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## INDEPENDENT AUDITORS' REPORT

To the members of AlBaraka Bank (Pakistan) Limited

Report on the Audit of the Financial Statements

### Opinion

We have audited the annexed financial statements of **AlBaraka Bank (Pakistan) Limited** (the Bank), which comprise the statement of financial position as at **31 December 2021**, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 18 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 statement of financial position, profit and loss account, the statement of comprehensive income, statement of changes in equity and 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 loss, the 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.

### 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.





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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 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.





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- 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.

#### 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 profit or loss account, 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 Islamic financing and related assets of the Bank.

The engagement partner on the audit resulting in this independent auditors' report is Shaikh Ahmed Salman.

Chartered Accountants

Place: Karachi

Date: 21 March 2022

UDIN Number: AR202110076TtUXm6Neq

**ALBARAKA BANK (PAKISTAN) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2021**

		2021	2020
	Note	----- (Rupees in '000) -----	
<b>ASSETS</b>			
Cash and balances with treasury banks	5	17,608,396	15,773,612
Balances with other banks	6	9,763,588	10,177,095
Due from financial institutions	7	403,122	2,748,221
Investments	8	76,552,495	57,117,232
Islamic financing and related assets - net	9	96,202,153	90,279,044
Fixed assets	10	4,193,422	4,396,282
Intangible assets	11	1,320,367	1,329,654
Deferred tax assets	12	2,881,737	2,640,784
Other assets	13	9,192,117	8,351,698
		<b>218,117,397</b>	<b>192,813,622</b>
<b>LIABILITIES</b>			
Bills payable	14	3,978,696	3,696,482
Due to financial institutions	15	8,968,534	5,722,336
Deposits and other accounts	16	178,917,138	159,363,727
Subordinated debt	17	4,624,241	3,174,945
Deferred tax liabilities		-	-
Other liabilities	18	8,214,074	7,826,680
		<b>204,702,683</b>	<b>179,784,170</b>
<b>NET ASSETS</b>		<b>13,414,714</b>	<b>13,029,452</b>
<b>REPRESENTED BY</b>			
Share capital - net	19	14,500,490	14,500,490
Reserves		458,341	332,231
Surplus on revaluation of assets	20	481,104	723,509
Accumulated losses		<b>(2,025,221)</b>	<b>(2,526,778)</b>
		<b>13,414,714</b>	<b>13,029,452</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	21		

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

\_\_\_\_\_  
Acting Chief Executive Officer

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Chief Financial Officer

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Chairman

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Director

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Director

**ALBARAKA BANK (PAKISTAN) LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
Profit / return earned on Islamic financing and related assets, investments and placements	22	13,743,663	14,052,494
Return on deposits and other dues expensed	23	(7,214,112)	(7,676,157)
<b>Net spread earned</b>		<b>6,529,551</b>	<b>6,376,337</b>
<b>Other income</b>			
Fee and commission income	24	999,114	669,091
Dividend income		20,590	18,595
Foreign exchange income		803,333	966,312
Gain on securities	25	131,068	174,469
Other income	26	27,834	57,282
<b>Total other income</b>		<b>1,981,939</b>	<b>1,885,749</b>
<b>Total income</b>		<b>8,511,490</b>	<b>8,262,086</b>
<b>Other expenses</b>			
Operating expenses	27	(5,615,356)	(5,393,641)
Workers' Welfare Fund		(13,750)	(31,396)
Other charges	28	(359)	(90,697)
<b>Total other expenses</b>		<b>(5,629,465)</b>	<b>(5,515,734)</b>
<b>Profit before provisions</b>		<b>2,882,025</b>	<b>2,746,352</b>
Provisions and write offs - net	29	(2,208,291)	(1,207,948)
Extra ordinary / unusual items		-	-
<b>Profit before taxation</b>		<b>673,734</b>	<b>1,538,404</b>
Taxation	30	(43,183)	(774,171)
<b>Profit after taxation</b>		<b>630,551</b>	<b>764,233</b>
		----- Rupee -----	
<b>Profit per share - basic / diluted</b>	31	<b>0.46</b>	<b>0.56</b>

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

\_\_\_\_\_  
Acting Chief Executive Officer

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Chief Financial Officer

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Chairman

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Director

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Director

**ALBARAKA BANK (PAKISTAN) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021	2020
	---- (Rupees in '000) ----	
Profit after taxation for the year	630,551	764,233
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>		
Movement in surplus on revaluation of investments - net of tax	(222,507)	(524,285)
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>		
Remeasurement loss on defined benefit obligations - net of tax	(4,159)	(10,003)
(Deficit) / surplus on revaluation of non-banking assets - net of tax	(18,623)	67,943
	(22,782)	57,940
<b>Total comprehensive income</b>	<b>385,262</b>	<b>297,888</b>

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

\_\_\_\_\_  
Acting Chief Executive Officer

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Chief Financial Officer

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Chairman

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Director

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Director

**ALBARAKA BANK (PAKISTAN) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	Share capital	Capital support fund	Discount on issue of shares	Statutory reserve*	Investments	Surplus on revaluation of non banking assets	Accumulated loss	Total
	(Rupees in '000)							
<b>Balance as at 31 December 2019</b>	13,739,628	1,393,628	(632,766)	179,384	945,179	241,315	(3,134,804)	12,731,564
Profit after taxation for the year	-	-	-	-	-	-	764,233	764,233
Other comprehensive loss - net of tax	-	-	-	-	(524,285)	67,943	(10,003)	(466,345)
Transfer to statutory reserve	-	-	-	152,847	-	-	(152,847)	-
Transfer of surplus on revaluation of asset on disposal of non banking asset	-	-	-	-	-	(6,643)	6,643	-
<b>Balance as at 31 December 2020</b>	13,739,628	1,393,628	(632,766)	332,231	420,894	302,615	(2,526,778)	13,029,452
Profit after taxation for the year	-	-	-	-	-	-	630,551	630,551
Other comprehensive loss - net of tax	-	-	-	-	(222,507)	(18,623)	(4,159)	(245,289)
Transfer to statutory reserve	-	-	-	126,110	-	-	(126,110)	-
Transfer of surplus on revaluation of asset on disposal of non banking asset	-	-	-	-	-	(1,275)	1,275	-
<b>Balance as at 31 December 2021</b>	<b>13,739,628</b>	<b>1,393,628</b>	<b>(632,766)</b>	<b>458,341</b>	<b>198,387</b>	<b>282,717</b>	<b>(2,025,221)</b>	<b>13,414,714</b>

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

\* This represents reserve created under section 21(i)(b) of the Banking Companies Ordinance ,1962.

\_\_\_\_\_  
Acting Chief Executive Officer

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Chief Financial Officer

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Chairman

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Director

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Director

**ALBARAKA BANK (PAKISTAN) LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 ---- (Rupees in '000) ----	2020 ---- (Rupees in '000) ----
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		673,734	1,538,404
Less: Dividend income		(20,590)	(18,595)
		<u>653,144</u>	<u>1,519,809</u>
Adjustments:			
Depreciation on fixed assets	27	201,826	182,445
Depreciation on right-of-use assets	27	667,822	635,140
Amortization	27	149,858	177,565
Depreciation - non banking assets	27	32,009	32,086
Provision and write-offs - net	29	2,208,291	1,207,948
Gain on sale of fixed assets - net	26	(6,740)	(26,776)
Loss / (gain) on sale of non-banking asset	26	1,987	(9,300)
Finance charges on lease liability against right-of-use assets	23	173,778	205,147
Unrealized gain on revaluation of securities classified as held for trading	25	(5,802)	(9,782)
Workers' Welfare Fund		13,750	31,396
		<u>3,436,779</u>	<u>2,425,869</u>
		<u>4,089,923</u>	<u>3,945,678</u>
<b>Increase in operating assets</b>			
Due from financial institutions		2,345,099	11,850,412
Held-for-trading securities - net		(5,279,855)	(500,053)
Islamic financing and related assets - net		(8,285,306)	(16,071,153)
Others assets (excluding advance taxation)		(890,258)	932,719
		<u>(12,110,320)</u>	<u>(3,788,075)</u>
<b>Increase in operating liabilities</b>			
Bills payable		282,214	472,761
Due to financial institutions		3,246,198	1,444,204
Deposits and other accounts		19,553,411	29,709,439
Other liabilities		481,762	(455,389)
		<u>23,563,585</u>	<u>31,171,015</u>
Income tax paid		(191,427)	(196,571)
Net cash flows from operating activities		<u>15,351,761</u>	<u>31,132,047</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		(16,873,713)	(32,663,398)
Net investments in held-to-maturity securities		2,577,636	(512,849)
Dividends received		22,890	18,595
Investment in fixed assets		(830,285)	(543,385)
Proceeds from sale of fixed assets		16,020	183,340
Net cash used in investing activities		<u>(15,087,452)</u>	<u>(33,517,697)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of Tier II mudaraba sukuk - first issue		(285,704)	(285,716)
Payment of lease liability against right-of-use assets		(292,328)	(548,414)
Proceeds from issuance of Tier II mudaraba sukuk - third issue		1,735,000	-
Net cash flows from / (used in) financing activities		<u>1,156,968</u>	<u>(834,130)</u>
<b>Increase / (Decrease) in cash and cash equivalents</b>		<u>1,421,277</u>	<u>(3,219,780)</u>
Cash and cash equivalents at beginning of the year	32	<u>25,950,707</u>	<u>29,170,487</u>
Cash and cash equivalents at end of the year		<u><u>27,371,984</u></u>	<u><u>25,950,707</u></u>

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

Acting Chief Executive Officer

Chief Financial Officer

Chairman

Director

Director



**ALBARAKA BANK (PAKISTAN) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**1. STATUS AND NATURE OF BUSINESS**

- 1.1** AlBaraka Bank (Pakistan) Limited (the Bank) was incorporated in Pakistan on 20 December 2004 as a public limited company. The Bank was granted an Islamic Banking License BL(I)-01(07), issued by the Banking Policy and Regulations Department of the State Bank of Pakistan (SBP) on 18 January 2007. Subsequently, the Bank was also granted approval for commencement of business as a scheduled bank with effect from 13 February 2007. Upon merger of the Pakistan branches of AlBaraka Islamic Bank B.S.C. (c) with and into the Bank, fresh license no. BL(i)-01(2011) was issued by SBP on 12 March 2011, effective from close of business on 29 October 2010. The main objective of the Bank is to carry on Islamic banking business in Pakistan in accordance and in conformity with Shariah.

The Bank is a subsidiary of AlBaraka Islamic Bank B.S.C. (c) (parent bank) incorporated and domiciled in Bahrain and a member of AlBaraka Banking Group.

- 1.2** During the year 2016, the shareholders of the Bank in their extra ordinary general meeting held on 22 August 2016 have approved the merger of the Bank with Burj Bank Limited under a "Scheme of Amalgamation" (the Scheme). Further, State Bank of Pakistan, through its letter no. BPRD (R&P-02)/2016/24373 dated 14 October 2016, has also approved the scheme of amalgamation and granted sanction order for the amalgamation of Ex Burj Bank Limited with and into the Bank. As of the effective date of amalgamation, the entire undertaking of Ex Burj Bank Limited including all the properties, assets and liabilities and all the rights and obligations shall, without any further act, action or deed and notwithstanding the terms of any contract or other document or any rule of law, stands amalgamated with and vest in the Bank and as a consequence, Ex Burj Bank Limited stands amalgamated with and into the Bank.

The Bank's registered office is located at 162, Bangalore Town, Main Sharah-e-Faisal, Karachi. The Bank has 180 branches including 6 sub-branches (31 December 2020: 188 branches including 7 sub-branches) in Pakistan.

- 1.3** Based on the financial statements of the Bank for the year ended 31 December 2020, VIS credit rating company limited has maintained the long-term rating at 'A+' and short-term rating at 'A1'.
- 1.4** As at 31 December 2021, the Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) stood at Rs.12.475 billion and 12.97% respectively.

**2. BASIS OF PRESENTATION**

These financial statements have been prepared in conformity with the format of financial statements prescribed by the SBP vide BPRD Circular No. 02 dated 25 January 2018.

The Bank provides Islamic financing mainly through shariah compliant financial products as explained in Note 4.6.1 except for Murabaha transactions (which are accounted for under the Islamic Financial Accounting Standard - 1), the purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of rental / profit thereon. Income, if any received, which does not comply with the principles of Shariah is recognized as charity payable.

**2.1 STATEMENT OF COMPLIANCE**

- 2.1.1** These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities Exchange Commission of Pakistan (SECP).

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

**2.1.2** The SBP vide BSD Circular Letter No. 10 dated 26 August 2002 has deferred the applicability of International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" (IAS 39) and International Accounting Standard 40, "Investment Property" (IAS 40) for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

**2.1.3** IFRS 9 - Financial Instruments replaces 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, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The SBP vide its BPRD Circular letter no. 24 of 2021 has directed the Bank to conduct IFRS 9 parallel run assessment from period ending 31 March 2021.

The Bank has complied with the requirement of BPRD Circular Letter No. 24 of 2021 regarding quarterly parallel run of IFRS 9 from period ending 31 March 2021. The Bank has calculated the impact of adoption of IFRS 9 on the financial statement of the Bank on the date of initial application, which will be finalized post issuance of final IFRS 9 guidelines from SBP.

**2.1.4** The SBP vide its BPRD Circular No. 04 dated 25 February 2015 has clarified that the reporting requirements of IFAS-3 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 disclosures requirements under IFAS 3 have not been considered in these financial statements.

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

The Bank has adopted the following standards and amendment to IFRSs which became effective for the current year:

**Standard or Interpretation**

- IFRS 16 and IAS 39 - Interest Rate Benchmark Reform Phase 2 (Amendments)
- Covid-19 related rent concessions beyond 30 June 2021 (Amendment to IFRS 16)

The adoption of the above standards, interpretations or amendment to accounting standards did not have any effect on Bank's financial statements.

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

The following IFRS as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2022:

Standard, interpretation or amendment	Effective date (annual periods beginning on or after)
- IFRS 3 - Revised Conceptual Framework (Amendments)	01 January 2022
- IFRS 9 - Financial Instruments: Classification and Measurement	01 January 2022
- IAS 16 – Property, Plant and Equipments: proceeds before intended use	01 January 2022
- IAS 37 - Onerous Contracts: cost of fulfilling a contract	01 January 2022
- IAS 1 - Classification of Liabilities as Current or Non-current (Amendments)	01 January 2023
- IAS 1 - Disclosure of Accounting Policies (Amendments)	01 January 2023
- IAS 8 - Definition of Accounting Estimates (Amendments)	01 January 2023
- IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)	01 January 2023

The above amendments are not likely to have an impact on Bank's financial statements except for IFRS 9 Financial Instruments. In addition to above Standards, there are certain new and amended standards, interpretations and amendments that are mandatory for accounting periods beginning on or after 01 January 2022 but are considered not to be relevant to the Bank's operations and therefore, are not detailed in these financial statements.

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

<b>Standards</b>	<b>Effective date (annual periods beginning on or after)</b>
- IFRS 1 – First time adoption of IFRSs	01 January 2024
- IFRS 17 – Insurance Contracts	01 January 2023

## 2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The key areas of estimates and judgments in relation to these financial statements are as follows:

### a) Provision against non-performing Islamic financing

The Bank reviews its financing portfolio to assess amount of non-performing Islamic financing and determine provision required there against on a quarterly basis. While assessing this requirement various factors including the past dues, delinquency in the account, financial position of the borrower, value of collateral held and requirements of Prudential Regulations are considered except where relaxation has been allowed by SBP.

The amount of general provision against consumer, small and medium enterprises and Islamic financing is determined in accordance with the relevant Prudential Regulations and SBP directives.

### b) Impairment of available for sale investments

The Bank considers that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost except for investments where relaxation has been allowed by SBP. This determination of what is significant or prolonged requires judgement, in addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

### c) Income taxes

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.

### d) Operating fixed assets, depreciation and amortization

In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern.

### e) Employees' benefit plans

The liabilities for employees' benefits 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 35.3. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

**f) Impairment of goodwill and intangible assets with indefinite useful life**

Impairment testing involves a number of judgmental areas which are subject to inherent significant uncertainty, including the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting and the assessment of the discount rate appropriate to the business. The detailed assumptions underlying impairment testing of goodwill and intangible assets with indefinite useful life are given in note 11.5 to these financial statements.

**g) Revaluation of non-banking assets**

Non-banking assets acquired in satisfaction of claims are revalued by independent professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value.

**h) Lease term of contracts with renewal options and discount rate**

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. The Bank also considers the incremental borrowing rate based on certain internal and external factors.

The Bank has the option, under some of its leases to lease the asset for additional term based on mutual agreement with the lessor. The Bank applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. 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 and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

**i) Contingencies**

The assessment of contingencies inherently involves the exercise of significant judgement as the outcome of future events cannot be predicted with certainty. The Bank reviews contingencies at each reporting date and adjust it to reflect the current best estimate if required.

**3. BASIS OF MEASUREMENT**

- 3.1** These financial statements have been prepared under the historical cost convention except for available for sale investments, non-banking assets and commitments in respect of foreign exchange forward contracts which have been measured at fair value in accordance with requirements of SBP. In addition, obligation in respect of staff retirement benefits are carried at present value as actuarial valuation.
- 3.2** Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented.

**4.1 Leases**

**Right-of-use assets**

At the inception of the contract, the Bank assesses whether a contract is, or contain, a lease. The Bank applies a single recognition and measurement approach for all leases, except for short term leases and leases of low-value assets. At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease payment plus initial direct cost (if any). Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

**Lease liability against right-of-use**

At the commencement date of the lease, the Bank recognises lease liability measured at the present value of the consideration (lease payments) to be made over the lease term and is adjusted for lease prepayments. Lease payments include fixed lease payments less any incentive receivables, variable lease payment dependent upon index or rate, amount expected to be paid under residual value guaranteed if any. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. After the commencement date, the carrying amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities are remeasured if there is a modification, change in lease term, change in lease payments or change in assessment to purchase the underlying assets.



### Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

### 4.2 Business combination and goodwill

Business combination are accounted for by applying the acquisition method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognised directly in profit and loss account.

### 4.3 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury banks, balances with other banks in current and deposit accounts and investment with short term maturity of three months or less from date of acquisition (IAS 7 - Statement of Cash Flows).

### 4.4 Due to / from Financial Institutions

#### Bai Muajjal

In bai muajjal transactions, 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 credit period.

#### Musharaka

In Musharaka, the Bank invests in the shariah compliant business pools of the financial institutions at the agreed profit and loss sharing ratio.

#### Musharaka from State Bank of Pakistan under Refinance Schemes

Under the refinance schemes, the Bank accepts funds from the SBP under shirkat-ul-aqd to constitute a pool for investment in export refinance portfolio of the Bank under the guidelines issued by the SBP. The profit of the pool is shared as per the agreed weightages between the partners.

### 4.5 Investments

#### 4.5.1 Investments are classified as follows:

##### (a) Held for trading

These are securities, which are either acquired for generating a profit from short-term fluctuations in market prices, profit rate movements or are securities included in a portfolio in which a pattern of short-term profit taking exists. Such securities are normally sold within 90 days of the purchase date.

##### (b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Bank has the positive intent and ability to hold till maturity.

##### (c) Available for sale

These are investments, that do not fall under the 'held for trading' or 'held to maturity' categories.

#### 4.5.2 Regular way contracts

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 investment.

#### 4.5.3 Initial recognition and measurement

Investments other than those categorised as held for trading are initially recognised at fair value which includes transaction costs associated with the investments. Investments classified as held for trading are initially recognised at fair value, and transaction costs are expensed in the profit and loss account.

#### 4.5.4 Subsequent measurement

##### (a) Held for trading

These are measured at subsequent reporting dates at fair value. Gains and losses on remeasurement are included in the profit and loss for the year.

##### (b) Held to maturity

These are measured at amortised cost using the effective profit rate (EPR) method, less any impairment loss recognised to reflect irrecoverable amount. The amortisation and impairment are included in profit and loss for the year.

##### (c) Available for sale

In accordance with the requirements of the SBP, quoted securities and Government securities other than those classified as 'held to maturity', are subsequently re-measured to market value. Surplus / deficit arising on revaluation of quoted securities classified as 'available for sale', is taken to a separate account shown in the statement of financial position as a component of equity and included in other comprehensive income for the year.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available financial statements. In cases where the break up value of such shares is less than the cost, the difference of the cost and break up value is provided for accordingly by charging to the profit and loss account.

