

ZARAI TARAQIATI BANK LIMITED

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

30 JUNE 2023


ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023


	(Un-audited) June 30, 2023	(Audited) December 31, 2022
Note	..... Rupees in '000	
ASSETS		
Cash and balances with treasury banks	6 2,767,021	2,580,409
Balances with other banks	7 16,407,519	12,615,407
Lendings to financial institutions	8 12,832,358	39,623,142
Investments	9 722,612,657	306,749,685
Advances	10 94,625,996	90,452,380
Fixed assets	11 2,325,523	2,407,548
Intangible assets	12 59,189	73,159
Deferred tax assets	13 13,778,599	15,173,017
Other assets	14 27,900,113	21,502,437
	893,308,975	491,177,184
LIABILITIES		
Bills payable	16 1,404,351	580,505
Borrowings	17 744,605,030	354,898,713
Deposits and other accounts	18 47,055,186	46,127,301
Liabilities against assets subject to finance lease	-	-
Sub-ordinated debt	-	-
Deferred tax liabilities	-	-
Other liabilities	19 36,101,958	28,945,873
	829,166,525	430,552,392
NET ASSETS	<u>64,142,450</u>	<u>60,624,792</u>
REPRESENTED BY		
Share capital	52,678,432	52,678,432
Reserves	7,973,354	7,324,095
Surplus on revaluation of assets - net of tax	20 1,100,908	913,828
Un-appropriated profit / (loss)	2,389,756	(291,563)
	<u>64,142,450</u>	<u>60,624,792</u>
CONTINGENCIES AND COMMITMENTS		
	21	

The annexed notes 1 to 41 form an integral part of these consolidated condensed interim financial statements (un-audited).


President


Chief Financial Officer


Director

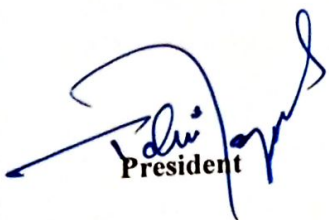

Director

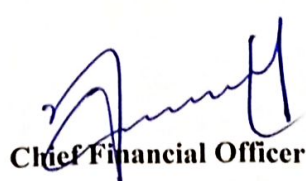

Director

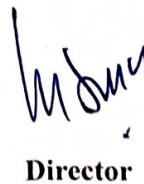
ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2023

Note	Quarter ended		Period ended		
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	
..... Rupees in '000					
Mark-up / return / interest earned	22	36,691,315	6,954,974	63,721,408	13,655,375
Mark-up / return / interest expensed	23	31,336,942	4,015,763	53,580,626	7,573,537
Net mark-up / interest income		5,354,373	2,939,211	10,140,782	6,081,838
NON MARK-UP / INTEREST INCOME					
Fee and commission income	24	353,928	318,889	616,019	578,432
Dividend income		60,814	38,750	60,814	38,750
Foreign exchange income		-	-	-	-
Income / (loss) from derivatives		-	-	-	-
Gain on securities	25	9,014	4,241	15,751	8,778
Other income	26	168,533	22,803	272,232	73,736
Total non-mark-up / interest income		592,289	384,683	964,816	699,696
Total income		5,946,662	3,323,894	11,105,598	6,781,534
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	27	3,259,842	2,567,279	6,398,227	5,611,444
Workers welfare fund		-	-	-	-
Other charges	28	140	-	38,333	-
Total non mark-up / interest expenses		3,259,982	2,567,279	6,436,560	5,611,444
Profit before provisions		2,686,680	756,615	4,669,038	1,170,090
(Reversal) / provisions and write offs - net	29	(2,629,352)	(1,425,199)	(3,647,056)	(1,816,673)
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		5,316,032	2,181,814	8,316,094	2,986,763
Taxation	30	3,378,485	1,807,770	4,985,516	2,447,224
PROFIT AFTER TAXATION		1,937,547	374,044	3,330,578	539,539
Basic earning per share (Rupees)	31	0.37	0.07	0.63	0.10
Diluted earning per share (Rupees)	31	0.37	0.07	0.63	0.10

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Director

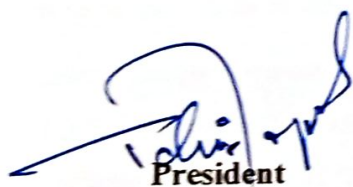

Director


Director

ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2023

	Quarter ended		Period ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	..... Rupees in '000			
Profit after taxation for the period	1,937,547	374,044	3,330,578	539,539
Other Comprehensive Income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus on revaluation of investments - net of tax	1,168,427	80,001	187,080	121,119
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement gain / (loss) on defined benefit obligations - net of tax	-	-	-	-
Total Comprehensive Income	<u>3,105,974</u>	<u>454,045</u>	<u>3,517,658</u>	<u>660,658</u>

The annexed notes 1 to 41 form an integral part of these consolidated condensed interim financial statements (un-audited).


President


Chief Financial Officer


Director


Director


Director

ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2023

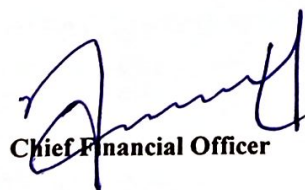
	Share capital	Statutory reserve	Contingencies reserve	Surplus on revaluation of investments	Un-appropriated profit / (loss)	Total
	..... Rupees in '000					
Balance as at January 1, 2022	52,678,432	6,239,526	60,000	989,649	(5,177,170)	54,790,437
Profit after taxation for the half year ended June 30, 2022	-	-	-	-	539,539	539,539
Other comprehensive income for the half year ended June 30, 2022	-	-	-	121,119	-	121,119
Total comprehensive income for the half year ended June 30, 2022	-	-	-	121,119	539,539	660,658
Transferred to statutory reserve	-	102,881	-	-	(102,881)	-
Balance as at June 30, 2022	52,678,432	6,342,407	60,000	1,110,768	(4,740,512)	55,451,095
Profit after taxation for six months period ended December 31, 2022	-	-	-	-	4,637,748	4,637,748
Other comprehensive income / (loss) for the half year ended December 31, 2022	-	-	-	(196,940)	732,889	535,949
Total comprehensive income / (loss) for the half year ended December 31, 2022	-	-	-	(196,940)	5,370,637	5,173,697
Transferred to statutory reserve	-	921,688	-	-	(921,688)	-
Balance as at December 31, 2022	52,678,432	7,264,095	60,000	913,828	(291,563)	60,624,792
Profit after taxation for the half year ended June 30, 2023	-	-	-	-	3,330,578	3,330,578
Other comprehensive income for the half year ended June 30, 2023	-	-	-	187,080	-	187,080
Total comprehensive income the half year ended June 30, 2023	-	-	-	187,080	3,330,578	3,517,658
Transferred to statutory reserve	-	649,259	-	-	(649,259)	-
Balance as at June 30, 2023	52,678,432	7,913,354	60,000	1,100,908	2,389,756	64,142,450

Statutory reserves represent reserve maintained as per requirement of Section 21 of the Banking Companies Ordinance, 1962.

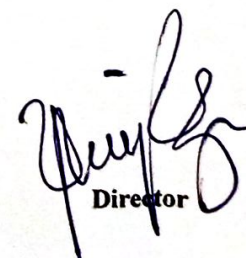
The Bank has set aside contingencies reserve for insurance of cash, building and vehicles.

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Director


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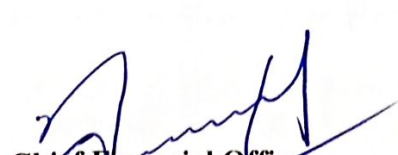

Director


ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2023

	Note	Period ended	
		June 30, 2023	June 30, 2022
..... Rupees in '000			
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income before working capital changes	32	10,841,262	7,067,523
Decrease / (increase) in operating assets:			
Lendings to financial institutions		26,790,784	(3,165,960)
Advances - net		(4,679,300)	1,189,295
Other assets - net (excluding advance taxation)		(7,835,871)	(785,212)
		14,275,613	(2,761,877)
Increase / (decrease) in operating liabilities:			
Bills payable		823,846	(960)
Borrowings from financial institutions		389,706,317	192,242,932
Deposits and other accounts		927,885	(6,478,703)
Other liabilities		5,765,404	174,343
		397,223,452	185,937,612
Employees' benefits paid		(516,791)	(503,507)
Income tax paid		(2,233,520)	(277,889)
Net cash generated from operating activities		419,590,016	189,461,862
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(415,534,764)	(188,341,992)
Gain on sales of securities		15,751	8,778
Dividend received		60,814	38,750
Investments in operating fixed assets		(36,243)	(115,473)
Proceeds from sale of fixed assets		47,898	21,398
Net cash used in investing activities		(415,446,544)	(188,388,539)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liability against right-of-use assets		(164,748)	(169,152)
Increase in cash and cash equivalents		3,978,724	904,171
Cash and cash equivalents at beginning of the period		15,195,816	31,841,724
Cash and cash equivalents at end of the period	33	19,174,540	32,745,895

The annexed notes 1 to 41 form an integral part of these consolidated condensed interim financial statements (un-audited).


President


Chief Financial Officer


Director


Director


Director

ZARAI TARAQIATI BANK LIMITED
NOTES TO THE CONSOLIDATED CONDENSED
INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2023

1 THE GROUP AND ITS OPERATIONS

The "Group" consists of:

Holding company

- Zarai Taraqati Bank Limited

Subsidiary company

- Kissan Support Services (Private) Limited

1.1 Zarai Taraqati Bank Limited ("the Bank")

(a) Reorganization and conversion

The Federal Government in its cabinet meeting held on August 28, 2002 decided for the reorganization and conversion of Agricultural Development Bank of Pakistan (ADBP) into a public limited company for the purposes of ensuring good governance, autonomy, delivering high quality and viable financial services to a greater number of rural clientele and adequate returns to stakeholders. Accordingly, the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002 was promulgated for taking over the entire undertaking of ADBP and for matters connected therewith or incidental thereto.

