other transactions - Investor Portfolio Securities										
Opening balance	-	-	85,000	-	6,120,840	-	-	85,000	-	4,986,840
Increased during the year	-	-	75,000	-	7,725,000	-	-	-	-	3,562,000
Decreased during the year	-	-	(85,000)	-	(9,054,040)	-	-	-	-	(2,428,000)
Closing balance	-	-	75,000	-	4,791,800	-	-	85,000	-	6,120,840



42.1 RELATED PARTY TRANSACTIONS

	2021					2020				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key Management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
Income										
Mark-up / return / interest earned	-	10,175	21,880	-	110,324	5	6,479	4,555	-	203,818
Fee and commission income	39	225	15	116	13,622	21	65	16	85	14,534
Dividend income	-	-	-	187,766	-	-	-	-	56,400	-
Net gain / (loss) on sale / redemption of securities and units of mutual funds	-	-	-	7,201	-	-	-	-	-	5,442
Rental Income	-	-	11,036	-	-	-	-	5,990	-	-
Other income	-	-	784	30	406	-	-	782	50	372
Expense										
Mark-up / return / interest expensed	58,576	48,425	15,882	38,763	245,699	79,997	58,180	12,578	251,681	255,463
Operating expenses	-	-	-	-	4,528	-	-	-	-	5,491
Brokerage commission	-	-	12,600	-	-	-	-	8,230	-	-
Salaries and allowances	-	625,972	-	-	-	-	541,938	-	-	-
Bonus	-	100,101	-	-	-	-	154,824	-	-	-
Contribution to defined contribution plan	-	28,137	-	-	-	-	24,211	-	-	-
Contribution to defined benefit plan	-	82,334	-	-	-	-	76,250	-	-	-
Staff provident fund	-	-	-	-	703,596	-	-	-	-	600,454
Staff gratuity fund	-	-	-	-	491,348	-	-	-	-	424,170
Directors' fees	38,770	-	-	-	-	33,487	-	-	-	-
Donation	-	-	-	-	12,000	-	-	-	-	6,000
Insurance premium paid	-	-	-	-	142,646	-	-	-	-	133,244
Insurance claims settled	-	-	-	-	78,101	-	-	-	-	41,925



43. CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

	2021	2020
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital	11,114,254	11,114,254
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	80,641,265	67,035,260
Eligible Additional Tier 1 (ADT 1) Capital	6,570,734	6,676,269
Total Eligible Tier 1 Capital	87,211,999	73,711,529
Eligible Tier 2 Capital	25,750,539	23,890,019
Total Eligible Capital (Tier 1 + Tier 2)	112,962,538	97,601,548
Risk Weighted Assets (RWAs):		
Credit Risk	703,135,583	539,058,015
Market Risk	17,023,428	9,834,577
Operational Risk	117,517,781	97,721,745
Total	837,676,792	646,614,337
Common Equity Tier 1 Capital Adequacy Ratio	9.627%	10.367%
Tier 1 Capital Adequacy Ratio	10.411%	11.400%
Total Capital Adequacy Ratio	13.485%	15.094%

Minimum Capital Requirement (MCR)

The MCR standard sets the paid-up capital that the Bank is required to hold at all times. As of the statement of financial position date, the Bank's paid-up capital stands at Rs. 11.114 billion as against the required MCR of Rs. 10 billion.

Minimum Capital Adequacy Ratio (CAR)

The CAR on the basis of above framework works out to be as follows:

	2021	2020
Required CAR	11.500%	11.500%
CAR on Bank level	13.485%	15.094%

The Bank calculates capital requirement as per Basel III regulatory framework, using the following approaches:

Credit Risk	Standardised Approach
Market Risk	Standardised Approach
Operational Risk	Basic Indicator Approach



	2021	2020
	(Rupees in '000)	
Leverage Ratio (LR):		
Eligible Tier 1 Capital	87,211,999	73,711,529
Total Exposures	<u>2,334,221,910</u>	<u>1,852,877,396</u>
Leverage Ratio	<u>3.736%</u>	<u>3.978%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	631,288,320	490,128,291
Total Net Cash Outflow	<u>244,836,260</u>	<u>187,207,371</u>
Liquidity Coverage Ratio	<u>257.841%</u>	<u>261.810%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	1,379,682,140	999,714,329
Total Required Stable Funding	<u>825,749,841</u>	<u>702,593,516</u>
Net Stable Funding Ratio	<u>167.082%</u>	<u>142.289%</u>

43.1 The full disclosures on the **CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS** as per SBP instructions issued from time to time have been placed on the Bank's website. The link to the full disclosure is available at <https://www.bankalhabib.com/capitaladequacy/leverage/liquidityratio-banklevel2021>.

44. RISK MANAGEMENT

The Bank has a risk management framework commensurate with its size and the nature of its business. The Board of Directors has approved risk management policies covering key areas of activities for the guidance of management and committees of the Board, management committees, and Divisions / Departments of the Bank.

This section presents information about the Bank's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments.

44.1 Credit Risk

Credit risk is the risk of loss arising from failure by a client or counterparty to meet its contractual obligation. It emanates from loans and advances, commitments to lend, contingent liabilities such as letters of credit and guarantees, and other similar transactions both on and off balance sheet. These exclude investments and treasury-related exposures, which are covered under market risk.

It is the Bank's policy that all credit exposures shall be adequately collateralised, except when specially exempted by SBP as in case of personal loans and credit cards, and those at overseas branches where the accepted local banking practice is followed.

The objective of credit risk management is to keep credit risk exposure within permissible level, relevant to the Bank's risk capital, to maintain the soundness of assets and to ensure returns commensurate with risk.

Credit risk of the Bank is managed through the credit policy approved by the Board, a well defined credit approval mechanism, prescribed documentation requirement, post disbursement administration, review and monitoring of all credit facilities; and continuous assessment of credit worthiness of counterparties. Decisions regarding the credit portfolio are taken mainly by the Central Credit Committee. Credit Risk Management Committee of the Board provides overall guidance in managing the Bank's credit risk.

Counterparty exposure limits are approved in line with the Prudential Regulations and the Bank's own policies, by taking into account both qualitative and quantitative criteria. There is an established system for continuous monitoring of credit exposures and follow - up of any past due loans with the respective business units. All past due loans, including trade bills, are reviewed on fortnightly basis and pursued for recovery. Any non-performing loans are classified and provided for as per Prudential Regulations. The Bank has also established a mechanism for independent post - disbursement review of large credit risk exposures.



Credit facilities, both fund based and non - fund based, extended to large customer groups and industrial sectors are regularly monitored. The Bank has concentration of credit in textile which is the largest sector of Pakistan's economy. Concentration risk is managed by diversification within sub - sectors like spinning, weaving and composites, credit worthiness of counterparties, and adequate collateralisation of exposures.

Credit administration function has been placed under a centralised set - up. Its main focus is on compliance with terms of sanction of credit facilities and the Bank's internal policies and procedures, scrutiny of documentation, monitoring of collateral, and maintenance of borrowers' limits, mark-up rates, and security details.

The Bank has implemented its own internal risk rating system for the credit portfolio, as per guidelines of SBP. Credit ratings by external rating agencies, if available, are also considered.

The Bank lends primarily against the cash flow of the business with recourse to the assets being financed as primary security. Collaterals in the form of liquid securities, tangible securities, and other acceptable securities are obtained to hedge the risk, as deemed appropriate. Main types of collaterals taken by the Bank include charge on stock - in - trade, receivables, machinery, mortgage of properties, pledge of goods, shares and other marketable securities, government securities, government guarantees, bank guarantees and cash margins and bank deposits.

Specific provisions on credit portfolio are determined in accordance with the Prudential Regulations. General provision on the consumer and SEs portfolios is also determined as per Prudential Regulations. The Bank maintains additional general provision in line with its prudent policies and as per IFRS 9 for overseas branches. Particulars of provisions against advances are given in note 9.4.

The Bank uses the Standardised Approach to calculate capital charge for credit risk as per Basel regulatory framework, with comprehensive approach for credit risk mitigation.

Stress testing for credit risk is carried out regularly to estimate the impact of increase in non - performing loans and downward shift in these categories.

44.1.1 Lendings to financial institutions

Credit risk by public / private sector	Gross lendings		Non-performing lendings		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Public / Government	-	2,175,301	-	-	-	-
Private	20,063,828	-	-	-	-	-
	<u>20,063,828</u>	<u>2,175,301</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

44.1.2 Investment in debt securities

Credit risk by industry sector	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Power (electricity), gas, water, sanitary	26,966,592	25,442,218	-	-	-	-
Financial	786,496,214	728,355,130	-	-	1,350,723	1,394,948
Iron and steel	1,000,000	1,000,000	-	-	-	-
Oil refinery / marketing	1,250,000	-	-	-	-	-
	<u>815,712,806</u>	<u>754,797,348</u>	<u>-</u>	<u>-</u>	<u>1,350,723</u>	<u>1,394,948</u>
Credit risk by public / private sector						
Public / Government	776,861,120	719,551,444	-	-	325,807	357,615
Private	38,851,686	35,245,904	-	-	1,024,916	1,037,333
	<u>815,712,806</u>	<u>754,797,348</u>	<u>-</u>	<u>-</u>	<u>1,350,723</u>	<u>1,394,948</u>



44.1.3 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Agriculture, forestry, hunting and fishing	18,197,880	11,982,018	305,781	300,284	242,351	149,088
Mining and quarrying	135,313	86,946	-	-	-	-
Textile	237,019,393	163,702,549	1,690,844	1,824,246	1,671,265	1,753,709
Chemical and pharmaceuticals	19,082,769	16,796,308	5,791	5,891	4,397	4,423
Cement	6,833,811	8,847,702	-	-	-	-
Sugar	10,984,011	6,952,458	-	-	-	-
Footwear and leather garments	4,077,672	3,608,526	-	-	-	-
Automobile and transportation equipment	8,083,375	3,726,079	826	-	103	-
Electronics and electrical appliances	5,885,392	5,323,013	247,814	-	61,953	-
Construction	23,288,386	7,802,038	302,504	194,339	177,501	192,103
Power (electricity), gas, water, sanitary	47,024,486	48,335,823	-	155,883	-	100,810
Wholesale and retail trade	114,747,695	79,543,240	1,340,453	1,494,236	1,291,922	1,361,415
Transport, storage and communication	11,242,380	10,543,770	63,990	70,175	35,823	27,853
Financial	13,514,777	10,603,805	101,949	101,949	84,845	86,587
Insurance	294,275	475,167	61,180	128,426	61,180	31,108
Services (other than financial services)	16,786,483	14,524,500	45,762	112,896	125	33,502
Individuals	42,210,644	23,863,779	83,610	90,956	67,353	63,427
Food and allied	90,055,992	62,311,964	17,432	43,773	17,432	27,353
Iron and steel	39,040,954	23,895,854	1,066,177	992,229	1,066,177	992,229
Oil refinery / marketing	2,634,814	2,005,943	-	354,082	-	178,367
Paper and board	5,671,358	2,662,909	7,431	3,098	3,132	3,098
Plastic products	9,075,520	6,388,435	385,843	54,253	137,866	54,253
Others	21,002,242	8,911,593	2,019,548	1,454,757	1,570,704	1,438,154
	746,889,622	522,894,419	7,746,935	7,381,473	6,494,129	6,497,479
Credit risk by public / private sector						
Public / Government	58,448,122	55,368,812	-	-	-	-
Private	688,441,500	467,525,607	7,746,935	7,381,473	6,494,129	6,497,479
	746,889,622	522,894,419	7,746,935	7,381,473	6,494,129	6,497,479



44.1.4 Contingencies and Commitments

Credit risk by industry sector

	2021	2020
	(Rupees in '000)	
Agriculture, forestry, hunting and fishing	1,815,024	1,201,754
Mining and quarrying	209	-
Textile	91,451,426	60,886,061
Chemical and pharmaceuticals	16,097,626	10,560,544
Cement	3,680,905	1,681,965
Sugar	1,194,779	445,917
Footwear and leather garments	2,939,561	2,400,625
Automobile and transportation equipment	22,228,569	18,054,588
Electronics and electrical appliances	7,250,575	5,306,142
Construction	10,708,668	8,396,568
Power (electricity), gas, water, sanitary	20,026,883	8,008,957
Wholesale and retail trade	68,530,385	52,552,907
Transport, storage and communication	1,454,475	415,645
Financial	17,959,726	12,384,053
Insurance	120,470	26,841
Services (other than financial services)	51,058,164	41,166,805
Individuals	8,116,659	177,245
Food and allied	40,727,640	36,490,464
Iron and steel	17,817,723	16,689,629
Oil refinery / marketing	6,978,651	3,016,513
Paper and board	8,964,522	2,129,946
Plastic products	17,609,850	11,584,210
Others	11,240,865	6,977,350
	427,973,355	300,554,729
Credit risk by public / private sector		
Public / Government	66,085,881	41,435,912
Private	361,887,474	259,118,817
	427,973,355	300,554,729

44.1.5 Concentration of Advances

The Bank's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 203,461 million (2020: Rs. 150,619 million) are as following:

	2021	2020
	(Rupees in '000)	
Funded	99,235,533	87,140,927
Non Funded	104,225,085	63,477,948
Total Exposure	203,460,618	150,618,875

The sanctioned limits against these top 10 exposures aggregated to Rs. 226,451 million (2020: Rs. 179,596 million). Provision against top 10 exposures amounts to be Nil (2020: Nil).



44.1.6 Advances - Province / Region - wise Disbursement and Utilization

Province / Region	2021						
	Disbursements		Utilization				AJK including Gilgit- Baltistan
	Punjab	Sindh	KPK including FATA (Rupees in '000)	Balochistan	Islamabad		
Punjab	278,555,414	274,912,036	452,150	93,962	40,394	3,007,506	49,366
Sindh	297,374,464	2,156,339	293,052,373	1,654,607	511,145	-	-
KPK including FATA	6,658,000	-	1,296	6,299,401	-	357,303	-
Balochistan	1,287,778	-	207,440	-	1,080,338	-	-
Islamabad	44,360,457	9,005	20,103	133,925	-	44,197,424	-
AJK including Gilgit - Baltistan	910,260	-	242	6,119	-	52,723	851,176
Total	629,146,373	277,077,380	293,733,604	8,188,014	1,631,877	47,614,956	900,542

Province / Region	2020						
	Disbursements		Utilization				AJK including Gilgit- Baltistan
	Punjab	Sindh	KPK including FATA (Rupees in '000)	Balochistan	Islamabad		
Punjab	201,150,395	199,695,718	202,288	222,110	33,345	980,461	16,473
Sindh	210,692,996	2,259,607	206,820,742	1,066,542	543,154	2,830	121
KPK including FATA	4,547,764	6,476	10,079	4,232,515	5,053	293,641	-
Balochistan	828,144	-	106,412	-	721,732	-	-
Islamabad	35,398,979	34,931	16,888	15,497	-	35,331,663	-
AJK including Gilgit - Baltistan	639,146	392	-	2,692	-	25,064	610,998
Total	453,257,424	201,997,124	207,156,409	5,539,356	1,303,284	36,633,659	627,592

44.2 Market Risk

Market risk is the risk of loss arising from movements in market rates or prices, such as interest rates, foreign exchange rates, and equity prices.

The Bank takes positions in securities for the purpose of investment and not to run a trading book, except to a very limited extent (maximum of Rs. 300 million) for trading in equities. As regards foreign exchange positions, the purpose is to serve the needs of clients. Except as aforesaid, the Bank does not engage in trading or market making activities.

Market risk is managed through the market risk policy approved by the Board, approval of counterparty and dealer limits, specific senior management approval for each investment and regular review and monitoring of the investment portfolio by the Asset Liability Management Committee (ALCO). A key element of the Bank's market risk management is to balance safety, liquidity, and income in that order of priority. Another key element is separation of functions and reporting lines for the Treasury Division and Equity Market Department, which undertake dealing activities within the limits and parameters set by ALCO, Settlements Department which confirms and settles the aforesaid deals, and Middle Office which independently monitors and analyses the risks inherent in treasury operations. Risk Management Committee of the Board provides overall guidance in managing the Bank's market risk.

Dealing activities of the Bank include investment in government securities, term finance certificates, sukuk / bonds, shares and mutual funds, money market transactions and foreign exchange transactions catering to the needs of its customers. All such activities are carried out within the prescribed limits. Any excess over limits noted by the Settlements Department and / or the Middle Office is reported to senior management and ALCO. Stress testing is performed as per guidelines of SBP as well as Bank's internal policy. Portfolio risks arising in banking book is also measured through Value at Risk (VAR).



44.2.1 Balance sheet split by trading and banking books

	2021			2020		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	118,599,741	-	118,599,741	105,935,947	-	105,935,947
Balances with other banks	6,740,008	-	6,740,008	19,662,515	-	19,662,515
Lendings to financial institutions	20,063,828	-	20,063,828	2,175,301	-	2,175,301
Investments	826,501,408	98,476	826,599,884	764,846,957	96,549	764,943,506
Advances	733,799,311	-	733,799,311	510,251,632	-	510,251,632
Fixed assets	55,692,777	-	55,692,777	43,967,993	-	43,967,993
Intangible assets	268,246	-	268,246	211,111	-	211,111
Deferred tax assets	2,074,828	-	2,074,828	-	-	-
Other assets	85,813,497	-	85,813,497	74,943,322	-	74,943,322
	<u>1,849,553,644</u>	<u>98,476</u>	<u>1,849,652,120</u>	<u>1,521,994,778</u>	<u>96,549</u>	<u>1,522,091,327</u>

44.2.2 Foreign Exchange Risk

Foreign exchange risk is the risk of loss from adverse changes in currency exchange rates. The Bank's foreign exchange exposure comprises forward contracts, purchase of foreign bills, foreign currency loans and investments, foreign currency cash in hand, balances with banks abroad, foreign currency deposits and foreign currency placements with SBP and other banks. Focus of the Bank's foreign exchange activities is on catering to the needs of its customers, both in spot and forward markets.

Foreign exchange risk exposures of the Bank are controlled through dealer limits, open foreign exchange position limits, counterparty exposure limits, and country limits. The Bank manages its foreign exchange exposure by matching foreign currency assets and liabilities within strict limits. The net open position in any single currency and the overall foreign exchange exposure are both managed within the statutory limits as prescribed by SBP as well as the internal limits set by the Bank itself. Stress testing for foreign exchange risk is carried out regularly to estimate the impact of adverse changes in foreign exchange rates.

	2021			Net foreign currency exposure
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	
	(Rupees in '000)			
United States Dollar	182,442,901	177,522,831	4,779,180	9,699,250
Great Britain Pound	1,652,971	12,805,309	7,489,831	(3,662,507)
Japanese Yen	6,782	363,092	357,519	1,209
Euro	4,231,547	6,846,326	1,842,032	(772,747)
Other currencies	945,356	534,954	(694,227)	(283,825)
	<u>189,279,557</u>	<u>198,072,512</u>	<u>13,774,335</u>	<u>4,981,380</u>



Interest rate risk exposures of the Bank are controlled through dealer limits, counter - party exposure limits and (when necessary) type-of-instrument limits. Outright purchase and sale of securities are also approved by ALCO. Duration and modified duration of various types of debt securities as well as their entire portfolio are also calculated, and the impact of adverse change in interest rates on the market value of the securities is estimated. Stress testing for interest rate risk is carried out regularly to estimate the impact of adverse changes in the interest rates.

Interest rate / yield risk in the banking book – Basel Specific

The Bank holds financial assets and financial liabilities with different maturities or repricing dates and linked to different benchmark rates, thus creating exposure to unexpected changes in the level of interest rates. Interest rate risk in the banking book refers to the risk associated with interest-bearing financial instruments that are not held in the trading book of the Bank.

Repricing gap analysis presents the Bank's Interest Sensitive Assets (ISA) and Interest Sensitive Liabilities (ISL), categorised into various time bands based on the earlier of their contractual repricing or maturity dates (or settlement dates for off-balance sheet instruments). Deposits with no fixed maturity dates (for example, saving deposits and treasurer's call deposits) are included in the lowest, one-month time band, but these are not expected to be payable within a one-month period. The difference between ISA and ISL for each time band signifies the gap in that time band, and provides a workable framework for determining the impact on net interest income.

The Bank reviews the repricing gap analysis periodically to monitor and manage interest rate risk in the banking book.

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in interest rates on				
– Profit and loss account	–	–	–	–
– Other comprehensive income	5,702,612	–	6,113,382	–



44.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

		2021										
Effective Yield / Interest Rate	Total	Exposed to Yield / Interest risk									Non interest bearing financial instruments	
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
(Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	118,599,741	8,475,529	-	-	-	-	-	-	-	-	110,124,212
Balances with other banks	0.46%	6,740,008	4,358,454	-	-	-	-	-	-	-	-	2,381,554
Lendings to financial institutions	10.60%	20,063,828	20,063,828	-	-	-	-	-	-	-	-	-
Investments	9.93%	826,599,884	150,428,818	95,743,854	314,734,525	79,112,792	102,760,235	38,705,182	9,681,128	21,200,587	-	14,232,763
Advances	7.21%	733,799,311	401,011,429	117,203,571	91,802,847	30,011,024	16,295,778	22,354,796	20,069,057	25,864,446	9,176,575	9,788
Other assets	-	83,264,725	-	-	-	-	-	-	-	-	-	83,264,725
		1,789,067,497	584,338,058	212,947,425	406,537,372	109,123,816	119,056,013	61,059,978	29,750,185	47,065,033	9,176,575	210,013,042
Liabilities												
Bills payable	-	29,803,755	-	-	-	-	-	-	-	-	-	29,803,755
Borrowings	4.97%	302,212,902	130,540,002	55,284,225	32,529,294	11,403,231	9,542,625	10,585,069	19,745,203	32,324,292	258,961	-
Deposits and other accounts	7.15%	1,309,823,329	635,347,974	42,492,322	26,302,731	51,151,535	2,894,746	12,103,107	3,309,696	16,099	10,893	536,194,226
Subordinated debt	11.54%	15,995,200	-	5,000,000	10,995,200	-	-	-	-	-	-	-
Other liabilities	-	75,997,191	-	-	-	-	-	-	-	-	-	75,997,191
		1,733,832,377	765,887,976	102,776,547	69,827,225	62,554,766	12,437,371	22,688,176	23,054,899	32,340,391	269,854	641,995,172
On-balance sheet gap		55,235,120	(181,549,918)	110,170,878	336,710,147	46,569,050	106,618,642	38,371,802	6,695,286	14,724,642	8,906,721	(431,982,130)
Off-balance sheet financial instruments												
Documentary credits and short term trade related transactions		301,891,236	81,149,692	107,059,657	41,036,633	34,172,931	34,369,615	4,102,708	-	-	-	-
Commitments in respect of:												
Forward purchase of foreign exchange contracts		72,497,648	11,062,507	26,511,686	23,742,935	11,087,455	93,065	-	-	-	-	-
Forward sale of foreign exchange contracts		(58,723,317)	(11,276,267)	(30,040,434)	(14,937,676)	(2,468,940)	-	-	-	-	-	-
Forward commitments to extend credit		4,717,424	857,164	1,456,170	809,660	1,594,430	-	-	-	-	-	-
Off-balance sheet gap		18,491,755	643,404	(2,072,578)	9,614,919	10,212,945	93,065	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			(99,756,822)	215,157,957	387,361,699	90,954,926	141,081,322	42,474,510	6,695,286	14,724,642	8,906,721	(431,982,130)
Cumulative Yield / Interest Risk Sensitivity Gap			(99,756,822)	115,401,135	502,762,834	593,717,760	734,799,082	777,273,592	783,968,878	798,693,520	807,600,241	375,618,111



2020

Effective Yield / Interest Rate	Total	Exposed to Yield / Interest risk									Non interest bearing financial instruments	
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
(Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	105,935,947	7,279,936	-	-	-	-	-	-	-	-	98,656,011
Balances with other banks	0.05%	19,662,515	17,659,275	-	-	-	-	-	-	-	-	2,003,240
Lendings to financial institutions	8.98%	2,175,301	2,175,301	-	-	-	-	-	-	-	-	-
Investments	9.30%	764,943,506	72,567,717	75,117,948	300,591,571	125,011,937	90,533,012	29,215,595	44,087,033	19,599,391	-	8,219,302
Advances	6.60%	510,251,632	275,925,509	100,524,346	54,004,723	23,795,801	14,468,084	10,164,684	12,231,329	12,759,516	6,371,366	6,274
Other assets	-	72,923,383	-	-	-	-	-	-	-	-	-	72,923,383
		1,475,892,284	375,607,738	175,642,294	354,596,294	148,807,738	105,001,096	39,380,279	56,318,362	32,358,907	6,371,366	181,808,210
Liabilities												
Bills payable	-	31,013,221	-	-	-	-	-	-	-	-	-	31,013,221
Borrowings	4.21%	211,599,405	145,735,236	4,863,416	10,624,222	6,040,892	12,927,163	5,891,219	10,195,980	14,808,462	512,815	-
Deposits and other accounts	5.66%	1,099,686,361	549,241,575	35,539,084	24,076,408	48,951,961	6,657,497	2,446,852	13,835,518	22,127	12,532	418,902,807
Subordinated debt	8.50%	14,989,600	-	3,992,800	10,996,800	-	-	-	-	-	-	-
Other liabilities	-	67,310,374	-	-	-	-	-	-	-	-	-	67,310,374
		1,424,598,961	694,976,811	44,395,300	45,697,430	54,992,853	19,584,660	8,338,071	24,031,498	14,830,589	525,347	517,226,402
On-balance sheet gap		51,293,323	(319,369,073)	131,246,994	308,898,864	93,814,885	85,416,436	31,042,208	32,286,864	17,528,318	5,846,019	(335,418,192)
Off-balance sheet financial instruments												
Documentary credits and short term trade related transactions		207,740,057	133,608,804	51,510,174	11,122,373	11,498,706	-	-	-	-	-	-
Commitments in respect of:												
Forward purchase of foreign exchange contracts		75,472,905	19,581,701	29,570,273	17,076,813	9,244,118	-	-	-	-	-	-
Forward sale of foreign exchange contracts		(53,350,232)	(32,391,396)	(17,028,027)	(2,914,889)	(1,015,920)	-	-	-	-	-	-
Forward commitments to extend credit		7,124,914	483,281	4,729,763	242,759	1,669,111	-	-	-	-	-	-
Off-balance sheet gap		29,247,587	(12,326,414)	17,272,009	14,404,683	9,897,309	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			(198,086,683)	200,029,177	334,425,920	115,210,900	85,416,436	31,042,208	32,286,864	17,528,318	5,846,019	(335,418,192)
Cumulative Yield / Interest Risk Sensitivity Gap			(198,086,683)	1,942,494	336,368,414	451,579,314	536,995,750	568,037,958	600,324,822	617,853,140	623,699,159	288,280,967



44.2.5.1 Reconciliation of Financial Assets and Liabilities

	2021 (Rupees in '000)	2020
Assets as per statement of financial position	1,849,652,120	1,522,091,327
Less:		
Fixed assets	55,692,777	43,967,993
Intangible assets	268,246	211,111
Deferred tax assets	2,074,828	-
Advances, deposits, advance rent and other prepayments	1,161,812	672,169
Non-banking assets acquired in satisfaction of claims	950,942	954,077
Stationery and stamps on hand	436,018	393,693
	2,548,772	2,019,939
Interest Rate Sensitive Assets	1,789,067,497	1,475,892,284
Liabilities as per statement of financial position	1,759,637,072	1,442,234,951
Less:		
Deferred tax liabilities	-	176,751
Unearned commission income	1,416,819	304,009
Branch adjustment account	5,764,199	2,639,104
Provision against off - balance sheet items	173,319	146,692
Provision for compensated absences	1,127,704	969,754
Workers' welfare fund	3,043,353	2,423,293
Lease liability against right-of-use assets	12,235,539	10,526,139
Current taxation (payments less provisions)	2,043,762	450,248
	25,804,695	17,459,239
Interest Rate Sensitive Liabilities	1,733,832,377	1,424,598,961

44.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes legal risk but excludes strategic and reputational risks. Bank classifies operational loss / near miss incidents into seven loss incidents types, which are Internal Fraud, External Fraud, Employment Practice & Workplace Safety, Client, Product & Business Practice, Damage to Physical Assets, Business Disruption & System Failure, and Execution, Delivery & Process Management.

Operational risk is managed through the Operational Risk Policy, Audit Policy, Compliance Policy & Programme, Information Technology (I.T.) Policy, I.T. Governance Framework, I.T. Security Policy, Human Resource Policy, Consumer Protection Framework, KYC / CDD Policy, AML / CFT Policy, Fraud Prevention Policy, Consumer Grievance Handling Policy and Outsourcing Policy approved by the Board, along with the operational manuals and procedures issued from time to time; system of internal controls; Business Continuity Plan, Disaster Recovery Plan for I.T.; and regular audit of the branches and divisions. Operational risk related matters are discussed in the operations committee, compliance committee of management and I.T. steering committee. Audit Committee of the Board provides overall guidance in managing the Bank's operational risk.

The Bank's operational risk management framework, as laid down in the operational risk policy, permits the overall risk management approach to evolve in the light of organisational learning and the future needs of the Bank.

The Bank places a high priority on conducting all business dealings with integrity and fairness, as laid down in the Code of Conduct, which is required to be complied with by all employees.



Internal controls are an essential feature of risk reduction in operational risk management and the Bank continues to improve its internal controls.

Business Continuity Plan of the Bank pays special attention to identification of potential threats and associated risks in critical business processes by carrying out Business Impact Analysis and Risk Assessment including those which are dependent on external vendors or third parties, identification of alternative mechanisms for timely resumption of services, with special focus on critical business processes, location of off-site backup & regular review and testing of the plan.

Bank has devised and implemented IT Project Management and IT Risk Management Frameworks. Bank is also CMMI Maturity (Level - 3) certified. Bank AL Habib's website for Conventional and Islamic banking has been revamped with dynamic features. Furthermore, OBDX (Oracle Banking Digital Experience) web and mobile application have been commercially launched.

Bank has taken various measures to strengthen I.T. Security, which includes implementation of Cyber Security Strategy and Action Plan, Vulnerability Management Program, virtual patching and database activity monitoring solution on critical systems, 24/7 Security Operation centre (SOC), regular Internal and external penetration testing of applications, anti malware and antivirus security solution, subscription to I.T. security threat intelligence service and recertification of controls as per SWIFT customer Security Program.

44.3.1 Operational Risk-Disclosures Basel II Specific

The Bank uses Basic Indicator Approach to calculate capital charge for operational risk as per Basel regulatory framework. This approach is considered to be most suitable in view of the business model of the Bank which relies on an extensive network of branches to offer one - stop, full – service banking to its clients. The Bank has developed and implemented an Operational Loss Database. Operational loss and "near miss" events are reviewed and appropriate corrective actions taken on an ongoing basis, including measures to improve security and control procedures. Key Risk Indicators have also been developed along with thresholds which are being closely monitored for breaches. Risk Evaluation exercise is carried out for new products, processes and systems or any significant change in the existing product, processes and systems as per the operational risk policy of the Bank.

44.4 Liquidity Risk

Liquidity risk is the risk of loss to a bank arising from its inability to meet obligations as they fall due or to fund growth in assets, without incurring unacceptable cost or losses.

Key elements of the Bank's liquidity risk management are as follows:

- To maintain a comfortable margin of excess liquidity in the form of cash and readily marketable assets to meet the Bank's funding requirements at any time.
- To keep a strong focus on mobilization of low-cost core deposits from customers.
- To maintain a realistic balance between the behavioral maturity profiles of assets and liabilities.
- To maintain excellent credit rating (as borrowing cost and ability to raise funds are directly affected by credit rating).
- To have a written contingency funding plan to address any hypothetical situations when access to normal sources of funding is constrained.

44.4.1 Liquidity Coverage Ratio

SBP issued BPRD Circular No. 08 dated June 23, 2016 advising implementation of Basel III liquidity standards that constitute two ratios, i.e., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and five monitoring tools.

LCR is the measure of conversion capability of the Bank's High Quality Liquid Assets (HQLAs) into cash to meet immediate liquidity requirements over a 30 days horizon.

The Bank calculates Liquidity Coverage Ratio (LCR) on monthly basis as per the guidelines given in the above mentioned circular. The objective of LCR is to ensure the short-term resilience of the liquidity risk profile which requires the Bank to maintain sufficient High Quality Liquid Assets (HQLAs) to meet stressed cash outflows over a prospective 30 calendar - days period. As of 31 December 2021, the Bank's LCR stood at 251% against the SBP's minimum requirement of 100%.



44.4.2 Governance of Liquidity Risk Management

Liquidity risk is managed through the liquidity risk policy approved by the Board. The Bank has “zero tolerance” for liquidity risk and will continue to maintain a comfortable margin of excess liquidity in the form of cash and readily marketable assets to meet its funding requirements at any time.

Management of liquidity risk is accomplished through a formal structure which includes:

- Board of Directors (BOD)
- Risk Management Committee
- Asset Liability Management Committee (ALCO)
- Treasury Division
- Risk Management Division and Middle Office
- Finance Division
- Information Technology Division

The Board of Directors approves the liquidity risk policy and ensures, through quarterly reviews by the Risk Management Committee of the Board, that the Bank’s liquidity risk is being managed prudently. Risk Management Committee of the Board provides overall guidance in managing the Bank’s liquidity risk. Liquidity position is monitored daily by the Treasury Division and the Middle Office and reviewed regularly by ALCO.

44.4.3 Funding Strategy

The Bank’s prime source of liquidity is the customers’ deposit base. Within deposits, the Bank strives to maintain core deposit base in form of current and saving deposits and avoids concentration in particular products, tenors and dependence on large fund providers. As a general rule, the Bank will not depend on borrowings in the inter-bank market, including repos, to be a part of its permanent pool of funds for financing of loans, but will use these as a source for obtaining moderate amounts of additional funds to meet temporary liquidity needs in the normal course of business or for money market operations.

44.4.4 Liquidity Risk Mitigation Techniques

Various tools and techniques are used to measure and monitor the possible liquidity risk. These include monitoring of different liquidity ratios like core deposits to total deposits, advances to deposits, liquid assets to total deposits, Interbank borrowing to total deposits, which are monitored on regular basis against limits. Further, the Bank also prepares the maturity profile of assets and liabilities to monitor the liquidity gaps over different time bands. For maturity analysis, behavioral study is carried out to determine the behavior of non - contractual assets and liabilities. The Bank also ensures that statutory cash and liquidity requirements are maintained at all times.

In addition, LCR, NSFR and Monitoring Tools of Basel III framework further strengthen liquidity risk management of the Bank.

44.4.5 Liquidity Stress Testing

As per SBP FSD Circular No. 01 of 2020, Liquidity stress testing is being conducted under various stress scenarios. Shocks include the withdrawals of deposits, withdrawals of wholesale / large deposits & interbank borrowing, withdrawal of top deposits, etc. Results of stress testing are presented to ALCO and Risk Management Committee. The Bank’s liquidity risk management addresses the goal of protecting solvency and the ability to withstand stressful events in the market place. Stress testing for liquidity as prescribed in the liquidity risk policy is carried out regularly to estimate the impact of decline in liquidity on the ratio of liquid assets to deposits plus borrowings.

44.4.6 Contingency Funding Plan

Contingency Funding Plan (CFP) is a part of liquidity risk policy of the Bank which identifies the trigger events that could cause a liquidity contingency and describes the actions to be taken to manage it. The contingency funding plan highlights liquidity management actions that needs to be taken to deal with the contingency. Responsibilities and response levels are also incorporated in order to tackle the contingency. Moreover, CFP highlights possible funding sources, in case of a liquidity contingency.

44.4.7 Main Components of LCR

Main components of LCR are High Quality Liquid Assets and Net Cash Outflows. Outflows are mainly deposit outflows net of cash inflows which consist of inflows from financing and money market placements up to 1 month. The inputs for calculation of LCR are based on SBP BPRD Circular No. 08 dated 23 June 2016.



44.4.8 Composition of HQLAs

High Quality Liquid Assets consist of Level 1 Assets which are included in the stock of liquid assets at 100% weightage of their market value i.e., Cash & Treasury balances, Conventional Government Securities, GOP Ijarah Sukuks, Foreign Currency Sukuks & Bonds issued by sovereigns. While Level 2 Assets comprise all equity shares (excluding shares of Financial Institutions) listed on PSX 100.

44.4.9 Concentration of Funding Sources

The Bank relies on customers' deposits as its key source of funding, specially current and saving deposits and time deposits of small / medium denominations, and avoids concentration of large deposits. Share of core deposits in total deposits and of large deposits in total deposits are regularly monitored. In particular the Bank does not depend on large depositors or borrowings from SBP and financial institutions to meet its funding requirements.

44.4.10 Currency Mismatch in the LCR

About 90% of the Bank's assets and liabilities are in local currency. Currency mismatch in other currencies is regularly monitored.

44.4.11 Centralisation of Liquidity Management

Overall liquidity management of the Bank is centralised in Treasury Division at Principal Office. The Bank mobilises deposits through its branch network. It also uses the branch network to grant loans to customers. Branches that have more deposits than loans, transfer ("lend") their excess deposits to the Principal Office. Branches that do not have enough deposits to fund their loans, acquire ("borrow") additional funds from the Principal Office.

44.4.12 Other Inflows & Outflows

Benefit of pledged deposits (deposits under lien) are not accounted for in calculation of LCR.

44.4.13 Net Stable Funding Ratio (NSFR)

NSFR is the ratio of the amount of Available Stable Funding (ASF) - source of funds, capital and liabilities relative to the amount of Required Stable Funding (RSF) - use of funds, assets and off - balance sheet exposures.

The objective of NSFR is to ensure the availability of stable funds that a bank must hold to enable it to build and maintain its assets, investments and off balance sheet portfolio on an ongoing basis for longer term, i.e., over a one year horizon. NSFR reduces maturity mismatches between the asset and liability items on the balance sheet and thereby reduces funding and roll - over risk. The Bank's NSFR stood at 167% as on 31 December 2021.



44.5 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

The following maturity profile is based on contractual maturities for assets and liabilities that have a contractual maturity. Assets and liabilities that do not have a contractual maturity have been categorised in the shortest maturity band.

	Total	2021												
		Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
(Rupees in '000)														
Assets														
Cash and balances with treasury banks	118,599,741	118,599,741	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	6,740,008	6,740,008	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	20,063,828	-	20,063,828	-	-	-	-	-	-	-	-	-	-	-
Investments	826,599,884	12,939,210	(175,858)	24,857,332	26,170,521	56,009,462	27,486,128	(410,686)	79,072,916	314,565	207,940,176	40,353,512	193,664,781	158,377,825
Advances	733,799,311	62,322,894	16,559,970	25,896,302	52,410,345	94,703,829	94,964,569	127,675,042	39,097,554	24,479,731	48,372,383	48,828,863	48,004,081	50,483,748
Fixed assets	55,692,777	22,506,089	-	-	438,826	429,554	574,611	1,101,378	1,215,390	1,184,060	4,395,192	3,660,512	5,284,010	14,903,155
Intangible assets	268,246	-	-	-	43,454	42,783	22,693	55,879	49,822	40,686	12,929	-	-	-
Deferred tax assets	2,074,828	2,693,262	-	-	(22,701)	(27,442)	(27,442)	(79,880)	(52,930)	(70,296)	(249,744)	(80,264)	287,705	(295,440)
Other assets	85,813,497	16,784,590	5,142,949	6,220,977	13,547,227	14,422,657	9,760,794	7,770,376	4,117,500	7,835,258	112,638	68,849	18,117	11,565
	1,849,652,120	242,585,794	41,590,889	56,974,611	92,587,672	165,580,843	132,781,353	136,112,109	123,500,252	33,784,004	260,583,574	92,831,472	247,258,694	223,480,853
Liabilities														
Bills payable	29,803,755	29,803,755	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	302,212,902	537,376	72,474,365	1,094,262	2,336,666	75,846,330	23,083,908	42,619,114	7,519,175	4,245,556	9,542,625	10,585,069	19,745,203	32,583,253
Deposits and other accounts	1,309,823,329	1,077,838,256	16,117,169	26,665,733	50,921,042	18,700,448	23,791,875	26,302,731	20,686,097	30,465,438	2,894,746	12,103,107	3,309,696	26,991
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	15,995,200	-	-	-	-	-	1,000	800	1,000	800	3,600	3,600	7,200	15,977,200
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	101,801,886	30,523,057	5,162,952	4,852,827	9,938,161	12,314,874	7,175,748	5,302,990	6,644,426	8,570,540	1,326,302	1,154,690	2,384,506	6,450,813
	1,759,637,072	1,138,702,444	93,754,486	32,612,822	63,195,869	106,861,652	54,052,531	74,225,635	34,850,698	43,282,334	13,767,273	23,846,466	25,446,605	55,038,257
Net assets	90,015,048	(896,116,650)	(52,163,597)	24,361,789	29,391,803	58,719,191	78,728,822	61,886,474	88,649,554	(9,498,330)	246,816,301	68,985,006	221,812,089	168,442,596
Share capital	11,114,254													
Reserves	20,656,466													
Surplus on revaluation of assets	6,446,259													
Unappropriated profit	51,798,069													
	90,015,048													



Total	2020												
	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years

(Rupees in '000)

Assets

Cash and balances with treasury banks	105,935,947	105,935,947	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	19,662,515	19,662,515	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,175,301	(494)	(2,966)	(3,461)	2,182,222	-	-	-	-	-	-	-	-	-
Investments	764,943,506	11,484,141	(341,794)	(398,760)	(648,823)	48,629,312	13,809,722	42,481,419	105,260,936	19,857,075	90,042,620	108,105,472	170,789,915	155,872,271
Advances	510,251,632	53,335,773	7,371,280	9,070,048	33,016,839	59,638,378	82,793,789	79,781,992	23,793,801	22,992,880	44,412,146	30,614,506	31,490,891	31,939,309
Fixed assets	43,967,993	19,674,219	-	-	382,876	376,200	506,268	936,966	1,021,036	996,376	3,601,624	3,054,538	4,120,142	9,297,748
Intangible assets	211,111	-	-	-	22,627	22,627	22,622	62,059	23,260	17,007	40,909	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	74,943,322	10,902,949	2,013,296	7,406,967	9,134,405	11,636,343	11,676,859	12,270,539	7,663,578	587,341	1,617,298	7,776	25,971	-
	1,522,091,327	220,995,050	9,039,816	16,074,794	44,090,146	120,302,860	108,809,260	135,532,975	137,762,611	44,450,679	139,714,597	141,782,292	206,426,919	197,109,328

Liabilities

Bills payable	31,013,221	31,013,221	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	211,599,405	320,328	98,718,568	545,085	2,144,448	18,910,564	22,939,478	17,644,403	2,944,525	3,096,367	12,927,163	5,891,219	10,195,980	15,321,277
Deposits and other accounts	1,099,686,361	892,095,621	25,825,810	9,876,099	40,346,851	12,476,736	23,062,348	24,076,408	25,029,560	23,922,401	6,657,497	2,446,852	13,835,519	34,659
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	14,989,600	-	-	-	-	-	800	800	800	800	3,200	3,200	6,400	14,973,600
Deferred tax liabilities	176,751	(261,424)	-	-	37,094	34,482	34,482	97,114	72,985	65,683	204,367	182,160	(216,962)	(73,230)
Other liabilities	84,769,613	20,763,276	1,979,114	3,200,147	6,856,769	11,263,412	9,148,184	11,052,652	8,215,432	792,640	2,754,422	1,259,471	2,154,287	5,329,807
	1,442,234,951	943,931,022	126,523,492	13,621,331	49,385,162	42,685,194	55,185,292	52,871,377	36,263,302	27,877,891	22,546,649	9,782,902	25,975,224	35,586,113

Net assets

	79,856,376	(722,935,972)	(117,483,676)	2,453,463	(5,295,016)	77,617,666	53,623,968	82,661,598	101,499,309	16,572,788	117,167,948	131,999,390	180,451,695	161,523,215
Share capital	11,114,254													
Reserves	18,431,277													
Surplus on revaluation of assets	10,286,484													
Unappropriated profit	40,024,361													
	79,856,376													



44.6 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

For assets and liabilities that have a contractual maturity, the expected maturity is considered to be the same as contractual maturity. Assets and Liabilities that do not have a contractual maturity have been categorised on the basis of expected maturities as determined by ALCO. In case of saving and current accounts, their historical net withdrawal pattern over the next one year was reviewed, based on year - end balances for the last three years. Thereafter, taking a conservative view, ALCO categorised these deposits in various maturity bands. Other assets and liabilities have been categorised on the basis of assumptions / judgments that are believed to be reasonable.

