



FINANCIAL STATEMENTS
OF
FIRST WOMEN BANK LIMITED
FOR THE YEAR ENDED
DECEMBER 31, 2023

First Women Bank Limited
Statement of Financial Position
As at December 31, 2023

	Note	2023 (Rupees in '000)	2022
ASSETS			
Cash and balances with treasury banks	6	2,928,217	2,209,218
Balances with other banks	7	1,891	824
Lendings to financial institutions	8	1,882,344	6,634,107
Investments	9	44,359,973	28,980,969
Advances	10	8,220,300	11,062,156
Fixed assets	11	756,794	610,472
Intangible assets	12	45,565	46,254
Other assets	13	12,597,418	1,129,659
		<u>70,792,502</u>	<u>50,673,659</u>
LIABILITIES			
Bills payable	15	149,177	141,970
Borrowings	16	32,622,818	13,653,728
Deposits and other accounts	17	31,332,331	32,164,330
Deferred tax liabilities	18	177,698	54,234
Other liabilities	19	3,427,956	2,154,863
		<u>67,709,980</u>	<u>48,169,125</u>
NET ASSETS		<u>3,082,522</u>	<u>2,504,534</u>
REPRESENTED BY			
Share capital	20	3,994,113	3,994,113
Reserves - statutory reserve		547,810	431,313
Surplus on revaluation of assets - net of tax	21	389,668	160,747
Accumulated loss		(1,849,069)	(2,081,639)
		<u>3,082,522</u>	<u>2,504,534</u>
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes from 1 to 46 form an integral part of these financial statements.


 Chief Financial
 Officer


 President /
 Chief Executive


 Director


 Director


 Director

First Women Bank Limited
Statement of Profit or Loss
For the year ended December 31, 2023

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
Mark-up / return / interest earned	24	12,477,815	5,640,042
Mark-up / return / interest expensed	25	10,403,732	4,417,189
Net mark-up / interest income		<u>2,074,083</u>	<u>1,222,853</u>
NON MARK-UP / INTEREST INCOME			
Fee and commission income	26	81,929	69,971
Dividend income		5,026	12,111
Foreign exchange income		5,003	8,890
(Loss) / gain on securities	27	(277)	1,017
Other income	28	2,064	2,885
Total non mark-up / interest income		<u>93,745</u>	<u>94,874</u>
Total Income		<u>2,167,828</u>	<u>1,317,727</u>
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	29	1,545,955	1,204,825
Other charges	30	1,234	1,311
Total non-mark-up / interest expenses		<u>(1,547,189)</u>	<u>(1,206,136)</u>
Profit before provisions		<u>620,639</u>	<u>111,591</u>
Provisions and write offs - net Extra ordinary / unusual items	31	(163,285)	(6,720)
PROFIT BEFORE TAXATION		<u>457,354</u>	<u>104,871</u>
Taxation	32	(135,189)	(43,487)
PROFIT AFTER TAXATION		<u><u>322,165</u></u>	<u><u>61,384</u></u>
		----- (Rupees) -----	
Basic earnings per share	33	<u>0.81</u>	<u>0.15</u>
Diluted earnings per share	33	<u>0.81</u>	<u>0.15</u>

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**President /
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First Women Bank Limited
Statement of Comprehensive Income
For the year ended December 31, 2023

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
Profit after taxation for the year		322,165	61,384
Other comprehensive income			
Items that may be reclassified to profit and loss in subsequent periods:			
Surplus / (deficit) on revaluation of investments - net of tax	9.1 & 21	123,582	(45,425)
Items that will not be reclassified to profit and loss in subsequent periods:			
Remeasurement gain on defined benefit obligations - net of tax		18,393	10,900
Movement in surplus on revaluation of fixed assets - net of tax	21.1	113,849	-
		132,242	10,900
Total comprehensive income for the year		<u>577,988</u>	<u>26,859</u>

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First Women Bank Limited
Statement of Changes in Equity
For the year ended December 31, 2023

	Share capital	Reserve (Statutory reserve)	Surplus / (deficit) on revaluation			Accumulated loss	Total
			Investments	Fixed Assets	Total Surplus on assets		
(Rupees in '000)							
Opening balance as at January 01, 2021	3,994,113	419,036	(21,052)	236,350	215,498	(2,149,394)	2,479,253
Profit after taxation	-	-	-	-	-	61,284	61,284
Other comprehensive (loss) / income - net of tax	-	-	-	-	-	-	-
- change in surplus on the revaluation of fixed assets - net of tax	-	-	-	-	-	-	-
- deficit on revaluation of investments - net of tax	-	-	(45,425)	-	(45,425)	-	(45,425)
- remeasurement gain on defined benefit obligations	-	-	-	-	-	10,900	10,900
Total comprehensive income / (loss)	-	-	(45,425)	-	(45,425)	72,284	26,859
Impact of rate change in revaluation of fixed assets	-	-	-	(1,578)	(1,578)	-	(1,578)
Transfer to statutory reserve	-	12,277	-	-	-	(12,277)	-
Transfer of incremental depreciation from surplus on revaluation - net of tax	-	-	-	(7,748)	(7,748)	7,748	-
Balance as at December 31, 2022	3,994,113	431,313	(66,477)	227,214	160,747	(2,081,639)	2,504,534
Profit after taxation	-	-	-	-	-	322,165	322,165
Other comprehensive income - net of tax	-	-	-	-	-	-	-
- change in surplus on the revaluation of fixed assets - net of tax	-	-	-	113,849	113,849	-	113,849
- surplus on revaluation of investments - net of tax	-	-	123,582	-	123,582	-	123,582
- remeasurement gain on defined benefit obligations	-	-	-	-	-	18,393	18,393
Total comprehensive income / (loss)	-	-	123,582	113,849	237,431	340,558	577,988
Transfer to statutory reserve	-	116,497	-	-	-	(116,497)	-
Impact of rate change in revaluation of fixed assets	-	-	-	-	-	-	-
Transfer of incremental depreciation from surplus on revaluation - net of tax	-	-	-	(8,510)	(8,510)	8,510	-
Balance as at December 31, 2023	3,994,113	547,810	57,105	218,704	389,668	(1,849,082)	3,082,522

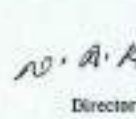
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First Women Bank Limited
Statement of Cash Flow
For the year ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

	Note	2023 (Rupees in '000)	2022
Profit before taxation		457,354	104,871
Less: Dividend income		(5,026)	(12,111)
		452,328	92,760

Adjustments

Depreciation on operating fixed assets and right of use assets	11.1	174,373	164,115
Amortization	12.2	16,554	23,722
Provisions and write offs excluding recovery of written off bad debts	31	163,285	6,720
Net gain on sale of fixed assets	28	(397)	(668)
Charge for defined benefit plans	29.1	38,679	22,447
Loss / (Gain) on securities	27	277	(1,017)
Interest expense on lease liability	25	53,926	42,620
		446,697	257,939
		899,025	350,699

(Increase) / decrease in operating assets

Lendings to financial institutions		4,751,763	(4,649,107)
Advances		2,585,981	(1,735,433)
Other assets		(11,467,759)	(611,586)
		(4,130,015)	(6,096,126)

Increase / (decrease) in operating liabilities

Bills payable		7,207	(119,615)
Borrowings from financial institutions		18,969,090	3,974,285
Deposits and other accounts		(831,999)	6,802,706
Other liabilities (excluding current taxation)		1,443,680	881,505
		19,587,978	11,538,881

Payment made to defined benefit plans

		16,356,987	4,893,454
		(24,545)	(13,108)

Income tax paid

		(192,898)	(70,932)
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Net cash flows from operating activities

		16,139,544	4,809,414
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CASH FLOWS FROM INVESTING ACTIVITIES

Investments in available-for-sale securities - net		(15,194,896)	(5,256,154)
Dividend received		5,026	12,111
Purchase of fixed assets		(134,058)	(108,471)
Additions to intangibles assets		(15,864)	(25,892)
Proceeds from sale of fixed assets		397	668
Net cash flows used in investing activities		(15,339,395)	(5,377,738)

CASH FLOWS FROM FINANCING ACTIVITIES

Payments of lease liability against right of use assets		(80,083)	(40,189)
Net cash flow used in financing activities		(80,083)	(40,189)

Increase / (decrease) in cash and cash equivalents

Cash and cash equivalents at beginning of the year		720,066	(608,513)
Cash and cash equivalents at end of the year	34	2,210,042	2,818,555
		2,930,108	2,210,042

The annexed notes from 1 to 46 form an integral part of these financial statements.


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First Women Bank Limited
Notes to the Financial Statements
For the year ended December 31, 2023

1. STATUS AND NATURE OF BUSINESS

1.1 First Women Bank Limited (the Bank) was incorporated under the Companies Ordinance, 1984 (now Companies Act, 2017) on November 21, 1989 in Pakistan as an unquoted public limited company and commenced operations on December 02, 1989. The Bank is engaged in commercial banking and related services. The registered office of the Bank is situated at ground floor, S.T.S.M. Foundation Building, Civil Lines, Karachi. The Bank operates a network of forty two branches as at December 31, 2023 (2022: forty two branches). The short term and long term credit ratings of the Bank rated by PACRA in June 2023 are 'A2' and 'A-' respectively. The Bank is controlled by Government of Pakistan through Ministry of Finance (which holds 82.64 % of the Bank's share capital).

1.2 Being a public sector bank, in terms of the State Bank of Pakistan (SBP), prescribed minimum capital requirements vide its letter reference BPRD/BA&CP/627/32/2014 dated January 01, 2014, the Bank is required to have a minimum paid up capital (net of losses) (MCR) of Rs. 3 billion and capital adequacy ratio (CAR) of 18% at all times, subject to the condition that MCR level shall remain enforced until the Bank remains a public sector entity, the Bank will not be allowed to pay dividend until its paid-up capital and reserves reach Rs. 6 billion and the per party exposure limit of the Bank will be 50% of the prudential regulation's limits until the Bank's paid-up capital and reserves reach Rs. 6 billion.

The Bank has earned net profit of Rs. 0.322 billion for the year ended December 31, 2023 and as of this date, the Bank's MCR (representing paid up capital net of accumulated losses) was Rs. 2.15 billion which is less than the minimum required amount.

Under BSD Circular No. 19 of 2008 dated September 05, 2008 of the SBP any bank that fails to meet the MCR within the stipulated period shall render itself liable to the following actions:

- i) Imposition of such restrictions on its business including restrictions on acceptance of deposits and lending as may be deemed fit by the State Bank.
- ii) Descheduling of the bank, thereby converting it into a non-scheduled bank.
- iii) Cancellation of the banking license if the State Bank believes that the bank is not in a position to meet the minimum paid up capital requirement or CAR.

1.3 Privatization status of the Bank

The Ministry of Privatization stated that the Cabinet Committee on Privatization (CCoP), in its meeting held on October 31, 2018, had placed the First Women Bank Limited (FWBL) on the Active Privatization Program, duly ratified by the Federal Cabinet on November 1, 2018. Accordingly, the Privatization Commission issued a Request for Proposals (RFP) on October 18, 2019, inviting Technical and Financial Proposals. After completing the technical and financial evaluation of the bids, the consortium comprising M/s Bridge Factor & National Bank of Pakistan was appointed as the Financial Advisor for the privatization of FWBL with the approval of Board of the Privatization Commission Board on December 27, 2019. Accordingly, Financial Advisory Services Agreement (FASA) was signed on January 27, 2020.

The Ministry of Privatization further noted that the due diligence report of the Bank was finalized in June 2020 and the Cabinet Committee on Privatization approved the Transaction Structure on August 21, 2020. However, owing to the non-availability of latest audited accounts, further steps including the issuance of EoI/RSOQ, could not take place which would resume after the financial statements will be approved by the Board.

1.4 Going concern basis of accounting

The Bank's MCR (representing paid up capital net of accumulated losses) was Rs. 2.15 billion (2022: Rs. 1.91 billion) which is less than the minimum required amount by Rs. 0.85 billion (2022: 1.09 billion).

The Bank's paid-up capital (net of losses) stood below the MCR of Rs 3 billion prescribed by the SBP (specifically for the Bank) which non-compliance may result in adverse regulatory actions by SBP as mentioned in note 1.2 of the financial statements.

These financial statements have been prepared on a going concern basis based on the following facts:

- Above fact has already been reported by the Bank to the State Bank of Pakistan and also to the Ministry of Finance (MoF), Government of Pakistan (GoP) as a major shareholder for an arrangement to fill-up the shortage of Bank's MCR and in order to avoid any punitive action, the Bank's management is in continuous liaison with SBP and MoF GoP. Further, to date, the SBP has not taken any adverse action or imposed any restriction that could impact the normal operations of the Bank. Moreover, the Bank is in the privatization list of the GoP, and is being actively pursued for this purpose by the Privatization Commission which also adds positively to the above.
- Bank's management and the Board is fully confident that the regulator and the major shareholder (MoF GoP) will extend the due support for meeting the capital requirements, which is also evident from the fact that historically the shareholder has numerously injected capital in the Bank whenever there was a shortfall. Despite the losses the Bank is compliant with minimum required Capital Adequacy Ratio of 18% and is expected to maintain this adequacy in periods subsequent to December 31, 2023, which is an indicator of strong asset base of the Bank.
- The GoP via the MoF i.e. bank's major shareholder holding 82.64 % of the Bank's equity is fully committed to supporting the Bank, whenever required, to enable it to continue as going concern, through policy and other intervention. Based on the historical available support and central bank's action and also the fact that GoP has assured necessary interventions when required to enable the Bank to continue as a going concern, management believes that the Bank shall remain a going concern in foreseeable future, however, it may not do so in an adverse eventuality or unexpected events.

These events or conditions along with other matters as set forth in Note 1.2 indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern and, therefore, the Bank may be unable to realize its assets and discharge its liabilities in the normal course of business. However, these financial statements have been prepared on a going concern basis which assumes that the Bank shall operate its business, realize its assets, discharge its liabilities and obtain refinancing (if necessary), in the normal course of business. Accordingly, the financial statements do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate.

2. BASIS OF PRESENTATION

- 2.1 These financial statements have been prepared in conformity with the format of financial statements prescribed by the SBP vide BPRD Circular No. 2, dated January 25, 2018.

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, SBP has issued various circulars from time to time. Permissible forms of trade related mode of financing include purchase of goods by the banks from their customers and immediate resale to them at appropriate profit in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon.

2.2 Statement of Compliance

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;
- 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 and the Securities and Exchange Commission of Pakistan.

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 the IFRS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" and IAS 40 "Investment Property" for banking companies till further instructions. Further, according to a notification of the Securities and Exchange Commission of Pakistan (SECP) through S.R.O. No. 411 (1) / 2008 dated 28 April 2008, 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.

Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

2.3 Standards, Interpretations and Amendments to Published Approved Accounting Standards that are effective in current year

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 01, 2023. These are not considered to be relevant or have any significant effect on the Bank's operations and therefore have not been detailed in these financial statements.

2.4 Standards, Interpretations and Amendments to Published Approved Accounting Standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 01, 2024:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
Amendments to IAS 1 'Presentation of Financial Statements'- Disclosure of accounting policies	January 01, 2024
Amendments to IFRS 16 'Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements'- Classification of liabilities as current or non-current	January 01, 2024

The Bank expects that amendments to existing accounting and reporting standards will not affect its financial statements in the period of initial application except in case of IFRS 9.

2.5 IFRS 9 Financial Instruments:

As per SBP BPRD Circular No 7 of 2023, dated April 23, 2023, the effective date for the implementation of IFRS 9 Financial Instruments is accounting period beginning on or after January 1, 2024. SBP had earlier issued BPRD Circular No 3 of 2022 dated July 05, 2022, where detailed instructions on the application of the Standard, including transitional provisions, impact on the Capital Adequacy Ratio (CAR) calculation and reporting requirements were issued. The SBP's IFRS 9 application instructions apply to both the standalone and consolidated financial statements of the Bank. However, the financial statements of overseas branches, subsidiaries and associates that are prepared for the purpose of consolidation at Bank level would be based on their respective host country's regulatory accounting practices till one year from the effective date of IFRS 9 implementation. Afterwards, banks are required to comply with the requirements of IFRS 9 and SBP's application instructions for consolidated financial statements.

The IFRS 9 application instructions and guidelines that have been issued as part of the circular include the following key components:

- a) Basis for classification and measurement of debt and equity securities;
- b) Framework for determination of "Expected Credit Losses (ECL)" under the requirements of IFRS 9, including required risk management policies;
- c) Credit exposures (in local currency) that have been guaranteed by the Government and Government Securities have been exempted from the application of the above ECL Framework;

- d) In respect of non-performing exposures (Stage 3 exposures) provision would be made considering higher of IFRS 9 ECL or provision computed under existing PRs'
- e) In order to mitigate the impact of ECL provisioning on capital, a transitional arrangement is allowed to the banks to absorb the impact on regulatory capital and fully described in Annexure B to the aforementioned circular.

The State Bank of Pakistan vide its BPRD circular No. 2 dated February 09, 2023 has issued revised formats for interim and annual financial statements of the banks for the accounting periods starting from January 01, 2023, which shall include the presentation and disclosures on adoption of IFRS 9 as applicable in Pakistan.

Impact on equity and regulatory capital on adoption of IFRS 9

During 2023, the Bank has performed an impact assessment after applying the SBP's IFRS 9 instructions. The assessment is based on available information and may be subject to changes arising from further reasonable and supportable information being made available to the Bank at the time of finalizing the impact for initial application of IFRS 9.

The Bank will adopt IFRS 9 in its entirety effective January 01, 2024 with a modified retrospective approach for restatement. As permitted by IFRS-9, the Bank will not be restating comparatives on initial application. The cumulative impact of the initial application will be recorded as an adjustment to opening equity as at January 01, 2024.