#### 4.5.5 Impairment

Provision for diminution in the values of securities classified as available for sale and held to maturity (except sukuk certificates) is charged to profit and loss account. Impairment is booked when there is objective evidence of significant or prolonged decline in the value of such securities. Provision for diminution in value of sukuk certificates (except for government securities) is made as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

#### 4.5.6 Cost of equity investments is determined on weighted average basis.

### 4.6 Islamic financing and related assets

#### 4.6.1 Brief nature of Islamic financing arrangements

Following is a brief nature of the financing arrangements entered into by the Bank.

##### **Murabaha**

Under murabaha financing, funds disbursed for purchase of goods are recorded as 'advance against murabaha finance'. On culmination of murabaha i.e. sale of goods to customers, murabaha financing are recorded at the deferred sale price net of deferred profit. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.

##### **Ijara Financing**

In ijara financing, the Bank provides the assets on periodic rentals for specific tenor to customers.

##### **Istasna**

In istasna 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 once delivered and received by the Bank are then sold by the customer on behalf of the Bank and the amount hence financed alongwith profit is paid back to bank.

##### **Tijarah**

In tijarah financing, the Bank purchases specific goods / commodities on cash basis from its customer. The customer is then appointed as an agent for onward sale and on subsequent sale, the financed amount is paid back by the customer.

### **Diminishing Musharaka**

In diminishing musharaka based financing, the Bank enters into musharaka based on Shirkat-ul-Mulk for financing and agreed share of fixed assets (example: house, land, plant, machinery or vehicle) with its customers and enters into period profit payment agreement for the utilization of the Bank's musharaka share by the customer.

### **Salam**

Salam is a sale transaction where the seller undertakes to supply some specific goods to the buyer at a future date against an advance price fully paid on spot.

### **Running Musharaka**

Running musharaka is a shirkul-aqd based financing facility offered to the customers where the Bank participates in operating activities of the customer and share profit and loss as per the actual performance of their business.

## **4.6.2 Accounting policies of Islamic financing**

Islamic financing and related assets (advance, inventories etc.) are stated net of specific and general provisions against non-performing Islamic financing, if any, which are charged to the profit and loss account.

### **Provisions against non-performing Islamic financing and related assets**

Specific provision against non-performing islamic financing is determined in accordance with the Prudential Regulations and other directives issued by the SBP. The Bank maintains general reserve (provision) (unless specific exemption is available from SBP) in accordance with the applicable requirements of Prudential Regulations for consumer finance.

### **Ijarah Assets**

Ijarah financing booked is accounted for as per the requirements of IFAS 2, whereby assets leased out under ijarah are depreciated over the term of ijarah and the related rental income is recognised in the profit and loss account on an accrual basis after the delivery of asset.

Ijarah financing booked before 01 January 2009 is accounted for as a finance lease whereby assets under ijarah arrangements are presented as a receivable at an amount equal to net investment in ijarah. Unearned income i.e. excess of aggregate rentals over the cost of the asset is recorded at the inception of the ijarah and is amortised over the term of the ijarah so as to produce a constant rate of return on net investment in ijarah.

Islamic financing and related assets are written off when there is no realistic prospect of recovery.

### **Inventories**

Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories. The Bank values its inventories at the lower of cost and net realisable value. Cost of inventories represents the actual purchase price paid by the customer as an agent on behalf of the Bank from the funds disbursed for the purpose of culmination of murabaha.

The net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

## **4.7 Fixed Assets**

### **4.7.1 Property and Equipment**

Property and equipment, other than land, are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Land is stated at cost.

Depreciation is charged using the straight-line method in accordance with the rates specified in note 10.2 to these financial statements and after taking into account residual value, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate at each statement of financial position date. Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Gains / losses on sale of fixed assets are credited / charged to the profit and loss account and disclosed in other income.

Subsequent costs are included in the assets' carrying amount and recognised as a separate asset as appropriate, only when it is probable that future benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss account as and when incurred.

#### 4.7.2 Capital work in progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets become available for use.

#### 4.8 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortised on the basis of the estimated useful life over which economic benefits are expected to flow to the Bank. The residual value, useful life and amortisation method are reviewed and adjusted, if appropriate, at each statement of financial position date. Amortization rates are specified in note 11.1 to these financial statements.

Intangible assets with indefinite useful lives are not amortized but tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

##### 4.8.1 Impairment

The carrying amount of assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account.

#### 4.9 Non-Banking Assets

The non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'Surplus on revaluation of assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer cost and direct cost of acquiring title to property is charged to profit and loss account and not capitalised.

Depreciation is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account.

#### 4.10 Deposits

Deposits are generated on the basis of two modes i.e. Qard and Mudaraba. Deposits taken on Qard basis are classified as 'Current Accounts' and Deposits generated on Mudaraba basis are classified as 'Savings Account' and 'Fixed Deposit Accounts'.

No profit or loss is passed on to current account depositors. However, the funds of current accounts are treated as equity for the purpose of profit calculation and only any profit earned / loss incurred on these funds are allocated to the equity of the Bank. Profits realized in pool are distributed in pre-agreed profit sharing ratio. Rab-ul-Maal share is distributed among depositors according to weightages assigned at the inception of profit calculation period.

Mudarib (the Bank) can distribute its share of profit to Rab-ul-Maal in line with Shariah guidelines issued by SBP.

#### 4.11 Sub-ordinated Loans

A subordinated loan is initially recorded at the amount of proceeds received and subsequently carried at amortised cost using ERP method. Profit accrued on subordinated loans is charged to the profit and loss account.

#### 4.12 Revenue Recognition

- Profit on murabaha transactions is recognised on accrual basis. Profit on Murabaha transactions for the period from the date of disbursement to the date of culmination of murabaha is recognized immediately upon the latter date.
- Rental income on ijarah financing booked is recognised on accrual basis.



- Profit on diminishing musharaka, mudaraba and service ijarah is recognized on accrual basis.
- Profit on running musharakah financing is booked on an accrual basis and is adjusted upon declaration of profit by musharakah partners.
- Profit on tijarah, salam and istasna is recognized on accrual basis commencing from the time of sale of goods till the realization of sale proceeds by the Bank.
- Profit on bai muajjal transactions are recognized on accrual basis.
- Commission on letters of credit, acceptances and letters of guarantee is recognised when earned.
- Dividend income is recognised when the Bank's right to receive the dividend is established.
- Profit from investment in sukuk is recognised on accrual basis. Premium and discount on purchase of sukuk are being amortized through profit and loss account over the remaining maturity.
- Gains / losses on disposal of fixed assets, ijarah assets and musharaka assets are taken to profit and loss account in the period in which they arise.
- Rentals from non-banking assets are recognised when earned.
- Gains / losses on sale of investments is included in profit and loss account.
- Income earned from avenues that are not Shariah compliant is not recognised in the profit and loss account. This income is classified as charity payable in accordance with the recommendation of the RSBM of the Bank.
- Realization of profit earlier suspended in compliance with the Prudential Regulations issued by SBP is credited to profit and loss account on receipt basis.

#### 4.13 Taxation

Income tax expense comprises current and deferred tax. Expense is recognised in profit and loss account except to the extent when it relates to items recognised directly in equity, in which case it recognised in equity.

##### (a) Current

The charge for current taxation is based on expected taxable income for the year at the current rate of taxation, after taking into consideration available tax credits, rebates, tax losses, etc.

##### (b) Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. In addition, the Bank also records deferred tax asset on available tax losses. Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

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

The Bank also recognises a deferred tax asset / liability on the deficit / surplus on revaluation of assets which is adjusted against the related surplus / deficit in accordance with the requirements of the International Accounting Standard (IAS) 12, 'Income Taxes'.

#### 4.14 Staff Retirement Benefits

##### (a) Defined benefit plan

The Bank operates funded gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn basic salary for each completed year of service, subject to a minimum of three years of service. The scheme is regulated under its trust deed and rules of the fund and is administrated by the trustees nominated under its trust deed.

**(b) Defined contribution plan**

The Bank also operates a recognised contributory provident fund for all permanent employees. Equal monthly contributions are made, both by the Bank and the employees, to the fund at a rate of 10 percent of basic salary.

**4.15 Provisions, Contingent Assets And Contingent Liabilities**

Provisions are recognised when the Bank has a present legal or constructive obligation arising as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimates.

Contingent assets are not recognised unless inflow of economic benefits is virtually certain.

Contingent liabilities are not recognised but are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

**4.16 Provision For Guarantee Claims And Other Off-Balance Sheet Obligations**

The Bank, in the ordinary course of business, issues letters of credit, acceptances, guarantees, bid bonds, performance bonds etc. The commission against such contracts is recognized in the profit and loss account under "fee and commission income" on receipt basis. The Bank's liability under such contracts is measured at the best estimate of the amount expected to settle any financial obligation arising under such contracts.

**4.17 Foreign Currency Transactions**

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. Exchange gains or losses are included in the profit and loss account of the current period.

**4.18 Commitments**

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

**4.19 Acceptances**

Acceptances representing undertakings by the Bank to pay bills of exchange drawn on customers are recognized as liabilities of the Bank at the date of acceptance. Previously, acceptances were only recognized as off-balance sheet obligations and disclosed under contingent liabilities.

**4.20 Financial Instruments****(a) Financial assets and financial liabilities**

Financial assets and financial liabilities are initially recognized at the time when the Bank becomes a party to the contractual provisions of the instrument. These include regular way purchases or sales of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the market place. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and rewards of ownership of the asset. Financial liabilities are de-recognized when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial assets and liabilities is recognized in the profit and loss account of the current period.

**(b) Off-setting**

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**4.21 Share capital and reserves**

Ordinary shares are classified as equity and are recorded at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Discount on issue of shares and capital support received are shown in equity as a separate reserve.

The appropriation to reserves are recognised in the financial statements in the period in which these are approved by the Board of directors.

#### 4.22 Segment Reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing product or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from those of other segments.

##### (a) Business segments

The business segments within the bank have been categorised in to the following classifications of business segments in accordance with the requirements specified by SBP.

##### - Corporate banking

It includes corporate sukuks, project finance, export finance, trade finance and guarantees.

##### - Commercial and Small & Medium Enterprise (SME) banking

It includes project finance, export finance, trade finance and guarantees.

##### - Retail and Consumer banking

It includes deposits, mobilization and branch banking services. It also includes consumer auto and housing financing.

##### - Trading and sales

It includes treasury operations in respect of capital market, money market and other forex related activities.

##### - Payment and settlement

It includes centralized functions operating independent of aforementioned segments.

##### (b) Geographical segments

Currently, the operations of the Bank are carried out in Pakistan only.

#### 4.23 Earnings Per Share

The Bank presents basic and diluted earnings per share (EPS) and basic and diluted loss per share for its shareholders. Basic EPS / loss per share 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 / loss per share is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

#### 4.24 Pool Management

The Bank operates general and specific pools for depositors and other fund providers.

Under the general deposits pool, the Bank accepts funds on Mudaraba basis from depositors (Rab-ul-Maal) where the Bank acts as Manager (Mudarib) and invests the funds in the Shariah Compliant modes of Islamic financings and related assets, investments and placements.

Specific pools are operated for:

- (a) Funds received from State Bank of Pakistan for under the Refinance Schemes under the Musharaka mode.
- (b) Funds acquired from Islamic Financial Institutions for liquidity management under either Musharaka or Wakala modes.
- (c) Funds accepted on Mudaraba basis from high net-worth/special deposit customers who demand higher rate of return on their investments.

The profit of each deposit pool is calculated on all the remunerative assets by utilizing the funds from the pool after deduction of expenses directly incurred in earning the income of such pool, if any. No provisions against any non performing assets of the pool is passed on to the pool. The profit of the pool is shared among the members of the pool on pre-defined mechanism based on the weightages announced before the profit calculation period.

The deposits and funds under the above mentioned pools are provided to diversified sectors and avenues of the economy / business and are also invested in Government of Pakistan backed ijarah sukuk and other sovereign securities. Musharaka investments from State Bank of Pakistan under Islamic Export Refinance are channelled towards the export sector of the economy.

		2021	2020
	Note	---- (Rupees in '000) ----	
<b>5. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency		2,762,250	3,278,211
Foreign currencies		460,262	1,572,873
		3,222,512	4,851,084
With State Bank of Pakistan in			
Local currency current account	5.1	10,982,941	8,054,209
Foreign currency current account	5.1	22,352	7,452
Foreign currency deposit account	5.1	1,756,373	1,350,659
		12,761,666	9,412,320
With National Bank of Pakistan in			
Local currency current account		1,624,210	1,510,200
Local currency deposit account		8	8
		1,624,218	1,510,208
		<u>17,608,396</u>	<u>15,773,612</u>

- 5.1 These include local and foreign currency amount required to be maintained by the Bank with SBP. These accounts are non-remunerative in nature.

		2021	2020
	Note	---- (Rupees in '000) ----	
<b>6. BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan</b>			
In current account		144,251	57,105
In deposit account	6.1	8,123,328	695,286
		8,267,579	752,391
<b>Outside Pakistan</b>			
In current account		1,178,704	5,829,554
In deposit account	6.1	317,305	3,595,150
		1,496,009	9,424,704
		<u>9,763,588</u>	<u>10,177,095</u>

- 6.1 The expected return on remunerative deposits ranges from 0.08% to 11.25% (31 December 2020: 0.08% to 6.6%) per annum.

		2021	2020
	Note	---- (Rupees in '000) ----	
<b>7. DUE FROM FINANCIAL INSTITUTIONS</b>			
<b>Bai muajjal receivable</b>			
- from financial institutions	7.2	403,122	2,748,221
<b>7.1 Particulars of due from financial institution</b>			
In local currency		403,122	2,748,221

- 7.2 The return on bai muajjal is 9.00% (31 December 2020: 6.5% to 7.4%) per annum. This will mature by January



## 8. INVESTMENTS

		2021				2020			
	Note	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
		----- (Rupees in '000) -----							
<b>8.1 Investments by type</b>									
<b>Held-for-trading securities</b>									
Shares	8.2	-	-	-	-	14,992	-	(9,557)	5,435
Federal Government securities	8.2	5,830,519	-	(3,435)	5,827,084	535,672	-	320	535,992
		5,830,519	-	(3,435)	5,827,084	550,664	-	(9,237)	541,427
<b>Available-for-sale securities</b>									
Federal Government securities	8.2 & 8.4.1	65,405,323	-	289,932	65,695,255	47,554,778	-	424,280	47,979,058
Shares	8.4.2 & 8.4.3	602,416	(345,384)	5,830	262,862	967,571	(521,217)	184,697	631,051
Non Government debt securities	8.4.2 & 8.4.4	1,395,405	(111,455)	10,260	1,294,210	1,322,105	(111,455)	10,886	1,221,536
Foreign securities	8.2 & 8.4.5	1,400,142	-	19,203	1,419,345	2,085,119	-	27,666	2,112,785
		68,803,286	(456,839)	325,225	68,671,672	51,929,573	(632,672)	647,529	51,944,430
<b>Held-to-maturity securities</b>									
Federal Government securities	8.2 & 8.5	2,053,739	-	-	2,053,739	4,631,375	-	-	4,631,375
<b>Total investments</b>		<b>76,687,544</b>	<b>(456,839)</b>	<b>321,790</b>	<b>76,552,495</b>	<b>57,111,612</b>	<b>(632,672)</b>	<b>638,292</b>	<b>57,117,232</b>

2021					2020			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
----- (Rupees in '000) -----								
<b>8.2 Investments by segments</b>								
<b>Federal Government Securities:</b>								
Ijarah sukuk		-	(248,580)	49,238,908	25,974,598	-	(170,364)	25,804,234
Bai muajjal	8.5	-	-	2,053,739	4,631,375	-	-	4,631,375
Other sukuk		-	535,077	22,283,431	22,115,852	-	594,964	22,710,816
	73,289,581	-	286,497	73,576,078	52,721,825	-	424,600	53,146,425
<b>Shares:</b>								
Listed companies		(319,230)	5,830	200,857	925,733	(495,063)	175,140	605,810
Unlisted companies	8.4.3	(26,154)	-	62,005	56,830	(26,154)	-	30,676
	602,416	(345,384)	5,830	262,862	982,563	(521,217)	175,140	636,486
<b>Non Government Debt Securities</b>								
Unlisted	8.4.4	(111,455)	10,260	1,294,210	1,322,105	(111,455)	10,886	1,221,536
<b>Foreign Securities</b>								
Government securities	8.4.5.1	-	18,356	548,350	480,083	-	14,359	494,442
Non Government debt securities	8.4.5.2	-	847	870,995	1,605,036	-	13,307	1,618,343
	1,400,142	-	19,203	1,419,345	2,085,119	-	27,666	2,112,785
<b>Total investments</b>								
	76,687,544	(456,839)	321,790	76,552,495	57,111,612	(632,672)	638,292	57,117,232

		2021	2020
		(Rupees in '000)	
<b>8.3 Provision for diminution in value of investments</b>			
<b>8.3.1 Opening balance</b>		632,672	675,529
Charge / reversals			
Charge for the year		18,211	118,475
Reversal on disposals		(194,044)	(161,332)
		(175,833)	(42,857)
Closing balance		456,839	632,672

		2021	2020
		Non-performing investment	Non-performing investment
		Provision	Provision
		(Rupees in '000)	
<b>8.3.2 Particulars of provision against debt securities</b>			
<b>Category of classification</b>			
<b>Domestic</b>			
Other assets especially mentioned		-	-
Substandard		-	-
Doubtful		-	-
Loss		111,455	111,455
		111,455	111,455

**8.4 Quality of available for sale securities**

Details regarding quality of available for sale (AFS) securities are as follows:

**8.4.1 Federal Government securities****- Government guaranteed**

Ijarah sukuk  
Others

2021	2020
Cost	
----- (Rupees in '000) -----	
43,656,969	25,438,926
21,748,354	22,115,852
65,405,323	47,554,778

**8.4.2 Shares - at cost****Listed companies**

Chemicals and pharmaceutical  
Fertilizer  
Cement  
Textile  
Power generation and distribution  
Oil and gas  
Refinery  
Sugar  
Paper and board  
Automobile assembler  
Engineering  
Cable and electrical goods

2021	2020
94,549	68,845
-	61,947
16,449	102,795
-	22,856
45,767	110,127
269,852	269,829
-	34,246
-	41,961
71,409	71,409
-	47,070
-	47,195
16,231	32,461
514,257	910,741

**8.4.3 Unlisted companies**

Salaam Takaful Limited (formerly: Takaful Pakistan Limited)\*  
Crown Textile Mills Limited\*\*  
SWIFT

2021		2020	
Cost	Break-up value	Cost	Break-up value
----- (Rupees in '000) -----			
83,046	56,892	52,200	26,046
-	-	-	-
5,113	5,113	4,630	4,630
88,159	62,005	56,830	30,676

\* The break-up value of Salaam Takaful Limited (formerly: Takaful Pakistan Limited) is Rs.5.74 per share as per the available (audited) financial statements for the period ended 30 September 2021 and Rs.5.84 per share as per the (audited) financial statements for the year ended 31 December 2020.

\*\* The Bank holds 444,656 (2020: 444,656) shares of Crown Textile Mills Limited which were transferred at nil value upon amalgamation of Pakistan branches of Al Baraka Islamic Bank BSC.(C) with and into the Bank.

**8.4.4 Non Government debt securities****Unlisted**

- AA+  
- A+  
- A  
- Non-performing

2021	2020
Cost	
----- (Rupees in '000) -----	
500,000	500,000
643,150	499,450
140,800	211,200
111,455	111,455
1,395,405	1,322,105

**8.4.5 Foreign securities****8.4.5.1 Government securities**

- Oman

2021		2020	
Cost	Rating	Cost	Rating
----- (Rupees in '000) -----			
529,994	BB-	480,083	BBB

**8.4.5.2 Non Government debt securities****Listed**

- A+  
- A

2021	2020
Cost	
----- (Rupees in '000) -----	
-	805,446
870,148	799,590
870,148	1,605,036

**8.5 Particulars relating to held to maturity securities are as follows:****Federal Government securities****- Government guaranteed**

Bai Muajjal

2021	2020
Cost	
----- (Rupees in '000) -----	
2,053,739	4,631,375
2,053,739	4,631,375

**8.5.1** The market value of securities classified as held to maturity as at 31 December 2021 amounted to Rs.2,053 (31 December 2020: Rs.4,631) million.