	Total	2021								
		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	118,599,741	118,599,741	-	-	-	-	-	-	-	-
Balances with other banks	6,740,008	6,740,008	-	-	-	-	-	-	-	-
Lendings to financial institutions	20,063,828	20,063,828	-	-	-	-	-	-	-	-
Investments	826,599,884	51,588,076	83,187,790	(409,505)	92,640,504	207,866,320	40,129,080	192,321,659	155,947,899	3,328,061
Advances	733,799,311	157,189,511	189,668,398	127,675,042	63,577,285	48,372,383	48,828,863	48,004,081	37,530,239	12,953,509
Fixed assets	55,692,777	529,625	1,921,326	1,338,918	3,320,713	12,260,368	3,660,512	5,284,010	5,787,232	21,590,073
Intangible assets	268,246	43,454	65,476	55,879	90,508	12,929	-	-	-	-
Deferred tax assets	2,074,828	3,268,620	47,652	(101,422)	222,871	(1,939,116)	7,264	811,703	917,429	(1,160,173)
Other assets	85,813,497	40,228,849	24,256,741	7,927,102	12,172,629	248,217	68,849	18,117	11,566	881,427
	1,849,652,120	398,251,712	299,147,383	136,486,014	172,024,510	266,821,101	92,694,568	246,439,570	200,194,365	37,592,897
Liabilities										
Bills payable	29,803,755	29,803,755	-	-	-	-	-	-	-	-
Borrowings	302,212,902	76,442,669	98,930,238	42,619,114	11,764,731	9,542,625	10,585,069	19,745,203	32,327,849	255,404
Deposits and other accounts	1,309,823,329	213,032,074	148,993,447	132,803,856	157,652,660	162,646,434	171,854,795	163,061,384	159,767,786	10,893
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	15,995,200	-	1,000	800	1,800	3,600	3,600	7,200	8,977,200	7,000,000
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	101,801,886	41,720,363	19,490,621	5,302,990	15,214,966	1,326,302	1,154,690	9,132,049	5,182,995	3,276,910
	1,759,637,072	360,998,861	267,415,306	180,726,760	184,634,157	173,518,961	183,598,154	191,945,836	206,255,830	10,543,207
Net assets	90,015,048	37,252,851	31,732,077	(44,240,746)	(12,609,647)	93,302,140	(90,903,586)	54,493,734	(6,061,465)	27,049,690
Share capital	11,114,254									
Reserves	20,656,466									
Surplus on revaluation of assets	6,446,259									
Unappropriated profit	51,798,069									
	<u>90,015,048</u>									



	Total	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)										
Assets										
Cash and balances with treasury banks	105,935,947	105,935,947	-	-	-	-	-	-	-	-
Balances with other banks	19,662,515	19,662,515	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,175,301	2,175,301	-	-	-	-	-	-	-	-
Investments	764,943,506	(1,350,589)	62,899,171	42,492,324	132,508,160	91,579,088	108,936,020	171,274,822	153,093,362	3,511,148
Advances	510,251,632	102,793,940	142,432,167	79,781,992	46,786,681	44,412,146	30,614,505	31,490,892	24,104,075	7,835,234
Fixed assets	43,967,993	428,001	1,945,378	1,601,060	2,563,364	3,950,045	11,153,810	4,120,142	4,408,160	13,798,033
Intangible assets	211,111	22,627	45,249	62,059	40,267	40,909	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	74,943,322	28,082,038	23,379,236	12,369,589	8,449,019	1,753,753	7,776	25,971	-	875,940
	1,522,091,327	257,749,780	230,701,201	136,307,024	190,347,491	141,735,941	150,712,111	206,911,827	181,605,597	26,020,355
Liabilities										
Bills payable	31,013,221	31,013,221	-	-	-	-	-	-	-	-
Borrowings	211,599,405	101,728,429	41,850,042	17,644,403	6,040,892	12,927,163	5,891,219	10,195,980	14,808,462	512,815
Deposits and other accounts	1,099,686,361	176,037,480	123,550,962	112,088,286	136,963,839	165,078,877	160,868,233	181,058,087	44,028,065	12,532
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	14,989,600	-	800	800	1,600	3,200	3,200	6,400	7,973,600	7,000,000
Deferred tax liabilities	176,751	(2,533,473)	236,066	110,015	(130,643)	780,634	1,991,335	(47,244)	(679,113)	449,174
Other liabilities	84,769,613	25,844,637	20,411,596	11,052,652	9,008,071	2,754,422	1,259,471	7,400,106	4,267,763	2,770,895
	1,442,234,951	332,090,294	186,049,466	140,896,156	151,883,759	181,544,296	170,013,458	198,613,329	70,398,777	10,745,416
Net assets	79,856,376	(74,340,514)	44,651,735	(4,589,132)	38,463,732	(39,808,355)	(19,301,347)	8,298,498	111,206,820	15,274,939
Share capital	11,114,254									
Reserves	18,431,277									
Surplus on revaluation of assets	10,286,484									
Unappropriated profit	40,024,361									
	79,856,376									



45. EVENTS AFTER THE REPORTING DATE

Subsequent to the year end, the Board of Directors proposed a final cash dividend of Rs. 7.0 (2020: Rs. 4.5) per share.

46. GENERAL

46.1 Captions, as prescribed by BPRD Circular No. 02 of 2018 issued by SBP, in respect of which there are no amounts, have not been reproduced in these unconsolidated financial statements, except for captions of the statement of financial position and profit and loss account.

46.2 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

46.3 Comparative information has been re-classified, re-arranged or additionally incorporated in these unconsolidated financial statements wherever necessary to facilitate comparison and better presentation.

47. DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue in the Board of Directors' meeting held on 09 February 2022.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



Annexure I

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED
DURING THE YEAR ENDED 31 DECEMBER 2021**

(Rupees in '000)

S. No.	Name and address of the borrower(s)	Name of individuals / partners / directors (with CNIC Nos.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal Written off	Interest / Mark-up Written off	Other Charges written off	Total (9+10+11)
				Principal	Interest / Mark-up	Other Charges	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1.	Fazal Centre Rahwali G. T Road Cantt Gujranwala	Muhammad Ali (CNIC: 34101-4602895-1)	Fazal Muhammad Khan	66,711	8,165	-	74,876	-	5,911	-	5,911
2.	Mukhtar Ali Alwani Fatima Manzil, Flat No. 20 5th Floor, Near HBL Kharadar Branch, Kharadar, Karachi.	Mukhtar Ali Alwani (CNIC: 42301-4605058-9)	Sher Ali Alwani	1,275	88	751	2,114	475	88	751	1,314
3.	Inayatullah Memon Flat # 25, 3rd Floor, Hashim Galleria, Commercial Housing Scheme, Qasimabad, Hyderabad.	Inayatullah Memon (CNIC: 42201-4006030-9)	Khuda Dino	2,668	2,129	-	4,797	69	2,360	266	2,695
			Total	70,654	10,382	751	81,787	544	8,359	1,017	9,920



Annexure II

ISLAMIC BANKING BUSINESS

The Bank is operating 138 (2020: 106) Islamic banking branches and 145 (2020: 143) Islamic banking windows at the end of the year.

	Note	2021 (Rupees in '000)	2020
ASSETS			
Cash and balances with treasury banks		8,423,970	5,727,007
Balances with other banks		6,633	6,557
Due from financial institutions		–	2,175,301
Investments	1	126,593,021	71,453,147
Islamic financing and related assets-net	2	85,209,570	58,304,712
Fixed assets		691,623	479,006
Intangible assets		–	–
Due from Head Office		–	–
Other assets		8,215,798	5,167,572
Total Assets		229,140,615	143,313,302
LIABILITIES			
Bills payable		306,474	137,796
Due to financial institutions		30,479,303	18,962,087
Deposits and other accounts	3	128,090,092	93,238,405
Due to Head Office		39,305,108	14,457,740
Subordinated debt		–	–
Other liabilities		16,989,976	6,315,054
		215,170,953	133,111,082
NET ASSETS		13,969,662	10,202,220
REPRESENTED BY			
Islamic Banking Fund		7,600,000	7,600,000
Reserves		–	–
Deficit on revaluation of assets		(238,060)	(142,701)
Unappropriated profit	5	6,607,722	2,744,921
		13,969,662	10,202,220
CONTINGENCIES AND COMMITMENTS	6		



The profit and loss account of the Bank's Islamic banking branches for the year ended 31 December 2021 is as follows:

	Note	2021 (Rupees in '000)	2020
Profit / return earned	7	10,936,284	8,493,424
Profit / return expensed	8	(4,829,642)	(4,047,777)
Net Profit / return		6,106,642	4,445,647
Other income			
Fee and commission income		675,695	310,209
Dividend income		6,115	94,448
Foreign exchange income		145,850	97,171
Income / (loss) from derivatives		-	-
Gain on securities		10,123	169,484
Other income		42,498	95,723
Total other income		880,281	767,035
Total income		6,986,923	5,212,682
Other expenses			
Operating expenses		(3,129,078)	(2,349,393)
Other charges		(180)	(44)
Total other expenses		(3,129,258)	(2,349,437)
Profit before provisions		3,857,665	2,863,245
Reversals / (provisions) and write offs-net		5,136	(118,324)
Profit for the year		3,862,801	2,744,921

	2021				2020			
	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value
1. Investments by segments	(Rupees in '000)							
Federal Government Securities								
- Ijarah Sukuks	86,966,521	-	(489,423)	86,477,098	31,954,335	-	(208,246)	31,746,089
- Neelum Jhelum Hydropower Co Ltd. Sukuk	3,093,750	-	-	3,093,750	3,781,250	-	-	3,781,250
- Bai Muajjal with Government of Pakistan	9,222,783	-	-	9,222,783	11,328,818	-	-	11,328,818
- Islamic Naya Pakistan Certificate	807,152	-	-	807,152	-	-	-	-
	100,090,206	-	(489,423)	99,600,783	47,064,403	-	(208,246)	46,856,157
Shares								
- Listed Companies	80,455	(54,083)	11,665	38,037	97,442	(63,384)	15,861	49,919
Non Government Debt Securities								
- Listed	22,243,347	-	215,177	22,458,524	22,425,254	-	27,418	22,452,672
- Unlisted	3,973,000	-	-	3,973,000	2,025,000	-	-	2,025,000
	26,216,347	-	215,177	26,431,524	24,450,254	-	27,418	24,477,672
Units of Mutual Funds	351,022	(52,866)	24,521	322,677	100,000	(52,866)	22,265	69,399
Associates								
- AL Habib Islamic Cash Fund	100,000	-	-	100,000	-	-	-	-
- AL Habib Islamic Savings Fund	100,000	-	-	100,000	-	-	-	-
	200,000	-	-	200,000	-	-	-	-
Total Investments	126,938,030	(106,949)	(238,060)	126,593,021	71,712,099	(116,250)	(142,702)	71,453,147



	Note	2021	2020
(Rupees in '000)			
2. Islamic financing and related assets			
Ijarah	2.1	1,510,759	1,656,565
Murabaha	2.2	10,763,354	9,148,387
Diminishing Musharaka		14,068,266	11,404,565
Islamic Long Term Financing Facility (ILTF)		2,354,060	1,737,762
Istisna		5,342,869	2,364,376
Islamic Refinance for Renewable Energy (IFRE)		36,245	14,035
Islamic Refinance for Wages & Salaries (IRWS)		1,220,603	2,355,044
Islamic Refinance for Temporary Economic Refinance Facility (ITERF)		908,150	–
Islamic Export Refinance - Istisna		1,116,424	1,083,650
Musawamah		4,583,663	3,710,693
Islamic Export Refinance-Musawamah		529,750	826,500
Running Musharaka		326,612	84,799
Islamic Export Refinance-Running Musharaka		5,263,500	6,270,000
Financing against Bills-Musawamah		1,580,871	293,805
Staff Financing		1,025,435	594,202
Musawamah Inventory		2,290,127	1,700,257
Advance against Istisna		7,974,093	5,702,233
Advance against Istisna - IERF		9,475,930	4,829,300
Advance against Ijarah		505,797	735,441
Advance against Diminishing Musharaka		4,440,130	1,083,563
Advance against ILTF		1,756,300	1,082,706
Advance against IFRE		2,161,708	875,000
Advance against ITERF		6,101,556	914,221
Advance against IRF SME		39,925	–
Gross Islamic financing and related assets		85,376,127	58,467,104
Less: provision against Islamic financings			
- Specific		(123,001)	(135,936)
- General		(43,556)	(26,456)
		(166,557)	(162,392)
Islamic financing and related assets-net of provision		85,209,570	58,304,712

2.1 Ijarah

	2021						Book value as at 31 December 2021
	Cost			Accumulated depreciation			
	As at 01 January 2021	Additions / (deletions)	As at 31 December 2021	As at 01 January 2021	Charge for the year / (deletions)	As at 31 December 2021	
	(Rupees in '000)						
Plant and Machinery	404,078	348,701 (169,375)	583,404	179,121	191,555 (76,346)	294,330	289,074
Vehicles	2,227,410	540,587 (630,478)	2,137,519	891,153	490,799 (409,391)	972,561	1,164,958
Equipment	286,147	106,718 (189,457)	203,408	190,796	91,675 (135,790)	146,681	56,727
Total	2,917,635	996,006 (989,310)	2,924,331	1,261,070	774,029 (621,527)	1,413,572	1,510,759



	2020						Book value as at 31 December 2020
	Cost			Accumulated depreciation			
	As at 01 January 2020	Additions / (deletions)	As at 31 December 2020	As at 01 January 2020	Charge for the year / (deletions)	As at 31 December 2020	
	(Rupees in '000)						
Plant and Machinery	934,345	169,556 (699,823)	404,078	358,906	218,211 (397,996)	179,121	224,957
Vehicles	2,406,744	546,978 (726,312)	2,227,410	890,722	467,430 (466,999)	891,153	1,336,257
Equipment	607,883	— (321,736)	286,147	334,105	123,163 (266,472)	190,796	95,351
Total	3,948,972	716,534 (1,747,871)	2,917,635	1,583,733	808,804 (1,131,467)	1,261,070	1,656,565

2.1.1 Future ijarah payments receivable

	2021			2020		
	Not later than 1 year	Later than 1 year and less than 5 years	Total	Not later than 1 year	Later than 1 year and less than 5 years	Total
	(Rupees in '000)					
Ijarah rental receivables	160,721	1,192,485	1,353,206	685,438	871,283	1,556,721

Note

2021
(Rupees in '000)

2020

2.2 Murabaha

Murabaha financing	2.2.1	7,685,008	7,020,386
Advances for Murabaha		3,078,346	2,128,001
		10,763,354	9,148,387
2.2.1 Murabaha receivable-gross			
Less: Deferred murabaha income	2.2.2	7,929,218	7,202,836
Profit receivable shown in other assets	2.2.4	(130,922)	(75,641)
Murabaha financings		(113,288)	(106,809)
		7,685,008	7,020,386
2.2.2 The movement in Murabaha financing during the year is as follows:			
Opening balance		7,202,836	7,212,743
Sales during the year		32,356,284	26,037,743
Adjusted during the year		(31,629,902)	(26,047,650)
Closing balance		7,929,218	7,202,836
2.2.3 Murabaha sale price		32,281,567	25,990,650
Murabaha purchase price		(31,578,935)	(25,303,306)
		702,632	687,344
2.2.4 Deferred murabaha income			
Opening balance		(75,641)	(125,034)
Arising during the year		(704,180)	(694,160)
Less: Recognised during the year		648,899	743,553
Closing balance		(130,922)	(75,641)



3. Deposits and other accounts

	2021			2020		
	In local currency	In foreign currencies	Total (Rupees in '000)	In local currency	In foreign currencies	Total
Customers						
Current deposits	51,080,914	1,753,634	52,834,548	34,780,071	1,476,398	36,256,469
Savings deposits	44,206,742	1,946,099	46,152,841	33,690,149	1,458,082	35,148,231
Term deposits	19,890,218	-	19,890,218	21,354,917	-	21,354,917
	<u>115,177,874</u>	<u>3,699,733</u>	<u>118,877,607</u>	<u>89,825,137</u>	<u>2,934,480</u>	<u>92,759,617</u>
Financial institutions						
Current deposits	18,895	-	18,895	62,908	-	62,908
Savings deposits	9,193,590	-	9,193,590	415,880	-	415,880
	<u>9,212,485</u>	<u>-</u>	<u>9,212,485</u>	<u>478,788</u>	<u>-</u>	<u>478,788</u>
	<u>124,390,359</u>	<u>3,699,733</u>	<u>128,090,092</u>	<u>90,303,925</u>	<u>2,934,480</u>	<u>93,238,405</u>

	2021 (Rupees in '000)	2020
3.1 Composition of deposits		
- Individuals	76,106,049	58,871,300
- Government / Public Sector Entities	1,491,016	2,096,892
- Banking Companies	46	46
- Non-Banking Financial Institutions	9,212,439	478,742
- Private Sector	41,280,542	31,791,425
	<u>128,090,092</u>	<u>93,238,405</u>

3.1.1 Deposits includes eligible deposits covered under deposit protection mechanism as required by the Deposit Protection Act, 2016 amounting to Rs. 107,417.050 million (2020: Rs. 75,124.486 million).

	2021 (Rupees in '000)	2020
4. Charity Fund		
Opening balance	41,298	43,474
Additions during the year		
Received from customers on account of delayed payment	232	26,975
Charity accrued but not yet received	478	5,072
Dividend purification amount	825	205
Other Non - Shariah compliant income	942	2,330
Profit on charity saving account	1,032	2,314
	<u>3,509</u>	<u>36,896</u>
Payments / utilization during the year		
Health	(19,131)	(26,144)
Social Welfare	(12,698)	(10,428)
Education	-	(2,500)
	<u>(31,829)</u>	<u>(39,072)</u>
Closing balance	<u>12,978</u>	<u>41,298</u>



	2021	2020
	(Rupees in '000)	
4.1		
Detail of charity is as follows:		
Afzaal Memorial Thalassemia Foundation	3,000	–
Al Mustafa Trust	1,500	1,607
ASF Foundation	939	–
Bait-ul-Sukun	1,939	1,607
Child Aid Association	1,000	3,607
Dar-ul-Sukun	1,939	3,607
Edhi Foundation	1,939	3,607
Gawadar Development Authority Hospital	–	5,494
Green Crescent Trust	1,939	1,607
IDA RIEU Welfare Association	1,939	1,607
Indus Hospital	1,939	3,615
Jinnah Foundation	–	2,000
Karachi Down Syndrome Program	1,000	–
Lady Dufferin Hospital	1,000	–
National Institute of Child Health	1,000	3,000
Osmania Hospital	1,000	1,607
Pakistan Children's Heart Foundation	1,939	1,000
Pakistan Foundation Fighting Blindness	1,000	–
Panah Trust	1,000	–
Pink Ribbon	1,000	–
SIUT	1,939	3,607
The Cancer Foundation	939	–
The Kidney Centre	1,939	1,000
	<u>31,829</u>	<u>38,572</u>
5. Islamic Banking Business Unappropriated Profit		
Opening balance	2,744,921	2,551,373
Add: Islamic Banking profit for the year	3,862,801	2,744,921
Less: Remitted to Head Office	–	(2,551,373)
Closing balance	<u>6,607,722</u>	<u>2,744,921</u>
6. Contingencies and Commitments		
- Guarantees	10,930,898	4,415,658
- Commitments	27,490,079	17,468,898
	<u>38,420,977</u>	<u>21,884,556</u>
7. Profit / Return Earned on Financing, Investments and Placement		
Profit earned on:		
Financing	3,999,268	4,389,705
Investments	6,915,752	3,712,628
Placements	21,264	391,091
	<u>10,936,284</u>	<u>8,493,424</u>
8. Profit on Deposits and Other Dues Expensed		
Deposits and other accounts	3,601,731	3,594,464
Due to Financial Institutions	403,087	259,532
Due to Head Office	824,824	193,781
	<u>4,829,642</u>	<u>4,047,777</u>



9. Profit and Loss Distribution and Pool Management

9.1 The number and nature of pools maintained by the Islamic Banking Branches along with their key features and risk and reward characteristics:

General Pool PKR (Mudaraba)

Deposits which assume minimal risk of loss due to diversified assets being tagged thereto are parked in the general pool. In case of loss in general pool, the loss will be borne by the general pool members.

Special Pool(s) PKR (Mudaraba)

Special pool(s) are created where the customers desire to invest in high yield assets. In case of loss in a special pool the loss will be borne by the special pool members.

General Pool FCY (Mudaraba)

In FCY pool, all FCY deposits and Investments are parked to share the return among the FCY deposit holders. In case of loss in a FCY General Pool, the loss will be borne by the FCY general pool members.

Special Pool FCY (Mudaraba)

Special pool(s) are created where the customers desire to invest in high yield assets. In case of loss in a special pool the loss will be borne by the special pool members.

Islamic Export Refinance Scheme (IERS) Pool PKR (Musharaka)

IERS pool is required by the SBP to facilitate the exporters under Islamic Export Refinance Scheme.

Equity Pool

Investments with relatively higher risks such as investment in shares and mutual funds are tagged to the equity pool in order to safeguard the interest of depositors. The Bank as Mudarib in the general pool is responsible for administrative costs and cost of operating fixed assets, which are financed from equity. Furthermore, subsidized financing to employees are also financed from equity as per SBP guidelines.

Parameters associated with risk and rewards:

Following are the key considerations attached with risk and reward of the pool:

- Period, return, safety, security and liquidity of investment.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organisations as regulated in Pakistan.
- Element of risk attached to various types of investments.
- SBP rules and Shariah clearance.

9.2 Avenues / sectors of economy / business where Mudaraba based deposits have been deployed:

The Mudaraba based funds have been deployed in the following avenues / sectors / business:

- Chemical and pharmaceuticals
- Agribusiness
- Textile
- Sugar
- Shoes and leather garments
- Investment in sukuks, shares and mutual funds
- Production and transmission of energy
- Food and allied except sugar
- Cement
- Financial
- Wheat
- Individuals
- Others (domestic whole sale, engineering goods, plastic product, etc.)



9.3 Parameters used for allocation of profit, charging expenses and provisions etc. along with a brief description of their major components:

The Bank's Islamic Banking Division (IBD) is accepting Term Deposits and Saving Deposits under Mudaraba arrangements, wherein the Bank is Mudarib and depositors are Rab-UI-Maal. The Bank with the prior approval of Depositors also commingles its funds with those of depositors.

The funds so generated are invested by the Bank in Shariah compliant modes of financing and investments such as Murabaha, Ijarah, Istisna, Diminishing Musharakah, Running Musharakah, Musawama, Shares, Mutual Funds and Sukuks etc.

The Bank calculates the profit of the pool at every month. Profit is distributed at the net income level. Net income is calculated after deducting direct costs such as cost of Murabaha, cost of Takaful, depreciation on Ijarah Assets, and amortization of premium on sukuks and loss of investments directly incurred in deriving that Income.

The net income / loss is being allocated between the Bank's equity and the depositors' fund in proportion to their respective share in pool.

The Bank's profit sharing ratio during the year was 50% (2020: 50%) of Net Income and the depositors' profit sharing ratio was 50% (2020: 50%) of net income.

After the allocation of Income between the equity holder and depositors the profit is distributed among the account holders on the basis of predetermined weightages, announced by the Bank at the beginning of the month based on their respective category / tiers. In case of loss, Rab-ul-Maal has to bear the loss in the ratio of its investment.

In case of provisioning, the general and specific provisions created against non-performing financing and diminution in the value of investments as under prudential regulations and other SBP directives shall be borne by the IBIs as Mudarib. However, write-offs of financings and loss on sale of investments shall be charged to the pool along with other direct expenses.

9.4 Mudarib share and HIBA distributed to depositor's pool and specific pool

	2021				
	Distributable Income (Rupees in '000)	Mudarib Share	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	6,921,290	2,821,081	40.76%	342,246	12.13%
FCY Pool	85,200	79,472	93.28%	8,594	10.81%
	2020				
LCY Pool	6,354,802	2,118,598	33.34%	413,276	19.51%
FCY Pool	96,447	61,600	63.87%	8,754	14.21%

2021
(Percentage) 2020

9.5 Profit rate earned vs. profit rate distributed to the depositors during the year

Profit rate earned	7.21%	9.99%
Profit rate distributed	3.34%	4.69%



Complaint Handling

The Bank has a comprehensive Customer Grievances Handling Policy, which is based on the principles of fairness, promptness, and customer's right to approach alternate remedial avenues in case of need. Customers may register their complaints through Call Center, Bank's Website, direct emails, Social Media and letters through drop-boxes or directly to Customer Services Division/CEO's Office, which are promptly logged and acknowledged. The complaints are tracked for end-to-end resolution within regulatory timelines and escalated to Senior Management, as required. In case a complainant is not satisfied with the resolution provided by the Bank, he may escalate his complaint to Banking Mohtasib Pakistan. This process is communicated to customers through notices in Branches and the Website.

During 2021, Bank's Customer Complaint Unit has been further strengthened to ensure quick resolution of customers' complaints. Further, training on complaints handling guidelines was also provided to a large number of staff.

In 2021, the Bank received 216,799 complaints which were investigated and closed within an average turnaround time of 4 working days.



Report of Shariah Board for the year ending December 31, 2021

In the name of Allah, the Beneficent, the Merciful

1. While the Board of Directors and Executive Management are solely responsible to ensure that the operations of Bank AL Habib – Islamic Banking Division (BAHL-IBD) are conducted in a manner that comply with Shariah principles and guidelines issued by the Shariah Board of the BAHL-IBD at all times. The Shariah Governance Framework issued by the State Bank of Pakistan, required from the Shariah Board (SB) to submit a report on the overall Shariah compliance environment of BAHL-IBD.
2. To form the opinion as expressed in this report, the Shariah Compliance Department carried out Shariah Reviews, on test check basis, of each class of transactions, the relevant documentation and process flows. Further, during the last year, Shariah Board reviewed the Internal Shariah Audit and External Shariah Audit Reports. Based on above, we are of the view that:
 - I. BAHL-IBD has complied with Shariah rules and principles in the light of fatawa, rulings and guidelines issued by its Shariah Board.
 - II. BAHL-IBD has complied with directives, regulations, instructions and guidelines i.e. related to Shariah compliance issued by SBP in accordance with the rulings of SBP's Shariah Board.
 - III. BAHL-IBD has complied with the SBP instructions on profit and loss distribution and Pool Management. On recommendations of Shariah Board measures are being taken to further strengthen the Pool Management system.
 - IV. BAHL-IBD has a comprehensive mechanism in place to ensure Shariah Compliance in its overall operations.
 - V. The Shariah Board appreciates the view and commitment of BOD towards ensuring the Shariah Compliance in the products, processes and operations of the BAHL-IBD. Improvement is required in level of awareness of Islamic Banking staff as well Executive Management in order to improve their understanding on the importance of Shari'ah Compliance in their respective areas, particularly in Foreign Trade Department.
 - VI. The Management has provided adequate resources to Shariah Compliance Department and also committed to provide further staff enabling them to discharge their duties effectively.
 - VII. The Bank has a well-defined mechanism in place which is sound enough to ensure that any earnings realized from sources or by means prohibited by Shariah have been credited to charity account and are being properly utilized. In year 2021, charity amount of Rs. 12.499 Million has been realized, out of which an income of Rs. 0.941 Million was credited to charity due to Shariah non-compliance as per instructions of Shariah Board. An amount of Rs. 31.823 Million has been granted to various charitable institutions against previous year's balances.

Mufti Sher Ali
Resident Shariah Board Member

Mufti Muhammad Hamza
Shariah Board Member

Mufti Mohib ul Haq Siddiqui
Shariah Board Member

Mufti Ismatullah Hamdullah
Chairman Shariah Board

Karachi: 07 February, 2022



Notice of Annual General Meeting

Notice is hereby given that the Thirty-first Annual General Meeting of Bank AL Habib Limited will be held at the Registered Office of the Bank located at 126-C, Old Bahawalpur Road, Multan, on Tuesday, March 29, 2022 at 10:30 a.m. to transact the following business. The shareholders may also attend the meeting through electronic means as advised by Securities and Exchange Commission of Pakistan (SECP).

1. To receive and adopt the Audited Annual Accounts and Consolidated Accounts of the Bank for the year ended December 31, 2021 together with the Reports of Chairman, Directors and Auditors.
2. To consider and approve payment of cash dividend @ 70%, i.e., Rs. 7.0 per share of Rs. 10/- each for the year ended December 31, 2021 as recommended by the Board of Directors.
3. To appoint auditors for the year 2022 and to fix their remuneration. EY Ford Rhodes, Chartered Accountants, being eligible, offer themselves for re-appointment.
4. To elect Directors of the Bank in accordance with Section 159(1) of the Companies Act, 2017. The number of Directors to be elected pursuant to Section 159(1) of the Companies Act, 2017 has been fixed at 10 (ten) by the Board of Directors including one female Director in compliance with clause 7 of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

The following are the retiring Directors, who may offer themselves for election:

Mr. Abbas D. Habib, Mr. Anwar Haji Karim, Ms. Farhana Mowjee Khan, Syed Mazhar Abbas, Mr. Qumail R. Habib, Mr. Safar A. Lakhani, Syed Hasan Ali Bukhari, Mr. Murtaza H. Habib, Mr. Arshad Nasar, and Mr. Adnan Afridi - NIT Nominee.

5. To consider any other business of the Bank with the permission of the Chair.

Special Business

6. To Consider and approve increase in Authorized Capital of the Bank from Rs. 15,000,000,000 (Rupees Fifteen Billion) to Rs. 25,000,000,000 (Rupees Twenty Five Billion).
7. To consider and approve the conversion terms of Tier 2 Term Finance Certificates of the Bank, issued in 2021 in the amount of Rs. 5,000,000,000 (Rupees Five Billion) into Ordinary Shares of the Bank upon occurrence of a conversion event if so required by the State Bank of Pakistan.
8. To consider and approve the conversion terms of Tier 1 Term Finance Certificates of the Bank, intended to be issued in 2022 in the amount of Rs. 7,000,000,000 (Rupees Seven Billion) into Ordinary Shares of the Bank upon occurrence of a conversion event if so required by the State Bank of Pakistan.
9. To consider and approve remuneration payable to Executive Director of the Bank.

Statements under Section 166(3) for Item No. 4, and under Section 134(3) of the Companies Act, 2017 in respect of special business contained in Items Nos. 6, 7, 8 & 9 are annexed

By order of the Board

Karachi: March 08, 2022

MOHAMMAD TAQI LAKHANI
Company Secretary

Notes:

1. Participation in the Annual General Meeting (AGM) through Electronic Means:

The entitled shareholders who are interested to attend AGM through online platform and whose names appeared in the Books of the Bank by the close of business on March 18, 2022 are hereby requested to get themselves registered with the Company Secretary Office by providing the following details at the earliest but not later than 48 hours before the time of AGM (no account shall be taken of any part of the day that is not a working day) at agm@bankalhabib.com.



Name of Shareholder	CNIC No.	Folio Number /CDC No.	Cell Number	Email Address

Upon receipt of the above information from interested shareholders, the Bank will send the login details at their email addresses. On the AGM day, shareholders will be able to login and participate in the AGM proceedings through their smartphones or computer devices from any convenient location.

The login facility will be opened 30 minutes before the meeting time to enable the participants to join the meeting after identification and verification process.

The entitled shareholders (whose names appeared in the Books of the Bank by the close of business on March 18, 2022) along with the details mentioned above may send their comments/suggestions for the proposed Agenda items at the above email address atleast 48 hours before the time of AGM (no account shall be taken of any part of the day that is not a working day).

2. Any member desirous to contest the election of Directors shall file the following with Company Secretary of the Bank at its Registered Office located at 126-C, Old Bahawalpur Road, Multan, not later than 14 days before the day of the above said meeting:
 - (a) His/Her intention to offer himself/herself for the election in terms of Section 159(3) of the Companies Act, 2017. He/She should also confirm that:
 - (i) He/She is not ineligible to become a director of the Bank under any applicable laws and regulations.
 - (ii) Neither he/she nor his/her spouse is engaged in the business of brokerage or is a sponsor, director or officer of a corporate brokerage house.
 - (iii) He/She is not serving as a director in more than seven listed companies simultaneously. Provided that this limit shall not include the directorships in the listed subsidiaries of a listed holding company.
 - (iv) In case of Independent Director, a declaration of Independence in terms of Section 166(2) of the Companies Act, 2017 as required under clause 6(3) of Listed Companies (Code of Corporate Governance) Regulations, 2019.
 - (b) Consent to act as Director in Form 28 under Section 167 of the Companies Act, 2017.
 - (c) Fit and Proper Test Proforma, Affidavit, Declarations, and Questionnaire as provided in "Corporate Governance Regulatory Framework" issued by SBP vide BPRD Circular No. 5 dated November 22, 2021.
3. In terms of the criteria prescribed by SBP, a person shall not be eligible to become a Director of a bank, if the person:
 - (a) is disqualified/ineligible under Banking Companies Ordinance 1962, Companies Act 2017, and other applicable laws, rules and regulations;
 - (b) is in default of payment of dues owed to any financial institution in personal capacity;
 - (c) is associated as executive director/sponsor director/nominee of the sponsor and/or President/CEO of a proprietary concern, partnership firm, or corporate body excluding public sector organization, which is in default of dues owed to any financial institution;
 - (d) has contravened any of the requirements and standards of SBP or equivalent standards/requirements of other local or foreign regulatory authorities, professional bodies, or government bodies/agencies of such a nature that makes such person's association with the bank/DFI undesirable;
 - (e) is a designated person / proscribed person or is associated directly or indirectly with any designated person / proscribed person;
 - (f) is convicted of or is associated directly or indirectly with any person convicted of any serious offence, including any Money Laundering/ Terrorism Financing offence or any predicate offence set out in Schedule I of the Anti-Money Laundering Act, 2010.



It should also be noted that under SBP regulations a person is not permitted to be a Director of more than one financial institution, and the Directors will not assume the charge of their respective offices until their appointments are approved in writing by SBP.

4. A copy of relevant documents may be obtained from the office of the Company Secretary of the Bank or may be downloaded from the website of SBP.
5. A detailed profile along with office address will be available on website as required under SECP's SRO 1196 (I)/2019, dated October 03, 2019.
6. The share transfer book of the Bank will remain closed from March 21, 2022 to March 29, 2022 (both days inclusive). Transfers received in order at the office of our Share Registrar, CDC Share Registrar Services Limited, located at CDC House, 99-B, Block B, S.M.C.H.S., Main Shahra-e-Faisal, Karachi – 74400, by the close of business on March 18, 2022 will be treated in time for payment of cash dividend (subject to approval of the members). Members are requested to promptly communicate any change in their addresses to our above-mentioned Share Registrar.
7. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend, speak and vote on his/her behalf. A proxy (except for a corporation) must be a member of the Bank. Proxy form, in order to be effective, must be received at the Registered Office of the Bank located at 126-C, Old Bahawalpur Road, Multan, duly stamped and signed not less than 48 hours before the time of meeting (no account shall be taken of any part of the day that is not a working day).
8. The entitled shareholders are requested to keep with them their original Computerized National Identity Cards (CNICs) / Passport along with their folio numbers / participant(s) ID numbers and CDC account numbers at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders. The proxy shall also produce his/her original CNIC or Passport at the time of the meeting. In case of a corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signatures shall be submitted along with Proxy Form in the Bank.

9. Payment of Cash Dividend through Electronic Mode

Under the provision of Section 242 of Companies Act, 2017 and Companies (Distribution of Dividends) Regulations, 2017, it is mandatory for a listed company to pay cash dividend to their shareholders only through electronic mode directly into the bank account designated by the entitled shareholders instead of issuing physical dividend warrants.

In order to receive cash dividend directly into the designated bank account, members who have not yet provided the bank account details are requested to fill and sign the "E-Dividend Bank Mandate Form" available on the Bank's website link, <https://www.bankalhabib.com/download-forms>, and send to the relevant Participants/Investor Account Services of the CDC/Share Registrar of the Bank (as the case may be) latest by March 18, 2022 along with a copy of their valid CNICs. The aforesaid form is also available in the Annual Report of the Bank.

In case of non-receipt or incorrect International Bank Account Number (IBAN) with other related details or non-availability of valid CNICs, the Bank will withhold cash dividend of such members.

10. The Government of Pakistan through Finance Act, 2021 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of cash dividend paid by the companies/banks. These tax rates are as follows:

(a) For filers of income tax returns	15%
(b) For non-filers of income tax returns	30%

To enable the Bank to make tax deduction on the amount of cash dividend @ 15% instead of 30% all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of cash dividend i.e., March 29, 2022; otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

According to FBR, withholding tax will be determined separately on 'Filer/Non-Filer' status of principal shareholder as well as joint-shareholder(s) based on their shareholding proportions, in case of joint accounts. Members that hold shares with joint-shareholder(s) are requested to provide shareholding proportions of principal shareholder and joint-shareholder(s) in respect of shares held by them to the Bank's Share Registrar in writing in the following format.



Bank Name	Folio/CDC Account No.	Total Shares	Principal Shareholder		Joint-Shareholder(s)	
			Name and CNIC	Shareholding Proportion (No. of Shares)	Name and CNIC	Shareholding Proportion (No. of Shares)

In case the required information is not provided to our Share Registrar latest by March 18, 2022, it will be assumed that the shares are equally held by them.

In case of corporate entity, withholding tax exemption from dividend income shall only be allowed if copy of valid tax exemption certificate is made available to our Share Registrar latest by March 18, 2022.

As per instructions of Securities & Exchange Commission of Pakistan (SECP) and Central Depository Company of Pakistan (CDC) circular No. 6 of 2018, the shareholders are hereby informed that the CDC has developed Centralized Cash Dividend Register (CCDR) on eServices Web Portal which contains details of cash dividend such as either paid or unpaid, withheld by the Bank, total amount of cash dividend, tax and zakat deductions and net amount credited into designated bank account of shareholders. The shareholders are requested to register themselves to CDC's eServices Portal link, <https://eservices.cdcaccess.com.pk> to obtain the aforesaid information.

11. Audited Financial Statements through e-mail

SECP through its Notification SRO 787(I)/2014 dated September 8, 2014 has allowed the circulation of Audited Financial Statements along with Notice of Annual General Meeting to the members through e-mail. Soft copies of Annual Report 2021 including Audited Financial Statements and Notice of Annual General Meeting are being e-mailed to the members who have provided their e-mail addresses for the said purpose. Other members of the Bank who wish to receive soft copy of Annual Report are requested to send their e-mail addresses to our Share Registrar through consent form. The said consent form for electronic transmission can be downloaded from the Bank's website link, <https://www.bankalhabib.com/reports> Audited Financial Statements and reports are being placed on the aforesaid link.

Members are also requested to intimate change (if any) in their registered e-mail addresses to our Share Registrar for the above-mentioned purpose.

Additional Information for Shareholders:

a. Unclaimed / Unpaid Cash dividend and Share Certificates:

In compliance of Section 244 of the Act, the Bank has already requested through individual letters to shareholders and also through newspaper dated May 25, 2021 to collect their unclaimed shares / unpaid cash dividend, if any. Shareholders are once again requested to lodge a claim for unclaimed shares / unpaid cash dividends with the Bank's Share Registrar i.e. CDC Share Registrar Services Limited.

b. Deposit / Conversion of Physical shares into Book-Entry form:

The shareholders having shares in physical share certificates of the Bank are advised to place / convert their physical shares into Book-Entry form in CDC as required under the provisions of Section 72 of the Companies Act, 2017.



Statement under Section 166(3) of the Companies Act, 2017

Item No. 4 of the Agenda

Statement under Section 166(3) of the Companies Act, 2017 in respect of Election of Independent Directors of the Bank:

Independent Directors will be elected through the process of election of directors in terms of Section 159 of the Companies Act, 2017 and they shall meet the criteria laid down under Section 166 (2) of the Companies Act, 2017.

Statement under Section 134(3) of the Companies Act, 2017

The statement is annexed to the Notice of the Thirty-first (31st) Annual General Meeting of Bank AL Habib Limited at which a special business is to be transacted. The purpose of this statement is to set forth the material fact concerning such special business.

Item No. 6 of the Agenda

As recommended by the Board of Directors in their meeting held on February 09, 2022, it is proposed to increase the Authorised Capital of the Bank from Rs. 15,000,000,000 (Rupees Fifteen Billion) to Rs. 25,000,000,000 (Rupees Twenty Five Billion) to meet the future requirements of paid-up capital and to pass the following resolutions as a Special Resolutions:

“RESOLVED THAT the Authorised Capital of the Bank be and is hereby increased from Rs. 15,000,000,000 (Rupees Fifteen Billion) to Rs. 25,000,000,000 (Rupees Twenty Five Billion) by the creation of 1,000,000,000 Ordinary Shares of Rs. 10/- each.

FURTHER RESOLVED THAT the figures and words “Rs. 15,000,000,000 (Rupees Fifteen Billion) divided into 1,500,000,000 (One Billion Five Hundred Million) ordinary shares of Rs. 10/- each” appearing in Clause V of the Memorandum of Association and that the figures and words “Rs. 15,000,000,000 (Rupees Fifteen Billion) divided into 1,500,000,000 (One Billion Five Hundred Million) ordinary shares of Rs. 10/- each” in Article 4 of the Articles of Association of the Bank be and are hereby substituted by the figures and words “Rs. 25,000,000,000 (Rupees Twenty Five Billion) divided into 2,500,000,000 (Two Billion Five Hundred Million) ordinary shares of Rs. 10/- each”.

Item No. 7 of the Agenda

In order to contribute towards its Tier 2 Capital, Bank AL Habib Limited (the “Bank”) has issued redeemable capital in the form of Term Finance Certificates (“TFCs”) amounting to Rs. 5,000,000,000/- (Rupees Five Billion), pursuant to the terms of the TFC Issuance Agreement dated September 24, 2021 in accordance with the Basel III Capital Instructions issued by SBP vide BPRD Circular No. 6 dated August 15, 2013.

Pursuant to the Basel III Capital Instructions, if SBP determines that a Point of Non-Viability (“PONV”) has occurred, it may direct a bank to convert its Tier 2 Capital instruments (or any part thereof), including TFCs, into ordinary shares of the bank at such time or times and for such consideration and on such terms and conditions as may be determined by SBP, under and pursuant to and in accordance with the Basel III Capital Instructions and any other instructions issued by SBP.



Additional information required as per applicable laws and regulations is as follows:

Name of the persons to whom shares will be issued	The shares will be issued to the TFC Holders (at that time).
Price at which the proposed shares will be issued	At a price equivalent to market value of the shares of the Bank on the date of trigger of PONV as declared by SBP.
Purpose of the issue, utilization of the proceeds of the issue and benefits to the Bank and its shareholders with necessary details	To convert the outstanding TFC amount (in whole or part) into shares of the Bank.
Existing shareholding of the persons to whom the proposed shares will be issued	Not Applicable
Total shareholding of the persons after the proposed issue of shares	Not Applicable
Whether the persons have provided written consent for purchase of such shares	The terms of the TFC Issuance Agreement for the TFC issue contain the details regarding such conversion.
Justification as to why proposed shares are to be issued otherwise than rights and not as rights shares	This is in accordance with the requirements of SBP vide its Circular No. 6 of Banking Policy and Regulation Department ("BPRD") dated August 15, 2013.
Justification, with details of the latest available market price and break-up value per share, if such price differs from par value	Not Applicable
Details of the average market price during the last 3 (three) months and 6 (six) months preceding the Board announcement as well as the latest available market price	Not Applicable

Therefore, for the purpose of the above, the Board of Directors has recommended that members may pass the following resolution as a Special Resolutions:

"RESOLVED THAT the Term Finance Certificates ("TFCs") of Bank AL Habib Limited in the amount of Rs. 5,000,000,000/- (Rupees Five Billion) issued pursuant to the terms of the TFC Issuance Agreement dated September 24, 2021 for the purpose of Tier 2 Capital under Basel III Capital Instructions of the State Bank of Pakistan ("SBP"), may be converted into ordinary shares of the Bank subject to a maximum of 80,000,000 (Eighty Million) additional ordinary shares being issued upon such conversion, if so directed by SBP on the occurrence of a point of non-viability as determined by SBP, at a price equivalent to the market value of the shares of the Bank on the date of trigger of the point of non-viability as declared by SBP, in accordance with the applicable rules and regulations of SBP, and all such ordinary shares shall be issued other than by way of rights in accordance with Section 83(1)(b) of the Companies Act, 2017 and shall further be subject to the approval of Securities and Exchange Commission of Pakistan in accordance with Section 83(1)(b) of the Companies Act, 2017.

"FURTHER RESOLVED THAT the Board of Directors of the Bank ("the Board") or such officers or officers of the Bank as may be authorized by the Board, be and are hereby authorized to take all steps necessary, ancillary, and incidental to the above-mentioned conversion, as and when required, and are further authorized to sign, execute, and deliver all necessary documents, agreements, and letters on behalf of the Bank, as may be deemed appropriate and as may be required for the purposes above-mentioned."

The ordinary shares issued will rank pari passu in all respects with the existing shares of the Bank.