The total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Bank's equity as at January 01, 2024 would be a reduction in equity of approximately Rs. 31.246 million, with corresponding impacts as follows:

- a) An increase of approximately Rs. 31.246 million related to classification and measurement changes.

In order to mitigate the impact of ECL provisioning on capital, a transitional arrangement is allowed to the banks to absorb the impact on regulatory capital. Accordingly, banks, which choose to apply this transitional arrangement, may implement this in accordance with SBP's Guideline for absorption of ECL for CAR purposes as mentioned in Annexure-B of BPRD Circular no 3 of 2022.

The estimated impact of initial adoption of IFRS 9 on the Bank's capital ratios, without accounting for the allowed transitional arrangement, would be as follows:

Common Equity Tier 1 Capital Adequacy ratio - 27.16%

Tier 1 Capital Adequacy Ratio - 27.16%

Total Capital Adequacy Ratio - 31.94%

These financial statements have been prepared in accordance with the existing prudential regime to the extent of the Bank's domestic operations, whereas the requirements of this standard have been incorporated for the overseas jurisdictions where IFRS 9 has already been adopted.

There are certain other new amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2023, but are considered not to be relevant or will not have any significant effect on the Bank's operations and are, therefore, not detailed in these financial statements.

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except that lease hold land and buildings are stated at revalued amounts less accumulated depreciation and impairment losses, if any, available-for-sale and held-for-trading investments and derivative financial instruments are measured at fair values.

3.2 Functional and Presentation Currency

The financial statements are presented in Pakistan Rupees, which is also the Bank's functional currency. Except as indicated, financial information presented in Pakistan Rupees has been rounded to nearest thousand.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The principal accounting policies applied in the preparation of these financial statements are set out below:

4.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, balances with treasury banks, balances with other banks in current and deposit accounts, national prize bonds, any overdrawn nostro accounts and call lendings having maturity of three months or less.

4.2 Investments

The Bank classifies its investment portfolio into following categories:

a) Held-for-trading

These are securities which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

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 securities that do not fall under the 'held-for-trading' and 'held-to-maturity' categories.

4.2.1 Regular way contracts

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised at trade date, which is the date at which the Bank commits to purchase or sell the investments except for money market contracts which are recognised on the settlement date.

4.2.2 Initial recognition and measurement

Investments other than those classified as 'held for trading' are initially recognised at cost. Transaction costs associated with these investment are included in cost of investments. Investments classified as 'held for trading' are initially recognised at fair value and transaction costs are expensed in the profit and loss account.

4.2.3 Subsequent measurement

In accordance with the requirements of SBP, quoted securities other than those classified as 'held to maturity', are subsequently remeasured to fair value. Surplus / (deficit) arising on revaluation of securities classified as 'available for sale' is included in the statement of comprehensive income. Surplus / (deficit) arising on revaluation of investments classified as 'held for trading' is taken to the profit and loss account. Investments classified as 'held to maturity' are carried at amortised cost.

Investment classified as held to maturity are subsequently measured at amortised cost using the effective interest rate method, less impairment losses, if any.

Unquoted equity securities, are valued at lower of cost and the 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 audited financial statements.

Listed equity shares are valued at rates quoted on the Pakistan Stock Exchange. Government Securities are valued on the basis of PKRV rates. Terms Finance Certificates are valued at the rates quoted by MUFAP.

4.2.4 Impairment

Impairment loss in respect of equity securities classified as available for sale and other held to maturity investments are recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus / (deficit) on revaluation of securities on the statement of financial position is removed there from and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

Gains or losses on disposal of investments during the year are taken to the profit and loss account.

4.3 Lendings to / borrowings from financial institutions

The Bank enters into transactions of borrowing (repurchase) from and lending (reverse repurchase) to financial institutions, at contracted rates for a specified period of time. These are recorded as under:

Sale under repurchase obligation

Securities sold with a simultaneous commitment to repurchase at a specified future date (repo) continue to be recognized in the balance sheet and are measured in accordance with accounting policies for investments and counter party liability is included in borrowing from financial institutions. The difference between sale and repurchase price is accrued on a time proportionate basis over the period of the contract and recorded as an expense.

Purchase under resale obligation

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognized in the balance sheet and instead amounts paid under these arrangements are included in lendings to financial institutions. The difference between purchase and resale price is accrued on a time proportionate basis over the period of the contract and recorded as income.

Other obligations

Other borrowings including borrowings from SBP are recorded at the proceeds received. Mark-up on such borrowing is charged to the profit and loss account on a time proportion basis.

4.4 Advances

Advances are stated net of specific and general provisions. Specific and general provision is determined on the basis of the Prudential Regulations and other directives issued by the SBP. The net provision made / reversed during the year is charged to statement of profit or loss account and accumulated provision is netted off against advances. Advances are written-off when there is no realistic prospect of recovery.

4.5 Property and equipment

4.5.1 Tangible assets

Except for lease hold land and buildings, other items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Lease hold land is stated at revalued amounts whereas the buildings are stated at revalued amounts less subsequent accumulated depreciation and impairment losses, if any.

Depreciation is charged to the profit and loss account applying straight line method. The rates of depreciation are given in note 10.1 to these financial statements. The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, at each balance sheet 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.

Surplus arising on revaluation of land and buildings is credited to the surplus on revaluation of property and equipment account. Deficit arising on subsequent revaluation of fixed assets is charged to Profit and Loss account, as allowed under the provisions of the Companies Act, 2017. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets, is transferred directly to accumulated loss. In case of revalued asset, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. The surplus arising on revaluation is disclosed as surplus on revaluation of property and equipment (as part of equity - refer note 20 also).

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses on sale of property and equipment are included in the profit and loss account in the year the asset is de-recognized, except that the related surplus on revaluation of land and buildings (net of deferred tax) is transferred directly to accumulated loss.

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

4.5.2 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The cost of intangible assets are amortized over their estimated useful lives using the straight line method at the rates stated in note 11. Costs associated with maintaining the software are recognized as expense in the profit and loss account as and when incurred. The useful lives of intangible assets are reviewed and adjusted, if appropriate, at each balance sheet date.

4.5.3 Capital work-in-progress

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

4.5.4 Right-of-use assets:

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Bank mainly leases properties for its operations. The Bank recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The right-of-use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of right-of-use asset or end of the lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

4.6 Non-banking assets

Non-banking assets acquired in satisfaction of claims are initially recorded at cost and subsequently carried at revalued amounts less accumulated depreciation and impairment, if any. 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 non-banking assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to the profit and loss account.

Depreciation on assets (other than land) acquired in satisfaction of claims is charged to the profit and loss account on the same basis as depreciation charged on the Bank's owned fixed assets.

These assets are generally intended for sale. Gains and losses realised on the sale of such assets are disclosed separately from gains and losses realised on the sale of fixed assets. Surplus on revaluation (net of deferred tax) realised on disposal of these assets is transferred directly to unappropriated profit.

If such an asset is subsequently used by the Bank for its own operations, the asset is transferred to fixed assets along with any related surplus.

4.7 Impairment - non financial assets

At each balance sheet date, the Bank reviews the carrying amount of its assets (other than deferred tax assets) to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of assets is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the greater of net selling price and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. The resulting impairment loss is recognized as an expense immediately, except that the impairment loss on revalued fixed assets is first adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of those assets.

4.8 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly in other comprehensive income / surplus on revaluation of assets in which case it is recognised in statement of comprehensive income / surplus on revaluation of assets.

4.8.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the year. The charge for current tax also includes adjustments where considered necessary, relating to prior years which arise from assessments finalized during the year for such years.

4.8.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences as at the statement of financial position date between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The Bank records deferred tax assets / liabilities using tax rates, enacted or substantially enacted at the statement of financial position date, that are expected to be applicable at the time of their reversal.

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 utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Bank recognizes a deferred tax asset / liability on deficit / surplus on revaluation of assets in accordance with the requirements of IAS 12 "Income Taxes". The related deferred tax asset / liability is adjusted against the related deficit / surplus.

The Bank recognizes a deferred tax asset including on the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized in accordance with the requirements of IAS 12 "Income Taxes".

4.9 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Provision against identified non-funded losses is recognized when intimated and reasonable certainty exists for the Bank to settle the obligation. The loss is charged to the profit and loss account net of expected recovery and is classified under other liabilities.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

4.10 Lease liability on right - of - use assets

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

4.11 Staff retirement benefits

Approved funded pension scheme (defined benefit plan)

The Bank operates a funded pension scheme for its employees. The fund was granted approval by the Commissioner of Income Tax on 6 March 2000 to take effect from 1 October 1999. Provision is made in these financial statements based on the actuarial valuation (conducted at the balance sheet date - 31 December 2022) using the projected unit credit method. Above benefits are payable to staff at the time of separation / retirement from the Bank's services subject to the completion of qualifying period of service on the basis of basic salaries. Remeasurement component, which is the net of actuarial gains and losses is recognized immediately in other comprehensive income whereas service cost and net interest income / expense are charged to the profit and loss account. Effect of changes in the plan are also recognised currently in the profit and loss account.

Approved funded gratuity scheme (defined benefit plan)

The Bank also operates a funded gratuity scheme for its employees. The fund was granted approval by the Commissioner of Income Tax on 4 December 2018 to take effect from 4th September 2018. Provision is made in these financial statements based on the actuarial valuation (conducted at the balance sheet date - 31 December 2022) using the projected unit credit method. Above benefits are payable to staff at the time of separation / retirement from the Bank's services subject to the completion of qualifying period of service on the basis of basic salaries. Remeasurement component, which is the net of actuarial gains and losses is recognized immediately in other comprehensive income whereas service cost and net interest income / expense are charged to the profit and loss account.

Contributory provident fund

Up to 30 June 2017, the Bank operated a non contributory provident fund in which monthly contributions were made by employees at a rate of 12% of basic salary. However this scheme since then has been discontinued but some dues have to be settled.

Unfunded gratuity scheme

Up to 30 September 2018, the Bank operated an unfunded gratuity scheme for its President (refer note 36). Liability and expense are recorded in accordance with the terms of the scheme. However this scheme since then has been discontinued and the dues have to be settled (after shareholders approval).

4.12 Employees' compensated absences

The Bank recognizes liability in respect of compensated absences of its employees in the period in which these are earned on the basis of actuarial valuation (conducted at the balance sheet date - December 31, 2022) carried out using the Projected Unit Credit Method. Actuarial gains / losses charge for the year are immediately recognised in the profit and loss account.

4.13 Revenue recognition

Revenue is recognized to the extent that the economic benefits will flow to the bank and revenue can be reliably measured. These are recognized as follow:

- Mark-up / return / interest on regular advances and investments is recognized on a time proportion basis. Where debt securities are purchased at premium or discount, the same is amortized through the profit and loss account over the remaining maturity using the effective interest method. Mark-up income due on non-performing advances are suspended as per the requirements of the Prudential Regulations.
- Mark-up / return / interest recoverable on classified advances and investments is recognized on receipt basis. Mark-up / return / interest on classified rescheduled / restructured advances and investments is recognized as permitted by the regulations of the SBP.
- Dividend income is recognized when the Bank's right to receive dividend is established.
- Gain and loss on sale of investments is recognized to the profit and loss account currently.
- Fees, brokerage and commission are recognized when the services are rendered (and over period of services). Account maintenance and service charges are recognized when realized.

4.14 Foreign currencies

4.14.1 Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the foreign exchange rates prevalent on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the balance sheet date.

4.14.2 Translation gains and losses

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

4.14.3 Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in these financial statements at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the balance sheet date.

4.15 Financial instruments

4.15.1 Financial assets and financial liabilities

Financial assets and financial liabilities are recognized at the time when the Bank becomes a party to the contractual provision of the instrument. 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 reward of the asset. Financial liabilities are de-recognized when obligation specific 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. The particular recognition and subsequent measurement methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

4.15.2 Derivative financial instruments

Derivative financial instruments are initially recognized at cost on the date on which a derivative contract is entered into and are subsequently remeasured at their fair values. All derivative financial instruments are carried as assets when the fair value is positive and liability when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account currently.

4.16 Off-setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Bank intends to either settle on net basis, or to realize the assets and to settle the liabilities, simultaneously.

4.17 Borrowing / Deposits and their cost

Borrowing / deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognized separately as part of other liabilities and is charged to the profit and loss account on a time proportion basis.

4.18 Dividend distribution and appropriations

Bonus dividend, cash dividend and other appropriations (except for the appropriations required by law), declared / approved subsequent to balance sheet date are considered as non-adjusting event and are not recorded in financial statements of the current year. These are recognized in the period in which these are declared / approved.

4.19 Acceptances

Acceptances comprise of undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as on-balance sheet transactions.

4.20 Earnings per share

The Bank presents basic and diluted earnings per share. Basic earning is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

4.21 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment information is presented as per the Bank's functional structure and guidance of the SBP. The Bank comprises of following main segments:

4.21.1 Business segments

a) **Corporate finance and commercial banking**

Corporate finance includes syndications and advances to corporate enterprises including deposits therefrom. Commercial banking includes project financing, export financing, other lendings, guarantees and bills of exchange.

b) **Treasury**

It includes fixed income, equity, foreign exchange contracts, lendings to financial institutions and borrowings.

c) **Retail and consumer banking**

It includes retail lending and deposits, banking services, private lending and deposits, retail services offered to the retail customers.

d) **Commercial Banking**

This includes lending and deposits banking services, private lending and deposits offered to the small and medium enterprises.

4.21.2 Geographical segment

The Bank operates in Pakistan only.

5. Critical accounting estimates and judgements

The preparation of these financial statements is in conformity with approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgement in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods. Significant accounting estimates and areas where judgements were made by management in the application of accounting policies are as follows:

a) **Classification of investments**

- In classifying investments as 'held-for-trading', the Bank determines the securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements.
- The investments which have fixed or determinable payments and fixed maturities and the Bank has the positive intent and ability to hold them till maturity.

- The investments which are not classified as 'held-for-trading' or 'held-to-maturity' are classified as 'available-for-sale'.

b) Valuation and impairment of available-for-sale equity investments

The Bank determines that 'available-for-sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, the impairment may be appropriate when there is an evidence of deterioration in the financial health of investee, industry and sector performance, changes in technology and operational and financing cash flows.

c) Provision against non-performing loans and advances and debt securities classified as investments

The Bank reviews its loan portfolio and debt securities classified as investments to assess amount of non-performing loans and advances and debt securities and provision required there against on a regular basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower, and the requirements of the Prudential Regulations are considered. The Bank also maintains general provision against consumer and small and medium enterprises advances in accordance with the requirements set out in Prudential Regulations of the SBP. These provisions change due to changes in requirements.

d) Income taxes

In making the estimates for income taxes currently payable by the Bank, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Bank's future taxable profits are taken into account.

e) Depreciation, amortisation and revaluation of fixed assets / non-banking assets / intangible assets

The Bank estimates the revalued amount of land and buildings on a regular basis. The estimates are based on valuations carried out by independent professional valuers and such valuations are carried out with sufficient regulatory so that the valuation at the year end is close to their fair values. In making estimates of the depreciation / amortisation method and rates, the management uses the method and rates which reflects the pattern in which economic benefits are expected to be consumed by the Bank.

The estimates made are 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 estimates are changed to reflect the changed pattern. Such a change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'.

f) Staff retirement benefits (including compensated absence)

Liability is determined on the basis of actuarial valuation using the Projected Unit Credit Method. The actuarial assumptions used to determine the liability and related expense are disclosed in note 35 and 37. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may effect the liability / asset under these plans in those years.

g) Impairment of non-financial assets (excluding deferred tax asset)

Non-financial assets are subject to impairment review if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable. If any such indication exists, the Bank estimates the recoverable amount of the asset and the impairment loss, if any. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of future cash flows from the asset discounted at a rate that reflects market interest rates adjusted for risks specific to the asset. If the recoverable amount of an intangible or tangible asset is less than its carrying value, an impairment loss is recognised immediately in the profit and loss account and the carrying value of the asset is reduced by the amount of the loss. A reversal of an impairment loss on these assets is recognised as it arises provided the increased carrying value does not exceed which it would have been had no impairment loss been recognised.

h) Right to use asset and lease liability

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Bank mainly leases properties for its operations. The Bank recognizes a right-of-use asset and lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of right-of-use asset or end of the lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

i) Defined Benefit plan

The Bank operates an approved funded gratuity scheme for all its permanent employees. Retirement benefits are payable to the members of the scheme on the completion of prescribed qualifying period of service under the scheme. Contribution is made in accordance with the actuarial recommendation. The actuarial valuation is carried out annually as at the statement of financial position date using the "projected unit credit actuarial cost method". All actuarial gains and losses are recognised in other comprehensive income as they occur. Past service cost resulting from changes to defined benefit plan is recognised in the profit and loss account.

j) **Compensated Absences**

The bank uses actuarial valuation for the determination of its compensated absences liability. This method makes certain assumptions, which may change, there by effecting the profit and loss account of future period.

k) **Going concern assessment**

As fully explained in note 1.3, the management has applied judgement in the assessment of the Bank to continue as going concern.

6. **CASH AND BALANCES WITH TREASURY BANKS**

	Note	2023 ------(Rupees in '000)-----	2022
In hand			
Local currency		810,474	647,883
Foreign currencies		109,066	107,827
		<u>919,540</u>	<u>755,710</u>
With State Bank of Pakistan in			
Local currency current account	6.1	1,371,884	1,079,189
Foreign currency current account	6.2	188,610	229,065
Foreign currency deposit accounts			
- cash reserve account	6.3	59,473	47,777
- special cash reserve account	6.4	117,044	90,345
		<u>1,737,011</u>	<u>1,446,376</u>
With National Bank of Pakistan in			
Local currency current account		269,872	5,323
National Prize Bonds		<u>1,794</u>	<u>1,809</u>
		<u>2,928,217</u>	<u>2,209,218</u>

- 6.1 These accounts are maintained with the SBP to comply with the statutory cash reserve requirements.
- 6.2 This represents US Dollar collection account maintained with SBP.
- 6.3 This represents account maintained with SBP to comply with cash reserve requirements against foreign currency deposits.
- 6.4 This represents account maintained with SBP to comply with the special cash reserve requirement against foreign currency deposits. The return on this account is declared by the SBP on a monthly basis and as at December 31, 2023, it carried mark-up ranging from 3.39% to 4.34% (2022: from 0% to 3.14%) per annum.

