



ZARAI TARAQIATI BANK LIMITED (ZTBL)

CONSOLIDATED FINANCIAL
STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2023

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	Note	2023 Rupees in '000	2022
ASSETS			
Cash and balances with treasury banks	7	3,661,179	2,580,409
Balances with other banks	8	31,925,611	12,615,407
Lendings to financial institutions	9	6,560,700	39,623,142
Investments	10	372,112,120	306,749,685
Advances	11	105,507,660	90,452,380
Fixed assets	12	2,404,911	2,407,548
Intangible assets	13	255,925	73,159
Deferred tax assets	14	12,875,669	15,173,017
Other assets	15	27,121,746	21,502,437
		562,425,521	491,177,184
LIABILITIES			
Bills payable	17	2,605,372	580,505
Borrowings	18	399,877,699	354,898,713
Deposits and other accounts	19	55,863,297	46,127,301
Liabilities against assets subject to finance lease		-	-
Subordinated loan		-	-
Deferred tax liabilities		-	-
Other liabilities	20	28,805,916	28,945,873
		487,152,284	430,552,392
NET ASSETS		<u>75,273,237</u>	<u>60,624,792</u>
REPRESENTED BY			
Share capital	21	52,678,432	52,678,432
Reserves		9,520,922	7,324,095
Surplus on revaluation of assets	22	1,622,051	913,828
Accumulated profit / (loss)		11,451,832	(291,563)
		<u>75,273,237</u>	<u>60,624,792</u>
CONTINGENCIES AND COMMITMENTS	23		

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


President


Chief Financial Officer


Director

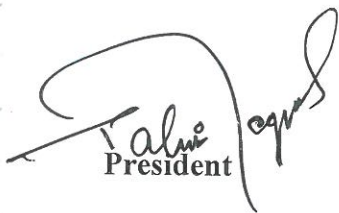

Director



Director

ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 Rupees in '000	2022
Mark-up / return / interest earned	24	142,316,092	39,436,395
Mark-up / return / interest expensed	25	117,820,473	24,782,207
Net mark-up / interest income		24,495,619	14,654,188
NON MARK-UP / INTEREST INCOME			
Fee and commission income	26	1,312,045	1,065,537
Dividend income		135,730	142,082
Foreign exchange income		-	-
Income from derivatives		-	-
Gain on securities	27	266,525	32,879
Other income	28	847,689	161,058
Total non-mark-up / interest income		2,561,989	1,401,556
Total income		27,057,608	16,055,744
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	29	14,675,692	12,172,515
Workers welfare fund		-	-
Other charges	30	39,804	-
Total non mark-up / interest expenses		14,715,496	12,172,515
Profit before provisions		12,342,112	3,883,229
Provisions and write offs - net	31	(5,505,176)	(3,653,088)
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		17,847,288	7,536,317
Taxation	32	6,696,439	2,359,030
PROFIT AFTER TAXATION		11,150,849	5,177,287
		..... Rupees	
Basic earnings per share	33	2.12	0.98
Diluted earnings per share	33	2.12	0.98

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


President


Chief Financial Officer


Director



Director


Director

ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
	... Rupees in '000 ...	
Profit after taxation for the year	11,150,849	5,177,287
Other comprehensive income / (loss)		
Items that may be reclassified to profit and loss account in subsequent periods:		
Effect of translation of net investment in foreign branches	-	-
Movement in surplus / (deficit) on revaluation of investments - net of tax	708,223	(75,821)
	708,223	(75,821)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain on defined benefit obligations - net of tax	2,789,373	732,889
Movement in surplus on revaluation of operating fixed assets - net of tax	-	-
Movement in surplus on revaluation of non-banking assets - net of tax	-	-
	2,789,373	732,889
Total comprehensive income	<u>14,648,445</u>	<u>5,834,355</u>

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


 President


 Chief Financial Officer


 Director


 Director


 Director

ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023


	Share capital	Statutory reserve	Contingencies reserve	Surplus on revaluation of investments	Un-appropriated profit / (loss)	Total
	..... Rupees in '000					
Balance as at December 31, 2021	52,678,432	6,239,526	60,000	989,649	(5,177,170)	54,790,437
Profit after taxation for the year	-	-	-	-	5,177,287	5,177,287
Other comprehensive income / (loss) - net of tax	-	-	-	(75,821)	732,889	657,068
Total comprehensive income / (loss) for the year	-	-	-	(75,821)	5,910,176	5,834,355
Transferred to statutory reserve	-	1,024,569	-	-	(1,024,569)	-
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 year	-	-	-	-	11,150,849	11,150,849
Other comprehensive income - net of tax	-	-	-	708,223	2,789,373	3,497,596
Total comprehensive income for the year	-	-	-	708,223	13,940,222	14,648,445
Transferred to statutory reserve	-	2,196,827	-	-	(2,196,827)	-
Balance as at December 31, 2023	52,678,432	9,460,922	60,000	1,622,051	11,451,832	75,273,237

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.

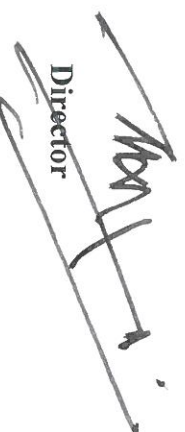
The annexed notes 1 to 48 and annexures I & II form an integral part of these financial statements.


 President


 Chief Financial Officer


 Director


 Director



 Director

ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 Rupees in '000	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before working capital changes	37	25,980,403	14,577,027
(Increase) / decrease in operating assets:			
Lendings to financial institutions		33,062,442	(22,743,655)
Advances		(19,482,766)	(2,470,268)
Other assets (excluding advance taxation)		(6,095,462)	(6,446,083)
		7,484,214	(31,660,006)
Increase / (decrease) in operating liabilities:			
Bills payable		2,024,867	138,104
Borrowings from financial institutions		44,978,986	222,541,678
Deposits and other accounts		9,735,996	3,631,912
Other liabilities (excluding current tax)		2,387,211	3,627,132
		59,127,060	229,938,826
Employees' benefits paid		(1,025,079)	(1,091,726)
Income tax paid		(7,069,556)	(3,637,735)
Net cash flow generated from operating activities		84,497,042	208,126,386
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(63,518,626)	(224,328,889)
Dividend received		135,730	142,082
Investments in operating fixed assets		(470,658)	(322,245)
Proceeds from sale of fixed assets		93,437	83,478
Net cash flow used in investing activities		(63,760,117)	(224,425,574)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liability against right-of-use assets		(345,951)	(346,720)
Net cash flow used in financing activities		(345,951)	(346,720)
Increase / (decrease) in cash and cash equivalents		20,390,974	(16,645,908)
Cash and cash equivalents at beginning of the year	34	15,195,816	31,841,724
Cash and cash equivalents at end of the year	34	35,586,790	15,195,816

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


President


Chief Financial Officer


Director


Director


Director

ZARAI TARAQIATI BANK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 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 (2022: 501) branches including 25 (2022: 5) Islamic Banking branches in Pakistan as at the close of the year.

(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 These consolidated financial statements include the financial statements of the Bank and its subsidiary company.

- 2.2 The financial results of the Islamic banking branches have been consolidated in these financial statements for reporting purposes, after eliminating inter-branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed in Annexure II to these financial statements.
- 2.3 The consolidated financial statements have been presented in accordance with format prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 2 dated January 25, 2018.
- 2.4 The assets and liabilities of the subsidiary company have been consolidated on a line by line basis and the carrying value of investment held by the Bank is eliminated against the subsidiary's equity held by the Bank in the consolidated financial statements. Intra-group balances and transactions have been eliminated.

3 STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. 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;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the 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.

- 3.2 SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies 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.

4 STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS

During the year, certain amendments to standards, interpretations and improvements to accounting standards became effective, however, these do not have any material effect on the financial statements of the Group and, therefore, are not disclosed.

- 4.1 **Standards, Interpretations and amendments to accounting standards that are not yet effective**

The following new standards and interpretations of and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard, interpretation or amendment:



	Effective date (annual periods beginning on or after)
IAS 1, Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments)	January 01, 2024
IAS 7 and IFRS 7 - Disclosures: Supplier Finance Arrangements (Amendments)	January 01, 2024
IFRS 9, Financial Instruments	January 01, 2024
IFRS 16, Leases - Lease liability in a sale and leaseback (Amendments)	January 01, 2024
IAS 21 - Lack of exchangeability (Amendments)	January 01, 2025
IFRS 17 - Insurance Contracts	January 01, 2026
IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	Not yet announced

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. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. According to SBP BPRD circular no. 4 dated October 23, 2019, the Banks / DFIs are required to have a parallel run of IFRS 9 from January 01, 2020 and are also required to prepare pro-forma financial statements which include the impact of IFRS 9 from the year ended December 31, 2019. As per BPRD circular no. 3 of 2022 dated July 05, 2022 followed by BPRD Circular Letter No. 07 dated April 13, 2023 it has been decided to extend the implementation date of IFRS 9 from January 01, 2022 as per following timelines:

- Effective date of implementation - January 01, 2024 for all banks / DFIs.
- Nevertheless, early adoption of the standard is permissible.

During the transition period, the financial institutions are required to carry out the parallel run reporting.

Except for the implementation of IFRS 9, the Group expects that adoption of the amendments to existing accounting and reporting standards will not affect its financial statements in the period of initial application.

5 BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost

- Certain investments that have been marked to market and are carried at fair value.
- Post employment benefits that are recorded at present value using actuarial valuation.
- Right-of-use assets and their related lease liability which are measured at their present values.

These financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency. The amounts are rounded to the nearest thousand rupees.

6 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information related to preparation of these consolidated financial statements are consistent with those of the previous financial year, are as follows:

- 6.1 SBP vide BPRD Circular No. 1 dated January 1, 2016 issued 'Regulations for Debt Property Swap', regarding recording of non-banking assets acquired in satisfaction of claims on revalued amount, which is not applicable on the Bank. Therefore, treatment suggested by the said Regulation has not been accounted for in these financial statements.

6.2 Staff retirement benefits

The Bank operates the following staff retirement benefits for its employees:

2025/21

a) **Pension scheme**

The Bank operates defined benefit funded pension scheme approved by the income tax authorities, for its eligible employees who opted for employees' benefits scheme, introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers, respectively. The Bank's costs are determined on the basis of actuarial valuation carried out by independent actuary by using 'Projected Unit Credit Method'.

b) **Gratuity scheme**

The Bank operates defined benefit funded gratuity scheme approved by the income tax authorities, for its eligible employees who did not opt for employees' benefits scheme, introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers, respectively. Annual contributions are made on the basis of actuarial recommendations.

c) **Provident fund scheme**

The Bank operates a defined contribution funded provident fund scheme for its employees who did not opt for the employees' benefit scheme introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers respectively. Under this scheme, equal contributions at defined rates are made by the member employees and the Bank. The Bank also operates non-contributory provident fund for its employees who opted for the new employees' benefit scheme, as mentioned above. Under this, non-contributory provident fund, contributions at defined rates are made by its member employees only. Both of these provident funds are approved by the income tax authorities.

d) **Benevolent scheme**

The Bank also has two funded defined benefit benevolent fund schemes for its employees, separately for officers and for clerical and non-clerical staff. Equal contribution to these schemes are made by employees and the Bank. The Bank is also liable to meet any shortfall in the fund, determined on the basis of actuarial valuation.

e) **Post retirement medical benefits**

The Bank operates an unfunded defined benefit post retirement medical benefit scheme for all of its employees. Provision is made in the financial statements for the benefit based on actuarial valuation. Actuarial gains / losses are accounted for in the manner similar to pension scheme.

f) **Employees' compensated absences**

The Bank accounts for all accumulating compensated absences when the employees render service that increases their entitlement to future compensated absences. The compensated absences are only encashable at the time of retirement and that too for a certain period provided in the terms of employment. Provision is made in the financial statements for the benefit based on entitled un-availed leave balances carried forwarded to the next year on the basis of actuarial valuation carried out using the 'Projected Unit Credit Method'.

- **Kissan Support Services (Private) Limited**

The Company operates the following staff retirement benefits for its employees:

a) **Unfunded medical benefits**

The Company operates an unfunded medical benefit fund for its employees. Employees are entitled for free medical facility during their service. This unfunded amount is utilized against the reimbursement of employee's actual medical expenses. The benefits are charged to profit and loss account at the rate of Rs. 400 per employee per month.

20/06/11

b) Gratuity scheme

The Company operates an un-funded gratuity scheme for its permanent employees whose period of service is one year or more. Employees are entitled to gratuity on the basis set out in staff regulation. The most recent actuarial valuation is carried out at December 31, 2023 using the 'Projected Unit Credit Method' as under the latest IAS 19 revised 2011. The actuarial gains / losses arising due to differences between actuarial assumptions and actual experience regarding salary increase, mortality and withdrawal probabilities are considered as remeasurements of the net benefit liability and are recognized in other comprehensive income.

6.3 Cash and cash equivalents

Cash and cash equivalents comprise cash, balances with treasury banks and balances with other banks.

6.4 Advances

Advances are stated net of provision for non-performing advances. Provision for non-performing advances is determined on the basis of Prudential Regulations issued by SBP and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provision against unidentified include general provision based on historical loss experience of advances. Advances are written off when there is no realistic prospect of recovery. Further, advances are charged off in accordance with the Prudential Regulations issued by SBP.

6.5 Investments

The Group classifies its investments as follows:

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.

Held-to-maturity

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

Available-for-sale

These are investments, other than those in subsidiary and associates, that do not fall under the 'held for trading' or 'held-to-maturity' categories.

Investments are initially recognized at cost which in case of investments other than 'held for trading' include transaction costs associated with the investments. Transaction costs on investments held for trading are expensed in the profit and loss account.

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

In accordance with the requirements of SBP, quoted securities, other than those classified as 'held to maturity', 'investment in subsidiary' and 'investments in associates' are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account which is shown in the Statement of Financial Position as part of equity. Surplus / (deficit) arising on valuation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account for the current year.



Unquoted equity securities (excluding investments in subsidiary and associates) are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments classified as 'held to maturity' are carried at amortized cost.

Investments in Associates

Associates are all entities over which the Group has significant influence but not control. Investments in associates are valued at cost less impairment, if any. A reversal of an impairment loss on associates is recognized in the profit and loss account as it arises provided the increased carrying value does not exceed cost.

Gains and losses on disposal of investments in associates are included in the profit and loss account. Provision for diminution in the value of investments is taken to the profit and loss account for the current year.

6.6 Operating fixed assets and depreciation / amortization

Property and equipment

Property and equipment, except freehold land which is not amortized and capital work-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land and capital work-in-progress are stated at cost less accumulated impairment losses, if any.

Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 12.2 to these financial statements, after taking into account the residual value, if any. Depreciation is charged on reducing balance method except for vehicles, computer equipment and leasehold land which are depreciated / amortized on straight line method. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Gains / losses, if any, on disposal of operating fixed assets are charged to the profit and loss account during the year.

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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

Capital work in progress

Capital work-in-progress is stated at cost less impairment losses (if any) and consists of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. Cost also includes applicable borrowing costs, if any. Transfers are made to relevant operating fixed assets category as and when assets are available for use as intended by the management.

6.7 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the month when these assets are available for use, using the straight line method, whereby the costs of the intangible assets are amortized over their useful lives over which economic benefits are expected to flow to the Group. The useful lives are reviewed and adjusted, if appropriate, at each reporting date.

6.8 Right-of-use assets and their related lease liability

6.8.1 Right of-use assets

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Right-of-use assets are subsequently stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenor. Right-of-use assets are depreciated over their expected useful lives using the straight-line method.

Depreciation on additions (new leases) is charged from the month in which the leases are entered into. No depreciation is charged after the leases are matured or terminated.

6.8.2 Lease liability against right-of-use assets

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or change in lease terms. These remeasurements of lease liabilities are recognised as adjustments to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the profit and loss account as markup expense over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

6.9 Impairment

Carrying values of assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. Recoverable amount is the higher of fair value less costs to sell and value in use. The resulting impairment loss is taken to the profit and loss account except for the impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

6.10 Assets acquired in satisfaction of claims

The Group occasionally acquires assets in settlement of certain advances. These are stated at the carrying value of such assets.

6.11 Taxation

Current

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account available tax credits, exemptions and rebates as laid down in the applicable income tax law. The charge for current tax also includes adjustments wherever considered necessary, relating to prior years which arise from assessments framed / finalized during the year.

708841

Deferred

Deferred tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized. The Group also recognizes deferred tax asset / liability on deficit / surplus on revaluation of securities in accordance with the requirements of IAS 12 'Income Taxes'. The related deferred tax asset / liability is adjusted against the related deficit / surplus.

Prior years

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments and changes in estimates made during the current year, except otherwise stated.

6.12 Borrowings / deposits and their costs

Borrowings / deposits are recorded at the proceeds received.

Borrowings / deposits costs are recognized as expenses in the period in which these are incurred using effective mark-up / interest rate method.