The Directors of the Bank have no direct or indirect interest in the above-mentioned resolutions except in their capacity as shareholders of the Bank to the extent of their respective shareholding.



Item No. 8 of the Agenda

In order to contribute towards its Additional Tier 1 Capital, Bank AL Habib Limited (the “Bank”) intends to issue perpetual, rated, unsecured, non-cumulative and subordinated Term Finance Certificates (“TFCs”) amounting up to Rs. 7,000,000,000/ (Rupees Seven Billion) inclusive of a green shoe option of Rs. 3,000,000,000/- (Rupees Three Billion), in accordance with the Basel III Capital Instructions issued by SBP vide BPRD Circular No. 6 dated August 15, 2013. The Bank may at its option, have the TFCs subsequently listed on the Pakistan Stock Exchange Limited pursuant to the Privately Placed Debt Securities Listing Regulations of the Pakistan Stock Exchange Limited.

The aforesaid TFCs may be converted into ordinary shares of the Bank in accordance with the applicable rules and regulations of SBP, subject to a maximum of 118,574,000 (One Hundred Eighteen Million Five Hundred Seventy Four Thousand) additional ordinary shares being issued upon such conversion, (i) if so directed by SBP on the occurrence of a point of non-viability as determined by SBP or (ii) at the option of the Bank upon the occurrence of a pre-specified trigger point pursuant to Basel III Capital Instructions of SBP, or (iii) due to any inability to exercise the Lock-in Clause or Non-Cumulative features of the TFCs, subject to such terms and conditions as may be determined by SBP. All such ordinary shares shall be issued other than by way of rights in accordance with Section 83(1)(b) of the Companies Act, 2017.

Additional information required as per applicable laws and regulations is as follows.

Name of the person to whom shares will be issued	The shares will be issued to the TFC holders (at that time).
Prices at which the proposed shares will be issued	(i) Point of non-viability: at a price equivalent to market value of the shares of the Bank (ii) Pre-specified trigger point: at a price equivalent to market value of the shares of the Bank (iii) Inability to exercise the Lock-in Clause or Non-Cumulative features: at the discretion of SBP
Purpose of the issue, utilization of the proceeds of the issue and benefits to the Company and its shareholders with necessary details	To convert the outstanding TFC amount (in whole or part) into shares of the Bank.
Existing shareholding of the persons to whom the proposed shares will be issued	Not Applicable
Total shareholding of the persons after the proposed issue of shares	Not Applicable
Whether the person have provided written consent for purchase of such shares	The terms of the TFC Issuance Agreement for the TFC issue shall contain the details regarding such conversion.
Justification as to why proposed shares are to be issued otherwise than rights and not as rights shares	This is in accordance with the requirements of SBP vide its Circular No. 6 of Banking Policy & Regulations Department (“BPRD”) dated August 15, 2013.
Justification, with details of the latest available market price and break-up value per share, if such price differs from par value	Not Applicable.



Therefore, for the purpose of the above, the Board of Directors has recommended that members may pass the following resolution as a Special Resolutions:

“RESOLVED THAT the perpetual Term Finance Certificates (“TFCs”) of Bank AL Habib Limited (the “Bank”) in the amount of up to Rs. 7,000,000,000/= (Rupees Seven Billion) (inclusive of a green shoe option of PKR 3,000,000,000/- (Pak Rupees Three Billion) for the purpose of Additional Tier 1 Capital under Basel III Capital Instructions of the State Bank of Pakistan (“SBP”), may be converted into ordinary shares of the Bank subject to a maximum of 118,574,000 (One Hundred Eighteen Million Five Hundred Seventy Four Thousand) additional ordinary shares being issued upon such conversion, (i) if so directed by SBP on the occurrence of a point of non-viability as determined by SBP, at a price equivalent to the market value of the shares of the Bank on the date of trigger of the point of non-viability as declared by SBP or (ii) at the option of the Bank upon the occurrence of a pre-specified trigger point pursuant to Basel III Capital Instructions of SBP, at a price equivalent to the market value of the shares of the Bank on the date of occurrence of the pre-specified trigger point, or (iii) due to any inability to exercise the Lock-in Clause or Non-Cumulative features of TFCs, subject to such terms and conditions as may be determined by SBP, in accordance with the applicable rules and regulations of SBP, and all such ordinary shares shall be issued other than by way of rights in accordance with Section 83(1)(b) of the Companies Act, 2017 and shall further be subject to the approval of Securities and Exchange Commission of Pakistan in accordance with Section 83(1)(b) of the Companies Act, 2017.

“FURTHER RESOLVED THAT the Board of Directors of the Bank (“the Board”) or such officers or officers of the Bank as may be authorized by the Board, be and are hereby authorized to take all steps necessary, ancillary, and incidental to the above-mentioned conversion, as and when required, and are further authorized to sign, execute, and deliver all necessary documents, agreements, and letters on behalf of the Bank, as may be deemed appropriate and as may be required for the purposes above-mentioned.”

The ordinary shares issued will rank pari passu in all respects with the existing shares of the Bank.

The Directors of the Bank have no direct or indirect interest in the above-mentioned resolutions except in their capacity as shareholders of the Bank to the extent of their respective shareholding.

Item No.9 of the Agenda

As recommended by the Board of Directors in their meeting held on February 09, 2022, it is intended to propose the following resolution to be passed as an Ordinary Resolution:

“RESOLVED THAT the remuneration of Mr. Qumail R. Habib, Executive Director shall not exceed Rs. 3,750,000/- per month exclusive of perquisites, benefits and other allowances to which he is entitled under the terms of his employment.”



Pattern of Shareholding as at December 31, 2021

Number of Shareholders	Size of Shareholding				Total Shares Held
506	From	1	To	100	20,259
842	From	101	To	500	275,816
587	From	501	To	1,000	478,915
2,045	From	1,001	To	5,000	5,600,003
604	From	5,001	To	10,000	4,543,191
334	From	10,001	To	15,000	4,175,150
1,145	From	15,001	To	20,000	20,985,919
97	From	20,001	To	25,000	2,190,873
72	From	25,001	To	30,000	2,000,433
64	From	30,001	To	35,000	2,095,064
88	From	35,001	To	40,000	3,293,209
87	From	40,001	To	50,000	4,043,442
55	From	50,001	To	60,000	3,011,898
89	From	60,001	To	80,000	6,185,290
59	From	80,001	To	100,000	5,439,116
93	From	100,001	To	150,000	11,053,693
76	From	150,001	To	200,000	13,546,818
38	From	200,001	To	250,000	8,359,870
28	From	250,001	To	300,000	7,690,959
20	From	300,001	To	350,000	6,481,605
101	From	350,001	To	600,000	47,238,802
46	From	600,001	To	1,000,000	35,577,298
144	From	1,000,001	To	100,000,000	917,137,793
7,220					1,111,425,416

Categories of Shareholders	Number of Shareholders	Number of Shares Held	Percentage
Individuals	6,854	600,666,290	54.05
Investment & Insurance Companies	14	109,704,394	9.87
Joint Stock Companies	136	167,700,496	15.09
Financial Institutions	12	11,278,034	1.01
Modaraba & Mutual Funds	38	90,625,476	8.15
Foreign Companies	17	29,481,562	2.65
Pension Funds	27	34,637,665	3.12
Others	122	67,331,499	6.06
TOTAL	7,220	1,111,425,416	100.00



Pattern of Shareholding as at December 31, 2021 Additional Information

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Companies		
Habib Insurance Co. Ltd.	1	2,000,000
Habib Sugar Mills Limited	1	24,136,691
Mutual Funds		
TRI-STAR MUTUAL FUND LIMITED	1	1,904
SAFEWAY FUND (PVT) LTD.	1	5,001
CDC - TRUSTEE UBL DEDICATED EQUITY FUND	1	15,800
CDC-TRUSTEE NITPF EQUITY SUB-FUND	1	20,000
CDC - TRUSTEE NBP PAKISTAN GROWTH EXCHANGE TRADED FUND	1	34,314
CDC - TRUSTEE FIRST HABIB ASSET ALLOCATION FUND	1	36,500
CDC - TRUSTEE NIT PAKISTAN GATEWAY EXCHANGE TRADED FUND	1	40,290
CDC - TRUSTEE FIRST HABIB STOCK FUND	1	45,500
CDC - TRUSTEE LAKSON TACTICAL FUND	1	47,747
CDC - TRUSTEE HBL PF EQUITY SUB FUND	1	58,000
CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	1	92,000
CDC - TRUSTEE HBL - STOCK FUND	1	119,000
CDC - TRUSTEE NIT ASSET ALLOCATION FUND	1	120,000
CDC - TRUSTEE ALFALAH GHP VALUE FUND	1	156,301
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	180,032
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	1	192,961
CDC - TRUSTEE JS LARGE CAP. FUND	1	273,020
CDC - TRUSTEE APF-EQUITY SUB FUND	1	290,000
CDC - TRUSTEE ALLIED FINERGY FUND	1	293,000
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	1	302,134
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1	302,246
CDC - TRUSTEE PICIC INVESTMENT FUND	1	307,000
CDC - TRUSTEE NBP BALANCED FUND	1	334,400
CDC - TRUSTEE LAKSON EQUITY FUND	1	349,250
CDC - TRUSTEE PICIC GROWTH FUND	1	407,317
CDC - TRUSTEE NBP SARMAYA IZAFAT FUND	1	468,650
CDC - TRUSTEE NBP FINANCIAL SECTOR FUND	1	849,383
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	864,489
CDC - TRUSTEE ALFALAH GHP STOCK FUND	1	900,847
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	1	935,500
MC FSL - TRUSTEE JS GROWTH FUND	1	1,583,600
CDC - TRUSTEE ABL STOCK FUND	1	1,675,929
CDC - TRUSTEE UBL FINANCIAL SECTOR FUND	1	2,182,467
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	4,204,495
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	5,501,438
CDC - TRUSTEE NBP STOCK FUND	1	10,290,200
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST National Bank of Pakistan, Trustee Dept.	1	57,144,749



Shareholders' Category	Number of Shareholders	Number of Shares Held
Directors		
Abbas D. Habib	1	42,450,257
Qumail R. Habib	1	17,522,296
Anwar Haji Karim	1	6,349,159
Murtaza H. Habib	1	13,698,691
Syed Mazhar Abbas	1	18,474
Syed Hasan Ali Bukhari	1	15,092
Arshad Nasar	1	500
Safar Ali Lakhani	1	116,840
Farhana Mowjee Khan	1	25,180
Chief Executive Officer		
Mansoor Ali Khan	-	NIL
Directors' Spouses		
Mrs. Niamet Fatima W/o. Mr. Abbas D. Habib	1	4,818,197
Executives	52	9,073,910
Joint Stock Companies and Corporations	135	143,563,805
Banks, Development Financial Institutions, Non - Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	52	80,184,951
Shareholders holding five percent or more voting rights		
State Life Insurance Corporation of Pakistan National Investment (Unit) Trust (included in the list above under Mutual Funds)	1	73,435,154
Individuals	6,792	506,577,694
Others (including foreign companies)	139	96,813,061
TOTAL	7,220	1,111,425,416



Consolidated Financial Statements

Bank AL Habib Limited

and

Subsidiary Companies



Bank AL Habib Limited and its Subsidiary Companies
Directors' Report on Audited Consolidated Financial Statements

The Directors are pleased to present the Audited Consolidated Financial Statements of Bank AL Habib Limited and the Bank's Subsidiaries AL Habib Capital Markets (Private) Limited and AL Habib Asset Management Limited for the year ended December 31, 2021.

	(Rupees in '000)
Profit for the year before tax	30,217,136
Taxation	<u>(11,620,151)</u>
Profit for the year after tax	18,596,985
Share of profit attributable to non-controlling interest	<u>(13,665)</u>
Profit attributable to shareholders of Holding Company	18,583,320
Un-appropriated profit brought forward	40,416,713
Transfer from surplus on revaluation of fixed assets-net of tax	120,440
Other comprehensive income-net of tax	<u>(177,387)</u>
	40,359,766
Profit available for appropriation	58,943,086
Appropriations:	
Transfer to Statutory Reserve	<u>(1,870,230)</u>
Cash dividend – 2020	<u>(5,001,414)</u>
	(6,871,644)
Un-appropriated profit carried forward	<u>52,071,442</u>
Earnings per share (after tax) – Holding Company	<u>Rs. 16.72</u>

Pattern of Shareholding

The pattern of shareholding as at December 31, 2021 is annexed with the financial statements of Bank AL Habib Limited.

MANSOOR ALI KHAN
Chief Executive

ABBAS D. HABIB
Chairman
Board of Directors

Karachi: February 09, 2022



INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the members of Bank Al Habib Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Bank Al Habib Limited (the Bank), and its subsidiary companies, (the Group) which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated profit and loss account and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, 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 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 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Following is the key audit matter:

Key audit matter	How the matter was addressed in our audit
1. Provision against non-performing loans and advances	
<p>The Group's advances portfolio represents 39.64% of its total assets as of 31 December 2021. A substantial portion of the advances portfolio include corporate finances to public sector entities and large to small size businesses operating in diverse sectors of the economy.</p> <p>As per the Group's accounting policy (refer note 4.5 to the consolidated financial statements), the Group determines provisions against non-performing advances exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan (SBP) and also maintains general provision in respect of potential credit losses in the portfolio. The Prudential Regulations require specific provisioning for loan losses on the basis of an age-based criteria which should be supplemented by a subjective evaluation of Group's credit portfolio. The determination of loan loss provision therefore, involve use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realizability of collateral held by the Group.</p> <p>In view of the significance of this area in terms of its impact on the consolidated financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of provision against advances as a significant area of audit judgment and a key audit matter.</p> <p>The accounting policy and disclosures relating to provisioning against non-performing advances are included in note 4.5 and 9 respectively to the consolidated financial statements.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> - We reviewed the Group's process for identification and classification of non-performing advances. As part of such review we performed an analysis of the changes within the different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired advances and declassification of accounts from non-performing to regular and vice versa, as the case may be. - 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, financial condition as depicted by the borrowers' financial statements, nature of collateral held by the Group and status of litigation, if any, with the borrower; - 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 and the regulatory approvals in place for such policy. - 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.



Information Other than the Financial Statements and Auditors' 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 financial statements and our auditors' report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 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 financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Group'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 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 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.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Arslan Khalid.

Karachi: February 28, 2022

EY Ford Rhodes
Chartered Accountants

UDIN: AR202110191GHMFkzDsq



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

	Note	2021 (Rupees in '000)	2020
ASSETS			
Cash and balances with treasury banks	5	118,599,792	105,936,009
Balances with other banks	6	6,803,572	19,681,362
Lendings to financial institutions	7	20,063,828	2,175,301
Investments	8	826,698,791	765,318,984
Advances	9	733,335,453	510,050,394
Fixed assets	10	55,701,205	43,976,664
Intangible assets	11	354,580	294,862
Deferred tax assets	12	2,103,393	–
Other assets	13	86,548,232	75,345,810
		1,850,208,846	1,522,779,386
LIABILITIES			
Bills payable	15	29,803,755	31,013,221
Borrowings	16	302,212,902	211,627,267
Deposits and other accounts	17	1,309,734,964	1,099,223,458
Liabilities against assets subject to finance lease		–	–
Subordinated debt	18	15,995,200	14,989,600
Deferred tax liabilities	12	–	139,836
Other liabilities	19	102,042,740	85,342,289
		1,759,789,561	1,442,335,671
NET ASSETS			
		90,419,285	80,443,715
REPRESENTED BY			
Share capital	20	11,114,254	11,114,254
Reserves		20,656,466	18,431,277
Surplus on revaluation of assets	21	6,453,983	10,366,693
Unappropriated profit		52,071,442	40,416,713
Equity attributable to the shareholders of the Holding Company		90,296,145	80,328,937
Non-controlling interest	22	123,140	114,778
Total equity		90,419,285	80,443,715
CONTINGENCIES AND COMMITMENTS			
	23		

The annexed notes 1 to 48 and annexures I and II form an integral part of these consolidated financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021	2020
(Rupees in '000)			
Mark-up / return / interest earned	25	116,747,434	125,290,292
Mark-up / return / interest expensed	26	(61,138,242)	(67,649,002)
Net mark-up / interest income		55,609,192	57,641,290
NON MARK-UP / INTEREST INCOME			
Fee and commission income	27	9,559,133	6,777,694
Dividend income		475,443	432,360
Foreign exchange income		2,969,917	2,142,728
Income / (loss) from derivatives		–	–
(Loss) / gain on securities-net	28	(38,253)	182,013
Share of profit from associates		372,034	114,337
Other income	29	1,151,803	821,385
Total non mark-up / interest income		14,490,077	10,470,517
Total income		70,099,269	68,111,807
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	30	(38,907,744)	(34,125,725)
Workers welfare fund		(623,615)	(673,046)
Other charges	31	(36,294)	(56,672)
Total non mark-up / interest expenses		(39,567,653)	(34,855,443)
Profit before provisions		30,531,616	33,256,364
Provisions and write offs-net	32	(314,480)	(4,546,944)
Extra ordinary / unusual items		–	–
PROFIT BEFORE TAXATION		30,217,136	28,709,420
Taxation	33	(11,620,151)	(10,751,960)
PROFIT AFTER TAXATION		18,596,985	17,957,460
Attributable to:			
Shareholders of the Holding Company		18,583,320	17,947,732
Non-controlling interest		13,665	9,728
		18,596,985	17,957,460
(Rupees)			
Basic and diluted earnings per share attributable to equity holders of the Holding Company	34	16.72	16.15

The annexed notes 1 to 48 and annexures I and II form an integral part of these consolidated financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021	2020
	(Rupees in '000)	
Profit after taxation for the year	18,596,985	17,957,460
Other comprehensive income		
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>		
Effect of translation of net investment in foreign branches	533,555	182,841
Movement in (deficit) / surplus on revaluation of investments - net of tax	(3,497,671)	1,234,402
	(2,964,116)	1,417,243
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>		
Remeasurement loss on defined benefit obligations-net of tax	(177,387)	(128,275)
Movement in surplus on revaluation of operating fixed assets-net of tax	(260,923)	3,056,238
Movement in surplus on revaluation of non banking assets-net of tax	(38,979)	98,346
	(477,289)	3,026,309
Total comprehensive income	15,155,580	22,401,012
Attributable to:		
Shareholders of the Holding Company	15,160,883	22,401,472
Non-controlling interest	(5,303)	(460)
	15,155,580	22,401,012

The annexed notes 1 to 48 and annexures I and II form an integral part of these consolidated financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to shareholders of the Holding Company										
	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves		Surplus / (deficit) on revaluation of			Sub Total	Non-controlling Interest	Total
Special Reserve				General Reserve	Investments	Fixed / Non Banking Assets	Unappropriated Profit				
Balance as at 01 January 2020	11,114,254	13,859,667	1,941,115	126,500	540,000	1,606,789	4,474,942	28,163,914	61,827,181	105,510	61,932,691
Profit after taxation	-	-	-	-	-	-	-	17,947,732	17,947,732	9,728	17,957,460
Other comprehensive income - net of tax	-	-	182,841	-	-	1,234,862	3,154,584	(128,275)	4,444,012	(460)	4,443,552
Total comprehensive income for the year	-	-	182,841	-	-	1,234,862	3,154,584	17,819,457	22,391,744	9,268	22,401,012
Transfer to statutory reserve	-	1,781,154	-	-	-	-	-	(1,781,154)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(104,484)	104,484	-	-	-
Transactions with owners, recorded directly in equity											
Final cash dividend (Rs. 3.5 per share)	-	-	-	-	-	-	-	(3,889,988)	(3,889,988)	-	(3,889,988)
Balance as at 31 December 2020	11,114,254	15,640,821	2,123,956	126,500	540,000	2,841,651	7,525,042	40,416,713	80,328,937	114,778	80,443,715
Profit after taxation	-	-	-	-	-	-	-	18,583,320	18,583,320	13,665	18,596,985
Other comprehensive income - net of tax	-	-	533,555	-	-	(3,492,368)	(299,902)	(177,387)	(3,436,102)	(5,303)	(3,441,405)
Total comprehensive income for the year	-	-	533,555	-	-	(3,492,368)	(299,902)	18,405,933	15,147,218	8,362	15,155,580
Transfer to statutory reserve	-	1,870,230	-	-	-	-	-	(1,870,230)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(120,440)	120,440	-	-	-
Exchange gain realised on closure of overseas branch - net of tax	-	-	(178,596)	-	-	-	-	-	(178,596)	-	(178,596)
Transactions with owners, recorded directly in equity											
Final cash dividend (Rs. 4.5 per share)	-	-	-	-	-	-	-	(5,001,414)	(5,001,414)	-	(5,001,414)
Balance as at 31 December 2021	<u>11,114,254</u>	<u>17,511,051</u>	<u>2,478,915</u>	<u>126,500</u>	<u>540,000</u>	<u>(650,717)</u>	<u>7,104,700</u>	<u>52,071,442</u>	<u>90,296,145</u>	<u>123,140</u>	<u>90,419,285</u>

The annexed notes 1 to 48 and annexures I and II form an integral part of these consolidated financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 (Rupees in '000)	2020
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		30,217,136	28,709,420
Less: Dividend income		(475,443)	(432,360)
		<u>29,741,693</u>	<u>28,277,060</u>
Adjustments:			
Depreciation		2,965,066	2,789,676
Depreciation on right-of-use assets		1,854,453	1,661,393
Amortisation		307,372	288,379
Provisions and write-offs-net	32	314,480	4,546,944
Gain on sale of fixed assets-net		(467,551)	(440,311)
Share of profit from associates		(372,034)	(114,337)
Loss / (gain) on sale / redemption of securities-net		38,253	(182,013)
Charge for compensated absences		155,639	248,264
Mark-up expense on lease liability against right-of-use assets		1,124,704	956,906
Exchange gain realised on closure of overseas branch		(292,780)	-
		<u>5,627,602</u>	<u>9,754,901</u>
		<u>35,369,295</u>	<u>38,031,961</u>
Increase in operating assets			
Lendings to financial institutions		(17,888,527)	(317,726)
Held-for-trading securities		(23,996)	(85,792)
Advances		(223,492,097)	(24,387,418)
Other assets		(11,217,718)	(14,183,514)
		<u>(252,622,338)</u>	<u>(38,974,450)</u>
(Decrease) / increase in operating liabilities			
Bills payable		(1,209,466)	10,844,548
Borrowings from financial institutions		90,423,271	(16,411,647)
Deposits and other accounts		210,511,506	195,630,478
Other liabilities (excluding current taxation)		13,131,441	13,863,126
		<u>312,856,752</u>	<u>203,926,505</u>
		<u>95,603,709</u>	<u>202,984,016</u>
Income tax paid		(10,533,792)	(12,198,036)
Net cash flow generated from operating activities		<u>85,069,917</u>	<u>190,785,980</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(48,977,289)	(160,929,584)
Net investments in held to maturity securities		(11,978,746)	(15,538,169)
Net investments in associates		(5,556,710)	(1,478,845)
Dividends received		486,991	417,919
Investments in operating fixed assets		(14,077,982)	(5,264,293)
Proceeds from sale of fixed assets		442,860	599,433
Exchange differences on translation of net investment in foreign branches		354,959	182,841
Net cash flow used in investing activities		<u>(79,305,917)</u>	<u>(182,010,698)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts / (payments) of subordinated debt-net		1,005,600	(3,200)
Dividend paid		(4,930,117)	(3,841,582)
Payment against lease liabilities		(2,215,854)	(1,972,143)
Net cash flow used in financing activities		<u>(6,140,371)</u>	<u>(5,816,925)</u>
(Decrease) / increase in cash and cash equivalents		<u>(376,371)</u>	<u>2,958,357</u>
Cash and cash equivalents at beginning of the year	35	<u>125,419,074</u>	<u>122,460,717</u>
Cash and cash equivalents at end of the year	35	<u>125,042,703</u>	<u>125,419,074</u>

The annexed notes 1 to 48 and annexures I and II form an integral part of these consolidated financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. STATUS AND NATURE OF BUSINESS

1.1 The Group comprises of:

Holding Company

- Bank AL Habib Limited

Subsidiaries

- AL Habib Capital Markets (Private) Limited
- AL Habib Asset Management Limited

1.2 Bank AL Habib Limited (the Bank) is a banking company incorporated in Pakistan on 15 October 1991 as a public limited company under repealed Companies Ordinance, 1984 (now the Companies Act, 2017) having its registered office at 126-C, Old Bahawalpur Road, Multan with principal place of business in Karachi. Its shares are listed on Pakistan Stock Exchange Limited. It is a scheduled bank principally engaged in the business of commercial banking with a network of 927 branches (2020: 818 branches), 29 sub-branches (2020: 32 sub-branches), 04 representative offices (2020: 04 representative offices) and 03 booths (2020: 02 booths). The branch network of the Bank includes 02 overseas branches (2020: 03 overseas branches) and 138 Islamic Banking branches (2020: 106 Islamic Banking branches). During the year, the Bank closed its branch in Seychelles.

1.3 The Bank has invested in 66.67% shares of AL Habib Capital Markets (Private) Limited. The Company was incorporated in Pakistan on 23 August 2005 as a private limited company under repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Company is a corporate member of the Pakistan Stock Exchange Limited and is engaged in equity, money market and foreign exchange brokerage services, equity research, corporate financial advisory and consultancy services.

1.4 The Bank has invested in 100% shares of AL Habib Asset Management Limited. The Company was incorporated in Pakistan on 30 September 2005 as an unquoted public limited company under repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Company has been issued a license by the Securities and Exchange Commission of Pakistan (SECP) to undertake asset management services as a Non-Banking Finance Company. The principal business of the Company is to provide Investment Advisory Services and Asset Management Services.

The Company is managing following funds:

- AL Habib Islamic Cash Fund
- AL Habib Islamic Savings Fund
- AL Habib Money Market Fund
- First Habib Asset Allocation Fund
- First Habib Cash Fund
- First Habib Income Fund
- First Habib Islamic Income Fund
- First Habib Islamic Stock Fund
- First Habib Stock Fund

2. BASIS OF PRESENTATION

2.1 These consolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 02, dated 25 January 2018.

2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing includes purchase of goods by banks from customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchase and resale arising under these arrangements are not reflected in these consolidated financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon. However, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the provisions of the Companies Act, 2017.



2.3 Key financial information of the Islamic Banking branches is disclosed in annexure II to these consolidated financial statements.

2.4 The Group believes that there is no significant doubt on the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

2.5 Statement of compliance

2.5.1 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;
- IFAS issued by ICAP, 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 SBP and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by SBP and SECP differ with the requirements of the IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

2.5.2 SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter No. 10 dated 26 August 2002 till further instructions. Further, SBP vide its BPRD Circular Letter No. 24 of 2021 dated 05 July 2021 directed the Banks in Pakistan to implement IFRS 9, 'Financial Instruments' with effect from 01 January 2022. SECP has deferred the applicability of IFRS 7, 'Financial Instruments: Disclosures' through its notification S.R.O 411 (I) / 2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars. In case of overseas branches, IFRS 9 / respective foreign regulatory requirements are considered for recording, classification and valuation of investment.

2.5.3 SBP vide its BPRD Circular No. 04 dated 25 February 2015, has clarified that the reporting requirements of IFAS 3, 'Profit and Loss Sharing on Deposits' for Islamic Banking Institutions (IBIs) relating to annual, half yearly and quarterly financial statements would be notified by SBP through issuance of specific instructions and uniform disclosure formats in consultation with IBIs. These reporting requirements have not been ratified to date. Accordingly, the disclosure requirements under IFAS 3 have not been considered in the preparation of these consolidated financial statements.

2.5.4 IFRS 10, 'Consolidated Financial Statements' was made applicable from period beginning on or after 01 January 2015 vide S.R.O 633 (I) / 2014 dated 10 July 2014 by SECP. However, SECP has directed through S.R.O 56 (I) / 2016 dated 28 January 2016 that the requirement of consolidation under section 228 of the Companies Act, 2017 and IFRS 10, 'Consolidated Financial Statements' is not applicable in case of investment by companies in mutual funds established under trust structure.

2.6 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year

The Group has adopted the following accounting standards and amendments of IFRSs and the improvements to accounting standards which became effective for the current year:

COVID-19-Related Rent Concessions - Amendment to IFRS 16

The IASB has issued amendments to IFRS 16 (the amendments) to provide optional practical relief for lessees in accounting for rent concessions. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all the conditions described in IFRS 16 paragraph 46B are met.



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 mark-up rate (RFR).

The above mentioned accounting standards and amendments of IFRSs did not have any material impact on the consolidated financial statements of the Group.

2.7 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

2.7.1 IFRS 9, 'Financial Instruments'

IFRS 9, 'Financial Instruments' - IFRS 9 will replace the existing guidance in IAS 39, 'Financial Instruments : Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. SBP vide its BPRD Circular Letter No. 24 of 2021 dated July 05, 2021 has extended the implementation date of IFRS 9 to January 01, 2022 from an earlier implementation date of January 01, 2021. However, SBP has directed the banks in Pakistan to submit IFRS 9 parallel run and proforma financial statements on periodic basis based on the instructions issued by SBP for parallel run of IFRS 9 and the Bank has been complying with these requirements.

2.7.2 Further, the following IFRS as notified under the Companies Act, 2017 and the amendments thereto will be effective for future periods and not early adopted:

Standards and amendments	Effective date (accounting periods beginning on or after)
- IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract (Amendments)	January 01, 2022
- IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use (Amendments)	January 01, 2022
- IFRS 3 - Reference to the Conceptual Framework	January 01, 2022
- IAS 1 - Classification of liabilities as current or non-current (Amendments)	January 01, 2022
- IFRS 9 - Financial Instruments - Fees in the '10 percent' test for derecognition of financial liabilities (Amendments)	January 01, 2022
- IAS 8 - Definition of Accounting Estimates	January 01, 2022
- IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies	January 01, 2023
- IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	Not yet announced

The above standards, amendments and improvements are not expected to have any material impact on the consolidated financial statements of the Group for the futures periods.

Further, following new standards have been issued by IASB which are yet to be notified by SECP for the purpose of applicability in Pakistan.

Standard	IASB effective date (accounting periods beginning on or after)
- IFRS 1 – First time adoption of IFRSs	January 01, 2004
- IFRS 17 – Insurance Contracts	January 01, 2023



2.8 Critical accounting estimates, judgments and assumptions

The preparation of financial statements requires management to make estimates, judgments and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in period of revision and future periods if the revision affects both current and future periods. The estimates and judgments that have a significant effect on the consolidated financial statements are in respect of the following:

	Note
Classification and provisioning against investments	4.4, 4.14 & 32
Classification and provisioning against loans and advances	4.5, 9 & 32
Useful lives of fixed, right of use assets and intangible assets, depreciation, amortisation and revaluation	4.6, 10 & 11
Determination of lease term and borrowing rate	4.6, 10 & 19
Non - banking assets acquired in satisfaction of claims	4.7 & 13
Defined benefit plan related assumptions	4.10 & 37
Provisions against off-balance sheet obligations	4.16, 19 & 32
Current and deferred taxation	4.13, 12 & 33

3. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except for certain investments and derivative financial instruments which are carried at fair value, certain land and buildings, and non-banking assets acquired in satisfaction of claims are carried at revalued amount. Employee benefits and lease liability against right-of-use assets are carried at present value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year.

4.1 Basis of consolidation

These consolidated financial statements include the financial statements of the Holding Company and its subsidiaries.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date the control commences until the date the control ceases. In preparing consolidated financial statements, the financial statements of the Holding Company and subsidiaries are consolidated on a line by line basis by adding together like items of assets, liabilities, income and expenses. Significant inter - company transactions have been eliminated.

Non-controlling interest are part of results of operations and net assets of the subsidiary companies attributable to interests which are not owned by the Group. Interest in the equity of the subsidiaries not attributable to the Holding Company is reported in the consolidated statement of changes in equity as non - controlling interest. Profit or loss attributable to non - controlling interest is reported in the consolidated profit and loss account as profit or loss attributable to non - controlling interest.

4.2 Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated cash flow statement comprise cash and non restricted balances with treasury and other banks less overdrawn nostros accounts. Restricted balances not available for use if any, are excluded from cash and cash equivalents.



4.3 Lendings to / borrowings from financial institutions

The Bank enters into transactions of lendings and borrowings at contracted rates for a specified period of time. These are recorded as under:

Sale under repurchase obligation

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is amortised as expense over the term of the repo agreement. These are initially recognised at amount of funds received and subsequently reported as payable under the contractual terms.

Purchase under resale obligation

Securities purchased with a corresponding commitment to resale at a specified future date (reverse repos) are not recognised as investments in the statement of financial position. Amounts paid under these arrangements are included in repurchase agreement lendings. The difference between purchase and resale price is accrued as income over the term of the reverse repo agreement. These are initially recognised at amount of funds disbursed and subsequently reported as receivable under the contractual terms.

Bai Muajjal

In Bai Muajjal, the Bank sells sukuk 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.

4.4 Investment

Investments (other than associates) are classified as follows:

Held-for-trading

These are investments acquired principally for the purpose of generating profits from short-term fluctuations in price or dealer's margin or are securities included in a portfolio in which a pattern of short-term trading exists.

Held-to-maturity

These are investments with fixed or determinable payments and fixed maturities which the Group has the intention and ability to hold till maturity.

In Bai Muajjal, the Bank sells sukuk on credit to Government of Pakistan. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

Available-for-sale

These are investments which do not fall under held for trading and held to maturity categories.

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Group commits to purchase or sell the investments.

Investments (other than held for trading) are initially measured at fair value plus transaction cost associated with the investment. Investments classified as held for trading are initially measured at fair value, and transaction costs are expensed in the profit and loss account.

After initial recognition, quoted securities (other than those classified as held to maturity) are carried at market value. Unquoted securities are valued at cost less impairment in value, if any. Held to maturity securities are carried at amortised cost.

Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available-for-sale', is included in the statement of comprehensive income and is shown in the statement of financial position as part of equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal or in case of impairment of securities. The unrealised surplus / (deficit) arising on revaluation of quoted securities which are classified as held for trading is taken to the profit and loss account.



Premium or discount on debt securities classified as available for sale and held to maturity is amortised using effective interest method and taken to the profit and loss account.

Details of valuation techniques used in determination of fair value is included in note 40 of consolidated financial statements.

Investments in associates

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. The profit and loss account reflects the Group's share of the results of operations of the associate. Any change in OCI of associates is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

4.5 Advances

Loans and advances

These are stated net of provisions for non-performing advances.

Receivables against lease finance where Bank is a lessor (other than Ijarah)

Leases where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognised at an amount equal to the present value of the lease payments including any guaranteed residual value.

Islamic Financing and Related Assets

Ijarah finance

Assets leased out under ijarah arrangements are stated at cost less accumulated depreciation and impairment, if any. Such assets are depreciated over the terms of ijarah contracts.

Murabaha

Funds disbursed under murabaha arrangements for purchase of goods are recorded as advance for murabaha. On culmination of murabaha i.e. sale of goods to customers, murabaha receivables are recorded at the sale price net of deferred income. Goods purchased but remaining unsold at the reporting date are recorded as inventories.

Inventory

The Bank values its inventories at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale. Cost of inventories represents actual purchases made by the Bank / customers as an agent of the Bank for subsequent sale. Inventory against each contract is maintained on specific identification method.

Istisna

In Istisna financing, the Bank places an order to purchase some specific goods / commodities from its customers to be delivered to the Bank within an agreed time. The goods are then sold and the amount hence financed is paid back to the Bank.

Diminishing Musharaka

In Diminishing Musharaka financing, the Bank enters into Musharaka based on Shirkat-ul-milk for financing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers and enters into periodic rental payment agreement for the utilisation of the Bank's Musharaka share by the customer. The customer purchases the Bank's share gradually as per his undertaking.

Running Musharaka

In Running Musharaka financing, the Bank enters into financing with the customer based on Shirkat-ul-Aqd or Business Partnership in customers operating business. Under this mechanism the customer can withdraw and return funds to the Bank subject to his Running Musharakah Financing limit during the Musharakah period. At the end of each quarter / half year the customer pays the provisional profit as per the desired profit rate which is subject to final settlement based on the relevant quarterly / half-yearly / annual accounts of the customer.



Musawama

In Musawama financing, the Bank purchases specific goods / commodities on cash basis from its customer for onward sale. Upon realisation of sale proceeds, the finance is adjusted.

Provision for non-performing advances

Provision for non-performing advances is determined in accordance with the requirements of the Prudential Regulations for domestic branches, whereas requirements of respective central banks is followed in respect of overseas branches and 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 the management's risk assessment.

The Bank reviews its loan portfolio to assess amount of non-performing loans and determine provision required there against. While assessing this requirement various factors including the past dues, delinquency in the account, financial position and future business / financial plan of the borrower, value of collateral held and requirements of Prudential Regulations are considered. The Bank is allowed to consider the effect of Forced Sale Value of collaterals in determining the amount of provision, however, no benefit of FSV of collateral is taken in determining provisioning amount.

The amount of general provision against domestic consumer and SME advances is determined in accordance with the relevant \ Prudential Regulations and SBP directives.

For overseas operations, the Bank records an allowance for Expected Credit Loss (ECL) for all loans and other debt financial assets not held at Fair Value through Profit and Loss (all referred to as 'financial instruments'). The ECL allowance is based on the credit losses expected to arise over the life of the asset (the Lifetime Expected Credit Losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' Expected Credit Losses (12mECL). The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Advances are written-off when there are no realistic prospects of recovery.

4.6 Operating fixed assets and depreciation

Capital work in progress

Capital work in progress is stated at cost less impairment, if any.

Property and equipment - owned

Land is measured at cost at the time of initial recognition and is subsequently carried at revalued amount less impairment, if any. Buildings are initially measured at cost and upon revaluation, are carried at revalued amount less accumulated depreciation and impairment, if any. All other operating fixed assets are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to profit and loss account on straight line basis so as to charge the assets over their expected useful lives at the rates specified in note 10.2. The depreciation charge is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed annually and adjusted, if appropriate. Depreciation is charged on prorata basis, i.e., full month charge in the month of purchase and no charge in the month of disposal.

Land and buildings are revalued by independent professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from the fair value. The valuations involve estimates / assumptions and various market factors and conditions. Any revaluation surplus is credited to the surplus on revaluation of land and buildings, except to the extent that it reversal of a deficit already charged to profit and loss account on the same asset. Any revaluation deficit is recognised in profit and loss account, except for a deficit directly offsetting a previous surplus on the same asset recognised in the asset revaluation surplus.



Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposal of fixed assets are included in income currently, except that the related surplus on revaluation of land and buildings (net of deferred tax) is transferred directly to unappropriated profit.

Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within note 10 fixed assets and are subject to impairment in line with the Bank's policy as described in note 4.14 impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate. The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental lending rate to measure lease liabilities.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and impairment, if any. Amortisation is based on straight line method by taking into consideration the estimated useful life of assets at the rates specified in note 11. Intangible assets are amortised on prorata basis i.e. full month amortisation in the month of purchase and no amortisation in the month of disposal.

4.7 Non-banking assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims are initially measured at settlement amount and upon revaluation, are carried at revalued amounts less accumulated depreciation and impairment, if any. The useful lives and depreciation method are reviewed annually and adjusted, if appropriate. These assets are revalued as per SBP's requirement by independent professionally qualified valuers to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of assets is credited to the 'surplus on revaluation of non-banking assets acquired in satisfaction of claims' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title of assets is charged to profit and loss account and not capitalised.



4.8 Borrowings / deposits

Borrowings / deposits are recorded at the amount of proceeds received. The cost of borrowings / deposits is recognised on an accrual basis as an expense in the period in which it is incurred.

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 / Current remunerative deposits'.

4.9 Subordinated debt

Subordinated debt is initially recorded at the amount of proceeds received and subsequently reported at outstanding amounts as a financial liability. Mark - up accrued on subordinated debt is recognised separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

4.10 Employees' benefits

Defined benefit plan

The Bank operates an approved gratuity fund for all its confirmed employees, which is administered by the Trustees. The Bank's costs and contributions are determined based on actuarial valuation carried out at each year end using Projected Unit Credit Actuarial Method. All actuarial gains and losses are recognised in 'other comprehensive income' as they occur and are not reclassified to profit and loss in subsequent periods. The liabilities for employees' benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets and future salary increases as disclosed in note 37. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Defined contribution plan

The Bank operates an approved provident fund scheme for all its regular permanent employees, administered by the Trustees. Equal monthly contributions are made both by the Bank and its employees to the fund at the rate of 10% of the basic salary in accordance with the terms of the scheme.

AL Habib Capital Markets (Private) Limited provides provident fund benefits to all its permanent employees. Contributions are made by the Company and the employees at the rate of 10% of the basic salary in accordance with the terms of scheme.

AL Habib Asset Management Limited operates approved funded contributory provident fund for all its permanent employees. Equal monthly contributions are made both by the Company and the employees which is equivalent to one basic salary of employees.

Compensated absences

The Bank accounts for all accumulating compensated absences when employees render service that increases their entitlement to future compensated absences. The liability is determined based on actuarial valuation carried out using the Projected Unit Credit Method.

4.11 Foreign currencies

Functional and presentation currency

These financial statements are presented in Pak Rupees which is the Group's functional and presentation currency.

Transactions and balances in foreign currencies

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the reporting date. Non - monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non - monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains or losses are included in income currently.



Foreign operations

The assets and liabilities of foreign operations are translated to Pak Rupees at exchange rates prevailing at the reporting date. The income and expense of foreign operations are translated at rate of exchange prevailing during the year. Exchange gain or loss on such translation is taken to equity through statement of other comprehensive income under "foreign currency translation reserve".

Commitments

Commitments for outstanding forward foreign exchange contracts are translated at forward rates applicable to their respective maturities. Contingent liabilities / commitments for letter of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the exchange rates ruling on the reporting date.

Translation gains and losses are included in the profit and loss account.

4.12 Revenue recognition

- (a) Mark-up / return / interest on advances and investments is recognised on accrual basis, except in case of advances classified under the Prudential Regulations on which mark-up is recognised on receipt basis. Mark-up / return / interest on rescheduled / restructured loans and advances and investments is recognised as permitted by the regulations of SBP.
- (b) Financing method is used in accounting for income from lease financing. Under this method, the unrealised lease income 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. Gain / loss on termination of lease contracts, front end fee and other lease income are recognised as income on receipt basis.
- (c) The rentals from ijarah are recognised as income over the term of the contract net of depreciation expense relating to the ijarah assets.
- (d) Income from murabaha is accounted for on time proportionate basis over the period of murabaha transaction.
- (e) Income from istisna and musawama is recognised on time proportionate basis commencing from the time of sale of goods till the realisation of sale proceeds.
- (f) Income from diminishing musharaka is recognised on time proportionate basis over the term of contract.
- (g) Income from running musharaka financing is recognised on time proportionate basis and is subject to adjustment upon declaration of profit by musharaka partners.
- (h) Income from Bai-Muajjal is recognised on time proportionate basis from the date of disbursement to the due date of payment.
- (i) Dividend income is recognised when the right to receive is established.
- (j) Gain or loss on sale of investments are recognised in profit and loss account in the year in which they arise.
- (k) The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

The Bank recognises fees earned on transaction-based arrangements at a point in time when the Bank has provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the related services. Unearned fee and commission are included under Other Liabilities.

4.13 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss account except to the extent that it relates to the items recognised directly in equity or surplus on revaluation of assets, in which case it is recognised in equity or surplus on revaluation of assets.



Current

Provision for current tax is based on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date and any adjustments to the tax payable in respect of previous years. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities.

Deferred

Deferred tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences, except in respect of taxable temporary differences associated with investment in foreign operations, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit or taxable temporary differences will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

In making the estimates for current and deferred taxes, the management looks at the income tax law 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 department and such amounts are shown as contingent liability.

4.14 Impairment

Investments

Provision for diminution in the investments classified as available-for-sale and held-to-maturity (except for debt securities) is recognised after considering impairment, if any, in their value and is taken to profit and loss account. Impairment is booked when there is an objective evidence of significant or prolonged decline in the value of such securities. This determination of what is significant or prolonged requires judgment.

Provision for impairment against debt securities (other than government securities) is made in accordance with the requirements of the Prudential Regulations of SBP. In case of unquoted equity securities, the breakup value of the security is considered to determine impairment amount.

Associates

The carrying values of investments in associates are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the investments are written down to their recoverable amounts and the resulting impairment loss is taken to profit and loss account.

Non-financial assets

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts and the resulting impairment loss is taken to profit and loss account except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the relevant surplus.



4.15 Contingent assets / liabilities

Contingent assets are not recognised, and are also not disclosed unless an inflow of economic benefits is probable. Contingent liabilities are not recognised and are disclosed unless the probability of an outflow of resources embodying economic benefits are remote.

