



INDEPENDENT AUDITOR'S REPORT

To the members of Al Baraka Bank (Pakistan) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Al Baraka Bank (Pakistan) Limited (the Bank), which comprise the statement of financial position as at December 31, 2023, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 32 branches which have been audited by us and notes to the financial statements, including material accounting policy information and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, the statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2023 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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A.F. FERGUSON & CO.

Report on Other Legal and Regulatory Requirements

1. Based on our audit, we further report that in our opinion:
 - a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
 - b) the statement of financial position, the profit and loss account, the statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
 - c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
 - d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.
2. We confirm that for the purpose of our audit we have covered more than sixty percent of the total Islamic financing and related assets of the Bank.

The engagement partner on the audit resulting in this independent auditor's report is **Junaid Mesia**.

A. Ferguson & Co.

A. F. Ferguson & Co.
Chartered Accountants
Karachi

Dated: February 29, 2024

UDIN: AR202310611rW3AbE6wP

AL BARAKA BANK (PAKISTAN) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	2023	2022
		----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks	6	21,877,439	14,751,313
Balances with other banks	7	1,683,007	1,939,954
Due from financial institutions	8	8,098,788	-
Investments	9	122,881,484	109,899,905
Islamic financing and related assets - net	10	79,755,889	86,057,049
Fixed assets	11	4,270,166	3,975,501
Intangible assets	12	1,275,180	1,305,295
Deferred tax assets	13	2,545,871	2,653,775
Other assets	14	12,985,825	11,991,830
		255,373,649	232,574,622
LIABILITIES			
Bills payable	15	5,646,089	5,376,942
Due to financial institutions	16	7,649,661	12,950,001
Deposits and other accounts	17	207,337,745	185,049,169
Subordinated debt	18	4,624,241	4,624,241
Deferred tax liabilities		-	-
Other liabilities	19	11,862,756	9,969,540
		237,120,492	217,969,893
NET ASSETS		<u>18,253,157</u>	<u>14,604,729</u>
REPRESENTED BY			
Share capital - net	20	14,500,490	14,500,490
Reserves		1,381,115	760,280
Surplus on revaluation of assets	21	793,083	176,411
Unappropriated profit / (Accumulated losses)		1,578,469	(832,452)
		<u>18,253,157</u>	<u>14,604,729</u>
CONTINGENCIES AND COMMITMENTS	22		

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


Chief Executive Officer


Chief Financial Officer


Chairman


Director


Director

AL BARAKA BANK (PAKISTAN) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
Profit / return earned	23	36,501,713	24,793,256
Profit / return expensed	24	(23,139,120)	(16,347,091)
Net profit / return		<u>13,362,593</u>	<u>8,446,165</u>
Other income			
Fee and commission income	25	999,827	901,389
Dividend income		8,114	16,155
Foreign exchange income		1,028,305	826,587
Gain on securities-net	26	62,634	22,420
Other income	27	18,355	24,428
Total other income		<u>2,117,235</u>	<u>1,790,979</u>
Total income		<u>15,479,828</u>	<u>10,237,144</u>
Other expenses			
Operating expenses	28	(7,646,407)	(6,434,605)
Workers' Welfare Fund		(124,985)	(53,788)
Other charges	29	(17,430)	(56,524)
Total other expenses		<u>(7,788,822)</u>	<u>(6,544,917)</u>
Profit before provisions		<u>7,691,006</u>	<u>3,692,227</u>
Provisions and write offs - net	30	(1,566,728)	(1,056,618)
Extra ordinary / unusual items		-	-
Profit before taxation		<u>6,124,278</u>	<u>2,635,609</u>
Taxation	31	(3,020,102)	(1,125,914)
Profit after taxation		<u>3,104,176</u>	<u>1,509,695</u>
		----- Rupees -----	
Basic / diluted earning per share	32	<u>2.26</u>	<u>1.10</u>

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

Attest


Chief Executive Officer


Chief Financial Officer


Chairman


Director


Director

AL BARAKA BANK (PAKISTAN) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
Profit after taxation for the year	3,104,176	1,509,695
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in deficit on revaluation of investments - net of tax	653,478	(371,629)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement loss on defined benefit obligations - net of tax	(72,420)	(14,987)
(Deficit) / Surplus on revaluation of non-banking assets - net of tax	(36,806)	66,936
	(109,226)	51,949
Total comprehensive income	<u>3,648,428</u>	<u>1,190,015</u>

