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Pakistan



ZARAI TARAQIATI BANK LIMITED

UNCONSOLIDATED FINANCIAL STATEMENTS

**For the Year Ended
December 31, 2024**

ZARAI TARAQIATI BANK LIMITED
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2024

		2024	2023
	Note	..... Rupees in '000	
ASSETS			
Cash and balances with treasury banks	5	3,125,812	3,661,179
Balances with other banks	6	7,492,526	31,925,573
Lendings to financial institutions	7	30,950,072	6,560,700
Investments	8	376,274,453	372,212,120
Advances	9	109,121,210	105,507,660
Property and equipment	10	1,844,619	1,538,612
Right-of-use assets	11	857,055	856,939
Intangible assets	12	172,425	255,925
Deferred tax assets	13	13,272,502	12,730,814
Other assets	14	34,428,323	27,126,949
		577,538,997	562,376,471
LIABILITIES			
Bills payable	16	451,707	2,605,372
Borrowings	17	408,066,969	399,877,699
Deposits and other accounts	18	56,621,831	57,169,073
Lease liabilities	19	997,225	983,391
Subordinated loan		-	-
Deferred tax liabilities		-	-
Other liabilities	20	29,023,447	27,576,255
		495,161,179	488,211,790
NET ASSETS		82,377,818	74,164,681
REPRESENTED BY			
Share capital	21	52,678,432	52,678,432
Reserves		12,113,062	9,520,922
Surplus on revaluation of assets	22	2,244,829	1,622,051
Un-appropriated profit		15,341,495	10,343,276
		82,377,818	74,164,681

CONTINGENCIES AND COMMITMENTS 23

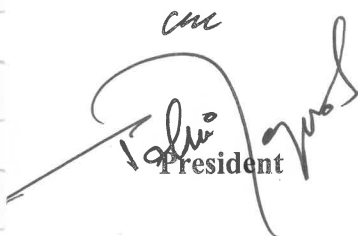
The annexed notes 1 to 48 and annexures I & II form an integral part of these financial statements.

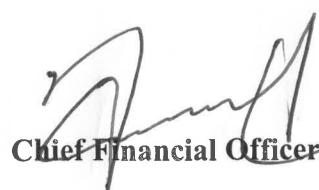
 President
 Chief Financial Officer
 Director
 Director
 Director

ZARAI TARAQIATI BANK LIMITED
UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2024

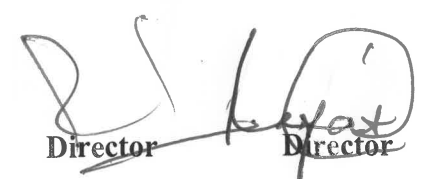
	Note	2024 Rupees in '000	2023 Rupees in '000
Mark-up / return / interest earned	24	111,252,316	142,316,092
Mark-up / return / interest expensed	25	86,482,397	118,051,429
Net mark-up / interest income		24,769,919	24,264,663
NON MARK-UP / INTEREST INCOME			
Fee and commission income	26	1,139,924	1,312,045
Dividend income		66,735	135,730
Foreign exchange income		-	-
Income from derivatives		-	-
Gain on securities	27	2,339,449	266,525
Net gains/(losses) on derecognition of financial assets measured at amortised cost		-	-
Other income	28	1,909,285	714,181
Total non-mark-up / interest income		5,455,393	2,428,481
Total income		30,225,312	26,693,144
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	29	16,115,478	14,552,349
Workers welfare fund		-	-
Other charges	30	1,881	39,804
Total non mark-up / interest expenses		16,117,359	14,592,153
Profit before credit loss allowance		14,107,953	12,100,991
Credit loss allowance and write offs - net	31	(11,783,986)	(5,505,176)
PROFIT BEFORE TAXATION		25,891,939	17,606,167
Taxation	32	12,931,237	6,622,033
PROFIT AFTER TAXATION		12,960,702	10,984,134
..... Rupees			
Basic earnings per share	33	2.46	2.09
Diluted earnings per share	33	2.46	2.09

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
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2024

	2024	2023
	... Rupees in '000 ...	
Profit after taxation for the year	12,960,702	10,984,134

Other comprehensive income

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 on revaluation of investments - net of tax	622,778	708,223
	622,778	708,223

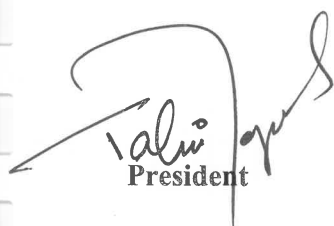
Items that will not be reclassified to profit and loss account in subsequent periods:

Remeasurement gain on defined benefit obligations - net of tax	128,222	2,759,751
Movement in surplus on revaluation of property and equipment - net of tax	-	-
Movement in surplus on revaluation of non-banking assets - net of tax	-	-
	128,222	2,759,751

Total comprehensive income	13,711,702	14,452,108
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The annexed notes 1 to 48 and annexures I & II form an integral part of these financial statements.

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President


Chief Financial Officer


Director


Director


Director

ZARAI TARAQIATI BANK LIMITED
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2024

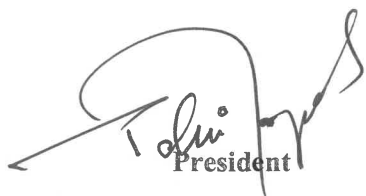
	Share capital	Statutory reserve	Contingencies reserve	Surplus on revaluation of investments	Un-appropriated profit / (loss)	Total
	..... Rupees in '000					
Balance as at December 31, 2022	52,678,432	7,264,095	60,000	913,828	(1,203,782)	59,712,573
Profit after taxation for the year	-	-	-	-	10,984,134	10,984,134
Other comprehensive income - net of tax	-	-	-	708,223	2,759,751	3,467,974
Total comprehensive income for the year	-	-	-	708,223	13,743,885	14,452,108
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	10,343,276	74,164,681
Impact of adoption of IFRS 9 - net of tax (Note 4.1.2.1)	-	-	-	-	(5,498,565)	(5,498,565)
Profit after taxation for the year	-	-	-	-	12,960,702	12,960,702
Other comprehensive income - net of tax	-	-	-	622,778	128,222	751,000
Total comprehensive income for the year	-	-	-	622,778	13,088,924	13,711,702
Transferred to statutory reserve	-	2,592,140	-	-	(2,592,140)	-
Balance as at December 31, 2024	<u>52,678,432</u>	<u>12,053,062</u>	<u>60,000</u>	<u>2,244,829</u>	<u>15,341,495</u>	<u>82,377,818</u>

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.

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President


Chief Financial Officer


Director

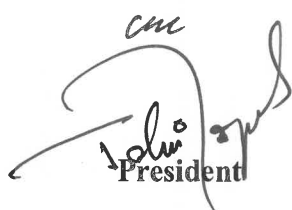

Director

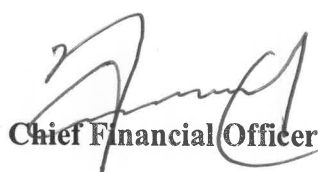

Director

ZARAI TARAQIATI BANK LIMITED
UNCONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2024

		2024	2023
	Note	..... Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating (loss) / profit before working capital changes	37	(1,457,038)	736,637
(Increase) / decrease in operating assets:			
Lendings to financial institutions		(24,394,000)	33,062,442
Securities classified as FVPL		(3,404,062)	-
Advances		(11,166,186)	(19,482,766)
Other assets (excluding advance taxation)		(1,692,601)	(392,606)
		(40,656,849)	13,187,070
Increase / (decrease) in operating liabilities:			
Bills payable		(2,153,665)	2,024,867
Borrowings from financial institutions		8,189,270	44,978,986
Deposits and other accounts		(547,242)	9,836,379
Other liabilities (excluding current tax)		1,133,517	60,809
		6,621,880	56,901,041
Interest received		103,963,074	136,619,933
Interest paid		(87,798,173)	(115,474,523)
Employees' benefits paid		(1,122,943)	(984,900)
Income tax paid		(9,732,090)	(7,019,096)
Net cash flow (used in) / generated from operating activities		(30,182,139)	83,966,162
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Investments in securities classified as FVOCI		6,097,291	(62,992,840)
Dividend received		66,735	135,730
Investments in property and equipment		(586,321)	(463,114)
Proceeds from sale of property and equipment		25,899	90,987
Net cash flow generated from / (used in) investing activities		5,603,604	(63,229,237)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liability against right-of-use assets		(388,395)	(345,951)
Net cash flow used in financing activities		(388,395)	(345,951)
(Decrease) / Increase in cash and cash equivalents		(24,966,930)	20,390,974
Cash and cash equivalents at beginning of the year	34	35,586,752	15,195,778
Cash and cash equivalents at end of the year	34	10,619,822	35,586,752

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 UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

1 STATUS AND NATURE OF BUSINESS

1.1 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.

1.2 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 (2023: 501) branches including 25 (2023: 25) Islamic Banking branches in Pakistan as at the close of the year.

1.3 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.

2 BASIS OF PRESENTATION

2.1 These financial statements represent separate financial statements of the Zarai Taraqati Bank Limited. The consolidated financial statements of the Bank and its subsidiary are issued separately.

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

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2.4 Statement of compliance

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 State Bank of Pakistan (SBP).

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

- 2.4.1 The disclosures made in these financial statements have been based on a format prescribed by SBP vide BPRD Circular No. 2 dated February 9, 2023 with further addition made vide BPRD Circular Letter No. 13 of 2024 dated July 1, 2024 and accounting and financial reporting standards as applicable in Pakistan.
- 2.4.2 The SBP, vide BSD Circular Letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 40 'Investment Property' (IAS 40) for banking companies till further instructions. Moreover, SBP vide BPRD Circular No. 04, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standard (IFAS) 3, Profit and loss sharing on Deposits. Further, according to a notification of Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, International Financial Reporting Standard 7 'Financial Instruments Disclosure' (IFRS 7), has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and disclosed in accordance with the requirements prescribed by SBP through various circulars.
- 2.4.3 As per BPRD Circular Letter No. 16 of 2024 dated July 29, 2024, unlisted equity securities are currently carried at the lower of cost or breakup value as per the exemption granted by SBP. Effective from January 1, 2025, as per the requirement of IFRS 9, these will be measured at fair value under IFRS 13.
- 2.4.4 The Bank received an extension from SBP up to December 31, 2025 for application of EIR in general for all financial assets and liabilities, however as financial assets other than advances and financial liabilities were already effectively carried at EIR before the implementation of IFRS 9 hence said extension has only been applied on advances. Therefore, advances are now carried at cost, excluding staff loans which are carried at amortized cost, net of expected credit loss allowances.
- Further, SBP through BPRD Circular Letter No. 1 of 2025 dated January 22, 2025 has clarified the followings:
- Islamic Banking Institutions (IBIs) are allowed to follow Islamic Financial Accounting Standards (IFAS) 1 & 2 where applicable and continue the existing accounting methodology on other Islamic products until issuance of further instruction in this regard.
 - The treatment of charity should be in line with the existing practices as defined in SBP instructions issued via IBD Circular No. 02 of 2008 and should not be recognized as income.

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2.4.5 All Islamic products are governed by the product manual approved by the Shariah Board of the Bank. The related accounting and revenue recognition policies are outlined in notes 4.4.2, 4.14.2 these financial statements, respectively. Other than the products disclosed in the aforementioned notes, all remaining Islamic products are accounted for under IFRS 9.

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

As directed by SBP via BPRD Circular Letter No. 7 of 2023 dated April 13, 2023, IFRS 9, (Financial Instruments) is effective in Pakistan for period beginning on or after January 1, 2024. In addition, due to the application of IFRS 9, SBP vide BPRD Circular No.2 dated February 9, 2023, has also amended the format of the annual financial statements. Details regarding the aforementioned adoption and amendment, including the impact thereof, are discussed in more detail in note 4.1 to these financial statements.

Except for the above, certain other 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 Bank and, therefore, are not disclosed.

2.4.7 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 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

The Bank expects that adoption of the same will not affect its financial statements in the period of initial application.

2.4.8 Critical accounting estimates and judgments

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires the use of certain accounting estimates. It also requires the management to exercise judgement in the process of applying the Bank's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates affect the reported amounts of assets, liabilities, income, and expenses. The areas where various assumptions and estimates are significant to the Bank's unconsolidated financial statements or where judgement was exercised in the application of accounting policies are as follows:

	Note
Valuation and impairment of financial instruments	4.9 & 4.16
Classification of investment in subsidiaries and associates	4.5
Valuation and depreciation of property and equipment	4.6
Valuation and depreciation of right-of-use assets and related lease	4.8
Valuation of non-banking assets acquired in satisfaction of claims	4.10
Valuation of defined benefit plan	4.2
Taxation	4.11

CMC

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for:

- 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 Bank's functional and presentation currency. The amounts are rounded to the nearest thousand rupees.

4 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information related to preparation of these financial statements are consistent with those of the previous financial year, except as disclosed in note 4.1 below.

4.1 Changes in accounting policies

4.1.1 Revised format of financial statements

SBP through its BPRD Circular No. 2 dated February 9, 2023, has amended the format of annual financial statements of banks. All banks are required to prepare their annual financial statements on the revised format effective from accounting year starting from January 1, 2024. Accordingly, the Bank has prepared these financial statements on the new format prescribed by SBP. The adoption of the new format contains additional disclosures and certain changes in the financial statements' presentation, primarily due to the implementation of IFRS 9 as applicable in Pakistan. However, the corresponding figures continue to be classified and disclosed in accordance with the previous financial accounting and reporting framework.

Adoption of revised financial statements format has also resulted in following material changes (due to which the corresponding presentations have also been changed):

- Right-of-use-assets (note 11) amounting to Rs. 857.055 million (2023: Rs. 856.939 million) which were previously shown as part of property and equipment are now shown separately on the statement of financial position.
- Lease liabilities (note 19) amounting to Rs. 997.225 million (2023: Rs. 983.391 million) which were previously shown as part of other liabilities are now shown separately on the statement of financial position.

4.1.2 IFRS 9 - 'Financial Instruments'

During the year, as directed by SBP vide its BPRD Circular No. 7 of 2023 dated April 13, 2023, IFRS 9 'Financial Instruments' (the Standard) became applicable to the Bank.

BPRD Circular No. 3 of 2022 dated July 5, 2022 issued by SBP provides detailed instructions on implementation of IFRS 9 (the Application Instructions) for ensuring smooth and consistent implementation of the standard across banks.

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The Standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The Standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'Expected Credit Losses' (ECL) approach rather than 'incurred credit losses' approach as previously followed. The ECL has impact on all the assets of the Bank which are exposed to credit risk.

The Bank has adopted IFRS 9 in accordance with the Application Instructions from January 1, 2024, using the modified retrospective approach and has not restated comparatives for the 2023 reporting period. Any adjustments to the carrying amounts of financial assets and liabilities resulting from the adoption of IFRS 9 were recognised in the retained earnings as at January 1, 2024 without restating the comparative figures as permitted under the specific transitional provisions in the Standard. Accordingly, the information presented for 2023 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2024 under IFRS 9.

SBP through its BPRD Circular Letter No. 16 of 2024 dated July 29, 2024, has amended and extended the timelines for application instructions. Under the revised guidelines, banks are required to implement modification accounting for financial assets and liabilities in accordance with the Standard. These changes took effect from October 1, 2024, and have been applied retrospectively from January 1, 2024. SBP through its BPRD Circular Letter No. 1 of 2025 dated January 22, 2025, SBP further clarifies that modification accounting to be applied to loans modified on or after January 1, 2020.