6.13 Sale and repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. Securities purchased under an agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The difference between the purchase / sale and re-sale / re-purchase price is recognized as mark-up income / expense on a time proportion basis, as the case may be.

6.14 Revenue recognition

Mark-up / interest on advances and returns on investments are recognized on a time proportion basis using the effective interest method except that mark-up / interest on non-performing advances and investments is recognized on a receipt basis, in accordance with the requirements of the Prudential Regulations issued by SBP. Where the debt securities are purchased at premium or discount, such premium / discount is amortised through the profit and loss account over the remaining period of maturity.

Fee, brokerage and commission income is recognized on accrual basis.

Profit / (loss) on sale of investments is credited / charged to the profit and loss account for the current year.

Income from interbank deposits in saving accounts is recognized in the profit and loss account as it accrues using the effective interest method.

Dividend income is recognized when the Bank's right to receive has been established.

Recoveries against loans written-off under Government relief packages are accounted for on cash receipt basis.

Operating lease rentals are recorded in the profit and loss account on a time proportion basis over the term of lease arrangements.

YRW

6.15 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect current best estimates.

6.16 Foreign currencies

Transactions in foreign currencies are translated to Pak Rupees at the foreign exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Pak Rupee terms at the rates of exchange prevailing at the reporting date.

6.17 Financial instruments

Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. These are derecognized when the Group ceases to be the party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

Financial assets

Financial assets are cash and balances with SBP and NBP, balances with other banks, lending to financial institutions, investments, advances and other receivables. Advances are stated at their nominal value as reduced by appropriate provisions against non-performing advances, while other financial assets excluding investments are stated at cost. Investments classified as available for sale are valued at mark-to-market basis and investments classified as held to maturity are stated at amortized cost.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Financial liabilities include borrowings and other liabilities which are stated at their nominal value. Financial charges are accounted for on accrual basis.

Any gain or loss on the recognition and derecognition of the financial assets and liabilities is included in the net profit and loss for the period in which it arises.

Impairment – financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the profit and loss account.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the profit and loss account.

6.18 Offsetting

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 Group intends either to settle on a net basis, or to realize the assets and settle the liabilities, simultaneously.

6.19 Fair value measurement

A number of assets and liabilities included in the financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted).

Level 2: Observable direct or indirect inputs other than Level 1 inputs.

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the inputs used that has a significant effect on the fair value measurement of the item and transfers of items between levels are recognised in the period they occur.

The financial assets and financial liabilities of the Group that either require fair value measurements or only fair value disclosures as at December 31, 2023 are disclosed in note 40.

6.20 Dividend distribution and appropriation

Dividends (including bonus dividend) and other appropriations (except appropriations which are required by law) are recognized in the period in which these are approved.

6.21 Earnings per share

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

6.22 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing particular products or services (business segment), or in providing product or services within a particular economic environment (geographical segment), and is subject to risk and rewards that are different from those of other segments. The Group is engaged in providing agri-financing and branch banking, islamic banking and treasury operations and operates only in Pakistan.

6.23 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

6.24 Other payables

Liabilities for other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Group.

6.25 Other receivables

These are recognized at cost, which is the fair value of the consideration given. An assessment is made at each reporting date to determine, whether there is an indication that a financial asset, or a group of financial assets, may be impaired. If such an indication exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying value.

6.26 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition mark-up bearing borrowings are stated at original cost less subsequent repayments.

6.27 Statutory reserve

In compliance with the requirements of the Banking Companies Ordinance, 1962, the Bank is required to maintain a statutory reserve to which an appropriation equivalent to 20% of the profit after tax is made till such time the reserve fund equals the paid up capital of the Bank. However, thereafter, the contribution is reduced to 10% of the profit after tax.

6.28 Cash reserve requirement

The Bank maintains liquidity equivalent to at least 6% of its time and demand deposits in the form of liquid assets i.e. cash and banks.

6.29 Grants

Grants of non-capital nature are recognized as deferred income at the time of their receipt. Subsequently, these are recognized in the profit and loss account to the extent of the actual expenditure incurred. Expenditure incurred against grants committed but not received, is recognized directly in the profit and loss account and reflected as a receivable from donors.

Grants that compensate the Group for the cost of an asset are recognized in the profit and loss account as other operating income on a systematic basis over the useful life of the asset.

The grant related to an asset is recognised in the statement of financial position initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions attached to it.

6.30 Contingencies

A contingent liability is disclosed when the Group has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the Group has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

6.31 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates and judgments. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group's financial statements or where judgment was exercised in application of accounting policies described in notes are as follows:

a) Classification of investments

As described in Note 6.5, investments 'held for trading' are the securities acquired principally for the purpose of generating profits from short term fluctuations in market prices while investments 'held to maturity' are investments where the management has positive intention and ability to hold the same to maturity and 'available for sale' securities are investments that do not fall under the 'held for trading' or 'held to maturity' categories. The classification of these investments involves management judgment at the time of purchase whether these are 'held for trading', 'held to maturity' or 'available for sale' investments.

b) Provision against advances

The Group reviews its loan portfolio to assess the amount of non-performing advances and provision required thereagainst on regular basis. The amount of provision is determined in accordance with the requirements of Prudential Regulations issued by SBP from time to time and the management's judgment in case of subjective provision.

c) Defined benefit plans

Certain actuarial assumptions have been adopted as disclosed in note 38 of these financial statements for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

d) Operating fixed assets

Estimates of useful life of the property and equipment are based on the management's best estimates. Changes in the expected useful life are accounted for by changing the depreciation / amortization period or method, as appropriate, and are treated as change in accounting estimates. Such changes are accounted for as change in accounting estimate in accordance with IAS 8 'Changes in Accounting Estimates and Errors'.

e) Impairment

Impairment of available for sale equity investments

Available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price.

Impairment of investments in subsidiary and associates

The Group considers that a decline in the recoverable value of investment in subsidiary and associates below their cost may be evidence of impairment. Recoverable value is calculated as the higher of fair value less costs to sell and value in use. An impairment loss is recognized when the recoverable value falls below the carrying value and is charged to the profit and loss account.

Impairment of non-financial assets (excluding deferred tax)

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

f) Taxation

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

g) Provision and contingent liabilities

The management exercises judgment in measuring and recognizing provisions and exposures to contingent liabilities related to pending litigations or other outstanding claims. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.



	Note	2023 Rupees in '000	2022
7 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		911,540	1,065,179
With State Bank of Pakistan in:			
Local currency current account	7.1	1,834,020	1,132,277
With National Bank of Pakistan in:			
Local currency current account	7.2	393,638	42,212
Local currency deposit account		520,283	339,008
		913,921	381,220
Prize bonds		1,698	1,733
		<u>3,661,179</u>	<u>2,580,409</u>

7.1 This represents current accounts maintained with SBP under cash reserve requirement of the Banking Companies Ordinance, 1962.

7.2 These carry mark-up at rates ranging from 14.50% to 20.50% (2022: 7.25% to 14.50%) per annum.

	Note	2023 Rupees in '000	2022
8 BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts	8.1	99,618	87,346
In deposit accounts		31,825,993	12,528,061
		<u>31,925,611</u>	<u>12,615,407</u>

8.1 These carry mark-up at rates ranging from 14.50% to 24.50% (2022: 7.25% to 17.25%) per annum.

	Note	2023 Rupees in '000	2022
9 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	9.2	3,600,000	15,500,000
Repurchase agreement lendings (reverse repo)	9.3	2,960,700	24,071,867
Bai Muajjal receivable			
With State Bank of Pakistan	9.4	-	51,275
		<u>6,560,700</u>	<u>39,623,142</u>

9.1 Particulars of lendings

In local currency	6,560,700	39,623,142
In foreign currencies	-	-
	<u>6,560,700</u>	<u>39,623,142</u>

9.2 This carries mark-up at rates 22% to 22.75% (2022: 16.75% to 16.10%) per annum having maturity during January 2024.

9.3 This carries mark-up at rates 22.3% (2022: 15.90% to 16.50%) per annum having maturity during January 2024.

9.4 This carries mark up coupon rate NIL (2022: 7.94%).

9.5 Securities held as collateral against lendings to financial institutions

	2023			2022		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	..... Rupees in '000					
Pakistan Investment Bonds	2,960,700	-	2,960,700	24,071,867	-	24,071,867
	<u>2,960,700</u>	<u>-</u>	<u>2,960,700</u>	<u>24,071,867</u>	<u>-</u>	<u>24,071,867</u>

Handwritten signature

10 INVESTMENTS

10.1 Investments by types

	2023				2022			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Available-for-sale securities								
Federal Government securities								
Shares	366,386,675	-	(255,564)	366,131,111	302,439,194	-	(840,501)	301,598,693
Corporate sukuk	99,819	(10,523)	3,442,514	3,531,810	99,819	(10,523)	2,438,038	2,527,334
Term Finance Certificates	456,681	-	1,919	458,600	568,921	-	-	568,921
	1,998,975	-	(8,376)	1,990,599	2,049,065	-	5,672	2,054,737
Total investments	368,942,150	(10,523)	3,180,493	372,112,120	305,156,999	(10,523)	1,603,209	306,749,685
	368,942,150	(10,523)	3,180,493	372,112,120	305,156,999	(10,523)	1,603,209	306,749,685

10.4

Rupees in '000

10.2 Investments by segments

Federal Government Securities

Market Treasury Bills
Pakistan Investment Bonds
Government of Pakistan Ijarah Sukuk

231,281,101	-	87,229	231,368,330	243,661,242	-	294,927	243,956,169
131,183,410	-	(291,576)	130,891,834	57,301,871	-	(1,090,705)	56,211,166
3,922,164	-	(51,217)	3,870,947	1,476,081	-	(44,723)	1,431,358
366,386,675	-	(255,564)	366,131,111	302,439,194	-	(840,501)	301,598,693

Shares:

Listed Companies
Unlisted Companies

89,296	-	3,442,514	3,531,810	89,296	-	2,438,038	2,527,334
10,523	(10,523)	-	-	10,523	(10,523)	-	-
99,819	(10,523)	3,442,514	3,531,810	99,819	(10,523)	2,438,038	2,527,334

Non Government Debt Securities

Listed
Un-listed

2,126,906	-	(6,457)	2,120,449	2,617,986	-	5,672	2,623,658
328,750	-	-	328,750	-	-	-	-
2,455,656	-	(6,457)	2,449,199	2,617,986	-	5,672	2,623,658
368,942,150	(10,523)	3,180,493	372,112,120	305,156,999	(10,523)	1,603,209	306,749,685

Handwritten signature/initials

	2023	2022
	Rupees in '000	
10.2.1 Investments given as collateral		
Market Treasury Bills	213,753,317	245,818,915
Pakistan Investment Bonds	130,584,346	47,218,262
	<u>344,337,663</u>	<u>293,037,177</u>
10.3 Provision for diminution in value of investments	<u>10,523</u>	<u>10,523</u>

10.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

	2023	2022
	Cost Rupees in '000	
Federal Government Securities - Government guaranteed		
Market Treasury Bills	231,281,101	243,661,242
Pakistan Investment Bonds	131,183,410	57,301,871
Ijarah Sukuks	3,922,164	1,476,081
	<u>366,386,675</u>	<u>302,439,194</u>

Shares

Listed companies

Food and personal care products	<u>89,296</u>	<u>89,296</u>
---------------------------------	---------------	---------------

	2023		2022	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			
Unlisted companies				
Pakistan Mercantile Exchange Limited	10,523	8,873	10,523	3,082
Pakistan Agricultural Storage and Services Corporation Limited	-	1,614,525	-	1,614,525
	<u>10,523</u>	<u>1,623,398</u>	<u>10,523</u>	<u>1,617,607</u>

10.4.1 Investment in Pakistan Mercantile Exchange Limited has been fully provided for due to negative break up value in prior financial statements. Cost per share is Rs. 10 to Rs. 13.5 having total cost amounting to Rs. 10.523 million.

10.4.2 Investments in Pakistan Agricultural Storages and Services Corporation Limited was transferred to the Bank at the time of conversion of ADBP into the Bank at nominal value of Rs. 1. Cost per share is Rs. 1,000 having total cost amounting to Rs. 2.50 million.

	2023	2022
	Cost Rupees in '000	
Non Government debt securities		
Listed		
- AAA	-	500,000
- AA+, AA, AA-	2,126,906	1,967,986
- A+, A, A-	-	-
	<u>2,126,906</u>	<u>2,617,986</u>
Unlisted		
- AAA	-	-
- AA+, AA, AA-	-	-
- A+, A, A-	328,750	150,000
	<u>328,750</u>	<u>150,000</u>

11 ADVANCES

	Performing		Non Performing		Total	
	2023	2022	2023	2022	2023	2022

Loans, cash credits, running finance, etc.
Advances - gross

85,398,098	73,884,456	34,584,173	33,738,604	119,982,271	107,623,060
85,398,098	73,884,456	34,584,173	33,738,604	119,982,271	107,623,060

Provision for advances:

- against agriculture advance
- against staff advances
- general

Advances - net of provision

3,000,000	-	11,434,335	14,126,561	11,434,335	14,126,561
3,000,000	-	40,276	44,119	40,276	44,119
3,000,000	3,000,000	-	-	3,000,000	3,000,000
82,398,098	70,884,456	11,474,611	14,170,680	14,474,611	17,170,680
		23,109,562	19,567,924	105,507,660	90,452,380

11.1 Particulars of advances (gross)

In local currency

119,982,271 107,623,060

11.2 Advances include Rs. 34,539.382 million (2022: Rs. 33,682.336 million) relating to agricultural financing which have been placed under non-performing status as detailed below:

Category of classification	2023		2022	
	Non performing loans	Provision	Non performing loans	Provision

Domestic

Other assets especially mentioned	15,801,372	-	13,616,010	-
Substandard	6,965,643	1,393,129	5,303,514	1,060,703
Doubtful	3,462,327	1,731,165	3,393,911	1,696,957
Loss	8,310,040	8,310,040	11,368,901	11,368,901
	34,539,382	11,434,334	33,682,336	14,126,561

Handwritten signature

11.3 Particulars of provision against advances

	2023		2022	
	Specific	General	Total	Total
Opening balance	14,126,561	3,000,000	17,126,561	23,392,883
Charge for the year	7,586,093	-	7,586,093	9,122,441
Reversals	(3,154,764)	-	(3,154,764)	(5,285,570)
Amounts written off (Note 11.4)	4,431,329	-	4,431,329	3,836,871
Amounts charged off- Agri Financing (Note 11.6)	(7,123,556)	-	(7,123,556)	(10,103,193)
Closing balance	11,434,334	3,000,000	14,434,334	17,126,561

11.3.1 Particulars of provision against advances

	2023		2022	
	Specific	General	Total	Total
In local currency	11,434,334	3,000,000	14,434,334	17,126,561

11.3.2 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, as a matter of prudence the Bank has not availed the benefit of allowed value of mortgaged lands and buildings while computing the provision against non-performing loans.

11.3.3 In addition to the time based criteria, the Bank has further classified loans and advances amounting to Rs. 4,603.142 million (2022: Rs.3,720.917 million) and further de-graded the category of classified loans and advances amounting to Rs. 5,366.175 million (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.

11.3.4 Provision against non-performing loans and advances - net

	2023	2022
Provision against non-performing loans and advances	4,431,329	3,836,871
Provision / (Reversal) against staff advances	(3,843)	3,324
	<u>4,427,486</u>	<u>3,840,195</u>

Note Rupees in '000

Page

	Note	2023 Rupees in '000	2022
11.4 Particulars of write offs:			
11.4.1 Against provisions		-	-
Directly charged to profit and loss account		-	-
		<u>-</u>	<u>-</u>
11.4.2 Write offs of Rupees 500,000 and above	11.5	-	-
Write offs of below Rupees 500,000		-	-
		<u>-</u>	<u>-</u>

11.5 Details of Loan write offs of Rupees 500,000 and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year has to be disclosed. Detail of charge offs out of extinguished loan portfolio exceeding five hundred thousand rupees is NIL.

11.6 Particulars of charged off

In terms of Prudential Regulations for Agricultural Financing - Part B (specific regulations) the Bank extinguishes its loans through provisions. The total balance for these off-balance sheet loans extinguished against provisions as at December 31, 2023 amounts to Rs. 56,976.83 million (2022: Rs. 53,642.51 million) with an addition of Rs. 7,123.56 million (2022: Rs. 10,103.19 million) as charge off loans during the year.