7. BALANCES WITH OTHER BANKS	Note	2023	2022
		----- (Rupees in '000) -----	
In Pakistan			
In current accounts		279	279
		<u>279</u>	<u>279</u>
Outside Pakistan			
In current accounts		1,611	544
		<u>1,891</u>	<u>824</u>

8. LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings	8.2	914,089	1,434,089
Repurchase agreement lendings (Reverse Repo)	8.3	1,107,344	5,339,107
		<u>2,021,433</u>	<u>6,773,196</u>
Less: Provision held against lending to financial institutions	8.2 & 8.4	(139,089)	(139,089)
Lendings to Financial Institutions - net of provision		<u>1,882,344</u>	<u>6,634,107</u>

8.1 Particulars of lendings

In local currency		<u>1,882,344</u>	<u>6,634,107</u>
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8.2 This includes financing amounting to Rs. 139 million that matured on December 31, 2012. Due to default in repayments, full provision has been made against these amounts. Lendings were in local currency.

8.3 Securities held as collateral against lending to financial institutions (Reverse repo).

	Note	2023		
		Held by Bank	Further given as collateral	Total
				----- (Rupees in '000) -----
Market treasury bills	8.3.1	907,344	-	907,344
Pakistan investment bonds	8.3.2	200,000	-	200,000
		<u>1,107,344</u>	<u>-</u>	<u>1,107,344</u>

		2022		
		Held by Bank	Further given as collateral	Total
				----- (Rupees in '000) -----
Market treasury bills		939,107	-	939,107
Pakistan investment bonds		4,400,000	-	4,400,000
		<u>5,339,107</u>	<u>-</u>	<u>5,339,107</u>

- 8.3.1 Market value of the securities held as collateral is Rs.0.907 billion (2022: Rs.0.939 billion). These carry mark-up rate of 22.50% (2022: 15% to 16.65%) per annum, with maturity up to January 02, 2024 (2022: up to January 03, 2023)
- 8.3.2 Market value of the securities held as collateral is Rs. 0.200 billion (2022: Rs.4.400 billion). These carry mark-up rate of 21.00% (2022: 15.00%) per annum, with maturity up to January 02, 2024 (2022: up to January 03, 2023).

8.4 Category of classification

Domestic
Loss

2023		2022	
Classified Lending	Provision held	Classified Lending	Provision held
----- (Rupees in '000) -----			
139,089	139,089	139,089	139,089
<u>139,089</u>	<u>139,089</u>	<u>139,089</u>	<u>139,089</u>

9. INVESTMENTS

9.1 Investments by types

	Note	2023			2022				
		Cost / Amortised Cost	Provision for Diminution note 9.5	Surplus	Carrying Value	Cost / Amortised Cost	Provision for Diminution note 9.5	Surplus / (Deficit)	Carrying Value
(Rupees in '000)									
Available-for-sale securities									
Federal Government Securities	9.2	44,265,405	-	93,614	44,359,019	29,070,786	-	(90,772)	28,980,015
Ordinary shares of an unlisted company	9.7	954	-	-	954	954	-	-	954
Preference shares of a listed company	9.8	10,000	(10,000)	-	-	10,000	(10,000)	-	-
Total Investments		44,276,359	(10,000)	93,614	44,359,973	29,081,740	(10,000)	(90,772)	28,980,959

9.2 Investments by segments

Federal government securities									
Market treasury bills		-	-	-	-	1,880,517	-	(17,829)	1,862,688
Pakistan investment bonds	9.4	44,265,405	-	93,614	44,359,019	27,190,269	-	(72,943)	27,117,326
	9.2.1 & 9.3	44,265,405	-	93,614	44,359,019	29,070,786	-	(90,772)	28,980,015
Fully paid-up preference shares									
Listed company	9.8	10,000	(10,000)	-	-	10,000	(10,000)	-	-
Fully paid-up ordinary shares									
Unlisted company	9.7	954	-	-	954	954	-	-	954
Non government debt securities									
Listed term finance certificates		-	-	-	-	-	-	-	-
Total Investments		44,276,359	(10,000)	93,614	44,359,973	29,081,740	(10,000)	(90,772)	28,980,959

9.2.1 Investments given as collateral

	2023	2022
	(Rupees in '000)	
Federal government securities		
Pakistan Investment Bond	31,150,000	13,000,000
	<u>31,150,000</u>	<u>13,000,000</u>

9.3 Investments in Federal Government securities include securities which are held by the Bank are eligible for the statutory liquidity requirements determined under section 29 of the Banking Companies Ordinance, 1962.

9.4 Pakistan Investment Bonds (PIBs) are for the period of three years, five years and ten years. The rates of profit range between 15.608% and 24.80% per annum (2022: 8.18% to 17.55% per annum) with maturities upto August 2029 (2022: Upto June 2030).

	Note	2023 (Rupees in '000)	2022 (Rupees in '000)
9.5 Provision for diminution in value of investments			
Opening balance		10,000	10,000
Reversal during the year	31	-	-
Closing balance		<u>10,000</u>	<u>10,000</u>

9.5.1 Particulars of provision against debt securities

Category of classification	2023		2022	
	Non performing investments	Provision	Non performing investments	Provision
Domestic				
Loss	10,000	10,000	10,000	10,000
	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

9.5.2 Provision for diminution in value of investment by type - available-for-sale securities

Preference shares of a listed company	9.8	10,000	10,000
		<u>10,000</u>	<u>10,000</u>

9.5.3 Provision for diminution in value of investment by segment - available-for-sale securities

Fully paid-up preference shares			
Preference shares of a listed company	9.8	10,000	10,000
		<u>10,000</u>	<u>10,000</u>

9.6 Quality of available for sale securities

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

		<u>Amortized Cost</u>	
		2023	2022
		Note -----(Rupees in '000)-----	
9.6.1 Domestic Securities			
9.6.1.1. Federal government securities			
Market Treasury Bills		-	1,880,517
Pakistan Investment Bonds	9.3	44,265,405	27,190,269
		<u>44,265,405</u>	<u>29,070,786</u>

		<u>2023</u>		<u>2022</u>	
		Cost	Break Up value	Cost	Break Up value
		Note -----(Rupees in '000)-----			
9.6.1.2 Shares					
Unlisted Companies					
National Institutional Facilitation Technologies (Private) Limited (NIFT)	9.7	954	16,540	954	13,948
Per share breakup value of NIFT is Rs. 11.67 (2022: Rs. 9.84)					
9.6.1.3 Preference shares					
Listed Company	9.8	Unrated	Unrated	10,000	10,000
Chenab Limited					

9.7 Ordinary shares of an unlisted company - a related party

This represents investment in 1,416,985 ordinary shares (2022: 1,416,985 ordinary shares) of Rs. 10 each of National Institutional Facilitation Technologies (Private) Limited (NIFT). The Bank's investment in NIFT is carried at cost (less impairment losses, if any) and is not accounted under the equity method of accounting, as the Bank does not have significant influence over the entity. However, one employee of the Bank is a Director of NIFT. The Bank has 5.67% (2022: 5.67%) stake in NIFT.

9.8 Preference shares of a listed company

This represents 1,000,000 (2022: 1,000,000) cumulative redeemable preference shares of a listed company (Chenab Limited) having face value of Rs. 10 each, carrying dividend entitlement at 9.25% per annum on the face value.

Market value of these shares at December 31, 2023 was not available as these shares are not being currently traded. Given the fact that the Company is a defaulter, the Bank has made full provision against these preference shares.

10. ADVANCES

	Note	Performing		Non Performing		Total	
		2023	2022	2023	2022	2023	2022
		(Rupees in '000)					
Loans, cash credits, running finances, etc. in Pakistan	10.2	8,274,718	11,045,937	2,919,888	2,734,650	11,194,606	13,780,587
Advances - gross		8,274,718	11,045,937	2,919,888	2,734,650	11,194,606	13,780,587
Provision against non-performing advances							
- specific	10.3	-	-	(2,750,096)	(2,590,424)	(2,750,096)	(2,590,424)
- general	10.3	(224,210)	(128,007)	-	-	(224,210)	(128,007)
		(224,210)	(128,007)	(2,750,096)	(2,590,424)	(2,974,306)	(2,718,431)
Advances - net of provisions		8,050,508	10,917,930	169,792	144,226	8,220,300	11,062,156

2023 2022
----- (Rupees in '000) -----

10.1 Particulars of advances - gross

In local currency	11,194,606	13,780,587
In foreign currencies	-	-
	11,194,606	13,780,587

10.2 Advances include Rs. 2,920 million (2022: Rs. 2,734 million) which have been placed under the non-performing status as detailed below:

Category of classification	2023		2022	
	Non performing loans	Provision	Non performing loans	Provision
Domestic	(Rupees in '000)			
Other Assets Especially Mentioned	25,138	1,308	42,472	1,383
Substandard	103,930	18,396	13,298	1,556
Doubtful	247,641	110,061	101,345	9,950
Loss	2,543,178	2,620,332	2,577,535	2,577,535
	<u>2,919,888</u>	<u>2,750,096</u>	<u>2,734,650</u>	<u>2,590,424</u>

10.3 Particulars of provision against advances

Note	2023			2022		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	2,590,424	128,007	2,718,431	2,681,152	30,560	2,711,712
Charge for the year	233,439	100,000	333,439	92,884	100,000	192,884
Reversals	(73,767)	(3,797)	(77,564)	(183,612)	(2,553)	(186,165)
Net charge for the year	159,672	96,203	255,875	(90,728)	97,447	6,720
Closing balance	<u>2,750,096</u>	<u>224,210</u>	<u>2,974,306</u>	<u>2,590,424</u>	<u>128,007</u>	<u>2,718,431</u>

10.3.1 Particulars of provision against advances

	2023			2022		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	2,750,096	224,210	2,974,306	2,590,424	128,007	2,718,431
In foreign currencies	-	-	-	-	-	-
	<u>2,750,096</u>	<u>224,210</u>	<u>2,974,306</u>	<u>2,590,424</u>	<u>128,007</u>	<u>2,718,431</u>

10.3.2 In accordance with BSD Circular No. 1 of 21 October 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) of certain collaterals against non-performing loans. Had this benefit of FSV not been taken by the bank, specific provision against non-performing advances would have been higher by Rs. 91,258 million (2022: Rs. 47,819 million) and loss before tax would have been higher by Rs. 91,258 million (2022: Rs. 47,819 million). This amount of Rs. 89,298 million (2022: Rs. 46,775 million) is not available for distribution of cash and stock dividend to the shareholders and bonus to employees.

10.3.3 General provision represents provision against consumer and small entities loans. General provision on Consumer loans are maintained at an amount equal to 1% of the fully secured performing portfolio and 4% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP. Moreover, general provision on SE loans are maintained at an amount equal to 1% of unsecured SE loans as per IH&SMEFD Circular No. 09 dated December 22, 2017.

10.4 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 December 31, 2023 has not been given as there were no write-offs of individual amount exceeding Rs. 500,000/- during the year.

		2023	2022
		----- (Rupees in '000) -----	
11. FIXED ASSETS			
Property and equipment	11.1	756,794	610,472
		<u>756,794</u>	<u>610,472</u>

11.1 Property and equipment

	2023							
	Leasehold land	Building /office premises on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Lease hold improvement	Right-of use assets	Total
	(Rupees in '000)							
At January 01, 2023								
Cost	91,567	380,858	71,796	352,493	23,892	67,369	603,777	1,591,753
Accumulated depreciation	-	(108,739)	(64,923)	(326,336)	(10,946)	(53,507)	(416,829)	(981,280)
Net book value	91,567	272,119	6,873	26,157	12,946	13,862	186,948	610,472
Year ended December 31, 2023								
Opening net book value	91,567	272,119	6,873	26,157	12,946	13,862	186,948	610,472
Additions	-	-	11,751	43,456	15,617	30,999	32,235	134,058
Depreciation charge	-	(15,572)	(3,128)	(21,903)	(3,856)	(5,453)	(124,461)	(174,373)
Disposals								
- Cost	-	-	(2,061)	(1,376)	-	-	(40,782)	(44,219)
- Accumulated depreciation	-	-	2,061	1,376	-	-	40,782	44,219
Revaluation surplus								
- Cost	39,120	147,517	-	-	-	-	-	186,637
- Accumulated depreciation	-	-	-	-	-	-	-	-
	39,120	147,517	-	-	-	-	-	186,637
Closing net book value	130,687	404,064	15,496	47,710	24,707	39,408	94,722	756,794
At December 31, 2023								
Cost	130,687	528,375	81,486	394,573	39,509	98,368	595,230	1,868,229
Accumulated depreciation	-	(124,311)	(65,990)	(346,863)	(14,802)	(58,960)	(500,308)	(1,111,434)
Net book value	130,687	404,064	15,496	47,710	24,707	39,408	94,722	756,794
Rate of depreciation (percentage)	-	5%	20%	33.33%	20%	20%	10%-100%	

	2022							
	Leasehold land	Building /office premises on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Lease hold improvement	Right-of use assets	Total
	(Rupees in '000)							
At January 01, 2022								
Cost	91,567	380,858	73,151	338,944	14,250	60,010	531,649	1,490,410
Accumulated depreciation	-	(94,417)	(66,694)	(305,474)	(8,007)	(50,302)	(299,399)	(824,293)
Net book value	91,567	286,441	6,457	33,470	6,243	9,708	232,251	666,117
Year ended December 31, 2022								
Opening net book value	91,567	286,441	6,437	33,470	6,243	9,708	232,251	666,117
Additions	-	-	2,700	16,641	9,642	7,359	72,128	108,471
Depreciation charge	-	(14,322)	(2,264)	(23,954)	(2,939)	(3,205)	(117,431)	(164,115)
Disposals								
- Cost	-	-	(4,035)	(3,092)	-	-	-	(7,128)
- Accumulated depreciation	-	-	4,035	3,092	-	-	-	7,128
Revaluation surplus								
- Cost	-	-	-	-	-	-	-	-
- Accumulated depreciation	-	-	-	-	-	-	-	-
Closing net book value	91,567	272,119	6,873	26,157	12,946	13,862	186,948	610,473
At December 31, 2022								
Cost	91,567	380,858	71,796	352,493	23,892	67,369	603,777	1,591,752
Accumulated depreciation	-	(108,739)	(64,923)	(326,336)	(10,946)	(53,507)	(416,829)	(981,280)
Net book value	91,567	272,119	6,873	26,157	12,946	13,862	186,948	610,472
Rate of depreciation (percentage)	-	3%	20%	33.33%	20%	20%	10%-100%	

11.1.1 The leasehold land and buildings of the Bank were revalued on December 31, 2023 by an independent valuer Arsen Private Limited on the market value basis after making independent market inquiries from local estate agents / realtors in the vicinity to establish the present market value. The revaluations of the above assets were last carried out in 2006, 2008, 2011, 2014, 2016, 2018 and 2021. The resulting surplus has been credited to the revaluation surplus account, net of related tax effect.

Had the land and buildings not been revalued, total carrying amounts as at December 31, 2023 would have been as follows (at cost less accumulated depreciation):

	2023	2022
	(Rupees in '000)	
Leasehold land	3,287	3,287
Buildings on Leasehold land	3,687	19,250
	<u>6,974</u>	<u>22,537</u>

11.1.2 The total of forced sale values based on the revaluations explained in note 10.1.1 above are as follows:

	Forced sale value (Rupees in '000)
Leasehold land	104,320
Buildings on Leasehold land	123,231
	<u>427,551</u>

11.1.3 The cost of fully depreciated assets that are still in use are as follows:

Building improvements	47,890	33,094
Furniture and fixtures	63,670	35,324
Electrical, office and computer equipment	292,254	221,832
Vehicles	3,972	11,424
	<u>411,786</u>	<u>321,674</u>

11.1.4 Summarized details of the valuation of properties across the country:

Location of properties	Note	Original cost			Revalued amount (net of depreciation) / cost*		
		Land	Buildings	Total	Land	Buildings	Total
		(Rupees in '000)			(Rupees in '000)		
Mehdi Tower, Karachi		-	5,167	5,167	-	83,760	83,760
New Town, Karachi		-	1,348	1,348	-	61,403	61,403
Sukkur		-	1,017	1,017	-	32,670	32,670
Faisalabad		-	4,873	4,873	-	18,360	18,360
F.B. Area, Karachi		-	815	815	-	40,280	40,280
Gulshan-e-Iqbal, Karachi		-	1,322	1,322	-	20,736	20,736
P.E.C.H.S., Karachi	11.1.5	3,000	6,760	9,760	130,400	17,255	147,655
Mirpurkhas (Idle Property)*	11.1.6	162	-	162	162	-	162
Kohat (Idle Property)	11.1.7	-	708	708	-	-	-
Nawabshah (Idle Property)*	11.1.8	125	-	125	125	-	125
Regional Office Lahore		-	60,000	60,000	-	129,600	129,600
		<u>3,287</u>	<u>82,010</u>	<u>85,297</u>	<u>130,687</u>	<u>404,064</u>	<u>534,751</u>

* At cost due to the reasons given below. Amounts are not considered to be material.

