

**ZARAI TARAQIATI BANK LIMITED**  
**UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2021**

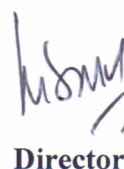
	Note	2021 ..... Rupees in '000 .....	2020
<b>ASSETS</b>			
Cash and balances with treasury banks	8	5,026,023	2,677,147
Balances with other banks	9	26,815,652	19,429,284
Lendings to financial institutions	10	16,879,487	11,037,975
Investments - net	11	82,407,245	39,824,960
Advances - net	12	91,822,307	102,656,270
Fixed assets	13	2,477,865	2,793,596
Intangible assets	14	35,817	19,396
Deferred tax assets - net	15	13,230,217	13,266,590
Other assets - net	16	16,146,129	18,980,827
		<u>254,840,742</u>	<u>210,686,045</u>
<b>LIABILITIES</b>			
Bills payable	18	442,401	402,111
Borrowings	19	132,357,035	81,163,232
Deposits and other accounts	20	43,598,565	49,185,517
Liabilities against assets subject to finance lease		-	-
Subordinated loan		-	-
Deferred tax liabilities - net		-	-
Other liabilities	21	24,512,149	23,248,030
		<u>200,910,150</u>	<u>153,998,890</u>
<b>NET ASSETS</b>		<u><u>53,930,592</u></u>	<u><u>56,687,155</u></u>
<b>REPRESENTED BY</b>			
Share capital	22	52,678,433	52,678,433
Reserves		6,299,526	6,299,526
Surplus on revaluation of assets - net of tax	23	989,649	1,679,047
Accumulated loss		(6,037,016)	(3,969,851)
		<u><u>53,930,592</u></u>	<u><u>56,687,155</u></u>
<b>CONTINGENCIES AND COMMITMENTS</b>	24		

The annexed notes 1 to 49 and annexures I & II form an integral part of these financial statements.

  
President

  
Chief Financial Officer

  
Director

  
Director

  
Director

**ZARAI TARAQIATI BANK LIMITED**  
**UNCONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	2021	2020
Note	..... Rupees in '000 .....	
Mark-up / return / interest earned	25 22,526,158	18,041,618
Mark-up / return / interest expensed	26 10,325,697	9,706,371
Net mark-up / interest income	12,200,461	8,335,247

**NON MARK-UP / INTEREST INCOME**

Fee and commission income	27 998,119	989,081
Dividend income	192,413	75,346
Foreign exchange income	-	-
Income / (loss) from derivatives	-	-
Gain / (loss) on securities	28 15,006	8,601
Other income	29 141,000	229,444
Total non-mark-up / interest income	1,346,538	1,302,472
Total income	13,546,999	9,637,719

**NON MARK-UP / INTEREST EXPENSES**

Operating expenses	30 10,909,948	11,384,345
Workers welfare fund	-	-
Other charges	31 76,359	147,620
Total non mark-up / interest expenses	10,986,307	11,531,965
Profit / (loss) before provisions	2,560,692	(1,894,246)
Provisions and write offs - net	32 777,676	1,330,316
Extra ordinary / unusual items	-	-
<b>PROFIT / (LOSS) BEFORE TAXATION</b>	1,783,016	(3,224,562)

Taxation	33 3,518,256	(757,147)
<b>LOSS AFTER TAXATION</b>	(1,735,240)	(2,467,415)

	..... Rupees .....	
Basic loss per share (Rupees)	34 (0.33)	(0.47)
Diluted loss per share (Rupees)	34 (0.33)	(0.47)

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President

Chief Financial Officer

Director

Director

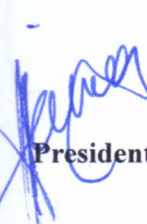
Director

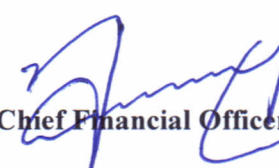
**ZARAI TARAQIATI BANK LIMITED**  
**UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	2021	2020
	... Rupees in '000 ...	
Loss after taxation for the year	(1,735,240)	(2,467,415)
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	(689,398)	(414,543)
Movement in deficit on revaluation of investments - net of tax	(689,398)	(414,543)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain on defined benefit obligations - net of tax	(331,925)	1,934,549
Movement in surplus on revaluation of operating fixed assets - net of tax	-	-
Movement in surplus on revaluation of non-banking assets - net of tax	-	-
Remeasurement gain on defined benefit obligations - net of tax	(331,925)	1,934,549
Total comprehensive loss	<u>(2,756,563)</u>	<u>(947,409)</u>

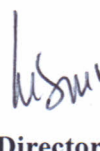
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**President**

  
**Chief Financial Officer**

  
**Director**

  
**Director**

  
**Director**

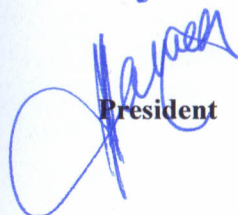
**ZARAI TARAQIATI BANK LIMITED**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**


	Share capital	Statutory reserve	Contingencies reserve	Surplus on revaluation of investments	Un-appropriated profit / (loss)	Total
..... Rupees in '000 .....						
<b>Balance as at December 31, 2019</b>	52,678,433	6,239,526	60,000	2,093,590	(3,436,985)	57,634,564
Loss after taxation for the year	-	-	-	-	(2,467,415)	(2,467,415)
Other comprehensive income / (loss) - net of tax	-	-	-	(414,543)	1,934,549	1,520,006
Total comprehensive loss for the year	-	-	-	(414,543)	(532,866)	(947,409)
<b>Balance as at December 31, 2020</b>	52,678,433	6,239,526	60,000	1,679,047	(3,969,851)	56,687,155
Loss after taxation for the year	-	-	-	-	(1,735,240)	(1,735,240)
Other comprehensive loss - net of tax	-	-	-	(689,398)	(331,925)	(1,021,323)
Total comprehensive loss for the year	-	-	-	(689,398)	(2,067,165)	(2,756,563)
<b>Balance as at December 31, 2021</b>	<u>52,678,433</u>	<u>6,239,526</u>	<u>60,000</u>	<u>989,649</u>	<u>(6,037,016)</u>	<u>53,930,592</u>


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

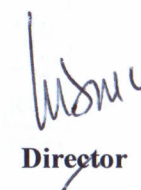
The Bank has set aside contingencies reserve for insurance of cash, building and vehicles.

The annexed notes 1 to 49 and annexures I & II form an integral part of these financial statements.

  
**President**

  
**Chief Financial Officer**

  
**Director**

  
**Director**

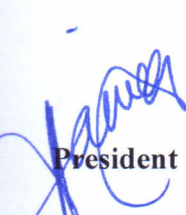
  
**Director**

**ZARAI TARAQIATI BANK LIMITED**  
**UNCONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Note	2021 ..... Rupees in '000 .....	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating profit before working capital changes	38	11,242,200	4,025,811
(Increase) / decrease in operating assets:			
Lendings to financial institutions		(5,841,512)	(11,037,975)
Advances - net		3,637,679	3,474,938
Other assets - net (excluding advance taxation)		505,558	(1,273,204)
		(1,698,275)	(8,836,241)
Increase / (decrease) in operating liabilities:			
Bills payable		40,290	(169,758)
Borrowings from financial institutions		51,193,803	8,660,867
Deposits and other accounts		(5,586,952)	3,183,306
Other liabilities		(267,055)	643,747
		45,380,086	12,318,162
Employees' benefits paid		(1,018,509)	(974,256)
Income tax paid		(368,575)	(376,787)
Net cash flow generated from operating activities		53,536,927	6,156,689
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		(43,627,891)	(16,343,466)
Dividend received		192,413	75,346
Investments in operating fixed assets		(175,968)	(163,442)
Proceeds from sale of fixed assets		87,162	102,898
Net cash flow used in investing activities		(43,524,284)	(16,328,664)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease liability against right-of-use assets - net		(277,399)	(278,577)
Increase / (decrease) in cash and cash equivalents		9,735,244	(10,450,552)
Cash and cash equivalents at beginning of the year		22,106,431	32,556,983
Cash and cash equivalents at end of the year	35	31,841,675	22,106,431

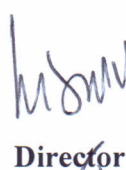
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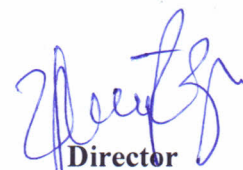
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**President**

  
**Chief Financial Officer**

  
**Director**

  
**Director**

  
**Director**

**ZARAI TARAQIATI BANK LIMITED**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**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 Taraqiati 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 Taraqiati 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 (2020: 501) branches including 5 (2020: 5) 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 Taraqiati 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 unconsolidated financial statements have been presented in accordance with format prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 2 dated January 25, 2018.

### **3 STATEMENT OF COMPLIANCE**

3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. These comprise of:

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

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

3.2 SBP has deferred the applicability of International Financial Reporting Standard (IFRS) 9, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002 however, SBP has further modified the effective date of application of IFRS 9 for banking finance companies to reporting periods starting on or after January 01, 2022 vide BPRD Circular no. 24 of 2021 dated July 05, 2021. Moreover, SBP vide BPRD circular no. 4, dated February 25, 2015 has deferred the applicability of IFAS 3, 'Profit and Loss Sharing on Deposits'. Furthermore, SECP has deferred applicability of IFRS 7 'Financial Instruments: Disclosures' on banks through SRO 411(1)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars.

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

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

#### **4.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 31, 2021**

The following standards, amendments and interpretations are effective for the year ended December 31, 2021. These standards, amendments and interpretations are either not relevant to the Bank's operations or are not expected to have significant impact on the financial statements other than certain additional disclosures.

	<b>Effective date (annual periods beginning on or after)</b>
Amendments to IFRS 16 'Leases' - Covid - 19 related rent concessions	January 01, 2022

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
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Certain annual improvements have also been made to a number of IFRSs.

#### **4.2 New accounting standards, amendments and interpretations that are not yet effective**

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain additional disclosures.

	<b>Effective date (annual periods beginning on or after)</b>
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid - 19 related rent concessions	April 01, 2021
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. According to SBP BPRD circular no. 4 dated October 23, 2019, the Banks / DFIs are required to have a parallel run of IFRS 9 from January 01, 2020 and are also required to prepare pro-forma financial statements which include the impact of IFRS 9 from the year ended December 31, 2019.

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

## **5 BASIS OF MEASUREMENT**

These unconsolidated 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.

## **6 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS**

The COVID-19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The State Bank of Pakistan (SBP) had also responded to the crisis with following regulatory measures to provide an impetus to economic activity:

- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs to Rs 180 million;
- Relaxing the debt burden ratio for consumer loans from 50% to 60%;
- Allowing banks to defer borrowers' principal loan payments by one year and / or restructure / reschedule loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up with no reflection on credit history; and
- Introduction of refinancing schemes for payment of wages and salaries.

COVID-19 has impacted the banks in Pakistan from various facets which include muted credit risk increase, reduced fee income due to slowdown in economic activity, branch closures and cyber security threat management.

The potential impact of the economic stress posed by the COVID-19 outbreak is difficult to predict, as many of the Bank's borrowers have availed the SBP enabled deferment/restructuring & rescheduling relief. However, the Bank had General Provision of Rs. 3.0 billion therefore no further provision is made during the year.

## **7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of the previous financial year.

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

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

#### **c) Provident fund scheme**

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

**d) Benevolent scheme**

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

**e) Post retirement medical benefits**

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

**f) Employees' compensated absences**

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

**7.3 Cash and cash equivalents**

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

**7.4 Advances**

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

**7.5 Investments**

The Bank classifies its investments as follows:

**Held-for-trading**

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

**Held-to-maturity**

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

### **Available-for-sale**

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

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

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

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

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

### **Investments in 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. Investments in subsidiaries and associates are valued at cost less impairment, if any. A reversal of an impairment loss on subsidiaries and associates is recognized in the profit and loss account as it arises provided the increased carrying value does not exceed cost.

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

## **7.6 Operating fixed assets and depreciation / amortization**

### **Property and equipment**

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

Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 13.2 to these financial statements, after taking into account the residual value, if any. Depreciation is charged on reducing balance method except for vehicles, computer equipment and

leasehold land which are depreciated / amortized on straight line method. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

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

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

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

### **Capital work in progress**

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

## **7.7 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.

## **7.8 Right-of-use assets and their related lease liability**

### **7.8.1 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.

### **7.8.2 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.

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.

### **7.9 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.

### **7.10 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.

### **7.11 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.

## **7.12 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.

## **7.13 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.

## **7.14 Revenue recognition**

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

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

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

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

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

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

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

## **7.15 Provisions**

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

## **7.16 Foreign currencies**

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

## **7.17 Financial instruments**

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

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

### **Financial assets**

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

### **Financial liabilities**

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

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

### **Impairment – financial assets**

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

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

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

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

#### **7.18 Offsetting**

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

#### **7.19 Fair value measurement**

A number of assets and liabilities included in the financial statements require measurement 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, 2021 are disclosed in note 41.

#### **7.20 Dividend distribution and appropriation**

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

#### **7.21 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.

## **7.22 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.

## **7.23 Related party transactions**

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

## **7.24 Other payables**

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

## **7.25 Other receivables**

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

## **7.26 Mark-up bearing borrowings**

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

## **7.27 Statutory reserve**

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

## **7.28 Cash reserve requirement**

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

## **7.29 Grants**

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

recognized directly in the profit and loss account and reflected as a receivable from donors.

Grants that compensate the 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.

### **7.30 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.

### **7.31 Critical accounting estimates and judgments**

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

#### **a) Classification of investments**

As described in Note 7.5, investments 'held for trading' are the securities acquired principally for the purpose of generating profits from short term fluctuations in market prices while investments 'held to maturity' are investments where the management has positive intention and ability to hold the same to maturity and 'available for sale' securities are investments that do not fall under the 'held for trading' or 'held to maturity' categories. The classification of these investments involves management judgment at the time of purchase whether these are 'held for trading', 'held to maturity' or 'available for sale' investments.

#### **b) Provision against advances**

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

#### **c) Defined benefit plans**

Certain actuarial assumptions have been adopted as disclosed in note 39 of these financial statements for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are best estimates of the variables that will determine the ultimate cost of providing post employment

benefits. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

**d) Operating fixed assets**

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

**e) Impairment**

**Impairment of available for sale equity investments**

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

**Impairment of investments in subsidiary and associates**

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

**Impairment of non-financial assets (excluding deferred tax)**

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

**f) Taxation**

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

**g) Provision and contingent liabilities**

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

**h) Right-of-use assets**

As mentioned in note 7.8, right-of-use assets is depreciated over its lease term while their related lease liability are measured at their present values.