	Note	2023 Rupees in '000	2022
12 FIXED ASSETS			
Capital work-in-progress	12.1	69,326	55,266
Property and equipment	12.2	2,335,585	2,352,282
		<u>2,404,911</u>	<u>2,407,548</u>
12.1 Capital work-in-progress			
Civil works		61,385	42,774
Consultancy charges		7,618	6,891
Others	12.1.1	323	5,601
		<u>69,326</u>	<u>55,266</u>

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

7286

12.2 Property and equipment

Description	January 1, 2023			Year ended December 31, 2023			December 31, 2023			Rate of Depreciation	
	Cost	Accumulated Depreciation	Net Book Value	Opening Net Book Value	Additions / (disposal) / (transferred)	Depreciation charge / (depreciation on disposal)	Closing Net Book Value	Cost	Accumulated Depreciation		Net Book Value
Land - Freehold	105,919	-	105,919	105,919	-	-	105,919	105,919	-	105,919	-
Land - Leasehold	10,742	6,039	4,703	4,703	-	217	4,486	10,742	6,256	4,486	Lease terms for 30 to 99 years
Buildings on freehold land	713,633	245,633	468,000	468,000	12,336	23,904	456,432	725,969	269,537	456,432	5%
Buildings on leasehold land	553,676	318,773	234,903	234,903	6,520	11,933	229,490	560,196	330,706	229,490	5%
Buildings on leasehold land - ADB	21,224	11,187	10,037	10,037	-	502	9,535	21,224	11,689	9,535	5%
Furniture and fixtures	546,237	298,312	247,925	247,925	9,594	25,277	232,242	555,831	323,589	232,242	10% / 20%
Computer, office and other equipment	1,533,888	1,246,135	287,753	287,753	133,665	109,272	312,146	1,664,930	1,352,784	312,146	20% / 33%
Computer, office and other equipment - ADB	212,289	212,287	2	2	(2,623)	(2,623)	2	205,038	205,036	2	20% / 33%
Vehicles	1,314,086	1,132,124	181,962	181,962	(7,251)	(7,251)	128,394	1,164,553	1,036,159	128,394	20%
Right-of-use assets (note 6.8)	1,321,953	510,875	811,078	811,078	31,223	47,988	856,939	1,450,312	593,373	856,939	10% - 100%
	324,023				(180,756)	(143,953)					
	(195,664)					(174,471)					
	6,333,647	3,981,365	2,352,282	2,352,282	517,361	476,062	2,335,585	6,464,714	4,129,129	2,335,585	
					(386,294)	(328,298)					

MSK

Description	January 1, 2022				Year ended December 31, 2022				December 31, 2022			Annual rate of Depreciation
	Cost	Accumulated Depreciation	Net Book Value	Opening Net Book Value	Additions / (Disposal) / (Transferred)	Depreciation charge / (depreciation on disposal)	Closing Net Book Value	Cost	Accumulated Depreciation	Net Book Value		
Land - Freehold	105,919	-	105,919	105,919	-	-	105,919	105,919	-	105,919	-	
Land - Leasehold	10,742	5,822	4,920	4,920	-	217	4,703	10,742	6,039	4,703		Lease terms for 30 to 99 years
Buildings on freehold land	712,054	220,417	491,637	491,637	1,579	25,216	468,000	713,633	245,633	468,000		5%
Buildings on leasehold land	548,452	306,518	241,934	241,934	5,224	12,255	234,903	553,676	318,773	234,903		5%
Buildings on leasehold land - ADB	21,224	10,659	10,565	10,565	-	528	10,037	21,224	11,187	10,037		5%
Furniture and fixtures	543,325	270,917	272,408	272,408	2,912	27,395	247,925	546,237	298,312	247,925		10% / 20%
Computer, office and other equipment	1,505,904	1,146,006	359,898	359,898	30,884 (2,900)	102,960 (2,831)	287,753	1,533,888	1,246,135	287,753		20% / 33%
Computer, office and other equipment - ADB	212,289	212,287	2	2	-	-	2	212,289	212,287	2		20% / 33%
Vehicles	1,241,648	1,103,326	138,322	138,322	116,891 (44,453)	63,991 (35,193)	181,962	1,314,086	1,132,124	181,962		20%
Right-of-use assets (note 6.8)	1,254,218	436,455	817,763	817,763	318,334 (250,599)	255,892 (181,472)	811,078	1,321,953	510,875	811,078		10% - 100%
	6,155,775	3,712,407	2,443,368	2,443,368	475,824 (297,952)	488,454 (219,496)	2,352,282	6,333,647	3,981,365	2,352,282		

Handwritten signature

2023 2022
Rupees in '000

12.3 Carrying amount of temporarily idle property

58,411 58,440

12.4 Included in cost of property and equipment are fully depreciated items still in use having following category wise breakup:

Leasehold land	3,220	3,220
Computer, office and other equipment	452,725	351,454
Computer, office and other equipment - ADBP	205,039	212,120
Vehicles	940,665	969,073
	<u>1,601,649</u>	<u>1,535,867</u>

12.5 The title documents of freehold land having cost of Rs. 1.86 million (2022: Rs. 1.86 million) and leasehold land having book value of Rs. nil (2022: Rs. nil) are still in the name of Agricultural Development Bank of Pakistan.

MAK

12.6 Detail of disposal of fixed assets to related parties during the year are as follows:

Description	Cost	Book value	Sale proceed	Mode of disposal	Particulars of buyers
..... Rupees in '000					
Toyota Corolla XLI AJU-408	1,880	909	1,050	As per entitlement	Farrukh Abbas, EVP
Toyota Yaris GLI AQD-178	2,548	1,232	1,350	As per entitlement	Muhammad Hafeez, EVP
Toyota Corolla XLI, AJU-407	1,880		1,200	As per entitlement	Dr. Ishaq Ahmed Khan, EVP
Honda City 1.5 AHG-928	1,847	-	369	As per entitlement	Muhammad Arif, SEVP
Toyota Corolla GII MT AHS-843	1,880	-	376	As per entitlement	Saeed Ahmed, EVP
Honda Civic AJU-467	1,995	-	399	As per entitlement	Ajshad Hassan Awan, EVP
Laptop HP Spectra X360	378	-	-	As per entitlement	Muhammad Shahbaz Jameel, Ex-President/CEO

13 INTANGIBLE ASSETS

Description	January 1, 2023			Year ended December 31, 2023			December 31, 2023			Rate of amortization	Useful life	
	Cost	Accumulated amortisation	Net book value	Opening net book value	Additions	Amortisation charge	Closing net book value	Cost	Accumulated amortisation			Net book value
..... Rupees in '000												
Computer software	220,990	147,831	73,159	73,159	241,024	58,258	255,925	462,014	206,089	255,925	33.33%	3 years
Computer software - ADBP	82,081	82,081	-	-	-	-	-	82,081	82,081	-	33.33%	3 years
	303,071	229,912	73,159	73,159	241,024	58,258	255,925	544,095	288,170	255,925		
	January 1, 2022			Year ended December 31, 2022			December 31, 2022					
..... Rupees in '000												
Computer software	137,182	101,365	35,817	35,817	83,808	46,466	73,159	220,990	147,831	73,159	33.33%	3 years
Computer software - ADBP	82,081	82,081	-	-	-	-	-	82,081	82,081	-	33.33%	3 years
	219,263	183,446	35,817	35,817	83,808	46,466	73,159	303,071	229,912	73,159		

13.1 Included in cost of intangible assets are fully amortised items still in use having cost of Rs. 180.845 million (2022: Rs. 178.931 million).

14 DEFERRED TAX ASSETS

	At January 1, 2023	Recognised in P&L A/C	Recognised in OCI	At December 31, 2023
Note		Rupees in '000	

Deductible temporary differences on:

Defined benefit plans
Provision against non-performing loans and advances

270,521	20,289	(2,663,624)	(2,372,814)
15,584,584	1,289,431	-	16,874,015
15,855,105	1,309,720	(2,663,624)	14,501,201

Taxable temporary differences on:

Accelerated tax depreciation and amortization
Surplus on revaluation of investments

7,292	(74,382)	-	(67,090)
(689,380)	-	(869,062)	(1,558,442)
(682,088)	(74,382)	(869,062)	(1,625,532)
15,173,017	1,235,338	(3,532,686)	12,875,669

Deductible temporary differences on:

Defined benefit plans
Provision against non-performing loans and advances

812,708	11,410.00	(553,597)	270,521
13,136,477	2,448,107	-	15,584,584
13,949,185	2,459,517	(553,597)	15,855,105

Taxable temporary differences on:

Accelerated tax depreciation and amortization
Surplus on revaluation of investments

(60,737)	68,029	-	7,292
(532,888)	-	(156,492)	(689,380)
(593,625)	68,029	(156,492)	(682,088)
13,355,560	2,527,546	(710,089)	15,173,017

14.1 In terms of the Seventh Schedule to the Income Tax Ordinance, 2001, the claim of provision for advances and off balance sheet items has been restricted to 1% of gross advances. This represents the management's best estimate of the probable benefits expected to be realized in future years in the form of reduced tax liability.

20/1/23

	Note	2023 Rupees in '000	2022
15 OTHER ASSETS			
Income / mark-up accrued in local currency on :			
- advances - net of provision	15.1	11,235,916	8,555,496
- securities		6,702,050	3,992,008
- deposits		446,626	140,929
Amount recoverable from Federal Government	15.2	2,853,635	2,800,085
Tax recoverable	15.3	422,652	422,652
Branch adjustment account		1,626,582	-
Taxation (payments less provision)	15.4	1,669,194	2,531,417
Receivable from defined benefit plans:	38.6.1		
gratuity scheme - SR - 2005		1,140,994	705,747
Non banking assets acquired in satisfaction of claims	15.5	420,731	423,709
Stationery and stamps in hand		147,042	132,429
Stock of farm machinery		11,237	11,237
Advances against salary and expenses		60,339	22,579
Security deposits		7,199	6,199
Advances and other prepayments		647,602	333,736
Clearing and settlement		589,903	2,220,173
Others		128,713	143,533
		<u>28,110,415</u>	<u>22,441,929</u>
Provision held against other assets	15.6	<u>(988,669)</u>	<u>(939,492)</u>
Other assets - net of provisions		<u>27,121,746</u>	<u>21,502,437</u>

15.1 This does not include Rs. 11,055.675 million (2022: Rs. 8,660.416 million) on account of unrealised mark-up on non performing loans and advances kept in the memorandum account in accordance with the Prudential Regulations for Agriculture Financing.

15.2 This includes amount recoverable from Federal Government on account of crop loan insurance premium amounting to Rs. 2,697.820 million (2022: Rs. 2,411.656 million), small livestock farmers premium amounting to Rs. 150.95 million (2022: Rs. 383.57 million) and animal tagging charges amounting to Rs. 4.86 million (2022: Rs. 4.86 million).

15.3 This includes tax recoverable of Rs. 309.359 million (2022: Rs. 309.359 million) for assessment years 1991-92 to 2013-14 as disclosed in Note 16.

	Note	2023 Rupees in '000	2022
15.4 Taxation - net			
Opening receivable		2,531,417	3,780,258
Charge during the year	32	(7,931,779)	(4,886,576)
Advance income tax / withholding tax		6,982,814	3,637,735
Closing receivable		<u>1,669,194</u>	<u>2,531,417</u>
15.5 Market value of non-banking assets acquired in satisfaction of claims		<u>818,343</u>	<u>818,646</u>

2024

	2023	2022
	Rupees in '000	
15.5.1 Non banking assets acquired in satisfaction of claims		
Opening Balance	423,709	427,721
Additions	361	1,221
Disposals	(3,339)	(5,233)
Closing Balance	<u>420,731</u>	<u>423,709</u>
15.5.2 Gain on Disposal of Non-banking assets acquired in satisfaction of claims		
Disposal Proceeds	12,194	12,558
less : Cost	(3,189)	(5,182)
Gain	<u>9,005</u>	<u>7,376</u>
15.6 Provision held against other assets		
Tax recoverable	422,652	422,652
Non banking assets acquired in satisfaction of claims	420,731	423,709
Amount recoverable from Federal Government	66,234	-
Stock of farm machinery	11,237	11,237
Accrued interest on advances of ex-employees	15,595	17,734
Amount deposited with courts / legal charges recoverable	52,220	64,160
	<u>988,669</u>	<u>939,492</u>
15.6.1 Movement in provision held against other assets		
Opening balance	939,492	964,265
Charge for the year	99,530	39,056
Reversals	(50,353)	(63,829)
	49,177	(24,773)
Closing balance	<u>988,669</u>	<u>939,492</u>
16 CONTINGENT ASSETS		
16.1	<p>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 Honourable 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.</p>	

728641

- 16.2 Assistant Commissioner, Sindh Revenue Board (SRB) passed the order on 11.05.2019 for the period January 2012 to December 2012 creating a demand of Rs 6.42 million (Principle + Penalty). On 03.06.2019, payment of impugned tax Amounting Rs.6.6 million (Principle + 10% Surcharge) has been made, under protest, to avail the SRB Amnesty Scheme. Bank has filed appeal before Commissioner (Appeals), SRB. Main Appeal heard and further adjourned to 12.08.2022 but remained undecided and appeal/case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I) on 30.06.2022, being time barred at the Commissioner Appeals. The Bank is expecting a favourable decision.
- 16.3 Assistant Commissioner, Sindh Revenue Board (SRB) passed the order on 11.07.2019 for the period January 2013 to December 2013 creating a demand of Rs 2.75 million. On 03.06.2019, payment of impugned tax amounting to Rs. 2.75 million was made, under protest, to avail the SRB Amnesty Scheme. Bank filed appeal before Commissioner (Appeals), SRB. Main Appeal heard and further adjourned to 12.08.2022 but remained undecided and appeal/case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I) on 30.06.2022, being time barred at the Commissioner Appeals. The Bank is expecting a favourable decision.
- 16.4 Assistant Commissioner, Sindh Revenue Board (SRB) passed the order on 24.01.2020 for the period of January 2014 to December 2014 which created a demand of Rs.54.6 million. On 03.06.2019 payment of impugned tax was made for Rs. 2.86 million, under protest, to avail the SRB Amnesty Scheme. Bank filed appeal before Commissioner (Appeals), SRB. Main Appeal heard and further adjourned to 12.08.2022 but remained undecided and appeal/case has been transferred to Appellate Tribunal by the Commissioner (Appeals-I) on 30.06.2022, being time barred at the Commissioner Appeals. The Bank is expecting a favourable decision.



	Note	2023 Rupees in '000	2022
17	BILLS PAYABLE		
	In Pakistan	<u>2,605,372</u>	<u>580,505</u>
18	BORROWINGS		
	Secured		
	Borrowing from State Bank of Pakistan (SBP)		
	Redeemable preference shares	18.2 54,461,536	54,461,536
	Repurchase agreement borrowings	18.3 330,098,427	291,048,185
	Repurchase agreement borrowings - others	18.4 <u>14,239,236</u>	<u>1,988,992</u>
	Total secured	<u>398,799,199</u>	<u>347,498,713</u>
	Unsecured		
	Call borrowings	18.5 <u>1,078,500</u>	<u>7,400,000</u>
		<u>399,877,699</u>	<u>354,898,713</u>
18.1	Particulars of borrowings with respect to currencies		
	In local currency	<u>399,877,699</u>	<u>354,898,713</u>
18.2	Redeemable preference shares have been issued to SBP carrying mark-up of 7.5% per annum, redeemable on March 7, 2027. The principal of the preference shares and return thereon is guaranteed by the Federal Government of Pakistan.		
18.3	These carry markup at the rate of 22.04% to 23% (2022: 15.24% to 16.26%) per annum and is secured against Market Treasury Bills having face value amounting to Rs. 249,000 million (2022: Rs.47,700 million) and Pakistan Investment Bonds amounting to Rs.125,000 million (2022: Rs.253,000 million). These are repayable by January 2024 (2022: January to March 2023).		
18.4	These carry markup at the rate of 22% to 22.85% (2022: 16%) per annum and are secured against Market Treasury Bills having face value amounting to Rs. 10,000 million and Pakistan Investment Bonds having face value amounting to Rs. 6,071 million (2022: Market Treasury Bills having face value amounting to Rs. 2,000 million) . These are repayable by January 2024 (2022: January 2023).		
18.5	These carry markup at the rate of 20.80% to 21.00% (2022: 15% to 16.26%) per annum. These are repayable by January 2024 (2022: January to February 2023).		

	2023 Rupees in '000	2022
19	DEPOSITS AND OTHER ACCOUNTS	
	Customers - local currency	
	Current deposits	6,104,401
	Saving deposits	13,064,116
	Term deposits	32,977,305
	Others	37,255
		<u>52,183,077</u>
	Financial Institutions - local currency	
	Current deposits	75,364
	Saving deposits	3,604,856
	Term deposits	-
		<u>3,680,220</u>
		<u>55,863,297</u>
		<u>43,006,537</u>
		<u>46,127,301</u>

	2023	2022
	Rupees in '000	
19.1 Composition of deposits		
- Individuals	3,533,441	2,801,247
- Government (Federal and Provincial)	5,426,031	11,701,794
- Public sector entities	16,887,956	7,431,419
- Banking companies	-	-
- Non-Banking Financial Institutions	3,680,220	3,120,764
- Private sector	26,335,649	21,072,077
	<u>55,863,297</u>	<u>46,127,301</u>

19.2 These include deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs. 12,735.196 million (2022: 10,369.581 million).