(b) Status

As required under section 3 of the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002, Zarai Taraqati Bank Limited ("the Bank") was incorporated as a public limited company under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) on October 23, 2002. Consequently, under SRO 823(1)/2002 dated November 18, 2002, all the assets, contracts, liabilities, proceedings and undertakings of ADBP were transferred to, and vested in Zarai Taraqati Bank Limited on December 14, 2002, the effective date specified by the Federal Government, on the basis of net worth determined at Rs. 8.7 billion. The Bank is domiciled in Pakistan and its registered office is situated at 1-Faisal Avenue (Zero Point), Islamabad. The Bank operates 501 (December 31, 2022: 501) branches including 16 (December 31, 2022: 5) Islamic banking branches in Pakistan as at the close of the period.

(c) Nature of business

The main purpose of the Bank is to provide sustainable rural finance and services particularly to small farmers and low-income households to strengthen the rural and agricultural sector, mitigate poverty, capital market and investment activities and other banking business.

1.2 Kissan Support Services (Private) Limited ("the Company")

Kissan Support Services (Private) Limited was incorporated in Pakistan as a private limited company on September 19, 2005 under the Companies Ordinance, 1984. It is a fully owned subsidiary of Zarai Taraqati Bank Limited (ZTBL). The registered office of the Company is situated at 1-Faisal Avenue (Zero Point), Islamabad. The Company's principal business is the provision of consultancy, advisory, agency and other support services on contractual basis or otherwise to the Bank.

2 BASIS OF PRESENTATION

2.1 Statement of compliance

These consolidated condensed interim financial statements (un-audited) have been prepared in accordance with the approved accounting and reporting standards as applicable in Pakistan for interim financial reporting. These comprise of:

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

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

SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Moreover, SBP vide BPRD circular no. 4, dated February 25, 2015 has deferred the applicability of IFAS 3, 'Profit and Loss Sharing on Deposits. Furthermore, SECP has deferred applicability of IFRS 7 'Financial Instruments: Disclosures' on banks through SRO 411(1)/2008 dated April 28, 2008. 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 prescribed by the SBP through various circulars.

The disclosures made in these consolidated condensed interim financial statements (un-audited) have been limited based on the format prescribed by the SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the consolidated financial statements (audited) of the Group for the year ended December 31, 2022.

- 2.2 These consolidated condensed interim financial statements include the condensed interim financial statements of the Group and its subsidiary company.
- 2.3 The financial results of the Islamic banking branches have been consolidated in these consolidated condensed interim financial statements for reporting purposes, after eliminating interbranch transactions/balances. Key financial figures of the Islamic banking branches are disclosed in note 38 to these consolidated condensed interim financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended December 31, 2022.

3.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

During the period, there are certain new and amended standards, interpretations and improvements to accounting standards that became effective. However, these are considered either not to be relevant or not to have any material effect on the financial statements of the Group and, therefore, are not disclosed.

3.2 Standards, Interpretations and amendments to approved accounting standards that are not yet effective

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. SBP vide its BPRD Circular Letter No. 03 dated July 5, 2022 followed by BPRD Circular Letter No. 07 dated April 13, 2023 has extended the implementation date of IFRS 9 for all banks/DFIs to January 1, 2024, therefore, financial impact is not considered in these consolidated condensed interim financial statements.

There are certain new standards and interpretations of and amendments to existing accounting and reporting standards that are not effective in the current period. The Group expects that adoption of the same will not affect its financial statements in the period of initial application.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these consolidated condensed interim financial statements are the same as that applied in the preparation of the audited annual consolidated financial statements for the year ended December 31, 2022.

5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements of the Group for the year ended December 31, 2022.

	(Un-audited) June 30, 2023	(Audited) December 31, 2022
	... Rupees in '000 ...	
6 CASH AND BALANCES WITH TREASURY BANKS		
In hand		
Local currency	636,154	1,065,179
With State Bank of Pakistan in:		
Local currency current account	1,657,319	1,132,277
With National Bank of Pakistan in:		
Local currency current account	208,599	42,212
Local currency deposit account	263,251	339,008
	471,850	381,220
Prize bonds	1,698	1,733
	2,767,021	2,580,409
7 BALANCES WITH OTHER BANKS		
In Pakistan		
In current accounts	384,277	87,346
In deposit accounts	16,023,242	12,528,061
	16,407,519	12,615,407
8 LENDINGS TO FINANCIAL INSTITUTIONS		
Call money lendings	1,550,000	15,500,000
Bai Muajjal	-	51,275
Repurchase agreement lendings (Reverse Repo)	11,282,358	24,071,867
	12,832,358	39,623,142

9 INVESTMENTS

9.1 Investments by types

	June 30, 2023 (Un-audited)				December 31, 2022 (Audited)			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	..... Rupees in '000							
Available-for-sale securities								
Federal Government securities	718,050,265	-	(755,264)	717,295,001	302,439,194	-	(840,501)	301,598,693
Shares	99,819	(10,523)	2,686,681	2,775,977	99,819	(10,523)	2,438,038	2,527,334
Corporate sukuk	517,614	-	-	517,614	568,921	-	-	568,921
Term Finance Certificates	2,024,065	-	-	2,024,065	2,049,065	-	5,672	2,054,737
	720,691,763	(10,523)	1,931,417	722,612,657	305,156,999	(10,523)	1,603,209	306,749,685
Total investments	720,691,763	(10,523)	1,931,417	722,612,657	305,156,999	(10,523)	1,603,209	306,749,685

(Un-audited) (Audited)
June 30, **December 31,**
2023 **2022**
 ... Rupees in '000 ...

9.2 Investments given as collateral

Market Treasury Bills	635,582,793	245,818,915
Pakistan Investment Bonds	49,710,701	47,218,262
	<u>685,293,494</u>	<u>293,037,177</u>

9.3 Provision for diminution in value of investments

	<u>10,523</u>	<u>10,523</u>
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10 ADVANCES

	Performing		Non Performing		Total	
	(Un-audited) June 30, 2023	(Audited) December 31, 2022	(Un-audited) June 30, 2023	(Audited) December 31, 2022	(Un-audited) June 30, 2023	(Audited) December 31, 2022
..... Rupees in '000						
Loans, cash credits, running finance, etc.	72,965,515	73,884,456	36,632,364	33,738,604	109,597,879	107,623,060
Advances - gross	72,965,515	73,884,456	36,632,364	33,738,604	109,597,879	107,623,060
Provision for advances:						
- against agriculture advance	-	-	11,929,795	14,126,561	11,929,795	14,126,561
- against staff advances	-	-	42,088	44,119	42,088	44,119
- general	3,000,000	3,000,000	-	-	3,000,000	3,000,000
	3,000,000	3,000,000	11,971,883	14,170,680	14,971,883	17,170,680
Advances - net of provision	69,965,515	70,884,456	24,660,481	19,567,924	94,625,996	90,452,380

10.1 Particulars of advances (gross)

In local currency 109,597,879 107,623,060

10.2 Advances include Rs. 36,579.823 million (December 31, 2022: Rs. 33,682.336 million) relating to agricultural financing which have been placed under non-performing status as detailed below:

Category of classification	June 30, 2023 (Un-audited)		December 31, 2022 (Audited)	
	Non performing loans	Provision	Non performing loans	Provision
..... Rupees in '000				
Domestic				
Other assets especially mentioned	17,168,060	-	13,616,010	-
Substandard	7,350,542	1,470,108	5,303,514	1,060,703
Doubtful	3,203,072	1,601,538	3,393,911	1,696,957
Loss	8,858,149	8,858,149	11,368,901	11,368,901
	36,579,823	11,929,795	33,682,336	14,126,561

10.3 Particulars of provision against advances

	June 30, 2023 (Un-audited)			December 31, 2022 (Audited)		
	Specific	General	Total	Specific	General	Total
	..... Rupees in '000					
Opening balance	14,126,561	3,000,000	17,126,561	20,392,883	3,000,000	23,392,883
Charge for the period	2,627,767	-	2,627,767	9,122,441	-	9,122,441
Reversals	(2,120,051)	-	(2,120,051)	(5,285,570)	-	(5,285,570)
	507,716	-	507,716	3,836,871	-	3,836,871
Amounts charged off	(2,704,482)	-	(2,704,482)	(10,103,193)	-	(10,103,193)
Closing balance	11,929,795	3,000,000	14,929,795	14,126,561	3,000,000	17,126,561

10.3.1 General provision amounts to Rs. 3,000 million (December 31, 2022: Rs. 3,000 million).

10.3.2 Regulations R-11, R-12, R-13 and R-15 of the Prudential Regulations for Agriculture Financing prescribe minimum standards for classification and provisioning of non-performing loans. As per the time based criteria given in the aforesaid Regulations, provision against non-performing loans is to be made at a given percentage of the difference resulting from the outstanding balance of principal less the amount of realizable liquid assets and a given percentage of the value of mortgaged lands and buildings at the time of sanction of the loans. However, the Bank has yet not availed the benefit of allowed value of mortgaged lands and buildings while computing the provision against non-performing loans.

10.3.3 In addition to the time based criteria, the Bank has further classified loans and advances amounting to Rs. 1,987.146 million (December 31, 2022: 3,720.917 million) and further de-graded the category of classified loans and advances amounting to Rs. 6,434.100 million (December 31, 2022: Rs. 6,511.752 million) on the basis of credit worthiness of the borrowers in accordance with the subjective criteria of the Prudential Regulations for Agriculture Financing.