4.16 Provisions against off - balance sheet obligations

The Bank, in the ordinary course of business, issues letters of credit, guarantees, bid bonds, performance bonds etc. The commission against such contracts is recognised in the profit and loss account under "fees and commission income" over the period of contracts. The Bank's liability under such contracts is measured at the higher of the amount representing unearned commission income at the reporting date and the best estimate of the amount expected to settle any financial obligation arising under such contracts.

4.17 Off setting

Financial assets and financial liabilities are only off - set and the net amount is reported in the financial statements when there is a legally enforceable right to set - off the recognised amount and the Group intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off - set and the net amount is reported in the financial statements. Income and expenses are presented on a net basis only when permitted by the approved accounting standards as applicable in Pakistan.

4.18 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 derecognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Financial liabilities are derecognised when obligation is discharged, cancelled or expired. Any gain or loss on derecognition of the financial asset and liability is recognised in the profit and loss account of the current period.

4.19 Derivative financial instruments

Derivative financial instruments are initially recognised at their fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as asset when fair value is positive and liabilities when fair value is negative. Any change in the value of derivative financial instruments is taken to the profit and loss account.

4.20 Dividend and reserves

Dividend declared and appropriations, except for transfer to statutory reserve, made subsequent to the date of statement of financial position are considered as non adjusting events and are recorded as a liability in the financial statements in the year in which these are approved by shareholders / directors as appropriate.

4.21 Earnings per share

The Group presents basic and diluted earnings per share (EPS). 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. There were no convertible dilutive potential ordinary shares in issue at 31 December 2021.

4.22 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from those of other segments. The Group's primary format of reporting is based on business segments.



4.23 Business segments

Retail banking

It consists of retail lending, deposits and banking services to private individuals and small businesses. The retail banking activities include provision of banking and other financial services, such as current and savings accounts, credit cards, consumer banking products etc., to individual customers, small merchants and small and medium enterprises.

Commercial banking

Commercial banking represents provision of banking services including treasury and international trade related activities to large corporate customers, multinational companies, government and semi government departments and institutions and small and medium enterprises treated as corporate under the Prudential Regulations.

Retail brokerage

Retail brokerage activities include the business of equity, money market and foreign exchange brokerage, equity research and corporate financial advisory and consultancy services.

Asset management

It includes asset management activities through the subsidiary AL Habib Asset Management Limited.

4.24 Geographical segments

The Group operates in four geographic regions, being:

- Pakistan
- Middle East
- Asia Pacific
- Africa

4.25 Statutory / special reserve

Every Bank incorporated in Pakistan is required to transfer 20% of its profit to a statutory reserve until the reserve equals share capital, thereafter 10% of the profit of the Bank is to be transferred to this reserve.

Special reserve was created to meet regulatory requirements.

4.26 Provisions against liabilities

These are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provision against contingencies is determined based on the management judgement regarding the probability of future out flows of resources embodying economic benefits to settle an obligation arising from past events. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

4.27 Clients' assets

The Group provides services that result in the holding of assets on behalf of its clients. Such assets are not reported in the financial statements, as they are not the assets of the Group.

4.28 Acceptances

Acceptances comprise undertakings by the Bank to pay bill 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.



	Note	2021 (Rupees in '000)	2020 (Rupees in '000)
5. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		25,102,141	23,716,952
Foreign currencies		1,731,629	4,761,414
		26,833,770	28,478,366
In transit:			
Local currency		230,555	600,285
Foreign currencies		422	4,412
		230,977	604,697
With State Bank of Pakistan in:			
Local currency current accounts	5.1	53,360,569	44,211,071
Local currency current accounts - Islamic Banking	5.1	5,651,972	3,339,015
Foreign currency deposit accounts			
Cash reserve account	5.1	3,733,261	3,508,365
Cash reserve / special cash reserve account			
- Islamic Banking	5.1	408,717	299,769
Special cash reserve account	5.1	7,466,521	7,016,730
Local US Dollar collection account	5.2	786,071	99,696
		71,407,111	58,474,646
With National Bank of Pakistan in:			
Local currency current account		19,846,650	16,110,129
Prize bonds			
		281,284	2,268,171
		118,599,792	105,936,009
5.1 These deposits and reserves are maintained by the Bank to comply with the statutory requirements. The special cash reserve carries interest rate of Nil (2020: upto 0.76%) per annum.			
5.2 This represents US Dollar collection account maintained with SBP.			
	Note	2021 (Rupees in '000)	2020 (Rupees in '000)
6. BALANCES WITH OTHER BANKS			
In Pakistan:			
In current accounts		231,604	132,466
In deposit accounts	6.1	618,607	201,704
		850,211	334,170
Outside Pakistan:			
In current accounts	6.2	4,131,543	5,965,561
In deposit accounts	6.3	1,821,822	13,381,635
		5,953,365	19,347,196
		6,803,576	19,681,366
Less: impairment against IFRS 9 in overseas branches		(4)	(4)
		6,803,572	19,681,362



- 6.1 These carry expected profit rates ranging from 2.32% to 8.25% (2020: 2.32% to 11.28%) per annum.
 6.2 These carry interest rates ranging upto 0.75% (2020: upto 0.75%) per annum.
 6.3 These carry interest rates of Nil (2020: upto 1.32%) per annum.

2021 2020
(Rupees in '000)

7. LENDING TO FINANCIAL INSTITUTIONS

In local currency:

Repurchase agreement lending (Reverse Repo)	20,063,828	-
Bai Muajjal receivable from the State Bank of Pakistan	-	2,175,301
	20,063,828	2,175,301

7.1 Securities held as collateral against amounts due from financial institutions

	2021			2020		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
			(Rupees in '000)			
Market Treasury Bills	18,343,998	-	18,343,998	-	-	-
Pakistan Investment Bonds	1,719,830	-	1,719,830	-	-	-
	20,063,828	-	20,063,828	-	-	-

7.1.1 Repurchase agreement lendings carry mark-up at rates ranging from 10.00% to 10.75% per annum (2020: Nil).

7.1.2 The market value of securities held as collateral against repurchase agreement lendings amounted to Rs. 20,120.78 million (2020: Nil).

8. INVESTMENTS

	Note	2021				2020			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
8.1 Investments by type:									
(Rupees in '000)									
Held-for-trading securities									
Shares		134,937	-	(3,067)	131,870	95,778	-	771	96,549
Available-for-sale securities									
	8.3 & 8.4								
Federal Government Securities		594,584,144	(224,825)	(1,276,341)	593,082,978	548,875,321	(226,825)	4,589,209	553,237,705
Shares		4,637,052	(1,799,946)	615,637	3,452,743	4,473,575	(1,794,587)	575,088	3,254,076
Non Government Debt Securities		29,941,356	-	141,257	30,082,613	26,645,389	-	(46,105)	26,599,284
Foreign Securities		6,718,457	(947,343)	(853,977)	4,917,137	6,891,856	(909,432)	(1,215,066)	4,767,358
Units of Mutual Funds		2,176,022	(365,225)	296,808	2,107,605	2,125,000	(444,440)	350,397	2,030,957
		638,057,031	(3,337,339)	(1,076,616)	633,643,076	589,011,141	(3,375,284)	4,253,523	589,889,380
Held-to-maturity securities									
	8.3 & 8.5								
Federal Government Securities		182,347,089	(100,982)	-	182,246,107	170,825,082	(130,790)	-	170,694,292
Foreign Securities		2,191,873	(77,573)	-	2,114,300	1,708,659	(127,901)	-	1,580,758
Other		4,481	(4,481)	-	-	4,481	(4,481)	-	-
		184,543,443	(183,036)	-	184,360,407	172,538,222	(263,172)	-	172,275,050
Associates	8.6	8,563,438	-	-	8,563,438	3,058,005	-	-	3,058,005
Total Investments		831,298,849	(3,520,375)	(1,079,683)	826,698,791	764,703,146	(3,638,456)	4,254,294	765,318,984



	2021				2020			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
8.2 Investments by segments:	(Rupees in '000)							
Federal Government Securities								
Market Treasury Bills	123,991,225	-	(374,150)	123,617,075	143,416,675	-	490,699	143,907,374
Pakistan Investment Bonds	534,140,343	-	(589,989)	533,550,354	515,401,452	-	4,094,215	519,495,667
Foreign Currency Bonds	18,002,018	(312,404)	165,736	17,855,350	10,724,047	(292,213)	198,212	10,630,046
Ijarah Sukuks	86,966,523	-	(489,423)	86,477,100	26,952,616	-	(209,517)	26,743,099
Sukuks	13,023,972	(13,403)	11,485	13,022,054	22,919,899	(65,402)	15,600	22,870,097
Naya Pakistan Certificates	807,152	-	-	807,152	-	-	-	-
Term Finance Certificates - Unlisted	-	-	-	-	285,714	-	-	285,714
	776,931,233	(325,807)	(1,276,341)	775,329,085	719,700,403	(357,615)	4,589,209	723,931,997
Shares								
Listed Companies	4,617,753	(1,794,246)	612,570	3,436,077	4,415,117	(1,788,887)	575,859	3,202,089
Unlisted Companies	154,236	(5,700)	-	148,536	154,236	(5,700)	-	148,536
	4,771,989	(1,799,946)	612,570	3,584,613	4,569,353	(1,794,587)	575,859	3,350,625
Non Government Debt Securities								
Listed	24,768,436	-	141,257	24,909,693	24,420,449	-	(46,105)	24,374,344
Unlisted	5,172,920	-	-	5,172,920	2,224,940	-	-	2,224,940
	29,941,356	-	141,257	30,082,613	26,645,389	-	(46,105)	26,599,284
Others								
Unlisted Company	4,481	(4,481)	-	-	4,481	(4,481)	-	-
Foreign Securities								
Government Securities	8,910,330	(1,024,916)	(853,977)	7,031,437	8,600,515	(1,037,333)	(1,215,066)	6,348,116
Associates								
Habib Sugar Mills Limited	-	-	-	-	570,080	-	-	570,080
AL Habib Money Market Fund	350,697	-	-	350,697	-	-	-	-
AL Habib Islamic Cash Fund	425,638	-	-	425,638	-	-	-	-
AL Habib Islamic Savings Fund	100,100	-	-	100,100	-	-	-	-
First Habib Income Fund	423,435	-	-	423,435	141,131	-	-	141,131
First Habib Stock Fund	8,793	-	-	8,793	8,608	-	-	8,608
First Habib Cash Fund	7,080,581	-	-	7,080,581	2,194,250	-	-	2,194,250
First Habib Islamic Stock Fund	28,184	-	-	28,184	48,910	-	-	48,910
First Habib Islamic Income Fund	65,573	-	-	65,573	25,186	-	-	25,186
First Habib Asset Allocation Fund	80,437	-	-	80,437	69,840	-	-	69,840
	8,563,438	-	-	8,563,438	3,058,005	-	-	3,058,005
Units of Mutual Funds								
	2,176,022	(365,225)	296,808	2,107,605	2,125,000	(444,440)	350,397	2,030,957
Total Investments	831,298,849	(3,520,375)	(1,079,683)	826,698,791	764,703,146	(3,638,456)	4,254,294	765,318,984



	2021	2020
	(Rupees in '000)	
8.2.1 Investments given as collateral		
Market Treasury Bills	34,993,379	98,427,365
Pakistan Investment Bonds	84,993,500	-
	<u>119,986,879</u>	<u>98,427,365</u>
8.3 Provision for diminution in value of investments		
Opening balance	3,638,456	2,216,156
Exchange adjustments against IFRS 9 in overseas branches (Reversals) / charge	144,653	3,978
Charge for the year (Reversal) / charge of impairment as per IFRS 9 in overseas branches	-	294,959
Reversal on disposal	(174,219)	1,120,117
	(88,515)	(1,235)
	(262,734)	1,413,841
Others	-	4,481
Closing balance	<u>3,520,375</u>	<u>3,638,456</u>
8.4 Quality of Available for Sale Securities		
Details regarding quality of available-for-sale securities are as follows:		
	Cost	
	2021	2020
	(Rupees in '000)	
8.4.1 Federal Government Securities - Government guaranteed		
Market Treasury Bills	123,991,225	143,416,675
Pakistan Investment Bonds	367,216,577	360,760,377
Foreign Currency Bonds	12,155,197	6,510,541
Ijarah Sukuks	86,966,523	26,952,616
Sukuks	3,447,470	10,949,398
Naya Pakistan Certificates	807,152	-
Term Finance Certificates-Unlisted	-	285,714
	<u>594,584,144</u>	<u>548,875,321</u>
8.4.2 Shares		
8.4.2.1 Listed companies		
Automobile Assembler	199,842	199,842
Cement	292,921	292,921
Commercial Banks	164,773	164,773
Fertiliser	933,455	933,455
Food and Personal Care Products	23,211	23,211
Insurance	29,975	29,975
Securities Companies	106,222	106,222
Oil and Gas Exploration Companies	27,713	27,696
Oil and Gas Marketing Companies	793,159	793,159
Paper and Board	38,264	38,264
Pharmaceuticals	21,775	21,775
Power Generation and Distribution	1,615,032	1,634,091
Technology and Communication	13,140	13,140
Textile Composite	40,644	40,815
Sugar and Allied Industries	182,690	-
	<u>4,482,816</u>	<u>4,319,339</u>



8.4.2.2 Unlisted companies	Break up value	2021		2020	
		Cost	Breakup value (Rupees in '000)	Cost	Breakup value
Khushhali Bank Limited	December 31, 2020	30,000	189,922	30,000	165,372
Pakistan Export Finance Guarantee Agency Limited	–	5,700	–	5,700	–
Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T)	–	18,536	–	18,536	–
Pakistan Mortgage Refinance Company Limited	December 31, 2020	50,000	83,892	50,000	64,183
1LINK (Guarantee) Limited	December 31, 2020	50,000	267,895	50,000	202,032
		154,236	541,709	154,236	431,587

The above breakup values are based on the latest available audited financial statements of the unlisted companies.

8.4.3 Non Government Debt Securities	Cost	
	2021 (Rupees in '000)	2020
8.4.3.1 Listed		
AA+	1,086,038	1,267,724
AA	200,000	200,000
AA-	1,029,894	500,000
A+	1,000,000	–
A	300,000	1,300,000
A-	50,000	50,000
Government Guaranteed	21,102,504	21,102,725
	24,768,436	24,420,449
8.4.3.2 Unlisted		
AAA	1,798,000	–
AA+	1,450,000	–
AA	–	1,200,000
AA-	1,550,000	750,000
A+	75,000	75,000
A	200,000	100,000
BBB+	99,920	99,940
	5,172,920	2,224,940
8.4.4 Mutual Funds		
AAA(f)	50,000	50,000
AA(f)	550,000	550,000
AA-(f)	200,000	200,000
A+(f)	–	100,000
Unrated	1,376,022	1,225,000
	2,176,022	2,125,000



8.4.5 Foreign Securities	2021		2020	
	Cost	Rating (Rupees in '000)	Cost	Rating
Government Securities				
Bahrain	–	–	319,668	B+
Egypt	2,309,504	B+	2,097,411	B+
Srilanka	3,570,661	CC	3,723,756	CCC
Turkey	838,292	BB-	751,021	BB-
	<u>6,718,457</u>		<u>6,891,856</u>	
			Cost	
			2021	2020
			(Rupees in '000)	

8.5 Particulars relating to Held to Maturity securities are as follows:

Federal Government Securities-Government guaranteed

Pakistan Investment Bonds	166,923,766	154,641,075
Foreign Currency Bonds	5,846,821	4,213,506
Sukuks	9,576,502	11,970,501
	<u>182,347,089</u>	<u>170,825,082</u>

Others

Pakistan Corporate Restructuring Company Limited (PCRCL)	<u>4,481</u>	<u>4,481</u>
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Foreign Securities	2021		2020	
	Cost	Rating (Rupees in '000)	Cost	Rating
Government Securities				
Egypt	531,555	B+	482,090	B+
Srilanka	1,660,318	CC	1,226,569	CCC
	<u>2,191,873</u>		<u>1,708,659</u>	

8.5.1 The market value of securities classified as held to maturity at 31 December 2021 amounted to Rs. 181,472 million (2020: Rs. 168,809 million).



8.6 Associates

2021	2020	Name of company / funds	2021	2020
No. of ordinary shares / units			(Rupees in '000)	
-	9,415,312	Habib Sugar Mills Limited	-	570,080
3,506,970	-	AL Habib Money Market Fund % of holding 77.64% (2020: Nil) Average cost per unit: Rs. 100 (2020: Nil) Net asset value Rs. 100 (2020: Rs. Nil)	350,697	-
4,256,381	-	AL Habib Islamic Cash Fund % of holding 94.43% (2020: Nil) Average cost per unit: Rs. 100 (2020: Nil) Net asset value Rs. 100 (2020: Rs. Nil)	425,638	-
1,001,001	-	AL Habib Islamic Saving Fund % of holding 5.55% (2020: Nil) Average cost per unit: Rs. 100 (2020: Rs. Nil) Net asset value Rs. 100 (2020: Rs. Nil)	100,100	-
4,031,784	1,363,808	First Habib Income Fund % of holding: 26.23% (2020: 17.86%) Average cost per unit: Rs. 105.55 (2020: Rs. 109.99) Net asset value: Rs. 105.02 (2020: Rs. 103.48)	423,435	141,131
557,697	100,000	First Habib Stock Fund % of holding: 15.69% (2020: 7.09%) Average cost per unit: Rs. 89.65 (2020: Rs. 100) Net asset value: Rs. 87.92 (2020: Rs. 86.07)	8,793	8,608
69,271,923	16,288,303	First Habib Cash Fund % of holding: 24.52% (2020: 12.47%) Average cost per unit: Rs. 101.05 (2020: Rs. 101.30) Net asset value: Rs. 102.21 (2020: Rs. 100.98)	7,080,581	2,194,250
351,713	100,929	First Habib Islamic Stock Fund % of holding: 9.08% (2020: 8.23%) Average cost per unit: Rs. 85.30 (2020: Rs. 99.08) Net asset value: Rs. 80.13 (2020: Rs. 84.99)	28,184	48,910
250,421	250,421	First Habib Islamic Income Fund % of holding: 0.39% (2020: 0.22%) Average cost per unit: Rs. 98.46 (2020: Rs. 98.46) Net asset value: Rs. 101.15 (2020: Rs. 100.58)	65,573	25,186
777,428	200,149	First Habib Asset Allocation Fund % of holding: 74.67% (2020: 19.75%) Average cost per unit: Rs. 102.06 (2020: Rs. 99.93) Net asset value: Rs. 103.47 (2020: Rs. 101.98)	80,437	69,840
			8,563,438	3,058,005

8.6.1 The place of incorporation and business of associates is Pakistan.

8.6.2 All of the above funds are managed by AL Habib Asset Management Limited (the subsidiary company). The Chief Executive of the Management Company is Mr. Kashif Rafi.

8.6.3 During the year, the Bank reclassified Habib Sugar Mills Limited from associates to available-for-sale investments due to change in directorship structure.



	2021	2020
	(Rupees in '000)	
8.6.4 Movement of investments in associates		
Opening balance	3,058,005	1,472,165
Share of profit	372,034	110,441
Investment - net	5,986,178	1,609,946
Dividend received	(217,532)	(66,569)
Capital gain	(24,792)	(21,402)
Adjustment	(4,143)	(60,636)
Unrealised gain routed to OCI	3,760	14,060
Reclassification	(610,072)	-
Closing balance	<u>8,563,438</u>	<u>3,058,005</u>

8.6.5 Associates-Key information

Name of associates	2021					
	Assets	Liabilities	Equity	Revenue	Profit / (loss)	OCI
	(Rupees in '000)					
First Habib Cash Fund	16,952,954	53,605	16,899,349	568,923	513,010	-
First Habib Income Fund	1,436,424	23,862	1,412,562	80,647	65,321	-
First Habib Stock Fund	240,141	5,668	234,473	36,617	30,629	-
First Habib Islamic Stock Fund	294,039	5,671	288,368	29,221	21,113	-
First Habib Islamic Income Fund	14,184,707	54,930	14,129,777	888,016	768,015	-
First Habib Asset Allocation Fund	110,998	2,049	108,949	19,111	14,788	-
	2020					
Habib Sugar Mills Limited	11,106,205	2,483,243	8,622,962	10,138,211	694,295	265,474
First Habib Cash Fund	4,540,353	903,419	3,636,934	280,375	254,764	-
First Habib Income Fund	1,507,587	384,865	1,122,722	100,485	85,788	-
First Habib Stock Fund	111,069	6,227	104,842	3,020	(1,564)	-
First Habib Islamic Stock Fund	119,489	16,084	103,405	3,806	(355)	-
First Habib Islamic Income Fund	9,050,920	20,828	9,030,092	470,279	425,663	-
First Habib Asset Allocation Fund	107,688	1,136	106,552	3,792	(314)	-

9. ADVANCES

	Note	Performing		Non-Performing		Total	
		2021	2020	2021	2020	2021	2020
		(Rupees in '000)					
Loans, cash credits, running finances, etc.	9.1	602,080,934	429,319,854	7,123,857	6,970,943	609,204,791	436,290,797
Islamic financing and related assets		84,965,477	58,248,930	410,650	218,174	85,376,127	58,467,104
Bills discounted and purchased		51,632,418	27,742,924	212,428	192,356	51,844,846	27,935,280
Advances - gross		<u>738,678,829</u>	<u>515,311,708</u>	<u>7,746,935</u>	<u>7,381,473</u>	<u>746,425,764</u>	<u>522,693,181</u>
Provision against advances							
- Specific		-	-	6,494,129	6,497,479	6,494,129	6,497,479
- General as per regulations		369,390	267,290	-	-	369,390	267,290
- General		5,750,000	5,750,000	-	-	5,750,000	5,750,000
- As per IFRS 9 in overseas branches		476,792	128,018	-	-	476,792	128,018
		<u>6,596,182</u>	<u>6,145,308</u>	<u>6,494,129</u>	<u>6,497,479</u>	<u>13,090,311</u>	<u>12,642,787</u>
Advances-net of provision		<u>732,082,647</u>	<u>509,166,400</u>	<u>1,252,806</u>	<u>883,994</u>	<u>733,335,453</u>	<u>510,050,394</u>



9.1 Includes net investment in finance lease as disclosed below:

	2021			2020		
	Not later than one year	Later than one and less than five years	Total (Rupees in '000)	Not later than one year	Later than one and less than five years	Total
Lease rentals receivable	9,110,176	12,824,748	21,934,924	7,448,062	12,376,700	19,824,762
Residual value	1,598,147	5,211,797	6,809,944	1,707,629	2,978,287	4,685,916
Minimum lease payments	10,708,323	18,036,545	28,744,868	9,155,691	15,354,987	24,510,678
Financial charges for future periods	(1,734,744)	(1,522,420)	(3,257,164)	(1,059,738)	(1,702,182)	(2,761,920)
Present value of minimum lease payments	8,973,579	16,514,125	25,487,704	8,095,953	13,652,805	21,748,758

9.2 Particulars of advances (Gross)

	2021	2020
	(Rupees in '000)	
In local currency	621,504,686	453,332,482
In foreign currencies	124,921,078	69,360,699
	<u>746,425,764</u>	<u>522,693,181</u>

9.3 Advances include Rs. 7,746.935 million (2020: Rs. 7,381.473 million) which have been placed under non-performing status as detailed below:

Category of classification	2021		2020	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other assets especially mentioned	47,122	1,887	62,671	292
Substandard	1,352,895	331,166	165,014	33,385
Doubtful	222,455	105,141	1,118,292	499,908
Loss	4,028,738	3,960,210	3,987,501	3,965,101
	<u>5,651,210</u>	<u>4,398,404</u>	<u>5,333,478</u>	<u>4,498,686</u>
Overseas				
Overdue by:				
181 to 365 days	85,363	85,363	136,600	87,398
> 365 days	2,010,362	2,010,362	1,911,395	1,911,395
	<u>2,095,725</u>	<u>2,095,725</u>	<u>2,047,995</u>	<u>1,998,793</u>
Total	<u>7,746,935</u>	<u>6,494,129</u>	<u>7,381,473</u>	<u>6,497,479</u>



9.4 Particulars of provision against advances

	Note	2021			2020		
		Specific	General	Total	Specific	General	Total
(Rupees in '000)							
Opening balance		6,497,479	6,145,308	12,642,787	6,201,412	3,389,309	9,590,721
Exchange adjustments		223,681	17,349	241,030	68,496	5,158	73,654
Charge for the year							
- Specific provision		807,714	-	807,714	887,878	-	887,878
- General provision as per regulations		-	102,100	102,100	-	4,000	4,000
- As per IFRS 9 in overseas branches		-	331,425	331,425	-	(3,159)	(3,159)
- General provision for loans and advances	9.4.2	-	-	-	-	2,750,000	2,750,000
Reversals		(1,034,201)	-	(1,034,201)	(648,847)	-	(648,847)
		(226,487)	433,525	207,038	239,031	2,750,841	2,989,872
Amounts written off	9.5	(544)	-	(544)	(6,979)	-	(6,979)
Others		-	-	-	(4,481)	-	(4,481)
Closing balance		6,494,129	6,596,182	13,090,311	6,497,479	6,145,308	12,642,787

9.4.1 Particulars of provision against advances

	2021			2020		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
In local currency	4,398,404	6,119,390	10,517,794	4,498,686	6,017,290	10,515,976
In foreign currencies	2,095,725	476,792	2,572,517	1,998,793	128,018	2,126,811
	6,494,129	6,596,182	13,090,311	6,497,479	6,145,308	12,642,787

9.4.2 In line with its prudent policies, the Bank also makes general provision against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations and as of 31 December 2021 amounts to Rs. 5,750 million (2020: Rs. 5,750 million).

9.4.3 For the purposes of determining provision against non-performing advances, the Bank has not taken into account the Forced Sales Value of pledged stock and mortgaged properties held as collateral against non-performing advances.

9.5 PARTICULARS OF WRITE OFFs

	Note	2021	2020
(Rupees in '000)			
9.5.1 Against Provisions	9.4	544	6,979
Directly charged to Profit and Loss account		-	-
		544	6,979
9.5.2 Against Provisions			
Write Offs of below Rs. 500,000	9.6	544	2,619
Write Offs of Rs. 500,000 and above		-	4,360
		544	6,979



9.6 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 rupees five hundred thousand or above allowed to a person(s) during the year ended is given in Annexure I.

	Note	2021 (Rupees in '000)	2020
10. FIXED ASSETS			
Capital work-in-progress	10.1	1,738,112	2,279,324
Property and equipment	10.2	53,963,093	41,697,340
		55,701,205	43,976,664
10.1 Capital work-in-progress			
Civil works		595,516	454,808
Advance payment for purchase of equipments		125,432	51,867
Advance payment towards suppliers, contractors and property Consultants' fee and other charges		1,015,099	1,740,546
		2,065	32,103
		1,738,112	2,279,324

10.2 Property and Equipment

	2021							
	Leasehold land	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Improvements to leasehold building	Right of use assets	Total
	(Rupees in '000)							
At 01 January 2021								
Cost / Revalued amount	12,850,032	12,084,529	1,682,269	10,119,610	3,733,556	3,114,048	12,652,438	56,236,482
Accumulated depreciation	-	(282,443)	(694,593)	(6,686,117)	(1,755,689)	(2,208,605)	(2,911,695)	(14,539,142)
Net book value	<u>12,850,032</u>	<u>11,802,086</u>	<u>987,676</u>	<u>3,433,493</u>	<u>1,977,867</u>	<u>905,443</u>	<u>9,740,743</u>	<u>41,697,340</u>
Year ended 31 December 2021								
Opening net book value	12,850,032	11,802,086	987,676	3,433,493	1,977,867	905,443	9,740,743	41,697,340
Additions	3,565,705	6,188,274	329,501	2,237,040	921,989	1,009,595	-	14,252,104
Acquisition through business combination	-	-	-	-	-	-	-	-
Additions to ROUs	-	-	-	-	-	-	3,184,111	3,184,111
Movement in surplus on assets revalued during the year	-	-	-	-	-	-	-	-
Disposals	-	(2,226)	(3,365)	(6,771)	(35,588)	(6,652)	(335,406)	(390,008)
Depreciation charge	-	(584,002)	(154,504)	(1,136,106)	(685,174)	(397,980)	(1,854,453)	(4,812,219)
Other adjustments / transfers	-	4,406	-	-	-	(4,406)	31,765	31,765
Closing net book value	<u>16,415,737</u>	<u>17,408,538</u>	<u>1,159,308</u>	<u>4,527,656</u>	<u>2,179,094</u>	<u>1,506,000</u>	<u>10,766,760</u>	<u>53,963,093</u>
At 31 December 2021								
Cost / Revalued amount	16,415,737	18,336,368	1,996,702	12,161,113	4,303,341	4,025,751	14,928,314	72,167,326
Accumulated depreciation	-	(927,830)	(837,394)	(7,633,457)	(2,124,247)	(2,519,751)	(4,161,554)	(18,204,233)
Net book value	<u>16,415,737</u>	<u>17,408,538</u>	<u>1,159,308</u>	<u>4,527,656</u>	<u>2,179,094</u>	<u>1,506,000</u>	<u>10,766,760</u>	<u>53,963,093</u>
Rate of depreciation (percentage)	-	2.08% - 20%	10%	20%	20%	20%	As per lease term	



2020

	Leasehold land	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Improvements to leasehold building	Right of use assets	Total
(Rupees in '000)								
At 01 January 2020								
Cost / Revalued amount	10,724,438	10,098,380	1,422,561	8,844,776	3,394,955	2,766,206	9,594,046	46,845,362
Accumulated depreciation	-	(789,522)	(578,316)	(5,773,122)	(1,602,933)	(1,732,020)	(1,395,355)	(11,871,268)
Net book value	<u>10,724,438</u>	<u>9,308,858</u>	<u>844,245</u>	<u>3,071,654</u>	<u>1,792,022</u>	<u>1,034,186</u>	<u>8,198,691</u>	<u>34,974,094</u>
Year ended 31 December 2020								
Opening net book value	10,724,438	9,308,858	844,245	3,071,654	1,792,022	1,034,186	8,198,691	34,974,094
Additions	291,338	1,100,546	274,407	1,441,233	947,305	394,308	-	4,449,137
Acquisition through business combination	-	-	-	751	44	-	-	795
Additions to ROUs	-	-	-	-	-	-	3,224,658	3,224,658
Movement in surplus on assets revalued during the year	1,703,806	1,914,291	-	-	-	-	-	3,618,097
Disposals	-	(14,051)	(2,207)	(3,857)	(137,284)	(1,723)	-	(159,122)
Depreciation charge	-	(434,732)	(128,769)	(1,076,288)	(624,220)	(518,608)	(1,661,393)	(4,444,010)
Other adjustments / transfers	130,450	(72,826)	-	-	-	(2,720)	(21,213)	33,691
Closing net book value	<u>12,850,032</u>	<u>11,802,086</u>	<u>987,676</u>	<u>3,433,493</u>	<u>1,977,867</u>	<u>905,443</u>	<u>9,740,743</u>	<u>41,697,340</u>
At 31 December 2020								
Cost / Revalued amount	12,850,032	12,084,529	1,682,269	10,119,610	3,733,556	3,114,048	12,652,438	56,236,482
Accumulated depreciation	-	(282,443)	(694,593)	(6,686,117)	(1,755,689)	(2,208,605)	(2,911,695)	(14,539,142)
Net book value	<u>12,850,032</u>	<u>11,802,086</u>	<u>987,676</u>	<u>3,433,493</u>	<u>1,977,867</u>	<u>905,443</u>	<u>9,740,743</u>	<u>41,697,340</u>
Rate of depreciation (percentage)	-	2.22% - 20%	10%	20%	20%	20%	As per lease term	

10.3 In accordance with the Bank's accounting policy, the Bank's leasehold land and buildings on leasehold land were revalued at 01 June 2020. The revaluation was carried out by an independent valuer, M/s. Iqbal A. Nanjee & Co. on the basis of present physical condition and location of leasehold land and buildings on leasehold land. Fair values were ascertained by the independent valuer under market approach through various enquiries conducted by them at site from real estate agents and brokers. The revaluation resulted in surplus of Rs. 3,618.097 million over the book value of the respective properties and also net deficit of Rs. 122.190 million on certain properties. Had the leasehold land and buildings on leasehold land not been revalued, the total carrying amounts of revalued properties as at 31 December 2021 would have been as follows:

	2021 (Rupees in '000)	2020
Leasehold land	<u>12,474,150</u>	<u>8,908,446</u>
Buildings on leasehold land	<u>13,056,296</u>	<u>7,257,224</u>

10.4 The gross carrying amount of fully depreciated assets still in use is as follows:

Furniture and fixture	<u>259,691</u>	227,579
Electrical, office and computer equipment	<u>5,072,815</u>	4,110,076
Vehicles	<u>663,809</u>	517,461
Improvements to leasehold buildings	<u>1,606,236</u>	1,330,514
	<u>7,602,551</u>	<u>6,185,630</u>



10.5 Details of disposal of fixed assets during the year:

Particulars	2021		
	Cost	Book value	Insurance claim
Habib Insurance Company Limited - (Related Party-Karachi)		(Rupees in '000)	
Furniture and fixture	2,137	1,227	3,239
Electrical, office and computer equipment	14,024	5,084	11,886
Vehicles	13,664	7,420	13,735

Particulars	2021			
	Computer software	TRE certificates	Management rights	Total
	(Rupees in '000)			
At 01 January 2021				
Cost	1,420,792	34,750	80,670	1,536,212
Accumulated amortisation and impairment	(1,209,100)	(32,250)	–	(1,241,350)
Net book value	211,692	2,500	80,670	294,862
Year ended 31 December 2021				
Opening net book value	211,692	2,500	80,670	294,862
Additions-directly purchased	367,090	–	–	367,090
Amortisation charge	(307,372)	–	–	(307,372)
Closing net book value	271,410	2,500	80,670	354,580
At 31 December 2021				
Cost	1,787,882	34,750	80,670	1,903,302
Accumulated amortisation and impairment	(1,516,472)	(32,250)	–	(1,548,722)
Net book value	271,410	2,500	80,670	354,580
Rate of amortisation (percentage)	50%	–	–	
Useful life	2 years	–	–	
	2020			
At 01 January 2020				
Cost	1,287,061	34,750	–	1,321,811
Accumulated amortisation and impairment	(920,721)	(32,250)	–	(952,971)
Net book value	366,340	2,500	–	368,840
Year ended 31 December 2020				
Opening net book value	366,340	2,500	–	368,840
Additions-directly purchased	133,383	–	–	133,383
Business combination	348	–	80,670	81,018
Amortisation charge	(288,379)	–	–	(288,379)
Closing net book value	211,692	2,500	80,670	294,862
At 31 December 2020				
Cost	1,420,792	34,750	80,670	1,536,212
Accumulated amortisation and impairment	(1,209,100)	(32,250)	–	(1,241,350)
Net book value	211,692	2,500	80,670	294,862
Rate of amortisation (percentage)	50%	–	–	
Useful life	2 years	–	–	



11.1 As at 31 December 2021, the gross carrying amount of fully amortised intangible assets still in use amounted to Rs. 1,519.281 million (2020: Rs. 878.525 million).

12. DEFERRED TAX ASSET / (LIABILITIES)

	2021				As at 31 December 2021
	As at 01 January 2021	On business combination	Recognised in profit and loss account	Recognised in other comprehensive income	
(Rupees in '000)					
Deductible Temporary Differences on					
Provision against diminution in the value of investments	1,270,805	-	93,402	-	1,364,207
Provision against loans and advances, off-balance sheet, etc.	1,725,436	-	358,170	-	2,083,606
Workers' welfare fund	848,152	-	338,756	-	1,186,908
Provision for compensated absences	1,742	-	(1,191)	-	551
Recognised tax losses	33,824	-	(20,670)	-	13,154
Others	2,774	-	10,537	-	13,311
	3,882,733	-	779,004	-	4,661,737
Taxable Temporary Differences on					
Accelerated tax depreciation	(927,891)	-	(218,919)	-	(1,146,810)
Surplus on revaluation of fixed assets / non-banking assets	(1,606,514)	-	77,005	(304,067)	(1,833,576)
Remeasurement of defined benefit plan	-	-	-	-	-
Surplus on revaluation of available-for-sale investments	(1,487,188)	-	-	1,910,055	422,867
Surplus on revaluation of held-for-trading securities	(976)	-	151	-	(825)
	(4,022,569)	-	(141,763)	1,605,988	(2,558,344)
	(139,836)	-	637,241	1,605,988	2,103,393
2020					
	As at 01 January 2020	On business combination	Recognised in profit and loss account	Recognised in other comprehensive income	As at 31 December 2020
Deductible Temporary Differences on					
Provision against diminution in the value of investments	772,704	-	498,101	-	1,270,805
Provision against loans and advances, off-balance sheet, etc.	785,860	-	939,576	-	1,725,436
Workers' welfare fund	-	-	848,152	-	848,152
Provision for compensated absences	292	230	1,220	-	1,742
Recognised tax losses	2,863	-	30,961	-	33,824
Others	627	2,032	115	-	2,774
	1,562,346	2,262	2,318,125	-	3,882,733
Taxable Temporary Differences on					
Accelerated tax depreciation	(960,906)	132	32,883	-	(927,891)
Surplus on revaluation of fixed assets / non-banking assets	(984,461)	-	56,261	(678,314)	(1,606,514)
Remeasurement of defined benefit plan	(165,629)	-	165,629	-	-
Surplus on revaluation of available-for-sale investments	(829,057)	-	-	(658,131)	(1,487,188)
Surplus on revaluation of held-for-trading securities	-	(706)	(270)	-	(976)
	(2,940,053)	(574)	254,503	(1,336,445)	(4,022,569)
	(1,377,707)	1,688	2,572,628	(1,336,445)	(139,836)



13. OTHER ASSETS	Note	2021	2020
(Rupees in '000)			
Income / mark - up accrued in local currency - net of provision		19,755,175	16,945,436
Income / mark - up accrued in foreign currencies - net of provision		1,174,158	691,713
Advances, deposits, advance rent and other prepayments		1,176,105	776,481
Non - banking assets acquired in satisfaction of claims	13.1	811,454	814,912
Mark to market gain on forward foreign exchange contracts		2,993,003	931,153
Acceptances		55,030,553	52,522,498
Stationery and stamps on hand		436,018	393,693
Receivable from SBP on encashment of Government Securities		150,135	33,013
ATM settlement account		-	943,062
Receivable against securities		505,505	218,199
Others		4,384,135	943,369
		<u>86,416,241</u>	<u>75,213,529</u>
Less: Provision held against other assets	13.2	<u>(7,497)</u>	<u>(6,884)</u>
Other Assets (net of provision)		<u>86,408,744</u>	<u>75,206,645</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	13.1	139,488	139,165
Other Assets-total		<u>86,548,232</u>	<u>75,345,810</u>
13.1 Market value of non-banking assets acquired in satisfaction of claims		<u>1,016,627</u>	<u>957,093</u>

Market value of the non-banking assets acquired in satisfaction of claims has been carried out by independent valuers, M/s. K.G.Traders (Pvt.) Ltd. and M/s. MYK Associates (Pvt.) Ltd. based on present physical condition and location of non-banking assets. Fair values were ascertained by the independent valuers under market approach through various enquiries conducted by them at site from real estate agents and brokers.

	2021	2020
(Rupees in '000)		
13.1.1 Non - banking assets acquired in satisfaction of claims		
Opening balance	954,077	909,382
Revaluations	4,165	106,658
Transferred to fixed assets	-	(54,904)
Accumulated depreciation	<u>(7,300)</u>	<u>(7,059)</u>
Closing balance	<u>950,942</u>	<u>954,077</u>
13.2 Provision held against other assets		
Receivable against consumer loans	<u>7,497</u>	<u>6,884</u>
13.2.1 Movement in provision held against other assets		
Opening balance	6,884	7,383
Charge for the year	2,740	6,080
Reversals	<u>(2,127)</u>	<u>(5,255)</u>
	613	825
Amount written off	-	(1,324)
Closing balance	<u>7,497</u>	<u>6,884</u>

14. CONTINGENT ASSETS

There were no contingent assets of the Group as at 31 December 2021 (2020: Nil).



	Note	2021 (Rupees in '000)	2020
15. BILLS PAYABLE			
In Pakistan		29,803,755	31,013,221
16. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan			
Under export refinance scheme	16.1	72,330,093	58,086,099
Under renewable energy	16.2	13,588,833	8,958,686
Under long term financing for imported and locally manufactured plant and machinery	16.3	31,605,152	25,128,756
Under modernisation of small and medium enterprises	16.4	566,723	331,848
Under women entrepreneurship	16.5	26,893	26,957
Under financing facility for storage of agricultural produce	16.6	735,467	416,073
Under refinance scheme for payment of wages and salaries	16.7	7,842,569	15,720,186
Under temporary economic refinance facility	16.8	32,012,142	4,387,473
	16.9	100,000	–
		158,807,872	113,056,078
Repurchase agreement borrowings	16.10	119,942,164	98,345,030
Borrowings from financial institutions	16.11	23,102,205	–
Others		–	27,862
Total secured		301,852,241	211,428,970
Unsecured			
Overdrawn nostro accounts		360,661	198,297
		302,212,902	211,627,267
16.1	These carry mark-up rates ranging from 1% to 2% (2020: 1% to 2%) per annum, payable quarterly at the time of partial payment or upon maturity of loan, whichever is earlier.		
16.2	These carry mark-up rates of 2% to 3% (2020: 2% to 3%) per annum having maturity periods over ten years.		
16.3	These carry mark-up rates ranging from 2% to 6% (2020: 2% to 6%) per annum having maturity periods upto ten years.		
16.4	These carry mark-up rates of 2% (2020: 2%) per annum having maturity periods upto ten years.		
16.5	These carry mark-up rate of Nil (2020: Nil) per annum having maturity periods upto five years.		
16.6	These carry mark-up rates from 2.0% to 3.5% (2020: 2.5% to 3.5%) per annum having maturity periods upto seven years.		
16.7	These carry mark-up rates upto 1% (2020: 1%) per annum having maturity periods upto three years.		
16.8	These carry mark-up rates of 1% (2020: 1%) per annum having maturity periods upto ten years.		
16.9	These carry mark-up rates of Nil (2020: Nil) per annum having maturity periods upto five years.		
16.10	These repurchase agreement borrowings are secured against Pakistan Investment Bonds and Market Treasury Bills. These carry effective mark-up rates ranging from 9.89% to 10.70% (2020: 7.05%) per annum, having maturity periods upto two months.		
16.11	These borrowings from financial institutions carry mark-up rates ranging from 0.95% to 1.64% per annum having maturity periods upto one year.		



16.12 Particulars of borrowings with respect to currencies

	2021	2020
	(Rupees in '000)	
In local currency	278,750,036	211,428,970
In foreign currencies	23,462,866	198,297
	<u>302,212,902</u>	<u>211,627,267</u>

17. DEPOSITS AND OTHER ACCOUNTS

	2021			2020		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	451,790,944	50,037,483	501,828,427	351,389,228	40,963,348	392,352,576
Savings deposits	331,340,746	47,617,002	378,957,748	283,179,499	43,773,628	326,953,127
Term deposits	204,273,302	38,981,706	243,255,008	177,719,569	40,377,454	218,097,023
Current deposits - remunerative	117,604,631	3,844,969	121,449,600	120,360,146	2,247,064	122,607,210
Others	20,969,061	8,647,765	29,616,826	15,419,195	7,337,309	22,756,504
	<u>1,125,978,684</u>	<u>149,128,925</u>	<u>1,275,107,609</u>	<u>948,067,637</u>	<u>134,698,803</u>	<u>1,082,766,440</u>
Financial institutions						
Current deposits	4,373,862	361,260	4,735,122	3,568,698	203,742	3,772,440
Savings deposits	10,843,950	18	10,843,968	113,638	18	113,656
Term deposits	1,363,787	193,282	1,557,069	1,335,500	135,060	1,470,560
Current deposits - remunerative	17,192,468	284,878	17,477,346	10,381,339	697,737	11,079,076
Others	13,850	-	13,850	21,286	-	21,286
	<u>33,787,917</u>	<u>839,438</u>	<u>34,627,355</u>	<u>15,420,461</u>	<u>1,036,557</u>	<u>16,457,018</u>
	<u>1,159,766,601</u>	<u>149,968,363</u>	<u>1,309,734,964</u>	<u>963,488,098</u>	<u>135,735,360</u>	<u>1,099,223,458</u>

2021
(Rupees in '000)

17.1 Composition of deposits

- Individuals	805,485,582	694,690,728
- Government (Federal and Provincial)	42,529,298	43,377,359
- Public Sector Entities	53,091,501	52,701,961
- Banking Companies	240,760	341,145
- Non-Banking Financial Institutions	34,386,595	16,115,873
- Private Sector	374,001,228	291,996,392
	<u>1,309,734,964</u>	<u>1,099,223,458</u>

17.2 Deposits includes eligible deposits covered under deposit protection mechanism as required by the Deposit Protection Act, 2016 amounting to Rs. 903,117.371 million (2020: Rs. 787,834.683 million).