## 9. ISLAMIC FINANCING AND RELATED ASSETS

Note	Performing		Non Performing		Total	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
- Murabaha financing	2,195,843	3,362,130	2,524,867	2,782,161	4,720,710	6,144,291
- Advance against murabaha financing	109,511	164,741	203,337	203,337	312,848	368,078
- Export refinance under Islamic scheme	140,000	247,000	62,750	62,750	202,750	309,750
- Advance against export refinance under Islamic scheme	6,278,823	4,470,566	24,755	24,755	6,303,578	4,495,321
- Inventory against export refinance under Islamic scheme	60,000	-	-	-	60,000	-
- Diminishing musharaka and Ijarah financing	50,556,604	41,606,252	2,659,346	2,267,830	53,215,950	43,874,082
- Advance against diminishing musharaka finance	4,196,735	1,350,224	-	-	4,196,735	1,350,224
- Running musharaka	1,983,926	11,930,644	-	-	1,983,926	11,930,644
- Tijarah finance	2,032,777	1,759,385	135,200	-	2,167,977	1,759,385
- Over due acceptances	-	38,400	494,670	505,913	494,670	544,313
- Payment against guarantee	9,726	15,081	50,112	40,291	59,838	55,372
- Payment against documents	1,399,761	429,669	-	-	1,399,761	429,669
- Salam financing	37,364	-	361	-	37,725	-
- Advance against salam	5,853,524	6,630,662	2,768,491	2,302,703	8,622,015	8,933,365
- Salam inventory	196,283	193	-	-	196,283	193
- Financing against bills	1,016,451	8,391	-	13,735	1,016,451	22,126
- Istasna finance	341,892	-	578,634	576,271	920,526	576,271
- Advance against istasna	15,999,583	15,557,217	2,663,334	698,106	18,662,917	16,255,323
- Istasna inventory	931,669	179,536	-	13,256	931,669	192,792
- Qarz-e-Hasna	56,512	93,268	60,000	20,900	116,512	114,168
Islamic financing and related assets - gross	93,396,984	87,843,359	12,225,857	9,512,008	105,622,841	97,355,367
Provisions for non-performing financing	-	-	-	-	-	-
- Specific	(277,548)	(518,641)	(9,143,140)	(6,557,682)	(9,143,140)	(6,557,682)
- General	(277,548)	(518,641)	(9,143,140)	(6,557,682)	(9,420,688)	(7,076,323)
Islamic financing and related assets - net of provisions	93,119,436	87,324,718	3,082,717	2,954,326	96,202,153	90,279,044

Note	2021	2020
	(Rupees in '000)	
9.1 Murabaha receivable - gross	5,122,962	6,590,594
Less: Deferred murabaha income	(343,765)	(400,450)
Profit receivable shown in other assets	(58,487)	(45,853)
Murabaha financing	4,720,710	6,144,291
9.1.1 The movement in murabaha financing during the year is as follows:		
Opening balance	6,144,291	6,961,063
Sales during the year	5,438,955	10,809,417
Adjusted during the year	(6,862,536)	(11,626,189)
Closing balance	4,720,710	6,144,291
9.1.2 Murabaha sale price	5,122,962	6,590,594
Murabaha purchase price	(4,720,710)	(6,144,291)
	402,252	446,303
9.1.3 Deferred murabaha income		
Opening balance	400,450	451,717
Arising during the year	260,181	555,619
Less: Recognised during the year	(316,866)	(606,886)
Closing balance	343,765	400,450

9.2 This includes Ijarah financing contracts amounting to Rs. 270.9 (31 December 2020: Rs. 490.1) million which includes Ijarah contracts of Rs. 111.7 million entered up to December 2008. These are accounted for as finance lease where by assets under Ijarah agreements are presented as a receivable at an amount equal to net investment in Ijarah.

	2021					
	Cost		Depreciation		Book value	
	As at 01 Jan 2021	Additions / (deletions)	As at 31 Dec 2021	As at 01 Jan 2021	Charge/ reversal for the year	As at 31 Dec 2021
	(Rupees in '000)					
Plant and machinery	742,462	(18,050)	724,412	538,208	4,467	542,675
Vehicles	990,217	(454,619)	535,598	704,381	(257,920)	446,461
Total	1,732,679	(472,669)	1,260,010	1,242,589	(253,453)	989,136
	2020					
	Cost		Depreciation		Book value	
	As at 01 Jan 2019	Additions / (deletions)	As at 31 Dec 2020	As at 01 Jan 2019	Charge/ reversal for the year	As at 31 Dec 2020
	(Rupees in '000)					
Plant and machinery	864,099	(121,637)	742,462	606,395	(68,187)	538,208
Vehicles	1,682,535	(692,318)	990,217	1,014,347	(309,966)	704,381
Total	2,546,634	(813,955)	1,732,679	1,620,742	(378,153)	1,242,589

## 9.3 Particulars of Islamic financing and related assets (Gross)

In local currency	104,232,216	97,300,991
In foreign currency	1,390,625	54,376
	105,622,841	97,355,367

- 9.4 Islamic financing and related assets include Rs.12,225.857 million (31 December 2020: Rs.9,512.008 million) which have been placed under non-performing status as detailed below:

Category of Classification	2021		2020	
	Classified Islamic financing and related assets	Provision	Classified Islamic financing and related assets	Provision
----- (Rupees in '000) -----				
<b>Domestic</b>				
Other assets especially mentioned	249,397	232	29,208	-
Substandard	696,101	67,892	607,176	100,664
Doubtful	663,066	150,794	366,796	75,159
Loss	10,617,293	8,924,222	8,508,828	6,381,859
	<b>12,225,857</b>	<b>9,143,140</b>	<b>9,512,008</b>	<b>6,557,682</b>

9.5 Particulars of provisions against non-performing Islamic financing and related assets

Note	2021			2020		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
Opening balance	6,557,682	518,641	7,076,323	5,676,672	169,940	5,846,612
Charge for the year	2,742,439	58,907	2,801,346	1,002,384	348,701	1,351,085
Reversals for the year	(442,468)	-	(442,468)	(113,215)	-	(113,215)
	2,299,971	58,907	2,358,878	889,169	348,701	1,237,870
Amounts charge for the year - agriculture financing	3,319	-	3,319	3,467	-	3,467
	2,303,290	58,907	2,362,197	892,636	348,701	1,241,337
Amounts written off against provision	(17,832)	-	(17,832)	(11,626)	-	(11,626)
Transfer during the year	300,000	(300,000)	-	-	-	-
Closing balance	<b>9,143,140</b>	<b>277,548</b>	<b>9,420,688</b>	<b>6,557,682</b>	<b>518,641</b>	<b>7,076,323</b>

- 9.5.1 The above provision against non-performing Islamic financing has been computed after considering allowable forced sale value (FSV) of collateral amounting to Rs. 2,452.037 (31 December 2020: Rs. 2,532.521) million. The FSV benefit recognized is not allowed for distribution of cash or stock dividend to shareholders and bonus to employees.

- 9.5.2 The Bank maintains general reserve (provisions) in accordance with the applicable requirements of Prudential Regulations for consumer financing.

- 9.5.3 SBP vide its letter BPRD/BLRD-3/DMG/2011-1035 has allowed relaxation from further provisioning requirement against a financing exposure having a provisioning impact of Rs. 40.581 (31 December 2020: Rs. 40.581) million.

9.5.4 Particulars of provisions against non-performing Islamic financing and related assets

	2021			2020		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
In local currency	9,143,140	277,548	9,420,688	6,557,682	518,641	7,076,323
In foreign currency	-	-	-	-	-	-
	<b>9,143,140</b>	<b>277,548</b>	<b>9,420,688</b>	<b>6,557,682</b>	<b>518,641</b>	<b>7,076,323</b>

9.6 Particulars of write offs:	2021	2020
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
9.6.1 Against provisions	<b>17,832</b>	<b>11,626</b>

9.7 Details of loan write off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended is given in Annexure-1.

10. FIXED ASSETS	Note	2021	2020
		----- (Rupees in '000) -----	----- (Rupees in '000) -----
Capital work-in-progress	10.1	313,871	348,311
Property and equipment	10.2	2,050,315	2,075,061
Right-of-use asset	10.3	1,829,236	1,972,910
		<b>4,193,422</b>	<b>4,396,282</b>
10.1 Capital work-in-progress			
Civil works		285,715	296,275
Advance to suppliers		28,156	52,036
Advance for purchase of property - related party		251,680	251,680
Provisions for impairment against advance for purchase of property		(251,680)	(251,680)
		-	-
Total capital work-in-progress	10.1.1	<b>313,871</b>	<b>348,311</b>

10.1.1 The movement in capital work-in-progress during the year is a following:

Opening balance	348,311	360,546
Payment made during the year	63,303	179,900
Transfer-out to fixed assets during the year	(97,743)	(192,135)
Closing Balance	<b>313,871</b>	<b>348,311</b>

## 10.2 Property and equipment

2021						
	Leasehold land	Building on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
----- (Rupees in '000) -----						
<b>At 01 January 2021</b>						
Cost	972,104	1,324,700	348,021	1,813,404	80,017	4,538,246
Accumulated depreciation	-	(754,525)	(285,861)	(1,382,973)	(39,826)	(2,463,185)
Net book value	972,104	570,175	62,160	430,431	40,191	2,075,061
<b>Year ended December 2021</b>						
Opening net book value	972,104	570,175	62,160	430,431	40,191	2,075,061
<b>Cost:</b>						
Additions	-	85,026	11,384	97,963	5,625	199,998
Disposals	-	(6,380)	(4,465)	(48,919)	-	(59,764)
Write off	-	(49,500)	(1,195)	(1,698)	-	(52,393)
<b>Depreciation:</b>						
Depreciation charge for the year	-	(66,467)	(15,479)	(109,284)	(10,596)	(201,826)
Disposals	-	4,613	4,136	47,845	-	56,594
Write off	-	30,035	1,008	1,602	-	32,645
Closing net book value	972,104	567,502	57,549	417,940	35,220	2,050,315
<b>At 31 December 2021</b>						
Cost	972,104	1,353,846	353,745	1,860,750	85,642	4,626,087
Accumulated depreciation	-	(786,344)	(296,196)	(1,442,810)	(50,422)	(2,575,772)
Net book value	972,104	567,502	57,549	417,940	35,220	2,050,315
Rate of depreciation (%)	-	5% - 10%	10%	10% - 50%	20%	
2020						
	Leasehold land	Building on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
----- (Rupees in '000) -----						
<b>At 01 January 2020</b>						
Cost	972,104	1,264,613	349,008	1,824,380	52,820	4,462,925
Accumulated depreciation	-	(704,328)	(277,171)	(1,372,457)	(41,849)	(2,395,805)
Net book value	972,104	560,285	71,837	451,923	10,971	2,067,120
<b>Year ended December 2020</b>						
Opening net book value	972,104	560,285	71,837	451,923	10,971	2,067,120
<b>Cost:</b>						
Additions	-	79,098	6,045	77,019	52,826	214,988
Disposals	-	(8,637)	(4,236)	(85,382)	(25,629)	(123,884)
Write off	-	(10,374)	(2,796)	(2,613)	-	(15,783)
<b>Depreciation:</b>						
Depreciation charge for the year	-	(62,050)	(15,162)	(95,815)	(9,418)	(182,445)
Disposals	-	6,305	3,901	82,723	11,441	104,370
Write off	-	5,548	2,571	2,576	-	10,695
Closing net book value	972,104	570,175	62,160	430,431	40,191	2,075,061
<b>At 31 December 2020</b>						
Cost	972,104	1,324,700	348,021	1,813,404	80,017	4,538,246
Accumulated depreciation	-	(754,525)	(285,861)	(1,382,973)	(39,826)	(2,463,185)
Net book value	972,104	570,175	62,160	430,431	40,191	2,075,061
Rate of depreciation (%)	-	5% - 10%	10%	10% - 50%	20%	

## 10.3 Right-of-use asset

	Note	2021 ----- (Rupees in '000) -----	2020
<b>At 01 January</b>		1,972,910	2,440,605
Additions during the year		611,730	305,536
Depreciation charge during the year	27	(667,822)	(635,140)
Derecognition during the year		(78,651)	(23,083)
Modification		(8,931)	(115,008)
<b>At 31 December</b>	10.3.1	1,829,236	1,972,910

## 10.3.1 The right-of-use asset is against the branch offices of the Bank.

**10.4 Disposal of assets - related party**

Details of disposal of fixed assets made to any related party otherwise than through a regular auction are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
----- (Rupees in '000) -----						
<b>Computers</b>						
Laptop	66	66	-	-	As per Bank's policy	Mr.Abid Ajmal (Ex-Employee)
<b>31 December 2021</b>	<b>66</b>	<b>66</b>	<b>-</b>	<b>-</b>		

**10.5** Property and equipment includes assets that are temporarily idle amounting to Rs.987.5 million (31 December 2020: Rs.986.9 million).

**10.6 Fully depreciated property and equipment**

Cost of property and equipment that are fully depreciated and are still in use are as follows:

	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
Building on leasehold land	278,512	283,760
Furniture and fixture	189,655	191,273
Electrical, office and computer equipment	966,755	987,389
Vehicles	32,850	30,467
	<u>1,467,772</u>	<u>1,492,889</u>

**11. INTANGIBLE ASSETS**

	Note	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
Computer software	11.1 & 11.2	109,587	69,668
Advance to suppliers against computer software		69,103	20,036
Core deposits	11.1 & 11.3	362,415	460,688
Brand	11.4 & 11.5	383,145	383,145
Goodwill	11.5	396,117	396,117
		<u>1,320,367</u>	<u>1,329,654</u>

**11.1** Movement in intangibles assets is as following:

	Computer software	Core deposits	Total
----- (Rupees in '000) -----			
<b>At 01 January 2021</b>			
Cost	907,283	1,386,000	2,293,283
Accumulated amortisation	(837,615)	(925,312)	(1,762,927)
Net book value	<u>69,668</u>	<u>460,688</u>	<u>530,356</u>
<b>Year ended December 2021</b>			
Opening net book value	69,668	460,688	530,356
<b>Cost:</b>			
Additions			
- through acquisitions / purchased	91,504	-	91,504
<b>Accumulated amortization:</b>			
Amortisation charge for the year	(51,585)	(98,273)	(149,858)
Closing net book value	<u>109,587</u>	<u>362,415</u>	<u>472,002</u>
<b>At 31 December 2021</b>			
Cost	998,787	1,386,000	2,384,787
Accumulated amortisation	(889,200)	(1,023,585)	(1,912,785)
Net book value	<u>109,587</u>	<u>362,415</u>	<u>472,002</u>
Rate of amortisation (%)	<u>14.29% - 33.33%</u>	<u>8.33% - 10%</u>	
Useful life	<u>3 to 7 Years</u>	<u>10 to 12 Years</u>	

	2020		
	Computer software	Core deposits	Total
	(Rupees in '000)		
<b>At 01 January 2020</b>			
Cost	888,004	1,386,000	2,274,004
Accumulated amortisation	(786,843)	(798,519)	(1,585,362)
Net book value	101,161	587,481	688,642
<b>Year ended December 2020</b>			
Opening net book value	101,161	587,481	688,642
<b>Cost:</b>			
Additions			
- through acquisitions / purchased	19,279	-	19,279
<b>Accumulated amortization:</b>			
Amortisation charge for the year	(50,772)	(126,793)	(177,565)
Closing net book value	69,668	460,688	530,356
<b>At 31 December 2020</b>			
Cost	907,283	1,386,000	2,293,283
Accumulated amortisation	(837,615)	(925,312)	(1,762,927)
Net book value	69,668	460,688	530,356
Rate of amortisation (%)	14.29% - 33.33%	8.33% - 10%	
Useful life	3 to 7 Years	10 to 12 Years	

- 11.2** Intangible assets include computer software that are fully amortized and are still in use aggregating to Rs.795.917 million (31 December 2020: Rs.734.156 million).
- 11.3** Core deposit is an intangible asset acquired by the Bank during its amalgamation with Ex-Emirates Global Islamic Bank Limited and Ex-Burj Bank Limited. The value of core deposit has been valued by independent valuer. The carrying amount of core deposits is Rs. 362.415 million (31 December 2020: Rs. 460.688 million) with a remaining amortization period of 5 years.
- 11.4** Intangible assets include brand having indefinite useful life with a carrying amount of Rs.383.145 million (31 December 2020: Rs.383.145 million). This represents Bank's ability to attract new customers and generate superior returns from existing customers due to brand recognition. The management considers that the benefits from usage of brand will be available to the Bank for indefinite time period.
- 11.5** During the year, the management has assessed the fair value of the Bank which exceeds its breakup value. IAS 36 "Impairment of assets" requires that an impairment loss shall be recognized for a cash-generating unit if, and only if, the recoverable amount of the unit (group of units) is less than the carrying amount of the unit (group of units). Accordingly, no impairment loss has been recognized in these financial statements on the Intangible assets.

The key assumptions used for the purpose of the projections are as under:

#### Discount rates

Discount rates take into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Bank. The pre tax discount rate of 18.60% per annum has been used in the projections.

#### Terminal growth value

Terminal growth rate is a stable growth rate at which an asset will continue to grow perpetually. It is calculated using Gordon Growth Model and is estimated at 5.80%.

#### Discount for lack of marketability (DLOM)

The management has taken into account various characteristics such as liquidity, size of share holding etc. and estimated a DLOM adjustment of 20% in valuation of the Bank.

#### Sensitivity to changes in assumptions

Management believes that after considering the various scenarios no reasonable possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

		2021			
		At 01 Jan 2021	Recognised in P&L	Recognised in OCI	At 31 Dec 2021
		----- (Rupees in '000) -----			
<b>12. DEFERRED TAX ASSETS</b>	<b>Note</b>				
Deductible temporary differences on:					
- Tax losses carried forward	12.1	1,244,800	(300,751)	-	944,049
- Minimum tax		539,858	(311,336)	-	228,522
- Post retirement employee benefits		19,281	-	6,271	25,552
- Provision against assets		1,367,430	748,202	-	2,115,632
- Other deductible temporary differences		-	20,930	-	20,930
		3,171,369	157,045	6,271	3,334,685
Taxable temporary differences on:					
- Surplus on revaluation of investments		(223,404)	(1,893)	99,798	(125,499)
- Surplus on revaluation of non-banking assets		(162,947)	-	(17,807)	(180,754)
- Accelerated tax depreciation		(144,234)	(2,461)	-	(146,695)
		(530,585)	(4,354)	81,991	(452,948)
		2,640,784	152,691	88,262	2,881,737

		2020			
		At 01 Jan 2020	Recognised in P&L	Recognised in OCI	At 31 Dec 2020
		----- (Rupees in '000) -----			
Deductible temporary differences on:					
- Tax losses carried forward		1,755,044	(510,244)	-	1,244,800
- Minimum tax		603,522	(63,664)	-	539,858
- Post retirement employee benefits		13,895	-	5,386	19,281
- Provision against assets		1,251,913	115,517	-	1,367,430
		3,624,374	(458,391)	5,386	3,171,369
Taxable temporary differences on:					
- Surplus on revaluation of investments		(502,287)	(3,424)	282,307	(223,404)
- Surplus on revaluation of non-banking assets		(129,939)	-	(33,008)	(162,947)
- Accelerated tax depreciation		(153,009)	8,775	-	(144,234)
		(785,235)	5,351	249,299	(530,585)
		2,839,139	(453,040)	254,685	2,640,784

- 12.1** The deferred tax asset on carried forward tax losses has been recognized in these financial statements as the management estimates that sufficient taxable profits will be available in future years against which the unused carry forward tax losses and other deductible temporary differences can be utilised. The estimates of future taxable profits are based on financial projections of the Bank for the next five years approved by the Board. The projections involve certain key assumptions underlying the estimation of future taxable profits. Key assumptions include income tax rates, cost to income ratio, deposit composition, Kibor rates, growth of deposits and Islamic financing, investment returns, product mix of Islamic financing and related assets, potential provision against assets and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

		2021	2020
		----- (Rupees in '000) -----	
<b>13. OTHER ASSETS</b>	<b>Note</b>		
Profit / return accrued in local currency		3,665,261	3,910,987
Profit / return accrued in foreign currency		14,307	15,160
Advances, deposits, advance rent and other prepayments		550,850	441,236
Advance taxation (payments less provisions)		101,385	106,647
Receivable against sale of shares		-	9,798
Non-banking assets acquired in satisfaction of claims	13.1.1	1,344,778	1,382,794
Branch adjustment account		340,366	-
Unrealised gain on re-measurement of forward exchange contracts		595,036	80,190
Stamps and stationery		5,966	6,422
Acceptances		2,028,153	1,808,125
Others		231,756	273,990
		8,877,858	8,035,349
Less: Provision held against other assets	13.2	(149,212)	(149,212)
Other assets (net of provision)		8,728,646	7,886,137
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	13.1.1	463,471	465,561
Other assets - total		9,192,117	8,351,698
<b>13.1</b> Market value of non-banking assets acquired in satisfaction of claims		1,901,387	1,880,440



13.1.1 The non-banking assets acquired in satisfaction of claims have been revalued by professionally qualified valuers listed on Pakistan Banking Association panel of valuers namely Professional Associates, Oceanic Surveyors Private Limited, Asrem Private Limited and Medallion Services Private Limited.