	Note	(Un-audited) June 30, 2023	(Audited) December 31, 2022
		... Rupees in '000 ...	
10.3.4 Provision against non-performing loans and advances - net			
Provision against non-performing loans and advances	10.3	507,716	3,836,871
Provision against staff advances		(2,032)	3,324
		<u>505,684</u>	<u>3,840,195</u>

	Note	(Un-audited) June 30, 2023 ... Rupees in '000 ...	(Audited) December 31, 2022
11			
FIXED ASSETS			
Capital work-in-progress	11.1	55,588	55,266
Property and equipment		1,437,151	1,541,204
Right of use assets		832,784	811,078
		<u>2,325,523</u>	<u>2,407,548</u>

11.1 Capital work-in-progress

Civil works		38,131	42,774
Consultancy charges		6,979	6,891
Others	11.1.1	10,478	5,601
		<u>55,588</u>	<u>55,266</u>

11.1.1 This includes soil testing and other charges incurred at sites.

(Un-audited)
June 30, June 30,
2023 2022
... Rupees in '000 ...

11.2 Additions to fixed assets

The following additions have been made during the period:

Capital work-in-progress	16,042	1,622
Property and equipment:		
Buidling on freehold land	10,067	-
Buidling on leasehold land	995	-
Furniture and fixture	2,798	793
Electrical, office and computer equipment	7,815	4,313
Vehicles	6,125	20,491
	27,800	25,597
Total	<u>43,842</u>	<u>27,219</u>

11.3 Disposal of fixed assets

The net book value of fixed assets disposed off is as follows:

Electrical, office and computer equipment	-	2,826
Vehicles	24,523	17,518
Total	<u>24,523</u>	<u>20,344</u>

(Un-audited) (Audited)
June 30, December 31,
2023 2022
... Rupees in '000 ...

12 INTANGIBLE ASSETS

Computer Software	59,189	73,159
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		(Un-audited)	
		June 30, 2023	June 30, 2022
		... Rupees in '000 ...	
12.1	Additions to intangible assets		
	Additions made during the period:		
	Directly purchased	9,474	72,476
		<u>9,474</u>	<u>72,476</u>
		(Un-audited)	(Audited)
		June 30,	December 31,
		2023	2022
		... Rupees in '000 ...	
13	DEFERRED TAX ASSETS		
	Deductible temporary differences on:		
	Defined benefit plans	272,999	270,521
	Provision against non-performing loans and advances	14,382,690	15,584,584
		<u>14,655,689</u>	<u>15,855,105</u>
	Taxable temporary differences on:		
	Accelerated tax depreciation	(46,581)	7,292
	Surplus on revaluation of investments	(830,509)	(689,380)
		<u>(877,090)</u>	<u>(682,088)</u>
		<u>13,778,599</u>	<u>15,173,017</u>
14	OTHER ASSETS		
	Income / mark-up accrued in local currency on :		
	- advances - net of provision	7,898,106	8,555,496
	- securities	9,974,812	3,992,008
	- deposits	177,875	140,929
	Amount recoverable from Federal Government	2,952,122	2,800,085
	Tax recoverable	422,652	422,652
	Branch adjustment accout	4,328,619	-
	Taxation (payments less provision)	1,032,710	2,531,417
	Receivable from gratuity scheme - SR 2005	761,958	705,747
	Non banking assets acquired in satisfaction of claims	422,383	423,709
	Due from Islamic Banking	9,413	-
	Stationery and stamps in hand	135,113	132,429
	Stock of farm machinery	11,237	11,237
	Advances against salary and expenses	62,305	22,579
	Security deposits	7,199	6,199
	Advances and other prepayments	463,115	333,736
	Clearing and settlement	-	2,220,173
	Others	175,685	143,533
		<u>28,835,304</u>	<u>22,441,929</u>
	Provision held against other assets	(935,191)	(939,492)
	Other assets - net of provisions	<u>27,900,113</u>	<u>21,502,437</u>
14.1	Provision held against other assets		
	Tax recoverable	422,652	422,652
	Non banking assets acquired in satisfaction of claims	422,383	423,709
	Stock of farm machinery	11,237	11,237
	Accrued interest on advances of ex-employees	17,402	17,734
	Amount deposited with courts / legal charges recoverable	61,517	64,160
		<u>935,191</u>	<u>939,492</u>

(Un-audited) (Audited)
June 30, **December 31,**
2023 **2022**
... Rupees in '000 ...

14.1.1 Movement in provision held against other assets

Opening balance	939,492	964,265
Charge for the period / year	16,094	39,056
Reversals	(20,395)	(63,829)
	(4,301)	(24,773)
Closing balance	935,191	939,492

15 CONTINGENT ASSETS

- 15.1 There is a contingency of an amount of Rs. 297.149 million and Rs. 54.828 million on account of minimum income tax levied by the Income Tax authorities under section 80-D of the Income Tax Ordinance, 1979, and various tax refunds pertaining to assessment years 1991-92 to 1998-99 and assessment year 1999-2000 respectively despite the income of the Bank being exempt from tax up to income year ended 30 June 1999. The Bank paid, under protest, these disputed tax demands and also filed writ petition in this respect in the Honorable Lahore High Court, Rawalpindi Bench, Rawalpindi. Later on, the Bank withdrew the said petition on the directions of the Federal Government and the case was referred to the Law and Justice Division of the Government of Pakistan (GoP) which decided the reference in the Bank's favour. The Federal Board of Revenue (FBR), disagreed with the aforesaid decision, further took up the matter with Federal Cabinet for its review. Federal Cabinet referred the case to the Attorney General of Pakistan (AGP) for final decision which was received on March 12, 2011 whereby the AGP decided that Section 27-A of the ADBP Ordinance should prevail over the said section 80-D of the Income Tax Ordinance, 1979.
- 15.2 Assistant Commissioner, Sindh Revenue Board (SRB) passed the order on May 11, 2019 for the period January 2012 to December 2012 creating a demand of Rs. 6.42 million. On June 3, 2019, payment of impugned tax amounting Rs. 6.6 million has been made, under protest, to avail the SRB Amnesty Scheme. The Bank has filed appeal before Commissioner (Appeals), SRB. Main appeal heard and further adjourned to August 12, 2022 but remained undecided and appeal / case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I) on June 30, 2022, being time barred at the Commissioner Appeals. The Bank is expecting a favourable decision.
- 15.3 Assistant Commissioner, Sindh Revenue Board (SRB) passed the order on July 11, 2019 for the period January 2013 to December 2013 creating a demand of Rs. 2.75 million. On June 3, 2019, payment of impugned tax amounting to Rs. 2.75 million was made, under protest, to avail the SRB Amnesty Scheme. The Bank filed appeal before Commissioner (Appeals), SRB. Main appeal heard and further adjourned to August 12, 2022 but remained undecided and appeal / case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I) on June 30, 2022, being time barred at the Commissioner Appeals. The Bank is expecting a favourable decision.
- 15.4 Assistant Commissioner, Sindh Revenue Board (SRB) passed the order on January 24, 2020 for the period of January 2014 to December 2014 which created a demand of Rs. 54.6 million. On June 3, 2019 payment of impugned tax was made for Rs. 2.86 million, under protest, to avail the SRB Amnesty Scheme. The Bank filed appeal before Commissioner (Appeals), SRB. Main Appeal heard and further adjourned to August 12, 2022 but remained undecided and appeal / case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I) on June 30, 2022, being time barred at the Commissioner Appeals. The Bank is expecting a favourable decision.

	(Un-audited) June 30, 2023	(Audited) December 31, 2022
	... Rupees in '000 ...	
16	BILLS PAYABLE	
	In Pakistan	
	<u>1,404,351</u>	<u>580,505</u>
17	BORROWINGS	
	Secured	
	Borrowing from State Bank of Pakistan (SBP):	
	Redeemable preference shares	54,461,536
	Repurchase agreement borrowings	54,461,536
	Repurchase agreement borrowings - others	291,048,185
	-	1,988,992
	<u>739,755,030</u>	<u>347,498,713</u>
	Unsecured	
	Call borrowings	4,850,000
	<u>744,605,030</u>	<u>7,400,000</u>
	<u>744,605,030</u>	<u>354,898,713</u>
18	DEPOSITS AND OTHER ACCOUNTS	
	Customers - local currency	
	Current deposits	5,772,714
	Saving deposits	6,012,741
	Term deposits	7,247,804
	Others	5,635,721
	32,729,438	31,336,239
	20,183	21,836
	45,770,139	43,006,537
	Financial Institutions - local currency	
	Current deposits	76,017
	Saving deposits	7,264
	Term deposits	1,209,030
	-	3,113,500
	1,285,047	-
	<u>47,055,186</u>	<u>3,120,764</u>
	<u>47,055,186</u>	<u>46,127,301</u>
19	OTHER LIABILITIES	
	Mark-up / return / interest payable in local currency on:	
	- borrowings	9,085,840
	- deposits and other accounts	4,326,579
	Accrued expenses	2,056,699
	Branch adjustment account	710,988
	Net liabilities relating to Bangladesh	55,832
	Payable to Ministry of Food Agriculture & Livestock	942,134
	Provision for:	-
	- pension scheme	304,480
	- employees' post retirement medical benefits	189
	- employees' compensated absences	189
	- gratuity scheme of the company	168,000
	Due to Islamic Banking	168,000
	Security deposits	8,232,908
	Deferred income	7,633,256
	Lease liability against right-of-use assets	10,784,012
	Clearing and settlement	2,119,292
	Others	2,087,516
	1,487,221	345,523
	<u>36,101,958</u>	<u>442</u>
	<u>36,101,958</u>	<u>22,666</u>
	<u>36,101,958</u>	<u>10,038</u>
	<u>36,101,958</u>	<u>946,163</u>
	<u>36,101,958</u>	<u>907,653</u>
	<u>36,101,958</u>	<u>775,995</u>
	<u>36,101,958</u>	<u>-</u>
	<u>36,101,958</u>	<u>1,423,392</u>
	<u>36,101,958</u>	<u>28,945,873</u>
	<u>36,101,958</u>	<u>28,945,873</u>