**7.32 Exceptional items**

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Bank. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

	<b>Note</b>	<b>2021</b> <b>Rupees in '000</b>	<b>2020</b>
<b>8 CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency		572,019	562,751
With State Bank of Pakistan in:			
Local currency current account	8.1	2,919,203	1,552,407
With National Bank of Pakistan in:			
Local currency current account		1,198,284	121,289
Local currency deposit account	8.2	333,762	426,957
		1,532,046	548,246
Prize bonds		2,755	13,743
		<u>5,026,023</u>	<u>2,677,147</u>

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

8.2 These carry mark-up at rates ranging from 5.50% to 12.50% (2020: 5.50%) per annum.

	<b>Note</b>	<b>2021</b> <b>Rupees in '000</b>	<b>2020</b>
<b>9 BALANCES WITH OTHER BANKS</b>			
In Pakistan			
In current accounts		124,434	128,027
In deposit accounts	9.1	26,691,218	19,301,257
		<u>26,815,652</u>	<u>19,429,284</u>

9.1 These carry mark-up at rates ranging from 5.50% to 12.40% (2020: 5.50% to 6.50%) per annum.

	<b>Note</b>	<b>2021</b> <b>Rupees in '000</b>	<b>2020</b>
<b>10 LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings		3,050,000	1,000,000
Repurchase agreement lendings (reverse repo)	10.3	13,778,212	9,986,700
Bai Muajjal receivable			
With State Bank of Pakistan	10.4	51,275	51,275
		<u>16,879,487</u>	<u>11,037,975</u>

	2021	2020
	Rupees in '000	
<b>10.1 Particulars of lendings</b>		
In local currency	16,879,487	11,037,975
In foreign currencies	-	-
	<u>16,879,487</u>	<u>11,037,975</u>

**10.2 Securities held as collateral against lendings to financial institutions**

	2021			2020		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	..... Rupees in '000 .....					
Pakistan	13,778,212	-	13,778,212	9,986,700	-	9,986,700
	<u>13,778,212</u>	<u>-</u>	<u>13,778,212</u>	<u>9,986,700</u>	<u>-</u>	<u>9,986,700</u>

10.3 This carries mark-up at rates ranging from 10.10% to 10.75% (2020: 7.15% to 7.30% ) per annum having maturity during January 2022.

10.4 This carries mark up coupon 7.94% and having maturity during June 2023.

## 11 INVESTMENTS - NET

### 11.1 Investments by types

		2021				2020			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Note		Rupees in '000 .....							
<b>Available-for-sale securities</b>									
11.4									
Federal Government securities		78,001,592	-	(873,024)	77,128,568	34,161,061	-	(195,459)	33,965,602
Shares		99,819	(10,523)	2,375,819	2,465,115	99,819	(10,523)	2,780,330	2,869,626
Corporate sukuk		594,575	-	3,412	597,987	518,938	-	7,081	526,019
Term Finance Certificates		2,099,245	-	16,330	2,115,575	2,372,516	-	(8,803)	2,363,713
		80,795,231	(10,523)	1,522,537	82,307,245	37,152,334	(10,523)	2,583,149	39,724,960
<b>Subsidiary</b>									
11.2.1		100,000	-	-	100,000	100,000	-	-	100,000
<b>Total investments</b>		80,895,231	(10,523)	1,522,537	82,407,245	37,252,334	(10,523)	2,583,149	39,824,960

### 11.2 Investments by segments

#### Federal Government securities

Market Treasury Bills	42,060,692	-	(44,626)	42,016,066	9,606,374	-	(2,760)	9,603,614
Pakistan Investment Bonds	34,764,522	-	(794,722)	33,969,800	23,853,309	-	(189,946)	23,663,363
GOP Ijara sukuk	1,176,378	-	(33,676)	1,142,702	701,378	-	(2,753)	698,625
	78,001,592	-	(873,024)	77,128,568	34,161,061	-	(195,459)	33,965,602

#### Shares:

Listed Companies	89,296	-	2,375,819	2,465,115	89,296	-	2,780,330	2,869,626
Unlisted Companies	10,523	(10,523)	-	-	10,523	(10,523)	-	-
	99,819	(10,523)	2,375,819	2,465,115	99,819	(10,523)	2,780,330	2,869,626

#### Non Government debt securities

Listed	2,693,820	-	19,742	2,713,562	2,891,454	-	(1,722)	2,889,732
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#### Subsidiary

Kissan Support Services (Private) Limited	100,000	-	-	100,000	100,000	-	-	100,000
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<b>Total investments</b>	80,895,231	(10,523)	1,522,537	82,407,245	37,252,334	(10,523)	2,583,149	39,824,960
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**2021                      2020**  
**Rupees in '000**

**11.2.1 Information related to subsidiary company**

Country of incorporation	Pakistan	
Percentage of Holding (%)	100	100
Assets	1,398,339	1,440,901
Liabilities	438,493	440,206
Revenue	1,100,076	1,137,504
(Loss) / profit after tax	(64,918)	123,243
Total comprehensive (loss) /income	(40,849)	150,734

**11.2.2 Investments given as collateral**

Market Treasury Bills	33,453,279	6,562,552
Pakistan Investment Bonds	43,392,220	20,139,144
	76,845,499	26,701,696

**11.3 Provision for diminution in value of investments**

	10,523	10,523
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**11.4 Quality of available for sale securities**

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

**2021                      2020**  
**Cost**  
**Rupees in '000**

**Federal Government securities - Government guaranteed**

Market Treasury Bills	42,060,692	9,606,374
Pakistan Investment Bonds	34,764,522	23,853,309
Ijarah Sukuks	1,176,378	701,378
	78,001,592	34,161,061

**Shares**

**Listed companies**

Food and personal care products	89,296	89,296
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	2021		2020	
	Cost	Breakup value	Cost	Breakup value
	.....Rupees in '000.....			
<b>Unlisted companies</b>				
Pakistan Mercantile Exchange Limited	10,523	1,436	10,523	1,191
Pakistan Agricultural Storage and Services Corporation Limited	-	1,567,550	-	1,239,025
	<u>10,523</u>	<u>1,568,986</u>	<u>10,523</u>	<u>1,240,216</u>

- 11.4.1 Investment in Pakistan Mercantile Exchange Limited has been fully provided for due to negative break up value in prior financial statements. Cost per share is Rs. 10 to Rs. 13.5 having total cost amounting to Rs. 10.523 million.
- 11.4.2 Investments in Pakistan Agricultural Storages and Services Corporation Limited was transferred to the Bank at the time of conversion of ADBP into the Bank at nominal value of Rs. 1. Cost per share is Rs. 1,000 having total cost amounting to Rs. 2.50 million.

	2021	2020
	Cost	
	Rupees in '000	
<b>Non Government debt securities</b>		
<b>Listed</b>		
- AAA	500,000	698,141
- AA+, AA, AA-	2,193,820	2,193,313
	<u>2,693,820</u>	<u>2,891,454</u>

## 12 ADVANCES - NET

	Performing		Non Performing		Total	
	2021	2020	2021	2020	2021	2020
..... Rupees in '000 .....						
Loans, cash credits, running finance, etc.	74,456,385	70,669,573	40,799,600	59,225,005	115,255,985	129,894,578
Advances - gross	74,456,385	70,669,573	40,799,600	59,225,005	115,255,985	129,894,578
Provision for advances:						
- against agriculture advance	-	-	20,392,883	24,205,819	20,392,883	24,205,819
- against staff advances	-	-	40,795	32,489	40,795	32,489
- general	3,000,000	3,000,000	-	-	3,000,000	3,000,000
	3,000,000	3,000,000	20,433,678	24,238,308	23,433,678	27,238,308
Advances - net of provision	71,456,385	67,669,573	20,365,922	34,986,697	91,822,307	102,656,270

### 12.1 Particulars of advances (gross)

In local currency 115,255,985    129,894,578

12.2 Advances include Rs. 40,746.754 million (2020: Rs. 59,183.67 million) relating to agricultural financing which have been placed under non-performing status as detailed below:

Category of classification	2021		2020	
	Non performing loans	Provision	Non performing loans	Provision
..... Rupees in '000 .....				
<b>Domestic</b>				
Other assets especially mentioned	10,716,466	-	22,101,594	-
Substandard	8,464,335	1,692,867	8,647,408	1,729,486
Doubtful	5,731,879	2,865,942	11,916,701	5,958,360
Loss	15,834,074	15,834,074	16,517,972	16,517,972
	40,746,754	20,392,883	59,183,675	24,205,818

### 12.3 Particulars of provision against advances

	2021			2020		
	Specific	General	Total	Specific	General	Total
	..... Rupees in '000 .....					
Opening balance	24,205,818	3,000,000	27,205,818	27,468,251	3,000,000	30,468,251
Charge for the year	14,875,636	-	14,875,636	15,359,077	-	15,359,077
Reversals	(7,687,659)	-	(7,687,659)	(11,805,940)	-	(11,805,940)
	7,187,977	-	7,187,977	3,553,137	-	3,553,137
Amounts written off (Note 12.4)	-	-	-	-	-	-
Amounts charged off (Note 12.6)	(11,000,912)	-	(11,000,912)	(6,815,570)	-	(6,815,570)
Closing balance	20,392,883	3,000,000	23,392,883	24,205,818	3,000,000	27,205,818

#### 12.3.1 Particulars of provision against non-performing advances

	2021			2020		
	Specific	General	Total	Specific	General	Total
	..... Rupees in '000 .....					
In local currency	20,392,883	3,000,000	23,392,883	24,205,818	3,000,000	27,205,818

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

12.3.3 In addition to the time based criteria, the Bank has further classified loans and advances amounting to Rs. 7,019.92 million (2020: Rs.9,283.98 million) and further de-graded the category of classified loans and advances amounting to Rs. 8,182.97 million (2020: Rs. 11,472.26 million) on the basis of credit worthiness of the borrowers in accordance with the subjective criteria of the Prudential Regulations for Agriculture Financing.

	Note	2021 Rupees in '000	2020 Rupees in '000
<b>12.3.4 Provision against non-performing loans and advances - net</b>			
Provision against non-performing loans and advances	12.3	7,187,977	3,553,137
Provision against staff advances		8,307	3,353
		<u>7,196,284</u>	<u>3,556,490</u>

		2021	2020
	Note	Rupees in '000	
<b>12.4 Particulars of write offs:</b>			
12.4.1 Against provisions		-	-
Directly charged to Profit & Loss account		-	-
		<u>-</u>	<u>-</u>
12.4.2 Write offs of Rupees 500,000 and above	12.5	-	-
Write offs of below Rupees 500,000		-	-
		<u>-</u>	<u>-</u>

## 12.5 Details of 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 given at Annexure-I.

## 12.6 Particulars of charged off

In terms of Prudential Regulations for Agricultural Financing - Part B (specific regulations) the Bank extinguishes its loans through provisions. The total balance for these off-balance sheet loans extinguished against provisions as at December 31, 2021 amounts to Rs. 44,463.3 million (2020: Rs. 32,862.60 million) with an addition of Rs. 11,001 million (2020: Rs. 6,815.57 million) as charge off loans during the year.

		2021	2020
	Note	Rupees in '000	
<b>13 FIXED ASSETS</b>			
Capital work-in-progress	13.1	43,888	42,943
Property and equipment	13.2	2,433,977	2,750,653
		<u>2,477,865</u>	<u>2,793,596</u>
<b>13.1 Capital work-in-progress</b>			
Civil works		35,858	35,858
Consultancy charges		6,762	6,762
Others	13.1.1	1,268	323
		<u>43,888</u>	<u>42,943</u>

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

### 13.2 Property and equipment

Description	January 1, 2021			Year ended December 31, 2021				December 31, 2021			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	5,605	5,137	5,137		217	4,920	10,742	5,822	4,920	Lease terms for 33 to 99 years
Buildings on freehold land	716,445	197,232	519,213	519,213	- (4,391)	23,185 -	491,637	712,054	220,417	491,637	5%
Buildings on leasehold land	548,118	293,789	254,329	254,329	334	12,730	241,933	548,452	306,519	241,933	5%
Buildings on leasehold land - ADB	21,224	10,103	11,121	11,121		556	10,565	21,224	10,659	10,565	5%
Furniture and fixtures	539,488	242,229	297,259	297,259	2,422 (2,318)	29,822 (2,154)	269,695	539,592	269,897	269,695	10% / 20%
Computer, office and other equipment	1,463,400	1,006,253	457,147	457,147	34,943 (480)	134,665 (452)	357,397	1,497,863	1,140,466	357,397	20% / 33%
Computer, office and other equipment - ADB	212,289	212,287	2	2	-	-	2	212,289	212,287	2	20% / 33%
Vehicles	1,260,324	1,071,003	189,321	189,321	49,102 (84,014)	80,663 (60,400)	134,146	1,225,412	1,091,266	134,146	20%
Right-of-use assets	1,298,806	387,601	911,205	911,205	226,286 (270,874)	267,448 (218,594)	817,763	1,254,218	436,455	817,763	10% - 100%
	6,176,755	3,426,102	2,750,653	2,750,653	313,087 (362,077)	549,286 (281,600)	2,433,977	6,127,765	3,693,788	2,433,977	

Description	January 1, 2020			Year ended December 31, 2020				December 31, 2020			Annual rate of Depreciation
	Cost	Accumulated Depreciation	Net Book Value	Opening Net Book Value	Additions / (disposal)	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	5,388	5,354	5,354		217	5,137	10,742	5,605	5,137	Lease terms for 33 to 99 years
Buildings on freehold land	729,823	177,829	551,994	551,994	- (13,378)	19,403 -	519,213	716,445	197,232	519,213	5%
Buildings on leasehold land	548,118	280,403	267,715	267,715		13,386	254,329	548,118	293,789	254,329	5%
Buildings on leasehold land - ADB	21,224	9,518	11,706	11,706		585	11,121	21,224	10,103	11,121	5%
Furniture and fixtures	535,828	209,709	326,119	326,119	4,734 (1,074)	32,971 (451)	297,259	539,488	242,229	297,259	10% / 20%
Computer, office and other equipment	1,337,458	857,760	479,698	479,698	129,116 (3,174)	151,632 (3,139)	457,147	1,463,400	1,006,253	457,147	20% / 33%
Computer, office and other equipment - ADB	212,289	212,287	2	2	-	-	2	212,289	212,287	2	20% / 33%
Vehicles	1,371,394	1,087,472	283,922	283,922	42,970 (154,040)	118,041 (134,510)	189,321	1,260,324	1,071,003	189,321	20%
Right-of-use assets	823,580	198,184	625,396	625,396	475,226	189,417	911,205	1,298,806	387,601	911,205	10% - 100%
	5,696,375	3,038,550	2,657,825	2,657,825	652,046 (171,666)	525,652 (138,100)	2,750,653	6,176,755	3,426,102	2,750,653	

		2021	2020
		Rupees in '000	
13.3	Carrying amount of temporarily idle property	58,470	58,767
13.4	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	341,575	237,447
	Computer, office and other equipment - ADB	212,289	212,289
	Vehicles	883,766	796,734
		1,440,850	1,249,691
13.5	The title documents of freehold land having cost of Rs. 1.86 million (2020: Rs. 1.86 million) and leasehold land having book value of Rs. nil (2020: Rs. nil) are still in the name of Agricultural Development Bank of Pakistan.		