	Note	2021 ----- (Rupees in '000) -----	2020
<b>13.1.2 Non-banking assets acquired in satisfaction of claims</b>			
Opening balance		1,848,355	1,897,553
Addition during the year		-	6,110
Revaluation surplus during the year		-	104,528
Disposal during the year		(8,097)	(127,750)
Depreciation for the year		(32,009)	(32,086)
Closing balance		<u>1,808,249</u>	<u>1,848,355</u>

**13.1.3 Gain / loss on disposal of non-banking assets acquired in satisfaction of claims**

Disposal Proceeds		6,110	137,050
Less:			
- Cost		8,200	127,750
- Accumulated depreciation		(103)	-
		8,097	127,750
(Loss) / gain on disposal		<u>(1,987)</u>	<u>9,300</u>

**13.2 Provision held against other assets**

Non-performing receivables		148,966	148,966
Others		246	246
		<u>149,212</u>	<u>149,212</u>

**13.2.1 Movement in provision held against other assets**

Opening balance		149,212	146,140
Charge for the year		-	3,072
Reversal during the year		-	-
Write off		-	-
		-	3,072
Closing balance		<u>149,212</u>	<u>149,212</u>

**14. BILLS PAYABLE**

In Pakistan		3,978,696	3,696,482
Outside Pakistan		-	-
		<u>3,978,696</u>	<u>3,696,482</u>

	Note	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
<b>15. DUE TO FINANCIAL INSTITUTIONS</b>			
<b><i>Secured</i></b>			
Borrowings from State Bank of Pakistan			
- Under Islamic export refinance scheme	15.1	6,452,476	3,363,810
- Under Islamic refinance scheme for payment of salaries and wages	15.2	1,130,453	2,336,366
- Under Islamic temporary economic refinance facility for plant and machinery	15.3	1,297,289	4,859
- Under Islamic refinance facility for combating Covid-19	15.4	36,688	15,052
- Under Islamic financing facility for renewable energy	15.5	51,628	-
<b><i>Unsecured</i></b>			
Overdrawn nostro accounts		-	2,249
		<b>8,968,534</b>	<b>5,722,336</b>
<b>15.1</b>	The range of profit rates on these borrowings is 1% to 2% per annum (31 December 2020: 1% to 2% per annum). The maximum limit approved by SBP to the Bank under Islamic Export Refinance Scheme is Rs.6.609 billion. These contracts will mature in June 2022.		
<b>15.2</b>	SBP vide its Circular no.06 of 2020 has introduced an Islamic refinance scheme for businesses for payment of wages and salaries to combat the impact of Covid-19. The scheme aims to finance wages and salaries of permanent, contractual, daily wagers and outsourced employees. The maximum limit approved by SBP to the Bank under this scheme is Rs. 3 billion. These contracts will mature in December 2022.		
<b>15.3</b>	SBP vide its Circular no. 02 of 2020 has introduced an Islamic temporary economic refinance facility to support sustainable economic growth. The facility aims to provide concessionary finance for setting up of new industrial units through purchase of new imported and locally manufactured plant and machinery. The profit rate on these borrowings is 1% (31 December 2020: 1%) per annum. The maximum limit approved by SBP to the Bank under this scheme is Rs.2 billion. These contracts will mature in December 2031.		
<b>15.4</b>	SBP vide its Circular no.04 of 2020 has introduced an Islamic refinance facility to combat the impact of Covid-19. The facility aims to provide long term finance for purchase of new imported and locally manufactured medical equipments to be used for combating Covid-19 by hospitals and medical centers registered with provincials / federal agencies. The maximum limit approved by SBP to the Bank under this scheme is Rs.75 million. These contracts will mature in October 2026.		
<b>15.5</b>	The profit rate on these borrowings is 2% (31 December 2020: Nil) per annum. The maximum limit approved by SBP to the Bank under this scheme is Rs. 200 million. These contracts will mature in September 2031.		
<b>15.6 Particulars of due to financial institutions with respect to currencies</b>			
In local currency		8,968,534	5,720,087
In foreign currency		-	2,249
		<b>8,968,534</b>	<b>5,722,336</b>

## 16. DEPOSITS AND OTHER ACCOUNTS

	2021			2020		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
<b>Customers</b>						
Current deposits	34,469,987	9,225,638	43,695,625	32,089,357	6,414,325	38,503,682
Savings deposits	58,900,348	6,869,645	65,769,993	53,918,588	5,063,563	58,982,151
Term deposits	48,629,110	1,108,269	49,737,379	47,062,823	2,090,886	49,153,709
Others	2,478,098	-	2,478,098	1,716,866	-	1,716,866
	144,477,543	17,203,552	161,681,095	134,787,634	13,568,774	148,356,408
<b>Financial Institutions</b>						
Current deposits	84,597	4,306	88,903	195,242	2,722	197,964
Savings deposits	16,004,670	720	16,005,390	9,483,154	651	9,483,805
Term deposits	1,141,750	-	1,141,750	1,325,550	-	1,325,550
	17,231,017	5,026	17,236,043	11,003,946	3,373	11,007,319
	161,708,560	17,208,578	178,917,138	145,791,580	13,572,147	159,363,727

## 16.1 Composition of deposits

	2021	2020
	(Rupees in '000)	
- Individuals	70,708,047	67,705,607
- Government (federal and provincial)	11,634,711	9,307,923
- Public sector entities	3,288,169	2,007,579
- Banking companies	1,482,205	578,234
- Non-banking financial institutions	15,756,826	10,429,085
- Private sector	76,047,180	69,335,299
	178,917,138	159,363,727

16.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs.84,502 million (31 December 2020: Rs.85,545 million).

## 17. SUBORDINATED DEBT

	Note	2021	2020
		(Rupees in '000)	
Tier II mudaraba sukuk - first issue		-	285,704
Tier II mudaraba sukuk - second issue	17.1	1,500,000	1,500,000
Tier II mudaraba sukuk - third issue	17.2	1,735,000	-
Additional Tier I capital	17.3	1,389,241	1,389,241
		4,624,241	3,174,945

17.1 In August 2017, the Bank issued regulatory shariah compliant unsecured, subordinated privately placed Tier-II sukuk (second issue) based on mudaraba of Rs.1.5 billion as instruments of redeemable capital under section 66 of the Companies Act, 2017. A brief description of Tier-II sukuk (second issue) is as follows:

Credit rating	A by JCR-VIS Credit Rating Company Limited
Issue date	22 August 2017
Tenor	7 years from the issue date
Profit payment frequency	Semi-annually in arrears
Redemption	Bullet payment at the end of the seventh year
Expected periodic profit amount (mudaraba profit amount)	Mudaraba profit is computed under the general depositors' pool on the basis of profit Sharing Ratio (PSR) and monthly weightages announced by the Bank. Profit rate is 6 month KIBOR + 0.75% per annum.
Call option	The Bank may call Tier-II sukuk with prior approval of SBP after completion of five years from the date of issue.
Loss absorbency	The Tier-II sukuk, at the option of the SBP, will be fully and permanently converted into common shares upon the occurrence of a Point of Non-Viability (PONV) trigger event as determined by SBP or for any other reason as may be directed by SBP.
Lock-in-clause	Profit amount can be held back in respect of the Tier-II sukuk, if such payment will result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) requirement.

17.2 In December 2021, the Bank issued regulatory shariah compliant unsecured, subordinated privately placed Tier-II sukuk (third issue) based on mudaraba of Rs.1.735 billion as instruments of redeemable capital under section 66 of the Companies Act, 2017. A brief description of Tier-II sukuk (third issue) is as follows:

Credit rating	A by JCR-VIS Credit Rating Company Limited
Issue date	22 December 2021
Tenor	10 years from the issue date
Profit payment frequency	Semi-annually in arrears
Redemption	Bullet payment at the end of the tenth year
Expected periodic profit amount (mudaraba profit amount)	Mudaraba profit is computed under the general depositors' pool on the basis of profit Sharing Ratio (PSR) and monthly weightages announced by the Bank. Profit rate is 6 month KIBOR + 1.5% per annum
Call option	The Bank may call Tier-II sukuk with prior approval of SBP after completion of five years from the date of issue.
Loss absorbency	The Tier-II sukuk, at the option of the SBP, will be fully and permanently converted into common shares upon the occurrence of a Point of Non-Viability (PONV) trigger event as determined by SBP or for any other reason as may be directed by SBP.
Lock-in-clause	Profit amount can be held back in respect of the Tier-II sukuk, if such payment will result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) requirement.

- 17.3 In December 2018, the Bank issued regulatory shariah compliant unsecured, subordinated privately placed Additional Tier-I (ADT-1) capital based on modaraba of Rs.1.389 billion. A brief description of Additional Tier-I (ADT-1) capital is as follows:

Credit rating	Not rated
Issue date	26 December 2018
Tenor	Perpetual
Profit payment frequency	Monthly
Redemption	Perpetual
Expected periodic profit amount (mudaraba profit amount)	Mudaraba profit is computed under the general depositors' pool on the basis of Profit Sharing Ratio (PSR) and monthly weightages announced by the Bank. Profit rate is 1 Year KIBOR + 2.50% per annum.
Call option	The Bank may call ADT-1 Capital sukuk with prior approval of SBP after completion of five years from the date of issue.
Loss absorbency	The ADT-1 capital, at the option of the SBP, will be fully and permanently converted into common shares upon the occurrence of a Point of Non-Viability (PONV) trigger event as determined by SBP or for any other reason as may be directed by SBP.
Lock-in-clause	Profit and / or redemption amount can be held back in respect of the ADT-1 capital, if such payment will result in a shortfall in the Bank's minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) requirement.

18. OTHER LIABILITIES	Note	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
Return on deposits and borrowings:			
- payable in local currency		1,165,527	1,070,591
- payable in foreign currencies		1,647	1,308
Accrued expenses		490,764	435,346
Advance payments		1,014,897	709,536
Charity fund balance	18.1	77,705	77,238
Security deposits against ijarah		160,648	302,103
Payable against purchase of listed shares		2,038	3,310
Payable in respect of defined benefit plan		17,567	7,899
Takaful payable against ijarah and diminishing musharakah assets		429,178	363,302
Branch adjustment account		-	396,685
Acceptances		2,028,153	1,808,125
Lease liability against right-of-use assets		1,847,617	1,966,167
Others		978,333	685,070
		<b>8,214,074</b>	<b>7,826,680</b>
<b>18.1 Charity Fund</b>			
Opening balance		77,238	46,351
<b>Additions during the year</b>			
Received from customers on account of delayed payment		69,665	62,976
Dividend purification amount		739	928
Non-shariah compliant income		8,505	20,467
Profit on charity saving account		23	33
Others		112	114
		<b>79,044</b>	<b>84,518</b>
<b>Payments / utilization during the year</b>			
Education		(23,767)	(16,031)
Health		(52,490)	(33,920)
Mass wedding		(1,770)	-
Infrastructure and development		(500)	(3,130)
Others		(50)	(550)
		<b>(78,577)</b>	<b>(53,631)</b>
Closing balance		<b>77,705</b>	<b>77,238</b>

**19. SHARE CAPITAL****19.1 Authorized capital**

2021	2020		2021	2020
-----Number of shares-----			----- (Rupees in '000) -----	
<u>2,000,000,000</u>	<u>2,000,000,000</u>	Ordinary shares of Rs.10 each	<u>20,000,000</u>	<u>20,000,000</u>

**19.2 Issued, subscribed and paid-up capital**

2021	2020		2021	2020
-----Number of shares-----			----- (Rupees in '000) -----	
<b>450,000,000</b>	450,000,000	Ordinary shares of Rs.10 each fully paid in cash	<b>4,500,000</b>	4,500,000
<b>923,962,760</b>	923,962,760	Issued for consideration other than cash	<b>9,239,628</b>	9,239,628
<u><b>1,373,962,760</b></u>	<u>1,373,962,760</u>		<u><b>13,739,628</b></u>	<u>13,739,628</u>
-	-	Add: Capital support fund*	<b>1,393,628</b>	1,393,628
-	-	Less: Discount on issue of shares	<b>(632,766)</b>	(632,766)
<u><b>1,373,962,760</b></u>	<u>1,373,962,760</u>		<u><b>14,500,490</b></u>	<u>14,500,490</u>

\* In order to support the CAR requirements, Al Baraka Islamic Bank, B.S.C (c) (Parent Bank) has injected the temporary Capital Support Fund amounting to Rs 1.394 billion (USD 9 million) which is an allowable capital for the purposes of CAR, MCR and Leverage ratio. These funds can only be remitted back after prior approval of SBP. In case capital of the Bank is not increased through alternate plans, the said capital support fund will be converted into Share Capital of the Bank. Presently, SBP has allowed the Bank, timeline extension for the commencement of conversion process of Capital Support Fund into Share Capital till 30 June 2022. At present, the Bank does not have relevant basis to determine the number of shares to be issued at the time of conversion, accordingly the diluted EPS cannot be ascertained.

**19.3 Shareholders having more than 10% shareholding in 2021 and 2020**

	2021		2020	
Name of shareholder	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
AlBaraka Islamic Bank (Bahrain) B.S.C. (c)	<b>812,446,082</b>	<b>59.13%</b>	812,446,082	59.13%
Islamic Corporation for the Development of the Private Sector	<b>162,847,717</b>	<b>11.85%</b>	162,847,717	11.85%
Mal Al Khaleej Investment L.L.C.	<b>158,360,039</b>	<b>11.53%</b>	158,360,039	11.53%

**20. SURPLUS ON REVALUATION OF ASSETS**

Surplus on revaluation of:

	Note	2021	2020
		----- (Rupees in '000) -----	
- Available for sale securities	8.1	<b>325,225</b>	647,529
- Non-banking assets acquired in satisfaction of claims	20.1	<b>463,471</b>	465,561
		<b>788,696</b>	1,113,090

Deferred tax on surplus on revaluation of:

- Available for sale securities		<b>(126,838)</b>	(226,635)
- Non-banking assets acquired in satisfaction of claims	20.1	<b>(180,754)</b>	(162,946)
		<b>(307,592)</b>	(389,581)
		<b>481,104</b>	723,509

	Note	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
<b>20.1 Surplus on revaluation of non-banking assets acquired in satisfaction of claims</b>			
Surplus on revaluation as at January 1		465,561	371,253
Revaluation surplus during the year		-	104,528
Realised on disposal during the year		(2,090)	(10,220)
Surplus on revaluation as at December 31		463,471	465,561
Less: related deferred tax liability on:			
- revaluation as at January 1		(162,946)	(129,938)
- opening revaluation due to tax rate change during the year		(18,623)	-
- revaluation surplus during the year		-	(36,585)
- surplus realised on disposal during the year		815	3,577
		(180,754)	(162,946)
		<u>282,717</u>	<u>302,615</u>
<b>21. CONTINGENCIES AND COMMITMENTS</b>			
- Guarantees	21.1	14,169,635	8,052,300
- Commitments	21.2	65,381,806	44,866,889
		<u>79,551,441</u>	<u>52,919,189</u>
<b>21.1 Guarantees:</b>			
Financial guarantees		153,194	9,017
Performance guarantees		7,190,353	4,919,029
Other guarantees		6,826,088	3,124,254
		<u>14,169,635</u>	<u>8,052,300</u>
<b>21.2 Commitments:</b>			
Documentary credits and short-term trade-related transactions			
- letters of credit		15,979,710	10,638,401
Commitments in respect of forward foreign exchange contracts	21.2.1	48,167,237	32,815,873
Commitments for acquisition of operating fixed assets		4,656	14,168
Other commitments	21.2.2	1,230,203	1,398,447
		<u>65,381,806</u>	<u>44,866,889</u>
<b>21.2.1 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		29,458,882	16,049,914
Sale		18,708,355	16,765,959
		<u>48,167,237</u>	<u>32,815,873</u>
<b>21.2.1.1</b> The maturities of the above contracts are spread over the period upto one year.			
<b>21.2.2 Other commitments</b>			
Commitments in respect of financing	21.2.2.1	1,230,203	1,398,447
<b>21.2.2.1</b> These represent commitments that are irrecoverable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.			

**21.3 Tax contingencies**

- 21.3.1** The Bank has received various assessment orders from Deputy Commissioner Inland Revenue (DCIR) stating that the Bank has short paid Federal Excise Duty (FED) on specific income of the Bank for the years 2009 to 2011 amounting to Rs. 86.5 million and Rs. 34.575 million in respect of year 2012. In response to the Bank's appeal, Appellate Tribunal Inland Revenue (ATIR) has set aside the orders relating to years 2009 to 2011 for fresh adjudication and the said matter is pending decision for further proceedings. For year 2012, Commissioner Inland Revenue (CIR) Appeal has dropped the proceedings amounting to Rs.8.991 million. Accordingly, the Bank has filed the appeal before ATIR against the order of CIR Appeal amounting to Rs.25.584 million.

In respect of assessments of ex - Burj Bank Limited (now AlBaraka Bank (Pakistan) Limited), the taxation authorities have raised a demand of Rs.1.9 million on account of minimum tax in respect of tax year 2011 which has been challenged by the management and is currently pending before the ATIR.

- 21.3.2** During the year 2020, the Bank has received assessment orders from Appellate Tribunal (ATIR) in respect of ex-Al Baraka Islamic Bank B.S.C (merged with and into the Bank) related to various tax matters from tax years 2001-2011. Based on the advise of tax advisor, the Bank has filed the reference application before the Honorable High Court, Lahore against the said orders. The management of the Bank is confident that the appeals are likely to be decided in favor of the Bank and, hence no provision has been made in these financial statements for the income tax claims amounting to Rs.116.512 million.
- 21.3.3** During the year 2021, Additional Commissioner Inland Revenue (ACIR) passed the order under Section 122(5A) of the Income Tax Ordinance disallowing certain refunds adjustment in the tax return filed for the tax year 2017. The Bank has filed an appeal against the said decision before Commissioner Inland Revenue (Appeals). The management and the Bank's tax consultant is confident that the appeal is likely to be decided in favor of the Bank and hence no provision has been made in these financial statements for the income tax claims amounting to Rs. 8.385 million.
- 21.3.4** During the year 2021, Assistant/Deputy Commissioner Inland Revenue (DCIR) passed the order under Section 122(1) of the Income Tax Ordinance on account of certain additions/disallowances of certain expenses in the tax return filed for the tax year 2018. The Bank will file an application for rectification and an appeal against the Order before Commissioner Inland Revenue (Appeals). The management and the Bank's tax consultant is confident that the appeal is likely to be decided in favor of the Bank and hence no provision has been made in these financial statements for the income tax claims amounting to Rs. 380.184 million.
- 21.3.5** During the year 2021, Additional Commissioner Inland Revenue (ACIR) passed the order under Section 122(5A) of the Income Tax Ordinance on account of certain additions / disallowances of certain expenses in the tax return filed for the tax year 2019. The Bank will file application for rectification and an appeal against the Order before Commissioner Inland Revenue (Appeals). The management and the Bank's tax consultant is confident that the appeal is likely to be decided in favor of the Bank and hence no provision has been made in these financial statements for the income tax claims amounting to Rs.299.266 million.

**21.4 Other contingencies**

- 21.4.1** Claims against the Bank not acknowledged as debt 2,897,884 3,021,884

These mainly represent counter claims by borrowers for damages, claimed filed by former employee(s) of the Bank and other claims related to banking transactions. Based on legal advice and/or internal assessments, management is confident that the matters will be decided in the Bank's favor and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these financial statements.