- 11.1.5 This property is under litigation as various complaints were lodged against the Bank to Sindh Building Control Authority (SBCA) on the grounds that the property is being used for commercial purpose contrary to its legal status as a residential property and that floor plans of the first and second floors of this property are not approved by the relevant authorities. SBCA issued notice to the Bank for illegal construction & to demolish it. The Bank filed a Suit for Permanent Injunction before a Civil Judge against the SBCA while informing the court that it has taken necessary action for the regularization and bringing the construction existing on the Bank's property within the parameter stipulated by SBCA. However, since the notification for regularization of the construction has been suspended consequent to the Constitutional Petition no. D-408/2012 pending before High Court of Sindh, Karachi, the Bank became a party to the Constitutional Petition and moved a sine-die application before IV-Senior Civil Judge. Consequently, the proceedings of the case pending before IV-Senior Civil Judge were adjourned sine-die till the decision of Constitutional Petition no. D-408/2012 pending before the High Court of Sindh. The Bank's dealing legal counsel has confirmed that the Bank is not likely to suffer any loss in the case.
- 11.1.6 The property was awarded to the Bank by the Government of Pakistan for the purpose of carrying out Bank's business. The Bank has not utilized this property and is idle. Therefore, the Bank's management had decided to sell the property after obtaining prior approval from the Government of Pakistan. However, the Bank has not been able to secure the approval of Government of Pakistan because of Supreme Court of Pakistan's restraining order in suo moto case no. 16/2011 which prohibits the sale/transfer/mutation of state lands till further order. Suo moto case was initiated by the Supreme Court of Pakistan as multiple cases were reported in which government properties were being illegally transferred in fake deals. Since the property is idle, the Bank has obtained extension in time specified in Section 10 of the Banking Companies Ordinance, 1962 for holding of idle properties from the State Bank of Pakistan (SBP) and the SBP has allowed the Bank to retain the property at Mirpurkhas till the order in suo moto case no. 16/2011 remains effective.
- 11.1.7 This represent temporarily idle property for which extension in time specified in Section 10 of the Banking Companies Ordinance, 1962 for holding of such properties has been obtained by the Bank from State Bank of Pakistan (SBP). Kohat property has been written down to book value of Re. 1 owing to difficulties faced by the Bank in disposing off the said property and the SBP has allowed the Bank to retain the property till the situation is favourable for sale of this property.
- 11.1.8 The land at Nawabshah was granted to the Bank for the construction of bank building on the directives of Chief Minister Sindh. However, a person (the Party) illegally raised claim on the property and illegally transferred the property to two persons. This was contended by the Bank in the Court of 1st Senior Civil Judge, Nawabshah and the suit was decreed in Bank's favour. The Party filed appeals up to Supreme Court level but all the appeals are dismissed. After dismissal of appeal from the Supreme Court, the Bank's decree attained finality. Consequently, execution application was filed by the Bank to execute the Judgment Decree requiring revenue authorities to demarcate the land and issue title documents in the name of the Bank. No decision has yet been issued in respect of the execution application to date and the Bank does not have possession of this property. The Bank is still pursuing this matter and the Bank's lawyer responsible for the concerned matter is of the view that the Bank's interest is sufficiently secured with no likelihood of any apparent loss. The property is recorded at Rs. 125,000 being the amount of lease money deposited with Municipal Committee, Nawabshah. Accordingly, due to the above reasons, and in view of the uncertainty still involved, the Bank has not revalued the above land.

11.1.9 Details of disposals of fixed assets during the year

	Cost	Accumulated depreciation	Carrying value	Sale proceeds	Mode of disposal	Particulars of buyers
	(Rupees in '000)					
Furniture and fixtures						
Items having book value of less than Rs. 250,000 or cost of less Rs. 1,000,000:						
Miscellaneous items	2,061	2,061	-	236	Auction / quotation	Various
Electrical, office and computer equipment						
Items having book value of less than Rs. 250,000 or cost of less Rs. 1,000,000:						
Miscellaneous items	1,376	1,376	-	151	Auction / quotation	Various
	<u>3,437</u>	<u>3,437</u>	<u>-</u>	<u>387</u>		

12. INTANGIBLE ASSETS	Note	2023 (Rupees in '000)	2022
Capital work-in-progress	12.1	18,118	20,160
Intangible assets	12.2	27,447	26,094
		<u>45,565</u>	<u>46,254</u>
12.1 Capital work-in-progress			
Software up gradation (advance to the consultant)		<u>18,118</u>	<u>20,160</u>
12.2 At 1 January			
Cost		176,981	160,029
Accumulated amortisation and impairment		<u>(150,887)</u>	<u>(127,165)</u>
Net book value		<u>26,094</u>	<u>32,864</u>
Year ended December			
Opening net book value		26,094	32,864
Additions		17,908	16,952
Amortisation charge	29	<u>(16,554)</u>	<u>(23,722)</u>
Closing net book value		<u>27,448</u>	<u>26,094</u>
At 31 December			
Cost		194,889	176,981
Accumulated amortisation and impairment		<u>(167,442)</u>	<u>(150,887)</u>
Net book value		<u>27,447</u>	<u>26,094</u>
Rate of amortisation (percentage)		<u>10-33%</u>	
Useful life in years		<u>3-10</u>	
13. OTHER ASSETS			
Income/ mark-up accrued in local currency	13.1	2,874,460	981,877
Advances, deposits and other prepayments	13.2	162,016	145,088
Branch adjustment account		31,360	-
ATM Settlement Account		45,515	30,936
Receivable against encashment of Government Securites		9,505,200	484
Stationary & stamps in hand		10,231	6,403
Acceptances		8,009	6,434
Non-banking assets acquired in satisfaction of claims	13.3	-	-
Others		<u>8,795</u>	<u>6,606</u>
		12,645,587	1,177,828
Provision against other assets	13.4	<u>(48,169)</u>	<u>(48,169)</u>
Other assets (net of provision)		<u>12,597,418</u>	<u>1,093,559</u>

	Note	2023 (Rupees in '000)	2022
Deficit on revaluation of non-banking assets acquired in satisfaction of claims		-	-
		<u>12,597,418</u>	<u>1,129,659</u>
13.1. Includes markup receivable of Rs. 90.28 million (2022: Rs. 34.63 million) due from the State Bank of Pakistan on subsidized loans.			
13.2 This includes Rs. 123.7 million bid amount deposited by the Bank with the Banking court for the purchase of a mortgaged property located in Karachi in an auction proceeding. The Bank proceeded to purchase the property during an auction conducted by the Banking Court as part of the recovery suit against the property's owner (judgment debtor or JD) who had defaulted on a loan from the Bank amounting to Rs. 43.205 million. Consequent to the deposit of the bid money by the Bank which was based on a valuation submitted by JD & approved by the Court & subsequent conduct valuation of the property on the strength of that valuation, the judgment debtor filed objection against the confirmation of the sale in favor of the Bank on the ground that the property is valued at Rs. 216.92 million whereas it is being sold at previous valuation which is lower. Accordingly, Banking Court through the order dated 24 December 2018, declined to confirm the sale in favor of Bank and directed to return the bid amount Rs. 123.7 million to the Bank and further directed for fresh valuation of the mortgaged property at the cost of judgment debtor. The Bank has filed an appeal in the Sindh High Court against the order of the Banking Court and contends that the mortgaged property be handed over to the Bank. The dealing counsel is hopeful that the outcome of the case will be in Bank's favor. The management in consultation with the Bank's lawyer is hopeful of a positive outcome.			
13.3. Market value of non-banking assets acquired in satisfaction of claims	13.3.1	-	-
13.3.1 Non-banking assets acquired in satisfaction of claims			
Opening balance		-	20,172
Additions		-	-
Disposals		-	(20,172)
Depreciation	29	-	-
Impairment on non-banking assets	29	-	-
		<u>-</u>	<u>-</u>
13.4 Provision held against other assets			
Other		48,169	48,169
	13.4.1	<u>48,169</u>	<u>48,169</u>

	Note	2023 ------(Rupees in '000)-----	2022
13.4.1 Movement in provision held against other assets			
Opening balance		48,169	48,169
Charge for the year		-	-
Amount Written off		-	-
Closing balance		<u>48,169</u>	<u>48,169</u>
14. CONTINGENT ASSETS			
There were no contingent assets of the Bank as at December 31, 2023 (2022: Nil). However several recovery suits have been filed by the Bank.			
15. BILLS PAYABLE			
In Pakistan		145,626	135,654
Outside Pakistan		<u>3,551</u>	<u>6,316</u>
		<u>149,177</u>	<u>141,970</u>
16. BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan			
Under Refinance Wages and Salaries Scheme	16.2	850,000	965,000
Under Export Refinance Scheme		-	24,203
Under Small Enterprise Financing and Credit Guarantee Facility for Special persons		738	1,077
Under Temporary Economic Refinance Facility	16.3	554,263	570,719
Under revised Financing Scheme for Renewable Energy	16.4	12,455	24,910
Refinance for Solar Energy		18,279	13,514
Under Refinance & Credit Guarantee Scheme for Women Entrepreneurs in underserved areas	16.5	37,083	54,305
		<u>1,472,818</u>	<u>1,653,728</u>
Repurchase agreement borrowing	16.6	31,150,000	12,000,000
Pakistan Mortgage Refinance Company		-	-
		<u>32,622,818</u>	<u>13,653,728</u>
16.1 Particulars of borrowings in respect of currencies			
In local currency		32,622,818	13,653,728
In foreign currencies		-	-
		<u>32,622,818</u>	<u>13,653,728</u>

- 16.2 The Bank has entered into arrangement for financing with the State Bank of Pakistan (SBP) for extending Refinance Wages and Salaries Scheme to customers. As per the arrangement, the Bank has granted SBP the right to recover the outstanding amount from the Bank on the date of the maturity of the finance by directly debiting the current account maintained by the Bank with SBP. This carries mark-up rate ranging from 2 to 3% per annum (2022: 2% to 3% per annum).
- 16.3 The Bank has entered into arrangement for financing with the State Bank of Pakistan (SBP) for extending Temporary Economic Refinance Facility to customers. As per the arrangement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP. This carries mark-up rate of 3% per annum.
- 16.4 The Bank has entered into arrangement for financing with the State Bank of Pakistan (SBP) under Revised SBP Financing Scheme for Renewable Energy. As per the arrangement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP. This carries mark-up rate of 3% per annum (2022: 3% per annum). These borrowings are repayable up to November 2025.
- 16.5 These borrowings have been obtained from SBP under the refinance and credit guarantee scheme for women entrepreneurs in underserved areas for setting up of new units and meet credit needs of business. The borrowings are repayable in equal quarterly installments after grace period if any and does not carry any interest. The rate of markup for end users under the facility is up to 5% per annum. The loss, if any, includes risk coverage of 60% of the outstanding principal by the State Bank of Pakistan.
- 16.6 This carries mark-up rate upto 22.11% per annum (2022: 16.17% per annum). The borrowing is repayable up to January 01, 2024 (2022: March 3, 2023). This borrowing is secured against government securities having carrying value of Rs.31.150 Billion (2022: Rs.12 Billion).

17. DEPOSITS AND OTHER ACCOUNTS

	2023			2022		
	In local currency	In foreign currency	Total	In local currency	In foreign currency	Total
	(Rupees in '000)					
Customers						
Current accounts - non-remunerative	4,602,946	61,587	4,664,533	4,468,395	49,122	4,517,517
Savings deposits	16,577,840	389,533	16,967,373	17,696,485	406,925	18,103,410
Term deposits	9,174,226	-	9,174,226	8,695,225	-	8,695,225
Others	466,270	881	467,151	738,743	-	738,743
	30,621,282	452,001	31,073,283	31,598,848	456,047	32,054,896
Financial institutions						
Current accounts - non-remunerative	10,182	-	10,182	11,644	-	11,645
Savings deposits	137,866	-	137,866	36,789	-	36,789
Term deposits	111,000	-	111,000	61,000	-	61,000
Others	-	-	-	-	-	-
	259,048	-	259,048	109,433	-	109,434
	30,880,330	452,001	31,332,331	31,708,281	456,047	32,164,330

17.1 Composition of deposits

	2023	2022
	----- (Rupees in '000) -----	
- Individuals	12,712,748	11,656,580
- Government (Federal and Provincial)	13,690,746	16,351,919
- Public Sector Entities	568,003	559,438
- Non-Banking Financial Institutions	259,048	109,433
- Private Sector	4,101,785	3,486,960
	<u>31,332,330</u>	<u>32,164,330</u>

17.2 Deposits includes eligible deposits of Rs. 15,257 million (2022: Rs. 13,467 million) which are covered under deposit protection mechanism as required by the Deposit Protection Corporation circular no 4 of 2018.

18. DEFERRED TAX LIABILITY / (ASSET)

	Balance as at January 01, 2022	Recognised in profit and loss account	Recognised in other comprehensive income	Balance as at December 31, 2022	Recognised in profit and loss account	Recognised in other comprehensive income	Balance as at December 31, 2023
	----- (Rupees in '000) -----						
Deductible/(taxable) temporary differences on:							
Lease liability-net of ROUA	(7,073)	(23,204)	-	(30,277)	(16,447)	-	(46,724)
Surplus on revaluation of							
- Buildings	105,233	(4,954)	1,578	101,837	(5,441)	72,788	169,185
- Investments	(14,934)	-	(9,361)	(24,295)	-	60,804	36,509
Remeasurement loss on defined benefit obligations	-	-	6,969	6,969	-	11,759	18,728
Net deferred tax liability	<u>83,205</u>	<u>(28,158)</u>	<u>(834)</u>	<u>54,234</u>	<u>(21,888)</u>	<u>145,351</u>	<u>177,608</u>

19. OTHER LIABILITIES

Mark-up/ return/ interest payable in local currency		2,753,843	1,330,455
Mark-up/ return/ interest payable in foreign currency		80	80
Unearned commission and income		5,538	8,086
Accrued expenses		193,511	125,433
Payable against purchase of fixed assets		1,940	13,554
Acceptances		8,009	6,434
Branch adjustment account		-	93,474
Payable to staff retirement defined benefit plans	36	30,101	36,060
Payable under a defined benefit scheme	37	7,140	7,140
Provision for employees' compensated absences	38	65,720	66,377
Taxation Payment less provision		12,424	48,246
Provident fund payable to the members	19.1	4,802	5,669
Staff Welfare Fund		782	782
Provision against off-balance sheet obligations		34,087	106,087
Benevolent fund balance (being refunded to the employees)		1,958	1,958
Lease liability against right-of-use assets	19.2	238,425	264,582
Payable against collection and withholding tax		35,137	7,394
Others		34,459	33,051
		<u>3,427,956</u>	<u>2,154,863</u>

- 19.1 This represents the provident fund balance payable to the members of the Provident Fund. The Fund was discontinued in a previous year and the balance in its records were transferred to the Bank for onwards settlement to the members.
- 19.2 This represents the liability recognised against right of use assets. The liability balance has been discounted at weighted average rate of 13.5% (2022: 13.23%) per annum. Other relevant details are as follows:

	Note	2023 ------(Rupees in '000)-----	2022
Lease liability against right-of-use asset			
Lease liability as at January 01,		264,582	262,151
Accretion of interest	25	53,926	42,620
Payment of lease liability during the year		(80,083)	(40,189)
Lease liability as at December 31,		<u>238,425</u>	<u>264,582</u>

Particulars	December 31, 2023		
	Minimum lease payments	Financial charges for future periods	Principal outstanding
	------(Rupees in '000)-----		
Not later than one year	30,053	10,274	19,779
Later than one year and upto five years	272,586	88,665	183,921
Over five years	64,294	29,569	34,725
	<u>366,933</u>	<u>128,508</u>	<u>238,425</u>

Particulars	December 31, 2022		
	Minimum lease payments	Financial charges for future periods	Principal outstanding
	------(Rupees in '000)-----		
Not later than one year	106,134	28,843	77,291
Later than one year and upto five years	229,345	42,054	187,291
Over five years	-	-	-
	<u>335,479</u>	<u>70,897</u>	<u>264,582</u>

20. SHARE CAPITAL

20.1 Authorised capital

2023 ------(Number of shares)-----	2022		2023 ------(Rupees in '000)-----	2022
<u>600,000,000</u>	<u>600,000,000</u>	Ordinary shares of Rs. 10/- each	<u>6,000,000</u>	<u>6,000,000</u>

20.2 Issued, subscribed and paid-up-capital

2023 ----- (Number of shares) -----	2022	Ordinary shares of Rs 10/- each	2023 ----- (Rupees in '000) -----	2022
334,365,000	334,365,000	- Fully paid in cash	3,343,650	3,343,650
65,046,250	65,046,250	- Issued as bonus shares	650,463	650,463
<u>399,411,250</u>	<u>399,411,250</u>		<u>3,994,113</u>	<u>3,994,113</u>

20.3 Shareholders (associated undertakings)

	2023		2022	
	Number of shares held	Percentage of shareholding %	Number of shares held	Percentage of shareholding %
Federal Government of Pakistan through Ministry of Finance	330,088,793	82.64	330,088,793	82.64
MCB Bank Limited	23,095,324	5.78	23,095,324	5.78
Habib Bank Limited	23,095,324	5.78	23,095,324	5.78
Allied Bank Limited	7,734,927	1.94	7,734,927	1.94
National Bank of Pakistan	7,698,441	1.93	7,698,441	1.93
United Bank Limited	7,698,441	1.93	7,698,441	1.93
	<u>399,411,250</u>	<u>100.00</u>	<u>399,411,250</u>	<u>100.00</u>

21. SURPLUS ON REVALUATION OF ASSETS - NET

	Note	2023 ----- (Rupees in '000) -----	2022
Surplus / (Deficit) on revaluation of			
- Available for sale securities	9.1	93,614	(90,772)
- Property and equipment	21.1	501,748	329,062
		<u>595,362</u>	<u>238,290</u>
Less: Deferred tax on surplus on revaluation of			
- Available for sale securities	18	36,509	(24,295)
- Property and equipment	21.1	169,184	101,837
		<u>205,693</u>	<u>77,542</u>
Surplus arising on revaluation (net of tax)		<u>389,669</u>	<u>160,746</u>

21.1 Surplus on revaluation of property and equipment

	Note	2023 ------(Rupees in '000)-----	2022
Surplus on revaluation of property and equipment as at January 01		329,062	341,763
Revaluation surplus for the year recognized during the year	11.1	186,637	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(8,510)	(7,748)
Related deferred tax liability on incremental depreciation charged during the year		(5,441)	(4,953)
Surplus on revaluation of property and equipment as at December 31		<u>501,748</u>	<u>329,062</u>
Less: related deferred tax liability on:			
- revaluation as at January 01		101,837	105,213
- revaluation surplus for the year recognized during the year		72,788	-
- effect of change in tax rate		-	1,578
- incremental depreciation charged during the year		(5,441)	(4,954)
		<u>169,184</u>	<u>101,837</u>
		<u>332,564</u>	<u>227,224</u>

22. CONTINGENCIES AND COMMITMENTS

Guarantees	22.1	1,310,519	1,314,829
Commitments	22.2	432,188	467,714
Other Contingent Liabilities	22.3	2,839,473	2,739,473
		<u>4,582,180</u>	<u>4,522,016</u>

22.1 Guarantees

Performance Guarantee		1,310,519	1,314,829
		<u>1,310,519</u>	<u>1,314,829</u>

22.2 Commitments

Documentary credits and short-term trade-related transactions:			
Letters of credit		432,188	467,714
		<u>432,188</u>	<u>467,714</u>

22.3 Other Contingent Liabilities

These mainly represent counter claims by borrowers for damages due to the legal action and reputational damages they face while proceedings of recovery and related criminal suits on them and other claims against the Bank. Management is confident that the matters will be decided in the Bank's favour. Accordingly, no provision has been made in financial statements.