13.6 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 .....					
Nil					

#### 14 Intangible assets

Description	January 1, 2021			Year ended December 31, 2021				December 31, 2021			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	96,849	77,453	19,396	19,396	40,333	23,912	35,817	137,182	101,365	35,817	33.33%	3 years
Computer software - ADB	82,081	82,081	-	-	-	-	-	82,081	82,081	-	33.33%	3 years
	178,930	159,534	19,396	19,396	40,333	23,912	35,817	219,263	183,446	35,817		
Description	January 1, 2020			Year ended December 31, 2020				December 31, 2020			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	96,849	45,322	51,527	51,527	-	32,131	19,396	96,849	77,453	19,396	33.33%	3 years
Computer software - ADB	82,081	82,081	-	-	-	-	-	82,081	82,081	-	33.33%	3 years
	178,930	127,403	51,527	51,527	-	32,131	19,396	178,930	159,534	19,396		

14.1 Included in cost of intangible assets are fully amortised items still in use having cost of Rs. 168.386 million (2020: Rs. 82.590 million).

## 15 DEFERRED TAX ASSETS - NET

### Deductible temporary differences on:

Defined benefit plans
Tax losses carried forward
Provision against non-performing loans and advances

### Taxable temporary differences on:

Accelerated tax depreciation and amortization
Surplus on revaluation of investments

	At January 1, 2021	Recognised in P&L A/C	Recognised in OCI	At December 31, 2021
Note	..... Rupees in '000 .....			

508,940	-	178,729	687,669
2,759,984	(2,759,984)	-	-
11,021,173	2,115,304	-	13,136,477
14,290,097	(644,680)	178,729	13,824,146

(119,404)	58,363	-	(61,041)
(904,103)	-	371,215	(532,888)
(1,023,507)	58,363	371,215	(593,929)
13,266,590	(586,317)	549,944	13,230,217

	At January 1, 2020	Recognised in P&L A/C	Recognised in OCI	At December 31, 2020
	..... Rupees in '000 .....			

### Deductible temporary differences on:

Defined benefit plans
Tax losses carried forward
Provision against non-performing loans and advances

1,550,620	-	(1,041,680)	508,940
2,488,899	271,085	-	2,759,984
10,231,033	790,140	-	11,021,173
14,270,552	1,061,225	(1,041,680)	14,290,097

### Taxable temporary differences on:

Accelerated tax depreciation and amortization
Surplus on revaluation of investments

(121,865)	2,461	-	(119,404)
(1,127,318)	-	223,215	(904,103)
(1,249,183)	2,461	223,215	(1,023,507)
13,021,369	1,063,686	(818,465)	13,266,590

- 15.1 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 as the Bank would be able to adjust the profits of future years deductible temporary differences and other timing differences relating to prior years.

		2021	2020
	Note	Rupees in '000	
<b>16 OTHER ASSETS - NET</b>			
Income / mark-up accrued in local currency on :			
- advances - net of provision	16.1	5,416,354	5,133,329
- securities		1,330,560	826,622
- deposits		163,507	73,286
Amount recoverable from Federal Government	16.2	2,691,252	3,050,627
Tax recoverable	16.3	422,652	422,652
Branch adjustment account		1,726,559	1,538,738
Taxation (payments less provision)	16.4	3,736,760	6,300,124
Receivable from defined benefit plans:	39.6.1		
gratuity scheme - SSR 1961		115,744	119,412
gratuity scheme - SR - 2005		479,794	299,944
Non banking assets acquired in satisfaction of claims	16.5	427,721	438,665
Stationery and stamps in hand		127,657	141,720
Stock of farm machinery		11,237	11,237
Advances against salary and expenses		53,509	36,418
Security deposits		6,198	6,192
Advances and other prepayments		170,104	181,354
Others		230,786	1,422,813
		<u>17,110,394</u>	<u>20,003,133</u>
Provision held against other assets	16.6	<u>(964,265)</u>	<u>(1,022,306)</u>
Other assets - net of provisions		<u>16,146,129</u>	<u>18,980,827</u>

- 16.1 This does not include Rs. 10,361.093 million (2020: Rs. 15,268.39 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.
- 16.2 This includes amount recoverable from Federal Government on account of crop loan insurance premium amounting to Rs. 2,087.305 million (2020: Rs. 1,941.83 million), small livestock farmers premium amounting to Rs. 599.202 million (2020: Rs. 1,103.98 million) and animal tagging charges amounting to Rs. 4.75 million (2020: Rs. 4.75 million).
- 16.3 This mainly includes tax recoverable of Rs. 309.359 million (2020: Rs. 297.149 million) for assessment years 1991-92 to 2013-14 as disclosed in Note 17.

		<b>2021</b>	<b>2020</b>
	<b>Note</b>	<b>Rupees in '000</b>	
16.4	Taxation - net		
		6,300,124	6,229,876
	Opening receivable		
	Charge during the year	(2,931,939)	(306,539)
	Advance income tax / withholding tax	368,575	376,787
	Closing receivable	<u>3,736,760</u>	<u>6,300,124</u>
16.5	Market value of non-banking assets acquired in satisfaction of claims	<u>825,978</u>	<u>533,759</u>
16.5.1	Non banking assets acquired in satisfaction of claims		
	Opening Balance	438,665	146,153
	Additions	90	314,004
	Disposals	(11,034)	(21,492)
	Closing Balance	<u>427,721</u>	<u>438,665</u>
16.5.2	Gain on Disposal of Non-banking assets acquired in satisfaction of claims		
	Disposal Proceeds	21,680	59,629
	less : Cost	(11,034)	(21,492)
	Gain	<u>10,646</u>	<u>38,137</u>
16.6	Provision held against other assets		
	Tax recoverable	422,652	422,652
	Non banking assets acquired in satisfaction of claims	427,721	438,665
	Stock of farm machinery	11,237	11,237
	Accrued interest on advances of ex-employees	15,183	16,387
	Amount deposited with courts / legal charges recoverable	87,472	133,365
		<u>964,265</u>	<u>1,022,306</u>
<b>16.6.1</b>	<b>Movement in provision held against other assets</b>		
	Opening balance	1,022,306	722,525
	Charge for the year	38,586	328,591
	Reversals	(96,627)	(28,810)
		(58,041)	299,781
	Closing balance	<u>964,265</u>	<u>1,022,306</u>

## **17 CONTINGENT ASSETS**

- 17.1 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 Honourable Lahore High Court, Rawalpindi Bench, Rawalpindi. Later on, the Bank withdrew the said petition on the directions of the Federal Government and the case was referred to the Law and Justice Division of the Government of Pakistan (GoP) which decided the reference in the Bank's favour. The Federal Board of Revenue (FBR), disagreed with the aforesaid decision and further took up the matter with Federal Cabinet for its review. Federal Cabinet referred the case to the Attorney General of Pakistan (AGP) for its final decision which was received on March 12, 2011 whereby the AGP decided that Section 27-A of the ADBP Ordinance should prevail over section 80-D of the Income Tax Ordinance, 1979.
- 17.2 Assistant Commissioner, Sindh Revenue Board (SRB) passed an order on May 11, 2019 for the period January 2012 to December 2012 creating a demand of Rs 6.42 million (principle + penalty). On June 03, 2019, payment of impugned tax amounting to Rs.6.6 million (principle + 10% surcharge) was made, under protest, to avail the SRB amnesty scheme. The Bank, however, filed appeal before Commissioner (Appeals), SRB and is expecting a favourable decision.
- 17.3 Assistant Commissioner, SRB passed an order on July 11, 2019 for the period January 2013 to December 2013 creating a demand of Rs 2.75 million. On June 03, 2019, payment of impugned tax amounting to Rs. 2.75 million was made, under protest, to avail the SRB amnesty scheme. The Bank, however, filed appeal before Commissioner (Appeals), SRB and is expecting a favourable decision.
- 17.4 Assistant Commissioner, SRB has passed an order on January 24, 2020 for the period of January 2014 to December 2014 which has created a demand of Rs. 54.6 million. On June 03, 2019 payment of impugned tax was made for Rs. 2.86 million, under protest, to avail the SRB amnesty scheme. The Bank, however, filed appeal before Commissioner (Appeals), SRB and is expecting a favourable decision.

			2021	2020
	Note		Rupees in '000	
<b>18</b>	<b>BILLS PAYABLE</b>			
	In Pakistan		442,401	402,111
<b>19</b>	<b>BORROWINGS</b>			
	<b>Secured</b>			
	Borrowing from State Bank of Pakistan (SBP)			
	Redeemable preference shares	19.2	54,461,536	54,461,536
	Repurchase agreement borrowings	19.3	74,934,577	25,082,414
	Repurchase agreement borrowings - others	19.4	1,910,922	1,619,282
	<b>Total secured</b>		131,307,035	81,163,232
	<b>Unsecured</b>			
	Call borrowings	19.5	1,050,000	-
			132,357,035	81,163,232
<b>19.1</b>	<b>Particulars of borrowings with respect to currencies</b>			
	In local currency		132,357,035	81,163,232
19.2	Redeemable preference shares have been issued to SBP carrying mark-up of 7.5% per annum, redeemable in one bullet payment on December 31, 2025. The principal of the preference shares and return thereon is guaranteed by the Federal Government of Pakistan.			
19.3	It carries markup at the rate of 9.91% to 10.21% (2020: 7.11%) per annum and is secured against Market Treasury Bills having face value amounting to Rs. 34,500 million (2020: Rs.5,000 million) and Pakistan Investment Bonds amounting to Rs. 42,000 million (2020: Rs.20,000 million). These are repayable by January to March 2022 (2020: January 2021).			
19.4	It carries markup at the rate of 10% (2020: 6.75% to 7%) per annum and is secured against Pakistan Investment Bonds having face value amounting to Rs. 2,000 million (2020: Rs. 1,700 million) . These are repayable by January 2022 (2020: January 2021).			
19.5	It carries markup at the rate of 10% to 10.30% (2020: nil) per annum. These are repayable by January 2022.			

**2021**                      **2020**  
**Rupees in '000**

**20 DEPOSITS AND OTHER ACCOUNTS**

**Customers - local currency**

Current deposits	6,473,368	7,622,606
Saving deposits	4,890,037	5,173,387
Term deposits	30,643,597	34,426,979
Others	41,064	68,998
	<b>42,048,066</b>	<b>47,291,970</b>

**Financial Institutions - local currency**

Current deposits	104,110	71,385
Saving deposits	1,446,389	1,822,162
Term deposits	-	-
	<b>1,550,499</b>	<b>1,893,547</b>
	<b>43,598,565</b>	<b>49,185,517</b>

**20.1 Composition of deposits**

- Individuals	3,790,813	3,519,224
- Government (Federal and Provincial)	6,160,921	7,977,653
- Public sector entities	8,631,614	11,083,210
- Banking companies	-	-
- Non-Banking Financial Institutions	1,550,501	-
- Private sector	<b>23,464,716</b>	<b>26,605,430</b>
	<b>43,598,565</b>	<b>49,185,517</b>

20.2 This includes deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs. 10,310.913 million (2020: 12,132.54 million).

		2021	2020
	Note	Rupees in '000	
<b>21 OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency on:			
- borrowings		1,465,844	1,334,763
- deposits and other accounts		804,150	961,638
Accrued expenses		697,294	154,040
Net liabilities relating to Bangladesh	21.1	190	189
Payable to Ministry of Food Agriculture & Livestock	21.2	168,000	168,000
Provision for:	39.6.1		
- pension scheme		9,099,720	8,504,505
- employees' post retirement medical benefits		7,964,423	6,606,148
- employees' compensated absences		2,229,620	2,651,667
Payable to subsidiary company	44	103,193	214,638
Due to Islamic Banking		496	14,995
Security deposits		32,780	86,017
Deferred income	21.3	10,566	11,122
Lease liability against right-of-use assets		892,799	892,513
Others	21.4	1,043,074	1,647,795
		<u>24,512,149</u>	<u>23,248,030</u>

#### 21.1 Net liabilities relating to Bangladesh

Liabilities		1,924,176	1,894,805
Assets		(1,923,986)	(1,894,616)
	21.1.1	<u>190</u>	<u>189</u>

21.1.1 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.

21.2 This represents Rs.168 million (2020: Rs.168 million) payable under Crop Maximization Project - Productivity Enhancement on Sustainable Basis.

		2021	2020
	Note	Rupees in '000	
<b>21.3 Deferred income</b>			
Opening balance		11,122	11,708
Amortization during the year	29	(556)	(585)
Closing balance		<u>10,566</u>	<u>11,122</u>

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

21.4 This represents 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.

## 22 SHARE CAPITAL

### 22.1 Authorized capital

2021	2020		2021	2020
Number of shares			Rupees in '000	
12,500,000,000	12,500,000,000	Ordinary shares of Rupees 10 each	125,000,000	125,000,000

### 22.2 Issued, subscribed and paid up capital

2021	2020			
Number of shares				
		Ordinary shares of Rupees 10 each		
1,186,961,201	1,186,961,201	- fully paid in cash	11,869,612	11,869,612
65,282,866	65,282,866	- Issued as bonus shares	652,829	652,829
4,015,599,174	4,015,599,174	- Issued against loan from SBP	40,155,992	40,155,992
5,267,843,241	5,267,843,241		52,678,433	52,678,433

### 22.3

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	1,256	1,256
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
	5,267,843,241		52,678,433	52,678,433

## **23        SURPLUS ON REVALUATION OF ASSETS - NET OF TAX**

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

Quoted investments	2,375,819	2,780,330
Other securities	(853,282)	(197,181)
Surplus on revaluation of available-for-sale securities	<u>1,522,537</u>	<u>2,583,149</u>
Deferred tax on surplus on revaluation of available-for-sale securities	(532,888)	(904,102)
	<u><u>989,649</u></u>	<u><u>1,679,047</u></u>

## **24        CONTINGENCIES AND COMMITMENTS**

### **24.1        Contingent liabilities**

In respect of cases filed against the Bank:

24.1.1	by borrowers; 624 (2020: 529) cases	<u>458,926</u>	<u>1,204,553</u>
24.1.2	by employees; 461 (2020: 417) cases	<u>267,591</u>	<u>616,683</u>

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

24.2.2 The cases relating to taxation matters of the Bank for the assessment years 2002-2003 and tax years 2003 to 2009 were contested by the Bank at various forums. ATIR vide its orders dated June 09, 2010, March 1, 2011, July 22, 2011 and April 16, 2012 has decided most of the issues involved in favour of the Bank. Final appeal effects order has also been received by the Bank as per the decisions of ATIR resulting in net refunds of Rs. 4,640.154 million. However, the Commissioner Inland Revenue (CIR) has filed reference applications under section 133 of the ITO, 2001 against the aforementioned ATIR orders dated June 9, 2010, March 1, 2011, July 22, 2011 and April 16, 2012 before the Honourable Lahore High Court, Rawalpindi Bench for tax years 2003, 2004, 2006 and 2007 and Honourable Islamabad High Court, Islamabad for assessment year 2002-03 and tax years 2004, 2005, 2006, 2007, 2008 and 2009. The Honourable

Islamabad High Court, Islamabad decided the cases for which appeal effects from department are pending except 2007. In Tax Year 2007, the AO issued an order on the basis of High Court directives by creating a demand of Rs. 24.875 million, being aggrieved the Bank filed appeal before CIR-A, who remanded back the issues to AO, appeal effects on the basis of CIR-A Order are pending. Provision for the cases of income tax, approximately amounting to Rs. 9,917.854 million, has not been recognized in these financial statements as the Bank is confident for a favourable outcome based on the strong ground of appeal and opinion of legal counsel of the Bank.