	Note	2021	2020
(Rupees in '000)			
18. SUBORDINATED DEBT - Unsecured			
Term Finance Certificates (TFCs) - V - (Unquoted)	18.1	–	3,992,800
Term Finance Certificates (TFCs) - VI - (Unquoted)	18.2	7,000,000	7,000,000
Term Finance Certificates (TFCs) - VII - (Unquoted)	18.3	3,995,200	3,996,800
Term Finance Certificates (TFCs) - VIII - (Unquoted)	18.4	5,000,000	–
		<u>15,995,200</u>	<u>14,989,600</u>

18.1 During the year, the Bank exercised the call option of Term Finance Certificates - V in accordance with the Trust Deed and Terms and Conditions for the TFC issue, after completing the regulatory requirements. Accordingly, the said TFCs were redeemed in full on 17 March 2021.

18.2 Term Finance Certificates - VI (Unquoted)

Issue amount	Rupees 7,000 million
Issue date	December 2017
Maturity date	Perpetual
Rating	AA
Profit payment frequency	semi-annually
Redemption	No fixed or final redemption date.
Mark-up	Payable six monthly at six months' KIBOR (ask side) plus 1.50% without any floor and cap. The issuer will have full discretion over the amount and timing of profit distribution, and waiver of any profit distribution or other payment will not constitute an event of default.
Call option	On or after five years with prior SBP approval. As per SBP's requirement, the Bank shall not exercise call option unless the called instrument is replaced with capital of same or better quality.
Lock-in-clause	No profit may be paid if such payment will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a point of non-viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).



18.3 Term Finance Certificates - VII (Unquoted)

Issue amount	Rupees 4,000 million
Issue date	December 2018
Maturity date	December 2028
Rating	AA+
Profit payment frequency	semi-annually
Redemption	6th - 108th month: 0.02% per each semi-annual period; 114th and 120th month: 49.82% each.
Mark-up	6 - Months KIBOR (ask side) + 1.00% per annum.
Call option	On or after five years with prior SBP approval.
Lock-in-clause	Neither profit nor principal may be paid if such payments will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).

18.4 Term Finance Certificates - VIII (Unquoted)

Issue amount	Rupees 5,000 million
Issue date	September 2021
Maturity date	September 2031
Rating	AA+
Profit payment frequency	semi-annually
Redemption	6th - 108th month: 0.02% per each semi-annual period; 114th and 120th month: 49.82% each.
Mark-up	6 - Months KIBOR (ask side) + 0.75% per annum.
Call option	On or after five years with prior SBP approval.
Lock-in-clause	Neither profit nor principal may be paid if such payments will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).



	Note	2021	2020
(Rupees in '000)			
19. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		2,045,653	1,684,024
Mark-up / return / interest payable in foreign currencies		302,370	196,066
Unearned commission income		1,416,819	304,009
Accrued expenses		2,952,562	2,541,572
Acceptances		55,030,553	52,522,498
Unclaimed / dividend payable		546,228	474,931
Mark to market loss on forward foreign exchange contracts		787,128	490,822
Branch adjustment account		5,764,199	2,639,104
Payable to defined benefit plan		974,313	683,514
Charity payable		12,978	41,298
Provision against off - balance sheet items	19.1	173,319	146,692
Security deposits against leases / ijarah		7,174,202	5,690,619
Provision for compensated absences	19.2	1,127,704	974,095
Other security deposits		765,531	647,203
Workers' welfare fund		3,048,747	2,425,132
Payable to SBP / NBP		1,323,252	455,014
Payable to supplier against murabaha		223,202	166,017
Insurance payable		610,916	470,883
Lease liability against right-of-use assets		12,235,539	10,526,139
Payable against sale of marketable securities on behalf of customers		230,415	567,235
Current taxation (payments less provisions)		2,028,365	418,177
ATM settlement account		1,729,169	—
Others		1,539,576	1,277,245
		102,042,740	85,342,289
19.1 Provision against off - balance sheet obligations			
Opening balance		146,692	129,369
Exchange adjustment against IFRS 9 in overseas branches		4,141	1,470
Charge for the year		60,763	19,748
Reversals		(38,277)	(3,895)
		22,486	15,853
Closing balance		173,319	146,692
19.1.1 The provision against off-balance sheet obligations includes provision in respect of letter of guarantees and shipping guarantees.			
19.2 Provision for compensated absences has been determined on the basis of independent actuarial valuation. The significant assumptions used for actuarial valuation were as follows:			
		2021	2020
		(% per annum)	
Discount rate		12.25%	10.25%
Expected rate of increase in salary in future years		11.25%	9.25%



20. SHARE CAPITAL

20.1 Authorised Capital

2021	2020		2021	2020
Number of shares			(Rupees in '000)	
<u>1,500,000,000</u>	<u>1,500,000,000</u>	Ordinary shares of Rs. 10 each	<u>15,000,000</u>	<u>15,000,000</u>

20.2 Issued, subscribed and paid up capital

2021	2020		2021	2020
Number of shares				
<u>30,000,000</u>	30,000,000	Fully paid in cash	<u>300,000</u>	300,000
<u>1,081,425,416</u>	<u>1,081,425,416</u>	Issued as bonus shares	<u>10,814,254</u>	10,814,254
<u>1,111,425,416</u>	<u>1,111,425,416</u>		<u>11,114,254</u>	<u>11,114,254</u>

20.3 As of statement of financial position date 162,731,961 (2020: 162,818,503) ordinary shares of Rs. 10/- each were held by the related parties.

Note **2021** 2020
(Rupees in '000)

21. SURPLUS ON REVALUATION OF ASSETS

Surplus / (deficit) on revaluation of:

- Investments	21.1	(1,071,388)	4,329,994
- Fixed Assets	21.2	8,869,136	9,062,739
- Non - banking assets acquired in satisfaction of claims	21.3	139,488	139,165
		7,937,236	13,531,898

Deferred tax on surplus / (deficit) on revaluation of:

- Available for sale securities	21.1	(420,671)	1,488,343
- Fixed Assets	21.2	1,849,120	1,663,701
- Non - banking assets acquired in satisfaction of claims	21.3	54,804	13,161
		1,483,253	3,165,205
		6,453,983	10,366,693

21.1 Investments

Available for sale securities	(1,076,616)	4,253,523
Unrealised surplus on equity accounting	-	76,546
Non-controlling interest	5,228	(75)
	(1,071,388)	4,329,994
	(420,671)	1,488,343
Less: related deferred tax	(650,717)	2,841,651



	Note	2021 (Rupees in '000)	2020
21.2 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at 01 January		9,062,739	5,495,269
Surplus on revaluation of the Bank's fixed assets during the year		-	3,726,240
Transferred to unappropriated profit in respect of incremental depreciation charged during the year		(193,603)	(158,770)
Surplus on revaluation of fixed assets as at 31 December		8,869,136	9,062,739
Less: related deferred tax liability on:			
- revaluation as at 01 January		1,663,701	1,049,269
- revaluation recognised during the year		260,923	670,002
- incremental depreciation charged during the year		(75,504)	(55,570)
		1,849,120	1,663,701
		<u>7,020,016</u>	<u>7,399,038</u>
21.3 Surplus on revaluation of non - banking assets acquired in satisfaction of claims			
Surplus on revaluation of non-banking assets as at 01 January		139,165	34,482
Surplus on revaluation of non-banking assets during the year		4,165	106,658
Transferred to unappropriated profit in respect of incremental depreciation charged during the year		(3,842)	(1,975)
Surplus on revaluation of non-banking assets as at 31 December		139,488	139,165
Less: related deferred tax liability on:			
- revaluation as at 01 January		13,161	5,540
- revaluation recognised during the year		43,144	8,312
- incremental depreciation charged during the year		(1,501)	(691)
		54,804	13,161
		<u>84,684</u>	<u>126,004</u>
22. NON - CONTROLLING INTEREST			
Opening balance		114,778	105,510
Profit attributable to non-controlling interest		13,665	9,728
Loss on equity attributable to non-controlling interest		(5,303)	(460)
Closing balance		<u>123,140</u>	<u>114,778</u>
23. CONTINGENCIES AND COMMITMENTS			
- Guarantees	23.1	126,082,119	92,814,672
- Commitments	23.2	438,585,630	351,718,547
- Other contingent liabilities	23.3	2,030,711	1,537,827
		<u>566,698,460</u>	<u>446,071,046</u>



	Note	2021 (Rupees in '000)	2020
23.1 Guarantees:			
Financial guarantees		24,274,161	20,716,906
Performance guarantees		101,807,958	72,097,766
		<u>126,082,119</u>	<u>92,814,672</u>
23.2 Commitments:			
Documentary credits and short term trade-related transactions - letters of credit		301,891,236	207,740,057
Commitments in respect of:			
- forward foreign exchange contracts	23.2.1	131,220,965	128,823,137
- forward lending	23.2.2	4,717,424	7,124,914
Commitments for acquisition of:			
- operating fixed assets		756,005	8,030,439
		<u>438,585,630</u>	<u>351,718,547</u>
23.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		72,497,648	75,472,905
Sale		58,723,317	53,350,232
		<u>131,220,965</u>	<u>128,823,137</u>
The maturities of above contracts are spread over the periods upto two years.			
23.2.2 Commitments in respect of forward lending		<u>4,717,424</u>	<u>7,124,914</u>
These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.			
23.3 Claims against the Bank not acknowledged as debts		<u>2,030,711</u>	<u>1,537,827</u>
23.4 Other contingent liabilities			

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2020 (Tax Year 2021). The income tax assessments of the Bank have been finalized upto and including tax year 2018. Matters of disagreement exist between the Bank and tax authorities for various tax years and are pending with the Commissioner Inland Revenue (Appeals) and Income Tax Appellate Tribunal (ITAT). These issues mainly relate to addition of general provision (specific), reversal of provision for non-performing loans, charge for defined benefit plan and provision for compensated absences.

For tax year 2012 and 2013, the Additional Commissioner Inland Revenue (ACIR) passed an amended order u/s. 122(5A) of the Income Tax Ordinance, 2001 resulting in an impact of Rs. 482.233 million. Subsequently, Commissioner Inland Revenue (Appeals) has passed order by allowing Rs. 134.616 million resulting in an aggregate net tax impact of Rs. 347.617 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned orders.

Commissioner Inland Revenue (Appeals) passed an appellate order against Deputy Commissioner Inland Revenue (DCIR) order for Tax Year 2014 (Accounting Year 2013) by allowing certain expenses resulting in an impact of Rs. 25.300 million and remanded back certain expenses to DCIR. The resulted aggregate net tax impact stands at Rs. 125.469 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.



Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2015 (Accounting Year 2014) by allowing certain expenses resulting in an impact of Rs. 75.256 million and remanded back certain expenses to ACIR. The resulted aggregate net tax impact stands at Rs. 226.599 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2016 (Accounting Year 2015) by allowing certain expenses resulting in an impact of Rs. 138.418 million and remanded back certain expenses to ACIR. The resulted aggregate net tax impact stands at Rs. 69.261 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2017 (Accounting Year 2016) by allowing certain expenses resulting in an impact of Rs. 94.672 million and remanded back certain expenses to ACIR. The resulted aggregate net tax impact stands at Rs. 103.844 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2018 (Accounting Year 2017) by allowing certain expenses resulting in an impact of Rs. 65.722 million. The resulted aggregate net tax impact stands at Rs. 194.376 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) has remanded back the order of Deputy Commissioner Inland Revenue (DCIR) against Federal Excise Duty levy on certain items for the period January 2013 to December 2015. The resulted aggregate net tax impact stands at Rs. 80.766 million.

Commissioner (HQ), Punjab Revenue Authority has passed order for the period from January to December 2016 levying Punjab Sales Tax on services on certain items resulting in an impact of Rs. 112.641 million. Appellate Tribunal – Punjab Revenue Authority has remanded back the order of Commissioner (HQ), Punjab Revenue Authority.

Commissioner Inland Revenue (Appeals) has passed orders for tax years 2009 and 2011 confirming disallowance of provision for non-performing loans, other provisions and amortization of intangible assets having an aggregate tax impact of Rs. 15.372 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned orders.

Commissioner Inland Revenue (Appeals), Mirpur AJ&K has annulled the amendments made by Assistant Commissioner Inland Revenue, Mirpur AJ&K for Tax Year 2014 to 2018. This resulted in a favorable aggregate net tax impact of Rs. 93.443 million.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Year 2019 by disallowing certain expenses resulting in an impact of Rs. 92.311 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

The management, based on the opinion of its tax advisor, is confident about the favorable outcome of the above matters.



24. DERIVATIVE INSTRUMENTS

The Bank deals in derivative financial instruments namely forward foreign exchange contracts and foreign currency swaps with the principal view of hedging the risks arising from its trade business. As per the Bank's policy, these contracts are reported on their fair value at the statement of financial position date. The gains and losses from revaluation of these contracts are included under "income from dealing in foreign currencies". Unrealised gains and losses on these contracts are recorded in the statement of financial position under "other assets / other liabilities". These products are offered to the Bank's customers to protect from unfavourable movements in foreign currencies. The Bank hedges such exposures in the inter-bank foreign exchange market.

24.1 Product Analysis

Counter Parties	CONTRACT		2021 SWAP		TOTAL	
	Notional Principal	Mark to Market gain / (loss)	Notional Principal	Mark to Market gain / (loss)	Notional Principal	Mark to Market gain / (loss)
			(Rupees in '000)			
Banks						
Hedging	7,709,331	(24,745)	62,902,410	(368,653)	70,611,741	(393,398)
Other Entities						
Hedging	60,609,224	2,599,273	-	-	60,609,224	2,599,273
Total						
Hedging	<u>68,318,555</u>	<u>2,574,528</u>	<u>62,902,410</u>	<u>(368,653)</u>	<u>131,220,965</u>	<u>2,205,875</u>
			2020			
Banks						
Hedging	9,107,115	(27,012)	68,172,458	372,325	77,279,573	345,313
Other Entities						
Hedging	51,543,564	95,018	-	-	51,543,564	95,018
Total						
Hedging	<u>60,650,679</u>	<u>68,006</u>	<u>68,172,458</u>	<u>372,325</u>	<u>128,823,137</u>	<u>440,331</u>

24.2 Maturity Analysis

	Number of Contracts	Notional Principal	2021 Mark to Market		
			Negative	Positive	Net
			(Rupees in '000)		
Upto 1 month	220	18,737,362	(100,927)	257,804	156,877
1 to 3 months	494	59,723,927	(402,549)	921,515	518,966
3 to 6 months	470	37,622,436	(229,758)	1,215,887	986,129
6 months to 1 year	254	15,044,175	(53,894)	595,124	541,230
1 to 2 years	1	93,065	-	2,673	2,673
	<u>1,439</u>	<u>131,220,965</u>	<u>(787,128)</u>	<u>2,993,003</u>	<u>2,205,875</u>
			2020		
Upto 1 month	297	51,974,821	(112,849)	296,381	183,532
1 to 3 months	412	46,596,575	(218,736)	340,228	121,492
3 to 6 months	352	19,991,703	(128,829)	161,815	32,986
6 months to 1 year	177	10,260,038	(30,408)	132,729	102,321
1 to 2 years	-	-	-	-	-
	<u>1,238</u>	<u>128,823,137</u>	<u>(490,822)</u>	<u>931,153</u>	<u>440,331</u>



	Note	2021 (Rupees in '000)	2020
25. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances		39,751,634	43,408,133
On investments		76,483,891	81,113,900
On deposits with financial institutions		254,848	353,188
On securities purchased under resale agreements		241,458	198,514
On lending to financial institutions		15,233	216,003
On call money lendings		370	554
		<u>116,747,434</u>	<u>125,290,292</u>
26. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		43,244,860	48,036,958
Borrowings from SBP		2,310,305	1,616,923
Subordinated debt		1,178,571	1,753,337
Cost of foreign currency swaps		1,511,934	1,165,922
Repurchase agreement borrowings		11,530,205	13,923,326
Mark-up expense on lease liability against right-of-use assets		1,124,704	956,906
Other borrowings		237,663	195,630
		<u>61,138,242</u>	<u>67,649,002</u>
27. FEE AND COMMISSION INCOME			
Branch banking customer fees		1,309,872	1,054,380
Investment banking fees		72,167	127,450
Consumer finance related fees		80,006	48,499
Card related fees (debit and credit cards)		1,376,752	491,655
Credit related fees		333,942	153,330
Commission on trade		5,132,467	4,046,591
Commission on guarantees		592,864	406,053
Commission on cash management		221,048	176,337
Commission on home remittances		149,562	118,958
Others		290,453	154,441
		<u>9,559,133</u>	<u>6,777,694</u>
28. (LOSS) / GAIN ON SECURITIES			
Realised	28.1	(34,415)	181,242
Unrealised-held for trading		(3,838)	771
		<u>(38,253)</u>	<u>182,013</u>
28.1 Realised (loss) / gain on:			
Federal Government Securities		5,199	5,494
Shares		15,272	10,960
Mutual Funds		(54,886)	164,788
		<u>(34,415)</u>	<u>181,242</u>
29. OTHER INCOME			
Gain on sale of fixed assets-net		467,551	440,311
Recovery of expenses from customers	29.1	355,536	322,776
Lockers rent		15,846	13,176
Exchange gain realised on closure of overseas branch		292,780	—
Income on margin financing		11,174	1,626
Gain on disposal of associate		—	4,614
Bargain purchase on acquisition		—	37,734
Others		8,916	1,148
		<u>1,151,803</u>	<u>821,385</u>
29.1	Includes courier, SWIFT, postage and other charges recovered from customers.		



	Note	2021 (Rupees in '000)	2020
30. OPERATING EXPENSES			
Total compensation expenses	30.1	17,221,602	15,533,126
Property expenses			
Rent and taxes		315,370	312,348
Insurance		14,842	19,265
Utilities cost		1,525,027	1,096,909
Security (including guards)		1,290,994	1,030,702
Repair and maintenance (including janitorial charges)		391,341	327,167
Depreciation		2,843,733	2,621,792
		6,381,307	5,408,183
Information technology expenses			
Software maintenance		5,367	4,667
Hardware maintenance		1,310,768	1,196,384
Depreciation		371,602	223,815
Amortisation		307,372	288,379
Network charges		561,396	431,212
		2,556,505	2,144,457
Other operating expenses			
Directors' fees and allowances		41,040	35,217
Fees and allowances to Shariah Board		14,779	12,679
Insurance		521,817	496,088
Legal and professional charges		312,454	174,099
Outsourced services costs	30.2	1,819,571	1,639,793
Travelling and conveyance		282,755	188,468
NIFT and other clearing charges		204,452	144,846
Depreciation		1,604,184	1,605,462
Repair and maintenance		1,571,567	1,453,539
Training and development		47,460	27,116
Postage and courier charges		265,970	231,596
Communication		500,613	346,653
Stationery and printing		845,276	783,365
Marketing, advertisement and publicity		461,851	629,188
Donations	30.3	244,407	157,132
Auditors remuneration	30.4	10,049	9,103
Commission and brokerage		611,117	408,118
Entertainment and staff refreshment		386,605	285,755
Vehicle running expenses		1,610,924	1,100,461
Subscriptions and publications		229,753	217,551
CNIC verification charges		169,702	92,171
Security charges		473,360	311,961
Others		518,624	689,598
		12,748,330	11,039,959
		38,907,744	34,125,725



	2021	2020
	(Rupees in '000)	
30.1 Total compensation expense		
Fees and allowances etc.	1,136,888	663,964
Managerial remuneration	10,272,992	9,805,388
Charge for defined benefit plan	491,348	424,170
Contribution to defined contribution plan	709,870	604,552
Rent and house maintenance	3,100,741	2,611,202
Utilities	775,350	653,301
Medical	558,313	510,054
Charge for employees compensated absences	155,639	248,264
Social security	6,330	1,477
Staff indemnity	14,131	10,754
	17,221,602	15,533,126

The compensation provided by the Bank to employees is composed of fixed pay structures and do not include any variable element that varies based on performance benchmarks or targets.

30.2 Total cost for the year included in other operating expenses relating to material outsourced activities is Rs. 38.575 million (2020: Rs. 35.885 million) paid to a company incorporated outside Pakistan. Material outsourcing arrangements are as follows:

S.No.	Name of material outsourced activity	Name of service provider	Nature of service
1.	Point of Sale (POS) Acquiring	M/s. Wemsol (Private) Limited	Terminal Management & Merchant On Boarding
2.	Vision Plus-Credit Card System	M/s. Arab Financial Services (AFS)	Credit Card

	2021	2020
	(Rupees in '000)	
30.3 The detail of donations is given below:		
Al-Sayyeda Benevolent Trust	6,000	3,000
Childlife Foundation	15,000	10,000
Habib Education Trust*	6,000	3,000
Habib Medical Trust	6,000	3,000
Habib Poor Fund**	6,000	3,000
Masoomen Hospital	-	13,000
Patients' Aid Foundation	146,207	50,000
Prime Minister's Corona Philanthropy Drive	-	25,532
Rahmatbai Habib Food and Clothing Trust	6,000	3,000
Rahmatbai Habib Widows and Orphans Trust	6,000	3,000
The Citizens Foundation	6,200	5,600
The Health Foundation	1,000	-
The Indus Hospital	40,000	10,000
The Kidney Centre	-	25,000
	244,407	157,132

* Mr. Qumail R. Habib, Executive Director, is Managing Trustee of Habib Education Trust.

** Mr. Murtaza H. Habib, Director, is Trustee of Habib Poor Fund.

30.4 Auditors' remuneration		
Audit fee	3,668	3,711
Half yearly review	990	990
Other certifications	3,730	3,115
Gratuity fund	109	109
Out of pocket expenses	1,552	1,178
	10,049	9,103
31. OTHER CHARGES		
Penalties imposed by the State Bank of Pakistan	36,294	56,672



	Note	2021 (Rupees in '000)	2020
32. PROVISIONS AND WRITE OFFS - NET			
(Reversal) / provisions for diminution in value of investments - net	8.3	(262,734)	1,418,204
Provision against loans and advances - net	9.4	207,038	2,989,872
Provision against other assets	13.2.1	613	825
Provision against off - balance sheet items	19.1	22,486	15,853
Loss on disposal of associate		347,077	–
Deficit on revaluation of fixed asset - net		–	122,190
		314,480	4,546,944
33. TAXATION			
Current		12,258,817	13,319,509
Prior years		(1,425)	5,079
Deferred		(637,241)	(2,572,628)
		11,620,151	10,751,960
33.1 Relationship between tax expense and accounting profit			
Profit before taxation		30,217,136	28,709,420
Tax at the applicable rate of 35% (2020: 35%)		10,575,998	10,048,297
Tax effects of:			
Expenses that are not deductible in determining taxable income		(278,139)	(715,091)
Tax effect of super tax		1,253,152	1,351,810
Others		69,140	66,944
		11,620,151	10,751,960
The effective tax rate for the year is 38% (2020: 37%).			
		2021	2020
		(Rupees in '000)	
34. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY			
Profit for the year - attributable to equity holders of the Holding Company		18,583,320	17,947,732
		(Number)	
Weighted average number of ordinary shares		1,111,425,416	1,111,425,416
		(Rupees)	
Basic and diluted earnings per share		16.72	16.15
	Note	2021	2020
		(Rupees in '000)	
35. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	5	118,599,792	105,936,009
Balances with other banks	6	6,803,572	19,681,362
Overdrawn nostro accounts	16	(360,661)	(198,297)
		125,042,703	125,419,074



35.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2021		
	Subordinated debt	Lease liability	Dividend payable
	(Rupees in '000)		
Balance as at 01 January 2021	14,989,600	10,526,139	474,931
Changes from financing cash flows			
Receipts / (payments) against sub-ordinated debt-net	1,005,600	-	-
Payment against lease liability	-	(2,215,854)	-
Dividend paid	-	-	(4,930,117)
Total changes from financing cash flows	1,005,600	(2,215,854)	(4,930,117)
Other changes			
Addition to right-of-use-assets-net	-	2,800,550	-
Mark-up expense on lease liability against right-of-use assets	-	1,124,704	-
Final cash dividend (Rs. 4.50 per share)	-	-	5,001,414
	-	3,925,254	5,001,414
Balance as at 31 December 2021	15,995,200	12,235,539	546,228
	2020		
	Subordinated debt	Lease liability	Dividend payable
	(Rupees in '000)		
Balance as at 01 January 2020	14,992,800	8,316,718	426,525
Changes from financing cash flows			
Payments against subordinated debt	(3,200)	-	-
Payment against lease liability	-	(1,972,143)	-
Dividend paid	-	-	(3,841,582)
Total changes from financing cash flows	(3,200)	(1,972,143)	(3,841,582)
Other changes			
Addition to right-of-use-assets	-	3,224,658	-
Mark-up expense on lease liability against right-of-use assets	-	956,906	-
Final cash dividend (Rs. 3.50 per share)	-	-	3,889,988
	-	4,181,564	3,889,988
Balance as at 31 December 2020	14,989,600	10,526,139	474,931



	2021	2020
	(Number)	
36. STAFF STRENGTH		
Permanent	14,830	12,540
Temporary / on contractual basis	282	244
Group's own staff at end of the year	<u>15,112</u>	<u>12,784</u>
Outsourced	3,090	2,771
Total staff strength	<u>18,202</u>	<u>15,555</u>
36.1 Domestic	<u>18,152</u>	15,502
Offshore	50	53
	<u>18,202</u>	<u>15,555</u>

37. DEFINED BENEFIT PLAN

37.1 General description

The Bank operates an approved gratuity fund for all its confirmed employees, which is administered by the Trustees. The benefits under the gratuity scheme are payable on retirement at the age of 60 years or on earlier cessation of service as under:

Number of years of eligible service completed:	Amount of gratuity payable:
Less than 5 years	Nil
5 years or more but less than 10 years	1/3rd of basic salary for each year served
10 years or more but less than 15 years	2/3rd of basic salary for each year served
15 years or more	Full basic salary for each year served

The Bank's costs and contributions are determined based on actuarial valuation carried out at each year end using Projected Unit Credit Actuarial Method. All actuarial gains and losses are recognised in 'other comprehensive income' as they occur and are not reclassified to profit and loss in subsequent periods.

37.2 Number of employees under the scheme

The number of employees covered under the defined benefit scheme are 14,718 (2020: 12,459).

37.3 Principal actuarial assumptions

The latest actuarial valuation of the scheme was carried out on 31 December 2021 and the significant assumptions used for actuarial valuation were as follows:

	2021	2020
Discount Rate	11.75%	10.25%
Expected rate of return on plan assets	11.03%	14.83%
Expected rate of salary increase : Year 1	10.75%	9.25%
Year 2	10.75%	9.25%
Mortality rates (for death in service)	SLIC(2001-05)-1	SLIC(2001-05)-1
Rates of employee turnover	Moderate	Moderate



37.4 Reconciliation of payable to defined benefit plan	Note	2021	2020
(Rupees in '000)			
Present value of obligations		5,252,581	4,323,932
Fair value of plan assets		(4,278,268)	(3,640,418)
Payable		974,313	683,514
37.5 Movement in defined benefit obligations			
Obligation at the beginning of the year		4,323,932	3,590,184
Current service cost		424,622	369,454
Interest cost		451,993	450,696
Benefits paid during the year		(141,808)	(72,206)
Remeasurement loss / (gain)		193,842	(14,196)
Obligation at the end of the year		5,252,581	4,323,932
37.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		3,640,418	3,116,957
Interest income on plan assets		385,267	395,980
Contribution by the Bank-net		491,348	424,170
Actual benefits paid during the year		(141,808)	(72,206)
Remeasurement loss on plan assets	37.8.2	(96,957)	(224,483)
Fair value at the end of the year		4,278,268	3,640,418
37.7 Movement in payable under defined benefit scheme			
Opening balance		683,514	473,227
Charge for the year		491,348	424,170
Contribution by the Bank		(491,348)	(424,170)
Remeasurement loss recognised in			
Other Comprehensive Income during the year	37.8.2	290,799	210,287
Closing Balance		974,313	683,514
37.8 Charge for defined benefit plan			
37.8.1 Cost recognised in profit and loss			
Current service cost		424,622	369,454
Net interest on defined benefit liability		66,726	54,716
		491,348	424,170



	2021	2020
	(Rupees in '000)	
37.8.2 Re-measurements recognised in OCI during the year		
Loss / (gain) on obligation		
- Financial assumptions	42,818	(47,418)
- Experience assumptions	151,024	33,222
	193,842	(14,196)
Actuarial loss on plan assets	96,957	224,483
Total Remeasurement loss recognised in OCI	290,799	210,287
37.9 Components of plan assets		
Cash and cash equivalents-net	180,052	30,183
Government securities	4,098,214	3,610,235
Total fair value of plan assets	4,278,266	3,640,418
37.10 Sensitivity analysis		
		2021
		(Rupees in '000)
1% increase in discount rate		4,767,772
1% decrease in discount rate		5,819,239
1% increase in expected rate of salary increase		5,845,452
1% decrease in expected rate of salary increase		4,738,066
		2022
		(Rupees in '000)
37.11 Expected contributions to be paid to the funds in the next financial year		628,504
37.12 Expected charge for the next financial year		628,504
		2021
		(Rupees in '000)
37.13 Maturity profile		
The weighted average duration of the obligation is 9.95 years.		
Distribution of timing of benefit payments		
within the next 12 months (next annual reporting period)		256,599
between 1 and 5 years		1,984,973
between 6 and 10 years		4,749,447
		6,991,019



37.14 Funding Policy

The Bank will fund the yearly contribution to the defined benefit plan each year, as per the amount calculated by the valuer.

37.15 Significant Risk

Asset Volatility

The Defined Benefit Gratuity Fund is almost entirely invested in Government Bonds with mostly fixed income bonds. Almost 32.29% of the total investments (Rs. 1,323 billion) is invested in PIB's. This gives rise to significant reinvestment risk.

The remaining fund is invested in Treasury Bills. The T-Bills exposure is almost 67.71% (Rs. 2,775 billion).

The asset class is volatile with reference to the yield on this class. This risk should be viewed together with change in the bond yield risk.

Changes in Bond Yields

There are two dimensions to the changes in bond yields: first, as described above; second, the valuation of the gratuity liability is discounted with reference to these bond yields. So any increase in bond yields will lower the gratuity liability and vice versa, but, it will also lower the asset values.

Inflation Risk

The salary inflation is the major risk that the gratuity fund liability carries. In a general economic sense and in a longer view, there is a case that if bond yields increase, the change in salary inflation generally offsets the gains from the decrease in discounted gratuity liability. But viewed with the fact that asset values will also decrease, the salary inflation does, as an overall affect, increases the net liability of the Bank.

Life Expectancy / Withdrawal Rate

The gratuity is paid off at the maximum of age 60. The Life expectancy is in almost minimal range and is quite predictable in the ages when the employee is in the accredited employment of the Bank for the purpose of the gratuity. Thus, the risk of life expectancy is almost negligible. However, had a post retirement benefit been given by the Bank like monthly pension, post retirement medical etc., this would have been a significant risk which would have been quite difficult to value even by using advance mortality improvement models.

The withdrawal risk is dependent upon the: benefit structure; age and retention profile of the staff; the valuation methodology; and long-term valuation assumptions.

Other Risks

Though, not imminent and observable, over long term there are some risks that may be crystallise. This includes:



Model Risk

The defined benefit gratuity liability is usually actuarially valued each year. Further, the assets in the gratuity fund are also marked to market. This two-tier valuation gives rise to the model risk.

Retention Risk

The risk that employee will not be motivated to continue the service or start working with the Bank if no market comparable retirement benefit is provided.

Final Salary Risk

The risk, for defined benefit gratuity, that any disproportionate salary merit increases in later service years will give rise to multiplicative increase in the gratuity liability as such increase is applicable to all the past years of service.

Operational Risk related to a Separate Entity

Retirement benefits are funded through a separate trust fund which is a different legal entity than the Bank.

Generally, the protocols, processes and conventions used throughout the Bank are not applicable or are not actively applied to the retirement benefit funds. This gives rise to some specific operational risks.

Compliance Risk

The risk that retirement benefits offered by the Bank does not comply with minimum statutory requirements.

Legal / Political Risk

The risk that the legal / political environment changes and the Bank is required to offer additional or different retirement benefits than what the Bank projected.

38. DEFINED CONTRIBUTION PLAN

The general description of the plan is included in note 4.10.

	2021 (Rupees in '000)
Contributions made during the year :	
Employer's contribution	<u>709,870</u>
Employees' contribution	<u><u>709,870</u></u>

The number of employees covered under the defined contribution plan are 12,343 (2020: 11,165).



39. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

39.1 Total Compensation Expense

	2021						
	Directors			Members	Chief	Key	Other Risk
	Chairman	Executives (other than CE)	Non- Executives	Shariah Board	Executive	Management Personnel	Takers / Controllers
	(Rupees in '000)						
Fees and allowances etc.	11,575	–	29,250	–	80	–	–
Managerial remuneration	–	32,670	–	9,628	71,333	389,086	1,548,808
Charge for defined benefit plan	–	–	–	88	22,793	61,981	232,694
Contribution to defined contribution plan	–	–	–	109	5,733	23,963	118,783
Rent and house maintenance	–	10,406	–	3,766	22,933	120,057	498,649
Utilities	–	2,602	–	942	5,734	30,014	124,662
Medical	–	–	–	118	–	2,069	37,065
Others	–	–	–	128	–	5,616	42,039
Total	11,575	45,678	29,250	14,779	128,606	632,786	2,602,700
Number of persons	1	1	8	5	1	39	1,057
	2020						
	(Rupees in '000)						
Fees and allowances etc.	6,740	–	24,400	–	40	–	–
Managerial remuneration	–	33,550	–	8,316	66,333	411,328	1,401,108
Charge for defined benefit plan	–	–	–	255	29,839	98,138	270,256
Contribution to defined contribution plan	–	–	–	212	4,600	24,236	94,759
Rent and house maintenance	–	9,460	–	3,030	18,400	118,692	402,379
Utilities	–	2,374	–	758	5,480	29,673	100,595
Medical	–	22	–	108	–	1,770	30,896
Others	3,917	–	–	–	–	7,065	25,653
Total	10,657	45,406	24,400	12,679	124,692	690,902	2,325,646
Number of persons	1	1	8	3	1	42	879



Chief Executive, Executive Director, Members Shariah Board, Key Management Personal and Other Risk Takers / Controllers are entitled to Group's maintained cars with fuel in accordance with the terms of their employment and are entitled to medical and life insurance benefits in accordance with the policy of the Group. In addition, the Chief Executive and Executive Director are also provided with drivers, security arrangements and payment of travel bills in accordance with their terms of employment.

Chairman of the Board is also entitled to Bank's maintained cars with fuel, security guard services, payment of utility bills, club and entertainment bills, travelling bills, appropriate office, staff, and administrative support.

39.2 Remuneration paid to Directors for participation in Board and Committee Meetings

		2021							
		Meeting Fees and Allowances Paid							
		For Board Committees							
S.No.	Name of Director	For Board Meetings	Audit Committee	Human Resource & Remuneration Committee	Risk Management Committee	Credit Risk Management Committee	IFRS 9 Committee	IT Committee	Total Amount Paid
(Rupees in '000)									
1.	Mr. Abbas D. Habib	3,895	–	3,840	–	–	–	3,840	11,575
2.	Mr. Anwar Haji Karim	1,000	1,750	–	750	–	–	–	3,500
3.	Ms. Farhana Mowjee Khan	1,000	–	1,000	1,000	–	–	–	3,000
4.	Syed Mazhar Abbas	1,000	2,000	1,000	–	1,000	–	1,000	6,000
5.	Mr. Safar Ali Lakhani	750	1,500	–	750	750	–	–	3,750
6.	Syed Hasan Ali Bukhari	750	1,500	750	–	750	750	–	4,500
7.	Mr. Murtaza H. Habib	1,000	–	–	–	1,000	–	–	2,000
8.	Mr. Arshad Nasar	750	1,500	750	–	–	750	750	4,500
9.	Mr. Adnan Afridi	1,000	–	–	1,000	–	–	–	2,000
		11,145	8,250	7,340	3,500	3,500	1,500	5,590	40,825



2020

Meeting Fees and Allowances Paid

For Board Committees

S.No.	Name of Director	For Board Meetings	Audit Committee	Human	Risk	Credit Risk	IFRS 9 Committee	IT Committee	Total Amount Paid
				Resource & Remuneration Committee	Management Committee	Management Committee			
(Rupees in '000)									
1.	Mr. Abbas D. Habib	2,900	–	1,920	–	–	–	1,920	6,740
2.	Mr. Anwar Haji Karim	900	1,550	–	400	–	–	–	2,850
3.	Ms. Farhana Mowjee Khan	900	–	650	650	–	–	–	2,200
4.	Syed Mazhar Abbas	900	1,400	650	–	650	–	650	4,250
5.	Mr. Safar Ali Lakhani	900	1,550	–	650	400	–	–	3,500
6.	Syed Hasan Ali Bukhari	900	1,550	650	–	650	500	–	4,250
7.	Mr. Murtaza H. Habib	900	–	–	–	650	–	–	1,550
8.	Mr. Arshad Nasar	900	1,550	650	–	–	500	650	4,250
9.	Mr. Adnan Afridi	900	–	–	650	–	–	–	1,550
		10,100	7,600	4,520	2,350	2,350	1,000	3,220	31,140

39.3 Remuneration paid to Shariah Board Members

Items	2021			2020		
	Chairman	Resident Members	Non-Resident Members	Chairman	Resident Member	Non-Resident Member
(Rupees in '000)						
Managerial remuneration	4,600	1,882	3,146	3,400	2,516	2,400
Charge for defined benefit plan	–	88	–	–	255	–
Contribution to defined contribution plan	–	109	–	–	212	–
Rent and house maintenance	1,840	667	1,259	1,360	710	960
Utilities	460	167	315	340	178	240
Medical	36	35	47	36	36	36
Others	–	128	–	–	–	–
Total	6,936	3,076	4,767	5,136	3,907	3,636
Number of persons	1	2	2	1	1	1



40. FAIR VALUE MEASUREMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value of financial instruments is based on:

Federal Government securities	PKRV rates (Reuters page)
Foreign securities	Market prices / Mashreqbank PSC
Listed securities	Prices quoted at Pakistan Stock Exchange Limited
Mutual funds	Net asset values declared by respective funds
Unlisted equity investments	Break - up value as per latest available audited financial statements

Fair value of fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non - availability of relevant active market for similar assets and liabilities. The provision for impairment of debt securities and loans and advances has been calculated in accordance with the Group's accounting policies as stated in notes 4.14 and 4.5.

40.1 Fair value of financial assets

The Group 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.

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).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

There were no transfers between levels 1 and 2 during the year.



41. TRUST ACTIVITIES

The Bank is not engaged in any trust activities other than holding investments of individuals and entities in its IPS account maintained with the State Bank of Pakistan.

42. SEGMENT INFORMATION

42.1 Segment Details with respect to Business Activities

The segment analysis with respect to business activity is as follows:

	2021				Total
	Commercial banking	Retail banking	Retail brokerage	Asset management	
	(Rupees in '000)				
Profit and loss account					
Mark-up / return / profit	105,214,471	11,508,835	23,573	555	116,747,434
Inter segment revenue-net	34,725	27,848,015	–	–	27,882,740
Non mark-up / return / interest income	4,531,685	9,611,677	169,091	177,624	14,490,077
Total income	109,780,881	48,968,527	192,664	178,179	159,120,251
Segment direct expenses	(66,824,241)	(33,687,923)	(135,942)	(57,789)	(100,705,895)
Inter segment expense allocation	(27,848,015)	–	(6,626)	(28,099)	(27,882,740)
Total expenses	(94,672,256)	(33,687,923)	(142,568)	(85,888)	(128,588,635)
Provisions	(203,795)	(110,685)	–	–	(314,480)
Profit before tax	14,904,830	15,169,919	50,096	92,291	30,217,136
Statement of financial position					
Cash and bank balances	105,394,644	19,856,740	149,160	2,820	125,403,364
Investments	825,785,140	–	191,598	722,053	826,698,791
Net inter segment lending	926,859	743,304,470	–	–	744,231,329
Lending to financial institutions	20,063,828	–	–	–	20,063,828
Advances-performing	615,847,512	116,234,984	151	–	732,082,647
-non-performing	1,236,861	15,945	–	–	1,252,806
Others	121,201,684	22,722,401	723,145	60,180	144,707,410
Total assets	1,690,456,528	902,134,540	1,064,054	785,053	2,594,440,175
Borrowings	301,748,893	–	464,009	–	302,212,902
Subordinated debt	15,995,200	–	–	–	15,995,200
Deposits and other accounts	504,249,382	805,485,582	–	–	1,309,734,964
Net inter segment borrowing	743,304,470	–	176,859	750,000	744,231,329
Others	50,668,147	80,931,866	228,147	18,335	131,846,495
Total liabilities	1,615,966,092	886,417,448	869,015	768,335	2,504,020,890
Equity	74,490,436	15,717,092	195,039	16,718	90,419,285
Total equity and liabilities	1,690,456,528	902,134,540	1,064,054	785,053	2,594,440,175
Contingencies and commitments	419,856,696	8,116,659	–	–	427,973,355



	2020				
	Commercial banking	Retail banking	Retail brokerage	Asset management	Total
	(Rupees in '000)				
Profit and loss account					
Mark-up / return / profit	107,073,105	18,189,018	27,341	828	125,290,292
Inter segment revenue - net	41,661	29,560,092	–	–	29,601,753
Non mark-up / return / interest income	2,983,606	7,305,604	100,609	80,698	10,470,517
Total income	110,098,372	55,054,714	127,950	81,526	165,362,562
Segment direct expenses	(68,222,463)	(34,139,807)	(92,950)	(49,225)	(102,504,445)
Inter segment expense allocation	(29,560,092)	–	(8,251)	(33,410)	(29,601,753)
Total expenses	(97,782,555)	(34,139,807)	(101,201)	(82,635)	(132,106,198)
Provisions	(4,511,744)	(31,685)	(3,515)	–	(4,546,944)
Profit / (loss) before tax	7,804,073	20,883,222	23,234	(1,109)	28,709,420
Statement of financial position					
Cash and bank balances	107,913,875	17,221,684	481,329	483	125,617,371
Investments	764,423,410	–	256,289	639,285	765,318,984
Net inter segment lending	935,223	663,583,850	–	–	664,519,073
Lending to financial institutions	2,175,301	–	–	–	2,175,301
Advances-performing	439,227,671	69,938,597	132	–	509,166,400
-non-performing	858,418	25,576	–	–	883,994
Others	102,863,677	16,333,709	404,651	15,299	119,617,336
Total assets	1,418,397,575	767,103,416	1,142,401	655,067	2,187,298,459
Borrowings	211,398,036	–	229,231	–	211,627,267
Subordinated debt	14,989,600	–	–	–	14,989,600
Deposits and other accounts	412,374,245	686,849,213	–	–	1,099,223,458
Net inter segment borrowing	663,583,850	–	185,223	750,000	664,519,073
Others	43,710,174	72,244,009	566,352	(25,189)	116,495,346
Total liabilities	1,346,055,905	759,093,222	980,806	724,811	2,106,854,744
Equity	72,341,670	8,010,194	161,595	(69,744)	80,443,715
Total equity and liabilities	1,418,397,575	767,103,416	1,142,401	655,067	2,187,298,459
Contingencies and commitments	300,377,484	177,245	–	–	300,554,729



42.2 Segment details with respect to geographical locations

Geographical Segment Analysis

	2021				
	Pakistan	Middle East	Asia Pacific	Africa	Total
	(Rupees in '000)				
Profit and loss account					
Mark-up / return / profit	112,807,705	1,691,982	2,134,728	113,019	116,747,434
Non mark-up / return / interest income	13,553,864	449,371	403,358	83,484	14,490,077
Total income	126,361,569	2,141,353	2,538,086	196,503	131,237,511
Segment direct expenses	(98,796,677)	(885,976)	(931,798)	(91,444)	(100,705,895)
Reversals / (provisions)	(182,901)	(117,829)	(73,793)	60,043	(314,480)
Profit before tax	27,381,991	1,137,548	1,532,495	165,102	30,217,136
Statement of financial position					
Cash and bank balances	124,749,563	621,887	31,914	–	125,403,364
Investments	801,030,412	14,218,541	11,449,838	–	826,698,791
Net inter segment lendings	6,884,028	18,366,725	1,235,596	–	26,486,349
Lending to financial institutions	20,063,828	–	–	–	20,063,828
Advances - performing	673,514,395	28,652,979	29,915,273	–	732,082,647
- non - performing	1,252,806	–	–	–	1,252,806
Others	124,749,119	3,243,433	16,714,858	–	144,707,410
Total assets	1,752,244,151	65,103,565	59,347,479	–	1,876,695,195
Borrowings	288,818,938	13,393,964	–	–	302,212,902
Subordinated debt	15,995,200	–	–	–	15,995,200
Deposits and other accounts	1,251,077,655	36,504,392	22,152,917	–	1,309,734,964
Net inter segment borrowing	1,588,748	6,707,512	18,190,089	–	26,486,349
Others	112,439,180	3,255,029	16,152,286	–	131,846,495
Total liabilities	1,669,919,721	59,860,897	56,495,292	–	1,786,275,910
Equity	82,324,430	5,242,668	2,852,187	–	90,419,285
Total equity and liabilities	1,752,244,151	65,103,565	59,347,479	–	1,876,695,195
Contingencies and commitments	418,518,577	8,375,380	1,079,398	–	427,973,355



	2020				
	Pakistan	Middle East	Asia Pacific	Africa	Total
	(Rupees in '000)				
Profit and loss account					
Mark-up / return / profit	122,518,705	1,268,780	1,372,606	130,201	125,290,292
Non mark-up / return / interest income	9,901,447	388,209	181,411	(550)	10,470,517
Total income	132,420,152	1,656,989	1,554,017	129,651	135,760,809
Segment direct expenses	(100,716,671)	(794,621)	(887,256)	(105,897)	(102,504,445)
Provisions	(3,426,100)	(576,013)	(528,892)	(15,939)	(4,546,944)
Profit before tax	28,277,381	286,355	137,869	7,815	28,709,420
Statement of financial position					
Cash and bank balances	125,405,972	160,218	47,955	3,226	125,617,371
Investments	745,583,792	10,132,651	7,503,288	2,099,253	765,318,984
Net inter segment lendings	4,489,540	7,006,181	829,541	2,552	12,327,814
Lending to financial institutions	2,175,301	–	–	–	2,175,301
Advances-performing	474,418,055	18,747,396	15,967,837	33,112	509,166,400
-non-performing	834,792	49,202	–	–	883,994
Others	99,121,690	2,462,635	17,992,718	40,293	119,617,336
Total assets	1,452,029,142	38,558,283	42,341,339	2,178,436	1,535,107,200
Borrowings	211,627,267	–	–	–	211,627,267
Subordinated debt	14,989,600	–	–	–	14,989,600
Deposits and other accounts	1,048,827,367	27,167,746	23,137,597	90,748	1,099,223,458
Net inter segment borrowing	5,143,103	5,307,456	394,791	1,482,464	12,327,814
Others	96,314,571	2,363,473	17,805,707	11,595	116,495,346
Total liabilities	1,376,901,908	34,838,675	41,338,095	1,584,807	1,454,663,485
Equity	75,127,234	3,719,608	1,003,244	593,629	80,443,715
Total equity and liabilities	1,452,029,142	38,558,283	42,341,339	2,178,436	1,535,107,200
Contingencies and commitments	294,581,495	5,157,900	815,334	–	300,554,729

43. RELATED PARTY TRANSACTIONS

Related parties of the Group comprise associates, directors, key management personnel and other related parties.