22.4 Commitments to extend lendings

The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

22.5 Tax

Refer notes 32.3 to 32.4 for tax related contingencies.

23. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank, as a policy does not enter into derivatives except for forward foreign exchange contracts and foreign exchange currency swaps, with Banks to manage its net open position, and liquidity.

	2023	2022
	----- (Rupees in '000) -----	
24. MARK-UP / RETURN / INTEREST EARNED		
Loans and advances	2,095,986	1,535,645
Investments	10,148,930	3,994,650
Lending to financial institutions	222,616	107,975
Balance with treasury Bank	10,283	1,772
	<u>12,477,815</u>	<u>5,640,042</u>
25. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	4,528,810	2,077,737
Borrowings	5,820,996	2,296,832
Lease liability against right-of-use assets	53,926	42,620
	<u>10,403,732</u>	<u>4,417,189</u>
26. FEE & COMMISSION INCOME		
Branch banking customer fees	30,643	29,111
Credit related fees	1,573	3,812
Consumer Finance and credit related fees	4,073	4,776
Card related fees	16,487	13,076
Commission on trade	13,168	1,798
Commission on guarantees	12,353	13,215
Commission on bancassurance	858	1,371
Others	2,774	2,812
	<u>81,929</u>	<u>69,971</u>
27. (LOSS) / GAIN ON SECURITIES		
Realised		
Federal Government securities	(277)	1,017
	<u>(277)</u>	<u>1,017</u>

28. OTHER INCOME	Note	2023	2022
		------(Rupees in '000)-----	
Gain on sale of fixed assets-net		397	668
Tender fee received		307	938
Recovered from employees against unserved notice period		1,358	1,269
Others		2	10
		<u>2,064</u>	<u>2,885</u>
29. OPERATING EXPENSES			
Total compensation expense	29.1	794,290	550,693
Property expense			
Rent & taxes		55,173	38,068
Insurance (including deposit protection)		40,386	38,251
Utilities cost		81,391	65,435
Security (including guards)		60,008	49,638
Repair & maintenance		41,414	27,824
Depreciation on right-of-use assets	11.1	124,461	117,431
Depreciation on owned fixed assets	11.1	21,025	17,533
Impairment on Non-banking assets	13.3.1	-	-
Depreciation on Non-banking assets	13.3.1	-	-
		423,858	354,180
Information technology expenses			
Software maintenance		51,718	27,547
Hardware maintenance		62,116	47,192
Depreciation (IT related)	11.1	22,370	23,968
Amortisation	12.2	16,554	23,722
		152,758	122,429
Other operating expenses			
Directors' fees and allowances	39	2,163	1,997
Legal & professional charges		18,269	14,052
Outsourced services costs		5,234	27,444
Travelling & conveyance		12,808	8,692
NIFT clearing charges		6,160	6,408
Depreciation	11.1	7,052	5,197
Training & development		563	42
Postage & courier charges		5,980	8,869
Communication		49,583	41,968
Stationery & printing		21,820	16,236
Marketing, advertisement & publicity		3,804	5,550
Entertainment		10,639	7,203
Membership and subscriptions		2,899	2,425
Auditors Remuneration	29.2	11,000	11,000
Others		17,075	20,440
		175,049	177,523
		<u>1,545,955</u>	<u>1,204,825</u>

	Note	2023 ------(Rupees in '000)-----	2022
29.1 Total compensation expense			
Managerial remuneration		733,765	508,562
Charge for defined benefit plan	29.1.1	38,679	22,447
Conveyance		15,472	12,426
Others		6,374	7,258
		<u>794,290</u>	<u>550,693</u>
29.1.1 Charge / (reversal) for defined benefit plan - net			
This represents provision for pension amounting to Rs. 6.574 million (2022: Rs. 6.70 million), charges for gratuity amounting to Rs. 19.882 million (2022: Rs. 16.482 million) and charge for compensated absences amounting to Rs. 12.223 million (2022: reversal of Rs. (0.735) million).			
29.2 Auditors' remuneration			
Audit fee		10,000	10,000
Fee for other statutory certifications		600	600
Out-of-pocket expenses		400	400
		<u>11,000</u>	<u>11,000</u>
30. OTHER CHARGES			
Penalties imposed by the SBP		<u>1,234</u>	<u>1,311</u>
31. PROVISIONS & WRITE OFFS - NET			
Provision against advances - net		255,875	6,720
Provision against off balance sheet obligations		(72,000)	-
Reversal of provision against diminution in value of investments		-	-
Reversal of provision against defined benefit plan		(20,590)	-
Provision against other assets		-	-
Other provisions		-	-
		<u>163,285</u>	<u>6,720</u>
32. TAXATION			
Current tax		157,076	71,644
Prior year tax		-	-
Deferred tax	18	<u>(21,888)</u>	<u>(28,157)</u>
		<u>135,189</u>	<u>43,487</u>

2023 2022
------(Rupees in '000)-----

32.1 Reconciliation of tax charge to the accounting income is as follows:

Accounting profit before tax for the year	457,354	104,871
Taxable liability / (asset) at 39% (2022: 39%)	178,368	40,900
Deferred tax asset for the year not recognized	261,836	205,969
Deferred tax asset not recognized earlier	(316,311)	168,220
Permanent difference	12,515	1,311
Others	(79,078)	36,473
	57,330	43,487

32.2 Income tax return for the tax year 2024 (financial year ended December 31, 2023) has not been filed, as the date for filing would be due on September 2024.

32.3 While finalizing the assessments for tax years from 1997 to 2000 and from 2004 to 2008 (financial years ended from 31 December 1996 to 31 December 1999 and from 31 December 2003 to 31 December 2007 respectively), the tax authorities, from time to time, made certain disallowances of nostro account balances written off, apportionment of expenses, interest suspended etc., against which appeals were filed by the Bank at the Appellate Tribunal Inland Revenue (ATIR).

The ATIR vide its order dated 31 May 2012 decided all the matters (except disallowance of written off of nostro balances, interest suspended and apportionment of expenses) for tax years from 2004 to 2008 in favor of the Bank against which CIR had filed an appeal in the Sindh High Court (SHC) which is pending for hearing. Further, the matter of nostro balances written off was remanded back by ATIR to the CIR whereas the matter of apportionment of expenses and interest suspension have been disallowed against which the Bank has filed an appeal in SHC, which is pending adjudication. Tax amount involved is Rs. 10.769 million. The management is confident that the decision in appeals (including those filed by CIR as explained above) would be in its favour. However, for abundant caution, provision of aforesaid amount is being maintained by the Bank.

32.4 The Income Tax department has issued orders under sections 161 and 205, raising demands due to the non-deduction of tax on profit payments on certain deposits for the tax years 2014, 2015, 2016, and 2017, respectively. In accordance with prudent accounting practices, provisions have been established for the tax years for which decisions are pending.

	Note	2023	2022
		----- (Rupees in '000) -----	
33. BASIC AND DILUTED EARNINGS PER SHARE			
33.1 Basic earnings per share			
Profit after taxation		<u>322,165</u>	<u>61,384</u>
		----- (Number) -----	
Weighted average number of ordinary shares		<u>399,411</u>	<u>399,411</u>
		----- (Rupees) -----	
Basic earnings per share		<u>0.81</u>	<u>0.15</u>
33.2 Diluted earnings per share			
		----- (Rupees in '000) -----	
Profit after taxation		<u>322,165</u>	<u>61,384</u>
		----- (Number) -----	
Weighted average number of ordinary shares		<u>399,411</u>	<u>399,411</u>
		----- (Rupees) -----	
Diluted earnings per share		<u>0.81</u>	<u>0.15</u>
34. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	2,928,217	2,209,218
Balances with other banks	7	<u>1,891</u>	<u>824</u>
		<u>2,930,108</u>	<u>2,210,042</u>
34.1 Reconciliation of movement of liabilities to cash flows arising from financing activities			
		<u>Lease liabilities</u>	
		2023	2022
		----- (Rupees in '000) -----	
Balance as at January 01		264,582	262,150
Total changes from financing cash flows		(80,083)	(40,189)
Other changes		<u>53,926</u>	<u>42,620</u>
Balance as at December 31		<u>238,425</u>	<u>264,581</u>

35. STAFF STRENGTH

	2023	2022
	----- (Number) -----	
Permanent	421	427
Temporary / on contractual basis	61	64
Bank's own staff strength at end of the year	<u>482</u>	<u>491</u>

36. DEFINED BENEFIT PLAN

36.1 General description

The Bank operates an approved pension fund and an approved gratuity fund for its employees as explained in note 4.11 to these financial statements.

36.2 Number of employees under the scheme

	2023	2022
	----- (Number) -----	
Pension fund	39	43
Gratuity fund	<u>443</u>	<u>448</u>

36.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2023 using the following significant assumptions:

	2023	2022
Discount rate	15.50%	14.50%
Expected rate of return on plan assets	13.50%	12.50%
Expected rate of salary increase	13.50%	12.50%
Expected rate of increase in pension	7.50%	6.50%
Mortality rate	(SLIC (2001-05)-1)	(SLIC (2001-05)-1)
Rate of employee turnover	Light	Light

36.4 Reconciliation of payable to defined benefit plan

	2023		2022		2023	2022
	Pension fund	Gratuity fund	Pension fund	Gratuity fund	Total	
	----- (Rupees in '000) -----					
Present value of defined benefit obligations	191,839	77,648	186,695	65,436	269,487	252,131
Fair value of plan assets	(189,800)	(49,586)	(170,296)	(38,373)	(239,380)	(206,669)
Net payable	36.7	2,039	28,062	16,399	29,063	30,101
					45,462	

36.5 Movement in payable to defined benefit plan	Note	2023		2022		2023	2022
		Pension fund	Gratuity fund	Pension fund	Gratuity fund	Total	
		(Rupees in '000)					
Obligations at the beginning of the year		186,695	65,445	181,058	59,138	252,140	240,196
Current service cost		4,135	17,645	3,985	15,820	21,780	19,805
Interest cost		26,636	8,761	20,929	6,382	35,397	27,311
Benefits paid during the year by the Fund		(13,336)	(8,921)	(9,477)	(8,633)	(22,257)	(18,110)
Benefits payable to outgoing members		(3,486)	-	-	-	(3,486)	-
Re-measurement gain	36.8.2	(8,805)	(5,273)	(9,800)	(7,262)	(14,078)	(17,062)
Obligations at the end of the year		<u>191,839</u>	<u>77,657</u>	<u>186,695</u>	<u>65,445</u>	<u>259,496</u>	<u>252,140</u>
36.6 Movement in fair value of plan assets							
Fair value at the beginning of the year		170,296	36,383	158,307	41,741	206,679	200,048
Interest income on plan assets		24,197	6,524	18,214	5,720	30,721	23,934
Benefits paid during the year by the Fund		(13,336)	(8,921)	(9,477)	(8,633)	(22,257)	(18,110)
Actual contribution by Employer		-	11,665	-	-	11,665	-
Settlement payable from the fund lump sum to members		(3,486)	-	-	-	(3,486)	-
Re-measurement gain / (loss)	36.8.2	12,129	3,945	3,252	(2,445)	16,074	807
Fair value at the end of the year	36.9	<u>189,800</u>	<u>49,596</u>	<u>170,296</u>	<u>36,383</u>	<u>239,396</u>	<u>206,679</u>
36.7 Movement in net defined benefit obligation							
Opening balance		16,399	29,062	22,751	17,397	45,461	40,148
Change for the year	36.8.1	6,574	19,882	6,700	16,482	26,456	23,182
Net Contribution to Fund		-	(11,665)	-	-	(11,665)	-
Re-measurement (gain) / loss recognised in OCI during the year	36.8.2	(20,934)	(9,218)	(13,052)	(4,817)	(30,152)	(17,869)
Closing balance		<u>2,039</u>	<u>28,061</u>	<u>16,399</u>	<u>29,062</u>	<u>30,100</u>	<u>45,461</u>
36.8 Charge for defined benefit plan							
36.8.1 Cost recognised in profit and loss							
Service cost		4,135	17,645	3,985	15,820	21,780	19,805
Interest income on plan asset		(24,197)	(6,524)	(18,214)	(5,720)	(30,721)	(23,934)
Interest on defined benefit obligation		26,636	8,761	20,929	6,382	35,397	27,311
		2,439	2,227	2,715	662	4,676	3,377
		<u>6,574</u>	<u>19,882</u>	<u>6,700</u>	<u>16,482</u>	<u>26,456</u>	<u>23,182</u>
36.8.2 Re-measurements recognised in OCI during the year							
Net (gain) / loss on obligation		4,953	372	3,622	878	5,325	4,500
Financial assumptions		(13,758)	(5,645)	(13,422)	(8,140)	(19,403)	(21,562)
Experience adjustment		(8,805)	(5,273)	(9,800)	(7,262)	(14,078)	(17,062)
Actuarial (gain) / loss on plan assets		(12,129)	(3,945)	(3,252)	2,445	(16,074)	(807)
Total re-measurements recognised in OCI		<u>(20,934)</u>	<u>(9,218)</u>	<u>(13,052)</u>	<u>(4,817)</u>	<u>(30,152)</u>	<u>(17,869)</u>

	2023		2022	
	Pension fund	Gratuity fund	Pension fund	Gratuity fund
	(Rupees in '000)			
36.9 Components of plan assets				
Bank balances	8,658	6,187	4,859	7,767
Debt Instruments (T-bills / PIBs)	181,142	43,399	165,437	28,606
	<u>189,800</u>	<u>49,586</u>	<u>170,296</u>	<u>36,373</u>

36.10 Sensitivity analysis

Sensitivity analysis should be disclosed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption should be summarised as illustrated below:

	2023		2022	
	Pension fund	Gratuity fund	Pension fund	Gratuity fund
	(Rupees in '000)		(Rupees in '000)	
1% increase in discount rate	175,731	75,136	170,675	63,199
1% decrease in discount rate	210,601	80,341	205,417	67,836
1 % increase in expected rate of salary increase	198,447	80,524	193,501	67,992
1 % decrease in expected rate of salary increase	185,817	74,948	180,516	63,039
1% increase in expected rate of pension increase	205,035	-	199,647	-
1% decrease in expected rate of pension increase	180,251	-	175,348	-
36.11 Expected charge for the next financial year	<u>4,448</u>	<u>20,384</u>	<u>6,574</u>	<u>16,482</u>

	2023		2022	
	Pension fund	Gratuity fund	Pension fund	Gratuity fund
36.12 Maturity profile				
The weighted average duration of the obligation (in years)	8.40	8.18	8.58	8.75
Distribution of timing of benefit payments (time in years)				
1	10,292	1,872	10,350	2,041
2	11,009	5,177	10,477	2,699
3	17,735	7,877	16,445	5,426
4	23,180	14,681	21,088	10,481
5	16,415	30,262	20,310	14,317
6-10	168,400	167,695	143,274	165,727
11-15	230,090	-	216,464	-

36.13 Funding Policy

The Bank has the policy to make annual contributions to the fund based on actuarial report.

36.14 Significant risk associated with the staff retirement benefit schemes include:

Asset volatility

Almost all the Fund is in a liquid position with the Bank giving rise to significant reinvestment risk. There is no equity or corporate bond exposure. Thus, no equity or settlement risk.

Changes in bond yields

The valuation for all retirement benefit is discounted with reference to the bond yields. So, any increase in Bond yields will lower the Liability and vice versa, but, it will also lower the Asset values if they are invested in the bonds.

Inflation risk

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

Further, there is also a risk of pension increases on pension liability, however, this is a controlled risk as annual pension increases are allotted by the Bank and the Trustees.

Mortality rate

The risk that the actual mortality experience is different than the assumed mortality. This effect depends on the beneficiaries' service / age distribution and the benefits.

Withdrawal rate

The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit.

37. UNFUNDED GRATUITY

The bank used to operate an unfunded gratuity arrangement for its ex-President. The liability determined in accordance with the terms of the arrangement as at December 31, 2023 was Rs. 7.140 million (2022: Rs 7.140 million). As the amount is not material in relation to the size of financial statements taken as a whole, actuarial valuation has not been carried out.