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4.1.2.1 Impact on the statement of financial position

The effect of this change in accounting policy is as follows:

										Measurement category	
		Carrying amount as on December 31, 2023	Remeasurement under IFRS 9	Adjustments / reversal of provisions held	Expected Credit Loss (ECL) - charge	Gross Impact	Tax Impact	Net Impact	Balance as on January 1, 2024	Before IFRS 9	After IFRS 9
Note		..... Rupees in '000									
ASSETS											
		3,661,179	-	-	-	-	-	-	3,661,179	Loans and receivables	Amortised cost
		31,925,573	-	-	(5,175)	(5,175)	-	(5,175)	31,920,398	Loans and receivables	Amortised cost
		6,560,700	-	-	(490)	(490)	-	(490)	6,560,210	Loans and receivables	Amortised cost
Investments											

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4.1.2.1.1 As per paragraph 3.2 of the Application Instructions, Government securities in local currency are exempted from the application of ECL framework, details are mentioned in note 4.1.2.10 to these financial statements.

4.1.2.1.2 Certain debt securities are held by the Bank in separate portfolios to meet everyday liquidity needs. The Bank seeks to minimise the costs of managing these liquidity needs and therefore actively manages the return on the portfolio. That return consists of collecting contractual payments as well as gains and losses from the sale of financial assets. The investment strategy often results in sales activity that is significant in value. The Bank considers that under IFRS 9 these securities are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

4.1.2.1.3 The Bank previously classified certain equity investments as Available-for-Sale (AFS). Upon implementing IFRS 9, the Bank designated these equity investments as strategic and made an irrevocable election to classify them at FVOCI.

4.1.2.2 Impact on regulatory capital

The introduction of IFRS 9 has resulted in reduction in regulatory capital of the Banks, which has reduced their lending capacity and ability to support their clients. In order to mitigate the impact of ECL models on capital, SBP has determined that it may be appropriate for the banks to introduce a transitional arrangement for the impact on regulatory capital from the application of ECL accounting. Annexure B of the Application Instructions issued by SBP has detailed the transitional arrangement.

The transitional arrangement applies only to provisions for Stage 1 and Stage 2 financial assets. The transitional arrangement must adjust CET1 capital. Where there is a reduction in CET1 capital due to new provisions, net of tax effect, upon adoption of an ECL accounting model, the decline in CET1 capital (the “transitional adjustment amount”) must be partially included (i.e., added back) to CET1 capital over the “transition period” of five years.

Moreover, SBP has allowed to adjust the amount of Stage 1 and Stage 2 provisions in Tier 2 Capital that have not been added back to CET 1 and vice versa as per Annexure A of BPRD Circular no 16 of 2024 dated July 29, 2024.

Had IFRS 9 not been applied then CAR would have been higher by 2.02 bps from 36.01 % to 38.03%.

4.1.2.3 Classification and measurement

Under the new standard, classification and measurement of financial assets depends on how these are managed based on business model and their contractual cash flow characteristics. Financial assets that do not meet the Solely Payment of Principal and Interest (SPPI) criteria are required to be measured at fair value through profit and loss (FVPL) regardless of the business model in which they are held.

Recognition and initial measurement

Debt securities issued are initially recorded when they are originated. All other financial assets and financial liabilities are initially recognised when the Bank becomes a party to the contractual provisions of the instrument.

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A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at transaction price. The fair value of a financial asset on initial recognition is generally its transaction price. If the Bank determines that the fair value on initial recognition differs from the transaction price then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in statement of profit and loss account on an appropriate basis over the life of the asset but no later than when the valuation is wholly supported by observable market data, or the transaction is closed out. Advances other than staff loans are initially measured at transaction price i.e., the amount of loan disbursed at disbursement date.

Staff loans are recognized at fair value at the time of disbursement. The fair value is determined by discounting the expected future cash flows using the prevailing market rates for instruments. The difference between the disbursed amount and the fair value at initial recognition is recorded as a employee benefit expense.

Classification

Financial assets

On initial recognition, a financial asset other than advances except for staff loans is classified as measured at: amortised cost, FVOCI or FVPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification.

Advances are carried at cost, net of expected credit loss allowances, excluding staff loans, which are measured at amortized cost.

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Financial liabilities

Financial liabilities are either classified as fair value through profit and loss account (FVPL), when they are held for trading purposes, or at amortized cost. Financial liabilities classified as FVPL are measured at fair value and all the fair value changes are recognized in statement of profit and loss account. Financial liabilities classified at amortized cost are initially recorded at their fair value and subsequently measured using the effective interest rate method. Markup expense and foreign exchange gain and losses are recognised in statement of profit and loss account. Any gain or loss on derecognition is also recognised in statement of profit and loss account.

4.1.2.4 Business model assessment

A financial asset is classified as either Held to collect, Held to collect and sale and Others based on Business model assessment. The Bank makes an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The assessment requires judgement based on facts and circumstances on the date of assessment. The assessment considers the policies and objectives for the portfolio of financial assets, risk affecting, performance evaluation, business manager's compensation and historical sales information.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

4.1.2.5 Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as interest margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

A prepayment feature aligns with SPPI if it mainly represents unpaid principal and profit, including reasonable compensation for early termination.

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4.1.2.6 Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVPL	These assets are subsequently measured at fair value. Net gains and losses, including any markup or dividend income, are recognised in statement of profit and loss account.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method in case of investments, lendings to financial institutions, cash and balances with treasury banks, balances with other banks, staff loans and other financial assets. The amortised cost is reduced by impairment losses. Markup and impairment are recognised in statement of profit and loss account.
Debt investments at FVOCI	These assets are subsequently measured at fair value and is assessed for impairment under the new ECL model. Markup income is calculated using the effective interest method and includes amortisation of premiums and accretion of discount and impairment are recognised in profit and loss account. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to statement of profit and loss account.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in statement of profit and loss account unless the dividend clearly represents a recovery of part of the cost of the investment, in which case they are adjusted from the carrying value of investment. Other net gains and losses are recognised in OCI and are never reclassified to profit and loss account.
Advances at cost	Advances are carried at cost, net of expected credit loss allowances, excluding staff loans, which are measured at amortized cost, net of expected credit loss allowances.

4.1.2.7 Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount for investments and lendings to financial institution. For financial assets, adjusted for any expected credit loss allowance or impairment allowance before January 1, 2024.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

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4.1.2.8 Calculation of markup income and expense

Income from performing advances is recognised on accrual basis as per the terms of the contract. However, where debt securities, classified as investments in the financial statements, are purchased at premium or discount, such premium / discount including the transaction cost is amortized through the statement of profit and loss account over the remaining maturity of the debt security using the effective interest rate method. The interest income on staff loans is recognized in line with the EIR, while any expected credit losses are assessed and accounted for in accordance with the requirements of IFRS 9. Income from advances except for staff loans are recognized in statement of profit and loss account using contractual rate. Similarly, under the local regulatory requirement, income recoverable on classified advances and investments (debt securities), is recognized on a receipt basis.

Income on rescheduled / restructured advances and investments is recognized as permitted by SBP regulations.

Markup expense on financial liabilities (comprising deposits and borrowings) is recognized on an accrual basis in the period in which it is incurred, based on effective interest rate method.

4.1.2.9 Derecognition

The Bank derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
 - i. substantially all of the risks and rewards of ownership of the financial asset are transferred;
 - ii. the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized), and the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognized in OCI is recognized in the statement of profit and loss account, except that in case of the derecognition of equity securities held at FVOCI, cumulative gains or losses are transferred to unappropriated profit.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Bank also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

4.1.2.10 Impairment

The impairment requirements apply to financial assets measured at amortized cost, and FVOCI (other than equity instruments), advances at cost and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, a provision is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL').

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Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts

Non-Performing financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost, at cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'non-performing' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a agri loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

Under SBP's IFRS 9 Application instructions, the Bank is not required to compute ECL on Government Securities and on Government guaranteed credit exposure in local currency. The Bank is required to calculate ECL on it's non-performing financial assets as higher of provision under Prudential Regulations (PR) and ECL under IFRS 9. Further, the Banks are advised to recognize income on impaired assets (loans classified under PRs i.e., OAEM and Stage 3 loans) on a receipt basis in accordance with the requirements of Prudential Regulations issued by SBP.

The Bank calculates the ECL against agriculture portfolios as higher of PR and ECL under IFRS 9 at borrower / facility level as instructed under Annexure A of BPRD Circular no 16 of 2024 dated July 29, 2024.

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Based on the requirements of IFRS 9 Application Instructions, the Bank has performed an ECL assessment considering the following key elements:

- PD: The probability that a counterparty will default over the next 12 months from the reporting date (12- month ECL, Stage1) or over the lifetime of the product (lifetime ECL, Stage 2). PD is estimated using external rating issued by the rating agencies. The Bank has used Transition Matrix issued by rating agencies for the estimation of PD. The Bank has used roll-rate method using the days past due (DPD) criteria to estimated PD for its agri portfolio. PD are then adjusted with forward looking information for calculation of ECL.
- EAD: The expected balance sheet exposure at the time of default, incorporating expectations on drawdowns, amortisation, pre-payments and forward-looking information where relevant. The Bank estimates EAD for financial assets carried at an amortised cost and carried at cost equal to principal plus profit. Each repayment date is assumed to be default point in the model and the ECL is calculated on EAD at each reporting date and discounted at the effective interest rate or contractual interest rate for advances other than staff loans for which effective interest rate is used.
- LGD: An estimate of the loss incurred on a facility upon default by a customer. LGD is calculated as the difference between contractual cash flows due and those that the Bank expects to receive, including from the liquidation of any form of collateral. It is expressed as a percentage of the exposure outstanding on the date of classification of an obligor.

Presentation of allowance for Expected Credit Loss in the Statement of Financial Position

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.
- For advances measured at cost: as a deduction from the gross carrying amount of the advances.
- Loan commitments and financial guarantee contracts: as a provision in other liabilities.
- where a financial instrument includes both a drawn and an undrawn component, and the Bank does not identify the ECL on the loan commitment component separately from those on the drawn component and instead presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in OCI.

4.1.2.11 Significant increase in credit risk (SICR)

A SICR is assessed in the context of an increase in the risk of a default occurring over the life of the financial instrument when compared to that expected at the time of initial recognition. It is not assessed in the context of an increase in the ECL. The Bank used several qualitative and quantitative measures in assessing SICR. Quantitative measures relate to deterioration of Obligor Risk Ratings (ORR) or where principal and / or markup payments are 60 days or more past due. Qualitative factors include unavailability of financial information and pending litigations.

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As required by the Application Instructions, financial assets may be reclassified out of Stage 3 if they meet the requirements of PR issued by SBP. Financial assets in Stage 2 may be reclassified to Stage 1 if the conditions that led to a SICR no longer apply. However, a minimum period of 3 months from initial downgrade is required before any facility is moved back to Stage 1 from Stage 2. For a facility to move back from Stage 3 to Stage 2, it should meet the criteria defined under the respective Prudential Regulations for de-classification of account / facility. An exposure cannot be upgraded from Stage 3 to Stage 1 directly and should be upgraded to Stage 2 initially.

IFRS 9 includes a rebuttable presumption that a default does not occur later than 90 days past due and it also presumes that there is SICR if credit exposure is more than 30 days past due. In order to bring consistency, SBP has allowed the backstop to the rebuttable presumption of days past due of credit portfolio against a specific credit facility and its stage allocation under IFRS 9 as mentioned in Annexure-C of BPRD Circular No. 3 of 2022. However, banks are free to choose more stringent days past due criteria. Bank align its policy with Annexure-C of BPRD Circular No. 3 of 2022; hence, SICR is considered if credit exposure exceeds 60 days past due.

4.1.2.12 Undrawn loan commitments and guarantees:

Financial guarantees' are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

When estimating lifetime ECL for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected cash flows if the loans are drawn down, based on a probability-weighting of the three scenarios.

4.1.2.13 Governance, ownership and responsibilities

The Bank has set up a robust governance framework requiring Risk Management, Finance, Business, Credit Risk, Internal Audit and IT functions to ensure compliance with IFRS 9 requirements.

The Bank's Credit Risk Review & Administration Division performs credit risk assessment, monitors Significant Increase in Credit Risk of the borrowers, reviews Credit Ratings and obligor attributes.

The Technology Operations & Support Division extracts the data required for ECL calculations. IT Division also provide support for system development and upgrades.

The Bank's Finance & Accounts Division takes ownership of ECL models and methodologies used in calculation of ECL. Finance & Accounts Division assess the financial impact, meet the financial reporting requirements and presents quarterly results to Board of Directors (BOD) / its Board Sub Committee.

The Enterprise Risk Management Division calculates impact of ECL on bank's capital adequacy, leverage ratio and Liquidity requirements.

As per the Bank's policy, the Bank's Internal Audit function carries out ECL model validation, reviews IFRS 9 methodology and impact calculated by Finance & Accounts Division.

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4.2 Staff retirement benefits

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

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 a defined benefit funded gratuity scheme approved by the income tax authorities, 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.

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'.

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4.3 Cash and cash equivalents

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

4.4 Advances

4.4.1 Loans and advances

These are stated at cost less expected credit loss allowances except for staff loans which are stated at amortized cost less credit loss allowances.

4.4.2 Islamic Financing and Related Assets

Diminishing Musharaka

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

4.5 Investments

Investments in Subsidiaries and Associates

Associates are all entities over which the Bank has significant influence but not control. Subsidiaries are all entities over which the Bank has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The carrying amount of investments in subsidiaries and associates is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the investment's recoverable amount is estimated at higher of its value in use and its fair value less cost to sell. Gains and losses on disposal of investments in subsidiaries and associates are included in the profit and loss account.

4.6 Property and equipment and depreciation

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.

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.

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Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 10.2 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 property and equipment 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 Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

4.7 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 Bank. The useful lives are reviewed and adjusted, if appropriate, at each reporting date.

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

4.8.1 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.

4.8.2 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 Bank'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.

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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.

4.9 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.

4.10 Assets acquired in satisfaction of claims

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

4.11 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.

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 Bank 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.

4.12 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.

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4.13 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.

4.14 Revenue recognition

- 4.14.1**
- Mark-up / interest on advances (other than Islamic financing which is disclosed in Note 4.14.2) 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.

4.14.2 Revenue recognition under product manual as approved by Shariah Board of the Bank

- Income from diminishing musharaka is recognised on time proportionate basis over the term of contract.

4.15 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.

4.16 Financial assets and liabilities

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

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

4.18 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 Bank'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 Bank that either require fair value measurements or only fair value disclosures as at December 31, 2024 are disclosed in note 40.

4.19 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.

4.20 Earnings per share

The Bank 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 Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

4.21 Segment reporting

A segment is a distinguishable component of the Bank that is engaged 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 Bank is engaged in providing agri-financing and branch banking, islamic banking and treasury operations and operates only in Pakistan.

4.22 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.

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4.23 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 Bank.

4.24 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.

4.25 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.

4.26 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.

4.27 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 Bank 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 Bank will comply with the conditions attached to it.

4.28 Contingencies

A contingent liability is disclosed when the Bank 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 Bank or the Bank 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.