Transactions with related parties of the Group are carried out on arm's length basis in terms of the policy as approved by the Board of Directors. The transactions with employees of the Group are carried out in accordance with the terms of their employment.



Transactions with related parties, other than those disclosed in note 10.5, 20.3 and 39 are summarised as follows:

	2021				2020			
	Directors	Key management personnel	Associates	Other related parties (Rupees in '000)	Directors	Key Management personnel	Associates	Other related parties
Investments								
Opening balance	-	-	3,058,005	-	-	-	1,472,165	-
Investment made during the year	-	-	5,986,178	182,690	-	-	1,609,946	-
Investment adjusted / redeemed / disposed off during the year	-	-	(480,745)	-	-	-	(24,106)	-
Surplus / (deficit) on revaluation	-	-	-	123,308	-	-	-	-
Closing balance	-	-	8,563,438	305,998	-	-	3,058,005	-
Advances								
Opening balance	332	171,544	-	2,217,749	1,487	76,626	-	3,015,256
Addition during the year	76,666	235,679	-	57,968,205	35,349	333,923	-	56,387,053
Repaid during the year	(75,378)	(211,741)	-	(57,768,669)	(36,504)	(239,005)	-	(57,184,560)
Closing balance	1,620	195,482	-	2,417,285	332	171,544	-	2,217,749
Operating fixed assets								
Right of use	-	-	-	786	-	-	-	3,931
Other assets								
Interest / mark - up accrued	-	120	-	-	-	118	-	1,289
L/C acceptances	-	-	-	-	-	-	-	1,090,910
Other receivable	-	-	118	-	-	-	-	-
Subordinated debt								
Opening balance	-	-	-	44,000	-	-	-	44,000
Issued / purchased during the year	-	-	75,000	-	-	-	-	-
Redemption / sold during the year	-	-	(75,000)	-	-	-	-	-
Closing balance	-	-	-	44,000	-	-	-	-
Deposits and other accounts								
Opening balance	1,072,684	720,918	739,762	3,619,310	955,078	624,163	1,289,465	2,761,222
Received during the year	6,376,086	3,125,505	83,337,951	63,034,965	6,891,056	3,205,958	147,123,023	50,717,883
Withdrawn during the year	(6,678,852)	(3,071,987)	(84,018,330)	(59,718,023)	(6,773,450)	(3,109,203)	(147,672,726)	(49,859,795)
Closing balance	769,918	774,436	59,383	6,936,252	1,072,684	720,918	739,762	3,619,310
Other liabilities								
Interest / mark - up payable	404	1,327	725	30,043	305	508	2,359	14,567
Payable to staff retirement fund	-	-	-	974,312	-	-	-	683,514
L/C acceptances	-	-	-	-	-	-	-	1,090,910
Unrealised loss on forward exchange contracts	-	-	-	-	-	-	-	922
Other liabilities	-	2	-	-	-	4	-	-
Contingencies and commitments								
	-	-	-	918,205	-	-	-	2,022,871
Other transactions - Investor Portfolio Securities								
Opening balance	-	-	-	6,120,840	-	-	-	4,986,840
Increased during the year	-	-	-	7,725,000	-	-	-	3,562,000
Decreased during the year	-	-	-	(9,054,040)	-	-	-	(2,428,000)
Closing balance	-	-	-	4,791,800	-	-	-	6,120,840



43.1 RELATED PARTY TRANSACTIONS

	2021				2020			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key Management personnel	Associates	Other related parties
	(Rupees in '000)							
Income								
Mark-up / return / interest earned	-	10,175	-	110,324	5	6,479	-	203,818
Fee and commission income	39	225	131,076	13,622	21	65	85	14,534
Net gain / (loss) on sale / redemption of securities and units of mutual funds	-	-	-	-	-	-	-	5,442
Share of profit from associates	-	-	372,034	-	-	-	114,337	-
Other income	-	-	30	406	-	-	50	372
Expense								
Mark-up / return / interest expensed	58,576	48,425	38,763	245,699	79,997	58,180	251,681	255,463
Operating expenses	-	-	-	4,528	-	-	-	5,491
Salaries and allowances	-	661,727	-	-	-	563,507	-	-
Bonus	-	101,732	-	-	-	154,824	-	-
Contribution to defined contribution plan	-	30,234	-	-	-	25,533	-	-
Contribution to defined benefit plan	-	82,334	-	-	-	76,250	-	-
Staff provident fund	-	-	-	709,870	-	-	-	604,551
Staff gratuity fund	-	-	-	491,348	-	-	-	424,170
Directors' fees	38,825	-	-	-	33,487	-	-	-
Donation	-	-	-	12,000	-	-	-	6,000
Insurance premium paid	-	-	-	142,646	-	-	-	133,786
Insurance claims settled	-	-	-	78,101	-	-	-	41,925



44. CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

	2021	2020
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital	<u>11,114,254</u>	<u>11,114,254</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>80,838,923</u>	67,350,151
Eligible Additional Tier 1 (ADT 1) Capital	<u>6,237,950</u>	6,658,103
Total Eligible Tier 1 Capital	<u>87,076,873</u>	74,008,254
Eligible Tier 2 Capital	<u>25,758,263</u>	24,026,053
Total Eligible Capital (Tier 1 + Tier 2)	<u>112,835,136</u>	<u>98,034,307</u>
Risk Weighted Assets (RWAs):		
Credit Risk	<u>701,423,647</u>	537,583,556
Market Risk	<u>17,154,366</u>	10,243,551
Operational Risk	<u>118,070,472</u>	98,014,443
Total	<u>836,648,485</u>	<u>645,841,550</u>
Common Equity Tier 1 Capital Adequacy Ratio	<u>9.662%</u>	10.428%
Tier 1 Capital Adequacy Ratio	<u>10.408%</u>	11.459%
Total Capital Adequacy Ratio	<u>13.487%</u>	15.179%

Minimum Capital Requirement (MCR)

The MCR standard sets the paid-up capital that the Bank is required to hold at all times. As of the statement of financial position date, the Bank's paid - up capital stands at Rs. 11.114 billion as against the required MCR of Rs. 10 billion.

Minimum Capital Adequacy Ratio (CAR)

The CAR on the basis of above framework works out to be as follows:

	2021	2020
Required CAR	<u>11.500%</u>	11.500%
CAR on Bank level	<u>13.485%</u>	15.094%
CAR on Group level	<u>13.487%</u>	15.179%

The Bank calculates capital requirement as per Basel III regulatory framework, using the following approaches:

Credit Risk	Standardised Approach
Market Risk	Standardised Approach
Operational Risk	Basic Indicator Approach



	2021	2020
	(Rupees in '000)	
Leverage Ratio (LR):		
Eligible Tier 1 Capital	87,076,873	74,008,254
Total Exposures	2,334,597,071	1,853,426,344
Leverage Ratio	<u>3.730%</u>	<u>3.993%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	631,444,235	490,289,815
Total Net Cash Outflow	244,934,742	187,165,770
Liquidity Coverage Ratio	<u>257.801%</u>	<u>261.955%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	1,379,398,079	999,664,575
Total Required Stable Funding	827,532,194	703,064,108
Net Stable Funding Ratio	<u>166.688%</u>	<u>142.187%</u>

44.1 The full disclosures on the **CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS** as per SBP instructions issued from time to time have been placed on the website. The link to the full disclosure is available at <https://www.bankalhabib.com/capitaladequacy/leverage/liquidityratio-grouplevel2021>.

45. RISK MANAGEMENT

The Bank has a risk management framework commensurate with its size and the nature of its business. The Board of Directors has approved risk management policies covering key areas of activities for the guidance of management and committees of the Board, management committees, and Divisions / Departments of the Bank.

This section presents information about the Bank's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments.

45.1 Credit Risk

Credit risk is the risk of loss arising from failure by a client or counterparty to meet its contractual obligation. It emanates from loans and advances, commitments to lend, contingent liabilities such as letters of credit and guarantees, and other similar transactions both on and off balance sheet. These exclude investments and treasury - related exposures, which are covered under market risk.

It is the Bank's policy that all credit exposures shall be adequately collateralised, except when specially exempted by SBP as in case of personal loans and credit cards, and those at overseas branches where the accepted local banking practice is followed.

The objective of credit risk management is to keep credit risk exposure within permissible level, relevant to the Bank's risk capital, to maintain the soundness of assets and to ensure returns commensurate with risk.

Credit risk of the Bank is managed through the credit policy approved by the Board, a well defined credit approval mechanism, prescribed documentation requirement, post disbursement administration, review and monitoring of all credit facilities; and continuous assessment of credit worthiness of counterparties. Decisions regarding the credit portfolio are taken mainly by the Central Credit Committee. Credit Risk Management Committee of the Board provides overall guidance in managing the Bank's credit risk.

Counterparty exposure limits are approved in line with the Prudential Regulations and the Bank's own policies, by taking into account both qualitative and quantitative criteria. There is an established system for continuous monitoring of credit exposures and follow - up of any past due loans with the respective business units. All past due loans, including trade bills, are reviewed on fortnightly basis and pursued for recovery. Any non - performing loans are classified and provided for as per Prudential Regulations. The Bank has also established a mechanism for independent post - disbursement review of large credit risk exposures.



Credit facilities, both fund based and non - fund based, extended to large customer groups and industrial sectors are regularly monitored. The Bank has concentration of credit in textile which is the largest sector of Pakistan's economy. Concentration risk is managed by diversification within sub - sectors like spinning, weaving and composites, credit worthiness of counterparties, and adequate collateralisation of exposures.

Credit administration function has been placed under a centralised set - up. Its main focus is on compliance with terms of sanction of credit facilities and the Bank's internal policies and procedures, scrutiny of documentation, monitoring of collateral, and maintenance of borrowers' limits, mark - up rates, and security details.

The Bank has implemented its own internal risk rating system for the credit portfolio, as per guidelines of SBP. Credit ratings by external rating agencies, if available, are also considered.

The Bank lends primarily against the cash flow of the business with recourse to the assets being financed as primary security. Collaterals in the form of liquid securities, tangible securities, and other acceptable securities are obtained to hedge the risk, as deemed appropriate. Main types of collaterals taken by the Bank include charge on stock - in - trade, receivables, machinery, mortgage of properties, pledge of goods, shares and other marketable securities, government securities, government guarantees, bank guarantees and cash margins and bank deposits.

Specific provisions on credit portfolio are determined in accordance with the Prudential Regulations. General provision on the consumer and SEs portfolios is also determined as per Prudential Regulations. The Bank maintains additional general provision in line with its prudent policies and as per IFRS 9 for overseas branches. Particulars of provisions against advances are given in note 9.4.

The Bank uses the Standardised Approach to calculate capital charge for credit risk as per Basel regulatory framework, with comprehensive approach for credit risk mitigation.

Stress testing for credit risk is carried out regularly to estimate the impact of increase in non - performing loans and downward shift in these categories.

45.1.1 Lendings to financial institutions

Credit risk by public / private sector	Gross lendings		Non-performing lendings		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Public / Government	-	2,175,301	-	-	-	-
Private	20,063,828	-	-	-	-	-
	<u>20,063,828</u>	<u>2,175,301</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

45.1.2 Investment in debt securities

Credit risk by industry sector	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Power (electricity), gas, water, sanitary	26,966,592	25,442,218	-	-	-	-
Financial	786,566,327	728,504,089	-	-	1,350,723	1,394,948
Iron and steel	1,000,000	1,000,000	-	-	-	-
Oil refinery / marketing	1,250,000	-	-	-	-	-
	<u>815,782,919</u>	<u>754,946,307</u>	<u>-</u>	<u>-</u>	<u>1,350,723</u>	<u>1,394,948</u>
Credit risk by public / private sector						
Public / Government	776,931,233	719,700,403	-	-	325,807	357,615
Private	38,851,686	35,245,904	-	-	1,024,916	1,037,333
	<u>815,782,919</u>	<u>754,946,307</u>	<u>-</u>	<u>-</u>	<u>1,350,723</u>	<u>1,394,948</u>



45.1.3 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	2021	2020	2021	2020	2021	2020
			(Rupees in '000)			
Agriculture, forestry, hunting and fishing	18,197,880	11,982,018	305,781	300,284	242,351	149,088
Mining and quarrying	135,313	86,946	-	-	-	-
Textile	237,019,393	163,702,549	1,690,844	1,824,246	1,671,265	1,753,709
Chemical and pharmaceuticals	19,082,769	16,796,308	5,791	5,891	4,397	4,423
Cement	6,833,811	8,847,702	-	-	-	-
Sugar	10,984,011	6,952,458	-	-	-	-
Footwear and leather garments	4,077,672	3,608,526	-	-	-	-
Automobile and transportation equipment	8,083,375	3,726,079	826	-	103	-
Electronics and electrical appliances	5,885,392	5,323,013	247,814	-	61,953	-
Construction	23,288,386	7,802,038	302,504	194,339	177,501	192,103
Power (electricity), gas, water, sanitary	47,024,486	48,335,823	-	155,883	-	100,810
Wholesale and retail trade	114,747,695	79,543,240	1,340,453	1,494,236	1,291,922	1,361,415
Transport, storage and communication	11,242,380	10,543,770	63,990	70,175	35,823	27,853
Financial	13,050,767	10,402,567	101,949	101,949	84,845	86,587
Insurance	294,275	475,167	61,180	128,426	61,180	31,108
Services (other than financial services)	16,786,483	14,524,500	45,762	112,896	125	33,502
Individuals	42,210,796	23,863,779	83,610	90,956	67,353	63,427
Food and allied	90,055,992	62,311,964	17,432	43,773	17,432	27,353
Iron and steel	39,040,954	23,895,854	1,066,177	992,229	1,066,177	992,229
Oil refinery / marketing	2,634,814	2,005,943	-	354,082	-	178,367
Paper and board	5,671,358	2,662,909	7,431	3,098	3,132	3,098
Plastic products	9,075,520	6,388,435	385,843	54,253	137,866	54,253
Others	21,002,242	8,911,593	2,019,548	1,454,757	1,570,704	1,438,154
	746,425,764	522,693,181	7,746,935	7,381,473	6,494,129	6,497,479
Credit risk by public / private sector						
Public / Government	58,448,122	55,368,812	-	-	-	-
Private	687,977,642	467,324,369	7,746,935	7,381,473	6,494,129	6,497,479
	746,425,764	522,693,181	7,746,935	7,381,473	6,494,129	6,497,479



45.1.4 Contingencies and Commitments

Credit risk by industry sector

	2021	2020
	(Rupees in '000)	
Agriculture, forestry, hunting and fishing	1,815,024	1,201,754
Mining and quarrying	209	-
Textile	91,451,426	60,886,061
Chemical and pharmaceuticals	16,097,626	10,560,544
Cement	3,680,905	1,681,965
Sugar	1,194,779	445,917
Footwear and leather garments	2,939,561	2,400,625
Automobile and transportation equipment	22,228,569	18,054,588
Electronics and electrical appliances	7,250,575	5,306,142
Construction	10,708,668	8,396,568
Power (electricity), gas, water, sanitary	20,026,883	8,008,957
Wholesale and retail trade	68,530,385	52,552,907
Transport, storage and communication	1,454,475	415,645
Financial	17,959,726	12,384,053
Insurance	120,470	26,841
Services (other than financial services)	51,058,164	41,166,805
Individuals	8,116,659	177,245
Food and allied	40,727,640	36,490,464
Iron and steel	17,817,723	16,689,629
Oil refinery / marketing	6,978,651	3,016,513
Paper and board	8,964,522	2,129,946
Plastic products	17,609,850	11,584,210
Others	11,240,865	6,977,350
	<u>427,973,355</u>	<u>300,554,729</u>
Credit risk by public / private sector		
Public / Government	66,085,881	41,435,912
Private	361,887,474	259,118,817
	<u>427,973,355</u>	<u>300,554,729</u>

45.1.5 Concentration of Advances

The Bank's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 203,461 million (2020: Rs. 150,619 million) are as following:

	2021	2020
	(Rupees in '000)	
Funded	99,235,533	87,140,927
Non Funded	104,225,085	63,477,948
Total Exposure	<u>203,460,618</u>	<u>150,618,875</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 226,451 million (2020: Rs. 179,596 million). Provision against top 10 exposures amounts to be Nil (2020: Nil).



45.1.6 Advances - Province / Region-wise Disbursement and Utilization

Province / Region	2021						
	Disbursements		Utilization				AJK including Gilgit- Baltistan
	Punjab	Sindh	KPK including FATA (Rupees in '000)	Balochistan	Islamabad		
Punjab	278,555,414	274,912,036	452,150	93,962	40,394	3,007,506	49,366
Sindh	297,374,464	2,156,339	293,052,373	1,654,607	511,145	-	-
KPK including FATA	6,658,000	-	1,296	6,299,401	-	357,303	-
Balochistan	1,287,778	-	207,440	-	1,080,338	-	-
Islamabad	44,360,457	9,005	20,103	133,925	-	44,197,424	-
AJK including Gilgit-Baltistan	910,260	-	242	6,119	-	52,723	851,176
Total	629,146,373	277,077,380	293,733,604	8,188,014	1,631,877	47,614,956	900,542

Province / Region	2020						
	Disbursements		Utilization				AJK including Gilgit- Baltistan
	Punjab	Sindh	KPK including FATA (Rupees in '000)	Balochistan	Islamabad		
Punjab	201,150,395	199,695,718	202,288	222,110	33,345	980,461	16,473
Sindh	210,692,996	2,259,607	206,820,742	1,066,542	543,154	2,830	121
KPK including FATA	4,547,764	6,476	10,079	4,232,515	5,053	293,641	-
Balochistan	828,144	-	106,412	-	721,732	-	-
Islamabad	35,398,979	34,931	16,888	15,497	-	35,331,663	-
AJK including Gilgit-Baltistan	639,146	392	-	2,692	-	25,064	610,998
Total	453,257,424	201,997,124	207,156,409	5,539,356	1,303,284	36,633,659	627,592

45.2 Market Risk

Market risk is the risk of loss arising from movements in market rates or prices, such as interest rates, foreign exchange rates, and equity prices.

The Bank takes positions in securities for the purpose of investment and not to run a trading book, except to a very limited extent (maximum of Rs. 300 million) for trading in equities. As regards foreign exchange positions, the purpose is to serve the needs of clients. Except as aforesaid, the Bank does not engage in trading or market making activities.

Market risk is managed through the market risk policy approved by the Board, approval of counterparty and dealer limits, specific senior management approval for each investment and regular review and monitoring of the investment portfolio by the Asset Liability Management Committee (ALCO). A key element of the Bank's market risk management is to balance safety, liquidity, and income in that order of priority. Another key element is separation of functions and reporting lines for the Treasury Division and Equity Market Department, which undertake dealing activities within the limits and parameters set by ALCO, Settlements Department which confirms and settles the aforesaid deals, and Middle Office which independently monitors and analyses the risks inherent in treasury operations. Risk Management Committee of the Board provides overall guidance in managing the Bank's market risk.

Dealing activities of the Bank include investment in government securities, term finance certificates, sukuks / bonds, shares and mutual funds, money market transactions and foreign exchange transactions catering to the needs of its customers. All such activities are carried out within the prescribed limits. Any excess over limits noted by the Settlements Department and / or the Middle Office is reported to senior management and ALCO. Stress testing is performed as per guidelines of SBP as well as Bank's internal policy. Portfolio risks arising in banking book is also measured through Value at Risk (VAR).



45.2.1 Balance sheet split by trading and banking books

	2021			2020		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	118,599,792	-	118,599,792	105,936,009	-	105,936,009
Balances with other banks	6,803,572	-	6,803,572	19,681,362	-	19,681,362
Lendings to financial institutions	20,063,828	-	20,063,828	2,175,301	-	2,175,301
Investments	826,566,921	131,870	826,698,791	765,222,435	96,549	765,318,984
Advances	733,335,453	-	733,335,453	510,050,394	-	510,050,394
Fixed assets	55,701,205	-	55,701,205	43,976,664	-	43,976,664
Intangible assets	354,580	-	354,580	294,862	-	294,862
Deferred tax assets	2,103,393	-	2,103,393	-	-	-
Other assets	86,548,232	-	86,548,232	75,345,810	-	75,345,810
	<u>1,850,076,976</u>	<u>131,870</u>	<u>1,850,208,846</u>	<u>1,522,682,837</u>	<u>96,549</u>	<u>1,522,779,386</u>

45.2.2 Foreign Exchange Risk

Foreign exchange risk is the risk of loss from adverse changes in currency exchange rates. The Bank's foreign exchange exposure comprises forward contracts, purchase of foreign bills, foreign currency loans and investments, foreign currency cash in hand, balances with banks abroad, foreign currency deposits and foreign currency placements with SBP and other banks. Focus of the Bank's foreign exchange activities is on catering to the needs of its customers, both in spot and forward markets.

Foreign exchange risk exposures of the Bank are controlled through dealer limits, open foreign exchange position limits, counterparty exposure limits, and country limits. The Bank manages its foreign exchange exposure by matching foreign currency assets and liabilities within strict limits. The net open position in any single currency and the overall foreign exchange exposure are both managed within the statutory limits as prescribed by SBP as well as the internal limits set by the Bank itself. Stress testing for foreign exchange risk is carried out regularly to estimate the impact of adverse changes in foreign exchange rates.

	2021			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
United States Dollar	182,442,901	177,522,831	4,779,180	9,699,250
Great Britain Pound	1,652,971	12,805,309	7,489,831	(3,662,507)
Japanese Yen	6,782	363,092	357,519	1,209
Euro	4,231,547	6,846,326	1,842,032	(772,747)
Other currencies	945,356	534,954	(694,227)	(283,825)
	<u>189,279,557</u>	<u>198,072,512</u>	<u>13,774,335</u>	<u>4,981,380</u>



	2020			Net foreign currency exposure
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	
	(Rupees in '000)			
United States Dollar	135,869,498	141,123,136	10,832,719	5,579,081
Great Britain Pound	1,660,711	11,828,815	10,088,312	(79,792)
Japanese Yen	44,539	15,462	(20,792)	8,285
Euro	4,389,562	6,272,656	1,898,410	15,316
Other currencies	858,737	481,319	(675,976)	(298,558)
	<u>142,823,047</u>	<u>159,721,388</u>	<u>22,122,673</u>	<u>5,224,332</u>

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on				
– Profit and loss account	–	–	–	–
– Other comprehensive income	22,220	–	9,729	–

45.2.3 Equity Position Risk

Equity position risk is the risk of loss from adverse movements in equity prices. The Group's policy is to take equity positions for investment purposes and not to run a trading book, except to a very limited extent (maximum of Rs. 300 million) for trading in equities.

Equity position risk of the Group is controlled through equity portfolio limits, sector limits, scrip limits, and future contracts limits. Direct investment in equities and mutual funds is managed within the statutory limits as prescribed by SBP as well as the internal limits set by the Group itself. Stress testing for equity price risk is carried out regularly to estimate the impact of decline in stock prices. The Group invests mainly in blue chip securities.

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices on				
– Profit and loss account	–	6,555	–	4,827
– Other comprehensive income	220,935	–	227,609	–



45.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB) - Basel II Specific

Interest rate risk is the risk of loss from adverse movements in interest rates. ALCO monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Group arising from fluctuation in the market interest rates and mismatching or gaps in the amount of financial assets and financial liabilities in different maturity time bands.

The Group's interest rate exposure is calculated by categorising its interest sensitive assets and liabilities into various time bands based on the earlier of their contractual repricing or maturity dates. Interest rate risk exposures of the Group are controlled through dealer limits, counter-party exposure limits and (when necessary) type-of-instrument limits. Outright purchase and sale of securities are also approved by ALCO. Duration and modified duration of various types of debt securities as well as their entire portfolio are also calculated, and the impact of adverse change in interest rates on the market value of the securities is estimated. Stress testing for interest rate risk is carried out regularly to estimate the impact of adverse changes in the interest rates.

Interest rate / yield risk in the banking book – Basel Specific

The Group holds financial assets and financial liabilities with different maturities or repricing dates and linked to different benchmark rates, thus creating exposure to unexpected changes in the level of interest rates. Interest rate risk in the banking book refers to the risk associated with interest-bearing financial instruments that are not held in the trading book of the Group.

Repricing gap analysis presents the Group's interest sensitive assets (ISA) and interest sensitive liabilities (ISL), categorised into various time bands based on the earlier of their contractual repricing or maturity dates (or settlement dates for off-balance sheet instruments). Deposits with no fixed maturity dates (for example, saving deposits and treasurer's call deposits) are included in the lowest, one-month time band, but these are not expected to be payable within a one-month period. The difference between ISA and ISL for each time band signifies the gap in that time band, and provides a workable framework for determining the impact on net interest income.

The Group reviews the repricing gap analysis periodically to monitor and manage interest rate risk in the banking book.

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in interest rates on				
– Profit and loss account	–	–	–	–
– Other comprehensive income	5,703,580	–	6,113,382	–



45.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2021

Effective Yield / Interest Rate	Total	Exposed to Yield / Interest risk									Non interest bearing financial instruments	
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
(Rupees in '000)												
On - balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	118,599,792	8,475,580	-	-	-	-	-	-	-	-	110,124,212
Balances with other banks	0.46%	6,803,572	4,422,018	-	-	-	-	-	-	-	-	2,381,554
Lendings to financial institutions	10.60%	20,063,828	20,063,828	-	-	-	-	-	-	-	-	-
Investments	9.93%	826,698,791	150,455,926	95,743,329	314,733,737	79,111,216	102,834,923	38,705,182	9,681,128	21,200,587	-	14,232,763
Advances	7.21%	733,335,453	401,011,438	117,203,589	91,802,874	29,547,069	16,295,821	22,354,796	20,069,057	25,864,446	9,176,575	9,788
Other assets	-	83,985,167	-	-	-	-	-	-	-	-	-	83,985,167
		1,789,486,603	584,428,790	212,946,918	406,536,611	108,658,285	119,130,744	61,059,978	29,750,185	47,065,033	9,176,575	210,733,484
Liabilities												
Bills payable	-	29,803,755	-	-	-	-	-	-	-	-	-	29,803,755
Borrowings	4.97%	302,212,902	130,540,002	55,284,225	32,529,294	11,403,231	9,542,625	10,585,069	19,745,203	32,324,292	258,961	-
Deposits and other accounts	7.15%	1,309,734,964	635,259,609	42,492,322	26,302,731	51,151,535	2,894,746	12,103,107	3,309,696	16,099	10,893	536,194,226
Subordinated debt	11.54%	15,995,200	-	5,000,000	10,995,200	-	-	-	-	-	-	-
Other liabilities	-	76,248,048	-	-	-	-	-	-	-	-	-	76,248,048
		1,733,994,869	765,799,611	102,776,547	69,827,225	62,554,766	12,437,371	22,688,176	23,054,899	32,340,391	269,854	642,246,029
On - balance sheet gap		55,491,734	(181,370,821)	110,170,371	336,709,386	46,103,519	106,693,373	38,371,802	6,695,286	14,724,642	8,906,721	(431,512,545)
Off - balance sheet financial instruments												
Documentary credits and short term trade related transactions		301,891,236	81,149,692	107,059,657	41,036,633	34,172,931	34,369,615	4,102,708	-	-	-	-
Commitments in respect of:												
Forward purchase of foreign exchange contracts		72,497,648	11,062,507	26,511,686	23,742,935	11,087,455	93,065	-	-	-	-	-
Forward sale of foreign exchange contracts		(58,723,317)	(11,276,267)	(30,040,434)	(14,937,676)	(2,468,940)	-	-	-	-	-	-
Forward commitments to extend credit		4,717,424	857,164	1,456,170	809,660	1,594,430	-	-	-	-	-	-
Off - balance sheet gap		18,491,755	643,404	(2,072,578)	9,614,919	10,212,945	93,065	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			(99,577,725)	215,157,450	387,360,938	90,489,395	141,156,053	42,474,510	6,695,286	14,724,642	8,906,721	(431,512,545)
Cumulative Yield / Interest Risk Sensitivity Gap			(99,577,725)	115,579,725	502,940,663	593,430,058	734,586,111	777,060,621	783,755,907	798,480,549	807,387,270	375,874,725



2020

	Effective Yield / Interest Rate	Total	Exposed to Yield / Interest risk								Non interest bearing financial instruments	
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years		Above 10 years
On - balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	105,936,009	7,279,936	-	-	-	-	-	-	-	-	98,656,073
Balances with other banks	0.05%	19,681,362	17,676,967	-	-	-	-	-	-	-	-	2,004,395
Lendings to financial institutions	8.98%	2,175,301	2,175,301	-	-	-	-	-	-	-	-	-
Investments	9.30%	765,318,984	72,567,393	75,117,948	300,591,571	125,011,937	90,618,012	29,215,595	44,162,033	19,599,391	-	8,435,104
Advances	6.60%	510,050,394	275,724,271	100,524,346	54,004,723	23,795,801	14,468,084	10,164,684	12,231,329	12,759,516	6,371,366	6,274
Other assets	-	73,221,559	-	-	-	-	-	-	-	-	-	73,221,559
		1,476,383,609	375,423,868	175,642,294	354,596,294	148,807,738	105,086,096	39,380,279	56,393,362	32,358,907	6,371,366	182,323,405
Liabilities												
Bills payable	-	31,013,221	-	-	-	-	-	-	-	-	-	31,013,221
Borrowings	4.21%	211,627,267	145,763,098	4,863,416	10,624,222	6,040,892	12,927,163	5,891,219	10,195,980	14,808,462	512,815	-
Deposits and other accounts	5.66%	1,099,223,458	548,778,671	35,539,084	24,076,408	48,951,961	6,657,497	2,446,852	13,835,518	22,127	12,532	418,902,808
Subordinated debt	8.50%	14,989,600	-	3,992,800	10,996,800	-	-	-	-	-	-	-
Other liabilities	-	67,908,941	-	-	-	-	-	-	-	-	-	67,908,941
		1,424,762,487	694,541,769	44,395,300	45,697,430	54,992,853	19,584,660	8,338,071	24,031,498	14,830,589	525,347	517,824,970
On - balance sheet gap		51,621,122	(319,117,901)	131,246,994	308,898,864	93,814,885	85,501,436	31,042,208	32,361,864	17,528,318	5,846,019	(335,501,565)
Off - balance sheet financial instruments												
Documentary credits and short term trade related transactions		207,740,057	133,608,804	51,510,174	11,122,373	11,498,706	-	-	-	-	-	-
Commitments in respect of:												
Forward purchase of foreign exchange contracts		75,472,905	19,581,701	29,570,273	17,076,813	9,244,118	-	-	-	-	-	-
Forward sale of foreign exchange contracts		(53,350,232)	(32,391,396)	(17,028,027)	(2,914,889)	(1,015,920)	-	-	-	-	-	-
Forward commitments to extend credit		7,124,914	483,281	4,729,763	242,759	1,669,111	-	-	-	-	-	-
Off - balance sheet gap		29,247,587	(12,326,414)	17,272,009	14,404,683	9,897,309	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			(197,835,511)	200,029,177	334,425,920	115,210,900	85,501,436	31,042,208	32,361,864	17,528,318	5,846,019	(335,501,565)
Cumulative Yield / Interest Risk Sensitivity Gap			(197,835,511)	2,193,666	336,619,586	451,830,486	537,331,922	568,374,130	600,735,994	618,264,312	624,110,331	288,608,766



45.2.5.1 Reconciliation of Financial Assets and Liabilities

	2021 (Rupees in '000)	2020
Assets as per statement of financial position	1,850,208,846	1,522,779,386
Less:		
Fixed assets	55,701,205	43,976,664
Intangible assets	354,580	294,862
Deferred tax assets	2,103,393	-
Advances, deposits, advance rent and other prepayments	1,176,105	776,481
Non-banking assets acquired against claims	950,942	954,077
Stationery and stamps on hand	436,018	393,693
	2,563,065	2,124,251
Interest Rate Sensitive Assets	1,789,486,603	1,476,383,609
Liabilities as per statement of financial position	1,759,789,561	1,442,335,671
Less:		
Deferred tax liabilities	-	139,836
Provision for compensated absences	1,127,704	974,095
Branch adjustment account	5,764,199	2,639,104
Unearned commission income	3,048,747	2,425,132
Workers' welfare fund	173,319	146,692
Provision against off - balance sheet obligations	1,416,819	304,009
Lease liability against right-of-use assets	12,235,539	10,526,139
Current taxation (payments less provisions)	2,028,365	418,177
	25,794,692	17,433,348
Interest Rate Sensitive Liabilities	1,733,994,869	1,424,762,487

45.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes legal risk but excludes strategic and reputational risks. Bank classifies operational loss / near miss incidents into seven loss incidents types, which are Internal Fraud, External Fraud, Employment Practice & Workplace Safety, Client, Product & Business Practice, Damage to Physical Assets, Business Disruption & System Failure, and Execution, Delivery & Process Management.

Operational risk is managed through the Operational Risk Policy, Audit Policy, Compliance Policy & Programme, Information Technology (I.T.) Policy, I.T. Governance Framework, I.T. Security Policy, Human Resource Policy, Consumer Protection Framework, KYC / CDD Policy, AML / CFT Policy, Fraud Prevention Policy, Consumer Grievance Handling Policy and Outsourcing Policy approved by the Board, along with the operational manuals and procedures issued from time to time; system of internal controls; Business Continuity Plan, Disaster Recovery Plan for I.T.; and regular audit of the branches and divisions. Operational risk related matters are discussed in the operations committee, compliance committee of management and I.T. steering committee. Audit Committee of the Board provides overall guidance in managing the Bank's operational risk.

The Bank's operational risk management framework, as laid down in the operational risk policy, permits the overall risk management approach to evolve in the light of organisational learning and the future needs of the Bank.

The Bank places a high priority on conducting all business dealings with integrity and fairness, as laid down in the Code of Conduct, which is required to be complied with by all employees.



Internal controls are an essential feature of risk reduction in operational risk management and the Bank continues to improve its internal controls.

Business Continuity Plan of the Bank pays special attention to identification of potential threats and associated risks in critical business processes by carrying out Business Impact Analysis and Risk Assessment including those which are dependent on external vendors or third parties, identification of alternative mechanisms for timely resumption of services, with special focus on critical business processes, location of off-site backup & regular review and testing of the plan.

Bank has devised and implemented IT Project Management and IT Risk Management Frameworks. Bank is also CMMI Maturity (Level - 3) certified. Bank AL Habib's website for Conventional and Islamic banking has been revamped with dynamic features. Furthermore, OBDX (Oracle Banking Digital Experience) web and mobile application have been commercially launched.

Bank has taken various measures to strengthen I.T. Security, which includes implementation of Cyber Security Strategy and Action Plan, Vulnerability Management Program, virtual patching and database activity monitoring solution on critical systems, 24/7 Security Operation centre (SOC), regular Internal and external penetration testing of applications, anti malware and antivirus security solution, subscription to I.T. security threat intelligence service and recertification of controls as per SWIFT customer Security Program.

45.3.1 Operational Risk-Disclosures Basel II Specific

The Bank uses Basic Indicator Approach to calculate capital charge for operational risk as per Basel regulatory framework. This approach is considered to be most suitable in view of the business model of the Bank which relies on an extensive network of branches to offer one - stop, full – service banking to its clients. The Bank has developed and implemented an Operational Loss Database. Operational loss and "near miss" events are reviewed and appropriate corrective actions taken on an ongoing basis, including measures to improve security and control procedures. Key Risk Indicators have also been developed along with thresholds which are being closely monitored for breaches. Risk Evaluation exercise is carried out for new products, processes and systems or any significant change in the existing product, processes and systems as per the operational risk policy of the Bank.

45.4 Liquidity Risk

Liquidity risk is the risk of loss to a bank arising from its inability to meet obligations as they fall due or to fund growth in assets, without incurring unacceptable cost or losses.

Key elements of the Bank's liquidity risk management are as follows:

- To maintain a comfortable margin of excess liquidity in the form of cash and readily marketable assets to meet the Bank's funding requirements at any time.
- To keep a strong focus on mobilization of low-cost core deposits from customers.
- To maintain a realistic balance between the behavioral maturity profiles of assets and liabilities.
- To maintain excellent credit rating (as borrowing cost and ability to raise funds are directly affected by credit rating).
- To have a written contingency funding plan to address any hypothetical situations when access to normal sources of funding is constrained.

45.4.1 Liquidity Coverage Ratio

SBP issued BPRD Circular No. 08 dated June 23, 2016 advising implementation of Basel III liquidity standards that constitute two ratios, i.e., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and five monitoring tools.

LCR is the measure of conversion capability of the Bank's High Quality Liquid Assets (HQLAs) into cash to meet immediate liquidity requirements over a 30 days horizon.

The Bank calculates Liquidity Coverage Ratio (LCR) on monthly basis as per the guidelines given in the above mentioned circular. The objective of LCR is to ensure the short-term resilience of the liquidity risk profile which requires the Bank to maintain sufficient High Quality Liquid Assets (HQLAs) to meet stressed cash outflows over a prospective 30 calendar - days period. As of 31 December 2021, the Bank's LCR stood at 251% against the SBP's minimum requirement of 100%.



45.4.2 Governance of Liquidity Risk Management

Liquidity risk is managed through the liquidity risk policy approved by the Board. The Bank has “zero tolerance” for liquidity risk and will continue to maintain a comfortable margin of excess liquidity in the form of cash and readily marketable assets to meet its funding requirements at any time.

Management of liquidity risk is accomplished through a formal structure which includes:

- Board of Directors (BOD)
- Risk Management Committee
- Asset Liability Management Committee (ALCO)
- Treasury Division
- Risk Management Division and Middle Office
- Finance Division
- Information Technology Division

The Board of Directors approves the liquidity risk policy and ensures, through quarterly reviews by the Risk Management Committee of the Board, that the Bank’s liquidity risk is being managed prudently. Risk Management Committee of the Board provides overall guidance in managing the Bank’s liquidity risk. Liquidity position is monitored daily by the Treasury Division and the Middle Office and reviewed regularly by ALCO.

45.4.3 Funding Strategy

The Bank’s prime source of liquidity is the customers' deposit base. Within deposits, the Bank strives to maintain core deposit base in form of current and saving deposits and avoids concentration in particular products, tenors and dependence on large fund providers. As a general rule, the Bank will not depend on borrowings in the inter-bank market, including repos, to be a part of its permanent pool of funds for financing of loans, but will use these as a source for obtaining moderate amounts of additional funds to meet temporary liquidity needs in the normal course of business or for money market operations.

45.4.4 Liquidity Risk Mitigation Techniques

Various tools and techniques are used to measure and monitor the possible liquidity risk. These include monitoring of different liquidity ratios like core deposits to total deposits, advances to deposits, liquid assets to total deposits, Interbank borrowing to total deposits, which are monitored on regular basis against limits. Further, the Bank also prepares the maturity profile of assets and liabilities to monitor the liquidity gaps over different time bands. For maturity analysis, behavioral study is carried out to determine the behavior of non - contractual assets and liabilities. The Bank also ensures that statutory cash and liquidity requirements are maintained at all times.

In addition, LCR, NSFR and Monitoring Tools of Basel III framework further strengthen liquidity risk management of the Bank.

45.4.5 Liquidity Stress Testing

As per SBP FSD Circular No. 01 of 2020, Liquidity stress testing is being conducted under various stress scenarios. Shocks include the withdrawals of deposits, withdrawals of wholesale / large deposits & interbank borrowing, withdrawal of top deposits, etc. Results of stress testing are presented to ALCO and Risk Management Committee. The Bank’s liquidity risk management addresses the goal of protecting solvency and the ability to withstand stressful events in the market place. Stress testing for liquidity as prescribed in the liquidity risk policy is carried out regularly to estimate the impact of decline in liquidity on the ratio of liquid assets to deposits plus borrowings.

45.4.6 Contingency Funding Plan

Contingency Funding Plan (CFP) is a part of liquidity risk policy of the Bank which identifies the trigger events that could cause a liquidity contingency and describes the actions to be taken to manage it. The contingency funding plan highlights liquidity management actions that needs to be taken to deal with the contingency. Responsibilities and response levels are also incorporated in order to tackle the contingency. Moreover, CFP highlights possible funding sources, in case of a liquidity contingency.



45.4.7 Main Components of LCR

Main components of LCR are High Quality Liquid Assets and Net Cash Outflows. Outflows are mainly deposit outflows net of cash inflows which consist of inflows from financing and money market placements up to 1 month. The inputs for calculation of LCR are based on SBP BPRD Circular No. 08 dated 23 June 2016.

45.4.8 Composition of HQLAs

High Quality Liquid Assets consist of Level 1 Assets which are included in the stock of liquid assets at 100% weightage of their market value i.e., Cash & Treasury balances, Conventional Government Securities, GOP Ijarah Sukuks, Foreign Currency Sukuks & Bonds issued by sovereigns. While Level 2 Assets comprise all equity shares (excluding shares of Financial Institutions) listed on PSX 100.

45.4.9 Concentration of Funding Sources

The Bank relies on customers' deposits as its key source of funding, specially current and saving deposits and time deposits of small / medium denominations, and avoids concentration of large deposits. Share of core deposits in total deposits and of large deposits in total deposits are regularly monitored. In particular the Bank does not depend on large depositors or borrowings from SBP and financial institutions to meet its funding requirements.

45.4.10 Currency Mismatch in the LCR

About 90% of the Bank's assets and liabilities are in local currency. Currency mismatch in other currencies is regularly monitored.

45.4.11 Centralisation of Liquidity Management

Overall liquidity management of the Bank is centralised in Treasury Division at Principal Office. The Bank mobilises deposits through its branch network. It also uses the branch network to grant loans to customers. Branches that have more deposits than loans, transfer ("lend") their excess deposits to the Principal Office. Branches that do not have enough deposits to fund their loans, acquire ("borrow") additional funds from the Principal Office.

45.4.12 Other Inflows & Outflows

Benefit of pledged deposits (deposits under lien) are not accounted for in calculation of LCR.