- 24.2.3 The Deputy Commissioner Inland Revenue (DCIR) passed orders under section 122(4) of the ITO, 2001 and raised demand of Rs. 1,056.324 million for tax years 2008 and of Rs. 2,250.813 million for Tax Year 2009 respectively aggregating to Rs. 3,307.138 million. The Bank filed appeals before CIR-A who maintained the order. The Bank filed an appeal against the said order before ATIR which has been decided and cases have been remanded back to AO. No order, in this regard, has been received so far. The Bank has not accounted for the demand as tax payable, as a favourable outcome is expected.
- 24.2.4 DCIR passed order under section 161 / 205 of the ITO, 2001 and raised demand of Rs. 208.337 million for tax year 2011. The Bank filed appeal before CIR-A against the orders of DCIR who remanded back the case to AO for verification. The Bank filed appeal before ATIR against the orders of the CIR-A. ATIR decided the case in favour of Bank on the issue of default surcharge. However, the department has filed reference application before Honourable Islamabad High Court, Islamabad. Further, the AO on remanded back case, after verification on various issues, reduced the demand to Rs. 14.366 million. Being aggrieved the Bank filed appeal before CIR-A against the order of AO on remanded back case who deleted various issues and also confirmed the action of AO on certain issues. Being aggrieved both the Bank and the department have filed appeal before ATIR against the orders of the CIR-A. ATIR against the appeals of the Bank and Department decided the case in favour of the Bank. Further, on remanded back issues, the AO further created a demand of Rs. 7.527 million. Being aggrieved, the Bank filed appeal before CIR-A who remanded back the case to the department for denovo consideration with the direction that while giving appeal effects, the order of ATIR may be kept in mind. Being aggrieved the Bank as well Tax Department filed the appeals to ATIR against the orders of CIR-A. The ATIR cancelled the impugned order in favour of Bank for which appeal effect is pending with AO. The Bank has not accounted for the demand as tax payable because favourable decision is expected.
- 24.2.5 ACIR passed orders under section 122(5A) and raised demand of Rs. 3,287.662 million for Tax Year 2010, Rs. 2,922.830 million for Tax Year 2011 and Rs. 2,037.114 million for Tax Year 2012. The Bank filed appeal before CIR-A who remanded back the cases to ACIR. The Bank filed appeals with ATIR against the orders of the CIR-A which were decided by the ATIR in favour of the Bank in most of the issues. However, the department has filed reference application before Honourable Islamabad High Court against the issues favouring the Bank. On the directions of ATIR Orders the department passed appeal effects Orders u/s 124 / 122(5A) of the ITO, 2001 and raised demand of Rs. 616.611 million for Tax Year 2010, Rs. 844.800 million for Tax Year 2011 and Rs. 321.531 million for Tax Year 2012. Being aggrieved the Bank filed appeals before CIR-A against the Orders of ACIR who in its Order deleted the additions in most of the issues. ACIR on

the directions of CIR-A further issued orders u/s 124 / 122(5A) for Tax Year 2010 converting the earlier demand of Rs. 616.611 million to refund of Rs. 164.934 million, for Tax Year 2011 reducing the tax liability from Rs. 844.800 million to Rs. 619.849 million and for Tax Year 2012 reducing the tax liability from Rs. 321.531 million to Rs. 5.180 million respectively. Being aggrieved the Bank as well as Tax Department filed appeals before ATIR against the order of CIR-A. ATIR against the appeal filed by the Department for Tax Year 2011 and 2012 on the issues of substandard loans and reversal of provisions against compensated absences were disposed off by upholding the decision of CIR-A about deletion of the same and also remanded back the similar addition in 2013 to AO with the direction to keep pending of reassessment in accordance to the provisions of Section 124(A) of the ITO, 2001 as the matter is subjudiced before High Court against reference application filed by the Department against the Orders of ATIR which is decided in favour of the Bank.

Further, by disposing off the appeals filed by the Bank in Tax Years 2010, 2011 and 2012 and remanded back the issue of property income and arithmetic error in assessment order to AO for reassessment. On the directions of ATIR, ACIR issued appeal effect orders u/s 124 / 122(5A) for Tax Year 2010 converting the earlier refund of Rs. 164.934 million into demand of Rs. 419.221 million, for Tax Year 2011 reducing the tax liability from Rs. 619.849 million to Rs. 181.617 million and for Tax Year 2012 converting the tax liability from Rs. 5.180 million to refund of Rs. 12.319 million respectively. Being aggrieved against the AO orders, the Bank filed an appeal before ATIR after exhausting CIR-A forum who upheld the AO orders. The Bank has not accounted for the demand as tax payable because favourable decision is expected.

- 24.2.6 ACIR passed order under section 122(5A) of the ITO, 2001 and raised demand of Rs. 4,920.168 million for Tax Year 2013. The Bank filed appeal before CIR-A against the orders of ACIR who deleted the demand on various issues and also confirmed the action of ACIR on certain issues. The Bank and FBR both filed appeals before ATIR against the orders of CIR-A which were decided in favour of the Bank except for Rs. 2,830 million which were remanded back to ACIR. However, the department has filed reference application before Honourable Islamabad High Court, Islamabad. On the directions of ATIR Orders the department passed appeal effects Orders u/s 124 / 122(5A) of the ITO, 2001 and raised demand of Rs. 829.428 million. Being aggrieved the Bank filed appeals before CIR-A against the Orders of ACIR who decided the case in most of the issues in favour of the Bank, the appeal effects on the basis of CIR-A is pending. Being aggrieved the Bank as well as Tax Department filed appeals before ATIR against the order of CIR-A. The ATIR disposed off both the appeals by remanding back the issues to AO In appeal effect order the AO after adjustment of available refund reduced the demand of Rs. 829.428 million to refund amount of Rs. 8.702 million. Being aggrieved, the Bank filed appeal to ATIR. Accordingly, no provision has been made because the Bank is expecting a favourable decision.
- 24.2.7 DCIR passed order under section 161 / 205 of the ITO, 2001 and raised demand of Rs. 27.792 million for Tax Year 2009. To avail the Government amnesty, the Bank paid Rs. 19.183 million under protest with waiver of penalty amount of Rs. 8.609 million under amnesty. The FBR allowed the amnesty to the Bank. The Bank has filed appeal before CIR-A against the orders of DCIR who upheld the orders of DCIR. The Bank has filed appeal before ATIR against the orders of the CIR-A who decided the case in favour of the Bank except remanded back the issue of profit

on debt for verification. However, the department has filed reference application before Honourable Islamabad High Court, Islamabad. The AO passed order u/s 124 read with 161 of the ITO, 2001 and raised demand of Rs. 20.435 million on remanded back issue. The Bank has filed appeal before CIR-A. The AO on the directions of CIR-A further issued order u/s 124 / 161 / 205 converted the earlier demand to refund of Rs. 16.752 million by adding tax of Rs. 2.431 million on profit on debt. Being aggrieved the Bank has filed appeal before ATIR against the orders of the CIR-A and the same is pending for hearing. Accordingly, no provision has been made because the Bank is expecting a favourable decision.

- 24.2.8 DCIR passed order under section 161 / 205 of ITO, 2001 and raised demand of Rs. 15.943 million for Tax Year 2012. The Bank filed appeal before CIR-A against the orders of DCIR. CIR-A deleted various issues and confirmed certain issues resulting to reduce the tax demand from Rs. 15.943 million to Rs. 3.892 million. Being aggrieved the Bank has filed appeal before ATIR against the orders of CIR-A. ATIR decided the case in favour of the Bank and cancelled the impugned order for which appeal effects are pending with AO. The Bank has not accounted for
- 24.2.9 DCIR passed order u/s 122(5A) of the ITO, 2001 and raised demand of Rs. 3,059 million for the Tax Year 2014. Further, on a rectification application filed by the Bank, AO passed rectification order by reducing demand to Rs. 1,278 million by adjustment of refund of Rs. 1,776 million and arithmetic error of Rs. 14 million. The Bank filed appeal before CIR-A against the orders of DCIR who upheld the orders of DCIR. Being aggrieved the Bank filed appeal before ATIR against the orders of CIR-A. The case has been remanded back by ATIR to AO for reassessment. Appeal effect order has been received with reduction of earlier demand to Rs. 889 million. CIR-A remanded back the case to AO for reassessment. Being aggrieved the Bank filed appeal before ATIR. The Bank has not accounted for the demand as tax payable as a favourable decision is expected.
- 24.2.10 ACIR passed order u/s 122(5A) of the ITO, 2001 and raised demand of Rs. 5,549.705 million for the Tax Year 2015. The Bank filed appeal before CIR-A against the orders of ACIR who upheld various issues ordered by ACIR. Being aggrieved the Bank filed appeal before ATIR against the orders of CIR-A and the same is pending for hearing. AO on the directions of CIR-A passed an Order u/s 124 / 122(5A) and reduced the demand from Rs. 5,549.705 million to Rs. 4,266.194 million by allowing partial relief. ATIR while disposing off both appeals and remanded back most of the issues to AO for reassessment. Assessment proceedings were completed and AO raised the demand from Rs. 4,266.194 million to Rs. 6,780.479 million. Being aggrieved the Bank filed appeal to CIR-A who remanded back the case to AO by allowing partial relief. Being aggrieved against the CIR-A orders Bank filed an appeal to ATIR. The Bank has not accounted for the demand as tax payable as a favourable decision is expected.
- 24.2.11 ACIR passed order u/s 122(5A) of ITO, 2001 and raised demand of Rs. 1,511.521 million for the Tax Year 2016. On the directions of ATIR, except property income AO allowed partial relief in his order. In appeal effect order AO converted the demand of Rs. 1,511.521 million into refund of Rs. 416.324 million. Being aggrieved the Bank filed appeal before ATIR after exhausting the CIR-A forum who upheld the orders of ACIR. Other than this order the AO passed two other assessment orders u/s 161 / 205 of the ITO, 2001 and raised demand of Rs. 161.180 million and

of Rs. 63.243 million respectively. CIR-A remanded back to the AO of Rs. 63.243 million for issuance of speaking order. After reassessment AO passed the appeal effect order u/s 124/129 by reducing demand to Rs. 60.377 million. The CIR-A annulled the assessment order of Rs. 161.180 million and appeal effects are pending. However, Bank filed a second appeal against demand of Rs. 60.377 million. Hence, no provision has been made as a favourable decision is expected.

- 24.2.12 AO passed four assessment orders u/s 161 / 205 of the ITO, 2001 for Tax Year 2015 and raised demands of Rs. 26.628 million, Rs. 0.412 million, Rs.9.495 million and Rs.63.469 million respectively against short deduction of withholding tax. Being aggrieved the Bank filed appeal before CIR-A against the orders of AO. CIR-A remanded back to the AO of Rs. 26.628 million for denovo consideration and AO passed the order by reducing demand to Rs. 14.183 million. Being aggrieved the Bank filed an appeal to ATIR. The CIR-A against assessment of Rs. 0.412 million upheld the decision of AO. Being aggrieved the Bank filed an appeal to ATIR. The CIR-A against appeal filed by the Bank annulled the assessment order of Rs. 9.495 million, annulled appeal effects are pending. CIR-A remanded back to the AO of Rs. 63.469 million for issuance of speaking order. After reassessment AO passed the appeal effect order u/s 124/129 by reducing the demand to Rs. 27.155 million. The Bank has not accounted for the demand as tax payable as a
- 24.2.13 AO passed orders u/s 161 of the ITO, 2001 and raised demands of Rs. 3.076 million for Tax Year 2014, Rs 0.207 million and Rs. 2.270 million respectively for two cases of Tax Year 2015 against short deduction of withholding taxes under various heads. Being aggrieved the Bank filed appeals before CIR-A who remanded back the case against the orders of AO for re-examination. The AO on the direction of CIR-A issued appeal effects order by adjusting the earlier demand against tax refund of Tax Year 2010. On appeal, CIR-A remand back the case to AO for speaking order. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 24.2.14 AO passed order u/s 122(5A) of the ITO, 2001 and raised the demand of Rs. 361.752 million for the Tax Year 2017. However, this order rectified under section 221(1) vide order dated December 27, 2021 and created tax refundable of Rs.679.294 million for the Tax Year 2017. Being aggrieved the Bank filed an appeal to CIR-A against the impugned order. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 24.2.15 AO passed orders u/s 122(5A) of the ITO, 2001 and raised the demands of Rs. 983.653 million for the Tax Year 2019, Rs. 4,085.176 million for the Tax Year 2020 and Rs. 6,425.014 million for the Tax Year 2021. Being aggrieved the Bank filed appeals & stay applications before CIR-A against the impugned orders. The Bank has not accounted for the demands as tax payable, as a favourable decision is expected.
- 24.2.16 The cases relating to Federal Excise Duties (FED) / Sales tax matters of the Bank for the Tax Years 2008, 2009, 2010, 2011 and 2012 were contested by the Bank at various forums. ATIR vide its orders dated May 07, 2012, January 08, 2013, November 26, 2013 and March 13, 2014 has decided most of the issues involved in favour of the Bank. However, Commissioner Inland Revenue (CIR) has filed reference applications under section 47 of the Sales Tax Act, 1990 and under section 34A of the Federal Excise Act, 2005 against the aforementioned ATIR orders before the Honourable Islamabad High Court, Islamabad for the aforementioned years. No

provision for such contingent liabilities amounting to Rs. 825.121 million has been recognized as the Bank is confident for a favourable outcome.