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	Note	2024 Rupees in '000	2023
5 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		1,133,799	911,540
With State Bank of Pakistan in:			
Local currency current account	5.1	1,621,700	1,834,020
With National Bank of Pakistan in:			
Local currency current account	5.2	180,216	393,638
Local currency deposit account		188,231	520,283
		368,447	913,921
Prize bonds		1,866	1,698
		3,125,812	3,661,179
Less: Credit loss allowance held against cash and balances with treasury banks		-	-
Cash and balances with treasury banks - net of credit loss allowance		3,125,812	3,661,179

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

5.2 These carry mark-up at rates ranging from 13.50% to 22.20% (2023: 14.5% to 20.50%) per annum.

	Note	2024 Rupees in '000	2023
6 BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		111,847	99,618
In deposit accounts	6.1	7,382,163	31,825,955
		7,494,010	31,925,573
Less: Credit loss allowance held against balances with other banks		(1,484)	-
Balances with other banks - net of credit loss allowance		7,492,526	31,925,573

6.1 These carry mark-up at rates ranging from 6.75% to 24% (2023: 14.50% to 24.50%) per annum.

	Note	2024 Rupees in '000	2023
7 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	7.2	14,500,000	3,000,000
Musharakah lending	7.3	13,650,000	600,000
Repurchase agreement lendings (reverse repo)	7.4	2,804,700	2,960,700
		30,954,700	6,560,700
Less: Credit loss allowance held against lending to financial institutions		(4,628)	-
Lending to financial institutions - net of credit loss allowance		30,950,072	6,560,700

7.1 Particulars of lendings

In local currency	30,954,700	6,560,700
In foreign currencies	-	-
	30,954,700	6,560,700

7.2 This carries mark-up at rates 13.85% to 13.90% (2023: 22% to 22.75%) per annum having maturity during January 2025.

7.3 This carries mark-up at rates 12% to 12.75% (2023: 22%) per annum having maturity during January 2025.

7.4 This carries mark-up at rates 13.28% (2023: 22.3%) per annum having maturity during January 2025.

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7.5 Securities held as collateral against lendings to financial institutions

	2024			2023		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	..... Rupees in '000					
Pakistan Investment Bonds	2,804,700	-	2,804,700	2,960,700	-	2,960,700

7.6 Lending to financial institutions - Particulars of credit loss allowance

		2024	
		Lending	Credit loss allowance held
		Rupees in '000	
Domestic			
Performing	Stage 1	30,954.700	4.628
Under performing	Stage 2	-	-
Non-performing	Stage 3		
Substandard		-	-
Doubtful		-	-
Loss		-	-
Total		30,954,700	4,628

	2024			Total
	Stage 1	Stage 2	Stage 3	
	Rupees in '000			
Opening balance	-	-	-	-
Impact of adoption of IFRS9	490	-	-	490
Balances as at 01 January after adopting IFRS 9	490	-	-	490
New financial assets originated or purchased	4,628	-	-	4,628
Financial assets that have been derecognised	(490)	-	-	(490)
	4,138	-	-	4,138
Closing balance	4,628	-	-	4,628

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8 INVESTMENTS

8.1 Investments by types

Note	2024				2023			
	Cost / amortised cost	Credit Loss Allowance	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
- Debt Instruments								
Classified / measured at FVOCI								
Federal Government securities	365,532,619	-	1,661,390	367,194,009	-	-	-	-
Non Government debt securities	2,356,271	(354)	(3,467)	2,352,450	-	-	-	-
	367,888,890	(354)	1,657,923	369,546,459	-	-	-	-
Classified / measured at FVPL								
Federal Government securities	3,404,062	-	16,327	3,420,389	-	-	-	-
	3,404,062	-	16,327	3,420,389	-	-	-	-
- Equity instruments								
Classified / Measured at FVOCI (Non-Reclassifiable)								
Shares:								
Listed Companies	89,296	-	3,118,309	3,207,605	-	-	-	-
Unlisted Companies	10,523	(10,523)	-	-	-	-	-	-
	99,819	(10,523)	3,118,309	3,207,605	-	-	-	-
Available-for-sale securities								
Federal Government securities	-	-	-	-	366,386,675	-	(255,564)	366,131,111
Shares	-	-	-	-	99,819	(10,523)	3,442,514	3,531,810
Corporate sukuk	-	-	-	-	456,681	-	1,919	458,600
Term Finance Certificates	-	-	-	-	1,998,975	-	(8,376)	1,990,599
	-	-	-	-	368,942,150	(10,523)	3,180,493	372,112,120
Subsidiary								
Kissan Support Services (Private) Limited	100,000	-	-	100,000	100,000	-	-	100,000
Total investments	371,492,771	(10,877)	4,792,559	376,274,453	369,042,150	(10,523)	3,180,493	372,212,120

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8.2 Investments by segments

Federal Government Securities

Market Treasury Bills
Pakistan Investment Bonds
Government of Pakistan Ijarah sukuk

2024				2023			
Cost / amortised cost	Credit Loss Allowance	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Rupees in '000							
95,249,487	-	750,024	95,999,511	231,281,101	-	87,229	231,368,330
271,528,193	-	910,390	272,438,583	131,183,410	-	(291,576)	130,891,834
2,159,001	-	17,303	2,176,304	3,922,164	-	(51,217)	3,870,947
368,936,681	-	1,677,717	370,614,398	366,386,675	-	(255,564)	366,131,111
Shares:							
89,296	-	3,118,309	3,207,605	89,296	-	3,442,514	3,531,810
10,523	(10,523)	-	-	10,523	(10,523)	-	-
99,819	(10,523)	3,118,309	3,207,605	99,819	(10,523)	3,442,514	3,531,810
Non Government Debt Securities							
2,091,021	(293)	(3,467)	2,087,261	2,126,906	-	(6,457)	2,120,449
265,250	(61)	-	265,189	328,750	-	-	328,750
2,356,271	(354)	(3,467)	2,352,450	2,455,656	-	(6,457)	2,449,199
Subsidiary							
100,000	-	-	100,000	100,000	-	-	100,000
Total investments							
371,492,771	(10,877)	4,792,559	376,274,453	369,042,150	(10,523)	3,180,493	372,212,120

8.2.1 Investments given as collateral

Market Treasury Bills
Pakistan Investment Bonds

CMC

2024	2023
Rupees in '000	
65,012,242	213,753,317
199,571,000	130,584,346
264,583,242	344,337,663

8.3 Particulars of credit loss allowance

8.3.1 Investments - exposure

Opening Balances
Impact of adoption of IFRS 9

New investments
Investments derecognised or repaid
Transfer to stage 1
Transfer to stage 2
Transfer to stage 3

Amounts charged off
Closing balance

8.3.2 Investments - Particulars of credit loss allowance

Opening Balances
Impact of adoption of IFRS 9

New investments
Investments derecognised or repaid
Transfer to stage 1
Transfer to stage 2
Transfer to stage 3

Amounts written off / charged off
Changes in risk parameters (PDs/LGDs/EADs)

Closing balance

CM

2024		
Stage 1	Stage 2	Stage 3
..... Rupees in '000		
-	-	10,523
368,580,310	-	-
142,699,495	-	-
(138,312,603)	-	-
-	-	-
-	-	-
-	-	-
4,386,892	-	-
-	-	-
372,967,202	-	10,523

2024		
Stage 1	Stage 2	Stage 3
..... Rupees in '000		
-	-	10,523
377	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
(23)	-	-
354	-	10,523

8.3.3 Particulars of credit loss allowance against debt securities

Domestic

Performing	Stage 1
Under performing	Stage 2
Non-Performing	Stage 3
Substandard	
Doubtful	
Loss	

Total

2024	
Outstanding amount	Credit loss allowance held
..... Rupees in '000	
372,967,202	354
-	-
-	-
-	-
-	-
-	-
372,967,202	354

8.3.4 Under the IFRS 9 Application instructions, the Bank is not required to compute ECL on Government Securities and on Government guaranteed credit exposure in local currency.

CM

8.4 Quality of securities

8.4.1 Details regarding quality of FVPL securities are as follows:

	2024	2023
	Cost	
	Rupees in '000	
Federal Government Securities - Government guaranteed		
Pakistan Investment Bonds	3,404,062	-

8.4.2 Details regarding quality of FVOCI securities are as follows:

Federal Government Securities - Government guaranteed

Market Treasury Bills	95,249,487	231,281,101
Pakistan Investment Bonds	268,124,131	131,183,410
Ijarah Sukuks	2,159,001	3,922,164
	<u>365,532,619</u>	<u>366,386,675</u>

Shares

Listed companies

Food and personal care products - cost	89,296	89,296
--	--------	--------

	2024		2023	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			
Unlisted companies				
Pakistan Mercantile Exchange Limited	10,523	17,327	10,523	8,873
Pakistan Agricultural Storage and Services Corporation Limited	-	1,557,625	-	1,629,500
	<u>10,523</u>	<u>1,574,952</u>	<u>10,523</u>	<u>1,638,373</u>

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.

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.

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Non Government debt securities**Listed**

- AAA
- AA+, AA, AA-
- A+, A, A-

Unlisted

- AAA
- AA+, AA, AA-
- A+, A, A-

2024 2023
Cost
Rupees in '000

-	-
1,977,271	2,126,906
113,750	-
<u>2,091,021</u>	<u>2,126,906</u>
-	-
-	-
265,250	328,750
<u>265,250</u>	<u>328,750</u>

2024 2023
Rupees in '000

8.5 Information related to subsidiary company

Country of incorporation
Percentage of Holding (%)

Assets

Liabilities

Revenue

Profit after tax

Total comprehensive income

CM

Pakistan

100	100
<u>2,040,747</u>	<u>1,727,771</u>
<u>561,829</u>	<u>519,214</u>
<u>220,919</u>	<u>196,868</u>
<u>218,767</u>	<u>166,714</u>
<u>270,362</u>	<u>196,336</u>

9 ADVANCES

Loans, cash credits, running finance, etc.
Islamic financing and related assets
Advances - gross

Credit loss allowance against advances:

- Against agriculture advance
 - Stage 1
 - Stage 2
 - Stage 3
- Against staff advances
- General

Advances - net of credit loss allowance

Performing		Non Performing		Total	
2024	2023	2024	2023	2024	2023
Rupees in '000					
101,613,315	85,398,098	26,981,173	34,584,173	128,594,488	119,982,271
8,032	-	-	-	8,032	-
101,621,347	85,398,098	26,981,173	34,584,173	128,602,520	119,982,271

581,916	-	-	-	581,916	-
2,588,742	-	-	-	2,588,742	-
-	-	13,270,932	11,434,335	13,270,932	11,434,335
387	-	39,333	40,276	39,720	40,276
3,000,000	3,000,000	-	-	3,000,000	3,000,000
6,171,045	3,000,000	13,310,265	11,474,611	19,481,310	14,474,611
95,450,302	82,398,098	13,670,908	23,109,562	109,121,210	105,507,660

9.1 Particulars of advances (gross)

In local currency

9.1.1 Advances to women, women-owned and managed enterprises

Women

Women Owned and Managed Enterprises

128,602,520	119,982,271
7,304,072	6,286,809
182,791	202,455
7,486,863	6,489,264

9.1.2 Gross loans disbursed to women, women-owned and managed enterprises during the year amounts to Rs. 3,871.434 million (2023: Rs. 4,661.796 million)

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9.2 Particlurs of credit loss allowance

9.2.1 Advances - Exposure

Opening Balances
Impact of adoption of IFRS 9

New advances
Advances derecognised or repaid
Transfer to stage 1
Transfer to stage 2
Transfer to stage 3

Amounts charged off
Closing balance

9.2.2 Advances - Particulars of credit loss allowance

Opening Balances
Impact of adoption of IFRS 9

New advances
Advances derecognised or repaid
Transfer to stage 1
Transfer to stage 2
Transfer to stage 3

Amounts written off / charged off
Changes in risk parameters (PDs/LGDs/EADs)

Closing balance

CM

2024		
Stage 1	Stage 2	Stage 3
..... Rupees in '000		
-	-	-
85,440,415	14,386,463	18,738,010
55,438,211	394,429	363,340
(33,543,961)	(5,159,298)	(6,436,767)
2,392,251	(1,783,966)	(608,285)
(7,283,188)	7,353,965	(70,777)
(1,853,651)	(7,338,487)	9,192,138
15,149,662	(6,533,357)	2,439,649
-	-	(1,892,478)
100,590,077	7,853,106	19,285,181

2024		
Stage 1	Stage 2	Stage 3
..... Rupees in '000		
-	-	-
1,335,082	5,171,698	14,387,176
402,982	2,672,162	4,510,399
(1,325,822)	(1,758,826)	(4,601,396)
1,057,090	(617,645)	(439,445)
(86,326)	131,154	(44,828)
(131,376)	(2,717,198)	2,848,574
(83,452)	(2,290,353)	2,273,304
-	-	(1,892,478)
(669,714)	(292,603)	(1,497,070)
581,916	2,588,742	13,270,932

9.2.3 Advances - Category of classification

Domestic

Performing	Stage 1
Under performing	Stage 2
Non-Performing	Stage 3
Substandard	
Doubtful	
Loss	

Total

2024	
Outstanding amount	Credit loss allowance held
..... Rupees in '000	
100,590,077	581,916
7,853,106	2,588,742
12,265,726	7,958,480
4,419,491	2,717,418
2,599,964	2,595,034
19,285,181	13,270,932
127,728,364	16,441,590

9.3 Advances include Rs. 26,938.645 million (2023: Rs. 34,539.382 million) relating to agricultural financing which have been placed under non-performing / stage 3 status as detailed below:

Category of classification in Stage 3

Domestic

Other assets especially mentioned
Substandard
Doubtful
Loss

2024		2023	
Non performing loans	Credit loss allowance	Non performing loans	Credit loss allowance
..... Rupees in '000			
7,653,464	-	15,801,372	-
12,265,726	7,958,480	6,965,643	1,393,129
4,419,491	2,717,418	3,462,327	1,731,165
2,599,964	2,595,034	8,310,040	8,310,040
26,938,645	13,270,932	34,539,382	11,434,334

9.4 Particulars of credit loss allowance against advances

	2024						2023		
	Stage 3	Stage 2	Stage 1	Specific	General	Total	Specific	General	Total
	..... Rupees in '000								
Opening balance	-	-	-	11,434,334	3,000,000	14,434,334			
Impact on adoption of IFRS 9	14,387,176	5,171,698	1,335,082	(11,434,334)	-	9,459,622	14,126,561	3,000,000	17,126,561
Charge for the year	6,179,931	2,509,747	506,641	-	-	9,196,319	7,586,093	-	7,586,093
Reversals	(5,403,697)	(5,092,703)	(1,259,807)	-	-	(11,756,207)	(3,154,764)	-	(3,154,764)
	776,234	(2,582,956)	(753,166)	-	-	(2,559,888)	4,431,329	-	4,431,329
Amounts charged off	(1,892,478)	-	-	-	-	(1,892,478)	(7,123,556)	-	(7,123,556)
Closing balance	13,270,932	2,588,742	581,916	-	3,000,000	19,441,590	11,434,334	3,000,000	14,434,334

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9.4.1 Particulars of credit loss allowance / provision against advances

	2024						2023		
	Stage 3	Stage 2	Stage 1	Specific	General	Total	Specific	General	Total
	..... Rupees in '000								
In local currency	13,270,932	2,588,742	581,916	-	3,000,000	19,441,590	11,434,334	3,000,000	14,434,334

9.4.2 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.

9.4.3 In addition to the time based criteria, the Bank has further classified loans and advances amounting to Rs. 1,899.185 million (2023: Rs.4,603.142 million) and further de-graded the category of classified loans and advances amounting to Rs. 4,088.474 million (2023: Rs. 5,366.175 million) on the basis of credit worthiness of the borrowers in accordance with the subjective criteria of the Prudential Regulations for Agriculture Financing.