45.4.13 Net Stable Funding Ratio (NSFR)

NSFR is the ratio of the amount of Available Stable Funding (ASF) - source of funds, capital and liabilities relative to the amount of Required Stable Funding (RSF) - use of funds, assets and off - balance sheet exposures.

The objective of NSFR is to ensure the availability of stable funds that a bank must hold to enable it to build and maintain its assets, investments and off balance sheet portfolio on an ongoing basis for longer term, i.e., over a one year horizon. NSFR reduces maturity mismatches between the asset and liability items on the balance sheet and thereby reduces funding and roll - over risk. The Bank's NSFR stood at 167% as on 31 December 2021.



45.5 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Group

The following maturity profile is based on contractual maturities for assets and liabilities that have a contractual maturity. Assets and liabilities that do not have a contractual maturity have been categorised in the shortest maturity band.

	Total	2021												
		Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
(Rupees in '000)														
Assets														
Cash and balances with treasury banks	118,599,792	118,599,792	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	6,803,572	6,803,572	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	20,063,828	-	20,063,828	-	-	-	-	-	-	-	-	-	-	-
Investments	826,698,791	12,967,986	(175,919)	24,857,271	26,170,390	56,009,199	27,485,865	(411,474)	79,072,128	313,777	208,013,450	40,353,512	193,664,781	158,377,825
Advances	733,335,453	62,322,894	16,559,970	25,896,302	52,410,354	94,703,838	94,964,578	127,675,070	39,097,582	24,015,747	48,372,426	48,828,863	48,004,081	50,483,748
Fixed assets	55,701,205	22,506,089	-	-	439,056	429,784	574,841	1,102,068	1,216,080	1,184,750	4,397,940	3,662,170	5,285,103	14,903,324
Intangible assets	354,580	-	-	-	43,495	42,824	22,734	55,993	49,889	40,748	13,146	216	433	85,102
Deferred tax assets	2,103,393	2,694,975	-	-	(22,673)	(27,414)	(27,414)	(78,859)	(27,499)	(70,214)	(249,413)	(80,296)	287,640	(295,440)
Other assets	86,548,232	17,516,514	5,142,949	6,220,977	13,547,227	14,422,657	9,760,794	7,770,376	4,120,311	7,835,258	112,638	68,849	18,117	11,565
	1,850,208,846	243,411,822	41,590,828	56,974,550	92,587,849	165,580,888	132,781,398	136,113,174	123,528,491	33,320,066	260,660,187	92,833,314	247,260,155	223,566,124
Liabilities														
Bills payable	29,803,755	29,803,755	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	302,212,902	537,376	72,474,365	1,094,262	2,336,666	75,846,330	23,083,908	42,619,114	7,519,175	4,245,556	9,542,625	10,585,069	19,745,203	32,583,253
Deposits and other accounts	1,309,734,964	1,077,749,891	16,117,169	26,665,733	50,921,042	18,700,448	23,791,875	26,302,731	20,686,097	30,465,438	2,894,746	12,103,107	3,309,696	26,991
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	15,995,200	-	-	-	-	-	1,000	800	1,000	800	3,600	3,600	7,200	15,977,200
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	102,042,740	30,763,911	5,162,952	4,852,827	9,938,161	12,314,874	7,175,748	5,302,990	6,644,426	8,570,540	1,326,302	1,154,690	2,384,506	6,450,813
	1,759,789,561	1,138,854,933	93,754,486	32,612,822	63,195,869	106,861,652	54,052,531	74,225,635	34,850,698	43,282,334	13,767,273	23,846,466	25,446,605	55,038,257
Net assets	90,419,285	(895,443,111)	(52,163,658)	24,361,728	29,391,980	58,719,236	78,728,867	61,887,539	88,677,793	(9,962,268)	246,892,914	68,986,848	221,813,550	168,527,867
Share capital	11,114,254													
Reserves	20,656,466													
Surplus on revaluation of assets	6,453,983													
Unappropriated profit	52,071,442													
Non - controlling interest	123,140													
	<u>90,419,285</u>													



	Total	2020												
		Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
(Rupees in '000)														
Assets														
Cash and balances with treasury banks	105,936,009	105,936,009	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	19,681,362	19,681,362	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,175,301	(494)	(2,966)	(3,461)	2,182,222	-	-	-	-	-	-	-	-	-
Investments	765,318,984	12,582,868	(341,794)	(398,760)	(648,823)	48,629,312	13,809,722	42,481,419	105,260,936	19,857,075	90,127,620	108,105,472	170,864,915	154,989,022
Advances	510,050,394	53,134,403	7,371,280	9,070,048	33,016,839	59,638,378	82,793,789	79,781,992	23,793,933	22,992,880	44,412,146	30,614,506	31,490,891	31,939,309
Fixed assets	43,976,664	19,674,219	-	-	382,971	376,295	506,363	937,251	1,021,321	996,661	3,602,764	3,055,678	4,121,980	9,301,161
Intangible assets	294,862	-	-	-	22,651	22,652	22,647	62,132	23,332	17,079	41,199	-	-	83,170
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	75,345,810	11,302,990	2,013,296	7,406,967	9,135,331	11,636,343	11,676,859	12,270,539	7,663,578	588,862	1,617,298	7,776	25,971	-
	1,522,779,386	222,311,357	9,039,816	16,074,794	44,091,191	120,302,980	108,809,380	135,533,333	137,763,100	44,452,557	139,801,027	141,783,432	206,503,757	196,312,662
Liabilities														
Bills payable	31,013,221	31,013,221	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	211,627,267	348,190	98,718,568	545,085	2,144,448	18,910,564	22,939,478	17,644,403	2,944,525	3,096,367	12,927,163	5,891,219	10,195,980	15,321,277
Deposits and other accounts	1,099,223,458	891,632,718	25,825,810	9,876,099	40,346,851	12,476,736	23,062,348	24,076,408	25,029,560	23,922,401	6,657,497	2,446,852	13,835,519	34,659
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	14,989,600	-	-	-	-	-	800	800	800	800	3,200	3,200	6,400	14,973,600
Deferred tax liabilities	139,836	(261,424)	-	-	37,094	34,482	34,482	97,114	36,070	65,683	204,367	182,160	(216,962)	(73,230)
Other liabilities	85,342,289	20,800,376	2,546,349	3,200,147	6,857,181	11,263,412	9,148,184	11,052,652	8,183,361	792,640	2,754,422	1,259,471	2,154,287	5,329,807
	1,442,335,671	943,533,081	127,090,727	13,621,331	49,385,574	42,685,194	55,185,292	52,871,377	36,194,316	27,877,891	22,546,649	9,782,902	25,975,224	35,586,113
Net assets	80,443,715	(721,221,724)	(118,050,911)	2,453,463	(5,294,383)	77,617,786	53,624,088	82,661,956	101,568,784	16,574,666	117,254,378	132,000,530	180,528,533	160,726,549
Share capital	11,114,254													
Reserves	18,431,277													
Surplus on revaluation of assets	10,366,693													
Unappropriated profit	40,416,713													
Non - controlling interest	114,778													
	<u>80,443,715</u>													



45.6 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group

For assets and liabilities that have a contractual maturity, the expected maturity is considered to be the same as contractual maturity. Assets and Liabilities that do not have a contractual maturity have been categorised on the basis of expected maturities as determined by ALCO. In case of saving and current accounts, their historical net withdrawal pattern over the next one year was reviewed, based on year - end balances for the last three years. Thereafter, taking a conservative view, ALCO categorised these deposits in various maturity bands. Other assets and liabilities have been categorised on the basis of assumptions / judgments that are believed to be reasonable.

	Total	2021								
		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	118,599,792	118,599,792	-	-	-	-	-	-	-	-
Balances with other banks	6,803,572	6,803,572	-	-	-	-	-	-	-	-
Lendings to financial institutions	20,063,828	20,063,828	-	-	-	-	-	-	-	-
Investments	826,698,791	51,621,207	83,187,265	(410,293)	93,516,156	207,941,008	40,129,080	192,321,659	155,947,899	2,444,810
Advances	733,335,453	157,189,520	189,668,416	127,675,070	63,113,329	48,372,426	48,828,863	48,004,081	37,530,239	12,953,509
Fixed assets	55,701,205	529,855	1,921,786	1,339,608	3,322,093	12,263,117	3,662,170	5,285,103	5,787,400	21,590,073
Intangible assets	354,580	43,495	65,558	55,993	90,637	98,897	-	-	-	-
Deferred tax assets	2,103,393	3,268,463	47,707	(100,401)	250,283	(1,938,785)	7,232	811,638	917,429	(1,160,173)
Other assets	86,548,232	40,963,584	24,256,741	7,927,102	12,172,629	248,217	68,849	18,117	11,566	881,427
	1,850,208,846	399,083,316	299,147,473	136,487,079	172,465,127	266,984,880	92,696,194	246,440,598	200,194,533	36,709,646
Liabilities										
Bills payable	29,803,755	29,803,755	-	-	-	-	-	-	-	-
Borrowings	302,212,902	76,442,669	98,930,238	42,619,114	11,764,731	9,542,625	10,585,069	19,745,203	32,327,849	255,404
Deposits and other accounts	1,309,734,964	213,023,237	148,984,610	132,795,019	157,643,823	162,630,529	171,838,890	163,044,595	159,763,368	10,893
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	15,995,200	-	1,000	800	1,800	3,600	3,600	7,200	8,977,200	7,000,000
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	102,042,740	41,961,217	19,490,621	5,302,990	15,214,966	1,326,302	1,154,690	9,132,049	5,182,995	3,276,910
	1,759,789,561	361,230,878	267,406,469	180,717,923	184,625,320	173,503,056	183,582,249	191,929,047	206,251,412	10,543,207
Net assets	90,419,285	37,852,438	31,741,004	(44,230,844)	(12,160,193)	93,481,824	(90,886,055)	54,511,551	(6,056,879)	26,166,439
Share capital	11,114,254									
Reserves	20,656,466									
Surplus on revaluation of assets	6,453,983									
Unappropriated profit	52,071,442									
Non - controlling interest	123,140									
	<u>90,419,285</u>									



	Total	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)										
Assets										
Cash and balances with treasury banks	105,936,009	105,936,009	-	-	-	-	-	-	-	-
Balances with other banks	19,681,362	19,681,362	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,175,301	2,175,301	-	-	-	-	-	-	-	-
Investments	765,318,984	(1,350,589)	62,899,171	42,492,324	133,255,216	91,579,088	109,010,681	171,274,822	153,093,362	3,064,909
Advances	510,050,394	102,592,570	142,432,167	79,781,992	46,786,813	44,412,146	30,614,505	31,490,892	24,104,075	7,835,234
Fixed assets	43,976,664	428,096	1,945,568	1,601,345	2,563,934	3,951,185	11,154,950	4,121,980	4,409,762	13,799,844
Intangible assets	294,862	22,627	45,249	62,059	40,267	41,490	-	-	-	83,170
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	75,345,810	28,382,864	23,379,236	12,369,589	8,449,019	1,753,753	7,776	25,971	-	977,602
	1,522,779,386	257,868,240	230,701,391	136,307,309	191,095,249	141,737,662	150,787,912	206,913,665	181,607,199	25,760,759
Liabilities										
Bills payable	31,013,221	31,013,221	-	-	-	-	-	-	-	-
Borrowings	211,627,267	101,756,291	41,850,042	17,644,403	6,040,892	12,927,163	5,891,219	10,195,980	14,808,462	512,815
Deposits and other accounts	1,099,223,458	175,991,190	123,504,672	112,041,996	136,917,549	164,995,554	160,784,910	180,970,135	44,004,920	12,532
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	14,989,600	-	800	800	1,600	3,200	3,200	6,400	7,973,600	7,000,000
Deferred tax liabilities	139,836	(2,533,473)	236,066	109,641	(167,184)	780,634	1,991,335	(47,244)	(679,113)	449,174
Other liabilities	85,342,289	26,445,043	20,411,596	11,052,652	8,976,000	2,754,422	1,259,471	7,400,106	4,267,763	2,775,236
	1,442,335,671	332,672,272	186,003,176	140,849,492	151,768,857	181,460,973	169,930,135	198,525,377	70,375,632	10,749,757
Net assets										
	80,443,715	(74,804,032)	44,698,215	(4,542,183)	39,326,392	(39,723,311)	(19,142,223)	8,388,288	111,231,567	15,011,002
Share capital	11,114,254									
Reserves	18,431,277									
Surplus on revaluation of assets	10,366,693									
Unappropriated profit	40,416,713									
Non - controlling interest	114,778									
	80,443,715									



46. EVENTS AFTER THE REPORTING DATE

Subsequent to the year end, the Board of Directors proposed a final cash dividend of Rs. 7.0 (2020: Rs. 4.5) per share.

47. GENERAL

47.1 Captions, as prescribed by BPRD Circular No. 02 of 2018 issued by SBP, in respect of which there are no amounts, have not been reproduced in these consolidated financial statements, except for captions of the statement of financial position and profit and loss account.

47.2 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

47.3 Comparative information has been re-classified, re-arranged or additionally incorporated in these consolidated financial statements wherever necessary to facilitate comparison and better presentation.

48. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue in the Board of Directors' meeting held on 09 February 2022.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



Annexure I

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED
DURING THE YEAR ENDED 31 DECEMBER 2021**

(Rupees in '000)

S. No.	Name and address of the borrower(s)	Name of individuals / partners / directors (with CNIC Nos.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal Written off	Interest / Mark-up Written off	Other Charges written off	Total (9+10+11)
				Principal	Interest / Mark-up	Other Charges	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1.	Fazal Centre Rahwali G. T Road Cantt Gujranwala	Muhammad Ali (CNIC: 34101-4602895-1)	Fazal Muhammad Khan	66,711	8,165	-	74,876	-	5,911	-	5,911
2.	Mukhtar Ali Alwani Fatima Manzil, Flat No. 20 5th Floor, Near HBL Kharadar Branch, Kharadar, Karachi.	Mukhtar Ali Alwani (CNIC: 42301-4605058-9)	Sher Ali Alwani	1,275	88	751	2,114	475	88	751	1,314
3.	Inayatullah Memon Flat # 25, 3rd Floor, Hashim Galleria, Commercial Housing Scheme, Qasimabad, Hyderabad.	Inayatullah Memon (CNIC: 42201-4006030-9)	Khuda Dino	2,668	2,129	-	4,797	69	2,360	266	2,695
			Total	70,654	10,382	751	81,787	544	8,359	1,017	9,920



Annexure II

ISLAMIC BANKING BUSINESS

The Bank is operating 138 (2020: 106) Islamic banking branches and 145 (2020: 143) Islamic banking windows at the end of the year.

	Note	2021 (Rupees in '000)	2020
ASSETS			
Cash and balances with treasury banks		8,423,970	5,727,007
Balances with other banks		6,633	6,557
Due from financial institutions		–	2,175,301
Investments	1	126,593,021	71,453,147
Islamic financing and related assets-net	2	85,209,570	58,304,712
Fixed assets		691,623	479,006
Intangible assets		–	–
Due from Head Office		–	–
Other assets		8,215,798	5,167,572
Total Assets		229,140,615	143,313,302
LIABILITIES			
Bills payable		306,474	137,796
Due to financial institutions		30,479,303	18,962,087
Deposits and other accounts	3	128,090,092	93,238,405
Due to Head Office		39,305,108	14,457,740
Subordinated debt		–	–
Other liabilities		16,989,976	6,315,054
		215,170,953	133,111,082
NET ASSETS		13,969,662	10,202,220
REPRESENTED BY			
Islamic Banking Fund		7,600,000	7,600,000
Reserves		–	–
Deficit on revaluation of assets		(238,060)	(142,701)
Unappropriated profit	5	6,607,722	2,744,921
		13,969,662	10,202,220
CONTINGENCIES AND COMMITMENTS	6		



The profit and loss account of the Bank's Islamic banking branches for the year ended 31 December 2021 is as follows:

	Note	2021 (Rupees in '000)	2020
Profit / return earned	7	10,936,284	8,493,424
Profit / return expensed	8	(4,829,642)	(4,047,777)
Net Profit / return		6,106,642	4,445,647
Other income			
Fee and commission income		675,695	310,209
Dividend income		6,115	94,448
Foreign exchange income		145,850	97,171
Income / (loss) from derivatives		-	-
Gain on securities		10,123	169,484
Other income		42,498	95,723
Total other income		880,281	767,035
Total income		6,986,923	5,212,682
Other expenses			
Operating expenses		(3,129,078)	(2,349,393)
Other charges		(180)	(44)
Total other expenses		(3,129,258)	(2,349,437)
Profit before provisions		3,857,665	2,863,245
Reversals / (provisions) and write offs-net		5,136	(118,324)
Profit for the year		3,862,801	2,744,921

	2021				2020			
	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value
1. Investments by segments	(Rupees in '000)							
Federal Government Securities								
- Ijarah Sukuks	86,966,521	-	(489,423)	86,477,098	31,954,335	-	(208,246)	31,746,089
- Neelum Jhelum Hydropower Co Ltd. Sukuk	3,093,750	-	-	3,093,750	3,781,250	-	-	3,781,250
- Bai Muajjal with Government of Pakistan	9,222,783	-	-	9,222,783	11,328,818	-	-	11,328,818
- Islamic Naya Pakistan Certificate	807,152	-	-	807,152	-	-	-	-
	100,090,206	-	(489,423)	99,600,783	47,064,403	-	(208,246)	46,856,157
Shares								
- Listed Companies	80,455	(54,083)	11,665	38,037	97,442	(63,384)	15,861	49,919
Non Government Debt Securities								
- Listed	22,243,347	-	215,177	22,458,524	22,425,254	-	27,418	22,452,672
- Unlisted	3,973,000	-	-	3,973,000	2,025,000	-	-	2,025,000
	26,216,347	-	215,177	26,431,524	24,450,254	-	27,418	24,477,672
Units of Mutual Funds	351,022	(52,866)	24,521	322,677	100,000	(52,866)	22,265	69,399
Associates								
- AL Habib Islamic Cash Fund	100,000	-	-	100,000	-	-	-	-
- AL Habib Islamic Savings Fund	100,000	-	-	100,000	-	-	-	-
	200,000	-	-	200,000	-	-	-	-
Total Investments	126,938,030	(106,949)	(238,060)	126,593,021	71,712,099	(116,250)	(142,702)	71,453,147



	Note	2021	2020
(Rupees in '000)			
2. Islamic financing and related assets			
Ijarah	2.1	1,510,759	1,656,565
Murabaha	2.2	10,763,354	9,148,387
Diminishing Musharaka		14,068,266	11,404,565
Islamic Long Term Financing Facility (ILTFF)		2,354,060	1,737,762
Istisna		5,342,869	2,364,376
Islamic Refinance for Renewable Energy (IFRE)		36,245	14,035
Islamic Refinance for Wages & Salaries (IRWS)		1,220,603	2,355,044
Islamic Refinance for Temporary Economic Refinance Facility (ITERF)		908,150	–
Islamic Export Refinance-Istisna		1,116,424	1,083,650
Musawamah		4,583,663	3,710,693
Islamic Export Refinance-Musawamah		529,750	826,500
Running Musharaka		326,612	84,799
Islamic Export Refinance-Running Musharaka		5,263,500	6,270,000
Financing against Bills-Musawamah		1,580,871	293,805
Staff Financing		1,025,435	594,202
Musawamah Inventory		2,290,127	1,700,257
Advance against Istisna		7,974,093	5,702,233
Advance against Istisna-IERF		9,475,930	4,829,300
Advance against Ijarah		505,797	735,441
Advance against Diminishing Musharaka		4,440,130	1,083,563
Advance against ILTFF		1,756,300	1,082,706
Advance against IFRE		2,161,708	875,000
Advance against ITERF		6,101,556	914,221
Advance against IRF SME		39,925	–
Gross Islamic financing and related assets		85,376,127	58,467,104
Less: provision against Islamic financings			
- Specific		(123,001)	(135,936)
- General		(43,556)	(26,456)
		(166,557)	(162,392)
Islamic financing and related assets-net of provision		85,209,570	58,304,712

2.1 Ijarah

	2021						Book value as at 31 December 2021
	Cost			Accumulated depreciation			
	As at 01 January 2021	Additions / (deletions)	As at 31 December 2021	As at 01 January 2021	Charge for the year / (deletions)	As at 31 December 2021	
	(Rupees in '000)						
Plant and Machinery	404,078	348,701 (169,375)	583,404	179,121	191,555 (76,346)	294,330	289,074
Vehicles	2,227,410	540,587 (630,478)	2,137,519	891,153	490,799 (409,391)	972,561	1,164,958
Equipment	286,147	106,718 (189,457)	203,408	190,796	91,675 (135,790)	146,681	56,727
Total	2,917,635	996,006 (989,310)	2,924,331	1,261,070	774,029 (621,527)	1,413,572	1,510,759



	2020						Book value as at 31 December 2020
	Cost			Accumulated depreciation			
	As at 01 January 2020	Additions / (deletions)	As at 31 December 2020	As at 01 January 2020	Charge for the year / (deletions)	As at 31 December 2020	
	(Rupees in '000)						
Plant and Machinery	934,345	169,556 (699,823)	404,078	358,906	218,211 (397,996)	179,121	224,957
Vehicles	2,406,744	546,978 (726,312)	2,227,410	890,722	467,430 (466,999)	891,153	1,336,257
Equipment	607,883	— (321,736)	286,147	334,105	123,163 (266,472)	190,796	95,351
Total	3,948,972	716,534 (1,747,871)	2,917,635	1,583,733	808,804 (1,131,467)	1,261,070	1,656,565

2.1.1 Future ijarah payments receivable

	2021			2020		
	Not later than 1 year	Later than 1 year and less than 5 years	Total (Rupees in '000)	Not later than 1 year	Later than 1 year and less than 5 years	Total
Ijarah rental receivables	160,721	1,192,485	1,353,206	685,438	871,283	1,556,721

Note

2021
(Rupees in '000)

2020

2.2 Murabaha

Murabaha financing	2.2.1	7,685,008	7,020,386
Advances for Murabaha		3,078,346	2,128,001
		10,763,354	9,148,387
2.2.1 Murabaha receivable-gross			
Less: Deferred murabaha income	2.2.2	7,929,218	7,202,836
Profit receivable shown in other assets	2.2.4	(130,922)	(75,641)
Murabaha financings		(113,288)	(106,809)
		7,685,008	7,020,386
2.2.2 The movement in Murabaha financing during the year is as follows:			
Opening balance		7,202,836	7,212,743
Sales during the year		32,356,284	26,037,743
Adjusted during the year		(31,629,902)	(26,047,650)
Closing balance		7,929,218	7,202,836
2.2.3 Murabaha sale price		32,281,567	25,990,650
Murabaha purchase price		(31,578,935)	(25,303,306)
		702,632	687,344
2.2.4 Deferred murabaha income			
Opening balance		(75,641)	(125,034)
Arising during the year		(704,180)	(694,160)
Less: Recognised during the year		648,899	743,553
Closing balance		(130,922)	(75,641)



3. Deposits and other accounts

	2021			2020		
	In local currency	In foreign currencies	Total (Rupees in '000)	In local currency	In foreign currencies	Total
Customers						
Current deposits	51,080,914	1,753,634	52,834,548	34,780,071	1,476,398	36,256,469
Savings deposits	44,206,742	1,946,099	46,152,841	33,690,149	1,458,082	35,148,231
Term deposits	19,890,218	-	19,890,218	21,354,917	-	21,354,917
	<u>115,177,874</u>	<u>3,699,733</u>	<u>118,877,607</u>	<u>89,825,137</u>	<u>2,934,480</u>	<u>92,759,617</u>
Financial institutions						
Current deposits	18,895	-	18,895	62,908	-	62,908
Savings deposits	9,193,590	-	9,193,590	415,880	-	415,880
	<u>9,212,485</u>	<u>-</u>	<u>9,212,485</u>	<u>478,788</u>	<u>-</u>	<u>478,788</u>
	<u>124,390,359</u>	<u>3,699,733</u>	<u>128,090,092</u>	<u>90,303,925</u>	<u>2,934,480</u>	<u>93,238,405</u>

	2021 (Rupees in '000)	2020
3.1 Composition of deposits		
- Individuals	76,106,049	58,871,300
- Government / Public Sector Entities	1,491,016	2,096,892
- Banking Companies	46	46
- Non-Banking Financial Institutions	9,212,439	478,742
- Private Sector	41,280,542	31,791,425
	<u>128,090,092</u>	<u>93,238,405</u>

3.1.1 Deposits includes eligible deposits covered under deposit protection mechanism as required by the Deposit Protection Act, 2016 amounting to Rs. 107,417.050 million (2020: Rs. 75,124.486 million).

	2021 (Rupees in '000)	2020
4. Charity Fund		
Opening balance	41,298	43,474
Additions during the year		
Received from customers on account of delayed payment	232	26,975
Charity accrued but not yet received	478	5,072
Dividend purification amount	825	205
Other Non - Shariah compliant income	942	2,330
Profit on charity saving account	1,032	2,314
	<u>3,509</u>	<u>36,896</u>
Payments / utilization during the year		
Health	(19,131)	(26,144)
Social Welfare	(12,698)	(10,428)
Education	-	(2,500)
	<u>(31,829)</u>	<u>(39,072)</u>
Closing balance	<u>12,978</u>	<u>41,298</u>



	2021	2020
	(Rupees in '000)	
4.1		
Detail of charity is as follows:		
Afzaal Memorial Thalassemia Foundation	3,000	–
Al Mustafa Trust	1,500	1,607
ASF Foundation	939	–
Bait-ul-Sukun	1,939	1,607
Child Aid Association	1,000	3,607
Dar-ul-Sukun	1,939	3,607
Edhi Foundation	1,939	3,607
Gawadar Development Authority Hospital	–	5,494
Green Crescent Trust	1,939	1,607
IDA RIEU Welfare Association	1,939	1,607
Indus Hospital	1,939	3,615
Jinnah Foundation	–	2,000
Karachi Down Syndrome Program	1,000	–
Lady Dufferin Hospital	1,000	–
National Institute of Child Health	1,000	3,000
Osmania Hospital	1,000	1,607
Pakistan Children's Heart Foundation	1,939	1,000
Pakistan Foundation Fighting Blindness	1,000	–
Panah Trust	1,000	–
Pink Ribbon	1,000	–
SIUT	1,939	3,607
The Cancer Foundation	939	–
The Kidney Centre	1,939	1,000
	<u>31,829</u>	<u>38,572</u>
5. Islamic Banking Business Unappropriated Profit		
Opening balance	2,744,921	2,551,373
Add: Islamic Banking profit for the year	3,862,801	2,744,921
Less: Remitted to Head Office	–	(2,551,373)
Closing balance	<u>6,607,722</u>	<u>2,744,921</u>
6. Contingencies and Commitments		
- Guarantees	10,930,898	4,415,658
- Commitments	27,490,079	17,468,898
	<u>38,420,977</u>	<u>21,884,556</u>
7. Profit / Return Earned on Financing, Investments and Placement		
Profit earned on:		
Financing	3,999,268	4,389,705
Investments	6,915,752	3,712,628
Placements	21,264	391,091
	<u>10,936,284</u>	<u>8,493,424</u>
8. Profit on Deposits and Other Dues Expensed		
Deposits and other accounts	3,601,731	3,594,464
Due to Financial Institutions	403,087	259,532
Due to Head Office	824,824	193,781
	<u>4,829,642</u>	<u>4,047,777</u>



9. Profit and Loss Distribution and Pool Management

9.1 The number and nature of pools maintained by the Islamic Banking Branches along with their key features and risk and reward characteristics:

General Pool PKR (Mudaraba)

Deposits which assume minimal risk of loss due to diversified assets being tagged thereto are parked in the general pool. In case of loss in general pool, the loss will be borne by the general pool members.

Special Pool(s) PKR (Mudaraba)

Special pool(s) are created where the customers desire to invest in high yield assets. In case of loss in a special pool the loss will be borne by the special pool members.

General Pool FCY (Mudaraba)

In FCY pool, all FCY deposits and Investments are parked to share the return among the FCY deposit holders. In case of loss in a FCY General Pool, the loss will be borne by the FCY general pool members.

Special Pool FCY (Mudaraba)

Special pool(s) are created where the customers desire to invest in high yield assets. In case of loss in a special pool the loss will be borne by the special pool members.

Islamic Export Refinance Scheme (IERS) Pool PKR (Musharaka)

IERS pool is required by the SBP to facilitate the exporters under Islamic Export Refinance Scheme.

Equity Pool

Investments with relatively higher risks such as investment in shares and mutual funds are tagged to the equity pool in order to safeguard the interest of depositors. The Bank as Mudarib in the general pool is responsible for administrative costs and cost of operating fixed assets, which are financed from equity. Furthermore, subsidized financing to employees are also financed from equity as per SBP guidelines.

Parameters associated with risk and rewards:

Following are the key considerations attached with risk and reward of the pool:

- Period, return, safety, security and liquidity of investment.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organisations as regulated in Pakistan.
- Element of risk attached to various types of investments.
- SBP rules and Shariah clearance.

9.2 Avenues / sectors of economy / business where Mudaraba based deposits have been deployed:

The Mudaraba based funds have been deployed in the following avenues / sectors / business:

- Chemical and pharmaceuticals
- Agribusiness
- Textile
- Sugar
- Shoes and leather garments
- Investment in sukuks, shares and mutual funds
- Production and transmission of energy
- Food and allied except sugar
- Cement
- Financial
- Wheat
- Individuals
- Others (domestic whole sale, engineering goods, plastic product, etc.)



Complaint Handling

The Bank has a comprehensive Customer Grievances Handling Policy, which is based on the principles of fairness, promptness, and customer's right to approach alternate remedial avenues in case of need. Customers may register their complaints through Call Center, Bank's Website, direct emails, Social Media and letters through drop-boxes or directly to Customer Services Division/CEO's Office, which are promptly logged and acknowledged. The complaints are tracked for end-to-end resolution within regulatory timelines and escalated to Senior Management, as required. In case a complainant is not satisfied with the resolution provided by the Bank, he may escalate his complaint to Banking Mohtasib Pakistan. This process is communicated to customers through notices in Branches and the Website.

During 2021, Bank's Customer Complaint Unit has been further strengthened to ensure quick resolution of customers' complaints. Further, training on complaints handling guidelines was also provided to a large number of staff.

In 2021, the Bank received 216,799 complaints which were investigated and closed within an average turnaround time of 4 working days.



Report of Shariah Board for the year ending December 31, 2021

In the name of Allah, the Beneficent, the Merciful

1. While the Board of Directors and Executive Management are solely responsible to ensure that the operations of Bank AL Habib – Islamic Banking Division (BAHL-IBD) are conducted in a manner that comply with Shariah principles and guidelines issued by the Shariah Board of the BAHL-IBD at all times. The Shariah Governance Framework issued by the State Bank of Pakistan, required from the Shariah Board (SB) to submit a report on the overall Shariah compliance environment of BAHL-IBD.
2. To form the opinion as expressed in this report, the Shariah Compliance Department carried out Shariah Reviews, on test check basis, of each class of transactions, the relevant documentation and process flows. Further, during the last year, Shariah Board reviewed the Internal Shariah Audit and External Shariah Audit Reports. Based on above, we are of the view that:
 - I. BAHL-IBD has complied with Shariah rules and principles in the light of fatawa, rulings and guidelines issued by its Shariah Board.
 - II. BAHL-IBD has complied with directives, regulations, instructions and guidelines i.e. related to Shariah compliance issued by SBP in accordance with the rulings of SBP's Shariah Board.
 - III. BAHL-IBD has complied with the SBP instructions on profit and loss distribution and Pool Management. On recommendations of Shariah Board measures are being taken to further strengthen the Pool Management system.
 - IV. BAHL-IBD has a comprehensive mechanism in place to ensure Shariah Compliance in its overall operations.
 - V. The Shariah Board appreciates the view and commitment of BOD towards ensuring the Shariah Compliance in the products, processes and operations of the BAHL-IBD. Improvement is required in level of awareness of Islamic Banking staff as well Executive Management in order to improve their understanding on the importance of Shari'ah Compliance in their respective areas, particularly in Foreign Trade Department.
 - VI. The Management has provided adequate resources to Shariah Compliance Department and also committed to provide further staff enabling them to discharge their duties effectively.
 - VII. The Bank has a well-defined mechanism in place which is sound enough to ensure that any earnings realized from sources or by means prohibited by Shariah have been credited to charity account and are being properly utilized. In year 2021, charity amount of Rs. 12.499 Million has been realized, out of which an income of Rs. 0.941 Million was credited to charity due to Shariah non-compliance as per instructions of Shariah Board. An amount of Rs. 31.823 Million has been granted to various charitable institutions against previous year's balances.

Mufti Sher Ali
Resident Shariah Board Member

Mufti Muhammad Hamza
Shariah Board Member

Mufti Mohib ul Haq Siddiqui
Shariah Board Member

Mufti Ismatullah Hamdullah
Chairman Shariah Board



شریعی بورڈ رپورٹ بمطابق ۳۱ دسمبر ۲۰۲۱ء

بورڈ آف ڈائریکٹرز اور انتظامیہ ہی کی ذمہ داری ہے کہ وہ اس بات کو یقینی بنائے کہ بینک الحیب اسلامک بینکنگ ڈویژن کی سرگرمیاں ہمیشہ شریعت کے اصولوں اور شریعی بورڈ کی ہدایات کے مطابق ہوں۔ بینک دولت پاکستان کی جانب سے جاری کردہ شریعی گورننس فریم ورک کے تحت بینک الحیب اسلامک بینکنگ ڈویژن کا شریعی بورڈ اس بات کا پابند ہے کہ وہ مجموعی شریعی کمپلائنس ماحول پر ایک رپورٹ جمع کروائے۔

رائے تشکیل دینے کیلئے جیسا کہ اس رپورٹ میں بیان کیا گیا ہے، شریعی کمپلائنس ڈپارٹمنٹ نے ہر قسم کے معاملے سے متعلقہ دستاویزات اور ترتیب عمل کے کاغذات کے آزمائشی بنیادوں پر جائزے لیے۔ شریعی بورڈ نے پچھلے سال کے دوران شریعی کمپلائنس اور اندرونی و بیرونی شریعی آڈٹ کی رپورٹس کا جائزہ لیا اور ان کی بنیاد پر ہماری رائے یہ ہے کہ:

- ۱- بینک الحیب اسلامک بینکنگ ڈویژن نے شریعی بورڈ کے فتاویٰ، احکامات اور ہدایات کی روشنی میں شرعی اصول و ضوابط کو پورا کیا۔
- ۲- بینک الحیب اسلامک بینکنگ ڈویژن نے بینک دولت پاکستان اور اس کے شریعی بورڈ کے شریعی کمپلائنس کے حوالے سے جاری کردہ قوانین اور ہدایات و احکامات کی پاسداری کی۔
- ۳- بینک الحیب اسلامک بینکنگ ڈویژن نے نفع نقصان کی تقسیم اور پول مینجمنٹ سے متعلق بینک دولت پاکستان کے احکامات پر عمل کیا۔ شریعی بورڈ کی تجویز پر پول مینجمنٹ کو مزید مضبوط بنانے کے لئے اقدامات کیے جا رہے ہیں۔
- ۴- بینک الحیب اسلامک بینکنگ ڈویژن میں تمام معاملات میں شرعی اصولوں کی پاسداری کو یقینی بنانے کے لئے جامع لائحہ عمل موجود ہے۔
- ۵- شریعی بورڈ پراڈکٹس طریقہ ہائے کار اور تعامل میں شریعت کی پاسداری کے حوالے سے بورڈ آف ڈائریکٹرز کے نظریے اور عزم کو سراہتا ہے۔ اسلامک بینکنگ کے عملے اور اعلیٰ انتظامیہ کی آگاہی کا معیار بہتر کرنے کی ضرورت ہے تاکہ متعلقہ شعبوں میں شریعت کی پاسداری کی فہم بہتر ہو سکے۔ خصوصاً بیرونی تجارت کے شعبے میں۔
- ۶- بینک کی انتظامیہ نے شریعی کمپلائنس ڈپارٹمنٹ کیلئے مناسب وسائل مہیا کیے ہیں اور یہ عزم کیا ہے کہ اس ڈپارٹمنٹ کو اپنی ذمہ داریوں سے بہتر طریقے سے عہدہ برآ ہونے اور شریعی کمپلائنس ماحول کو یقینی بنانے کیلئے مزید عملہ اور وسائل فراہم کریں گے۔
- ۷- بینک میں ایک مناسب وضع شدہ نظام ہے جو اس قابل ہے کہ کسی بھی غیر شرعی ذریعے یا طریقے سے حاصل کیے گئے منافع کو صدقہ کے اکاؤنٹ میں ڈالنے اور بطریق احسن صدقہ کی مد میں لگانے کو یقینی بنا سکے۔ ۲۰۲۱ء میں صدقہ کی مد میں 12.499 ملین روپے جمع ہوئے، جن میں سے 0.941 ملین روپے کی آمدنی خیراتی اکاؤنٹ میں شریعی عدم پاسداری کی وجہ سے شریعی بورڈ کے احکام سے جمع کئے گئے۔ تقریباً 31.823 ملین روپے گزشتہ سال جمع شدہ رقم کی مد میں مختلف خیراتی اداروں کو ادا کئے گئے۔

مفتی عصمت اللہ حمد اللہ
چیرمین شریعی بورڈ

مفتی محب الحق صدیقی
ممبر شریعی بورڈ

مفتی محمد حمزہ
ممبر شریعی بورڈ

مفتی شیر علی
ریزیڈنٹ شریعی بورڈ ممبر

کراچی: مورخہ 07 فروری 2022ء



بینک الحیب اور اس کی ذیلی کمپنیاں آڈٹ شدہ مجموعی مالیاتی حسابات پر ڈائریکٹرز کی رپورٹ

بینک الحیب کے ڈائریکٹرز کیلئے اس کی ذیلی کمپنیوں الحیب کیمپائل مارکیٹس (پرائیویٹ) لمیٹڈ اور الحیب ایسٹ منیجمنٹ لمیٹڈ کے آڈٹ شدہ مجموعی مالیاتی حسابات برائے ۳۱ دسمبر ۲۰۲۱ء کو ختم ہونے والے سال کیلئے پیش کرنا باعث مسرت ہے:

(000 روپے میں)	
30,217,136	سالانہ منافع قبل از ٹیکس
(11,620,151)	ٹیکسیشن
18,596,985	سالانہ منافع بعد از ٹیکس
(13,665)	غیر اختیاری مفاد سے منسوب شدہ منافع
18,583,320	ہولڈنگ کمپنی کے شیئر ہولڈرز سے منسوب شدہ منافع
40,416,713	گزشتہ غیر مختص شدہ منافع
120,440	فلسڈ اثاثہ جات کی ریویلویشن کے اضافہ میں سے منتقلی۔ بعد از ٹیکس
(177,387)	دیگر جامع آمدنی۔ بعد از ٹیکس
40,359,766	تخصیص کیلئے دستیاب منافع
58,943,086	تخصیص:
(1,870,230)	اسٹیٹوٹری ریزرو میں منتقلی
(5,001,414)	نقد منافع منقسمہ۔ ۲۰۲۰ء
(6,871,644)	
52,071,442	غیر مختص شدہ منافع
16.72 روپے	فی شیئر آمدنی (بعد از ٹیکس)۔ ہولڈنگ کمپنی

شیئر ہولڈنگ کی ساخت

شیئر ہولڈنگ کی ساخت بمطابق ۳۱ دسمبر ۲۰۲۱ء بینک الحیب لمیٹڈ کے مالیاتی حسابات کے ساتھ منسلک ہے۔

عباس ڈی۔ حبیب
چیئر مین
بورڈ آف ڈائریکٹرز

منصور علی خان
چیف ایگزیکٹو

کراچی: ۰۹ فروری ۲۰۲۲ء



عمومی

ہم اپنے کسٹمرز کے مسلسل اعتماد اور تائید، مقامی و غیر ملکی مالیاتی اداروں کے بھروسے اور تعاون، اور اسٹیٹ بینک آف پاکستان کے اُن کی رہنمائی پر، بے حد مشکور ہیں۔ ہم اپنے تمام اسٹاف ممبران کا بھی ان کے خلوص، لگن اور انتھک محنت پر ان کا شکریہ ادا کرتے ہیں۔

عباس ڈی۔ حبیب
چیئر مین
بورڈ آف ڈائریکٹرز

منصور علی خان
چیف ایگزیکٹو

کراچی: ۰۹ فروری ۲۰۲۲ء



۷۔ گزشتہ 6 سالوں کے اہم آپریٹنگ اور مالیاتی اعداد و شمار کا خلاصہ درج ذیل ہے:

(ملین روپے میں)

2016	2017	2018	2019	2020	2021	
584,172	692,576	796,901	903,703	1,099,686	1,309,823	صارفین کے مجموعی ڈپازٹس
261,440	339,833	478,215	488,669	510,252	733,799	مجموعی ایڈوانسز
13,164	13,890	14,264	19,011	28,581	30,273	منافع قبل از ٹیکس
8,119	8,501	8,418	11,169	17,812	18,702	منافع بعد از ٹیکس
35,673	40,409	46,283	55,489	69,570	83,569	شیر ہولڈرز کی ایکویٹی
7.31	7.65	7.57	10.05	16.03	16.83	فی شیر آمدنی (روپے)
35	30	25	35	45	70	نقد منافع منقسمہ (%)

۸۔ پروویڈنٹ فنڈ اور گریجویٹ فنڈ کے آڈٹ شدہ مالیاتی حسابات کی بنیاد پر ان اسکیموں کی سرمایہ کاریوں کی مالیت بمطابق ۳۱ دسمبر ۲۰۲۰ء درج ذیل ہیں:

(روپے میں '000)

8,314,541	پروویڈنٹ فنڈ
3,439,971	گریجویٹ فنڈ

۹۔ شیر ہولڈنگ کی ساخت اور اس سے متعلق اضافی معلومات صفحات 138، 139 اور 140 پر درج ہیں۔

۱۰۔ بورڈ نے اپنی کارکردگی کی جانچ کیلئے ایک باقاعدہ طریقہ کار منظور کیا ہے۔ بینک نے بورڈ کی جانچ کیلئے اندرون خانہ طریقہ کار اور اعدادی تیکنیک مع اسکور شدہ سوال نامے کا انتخاب کیا ہے۔ بورڈ کی جانچ کے دائرہ کار میں مکمل بورڈ، انفرادی ڈائریکٹرز، بورڈ کی کمیٹیاں، چیئرمین اور چیف ایگزیکٹو شامل ہیں۔ مجموعی نتائج / حاصل شدہ معلومات سے متعلقہ پارٹیوں کو آگاہ کیا جائے گا۔ جانچ کے دوران اگر کسی شعبے میں بہتری کی گنجائش نظر آئی تو اس کیلئے مناسب اقدامات کئے جائیں گے۔ ہر تقویمی سال کے لئے جانچ کا عمل آئندہ سال ۳۱ مارچ تک مکمل کیا جائے گا۔ مزید برآں بورڈ کی کارکردگی کا جائزہ کم از کم ہر تیسرے سال ایک ایکسٹرنل انڈیپنڈنٹ کار کے ذریعے لیا جائے گا۔ ہم نے پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورننس (پی آئی سی جی) کو بورڈ کی کارکردگی کی ایکسٹرنل انڈیپنڈنٹ جائزہ کے لئے نامزد کیا ہے۔

بینک کی جانب سے منتخب کئے گئے ماہرین اور کسی بورڈ ممبر یا کلیدی ایگزیکٹو کے درمیان مفادات کا کوئی تضاد نہیں ہے۔

۱۱۔ ڈائریکٹرز، سی ای او، ایف او، انٹرنل آڈٹ کے سربراہ، کمپنی سیکریٹری اور ایگزیکٹوز اور ان کے شریک حیات اور نابالغ بچوں کی جانب سے بینک کے شیرز میں سال کے دوران کوئی تجارت نہیں کی گئی، سوائے درج ذیل کے:

- ایک ڈائریکٹر کے صاحبزادے نے، جو آزادانہ کام کرتے ہیں، سی ڈی سی اکاؤنٹ کے ذریعے 77,042 شیرز فروخت کئے جس میں ڈائریکٹر کی شریک حیات صاحبزادے کے ساتھ جو انٹ اکاؤنٹ ہولڈر ہیں۔
- 400 شیرز ایک ایگزیکٹو کی جانب سے خریدے گئے۔

اس ضمن میں ”ایگزیکٹو“ کی تعریف میں پاکستان اسٹاک ایکچینج کی رول بک میں درج شدہ افسران کے علاوہ بینک کے اسٹینٹ جنرل مینجرز اور اس سے بالا عہدیداران کو بھی شامل کیا گیا ہے۔