	Note	2023	2022
		Rupees in '000	
20 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency on:			
- borrowings		5,050,416	4,326,579
- deposits and other accounts		2,336,538	710,988
Accrued expenses		1,162,422	942,134
Branch adjustment account		-	304,480
Net liabilities relating to Bangladesh	20.1	189	189
Payable to Ministry of Food Agriculture & Livestock	20.2	168,000	168,000
Provision for:	38.6.1		
- pension scheme		5,845,680	7,633,256
- employees' post retirement medical benefits		9,409,455	10,063,017
- employees' compensated absences		1,926,253	2,087,516
- gratuity scheme of the company		372,811	345,523
Due to Islamic Banking		114,491	442
Security deposits		38,997	22,666
Deferred income	20.3	9,535	10,038
Lease liability against right-of-use assets		983,391	907,653
Others	20.4	1,387,738	1,423,392
		<u>28,805,916</u>	<u>28,945,873</u>

20.1 Net liabilities relating to Bangladesh

Liabilities		1,982,916	1,953,546
Assets		(1,982,727)	(1,953,357)
	20.1.1	<u>189</u>	<u>189</u>

20.1.1 This represents the amount relating to the activities of the Bank in Bangladesh (former East Pakistan) before its separation. In accordance with the Finance Division letter No. F.5(12)PEC(op-FR)/78-236 dated May 6, 1979 the Bank has to calculate interest on the loans made in Bangladesh as it does in the case of corresponding borrowings made from the SBP. Instead of carrying the interest to profit and loss account, the Bank shows it in the statement of financial position only. The Bank is accruing interest at the rate of 8% per annum on its loans and advances made in Bangladesh with contra increase in its liabilities relating to its activities in Bangladesh. However, the Bank has no control over these assets.

20.2 This represents payable under Crop Maximization Project - Productivity Enhancement on Sustainable Basis.

	Note	2023	2022
		Rupees in '000	
20.3 Deferred income			
Opening balance		10,038	10,566
Amortization during the year	28	(503)	(528)
Closing balance		<u>9,535</u>	<u>10,038</u>

20.3.1 Deferred income comprises the grants from the Asian Development Bank via Government of Pakistan for Rural Support Development Finance Project (RSDFP).

20.4 These represent various payables which include insurance claims payable / adjustable against the loan liability of the borrowers, withholding taxes, contribution received from borrowers, clearing proceeds payable etc.

21 SHARE CAPITAL

21.1 Authorized capital

2023	2022	2023	2022
Number of shares		Rupees in '000	
<u>12,500,000,000</u>	<u>12,500,000,000</u>	<u>125,000,000</u>	<u>125,000,000</u>
Ordinary and Preference shares of Rupees 10 each			

21.2 Issued, subscribed and paid up capital

2023	2022		2023	2022
Number of shares			Rupees in '000	
1,186,961,201	1,186,961,201	Ordinary shares of Rupees 10 each		
65,282,866	65,282,866	- fully paid in cash	11,869,612	11,869,612
4,015,599,174	4,015,599,174	- Issued as bonus shares	652,828	652,828
5,267,843,241	5,267,843,241	- Issued against loan from SBP	40,155,992	40,155,992
			<u>52,678,432</u>	<u>52,678,432</u>

21.3

Shareholder	No. of ordinary shares	Paid-up value per share	2023	2022
State Bank of Pakistan	4,015,599,174	10	40,155,992	40,155,992
Government of Pakistan	1,251,189,067	10	12,511,891	12,511,891
Government of Punjab	292,340	10	2,923	2,923
Government of Sindh	125,545	10	1,255	1,255
Government of Khyber Pakhtunkhwa	71,740	10	717	717
Government of Balochistan	37,875	10	379	379
Erstwhile East Pakistan	527,500	10	5,275	5,275
	<u>5,267,843,241</u>		<u>52,678,432</u>	<u>52,678,432</u>

rafar

22 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

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

Quoted investments	3,442,514	2,438,038
Other securities	(262,021)	(834,829)
Surplus on revaluation of available-for-sale securities	3,180,493	1,603,209
Deferred tax on surplus on revaluation of available-for-sale securities	(1,558,442)	(689,381)
	1,622,051	913,828

23 CONTINGENCIES AND COMMITMENTS

23.1 Contingent liabilities

In respect of cases filed against the Bank:

23.1.1 by borrowers; 606 (2022: 489) cases	402,962	355,489
23.1.2 by employees; 468 (2022: 434) cases	271,387	281,681
	774,349	637,170

23.2.1 The Assessment Officer issued an order under sections 161/205, creating an initial demand of Rs. 7.714 million for the Tax Year 2004. However, following appeals and proceedings led to an increase in the demand to Rs. 10.105 million. The matter is currently under litigation at the Supreme Court of Pakistan. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

23.2.2 The Bank contested taxation matters for Assessment Years 2002-2003 and Tax Years 2003-2009. Appellate Tribunal Inland Revenue, Islamabad favoured the Bank, resulting in net refunds of Rs. 4,640.154 million. Reference applications filed by CIR were decided by Islamabad High Court, Islamabad. Due to this order only in Tax Year 2007, Assessment Officer created a Rs. 24.876 million demand based on High Court directives. The Bank appealed to CIR(A), who remanded the issues to assessment officer. These all cases are currently under litigation at the Supreme Court of Pakistan. Creating provision for income tax cases, around Rs. 9,917.854 million. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

23.2.3 Deputy Commissioner Inland Revenue, u/s 122(5A), initially demanded Rs. 1,798.905 million for Tax Year 2008. However, after appeals and proceedings, the tax demand has now been converted into refund of Rs. 1,775.757 million. The matter is currently under litigation at the Islamabad High Court, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

23.2.4 Deputy Commissioner Inland Revenue, u/s 122(5A), initially demanded Rs. 1,057.652 million for Tax Year 2009. However, after appeals and proceedings, the tax demand has now been converted into refund of Rs. 755.824 million. The matter is currently under litigation at the Islamabad High Court, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

23.2.5 Deputy Commissioner Inland Revenue, u/s 161/205, initially demanded Rs. 27.792 million for Tax Year 2009. However, after appeals and proceedings, the tax demand has now been converted into refund of Rs. 16.752 million. The matter is currently under litigation at the Islamabad High Court, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

7/2021

- 23.2.6 Additional Commissioner Inland Revenue u/s 122(5A) initially raised demands of Rs. 1,150.617 million for Tax Year 2010. However, following appeals and proceedings, the initial tax demand has now been reduced to Rs. 419.221 million. The matter is currently under litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.7 Deputy Commissioner Inland Revenue, u/s 161/205, initially raised a demand of Rs. 429.747 million for Tax Year 2010. The matter is currently under litigation at the Islamabad High Court. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.8 Additional Commissioner Inland Revenue, u/s 122(5A), initially demanded Rs. 2,922.881 million for Tax Year 2011. However, following appeals and proceedings, the current tax demand is Rs. 181.617 million. The matter is currently under litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.9 Deputy Commissioner Inland Revenue, u/s 161/205, initially raised a demand of Rs. 208.337 million for Tax Year 2011. However, following appeals and proceedings, ATIR cancelled the order in favour of the Bank, resulting in a demand reduction to Rs. 7.527 million. The matter is currently under litigation at the Islamabad High Court, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.10 Additional Commissioner Inland Revenue, u/s 122(5A), initially raised demands of Rs. 2,037.114 million for Tax Year 2012. However, following appeals and proceedings, the tax liability has been converted into refund of Rs. 12.320 million. The matter is presently in litigation at both the Appellate Tribunal Inland Revenue, Islamabad and Islamabad High Court, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.11 Deputy Commissioner Inland Revenue, u/s 161/205, initially demanded Rs. 15.943 million for Tax Year 2012. However, following appeals and proceedings, the tax liability has been reduced to Rs. 3.892 million. The matter is currently awaiting appeal effects with the A.O. after the cancellation of the impugned order by the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.12 Additional Commissioner Inland Revenue initially demanded Rs. 4,920.168 million under section 161/205 for Tax Year 2013. However, following appeals and proceedings, the tax liability has been converted to refund Rs. 8.702 million. The matter is presently in litigation at both the Appellate Tribunal Inland Revenue, Islamabad and Islamabad High Court, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.13 Deputy Commissioner Inland Revenue, under section 122(5A), initially demanded Rs. 3,058.732 million for Tax Year 2014. However, following appeals and proceedings, the tax liability has been reduced to Rs. 889.140 million. The matter is remanded back by the CIR(A) to the Assessment Officer. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.14 Assessment Officer, u/s 161/205, initially demanded Rs. 3.076 million for Tax Year 2014. The matter is remanded back by the CIR(A) to the assessment officer. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

- 23.2.15 Deputy Commissioner Inland Revenue, u/s 122(5A), initially demanded Rs. 5,549.706 million for Tax Year 2015. However, following appeals and proceedings, the tax liability has been raised to Rs. Rs. 6,780.480 million. The matter is presently in litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.16 Assessment Officer, under sections 161/205, initially demanded Rs. 26.628 million for Tax Year 2015 under section 155 of the Income Tax Ordinance (ITO), 2001. After appeals, the reduced tax liability is now Rs. 14.183 million. The Bank has appealed to the Appellate Tribunal Inland Revenue, Islamabad. The second demand of Rs. 2.270 million under section 155. However, on appeal, the Commissioner of Inland Revenue (Appeals) subsequently remanded the case back to the Assessing Officer. The third demand of Rs. 0.412 million was raised under section 153(1)(b) of ITO, 2001. Subsequently, it has been cancelled by the Appellate Tribunal Inland Revenue (ATIR), but the appeal effect is awaited from the Assessing Officer. The fourth demand of Rs. 0.207 million was raised under section 153(1)(b). However, on appeal, the Commissioner of Inland Revenue (Appeals) subsequently remanded the case back to the Assessing Officer. The fifth demand of Rs. 9.495 million under section 149 has been annulled by the Commissioner of Inland Revenue (Appeals), but appeal effects are awaited from the Assessing Officer. The sixth demand of Rs. 63.469 million was raised under section 151. Following appeals and proceedings, the tax liability has been reduced to Rs. 27.155 million. However, the Bank filed a second appeal against this order. The Bank has not accounted for the demands as tax payables, as favourable decisions are expected.
- 23.2.17 The Additional Commissioner of Inland Revenue initially raised a demand u/s 122(5A) of Rs. 1,510,521 million for the Tax Year 2016. However, due to subsequent appeals and proceedings, the demand has been converted into a refund of Rs. 416.325 million. The matter is currently under litigation at the Appellate Tribunal Inland Revenue in Islamabad. The Additional Commissioner of Inland Revenue issued two assessments under sections 161/205 orders: one for Rs. 63.243 million under section 151 and another for Rs. 161.180 million under section 149 for Tax Year 2016. After appeals, the tax demand under section 151 was reduced to Rs. 60.377 million. Meanwhile, for the demand under section 149, the Commissioner annulled the orders, and the appeal effects are still pending. The bank filed a second appeal against the remaining demand of Rs. 60.377 million. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.18 Assessment Officer, under section 122(5A), initially raised a demand of Rs. 361.752 million for Tax Year 2017, but this order was rectified under section 221(1), resulting in a tax refundable of Rs. 679.294 million. The matter is presently under litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.19 The Assessment Officer, in accordance with section 122(5A), initially issued a demand of Rs. 12,870.191 million for Tax Year 2018. However, this order was subsequently revised due to an audit under section 177(1), resulting in a revised tax demand of Rs. 14,435.571 million. The matter is presently under litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.20 Assessment Officer, under section 122(5A), initially raised a demand of Rs. 983.653 million for Tax Year 2019. However, following subsequent appeals and proceedings, the demand has been reduced to Rs. 591.975 million. The matter is presently under litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

2020

- 23.2.21 The Assessment Officer, under section 122(5A), initially raised a demand of Rs. 4,085.176 million for Tax Year 2020. The matter is presently under litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.22 The Assessment Officer, under section 122(5A), initially raised a demand of Rs. 6,425.014 million for Tax Year 2021. The matter is presently under litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.23 The Assessment Officer, on May 4 and May 5, 2023, issued orders under section 4(B) and section 122(5A) of the Income Tax Ordinance, 2001, raising demands of Rs. 1,392.216 million and Rs. 3,384.615 million for the Tax Year 2022, respectively. Subsequently, the Assessment Officer rectified the order under section 221(1)/122(5A), resulting in an increased demand of Rs. 4,175.031 million. The matter is presently under litigation at the Appellate Tribunal Inland Revenue, Islamabad. Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.24 The Assessment Officer, under section 122(5A), initially raised a demand of Rs. 6,208.164 million for the Tax Year 2023. The matter is presently under litigation at the Commissioner Appeal Inland Revenue, Islamabad. The Bank has not accounted for the demand as tax payable, as a favorable decision is expected.
- 23.2.25 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. No provision has been recognized as the Bank is confident for a favourable outcome. In the latest development, Islamabad High Court(IHC) vide order No.FERA No.03/2014 and FERA No.02/2014 both dated February 6, 2023 decided the case in favour of the Bank for the Tax Year 2011 and 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.
- 23.2.26 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 ATIR in its order cancelled the Assessment Orders but 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.
- 23.2.27 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. ATIR deleted the addition on fixed assets on which tax amount of Rs. 13.768 million was involved and remanded back the advertisement expenses 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.

- 23.2.28 Commissioner, Punjab Revenue Authority (PRA) passed order relating to the period ended December 2016 creating a demand of Rs. 10.06 million. The Appellate Tribunal, PRA, while addressing the Bank's appeal, remanded back the case to the Assessment Officer. The Learned DC (PRA) created demand of Rs.10.3 million. The Appellate Tribunal (PRA) upheld the order passed by the Commissioner Appeals. The Bank has filed reference application before the Honourable Lahore High Court. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.29 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 favour 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.
- 23.2.30 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. The 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.
- 23.2.31 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 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.
- 23.2.32 Order was passed by Deputy Commissioner, FBR for Tax Year 2015/16 creating demand of Rs. 712 million. ATIR decided the case in favour of the bank. The department (FBR) has filed reference application before honourable Islamabad High Court. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.33 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). 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

- 23.2.34 Sales Tax Department (STD) served show cause notice dated March 16, 2023 for the tax period Jan to Dec 2018 vide which the Company was required to charge and pay sales tax on sales and services declared in income tax return at Rs. 1,289.021 million (this is inclusive of reimbursable expenses) for the tax year 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.184.792 million. The Company submitted reply on April 10, 2023 through tax consultant and an hearing was conducted on May 2, 2023 but decision is still pending. This unjustified tax demand is likely to be deleted. Hence, no provision has been made as the management is confident that the case will be decided in favor of the Company.

- 23.2.35 An order was passed by STD u/s 11(2) dated January 23,2023 vide which the Company was required to charge and pay sales tax on sales and services declared in income tax return at Rs. 1,137.505 million (this is inclusive of reimbursable expenses) for the tax year 2021, whereas, declared sales in sales tax return for the corresponding tax year stand at Rs. 121.633 million (this is only service charges) therefore sales tax amounting to Rs. 162.539 million is recoverable from the Company along with default surcharges and penalty amounting to Rs. 39.610 million and Rs. 8.252 million respectively. An appeal was filed before CIR (Appeal-IV) on Feb 2, 2023 and an hearing was conducted on July 6, 2023 but decision is still pending. This unjustified tax demand is likely to be deleted. Hence, no provision has been made as the management is confident that the decision will be decided in favor of the Company.
- 23.2.36 An order was passed by the STD u/s 122(5A) dated June 11, 2022 vide which the tax demand is raised of Rs. 8.684 million against erroneous refund adjustment made by the Company for the tax year 2016. An appeal was filed before CIR (Appeal-IV) who has annulled this unjustified demand vide order dated December 2, 2022. However, department has filed second appeal with ATIR, Islamabad which is pending for adjudication. No provision has been made as the management is confident that the decision will be decided in the favor of the Company.
- 23.2.37 An order was passed by the STD u/s 122 (5A) dated August 11, 2022 vide which the tax demand is raised of Rs. 35.167 million against erroneous refund adjustment made by the Company for the tax year 2017. An appeal was filed before CIR (Appeal-IV) based on favorable decision in same case for tax year 2016. No provision has been made as the management is confident that the decision will be decided in the favor of the Company.
- 23.2.38 The Officer Inland Revenue LTU, Islamabad has initiated proceedings against the Company under Section 161/205 of the Income Tax Ordinance, 2001 for the tax year 2009 and 2011 and created a demand of Rs.32 million. The Company submitted detailed reply in June 2015 against the show cause with complete documentary evidences, the case is pending for adjudication. No provision has been made as the management is confident that the decision of the case will be decided in the favor of Company.
- 23.2.39 The Company is facing claims launched in various Courts filed by the employees, pertaining to service promotion, dismissal from service and entry into company's premises and others. The matters are still pending before the Courts. As no financial impact is involved in most of the cases, therefore, the liability is not accurately quantifiable (2022: same as mentioned).