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	Note	2024 Rupees in '000	2023
9.5 Particulars of write offs:			
9.5.1 Against credit loss allowance / provisions		-	-
Directly charged to profit and loss account		-	-
		<u>-</u>	<u>-</u>
9.5.2 Write offs of Rupees 500,000 and above	9.6	-	-
Write offs of below Rupees 500,000		-	-
		<u>-</u>	<u>-</u>

9.6 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.

9.7 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, 2024 amounts to Rs. 53,081.05 million (2023: Rs. 56,976.83 million) with an addition of Rs. 1,892.48 million (2023: Rs. 7,123.56 million) as charge off loans during the year.

	Note	2024 Rupees in '000	2023
10 PROPERTY AND EQUIPMENT			
Capital work-in-progress	10.1	181,928	69,326
Property and equipment	10.2	<u>1,662,691</u>	<u>1,469,286</u>
		<u>1,844,619</u>	<u>1,538,612</u>
10.1 Capital work-in-progress			
Civil works		55,146	61,385
Equipment		116,566	-
Consultancy charges		9,801	7,618
Others	10.1.1	<u>415</u>	<u>323</u>
		<u>181,928</u>	<u>69,326</u>

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

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10.2 Property and equipment

Description	January 1, 2024			Year ended December 31, 2024				December 31, 2024			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	
Rupees in '000											
Land - Freehold	105,919	-	105,919	105,919	-	-	105,919	105,919	-	105,919	-
Land - Leasehold	10,742	6,256	4,486	4,486	-	216	4,270	10,742	6,472	4,270	Lease terms for 30 to 99 years
Buildings on freehold land	725,969	269,537	456,432	456,432	7,824	23,521	440,735	733,793	293,058	440,735	5%
Buildings on leasehold land	560,197	330,707	229,490	229,490	10,051	12,094	227,447	570,248	342,801	227,447	5%
Buildings on leasehold land - ADB	21,224	11,689	9,535	9,535	-	477	9,058	21,224	12,166	9,058	5%
Furniture and fixtures	551,888	322,035	229,853	229,853	14,161 (1,475)	23,727 (1,429)	220,241	564,574	344,333	220,241	10% / 20%
Computer, office and other equipment	1,656,599	1,346,045	310,554	310,554	381,540 (659)	135,359 (652)	556,728	2,037,480	1,480,752	556,728	20% / 33%
Computer, office and other equipment - ADB	205,038	205,036	2	2	-	-	2	205,038	205,036	2	20% / 33%
Vehicles	1,146,035	1,023,020	123,015	123,015	26,804 (60,292)	38,253 (47,017)	98,291	1,112,547	1,014,256	98,291	20%
CM	4,983,611	3,514,325	1,469,286	1,469,286	440,380 (62,426)	233,647 (49,098)	1,662,691	5,361,565	3,698,874	1,662,691	

Description	January 1, 2023			Year ended December 31, 2023				December 31, 2023			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	
Rupees in '000											
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	553,677	318,774	234,903	234,903	6,520	11,933	229,490	560,197	330,707	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	542,430	297,017	245,413	245,413	9,458	25,018	229,853	551,888	322,035	229,853	10% / 20%
Computer, office and other equipment	1,525,782	1,239,923	285,859	285,859	133,440 (2,623)	108,745 (2,623)	310,554	1,656,599	1,346,045	310,554	20% / 33%
Computer, office and other equipment - ADB	212,289	212,287	2	2	- (7,251)	- (7,251)	2	205,038	205,036	2	20% / 33%
Vehicles	1,300,301	1,120,630	179,671	179,671	24,040 (178,306)	46,343 (143,953)	123,015	1,146,035	1,023,020	123,015	20%
Cmc	4,985,997	3,451,490	1,534,507	1,534,507	185,794 (188,180)	216,662 (153,827)	1,469,286	4,983,611	3,514,325	1,469,286	

	2024	2023
	Rupees in '000	
10.3 Carrying amount of temporarily idle property	<u>58,382</u>	<u>58,411</u>
10.4 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	478,579	452,725
Computer, office and other equipment - ADB	205,039	205,039
Vehicles	<u>914,278</u>	<u>940,665</u>
	<u>1,601,116</u>	<u>1,601,649</u>
10.5 The title documents of freehold land having cost of Rs. 1.86 million (2023: Rs. 1.86 million) and leasehold land having book value of Rs. nil (2023: Rs. nil) are still in the name of Agricultural Development Bank of Pakistan.		
<i>cm</i>		

10.6 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 Altis 1.6 - EJ-496	1,788	1	-	As per entitlement	Sheikh Amanullah, SEVP
Toyota Altis APJ-372	1,763	206	540	As per entitlement	Mustansar Billah, EVP
Honda BRV AZH-520	3,813	2,524	-	As per entitlement	Qasim Mahmood Chisti, SEVP
Dell Latitude 3500	136	1	50	As per entitlement	Qasim Mahmood Chisti, SEVP

11 RIGHT-OF-USE ASSETS

At January 01
Cost
Accumulated Depreciation
Net opening carrying amount at January 01
Additions during the year
Deletions during the year
Depreciation charge for the year
Net closing carrying amount at December 31

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2024			2023		
Buildings	Others	Total	Buildings	Others	Total
..... Rupees in '000					
1,450,311	-	1,450,311	1,321,953	-	1,321,953
593,372	-	593,372	510,875	-	510,875
856,939	-	856,939	811,078	-	811,078
324,882	-	324,882	324,023	-	324,023
49,311	-	49,311	21,193	-	21,193
275,455	-	275,455	256,969	-	256,969
857,055	-	857,055	856,939	-	856,939

12 INTANGIBLE ASSETS

Description	January 1, 2024			Year ended December 31, 2024				December 31, 2024			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	462,014	206,089	255,925	255,925	30,817	114,317	172,425	492,831	320,406	172,425	33.33%	3 years
Computer software - ADB	82,081	82,081	-	-	-	-	-	82,081	82,081	-	33.33%	3 years
	544,095	288,170	255,925	255,925	30,817	114,317	172,425	574,912	402,487	172,425		
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 - ADB	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		

12.1 Included in cost of intangible assets are fully amortised items still in use having cost of Rs. 293.654 million (2023: Rs. 180.845 million).

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13 DEFERRED TAX ASSETS

Deductible temporary differences on:

Provision against non-performing loans and advances

Taxable temporary differences on:

Defined benefit plans

Accelerated tax depreciation and amortization

Surplus on revaluation of investments

Note

	At January 1, 2024	Impact of adoption of IFRS 9	Recognised in P&L A/C	Recognised in OCI	At December 31, 2024
	..... Rupees in '000				
	16,874,015	4,635,214	(2,767,084)	-	18,742,145
	(2,518,298)	-	-	(144,590)	(2,662,888)
	(66,461)	-	(208,891)	-	(275,352)
22	(1,558,442)	-	-	(972,961)	(2,531,403)
	(4,143,201)	-	(208,891)	(1,117,551)	(5,469,643)
	12,730,814	4,635,214	(2,975,975)	(1,117,551)	13,272,502

	At January 1, 2023	Recognised in P&L A/C	Recognised in OCI	At December 31, 2023
	..... Rupees in '000			
	133,228	-	(2,651,526)	(2,518,298)
	15,584,584	1,289,431	-	16,874,015
	15,717,812	1,289,431	(2,651,526)	14,355,717
	7,827	(74,288)	-	(66,461)
	(689,380)	-	(869,062)	(1,558,442)
22	(681,553)	(74,288)	(869,062)	(1,624,903)
	15,036,259	1,215,143	(3,520,588)	12,730,814

- 13.1 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.

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	Note	2024 Rupees in '000	2023
14 OTHER ASSETS			
Income / mark-up accrued in local currency on :			
- advances	14.1	13,421,515	11,235,916
- securities		12,218,003	6,702,050
- deposits		34,316	446,626
Amount recoverable from Federal Government	14.2	2,887,888	2,853,635
Tax recoverable	14.3	422,652	422,652
Branch adjustment account		1,625,809	1,626,582
Taxation (payments less provision)	14.4	1,453,883	1,677,055
Receivable from defined benefit plans:	38.6.1		
gratuity scheme - SR - 2005		1,184,271	1,140,994
Non banking assets acquired in satisfaction of claims	14.5	407,301	420,731
Due from Islamic Banking		3,655	-
Stationery and stamps in hand		163,445	147,042
Stock of farm machinery		11,237	11,237
Advances against salary and expenses		60,882	60,339
Security deposits		7,899	7,199
Advances and other prepayments	14.6	1,656,453	644,944
Clearing and settlement		57,706	589,903
Others		276,481	128,713
		<u>35,893,396</u>	<u>28,115,618</u>
Credit loss allowance held against other assets	14.7	(1,465,073)	(988,669)
Other assets - net of credit allowance		<u>34,428,323</u>	<u>27,126,949</u>

14.1 This does not include Rs. 12,290.111 million (2023: Rs. 11,055.675 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.

14.2 This includes amount recoverable from Federal Government on account of crop loan insurance premium amounting to Rs. 2,802.541 million (2023: Rs. 2,697.820 million), small livestock farmers premium amounting to Rs. 80.486 million (2023: Rs. 150.95 million) and animal tagging charges amounting to Rs. 4.86 million (2023: Rs. 4.86 million).

14.3 This includes tax recoverable of Rs. 309.359 million (2023: Rs. 309.359 million) for assessment years 1991-92 to 2013-14 as disclosed in Note 15.

	Note	2024 Rupees in '000	2023
14.4 Taxation - net			
Opening receivable		1,677,055	2,495,135
Charge during the year	32	(9,955,262)	(7,837,176)
Advance income tax / withholding tax		<u>9,732,090</u>	<u>7,019,096</u>
Closing receivable		<u>1,453,883</u>	<u>1,677,055</u>
14.5 Market value of non-banking assets acquired in satisfaction of claims		<u>829,904</u>	<u>818,343</u>

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	2024	2023
	Rupees in '000	
14.5.1 Non banking assets acquired in satisfaction of claims		
Opening Balance		
Additions	420,731	423,709
Disposals	2,221	361
Closing Balance	<u>(15,651)</u>	<u>(3,339)</u>
	<u>407,301</u>	<u>420,731</u>
14.5.2 Gain on Disposal of Non-banking assets acquired in satisfaction of claims		
Disposal Proceeds		
less : Cost	55,897	12,194
Gain	<u>(15,651)</u>	<u>(3,189)</u>
	<u>40,246</u>	<u>9,005</u>
14.6 This includes accretion of premium income of Rs. 1,480.992 million (2023: Rs. 430.860 million)		

	2024	2023
	Rupees in '000	
14.7 Credit loss allowance held against other assets		
Tax recoverable		
Non banking assets acquired in satisfaction of claims	422,652	422,652
Amount recoverable from Federal Government	407,301	420,731
Stock of farm machinery	551,140	66,234
Accrued interest on advances of ex-employees	11,237	11,237
Amount deposited with courts / legal charges recoverable	16,070	15,595
	<u>56,673</u>	<u>52,220</u>
	<u>1,465,073</u>	<u>988,669</u>
14.7.1 Movement in credit loss allowance held against other assets		
Opening balance	988,669	939,492
Charge for the year	521,703	99,530
Reversals	<u>(45,299)</u>	<u>(50,353)</u>
Closing balance	<u>476,404</u>	<u>49,177</u>
<i>CM</i>	<u>1,465,073</u>	<u>988,669</u>

15 CONTINGENT ASSETS

- 15.1 There is a contingency of an amount of Rs. 297.149 million and Rs. 54.828 million on account of minimum income tax levied by the Income Tax authorities under section 80-D of the Income Tax Ordinance, 1979, and various tax refunds pertaining to assessment years 1991-92 to 1998-99 and assessment year 1999-2000 respectively despite the income of the Bank being exempt from tax up to income year ended 30 June 1999. The Bank paid, under protest, these disputed tax demands and also filed writ petition in this respect in the Honorable Lahore High Court, Rawalpindi Bench, Rawalpindi. Later on, the Bank withdrew the said petition on the directions of the Federal Government and the case was referred to the Law and Justice Division of the Government of Pakistan (GoP) which decided the reference in the Bank's favour. The Federal Board of Revenue (FBR), disagreed with the aforesaid decision, further took up the matter with Federal Cabinet for its review. Federal Cabinet referred the case to the Attorney General of Pakistan (AGP) for final decision which was received on March 12, 2011 whereby the AGP decided that Section 27-A of the ADBP Ordinance should prevail over the said section 80-D of the Income Tax Ordinance, 1979.
- 15.2 Assistant Commissioner, Sindh Revenue Board (SRB) passed the order on 11.05.2019 for the period January 2012 to December 2012 creating a demand of Rs 6.42 million (Principal + Penalty). On 03.06.2019, payment of impugned tax Amounting Rs.6.6 million (Principal + 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.
- 15.3 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.
- 15.4 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.

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	Note	2024 Rupees in '000	2023
16	BILLS PAYABLE		
	In Pakistan	<u>451,707</u>	<u>2,605,372</u>
17	BORROWINGS		
	Secured		
	Borrowing from State Bank of Pakistan (SBP)		
	Redeemable preference shares	17.2 54,461,536	54,461,536
	Repurchase agreement borrowings	17.3 251,568,896	330,098,427
	Repurchase agreement borrowings - others	17.4 13,014,346	14,239,236
	Borrowings From Other Banks	17.5 19,385,015	-
	Total secured	<u>338,429,793</u>	<u>398,799,199</u>
	Unsecured		
	Call borrowings	17.6 69,637,176	1,078,500
		<u>408,066,969</u>	<u>399,877,699</u>
17.1	Particulars of borrowings with respect to currencies		
	In local currency	<u>408,066,969</u>	<u>399,877,699</u>
17.2	Redeemable preference shares have been issued to SBP carrying mark-up of 7.5% (2023: 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.		
17.3	These carry markup at the rate of 13.07% (2023: 22.04% to 23%) per annum and is secured against Market Treasury Bills having face value amounting to Rs. 54,000 million (2023: Rs.249,000 million) and Pakistan Investment Bonds amounting to Rs.203,000 million (2023: Rs.125,000 million). These are repayable by January 2025 (2023: January 2024).		
17.4	These carry markup at the rate of 12.75% to 13.30% (2023: 22% to 22.85%) per annum and are secured against Market Treasury Bills having face value amounting to Rs. 13,996 million (2023: Market Treasury Bills having face value amounting Rs.10,000 million and Pakistan Investment Bonds having face value amounting Rs 6,071 million). These are repayable by January 2025 (2023: January 2024).		
17.5	These carry markup at the rate of 15.00% (2023: NIL) per annum. These are repayable by January 2025 (2023: NIL).		
17.6	These carry markup at the rate of 11.00% to 15% (2023: 20.80% to 21.00%) per annum. These are repayable by January to May 2025 (2023: January 2024).		