(Un-audited) June 30, 2023 ... Rupees in '000 ...	(Audited) December 31, 2022
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20 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus / (deficit) on revaluation available-for-sale securities:

Quoted investments	2,686,681	2,438,038
Other securities	(755,264)	(834,829)
Surplus on revaluation of available-for-sale securities	1,931,417	1,603,209
Deferred tax on surplus on revaluation of available-for-sale securities	(830,509)	(689,381)
	1,100,908	913,828

21 CONTINGENCIES AND COMMITMENTS

21.1 Contingent liabilities

In respect of cases filed against the Bank:

21.1.1 by borrowers; 484 (December 31, 2022: 489) cases	351,515	355,489
21.1.2 by employees; 440 (December 31, 2022: 434) cases	328,277	281,681

- Zarai Taraqiyati Bank Limited

21.2.1 Income Tax Department under section 161/205 of the Income Tax Ordinance, 2001 levied income tax amounting to Rs. 7.714 million for the Tax Year 2004. The Bank filed an appeal before the Commissioner Inland Revenue - Appeals (CIR-A) who decided the case in favour of the Bank. However, being aggrieved, the FBR filed an appeal before the Appellate Tribunal Inland Revenue (ATIR), hearing was fixed in this case against which the bank sought adjournment, but ATIR heard the case and upheld the decision of Assessing Officer (A.O.). A.O. on the direction of ATIR Order reassessed the earlier demand to Rs. 10.105 million by adding default surcharge. Subsequently, the ATIR decided the case in the favour of the Bank and appeal effects order is pending. However, the department filed reference application before Islamabad High Court, Islamabad against the Order of ATIR. The Bank has not accounted for the demand as tax payable and no provision has been recognized as the Bank is confident for a favourable outcome.

21.2.2 The cases relating to taxation matters of the Bank for the Assessment Years 2002-2003 and Tax Years 2003 to 2009 were contested by the Bank at various forums. ATIR vide its orders dated June 09, 2010, March 1, 2011, July 22, 2011 and April 16, 2012 decided most of the issues involved in favour of the Bank. Final appeal effects order received by the Bank as per the decisions of ATIR resulting in net refunds of Rs. 4,640.154 million. However, Commissioner Inland Revenue (CIR) filed reference applications under section 133 of the Income Tax Ordinance, 2001 against the aforementioned ATIR orders dated June 9, 2010, March 1, 2011, July 22, 2011 and April 16, 2012 before the Honorable Lahore High Court, Rawalpindi Bench for Tax Years 2003, 2004, 2006 and 2007 and Honorable Islamabad High Court, Islamabad for Assessment Year 2002-03 and Tax Years 2004, 2005, 2006, 2007, 2008 and 2009. The Honourable Islamabad High Court, Islamabad decided the cases for which appeal effects from department are pending except 2007. In Tax Year 2007 the A.O. issued an order on the basis of High Court directives by creating a demand of Rs. 24.875 million, being aggrieved the Bank filed appeal before CIR(A), who remanded back the issues to A.O., appeal effects on the basis of CIR(A) Order are pending. Provision for the cases of income tax, approximately amounting to Rs. 9,917.854 million, has not been recognized as the Bank is confident for a favourable outcome based on the strong ground of appeal and opinion of legal counsel of the Bank.

- 21.2.3 The Deputy Commissioner Inland Revenue (DCIR) passed orders under section 122(4) of the Income Tax Ordinance, 2001 and raised demand of Rs. 1,056.324 million for Tax Years 2008 and of Rs. 2,250.813 millions for Tax Year 2009 respectively aggregating to Rs. 3,307.137 million. The Bank filed appeals before CIR(A) who maintained the order. The Bank filed an appeal against the said order before ATIR who decided and cases remanded back to A.O. No order, in this regard, has been received so far. The Bank has not accounted for the demand as tax payable, as a favourable outcome is expected.
- 21.2.4 DCIR passed order under section 161 / 205 of the Income Tax Ordinance, 2001 and raised demand of Rs. 208.337 million for Tax Year 2011. The Bank filed appeal before CIR(A) against the orders of DCIR who remanded back the case to A.O. for verification. The Bank filed appeal before ATIR against the orders of the CIR(A). ATIR decided the case in favour of Bank on the issue of default surcharge. However, the department filed reference application before Honourable Islamabad High Court, Islamabad. Further, the A.O. on remanded back case, after verification on various issues, reduced the demand to Rs. 14.366 million. Being aggrieved the Bank filed appeal before CIR(A) against the order of A.O. on remanded back case who deleted various issues and also confirmed the action of A.O. on certain issues. Being aggrieved both the Bank and the department filed appeal before ATIR against the orders of the CIR(A). ATIR against the appeals of the Bank and Department decided the case in favour of the Bank. Further, on remanded back issues, the A.O. further created a demand of Rs. 7.527 million. Being aggrieved, the Bank filed appeal before CIR(A) who remanded back the case to the department for denovo consideration with the direction that while giving appeal effects, the order of ATIR may be kept in mind. Being aggrieved the Bank as well Tax Department filed the appeals to ATIR against the orders of CIR(A). The ATIR cancelled the impugned order in favour of Bank for which appeal effect is pending with A.O. The Bank has not accounted for the demand as tax payable because favourable decision is expected.
- 21.2.5 ACIR passed orders under section 122(5A) and raised demand of Rs. 3,287.662 million for Tax Year 2010, Rs. 2,922.830 million for Tax Year 2011 and Rs. 2,037.114 million for Tax Year 2012. The Bank filed appeal before CIR(A) who remanded back the cases to ACIR. The Bank filed appeals with ATIR against the orders of the CIR(A) which were decided by the ATIR in favour of the Bank in most of the issues. However, the department filed reference application before Honorable Islamabad High Court against the issues favouring the Bank. On the directions of ATIR Orders the department passed appeal effects Orders u/s 124 / 122(5A) of the Income Tax Ordinance, 2001 and raised demand of Rs. 616.611 million for Tax Year 2010, Rs. 844.800 million for Tax Year 2011 and Rs. 321.531 million for Tax Year 2012. Being aggrieved the Bank filed appeals before CIR(A) against the Orders of Additional Commissioner (IR) who in its Order deleted the additions in most of the issues. ACIR on the directions of CIR(A) further issued orders u/s 124 / 122(5A) for Tax Year 2010 converting the earlier demand of Rs. 616.611 million to refund of Rs. 164.934 million, for Tax Year 2011 reducing the tax liability from Rs. 844.800 million to Rs. 619.849 million and for Tax Year 2012 reducing the tax liability from Rs. 321.531 million to Rs. 5.180 million respectively. Being aggrieved the Bank as well as Tax Department filed appeals before ATIR against the order of CIR(A). ATIR against the appeal filed by the Department for Tax Year 2011 and 2012 on the issues of substandard loans and reversal of provisions against compensated absences were disposed of by upholding the decision of CIR(A) about deletion of the same and also remanded back the similar addition in 2013 to A.O. with the direction to keep pending of reassessment in accordance to the provisions of Section 124A of Income Tax Ordinance, 2001 as the matter is sub judice before High Court against reference application filed by the Department against the Orders of ATIR which is decided in favour of the Bank. Further, by disposing off the appeals filed by the Bank in Tax Years 2010, 2011 and 2012 and remanded back the issue of property income and arithmetic error in Assessment Order to A.O. for reassessment. On the directions of ATIR, ACIR issued appeal effect orders u/s 124 / 122(5A) for Tax Year 2010 converting the earlier refund of Rs. 164.934 million into demand of Rs. 419.221 million, for Tax Year 2011 reducing the tax liability from Rs. 619.849 million to Rs. 181.617 million and for

Tax Year 2012 converted the tax liability from Rs. 5.180 million to refund of Rs.12.319 million respectively. CIR(A) upheld the orders of A.O. Being aggrieved Bank filed an appeal before ATIR. The Bank has not accounted for the demand as tax payable because favourable decision is expected.