38. EMPLOYEES COMPENSATED ABSENCES

The liability of the Bank in respect of employees compensated absences is determined based on actuarial valuation carried out using Projected Unit Credit Method. The liability of the Bank as per the latest actuarial valuation carried out as at December 31, 2023 amounted to Rs. 65.720 million (2022: Rs. 66.377 million). Charge for the year in respect of these absences is Rs. 12.223 million (reversal for the year 2022: Rs. (0.735) million) which is included in note 28 to these financial statements. Discount rate of 15.50% (2022: 14.50%) and salary increase of 13.5% (2022: 12.50%) per annum have been used for the above valuation.

38.1 The actuarial valuation was carried out as at December 31, 2023 using the following significant assumptions:

	2023	2022
Discount rate	15.50%	14.50%
Expected Long Term return	Not Applicable	Not Applicable
Salary increase		
First year	13.50%	-
Second year and onwards	13.50%	12.50%
Withdrawal before Normal Retirement Age	Light	Light
Death in services	SLIC (2001-05)- 01	SLIC (2001- 05)-01

39. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

39.1. Total Compensation Expense

	2023				Key Management Personnel
	President / CEO	Chairman	Directors Executive	Non - Executive	
	(Rupees in '000)				
Fees and Allowances	-	355	-	1,605	-
Managerial Remuneration					
i) Fixed	16,538	-	-	-	29,487
ii) Variable	5,513	-	-	-	6,931
Rent & house maintenance	9,096	-	-	-	10,398
Utilities	2,481	-	-	-	2,949
Medical	-	-	-	-	3,511
Conveyance	-	-	-	-	699
Charge for defined benefit plan	-	-	-	-	12,542
Others	-	-	-	-	-
Total	33,628	355	-	1,605	66,517
Number of persons	1	-	-	-	16

	2022				Key Management Personnel
	Acting President / CEO	Chairman	Directors		
			Executive	Non-Executive	
(Rupees in '000)					
Fees and Allowances	-	285	-	1,290	-
Managerial Remuneration					
i) Fixed	15,665	-	-	-	26,785
ii) Variable	1,723	-	-	-	2,283
Rent & house maintenance	8,616	-	-	-	10,053
Utilities	2,350	-	-	-	2,678
Medical	-	-	-	-	3,266
Conveyance	-	-	-	-	330
Charge for defined benefit plan	-	-	-	-	-
Others	-	-	-	-	6,102
Total	28,354	285	-	1,290	51,497
Number of persons	1	-	-	-	11

39.2. The acting Chief Executive was also provided with free use of the Bank's maintained car and household equipment in accordance with the terms of employment.

39.3. Remuneration paid to Directors for participation in Board and Committee Meetings.

Sr.No.	Name of Director	2023					Total Amount Paid
		Meeting Fees and Allowances Paid					
		For Board Meetings	For Board Committees				
	HR & Remuneration Committee	Risk Management Committee	Audit Committee	Information Technology Committee			
(Rupees in '000)							
1	Mr. Najeeb Agarwal	200	90	-	-	65	355
2	Ms. Sabiha Sultan	-	-	-	-	-	-
3	Ms. Naghmara Akhgr	200	90	-	-	65	355
4	Ms. Bushra Ehsan	200	90	-	130	-	420
5	Ms. Sumbul Munir	160	-	105	105	-	370
6	Mr. Wajahat Rasool Khan	200	-	130	130	-	460
		960	270	235	365	130	1,960

Sr.No.	Name of Director	2022					Total Amount Paid
		Meeting Fees and Allowances Paid					
		For Board Meetings	For Board Committees				
	HR & Remuneration Committee	Risk Management Committee	Audit Committee	Information Technology Committee			
(Rupees in '000)							
1	Mr. Najeeb Agarwal	160	75	-	-	50	285
2	Ms. Sabiha Sultan	-	-	-	-	-	-
3	Ms. Naghmara Akhgr	160	75	-	-	50	285
4	Ms. Bushra Ehsan	160	75	-	100	-	335
5	Ms. Sumbul Munir	160	-	75	100	-	335
6	Mr. Wajahat Rasool Khan	160	-	75	100	-	335
		800	225	150	300	100	1,575

40. FAIR VALUE MEASUREMENTS

The fair value of traded investments are based on quoted market prices. The fair value of unquoted equity securities is determined on the basis of the break-up value of the investee company. The fair value of unquoted debt securities, fixed term loans, other assets and fixed term deposits and borrowings and other liabilities cannot be calculated with sufficient reliability due to the absence of a current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments.

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

All assets for which fair value is measured or disclosed in these financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

40.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets (Pakistan Stock Exchange) 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) available at MUFAP and Reuters page. The fair values of Federal Government Securities are determined on the basis of rates / prices sourced from Reuters.

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

40.2 The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

Carrying / notional value	2023			Total
	Fair value			
	Level 1	Level 2	Level 3	
	(Rupees in '000)			
On balance sheet financial instruments				
Financial assets measured at fair value				
Investments				
- Federal Government Securities	44,359,019	-	44,359,019	44,359,019
Financial assets not measured at fair value				
Investments				
- Shares of an unlisted company	954	-	-	-
Cash and balances with treasury banks	2,928,217	-	-	-
Balances with other banks	1,891	-	-	-
Lending to financial institutions	1,882,344	-	-	-
Advances	8,220,300	-	-	-
Other assets	12,827,418	-	-	-
	25,621,124	-	-	-
Off-balance sheet financial instruments				
	-	-	-	-

	2022				
	Carrying / notional value	Fair value			Total
		Level 1	Level 2	Level 3	
On balance sheet financial instruments					
Financial assets measured at fair value					
Investments					
- Federal Government Securities	28,980,015	-	28,980,015	-	
Financial assets not measured at fair value					
Investments					
- Shares of an unlisted company	954	-	-	-	
Cash and balances with treasury banks	2,209,218	-	-	-	
Balances with other banks	824	-	-	-	
Lending to financial instruments	6,634,107	-	-	-	
Advances	11,062,196	-	-	-	
Other assets	1,129,699	-	-	-	
	<u>21,036,918</u>	-	-	-	
Off-balance sheet financial instruments					
	-	-	-	-	

40.3 Non-financial assets carried at revalued amount

Non Financial assets carried at revalued amounts	2023	2022
	(Rupees in '000)	
	Level 3	Level 3
Fixed assets		
Property and equipment (freehold and leasehold land)	534,751	363,686

Land and Building acquired are valued on a periodic basis using professional valuers. The valuation is based on their assessments of the market value of the assets as explained in note 11.1.1. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty. Accordingly, a qualitative disclosure of sensitivity has not been presented in these financial statements.

41. SEGMENT INFORMATION

41.1 Segment details with respect to business activities

	For the year ended December 31, 2023				Total
	Corporate Finance	Treasury	Retail and Consumer banking	Commercial Banking	
Profit & Loss	(Rupees in '000)				
Net mark-up/return/profit	(2,103,302)	4,703,556	(199,685)	(326,486)	2,074,083
Inter segment (expense) / revenue - net	3,573,971	(4,356,531)	296,987	485,574	-
Non mark-up / return / interest income	81,833	7,757	4,156	-	93,745
Total Income	1,552,502	354,782	101,458	159,088	2,167,828
Segment direct expenses	(1,387,563)	(17,600)	(55,305)	(86,720)	(1,547,189)
Inter segment expense allocation	1,568,260	(904,218)	(258,580)	(405,462)	-
Total expenses	180,697	(921,819)	(313,885)	(492,184)	(1,547,189)
Provisions and write-offs - net	(163,285)	-	-	-	(163,285)
Profit / (loss) before tax	1,569,914	(567,037)	(212,427)	(333,096)	457,355
Balance Sheet					
Cash & Bank balances	1,194,758	1,735,350	-	-	2,930,108
Investments	-	44,359,973	-	-	44,359,973
Net intersegment receivable/(payable)	28,334,001	(28,157,617)	(77,178)	(99,205)	-
Lending to financial institutions	-	1,882,344	-	-	1,882,344
Advances - performing	6,842,088	-	565,426	642,994	8,050,508
- non-performing net of provision	57,852	-	6,366	105,574	169,792
Others	9,802,279	1,302,715	871,227	1,423,557	13,399,777
Total Assets	46,230,978	21,122,765	1,365,841	2,072,920	70,792,502
Borrowings	1,417,456	31,150,000	18,279	37,083	32,622,818
Deposits & other accounts	31,332,331	-	-	-	31,332,331
Others	7,787,074	16	(1,570,172)	(2,462,087)	3,754,831
Total Liabilities	40,536,861	31,150,016	(1,551,893)	(2,425,004)	67,709,980
Equity	5,694,116	(10,027,251)	2,917,733	4,497,924	3,082,522
Total Equity & liabilities	46,230,977	21,122,765	1,365,840	2,072,921	70,792,502
Contingencies and Commitments	4,582,180	-	-	-	4,582,180

For the year ended December 31, 2022

	Corporate Finance	Treasury	Retail and Consumer banking	Commercial Banking	Total
(Rupees in '000)					
Profit & Loss					
Net mark-up/return/profit	(501,382)	1,849,662	(47,601)	(77,827)	1,222,852
Inter segment (expense) / revenue - net	1,464,300	(1,830,777)	139,080	227,397	-
Non mark-up / return / interest income	76,253	17,738	884	-	94,874
Total Income	1,039,170	36,623	92,364	149,570	1,317,726
Segment direct expenses	(962,194)	(18,993)	(85,879)	(139,070)	(1,206,136)
Inter segment expense allocation	391,278	(51,443)	(129,740)	(210,096)	-
Total expenses	(570,915)	(70,436)	(215,619)	(349,165)	(1,206,136)
Provisions and write-offs - net	(6,720)	-	-	-	(6,720)
Profit / (loss) before tax	461,535	(33,813)	(123,256)	(199,596)	104,871
Balance Sheet					
Cash & Bank balances	769,158	1,440,884	-	-	2,210,042
Investments	-	28,980,969	-	-	28,980,969
Net intersegment receivable/(payable)	25,603,181	(25,449,539)	(69,574)	(84,068)	-
Lending to financial institutions	-	6,634,107	-	-	6,634,107
Advances - performing	9,304,808	-	754,788	858,334	10,917,930
- non-performing net of provision	39,386	-	5,962	98,878	144,226
Others	1,118,333	395,764	103,619	168,669	1,786,385
Total Assets	36,834,866	12,002,184	794,795	1,041,813	50,673,659
Borrowings	1,585,909	12,000,000	13,514	54,305	13,653,728
Deposits & other accounts	32,164,330	-	-	-	32,164,330
Others	6,563,380	72,199	(1,635,710)	(2,648,802)	2,351,068
Total Liabilities	40,313,619	12,072,199	(1,622,196)	(2,594,497)	48,169,126
Equity	(3,476,135)	(70,014)	2,415,805	3,634,877	2,504,533
Total Equity & liabilities	36,837,484	12,002,185	793,609	1,040,380	50,673,659
Contingencies and Commitments	4,522,016	-	-	-	4,522,016

42. TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities. However, the Bank is holding investments of other entities in its IPS account maintained with the State Bank of Pakistan.

Category	As of December 31, 2023 Securities Held (Face Value)			Total
	No. of IPS Accounts	Market Treasury Bills	Pakistan Investment Bonds	
	----- (Rupees in '000) -----			
Government Entity	3	43,000	199,000	242,000

Category	As of December 31, 2022 Securities Held (Face Value)			Total
	No. of IPS Accounts	Market Treasury Bills	Pakistan Investment Bonds	
	----- (Rupees in '000) -----			
Government Entity	3	96,500	110,000	206,503

43. RELATED PARTY TRANSACTIONS

The Bank has related party relationships significantly with employee benefits, directors and key management personnel. Government of Pakistan through Ministry of Finance holds 82.64 % of the Bank's share capital.

Transactions with key management personnel are as per the terms of their employment. Contributions to and accruals in respect of staff retirement benefit plans are in accordance with the actuarial valuations. Remuneration of the key management personnel are disclosed in notes 38 to these financial statements. Other transactions are at agreed rates. Details of transactions and balances with related parties, except as disclosed elsewhere in the financial statements, are as follows:

		2023			
		Director (President)	Other Key management personnel	Other related parties	Total
		Rupees in '000			
A - BALANCES					
Balances with other banks					
In current accounts		-	-	(2,344)	(2,344)
In deposit accounts		-	-	-	-
		-	-	(2,344)	(2,344)
Lending to financial institutions					
Opening balance		1,530	-	-	1,530
Additions during the year		-	-	11,839,216	11,839,216
Repaid during the year		-	-	(11,839,216)	(11,839,216)
Transfer in / (out) - net		-	-	-	-
Closing balance		1,530	-	-	1,530
Investments					
Un-listed shares	9.8	-	-	954	954
Advances					
Opening balance		37,831	57,706	-	95,537
Addition during the year		-	-	-	-
Repaid during the year		(5,325)	(28,778)	-	(34,103)
Transfer in / (out)		-	39,487	-	39,487
Closing balance		32,506	68,415	-	100,921
Provision held against advances					
		-	-	-	-
Other Assets					
Interest / mark-up accrued		144	397	-	540
ATM settlement account		-	-	-	-
		144	397	-	540
Provision against other assets					
		-	-	-	-
Borrowings					
Opening balance		-	-	-	-
Borrowings during the year		-	-	17,703,817	17,703,817
Settled during the year		-	-	(17,703,817)	(17,703,817)
Transfer in / (out) - net		-	-	-	-
Closing balance		-	-	-	-
Deposits and other accounts					
Opening balance		5,285	4,330	12,135	21,750
Received during the year		48,539	106,797	757,254	912,589
Withdrawn during the year		(51,049)	(104,285)	(759,132)	(914,466)
Transfer in / (out) - net		-	453	-	453
Closing balance		2,775	7,295	10,257	20,326
Other Liabilities					
Interest / mark-up payable		-	-	-	-
Payable to staff retirement fund		-	-	-	-
Retirement benefit payable		-	8,541	-	8,541
		-	8,541	-	8,541
Contingencies and Commitments					
		-	-	-	-

	2023			
	Director (President)	Other Key management personnel	Other related parties	Total
	Rupees in '000			
B - TRANSACTIONS				
Income				
Mark-up / return / interest earned	1,960	3,174	14,186	19,320
Dividend income	-	-	5,026	5,026
Expense				
Mark-up / return / interest expensed	432	535	44,256	45,223
Operating expenses	-	-	6,160	6,160
Charge to defined benefit plan	-	-	-	-
Remuneration and allowances	33,628	66,517	-	100,145
Director's meeting fee	-	1,960	-	1,960
Reimbursement of expenses to directors	60	-	-	60
A - BALANCES				
Balances with other banks				
In current accounts	-	-	5,877	5,877
In deposit accounts	-	-	-	-
	-	-	5,877	5,877
Lending to financial institutions				
Opening balance	-	-	-	-
Additions during the year	1,575	-	3,036,727	3,038,302
Repaid during the year	(45)	-	(3,036,727)	(3,036,772)
Transfer in / (out) - net	-	-	-	-
Closing balance	1,530	-	-	1,530
Investments				
Un-listed shares	9.8	-	954	954
Advances				
Opening balance	360	20,541	-	20,901
Addition during the year	-	2,525	-	2,525
Repaid during the year	(3,529)	(9,861)	-	(13,390)
Transfer in / (out)	41,000	44,502	-	85,502
Closing balance	37,831	57,707	-	95,538
Provision held against advances	-	-	-	-
Other Assets				
Interest / mark-up accrued	315	330	-	645
ATM settlement account	-	-	-	-
	315	330	-	645
Provision against other assets	-	-	-	-

Note

	2022			Total
	Director (President)	Other Key management personnel	Other related parties	
	Rupees in '000			
Borrowings				
Opening balance	-	-	-	-
Borrowings during the year	-	-	9,830,586	9,830,586
Settled during the year	-	-	(9,830,586)	(9,830,586)
Transfer in / (out) - net	-	-	-	-
Closing balance	-	-	-	-
Deposits and other accounts				
Opening balance	2,066	7,500	10,560	20,126
Received during the year	38,588	109,173	381,493	529,255
Withdrawn during the year	(35,370)	(112,343)	(379,919)	(527,631)
Transfer in / (out) - net	0.002	-	-	-
Closing balance	5,285	4,330	12,135	21,750
Other Liabilities				
Interest / mark-up payable	339	753	403	1,495
Payable to staff retirement fund	-	-	-	-
Retirement benefit payable	-	7,392	-	7,392
	339	8,145	403	8,887
Contingencies and Commitments	-	-	-	-

B - TRANSACTIONS

Income				
*Mark-up / return / interest earned	1,403	1,773	2,399	5,575
Dividend income	-	-	12,111	12,111
Expense				
Mark-up / return / interest expensed	341	759	21,839	22,939
Operating expenses	-	-	2,636	2,636
Charge to defined benefit plan	-	-	-	-
Remuneration and allowances	28,354	51,497	-	79,851
Director's meeting fee	-	1,575	-	1,575
Reimbursement of expenses to directors	45	-	-	45

44. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	Note	2023 ------(Rupees in '000)-----	2022
Minimum Capital Requirement (MCR):			
Paid-up capital (net of losses)	44.2	<u>2,145,044</u>	<u>1,912,474</u>
Capital Adequacy Ratio (CAR):			
Eligible Common Equity Tier 1 (CET 1) Capital		<u>2,647,289</u>	<u>2,297,533</u>
Eligible Additional Tier 1 (ADT 1) Capital		<u>-</u>	<u>-</u>
Total Eligible Tier 1 Capital		<u>2,647,289</u>	<u>2,297,533</u>
Eligible Tier 2 Capital		<u>459,880</u>	<u>326,094</u>
Total Eligible Capital (Tier 1 + Tier 2)		<u>3,107,169</u>	<u>2,623,627</u>
Risk Weighted Assets (RWAs):			
Credit Risk		<u>5,616,914</u>	<u>7,024,355</u>
Market Risk		<u>845,874</u>	<u>488,380</u>
Operational Risk		<u>3,168,675</u>	<u>2,286,413</u>
Total		<u>9,631,463</u>	<u>9,799,148</u>
Common Equity Tier 1 capital adequacy ratio		<u>27.49%</u>	<u>23.45%</u>
Tier 1 capital adequacy ratio		<u>27.49%</u>	<u>23.45%</u>
Total capital adequacy ratio		<u>32.26%</u>	<u>26.77%</u>
Minimum capital requirements prescribed by SBP			
Common Equity Tier 1 Capital Adequacy ratio		6.00%	6.00%
Tier 1 Capital Adequacy Ratio		7.50%	7.50%
Total Capital Adequacy Ratio		18.00%	18.00%
Leverage Ratio (LR):			
Eligible Tier-1 Capital		2,647,289	2,297,533
Total Exposures		72,537,269	52,373,849
Leverage Ratio		<u>3.65%</u>	<u>4.39%</u>
Liquidity Coverage Ratio (LCR):			
Total High Quality Liquid Assets		15,458,529	20,026,153
Total Net Cash Outflow		11,860,968	10,840,576
Liquidity Coverage Ratio		<u>130%</u>	<u>185%</u>
Net Stable Funding Ratio (NSFR):			
Total Available Stable Funding		199,502,152	30,654,251
Total Required Stable Funding		77,615,764	7,943,081
Net Stable Funding Ratio		<u>257%</u>	<u>386%</u>

- 44.1 Banks uses simple, maturity method and basic indicator approach for credit risk, market risk and operational risk exposures respectively in the capital adequacy calculation.
- 44.2 Being a public sector Bank, and in terms of the State Bank of Pakistan prescribed minimum capital requirements vide its letter reference BPRD/BA&CP/627/32/2014 dated 01 January 2014, the Bank is required to have a minimum paid up capital (net of losses) (MCR) of Rs. 3 billion and capital adequacy ratio of 18% at all times, subject to the condition that MCR level shall remain enforced until the Bank remains a public sector entity, the Bank will not be allowed to pay dividend until its paid up capital and reserves reach Rs. 6 billion and the per party exposure limit of the Bank will be 50% of the prudential regulations limits until the Bank's paid up capital and reserves reach Rs. 6 billion. At December 31, 2023, Bank's MCR (representing paid up capital net of accumulated losses) was Rs. 2.15 billion.