- 24.2.17 DCIR passed orders relating to FED for the period January 2013 to December 2013 and January 2014 to December 2014 creating a demand of Rs. 738.892 million and Rs. 681.109 million respectively. The Bank filed appeal before CIR-A against the orders of DCIR who upheld the orders of DCIR. Being aggrieved the Bank filed appeal before ATIR who remanded back the case to AO for denovo consideration. On remanded back cases by ATIR the AO upheld its initial orders. The Bank filed appeal before CIR-A who upheld the orders of AO. Being aggrieved, the Bank filed appeals before ATIR against the orders of CIR-A. The ATIR in its order cancelled the assessment orders for the period January 2013 to December 2013 and January 2014 to December 2014, appeal effects are pendings. However, the department has filed reference application before Islamabad High Court, Islamabad. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 24.2.18 DCIR passed orders relating to Sales Tax for the period January 2013 to December 2013 and January 2014 to December 2014 creating a demand of Rs. 4.470 million (Rs. 1.822 million on advertisement and Rs. 2.647 million on fixed assets) and Rs. 13.295 million (Rs. 2.273 million on advertisement and Rs. 11.122 million on fixed assets) respectively. The Bank filed appeal before CIR-A against the orders of DCIR who upheld the orders of DCIR. Being aggrieved the Bank filed appeal before ATIR against the orders of CIR-A. ATIR has deleted the addition on fixed assets of Rs. 80.998 million on which tax amount of Rs. 13.768 million was involved and remanded back the advertisement expenses of Rs. 25.598 million on which tax amount of Rs. 4.096 million was involved to AO. However, the department has filed reference application before Islamabad High Court, Islamabad on the issue of fixed asset deletion. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 24.2.19 Commissioner, Punjab Revenue Authority (PRA) passed order relating to Punjab Sales Tax on Services (Withholding Rules, 2015) for the period January 2016 to December 2016 creating a demand of Rs. 10.06 million. The Bank filed appeal before Appellate Tribunal, PRA against the alleged order of Commissioner (PRA). The Appellate Tribunal, PRA has remanded back the case to the AO. The Learned DC(PRA) created demand of Rs.10.06 million. The bank has filed Appeal before Commissioner, PRA. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 24.2.20 ATIR, Sindh Revenue Board (SRB) passed an order for the Sales Tax on Services for the period July 2011 to December 2011 creating demand of Rs 4.69 million. ATIR passed the order in favour of the Bank wherein addition to sales tax against postal charges has been deleted. However, SRB has filed reference application before SHC, u/s 151 CPC, 1908. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 24.2.21 Assistant Commissioner (AC), SRB has passed an order on January 21, 2020 for the period of January 2015 to December 2015 creating a demand of Rs. 10.2 million. Bank has filed an appeal before the Commissioner, SRB against the alleged decision of AC (SRB). The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

- 24.2.22 AC (SRB) has passed an order on January 24, 2020 for the period of January 2016 to December 2016 creating a demand of Rs. 6.68 million. The Bank has filed an appeal before the Commissioner, SRB against the alleged decision of AC (SRB). The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 24.2.23 DCIR passed an order on June 9, 2020 for the Tax Year 2015/16 creating a demand of Rs. 712 million. The Bank filed appeal before CIR-A against the orders of DCIR who upheld the orders of DCIR. Being aggrieved the Bank filed appeal before ATIR. ATIR decided the case in favour of the Bank. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

	2021	2020
	Rupees in '000	
<b>24.3 Commitments against</b>		
Capital expenditure	154,229	39,411
ERP implementation	5,628	9,671
<b>25 MARK-UP / RETURN / INTEREST EARNED</b>		
Loans and advances	15,561,244	13,503,053
Investments	4,597,748	2,668,590
Securities purchased under resale agreement	900,295	368,583
Call money lendings	366,966	74,148
Balances with banks	1,093,722	1,425,135
Bai Muajjal income	6,183	2,109
	<u>22,526,158</u>	<u>18,041,618</u>
<b>26 MARK-UP / RETURN / INTEREST EXPENSED</b>		
Deposits	2,990,979	4,778,074
Redeemable preference shares - SBP	4,084,615	4,084,615
Securities sold under repurchased agreement	3,122,706	603,775
Call borrowings	14,381	137,532
On lease liability against right-of-use assets	103,679	93,079
Bank commission and other charges	9,337	9,296
	<u>10,325,697</u>	<u>9,706,371</u>
<b>27 FEE &amp; COMMISSION INCOME</b>		
Branch banking customer fees	35,388	30,997
Credit related fees	970,894	945,134
Commission / exchange gain /(loss) on remittances including home remittances	(8,163)	12,950
	<u>998,119</u>	<u>989,081</u>

		2021	2020
	Note	Rupees in '000	
<b>28</b>	<b>GAIN / (LOSS) ON SECURITIES</b>		
Realised	28.1	15,006	8,601
Unrealised - held for trading		-	-
		<u>15,006</u>	<u>8,601</u>
28.1	Realised gain / (loss) on: Federal Government Securities	<u>15,006</u>	<u>8,601</u>
<b>29</b>	<b>OTHER INCOME</b>		
Rent on property - KSSL - subsidiary company		5,297	9,210
Rent on property - others		46,829	57,914
		<u>52,126</u>	<u>67,124</u>
Gain on sale of fixed assets - net		11,076	82,710
Gain on sale of non banking assets - net	16.5.2	10,646	38,137
Deferred income amortization	21.3	556	585
Discount income		27,640	397
Others	29.1	38,956	40,491
		<u>141,000</u>	<u>229,444</u>
29.1	Other includes sale of scrap, sale of tender forms, recoveries against penalties imposed by SBP and private use of vehicles etc.		

		2021	2020
	Note	Rupees in '000	
<b>30</b>	<b>OPERATING EXPENSES</b>		
<b>Total compensation expense</b>	30.1	7,942,325	8,459,421
<b>Property expense</b>			
Rent & taxes		11,038	13,752
Insurance		15,201	16,452
Utilities cost		206,301	173,877
Repair and maintenance (including janitorial charges)		86,656	81,186
Depreciation - right of use assets		267,448	189,417
Depreciation	13.2	36,688	33,591
		<u>623,332</u>	<u>508,275</u>

		2021	2020
	Note	Rupees in '000	
<b>Information technology expenses</b>			
Software maintenance		2,533	5,293
Hardware maintenance		28,258	20,864
Depreciation	13.2	63,921	56,329
Amortisation	14	23,912	32,131
Network charges		67,179	43,120
		185,803	157,737
<b>Other operating expenses</b>			
Directors' fees and allowances		5,312	-
Fees and allowances to Shariah Board		4,851	4,842
Legal and professional charges		179,136	165,148
Outsourced services costs (refer note 44)		1,082,623	1,157,657
Travelling and conveyance		73,829	75,984
NIFT clearing charges		18,360	15,790
Depreciation	13.2	181,229	246,315
Training and development		6,672	13,706
Postage and courier charges		25,581	23,457
Communication		35,888	36,437
Stationery and printing		58,017	78,276
Marketing, advertisement and publicity		6,072	6,416
Auditors Remuneration	30.2	7,760	6,243
Motor vehicle expenses		322,286	303,693
Others		150,872	124,948
		10,909,948	11,384,345

### 30.1 Total compensation expense

Salaries		4,428,955	4,385,670
Cash bonus / awards etc.		583,083	995
Charge / (reversal) for defined benefit plans:	39.6.5		
- Pension scheme		1,105,209	1,539,360
- Benevolent scheme - officers / executives		(10,982)	5,627
- Benevolent scheme - clerical / non-clerical		(50,502)	(48,469)
- Gratuity under old staff regulations		(11,643)	(13,704)
- Gratuity scheme - staff regulation 2005		110,490	172,838
- Employees' compensated absences		(170,990)	218,215
		971,582	1,873,867
Contribution to defined contribution plan	39.1.8	36,171	41,938
Rent and house maintenance		521,110	566,183
Utilities		114,114	129,006

	Note	2021 Rupees in '000	2020
Medical	30.1.1	1,138,980	1,300,762
Conveyance		148,330	161,000
Grand Total		<u>7,942,325</u>	<u>8,459,421</u>

30.1.1 This includes post retirement medical benefit amounting to Rs. 891.534 million (2020: Rs. 1,007.564 million).

### 30.2 Auditors' remuneration

	BDO Ebrahim & Co.	Total 2021	Crowe Hussain Chaudhury & Co.	Total 2020
..... Rupees in '000 .....				
Audit fee	1,897	1,897	1,851	1,851
Fee for half year review	431	431	431	431
Other certifications	3,000	3,000	1,534	1,534
Sales tax	852	852	610	610
Out of pocket expenses	1,580	1,580	1,817	1,817
	<u>7,760</u>	<u>7,760</u>	<u>6,243</u>	<u>6,243</u>

	Note	2021 Rupees in '000	2020
Penalties imposed by SBP		<u>76,359</u>	<u>147,620</u>

### 32 PROVISIONS AND WRITE-OFFS - NET

Provisions against loans & advances	12.3.4	7,196,284	3,556,490
Provision / (reversal) against other assets - net	16.6.1	(58,042)	299,781
Bad debts written off directly		-	29,052
Recovery of written off / charged off bad debts		<u>(6,360,566)</u>	<u>(2,555,007)</u>
		<u>777,676</u>	<u>1,330,316</u>

### 33 TAXATION

Current	33.1	2,931,939	306,539
Deferred		586,317	(1,063,686)
		<u>3,518,256</u>	<u>(757,147)</u>

	2021	2020
	Rupees in '000	
<b>33.1 Relationship between income tax expense and accounting profit</b>		
Accounting profit / (loss) for the year	1,783,016	(3,224,562)
Tax rate	35%	35%
Tax on accounting income / (loss)	624,056	(1,128,597)
Tax effect of permanent differences		
Penalties imposed by SBP	26,726	51,667
Repair allowance and rent collection allowance	(4,379)	(6,108)
	22,347	45,559
Tax effect of prior years	-	-
Others	2,871,853	325,891
Tax charge for the year	3,518,256	(757,147)
	<b>2021</b>	<b>2020</b>

### 34 LOSS PER SHARE - BASIC AND DILUTED

Loss after tax for the year - Rupees in '000	(1,735,240)	(2,467,415)
Weighted average number of ordinary shares	5,267,843,241	5,267,843,241
Loss per share - basic and diluted (Rupees)	(0.33)	(0.47)

34.1 There is no dilutive effect on the basic loss per share of the Bank.

	Note	2021	2020
		Rupees in '000	
<b>35 CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	8	5,026,023	2,677,147
Balances with other banks	9	26,815,652	19,429,284
		31,841,675	22,106,431

		Number	
<b>36 STAFF STRENGTH</b>			
Permanent		4,539	5,088
Contractual		2	4
Total staff strength		4,541	5,092

- 36.1 In addition to the above, 2,360 (2020: 3,714) employees of Kissan Support Services (Private) Limited, wholly 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.

### 37 CREDIT RATING

VIS Credit Rating Company Limited in its report dated June 30, 2021 has reaffirmed credit rating of the Bank at AAA (2020: AAA) with rating watch - developing and short-term credit rating of A-1+ (2020: A-1+).

### 38 OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

	Note	2021 Rupees in '000	2020
Loss before taxation		1,783,016	(3,224,562)
Less: Dividend income		(192,413)	(75,346)
		<u>1,590,603</u>	<u>(3,299,908)</u>
Adjustments:			
Depreciation	13.2	281,838	336,235
Depreciation on right-of-use assets		267,448	189,417
Amortization	14	23,912	32,131
Amortization of deferred income	21.3	(556)	(585)
Markup on lease liability on right-of-use assets		103,679	93,079
Provisions and write-offs	32	7,138,242	3,885,323
Provision for employees post retirement			
medical benefits	39.6.5	891,534	1,007,563
Charge for defined benefit plans - net	30.1	971,582	1,873,867
Gain on securities		(15,006)	(8,601)
Gain on sale of operating fixed assets	29	(11,076)	(82,710)
		<u>9,651,597</u>	<u>7,325,719</u>
		<u>11,242,200</u>	<u>4,025,811</u>

## **39 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

39.1 Brief description of each fund is as follows:

### **39.1.1 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.

### **39.1.2 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.

### **39.1.3 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.

### **39.1.4 Gratuity under old Staff Regulations - SSR 1961**

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

### **39.1.5 Gratuity under Staff Regulations - 2005 (SR-2005)**

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

### **39.1.6 Post retirement medical benefits**

The Bank provides post retirement medical benefits to eligible retired employees. Provision is made

annually to meet the cost of such medical benefits on the basis of actuarial valuation carried out by independent actuary by using Projected Unit Credit (PUC) method.

### 39.1.7 Employees compensated absences - unfunded

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

### 39.1.8 Defined contribution plan

The Bank operates an approved non-contributory provident fund (General Provident Fund) through an independent trust for 2,131 (2020: 2,473) employees who are governed under Staff Service Regulations 1961. Contributions to the fund are made only by employees at the rate of 8% of mean of pay scale per month.

The Bank also operates Contributory Provident Fund scheme introduced in 2006 (w.e.f. July 2006) for 2,408 (2020: 2,615) 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. 36.171 million (2020: Rs. 41.938 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. 5,657.89 million (2020: Rs. 5,544.77 million). As intimated by the Trustees, the cost of the investments made at year end amounts to Rs. 5,569.89 million (2020: Rs. 5,484.81 million) which is equal to 98.44% (2020: 98.92%) of the total fund size. The fair values of the investments amount to Rs. 5,657.89 million (2020: Rs. 5,544.77 million) at that date. The category wise break up of investment is given below:

	2021	2020
	Rupees in '000	
Term Deposit Receipts	4,298,800	5,133,700
Government securities	1,271,090	351,112
	<u>5,569,890</u>	<u>5,484,812</u>

## **39.2 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.

## **39.3 Risks associated with defined benefit plans**

### **Investment risk**

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

### **Longevity risk**

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

### **Salary increase risk**

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

### **Withdrawal risk**

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

## **39.4 Principal actuarial assumption**

Latest actuarial valuation is carried out as at December 31, 2021. The actuarial valuations were made using the Projected Unit Credit (PUC) method based on the following significant assumptions:

	<b>2021</b>	<b>2020</b>
	<b>..... % .....</b>	
Valuation discount rate - pension & medical scheme under SSR-1961	11.75	9.75
Valuation discount rate - all other schemes	11.75	9.75
Expected rate of increase in salary	9.75	7.75
Expected rate of return on plan assets - pension fund	11.75	9.75
Expected rate of return on plan assets - other funds	11.75	9.75
Expected rate of increase in pension	7.50	5.50
Expected rate of medical inflation - allowances	9.75	9.75
Expected rate of medical inflation - hospitalization	11.75	9.75

## **39.5 Number of employees under the scheme**

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

	<b>2021</b>	<b>2020</b>
	<b>Number</b>	
- Pension Scheme - funded	5,002	5,052
- Benevolent Scheme (officers) - funded	4,985	5,212
- Benevolent Scheme (staff) - funded	871	939
- Gratuity under old Staff Regulations - SSR 1961	-	5,052
- Gratuity under Staff Regulations - 2005 (SR-2005)	2,408	2,615
- Post Retirement Medical Benefits - unfunded	6,283	6,658
- Employees Compensated Absences - unfunded	4,539	5,088

### 39.6 Defined benefit plans

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

		2021						
		Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
			Officers	Staff	SSR-1961	SR-2005		
		Rs. in '000						
Present value of defined benefit obligation	39.6.2	21,162,181	776,160	121,680	-	1,625,653	7,964,423	2,229,620
Fair value of plan assets	39.6.3	(12,062,461)	(1,177,638)	(663,198)	(115,744)	(2,105,447)	-	-
	39.6.4	9,099,720	(401,478)	(541,518)	(115,744)	(479,794)	7,964,423	2,229,620
Unrecognized due to impact of asset ceiling		-	401,478	541,518	-	-	-	-
Net liability / (asset)		9,099,720	-	-	(115,744)	(479,794)	7,964,423	2,229,620
		2020						
		Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
			Officers	Staff	SSR-1961	SR-2005		
		Rs. in '000						
Present value of defined benefit obligation		21,170,288	815,669	102,346	-	1,757,964	6,606,148	2,651,667
Fair value of plan assets		(12,665,783)	(1,188,246)	(630,492)	(119,412)	(2,057,908)	-	-
		8,504,505	(372,577)	(528,146)	(119,412)	(299,944)	6,606,148	2,651,667
Unrecognized due to impact of asset ceiling		-	372,577	528,146	-	-	-	-
Net liability / (asset)		8,504,505	-	-	(119,412)	(299,944)	6,606,148	2,651,667