- 21.2.6 ACIR passed order under section 122(5A) of the Income Tax Ordinance, 2001 and raised demand of Rs. 4,920.168 million for Tax Year 2013. The Bank filed appeal before CIR(A) against the orders of ACIR who deleted the demand on various issues and also confirmed the action of ACIR on certain issues. The Bank and FBR both filed appeals before ATIR against the orders of CIR(A) which were decided in favour of the Bank except for Rs. 2,830 million which were remanded back to ACIR. However, the department filed reference application before Honorable Islamabad High Court, Islamabad. On the directions of ATIR Orders the department passed appeal effects Orders u/s 124 / 122(5A) of the Income Tax Ordinance, 2001 and raised demand of Rs. 829.428 million. Being aggrieved the Bank filed appeals before CIR(A) against the Orders of Additional Commissioner (IR) who decided the case in most of the issues in favour of the Bank, the appeal effects on the basis of CIR(A) is pending. Being aggrieved the Bank as well as Tax Department filed appeals before ATIR against the order of CIR(A). The ATIR disposed of both the appeals by remanding back the issues to A.O. In appeal effect order the Assessment officer after adjustment of available refund reduces the demand of Rs.829.428 million to refund amount of Rs. 8.702 million. Being aggrieved, the Bank filed appeal to ATIR. Accordingly, no provision has been made because the Bank is expecting a favourable decision.
- 21.2.7 DCIR passed order under section 161 / 205 of the Income Tax Ordinance, 2001 and raised demand of Rs. 27.792 million for Tax Year 2009. To avail the Government amnesty, the Bank paid Rs. 19.183 million under protest with waiver of penalty amount of Rs. 8.609 million under amnesty. The FBR allowed the amnesty to the Bank. The Bank filed appeal before CIR(A) against the orders of DCIR who upheld the orders of DCIR. The Bank filed appeal before ATIR against the orders of the CIR(A) who decided the case in favour of the Bank except remanded back the issue of profit on debt for verification. However, the department filed reference application before Honorable Islamabad High Court, Islamabad. The A.O. passed order u/s 124 read with 161 of the Income Tax Ordinance, 2001 and raised demand of Rs. 20.435 million on remanded back issue. The Bank filed appeal before CIR(A). The A.O. on the directions of CIR(A) further issued order u/s 124 / 161 / 205 converted the earlier demand to refund of Rs. 16.752 million by adding tax of Rs. 2.431 million on profit on debt. Being aggrieved the Bank filed appeal before ATIR against the orders of the CIR(A) and the same is pending for hearing. Accordingly, no provision has been made because the Bank is expecting a favourable decision.
- 21.2.8 DCIR passed order under section 161 / 205 of Income Tax Ordinance, 2001 and raised demand of Rs. 15.943 million for Tax Year 2012. The Bank filed appeal before CIR(A) against the orders of DCIR. CIR(A) deleted various issues and confirmed certain issues resulting to reduce the tax demand from Rs. 15.943 million to Rs. 3.892 million. Being aggrieved the Bank filed appeal before ATIR against the orders of CIR(A). ATIR decided the case in favour of the Bank and cancelled the impugned order for which appeal effects are pending with A.O. The Bank has not accounted for the demand as tax payable as a favourable decision is expected.
- 21.2.9 DCIR passed order u/s 122(5A) of the Income Tax Ordinance, 2001 and raised demand of Rs. 3,059 million for the Tax Year 2014. Further, on a rectification application filed by the Bank, A.O. passed rectification order by reducing demand to Rs. 1,278 million by adjustment of refund of Rs. 1,776 million and arithmetic error of Rs. 14 million. The Bank filed appeal before CIR(A) against the orders of DCIR who upheld the orders of DCIR. Being aggrieved the Bank filed appeal before ATIR against the orders of CIR(A). The case has been remanded back by ATIR to A.O. for reassessment. Appeal effect order has been received with reduction of earlier demand to Rs. 889 million. CIR(A) remanded back the case to A.O. for reassessment. Being aggrieved the Bank filed appeal before ATIR. The Bank has not accounted for the demand as tax payable as a favourable decision is expected.

- 21.2.10 ACIR passed order u/s 122(5A) of the Income Tax Ordinance, 2001 and raised demand of Rs. 5,549.705 million for the Tax Year 2015. The Bank filed appeal before CIR(A) against the orders of ACIR who upheld various issues ordered by ACIR. Being aggrieved the Bank filed appeal before ATIR against the orders of CIR(A) and the same is pending for hearing. A.O. on the directions of CIR(A) passed an Order u/s 124 / 122(5A) and reduced the demand from Rs. 5,549.705 million to Rs. 4,266.194 million by allowing partial relief. ATIR while disposing of both appeals and remanded back most of the issues to A.O. for reassessment. Assessment proceedings were completed, and A.O. raised the demand from Rs. 4,266.194 million to Rs. 6,780.479 million. Being aggrieved the Bank filed appeal to CIR(A) who remanded back the case to A.O. by allowing partial relief. Being aggrieved against the CIR(A) orders Bank filed an appeal to ATIR. The Bank has not accounted for the demand as tax payable as a favourable decision is expected.
- 21.2.11 A.O. passed four assessment orders u/s 161 / 205 of the Income Tax Ordinance, 2001 regarding short deduction of tax under different sections of ITO-2001 for Tax Year 2015 and raised demand of Rs. 26.628 million u/s 155, Rs. 0.412 million u/s 153(1)(b), Rs.9.495 million u/s 149 and Rs.63.469 million u/s 151 respectively. Being aggrieved the Bank filed appeals before CIR(A) against the aforementioned orders of A.O. CIR(A) remanded back the case of Rs. 26.628 million for denovo consideration to A.O. Meanwhile, after reassessment of the said case, the Assessment officer passed the order by reducing demand from Rs. 26.628 million to Rs. 14.183 million. Being aggrieved the Bank filed an appeal to ATIR. The CIR(A) upheld the decision of Assessment Officer regarding demand of Rs. 0.412 million u/s 153(1)(b). Being aggrieved the Bank filed an appeal to ATIR. The CIR(A) annulled the assessment order of Rs. 9.495 million u/s 149, and in this respect, the assessment officer didn't issue the appeal effects order to date. CIR(A) remanded back case to the Assessment Officer of Rs. 63.469 million u/s 151 for issuance of speaking order. After reassessment of this case, Assessment Officer passed the appeal effect order u/s 124/161/205 by reducing the demand from Rs. 63.469 to Rs. 27.155 million. However, Bank filed a second appeal against demand of Rs. 27.155 million. Hence, no provision has been made because the Bank is expecting a favourable decision.
- 21.2.12 ACIR passed order u/s 122(5A) of Income Tax Ordinance, 2001 and raised demand of Rs. 1,511.521 million for the Tax Year 2016. On the directions of ATIR, except property income A.O. allowed partial relief in his order. In appeal effect order A.O. converted the demand of Rs. 1,511.521 million into refund of Rs. 416.324 million. Being aggrieved the Bank filed an appeal to ATIR after receiving the CIR(A) orders who upheld the ACIR orders. ACIR passed two other assessment orders u/s 161/205 of Income Tax Ordinance, 2001 regarding Tax Year 2016 and raised demand of Rs. 63.243 million and 161.180 million regarding short deduction u/s 151 and u/s 149 of ITO, 2001 respectively. Being aggrieved Bank filed appeals to CIR(A) against these assessment orders. Meanwhile, on directions of CIR(A) the Assessment officer issued an appeal effect order u/s 124/161/205 regarding short deduction of tax u/s 151 by reducing the demand from Rs. 63.243 million to Rs. 60.377 million whereas regarding short deduction u/s 149, CIR(A) annulled the orders of the Assessment Officer and in this respect the appeal effects u/s 124/161/205 are not yet issued by the assessment officer. However, Bank filed a second appeal against demand of Rs. 60.377 million. Hence, no provision has been made because the Bank is expecting a favourable decision.
- 21.2.13 A.O. passed orders u/s 161 of the Income Tax Ordinance, 2001 and raised demands of Rs. 3.076 million for Tax Year 2014, Rs 0.207 million and Rs. 2.270 million respectively for two cases of Tax Year 2015 against short deduction of withholding taxes under various heads. Being aggrieved the Bank filed appeals before CIR(A) who remanded back the case against the orders of A.O. for re-examination. The A.O. on the direction of CIR(A) issued appeal effects order by adjusting the earlier demand against tax refund of Tax Year 2010. On appeal, the CIR(A) remanded back the case to A.O. for speaking order. Accordingly, no provision has been made because the Bank is expecting a favourable decision.