**22. PROFIT / RETURN EARNED ON ISLAMIC FINANCING AND RELATED ASSETS, INVESTMENTS AND PLACEMENTS**

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

On:

- Islamic financing and related assets	<b>8,808,293</b>	9,068,597
- Investments	<b>4,664,817</b>	3,178,556
- Due from financial institutions	<b>256,531</b>	1,794,376
- Balances with banks	<b>14,022</b>	10,965
	<u><b>13,743,663</b></u>	<u>14,052,494</u>

**23. RETURN ON DEPOSITS AND OTHER DUES EXPENSED**

On:

- Deposits	<b>6,135,246</b>	6,697,570
- Borrowings	<b>121,020</b>	71,329
- Conversion cost against foreign currency deposits / borrowings	<b>396,850</b>	164,365
- Subordinated debt	<b>282,685</b>	454,799
- Finance charge on lease liability against right-of-use asset	<b>173,778</b>	205,147
- Export refinance under Islamic scheme	<b>104,533</b>	82,947
	<u><b>7,214,112</b></u>	<u>7,676,157</u>

**24. FEE AND COMMISSION INCOME**

Branch banking customer fees	<b>93,641</b>	81,368
Consumer finance related fees	<b>107,074</b>	98,130
Debit card related fees and income	<b>107,238</b>	66,039
Investment banking fees	<b>176,353</b>	42,240
Commission on trade	<b>350,545</b>	263,752
Commission on guarantees	<b>90,446</b>	56,160
Commission on cash management	<b>10,154</b>	4,727
Commission on remittances including home remittances	<b>32,490</b>	28,006
Commission on bancatakaful	<b>7,151</b>	6,038
Others	<b>24,022</b>	22,631
	<u><b>999,114</b></u>	<u>669,091</u>

		2021	2020
	Note	----- (Rupees in '000) -----	
<b>25. GAIN / LOSS ON SECURITIES</b>			
Realised	25.1	125,266	164,687
Unrealised - held for trading	8.1	5,802	9,782
		<u>131,068</u>	<u>174,469</u>
<b>25.1 Realised gain / (loss) on:</b>			
Federal Government securities		152,638	175,043
Shares		(27,372)	(33,105)
Foreign Sukuk		-	22,749
		<u>125,266</u>	<u>164,687</u>
<b>26. OTHER INCOME</b>			
Rent on property		23,081	21,206
Gain on sale of fixed assets-net		6,740	26,776
(Loss) / gain on sale of non banking assets		(1,987)	9,300
		<u>27,834</u>	<u>57,282</u>
<b>27. OPERATING EXPENSES</b>			
<b>Total compensation expense</b>	27.1	<b>2,537,637</b>	2,364,638
<b>Property expense</b>			
Rent and taxes		25,436	64,400
Takaful expense		46,116	54,825
Utilities		234,404	209,374
Security (including guards)	27.2	264,002	236,867
Repair and maintenance (including janitorial charges)	27.2	83,375	86,695
Depreciation on fixed assets		66,467	62,050
Depreciation on right of use assets		667,822	635,140
Depreciation - non banking assets		32,009	32,086
Others		7,925	7,575
		<u>1,427,556</u>	<u>1,389,012</u>
<b>Information technology expenses</b>			
Software maintenance		211,926	164,051
Hardware maintenance		56,508	56,272
Depreciation on fixed assets		41,461	29,377
Amortisation		51,585	50,772
Network charges		82,898	78,674
Others	27.3	53,083	45,037
		<u>497,461</u>	<u>424,183</u>
<b>Other operating expenses</b>			
Directors' fees and allowances		42,000	55,000
Fees and allowances to Shariah Board		2,089	4,000
Legal and professional charges		82,631	81,146
Outsourced services costs	27.2	166,034	170,984
Travelling and conveyance		27,175	19,905
NIFT clearing charges		16,444	17,771
Depreciation on fixed assets		93,898	91,018
Amortization		98,273	126,793
Takaful and registration of Ijarah		11,531	32,821
Training and development		2,750	10,569
Postage and courier charges		25,429	25,972
Communication		45,636	49,144
Stationery and printing	27.2	94,357	90,344
Marketing, advertisement and publicity		27,285	30,445
Repair and maintenance		43,680	45,975
Auditors' remuneration	27.4	17,430	14,293
Depositors' protection		136,872	113,833
Brokerage, commission and bank charges		164,319	168,226
Others		54,869	67,569
		<u>1,152,702</u>	<u>1,215,808</u>
		<u>5,615,356</u>	<u>5,393,641</u>



		2021	2020
	Note	----- (Rupees in '000) -----	-----
<b>27.1 Total compensation expense</b>			
Managerial remuneration			
i) Fixed		1,375,079	1,295,647
ii) Total variable		99,264	69,747
of which			
a) Cash bonus / awards		99,264	69,747
a) Bonus and awards in shares		-	-
Charge for defined benefit plan		80,969	78,615
Contribution to defined contribution plan		100,926	94,101
Rent and house maintenance		356,393	328,758
Utilities		114,316	107,694
Medical		126,711	120,069
Conveyance		283,891	269,001
Others		88	1,006
		<u>2,537,637</u>	<u>2,364,638</u>

**27.2** These amounts include outsourcing services with regards to janitorial services, security services, contractual employees over third party contracts and printing activities.

**27.3** This mainly includes cost relating to outsourcing activities amounting to Rs. 38.368 million (31 December 2020: Rs. 37.748 million) relating to Euronet Pakistan on account of IT support services and licensing fees.

		2021	2020
	Note	----- (Rupees in '000) -----	-----
<b>27.4 Auditors' remuneration</b>			
Audit fee		3,048	2,835
Fee for limited scope review-half yearly		918	854
Fee for audit of group reporting		5,880	4,174
Fee for other statutory certifications		1,999	1,859
Fee for audit of AJK and Gilgit Region branches		515	479
Special certifications and sundry advisory services		1,819	1,830
Sindh sales tax		1,333	1,059
Out-of-pocket expenses		1,918	1,203
		<u>17,430</u>	<u>14,293</u>

## **28. OTHER CHARGES**

Penalties imposed by State Bank of Pakistan		<u>359</u>	<u>90,697</u>
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## **29. PROVISIONS AND WRITE OFFS - NET**

Reversal for diminution in value of investments	8.3.1	(175,833)	(42,857)
Provision against non-performing Islamic financing and related assets	9.5	2,362,197	1,241,337
Provision against other assets		-	3,072
Write off against other assets		2,171	1,308
Write off against fixed assets		19,756	5,088
		<u>2,208,291</u>	<u>1,207,948</u>

## **30. TAXATION**

Current		195,874	321,131
Deferred		(152,691)	453,040
		<u>43,183</u>	<u>774,171</u>

## **30.1 Relationship between tax expense and accounting profit.**

	2021
	Rupees in '000
Profit before taxation	<u>673,734</u>
Tax at the applicable rate of 35%	235,807
Super tax at 4%	94,365
Tax Impact due to rate change during the year	(301,051)
Permanent Difference	12,646
Other	1,416
Tax charge for the year	<u>43,183</u>

- 30.2 Numerical reconciliation between average tax rate and applicable tax rate has not been presented for the prior year as the bank had accumulated losses in prior periods and provision for the current taxation was made under section 113 of the Income Tax Ordinance, 2001 (Minimum Tax).

	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
<b>31. BASIC / DILUTED EARNING PER SHARE</b>		
Profit after taxation for the year	<u>630,551</u>	<u>764,233</u>
	--- Number of shares ---	
Weighted average number of ordinary shares	<u>1,373,962,760</u>	<u>1,373,962,760</u>
Basic / diluted earning per share - Rupee	<u>0.46</u>	<u>0.56</u>

**32. CASH AND CASH EQUIVALENTS**

Cash and balance with treasury banks	17,608,396	15,773,612
Balance with other banks	9,763,588	10,177,095
	<u>27,371,984</u>	<u>25,950,707</u>

- 32.1 The Bank maintains local and foreign currency mandatory reserves with SBP under requirement of Banking Companies Ordinance 1962, and the SBP directives as disclosed in Note 5.1. Such reserves can be used by bank, if required.

**33. Reconciliation of movement of liabilities to cash flow arising from financing activities**

	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
<b>Balance as at 01 January</b>	3,811,763	4,645,893
<b>Change from financing cash flows</b>		
Repayment of Tier II mudaraba sukuk-first issue	(285,704)	(285,716)
Payment of lease liability against right-of-use assets	(292,328)	(548,414)
Proceeds against issuance of Tier II mudaraba-third issue	1,735,000	-
<b>Balance as at 31 December</b>	<u>4,968,731</u>	<u>3,811,763</u>

**34. STAFF STRENGTH**

	----- Number -----	
Permanent	1,740	1,725
On bank contract	193	281
Consultants	1	1
<b>Bank's own staff strength at the end of the year</b>	<u>1,934</u>	<u>2,007</u>

- 34.1 In addition to the above, 475 (31 December 2020: 497) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services.

**35. DEFINED BENEFIT PLAN**

**35.1 General description**

The Bank operates funded gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn basic salary for each completed year of service, subject to a minimum of three years of service. The Bank contributes to the gratuity fund based on the independent actuarial valuations.

**35.2 Number of Employees under the scheme**

The number of employees covered under the following defined benefit schemes are:

	2021 ----- Number -----	2020 ----- Number -----
Gratuity fund	<u>1,818</u>	<u>1,849</u>

**35.3 Principal actuarial assumptions**

The actuarial valuations were carried out as at 31 December 2021 using the following significant assumptions:

	Note	2021 ----- Per annum -----	2020 -----
Discount rate		12.25%	10.25%
Expected rate of return on plan assets		12.25%	10.25%
Expected rate of salary increase		10.25%	8.25%

**35.4 Reconciliation of payable to defined benefit plans**

Present value of obligations		378,539	336,539
Fair value of plan assets		(360,972)	(328,640)
		<u>17,567</u>	<u>7,899</u>

**35.5 Movement in defined benefit obligations**

Obligations at the beginning of the year		336,539	284,008
Current service cost		84,274	84,290
Interest cost		31,523	30,498
Benefits paid by the Bank		(59,448)	(61,761)
Re-measurement gain		(14,349)	(496)
Obligations at the end of the year		<u>378,539</u>	<u>336,539</u>

**35.6 Movement in fair value of plan assets**

Fair value at the beginning of the year		328,640	307,359
Expected return on plan assets		34,828	36,173
Contribution by the Bank		81,731	62,754
Benefits paid		(59,448)	(61,761)
Re-measurements: Net return on plan assets over interest income loss	35.8.2	(24,779)	(15,885)
Fair value at the end of the year		<u>360,972</u>	<u>328,640</u>

**35.7 Movement in (receivable) / payable under defined benefit schemes**

Opening balance		7,899	(23,351)
Charge for the year		80,969	78,615
Contribution by the Bank		(81,731)	(62,754)
Re-measurement loss recognised in OCI during the year	35.8.2	10,430	15,389
Closing balance		<u>17,567</u>	<u>7,899</u>

**35.8 Charge for defined benefit plans****35.8.1 Cost recognised in profit and loss**

Current service cost		84,274	84,290
Net interest on defined benefit asset / liability		(3,305)	(5,675)
		<u>80,969</u>	<u>78,615</u>

**35.8.2 Re-measurements recognised in OCI during the year**

Loss on obligation			
- Financial assumptions		(5,469)	(3,495)
- Experience adjustment		(8,880)	2,999
Return on plan assets over interest income		24,779	15,885
Total re-measurements recognised in OCI		<u>10,430</u>	<u>15,389</u>

	2021	2020
	----- (Rupees in '000) -----	
<b>35.9 Components of plan assets</b>		
Cash and cash equivalents - net	317,628	285,392
Units of mutual funds	43,344	43,248
<b>35.10 Sensitivity analysis</b>		
1% increase in discount rate	337,026	301,769
1% decrease in discount rate	416,447	377,530
1 % increase in expected rate of salary increase	418,855	379,779
1 % decrease in expected rate of salary increase	334,484	299,402
<b>35.11 Expected contributions to be paid to the funds in the next financial year</b>	<b>74,740</b>	<b>68,148</b>
<b>35.12 Expected charge for the next financial year</b>	<b>74,740</b>	<b>68,148</b>
<b>35.13 Maturity profile</b>		
Weighted average duration of the defined benefit obligation		
Distribution of timing of benefit payments	10.63 years	11.26 years
Less than 12 months	26,882	14,662
Between 1 year and 5 years	73,780	63,987
Between 6 and 10 years	242,507	191,084
Above 10 years	1,851,704	1,248,057

**35.14 Risks associated with defined benefit plan****- Investment risks:**

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

**- Longevity risks:**

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

**- Salary increase risk:**

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

**- Withdrawal risk:**

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation.

**36. DEFINED CONTRIBUTION PLAN**

The Bank also operates a recognized contributory provident fund for all permanent employees. Equal monthly contributions are made, both by the Bank and the employees, to the fund at a rate of 10% of basic salary.

	2021	2020
	----- (Rupees in '000) -----	
Contribution from the Bank	100,926	94,101
Contribution from the employees	100,926	94,101
	<b>201,852</b>	<b>188,202</b>

## 37. COMPENSATION OF DIRECTORS AND EXECUTIVES

COMPENSATION OF DIRECTORS AND EXECUTIVES

		2021					
Note	Directors		Member shariah board	President / CEO	Key management personnel	Other material risk takers / controllers	
	Chairman	Non executives					
	(Rupees in '000)						
Fees and allowances etc.	500	41,500*	2,089	-	-	-	
Managerial remuneration							
i) Fixed	-	-	7,998	24,539	129,499	78,264	
ii) Total variable	-	-	1,019	4,899	13,987	5,905	
of which							
a) Cash bonus / awards	-	-	1,019	4,899	13,987	5,905	
a) Bonus & awards in shares	-	-	-	-	-	-	
Charge for defined benefit plan	-	-	-	1,742	7,450	4,313	
Contribution to defined contribution plan	-	-	-	2,090	10,245	6,204	
Rent & house maintenance	-	-	-	6,273	32,777	19,981	
Utilities	-	-	-	2,091	10,926	6,244	
Medical	-	-	-	2,091	10,926	6,244	
Conveyance	-	-	1,772	138	32,352	36,372	
Others	-	-	3	3	432	402	
Total	500	41,500	12,881	43,866	248,594	163,929	
Number of Persons	1	8	3	1	19	28	

  

		2020					
	Directors		Member shariah board	President / CEO	Key management personnel	Other material risk takers / controllers	
	Chairman	Non executives					
	(Rupees in '000)						
Fees and allowances etc.	2,000	53,000	4,000	-	-	-	
Managerial remuneration							
i) Fixed	-	-	7,536	22,757	124,894	73,932	
ii) Total variable	-	-	828	1,027	8,109	4,850	
of which							
a) Cash bonus / awards	-	-	828	1,027	8,109	4,850	
a) Bonus & awards in shares	-	-	-	-	-	-	
Charge for defined benefit plan	-	-	-	1,584	6,133	3,478	
Contribution to defined contribution plan	-	-	-	1,901	10,084	5,828	
Rent & house maintenance	-	-	-	5,702	29,700	17,517	
Utilities	-	-	-	1,901	9,534	5,839	
Medical	-	-	-	1,901	10,637	5,839	
Conveyance	-	-	1,908	227	30,950	31,383	
Others	-	-	-	4	429	337	
Total	2,000	53,000	14,272	37,004	230,470	149,003	
Number of Persons	1	9	3	1	23	31	

The Bank also provides Bank maintained car to certain executives for their own use and business use.

\*This includes fee paid to resigned directors for the meetings held during their tenure.

- 37.1 SBP has issued guidelines and disclosure on governance and remuneration practices through BPRD Circular No. 1 of 2017 dated 25 January 2017 effective from 01 January 2019. The amount of bonus payout deferred at the time of payment to the President, Chief Executive Officer, Key Management Personnel and other Material Risk Takers / Material Risk Controllers, as per the Remuneration Policy as at 31 December 2021 amounts to Rs. 9.222 million (31 December 2020: Rs.4.432 million).

## 37.1.1 Movement of Deferred Remuneration

	2021 Rupees in '000
Opening Balance	4,432
Addition of 2020 deferred Remuneration	6,267
Less: Paid during the year	(1,477)
<b>Closing Balance</b>	<b>9,222</b>

## 37.2 Fee paid to directors for participation in board and committee meetings

	2021						
	Meeting Fees Paid						
	For Board Committees						
	For Board Meetings	Risk Committee	Audit and Compliance Committee	Nomination and Remuneration Committee	Board Executive Committee	Sustainability and Social Responsibility Committee	Total amount paid
	(Rupees in '000)						
Dr. Jehad El Nakla	500	-	-	-	-	-	500
Mr. Tareq Mahmood Kazim	2,000	-	-	1,500	2,000	500	6,000
Mr. Mohammed Tareq Sadeq	2,000	-	2,000	-	-	-	4,000
Mr. Zahid Rahim	2,000	2,000	500	-	2,500	-	7,000
Mr. Azhar Hamid	1,500	-	1,500	-	-	500	3,500
Ms. Aminah Zahid Zaheer	500	500	-	500	1,000	-	2,500
Mr. Abdul Malek Mazhar	500	-	500	500	-	-	1,500
Mr. Azhar Aziz Dogar	500	500	-	-	-	-	1,000
Mr. Adnan Ahmed Yousif *	500	-	-	-	-	-	500
Mr. Salman Ahmed *	1,000	1,500	-	-	1,500	-	4,000
Mr. Ahmed Rehman *	1,000	1,500	-	1,000	-	-	3,500
Mr. Asheque Moyeed *	1,000	-	-	1,000	1,500	-	3,500
Mr. Shafqaat Ahmed *	1,000	1,500	-	-	-	500	3,000
Mr. Abdulrahman Shehab *	500	-	500	500	-	-	1,500
	14,500	7,500	5,000	5,000	8,500	1,500	42,000

\* Resigned during the year

2020						
Meeting Fees Paid						
For Board Committees						
For Board Meetings	Risk Committee	Audit and Compliance Committee	Nomination and Remuneration Committee	Board Executive Committee	Sustainability and Social Responsibility Committee	Total amount paid
(Rupees in '000)						
Mr. Adnan Ahmed Yousif	2,000	-	-	-	-	2,000
Mr. Tareq Mahmood Kazim	2,000	-	-	2,000	1,500	8,000
Mr. Abdulrahman Shehab	2,000	-	2,000	-	-	6,000
Mr. Salman Ahmed	2,000	2,000	-	-	-	6,500
Mr. Zahid Rahim	2,000	2,000	-	-	-	6,500
Mr. Ahmed Rehman	2,000	2,000	-	2,000	-	6,000
Mr. Azhar Hamid	2,000	-	2,000	-	-	5,500
Mr. Shafqaat Ahmed	2,000	2,000	-	-	1,500	5,500
Mr. Mohammed Tareq Sadeq	2,000	-	2,000	-	-	4,000
Mr. Asheque Moyeed	1,500	-	-	1,500	-	5,000
	19,500	8,000	6,000	7,500	4,500	55,000

### 37.3 Remuneration paid to shariah board members

	2021			2020		
	Chairman	Resident Member	Non-Resident Member	Chairman	Resident Member	Non-Resident Member
Fees and allowances etc.	-	-	2,089	2,000	-	2,000
Managerial remuneration						
i) Fixed	-	7,998	-	-	7,536	-
ii) Total variable	-	1,019	-	-	828	-
of which						
a) Cash bonus / awards	-	1,019	-	-	828	-
a) Bonus & awards in shares	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	-	-
Rent & house maintenance	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Medical	-	-	-	-	-	-
Conveyance	-	1,772	-	-	1,908	-
Others	-	3	-	-	-	-
Total	-	10,792	2,089	2,000	10,272	2,000
Number of Persons	1	1	2	1	1	1

## 38. FAIR VALUE MEASUREMENTS

Fair value is the amount for which an asset could be exchanged, or a liability transferred, between knowledgeable willing parties in an arm's length transaction.

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held to maturity'. These securities are carried at amortized cost in order to comply with the requirements of BSD Circular No. 14 dated 24 September 2004.

Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available financial statements.

Fair value of Islamic financing and related assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of Islamic financing has been calculated in accordance with the Bank's accounting policy.

The repricing profile and maturity are stated in note 43.2.5 and 43.4.1 to these financial statements.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer Islamic financing and deposits are frequently repriced.

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).

**38.1 Fair value of financial assets**

The following table provides the fair value measurement hierarchy of the Bank's assets:

2021				
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	20,262,374	51,259,965	-	71,522,339
Other Securities	-	543,410	-	543,410
Shares	200,857	-	-	200,857
Foreign Securities	1,419,345	-	-	1,419,345
	21,882,576	51,803,375	-	73,685,951
Financial assets - disclosed but not measured at fair value				
Cash and balances with treasury banks	-	-	-	17,608,396
Balances with other banks	-	-	-	9,763,588
Due from financial institutions	-	-	-	403,122
Investments	-	-	-	2,866,544
Islamic financing and related assets	-	-	-	96,202,153
Other assets	-	-	-	7,219,504
	-	-	-	134,063,307
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	29,458,882	-	29,458,882
Forward sale of foreign exchange	-	18,708,355	-	18,708,355
2020				
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	20,079,599	28,435,451	-	48,515,050
Other Securities	-	1,121,536	-	1,121,536
Shares	605,810	-	-	605,810
Foreign Securities	2,112,785	-	-	2,112,785
	22,798,194	29,556,987	-	52,355,181
Financial assets - disclosed but not measured at fair value				
Cash and balances with treasury banks	-	-	-	15,773,612
Balances with other banks	-	-	-	10,177,095
Due from financial institutions	-	-	-	2,748,221
Investments	-	-	-	4,762,051
Islamic financing and related assets	-	-	-	90,279,044
Other assets	-	-	-	6,312,268
	-	-	-	130,052,291
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	16,049,914	-	16,049,914
Forward sale of foreign exchange	-	16,765,959	-	16,765,959

There were no transfer between level 2 and level 3 during the year.