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		2024	2023
		Rupees in '000	
18	DEPOSITS AND OTHER ACCOUNTS		
	Customers - local currency		
	Current deposits	10,175,082	6,104,401
	Saving deposits	11,950,511	13,078,871
	Term deposits	33,230,903	34,268,326
	Others	187,903	37,255
		55,544,399	53,488,853
	Financial Institutions - local currency		
	Current deposits	126,063	75,364
	Saving deposits	951,369	3,604,856
	Term deposits	-	-
		1,077,432	3,680,220
		56,621,831	57,169,073
18.1	Composition of deposits		
	- Individuals	7,205,077	4,839,217
	- Government (Federal and Provincial)	6,684,568	5,426,031
	- Public sector entities	11,087,913	16,887,956
	- Banking companies	2,434	-
	- Non-Banking Financial Institutions	1,074,998	3,680,220
	- Private sector	30,566,841	26,335,649
		56,621,831	57,169,073
18.2	These include deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs. 18,803.058 million (2023: Rs. 12,735.989 million).		
19	LEASE LIABILITIES	2024	2023
		Rupees in '000	
	Outstanding amount at the start of the year	983,391	907,653
	Additions during the year	270,098	296,173
	Lease payments including interest	(336,217)	(304,542)
	Interest expense	126,658	118,859
	Remeasurement	(46,705)	(34,752)
	Outstanding amount at the end of the year	997,225	983,391
19.1	Contactual maturity of lease liabilities		
	Short-term lease liabilities - within one year	82,572	51,066
	Long-term lease liabilities		
	- 1 to 5 years	425,336	369,874
	- 5 to 10 years	429,234	507,960
	- More than 10 years	60,083	54,491
		914,653	932,325
	Total lease liabilities	997,225	983,391

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		2024	2023
	Note	Rupees in '000	
20 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency on:			
- borrowings		3,407,005	5,050,416
- deposits and other accounts		2,647,689	2,446,712
Accrued expenses		1,746,765	1,162,422
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		6,344,733	5,845,680
- employees' post retirement medical benefits		10,439,311	9,409,455
- employees' compensated absences		2,153,930	1,926,253
Payable to subsidiary company	43	162,044	154,910
Due to Islamic Banking		-	114,491
Security deposits		21,559	38,182
Deferred income	20.3	9,058	9,535
Others	20.4	1,923,164	1,250,010
		<u>29,023,447</u>	<u>27,576,255</u>
20.1 Net liabilities relating to Bangladesh			
Liabilities		2,012,286	1,982,916
Assets		(2,012,097)	(1,982,727)
	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.		
		2024	2023
	Note	Rupees in '000	
20.3 Deferred income			
Opening balance		9,535	10,038
Amortization during the year	28	(477)	(503)
Closing balance		<u>9,058</u>	<u>9,535</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.		

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21 SHARE CAPITAL

21.1 Authorized capital

2024	2023		2024	2023
Number of shares			Rupees in '000	
12,500,000,000	12,500,000,000	Ordinary and Preference shares of Rupees 10 each	125,000,000	125,000,000

21.2 Issued, subscribed and paid up capital

2024	2023			
Number of shares				
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
			52,678,432	52,678,432

21.3

Shareholder	No. of ordinary shares	Paid-up value per share		
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
<i>CMC</i>	5,267,843,241		52,678,432	52,678,432

	Note	2024	2023
		Rupees in '000	
22	SURPLUS ON REVALUATION OF ASSETS		
Surplus on revaluation of securities measured at FVOCI:			
Quoted investments		3,118,309	3,442,514
Other securities		1,657,923	(262,021)
Surplus on revaluation of securities measured at FVOCI:		4,776,232	3,180,493
Deferred tax on surplus on revaluation of securities measured at FVOCI:		(2,531,403)	(1,558,442)
		<u>2,244,829</u>	<u>1,622,051</u>

23 CONTINGENCIES AND COMMITMENTS

23.1 Contingent liabilities

In respect of cases filed against the Bank:

23.1.1	by borrowers; 402 (2023: 606) cases	<u>338,547</u>	<u>402,962</u>
23.1.2	by employees; 417 (2023: 468) cases	<u>276,281</u>	<u>271,387</u>

23.1.2.1 This includes employees pension related litigations for addition of certain allowances in pensionable pay. These cases are under adjudication in the Honorable Supreme Court of Pakistan. The financial impact of these cases are not quantifiable at this point of time. In the opinion of the legal advisor favorable outcomes of these contingencies is expected, hence, no provision is incorporated in these financial statements.

23.2 Tax related contingencies

23.2.1 Income Tax

The Bank faces cumulative contingent liabilities amounting to Rs. 92,794.558 million under various sections of the Income Tax Ordinance, 2001, for tax years 2002 to 2024, which are under litigation at various forums including the Appellate Tribunal Inland Revenue, the Honorable Islamabad High Court, and the Honorable Supreme Court of Pakistan. Key cases include Rs. 669.768 million u/s 161/205 for tax years 2009-2012, Rs. 19.528 million u/s 155 for tax years 2014-2015, Rs. 74,054.835 million u/s 122(5A) for tax years 2010-2024, Rs. 0.412 million u/s 153(1)(b) for tax year 2015, Rs. 170.675 million u/s 149 for tax years 2015-2016, Rs. 87.532 million u/s 151 for tax years 2015-2016 and Rs. 1,565.379 million u/s 122(1) for tax year 2018 alongside Rs. 1,392.216 million u/s 4(b) for tax year 2022. Other cases include a demand of Rs. 712 million for tax year 2015/-2016, Rs. 29.121 million for tax year 2019, and Rs. 9,917.854 million from disputes covering assessment years 2002-2003 and tax years 2003-2009. In the opinion of the legal advisor favorable outcomes of these contingencies are expected, hence, no provision is incorporated in these financial statements.

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23.2.2 Federal Excise Duties / Sales tax

For the tax years 2008-2016, the Bank is facing total contingent liabilities amounting to Rs. 1,951.757 million related to Federal Excise Duties and Sales Tax matters. These cases are currently under litigation at various forums, including the Honorable Islamabad High Court, the Appellate Tribunal Inland Revenue, and other relevant tribunals and authorities. For the years 2008-2012, contingent liabilities amounting to Rs. 825.121 million were contested, with Rs. 343 million decided in favor of the Bank, leaving Rs. 482.121 million still under dispute. For the periods January 2013 to December 2014, demands of Rs. 738.892 million and Rs. 681.109 million were raised for Federal Excise Duties, and Rs. 4.470 million and Rs. 13.295 million for Sales Tax. For December 2016, a demand of Rs. 10.06 million by the Punjab Revenue Authority was partially contested. The Sindh Revenue Board raised demands for July 2011 to December 2011 and January 2015 to December 2016, totaling Rs. 21.57 million. In the opinion of the legal advisor favorable outcomes of these contingencies are expected, hence, no provision is incorporated in these financial statements.

	2024	2023
	Rupees in '000	
23.3 Commitments against		
Capital expenditure	1,253,127	417,926
Consultancy expenditure	7,770	5,628
24 MARK-UP / RETURN / INTEREST EARNED		
Loans and advances	29,505,256	21,938,959
Investments	77,267,075	114,378,666
Securities purchased under resale agreement	684,157	1,707,104
Call money lendings	2,622,172	2,001,900
Balances with banks	1,173,656	2,287,499
Bai Muajjal income	-	1,964
	<u>111,252,316</u>	<u>142,316,092</u>
24.1 Interest income recognised on:		
		2024
		Rupees in '000
Financial assets measured at amortised cost		4,755,059
Financial assets measured at FVOCI		71,456,357
		<u>76,211,416</u>
24.2 Interest income recognised on:		
Financial assets measured at FVPL		5,810,718
Financial assets measured at cost		29,230,182
<i>CM</i>		<u>35,040,900</u>

		2024	2023
	Note	Rupees in '000	
25	MARK-UP / RETURN / INTEREST EXPENSED		
	Deposits	9,270,798	8,063,057
	Redeemable preference shares - SBP	4,084,615	4,084,615
	Securities sold under repurchased agreement	64,534,343	104,147,978
	Call borrowings	6,994,176	1,621,298
	Other borrowings	1,443,348	-
	On lease liability against right-of-use assets	126,658	118,859
	Bank commission and other charges	28,459	15,622
		<u>86,482,397</u>	<u>118,051,429</u>
26	FEE AND COMMISSION INCOME		
	Branch banking customer fees	62,495	62,776
	Credit related fees	1,073,667	1,245,576
	Commission / exchange gain on remittances including home remittances	3,762	3,693
		<u>1,139,924</u>	<u>1,312,045</u>
27	GAIN ON SECURITIES		
	Realised	27.1 2,323,122	266,525
	Unrealised - Measured at FVPL	16,327	-
		<u>2,339,449</u>	<u>266,525</u>
27.1	Realised gain on: Federal Government Securities	<u>2,323,122</u>	<u>266,525</u>
28	OTHER INCOME		
	Rent on property - KSSL - subsidiary company	5,176	6,584
	Rent on property - others	37,939	33,347
		43,115	39,931
	Gain on sale of property and equipment - net	12,571	35,441
	Gain on sale of non banking assets		
	acquired in satisfaction of claims - net	14.5.2 40,246	9,005
	Deferred income amortization	20.3 477	503
	Discount income	1,770,596	525,786
	Others	28.1 42,280	103,515
		<u>1,909,285</u>	<u>714,181</u>
28.1	Other includes sale of scrap, sale of tender forms, recoveries against penalties imposed by SBP and private use of vehicles etc.		

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		2024	2023	
	Note	Rupees in '000		
29	OPERATING EXPENSES			
	Total compensation expense	29.1	10,208,805	9,857,029
	Property expense			
	Rent & taxes		15,286	11,737
	Insurance		23,431	15,872
	Utilities cost		477,951	346,211
	Repair and maintenance (including janitorial charges)		338,386	211,210
	Depreciation - right of use assets		275,455	256,969
	Depreciation	10.2	36,311	36,556
			1,166,820	878,555
	Information technology expenses			
	Software maintenance		262,177	76,084
	Hardware maintenance		107,834	84,972
	Depreciation	10.2	74,944	58,726
	Amortisation	12	114,315	58,258
	Network charges		167,391	131,772
			726,661	409,812
	Other operating expenses			
	Directors' fees and allowances		11,168	17,481
	Fees and allowances to Shariah Board		7,230	6,168
	Legal and professional charges		200,718	201,740
	Outsourced services costs (refer note 35.1)		2,285,063	1,818,570
	Travelling and conveyance		105,195	120,882
	NIFT clearing charges		20,793	22,974
	Depreciation	10.2	122,386	121,380
	Training and development		64,380	40,144
	Postage and courier charges		34,152	31,471
	Communication		28,175	29,213
	Stationery and printing		99,846	80,429
	Marketing, advertisement and publicity		30,810	40,268
	Donations	29.2	450	-
	Auditors Remuneration	29.3	6,893	6,960
	Motor vehicle expenses		740,429	706,374
	Others		255,504	162,899
			16,115,478	14,552,349

	Note	2024 Rupees in '000	2023
29.1 Total compensation expense			
Salaries		4,764,078	4,316,721
Cash bonus / awards etc.		1,097,424	1,008,984
Charge / (reversal) for defined benefit plans:	38.6.5		
- Pension scheme		1,113,869	1,370,721
- Benevolent scheme - officers / executives		35,951	211,396
- Benevolent scheme - clerical / non-clerical		(107,883)	(31,692)
- Gratuity scheme - staff regulation 2005		(14,468)	(25,681)
- Employees' compensated absences		513,721	100,739
		1,541,190	1,625,483
Contribution to defined contribution plan	38.1.7	40,398	44,425
Rent and house maintenance		477,413	459,103
Utilities		90,378	90,781
Medical	29.1.1	1,861,467	1,970,584
Conveyance		336,457	340,948
Grand Total		<u>10,208,805</u>	<u>9,857,029</u>
29.1.1 This includes post retirement medical benefit amounting to Rs. 1,567.873 million (2023: Rs. 1,733.045 million).			
29.2 Donations			
Ripple Concepts		250	-
Karwan-E-Alhuda Skardu		200	-
		<u>450</u>	<u>-</u>
29.3 Auditors' remuneration			
Audit fee		1,897	1,897
Fee for half year review		431	431
Other statutory certifications		2,254	2,310
Sales tax		733	742
Out of pocket expenses		1,578	1,580
		<u>6,893</u>	<u>6,960</u>
30 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		1,881	39,804
<i>CM</i>			

	Note	2024 Rupees in '000	2023
31 CREDIT LOSS ALLOWANCE AND WRITE-OFFS - NET			
Credit loss allowance against balances with other banks	6	(3,691)	-
Credit loss allowance against lending to financial institutions	7.6	4,138	-
Credit loss allowance for diminution in value of investments	8.3.2	(23)	-
Credit loss allowance against loans & advances	9.4	(2,560,815)	4,427,486
Fixed assets charged-off		2,524	1,043
Reversal of credit loss allowance against other assets	14.7.1	476,403	49,177
Recovery of written off / charged off bad debts		<u>(9,702,522)</u>	<u>(9,982,882)</u>
		<u>(11,783,986)</u>	<u>(5,505,176)</u>

32 TAXATION

Current		9,469,365	7,837,176
Prior year	32.2	485,897	-
Deferred		<u>2,975,975</u>	<u>(1,215,143)</u>
	32.1	<u>12,931,237</u>	<u>6,622,033</u>

32.1 Relationship between income tax expense and accounting profit

	2024 Rupees in '000	2023
Accounting profit for the year	<u>25,891,939</u>	<u>17,606,167</u>
Tax rate	<u>54%</u>	<u>49%</u>
Tax on accounting income	13,981,647	8,627,022
Tax effect of permanent differences		
Penalties imposed by SBP	1,016	13,931
Repair allowance and rent collection allowance allowed against rental income	(5,588)	(4,696)
	(4,572)	9,235
Tax effect of prior years	485,897	-
Others	(1,531,735)	(2,014,224)
Tax charge for the year	<u>12,931,237</u>	<u>6,622,033</u>

32.1.1 The effective tax rate for the year is 49.94% (2023: 37.61%)

32.1.2 By the virtue of the Income Tax (Amendment) Ordinance, 2024, the Federal Government has raised the corporate tax rate for the banking companies to 44%. The current year overall tax rate is 54% which includes 10% super tax.

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		2024	2023
		Rupees in '000	
33	EARNINGS PER SHARE - BASIC AND DILUTED		
	Profit after tax for the year - Rupees in '000	12,960,702	10,984,134
	Weighted average number of ordinary shares	5,267,843,241	5,267,843,241
	Earnings per share - basic and diluted (Rupees)	2.46	2.09

33.1 There is no dilutive effect on the basic earnings per share of the Bank.

		2024	2023
	Note	Rupees in '000	
34	CASH AND CASH EQUIVALENTS		
	Cash and balances with treasury banks	5 3,125,812	3,661,179
	Balances with other banks	6 7,494,010	31,925,573
		10,619,822	35,586,752

		2024	2023
		Number	
35	STAFF STRENGTH		
	Permanent	3,916	3,803
	Contractual	16	9
	Total staff strength	3,932	3,812

35.1 In addition to the above, 3,297 (2023: 3,268) employees of Kissan Support Services (Private) Limited, fully owned subsidiary of the Bank, were assigned to the Bank as at the end of the year to perform other than guarding and janitorial services.

36 CREDIT RATING

VIS Credit Rating Company Limited in its report dated June 27, 2024 has reaffirmed credit rating of the Bank at AAA (2023: AAA) with stable outlook and short-term credit rating of A-1+ (2023: A-1+).

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37 OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

	Note	2024 Rupees in '000	2023
Profit before taxation		25,891,939	17,606,167
Less: Dividend income		(66,735)	(135,730)
		<u>25,825,204</u>	<u>17,470,437</u>
Adjustments:			
Net mark-up / interest income		(24,769,919)	(24,264,663)
Depreciation	10.2	233,647	216,662
Depreciation on right-of-use assets	29	275,455	256,969
Amortization	12	114,315	58,258
Amortization of deferred income	20.3	(477)	(503)
Credit loss allowance and write-offs	31	(2,081,464)	4,477,706
Provision for employees post retirement medical benefits	38.6.5	1,567,873	1,733,045
Charge for defined benefit plans - net	29.1	1,541,190	1,625,483
Gain on sale of non banking assets acquired in satisfaction of claims - net	28.0	(40,246)	(9,005)
Discount income	28	(1,770,596)	(525,786)
Gain on securities	27	(2,339,449)	(266,525)
Gain on sale of operating fixed assets	28	(12,571)	(35,441)
<i>CM</i>		<u>(27,282,242)</u>	<u>(16,733,800)</u>
		<u>(1,457,038)</u>	<u>736,637</u>

38 DEFINED BENEFIT AND CONTRIBUTION PLANS

The Bank 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
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 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.