#### 39.6.2 Movement in defined benefit obligations

	2021						
	Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
		Officers	Staff	SSR-1961	SR-2005		
	Rs. in '000						
Obligations at the beginning of the year	21,170,288	815,669	102,346	-	1,757,964	6,606,148	2,651,667
Current service cost	288,140	35,861	2,904	-	148,354	263,556	45,571
Interest cost	1,979,525	74,195	9,350	-	157,341	627,978	246,298
Benefits paid	(1,734,930)	(109,382)	(12,900)	-	(288,423)	(330,702)	(251,057)
Contribution - employees	-	(9,582)	(1,742)	-	-	-	-
Re-measurement loss / (gain)	(540,842)	(30,601)	21,722	-	(149,583)	797,443	(462,859)
Obligations at the end of the year	21,162,181	776,160	121,680	-	1,625,653	7,964,423	2,229,620

	2020						
Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	
	Officers	Staff	SSR-1961	SR-2005			
	..... Rs. in '000 .....						
Obligations at the beginning of the year	21,722,509	777,066	101,799	-	1,770,295	6,705,945	2,632,132
Current service cost	462,178	44,171	3,909	-	195,808	242,633	40,590
Interest cost	2,466,272	82,431	10,822	-	186,537	764,931	284,939
Benefits paid	(1,465,914)	(88,690)	(11,215)	-	(224,373)	(308,892)	(198,680)
Contribution - employees	-	(10,425)	(1,772)	-	-	-	-
Transferred employees	-	-	-	-	-	-	-
Re-measurement loss / (gain)	(2,014,757)	11,116	(1,197)	-	(170,303)	(798,469)	(107,314)
Obligations at the end of the year	21,170,288	815,669	102,346	-	1,757,964	6,606,148	2,651,667

### 39.6.3 Movement in fair value of plan assets

		2021						
		Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences	
Pension		Officers	Staff	SSR-1961	SR-2005			
		..... Rs. in '000 .....						
Fair value at the beginning of the year		12,665,783	1,188,246	630,492	119,412	2,057,908	-	-
Interest income on plan assets		1,162,456	111,456	61,014	11,643	195,205	-	-
Benefits paid		(1,734,930)	(109,382)	(12,900)	-	(288,423)	-	-
Contributions - employer		248,620	9,582	1,742	-	176,806	-	-
Contributions - employees		-	9,582	1,742	-	-	-	-
Transferred from gratuity to pension		15,076	-	-	(15,076)	-	-	-
Re-measurements: Net return on plan assets								
over interest income gain / (loss)	39.6.5.2	(294,544)	(31,846)	(18,892)	(235)	(36,049)	-	-
Fair value at the end of the year	39.6.6	12,062,461	1,177,638	663,198	115,744	2,105,447	-	-

		2020						
		Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
			Officers	Staff	SSR-1961	SR-2005		
		Rs. in '000						
Fair value at the beginning of the year		12,425,840	1,016,585	549,858	116,632	1,876,391	-	-
Interest income on plan assets		1,389,090	110,550	61,428	13,704	209,507	-	-
Benefits paid		(1,465,914)	(88,690)	(11,215)	-	(224,373)	-	-
Contributions - employer		258,323	10,425	1,772	-	196,164	-	-
Contributions - employees		-	10,425	1,772	-	-	-	-
Transferred from gratuity to pension		13,850	-	-	(13,850)	-	-	-
Re-measurements: Net return on plan assets								
over interest income gain / (loss)	39.6.5.2	44,594	128,951	26,877	2,926	219	-	-
Fair value at the end of the year		12,665,783	1,188,246	630,492	119,412	2,057,908	-	-

#### 39.6.4 Movement in payable / (receivable) under defined benefit schemes

		2021						
		Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
			Officers	Staff	SSR-1961	SR-2005		
		Rs. in '000						
Opening balance		8,504,505	-	-	(119,412)	(299,944)	6,606,148	2,651,667
Charge / (reversal) for the year	39.6.5.1	1,105,209	(10,982)	(50,502)	(11,643)	110,490	891,534	(265,176)
Re-measurement loss / (gain) recognised in OCI during the year	39.6.5.2	(246,298)	20,564	52,244	235	(113,534)	797,443	-
Contribution to fund / benefits paid		(248,620)	(9,582)	(1,742)	-	(176,806)	(330,702)	(251,057)
Transferred from gratuity to pension		(15,076)	-	-	15,076	-	-	-
Closing balance		9,099,720	-	-	(115,744)	(479,794)	7,964,423	2,135,434

		2020						
		Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
			Officers	Staff	SSR-1961	SR-2005		
			Rs. in '000					
Opening balance		9,296,669	-	-	(116,632)	(106,096)	6,705,945	2,632,132
Charge / (reversal) for the year		1,539,360	5,627	(48,469)	(13,704)	172,838	1,007,564	218,215
Re-measurement loss / (gain) recognised in OCI during the year	39.6.5.2	(2,059,351)	4,798	50,241	(2,926)	(170,522)	(798,469)	-
Contribution to fund / benefits paid		(258,323)	(10,425)	(1,772)	-	(196,164)	(308,892)	(198,680)
Transferred from gratuity to pension		(13,850)	-	-	13,850	-	-	-
Closing balance		8,504,505	-	-	(119,412)	(299,944)	6,606,148	2,651,667

### 39.6.5 Charge / (reversal) for defined benefit plans

#### 39.6.5.1 Cost recognised in profit and loss

	2021						
	Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
		Officers	Staff	SSR-1961	SR-2005		
	Rs. in '000						
Current service cost	288,140	35,861	2,904	-	148,354	263,556	45,571
Net interest on defined benefit asset / liability	817,069	(37,261)	(51,664)	(11,643)	(37,864)	627,978	246,298
Actuarial (Gain) / Losses	-	-	-	-	-	-	(557,045)
Contributions - employees	-	(9,582)	(1,742)	-	-	-	-
	1,105,209	(10,982)	(50,502)	(11,643)	110,490	891,534	(265,176)

	2020						
	Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
		Officers	Staff	SSR-1961	SR-2005		
		Rs. in '000					
Current service cost	462,178	44,171	3,909	-	195,808	242,633	40,590
Net interest on defined benefit asset / liability	1,077,182	(28,119)	(50,606)	(13,704)	(22,970)	764,931	284,939
Actuarial (Gain) / Losses	-	-	-	-	-	-	(107,314)
Contributions - employees	-	(10,425)	(1,772)	-	-	-	-
	1,539,360	5,627	(48,469)	(13,704)	172,838	1,007,564	218,215

### 39.6.5.2 Re-measurements recognised in OCI during the year

	2021					
Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
	Rs. in '000					
Loss / (gain) on obligation :						
- experience adjustment	(540,842)	(30,601)	21,722	-	(149,583)	797,443
Return on plan assets over interest income	294,544	31,846	18,892	235	36,049	-
Asset ceiling adjustment	-	19,320	11,630	-	-	-
Total re-measurement recognised in OCI	(246,298)	20,565	52,244	235	(113,534)	797,443
	2020					
Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
	Rs. in '000					
Loss / (gain) on obligation :						
- financial assumptions	-	-	-	-	-	-
- experience adjustment	(2,014,757)	11,116	(1,197)	-	(170,303)	(798,469)
Return on plan assets over interest income	(44,594)	(128,951)	(26,877)	(2,926)	(219)	-
Asset ceiling adjustment	-	122,633	78,315	-	-	-
Total re-measurement recognised in OCI	(2,059,351)	4,798	50,241	(2,926)	(170,522)	(798,469)

### 39.6.6 Components of plan assets

	2021					
Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
	Rs. in '000					
Cash and cash equivalents - net	8,245,145	510,190	420,949	270	1,188,188	-
Government securities	2,959,518	667,468	242,268	115,492	915,277	-
Debtors and creditors	857,799	(19)	(19)	(19)	1,981	-
	12,062,462	1,177,639	663,198	115,743	2,105,446	-

2020						
Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
	Rs. in '000					
Cash and cash equivalents - net	6,921,203	704,595	458,599	104	1,893,388	-
Government securities	4,644,436	483,668	171,910	119,325	158,536	-
Debtors and creditors	1,100,144	(17)	(17)	(17)	5,984	-
	12,665,783	1,188,246	630,492	119,412	2,057,908	-
Pension	Benevolent scheme		Gratuity		Post retirement medical	Employees compensated absences
	Officers	Staff	SSR-1961	SR-2005		
	Rs. in '000					

### 39.6.7 Sensitivity analysis

Current liability	21,162,181	776,160	121,680	-	1,625,653	7,964,423	2,229,620
+1% discount rate	19,434,282	710,583	111,399	-	1,513,945	6,828,755	2,095,488
-1% discount rate	23,867,552	851,117	133,431	-	1,758,349	9,407,121	2,386,706
+1% salary increase	21,631,564	-	-	-	1,760,761	8,140,038	2,389,511
-1% salary increase	20,720,165	-	-	-	1,510,158	7,802,313	2,090,957
+1% pension increase / medical inflation rate	23,454,942	-	-	-	-	8,474,349	-
-1% pension increase / medical inflation rate	19,742,361	-	-	-	-	6,166,836	-
+10% withdrawal rates	21,164,297	-	-	-	1,627,515	-	-
-10% withdrawal rates	21,160,065	-	-	-	1,623,656	-	-
1 year mortality age set back	21,813,940	-	-	-	1,624,859	-	-
1 year mortality age set forward	21,053,436	-	-	-	1,626,403	-	-

### 39.6.8 Maturity profile

Weighted average duration of obligation (in years)	10.47	9.05	9.05	10.47	7.04	17.33 for SSR-1961	6.17
						5.14 for SR-2005	

### 39.6.9 Expected charge / (reversal) for next year

1,391,213	(17,616)	(62,295)	(13,600)	75,737	1,230,343	312,910
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### 39.6.10 Expected contribution for next year

230,872	10,517	1,912	-	129,734	-	-
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#### 40 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

##### 40.1 Total Compensation Expense

Items	2021					Other Material Risk Takers / Controllers
	Directors		Members Shariah Board	President / CEO	Key Management Personnel	
	Chairman	Non-Executives				
	..... Rupees in '000 .....					
Fees and Allowances etc.	-	3,320	256	-	-	-
Managerial Remuneration:						
Salaries	-	-	4,430	20,765	63,861	77,943
Cash bonus / awards etc.	-	-	165	-	17,785	12,470
Charge for defined benefit plan	-	-	-	-	4,889	6,657
Contribution to defined contribution plan	-	-	-	-	931	833
Rent & house maintenance	-	-	-	10,856	454	1,173
Utilities	-	-	-	469	113	293
Medical	-	-	-	353	102	270
Conveyance	-	-	-	650	634	276
Leave Fare Assistance	-	-	-	4,208	-	-
Total	-	3,320	4,851	37,301	88,769	99,915
Number of Persons	-	7	3	1	28	53

Items	Directors		Members Shariah Board	2020		Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non-Executives		President / CEO			

**40.2** 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).

**40.3 Remuneration paid to Directors for participation in Board and Committee Meetings**

2021											
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	Nomination	Human Resource Management	Procurement	Risk	
..... Rupees in '000 .....											
1	Mr. Nadeem Lodhi	280	40	-	-	-	-	125	-	-	445
2	Syed Javed	280	40	100	75	25	25	100	25	75	745
3	Mr. Zaigham Mahmood Rizvi	280	40	100	100	-	25	125	25	75	770
4	Mr. Haaris Mahmood Chaudhary	280	40	100	-	25	-	75	25	-	545
5	Mr. Abdul Ghufraan	120	-	-	100	-	25	125	-	-	370
6	Dr. Nawaz Ahmad	200	-	25	-	-	-	-	-	75	300
7	Mr. Muhammad Aslam Ghauri	80	40	25	-	-	-	-	-	-	145
	Total	1,520	200	350	275	50	75	550	75	225	3,320

#### 40.4 Remuneration paid to Shariah Board Members

Items	2021			2020		
	Chairman	Resident Member	Non-Resident Member	Chairman	Resident Member	Non-Resident Member
	..... Rupees in '000 .....					
Meeting Fees and Allowances	104	-	152	51	-	51
Contractual salary	990	1,575	1,865	1,980	1,500	1,260
Cash bonus	-	102	63	-	-	-
Total	1,094	1,677	2,080	2,031	1,500	1,311
Total Number of Persons	1	1	1	1	1	1

## **41 FAIR VALUE MEASUREMENT**

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

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

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

### **41.1 Fair value of financial assets**

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

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

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

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

### **41.2 Valuation technique used and 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.

### **41.3 Fair value of financial assets**

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

2021					
Carrying value / Notional value	Level 1	Level 2	Level 3	Total	
..... Rupees in '000 .....					
On balance sheet financial instruments					
Financial assets measured at fair value					
Investmnnents					
- Federal Government Securities	77,128,568	-	77,128,568	-	77,128,568
- Shares	2,465,115	2,465,115	-	-	2,465,115
- Debt securities (TFCs, Sukuk)	2,713,562	2,713,562	-	-	2,713,562
	82,307,245	5,178,677	77,128,568	-	82,307,245
Financial assets not measured at fair value					
- Subsidiary company	100,000	-	100,000	-	100,000
	82,407,245	5,178,677	77,228,568	-	82,407,245
2020					
Carrying value / Notional value	Level 1	Level 2	Level 3	Total	
..... Rupees in '000 .....					
On balance sheet financial instruments					
Financial assets measured at fair value					
Investmnnents					
- Federal Government Securities	33,965,602	-	33,965,602	-	33,965,602
- Shares	2,869,626	2,869,626	-	-	2,869,626
- Debt securities (TFCs, Sukuk)	2,889,732	2,889,732	-	-	2,889,732
	39,724,960	5,759,358	33,965,602	-	39,724,960
Financial assets not measured at fair value					
- Subsidiary company	100,000	-	100,000	-	100,000
	39,824,960	5,759,358	34,065,602	-	39,824,960

## 42 SEGMENT INFORMATION

### 42.1 Segment Details with respect to Business Activities:

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

	2021			
	Branch banking & agri financing	Treasury	Islamic banking	Total
	..... Rupees in '000 .....			
<b>Profit and Loss</b>				
Net mark-up/return/profit	8,592,684	3,533,500	74,277	12,200,461
Inter segment revenue - net	781,686	(781,686)	-	-
Non mark-up / return / interest income	1,331,014	15,006	518	1,346,538
Total Income	10,705,384	2,766,820	74,795	13,546,999
Segment direct expenses	10,882,587	41,871	61,849	10,986,307
Inter segment expense allocation	-	-	-	-
Total expenses	10,882,587	41,871	61,849	10,986,307
Provisions	777,676	-	-	777,676
Profit before tax	(954,879)	2,724,949	12,946	1,783,016
<b>Statement of Financial Position</b>				
Cash and Bank balances	2,365,049	27,856,545	1,620,081	31,841,675
Investments	-	81,051,365	1,355,880	82,407,245
Net inter segment lendings	40,057,611	-	-	40,057,611
Lendings to financial institutions	-	16,828,212	51,275	16,879,487
Advances - performing	74,456,385	-	-	74,456,385
- non-performing (net of provision)	17,365,922	-	-	17,365,922
Others	30,366,427	1,477,903	45,698	31,890,028
<b>Total Assets</b>	164,611,394	127,214,025	3,072,934	294,898,353
Borrowings	54,461,536	76,845,499	1,050,000	132,357,035
Subordinated debt	-	-	-	-
Deposits & other accounts	42,167,754	-	1,430,811	43,598,565
Net inter segment borrowing	-	39,557,611	500,000	40,057,611
Others	24,781,023	147,424	26,103	24,954,550
<b>Total Liabilities</b>	121,410,313	116,550,534	3,006,914	240,967,761
Equity	52,968,290	989,649	(27,347)	53,930,592
<b>Total Equity and Liabilities</b>	174,378,603	117,540,183	2,979,567	294,898,353
<b>Contingencies and Commitments</b>	38,378,832	-	-	38,378,832