ادارتى سماجى ذمہ داری

آپ کا بینک مکمل طور پر ادارتی سماجی ذمہ داری کے تصور پر کاربند ہے اور اس ضمن میں وسیع تر سرگرمیوں کے ذریعے اپنی اس ذمہ داری کو پورا کر رہا ہے جس میں درج ذیل شامل ہیں:

- سال کے دوران صحت، سماجی اور تعلیمی ترقی اور عوام کی فلاح و بہبود کے لئے عطیات اور خیرات کی صورت میں 487.32 ملین روپے کی فراہمی۔
- توانائی کا بہتر استعمال، غیر ضروری بجلی جلانے پر پابندی اور ماحول کو محفوظ اور صحت مند بنانے کے لئے انسدادِ تمباکو نوشی کے قانون پر عملدرآمد اور ”نواسموکنگ زون“ کا قیام۔
- کاروباری ضابطہ اخلاق اور انسدادِ بدعنوانی کے اقدامات کے تحت تمام اسٹاف ممبران کے لئے بینک کے ضابطہ اخلاق ”کوڈ آف کنڈکٹ“ اور ”اینٹی۔ براہیبری اینڈ کرپشن پالیسی“ پر لازمی عملدرآمد۔
- صارفین کے تحفظ کے اقدامات اور اس ضمن میں بینک کی پروڈکٹس اور خدمات پر لاگو شیڈول آف چارجز اور شرائط و ضوابط کی تشہیر۔
- اسٹاف کے ساتھ خوشگوار تعلقات، میرٹ اور کارکردگی کا اعتراف، دورانِ ملازمت اور باقاعدہ تربیتی پروگراموں کے ذریعے اسٹاف کیلئے سیکھنے اور ترقی کے مواقع۔
- مذہب، ذات پات اور لسانی امتیاز کے بغیر ایک شفاف طریقہ کار کے ذریعے روزگار کی فراہمی، بشمول برائے خصوصی افراد۔
- دیہی علاقوں کیلئے بینک کے برانچ نیٹ ورک میں توسیع جس سے دیہی ترقی میں مدد ملے۔
- بینک کی جانب سے براہ راست ٹیکسز کے ذریعے سال کے دوران قومی خزانے میں 10.51 بلین روپے جمع کرائے گئے۔ مزید برآں 18.41 بلین روپے سے زیادہ کی اضافی رقم ودہولڈنگ ٹیکسز، فیڈرل ایکسائز ڈیوٹی اور سروسز پر سیلز ٹیکس کی مد میں بینک کے ذریعے منہا/ وصول کی گئی اور حکومت پاکستان/ صوبائی حکومتوں کو ادا کی گئی۔
- گزشتہ 5 سالوں کے دوران بینک نے پرائم منسٹر یوتھ بزنس لون پروگرام کے تحت 16.21 بلین روپے دیئے گئے۔

کارپوریٹ اور فنانشل رپورٹنگ پراسٹیٹمنٹ

- 1- بینک کی جانب سے تیار کئے گئے مالیاتی حسابات، اس کے تمام کاروباری امور، اس کے آپریشنز کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلیوں کے معاملات کو شفاف انداز میں واضح کرتے ہیں۔
- 2- بینک کی جانب سے باقاعدہ حساب کتاب رکھا گیا ہے۔
- 3- مالیاتی حسابات کی تیاری میں موزوں اور درست اکاؤنٹنگ پالیسیاں مستقل طور پر لاگو کی گئی ہیں۔ اگر اس میں کوئی تبدیلی کی گئی تو اس کو واضح انداز میں بیان کیا گیا اور اکاؤنٹنگ کے تخمینہ جات موزوں ترین اور محتاط فیصلوں پر مبنی ہیں۔
- 4- مالیاتی حسابات کی تیاری میں انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرز اور اسلامک فنانشل اکاؤنٹنگ اسٹینڈرز، جو کہ پاکستان میں رائج ہیں، ان پر عمل کیا گیا اور ان سے اگر کسی حد تک روگردانی کی گئی تو اس کو واضح انداز میں بیان کیا گیا ہے۔
- 5- انٹرنل کنٹرولز کا جامع نظام تیار کیا گیا ہے اور یہ موثر طور پر نافذ العمل ہے اور اس کی نگرانی بھی کی جاتی ہے۔ بورڈ کی جانب سے فنانشل رپورٹنگ پر انٹرنل کنٹرولز سے متعلق انتظامیہ کی جانچ بشمول مجموعی انٹرنل کنٹرولز کی توثیق صفحہ 32 پر درج ہے۔
- 6- بینک کے لئے ”چلتے ہوئے کاروباری ادارے“ کا تصور مناسب ہے۔ اس ضمن میں بے یقینی کا کوئی امکان موجود نہیں ہے جو بینک کے ”چلتے ہوئے کاروباری ادارے“ کے تصور پر شکوک پیدا کرے۔



آڈیٹرز

موجودہ آڈیٹرز ای وائی فورڈ ر ہوڈز، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو رہے ہیں اور انہوں نے خود کو دوبارہ تقرری کیلئے پیش کیا ہے۔ آڈٹ کمیٹی کی تجویز پر بورڈ آف ڈائریکٹرز نے ۳۱ دسمبر ۲۰۲۲ء کو ختم ہونے والے سال کے لئے باہمی طور پر طے کئے جانے والے معاوضے پر ان کی بحیثیت بینک کے آڈیٹرز دوبارہ تقرری کے لئے سفارش کی ہے۔

رسک مینجمنٹ فریم ورک

بینک ہمیشہ اپنے حجم اور اس کے کاروبار کی نوعیت کے مطابق رسک مینجمنٹ فریم ورک کا حامل رہا ہے۔ یہ فریم ورک کئی سالوں میں تشکیل دیا گیا اور اس میں مزید بہتری لانے کا سلسلہ جاری ہے۔ بینک کا ایک اہم رہنما اصول، ڈپازٹرز کی رقوم کو بطور امانت تحفظ فراہم کرنا ہے۔ یہی وجہ ہے کہ بینک بزنس رسک سے نمٹنے کے لئے معتدل اور محتاط رویہ اپناتا ہے۔ بینک کے رسک مینجمنٹ کمیٹی مجموعی طور پر بینک کے کریڈٹ رسک کے انتظام کی رہنمائی کرتی ہیں:

- کریڈٹ رسک کا انتظام بورڈ کی جانب سے منظور کردہ کریڈٹ پالیسیز، بہتر کریڈٹ منظوری کا طریقہ کار: انٹرنل رسک ریٹنگز کا استعمال، مقرر کردہ دستاویزی ضروریات؛ پوسٹ ڈسبرسمنٹ ایڈمنسٹریشن؛ کریڈٹ سہولتوں کا جائزہ و نگرانی، اور کسٹمرز کی کریڈٹ اہلیت کی مستقل جانچ پر مشتمل ہے۔ بینک نے بڑے کریڈٹ رسک کے پیش نظر خود مختار پوسٹ ڈسبرسمنٹ جائزے کے لئے بھی طریقہ کار تشکیل دیا ہے۔ کریڈٹ پورٹ فولیو سے متعلق فیصلے بنیادی طور پر سینٹرل کریڈٹ کمیٹی کرتی ہے۔ بورڈ کی کریڈٹ رسک مینجمنٹ کمیٹی مجموعی طور پر بینک کے کریڈٹ رسک کے انتظام کی رہنمائی کرتی ہے۔

- مارکیٹ رسک کا انتظام بورڈ کی جانب سے منظور کردہ مارکیٹ رسک پالیسی، کسٹمرز اور ڈیلرز کی لمٹس کی منظوری اور ٹریڈری اینڈ انویسٹمنٹ پالیسی، سرمایہ کاریوں کیلئے سینئر انتظامیہ کی منظوری اور بینک کی ایسیٹ لیبیلیٹی مینجمنٹ کمیٹی (ALCO) کی جانب سے سرمایہ کاری کے پورٹ فولیو کے باقاعدہ جائزے اور نگرانی کے ذریعے کیا جاتا ہے۔ علاوہ اس کے لیکویڈٹی رسک پالیسی بینک کی لیکویڈٹی پوزیشن کے انتظام میں رہنمائی فراہم کرتی ہے جس کی نگرانی ٹریڈری اور مڈل آفس کے ذریعے روزانہ کی بنیاد پر کی جاتی ہے۔ انویسٹمنٹ پورٹ فولیو سے متعلق فیصلے زیادہ تر (ALCO) کی جانب سے لیے جاتے ہیں۔ بورڈ کی رسک مینجمنٹ کمیٹی بینک کے مارکیٹ اور لیکویڈٹی رسک، کپیٹل ایڈیکویسی اور مر بوط رسک مینجمنٹ (جسے انٹر پرائز رسک مینجمنٹ بھی کہا جاتا ہے) کے انتظام کی رہنمائی کرتی ہے۔

- آپریشنل رسک کا انتظام بورڈ کی جانب سے منظور کردہ آڈٹ پالیسی، آپریشنل رسک پالیسی، کمپلائنس پالیسی اینڈ پروگرام، آئی ٹی اور آئی ٹی سیکورٹی پالیسیز، ہیومن ریسورس پالیسی، کنزرویٹو پروڈکشن فریم ورک اور بورڈ کی جانب سے منظور شدہ آڈٹ سورسنگ پالیسی کے ذریعے کیا جاتا ہے اور اس کے ساتھ فراڈ سے تحفظ کی پالیسی، اور کنزرویٹو کی شکایات سے نمٹنے کی پالیسی، کو بھی مد نظر رکھا جاتا ہے۔ آپریشنل مینولز و طریقہ کار، انٹرنل کنٹرولز اور اہم ٹرانزیکشن کی حفاظت داری کے لئے دوہرے اختیارات کا نظام؛ کاروبار جاری رکھنے کا پلان بشمول آئی ٹی کیلئے ڈیزاسٹر ریکوری پلان اور برانچوں اور ڈویژنوں کے آڈٹ کے ذریعے کیا جاتا ہے۔ بورڈ کی آڈٹ کمیٹی بینک کے آپریشنل رسک کے انتظام کے سلسلے میں رہنمائی فراہم کرتی ہے۔

اس کے علاوہ رسک مینجمنٹ پالیسی، رسک ٹالرنس اسٹیٹمنٹ اور کسٹری رسک مینجمنٹ پالیسی بینک کو درپیش ممکنہ رسک کا بندوبست کرنے میں مزید رہنمائی فراہم کرتی ہیں۔

رسک مینجمنٹ پراسیڈر بینک آف پاکستان کی رہنما ہدایات پر عمل درآمد کرنے کی غرض سے بینک نے ایک علیحدہ سے رسک مینجمنٹ ڈویژن بشمول ایک مڈل آفس قائم کیا ہے جو کہ آزادانہ طور پر ٹریڈری آپریشنز میں موجود خدشات کی نگرانی اور جائزے کی ذمہ داری سنبھالتا ہے۔ ڈویژن کی جانب سے کئے جانے والے اقدامات میں گورنمنٹ سیکورٹیز کے پورٹ فولیو کی حساسیت کی جانچ؛ پورٹ فولیو کی مدت اور ترمیم شدہ دورانیے کا حساب رکھنا، میچورٹی کی عدم موافقت، اثاثہ جات اور مالی ذمہ داریوں کی شرح حساسیت کا جائزہ، فارورڈ فارن ایکسیچینج گپ پوزیشنز کا تجزیہ، ٹی ایف سیز اور سیز پورٹ فولیو کی مزید مفصل رپورٹنگ؛ ایکویٹیٹیز میں ڈیلنگ اور سٹیٹمنٹس کو بہتر بنانے کے طریقہ کار کی تشکیل؛ آف مارکیٹ فارن ایکسیچینج ریس اور غیر ملکی زرمبادلہ کی آمدنی کی نگرانی، آپریشنل نقصانات کے اعداد و شمار کا حصول اور اہم رسک انڈیکسز کی نشاندہی، بینک کے دس بڑے رسک کی شناخت، تمام پروڈکٹس اور پروسیجرز کے لئے رسک کی جانچ اور بڑے کریڈٹ رسک کے پوسٹ ڈسبرسمنٹ جائزے کیلئے خود مختار طریقہ کار کا قیام شامل ہیں۔ بینک کے انٹر پرائز و اینڈ مر بوط رسک پر وفاقی کی جانچ، بازل فریم ورک، رسک کا جائزہ، اہم رسک انڈیکسز، انٹرنل لیٹیل ایڈیکویسی اسسٹمنٹ پروس اور اسٹریٹجی ٹیسٹنگ، اور ری کوری پلان استعمال کرتے ہوئے انجام دی جاتی ہے۔



ڈائریکٹرز کی ری میوزیشن پالیسی

- بینک کے شیئر ہولڈرز نے ”ڈائریکٹرز کی ری میوزیشن کو متعین کرنے کے لئے پالیسی اور طریقہ کار“ کی منظوری دی ہے جس میں واضح کیا گیا ہے کہ:
- بورڈ اور کمیٹی کے اجلاسوں میں شرکت کیلئے نان۔ ایگزیکٹو ڈائریکٹرز کی ری میوزیشن کا فیصلہ بورڈ کی جانب سے اسٹیٹ بینک کی طرف سے وقتاً فوقتاً مقرر کردہ زیادہ سے زیادہ حد کے اندر کیا جائے گا۔
- بورڈ کے چیئرمین، بورڈ اور اس کی کمیٹیوں کے اجلاس میں شرکت کیلئے مقرر کردہ ری میوزیشن کے علاوہ 20 فیصد اضافی فیس کے حقدار ہوں گے جو چیئرمین کی وسیع تر قابلیت، تجربے، باشعور فیصلوں کی اہلیت اور مارکیٹ روابط کو مد نظر رکھتے ہوئے طے کیا گیا ہے۔ بورڈ کی جانب سے چیئرمین، بینک کے کاروباری پلان پر عملدرآمد اور بینک کی انتظامیہ کی کارکردگی پر نگاہ رکھیں گے۔
- گُل وقتی ڈائریکٹر وہ معاوضہ حاصل کریں گے جو کہ ممبران (شیئر ہولڈرز) نے ان کیلئے طے کیا ہے۔
- اگر ڈائریکٹر/چیئرمین کی مجموعی کارکردگی مسلسل 2 سالوں کے لئے بورڈ ممبران کی سالانہ کارکردگی کی جانچ پڑتال رپورٹ کے مطابق ”بہتری کی ضرورت“ کی کیٹیگری میں رہی ہو تو (انفرادی ڈائریکٹرز کی صورت میں) بورڈ کے چیئرمین اور (بورڈ کے چیئرمین کی صورت میں) انڈیپنڈنٹ ڈائریکٹرز و دیگر ڈائریکٹرز کم کارکردگی کے حامل ڈائریکٹر/چیئرمین کی ری میوزیشن پر از سر نو غور کریں گے۔

کریڈٹ ریٹنگ

الحمد للہ، جیسا کہ پہلے ہمارے ۳۰ جون ۲۰۲۱ء کو ختم ہونے والی مدت کے جائزے میں بتایا گیا تھا کہ پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے طویل مدت کے لئے بینک کی ریٹنگ **AA+** (ڈبل اے پلس) سے بڑھا کر **AAA** (ٹرپل اے) کر دی ہے جبکہ مختصر مدت کے لئے بینک کی ریٹنگ **A1+** (اے ون پلس) برقرار رکھی ہے۔ یہ طویل مدتی کریڈٹ ریٹنگ **AAA** (ٹرپل اے) بینک کے بہترین کریڈٹ کے معیار، کم ترین کریڈٹ رسک کی توقع اور بروقت مالی ذمہ داریوں سے عہدہ براء ہونے کی غیر معمولی صلاحیت کو ظاہر کرتی ہے۔

ہمارے انسٹیٹیوٹ، سبارڈینیٹیوٹرم فنانس سرٹیفکیٹس کی ریٹنگ بھی **AA** (ڈبل اے) سے بڑھ کر **AA+** (ڈبل اے پلس) برائے TFC-2018 اور **AA** (ڈبل اے) (اے مائنس) سے بڑھا کر **AA** (ڈبل اے) برائے TFC-2017 (پریچپول) ہو گئی ہے۔ ہمارے انسٹیٹیوٹ، سبارڈینیٹیوٹرم فنانس سرٹیفکیٹ TFC-2021 کی ابتدائی ریٹنگ سال کے دوران **AA+** (ڈبل اے پلس) مختص کی گئی ہے۔ یہ ریٹنگ کریڈٹ رسک کی بہت کم توقع ظاہر کرتی ہیں، جس کی وجہ مالی ذمہ داریوں سے عہدہ براء ہونے کی بہت مضبوط صلاحیت ہے۔

مستقبل کا جائزہ

سال کے دوران COVID-19 (کورونا وائرس) کے اثرات کے تدارک کیلئے حکومت اور اسٹیٹ بینک آف پاکستان کی جانب سے وسیع پیمانے پر کئے جانے والے اقدامات کے نتیجے میں پاکستان اس وبائی صورتحال کو موثر طور پر کنٹرول کرنے والے بہترین ممالک میں شامل رہا۔ ملک کے جی ڈی پی میں گزشتہ سالوں کی نسبت نمایاں بہتری نظر آئی۔ جی ڈی پی میں اضافہ کی بڑی وجہ بڑے پیمانے پر مینوفیکچرنگ، تعمیرات کا فروغ اور زراعت رہی، حکومت کی جانب سے COVID-19 (کورونا وائرس) پر اضافی اخراجات کے باوجود مالیاتی خسارہ کم رہا اور کرنٹ اکاؤنٹ خسارہ ۱۰ سالوں کی کم ترین سطح پر رہا؛ غیر ملکی زرتریلیات میں مسلسل اضافہ؛ اور زرمبادلہ کے ذخائر میں بھی نمایاں حد تک اضافہ ہوا۔ تاہم ملک کی درآمدات اور برآمدات کے درمیان عدم توازن اور عالمی سطح پر ایشیائے صرف کے نرخوں میں نمایاں اضافے کے سبب شرح زر میں عدم استحکام رہا اور اس کے ساتھ افراط زر کا دباؤ بھی بڑھا۔ لہذا نتیجتاً اسٹیٹ بینک نے پالیسی ریٹ بڑھانا شروع کئے اور اس کے ساتھ ہی حکومت نے مالیاتی اقدامات لینے شروع کر دیئے ہیں۔ ان تمام کے ساتھ نئے کوویڈ ویری ایٹنس کے وسیع تر پھیلاؤ کے سبب مجموعی اقتصادی اور کاروباری ماحول متاثر ہو سکتا ہے۔ اس کے باوجود مذکورہ بالا شعبہ جات معیشت کو استحکام دے سکتے ہیں لہذا اس صورتحال کے پیش نظر ہم پُر اعتماد ہیں کہ اللہ تعالیٰ کے فضل و کرم سے بینک ماضی کی طرح ترقی اور کامیابی کا سفر جاری رکھے گا۔



سال کے دوران آڈٹ کمیٹی کے 18 اجلاس اور ہیومن ریسورس اینڈ ری میوزیشن کمیٹی، کریڈٹ رسک مینجمنٹ کمیٹی، رسک مینجمنٹ کمیٹی، آئی ٹی کمیٹی، اور آئی ایف آر ایس-9 کمیٹی کے 14 اجلاس منعقد ہوئے اور ان میں ممبران کی حاضری درج ذیل رہی:

ہیومن ریسورس اینڈ ری میوزیشن کمیٹی			آڈٹ کمیٹی		
شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام	شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام
3	4	سید حسن علی بخاری، چیئر مین	6	8	جناب سفر علی لاکھانی، چیئر مین
4	4	سید مظہر عباس	8	8	سید مظہر عباس
4	4	جناب عباس ڈی۔ حبیب	7	8	جناب انور حاجی کریم
4	4	محترمہ فرحانہ ماؤجی خان	6	8	سید حسن علی بخاری
3	4	جناب ارشد ناصر	6	8	جناب ارشد ناصر

رسک مینجمنٹ کمیٹی			کریڈٹ رسک مینجمنٹ کمیٹی		
شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام	شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام
4	4	جناب عدنان آفریدی، چیئر مین	4	4	سید مظہر عباس، چیئر مین
3	4	جناب تمیل آر۔ حبیب	3	4	جناب سفر علی لاکھانی
4	4	محترمہ فرحانہ ماؤجی خان	4	4	جناب تمیل آر۔ حبیب
3	4	جناب انور حاجی کریم	3	4	سید حسن علی بخاری
3	4	جناب سفر علی لاکھانی	4	4	جناب مرتضیٰ ایچ۔ حبیب

آئی ٹی کمیٹی			آئی ایف آر ایس-9 کمیٹی		
شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام	شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام
4	4	جناب عباس ڈی۔ حبیب، چیئر مین	3	4	سید حسن علی بخاری، چیئر مین
3	4	جناب تمیل آر۔ حبیب	3	4	جناب ارشد ناصر
3	4	جناب ارشد ناصر	3	4	جناب تمیل آر۔ حبیب
4	4	سید مظہر عباس			
4	4	جناب منصور علی خان			

ڈائریکٹر کا ٹریننگ پروگرام

ڈائریکٹرز نے گزشتہ سالوں میں یا تو مطلوبہ ٹریننگ حاصل کر لی ہے یا وہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019، میں درج مطلوبہ اہلیت کے تحت اس سے مستثنیٰ ہیں۔



بورڈ کے اجلاس

سال کے دوران بورڈ کے 4 اجلاس منعقد ہوئے اور ان میں ڈائریکٹرز کی شرکت درج ذیل رہی:

ڈائریکٹر کا نام	منعقدہ اجلاس	شرکت کردہ اجلاس
جناب عباس ڈی۔ حبیب	4	4
جناب انور حاجی کریم	4	4
محترمہ فرحانہ ماہجی خان	4	4
سید مظہر عباس	4	4
جناب گمیل آر۔ حبیب	4	4
جناب سفر علی لاکھانی	4	3
سید حسن علی بخاری	4	3
جناب مرتضیٰ ایچ۔ حبیب	4	4
جناب ارشد ناصر	4	3
جناب عدنان آفریدی	4	4
جناب منصور علی خان، چیف ایگزیکٹو	4	4

کمیٹی کے اجلاس

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کے تحت یہ ضروری ہے کہ بورڈ کی تمام کمیٹیوں یعنی آڈٹ کمیٹی، ہیومن ریسورس اینڈ ری میونریشن کمیٹی، کریڈٹ رسک مینجمنٹ کمیٹی، رسک مینجمنٹ کمیٹی، آئی ٹی کمیٹی، اور آئی ایف آر ایس-9 کمیٹی کی تشکیل کا اظہار کیا جائے۔



ستمبر ۲۰۲۱ء میں، بینک نے کامیابی کے ساتھ اپنا ریٹیل، انسٹیٹیوٹ اور سبارڈینٹ ٹرم فننس سرٹیفکیٹس (ٹی ایف سیزر) کا آٹھواں ایڈیشن کی مالیت 5,000 ملین روپے (بشمول 2,000 ملین روپے کا ”گرین ٹو“ آپشن)، پرائیویٹ پبلسمنٹ کے ذریعے مکمل کر لی ہے۔ اس پرائیویٹ پبلسمنٹ کا انتظام اور بندوبست آپ کے بینک کے ذریعے کیا گیا تھا۔ ان ٹی ایف سیزر کے ذریعے بینک کے کیپٹل ایڈویسی میں اضافہ ہوا ہے اور اس سے ہمارے آپریشنز کے فروغ میں مزید معاونت ملے گی۔

ایوارڈز اور اعزازات

چارٹرڈ فنانشل اینالسٹ (سی ایف اے) سوسائٹی پاکستان ایوارڈ برائے سال 2020

بینک نے چارٹرڈ فنانشل اینالسٹ (سی ایف اے) سوسائٹی پاکستان کی جانب سے رنر اپ ایوارڈ برائے ”بیسٹ بینک آف دی ایئر (لارج سائز بینکنگ) 2020“ وصول کیا۔ یہ ایوارڈ کسی بھی مالیاتی ادارے کی غیر معمولی کارکردگی کا اعتراف ہے۔

بورڈ آف ڈائریکٹرز کی تشکیل

ڈائریکٹرز کی مجموعی تعداد درج ذیل ہے:

- مرد 09
 - خاتون 01
-
- 10

بورڈ کی تشکیل درج ذیل ہے:

سید حسن علی بخاری جناب ارشد ناصر جناب سفر علی لاکھانی	انڈیپنڈنٹ ڈائریکٹرز
جناب عباس ڈی۔ حبیب جناب انور حاجی کریم سید مظہر عباس جناب مرتضیٰ ایچ۔ حبیب جناب عدنان آفریدی	نان۔ ایگزیکٹو ڈائریکٹرز
جناب گمیل آر۔ حبیب	ایگزیکٹو ڈائریکٹر
محترمہ فرحانہ ماہجی خان	خاتون ڈائریکٹر۔ نان۔ ایگزیکٹو

جناب منصور علی خان بینک کے چیف ایگزیکٹو ہیں۔ بحیثیت بینک کے سی ای او، وہ بینک کے ڈائریکٹر تصور کئے جاتے ہیں۔



ڈائریکٹرز کی رپورٹ

الحمد للہ بینک الحبيب کے ڈائریکٹرز کیلئے 31 ویں سالانہ رپورٹ بشمول ۳۱ دسمبر ۲۰۲۱ء کو ختم ہونے والے سال کیلئے بینک کے آڈٹ شدہ مالیاتی حسابات پیش کرنا باعث مسرت ہے۔

آپریٹنگ نتائج اور ان کی تخصیص کے لئے بورڈ کی سفارشات درج ذیل ہیں:

(000 روپے میں)

30,272,788

(11,570,489)

18,702,299

40,024,361

120,440

(177,387)

39,967,414

58,669,713

(1,870,230)

(5,001,414)

(6,871,644)

51,798,069

16.83 روپے

سالانہ منافع قبل از ٹیکس

ٹیکسیشن

سالانہ منافع بعد از ٹیکس

گزشتہ غیر مختص شدہ منافع

فلسڈ اثاثہ جات کی ری ویلیویشن کے اضافے میں سے منتقلی۔ بعد از ٹیکس

دیگر جامع آمدنی۔ بعد از ٹیکس

تخصیص کیلئے دستیاب منافع

تخصیص:

اسٹیچوٹری ریزرو میں منتقلی

نقد منافع منقسمہ۔ ۲۰۲۰ء

غیر مختص شدہ منافع

بنیادی/معتدل فی شیئر آمدنی۔ بعد از ٹیکس

۳۱ دسمبر ۲۰۲۱ء کو ختم ہونے والے سال کے لئے ڈائریکٹرز نے 70% نقد منافع منقسمہ یعنی 7.0 روپے فی شیئر تجویز کیا ہے۔

کارکردگی کا جائزہ

الحمد للہ آپ کے بینک کی کارکردگی سال کے دوران اطمینان بخش رہی۔ ڈیپازٹس ایک سال قبل کے 1,099.7 بلین روپے کے مقابلے میں بڑھ کر 1,309.8 بلین روپے ہو گئے جبکہ ایڈوانسز 510.3 بلین روپے سے بڑھ کر 733.8 بلین روپے ہو گئے۔ سال کے دوران بینک کا غیر ملکی تجارتی کاروباری حجم 2,540.6 بلین روپے رہا۔ سالانہ منافع قبل از ٹیکس 30.3 بلین روپے رہا جبکہ گزشتہ سال یہ منافع 28.6 بلین روپے تھا۔ جبکہ سالانہ منافع بعد از ٹیکس گزشتہ سال کے 17.8 بلین روپے کے مقابلے میں 18.7 بلین روپے رہا۔

سال کے دوران بینک نے 107 نئی برانچیں قائم کیں اور 3 ذیلی برانچوں کو مکمل برانچوں میں تبدیل کیا۔ بینک کا موجودہ نیٹ ورک 960 دفاتر پر مشتمل ہے جس میں 927 برانچیں ہیں۔ (بشمول 138 اسلاک بینکنگ برانچیں اور 2 اور سیز برانچیں، بحرین اور ملائیشیا) 29 ذیلی برانچیں اور 4 نمائندہ دفاتر، دبئی، استنبول، بیجنگ اور نیروبی شامل ہیں۔ بینک کی جانب سے نیٹ ورک میں توسیع کا سلسلہ جاری رہے گا۔ سال کے دوران بینک نے اپنی اور سیز برانچ سیشلز میں بند کردی۔ برانچ کی بندش بینک کی اسٹریٹیجی کا حصہ تھی اور اس سے بینک کی مجموعی کارکردگی اور مالیاتی حیثیت پر کسی قسم کے اثرات مرتب نہیں ہوں گے۔



بورڈ کی مجموعی کارکردگی پر چیئرمین کی جانب سے جائزہ رپورٹ

الحمد للہ، میں بمسرت بورڈ کی مجموعی کارکردگی اور بینک کے اغراض و مقاصد کے حصول کے سلسلے میں بورڈ کی جانب سے ادا کیے جانے والے موثر کردار پر رپورٹ پیش کر رہا ہوں۔

بینک کے انتظام اور کنٹرول کے اختیارات بورڈ آف ڈائریکٹرز کے پاس ہیں ماسوائے بطور خاص ان اختیارات کے جو چیئرمین ہولڈرز بینک کے اجلاس عام میں استعمال کرتے ہیں۔ ڈائریکٹرز نے روزمرہ کے امور مینجمنٹ کے سپرد کئے ہیں تاہم یہ سپردگی بورڈ کی آگاہی کے تحت اُن کے کنٹرول اور ہدایت سے مشروط ہے۔ ڈائریکٹرز کیلئے ضروری ہے کہ وہ اپنی صلاحیتوں کے عین مطابق اپنی ذمہ داریاں اور فیصلے، آزادانہ طور پر بینک کے مفادات کو پیش نظر رکھتے ہوئے سرانجام دیں۔ بورڈ نے اپنی کارکردگی کی جانچ کے لئے ایک باقاعدہ طریقہ کار منظور کیا ہے۔ بینک نے بورڈ کی جانچ کے لئے اندرون خانہ طریقہ کار اور اعدادی ٹیکنیک مع اسکور شدہ سوال نامے کا انتخاب کیا ہے۔

بورڈ کی اس کارکردگی کی جانچ کا مجموعی مقصد درج ذیل شعبوں پر توجہ مرکوز کرتے ہوئے بینک کی دیر پا توسیع و ترقی کو یقینی بنانا ہے۔

- اے۔ بورڈ کی تشکیل اور اس کے امور
- بی۔ کارپوریٹ اسٹریٹیجی اور بزنس پلان
- سی۔ بینک کی کارکردگی کی نگرانی
- ڈی۔ انٹرنل آڈٹ اور انٹرنل کنٹرول
- ای۔ رسک مینجمنٹ اور کمپلائنس
- ایف۔ ضروری معلومات کی تشہیر
- جی۔ بہتری کے لئے تجاویز

اس حوالے سے بورڈ کی کارکردگی کی جانچ بورڈ کے منظور کردہ طریقہ کار کے مطابق 2021 میں کی گئی جس کے تحت یہ نتیجہ اخذ کیا گیا کہ بورڈ کی مجموعی کارکردگی بشمول بینک کے مقاصد کے حصول کیلئے بورڈ کا موثر کردار بالعموم باعث اطمینان ہے۔

عباس ڈی۔ حبیب

چیئرمین

بورڈ آف ڈائریکٹرز

کراچی: ۰۹ فروری ۲۰۲۲ء



Branch Network

The Bank has a network of 956 branches including 29 sub-branches, 02 overseas branches and 138 Islamic Banking branches. The Bank also has 04 representative offices and 03 booths. The Bank has branches / sub-branches / representative offices in the following cities:

- Aadha
- Abbotabad
- Adda Ghulam Hussain
- Adda Mirza Tahir
- Adda Pahnriawali
- Ahmed Nagar
- Ahmed Pur East
- Ajnala
- Akbarpura
- Ali Pur Chatta
- Ali Pur, Islamabad
- Alipur
- Amin Pur Bangla
- Arif Wala
- Athara Hazari
- Attock
- Badin
- Bagh (A.K.)
- Bagh-o-Bahar
- Bahawalnagar
- Bahawalpur
- Balakot
- Bampokha
- Bannu
- Bara
- Basti Malook
- Batkhela
- Battagram
- Bhakkar
- Bhalwal
- Bhan Saeedabad
- Bhaun
- Bhawana
- Bhera
- Bhiria Road
- Burewala
- Chakdara
- Chaksawari (A.K.)
- Chakwal
- Chaman
- Chamber
- Charsadda
- Chenab Nagar
- Chichawatni
- Chillas
- Chiniot
- Chishtian
- Chitral
- Chiwanda
- Choa Saideen Shah
- Chowk Bahadurpur
- Chowk Sarwar Shaheed
- Chunian
- Dadu
- Dadyal (A.K.)
- Daharki
- Dalbandin
- Danyour
- Daragai Malakand
- Dari Dholay Wali
- Darya Khan
- Darya Khan Mari
- Daska
- Daulat Nagar
- Deh 75 Nusrat
- Deh Gad
- Deh Noonari
- Deh taib
- Dehira
- Depalpur
- Dera Ghazi Khan
- Dera Ismail Khan
- Dera Murad Jamali
- Derianwala
- Dhantal
- Dhudhial
- Digri
- Dina
- Dinga
- Domala
- Dunyapur
- Dureji
- Ellahabad
- Eshanpur
- Faisalabad
- Faqirwali
- Fateh Jang
- Fatehpur
- Fazil Pur
- Feroza
- Ferozewatoan
- Fort Abbas
- Gaggo Mandi
- Gambat
- Garha Mor
- Gawadar
- Ghakhar
- Gharo
- Ghotki
- Ghulmat
- Gilgit
- Gojra
- Golarchi
- Gujar Khan
- Gujranwala
- Gujrat
- Gulyana
- Hafizabad
- Haidra
- Hala
- Hangu
- Harapa
- Haripur
- Haroonabad
- Hasan Abdal
- Hasilpur
- Hattar
- Havellian
- Hazro
- Head Bakaini
- Head Rajkan
- Hingorja
- Hub
- Hyderabad
- Inayat Kalay
- Islamabad
- Jacobabad
- Jahanian
- Jalalpur Jattan
- Jalalpur Pirwala
- Jampur
- Jandawala
- Jaranwala
- Jatoi
- Jehangira
- Jehlum
- Jhang
- Joharabad
- Kabal
- Kabirwala
- Kacha Pakka
- Kahrur Pacca
- Kahuta
- Kala Shah Kaku
- Kalakot
- Kalam
- Kalat
- Kalaya
- Kallar Syedan
- Kallur Kot
- Kamalia
- Kamar Mushani
- Kamoke
- Kamra
- Kandhkot
- Kandiaro
- Kankowai
- Karachi
- Karak
- Karianwala
- Karkhana Bazar Vehari
- Kashmir
- Kassowal
- Kasur
- Khairpur
- Khairpur Nathanshah
- Khairpur Tamewali
- Khanbela
- Khanewal
- Khanpur
- Khar, Bajaur Agency
- Kharan
- Kharian
- Khichiwala
- Khipro
- Khoi Ratta
- Khudian Khas
- Khurrianwala
- Khushab
- Khuzdar
- Khwazakhela
- Killa Saifullah
- Kohat
- Kot Abdul Malik
- Kot Addu
- Kot Chutta
- Kot Ghulam Muhammad
- Kot Radha Kishan
- Kot Samaba
- Kotla Arab Ali Khan
- Kotli
- Kotri
- Kumber
- Kunjah
- Kunri
- Ladhaywala
- Lahore
- Lala Musa
- Larkana
- Latifabad
- Layyah
- Liaquatpur
- Liaquatabad Thal
- Lodhran
- Loralai
- Mailsi
- Malakwal
- Malka
- Mandi Bahauddin
- Mandi Faizabad
- Mandra
- Manga Mandi
- Mangowal
- Mansehra
- Mardan
- Maroot
- Mastung
- Mathanichangan Swabi
- Matiari
- Matli
- Mattani
- Mehar
- Mehrabpur
- Mian Channu
- Miani Adda
- Mianwali
- Mingora
- Mirpur (A.K.)
- Mirpur Mathelo
- Mirpurkhas
- Mithi
- More Eminabad
- Moro
- Mulhal Mughlan
- Multan
- Multan, khurd
- Muradabad
- Karak
- Muridke
- Murree
- Muslim bagh
- Mustafabad
- Muzaffarabad (A.K.)
- Muzaffargarh
- Naal
- Naar
- Nankhana Sahib
- Narang Mandi
- Narowal
- Naseerabad
- Nassarpur
- Naukot
- Naushero Feroze
- Nawabshah
- Ghakhar
- Nawan Kot
- Noonawali
- Nooriabad
- Noushki
- Nowshera
- Nowshera Virkan
- Okara
- Ormara
- Pabbi
- Painsera
- Pakpattan
- Panjgur
- Panu Aqil
- Parachinar
- Pasni
- Pasur
- Pattoki
- Peshawar
- Phalia, Mandi Bahauddin
- Phool Nagar
- Pindi Bhattian
- Pindi Bohri
- Pindi Gheb
- Pir Mahal
- Pishin
- Pull Kharan
- Pull Manda (A.K.)
- Pull sunny
- Qambar Ali Khan
- Qambar Bypass
- Qasba Gujrat
- Qazi Ahmed
- Qila Didar Singh
- Quaidabad
- Quetta
- Radhan
- Rahim Yar Khan
- Rahwali
- Raiwand
- Raja Ram
- Rajanpur
- Rajoya Sadat
- Rakhni
- Rangpur Adda
- Rawalakot (A.K.)
- Rawalpindi
- Renala Khurd
- Rohailan Wali
- Rohri
- Sadda
- Sadiqabad
- Sahib Nagar
- Sahiwal
- Sakhakot
- Sakrand
- Saleh Khana
- Samar Bagh
- Sambrial
- Sanghar
- Sangla Hill
- Sara e Alamgir
- Sargodha
- Satyana Bangla
- Sawabi
- Shabqadar
- Shahdadkot
- Shahdadpur
- Shaheer Sultan
- Shahi Wala
- Shahkas
- Shahkot
- Shahpur Chakar
- Shakargarh
- Shakrila
- Sharaqpur
- Sheikh Wahan
- Sheikhpura
- Shikarpur
- Shorkot
- Shujabad
- Sialkot
- Sibi
- Skardu
- Sorab
- Sowari
- Sujawal
- Sukkur
- Sultan Colony
- Sumandari
- Takhtbhai
- Talagang
- Talbani
- Tanda
- Tandlianwala
- Tando Adam
- Tando Allah yar
- Tando Bagho
- Tando Jam
- Tando Muhammad Khan
- Tangi
- Tank
- Taranada Muhammad Pannah
- Tarnol
- Tausna Sharif
- Taxila
- Thari Mirwah
- Tharu Shah
- Thatta
- Thull
- Tibba Sultanpur
- Timergara
- Toba Tek Singh
- Tootkay
- Turbat
- Ubauro
- Uch Sharif
- Ugoki
- Umerkot
- Usman Shah Huri
- Usta Muhammad
- Wah Cantt
- Warri
- Wazirabad
- Winder , Lasbela
- Yazman
- Zafarwal
- Zahir Pir
- Zhob

Principal Office
Mackinnons Building, I. I. Chundrigar Road, Karachi.
Phones: (92-21) 32412421, 32446916 & 111-786-110
Fax: (92-21) 32419752

Registered Office
126-C, Old Bahawalpur Road, Multan.
Phones: (92-61) 4580314-16, & 111-786-110
Fax: (92-61) 4582471

SWIFT CODE : BAHLPKKA website : www.bankalhabib.com



Form of Proxy

The Company Secretary
Bank AL Habib Limited
126-C, Old Bahawalpur Road,
MULTAN.

I/We _____ of _____

being a member(s) of Bank AL Habib Limited and holding _____

ordinary shares, as per Register Folio No./CDC Account and Participant's I.D. No. _____

do hereby appoint _____ Folio No./CDC Account and Participant's I.D.

No. _____ of _____

or failing him/her _____ Folio No./CDC Account and Participant's I.D.

No. _____ of _____

another member of the Bank as my/our proxy to vote for me/us and on my/our behalf at the Thirty-first Annual General Meeting of the Bank to be held on Tuesday, March 29, 2022 and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2022.

REVENUE
STAMP
RS. 5

SIGNATURE OF MEMBER (S)

(The signature of the shareholder should agree with the specimen signature registered with the Bank or as per CNIC / Passport in case the share(s) is / are registered in CDC account).

Witnesses:

1. Signature _____	2. Signature _____
Name _____	Name _____
Address _____	Address _____
CNIC/Passport No. _____	CNIC/Passport No. _____

A member entitled to attend the Annual General Meeting is entitled to appoint a proxy to attend, speak and vote instead of him/her. No person shall act as proxy (except for a corporation) unless he/she is entitled to be present and vote in his/her own right.

CDC account holder or sub-account holder appointing a proxy should furnish attested copies of his / her own as well as the proxy's CNIC / Passport with the proxy form. The proxy shall also produce his / her original CNIC / Passport at the time of the meeting. In case of corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted along with proxy form.

The instrument appointing a proxy should be signed by the member or by his/her attorney duly authorised in writing. If the member is a corporation, its common seal (if any) should be affixed to the instrument.

The proxy forms, together with the power of attorney (if any), under which it is signed or a notarially certified copy thereof, shall be deposited at the Registered Office of the Bank not less than 48 hours before the time of the meeting (no account shall be taken of any part of the day that is not a working day).



مختار نامہ (پراکسی فارم)

میں / ہم _____ ساکن _____ بحیثیت ممبر (رکن) بینک الحیب لمیٹڈ اور حامل
عام حصص، بمطابق شیئرز رجسٹر فولیو نمبر / سی ڈی سی اکاؤنٹ اور پارٹیسپیٹ آئی ڈی نمبر _____
ممبر (رکن) محترم / محترمہ _____ فولیو نمبر / سی ڈی سی اکاؤنٹ اور پارٹیسپیٹ آئی ڈی نمبر _____ کو
یا ان کی غیر حاضری میں ممبر (رکن) محترم / محترمہ _____ فولیو نمبر / سی ڈی سی اکاؤنٹ اور پارٹیسپیٹ آئی ڈی نمبر _____
کو اپنے / ہمارے ایما پر بروز منگل ۲۹ مارچ ۲۰۲۲ء کو بینک الحیب لمیٹڈ کے رجسٹرڈ آفس میں منعقد ہونے والے بینک کے اکتیسویں سالانہ اجلاس عام میں
حق رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت میں اپنا / ہمارا بطور مختار (پراکسی) مقرر کرتا / کرتی ہوں / کرتے ہیں۔

آج بروز _____ بتاریخ _____ ۲۰۲۲ء کو دستخط کئے گئے۔

پانچ روپے مالیت کا
رسیدی ٹکٹ پر دستخط

دستخط ممبر (رکن)

ممبر (رکن) کے دستخط بینک میں رجسٹرڈ شدہ دستخط سے مماثلت رکھتے ہوں اور سی ڈی سی اکاؤنٹ ہولڈرز کے دستخط ان کے کمپیوٹرائزڈ قومی شناختی کارڈ
یا پاسپورٹ کے نمونہ دستخط سے مماثل ہونا ضروری ہے۔

گواہان:

۱۔ دستخط _____ ۲۔ دستخط _____

نام _____ نام _____

پتہ _____ پتہ _____

کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر _____ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر _____

ممبر (رکن) جو اجلاس میں شرکت اور ووٹ دینے کا مجاز ہوا اپنی جگہ کسی اور ممبر (رکن) کو بطور مختار (پراکسی) شرکت کرنے، بولنے اور ووٹ دینے کا حق تفویض کر سکتا ہے۔
سی ڈی سی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر کو مختار نامہ (پراکسی فارم) کے ہمراہ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول بھی منسلک کرنی ہوگی۔
مختار (پراکسی) کو اجلاس کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ پیش کرنا ہوگا۔ کارپوریٹ ادارہ ہونے کی صورت میں بحیثیت ممبر (رکن)،
بورڈ آف ڈائریکٹرز کی منظور شدہ قرارداد / پاور آف اٹارنی بمعہ نمونہ دستخط ہمراہ مختار نامہ (پراکسی فارم) جمع کرانا ہوگا۔

مختار نامہ (پراکسی فارم) پر ممبر (رکن) یا ان کے اٹارنی کے دستخط ہونا لازمی ہے۔ کارپوریٹ ادارہ ہونے کی صورت میں مختار نامہ (پراکسی فارم) پر کمپنی کی مہر ہونا
بھی ضروری ہے۔

مختار نامہ (پراکسی فارم) بعد نامزد کرنے والے شخص کی تصدیق شدہ پاور آف اٹارنی (حسب ضرورت) بینک کے رجسٹرڈ آفس میں اجلاس کے مقررہ وقت سے کم از کم
۴۸ گھنٹے قبل جمع کرانا ضروری ہے (اس دن کا کوئی بھی حصہ اس میں شامل نہ ہوگا اگر وہ ایام کار نہ ہو)۔

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








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