**38.2 Valuation techniques used in determination of fair values within level 2 and level 3**

Particulars	Valuation approach and input used
Federal Government Securities	The fair value of federal government securities are determined on the basis of rates / prices sourced from Reuters
Non-Government Debt Securities	Investment in non-Government debt securities denominated in local currency are valued on the basis of rates announced by the Mutual Funds Association of Pakistan (MUFAP), Investment in non-Government debt securities denominated in other currencies are valued on the basis of rates taken from Bloomberg /
Foreign Government Debt Securities	The fair value of overseas Government securities are denominated on the basis of rates taken from Bloomberg / Reuters.
Forward foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by State Bank of Pakistan.

## 39. SEGMENT INFORMATION

## 39.1 Segment Details with respect to Business Activities

	2021					Total
	Corporate Banking	Commercial & SME Banking	Retail & Consumer Banking	Trading & Sales	Others	
	(Rupees in '000)					
<b>Profit and Loss</b>						
Net profit / return earned	3,665,825	1,150,129	(2,176,126)	4,117,753	(228,030)	6,529,551
Inter segment revenue - net	-	-	8,303,537	-	683,451	8,986,988
Other income	512,897	216,647	336,155	920,699	(4,459)	1,981,939
Total Income	4,178,722	1,366,776	6,463,566	5,038,452	450,962	17,498,478
Segment direct expenses	(210,621)	(231,603)	(5,127,306)	(64,192)	4,257	(5,629,465)
Inter segment expense allocation	(3,364,292)	(1,171,820)	-	(4,450,876)	-	(8,986,988)
Total expenses	(3,574,913)	(1,403,423)	(5,127,306)	(4,515,068)	4,257	(14,616,453)
Provisions	(1,566,238)	(663,710)	(151,150)	175,833	(3,026)	(2,208,291)
Profit / (loss) before tax	(962,429)	(700,357)	1,185,110	699,217	452,193	673,734
<b>Statement of Financial Position</b>						
Cash and balances with treasury banks	72,122	-	15,519,647	-	2,016,627	17,608,396
Balances with other banks	-	-	-	9,763,588	-	9,763,588
Due from financial institutions	-	-	-	403,122	-	403,122
Investments	3,315,268	-	-	73,237,227	-	76,552,495
Net inter segment lending	-	-	144,984,971	-	10,568,385	155,553,356
Islamic financing and related assets - performing	49,237,159	14,698,696	27,137,093	-	2,046,488	93,119,436
- non-performing	1,694,693	1,017,962	357,784	-	12,278	3,082,717
Others	2,662,118	461,690	8,313,931	2,470,786	3,679,118	17,587,643
<b>Total assets</b>	56,981,360	16,178,348	196,313,426	85,874,723	18,322,896	373,670,753
Bills payable	-	-	3,978,696	-	-	3,978,696
Due to financial institutions	7,024,503	1,944,031	-	-	-	8,968,534
Subordinated debt	-	-	-	-	4,624,241	4,624,241
Deposits and other accounts	20,472,635	-	158,444,503	-	-	178,917,138
Net inter segment borrowing	27,690,014	14,892,940	28,300,100	84,670,302	-	155,553,356
Others	2,756,637	41,733	4,405,015	24,103	986,586	8,214,074
<b>Total liabilities</b>	57,943,789	16,878,704	195,128,314	84,694,405	5,610,827	360,256,039
Equity	(962,429)	(700,356)	1,185,112	1,180,318	12,712,069	13,414,714
<b>Total equity and liabilities</b>	56,981,360	16,178,348	196,313,426	85,874,723	18,322,896	373,670,753
<b>Contingencies and commitments</b>	25,609,282	5,770,266	4,656	48,167,237	918,416	80,469,857
	2020					
	Corporate Banking	Commercial & SME Banking	Retail Banking	Trading & Sales	Others	Total
	(Rupees in '000)					
<b>Profit and Loss</b>						
Net profit / return earned	4,873,921	193,938	(2,503,024)	4,267,490	(455,988)	6,376,337
Inter segment revenue - net	-	-	6,921,567	-	1,231,000	8,152,567
Other income	370,579	143,316	274,787	1,161,763	(64,696)	1,885,749
Total Income	5,244,500	337,254	4,693,330	5,429,253	710,316	16,414,653
Segment direct expenses	(209,049)	(920,495)	(4,021,119)	(95,272)	(269,799)	(5,515,734)
Inter segment expense allocation	(4,324,782)	1,288,521	-	(5,116,306)	-	(8,152,567)
Total expenses	(4,533,831)	368,026	(4,021,119)	(5,211,578)	(269,799)	(13,668,301)
Provisions	(753,486)	(364,753)	(110,273)	42,857	(22,293)	(1,207,948)
Profit / (loss) before tax	(42,817)	340,527	561,938	260,532	418,224	1,538,404
<b>Statement of Financial Position</b>						
Cash and balances with treasury banks	-	-	4,851,084	10,922,528	-	15,773,612
Balances with other banks	-	-	-	10,177,095	-	10,177,095
Due from financial institutions	-	-	-	2,748,221	-	2,748,221
Investments	4,094,768	-	-	53,022,464	-	57,117,232
Net inter segment lending	-	25,523,155	107,779,875	-	9,112,163	142,415,193
Islamic financing and related assets - performing	53,995,510	12,216,562	19,477,902	-	1,634,744	87,324,718
- non-performing	1,235,379	658,658	1,033,346	-	26,943	2,954,326
Others	3,152,991	1,325,801	2,755,502	1,918,198	7,565,926	16,718,418
<b>Total assets</b>	62,478,648	39,724,176	135,897,709	78,788,506	18,339,776	335,228,815
Bills payable	-	-	3,696,482	-	-	3,696,482
Due to financial institutions	4,439,972	1,280,115	-	2,249	-	5,722,336
Subordinated debt	-	-	-	-	3,174,945	3,174,945
Deposits and other accounts	17,199,482	33,137,752	109,026,493	-	-	159,363,727
Net inter segment borrowing	40,734,080	4,195,014	19,692,894	77,793,205	-	142,415,193
Others	147,931	770,769	2,919,902	9,011	3,979,067	7,826,680
<b>Total liabilities</b>	62,521,465	39,383,650	135,335,771	77,804,465	7,154,012	322,199,363
Equity	(42,817)	340,526	561,938	984,041	11,185,764	13,029,452
<b>Total equity and liabilities</b>	62,478,648	39,724,176	135,897,709	78,788,506	18,339,776	335,228,815
<b>Contingencies and commitments</b>	12,520,048	7,509,100	74,168	32,815,873	347,068	53,266,257

## 39.2 Segment details with respect to geographical locations

## GEOGRAPHICAL SEGMENT ANALYSIS

	Pakistan	
	2021	2020
	(Rupees in '000)	
Profit before tax	673,734	1,538,404
Total assets	218,117,397	192,813,622
Total liabilities	204,702,683	179,784,170
Total equity and liabilities	218,117,397	192,813,622
Contingencies and commitments	80,469,857	53,266,257



**40. TRUST ACTIVITIES**

The Bank commonly act as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions including on behalf of certain related parties. These are not assets of the Bank and, therefore, are not included in the Statement of Financial Position. The following is the list of assets held under trust:

Category	Type	2021	2020	2021	2020
		Number of IPS account		Face value	
				---- (Rupees in '000) ----	
Takaful company	Government of Pakistan Ijara Sukuk	1	1	696,500	546,500
Employee funds	Government of Pakistan Ijara Sukuk	1	1	795,000	70,000
		2	2	1,491,500	616,500

**41. RELATED PARTY TRANSACTIONS**

The Bank has related party transactions with its parent, employee benefit plans and its directors and Key Management Personnel.

The Banks enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of employee benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

Note	2021					2020				
	Parent	Directors	Key management personnel	Other related parties	Total	Parent	Directors	Key management personnel	Other related parties	Total
	(Rupees in '000)									
<b>Islamic financing and related assets</b>										
Opening balance	-	-	260,191	-	260,191	-	-	260,522	-	260,522
Addition during the year	-	-	283,940	-	283,940	-	-	74,556	-	74,556
Repaid during the year	-	-	(118,820)	-	(118,820)	-	-	(45,928)	-	(45,928)
Transfer in/(out)	-	-	(44,887)	-	(44,887)	-	-	(28,959)	-	(28,959)
Closing balance	-	-	380,424	-	380,424	-	-	260,191	-	260,191
<b>Fixed assets</b>										
Fixed assets	-	-	-	251,680	251,680	-	-	-	251,680	251,680
Provision for impairment	-	-	-	251,680	251,680	-	-	-	251,680	251,680
<b>Other assets</b>										
Profit receivable on Islamic financing and related assets	-	-	357	-	357	-	-	430	-	430
<b>Subordinated debt</b>	1,389,241	-	-	-	1,389,241	1,389,241	-	-	-	1,389,241
<b>Deposits and other accounts</b>										
Opening balance	4,414	249,380	54,832	999,524	1,308,150	4,413	241,699	67,187	1,020,924	1,334,223
Received during the year	9,431	88,123	410,446	8,514,973	9,022,973	1	411,368	263,013	1,629,698	2,304,080
Withdrawn during the year	-	(92,182)	(413,859)	(9,145,634)	(9,651,675)	-	(403,687)	(299,053)	(1,563,853)	(2,266,593)
Transfer in/(out)	-	(195,678)	(4,728)	724,291	523,885	-	-	23,685	(87,245)	(63,560)
Closing balance	13,845	49,643	46,691	1,093,154	1,203,333	4,414	249,380	54,832	999,524	1,308,150
<b>Other Liabilities</b>										
Return payable on deposits	-	47	163	1,420	1,630	-	1,270	102	2,395	3,767
Return payable on Sub-ordinated debt	145,680	-	-	-	145,680	223,914	-	-	-	223,914
Payable in respect of defined benefit plan	-	-	-	17,567	17,567	-	-	-	7,899	7,899
Other liabilities	-	-	-	657	657	-	-	-	657	657
<b>Non-funded exposure</b>	-	-	-	67,033	67,033	-	-	-	60,869	60,869
<b>Related party transactions</b>										
<b>Income</b>										
Profit earned on Islamic financing and related assets	-	-	7,925	-	7,925	-	-	6,132	-	6,132
Fee and Commission income	-	-	-	6,736	6,736	-	-	-	65	65
<b>Expense and transactions</b>										
Return on deposits expenses	-	1,588	1,125	38,089	40,802	-	17,830	1,402	48,968	68,200
Salaries, allowances and benefits	-	-	271,380	-	271,380	-	-	249,812	-	249,812
Director fee and other allowances	-	42,000	-	-	42,000	-	55,000	-	-	55,000
Shariah Board fee	-	-	-	2,089	2,089	-	-	-	4,000	4,000
Rent Expense	-	-	-	32,619	32,619	-	-	-	39,903	39,903
Contribution to defined contribution plan	-	-	-	100,926	100,926	-	-	-	94,101	94,101
Contribution to defined benefit plan	-	-	-	80,969	80,969	-	-	-	78,615	78,615
Return on Sub-ordinated loan	141,147	-	-	-	141,147	220,272	-	-	-	220,272

## 42. CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS

	2021	2020
	----- (Rupees in '000) -----	
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	12,475,269	11,973,712
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	9,472,244	8,874,080
Eligible Additional Tier 1 (ADT 1) Capital	1,389,241	1,389,241
Total Eligible Tier 1 Capital	10,861,485	10,263,321
Eligible Tier 2 Capital	2,612,549	1,539,536
Total Eligible Capital (Tier 1 + Tier 2)	13,474,034	11,802,857
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	86,500,506	77,349,830
Market Risk	2,980,642	1,702,497
Operational Risk	14,378,880	12,459,666
Total	103,860,028	91,511,993
Common Equity Tier 1 Capital Adequacy ratio	9.12%	9.70%
Tier 1 Capital Adequacy Ratio	10.46%	11.22%
Total Capital Adequacy Ratio	12.97%	12.90%
The minimum capital adequacy ratio required by SBP as at 31 December 2021 is 11.5% (31 December 2020: 11.5%).		
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	10,861,485	10,263,321
Total Exposures	251,518,127	249,237,843
Leverage Ratio	4.32%	4.12%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	90,472,868	65,750,265
Total Net Cash Outflow	48,557,008	35,490,600
Liquidity Coverage Ratio	186.32%	185.26%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	146,555,015	134,271,533
Total Required Stable Funding	87,138,883	76,868,672
Net Stable Funding Ratio	168.19%	174.68%

42.1 The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & 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 [www.albaraka.com.pk](http://www.albaraka.com.pk).

## 43. RISK MANAGEMENT

The primary goal of risk management is to identify, assess and monitor risks inherent in the activities of the Bank and take adequate measures to manage and control these risks on timely basis. This will help in achieving sustainable business growth and financial and non-financial targets with better protection and soundness. The Bank's aim is to achieve an appropriate balance between risk and return and minimizing potential adverse effects on the Bank's financial performance.

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

- Credit risk is the risk of loss resulting from client or counterparty default (note 43.1).
- Market risk is exposure to market variables such as benchmark rates, exchange rates and equity indices (note 43.2).
- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events and Shariah non compliance (note 43.3).
- Liquidity risk is the potential loss arising from Bank's inability to meet its obligations when due (note 43.4).

The objective of risk management is to effectively manage uncertainties that arise in the normal course of business activities. The Bank manages the risk through a framework of risk management, policies and principles, organizational structures, and risk measurement and monitoring processes that are closely aligned with the business activities of the Bank.

**Risk management principles**

- The Board of Directors (the Board) provides overall risk management supervision. The Board Risk Committee (BRC) regularly monitors the Bank's risk profile.

- The Bank has set up objectives and policies to manage the risks that arise in connection with the Bank's activities. The risk management framework and policies of the Bank are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate the salient risk elements in the operations of the Bank.
- The establishment of the overall financial risk management objectives is consistent and tandem with the strategy to create and enhance shareholders value, while guided by a prudent and robust framework of risk management policies.
- The structure of risk management function is closely aligned with the organizational structure of the Bank.

#### **Risk management organization**

The Board through its sub-committee called BRC oversees the overall risk of the Bank. The Risk Management Department (RMD) is the organizational arm performing the functions of identifying, measuring, monitoring and controlling the various risk and assists the apex level committee and the various sub-committees in conversion of policies into action.

The BRC comprises Executive, Directors, Non Executive Directors and the Chief Risk Officer. One of the Non Executive directors of the Bank chairs the BRC, who is responsible for planning, management and control of the aforementioned risks of the Bank.

The BRC has delegated some of its tasks of risk management to sub committees which are as follows:

<b>Name of the committees</b>	<b>Chaired by</b>
Credit committee	Chief Executive Officer
Asset and liability management committee (ALCO)	Chief Executive Officer
Credit Risk management Committee (CRMC)	Chief Executive Officer

Credit committee is responsible for approving and monitoring all financing transactions and also the overall quality of the asset portfolio. For this purpose it has formulated credit policy so as to effectively monitor the risk profile of the Bank's asset portfolio and to ensure strict adherence to the SBP's Prudential Regulations, Banking Companies Ordinance, 1962 and any other regulatory requirement.

ALCO has the responsibility for the formulation of overall strategy and oversight of the assets liability management function. ALCO monitors the maintenance of liquidity ratios, depositor's concentration both in terms of overall funding mix and avoidance of reliance on large deposits. The Board have approved a comprehensive liquidity management policy.

CRMC is responsible to oversee credit risk activities on bank wide basis while ensuring compliance with regulatory requirements and internal policies. Its responsibilities also include to provide support and guide front lines in managing their businesses, perform finance portfolio review, establish financing standards and benchmarks, maintain adequate industry diversification and decide upon provisioning. It is also required to delegate financing approving powers & prudential limits on large financing exposures.

The Bank's Risk Management, Compliance and Internal Audit and Legal Departments support the risk management function. The role of the risk management department is to quantify the risk and the quality and integrity of the Bank's risk-related data. The Compliance Department ensures that all the directives and guidelines issued by SBP are being complied with in order to mitigate the compliance and operational risks. Internal Audit Department reviews the compliance of internal control procedures with internal and regulatory standards.

The COVID – 19 and the measures to reduce its spread has impacted the economy of Pakistan significantly. Regulators and governments across the globe have introduced various fiscal and economic stimulus measures to mitigate its impact. However, the consequences of the COVID-19 pandemic for the global economy and financial sector in particular are still unpredictable.

The SBP has responded to the crisis and has introduced number of regulatory measures to support both banking industry and its customers in these testing times. These include monetary easing, reduction in capital conservation buffer by 100 basis points to 1.5 percent, allowing banks to defer borrowers' principal financing repayments by one year, relaxing regulatory criteria for restructured/rescheduled financing for borrowers who require relief of principal repayment exceeding one year and incentive for business to retain workers and employees to prevent layoffs, relaxing debt burden ratio and time based criteria for Non-Performing Loan classification etc.

COVID-19 will impact banks in Pakistan on a number of fronts including increase in overall credit risk pertaining to the loans and advances portfolio, reduced fee income due to overall slowdown in economic activity, continuity of business operations and managing cybersecurity threat as a significant number of the Bank's staff is working from home and an ever increasing number of customers are being encouraged to use digital channels.

In response to above macro-prudential measures taken by SBP, the Bank effectively managed borrowers' request for financial relief while maintaining adequate capital and liquidity buffers.

#### 43.1 Credit Risk

Credit risk is the risk of loss to Bank as a result of failure by a client or counterparty to meet its contractual obligations when due. Exposure to credit risks for the Bank arises primarily from financing and investing activities.

The management of credit risk is governed by credit policies approved by the Board. The procedures set out the relevant approval authorities, limit, risks, credit ratings and other matters involved in order to ensure sound credit granting standards.

The Bank has a well defined credit structure duly approved by the Board under which delegated authorities at various levels are operating and which critically scrutinize and sanction credit. The emphasis is to provide short to medium term trade related Islamic financing and related assets to reputable names, which are self liquidating and Shariah compliant. The risk appraisal system of the Bank has enabled it to build a sound portfolio.

Credit risk management framework forms part of the overall business strategy and credit operations of the Bank. The principles for credit risk management have been laid down in the Bank's credit risk policy, credit manual and credit operations procedure manuals. The policy has been developed in accordance with the requirements of the State Bank of Pakistan and is reviewed and updated (where required) on periodic basis.

The Bank has a rigorous pre-approval evaluation process of credit risk embedded in each credit transactions executed by the business units. The entire process broadly encompasses, gathering relevant information on the borrower, credit investigations and visits, detailed credit appraisal and credit risk assessment and measurement. In addition to monitoring credit limits specified in the Prudential Regulations of the State Bank of Pakistan, credit limit structure includes internal limits as established by the senior management and the BOD. Internal limits include limits with respect to BOD approved risk appetite, industry/sector, credit approval authority and exposure with financial institutions. All these limits are monitored on regular basis and exceptions are reported to the relevant authorities for their timely action where necessary.

Besides managing credit risk at transaction level, the Bank regularly monitors credit risk at portfolio level and ensures that no undue concentration of risk is present in the overall credit exposure. The Bank has well established management information set-up which allows efficient and effective assessment, monitoring and management of its credit risk profile in various dimensions.

Provisions are determined in accordance with the requirements of the SBP. The authority to determine provisions and credit valuation adjustments for impaired claims, vests in Credit Operations Department and is according to the SBP regulations.

The Bank expects that several borrowers will be severely impacted by this pandemic. Since many of such borrowers have availed the SBP enabled deferment / restructuring and rescheduling relief, the full potential effect of the economic stress is difficult to predict given the uncertain economic environment.

The Bank has further strengthened its credit review procedures in the light of COVID-19 and is continuously reviewing the portfolio, to identify accounts susceptible to higher risk, resulting from the COVID-19 outbreak.

The Risk Management Group (RMG) is regularly conducting detailed analysis on Sectors/Industries and identify the degree by which the Bank's customers' businesses have impacted amid COVID-19. Based on the ongoing assessment of Sectors/Industries concentration limits have been rationalized keeping in view short term and long term outlook of each sector.