- 21.2.14 Assessment Officer passed order u/s 122(5A) of the Income Tax Ordinance,2001 on dated November 30, 2021 and raised the demand of Rs. 361.752 million for the Tax Year 2017. However, this order rectified under section 221(1) vide order dated December 27, 2021 and created tax refundable of Rs.679.294 million for the Tax Year 2017. Being aggrieved Bank filed an appeal to Commissioner Inland Revenue Appeals against the impugned order. Accordingly, no provision has been made because the Bank is expecting a favourable decision.
- 21.2.15 Assessment Officer passed order u/s 122(5A) of the Income Tax Ordinance,2001 on dated September 28, 2022 and raised the demand of Rs. 12,870.191 million for the Tax Year 2018. Being aggrieved Bank filed an appeal to Commissioner Inland Revenue Appeals against the impugned order. Bank has not accounted for the demand as tax payable, as a favorable decision is expected.
- 21.2.16 Assessment Officer passed order u/s 122(5A) of the Income Tax Ordinance,2001 on dated January 14, 2021 and raised the demand of Rs. 983.653 million for the Tax Year 2019. Being aggrieved Bank filed an appeal to Commissioner Inland Revenue Appeals against the impugned order. Bank has not accounted for the demand as tax payable, as a favorable decision is expected.
- 21.2.17 Assessment Officer passed order u/s 122(5A) of the Income Tax Ordinance,2001 on dated April 8, 2021 and raised the demand of Rs. 4,085.176 million for the Tax Year 2020. Being aggrieved Bank filed an appeal to Commissioner Inland Revenue Appeals against the impugned order. Bank has not accounted for the demand as tax payable, as a favorable decision is expected.
- 21.2.18 Assessment Officer passed order u/s 122(5A) of the Income Tax Ordinance,2001 on dated December 27, 2021 and raised the demand of Rs. 6,425.014 million for the Tax Year 2021. Being aggrieved Bank filed an appeal to Commissioner Inland Revenue Appeals against the impugned order. Bank has not accounted for the demand as tax payable, as a favorable decision is expected
- 21.2.19 Assessment Officer, on the dates of May 4 and May 5, 2023, issued orders under the section 4(B) and section 122(5A) of the Income Tax Ordinance, 2001. These orders resulted in a significant demand of Rs. 1,392 million and Rs. 3,385 million for the Tax Year 2022, respectively. Being aggrieved Bank filed an appeals to Commissioner Inland Revenue Appeals against the impugned order. Bank has not accounted for the demand as tax payable, as a favorable decision is expected.
- 21.2.20 The cases relating to Federal Excise Duties / Sales tax matters of the Bank for the Tax Years 2008, 2009, 2010, 2011 and 2012, consisting of contingent liabilities amounting to Rs.825.121 were contested by the Bank at various forums. ATIR vide its orders dated May 07, 2012, January 08, 2013, November 26, 2013 and March 13, 2014 decided most of the issues involved in favour of the Bank. However, Commissioner Inland Revenue (CIR) filed reference applications under section 47 of the Sales Tax Act, 1990 and under section 34A of the Federal Excise Act, 2005 against the aforementioned ATIR orders before the Honorable Islamabad High Court, Islamabad for the aforementioned years. However islamabad high court vide order No.FERA No.03/2014 and FERA No.02/2014 both data 06.02.2023 decided the case for the tax year 2011 2012 and deleted the alleged tax demand of Rs.343 million. No provision for balance contingent liabilities amounting to Rs. 482.121 million has been recognized as the Bank is confident for a favourable outcome.
- 21.2.21 DCIR passed orders relating to FED for the period January 2013 to December 2013 and January 2014 to December 2014 creating a demand of Rs. 738.892 million and Rs. 681.109 million respectively. The Bank filed appeal before CIR(A) against the orders of DCIR who upheld the orders of DCIR. Being aggrieved the Bank filed appeal before ATIR who remanded back the case to A.O. for denovo consideration. On remanded back cases by ATIR the A.O. upheld its initial orders. The Bank filed appeal before CIR(A) who upheld the orders of A.O. Being aggrieved the Bank filed appeals before ATIR against the orders of CIR(A). The ATIR in its order cancelled the Assessment Orders for the period January 2013 to December 2013 and January 2014 to December 2014, appeal effects are pending. However the department has filed reference application before Islamabad High Court, Islamabad. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

- 21.2.22 DCIR passed orders relating to Sales Tax for the period January 2013 to December 2013 and January 2014 to December 2014 creating a demand of Rs. 4.470 million (Rs. 1.822 million on advertisement and Rs. 2.647 million on fixed assets) and Rs. 13.295 million (Rs. 2.273 million on advertisement and Rs. 11.122 million on fixed assets) respectively. The Bank filed appeal before CIR(A) against the orders of DCIR who upheld the orders of DCIR. Being aggrieved the Bank filed appeal before ATIR against the orders of CIR(A). ATIR deleted the addition on fixed assets of Rs. 80.998 million on which tax amount of Rs. 13.768 million was involved and remanded back the advertisement expenses of Rs. 25.598 million on which tax amount of Rs. 4.096 million was involved. However, the department has filed reference application before Islamabad High Court, Islamabad on the issue of fixed asset deletion. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 21.2.23 Commissioner, Punjab Revenue Authority (PRA) passed order relating to Punjab Sales Tax on Services (withholding rules 2015) for the period January 2016 to December 2016 creating a demand of Rs. 10.06 million. The Bank filed appeal before Appellate Tribunal, PRA against the alleged order of Commissioner (PRA). The Appellate Tribunal, PRA remanded back the case to the Assessment Officer. The Learned DC (PRA) created demand of Rs.10.3 million. The bank filed Appeal before Commissioner, PRA. Commissioner Appeals (PRA) upheld the assessment order and being aggrieved bank has filed appeal alongwith stay application before Appellate Tribunal (PRA). The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 21.2.24 ATIR, Sindh Revenue Board (SRB) passed the order for the Sales Tax on Services for the period July 2011 to December 2011 creating demand of Rs 4.69 million. ATIR passed the order in favor of the bank wherein addition to Sales Tax against Postal Charges were deleted. However, SRB filed reference application before SHC, U/S 151 CPC 1908. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 21.2.25 Assistant Commissioner, Sindh Revenue Board (SRB) passed an order for the period of January 2015 to December 2015 creating a demand of Rs. 10.2 million. Bank filed the appeal before the Commissioner, Sindh Revenue Board against the alleged decision of AC(SRB). Main Appeal along with stay application heard and further adjourned but remained undecided and appeal / case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I), being time barred at the Commissioner Appeals. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 21.2.26 Assistant Commissioner, Sindh Revenue Board (SRB) passed as order for the period of January 2016 to December 2016 creating a demand of Rs. 6.68 million. The Bank filed the appeal before the Commissioner, SRB against the alleged decision of AC (SRB). Main appeal along with stay application heard and further adjourned but remained undecided and appeal / case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I), being time barred at the Commissioner Appeals. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 21.2.27 Order was passed by Deputy Commissioner, FBR for Tax Year 2015/16 creating demand of Rs. 712 million. Appeal & Stay application filed before Commissioner (Appeals) against the impugned order. Hearing for Stay Application was rejected by the Commissioner (Appeals). However, ATIR directed the department to decide the case within 45 days and not to press for recovery of impugned dues without prior notice of 15 days. Further, Stay granted for 30 days by the Honorable High Court. Appellate Order received by the C (IR) confirming the decision of DC (IR). However, Appeal along with stay application filed before AT (IR). AT (IR) granted the stay of impugned demand till the decision of main appeal. However, case was heard and decided in favor of the bank. The department (FBR) has filed reference application before honorable Islamabad High Court. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

21.2.28 An order was passed by Deputy Commissioner, IR (FBR) creating a demand of Rs. 29.121 million for Tax Year 2019 (Jan-2019 to Dec-2019). Appeal & Stay application filed before Commissioner (Appeals). Main appeal along with stay application heard and assessment order was remanded back to the assessing officer. Being aggrieved, both the bank and department (FBR) filed appeal before Appellate Tribunal (IR). The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

- Kissan Support Services (Private) Limited

21.2.28 Sales tax department (STD) served show cause notice dated March 16, 2023 for the tax period 2018 vide which the Company was required to charge and pay sales tax on sales and services declared in income tax return / audited financial statements at Rs. 1,150.369 million (inclusive of reimbursable expenses) for the tax period 2018, whereas, declared sales in sales tax return for the corresponding tax period stand at Rs. 138.653 million (service charges value only) therefore sales tax amounting to Rs. 184.059 million is recoverable from Company u/s 11(2) of STA 1990 read with ICT (tax on services) Ordinance, 2001. Moreover, STD claims sales tax recoverable Rs. 0.732 million due to disposal of vehicles and purchase of fixed assets thus, total claim of the STD is Rs.184.791 million. Management submitted reply on April 10, 2023 through tax consultant which is pending for adjudication, this unjustified tax demand is likely to be deleted. No provision has been made as the management is confident that the case will be decided in favour of the Company.

21.2.29 An order was passed by department u/s 122(5A) dated August 11,2022 vide which department raised tax demand amounting to Rs. 35.167 million against erroneous refund adjustment for the tax year 2017. An appeal was filed before CIR (Appeal-IV) who has annulled this unjustified demand vide order dated March 02, 2023. However, management is unaware of the fact whether department has filed second appeal with ATIR or not as no intimation regarding filing of second appeal has been received by the Company from the department.

	(Un-audited)	(Audited)
	June 30,	December 31,
	2023	2022
	... Rupees in '000 ...	
21.3 Commitments against		
Capital expenditure	442,742	404,071
Consultancy Expenditure	5,628	5,628
	<u>448,370</u>	<u>409,699</u>
	(Un-audited)	
	June 30,	June 30,
	2023	2022
	... Rupees in '000 ...	
22 MARK-UP / RETURN / INTEREST EARNED		
On:		
Loans and advances	8,946,200	7,079,742
Investments	51,948,753	4,435,108
Securities purchased under resale agreement	1,039,778	879,723
Call money lendings	451,444	373,078
Balances with banks	1,335,233	887,724
	<u>63,721,408</u>	<u>13,655,375</u>

		(Un-audited)	
		June 30,	June 30,
		2023	2022
		Rupees in '000	
23	MARK-UP / RETURN / INTEREST EXPENSED		
	Deposits	2,694,563	1,417,861
	Redeemable preference shares - SBP	2,042,308	2,042,308
	Securities sold under repurchased agreement	48,249,664	4,001,787
	Call borrowings	531,117	54,064
	Bank commission and other charges	6,383	4,663
	On lease liability against right-of-use assets	56,591	52,854
		<u>53,580,626</u>	<u>7,573,537</u>
24	FEE & COMMISSION INCOME		
	Branch banking customer fees	23,809	18,146
	Credit related fees	592,001	543,655
	Commission on remittances including home remittances	209	16,631
		<u>616,019</u>	<u>578,432</u>
25	GAIN ON SECURITIES		
	Realised	25.1	<u>15,751</u>
			<u>8,778</u>
25.1	Realised gain on: Federal Government Securities		<u>15,751</u>
			<u>8,778</u>
26	OTHER INCOME		
	Rent on property	16,708	14,085
	Gain on sale of fixed assets - net	23,375	1,054
	Gain on sale of non banking assets - net	3,504	852
	Deferred income amortization	252	264
	Discount income	165,239	50,887
	Others	26.1	<u>63,154</u>
			<u>272,232</u>
			<u>73,736</u>
26.1	Other includes sale of scrap, sale of tender forms, recoveries against penalties imposed by SBP and private use of vehicles etc.		