38.1.5 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.

38.1.6 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.

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38.1.7 Defined contribution plan

The Bank operates an approved non-contributory provident fund (General Provident Fund) through an independent trust for 1378 (2023: 1,630) 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 2538 (2023: 2,127) 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. 40.398 million (2023: Rs.44.425 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. 8,041.89 million (2023: Rs. 6,721.05 million). As intimated by the Trustees, the cost of the investments made at year end amounts to Rs. 7,752.68 million (2023: Rs.6,489.05 million) which is equal to 96.41% (2023: 96.55%) of the total fund size. The fair values of the investments amount to Rs. 8,041.89 million (2023: Rs. 6,721.05 million) at that date. The category wise break up of investment is given below:

	2024	2023
	Rupees in '000	
Term Deposit Receipts	4,325,000	5,434,300
Government securities	3,427,681	1,054,753
	<u>7,752,681</u>	<u>6,489,053</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.

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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, 2024. The actuarial valuations were made using the Projected Unit Credit (PUC) method based on the following significant assumptions:

	2024	2023
 %	
Valuation discount rate - pension & medical scheme under SSR-1961	12.25	15.50
Valuation discount rate - all other schemes	12.25	15.50
Expected rate of increase in salary	10.25	13.50
Expected rate of return on plan assets - pension fund	12.25	15.50
Expected rate of return on plan assets - other funds	12.25	15.50
Expected rate of increase in pension	8.00	11.25
Expected rate of medical inflation - allowances	8.00	15.50
Expected rate of medical inflation - hospitalization	12.25	13.50

38.5 Number of employees under the scheme

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

	2024	2023
	Number	
- Pension Scheme - funded	5,004	4,915
- Benevolent Scheme (officers) - funded	3,477	3,439
- Benevolent Scheme (staff) - funded	400	318
- Gratuity under Staff Regulations - 2005 (SR-2005)	2,538	2,127
- Post Retirement Medical Benefits - unfunded	6,343	7,036
- Employees Compensated Absences - unfunded	4,965	3,757

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

		2024					
		Pension	Benevolent scheme		Gratuity	Post retirement medical	Employees compensated absences
	Note		Officers	Staff	SR-2005		
		Rs. in '000					
Present value of benefit obligation	38.6.2	19,708,758	719,098	140,914	1,885,606	10,439,311	2,153,930
Fair value of plan assets	38.6.3	(13,364,025)	(1,002,665)	(905,496)	(3,069,877)	-	-
	38.6.4	6,344,733	(283,567)	(764,582)	(1,184,271)	10,439,311	2,153,930
Unrecognized due to impact of asset ceiling		-	283,567	764,582	-	-	-
Net liability / (asset)		6,344,733	-	-	(1,184,271)	10,439,311	2,153,930
		2023					
		Pension	Benevolent scheme		Gratuity	Post retirement medical	Employees compensated absences
	Note		Officers	Staff	SR-2005		
		Rs. in '000					
Present value of defined benefit obligation		18,827,410	896,883	123,702	1,638,864	9,409,455	1,926,253
Fair value of plan assets		(12,981,730)	(1,249,176)	(833,511)	(2,779,858)	-	-
		5,845,680	(352,293)	(709,809)	(1,140,994)	9,409,455	1,926,253
Unrecognized due to impact of asset ceiling		-	352,293	709,809	-	-	-
Net liability / (asset)		5,845,680	-	-	(1,140,994)	9,409,455	1,926,253

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38.6.2 Movement in defined benefit obligations

	2024					
	Pension	Benevolent scheme		Gratuity	Post retirement medical	Employees compensated absences
		Officers	Staff	SR-2005		
	Rs. in '000					
Obligations at the beginning of the year	18,827,410	896,883	123,702	1,638,864	9,409,455	1,926,253
Current service cost	220,728	97,040	3,337	176,057	176,262	89,710
Interest cost	2,767,913	107,482	15,302	226,920	1,391,611	276,401
Benefits paid	(1,939,815)	(406,894)	(49,963)	(349,726)	(484,755)	(286,044)
Contribution - employees	-	(7,672)	(1,114)	-	-	-
Re-measurement loss / (gain)	(167,478)	32,259	49,650	193,491	(53,262)	147,610
Obligations at the end of the year	19,708,758	719,098	140,914	1,885,606	10,439,311	2,153,930

	2023					
	Pension	Benevolent scheme		Gratuity	Post retirement medical	Employees compensated absences
		Officers	Staff	SR-2005		
	Rs. in '000					
Obligations at the beginning of the year	19,771,309	628,540	105,587	1,588,063	10,063,017	2,087,516
Current service cost	276,671	37,932	2,409	162,504	321,764	48,952
Interest cost	2,756,457	76,587	12,833	140,011	1,411,281	215,850
Past service cost	-	262,780	56,800	-	-	-
Benefits paid	(1,522,523)	(200,712)	(34,171)	(228,530)	(369,657)	(262,003)
Contribution - employees	-	(8,028)	(1,290)	-	-	-
Re-measurement loss / (gain)	(2,454,504)	99,784	(18,466)	(23,184)	(2,016,950)	(164,062)
Obligations at the end of the year	18,827,410	896,883	123,702	1,638,864	9,409,455	1,926,253

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38.6.3 Movement in fair value of plan assets

		2024					
	Note	Pension	Benevolent scheme		Gratuity	Post retirement medical	Employees compensated absences
			Officers	Staff	SR-2005		
		Rs. in '000					
Fair value at the beginning of the year		12,981,730	1,249,176	833,511	2,779,858	-	-
Interest income on plan assets		1,874,772	160,899	125,408	417,445	-	-
Benefits paid		(1,939,815)	(406,894)	(49,963)	(349,726)	-	-
Contributions - employer		166,959	7,672	1,114	176,399	-	-
Contributions - employees		-	7,672	1,114	-	-	-
Re-measurements: Net return on plan assets over interest income gain / (loss)	38.6.5.2	280,379	(15,860)	(5,688)	45,901	-	-
Fair value at the end of the year		13,364,025	1,002,665	905,496	3,069,877	-	-
		2023					
	Note	Pension	Benevolent scheme		Gratuity	Post retirement medical	Employees compensated absences
			Officers	Staff	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	-	-	-
Re-measurements: Net return on plan assets over interest income gain / (loss)	38.6.5.2	527,621	78,778	39,708	218,632	-	-
Fair value at the end of the year		12,981,730	1,249,176	833,511	2,779,858	-	-

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

		2024				
Note	Pension	Benevolent scheme		Gratuity	Post retirement medical	Employees compensated absences
		Officers	Staff	SR-2005		
Rs. in '000						
Opening balance		5,845,680	-	-	(1,140,994)	9,409,455
Charge / (reversal) for the year	38.6.5.1	1,113,869	35,952	(107,883)	(14,468)	1,567,873
Re-measurement loss / (gain) recognised in OCI during the year	38.6.5.2	(447,857)	(28,280)	108,997	147,590	(53,262)
Contribution to fund / benefits paid		(166,959)	(7,672)	(1,114)	(176,399)	(484,755)
Transferred from gratuity to pension		-	-	-	-	-
Closing balance		6,344,733	-	-	(1,184,271)	10,439,311
2023						
Note	Pension	Benevolent scheme		Gratuity	Post retirement medical	Employees compensated absences
		Officers	Staff	SR-2005		
Rs. in '000						
Opening balance		7,633,256	-	-	(705,747)	10,063,017
Charge / (reversal) for the year		1,370,721	211,396	(31,692)	(25,681)	1,733,045
Re-measurement loss / (gain) recognised in OCI during the year	38.6.5.2	(2,982,125)	(203,368)	32,982	(241,816)	(2,016,950)
Contribution to fund / benefits paid		(176,172)	(8,028)	(1,290)	(167,750)	(369,657)
Transferred from gratuity to pension		-	-	-	-	-
Closing balance		5,845,680	-	-	(1,140,994)	9,409,455

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38.6.5 Charge / (reversal) for defined benefit plans

38.6.5.1 Cost recognised in profit and loss

	2024				
Pension	Benevolent scheme		Gratuity	Post retirement medical	Employees compensated absences
	Officers	Staff	SR-2005		
	Rs. in '000				
Current service cost	220,728	97,040	3,337	176,057	89,710
Net interest on defined benefit asset / liability	893,141	(53,417)	(110,106)	(190,525)	276,401
Actuarial (Gain) / Losses	-	-	-	-	147,610
Contributions - employees	-	(7,672)	(1,114)	-	-
	<u>1,113,869</u>	<u>35,951</u>	<u>(107,883)</u>	<u>1,567,873</u>	<u>513,721</u>
	2023				
Pension	Benevolent scheme		Gratuity	Post retirement medical	Employees compensated absences
	Officers	Staff	SR-2005		
	Rs. in '000				
Current service cost	276,671	37,932	2,409	321,764	48,951
Net interest on defined benefit asset / liability	1,094,050	(81,288)	(89,611)	1,411,281	215,850
Actuarial (Gain) / Losses	-	-	-	-	(164,062)
Past service cost	-	262,780	56,800	-	-
Contributions - employees	-	(8,028)	(1,290)	-	-
<i>CM</i>	<u>1,370,721</u>	<u>211,396</u>	<u>(31,692)</u>	<u>1,733,045</u>	<u>100,739</u>

38.6.5.2 Re-measurements recognised in OCI during the year

	2024					
Pension	Benevolent scheme		Gratuity	Post retirement medical	Employees compensated absences	
	Officers	Staff	SR-2005			
..... Rs. in '000						
Loss / (gain) on obligation :						
- experience adjustment	(167,478)	32,259	49,650	193,491	(53,262)	-
Return on plan assets over interest income	(280,379)	15,860	5,688	(45,901)	-	-
Asset ceiling adjustment	-	(76,399)	53,659	-	-	-
Total re-measurement recognised in OCI	<u>(447,857)</u>	<u>(28,280)</u>	<u>108,997</u>	<u>147,590</u>	<u>(53,262)</u>	<u>-</u>
	2023					
Pension	Benevolent scheme		Gratuity	Post retirement medical	Employees compensated absences	
	Officers	Staff	SR-2005			
..... Rs. in '000						
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	<u>(2,982,125)</u>	<u>(203,368)</u>	<u>32,982</u>	<u>(241,816)</u>	<u>(2,016,950)</u>	<u>-</u>

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38.6.6 Components of plan assets

Cash and cash equivalents - net
Government securities
Debtors and creditors

Cash and cash equivalents - net
Government securities
Debtors and creditors

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2024					
Pension	Benevolent scheme		Gratuity	Post retirement medical	Employees compensated absences
	Officers	Staff	SR-2005		
Rs. in '000					
868,965	143,121	74,587	68,999	-	-
12,495,060	859,544	830,909	3,000,878	-	-
-	-	-	-	-	-
13,364,025	1,002,665	905,496	3,069,877	-	-
2023					
Pension	Benevolent scheme		Gratuity	Post retirement medical	Employees compensated absences
	Officers	Staff	SR-2005		
Rs. in '000					
11,423,074	793,866	595,382	1,703,421	-	-
1,891,474	523,744	250,506	1,092,426	-	-
-	-	-	-	-	-
13,314,548	1,317,610	845,888	2,795,847	-	-

38.6.7 Sensitivity analysis

	Pension	Benevolent scheme		Gratuity	Post retirement medical	Employees compensated absences
		Officers	Staff	SR-2005		
	Rs. in '000					
Current liability	19,708,758	719,098	140,914	1,885,606	10,439,311	2,153,930
+1% discount rate	17,989,945	699,756	137,176	1,733,373	9,669,890	1,977,920
-1% discount rate	21,747,554	740,109	144,909	2,066,500	11,330,477	2,363,280
+1% salary increase	-	-	-	2,077,634	10,524,076	2,360,660
-1% salary increase	-	-	-	1,721,683	10,363,819	1,964,750
+1% pension increase / medical inflation rate	20,042,167	-	-	-	10,335,060	-
-1% pension increase / medical inflation rate	19,393,556	-	-	-	9,102,405	-
+10% withdrawal rates	-	-	-	1,888,032	-	-
-10% withdrawal rates	-	-	-	1,883,154	-	-
1 year mortality age set back	-	-	-	1,887,035	-	-
1 year mortality age set forward	-	-	-	1,884,168	-	-
38.6.8 Maturity profile						
Weighted average duration of obligation (in years)	9.53	2.81	2.74	8.83	9.18 for SSR-1961 8.77 for SR-2005	8.94
38.6.9 Expected charge / (reversal) for next year						
	949,423	13,335	(90,879)	(7,582)	1,328,108	251,567
38.6.10 Expected contribution for next year						
	169,668	8,344	960	445,967	-	-

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39 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

39.1 Total Compensation Expense

Items	2024					
	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non-Executives				
	Rupees in '000					
Fees and Allowances etc.	1,380	6,400	-	-	-	-
Managerial Remuneration:						
Salaries	-	-	6,430	32,837	169,409	106,083
Cash bonus / awards etc.	-	-	800	-	15,650	15,488
Charge for defined benefit plan	-	-	-	-	4,283	6,986
Contribution to defined contribution plan	-	-	-	-	843	1,030
Rent & house maintenance	-	-	-	17,828	42,551	1,538
Utilities	-	-	-	830	5,494	-
Medical	-	-	-	62	8,241	372
Conveyance	-	-	-	3,331	10,985	15,031
Leave Encashment & Fare Assistance	-	-	-	6,720	1,220	-
Club Facility	-	-	-	22	-	-
Drivers & Servants Salary	-	-	-	2,045	-	-
Total	1,380	6,400	7,230	63,675	258,676	146,528
Number of Persons	1	7	3	1	23	53

Items	2023					
	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non-Executives				
	Rupees in '000					
Fees and Allowances etc.	810	12,050	565	-	-	-
Managerial Remuneration:						
Salaries	-	-	5,077	10,915	101,531	96,117
Cash bonus / awards etc.	-	-	526	-	12,954	16,942
Charge for defined benefit plan	-	-	-	-	4,701	7,005
Contribution to defined contribution plan	-	-	-	-	940	1,443
Rent & house maintenance	-	-	-	7,555	10,435	1,941
Utilities	-	-	-	549	2,299	452
Medical	-	-	-	12	3,469	407
Conveyance	-	-	-	17,885	6,141	7,860
Club Facility	-	-	-	1,810	-	-
Drivers & Servants Salary	-	-	-	485	-	-
Total	810	12,050	6,168	39,211	142,470	132,167
Number of Persons	1	6	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).