The full disclosures on the capital adequacy, leverage ratio & liquidity requirements as per the SBP instructions issued from time to time are placed on the bank's website. The link to the full disclosures is available at <http://www.fwbl.com.pk/public-documents/Basel-statements>.

45. RISK MANAGEMENT

The Banks's activities expose it to a variety of financial risks, including credit risk, market risk (including currency risk, interest rate risk, and price risk), liquidity risk, and operational risk. The Banks's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Banks's financial performance. Risk management is carried out by the Banks's risk management division under policies approved by the Board of Directors. Effective risk management is considered essential in the preservation of the assets and long-term profitability of the Bank. Clear guidelines and limits, which are under regular review, are backed by a system of internal controls and independent audit inspections. Internal reporting / MIS are additional tools for measuring and controlling risks.

45.1 Credit risk

Credit risk is the risk that a customer or counterparty may not settle an obligation for full value, either when due or at any time thereafter. This risk arises from the potential that a customer's or counterparty's willingness or ability to meet such an obligation is impaired, resulting in an economic loss to the Bank.

The Credit Risk Management process is driven by the Bank's Credit Risk approved by the BOD. This policy provides guidance in relation to credit initiation, approval, documentation and disbursement, credit maintenance and remedial management.

Credit approval authorities are based on four eye principal with equal credit authorities given to both Risk and Business individuals. Head Office Risk Committee is the main credit approval authority. This committee comprises of CRO, Business Head and the President.

Bank has a Board approved Risk Appetite Statement sets Credit concentrations Portfolio, Geographical, Industry as well as IRR based portfolio Management..

The Bank uses reputable and SBP approved rating agencies for deriving risk weight to specific credit exposures. These are applied consistently across the Bank credit portfolio for both on-balance sheet and off-balance sheet exposures. The methodology applied for using External Credit Assessment Institutions (ECAI's) inclusive of the alignment of alpha numeric scale of each agency used with risk bucket is as per SBP guidelines as is given below:

Types of Exposures and ECAI's used

Exposures	2021				
	JCR - VIS	PACRA	S & P	Fitch	Moody's
Corporate	✓	✓	-	-	-
Banks	✓	✓	-	-	-
Sovereign	-	-	-	-	-
SME's	✓	✓	-	-	-

*FITCH, Moody's and S&P ratings (as applicable) are used where sovereign exposures are denominated in USD.

Mapping to SBP Rating Grades

For all exposures, the selected ratings are translated to the standard rating grades given by the SBP. The mapping tables used for converting ECAI ratings to the SBP rating grades are given below:

Long Term Rating Grades mapping

SBP Rating grade	ECA Scores	JCR-VIS	PACRA	S&P	Fitch	Moody's
1	0, 1	AAA	AAA	AAA	AAA	Aaa
		AA+	AA+	AA+	AA+	Aa1
		AA	AA	AA	AA	Aa2
		AA-	AA-	AA-	AA-	Aa3
2	2	A+	A+	A+	A+	A1
		A	A	A	A	A2
		A-	A-	A-	A-	A3
3	3	BBB+	BBB+	BBB+	BBB+	Baa1
		BBB	BBB	BBB	BBB	Baa2
		BBB-	BBB-	BBB-	BBB-	Baa3
4	4	BB+	BB+	BB+	BB+	Ba1
		BB	BB	BB	BB	Ba2
		BB-	BB-	BB-	BB-	Ba3
5	5, 6	B+	B+	B+	B+	B1
		B	B	B	B	B2
		B-	B-	B-	B-	B3
6	7	CCC+ and below	CCC+ and below	CCC+ and below	CCC+ and below	Caa1 and below

45.1.1 Lending to financial institutions

Credit risk by public / private sector

	Gross lending		Non-performing lending		Provision held	
	2023	2022	2023	2022	2023	2022
	(Rupees in '000)					
Public / Government	75,602	75,602	75,602	75,602	75,602	75,602
Private	1,945,831	6,697,594	63,487	63,487	63,487	63,487
	<u>2,021,433</u>	<u>6,773,196</u>	<u>139,089</u>	<u>139,089</u>	<u>139,089</u>	<u>139,089</u>

45.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2023	2022	2023	2022	2023	2022
	(Rupees in '000)					
Public / Government (T-bills and PIBs)	44,266,359	29,071,740	-	-	-	-
Telecommunication	10,000	10,000	10,000	10,000	10,000	10,000
Textile	44,276,359	29,081,740	10,000	10,000	10,000	10,000

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2023	2022	2023	2022	2023	2022
	(Rupees in '000)					
Public / Government	44,266,359	29,071,740	-	-	-	-
Private	10,000	10,000	10,000	10,000	10,000	10,000
	<u>44,276,359</u>	<u>29,081,740</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

	Gross advances		Non-performing advances		Provision held	
	2023	2022	2023	2022	2023	2022
	(Rupees in '000)					
Credit risk by public / private sector						
Public/ Government	2,788,609	4,711,041	-	-	-	-
Private	8,405,997	9,069,459	2,919,888	2,734,650	2,750,095	2,590,422
	<u>11,194,606</u>	<u>13,780,500</u>	<u>2,919,888</u>	<u>2,734,650</u>	<u>2,750,095</u>	<u>2,590,422</u>

		2023	2022
		(Rupees in '000)	
45.1.4 Contingencies and Commitments			
Credit risk by industry sector			
Textile		72,076	1,171,854
Chemical and Pharmaceuticals		106,418	73,242
Electronics and electrical appliances		55,463	1,161,855
Construction		2,677,075	855,400
Power (electricity), Gas, Water, Sanitary		543,232	681,123
Wholesale and Retail Trade		1,067,930	-
Services		39,159	186,342
Others		20,827	392,200
		<u>4,582,180</u>	<u>4,522,016</u>
Credit risk by public / private sector			
Public/ Government		18,221	-
Private		4,563,959	4,522,016
		<u>4,582,180</u>	<u>4,522,016</u>

45.1.5 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 6,153 million (2022: Rs 8,585 million) are as following:

	2023	2022
	(Rupees in '000)	
Funded	5,132,162	7,484,776
Non Funded	1,020,803	1,100,467
Total Exposure	<u>6,152,965</u>	<u>8,585,243</u>

The sanctioned limits against these top 10 exposures aggregated to Rs 8.645 million (2022: Rs 13.931 million).

45.1.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2023	2022	2023	2022	2023	2022
	(Rupees in '000)					
Agriculture, Forestry, Hunting and Fishing	68,176	80,116	7,083	7,025	2,953	1,196
Textile	1,828,649	1,938,678	673,177	670,588	670,392	670,143
Chemical & Pharmaceuticals	137,041	264,047	104,224	69,596	104,224	46,986
Cement	500,000	500,000	-	-	-	-
Food and Beverages	3,301,149	5,307,036	305,219	140,488	281,784	139,492
Footwear and Leather garments	39,295	39,295	39,295	39,295	39,295	39,295
Automobile and transportation equipment	86,166	86,324	85,921	85,922	17,006	8,502
Electronics and electrical Appliances	119,882	120,313	118,997	116,104	116,393	116,104
Construction	554,089	610,390	265,629	158,992	256,877	357,340
Power (electricity), Gas, Water, Sanitary	786,218	146,315	114,071	120,315	114,071	117,265
Wholesale and Retail Trade	1,054,385	1,054,385	686,543	694,381	678,557	675,799
Transport, Storage and Communication	6,878	7,540	1,190	2,305	747	76
Services	921,949	223,352	59,491	1,698	29,358	408
Individuals	888,718	1,002,634	23,401	6,061	4,117	1,629
Others	902,011	2,400,075	435,647	621,880	434,320	416,187
	<u>11,194,606</u>	<u>13,780,500</u>	<u>2,919,888</u>	<u>2,734,650</u>	<u>2,750,094</u>	<u>2,590,422</u>

	2023		2022	
	Amount	Provision Held	Amount	Provision Held
	(Rupees in '000)			
Total Funded Classified therein				
OAEM	25,138	1,308	42,472	1,383
Substandard	46,693	4,086	13,298	1,556
Doubtful	37,770	5,925	101,345	9,950
Loss	2,810,287	2,738,777	2,577,535	2,577,535
	<u>2,919,888</u>	<u>2,750,095</u>	<u>2,734,650</u>	<u>2,590,424</u>

45.1.6 Advances - Province/Region-wise Disbursement & Utilization

Province / Region	2023					
	Disbursements	Utilization				
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad
	(Rupees in '000)					
Punjab	11,256,045	11,256,045	-	-	-	-
Sindh	4,555,615	-	4,555,615	-	-	-
KPK including FATA	73,131	-	-	73,131	-	-
Balochistan	13,180	-	-	-	13,180	-
Islamabad	948,537	-	-	-	-	948,537
AJK including Gilgit-Baltistan	3,680	-	-	-	-	-
Total	<u>16,850,188</u>	<u>11,256,045</u>	<u>4,555,615</u>	<u>73,131</u>	<u>13,180</u>	<u>948,537</u>
						<u>3,680</u>

Province / Region	2022					
	Disbursements	Utilization				
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad
	(Rupees in '000)					
Punjab	8,799,196	8,799,196	-	-	-	-
Sindh	5,510,299	-	5,510,299	-	-	-
KPK including FATA	44,459	-	-	44,459	-	-
Balochistan	11,865	-	-	-	11,865	-
Islamabad	774,456	-	-	-	-	774,456
AJK including Gilgit-Baltistan	6,083	-	-	-	-	-
Total	<u>15,146,358</u>	<u>8,799,196</u>	<u>5,510,299</u>	<u>44,459</u>	<u>11,865</u>	<u>774,456</u>
						<u>6,083</u>

45.2 Market Risk

Market risk is the risk that the fair value of a financial instrument will fluctuate due to movements in market prices. It results from changes in interest rates, exchange rates and equity prices as well as from changes in the correlations between them. Each of these components of market risk consists of a general market risk and a specific market risk that is driven by the nature and composition of the portfolio.

Measuring and controlling market risk is usually carried out at a portfolio level. However, certain controls are applied, where necessary, to individual risk types, to particular books and to specific exposures. Controls are also applied to prevent any undue risk concentrations in trading books, taking into account variations in price, volatility, market depth and liquidity. These controls include limits on exposure to individual market risk variables as well as limits on concentrations of tenors and issuers.

Enterprise Risk Unit is responsible for over all Market Risk Management. It is responsible for development and review of market risk related policies and processes. It is also responsible for monitoring of Market Risk and adherence of Market Risk Limits. Maintaining proper MIS is also one of the key functions of this unit.

The functions of the Market Risk Management unit are as follows:

- To keep the market risk exposure within the Bank's risk appetite as assigned by the BoD and the BRCC.
- To develop, review and upgrade procedures for the effective implementation of market risk management policies approved by the BoD and BRCC.
- To maintain a comprehensive database for performing risk analysis, stress testing and scenario analysis. Stress testing activities are performed on a quarterly basis on both the Banking and Trading books.

45.2.1 Balance sheet split by trading and banking books

	2023			2022		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	2,928,217	-	2,928,217	2,209,218	-	2,209,218
Balances with other banks	1,891	-	1,891	824	-	824
Lending to financial institutions	1,882,344	-	1,882,344	6,634,107	-	6,634,107
Investments	44,359,973	-	44,359,973	28,980,969	-	28,980,969
Advances	8,220,300	-	8,220,300	11,062,156	-	11,062,156
Fixed assets	756,794	-	756,794	610,472	-	610,472
Intangible assets	45,565	-	45,565	46,254	-	46,254
Other assets	12,597,418	-	12,597,418	1,129,659	-	1,129,659
	<u>70,792,502</u>	<u>-</u>	<u>70,792,502</u>	<u>50,673,659</u>	<u>-</u>	<u>39,107,753</u>

45.2.2 Foreign Exchange Risk

Foreign Exchange Risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. Exposures are monitored by currency to ensure that they remain within the established limits for each currency. Exposures are also monitored on an overall basis to ensure compliance with the Bank's SBP approved Foreign Exchange Exposure Limit.

The Bank is an active participant in the cash and derivatives markets for currencies and carries currency risk from these trading activities, conducted primarily by the Treasury and Capital Markets Group (TCM). These trading exposures are monitored through prescribed stress tests and sensitivity analyses.

The Bank's reporting currency is the Pakistan Rupee, but its assets, liabilities, income and expenses are denominated in multiple currencies. From time to time, TCM proactively hedges foreign currency exposures resulting from its market making activities, subject to pre-defined limits.

	2023				2022			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)							
United States Dollar	431,547	411,165	-	20,382	451,251	438,556	- #	12,695
Great Britain Pound Sterling	6,200	6,073	-	127	4,677	4,581	- #	96
Euro	41,639	41,098	-	541	18,963	17,684	- #	1,279
Japanese Yen	472	-	-	472	413	-	- #	413
Other currencies	164	-	-	164	132	-	- #	132
	<u>480,022</u>	<u>458,336</u>	<u>-</u>	<u>21,686</u>	<u>475,436</u>	<u>460,821</u>	<u>-</u>	<u>14,615</u>

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account				
+1% change		217		146
-1% change		(217)		(146)
- Other comprehensive income				
+1% change		-		-
-1% change		-		-

45.2.3 Yield / Interest Rate Risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Interest rate risk is also controlled through flexible credit pricing mechanism and variable deposit rates. Duration analysis and stress testing are being carried out regularly to estimate the impact of adverse changes in the interest rates on bank's fixed interest portfolio. Optimisation of yield is achieved through the Bank's strategy which aims at attaining a balance between yield and liquidity under the strategic guidance of ALCO. The advances and deposits of the Bank are repriced on a periodic basis based on interest rates scenario. Details of the interest rate profile of the Bank based on the earlier of contractual repricing or maturity date is as follows:

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in interest rates on				
- Profit and loss account	24,319	-	19,200	-
- Other comprehensive income	-	-	-	-

45.2.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

Interest rate sensitivity gaps for assets and liabilities has been reported based as earlier of the repricing and maturity date.