	Note	(Un-audited)	
		June 30, 2023	June 30, 2022
... Rupees in '000 ...			
27 OPERATING EXPENSES			
Total compensation expense		5,242,314	4,632,007
Property expense			
Rent & taxes		700	3,459
Insurance		30,707	18,141
Utilities cost		113,167	100,728
Repair and maintenance (including janitorial charges)		79,689	46,253
Depreciation		18,168	18,711
Depreciation - right of use assets		124,962	120,517
		367,393	307,809
Information technology expenses			
Software maintenance		17,221	3,250
Hardware maintenance		13,197	17,937
Depreciation		25,347	23,122
Amortisation		23,444	26,557
Network charges		17,772	44,767
		96,981	115,633
Other operating expenses			
Directors' fees and allowances		7,643	4,223
Fees and allowances to Shariah Board		-	-
Legal & professional charges		87,159	103,529
Travelling & conveyance		58,987	56,600
NIFT clearing charges		9,106	8,485
Depreciation		61,419	71,809
Training & development		18,324	5,483
Postage & courier charges		11,110	11,816
Communication		13,617	16,697
Stationery & printing		31,412	24,830
Marketing, advertisement & publicity		9,117	5,034
Motor vehicle expenses		333,181	204,807
Auditors Remuneration		675	648
Others		49,789	42,034
		<u>6,398,227</u>	<u>5,611,444</u>
28 OTHER CHARGES			
Penalties imposed by SBP		<u>38,333</u>	<u>-</u>
29 PROVISIONS AND WRITE-OFFS - NET			
Provisions against loans & advances	10.3.4	505,684	2,320,428
Fixed assets charged-off		1,043	442
Reversal of provision against other assets	14.1.1	(4,301)	(23,131)
Recovery of written off / charged off bad debts		(4,149,482)	(4,114,412)
		<u>(3,647,056)</u>	<u>(1,816,673)</u>

		(Un-audited)	
		June 30, 2023	June 30, 2022
		Rupees in '000	
30	TAXATION		
	Current	3,732,227	2,937,986
	Deferred	1,253,289	(490,762)
		4,985,516	2,447,224
		4,985,516	2,447,224
31	EARNING PER SHARE - BASIC AND DILUTED		
	Profit after tax for the period	3,330,578	539,539
	Weighted average number of ordinary shares	5,267,843,241	5,267,843,241
		0.63	0.10
		0.63	0.10
31.1	There is no dilutive effect on the basic earning per share of the Bank.		
32	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		
	Profit before taxation	8,316,094	2,986,763
	Less: Dividend income	(60,814)	(38,750)
		8,255,280	2,948,013
	Adjustments:		
	Depreciation	104,934	113,642
	Depreciaton on right-of-use assets	124,962	120,517
	Amortization	23,444	26,557
	Amortization of deferred income	(252)	(264)
	Markup on lease liability on right-of-use assets	56,591	52,854
	Provisions and write-offs	502,426	2,297,739
	Provision for employees post retirement medical benefits	895,408	615,145
	Charge for defined benefit plans - net	917,595	903,152
	Gain on securities	(15,751)	(8,778)
	Gain on sale of operating fixed assets	(23,375)	(1,054)
		2,585,982	4,119,510
		10,841,262	7,067,523
33	CASH AND CASH EQUIVALENTS		
	Cash and balances with treasury banks	2,767,021	3,518,828
	Balances with other banks	16,407,519	29,227,067
		19,174,540	32,745,895
		19,174,540	32,745,895

34 FAIR VALUE MEASUREMENT

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

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

34.1 Fair value of financial assets

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

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

34.2 Valuation technique used & key inputs

Revaluation rates for Treasury bills and Pakistan Investment Bonds are contributed by money market brokers on daily basis while for listed securities; daily prices announcement by Pakistan Stock Exchange.

Investment in subsidiary and other unlisted securities have not been carried out at fair value in accordance with the SBP guidelines.

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:

June 30, 2023 (Un-audited)

	Level 1	Level 2	Level 3	Total
	..... Rupees in '000			
On balance sheet financial instruments				
Financial assets measured at fair value				
Investments				
- Federal Government Securities	-	717,295,001	-	717,295,001
- Shares	2,775,977	-	-	2,775,977
- Debt Securities (TFCs, Sukuk)	2,024,065	-	-	2,024,065
	<u>4,800,042</u>	<u>717,295,001</u>	<u>-</u>	<u>722,095,043</u>

December 31, 2022 (Audited)

	Level 1	Level 2	Level 3	Total
	..... Rupees in '000			
On balance sheet financial instruments				
Financial assets measured at fair value				
Investments				
- Federal Government Securities	-	301,598,693	-	301,598,693
- Shares	2,527,334	-	-	2,527,334
- Debt Securities (TFCs, Sukuk)	2,623,658	-	-	2,623,658
	<u>5,150,992</u>	<u>301,598,693</u>	<u>-</u>	<u>306,749,685</u>

35 SEGMENT INFORMATION

35.1 Segment Details with respect to Business Activities:

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

	June 30, 2023 (Un-audited)				
	Branch banking & agri financing	Treasury	Islamic banking	Kissan Supports Services Limited	Total
	..... Rupees in '000				
Profit & Loss					
Net mark-up/return/profit	4,404,599	5,623,145	112,661	377	10,140,782
Inter segment revenue - net	1,567,017	(1,660,876)	-	93,859	-
Non mark-up / return / interest income	796,686	76,565	295	91,270	964,816
Total Income	6,768,302	4,038,834	112,956	185,506	11,105,598
Segment direct expenses	6,324,645	28,446	43,204	40,265	6,436,560
Inter segment expense allocation	(26,293)	-	-	26,293	-
Total expenses	6,298,352	28,446	43,204	66,558	6,436,560
Provisions	(3,647,056)	-	-	-	(3,647,056)
Profit before tax	4,117,006	4,010,388	69,752	118,948	8,316,094
Balance Sheet					
Cash & Bank balances	2,636,456	11,710,242	4,793,311	34,531	19,174,540
Investments	-	720,442,677	2,269,980	-	722,612,657
Net inter segment lendings	39,981,340	-	-	1,375,711	41,357,051
Lendings to financial institutions	-	12,832,358	-	-	12,832,358
Advances - performing	72,965,515	-	-	-	72,965,515
- non-performing (net of provision)	21,660,481	-	-	-	21,660,481
Others	33,425,861	10,320,236	137,810	179,517	44,063,424
Total Assets	170,669,653	755,305,513	7,201,101	1,589,759	934,766,026
Borrowings	54,461,536	685,293,494	-	4,850,000	744,605,030
Subordinated debt	-	-	-	-	-
Deposits & other accounts	45,457,659	-	1,597,527	-	47,055,186
Net inter segment borrowing	1,375,711	39,381,340	500,000	100,000	41,357,051
Others	29,008,635	7,763,587	240,828	493,259	37,506,309
Total Liabilities	130,303,541	732,438,421	2,338,355	5,443,259	870,523,576
Equity	62,045,042	1,131,001	(30,093)	996,500	64,142,450
Total Equity & Liabilities	192,348,583	733,569,422	2,308,262	6,439,759	934,666,026
Contingencies & Commitments	55,962,537	-	-	219,958	56,182,495

June 30, 2022 (Un-Audited)

	Branch banking & agri financing	Treasury	Islamic banking	Kissan Supports Services Limited	Total
..... Rupees in '000					
Profit & Loss					
Net mark-up/return/profit	3,701,562	2,371,025	9,228	23	6,081,838
Inter segment revenue - net	(437,861)	384,712	-	53,149	-
Non mark-up / return / interest income	574,844	47,528	170	77,154	699,696
Total Income	3,838,545	2,803,265	9,398	130,326	6,781,534
Segment direct expenses	5,525,103	21,485	31,344	33,512	5,611,444
Inter segment expense allocation	(60,036)	-	-	60,036	-
Total expenses	5,465,067	21,485	31,344	93,548	5,611,444
Provisions	(1,816,673)	-	-	-	(1,816,673)
Profit / (loss) before tax	190,151	2,781,780	(21,946)	36,778	2,986,763

December 31, 2022 (Audited)

	Branch banking & agri financing	Treasury	Islamic banking	Kissan Supports Services Limited	Total
..... Rupees in '000					
Balance Sheet					
Cash & Bank balances	2,547,857	12,549,331	81,584	17,044	15,195,816
Investments	-	304,881,662	1,868,023		306,849,685
Net inter segment lending	39,570,002	-	-	1,293,028	40,863,030
Lendings to financial institutions	-	37,071,867	2,551,275		39,623,142
Advances - performing	73,884,456	-	-		73,884,456
- non-performing (net of provision)	16,567,924	-	-		16,567,924
Others	34,713,750	4,197,471	60,238	184,702	39,156,161
Total Assets	167,283,989	358,700,331	4,561,120	1,494,774	532,140,214
Borrowings	54,461,536	299,893,550	543,627		354,898,713
Subordinated debt	-	-	-		-
Deposits & other accounts	42,910,761	-	3,216,540		46,127,301
Net inter segment borrowing	1,293,028	38,970,002	500,000	100,000	40,863,030
Others	25,971,176	3,012,484	60,165	482,553	29,526,378
Total Liabilities	124,636,501	341,876,036	4,320,332	582,553	471,415,422
Equity	58,817,545	913,828	(18,802)	912,221	60,624,792
Total Equity & Liabilities	183,454,046	342,789,864	4,301,530	1,494,774	532,040,214
Contingencies & Commitments	51,447,274	-	-	287,433	51,734,707

36 RELATED PARTY TRANSACTIONS AND BALANCES

The Group has related party relationship with its subsidiary company, employee benefit plans, Agriculture Technology Development fund and the Group's key management personnel.