	2023	2022
	Rupees in '000	
23.3		
Commitments against		
Capital expenditure	417,926	404,071
Consultancy expenditure	5,628	5,628
24		
MARK-UP / RETURN / INTEREST EARNED		
Loans and advances	21,938,959	15,828,212
Investments	114,378,666	19,017,858
Securities purchased under resale agreement	1,707,104	1,685,051
Call money lendings	2,001,900	759,478
Balances with banks	2,287,499	2,135,540
Bai Muajjal income	1,964	10,256
	<u>142,316,092</u>	<u>39,436,395</u>

		2023	2022
	Note	Rupees in '000	
25	MARK-UP / RETURN / INTEREST EXPENSED		
	Deposits	7,832,101	3,479,719
	Redeemable preference shares - SBP	4,084,615	4,084,615
	Securities sold under repurchased agreement	104,147,978	16,907,440
	Call borrowings	1,621,298	187,742
	On lease liability against right-of-use assets	118,859	112,367
	Bank commission and other charges	15,622	10,324
		<u>117,820,473</u>	<u>24,782,207</u>
26	FEE AND COMMISSION INCOME		
	Branch banking customer fees	62,776	38,839
	Credit related fees	1,245,576	1,021,226
	Commission / exchange gain on remittances including home remittances	3,693	5,472
		<u>1,312,045</u>	<u>1,065,537</u>
27	GAIN ON SECURITIES		
	Realised	27.1	266,525
27.1	Realised gain on: Federal Government Securities		32,879
			<u>266,525</u>
28	OTHER INCOME		
	Rent on property		33,347
	Gain on sale of fixed assets - net		31,631
	Gain on sale of non banking assets - net	15.5.2	35,441
	Deferred income amortization	20.3	9,005
	Discount income		503
	Others	28.1	525,786
			<u>243,607</u>
			<u>847,689</u>
28.1	Other includes sale of scrap, sale of tender forms, recoveries against penalties imposed by SBP and private use of vehicles etc.		161,058
		2023	2022
	Note	Rupees in '000	
29	OPERATING EXPENSES		
	Total compensation expense	29.1	11,773,764
	Property expense		9,770,958
	Rent & taxes		18,513
	Insurance		13,949
	Utilities cost		16,212
	Repair and maintenance (including janitorial charges)		346,211
	Depreciation - right of use assets		216,796
	Depreciation	12.2	256,969
			36,556
			<u>891,257</u>
	Information technology expenses		709,503
	Software maintenance		76,084
	Hardware maintenance		84,972
	Depreciation	12.2	58,864
	Amortisation	13	58,258
	Network charges		131,772
			<u>409,950</u>
			<u>280,429</u>

	Note	2023 Rupees in '000	2022
Other operating expenses			
Directors' fees and allowances		19,277	8,131
Fees and allowances to Shariah Board		6,168	3,617
Legal and professional charges		205,392	209,539
Travelling and conveyance	78	121,584	114,834
NIFT clearing charges		22,974	19,801
Depreciation	12.2	123,673	147,093
Training and development		40,144	9,964
Postage and courier charges		31,776	24,872
Communication		29,213	34,756
Stationery and printing		81,396	60,223
Marketing, advertisement and publicity		40,268	17,603
Auditors Remuneration	29.2	7,535	7,390
Donations	29.3	-	86,400
Motor vehicle expenses		707,352	512,717
Others		163,969	154,685
		<u>14,675,692</u>	<u>12,172,515</u>
29.1 Total compensation expense			
Salaries		6,151,555	5,257,578
Cash bonus / awards etc.		1,008,984	752,816
Charge / (reversal) for defined benefit plans:	38.6.5		
- Pension scheme		1,370,721	1,379,452
- Benevolent scheme - officers / executives		211,396	(16,439)
- Benevolent scheme - clerical / non-clerical		(31,692)	(62,045)
- Gratuity under old staff regulations		-	(13,599)
- Gratuity scheme - staff regulation 2005		(25,681)	98,537
- Gratuity scheme of the Company		81,901	66,254
- Employees' compensated absences		100,739	98,266
		1,707,384	1,550,426
Contribution to defined contribution plan	38.1.9	44,425	40,329
Rent and house maintenance		459,103	462,194
Utilities		90,781	99,911
Medical	29.1.1	1,970,584	1,441,174
Conveyance		340,948	166,530
Grand Total		<u>11,773,764</u>	<u>9,770,958</u>

29.1.1 This includes post retirement medical benefit amounting to Rs. 1,733.045 million (2022: Rs. 1,207.603 million).

29.2 Auditors' remuneration

	2023 Rupees in '000	2022
Audit fee	2,242	2,227
Fee for half year review	582	531
Other certifications	2,310	2,310
Sales tax	821	742
Out of pocket expenses	1,580	1,580
	<u>7,535</u>	<u>7,390</u>

[Handwritten signature]

	Note	2023 Rupees in '000	2022
29.3 Donations			
Details of donations exceeding Rupees 0.5 million is as under;			
-Prime Minister Flood Relief Fund, Government of Pakistan		-	50,000
-Akhwat Islamic Micro Finance, Lahore		-	15,000
-Narcotics Control / Canteen Store Department, Government of Pakistan		-	20,000
-NED University, Karachi		-	600
		<u>-</u>	<u>85,600</u>
30 OTHER CHARGES			
Penalties imposed by SBP		<u>39,804</u>	<u>-</u>
31 PROVISIONS AND WRITE-OFFS - NET			
Provisions against loans & advances	11.3.4	4,427,486	3,840,195
Fixed assets charged-off		1,043	442
Provision / (reversal) against other assets - net	15.6.1	49,177	(24,773)
Bad debts written off directly		-	41
Recovery of written off / charged off bad debts		<u>(9,982,882)</u>	<u>(7,468,993)</u>
		<u>(5,505,176)</u>	<u>(3,653,088)</u>
32 TAXATION			
Current		7,939,826	4,886,576
Prior year		(8,047)	-
Deferred		<u>(1,235,340)</u>	<u>(2,527,546)</u>
	32.1	<u>6,696,439</u>	<u>2,359,030</u>
32.1 Relationship between income tax expense and accounting profit			
		2023	2022
		Rupees in '000	
Accounting profit for the year		<u>17,847,288</u>	<u>7,536,317</u>
Tax rate		<u>49%</u>	<u>43%</u>
Tax on accounting income		8,745,171	3,240,616
Tax effect of permanent differences			
Penalties imposed by SBP		13,931	-
Repair allowance and rent collection allowance allowed against rental income		(3,921)	(3,264)
		10,010	(3,264)
Tax effect of prior years		(8,047)	-
Others		(2,050,695)	(878,322)
Tax charge for the year		<u>6,696,439</u>	<u>2,359,030</u>
33 EARNINGS PER SHARE - BASIC AND DILUTED			
Profit after tax for the year - Rupees in '000		<u>11,150,849</u>	<u>5,177,287</u>
Weighted average number of ordinary shares		<u>5,267,843,241</u>	<u>5,267,843,241</u>
Earnings per share - basic and diluted (Rupees)		<u>2.12</u>	<u>0.98</u>
33.1 There is no dilutive effect on the basic earnings per share of the Bank.			

	Note	2023 Rupees in '000	2022
34 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	7	3,661,179	2,580,409
Balances with other banks	8	31,925,611	12,615,407
		<u>35,586,790</u>	<u>15,195,816</u>

		2023	2022
		Number	
35 STAFF STRENGTH			
Permanent		3,803	4,163
Contractual		3,327	3,388
Total staff strength		<u>7,130</u>	<u>7,551</u>

36 CREDIT RATING

VIS Credit Rating Company Limited in its report dated June 22, 2023 has reaffirmed credit rating of the Bank at AAA (2022: AAA) with stable outlook and short-term credit rating of A-1+ (2022: A-1+).

37 OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

	Note	2023 Rupees in '000	2022
Profit before taxation		17,847,288	7,536,317
Less: Dividend income		(135,730)	(142,082)
		<u>17,711,558</u>	<u>7,394,235</u>
Adjustments:			
Depreciation	12.2	219,093	232,562
Depreciation on right-of-use assets		256,969	255,892
Amortization	13	58,258	46,466
Amortization of deferred income	20.3	(503)	(528)
Markup on lease liability on right-of-use assets		118,859	112,367
Provisions and write-offs	31	4,477,706	3,815,905
Provision for employees post retirement medical benefits	38.6.5	1,733,045	1,207,603
Charge for defined benefit plans - net	29.1	1,707,384	1,550,426
Gain on securities		(266,525)	(32,879)
Gain on sale of operating fixed assets	28	(35,441)	(5,022)
		<u>8,268,845</u>	<u>7,182,792</u>
		<u>25,980,403</u>	<u>14,577,027</u>

7288

38 DEFINED BENEFIT AND CONTRIBUTION PLANS

The Group operates the following retirement benefit plans for its employees:

Pension Scheme - funded
Benevolent Scheme - funded
Employees Gratuity Scheme - funded
Post Retirement Medical Benefits - unfunded
Employees Compensated Absences - unfunded
Gratuity scheme of the Company
Defined Contribution Plan

38.1 Brief description of each fund is as follows:

38.1.1 Pension scheme

The Bank operates an approved pension scheme for employees who opted for the scheme introduced in year 1975 for clerical / non-clerical staff and in the year 1977 for officers / executives. The contributions are made on the basis of actuarial recommendation.

38.1.2 Benevolent scheme - officers

The Bank operates an approved funded benevolent scheme for all officers / executives of the Bank for which contributions are made at the rate of 2% of basic pay to a maximum of Rs. 200, by each officer / executive. Employee contributions are matched by an equal amount of contributions by the Bank. The Bank is also liable to meet any shortfall in the fund.

38.1.3 Benevolent scheme - staff

The Bank operates an approved funded benevolent scheme for all clerical / non-clerical staff for which contributions are made at different rates but not exceeding Rs. 100 by each employee. Employee contributions are matched by an equal amount of contributions by the Bank. The Bank is also liable to meet any shortfall in the fund.

38.1.4 Gratuity under old Staff Regulations - SSR 1961

For employees who opted for the scheme introduced in 1975 for clerical / non-clerical staff and in 1977 for officers / executives, the Bank operates an approved funded gratuity scheme in which monthly contributions, if the employee has less than ten years of service, are made by the Bank on the basis of actuarial recommendation. The assets and liabilities has been transferred to the pension scheme.

38.1.5 Gratuity under Staff Regulations - 2005 (SR-2005)

The Bank also operates a separate Gratuity Fund scheme, w.e.f. August 2006, established upon introduction of Staff Regulations - 2005 (SR-2005) for the employees governed under SR-2005. Contributions to this Fund are made by the Bank on the basis of actuarial valuation.

38.1.6 Post retirement medical benefits

The Bank provides post retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefits on the basis of actuarial valuation carried out by independent actuary by using Projected Unit Credit (PUC) method.

38.1.7 Employees compensated absences - unfunded

The liability of the Bank in respect of long-term employees compensated absences is determined based on actuarial valuation carried out using Projected Unit Credit (PUC) method.

38.1.8 Gratuity scheme of the Company

The scheme provides for terminal benefits for all permanent employees of the Company whose period of service is atleast one year. Employees are entitled to gratuity on the basis set out in the Company's staff regulations.

38.1.9 Defined contribution plan

The Bank operates an approved non-contributory provident fund (General Provident Fund) through an independent trust for 1,630 (2022: 1,885) employees who are governed under Staff Service Regulations 1961. Contributions to the fund are made only by employees at the rate of 8% of mean of pay scale per month.

The Bank also operates Contributory Provident Fund scheme introduced in 2006 (w.e.f. July 2006) for 2,127 (2022: 2,271) employees governed under SR-2005. Contributions to the Contributory Provident Fund are made by the employees and the Bank, if their remaining service is more than ten years from the date of option / appointment, at the rate of 2% of monetized salary per month. During the year, the Bank contributed Rs. 44,425 million (2022: Rs.40,329 million) in respect of this fund.

The Bank has contributory provident fund scheme for benefit of all its permanent employees. The Funds are maintained by the Trustees and all decisions regarding investments and distribution of income etc. are made by the Trustees independent of the Bank. The titles of the funds are as follow;

Employees Provident Fund;
Employees Provident Fund (Officers);
Employees Provident Fund (Staff); and
Employees Contributory Provident Fund

The size of the Funds at the reporting date was Rs. 6,721.05 million (2022: Rs. 6,057.80 million). As intimated by the Trustees, the cost of the investments made at year end amounts to Rs. 6,489.05 million (2022: Rs. 5,924.44 million) which is equal to 96.55% (2022: 97.80%) of the total fund size. The fair values of the investments amount to Rs. 6,721.05 million (2022: Rs. 6,057.80 million) at that date. The category wise break up of investment is given below:

	2023	2022
	Rupees in '000	
Term Deposit Receipts	5,434,300	3,037,000
Government securities	1,054,753	2,887,436
	<u>6,489,053</u>	<u>5,924,436</u>

38.2 Funding policy

Schemes are funded on the basis of actuarial recommendation subject to maximum permissible limits under Income Tax rules. Any deficit in defined benefit plans is to be met by the Bank.

38.3 Risks associated with defined benefit plans

Investment risk

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

Longevity risk

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

Salary increase risk

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

Withdrawal risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

38.4 Principal actuarial assumption

Latest actuarial valuation is carried out as at December 31, 2023. The actuarial valuations were made using the Projected Unit Credit (PUC) method based on the following significant assumptions:

	2023	2022
 %	
Valuation discount rate - pension & medical scheme under SSR-1961	15.50	14.50
Valuation discount rate - all other schemes	15.50	14.50
Expected rate of increase in salary	13.50	12.50
Expected rate of return on plan assets - pension fund	15.50	14.50
Expected rate of return on plan assets - other funds	15.50	14.50
Expected rate of increase in pension	11.25	10.25
Expected rate of medical inflation - allowances	15.50	12.50
Expected rate of medical inflation - hospitalization	13.50	14.50

38.5 Number of employees under the scheme

The number of employees (including beneficiaries) covered under the following defined benefit schemes are:

	2023	2022
	Number	
- Pension Scheme - funded	4,915	4,996
- Benevolent Scheme (officers) - funded	3,439	4,846
- Benevolent Scheme (staff) - funded	318	893
- Gratuity under old Staff Regulations - SSR 1961	-	-
- Gratuity under Staff Regulations - 2005 (SR-2005)	2,127	2,271
- Post Retirement Medical Benefits - unfunded	7,036	6,093
- Employees Compensated Absences - unfunded	3,757	4,156
- Gratuity scheme of the Company	1,457	1,497



38.6 Defined benefit plans

38.6.1 Reconciliation of payable to / (receivable from) defined benefit plans

		2023						
Note	Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company
		Officers	Staff	SSR-1961	SR-2005			
		Rs. in '000						
38.6.2	18,827,410	896,883	123,702	-	1,638,864	9,409,455	1,926,253	372,811
38.6.3	(12,981,730)	(1,249,176)	(833,511)	-	(2,779,858)	-	-	-
38.6.4	5,845,680	(352,293)	(709,809)	-	(1,140,994)	9,409,455	1,926,253	372,811
		352,293	709,809	-	-	-	-	-
	5,845,680	-	-	-	(1,140,994)	9,409,455	1,926,253	372,811
		2022						
		Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company
		Officers	Staff	SSR-1961	SR-2005			
		Rs. in '000						
Present value of defined benefit obligation	19,771,309	628,540	105,587	-	1,588,063	10,063,017	2,087,516	345,523
Fair value of plan assets	(12,138,053)	(1,197,179)	(722,950)	-	(2,293,810)	-	-	-
	7,633,256	(568,639)	(617,363)	-	(705,747)	10,063,017	2,087,516	345,523
		568,639	617,363	-	-	-	-	-
Unrecognized due to impact of asset ceiling	-	-	-	-	-	-	-	-
Net liability / (asset)	7,633,256	-	-	-	(705,747)	10,063,017	2,087,516	345,523

Handwritten signature/initials

38.6.2 Movement in defined benefit obligations

	2023									
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company	Rs. in '000		
	Officers	Staff	SSR-1961	SR-2005						
Obligations at the beginning of the year	19,771,309	628,540	105,587	-	1,588,063	10,063,017	2,087,516	345,523		
Current service cost	276,671	37,932	2,409	-	162,504	321,764	48,951	33,777		
Interest cost	2,756,457	76,587	12,833	-	140,011	1,411,281	215,850	48,124		
Past service cost	-	262,780	56,800	-	-	-	-	-		
Benefits paid	(1,522,523)	(200,712)	(34,171)	-	(228,530)	(369,657)	(262,003)	(12,893)		
Contribution - employees	-	(8,028)	(1,290)	-	-	-	-	-		
Re-measurement loss / (gain)	(2,454,504)	99,784	(18,466)	-	(23,184)	(2,016,950)	(164,062)	(41,721)		
Obligations at the end of the year	18,827,410	896,883	123,702	-	1,638,864	9,409,455	1,926,253	372,811		
	2022									
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company	Rs. in '000		
Pension	Officers	Staff	SSR-1961	SR-2005						
Obligations at the beginning of the year	21,162,181	776,160	121,680	-	1,625,653	7,964,423	2,229,620	303,966		
Current service cost	321,996	40,075	3,245	-	165,786	294,524	50,930	31,516		
Interest cost	2,392,443	84,524	13,532	-	175,656	913,079	247,860	34,738		
Benefits paid	(1,601,924)	(113,618)	(13,029)	-	(261,421)	(387,079)	(240,371)	(27,608)		
Contribution - employees	-	(8,358)	(1,487)	-	-	-	-	-		
Re-measurement loss / (gain)	(2,503,387)	(150,243)	(18,354)	-	(117,611)	1,278,070	(200,523)	2,911		
Obligations at the end of the year	19,771,309	628,540	105,587	-	1,588,063	10,063,017	2,087,516	345,523		