	Effective Yield/ Interest Rate	Total	Exposed to Yield/ Interest risk								Non-interest bearing financial instruments	
			Up to 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
2023												
(Rupees in '000)												
Do-balance sheet financial instruments												
Assets												
Cash and balances with monetary banks	0.00%	1,928,217	176,517	-	-	-	-	-	-	-	-	2,351,700
Balances with other banks		1,891	-	-	-	-	-	-	-	-	-	1,891
Lending to financial institutions	21% - 22.90%	1,882,344	1,882,344	-	-	-	-	-	-	-	-	-
Investment	21.359% to 24.7808%	44,399,971	-	-	3,480,454	15,798,021	16,553,461	7,091,490	1,473,585	-	-	954
Advances	0% - 22.67%	8,220,300	1,640,678	2,718,579	1,525,601	490,815	191,657	464,573	270,121	948,236	-	12,597,418
Other assets		12,597,418	-	-	-	-	-	-	-	-	-	-
		69,990,143	3,699,499	2,718,587	1,525,601	3,971,269	15,949,678	17,018,034	7,361,611	2,423,902	-	15,351,962
Liabilities												
Bills payable		149,177	-	-	-	-	-	-	-	-	-	149,177
Borrowings	0% - 22.11%	32,022,818	32,066,973	8,218	3,197	25,515	62,771	47,211	65,088	307,124	-	35,321
Deposits and other accounts	0% - 22.60%	31,352,333	443,437	1,066,080	5,368,645	2,900,624	828,038	1,458,373	7,628,196	5,582,288	796,416	5,145,075
Other liabilities		3,427,556	-	-	-	-	-	-	-	-	-	3,427,556
		67,532,384	32,710,410	1,094,298	5,384,052	2,927,139	890,809	1,491,766	7,704,184	5,689,613	796,416	8,757,529
On-balance sheet gap		2,457,859	(29,010,911)	1,624,289	(4,228,441)	1,204,130	13,038,869	15,520,290	(242,673)	(2,265,711)	(796,416)	6,594,434
Non Financial Net Assets		624,662										
Total Net Asset		3,082,521										
Off-balance sheet financial instruments												
Forward foreign exchange contracts - Purchase		-	-	-	-	-	-	-	-	-	-	-
Forward foreign exchange contracts - Sale		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap		2,457,859	(29,010,911)	1,624,289	(4,228,441)	1,204,130	13,038,869	15,520,290	(242,673)	(2,265,711)	(796,416)	6,594,434
Cumulative Yield/Interest Risk Sensitivity Gap		-	(29,010,911)	(27,386,622)	(31,615,063)	(28,710,933)	(11,252,064)	298,226	(26,447)	(2,340,138)	(4,136,574)	2,457,860

	Effective Yield/Interest rate	Total	2022								Non-interest bearing financial instruments	
			Exposure to Yield/Interest risk									
			Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years		Above 10 Years
(Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.00%	2,300,218	138,122	-	-	-	-	-	-	-	-	2,011,086
Balances with other banks		824	-	-	-	-	-	-	-	-	-	824
Lending to financial institutions	13.0% - 16.5%	4,034,107	4,034,107	-	-	-	-	-	-	-	-	-
Investments	15.50% to 17.55%	28,980,969	-	-	5,647,175	2,111,842	15,245,200	3,912,400	482,250	1,486,098	-	954
Advances	0% to 24.85%	11,002,156	1,657,901	4,098,751	1,143,629	551,495	336,761	342,104	775,206	1,094,905	-	1,195,410
Other assets		3,129,659	-	-	-	-	-	-	-	-	-	1,829,659
		50,016,933	8,430,130	4,998,751	6,790,798	2,663,337	15,581,961	4,254,504	1,218,556	2,574,953	-	4,397,943
Liabilities												
Bills payable		141,970	-	-	-	-	-	-	-	-	-	141,970
Borrowings	0% - 16.17%	13,835,728	1,887,729	11,555,114	16,734	351,219	50,378	82,475	71,913	133,186	-	3,371,069
Deposits and other accounts	0% - 16.0%	32,164,339	536,129	696,394	4,049,586	3,370,567	821,757	1,746,184	8,070,493	6,189,926	873,849	2,154,863
Other liabilities		2,154,863	-	-	-	-	-	-	-	-	-	2,154,863
		48,114,890	2,463,958	11,349,528	4,655,306	3,621,786	872,135	1,828,659	8,148,515	6,323,112	873,849	2,567,818
On-balance sheet gap		1,902,043	3,967,772	(7,650,757)	2,136,498	(919,449)	14,709,826	2,425,845	(6,925,789)	(3,748,159)	(873,849)	(1,169,875)
Non-Financial Net Assets		602,491										
Total Net Assets		2,504,534										
Off-balance sheet financial instruments												
Forward foreign exchange contracts - Purchase		-	-	-	-	-	-	-	-	-	-	-
Forward foreign exchange contracts - Sale		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap		1,902,043	3,967,772	(7,650,757)	2,136,498	(919,449)	14,709,826	2,425,845	(6,925,789)	(3,748,159)	(873,849)	(1,169,875)
Cumulative Yield/Interest Risk Sensitivity Gap		3,967,772	(1,682,985)	493,513	(515,936)	14,190,880	16,619,735	9,680,846	5,945,787	5,071,938	-	1,802,043

45.2.4.1 The details given above are on the basis of earlier of reprising or maturity / redemption

Reconciliation of Assets and Liabilities exposed to Yield/Interest Rate Risk with Total Assets and Liabilities

Reconciliation to total assets

	2023	2022
	(Rupees in '000)	
Total financial assets	49,990,143	50,016,932
Add: Non-Financial assets		
Operating fixed assets	756,754	610,472
Intangible assets	45,585	46,754
Other assets	-	-
	802,339	657,226
Balance as per statement of financial position	50,792,482	50,674,158

Reconciliation to total liabilities

	2023	2022
	(Rupees in '000)	
Total financial liabilities	67,532,283	48,114,890
Add: Non-Financial liabilities		
Other liabilities	-	-
Deferred tax liabilities	177,698	54,234
	177,698	54,234
Balance as per statement of financial position	67,709,981	48,169,124

45.2.4.2 Yield risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Bank is exposed to various risks associated with the effects of fluctuation in the prevailing levels of market interest rates on its financial position and cash flows. The Bank manages this risk by matching the re-pricing of assets and liabilities and off-balance sheet instruments.

45.3 Operational Risk

The Bank operates in a controlled manner and operational risk is generally managed effectively. With the evolution of operation risk management into a separate distinct discipline, the Bank's strategy is to further strengthen risk management system along new industry standards.

The Bank's ORM framework includes Risk Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Loss Data collection (LDC), Operational Risk Events Management, and Operational Risk Reporting. The ORM unit engages with Bank's business / support units and regularly collaborates in determining and reviewing the risks, and assessment of residual risk leading to improved quality of control infrastructure and strengthening of the processes (sub processes) & management information.

The Bank's ORM framework includes Risk Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Operational Risk Events Management, and Operational Risk Reporting. The ORM unit engages with Bank's business / support units and regularly collaborates in determining and reviewing the risks, and assessment of residual risk leading to improved quality of control infrastructure and strengthening of the processes (sub processes) & management information.

The Bank uses Basic Indicator Approach (BIA) for regulatory capital at risk: calculation for operational risk. Under BIA the capital charge for operational risk is a fixed percentage of average positive annual gross income of the Bank over the past three years. Figures of capital charge of operation risk for the year is Rs. 253.49 million (2022: Rs. 182.91 million).

45.4 Liquidity Risk

Liquidity risk is the risk that the Bank will not be able to raise funds to meet its commitments.

Governance of Liquidity risk management

ALCO manages the liquidity position on a continuous basis.

Liquidity and related risks are managed through standardized processes established in the Bank. The management of liquidity risk within the Bank is undertaken within limits and other parameters set by BoD. The Bank's treasury function has the primary responsibility for assessing, monitoring and managing the Bank's liquidity and funding strategy while overall compliance is monitored and coordinated by the ALCO. Board and senior management are apprised of Bank's liquidity profile to ensure proactive liquidity management. Treasury Middle Office being part of the risk management division is responsible for the independent identification, monitoring and analysis of intrinsic risks of treasury business. The Bank has in place duly approved Treasury investment policy and strategy along with liquidity risk tolerance/appetite levels. These are communicated at various levels so as to ensure effective liquidity management for the Bank.

Funding Strategy

The Bank's liquidity model is based on "self-reliance" with an extensive branch network to diversify the Bank deposit base. Further, the Bank can also generate liquidity from Interbank market against government securities to fund its short term requirement, if any. The Bank as a policy invests significantly in highly liquid government securities that can be readily converted into cash to meet unforeseen liquidity requirements, besides yielding attractive returns. Furthermore, long term loans are generally kept at an amount lower than the Bank's capital / reserves.

Liquidity Risk Mitigation techniques

Various tools and techniques are used to measure and monitor the possible liquidity risk. These include monitoring of different liquidity ratios which are monitored regularly against approved triggers and communicated to senior management and ALCO. Further, Bank also prepares the maturity profile of assets and liabilities to monitor the liquidity gaps over different time buckets. The Bank also ensures that statutory cash and liquidity requirements are maintained at all times.

Liquidity Stress Testing

As per SBP BSD Circular No. 1 of 2012, Liquidity stress testing is being conducted under well-defined stress scenarios. Results of same are escalated at the senior level so as to enable the senior management to take proactive actions to avoid liquidity crunch for the Bank.

Contingency Funding Plan

Contingency Funding Plan (CFP) is a part of liquidity management framework of the Bank which defines and identifies the factors that can instigate a liquidity crisis and the actions to be taken to manage the crisis. The Bank has a comprehensive liquidity contingency funding plan in place, which highlights liquidity management strategy to be followed under stress conditions. Contingency Event Management parameters and responsibilities are also incorporated in order to tackle the liquidity crisis. Moreover, CFP highlights possible funding sources focusing on self-reliance, in case of a liquidity crisis.

25.41 Maturity of Assets and Liabilities - based on contracted maturity of the assets and liabilities of the Bank

	2021												
	Total	Up to 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
(Values in '000)													
Assets													
Cash and balances with treasury banks	2,228,217	92,439	266,752	65,218	1,699,798	-	-	-	-	-	-	-	-
Balances with other banks	899	84	166	427	1,037	-	-	-	-	-	-	-	-
Loans to financial institutions	3,002,344	-	1,282,349	-	-	-	-	-	-	-	-	-	-
Investments	14,328,979	-	-	-	-	-	8	496,300	3,994,154	15,758,611	16,556,413	7,093,499	1,073,384
Advances	2,278,346	260,380	285,619	133,387	761,637	58,891	2,638,726	1,539,681	379,471	212,290	399,617	484,373	378,120
Fixed assets	794,794	198	966	1,184	2,523	4,780	4,780	14,191	14,191	19,099	55,761	56,768	81,773
Intangible assets	43,383	24	142	142	176	798	798	2,124	2,124	2,324	6,496	6,496	16,990
Intangible assets	12,897,618	340,448	2,020,682	2,181,141	2,725,295	393,071	860,449	48,391	40,395	80,837	-	-	-
Other assets	79,791,883	615,234	4,739,842	2,271,225	4,136,939	1,098,283	1,831,112	1,361,588	798,419	1,294,608	1,601,627	11,364,121	7,486,327
Liabilities													
Bills payable	145,177	4,812	28,873	91,881	81,887	-	-	-	-	-	-	-	-
Borrowings	32,621,608	1,314,719	16,568,931	2,050,890	17,132,241	79	6,148	3,397	17,877	7,818	42,176	67,211	56,088
Deposits and other accounts	31,332,131	2,894	109,288	61,868	281,898	688,381	906,345	2,621,198	1,094,253	1,196,398	3,995,819	2,979,960	16,542,183
Deferred tax liabilities	171,688	-	-	-	810	510	319	1,531	1,959	1,987	18,777	19,748	36,830
Other liabilities	3,421,226	19,812	64,141	74,221	983,242	1,324,399	75,467	229,872	81,724	219,244	15,148	13,699	26,417
Net assets	61,291,795	1,342,817	16,212,232	1,675,676	18,690,799	2,191,348	890,052	6,081,788	1,287,776	1,348,176	1,687,118	1,758,818	16,871,488
Share capital	3,991,118	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	57,300,677	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	989,866	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated loss	(1,889,866)	-	-	-	-	-	-	-	-	-	-	-	-

	2022												
	Total	Up to 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
(Values in '000)													
Assets													
Cash and balances with treasury banks	2,209,218	71,282	421,230	498,656	1,211,887	-	-	-	-	-	-	-	-
Balances with other banks	824	71	159	186	452	-	-	-	-	-	-	-	-
Loans to financial institutions	6,271,007	-	6,874,193	-	-	-	-	-	-	-	-	-	-
Investments	26,999,909	-	-	-	-	-	3,647,171	-	2,111,840	15,341,200	3,212,480	481,290	1,000,000
Advances	11,662,118	62,642	318,264	281,203	878,992	624,373	4,839,788	1,140,623	271,382	130,098	216,761	342,164	793,286
Fixed assets	619,472	187	642	941	1,787	3,291	3,291	9,603	9,603	16,408	16,408	28,611	32,779
Intangible assets	48,254	18	88	88	223	421	421	1,264	1,264	11,349	3,023	3,023	3,123
Deferred tax assets	7	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	1,128,619	1,175	67,022	78,228	178,893	343,242	388,124	21,171	21,172	37,475	-	-	-
Net assets	58,675,618	142,230	3,458,698	961,341	2,270,779	981,701	5,811,149	6,838,838	22,120	2,690,347	13,023,424	4,297,969	1,281,629
Liabilities													
Bills payable	145,177	4,812	21,476	91,881	71,893	-	-	-	-	-	-	-	-
Borrowings	13,613,728	983,219	3,580	-	956,080	11,699,869	1,714	14,711	1,542	299,677	36,378	82,473	79,912
Deposits and other accounts	32,164,318	3,024	81,897	181,594	416,418	498,246	818,874	4,742,346	2,441,622	1,447,028	1,691,896	2,330,814	11,348,122
Deferred tax liabilities	34,814	-	-	-	298	798	298	1,940	493	676	10,296	299	11,719
Other liabilities	2,154,883	14,889	82,723	109,614	361,471	498,293	49,802	218,124	81,318	28,738	10,488	14,802	28,682
Net assets	7,984,812	189,642	2,158,128	716,951	486,234	11,427,848	6,615,912	1,877,121	11,273,686	634,751	3,161,698	1,415,381	9,891,812
Share capital	3,991,118	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	48,117	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	948,767	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated loss	(2,063,670)	-	-	-	-	-	-	-	-	-	-	-	-

All demand assets and liabilities such as running accounts, current accounts and saving accounts are shown as having a maturity up to one month. However, based on historical behavior, management is of the opinion that the possibility of these inflows / outflows actually occurring entirely within one month is remote, as these flows normally occur over a longer period of time.

48.1.2 Maturity of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank (as per the working paper prepared by the Asset and Liability Management Committee (ALCO) of the bank)

	2023									
	Total	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	3,528,217	3,528,217	-	-	-	-	-	-	-	-
Balances with other banks	1,891	1,891	-	-	-	-	-	-	-	-
Lending to financial institutions	1,882,244	1,882,244	-	-	-	-	-	-	-	-
Investments	44,209,973	-	8	-	3,480,494	15,728,821	16,234,412	7,891,490	1,472,986	-
Advances	8,226,389	1,640,638	2,713,179	1,131,481	430,815	191,657	464,173	270,121	548,218	-
Fixed assets	794,794	-739	9,481	34,151	28,382	26,783	26,788	81,723	184,777	-
Intangible assets	45,263	768	1,415	2,124	4,244	1,484	8,486	16,993	3,043	-
Other assets	22,587,418	19,521,882	1,293,212	49,183	81,238	-	-	-	-	-
	59,793,162	48,989,419	4,483,378	1,182,369	4,045,129	16,654,938	17,084,232	7,688,327	2,951,742	-
Liabilities										
Bills payable	145,177	149,177	-	-	-	-	-	-	-	-
Borrowings	32,622,818	32,302,294	8,218	3,399	15,513	42,771	47,318	44,884	107,324	-
Deposits and other accounts	21,332,331	471,548	1,214,707	5,831,198	2,218,801	1,389,510	1,978,968	18,542,162	8,375,404	-
Deferred tax liabilities	177,668	318	1,821	1,531	5,523	29,777	19,748	34,816	92,374	-
Other liabilities	3,471,916	1,852,819	1,608,266	228,872	217,476	15,168	13,899	-	24,427	178,818
	67,728,978	37,875,977	2,834,212	6,883,798	3,732,511	1,687,218	2,136,849	18,679,488	8,757,923	-
Net assets	<u>1,081,612</u>	<u>(16,295,558)</u>	<u>1,649,166</u>	<u>(4,699,429)</u>	<u>412,618</u>	<u>19,277,720</u>	<u>14,823,294</u>	<u>(1,112,861)</u>	<u>(1,816,181)</u>	<u>-</u>
Share capital	3,994,113									
Reserves	147,816									
Surplus or retention of assets	189,648									
Accumulated loss	<u>(1,840,899)</u>									
	<u>3,081,678</u>									

	2022									
	Total	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	2,209,218	2,209,218	-	-	-	-	-	-	-	-
Balances with other banks	824	824	-	-	-	-	-	-	-	-
Lending to financial institutions	6,634,107	6,634,107	-	-	-	-	-	-	-	-
Investments	28,948,969	-	-	5,647,375	2,111,841	25,245,200	3,912,480	482,230	1,481,680	-
Advances	11,862,126	1,817,901	1,294,161	1,042,623	157,495	228,761	342,194	731,266	1,094,991	-
Fixed assets	616,472	3,361	4,491	5,603	19,194	38,438	33,411	39,379	435,886	-
Intangible assets	46,234	421	842	1,294	22,088	3,855	3,693	1,123	7,890	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	1,129,629	214,248	713,492	27,272	24,844	-	-	-	-	-
	56,673,628	10,841,609	4,813,986	4,824,836	2,765,871	15,623,424	4,297,969	1,281,029	5,019,570	-
Liabilities										
Bills payable	141,576	161,070	-	-	-	-	-	-	-	-
Borrowings	13,651,728	1,887,729	11,833,114	14,714	284,207	30,274	82,475	12,912	123,184	-
Deposits and other accounts	33,144,230	482,111	828,189	4,742,256	2,894,834	1,831,866	2,388,614	11,048,551	7,964,818	-
Deferred tax liabilities	34,231	298	294	(2,949)	87	(9,284)	-	-	52,438	-
Other liabilities	2,134,884	285,988	846,037	218,264	138,264	16,484	16,602	26,687	158,426	-
	49,146,149	3,217,196	12,822,917	4,971,584	4,402,182	1,629,444	2,478,188	11,162,871	7,448,860	-
Net assets	<u>7,527,479</u>	<u>7,624,413</u>	<u>(4,008,931)</u>	<u>(1,146,748)</u>	<u>(1,636,311)</u>	<u>13,993,980</u>	<u>1,819,781</u>	<u>(8,881,842)</u>	<u>(4,429,290)</u>	<u>-</u>
Share capital	3,994,113									
Reserves	431,212									
Surplus or retention of assets	168,747									
Accumulated loss	<u>(7,005,393)</u>									
	<u>3,594,579</u>									

46. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors meeting held on 26 JUL 2024.



Chief Financial Officer



President / Chief Executive



Director



Director



Director