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

2024												
Sr. No.	Name of Director	Meeting Fees and Allowances Paid										
		For Board Meetings	For Annual General Meeting	For Board Committees							Total Amount Paid	
				Audit	Business Development & Review	Information Technology	Nomination	Human Resource Management	Procurement	Risk		SAM - NPLs / Litigation
Rupees in '000												
1	Mr. Naeemuddin Khan	960	240	-	-	-	-	180	-	-	-	1,380
2	Syed Javed	400	-	150	-	150	-	300	-	-	150	1,150
3	Mr. Zaigham Mahmood Rizvi	400	-	150	150	-	-	-	-	150	-	850
4	Mr. Haaris Mahmood Chaudhary **	400	-	-	-	150	-	300	-	-	150	1,000
5	Mr. Ahmed Taimoor	800	200	300	-	150	-	300	-	150	-	1,900
6	Sahibzada Rafat Raoof Ali	400	-	150	-	-	-	-	-	-	-	550
7	Dr.Ayesha Waqar	400	-	150	-	-	-	-	-	-	-	550
8	Dr.Talat Naseer Pasha	400	-	-	-	-	-	-	-	-	-	400
Total		4,160	440	900	150	450	-	1,080	-	300	300	7,780

2023										
Sr. No.	Name of Director	Meeting Fees and Allowances Paid								
		For Board Meetings	For Annual General Meeting	For Board Committees					Total Amount Paid	
				Audit	Product Development & Marketing	Information Technology & Agriculture Technology	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

39.4 Remuneration paid to Shariah Board Members

Items	2024			2023		
	Chairman	Resident Member	Non-Resident Member	Chairman	Resident Member	Non-Resident Member
Rupees in '000						
Meeting Fees and Allowances	-	-	-	243	140	182
Contractual salary	2,109	2,215	2,106	1,875	1,969	1,233
Cash bonus	250	300	250	207	131	188
Total	2,359	2,515	2,356	2,325	2,240	1,603
Total Number of Persons	1	1	1	1	1	1

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40 FAIR VALUE MEASUREMENT

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

40.1 Fair value of financial assets

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

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.

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).

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:

	2024			
	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	-	370,614,398	-	370,614,398
- Shares	3,207,605	-	-	3,207,605
- Debt securities (TFCs, Sukuk)	2,352,450	-	-	2,352,450
	5,560,055	370,614,398	-	376,174,453
Financial assets not measured at fair value				
- Subsidiary company	-	100,000	-	100,000
<i>CM</i>	5,560,055	370,714,398	-	376,274,453

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
	5,981,009	366,131,111	-	372,112,120
Financial assets not measured at fair value				
- Subsidiary company	-	100,000	-	100,000
	5,981,009	366,231,111	-	372,212,120

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 non-financial assets

Property and equipment as well as non-banking assets, are measured at fair value under Level 2 of the fair value hierarchy.

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

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41 SEGMENT INFORMATION

41.1 Segment Details with respect to Business Activities:

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

	2024			
	Branch banking & agri financing	Treasury	Islamic banking	Total
	..... Rupees in '000			
Profit and Loss				
Net mark-up/return/profit	14,936,222	9,566,582	267,115	24,769,919
Inter segment revenue - net	4,673,678	(4,673,678)	-	-
Non mark-up / return / interest income	3,107,651	2,339,449	8,293	5,455,393
Total Income	22,717,551	7,232,353	275,408	30,225,312
Segment direct expenses	15,813,956	68,997	234,406	16,117,359
Inter segment expense allocation	-	-	-	-
Total expenses	15,813,956	68,997	234,406	16,117,359
Credit loss allowance	(11,783,986)	-	-	(11,783,986)
Profit before tax	18,687,581	7,163,356	41,002	25,891,939
Statement of Financial Position				
Cash and Bank balances	3,800,292	6,550,505	267,541	10,618,338
Investments	-	374,617,656	1,656,797	376,274,453
Net inter segment lendings	68,566,097	-	-	68,566,097
Lendings to financial institutions	-	17,300,072	13,650,000	30,950,072
Advances - performing	101,613,315	-	8,032	101,613,315
- non-performing (net of provision)	7,499,863	-	-	7,499,863
Others	35,496,738	13,737,680	1,340,506	50,574,924
Total Assets	216,976,305	412,205,913	16,922,876	646,105,094
Borrowings	54,461,536	339,805,433	13,800,000	408,066,969
Subordinated debt	-	-	-	-
Deposits & other accounts	55,266,865	-	1,354,966	56,621,831
Net inter segment borrowing	-	68,066,097	500,000	68,566,097
Others	27,188,518	2,094,536	1,189,325	30,472,379
Total Liabilities	136,916,919	409,966,066	16,844,291	563,727,276
Equity	80,054,404	2,244,829	78,585	82,377,818
Total Equity & Liabilities	216,971,323	412,210,895	16,922,876	646,105,094
Contingencies & Commitments	96,622,040	-	-	96,622,040

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	2023			
	Branch banking & agri financing	Treasury	Islamic banking	Total
 Rupees in '000			
Profit and Loss				
Net mark-up/return/profit	9,936,225	14,111,056	217,382	24,264,663
Inter segment revenue - net	2,587,856	(2,587,856)	-	-
Non mark-up / return / interest income	2,159,969	266,525	1,987	2,428,481
Total Income	14,684,050	11,789,725	219,369	26,693,144
Segment direct expenses	14,393,032	58,246	140,875	14,592,153
Inter segment expense allocation	-	-	-	-
Total expenses	14,393,032	58,246	140,875	14,592,153
Credit loss allowance	(5,505,176)	-	-	(5,505,176)
Profit before tax	5,796,194	11,731,479	78,494	17,606,167
Statement of Financial Position				
Cash and Bank balances	3,555,250	27,925,739	4,105,763	35,586,752
Investments	-	370,022,133	2,189,987	372,212,120
Net inter segment lending	62,218,616	-	-	62,218,616
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	34,772,201	7,500,019	237,019	42,509,239
Total Assets	206,053,727	411,408,591	7,132,769	624,595,087
Borrowings	54,461,536	344,337,663	1,078,500	399,877,699
Subordinated debt	-	-	-	-
Deposits & other accounts	52,062,200	-	5,106,873	57,169,073
Net inter segment borrowing	-	61,718,616	500,000	62,218,616
Others	27,012,524	3,730,261	422,233	31,165,018
Total Liabilities	133,536,260	409,786,540	7,107,606	550,430,406
Equity	72,517,467	1,622,051	25,163	74,164,681
Total Equity & Liabilities	206,053,727	411,408,591	7,132,769	624,595,087
Contingencies & Commitments	71,735,770	-	-	71,735,770

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.

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43 RELATED PARTY TRANSACTIONS AND BALANCES

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

The transactions between the Bank and its subsidiary, Kissan Support Services (Private) Limited, are carried out on "cost plus" method. There are no transactions with key management personnel other than under their terms of employment. Contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan as 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 10.6 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:

	Subsidiary company		Key management personnel		Defined Benefit Plans		Agricultural Technology Development Fund	
	2024	2023	2024	2023	2024	2023	2024	2023
	Rupees in '000							
Investments	100,000	100,000	-	-	-	-	-	-
Advances								
Opening balance	-	-	54,997	34,458	-	-	-	-
Addition	-	-	74,572	78,570	-	-	-	-
Repaid	-	-	(31,019)	(58,031)	-	-	-	-
Closing balance	-	-	98,550	54,997	-	-	-	-
Other assets								
Interest / mark-up accrued	-	-	11,266	10,608	-	-	-	-
Receivable at the end of the year	-	-	-	-	1,184,271	1,140,994	-	-
Deposits and other accounts								
Opening balance	1,305,899	1,117,394	2,085	2,687	12,001,475	9,126,458	274,290	236,986
Received during the year	6,271,581	7,287,632	232,219	219,470	16,795,203	35,825,178	590,448	483,205
Withdrawn during the year	(6,043,880)	(7,099,127)	(224,809)	(220,072)	(16,806,008)	(32,950,161)	(530,140)	(445,901)
Closing balance	1,533,600	1,305,899	9,495	2,085	11,990,670	12,001,475	334,598	274,290

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	Subsidiary company		Key management personnel		Defined Benefit Plans		Agricultural Technology Development Fund	
	2024	2023	2024	2023	2024	2023	2024	2023
	..... Rupees in '000'							
Other liabilities								
Interest / mark-up payable	132,001	109,644	-	-	288,217	430,719	11,090	14,979
Payable at the end of the year	162,044	154,910	-	-	18,937,974	17,181,388	-	-
Income								
Mark-up / interest earned	-	-	4,890	2,302	-	-	-	-
Rental income	5,176	6,584	-	-	-	-	-	-
Expense								
Mark-up / interest paid	281,232	230,426	-	-	2,437,466	1,708,385	60,306	38,150
Compensation	-	-	253,550	164,577	-	-	-	-
Post retirement benefit	-	-	4,283	5,880	-	-	-	-
Contribution to defined benefit plan	-	-	843	1,221	-	-	-	-
Cost of services rendered	2,285,063	1,818,570	-	-	-	-	-	-

43.1 Transactions with Government related entities

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

The Bank 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.

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44 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2024	2023
	... Rupees in '000 ...	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	52,678,432	52,678,432
Capital Adequacy Ratio:		
Eligible Common Equity Tier 1 (CET 1) Capital	74,684,118	66,784,561
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	74,684,118	66,784,561
Eligible Tier 2 Capital	4,174,704	3,425,817
Total Eligible Capital (Tier 1 + Tier 2)	78,858,822	70,210,378
Risk Weighted Assets (RWAs):		
Credit Risk	154,389,975	144,301,307
Market Risk	20,718,775	7,063,625
Operational Risk	43,898,575	34,927,413
Total	219,007,325	186,292,345
Common Equity Tier 1 Capital Adequacy Ratio	34.10%	35.85%
Tier 1 Capital Adequacy Ratio	34.10%	35.85%
Total Capital Adequacy Ratio	36.01%	37.69%

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, 2024 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% (2023: 11.50%) of the risk weighted exposure. The Bank's CAR as at December 31, 2024 is 36.01% (2023: 37.69%) of its risk weighted exposure.

	2024	2023
	... Rupees in '000 ...	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	74,684,118	66,784,561
Total exposures	577,770,414	562,544,100
Leverage ratio	12.93%	11.87%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	75,177,791	43,825,505
Total Net Cash Outflow	32,376,518	5,314,602
Liquidity Coverage Ratio	232%	825%
Net Stable Funding Ratio (NSFR)		
Total Available Stable Funding	200,257,341	189,685,484
Total Required Stable Funding	162,878,163	156,982,972
Net Stable Funding Ratio	123%	121%

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>.

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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:

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45.1.1 Lendings to financial institutions
Credit risk by public/ private Sector

Gross Lending		Non-performing Lending		Credit loss allowance held			
2024	2023	2024	2023	Stage 1	Stage 2	Stage 3	2023
				2024			
..... Rupees in '000							
28,150,000	600,000	-	-	(4,626)	-	-	-
2,804,700	5,960,700	-	-	(2)	-	-	-
30,954,700	6,560,700	-	-	(4,628)	-	-	-

45.1.2 Investment in debt securities
Credit risk by industry sector

Gross investments		Non-performing investments		Credit loss allowance held			
2024	2023	2024	2023	Stage 1	Stage 2	Stage 3	2023
				2024			
..... Rupees in '000							
97,353	129,850	-	-	(13)	-	-	-
2,255,097	2,319,349	-	-	(341)	-	-	-
2,352,450	2,449,199	-	-	(354)	-	-	-

Credit risk by public / private sector

Public / Government	-	-	-	-	-	-	-
Private	2,352,450	2,449,199	-	-	(354)	-	-
	2,352,450	2,449,199	-	-	(354)	-	-

45.1.3 Advances
Credit risk by industry sector

Gross advances		Non-performing advances		Credit loss allowance held			
2024	2023	2024	2023	Stage 1	Stage 2	Stage 3	2023
				2024			
Rupees in '000							
127,728,364	118,564,888	26,938,645	34,539,382	3,581,916	2,588,742	13,270,932	14,434,335
874,156	1,417,383	42,528	44,791	387	-	39,333	40,276
128,602,520	119,982,271	26,981,173	34,584,173	3,582,303	2,588,742	13,310,265	14,474,611
-	-	-	-	-	-	-	-
128,602,520	119,982,271	26,981,173	34,584,173	3,582,303	2,588,742	13,310,265	14,474,611
128,602,520	119,982,271	26,981,173	34,584,173	3,582,303	2,588,742	13,310,265	14,474,611

Credit risk by public / private sector

Public / Government	-	-	-	-	-	-	-
Private	128,602,520	119,982,271	26,981,173	34,584,173	3,582,303	2,588,742	13,310,265
	128,602,520	119,982,271	26,981,173	34,584,173	3,582,303	2,588,742	13,310,265
							14,474,611

CM

45.1.4 Contingencies and Commitments

Credit risk by industry sector

	2024	2023
	Rupees in '000	
Agriculture, Forestry, Hunting and Fishing	96,345,759	71,464,383
Individuals	276,281	271,387
	<u>96,622,040</u>	<u>71,735,770</u>
Credit risk by public / private sector		
Public / Government	94,746,315	70,637,867
Private	1,875,725	1,097,903
	<u>96,622,040</u>	<u>71,735,770</u>

45.1.5 Concentration of Advances

The Bank's maximum credit limit to a single borrower amounts to Rs. 5 million (2023: 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	2024						
	Utilization						
	Disburs- ements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit- Baltistan
	..... Rupees in '000						
Punjab	61,362,142	61,362,142	-	-	-	-	-
Sindh	7,217,265	-	7,217,265	-	-	-	-
KPK including FATA	2,312,504	-	-	2,312,504	-	-	-
Balochistan	406,674	-	-	-	406,674	-	-
Islamabad	-	-	-	-	-	-	-
AJK including Gilgit Baltistan	724,103	-	-	-	-	-	724,103
Total	<u>72,022,688</u>	<u>61,362,142</u>	<u>7,217,265</u>	<u>2,312,504</u>	<u>406,674</u>	<u>-</u>	<u>724,103</u>

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Province / Region	2023						
	Utilization						
	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	..... Rupees in '000						
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

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 mark to market and duration modelling. Furthermore, Bank's resilience is gauged through stress testing scenarios and interest rate sensitivity analysis.

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45.2.1 Balance sheet split by trading and banking books

	2024			2023		
	Banking Book	Trading Book	Total	Banking Book	Trading Book	Total
	..... Rupees in '000					
Cash and balances with treasury banks	3,125,812	-	3,125,812	3,661,179	-	3,661,179
Balances with other banks	7,492,526	-	7,492,526	31,925,573	-	31,925,573
Lendings to financial institutions	30,950,072	-	30,950,072	6,560,700	-	6,560,700
Investments	372,854,064	3,420,389	376,274,453	372,212,120	-	372,212,120
Advances	109,121,210	-	109,121,210	105,507,660	-	105,507,660
Property and equipment	1,844,619	-	1,844,619	1,538,612	-	1,538,612
Right-of-use assets	857,055	-	857,055	856,939	-	856,939
Intangible assets	172,425	-	172,425	255,925	-	255,925
Deferred tax assets	13,272,502	-	13,272,502	12,730,814	-	12,730,814
Other assets	34,428,323	-	34,428,323	27,126,949	-	27,126,949
	<u>574,118,608</u>	<u>3,420,389</u>	<u>577,538,997</u>	<u>562,376,471</u>	<u>-</u>	<u>562,376,471</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.

	2024		2023	
	Banking Book	Trading Book	Banking Book	Trading Book
	..... Rupees in '000			
Impact of 5% change in equity prices on:				
- Profit and loss account	-	-	-	-
- Other comprehensive income	71,721	-	87,784	-

CM

45.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB) - Basel II Specific

Interest rate risk is the risk of loss from adverse movements in interest rates. ALCO monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Bank arising from fluctuation in the market interest rates and mismatching or gaps in the amount of financial assets and financial liabilities in different maturity time bands.