	2020			
	Branch banking & agri financing	Treasury	Islamic banking	Total
	..... Rupees in '000 .....			
<b>Profit and Loss</b>				
Net mark-up/return/profit	4,724,854	3,556,552	53,841	8,335,247
Inter segment revenue - net	1,219,105	(1,219,105)	-	-
Non mark-up / return / interest income	1,302,129	39	304	1,302,472
<b>Total Income</b>	<b>7,246,088</b>	<b>2,337,486</b>	<b>54,145</b>	<b>9,637,719</b>
Segment direct expenses	11,430,556	39,398	62,011	11,531,965
Inter segment expense allocation	-	-	-	-
<b>Total expenses</b>	<b>11,430,556</b>	<b>39,398</b>	<b>62,011</b>	<b>11,531,965</b>
Provisions	1,330,316	-	-	1,330,316
<b>Profit/(loss) before tax</b>	<b>(5,514,784)</b>	<b>2,298,088</b>	<b>(7,866)</b>	<b>(3,224,562)</b>
<b>Statement of Financial Position</b>				
Cash and Bank balances	1,695,535	18,981,903	1,428,993	22,106,431
Investments	-	39,067,304	757,656	39,824,960
Net inter segment lending	500,000	-	-	500,000
Lendings to financial institutions	-	10,986,700	51,275	11,037,975
Advances - performing	70,669,573	-	-	70,669,573
- non-performing (net of provision)	31,986,697	-	-	31,986,697
Others	33,900,673	1,084,904	74,832	35,060,409
<b>Total Assets</b>	<b>138,752,478</b>	<b>70,120,811</b>	<b>2,312,756</b>	<b>211,186,045</b>
Borrowings	54,461,536	26,701,696	-	81,163,232
Subordinated debt	-	-	-	-
Deposits & other accounts	47,363,910	-	1,821,607	49,185,517
Net inter segment borrowing	-	-	500,000	500,000
Others	23,618,990	20,558	10,593	23,650,141
<b>Total Liabilities</b>	<b>125,444,436</b>	<b>26,722,254</b>	<b>2,332,200</b>	<b>154,498,890</b>
Equity	55,005,944	1,679,047	2,164	56,687,155
<b>Total Equity and Liabilities</b>	<b>180,450,380</b>	<b>28,401,301</b>	<b>2,334,364</b>	<b>211,186,045</b>
<b>Contingencies and Commitments</b>	<b>24,004,823</b>	<b>-</b>	<b>-</b>	<b>24,004,823</b>

#### 42.2 Segment Details with respect to geographical locations

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

#### 43 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

#### 44 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 39 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 40 and note 13.6 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	
	2021	2020	2021	2020	2021	2020	2021	2020
	..... Rupees in '000 .....							
<b>Investments</b>	100,000	100,000	-	-	-	-	-	-
<b>Advances</b>								
Opening balance	-	-	49,892	26,483	-	-	-	-
Addition	-	-	31,175	32,683	-	-	-	-
Repaid	-	-	(15,178)	(9,274)	-	-	-	-
Closing balance	-	-	65,889	49,892	-	-	-	-
<b>Other assets</b>								
Interest / mark-up accrued	-	-	9,099	9,472	-	-	-	-
Receivable at the end of the year	-	-	-	-	595,538	419,356	-	-
<b>Deposits and other accounts</b>								
Opening balance	987,730	631,779	5,927	5,566	9,695,509	13,342,343	205,600	182,383
Received during the year	25,271,309	3,131,450	96,265	83,758	22,770,608	22,428,079	383,884	362,222
Withdrawn during the year	(14,639,462)	(2,775,499)	(96,430)	(83,397)	(22,226,413)	(26,074,913)	(369,996)	(339,005)
Closing balance	11,619,577	987,730	5,762	5,927	10,239,704	9,695,509	219,488	205,600

	Subsidiary company		Key management personnel		Defined Benefit Plans		Agricultural Technology Development Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
	..... Rupees in '000' .....							
<b>Other liabilities</b>								
Interest / mark-up payable	61,095	103,291	-	-	131,530	102,786	4,305	3,890
Payable at the end of the year	103,193	214,638	-	-	19,293,763	17,762,320	-	-
<b>Income</b>								
Mark-up / interest earned	-	-	1,396	1,433	-	-	-	-
Rental income	5,297	9,210	-	-	-	-	-	-
<b>Expense</b>								
Mark-up / interest paid	81,498	112,855	-	-	606,090	966,330	14,770	20,809
Compensation	-	-	94,226	87,383	-	-	-	-
Post retirement benefit	-	-	4,889	4,678	-	-	-	-
Contribution to defined benefit plan	-	-	931	878	-	-	-	-
Cost of services rendered	1,082,623	1,157,657	-	-	-	-	-	-

#### 44.1 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.

## 45 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2021	2020
	... Rupees in '000 ...	
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	46,641,417	48,708,582
<b>Capital Adequacy Ratio:</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	44,965,422	46,944,995
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	44,965,422	46,944,995
Eligible Tier 2 Capital	2,498,563	3,425,490
Total Eligible Capital (Tier 1 + Tier 2)	47,463,985	50,370,485
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	120,713,094	139,715,446
Market Risk	4,930,225	5,739,250
Operational Risk	20,987,838	20,215,413
Total	146,631,157	165,670,109
Common Equity Tier 1 Capital Adequacy Ratio	30.67%	28.34%
Tier 1 Capital Adequacy Ratio	30.67%	28.34%
Total Capital Adequacy Ratio	32.37%	30.40%

SBP through its BSD Circular No. 07 dated April 15, 2009 requires the minimum paid-up capital (net 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, 2021 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% (2020: 11.50%) of the risk weighted exposure. The Bank's CAR as at December 31, 2021 is 32.37% (2020: 30.40%) of its risk weighted exposure.

	2021	2020
	... Rupees in '000 ...	
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	44,965,422	46,944,995
Total exposures	331,810,281	237,417,427
Leverage ratio	13.55%	19.77%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	19,761,909	21,665,571
Total Net Cash Outflow	2,714,031	2,763,473
Liquidity Coverage Ratio	728%	784%

	2021	2020
	... Rupees in '000 ...	
<b>Net Stable Funding</b>		
Total Available Stable Funding	143,009,369	153,645,253
Total Required Stable Funding	112,581,390	120,322,430
Net Stable Funding Ratio	127%	128%

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>.

## 46 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 Divisional Head. The Bank's systematic and integrated risk management function for each category of risk is as follows:

### 46.1 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 analyzed 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:

#### 46.1.1 Investment in debt securities

##### Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
	..... Rupees in '000 .....					
Chemicals and pharmaceuticals	597,987	526,019	-	-	-	-
Financial	2,115,575	2,363,713	-	-	-	-
	<u>2,713,562</u>	<u>2,889,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

##### Credit risk by public / private sector

Public / Government	-	-	-	-	-	-
Private	2,713,562	2,889,732	-	-	-	-
	<u>2,713,562</u>	<u>2,889,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### 46.1.2 Advances

##### Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2021	2020	2021	2020	2021	2020
	..... Rupees in '000 .....					
Agriculture, Forestry, Hunting and Fishing	113,766,904	128,202,591	40,746,754	59,188,281	23,392,883	27,205,819
Individuals	1,489,081	1,691,987	52,846	36,724	40,795	32,489
	<u>115,255,985</u>	<u>129,894,578</u>	<u>40,799,600</u>	<u>59,225,005</u>	<u>23,433,678</u>	<u>27,238,308</u>

##### Credit risk by public / private sector

Public / Government	-	-	-	-	-	-
Private	115,255,985	129,894,578	40,799,600	59,225,005	23,433,678	27,238,308
	<u>115,255,985</u>	<u>129,894,578</u>	<u>40,799,600</u>	<u>59,225,005</u>	<u>23,433,678</u>	<u>27,238,308</u>

### 46.1.3 Contingencies and Commitments

#### Credit risk by industry sector

	2021	2020
	Rupees in '000	
Agriculture, Forestry, Hunting and Fishing	38,111,241	23,388,140
Individuals	267,591	616,683
	<u>38,378,832</u>	<u>24,004,823</u>

#### Credit risk by public / private sector

Public / Government	37,492,458	22,134,505
Private	886,374	1,870,318
	<u>38,378,832</u>	<u>24,004,823</u>

### 46.1.4 Concentration of Advances

The Bank's maximum credit limit to a single borrower amounts to Rs. 1.5 million which has been disbursed to number of borrowers, hence top 10 exposures is not being disclosed.

### 46.1.5 Advances - Province / Region-wise Disbursement and Utilization

Province / Region	2021						
	Utilization						
	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	..... Rupees in '000 .....						
Punjab	58,181,554	58,181,554	-	-	-	-	-
Sindh	6,415,189	-	6,415,189	-	-	-	-
KPK including FATA	3,071,683	-	-	3,071,683	-	-	-
Balochistan	248,623	-	-	-	248,623	-	-
Islamabad	-	-	-	-	-	-	-
AJK including Gilgit Baltistan	1,244,765	-	-	-	-	-	1,244,765
Total	<u>69,161,814</u>	<u>58,181,554</u>	<u>6,415,189</u>	<u>3,071,683</u>	<u>248,623</u>	<u>-</u>	<u>1,244,765</u>

2020							
Province / Region	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
..... Rupees in '000 .....							
Punjab	53,138,221	53,138,221	-	-	-	-	-
Sindh	5,300,394	-	5,300,394	-	-	-	-
KPK including FATA	2,640,128	-	-	2,640,128	-	-	-
Balochistan	231,995	-	-	-	231,995	-	-
Islamabad	-	-	-	-	-	-	-
AJK including Gilgit-Baltistan	758,909	-	-	-	-	-	758,909
Total	62,069,647	53,138,221	5,300,394	2,640,128	231,995	-	758,909

## 46.2 Market Risk

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

### 46.2.1 Balance sheet split by trading and banking books

	2021			2020		
	Banking Book	Trading Book	Total	Banking Book	Trading Book	Total
..... Rupees in '000 .....						
Cash and balances with treasury banks	5,026,023	-	5,026,023	2,677,147	-	2,677,147
Balances with other banks	26,815,652	-	26,815,652	19,429,284	-	19,429,284
Lendings to financial institutions	16,879,487	-	16,879,487	11,037,975	-	11,037,975
Investments	82,407,245	-	82,407,245	39,824,960	-	39,824,960
Advances	91,822,307	-	91,822,307	102,656,270	-	102,656,270
Fixed assets	2,477,865	-	2,477,865	2,793,596	-	2,793,596
Intangible assets	35,817	-	35,817	19,396	-	19,396
Deferred tax assets	13,230,217	-	13,230,217	13,266,590	-	13,266,590
Other assets	16,146,129	-	16,146,129	18,980,827	-	18,980,827
	254,840,742	-	254,840,742	210,686,045	-	210,686,045

#### 46.2.2 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.

#### 46.2.3 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.

	2021		2020	
	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	77,214	-	90,361	-

#### 46.2.4 Mismatch of interest rate sensitive assets and liabilities

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

2021											
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											
<b>On-balance sheet financial instruments</b>											
<b>Assets</b>											
Cash and balances with treasury banks		5,026,023	-	-	-	-	-	-	-	-	5,026,023
Balances with other banks	12.22%	26,815,652	26,815,652	-	-	-	-	-	-	-	-
Lendings to financial institutions	10.55%	16,879,487	16,879,487	-	-	-	-	-	-	-	-
Investments - net	8.64%	82,307,245	12,446,401	16,894,027	12,523,976	3,764,137	551,275	22,773,195	7,695,277	2,843,577	2,815,380
Advances - net	13.16%	91,822,307	14,617,605	7,720,178	14,663,274	18,151,844	11,034,742	9,977,455	13,298,322	2,150,738	131,609
Other assets - net		13,831,316	-	-	-	-	-	-	-	-	13,831,316
		236,682,030	70,759,145	24,614,205	27,187,250	21,915,981	11,586,017	32,750,650	20,993,599	4,994,315	76,540
<b>Liabilities</b>											
Bills payable		442,401	-	-	-	-	-	-	-	-	442,401
Borrowings	9.00%	132,357,035	20,186,607	57,708,892	-	-	-	54,461,536	-	-	-
Deposits and other accounts	6.40%	43,598,565	8,622,758	16,588,564	9,428,317	2,124,233	63,700	72,451	80,000	-	6,618,542
Other liabilities		23,425,539	-	-	-	-	-	-	-	-	23,425,539
		199,823,540	28,809,365	74,297,456	9,428,317	2,124,233	63,700	72,451	54,541,536	-	30,486,482
<b>On-balance sheet gap</b>		36,858,490	41,949,780	(49,683,251)	17,758,933	19,791,748	11,522,317	32,678,199	(33,547,937)	4,994,315	76,540
<b>Net non-financial assets</b>		17,072,102									
<b>Total net assets</b>		53,930,592									
<b>Off-balance sheet gap</b>		-	-	-	-	-	-	-	-	-	-
<b>Total yield / interest risk sensitivity gap</b>		36,858,490	41,949,780	(49,683,251)	17,758,933	19,791,748	11,522,317	32,678,199	(33,547,937)	4,994,315	76,540
<b>Cumulative yield / interest risk sensitivity gap</b>			41,949,780	(7,733,471)	10,025,462	29,817,210	41,339,527	74,017,726	40,469,789	45,464,104	45,540,644

#### 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	236,682,030	Total financial liabilities	199,823,540
Add non-financial assets:		Add non-financial liabilities:	
Investment in subsidiary company	100,000	Other liabilities	1,086,610
Operating fixed assets and intangible	2,513,682	Total liability as per statement of financial position	200,910,150
Deferred tax assets - net	13,230,217		
Other assets	2,314,813		
Total assets as per statement of financial position	254,840,742		

		2020										
	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												
		2,677,147	-	-	-	-	-	-	-	-	-	2,677,147
Balances with other banks	8.7%	19,429,284	16,929,284	2,500,000	-	-	-	-	-	-	-	-
Lendings to financial institutions	7.25%	11,037,975	11,037,975	-	-	-	-	-	-	-	-	-
Investments - net	8.2%	39,724,960	33,041	5,702,072	16,521	5,152,157	4,481,003	10,621,655	9,344,092	1,154,918	-	3,219,501
Advances - net	10.3%	102,656,270	24,248,218	5,154,365	7,360,405	30,875,960	11,344,774	9,717,768	11,787,874	1,919,600	106,454	140,852
Other assets - net		15,653,592	-	-	-	-	-	-	-	-	-	15,653,592
		191,179,228	52,248,518	13,356,437	7,376,926	36,028,117	15,825,777	20,339,423	21,131,966	3,074,518	106,454	21,691,092
Liabilities												
Bills payable		402,111	-	-	-	-	-	-	-	-	-	402,111
Borrowings	7.4%	81,163,232	26,701,696	-	-	-	-	-	54,461,536	-	-	-
Deposits and other accounts	10.1%	49,185,517	16,847,296	5,165,745	2,166,577	16,691,008	530,100	10,300	80,500	-	-	7,693,991
Other liabilities		21,502,907	-	-	-	-	-	-	-	-	-	21,502,907
		152,253,767	43,548,992	5,165,745	2,166,577	16,691,008	530,100	10,300	54,542,036	-	-	29,599,009
On-balance sheet gap		38,925,461	8,699,526	8,190,692	5,210,349	19,337,109	15,295,677	20,329,123	(33,410,070)	3,074,518	106,454	(7,907,917)
Net non-financial assets		17,761,694										
Total net assets		56,687,155										
Off-balance sheet gap												
		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		38,925,461	8,699,526	8,190,692	5,210,349	19,337,109	15,295,677	20,329,123	(33,410,070)	3,074,518	106,454	(7,907,917)
Cumulative yield / interest risk sensitivity gap			8,699,526	16,890,218	22,100,567	41,437,676	56,733,353	77,062,476	43,652,406	46,726,924	46,833,378	38,925,461

**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	191,179,228	Total financial liabilities	152,253,767
Add non-financial assets:		Add non-financial liabilities:	
Investment in subsidiary company	100,000	Other liabilities	1,745,123
Operating fixed assets and intangible	2,812,992	Total liability as per statement of financial position	<u>153,998,890</u>
Deferred tax assets - net	13,266,590		
Other assets	3,327,235		
Total assets as per statement of financial position	<u>210,686,045</u>		

### **46.3 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 analyzed 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.