38.6.3 Movement in fair value of plan assets

2023

Note	Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company	
		Officers	Staff	SSR-1961	SR-2005				
		Rs. in '000							
Fair value at the beginning of the year	12,138,053	1,197,179	722,950	-	2,293,810	-	-	-	
Interest income on plan assets	1,662,407	157,875	102,444	-	328,196	-	-	-	
Benefits paid	(1,522,523)	(200,712)	(34,171)	-	(228,530)	-	-	-	
Contributions - employer	176,172	8,028	1,290	-	167,750	-	-	-	
Contributions - employees	-	8,028	1,290	-	-	-	-	-	
Transferred from gratuity to pension	-	-	-	-	-	-	-	-	
Re-measurements: Net return on plan assets	-	-	-	-	-	-	-	-	
over interest income gain / (loss)	38.6.5.2	527,621	78,778	39,708	-	-	-	-	
Fair value at the end of the year	12,981,730	1,249,176	833,511	-	2,779,858	-	-	-	

2022

Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company
	Officers	Staff	SSR-1961	SR-2005			
	Rs. in '000						
Fair value at the beginning of the year	12,062,461	1,177,638	663,198	115,744	2,105,447	-	-
Interest income on plan assets	1,334,987	132,680	77,335	13,599	242,905	-	-
Benefits paid	(1,601,924)	(113,618)	(13,029)	-	(261,421)	-	-
Contributions - employer	200,182	8,358	1,487	-	185,085	-	-
Contributions - employees	-	8,358	1,487	-	-	-	-
Transferred from gratuity to pension	122,876	-	-	(122,876)	-	-	-
Re-measurements: Net return on plan assets	-	-	-	-	-	-	-
over interest income gain / (loss)	38.6.5.2	19,471	(16,237)	(7,528)	(6,467)	-	-
Fair value at the end of the year	12,138,053	1,197,179	722,950	-	2,293,810	-	-

38.6.4 Movement in payable / (receivable) under defined benefit schemes

		2023						2022							
Note	Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company
		Officers	Staff	SSR-1961	SR-2005				SSR-1961	SR-2005	SSR-1961	SR-2005			
		Rs. in '000													
	Opening balance														
38.6.5.1	Charge / (reversal) for the year	7,633,256	-	-	-	(705,747)	10,063,017	2,087,516	345,523						
	Re-measurement loss / (gain) recognised in OCI during the year	1,370,721	211,396	(31,692)	-	(25,681)	1,733,045	100,739	81,902						
38.6.5.2	Contribution to fund / benefits paid	(2,982,125)	(203,368)	32,982	-	(241,816)	(2,016,950)	-	(41,721)						
	Transferred from gratuity to pension	(176,172)	(8,028)	(1,290)	-	(167,750)	(369,657)	(262,003)	(12,893)						
	Closing balance	5,845,680	-	-	-	(1,140,994)	9,409,455	1,926,252	372,811						
2022															
	Opening balance	9,099,720	-	-		(479,794)	7,964,423	2,229,621	303,966						
	Charge / (reversal) for the year	1,379,452	(16,439)	(62,045)		98,537	1,207,603	98,266	66,254						
	Re-measurement loss / (gain) recognised in OCI during the year	(2,522,858)	24,797	63,532		(139,405)	1,278,070	-	2,911						
	Contribution to fund / benefits paid	(200,182)	(8,358)	(1,487)		(185,085)	(387,079)	(240,371)	(27,608)						
	Transferred from gratuity to pension	(122,876)	-	-		122,876	-	-	-						
	Closing balance	7,633,256	-	-		(705,747)	10,063,017	2,087,516	345,523						

Handwritten signature/initials

38.6.5 Charge / (reversal) for defined benefit plans

38.6.5.1 Cost recognised in profit and loss

	2023						
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company
	Officers	Staff	SSR-1961	SR-2005			
Current service cost	276,671	37,932	2,409	-	321,764	48,951	33,777
Net interest on defined benefit asset / liability	1,094,050	(81,288)	(89,611)	-	1,411,281	215,850	48,124
Actuarial (Gain) / Losses	-	-	-	-	-	(164,062)	-
Past service cost	-	262,780	56,800	-	-	-	-
Contributions - employees	-	(8,028)	(1,290)	-	-	-	-
	1,370,721	211,396	(31,692)	-	1,733,045	100,739	81,901

	2022						
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company
	Officers	Staff	SSR-1961	SR-2005			
Current service cost	321,996	40,075	3,245	-	294,524	50,929	31,516
Net interest on defined benefit asset / liability	1,057,456	(48,156)	(63,803)	(13,599)	913,079	247,860	34,738
Actuarial (Gain) / Losses	-	-	-	-	-	(200,523)	-
Contributions - employees	-	(8,358)	(1,487)	-	-	-	-
	1,379,452	(16,439)	(62,045)	(13,599)	1,207,603	98,266	66,254

38.6.5.2 Re-measurements recognised in OCI during the year

	2023						
	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company
	Officers	Staff	SSR-1961	SR-2005			
Loss / (gain) on obligation : - experience adjustment	(2,454,504)	99,784	(18,466)	-	(23,184)	(2,016,950)	-
Return on plan assets over interest income	(527,621)	(78,778)	(39,708)	-	(218,632)	-	-
Asset ceiling adjustment	-	(224,374)	91,156	-	-	-	-
Total re-measurement recognised in OCI	(2,982,125)	(203,368)	32,982	-	(241,816)	(2,016,950)	(41,721)

2023

2022

Loss / (gain) on obligation :
 - financial assumptions
 - experience adjustment
 Return on plan assets over interest income
 Asset ceiling adjustment
 Total re-measurement recognised in OCI

38.6.6 Components of plan assets

Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company
	Officers	Staff	SSR-1961	SR-2005			
	Rs. in '000						
	(2,503,387)	(150,243)	(18,354)	-	-	-	-
	(19,471)	16,237	7,528	6,467	1,278,070	-	(33,900)
	-	158,803	74,358	-	-	-	-
	(2,522,858)	24,797	63,532	6,467	1,278,070	-	(33,900)
2023							
Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company
	Officers	Staff	SSR-1961	SR-2005			
	Rs. in '000						
	11,423,074	793,866	595,382	-	-	-	-
	1,891,474	523,744	250,506	-	-	-	-
	-	-	-	-	-	-	-
	13,314,548	1,317,610	845,888	-	-	-	-
2022							
Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of the Company
	Officers	Staff	SSR-1961	SR-2005			
	Rs. in '000						
	6,995,409	543,750	475,522	-	-	-	2,911
	4,506,271	653,429	247,428	-	-	-	-
	636,373	-	-	-	-	-	-
	12,138,053	1,197,179	722,950	-	-	-	2,911

Cash and cash equivalents - net
 Government securities
 Debtors and creditors

38.6.7 Sensitivity analysis

	Benevolent scheme				Gratuity		Post retirement medical	Employees compensated absences	Gratuity scheme of Company
	Pension	Officers	Staff	SSR-1961	SR-2005				
Current liability	18,827,410	896,883	123,702	-	1,638,864	9,409,455	1,926,253	372,811	
+1% discount rate	17,202,770	882,762	121,492	-	1,507,200	8,570,110	1,785,988	342,713	
-1% discount rate	20,757,020	911,897	126,045	-	1,795,110	10,401,388	2,091,357	407,357	
+1% salary increase	19,100,180	-	-	-	1,804,490	9,532,449	2,101,998	409,343	
-1% salary increase	18,569,050	-	-	-	1,497,350	9,297,636	1,774,801	340,549	
+1% pension increase / medical inflation rate	-	-	-	-	-	9,326,903	-	-	
-1% pension increase / medical inflation rate	-	-	-	-	-	8,104,754	-	-	
+10% withdrawal rates	-	-	-	-	1,640,090	-	-	373,714	
-10% withdrawal rates	-	-	-	-	1,637,630	-	-	371,875	
1 year mortality age set back	-	-	-	-	1,641,100	-	-	372,684	
1 year mortality age set forward	-	-	-	-	1,636,600	-	-	372,936	

38.6.8 Maturity profile

Weighted average duration of obligation (in years)	9.43	1.63	1.84	0	8.78	9.88 for SSR-1961 7.95 for SR-2005	7.92	8.85
--	------	------	------	---	------	---------------------------------------	------	------

38.6.9 Expected charge / (reversal) for next year

1,039,481	(21,103)	(98,416)	-	15,398	1,616,116	333,638	87,833
-----------	----------	----------	---	--------	-----------	---------	--------

38.6.10 Expected contribution for next year

456,905	12,302	1,294	-	380,208	-	-	-
---------	--------	-------	---	---------	---	---	---

39 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

39.1 Total Compensation Expense

Items	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non-Executives				
2023						
Fees and Allowances etc.	810	12,050		565	-	-
Managerial Remuneration:						
Salaries	-	-		5,077	10,915	96,117
Cash bonus / awards etc.	-	-		526	-	16,942
Charge for defined benefit plan	-	-		-	-	7,005
Contribution to defined contribution plan	-	-		-	940	1,443
Rent & house maintenance	-	-		-	7,555	1,941
Utilities	-	-		-	549	452
Medical	-	-		-	12	407
Conveyance	-	-		-	17,885	7,860
Club Facility	-	-		-	1,810	-
Drivers & Servants Salary	-	-		-	485	-
Total	810	12,050	3	6,168	39,211	142,470
Number of Persons	1	6	3	1	16	38
2022						
Fees and Allowances etc.	105	3,985		177	-	-
Managerial Remuneration:						
Salaries	-	-		3,440	22,694	62,895
Cash bonus / awards etc.	-	-		-	-	14,474
Charge for defined benefit plan	-	-		-	-	4,803
Contribution to defined contribution plan	-	-		-	-	816
Rent & house maintenance	-	-		-	12,481	1,607
Utilities	-	-		-	712	402
Medical	-	-		-	948	377
Conveyance	-	-		-	-	434
Club Facility	-	-		-	2,398	-
Leave fare assistance	-	-		-	3,404	-
Total	105	3,985	3	3,617	42,637	99,733
Number of Persons	1	7	3	1	16	38

39.2 The Chief Executive, Key Management Personnel and other material risk takers / controllers, governed under SSR-1961, have been provided with Bank maintained cars whereas those governed by SR-2005, have been provided cars under Car Loan Depreciation Policy (CLDP).

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

2023

Sr. No.	Name of Director	Meeting Fees and Allowances Paid										Total Amount Paid
		For Board Meetings		For Annual General Meeting		For Board Committees					Total	
		Audit	Product Development & Marketing	Audit	General Meeting	Information Technology & Agriculture Technology	Nomination	Human Resource Management	Procurement	Risk		
Rupees in '000												
1	Mr. Naeemuddin Khan	440	160	-	60	-	-	150	-	-	-	810
2	Syed Javed	840	320	300	170	180	-	930	60	295	3,095	
3	Mr. Zaigham Mahmood Rizvi	840	320	300	230	-	-	930	120	295	3,035	
4	Mr. Haaris Mahmood Chaudhary	680	320	240	-	180	-	810	120	-	2,350	
5	Mr. Ahmed Taimoor	600	160	240	-	60	-	630	120	270	2,080	
6	Muhammad Aslam Ghauri	240	160	60	-	-	-	240	-	25	725	
7	Mr. Zafar Hasan	400	160	-	85	120	-	-	-	-	765	
	Total	4,040	1,600	1,140	545	540	-	3,690	420	885	12,860	

2022

Sr. No.	Name of Director	Meeting Fees and Allowances Paid										Total Amount Paid
		For Board Meetings		For Annual General Meeting		For Board Committees					Total	
		Audit	Product Development & Marketing	Audit	General Meeting	Information Technology & Agriculture Technology	Nomination	Human Resource Management	Procurement	Risk		
Rupees in '000												
1	Mr. Nadeem Lodhi	80	-	-	-	-	-	25	-	-	-	105
2	Syed Javed	360	40	175	125	-	-	175	-	125	1,000	
3	Mr. Zaigham Mahmood Rizvi	360	40	200	125	-	-	200	-	125	1,050	
4	Mr. Haaris Mahmood Chaudhary	360	40	200	-	-	-	200	-	-	800	
5	Mr. Abdul Ghufan	80	-	-	75	-	-	25	-	-	180	
6	Muhammad Aslam Ghauri	360	40	200	-	-	-	150	-	125	875	
7	Mr. Zafar Hasan	80	-	-	-	-	-	-	-	-	80	
	Total	1,680	160	775	325	-	-	775	-	375	4,090	

Handwritten signature

39.4 Remuneration paid to Shariah Board Members

Items	2023			2022		
	Chairman	Resident Member	Non-Resident Member	Chairman	Resident Member	Non-Resident Member
Meeting Fees and Allowances	243	140	182	-	-	177
Contractual salary	1,875	1,969	1,233	-	1,575	1,865
Cash bonus	207	131	188	-	-	-
Total	2,325	2,240	1,603	-	1,575	2,042
Total Number of Persons	1	1	1	0	1	1

22/5/2023

40 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.

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 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).

40.2 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 are shared 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.

40.3 Fair value of financial assets

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:

	2023			
	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	-	366,131,111	-	366,131,111
- Shares	3,531,810	-	-	3,531,810
- Debt securities (TFCs, Sukuk)	2,449,199	-	-	2,449,199
	<u>5,981,009</u>	<u>366,131,111</u>	<u>-</u>	<u>372,112,120</u>
	2022			
	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>

41 SEGMENT INFORMATION

41.1 Segment Details with respect to Business Activities:

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

	2023				
	Branch banking & agri financing	Treasury	Islamic banking	Kissan Support Services Limited	Total
	..... Rupees in '000				
Profit and Loss					
Net mark-up/return/profit	10,166,772	14,111,056	217,382	409	24,495,619
Inter segment revenue - net	2,356,901	(2,587,856)	-	230,955	-
Non mark-up / return / interest income	2,096,201	266,525	1,987	197,276	2,561,989
Total Income	14,619,874	11,789,725	219,369	428,640	27,057,608
Segment direct expenses	14,437,025	58,246	140,875	79,350	14,715,496
Inter segment expense allocation	(107,762)	-	-	107,762	-
Total expenses	14,329,263	58,246	140,875	187,112	14,715,496
Provisions	(5,505,176)	-	-	-	(5,505,176)
Profit before tax	5,795,787	11,731,479	78,494	241,528	17,847,288
Statement of Financial Position					
Cash and Bank balances	3,540,495	27,925,739	4,105,763	14,793	35,586,790
Investments	-	369,922,133	2,189,987	-	372,112,120
Net inter segment lendings	31,122,666	-	-	1,556,105	32,678,771
Lendings to financial institutions	-	5,960,700	600,000	-	6,560,700
Advances - performing	85,398,098	-	-	-	85,398,098
- non-performing (net of provision)	20,109,562	-	-	-	20,109,562
Others	34,764,340	7,500,019	237,019	156,873	42,658,251
Total Assets	174,935,161	411,308,591	7,132,769	1,727,771	595,104,292
Borrowings	54,461,536	344,337,663	1,078,500	-	399,877,699
Subordinated debt	-	-	-	-	-
Deposits & other accounts	50,756,424	-	5,106,873	-	55,863,297
Net inter segment borrowing	1,556,105	30,522,666	500,000	100,000	32,678,771
Others	27,078,576	3,730,261	83,237	519,214	31,411,288
Total Liabilities	133,852,641	378,590,590	6,768,610	619,214	519,831,055
Equity	72,517,466	1,622,051	25,163	1,108,557	75,273,237
Total Equity & Liabilities	206,370,107	380,212,641	6,793,773	1,727,771	595,104,292
Contingencies & Commitments	71,735,770	-	-	278,007	72,013,777

RSB

	2022				
	Branch banking & agri financing	Treasury	Islamic banking	Kissan Support Services Limited	Total
	..... Rupees in '000				
Profit and Loss					
Net mark-up/return/profit	8,373,818	6,179,029	100,652	689	14,654,188
Inter segment revenue - net	1,347,308	(1,464,705)	-	117,397	-
Non mark-up / return / interest income	1,221,037	32,879	399	147,241	1,401,556
Total Income	10,942,163	4,747,203	101,051	265,327	16,055,744
Segment direct expenses	12,002,009	43,679	61,369	65,458	12,172,515
Inter segment expense allocation	(121,510)	-	-	121,510	-
Total expenses	11,880,499	43,679	61,369	186,968	12,172,515
Provisions	(3,653,088)	-	-	-	(3,653,088)
Profit before tax	2,714,752	4,703,524	39,682	78,359	7,536,317
Statement of Financial Position					
Cash and Bank balances	2,547,857	12,549,331	81,584	17,044	15,195,816
Investments	-	304,981,662	1,868,023	-	306,749,685
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	358,800,331	4,561,120	1,494,774	532,040,214
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

41.2 Segment Details with respect to geographical locations

The Bank operates only in Pakistan and hence no geographical location wise disclosure is presented.