The Bank's interest rate exposure is calculated by categorising its interest sensitive assets and liabilities into various time bands based on the earlier of their contractual repricing or maturity dates. Interest rate risk exposures of the Bank are controlled through dealer limits, counterparty exposure limits and (when necessary) type-of-instrument limits. Outright purchase and sale of securities are also approved by ALCO. Duration and modified duration of various types of debt securities as well as their entire portfolio are also calculated, and the impact of adverse change in interest rates on the market value of the securities is estimated. Stress testing for interest rate risk is carried out regularly to estimate the impact of adverse changes in the interest rates.

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

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

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

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

	2024		2023	
	Banking Book	Trading Book	Banking Book	Trading Book
	..... Rupees in '000			
Impact of 1% change in interest rates on:				
- Profit and loss account	-	26,729	-	1,312
- Other comprehensive income	328,699	-	582,019	-

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45.2.5 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.

	Effective Yield / Interest rate	Total	2024									Non-interest bearing financial instruments
			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	
Rupees in '000												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		3,125,812	-	-	-	-	-	-	-	-	-	3,125,812
Balances with other banks	12.10%	7,492,526	7,492,526	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	13.26%	30,950,072	30,950,072	-	-	-	-	-	-	-	-	-
Investments - net	17.05%	376,174,453	30,314	462,656	140,909,721	50,887,711	53,806,900	8,037,303	92,990,211	24,312,507	4,737,130	-
Advances - net	24.03%	109,121,210	974,819	3,634,727	3,489,574	18,274,341	18,967,761	20,194,663	30,640,750	12,814,339	46,194	84,042
Other assets - net		30,579,648	-	-	-	-	-	-	-	-	-	30,579,648
		557,443,721	39,447,731	4,097,383	144,399,295	69,162,052	72,774,661	28,231,966	123,630,961	37,126,846	4,783,324	33,789,502
Liabilities												
Bills payable		451,707	-	-	-	-	-	-	-	-	-	451,707
Borrowings	12.36%	408,066,969	297,768,257	55,837,176	-	-	-	-	54,461,536	-	-	-
Deposits and other accounts	18.04%	56,621,831	13,079,744	247,061	12,457,660	17,925,954	2,020	2,420,345	-	-	-	10,489,047
Lease liabilities		997,225	-	7,263	5,793	69,517	52,504	113,727	259,105	429,234	60,082	-
Other liabilities		27,069,477	-	-	-	-	-	-	-	-	-	27,069,477
		493,207,209	310,848,001	56,091,500	12,463,453	17,995,471	54,524	2,534,072	54,720,641	429,234	60,082	38,010,231
On-balance sheet gap		64,236,512	(271,400,270)	(51,994,117)	131,935,842	51,166,581	72,720,137	25,697,894	68,910,320	36,697,612	4,723,242	(4,220,729)
Net non-financial assets		18,141,306										
Total net assets		82,377,818										
Off-balance sheet gap												
		-	-	-	-	-	-	-	-	-	-	-
Total yield/ interest risk sensitivity gap		64,236,512	(271,400,270)	(51,994,117)	131,935,842	51,166,581	72,720,137	25,697,894	68,910,320	36,697,612	4,723,242	(4,220,729)
Cumulative yield / interest risk sensitivity gap			(271,400,270)	(323,394,387)	(191,458,545)	(140,291,964)	(67,571,827)	(41,873,933)	27,036,387	63,733,999	68,457,241	64,236,512

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	557,443,721	Total financial liabilities	493,207,209
Add non-financial assets:		Add non-financial liabilities:	
Investment in subsidiary company	100,000	Other liabilities	1,953,970
Operating fixed assets and intangible	2,874,099	Total liability as per statement of financial position	<u>495,161,179</u>
Deferred tax assets	13,272,502		
Other assets	<u>3,848,675</u>		
Total assets as per statement of financial position	<u>577,538,997</u>		

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		2023										
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		
..... Rupees in '000												
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	20.35%	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	-	-	-	-	-	54,461,536	-	-	-
Deposits and other accounts	15.59%	57,169,073	21,206,801	327,815	7,895,060	20,784,506	82,430	3,940	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)	(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										
Add non-financial assets:												
Investment in subsidiary company		100,000										
Operating fixed assets and intangible		2,651,476										
Deferred tax assets - net		12,730,814										
Other assets		3,204,722										
Total assets as per statement of financial position		562,376,471										
Rupees in '000												
Total financial liabilities												
Add non-financial liabilities:												
Other liabilities												
Total liability as per statement of financial position												

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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.

45.3.1 Operational risk - Disclosures Basel II specific

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

45.4 Liquidity risk

Liquidity risk is the 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.

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

2024													
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	3,125,812	3,125,812	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	7,492,526	7,492,526	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	30,950,072	-	18,100,000	-	-	-	-	-	12,850,072	-	-	-	-
Investments - net	376,274,453	-	-	-	-	500,000	144,687,000	27,275,000	9,207,629	64,225,750	8,403,316	96,700,000	25,275,758
Advances - net	109,121,210	827,394	443	-	3,327,891	2,471,973	1,024,226	3,399,685	9,637,031	10,289,374	20,723,964	16,518,321	12,234,453
Property and equipment	1,844,619	-	-	-	477,540	-	6,377	9,528	-	217,098	108,421	339,426	496,137
Right-of-use assets	857,055	-	-	-	-	-	-	-	-	24,332	4,648	40,175	734,470
Intangible assets	172,425	-	-	-	1	-	-	-	-	2,670	147,995	21,759	-
Deferred tax assets - net	13,272,502	-	-	-	-	-	-	-	13,272,502	-	-	-	-
Other assets	34,428,323	346,407	90	-	9,575,440	2,553,501	1,710,467	2,679,501	1,614,253	571,201	211,425	308,850	541,685
	577,538,997	11,792,139	18,100,533	-	13,380,872	5,025,474	3,241,070	150,775,714	38,526,284	60,179,180	85,781,979	25,534,422	39,282,503
Liabilities													
Bills payable	451,707	451,707	-	-	-	-	-	-	-	-	-	-	-
Borrowings	408,066,969	-	160,806,856	10,180,232	169,008,657	7,521,459	2,309,190	2,191,798	1,587,241	-	-	54,461,536	-
Deposits and other accounts	56,621,831	23,424,497	-	-	144,500	156,330	90,561	12,457,630	-	16,904,971	2,420,342	-	-
Lease liabilities against ROU	997,225	-	-	-	-	-	-	-	52,734	3,001	41,683	50,542	849,265
Other liabilities	29,023,447	-	-	-	395,166	12,050	12,050	2,169,677	1,291,148	24,063,623	191,977	139,335	489,316
	495,161,179	23,876,204	160,806,856	10,180,232	169,548,323	7,689,839	2,411,801	16,819,105	2,314,148	25,703,598	17,099,949	2,601,360	1,338,581
Net assets	82,377,818	(12,084,065)	(142,706,323)	(10,180,232)	(156,167,451)	(2,664,365)	829,269	133,956,609	36,212,136	34,475,582	68,682,030	22,933,062	37,943,922
Share capital	52,678,432												
Reserves	12,113,062												
Unappropriated loss	15,341,495												
Surplus on revaluation of assets	2,244,829												
	<u>82,377,818</u>												

2023

Assets

Cash and balances with treasury banks
Balances with other banks
Lending to financial institutions
Investments - net
Advances - net
Property and equipment
Right-of-use assets
Intangible assets
Deferred tax assets - net
Other assets

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													
3,661,179	3,661,179	-	-	-	-	-	-	-	-	-	-	-	-
31,925,573	31,925,573	-	-	-	-	-	-	-	-	-	-	-	-
6,560,700	-	6,560,700	-	-	-	-	-	-	-	-	-	-	-
372,212,120	-	-	-	-	-	-	4,496,000	32,905,900	233,582,761	17,710,000	50,615,750	26,677,751	6,223,958
105,507,660	1,755,765	164,639	266,226	3,779,604	2,131,591	594,813	5,996,933	7,843,390	19,397,555	11,477,771	13,562,975	24,728,393	13,808,005
1,538,612	-	-	-	385,234	-	7,708	18,914	-	39,514	71,333	151,746	250,227	613,936
856,939	-	-	-	12,814	-	3,194	10,110	-	41,874	50,927	54,586	200,990	482,444
255,925	-	-	-	-	-	-	-	-	255,925	-	-	-	-
12,730,814	-	-	-	-	-	-	-	-	12,730,814	-	-	-	-
27,126,949	439,447	31,601	59,096	8,031,654	2,067,443	1,295,350	817,428	2,522,752	11,059,642	471,733	141,300	95,043	94,460
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

Liabilities

Bills payable
Borrowings
Deposits and other accounts
Other liabilities

2,605,372	2,605,372	-	-	-	-	-	-	-	-	-	-	-	-
399,877,699	-	201,916,163	143,500,000	-	-	-	-	-	-	-	-	54,461,536	-
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	51,200	600,000
28,559,646	-	-	-	6,820,605	-	2,248,491	950,704	-	(1,759,841)	2,391,838	2,383,191	4,936,427	10,588,231

Net assets

Share capital
Reserves
Unappropriated profit
Surplus on revaluation of 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	11,188,231
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

52,678,432
9,520,922
10,343,276
1,622,051
74,164,681

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46 **CORRESPONDING FIGURES**

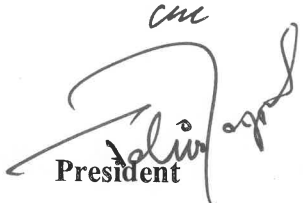
Corresponding figures have been rearranged, reclassified or additionally incorporated in these financial statements wherever necessary to facilitate comparison and better presentation.


47 **DATE OF AUTHORIZATION FOR ISSUE**


These financial statements were authorized for issue on 25 MAR 2025 by the Board of Directors of the Bank.


48 **GENERAL**


The figures in the financial statements are rounded off to the nearest thousand rupees, unless otherwise stated.

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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, 2024

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/ markup written-off / waived	Other financial relief provided	Total (10+11+12)
					Principal	Interest / markup	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12	13
				 Rupees in '000							
0												
0												

NIL

cm

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ISLAMIC BANKING BUSINESS

The bank is operating 25 (2023: 25) Islamic banking branches and 0 (2023: 10) Islamic branches windows at the end of the year.

	Note	2024 Rupees in '000	2023
ASSETS			
Cash and balances with treasury banks		141,150	282,787
Balances with other banks		126,391	3,822,976
Due from financial institutions	1	13,650,000	600,000
Investments	2	1,656,797	2,189,987
Islamic financing and related assets - net		8,032	-
Fixed assets		120,687	121,463
Intangible assets		-	-
Due from Head Office		-	-
Other assets		1,219,819	115,556
Total Assets		16,922,876	7,132,769
LIABILITIES			
Bills payable		4,435	1,367
Due to financial institutions		13,800,000	1,078,500
Deposits and other accounts	3	1,354,966	5,106,873
Due to Head Office	4	963,273	338,996
Subordinated debt		-	-
Other liabilities		221,617	81,870
		16,344,291	6,607,606
NET ASSETS		578,585	525,163
REPRESENTED BY			
Islamic Banking Fund		500,000	500,000
Reserves		-	-
Surplus / (deficit) on revaluation of assets		11,953	(23,039)
Accumulated profit	5	66,632	48,202
		578,585	525,163
CONTINGENCIES AND COMMITMENTS	6		
<i>CM</i>			

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

	Note	2024 Rupees in '000	2023
Profit / return earned	7	2,196,093	1,299,771
Profit / return expensed	8	1,928,978	1,082,389
Net Profit / return		267,115	217,382
Other income			
Fee and Commission Income		2,578	1,966
Dividend Income		-	-
Foreign Exchange Income		-	-
Income / (loss) from derivatives		-	-
Gain on securities		3,667	21
Other Income		2,048	-
Total other income		8,293	1,987
Total Income		275,408	219,369
Other expenses			
Operating expenses		234,406	140,875
Workers Welfare Fund		-	-
Other charges		-	-
Total other expenses		234,406	140,875
Profit before provisions		41,002	78,494
Provisions and write offs - net		-	-
Profit before taxation		41,002	78,494
Taxation		22,572	37,445
Profit after taxation		18,430	41,049

CMC

	2024			2023		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
..... Rupees in '000						
1 Due from Financial Institutions						
Musharakah / Mudarabah	13,650,000	-	13,650,000	600,000	-	600,000
	13,650,000	-	13,650,000	600,000	-	600,000

2 Investments

	2024				2023			
	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value
..... Rupees in '000								
Federal Government securities								
Ijarah sukuk	1,287,277	-	8,343	1,295,620	1,756,345	-	(24,958)	1,731,387
Non Government Securities								
Listed securities	357,566	-	3,611	361,177	456,681	-	1,919	458,600
Total investments	1,644,843	-	11,954	1,656,797	2,213,026	-	(23,039)	2,189,987

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2024 2023
Rupees in '000

3 Deposits**Customers - local currency**

Current deposits	392,796	223,294
Savings deposits	719,767	4,723,567
Term deposits receipts	242,165	155,397
Others	238	4,615
	1,354,966	5,106,873

Financial Institutions

Term deposits receipts	-	-
	1,354,966	5,106,873

3.1 Composition of deposits

- Individuals	1,023,657	899,046
- Non-Banking Financial Institutions	-	2,905,801
- Private Sector	131,309	1,162,869
-Govt./Public Sector Entities	200,000	139,157
	1,354,966	5,106,873

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. 1,026.551 million (2023: Rs. 899.576 million).

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

2024 2023
Rupees in '000

5 Islamic Banking Business Unappropriated Profit

Opening Balance	48,202	7,153
Add: Islamic Banking for the year	41,002	78,494
Less: Taxation	22,572	37,445
Closing Balance	66,632	48,202

6 There are no contingencies and commitments related to the Islamic business as at reporting date. (2023: Nil)

7 Profit / return earned of financing, investments and placement

2024 2023
Rupees in '000

Profit earned on:		
Financing	515	-
Investments	342,024	413,986
Placements	1,853,554	885,785
Total	2,196,093	1,299,771

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	2024	2023
	Rupees in '000	
8 Profit on deposits and other dues expensed		
Deposits and other accounts	261,484	449,096
Commission and other charges	3,520	1,493
Call borrowings/ Funds acceptances	1,663,974	631,800
	<u>1,928,978</u>	<u>1,082,389</u>

9 Pool Management

Currently, ZTBL Islamic Banking Division (ZTBL - IBD) is maintaining five pools for profit declaration and distribution i.e., general pool, special pool 3, special pool 5, special pool 7 and special pool 10.

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.

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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.

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

	2024	2023
	Rupees in '000	
Investments	1,656,797	2,189,987
Due from financial institutions	13,650,000	600,000
Balances with other banks	126,391	3,822,976

CM

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.

	2024	2023
	Rupees in '000	
Credit loss allowances	-	-

Mudarib share (in amount and percentage of distributable income)

		2024	2023
		Rupees in '000	
Rabbul Mal	73%	251,311	414,840
Mudarib	27%	91,305	90,179
		<u>342,616</u>	<u>505,019</u>

Amount & percentage of mudarib share transferred to depositors through Hiba

	2024	2023
Mudarib share	91,305	90,179
Hiba	20,228	40,321
Hiba percentage of mudarib share	22.15%	44.71%

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

	2024	2023
Profit rate earned	18.03% p.a.	19.66% p.a.
Profit rates distributed to depositors	13.07% p.a.	13.45% p.a.

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