43.1.1 Due from financial institutions

## Credit risk by public / private sector

Public/ Government  
Private

Due from financial institutions (Gross)	2021	2020	Non-performing due from financial institutions		Provision held	
			2021	2020	2021	2020
			(Rupees in '000)			
	-	-	-	-	-	-
	403,122	2,748,221	-	-	-	-
	403,122	2,748,221	-	-	-	-

43.1.2 Investment in debt securities

## Credit risk by industry sector

Textile  
Chemical and Pharmaceuticals  
Electronics and electrical appliances  
Power (electricity), Gas, Water, Sanitary  
Financial  
Federal Government Securities  
Foreign Government Securities

Gross investments	2021	2020	Non-performing investments		Provision held	
			2021	2020	2021	2020
			(Rupees in '000)			
	102,213	102,213	102,213	102,213	102,213	102,213
	374,210	313,338	-	-	-	-
	310,000	300,603	-	-	-	-
	22,793,432	23,218,411	-	-	-	-
	980,237	1,727,586	9,242	9,242	9,242	9,242
	51,292,647	30,435,608	-	-	-	-
	548,350	494,442	-	-	-	-
	76,401,089	56,592,201	111,455	111,455	111,455	111,455

## Credit risk by public / private sector

Public/ Government  
Private

Gross investments	2021	2020	Non-performing investments		Provision held	
			2021	2020	2021	2020
			(Rupees in '000)			
	73,576,079	53,146,425	-	-	-	-
	2,825,010	3,445,776	111,455	111,455	111,455	111,455
	76,401,089	56,592,201	111,455	111,455	111,455	111,455

43.1.3 Islamic financing and related assets

## Credit risk by industry sector

Agriculture, Forestry, Hunting and Fishing  
Mining and Quarrying  
Textile  
Chemical and Pharmaceuticals  
Cement  
Sugar  
Footwear and Leather garments  
Automobile and transportation equipment  
Electronics and electrical appliances  
Construction  
Power (electricity), Gas, Water, Sanitary  
Wholesale and Retail Trade  
Exports/Imports  
Transport, Storage and Communication  
Financial  
Insurance  
Services  
Individuals / staff  
Food products and beverages  
Oil and Gas Companies  
Others

Islamic financing and related assets (Gross)	2021	2020	Non-performing Islamic financing and related assets		Provision held	
			2021	2020	2021	2020
			(Rs in '000)			
	2,766,346	2,287,863	399,121	15,864	219,316	7,375
	899,902	1,299,403	-	12,202	-	12,202
	13,356,934	9,264,305	3,785,997	3,790,986	3,145,766	3,096,027
	6,157,317	6,119,950	505,643	517,818	330,075	367,254
	2,038,019	2,228,664	-	-	-	-
	3,603,719	4,284,057	323,744	323,744	282,747	282,747
	569,385	589,506	52,825	64,205	49,863	50,620
	1,793,412	1,321,841	3,500	3,500	500	-
	2,893,313	2,408,299	350,315	331,929	21,612	78,102
	1,397,747	1,577,668	350,959	371,957	204,662	263,538
	1,740,799	2,148,402	204,370	-	-	-
	2,495,126	2,484,263	164,856	175,292	74,517	60,733
	142,724	524,763	15,992	20,452	15,992	20,452
	10,133,525	6,742,857	216,219	87,239	53,785	51,014
	792,812	92,812	89,035	89,035	88,051	88,051
	1,455	5,066	-	-	-	-
	2,832,901	4,473,405	222,553	232,469	198,900	152,469
	30,514,675	23,216,479	759,949	657,597	383,791	310,564
	14,078,061	20,837,854	2,349,436	2,137,926	1,800,722	1,217,106
	2,831,007	2,517,957	1,781,500	-	1,781,500	-
	4,583,662	2,929,953	649,843	679,793	491,341	499,428
	105,622,841	97,355,367	12,225,857	9,512,008	9,143,140	6,557,682

## Credit risk by public / private sector

Public/ Government  
Private

Islamic financing and related assets (Gross)	2021	2020	Non-performing Islamic financing and related assets		Provision held	
			2021	2020	2021	2020
			(Rs in '000)			
	9,577,381	15,702,300	-	-	-	-
	96,045,460	81,653,067	12,225,857	9,512,008	9,143,140	6,557,682
	105,622,841	97,355,367	12,225,857	9,512,008	9,143,140	6,557,682

43.1.4 Contingencies and Commitments

	2021	2020
	Amount in Rs '000	
<b>Credit risk by industry sector</b>		
Agriculture, Forestry, Hunting and Fishing	205,398	222,417
Mining and Quarrying	-	16,076
Textile	1,662,669	1,556,476
Chemical and Pharmaceuticals	3,359,891	2,696,882
Cement	168,675	156,226
Sugar	340,572	671,222
Footwear and Leather garments	110,290	140,652
Automobile and transportation equipment	477,365	492,717
Electronics and electrical appliances	1,644,745	1,300,888
Construction	3,708,075	939,539
Power (electricity), Gas, Water, Sanitary	1,868,769	2,035,890
Wholesale and Retail Trade	2,689,901	1,375,916
Exports/Imports	428,508	400,279
Transport, Storage and Communication	178,877	608,040
Financial Services	48,428,165	32,924,755
Food products and beverages	4,103,004	1,309,880
Others	2,678,681	2,830,513
	8,416,272	3,587,889
	<b>80,469,857</b>	<b>53,266,257</b>
<b>Credit risk by public / private sector</b>		
Public/ Government	1,199,777	528,353
Private	79,270,080	52,737,904
	<b>80,469,857</b>	<b>53,266,257</b>

43.1.5 Concentration of Islamic financing and related assets

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 28,087 million (31 December 2020: Rs 29,777 million) are as following:

	2021	2020
	Rupees in '000	
Funded	20,798,891	26,456,139
Non Funded	7,287,710	3,320,598
Total Exposure	<b>28,086,601</b>	<b>29,776,737</b>

The sanctioned limits against these top 10 exposures aggregated to Rs 34,921 million (31 December 2020: Rs 33,849 million).

**Total funded classified therein**

	2021		2020	
	Amount	Provision held	Amount	Provision held
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	1,781,500	1,781,500	-	-
<b>Total</b>	<b>1,781,500</b>	<b>1,781,500</b>	<b>-</b>	<b>-</b>

43.1.6 Islamic financing and related assets - Province/Region-wise Disbursement & Utilization

Province/Region	2021						
	Disbursements	Utilization					
		KPK including			AJK including		
	Punjab	Sindh	FATA	Balochistan	Islamabad	Gilgit-	
Punjab	43,411,438	-	-	-	-	-	-
Sindh	62,114,042	62,114,042	-	-	-	-	-
KPK including FATA	559,023	-	559,023	-	-	-	-
Balochistan	419,745	-	-	419,745	-	-	-
Islamabad	4,035,714	-	-	-	4,035,714	-	-
AJK including Gilgit-Baltistan	3,647	-	-	-	-	-	3,647
<b>Total</b>	<b>110,543,609</b>	<b>43,411,438</b>	<b>62,114,042</b>	<b>559,023</b>	<b>419,745</b>	<b>4,035,714</b>	<b>3,647</b>

  

Province/Region	2020						
	Disbursements	Utilization					
		KPK including			AJK including		
	Punjab	Sindh	FATA	Balochistan	Islamabad	Gilgit-	
Punjab	53,860,444	-	-	-	-	-	-
Sindh	58,745,723	58,745,723	-	-	-	-	-
KPK including FATA	443,848	-	443,848	-	-	-	-
Balochistan	202,170	-	-	202,170	-	-	-
Islamabad	4,524,619	-	-	-	4,524,619	-	-
AJK including Gilgit-Baltistan	5,000	-	-	-	-	-	5,000
<b>Total</b>	<b>117,781,804</b>	<b>53,860,444</b>	<b>58,745,723</b>	<b>443,848</b>	<b>202,170</b>	<b>4,524,619</b>	<b>5,000</b>

43.2 Market Risk

Market risk is the risk that the Bank's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as profit rates, credit spreads, commodity prices, equity prices and foreign exchange rates.

The main objective of the Bank's market risk management is to minimize market risk and to facilitate business growth within a controlled and transparent risk management framework.

Market risk arise from investment in sukuk, equities and dealing in foreign exchange transactions.

Market risk is being monitored by ALCO and performs following functions in relation to market risk:

- Regular periodic review of market risk, based on economic review reports.

- Keeps an eye on the structure / composition of Bank's assets and liabilities and decide upon product pricing for deposits, Islamic financing and related assets.
- Develop future business strategy in view of the latest trends / policy in the market, economic conditions and local regulatory requirements.
- Review and recommend to the Board of Directors, new opportunities for generating revenues.

#### 43.2.1 Statement of Financial Position split by trading and banking books

	2021			2020		
	Banking book	Trading book	Total (Rupees in '000)	Banking book	Trading book	Total
Cash and balances with treasury banks	17,608,396	-	17,608,396	15,773,612	-	15,773,612
Balances with other banks	9,763,588	-	9,763,588	10,177,095	-	10,177,095
Due from financial institutions	403,122	-	403,122	2,748,221	-	2,748,221
Investments	70,530,132	6,022,363	76,552,495	56,017,132	1,100,100	57,117,232
Islamic financing and related assets	96,202,153	-	96,202,153	90,279,044	-	90,279,044
Fixed assets	4,193,422	-	4,193,422	4,396,282	-	4,396,282
Intangible assets	1,320,367	-	1,320,367	1,329,654	-	1,329,654
Deferred tax assets	2,881,737	-	2,881,737	2,640,784	-	2,640,784
Other assets	9,192,117	-	9,192,117	8,351,698	-	8,351,698
	<b>212,095,034</b>	<b>6,022,363</b>	<b>218,117,397</b>	<b>191,713,522</b>	<b>1,100,100</b>	<b>192,813,622</b>

#### 43.2.2 Foreign Exchange Risk

Foreign exchange risk arises from the fluctuation in the value of financial instruments consequent to the changes in foreign exchange rates. Objective of foreign exchange risk management function is to minimize the adverse impact of foreign exchange assets and liabilities mismatch and maximize the earnings. The Bank manages this risk by setting and monitoring dealer, currency, inter exposures, stop loss and counter party limits for on and off balance sheet financial instruments.

	2021				2020			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)				(Rupees in '000)			
Pakistan rupee	211,457,721	186,214,611	10,750,527	35,993,637	176,952,211	164,876,498	(716,045)	11,359,668
US Dollar	5,549,056	15,733,510	(8,780,623)	(18,965,077)	14,457,144	12,539,500	1,851,945	3,769,589
Great Britain pound	441,014	1,657,548	(1,398,820)	(2,615,354)	705,774	1,345,727	(697,018)	(1,336,971)
Euro	229,661	787,580	(609,060)	(1,166,979)	301,897	735,165	(448,643)	(881,911)
Arab Emirates Dirham	198,368	241,959	(48,092)	(91,683)	266,638	228,377	-	38,261
Japanese Yen	38,716	14,125	-	24,591	15,914	6,841	(15,517)	(6,444)
Canadian Dollar	5,860	-	-	5,860	8,856	-	-	8,856
Singapore Dollar	39	39	-	-	36	36	-	-
Swiss Frank	-	-	-	-	-	2,249	-	(2,249)
Chinese Yuan	196,958	53,307	86,068	229,719	105,149	49,774	25,278	80,653
Malaysian Ringit	4	4	-	-	3	3	-	-
	<b>218,117,397</b>	<b>204,702,683</b>	<b>-</b>	<b>13,414,714</b>	<b>192,813,622</b>	<b>179,784,170</b>	<b>-</b>	<b>13,029,452</b>

The exposures of the Bank to foreign exchange risk is also restricted by the statutory limit on aggregate exposure prescribed by the SBP.

	2021		2020	
	Banking book	Trading book	Banking	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on:				
- Profit and loss account	(118,284)	107,505	9,713	(7,160)

#### 43.2.3 Equity Position Risk

Equity position includes the following:

- Strategic investment
- Investment in equities for generating revenue in short term

The equity investments are accounted for and disclosed as per the provisions and directives of SBP, SECP and the requirements of approved International Financial Reporting Standards as applicable in Pakistan.

Provision for diminution in the value of securities is made after considering impairment, if any, in their value and charged to the profit and loss account.

	2021		2020	
	Banking book	Trading book	Banking	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices on:				
- Profit and loss account	10,043	-	4,397	25,894
- Other comprehensive income	-	-	-	-

#### 43.2.4 Yield / profit rate risk

It includes all material yield risk positions of the Bank taking into account all re-pricing and maturity data. It includes current balances and contractual yield rates, the Bank understands that its Islamic financing and related assets shall be re-priced as per their respective contracts.

The Bank estimates changes in the economic value of equity due to changes in the yield rates on on-balance sheet positions by conducting duration gap analysis. It also assesses yield rate risk on earnings of the bank by applying upward and downward shocks

	2021		2020	
	Banking book	Trading book	Banking	Trading book
	(Rupees in '000)			
Impact of 1% change in profit rates on				
- Profit and loss account	(102,376)	48,559	(149,986)	3,350
- Other comprehensive income	-	-	-	-

## 43.2.5 Mismatch of Yield Rate Sensitive Assets and Liabilities

	Effective Yield rate	Total	2021 Exposed to Yield risk								Non-interest bearing financial instruments
			Upto 1	Over 1 to 3	Over 3 to 6	Over 6 Months to 1	Over 1 to 2	Over 2 to 3	Over 3 to 5	Over 5 to 10	
			Month	Months	Months	Year	Years	Years	Years	Years	
			(Rupees in '000)								
<u>Assets</u>											
Cash and balances with treasury banks	-	17,608,396	-	-	-	-	-	-	-	-	17,608,396
Balances with other banks	10.29%	9,763,588	8,440,633	-	-	-	-	-	-	-	1,322,955
Due from financial institutions	9.43%	403,122	403,122	-	-	-	-	-	-	-	-
Investments	8.73%	76,552,495	11,099,111	12,926,810	48,365,351	3,385,514	512,847	-	-	-	262,862
Islamic financing and related assets-net	7.03%	96,202,153	18,391,973	27,927,951	22,853,536	16,887,685	673,666	18,293	107,651	700,486	6,812,364
Other assets	-	6,779,461	-	-	-	-	-	-	-	-	6,779,461
		207,309,215	38,334,839	40,854,761	71,218,887	20,273,199	1,186,513	18,293	107,651	700,486	32,786,038
<u>Liabilities</u>											
Bills payable	-	3,978,696	-	-	-	-	-	-	-	-	3,978,696
Due to financial institutions	2.00%	8,968,534	-	3,625,459	2,827,017	-	-	-	6,332	1,342,585	1,167,141
Deposits and other accounts	5.90%	178,917,138	132,654,512	-	-	-	-	-	-	-	46,262,626
Subordinated debt	9.73%	4,624,241	-	1,500,000	1,735,000	1,389,241	-	-	-	-	-
Other liabilities	-	6,213,848	-	-	-	-	-	-	-	-	6,213,848
		202,702,457	132,654,512	5,125,459	4,562,017	1,389,241	-	-	6,332	1,342,585	57,622,311
On-balance sheet gap		4,606,758	(94,319,673)	35,729,302	66,656,870	18,883,958	1,186,513	18,293	101,319	(642,099)	1,828,548
<u>Non financial assets</u>											
Fixed assets		4,193,422									
Intangible assets		1,320,367									
Other assets		2,412,656									
Deferred tax assets		2,881,737									
		10,808,182									
<u>Non financial liabilities</u>											
Other liabilities		2,000,226									
<u>Total net assets</u>											
		13,414,714									
<u>Off-balance sheet financial instruments</u>											
Commitments in respect of:											
- forward foreign exchange contracts		48,167,237	-	-	-	-	-	-	-	-	48,167,237
- guarantees		14,169,635	-	-	-	-	-	-	-	-	14,169,635
- letter of credit		15,979,710	-	-	-	-	-	-	-	-	15,979,710
- financing		1,230,203	-	-	-	-	-	-	-	-	1,230,203
- acquisition of operating fixed assets		4,656	-	-	-	-	-	-	-	-	4,656
- others		918,416	-	-	-	-	-	-	-	-	918,416
Off-balance sheet gap		80,469,857	-	-	-	-	-	-	-	-	80,469,857
Total Yield Risk Sensitivity Gap			(94,319,673)	35,729,302	66,656,870	18,883,958	1,186,513	18,293	101,319	(642,099)	55,633,584
Cumulative Yield Risk Sensitivity Gap			(94,319,673)	(58,590,371)	8,066,499	26,950,457	28,136,970	28,155,263	28,256,582	27,614,483	85,076,615



	Effective Yield	Total	2020								Non-interest bearing financial instruments	
			Exposed to Yield risk									
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years		Above 10 Years
----- (Rupees in '000) -----												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	-	15,773,612	-	-	-	-	-	-	-	-	-	15,773,612
Balances with other banks	3.24%	10,177,095	4,290,436	-	-	-	-	-	-	-	-	5,886,659
Due from financial institutions	7.00%	2,748,221	1,902,794	845,427	-	-	-	-	-	-	-	-
Investments	7.49%	57,117,232	6,819,659	10,537,536	32,196,177	2,577,635	2,349,146	512,849	1,487,742	-	-	636,488
Islamic financing and related assets	9.52%	90,279,044	29,027,529	18,356,717	22,102,658	15,269,559	2,052,909	50,493	79,416	247,961	1,067,331	2,024,471
Other assets	-	6,014,617	-	-	-	-	-	-	-	-	-	6,014,617
		182,109,821	42,040,418	29,739,680	54,298,835	17,847,194	4,402,055	563,342	1,567,158	247,961	1,067,331	30,335,847
<b>Liabilities</b>												
Bills payable	-	3,696,482	-	-	-	-	-	-	-	-	-	3,696,482
Due to financial institutions	2.00%	5,722,336	120,616	2,439,518	786,509	17,167	-	-	-	-	-	2,358,526
Deposits and other accounts	4.45%	159,363,727	118,945,215	-	-	-	-	-	-	-	-	40,418,512
Subordinated debt	11.02%	3,174,945	-	1,785,704	-	1,389,241	-	-	-	-	-	-
Other liabilities	-	5,728,025	-	-	-	-	-	-	-	-	-	5,728,025
		177,685,515	119,065,831	4,225,222	786,509	1,406,408	-	-	-	-	-	52,201,545
<b>On-balance sheet gap</b>												
		4,424,306	(77,025,413)	25,514,458	53,512,326	16,440,786	4,402,055	563,342	1,567,158	247,961	1,067,331	(21,865,698)
<b>Non financial assets</b>												
Fixed assets		4,396,282										
Intangible assets		1,329,654										
Other assets		2,337,081										
Deferred tax assets		2,640,784										
		10,703,801										
<b>Non financial liabilities</b>												
Other liabilities		2,098,655										
<b>Total net assets</b>												
		13,029,452										
<b>Off-balance sheet financial instruments</b>												
Commitments in respect of:												
- forward foreign exchange contracts		32,815,873	-	-	-	-	-	-	-	-	-	32,815,873
- guarantees		8,052,300	-	-	-	-	-	-	-	-	-	8,052,300
- letter of credit		10,638,401	-	-	-	-	-	-	-	-	-	10,638,401
- financing		1,398,447	-	-	-	-	-	-	-	-	-	1,398,447
- acquisition of operating fixed assets		14,168	-	-	-	-	-	-	-	-	-	14,168
- others		347,068	-	-	-	-	-	-	-	-	-	347,068
<b>Off-balance sheet gap</b>		53,266,257	-	-	-	-	-	-	-	-	-	53,266,257
<b>Total Yield Risk Sensitivity Gap</b>												
		(77,025,413)	25,514,458	53,512,326	16,440,786	4,402,055	563,342	1,567,158	247,961	1,067,331	31,400,559	
<b>Cumulative Yield Risk Sensitivity Gap</b>												
		(77,025,413)	(51,510,955)	2,001,371	18,442,157	22,844,212	23,407,554	24,974,712	25,222,673	26,290,004	57,690,563	

**43.3 Operational Risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events and Shariah non-compliance. In this regard, an Operational Risk Management unit has been established within the Risk Management Department.

The Bank has Basic Indicator Approach (BIA) for assessing the capital charge for operational risk. Under BIA the capital charge is calculated by multiplying average annual gross income of the Bank over the past three years with 15% as per guidelines issued by SBP.

The Bank ensures that the key operational risks are managed in a timely and effective manner by raising awareness of operational risk, improving early warning information and allocating risk ownership and responsibilities. The Bank has developed policies, guidelines and manuals necessary for the mitigation of operational

The Bank is also supervised by the Shariah Board which sets out guidelines, policies and procedures for the Bank to ensure that all its activities and products are Shariah compliant. The internal audit function of the Bank performs regular audit on various operations of the Bank and monitors the key risk exposure areas to ensure that internal control procedures are in place and those procedures are able to mitigate risk associated with operational activities.

A business continuity program have also been formulated and approved by the Board of Directors to ensure uninterrupted flow of operations of the Bank.

COVID-19 pandemic has created an unprecedented challenge for banks in terms of Business Continuity Management. The Bank is closely monitoring the situation and has invoked required actions to ensure the safety and security of Bank staff and uninterrupted service to customers.