42 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

43 RELATED PARTY TRANSACTIONS AND BALANCES

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

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 disclosed in note 38 to these financial statements. Remuneration to the executives are determined in accordance with the terms of their appointment. Compensation to President, directors and executives and disposal of vehicles to employees are disclosed in note 39 and note 12.6 to these financial statements respectively. Details of transactions with related parties and balances with them other than those disclosed in these financial statements are as under:

	Key management personnel		Defined Benefit Plans		Agricultural Technology Development Fund	
	2023	2022	2023	2022	2023	2022
..... Rupees in '000						
Investments	-	-	-	-	-	-
Advances						
Opening balance	34,458	39,528	-	-	-	-
Addition	78,570	11,845	-	-	-	-
Repaid	(58,031)	(16,915)	-	-	-	-
Closing balance	54,997	34,458	-	-	-	-
Other assets						
Interest / mark-up accrued	10,608	9,397	-	-	-	-
Receivable at the end of the year	-	-	1,140,994	705,747	-	-
Deposits and other accounts						
Opening balance	2,687	7,967	9,126,458	10,239,704	236,986	219,488
Received during the year	219,470	184,396	35,825,178	38,047,598	483,205	422,633
Withdrawn during the year	(220,072)	(189,676)	(32,950,161)	(39,160,844)	(445,901)	(405,135)
Closing balance	2,085	2,687	12,001,475	9,126,458	274,290	236,986
Other liabilities						
Interest / mark-up payable	-	-	430,719	252,017	14,979	9,295
Payable at the end of the year	-	-	17,181,388	19,783,789	-	-
Income						
Mark-up / interest earned	2,302	1,526	-	-	-	-
Rental income	-	-	-	-	-	-
Expense						
Mark-up / interest paid	-	-	1,708,385	1,029,592	38,150	17,919
Compensation	164,577	135,268	-	-	-	-
Post retirement benefit	5,880	6,508	-	-	-	-
Contribution to defined benefit plan	1,221	1,133	-	-	-	-
Cost of services rendered	-	-	-	-	-	-

43.1 Transactions with Government related entities

The Federal Government through SBP holds controlling interest in the Group 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.

Handwritten signature

44 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2023	2022
	... Rupees in '000 ...	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>63,021,708</u>	<u>51,474,650</u>
Capital Adequacy Ratio:		
Eligible Common Equity Tier 1 (CET 1) Capital	66,784,561	49,561,886
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	66,784,561	49,561,886
Eligible Tier 2 Capital	<u>3,425,817</u>	<u>2,476,117</u>
Total Eligible Capital (Tier 1 + Tier 2)	70,210,378	52,038,003
Risk Weighted Assets (RWAs):		
Credit Risk	144,301,307	124,983,113
Market Risk	7,063,625	5,054,675
Operational Risk	<u>34,927,413</u>	<u>24,428,975</u>
Total	<u>186,292,345</u>	<u>154,466,763</u>
Common Equity Tier 1 Capital Adequacy Ratio	<u>35.85%</u>	<u>32.09%</u>
Tier 1 Capital Adequacy Ratio	<u>35.85%</u>	<u>32.09%</u>
Total Capital Adequacy Ratio	<u>37.69%</u>	<u>33.69%</u>

SBP through its BSD Circular No. 07 dated April 15, 2009 requires the minimum paid-up capital (free of losses) for all locally incorporated banks to be raised to Rs. 10 billion by the year ended on December 31, 2013. The paid-up capital of the Bank for the year ended December 31, 2023 stands at Rs. 52.678 billion and is in compliance with the SBP requirement. In addition, the banks are also required to maintain a minimum capital adequacy ratio (CAR) of 11.50% (2022: 11.50%) of the risk weighted exposure. The Bank's CAR as at December 31, 2023 is 37.69% (2022: 33.69%) of its risk weighted exposure.

	2023	2022
	... Rupees in '000 ...	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	66,784,561	49,561,886
Total exposures	<u>562,544,100</u>	<u>491,428,983</u>
Leverage ratio	<u>11.87%</u>	<u>10.09%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	43,825,505	28,539,604
Total Net Cash Outflow	<u>5,314,602</u>	<u>3,922,893</u>
Liquidity Coverage Ratio	<u>825%</u>	<u>728%</u>
Net Stable Funding		
Total Available Stable Funding	189,685,484	171,167,420
Total Required Stable Funding	<u>156,982,972</u>	<u>132,439,520</u>
Net Stable Funding Ratio	<u>121%</u>	<u>129%</u>

The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time is placed on the website of the Bank. The link to the full disclosure is available at <http://www.ztbl.com.pk>.

45 RISK MANAGEMENT

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

Risk management is a dynamic process of identification, measurement and monitor and control risks with the aim to optimize risk-reward trade-off. The Bank has setup a centralized risk management function at the organizational level which encompasses a broader framework of risk committees, enterprise risk management division and its departments responsible for each category of risk i.e. Loan Review, IT risk, Collateral Management and Portfolio analytics covering Portfolio credit risk, market & liquidity risk, operational and equity position risks. The Bank's risk management function is independent of the business and operations and directly reports to the President through Chief Risk Officer. The Bank's systematic and integrated risk management function for each category of risk is as follows:

45.1 Credit risk

Credit risk is the risk of financial losses arising when a customer or counterparty is unable or unwilling to perform as per the contractual terms resulting in reduction in portfolio. The Bank's credit appraisal structure is well-defined. Credit appraisal, approval and review methods are integral parts of lending operations. The credit portfolio is reviewed and analysed on quarterly basis and reports are submitted to the Management for decision making.

The Obligor Risk Rating (ORR) model for fresh borrowers is in place as the credit risk rating of the borrower is a concise indicator to evaluate Bank's credit exposure. An internal rating system categorizes all credits into various classes on the basis of underlying credit quality. The ultimate objective of the system is to generate accurate and consistent risk ratings and portfolio monitoring / analysis.

Regarding Basel Accords compliance, the Bank has implemented Standardized Approach (SA) for calculation of capital charge against credit risk weighted assets.

Particulars of bank's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

45.1.1 Lendings to financial institutions

Credit risk by public/ private Sector

	Gross Lending		Non-performing		Provision held	
	2023	2022	2023	2022	2023	2022
	..... Rupees in '000					
Public / Government	600,000	38,623,142	-	-	-	-
Private	5,960,700	1,000,000	-	-	-	-
	<u>6,560,700</u>	<u>39,623,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

22/05/23

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					
Power (electricity)	129,850	568,921	-	-	-	-
Financial	2,319,349	2,054,737	-	-	-	-
	2,449,199	2,623,658	-	-	-	-

Credit risk by public / private sector

Public / Government	-	-	-	-	-	-
Private	2,449,199	2,623,658	-	-	-	-
	2,449,199	2,623,658	-	-	-	-

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
Individuals

118,564,888	106,217,782	34,539,382	33,682,336	14,434,335	17,126,561
1,417,383	1,405,278	44,791	56,268	40,276	44,119
119,982,271	107,623,060	34,584,173	33,738,604	14,474,611	17,170,680

Credit risk by public / private sector

Public / Government	-	-	-	-	-	-
Private	119,982,271	107,623,060	34,584,173	33,738,604	14,474,611	17,170,680
	119,982,271	107,623,060	34,584,173	33,738,604	14,474,611	17,170,680

226x

45.1.4 Contingencies and Commitments

Credit risk by industry sector

Agriculture, Forestry, Hunting and Fishing
Individuals

2023 2022
Rupees in '000

71,742,390	51,165,593
271,387	281,681
<u>72,013,777</u>	<u>51,447,274</u>

Credit risk by public / private sector

Public / Government
Private

70,915,874	50,400,405
1,097,903	1,046,869
<u>72,013,777</u>	<u>51,447,274</u>

45.1.5 Concentration of Advances

The Bank's maximum credit limit to a single borrower amounts to Rs. 5 million which has been disbursed to number of borrowers, hence top 10 exposures is not being disclosed.

45.1.6 Advances - Province/Region-wise Disbursement & Utilization

Province / Region	2023						
	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Punjab	75,166,646	75,166,646	-	-	-	-	-
Sindh	10,395,537	-	10,395,537	-	-	-	-
KPK including FATA	3,512,979	-	-	3,512,979	-	-	-
Balochistan	488,207	-	-	-	488,207	-	-
Islamabad	-	-	-	-	-	-	-
AJK including Gilgit Baltistan	1,414,939	-	-	-	-	-	1,414,939
Total	90,978,308	75,166,646	10,395,537	3,512,979	488,207	-	1,414,939

..... Rupees in '000

2022

Utilization

Province / Region	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Punjab	59,684,400	59,684,400	-	-	-	-	-
Sindh	5,554,110	-	5,554,110	-	-	-	-
KPK including FATA	3,027,014	-	-	3,027,014	-	-	-
Balochistan	281,335	-	-	-	281,335	-	-
Islamabad	-	-	-	-	-	-	-
AJK including Gilgit-Baltistan	1,084,418	-	-	-	-	-	1,084,418
Total	69,631,277	59,684,400	5,554,110	3,027,014	281,335	-	1,084,418

..... Rupees in '000

45.2 Market Risk

The Bank is not involved in commercial activities like forex trading and derivative market operations. Investment portfolio of the Bank is being placed mainly in fixed income securities such as Market Treasury Bills, Pakistan Investment Bonds, etc. and the only market risk inherent in the said portfolio is interest rate risk which is being calculated through marking to market and further Bank's resilience is gauged through stress testing scenarios and interest rate sensitivity analysis.



45.2.1 Balance sheet split by trading and banking books

	2023		2022			
	Banking Book	Trading Book	Total	Banking Book	Trading Book	Total
Cash and balances with treasury banks	3,661,179	-	3,661,179	2,580,409	-	2,580,409
Balances with other banks	31,925,573	-	31,925,573	12,615,369	-	12,615,369
Lendings to financial institutions	6,560,700	-	6,560,700	39,623,142	-	39,623,142
Investments	372,212,120	-	372,212,120	306,849,685	-	306,849,685
Advances	105,507,660	-	105,507,660	90,452,380	-	90,452,380
Fixed assets	2,395,551	-	2,395,551	2,400,851	-	2,400,851
Intangible assets	255,925	-	255,925	73,159	-	73,159
Deferred tax assets	12,730,814	-	12,730,814	15,036,259	-	15,036,259
Other assets	27,028,949	-	27,028,949	21,461,189	-	21,461,189
	<u>562,278,471</u>	<u>-</u>	<u>562,278,471</u>	<u>491,092,443</u>	<u>-</u>	<u>491,092,443</u>

45.2.2 Foreign Exchange Risk

The Bank is not directly exposed to foreign exchange risk as the Bank is not engaged in foreign exchange operations. Foreign transactions, if any, are undertaken through SBP.

45.2.3 Equity Position Risk

The Bank's exposure towards equity risk is limited as only one security is held under its equity portfolio held under AFS category which is marked to market periodically to reflect associated price risk and further risk is being gauged through stress testing scenario quarterly.

	2023	2022
Banking Book		
Trading Book		
Total		
Banking Book		
Trading Book		
Total		
Impact of 5% change in equity prices on:		
- Profit and loss account	-	-
- Other comprehensive income	87,784	74,360

2023

45.2.4 Mismatch of interest rate sensitive assets and liabilities

The Bank's interest rate exposure originates from its investing and borrowing activities. Interest rate risk in the banking book is the risk of adverse changes in earnings and / or capital due to mismatched assets and liabilities in the banking book. The Asset and Liability Management Committee (ALCO) of the Bank monitors and controls mismatch of interest rate sensitive assets and liabilities. The Risk Management Department calculates duration and convexity measures to assess the impact of interest rate changes on its investment portfolio. Interest rate risk stress tests are conducted quarterly to assess the impact of a changes in the yield curve on Bank's capital.

	2023										Not exposed to yield / interest risk	
	Effective Yield / Interest rate	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
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		3,661,179	-	-	-	-	-	-	-	-	-	3,661,179
Balances with other banks	22.12%	31,925,573	31,925,573	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	22.55%	6,560,700	6,560,700	-	-	-	-	-	-	-	-	-
Investments - net	21.42%	372,112,120	549,065	-	-	1,366,497	267,979,705	61,597,173	10,505,704	25,452,389	1,129,777	3,531,810
Advances - net	20.55%	105,507,660	9,187,615	2,842,859	5,883,986	14,386,741	15,928,656	17,354,841	26,223,410	13,527,399	84,771	87,382
Other assets - net		23,922,227	-	-	-	-	-	-	-	-	-	23,922,227
		543,689,459	48,222,953	2,842,859	7,250,483	282,366,446	77,525,829	27,860,545	51,675,799	14,657,176	84,771	31,202,598
Liabilities												
Bills payable		2,605,372	-	-	-	-	-	-	-	-	-	2,605,372
Borrowings	20.34%	399,877,699	345,416,163	-	-	-	-	-	-	-	-	-
Deposits and other accounts	15.59%	57,169,073	21,206,801	327,815	7,895,060	20,784,506	82,430	3,940	54,461,536	51,500	600,000	6,217,021
Other liabilities		27,261,730	-	-	-	-	-	-	-	-	-	27,261,730
		486,913,874	366,622,964	327,815	7,895,060	20,784,506	82,430	3,940	54,513,036	600,000	-	36,084,123
On-balance sheet gap		56,775,585	(318,400,011)	2,515,044	(644,577)	261,581,940	77,443,399	27,856,605	(2,837,237)	14,057,176	84,771	(4,881,525)
Net non-financial assets		17,389,096	-	-	-	-	-	-	-	-	-	-
Total net assets		74,164,681	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield/ interest risk sensitivity gap		56,775,585	(318,400,011)	2,515,044	(644,577)	261,581,940	77,443,399	27,856,605	(2,837,237)	14,057,176	84,771	(4,881,525)
Cumulative yield / interest risk sensitivity gap		(318,400,011)	(318,400,011)	(315,884,967)	(316,529,544)	(54,947,604)	22,495,795	50,352,400	47,515,163	61,572,339	61,657,110	56,775,585
Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities:												
	Rupees in '000											
Total financial assets	543,689,459	Total financial liabilities	486,913,874									
Add non-financial assets:		Add non-financial liabilities:										
Investment in subsidiary company	100,000	Other liabilities	1,297,916									
Operating fixed assets and intangible	2,651,476	Total liability as per statement of financial position	488,211,790									
Deferred tax assets	12,730,814											
Other assets	3,204,722											
Total assets as per statement of financial position	562,376,471											

2058

Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk										Not exposed to yield / interest risk
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		

On-balance sheet financial instruments

Assets

Cash and balances with treasury

banks	2,580,409	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,580,409
Balances with other banks	12,615,369	12,615,369	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	16,309%	39,623,142	39,387,706	235,436	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments - net	16.499%	306,749,685	19,147,639	225,203,609	351,275	33,336,134	12,785,588	10,997,304	1,129,060	1,171,741	1,171,741	2,750,112	-	-	-	-	-	2,627,335
Advances - net	14.85%	90,452,380	9,344,293	6,234,951	8,741,522	15,444,365	14,456,555	14,117,032	19,197,177	2,750,112	2,750,112	-	-	-	-	-	-	101,862
Other assets - net		18,607,506	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,607,506

Liabilities

Bills payable	580,505	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	580,505
Borrowings	14.649%	354,898,713	67,871,739	232,565,438	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	9.529%	47,332,694	9,802,914	5,995,227	1,522,272	23,250,958	8,888	82,430	50,000	600,000	600,000	-	-	-	-	-	-	6,020,005
Other liabilities		27,248,706	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,248,706

On-balance sheet gap

Net non-financial assets		40,567,873	2,820,354	(6,886,669)	7,570,525	25,529,541	27,233,255	25,031,906	(34,185,299)	3,321,853	64,511	(9,932,104)	-	-	-	-	-	
Total net assets		19,144,700	59,712,573	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33,849,216

Off-balance sheet gap

Total yield / interest risk sensitivity gap		40,567,873	2,820,354	(6,886,669)	7,570,525	25,529,541	27,233,255	25,031,906	(34,185,299)	3,321,853	64,511	(9,932,104)	-	-	-	-	-
Cumulative yield / interest risk sensitivity gap			2,820,354	(4,066,315)	3,504,210	29,033,751	56,267,006	81,298,912	47,113,613	50,435,466	50,499,977	40,567,873	-	-	-	-	-

Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities:

	Rupees in '000	Rupees in '000
Total financial assets	470,628,491	430,060,618
Add non-financial assets:		
Investment in subsidiary company	100,000	1,319,252
Operating fixed assets and intangible	2,474,010	431,379,870
Deferred tax assets - net	15,036,259	-
Other assets	2,853,683	-
Total assets as per statement of financial position	491,092,443	862,759,540
Total financial liabilities		
Add non-financial liabilities:		
Other liabilities		
Total liability as per statement of financial position		

45.3 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. In order to manage operational issues, an Operational Risk Model (ORM) has been developed which comprises Key Risk Indicator (KRI), Control Self Assessment (CSA) and Operational Loss Event Data Collection. This model has been successfully implemented in all Bank wide entities. The data of the Operational Risk Model is collected and analysed on quarterly basis and results are elevated to senior management / Internal Risk Management Committee.