### **46.4 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.

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

2021													
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 .....													
<b>Assets</b>													
Cash and balances with treasury banks	5,026,023	5,026,023	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	26,815,652	14,815,652	-	4,000,000	8,000,000	-	-	-	-	-	-	-	-
Lending to financial institutions	16,879,487	-	10,828,212	6,000,000	-	-	-	-	-	51,275	-	-	-
Investments - net	82,407,245	-	-	2,500,000	10,500,000	9,425,000	8,000,000	13,250,000	3,750,000	244,567	21,000,000	7,295,500	3,538,726
Advances - net	91,822,307	2,260,329	2,058,567	1,096,191	3,785,358	3,639,460	3,314,885	13,214,395	8,308,163	27,255,411	7,028,551	6,969,112	10,954,237
Fixed assets	2,477,865	-	-	-	244,221	-	14,829	234,205	-	23,213	236,030	137,168	362,799
Intangible assets	35,817	-	-	-	-	-	580	-	-	-	-	35,237	-
Deferred tax assets - net	13,230,217	-	-	-	-	-	-	-	-	13,230,217	-	-	-
Other assets	16,146,129	230,813	194,004	108,636	3,888,979	474,319	539,893	1,214,260	681,735	7,969,155	304,961	297,645	109,862
	254,840,742	22,332,817	13,080,783	13,704,827	26,418,558	13,538,779	11,870,187	27,912,860	12,739,898	48,722,563	28,620,817	14,734,662	14,965,624
													6,198,367
<b>Liabilities</b>													
Bills payable	442,401	442,401	-	-	-	-	-	-	-	-	-	-	-
Borrowings	132,357,035	-	20,550,000	-	-	33,000,000	24,345,499	-	-	-	-	-	54,461,536
Deposits and other accounts	43,598,565	13,488,586	80,000	528,669	1,144,100	8,002,684	8,585,881	9,473,317	1,637,299	441,878	63,700	72,451	80,000
Other liabilities	24,512,149	-	-	-	2,136,765	180,587	1,579,781	2,212,577	46,250	1,026,510	2,120,692	2,106,315	4,379,146
	200,910,150	13,930,987	20,630,000	528,669	3,280,865	41,183,271	34,511,161	11,685,894	1,683,549	1,468,388	2,184,392	2,178,766	4,459,146
													63,185,062
<b>Net assets</b>	<b>53,930,592</b>	<b>8,401,830</b>	<b>(7,549,217)</b>	<b>13,176,158</b>	<b>23,137,693</b>	<b>(27,644,492)</b>	<b>(22,640,974)</b>	<b>16,226,966</b>	<b>11,056,349</b>	<b>47,254,175</b>	<b>26,436,425</b>	<b>12,555,896</b>	<b>10,506,478</b>
													<b>(56,986,695)</b>
Share capital	52,678,433												
Reserves	6,299,526												
Unappropriated loss	(6,037,016)												
Surplus on revaluation of assets	989,649												
	<u>53,930,592</u>												

2020

	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 .....													
<b>Assets</b>														
Cash and balances with treasury banks	2,677,147	2,677,147	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	19,429,284	10,929,284	2,000,000	-	4,000,000	-	2,500,000	-	-	-	-	-	-	-
Lending to financial institutions	11,037,975	-	6,500,000	1,600,000	2,900,000	-	-	-	-	-	-	37,975	-	-
Investments - net	39,824,960	-	-	-	330	6,000,000	65,540	17,300	7,696,375	321,900	4,353,800	10,804,000	8,845,500	1,720,215
Advances - net	102,656,270	4,515,584	2,211,755	949,824	3,299,990	2,472,672	1,962,962	6,321,468	44,950,166	15,126,671	5,574,767	5,422,524	8,220,063	1,627,824
Fixed assets	2,793,596	-	-	-	207,498	-	3,789	17,448	370,327	-	430,302	286,139	257,913	1,220,180
Intangible assets	19,396	-	-	-	-	-	-	-	-	1,382	13,919	4,095	-	-
Deferred tax assets - net	13,266,590	-	-	-	-	-	-	-	-	13,266,590	-	-	-	-
Other assets	18,980,827	661,988	195,928	127,090	1,816,837	266,527	190,103	399,856	14,778,015	142,380	119,149	69,631	82,542	130,781
	210,686,045	18,784,003	10,907,683	2,676,914	12,224,655	8,739,199	4,722,394	6,756,072	67,794,883	28,858,923	10,491,937	16,624,364	17,406,018	4,699,000
<b>Liabilities</b>														
Bills payable	402,111	402,111	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	81,163,232	-	26,701,696	-	-	-	-	-	-	-	-	-	-	54,461,536
Deposits and other accounts	49,185,517	14,846,972	130,354	3,551,291	6,000,000	997,500	4,168,245	2,144,099	2,125,643	14,980,613	150,300	10,500	80,000	-
Other liabilities	23,248,030	-	-	-	2,903,727	-	976,074	1,961,406	(2,078,343)	764,607	2,267,549	2,237,829	4,644,938	9,570,243
	153,998,890	15,249,083	26,832,050	3,551,291	8,903,727	997,500	5,144,319	4,105,505	47,300	15,745,220	2,417,849	2,248,329	4,724,938	64,031,779
<b>Net assets</b>	56,687,155	3,534,920	(15,924,367)	(874,377)	3,320,928	7,741,699	(421,925)	2,650,567	67,747,583	13,113,703	8,074,088	14,376,035	12,681,080	(59,332,779)
Share capital		52,678,433												
Reserves		6,299,526												
Unappropriated profit		(3,969,851)												
Surplus on revaluation of assets		1,679,047												
		<u>56,687,155</u>												

**47 CORRESPONDING FIGURES**

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

**48 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on 17 APR 2022 by the Board of Directors of the Bank.

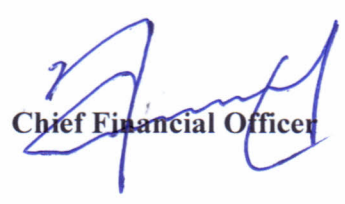
**49 GENERAL**

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

*Balance*



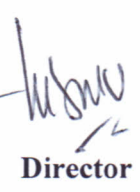
President



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, 2021**

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 .....												
1	MUHAMMAD ASHRAF	MUHAMMAD ASHRAF	3540219540081	BUKHSHA	750	567	-	1,317	521	-	-	521
2	ABDUL MAJEED	ABDUL MAJEED	27885421234	NAZIR AHMED	152	-	24	176	-	1,577	-	1,577
	RASHEED AHMED	RASHEED AHMED	27056995041	NAZIR AHMED								
	JAMILA AHMED BEGUM	JAMILA AHMED BEGUM	27061995042	W/O RASHEED AHMED								
					<b>902</b>	<b>567</b>	<b>24</b>	<b>1,493</b>	<b>521</b>	<b>1,577</b>	<b>-</b>	<b>2,098</b>

**ISLAMIC BANKING BUSINESS**

The bank is operating 5 (2020: 5) Islamic banking branches at the end of the year.

	Note	2021 Rupees in '000	2020
<b>ASSETS</b>			
Cash and balances with treasury banks		153,794	55,759
Balances with other banks		1,466,287	1,373,234
Due from financial institutions	1	51,275	51,275
Investments	2	1,355,880	757,656
Islamic financing and related assets - net		-	-
Fixed assets		7,595	11,459
Intangible assets		-	-
Due from Head Office	3	-	27,993
Other assets		38,103	35,380
<b>Total Assets</b>		<b>3,072,934</b>	<b>2,312,756</b>
<b>LIABILITIES</b>			
Bills payable		1,572	1,201
Due to financial institutions		1,050,000	-
Deposits and other accounts	4	1,430,811	1,821,607
Due to Head Office		93,367	-
Subordinated debt		-	-
Other liabilities		24,531	9,392
		<u>2,600,281</u>	<u>1,832,200</u>
<b>NET ASSETS</b>		<b><u>472,653</u></b>	<b><u>480,556</u></b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		500,000	500,000
Reserves		-	-
(Deficit) / Surplus on revaluation of assets		(14,049)	2,164
Accumulated loss	5	<u>(13,298)</u>	<u>(21,608)</u>
		<b><u>472,653</u></b>	<b><u>480,556</u></b>
<b>CONTINGENCIES AND COMMITMENTS</b>	6		

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

	<b>Note</b>	<b>2021 Rupees in '000</b>	<b>2020</b>
Profit / return earned	7	231,933	88,050
Profit / return expensed	8	157,656	34,209
Net Profit / return		<u>74,277</u>	<u>53,841</u>
<b>Other income</b>			
Fee and Commission Income		480	304
Dividend Income		-	-
Foreign Exchange Income		-	-
Income / (loss) from derivatives		-	-
Gain / (loss) on securities		38	-
Other Income		-	-
Total other income		<u>518</u>	<u>304</u>
Total Income		<u>74,795</u>	<u>54,145</u>
<b>Other expenses</b>			
Operating expenses		61,849	62,011
Workers Welfare Fund		-	-
Other charges		-	-
Total other expenses		<u>61,849</u>	<u>62,011</u>
Loss before provisions		<u>12,946</u>	<u>(7,866)</u>
Provisions and write offs - net		<u>-</u>	<u>-</u>
Loss before taxation		<u>12,946</u>	<u>(7,866)</u>
Taxation		<u>4,636</u>	<u>1,325</u>
Loss after taxation		<u><u>8,310</u></u>	<u><u>(9,191)</u></u>

2021			2020		
In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total

..... Rupees in '000 .....

**1 Due from Financial Institutions**

Secured :

Bai Muajjal Receiveable from State Bank of Pakistan

51,275	-	51,275	51,275	-	51,275
51,275	-	51,275	51,275	-	51,275

**2 Investments**

2021				2020			
Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value

..... Rupees in '000 .....

**Federal Government securities**

Ijarah sukuk

775,354	-	(17,461)	757,893	550,354	-	-	550,354
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**Non Government securities**

Listed securities

594,575	-	3,412	597,987	205,138	-	2,164	207,302
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**Total investments**

1,369,929	-	(14,049)	1,355,880	755,492	-	2,164	757,656
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3 Due from head office represents inter branch transactions such as depreciation transferred and assets procurement etc.

	Note	2021 Rupees in '000	2020 Rupees in '000
<b>4 Deposits</b>			
<b>Customers - local currency</b>			
Current deposits		72,701	116,585
Savings deposits		1,168,788	777,015
Term deposits receipts		189,310	7,910
Others		12	36,510
		1,430,811	938,020
<b>Financial Institutions</b>			
Term deposits receipts		-	883,587
		<u>1,430,811</u>	<u>1,821,607</u>
<b>4.1 Composition of deposits</b>			
- Individuals		72,712	938,021
- Non-Banking Financial Institutions		1,168,789	883,586
- Govt./Public Sector Entities		189,310	-
	4.2	<u>1,430,811</u>	<u>1,821,607</u>

- 4.2 This includes deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs. 209.753 million (2020: Rs. 278.7 million).

	2021 Rupees in '000	2020 Rupees in '000
<b>5 Islamic Banking Business Accumulated loss</b>		
Opening Balance	(21,608)	(12,417)
Add: Islamic Banking profit/(loss) for the period	12,946	(7,866)
Less: Taxation	4,636	1,325
Closing Balance	<u>(13,298)</u>	<u>(21,608)</u>
6 There are no contingencies and commitments related to the islamic business as at reporting date. (2020: Nil)		

	2021 Rupees in '000	2020 Rupees in '000
<b>7 Profit / return earned of financing, investments and placements</b>		
Profit earned on:		
Investments	82,208	28,153
Placements	149,725	59,897
Total	<u>231,933</u>	<u>88,050</u>

	2021	2020
	Rupees in '000	
<b>8 Profit on deposits and other dues expensed</b>		
Deposits and other accounts	144,282	34200
Commission and other charges	86	9
Call borrowings	13,288	-
	<u>157,656</u>	<u>34,209</u>
<b>9 Pool Management</b>		

Currently, ZTBL Islamic Banking Division (ZTBL - IBD) is maintaining single pool for profit declaration and distribution i.e., general pool.

### **General pool**

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

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

### **Weightages for distribution of profit in general pool**

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

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

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

### **Identification and allocation of pool related income & expenses**

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

### **Parameters associated with risk and rewards**

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

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

### **Special pool**

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

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

### **Weightages for distribution of profit in general pool**

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

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

### **Identification and allocation of pool related income & expenses**

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

### **Parameters associated with risk and rewards**

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

- Period, return, safety, security and liquidity of investment;

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

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

	<b>2021</b>	<b>2020</b>
	<b>Rupees in '000</b>	
Investments	1,355,880	757,656
Due from financial institutions	51,275	51,275
Balances with other banks	1,466,287	1,373,234

**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.

	<b>2021</b>	<b>2020</b>
	<b>Rupees in '000</b>	
<b>Provisions</b>	-	-

**Mudarib share (in amount and percentage of distributable income)**

		<b>2021</b>	<b>2020</b>
		<b>Rupees in '000</b>	
	%		
Rabbul Mal	87%	149,844	33,127
Mudarib	13%	21,974	7,865
		171,818	40,992

**Amount & percentage of mudarib share transferred to depositors through Hiba**

	<b>2021</b>	<b>2020</b>
Mudarib share	21,974	7,865
Hiba	7,109	898
Hiba percentage of mudarib share	32.35%	11.41%

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**

	<b>2021</b>	<b>2020</b>
Profit rate earned	9.18% p.a.	5.96% p.a.
Profit rates distributed to depositors	8.87% p.a.	3.02% p.a.