Business Continuity Plans (BCP) for respective areas are in place and tested. Work-from-Home capabilities have been enabled for staff, where required, while ensuring adequate controls to ensure that Bank's information assets are adequately protected from emerging cyber threats and comply with regulatory requirements. The Bank is regularly communicating with its customers for providing awareness about health and safety measures and how they can connect with the Bank through its full suite of channels including digital and online channels as well as enhancing customer awareness pertaining to online fraud risks. The Bank has taken all measures to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored.

#### 43.4 Liquidity Risk

Liquidity risk is defined as the potential loss arising from the Bank's inability to meet its obligation when due.

The Liquidity Coverage Ratio (LCR) is a quantitative requirement which aims to ensure that a bank maintains an adequate level of unencumbered high quality liquid assets which can easily be converted into cash at little or no loss of value in private markets, to withstand an acute liquidity stress scenario over a 30-day horizon at both the entity and consolidated level.

LCR has been defined as 
$$\frac{\text{Stock of high quality liquid assets (HQLAs)}}{\text{Total net cash outflows over the next 30 calendar days}}$$

Liquid assets comprise of high quality assets that can be readily sold or used as collateral to obtain funds in a range of stress scenarios. There are two categories of assets included in the stock of HQLAs, viz. Level 1 and Level 2 assets. Level 1 assets are with 0% haircut while Level 2A assets are with a minimum 15% haircut and Level 2B Assets, with a maximum 50% haircut.

The term "Total net cash outflows" is defined as the total expected cash outflows minus total expected cash inflows in the stress scenario for the subsequent 30 calendar days.

The most significant drivers of the Bank's cash outflow were Retail and unsecured wholesale funding. Unsecured funding transactions include funds provided by non-financial corporate customers, sovereigns, central banks, multilateral development banks and PSEs.

The objective of NSFR is to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress.

NSFR has been defined as 
$$\frac{\text{Available amount of Stable Funding (Funding Source)}}{\text{Required amount of Stable Funding (Funding User)}}$$

The amount of available stable funding (ASF) is measured mainly on the broad characteristics of the relative stability of a bank's funding sources (equity & liabilities), contractual maturity of its liabilities and the difference in the tendency to withdraw their funding by different types of funding providers.

The amount of required stable funding (RSF) is measured based on the broad characteristics of the liquidity risk profile of the Bank's assets and off-balance sheet (OBS) exposures.

As per bank's Investment Policy ALCO shall be the management's governing committee mainly responsible for Market and Liquidity risks pertaining to balance sheet and off-balance sheet items. It is ALCO's responsibility to establish and monitor liquidity targets as well as strategies and tactics to meet those targets. Furthermore, ALCO will ensure that sufficient liquidity is available for unanticipated contingencies. ALCO monitors the maintenance of liquidity ratios, depositor's concentration both in terms of overall funding mix and avoidance of reliance on large individual deposits. The Board of Directors have approved a comprehensive liquidity management policy.

Management of liquidity is centrally managed through the Treasury within the bank. The Bank has sufficient liquidity sources for outflows and management is of the view that we are adequately liquid as required by LCR & NSFR regulations. The Asset and Liability Management Committee (ALCO) of the Bank is responsible for oversight of liquidity management and review of positions on monthly basis and/or on need basis based on systematic risks.

The Bank' has a comprehensive Contingency plan that specifies strategies for dealing with the liquidity problem and outlines particular funding sources that would be drawn upon as part of the overall strategy. It also outlines trigger points that would be indicative of the crisis and lays the course of action taken by the institution for handling such a crises.

In view of the relaxation granted by SBP for deferral of principal and profit and rescheduling of financing, there will be an impact on the maturity profile of the Bank. The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and is taking necessary precautionary measures where needed. The Bank is confident that the liquidity buffer currently maintained by the Bank in the form Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are sufficient to cater any adverse movement in cash flow maturity profile.

#### 43.4.1 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Bank

[illegible]

**Represented by**

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

Saving and current accounts have been bucketed on the basis of behavioral study conducted by the Bank.

2021									
Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
(Rupees in '000)									
<b>Assets</b>									
Cash and balances with treasury banks	17,608,396	17,608,396	-	-	-	-	-	-	-
Balances with other banks	9,763,588	9,763,588	-	-	-	-	-	-	-
Due from financial institutions	403,122	403,122	-	-	-	-	-	-	-
Investments	76,552,495	262,862	2,411,886	33,410	-	963,649	548,350	51,459,966	20,772,372
Islamic financing and related assets - net	96,202,153	3,938,268	19,923,156	15,044,919	4,368,877	8,413,264	6,388,902	26,732,059	6,952,542
Fixed assets	4,193,422	62,048	295,861	659,087	1,152,213	442,164	187,157	217,078	1,177,814
Intangible assets	1,320,367	11,360	30,953	111,686	112,827	108,409	98,272	67,599	779,261
Deferred tax assets	2,881,737	81,437	392,822	283,052	327,321	910,951	110,043	551,616	224,495
Other assets	9,192,117	5,279,343	1,613,112	500,603	1,466,311	332,748	-	-	-
	218,117,397	37,410,424	24,667,790	16,632,757	7,427,549	11,171,185	7,332,724	79,028,318	29,906,484
								29,906,484	4,540,166
<b>Liabilities</b>									
Bills payable	3,978,696	3,978,696	-	-	-	-	-	-	-
Due to financial institutions	8,968,534	-	3,625,459	2,827,017	1,130,453	-	43,020	1,342,585	-
Deposits and other accounts	178,917,138	26,276,804	21,846,449	21,176,913	23,824,221	20,881,118	19,715,443	19,588,588	6,401,901
Subordinated debt	4,624,241	-	-	-	-	-	1,500,000	-	1,735,000
Other liabilities	8,214,074	4,904,976	1,597,554	352,406	774,006	186,528	191,347	67,186	140,071
	204,702,683	35,160,476	27,069,462	24,356,336	25,728,680	21,067,646	21,406,790	19,698,794	22,423,357
									7,791,142
<b>Net assets</b>	<b>13,414,714</b>	<b>2,249,948</b>	<b>(2,401,672)</b>	<b>(7,723,579)</b>	<b>(18,301,131)</b>	<b>(9,896,461)</b>	<b>(14,074,066)</b>	<b>59,329,524</b>	<b>7,483,127</b>
									<b>(3,250,976)</b>
<b>Represented by</b>									
Share capital-net	14,500,490								
Reserves	458,341								
Surplus on revaluation of assets - net of tax	481,104								
Accumulated losses	(2,025,221)								
	<u>13,414,714</u>								

2020

**Assets**

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
----- (Rupees in '000) -----										
Cash and balances with treasury banks	15,773,612	15,773,612	-	-	-	-	-	-	-	-
Balances with other banks	10,177,095	10,177,095	-	-	-	-	-	-	-	-
Due from financial institutions	2,748,221	1,902,795	845,426	-	-	-	-	-	-	-
Investments	57,117,232	636,486	300,603	810,089	2,730,414	2,449,595	725,737	26,298,672	23,065,636	100,000
Islamic financing and related assets - net	90,279,044	6,797,862	23,739,587	18,330,107	9,051,482	11,744,926	8,146,761	8,824,740	2,522,871	1,120,708
Fixed assets	4,396,282	63,014	153,399	563,127	488,463	768,521	735,017	1,033,617	591,124	-
Intangible assets	1,329,654	12,537	52,579	64,252	187,597	162,855	140,386	227,500	481,948	-
Deferred tax assets	2,640,784	31,113	81,979	109,880	155,673	568,074	1,694,065	-	-	-
Other assets	8,351,698	5,503,146	815,435	550,971	126,074	57,018	1,024,692	274,362	-	-
	192,813,622	40,897,660	25,989,008	20,428,426	12,739,703	15,750,989	12,466,658	36,658,891	26,661,579	1,220,708

**Liabilities**

Bills payable	3,696,482	3,696,482	-	-	-	-	-	-	-	-
Due to financial institutions	5,722,336	122,865	2,439,518	786,509	17,167	2,336,366	-	19,911	-	-
Deposits and other accounts	159,363,727	27,775,470	19,513,790	15,887,104	20,516,606	19,441,715	17,650,583	16,801,566	16,332,670	5,444,223
Subordinated debt	3,174,945	-	142,855	-	142,849	-	-	1,500,000	-	1,389,241
Other liabilities	7,826,680	4,991,470	708,487	533,019	903,777	186,528	177,595	67,185	258,619	-
	179,784,170	36,586,287	22,804,650	17,206,632	21,580,399	21,964,609	17,828,178	18,388,662	16,591,289	6,833,464

**Net assets**

	13,029,452	4,311,373	3,184,358	3,221,794	(8,840,696)	(6,213,620)	(5,361,520)	18,270,229	10,070,290	(5,612,756)
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**Represented by**

Share capital-net	14,500,490
Reserves	332,231
Surplus on revaluation of assets - net of tax	723,509
Accumulated losses	(2,526,778)
	<u>13,029,452</u>

**44. PROFIT / (LOSS) DISTRIBUTION TO DEPOSITOR'S POOL****44.1 General remunerative depositors' pools / IERS pools / Treasury Pools**

2021							
Remunerative pools	Period	Profit sharing ratio (average)	Profit rate and weightage announcement period	Mudarib share (Rupees in '000)	Percentage of Mudarib Share transferred through Hiba	Profit rate return earned	Profit rate return distributed
General Pool - PKR	Jan to Dec 2021	50%	Monthly	2,010,319	12.3%	7.1%	4.0%
General Pool - FCY	Jan to Dec 2021	80%	Monthly	36,758	10.3%	0.7%	0.2%
Islamic Export Refinance Pool	Jan to Dec 2021	87%	Monthly	-	-	6.6%	1.9%
Treasury Pool	Jan to Dec 2021	19%	Variable	-	-	8.3%	7.1%
Special Depositors' Pool	Jan to Dec 2021	50%	Variable	2,870,038	45.8%	9.5%	6.9%

2020							
Remunerative pools	Period	Profit sharing ratio (average)	Profit rate and weightage announcement period	Mudarib share (Rupees in '000)	Percentage of Mudarib Share transferred through Hiba	Profit rate return earned	Profit rate return distributed
General Pool - PKR	Jan to Dec 2020	43%	Monthly	2,280,820	17.5%	9.0%	5.9%
General Pool - FCY	Jan to Dec 2020	80%	Monthly	36,520	12.6%	0.8%	0.2%
Islamic Export Refinance Pool	Jan to Dec 2020	88%	Monthly	-	-	7.5%	1.9%
Treasury Pool	Jan to Dec 2020	52%	Variable	-	-	11.2%	6.6%
Special Depositors' Pool	Jan to Dec 2020	40%	Variable	1,882,592	22.2%	12.0%	8.3%

**45. COMPLAINT MANAGEMENT****45.1 Mechanism of the complaint Management Unit**

The Bank seeks to maintain its reputation as one of the market players who believe in delivering high quality Islamic Banking Services, and also committed to maintain responsiveness to the needs and concerns of its customers. The Bank has a designated separate and independent Complaint Management Unit (CMU) under Corporate Communication Department to handle complaints / grievances of the customers as per the Consumer Grievances Handling Mechanism (CGHM) policy issued by SBP. The unit is efficiently performing its role and it is totally independent in scrutinizing, investigating and efficient closures of the complaints / queries raised by customers.

CMU is the responsible unit whose role is to be an effective intermediary between the customers and the core units of the Bank to get customer complaints properly responded and answered. The unit's core focus is the quick and efficient resolution of the complaints, analyses root cause of complaints and taking necessary measures to ensure its non-recurrence and to improve the service quality. The statistical data provided by CMU enables the concerned departments / units in improving performance and provision of quality service to the customers.

**45.2 Lodgment of complaints**

The complaint lodgment procedure is adequately displayed in all our branches as well as on our Corporate website [www.albaraka.com.pk](http://www.albaraka.com.pk). Further, details regarding lodgment of a complaint to Banking Mohtasib Pakistan and State Bank of Pakistan are also prominently displayed.

All complaints of the customers that are received through various channels are logged in a Complaint Management System to keep track of their resolution. The Bank has a complaint escalation mechanism whereby all complaints are escalated to the senior management if not resolved within the stipulated time

The Bank receive complaints from following sources:

- 1) Phone Banking / Call Centre
- 2) Letter / CEO Office / Drop Box / Email
- 3) Banking Mohtasib Pakistan / SBP / Prime Minister Portal
- 4) Social Media/ Website / Survey

During 2021, the Bank received 9,116 complaints through different channels, out of which 97% were resolved with average resolution TAT of 5.63 days. The Bank follows defined standards, practices and regulatory requirements in resolution of complaints lodged with the Bank.

**45.3 Steps of complaint resolution or handling of complaint**

Fundamental steps of complaint handling as defined by SBP in BC & CPD Circular No. 01 of 2016 being followed in the Bank are as follows:

- 1) Acknowledgment of complaint receipt.
- 2) Investigation and tagging of complaint to relevant department / branches.
- 3) Interim update to customer, if complaint resolution exceeds the defined timeline.
- 4) Intimation of resolution of complaint to customer.
- 5) Root cause analysis of the complaint.
- 6) Suggestions for required actions and its re-recurrence.
- 7) Issuing daily MIS to all the stakeholders.

**45.4 New initiatives**

The Bank consistently endeavor to provide superior customer services and in order to give better customers experience, below are the few initiatives taken by the Bank during 2021.



- The Bank has arranged training sessions for empowering the front end staff to comprehend the concept of Handling Customer's Complaints & Grievances.
- Bank conducts extensive surveys regarding the complaint management to gauge customers' satisfaction and their experience. This research activity also help to identify customers expectations associated with Bank. ABPL introduce a Digital Survey Platform for customers where they can provide their feedback through website.
- The Bank has also upgraded its Complaint Management System by launching a state-of-the-art solution which resulted in process automation and efficient handling of customer complaints.
- Bank also enhanced its complaint monitoring mechanism by introducing Complaint Management Dashboard which is regularly reviewed by the senior management to ensure timely resolution of customer complaints.

**46. RECLASSIFICATIONS**

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. There were no significant reclassifications / restatements during the year.

**47. GENERAL**

Figures have been rounded off to the nearest thousand rupees.

**48. DATE OF AUTHORISATION**

These financial statements were authorized for issue on 3 March 2022 by the Board of Directors of the Bank.

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**Acting Chief Executive Officer**

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**Chief Financial Officer**

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**Chairman**

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**Director**

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**Director**

**STATEMENT SHOWING WRITTEN-OFF FINANCING OR ANY OTHER FINANCIAL RELIEF OF RUPEES 500,000 OR ABOVE DURING THE YEAR ENDED 31 DECEMBER 2021**

Annexure - I

Rupees in thousands

Sr. No.	Name of the borrower	Name of individuals / partners / directors (with N.I.C. No.)	Father's name	Outstanding Liabilities at beginning of year				Written-off		Waiver	Total (9+10+11)
				Principal	Profit	Other financial relief	Total (5+6+7)	Principal	Profit	Other financial relief	
1	2	3	4	5	6	7	8	9	10	11	12
1	HEALTH CARE HOSPITAL PVT. LTD.	QAMAR ZAMAN KHAN 42301-1080022-5 FARHANA QAMAR 42301-0970890-4 SALMAN ZAMAN KHAN 42301-1080023-7 USMAN ZAMAN KHAN 42301-1114944-7	SULTAN ZAMAN KHAN QAMAR ZAMAN KHAN QAMAR ZAMAN KHAN QAMAR ZAMAN KHAN	4,237	286	-	4,523	4,237	286	-	4,523
2	MONIA FAROOQUI / WAJID HUSSAIN FAROOQUI	MONIA FARUQUI 42301-4805803-6 WAJID HUSSAIN FARUQUI 42201- 9326822-7	WAJID HUSSAIN FARUQUI SAJJAD HUSSAIN FARUQUI	25,855	21,591	-	47,446	-	5,446	-	5,446
3	MUHAMMAD USAMA EHSAN QURESHI	MUHAMMAD USAMA EHSAN QURESHI 61101-0584216-5 MUHD RIAZ S/O ABDUL RAZZAQ 4220169032903	EHSAN ULLAH QURESHI ABDUL RAZZAQ	4,268	856	43	5,167	-	856	43	899
4	QUALITY MINERALS	YASEEN YOUSUF S/O HAJI YOUSUF 4220180416447	HAJI YOUSUF	12,202	-	-	12,202	12,202	-	-	12,202
5	RANA MUHAMMAD SOHAIL	RANA MUHAMMAD SOHAIL 38303- 1008953-9 ABDUL SAMAD S/O ABDUL SHAKOOR 4200054687241	RANA MUHAMMAD JAMIL ABDUL SHAKOOR	5,645	1,631	245	7,521	-	275	245	520
6	SAMAD ENTERPRISES			1,393	-	-	1,393	1,393	-	-	1,393
7	SYED HAMMAD HAIDER	SYED HAMMAD HAIDER 35404-6794691-5	SYED CHAN PIR SHAH	1,100	806	-	1,906	-	587	-	587
8	UMAR MAHMOOD CHAUDHARY	UMAR MAHMOOD CHAUDHARY 35202- 4113487-7	ARIF MAHMOOD CHAUDHARY	2,676	939	139	3,754	-	551	-	551
9	UMER TRADING COMPANY	MUHAMMAD RAMZAN 36402-0238835-7	BASHIR AHMAD	5,000	1,534	-	6,534	-	1,006	-	1,006
10	WARIS ALI	WARIS ALI 33100-0677206-7	JAMAL DIN	1,308	449	346	2,103	-	202	346	548
11	YOUSAF M KHAN	YOUSAF M KHAN 35202-1727600-9	MEHANDI KHAN	1,980	709	49	2,738	-	488	49	537
				<b>65,664</b>	<b>28,801</b>	<b>822</b>	<b>95,287</b>	<b>17,832</b>	<b>9,697</b>	<b>683</b>	<b>28,212</b>

**ALBARAKA BANK (PAKISTAN) LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

Annexure - II

**STATEMENT SHOWING CHARITY PAID OF RUPEES 500,000 OR ABOVE DURING THE YEAR ENDED 31 DECEMBER 2021**

---Rupees in thousands---

<b>Names</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Alamgir Welfare Trust International	7,680	5,000
IBA Karachi (CEIF)	5,170	-
Afzaal Memorial Thalassemia Foundation - Amtf	4,000	2,500
Sina Health Education & Welfare Trust	4,000	500
Al Mustafa Trust	3,000	500
Dawood Global Foundation	3,000	-
Health Education and Livelihood Promoter (Help)	2,500	-
Indus Hospital	2,500	2,500
Shaukat Khanum Memorial Trust	2,500	-
Family Educational Services Foundation - Fesf	2,150	500
Orange Tree Foundation - OTF	2,000	2,650
Pakistan Red Crescent Society	2,000	4,500
The Layton Rahmatullah Benevolent Trust - LRBT	2,000	-
Saylani Welfare International Trust	2,000	-
Patel Hospital - Patel Foundation	1,920	-
Roshni Homes Trust	1,800	-
Sayeban Pakistan	1,770	-
Professional Education Foundation	1,750	-
Anjuman Akhwan Us Safa	1,650	1,575
Green Crescent Trust	1,380	1,380
Patients Welfare Association, Jinnah Hospital	1,036	-
Shahid Afridi Foundation	1,000	1,800
Alkhidmat Foundation Pakistan	1,000	2,000
Cancer Care Hospital & Research Center	1,000	500
Health And Nutrition Development Society (HANDS)	1,000	-
The Cancer Foundation	1,000	500
Caravan Of Life Pakistan Trust	1,000	-
Karachi Down Syndrome Program (KDSP)	1,000	-
National Disability & Development Forum (NDF)	1,000	-
Pakistan Association Of The Blind (Sindh)	1,000	-
Dhoraji Youth Services Foundation	500	-
Society For Advancement Of Health, Education And The Environment (SAHEE)	500	-
The Helpline Society	500	-
The Hunar Foundation	500	1,500
Aiwan-E-Tijarat O Sanat Hospital Trust	500	-
Arif Memorial Trust	500	-
Friends Of Burn Centre (Civil Hospital)	500	-
Help International Welfare Trust	500	-
Karwan-E-Hayat	500	-
Lady Dufferin Hospital	500	500
Neurology Research & Patient Welfare Fund (National Epilepsy Center)	500	500
Pakistan Children'S Heart Foundation	500	-
Patients' Welfare Association - Civil Hospital	500	-
Dar-UI-Sukun	500	-
Aziz Jehan Begum Trust For The Blind (Ajbt)	500	-
Chal Foundation	500	-
Nowpdp	500	-
Pakistan Disabled Foundation	500	-
Pakistan Foundation Fighting Blindness	500	500
Society For Audiological & Developmental Ailments (Sada)	500	500
Bint-E-Fatima Foundation	500	500