With regards to Basel Accords compliance, the Bank has implemented Basic Indicator Approach (BIA) to calculate capital charge against operational risk weighted assets. Disaster recovery and business continuity plan includes separate IT business continuity plan which caters to IT specific business continuity planning requirements.

45.4 Liquidity risk

Liquidity risk is the major risk for banks. It arises when the cushion provided by the liquid assets are not sufficient enough to meet its obligation. Liquidity risk is being calculated by maturity ladder of balance sheet items, liquidity stress testing, regulatory returns on liquidity standards under Basel III, and different analysis for management purpose.

20821

45.4.1 Maturities of assets and liabilities - Based on contractual maturity of the assets and liabilities of the Bank

2023

Assets	Total	Upto 1 day	Over 1 to 7	Over 7 to 14	Over 14 days	Over 1 to 2	Over 2 to 3	Over 3 to 6	Over 6 to 9	Over 9 months	Over 1 to 2	Over 2 to 3	Over 3 to 5	Above 5
			days	days	to 1 month	months	months	months	months	to 1 year	years	years	years	years
Cash and balances with treasury banks	3,661,179	3,661,179	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	31,925,573	31,925,573	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	6,560,700	-	6,560,700	-	-	-	-	-	-	-	-	-	-	-
Investments - net	372,212,120	-	-	-	-	-	-	-	-	-	-	-	-	-
Advances - net	105,507,660	1,755,765	164,639	266,226	3,779,604	2,131,591	594,813	4,496,000	32,905,900	233,582,761	17,710,000	50,615,750	26,677,751	6,223,938
Fixed assets	2,395,551	-	-	-	398,048	-	10,902	5,996,933	7,843,390	19,397,555	11,477,771	13,562,975	24,728,393	13,808,005
Intangible assets	255,925	-	-	-	-	-	-	29,024	-	81,388	122,260	206,332	451,217	1,096,380
Deferred tax assets - net	12,730,814	-	-	-	-	-	-	-	-	255,925	-	-	-	-
Other assets	27,126,949	439,447	31,601	59,096	8,031,654	2,067,443	1,295,350	817,428	2,522,752	12,730,814	471,733	141,300	95,043	94,460
Liabilities	562,376,471	37,781,964	6,756,940	325,322	12,209,306	4,199,034	1,901,065	11,339,385	43,272,042	277,108,085	29,781,764	64,526,357	51,952,404	21,222,803
Bills payable	2,605,372	2,605,372	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	399,877,699	-	201,916,163	143,500,000	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	57,169,073	23,056,422	-	-	4,367,500	150,427	177,388	7,895,060	991,135	19,793,271	82,430	4,240	54,461,536	-
Other liabilities	28,559,646	-	-	-	6,820,605	-	2,248,491	950,704	-	(1,759,841)	2,391,838	2,383,191	51,200	600,000
Net assets	488,211,790	25,661,794	201,916,163	143,500,000	11,188,105	150,427	2,425,879	8,845,764	991,135	18,033,430	2,474,268	2,387,431	59,449,163	10,588,231
Share capital	74,164,681	12,120,170	(195,159,223)	(143,174,678)	1,021,201	4,048,607	(524,814)	2,493,621	42,280,907	259,074,655	27,307,496	62,138,926	(7,496,759)	10,034,572
Reserves	52,678,432	9,520,922	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated loss	9,520,922	10,343,276	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	1,622,051	1,622,051	-	-	-	-	-	-	-	-	-	-	-	-
	<u>74,164,681</u>	<u>74,164,681</u>												

refer

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

..... Rupees in '000

Assets
Cash and balances with treasury banks
Balances with other banks
Lending to financial institutions
Investments - net
Advances - net
Fixed assets
Intangible assets
Deferred tax assets - net
Other assets

2,580,409	2,580,409	-	-	-	-	-	-	-	-	-	-	-	-
12,615,369	12,518,846	-	-	-	-	-	-	-	-	-	-	-	-
39,623,142	-	38,071,867	1,500,000	308,191	235,436	205,550,000	51,275	-	96,523	-	-	-	-
306,849,685	-	-	-	20,000,000	28,059,000	2,310,839	7,845,900	-	(543,627)	-	-	-	-
90,452,380	1,588,601	478,350	617,914	3,701,043	3,097,366	21,585,362	7,536,091	17,905,454	12,545,500	2,025,000	11,218,921	1,699,910	
2,400,851	-	-	-	725,258	-	17,458	5,341	6,809,433	13,336,747	9,503,391	17,457,126	2,430,117	
73,159	-	-	-	-	-	-	-	88,371	188,836	136,610	445,014	793,963	
15,036,259	-	-	-	-	-	-	-	15,036,259	55,903	17,256	-	-	
21,461,189	392,899	84,987	110,685	5,146,069	1,231,722	800,230	1,161,342	9,524,580	354,433	119,359	349,755	135,404	
491,092,443	17,080,755	38,635,204	2,228,599	29,880,561	32,623,524	208,678,527	30,649,220	9,585,815	48,916,993	26,481,419	11,801,616	29,470,816	5,059,394

Liabilities

Bills payable
Borrowings
Deposits and other accounts
Other liabilities

580,505	580,505	-	-	-	-	-	-	-	-	-	-	-	-
354,898,713	-	34,100,000	-	36,308,191	225,572,613	5,000,000	-	-	(543,627)	-	-	-	-
47,332,694	14,815,799	78,499	150,000	781,999	400,000	5,595,227	1,728,441	293,444	22,747,967	8,888	82,430	54,461,536	600,000
28,567,958	-	-	-	230,479	45,856	4,381,195	23,287	355,683	23,520,185	68	1,261	50,000	9,179

Net assets
Share capital
Reserves
Unappropriated profit
Surplus on revaluation of assets

431,379,870	15,396,304	34,178,499	150,000	37,320,669	226,018,469	14,976,422	1,751,728	649,127	45,724,525	8,956	83,691	54,512,301	609,179
59,712,573	1,684,451	4,456,705	2,078,599	(7,440,108)	(193,394,945)	193,702,105	28,897,492	8,936,688	3,192,468	26,472,463	11,717,925	(25,041,485)	4,450,215
	52,678,432												
	7,324,095												
	(1,203,782)												
	913,828												
	<u>59,712,573</u>												

72568

46 CORRESPONDING FIGURES

Corresponding figures have been rearranged, reclassified or additionally incorporated in these financial statements wherever necessary to facilitate comparison and better presentation.

47 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 04 MAR 2024 by the Board of Directors of the Bank.

48 GENERAL

The figures in the financial statements are rounded off to the nearest thousand rupees.


President


Chief Financial Officer


Director


Director


Director

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2023

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	CNIC number	Father's / husband's name	Outstanding liabilities at beginning of the year			Principal written off	Interest/ mark-up written-off / waived	Other financial relief provided	Total (10+11+12)	
					Principal	Interest / mark-up	Others					
1	2	3	4	5	6	7	8	9	10	11	12	13
0												
0												

NIL

..... Rupees in '000

Handwritten signature

ISLAMIC BANKING BUSINESS

The bank is operating 25 (2022: 5) Islamic banking branches and 10 (2022: NIL) Islamic branches windows at the end of the year.

	Note	2023 Rupees in '000	2022
ASSETS			
Cash and balances with treasury banks		282,787	54,914
Balances with other banks		3,822,976	26,670
Due from financial institutions	1	600,000	2,551,275
Investments	2	2,189,987	1,868,023
Islamic financing and related assets - net		-	-
Fixed assets		121,463	5,941
Intangible assets		-	-
Due from Head Office		-	-
Other assets		115,556	54,297
Total Assets		7,132,769	4,561,120
LIABILITIES			
Bills payable		1,367	1,367
Due to financial institutions		1,078,500	543,627
Deposits and other accounts	3	5,106,873	3,216,540
Due to Head Office	4	338,996	259,590
Subordinated debt		-	-
Other liabilities		81,870	58,798
		6,607,606	4,079,922
NET ASSETS		525,163	481,198
REPRESENTED BY			
Islamic Banking Fund		500,000	500,000
Reserves		-	-
Deficit on revaluation of assets		(23,039)	(25,955)
Accumulated profit	5	48,202	7,153
		525,163	481,198
CONTINGENCIES AND COMMITMENTS	6		

7261

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

	Note	2023 Rupees in '000	2022
Profit / return earned	7	1,299,771	377,751
Profit / return expensed	8	1,082,389	277,099
Net Profit / return		<u>217,382</u>	<u>100,652</u>
Other income			
Fee and Commission Income		1,966	399
Dividend Income		-	-
Foreign Exchange Income		-	-
Income / (loss) from derivatives		-	-
Gain on securities		21	-
Other Income		-	-
Total other income		<u>1,987</u>	<u>399</u>
Total Income		<u>219,369</u>	<u>101,051</u>
Other expenses			
Operating expenses		140,875	61,369
Workers Welfare Fund		-	-
Other charges		-	-
Total other expenses		<u>140,875</u>	<u>61,369</u>
Profit before provisions		<u>78,494</u>	<u>39,682</u>
Provisions and write offs - net		-	-
Profit before taxation		<u>78,494</u>	<u>39,682</u>
Taxation		37,445	19,231
Profit after taxation		<u><u>41,049</u></u>	<u><u>20,451</u></u>



	2023		2022			
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total

..... Rupees in '000

1 Due from Financial Institutions

Secured :

Bai Muajjal Receivable from State Bank of Pakistan
Unsecured

	-	-	-	51,275	-	51,275
	600,000	-	600,000	2,500,000	-	2,500,000
	600,000	-	600,000	2,551,275	-	2,551,275

2 Investments

2023

2022

	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

	1,756,345	-	(24,958)	1,731,387	1,325,057	-	(25,955)	1,299,102
--	-----------	---	----------	-----------	-----------	---	----------	-----------

Non Government Securities

Listed securities

	456,681	-	1,919	458,600	568,921	-	-	568,921
--	---------	---	-------	---------	---------	---	---	---------

Total investments

	2,213,026	-	(23,039)	2,189,987	1,893,978	-	(25,955)	1,868,023
--	-----------	---	----------	-----------	-----------	---	----------	-----------

Handwritten signature

2023 **2022**
Rupees in '000

3 Deposits

Customers - local currency

Current deposits	223,294	125,292
Savings deposits	4,723,567	2,952,183
Term deposits receipts	155,397	134,668
Others	4,615	4,397
	<u>5,106,873</u>	<u>3,216,540</u>
Financial Institutions		
Term deposits receipts	-	-
	<u><u>5,106,873</u></u>	<u><u>3,216,540</u></u>

3.1 Composition of deposits

- Individuals	899,046	216,489
- Non-Banking Financial Institutions	2,905,801	2,590,982
- Private Sector	1,162,869	52,223
-Govt./Public Sector Entities	139,157	356,846
	<u>5,106,873</u>	<u>3,216,540</u>

3.2 This includes deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs. 899,576 million (2022: Rs. 265.845 million).

4 Due to head office represents inter branch transactions between Islamic and Conventional.

2023 **2022**
Rupees in '000

5 Islamic Banking Business Unappropriated Profit

Opening Balance	7,153	(13,298)
Add: Islamic Banking for the year	78,494	39,682
Less: Taxation	37,445	19,231
Closing Balance	<u>48,202</u>	<u>7,153</u>

6 There are no contingencies and commitments related to the Islamic business as at reporting date. (2022: Nil)

7 Profit / return earned of financing, investments and placement

	2023	2022
	Rupees in '000	
Profit earned on:		
Investments	413,986	201,212
Placements	885,785	176,539
Total	<u>1,299,771</u>	<u>377,751</u>

7/2/23

	2023	2022
	Rupees in '000	
8 Profit on deposits and other dues expensed		
Deposits and other accounts	449,096	174,172
Commission and other charges	1,493	154
Call borrowings/ Funds acceptances	631,800	102,773
	1,082,389	277,099

9 Pool Management

Currently, ZTBL Islamic Banking Division (ZTBL - IBD) is maintaining eight pools for profit declaration and distribution i.e., general pool, special pool 1, special pool 2, special pool 3, special pool 5, special pool 6, special pool 7 and special pool 8.

General pool

The General Pool comprises of depositors' funds, Bank's equity inclusive of current deposits and mudaraba placements from ZTBL Head Office. The Bank acts as fund manager (Mudarib) and invests the funds in Shariah compliant modes of financings, investments and placements (remunerative assets). The profit of the pool is calculated on all the remunerative assets booked by the Bank and is shared amongst the members of the pool on pre-defined mechanism based on weightages announced before the commencement of period concerned.

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by ZTBL - IBD as Mudarib.

Weightages for distribution of profit in general pool

Profit is calculated on the basis of daily product balance in mudaraba based depositors' accounts and paid as per pre-defined weightages.

While considering weightages emphasis is given to the quantum, type and the period of risk assessed by following factors:

- Contracted period of deposits;
- Frequency of profit distribution, i.e. monthly, quarterly or on maturity; and
- Volume of the deposit.

Identification and allocation of pool related income & expenses

The distributable profit of the pool is finalized by including direct income earned by income generating / remunerative assets and after deducting direct expenses of the period concerned, while indirect expenses including administrative and general expenses are borne by ZTBL - IBD as Mudarib.

Parameters associated with risk and rewards

Following are the considerations attached with risk & reward of general pool:

- Period, return, safety, security and liquidity of investment;
- Financing proposals under process at various stages and likely to be extended in the near future;
- Expected withdrawals of deposits according to the maturities affecting the deposit base;
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organizations as regulated in Pakistan;
- Element of risk attributed to various types of investments; and
- SBP rules & Shariah Clearance.

Special pool

The special pools comprise of depositors' funds, Bank's equity inclusive of current deposits and Mudaraba placements from head office. The Bank acts as Fund Manager (Mudarib) and invests the funds in Shariah compliant modes of financings, investments and placements (remunerative assets). The profit of the pools is calculated on all the remunerative assets booked by the Bank and is shared amongst the members of the pool on pre-defined mechanism based on weightages announced before the commencement of concerned period.

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by ZTBL - IBD as Mudarib.

Weightages for distribution of profit in general pool

Profit is calculated on daily product basis and paid as per pre defined weightages. While considering weightages emphasis is given to the quantum, type and the period of risk assessed by following factors:

- Contracted period, nature and type of deposit / fund.;
- Payment cycle of profit on such deposit / fund, i.e. monthly, quarterly or on maturity; and
- Magnitude of risk.

Identification and allocation of pool related income & expenses

The distributable profit of the pool is finalized by including direct income earned by income generating / remunerative assets and after deducting direct expenses of the period concerned, while indirect expenses including administrative and general expenses are borne by ZTBL - IBD as Mudarib.

Parameters associated with risk and rewards

Following are the considerations attached with risk & reward of special pool:

- Period, return, safety, security and liquidity of investment;
- Financing proposals under process at various stages and likely to be extended in the near future;
- Expected withdrawals of deposits according to the maturities affecting the deposit base;
- Maturities of funds obtained from principal office, Islamic banking institutions and Shariah compliant organizations as regulated in Pakistan;
- Element of risk attached to various types of investments; and
- SBP rules & Shariah Clearance.

20/04/11

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

	2023	2022
	Rupees in '000	
Investments	2,189,987	1,868,023
Due from financial institutions	600,000	2,551,275
Balances with other banks	3,822,976	26,670

Charging expenses

The direct expenses are charged to the pool, while indirect expenses including the establishment cost is borne by ZTBL - IBD as Mudarib. The direct expenses to be charged to the pool may include depreciation of ijarah assets, cost of sale of inventories, insurance / takaful expenses of pool assets, taxes, stamp fee or documentation charges, brokerage fee for purchase of securities / commodities, impairment / losses due to physical damages to specific assets in pools, write-offs of financings and loss on sale of investments, etc.

	2023	2022
	Rupees in '000	
Provisions	-	-

Mudarib share (in amount and percentage of distributable income)

		2023	2022
		Rupees in '000	
Rabbul Mal	82%	414,840	153,599
Mudarib	18%	90,179	25,054
		505,019	178,653

Amount & percentage of mudarib share transferred to depositors through Hiba

	2023	2022
Mudarib share	90,179	25,054
Hiba	40,321	9,641
Hiba percentage of mudarib share	44.71%	38.48%

This is not a special Hiba and it has been distributed across the board to all the investment account holders.

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

	2023	2022
Profit rate earned	19.66% p.a.	10.33% p.a.
Profit rates distributed to depositors	13.45% p.a.	7.50% p.a.

7/20/23