The transactions between the Bank and its subsidiary, Kissan Support Services (Private) Limited, are carried out on "cost plus" method. There are no transactions with key management personnel other than under their terms of employment. Contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan as at December 31, 2022. Remuneration to the executives are determined in accordance with the terms of their appointment. Details of transactions with related parties and balances with them are as under:

	Key management personnel		Defined Benefit Plans		Agricultural Technology Development Fund	
	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)	June 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	..... Rupees in '000					
Investments	-	-	-	-	-	-
Advances						
Opening balance	60,819	65,889	-	-	-	-
Addition	59,983	11,845	-	-	-	-
Repaid	(3,590)	(16,915)	-	-	-	-
Closing balance	117,212	60,819	-	-	-	-
Other assets						
Interest / mark-up accrued	11,703	9,397	-	-	-	-
Receivable at the end of the period	-	-	761,958	705,747	-	-
Deposits and other accounts						
Opening balance	272	5,762	9,126,458	10,239,704	236,986	219,488
Received during the period / year	106,646	184,167	7,465,384	38,047,598	2,248	422,633
Withdrawn during the period / year	(100,941)	(189,657)	(7,475,171)	(39,160,844)	(336)	(405,135)
Closing balance	5,977	272	9,116,671	9,126,458	238,898	236,986
Other liabilities						
Interest / mark-up payable	-	-	1,070,509	252,017	25,711	9,295
Payable at the end of the period	-	-	21,136,212	19,783,789	-	-

	Key management personnel		Defined Benefit Plans		Agricultural Technology Development Fund	
	2023	2022	2023	2022	2023	2022
	(Un-audited) Half year ended June 30,					
	Rupees in '000					
Income						
Mark-up / interest earned	1,022	855	-	-	-	-
Rental income	-	-	-	-	-	-
Expense						
Mark-up / interest paid	-	-	8,996	445,015	2,248	8,840
Compensation	56,244	74,001	-	-	-	-
Post retirement benefit	2,756	3,167	-	-	-	-
Contribution to defined benefit plan	562	524	-	-	-	-
Cost of services rendered	-	-	-	-	-	-

36.1 Transactions with Government related entities

The Federal Government through SBP holds controlling interest in the Bank and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government may exercise significant influence, are related parties of the Group.

The Group in the normal course of business enters into transaction with Government-related entities. Such transactions include deposits from and provision of other banking services to Government-related entities. However, these transactions have not been treated as related parties transactions for the purpose of this disclosure.

37 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Un-audited) June 30, 2023	(Audited) December 31, 2022
	... Rupees in '000 ...	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	54,071,688	51,474,650
Capital Adequacy Ratio:		
Eligible Common Equity Tier 1 (CET 1) Capital	54,544,987	49,561,886
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	54,544,987	49,561,886
Eligible Tier 2 Capital	2,736,833	2,476,117
Total Eligible Capital (Tier 1 + Tier 2)	57,281,820	52,038,003
Risk Weighted Assets (RWAs):		
Credit Risk	130,873,962	124,983,113
Market Risk	5,551,950	5,054,675
Operational Risk	24,428,975	24,428,975
Total	160,854,887	154,466,763
Common Equity Tier 1 Capital Adequacy Ratio	33.91%	32.09%
Tier 1 Capital Adequacy Ratio	33.91%	32.09%
Total Capital Adequacy Ratio	35.61%	33.69%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	54,544,987	49,561,886
Total exposures	893,618,601	491,428,983
Leverage ratio	6.10%	10.09%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	44,454,471	28,539,604
Total Net Cash Outflow	3,389,742	3,922,893
Liquidity Coverage Ratio	1311%	728%
Net Stable Funding		
Total Available Stable Funding	161,843,272	171,167,420
Total Required Stable Funding	154,020,249	132,439,520
Net Stable Funding Ratio	105%	129%

38 ISLAMIC BANKING BUSINESS

The Group is operating 16 (December 31, 2022: 5) Islamic banking branches and 10 (December 31, 2022: nil) Islamic banking windows as at June 30, 2023.

		(Un-audited) June 30, 2023	(Audited) December 31, 2022
	Note	... Rupees in '000 ...	
ASSETS			
Cash and balances with treasury banks		159,674	54,914
Balances with other banks		4,633,637	26,670
Due from financial institutions	38.1	-	2,551,275
Investments	38.2	2,269,980	1,868,023
Islamic financing and related assets - net		-	-
Fixed assets		17,238	5,941
Intangible assets		-	-
Due from Head Office		-	-
Other assets		120,572	54,297
Total Assets		7,201,101	4,561,120
LIABILITIES			
Bills payable		961	1,367
Due to financial institutions		4,850,000	543,627
Deposits and other accounts	38.3	1,597,527	3,216,540
Due to Head Office		138,773	259,590
Subordinated debt		-	-
Other liabilities		101,094	58,798
		<u>6,688,355</u>	<u>4,079,922</u>
NET ASSETS		<u>512,746</u>	<u>481,198</u>
REPRESENTED BY			
Islamic Banking Fund		500,000	500,000
Reserves		-	-
Deficit on revaluation of assets		(30,093)	(25,955)
Un-appropriated profit	38.4	42,839	7,153
		<u>512,746</u>	<u>481,198</u>
CONTINGENCIES AND COMMITMENTS	38.5		

The profit and loss account of the Bank's Islamic banking branches is as follows:

	Note	(Un-audited)	
		June 30,	June 30,
		2023	2022
		... Rupees in '000 ...	
Profit / return earned	38.6	511,014	189,463
Profit / return expensed	38.7	398,353	180,235
Net Profit / return		<u>112,661</u>	<u>9,228</u>
Other income			
Fee and Commission Income		295	170
Dividend Income		-	-
Foreign Exchange Income		-	-
Income / (loss) from derivatives		-	-
Gain / (loss) on securities		-	-
Other Income		-	-
Total other income		<u>295</u>	<u>170</u>
Total Income		<u>112,956</u>	<u>9,398</u>
Other expenses			
Operating expenses		43,204	31,344
Workers Welfare Fund		-	-
Other charges		-	-
Total other expenses		<u>43,204</u>	<u>31,344</u>
Profit / (loss) before provisions		<u>69,752</u>	<u>(21,946)</u>
Provisions and write offs - net		-	-
Profit / (loss) before taxation		<u>69,752</u>	<u>(21,946)</u>
Taxation		<u>34,066</u>	<u>2,844</u>
Profit / (loss) after taxation		<u><u>35,686</u></u>	<u><u>(24,790)</u></u>

38.1 Due from financial institutions

	June 30, 2023 (Un-audited)			December 31, 2022 (Audited)		
	In local currency	In foreign currency	Total	In local currency	In foreign currency	Total
	..... Rupees in '000					
Secured :						
Bai Muajjal Receiveable from State Bank of Pakistan	-	-	-	51,275	-	51,275
Unsecured	-		-	2,500,000	-	2,500,000
	-	-	-	2,551,275	-	2,551,275

38.2 Investments by segments

	June 30, 2023 (Un-audited)				December 31, 2022 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	..... Rupees in '000							
Federal Government securities								
Ijarah sukuk	1,782,824	-	(30,458)	1,752,366	1,325,057	-	(25,955)	1,299,102
Non Government Debt Securities								
Listed securities	517,614	-	-	517,614	568,921	-	-	568,921
Total investments	2,300,438	-	(30,458)	2,269,980	1,893,978	-	(25,955)	1,868,023

	(Un-audited) June 30, 2023	(Audited) December 31, 2022
	... Rupees in '000 ...	
38.3 Deposits		
Customers - local currency		
Current deposits	155,704	125,292
Savings deposits	1,395,579	2,952,183
Term deposits	39,547	134,668
Others	6,697	4,397
	1,597,527	3,216,540
Financial Institutions		
Current deposits	-	-
Savings deposits	-	-
Term deposits	-	-
	<u>1,597,527</u>	<u>3,216,540</u>
38.4 Islamic Banking Business Accumulated Loss		
Opening Balance	7,153	(13,298)
Add: Islamic Banking loss for the period	69,752	39,682
Less: Taxation	34,066	19,231
Closing Balance	<u>42,839</u>	<u>7,153</u>

38.5 Contingencies and commitments

38.5.1 There are no contingencies outstanding against Islamic banking at the reporting date (2022 : Nil).

38.5.2 There are no commitments made by the Islamic banking at the reporting date (2022 : Nil).

	(Un-audited) Jun 30, 2023	Jun 30, 2022
	... Rupees in '000 ...	
38.6 Profit / return earned of financing, investments and placement		
Profit earned on:		
Financing	-	-
Investments	171,261	79,778
Placements	339,753	109,685
	<u>511,014</u>	<u>189,463</u>
38.7 Profit on deposits and other dues expensed		
Deposits and other accounts	288,795	126,171
Due to Financial Institutions		
Commission and other charges	-	-
Call borrowings	109,558	54,064
	<u>398,353</u>	<u>180,235</u>

39 CORRESPONDING FIGURES

Corresponding figures have been rearranged, reclassified or additionally incorporated in these consolidated condensed interim financial statements (un-audited) wherever necessary to facilitate comparison and better presentation.

40 **DATE OF AUTHORIZATION FOR ISSUE**

These consolidated condensed interim financial statements (un-audited) were authorized for issue on 09 SEP 2023 by the Board of Directors of the Bank.

41 **GENERAL**

The figures in the consolidated condensed interim financial statements (un-audited) are rounded off to the nearest thousand rupees.



President



Chief Financial Officer



Director



Director



Director