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

Attest


Chief Executive Officer


Chief Financial Officer


Chairman


Director


Director


AL BARAKA BANK (PAKISTAN) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023	2022
		----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		6,124,278	2,635,609
Less: Dividend income		(8,114)	(16,155)
		<u>6,116,164</u>	<u>2,619,454</u>
Adjustments:			
Depreciation on property and equipment	28	251,854	223,270
Depreciation on right-of-use assets	28	518,438	464,932
Amortisation	28	157,993	158,741
Depreciation - non banking assets	28	39,361	31,997
Provision and write-offs - net	30	1,566,728	1,056,618
Gain on sale of fixed assets - net	27	(4,838)	(6,387)
Finance charges on lease liability against right-of-use assets	24	219,693	254,105
Unrealised loss on revaluation of securities classified as held for trading	26	11	-
Workers' Welfare Fund		124,985	53,788
		<u>2,874,225</u>	<u>2,237,064</u>
		<u>8,990,389</u>	<u>4,856,518</u>
(Increase) / decrease in operating assets			
Due from financial institutions		(8,098,788)	403,122
Held-for-trading securities - net		(11,901,778)	5,827,084
Islamic financing and related assets - net		4,817,518	9,074,348
Others assets (excluding advance taxation)		(1,111,177)	(2,793,331)
		<u>(16,294,225)</u>	<u>12,511,223</u>
Increase / (decrease) in operating assets			
Bills payable		269,147	1,398,246
Due to financial institutions		(5,300,340)	3,981,467
Deposits and other accounts		22,288,576	6,132,031
Other liabilities		917,604	1,551,592
		<u>18,174,987</u>	<u>13,063,336</u>
Income tax paid		(2,744,191)	(336,006)
Net cash flows generated from operating activities		<u>8,126,960</u>	<u>30,095,071</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(350,527)	(41,302,472)
Net investments in held-to-maturity securities		512,848	1,540,891
Dividends received		8,114	16,155
Investments in fixed assets		(743,326)	(421,410)
Proceeds from sale of fixed assets		12,607	35,919
Net cash used in investing activities		<u>(560,284)</u>	<u>(40,130,917)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liability against right-of-use assets		(697,497)	(644,871)
Net cash used in financing activities		<u>(697,497)</u>	<u>(644,871)</u>
Increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year	33	6,869,179	(10,680,717)
Cash and cash equivalents at the end of the year	33	<u>16,691,267</u>	<u>27,371,984</u>
		<u>23,560,446</u>	<u>16,691,267</u>

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

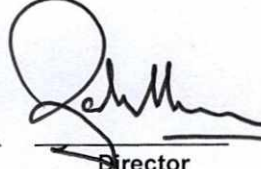
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Chief Executive Officer


Chief Financial Officer


Chairman


Director


Director

AL BARAKA BANK (PAKISTAN) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

Share capital	Capital support fund	Discount on issue of shares	Statutory reserve*	Surplus / (Deficit) on revaluation of		(Accumulated loss) / Unappropriated profit	Total
				Investments	Non banking assets		
----- (Rupees in '000) -----							
13,739,628	1,393,628	(632,766)	458,341	198,387	282,717	(2,025,221)	13,414,714
-	-	-	-	-	-	1,509,695	1,509,695
-	-	-	-	(371,629)	66,936	(14,987)	(319,680)
-	-	-	301,939	-	-	(301,939)	-
13,739,628	1,393,628	(632,766)	760,280	(173,242)	349,653	(832,452)	14,604,729
-	-	-	-	-	-	3,104,176	3,104,176
-	-	-	-	653,478	(36,806)	(72,420)	544,252
-	-	-	620,835	-	-	(620,835)	-
13,739,628	1,393,628	(632,766)	1,381,115	480,236	312,847	1,578,469	18,253,157

* This represents reserve created under section 21(i)(a) of the Banking Companies Ordinance, 1962.

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

Attest


Chief Executive Officer


Chief Financial Officer


Chairman


Director


Director

AL BARAKA BANK (PAKISTAN) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

1 STATUS AND NATURE OF BUSINESS

- 1.1** Al Baraka Bank (Pakistan) Limited (the Bank) was incorporated in Pakistan on 20 December 2004 as a public limited company. The Bank was granted an Islamic Banking License BL(I)-01(07), issued by the Banking Policy and Regulations Department of the State Bank of Pakistan (SBP) on 18 January 2007. Subsequently, the Bank was also granted approval for commencement of business as a scheduled bank with effect from 13 February 2007. Upon merger of the Pakistan branches of Al Baraka Islamic Bank B.S.C. (c) with and into the Bank, fresh license no. BL(i)-01(2011) was issued by SBP on 12 March 2011, effective from close of business on 29 October 2010. The main objective of the Bank is to carry on Islamic banking business in Pakistan in accordance and in conformity with Shariah.

The Bank is a subsidiary of Al Baraka Islamic Bank B.S.C. (c) (Parent Bank) incorporated and domiciled in Bahrain, which is 92.81% (2022: 92.81%) owned by Al Baraka Group B.S.C. (Ultimate Parent).

- 1.2** During the year 2016, the shareholders of the Bank in their extra ordinary general meeting held on 22 August 2016 have approved the merger of the Bank with Burj Bank Limited under a "Scheme of Amalgamation" (the Scheme). Further, the State Bank of Pakistan, through its letter no. BPRD (R&P-02)/2016/24373 dated 14 October 2016, had also approved the scheme of amalgamation and granted sanction order for the amalgamation of Ex Burj Bank Limited with and into the Bank. As of the effective date of amalgamation, the entire undertaking of Ex Burj Bank Limited including all the properties, assets and liabilities and all the rights and obligations, without any further act, action or deed and notwithstanding the terms of any contract or other document or any rule of law, stands amalgamated with and vested in the Bank and as a consequence, Ex Burj Bank Limited stood amalgamated with and into the Bank.

The Bank's registered office is located at 162, Bangalore Town, Main Shahrah-e-Faisal, Karachi. The Bank has 170 branches (31 December 2022: 170 branches including 6 sub-branches) in Pakistan.

- 1.3** Based on the financial statements of the Bank for the year ended 31 December 2022, the VIS Credit Rating Company Limited has maintained the long-term rating at 'A+' and short-term rating as 'A-1'.
- 1.4** As at 31 December 2023, the Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) stood at Rs. 14.5 billion and 19.33% respectively.

2 BASIS OF PRESENTATION

These financial statements have been prepared in conformity with the format of financial statements prescribed by the SBP vide BPRD Circular No. 02 dated 25 January 2018.

The Bank provides Islamic financing mainly through shariah compliant financial products as explained in note 5.6.1 except for Murabaha transactions (which are accounted for under the Islamic Financial Accounting Standard-1). The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. Income, if any received, which does not comply with the principles of Shariah is recognised as charity payable, if so directed by the Shariah Board Member of the Bank.

2.1 STATEMENT OF COMPLIANCE

- 2.1.1** These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

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

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

2.1.2 The SBP vide its BSD Circular Letter No. 10 dated 26 August 2002 has deferred the applicability of International Accounting Standard 39, 'Financial Instruments: Recognition and Measurement' (IAS 39) and International Accounting Standard (IAS) 40, 'Investment Property' (IAS 40) for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, the IFRS - 7 'Financial Instruments: Disclosures' has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

2.1.3 The SBP vide its BPRD Circular No. 04 dated 25 February 2015 has clarified that the reporting requirements of IFAS-3 'Profit and Loss Sharing on Deposit' for Islamic Banking Institutions (IBIs) relating to annual, half yearly and quarterly financial statements would be notified by SBP through issuance of specific instructions and uniform disclosure formats in consultation with IBIs. These reporting requirements have not been notified to date. Accordingly, the disclosures requirements under IFAS 3 have not been considered in these financial statements.

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

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

2.3 Standards, interpretations of and amendments to the published accounting and reporting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the accounting and reporting standards would be effective from the dates mentioned below against the respective standards, amendments or interpretations:

Standards, interpretations or amendments	Effective date (annual periods beginning on or after)
- IFRS 9 - Financial instruments	01 January 2024
- IAS 1 - Presentation of financial statements (amendments)	01 January 2024
- IFRS 16 - Leases (amendments)	01 January 2024

2.3.1 The management is in the process of assessing the impact of these amendments on the financial statements of the Bank.

The SBP vide its BPRD Circular No. 02 of 2023 dated 9 February 2023 has specified the new reporting format for the financial statements of the Banking Companies. The new format has revised the disclosure requirements and will become applicable for the financial statements of the Bank for the quarter ending 31 March 2024.

IFRS 9 - 'Financial Instruments'

As directed by the SBP vide its BPRD Circular No. 03 of 2022, IFRS 9 Financial Instruments is effective for periods beginning on or after 1 January 2024 for banks having asset base of less than Rs. 500 billion as at 31 December 2021. SBP via same circular has finalised the instructions on IFRS 9 (Application Instructions) for ensuring smooth and consistent implementation of the standard in the banks.

During the year ended 2023, the management of the Bank has performed a detailed impact assessment of various aspects of IFRS 9 taking into account the SBP's IFRS 9 application instructions. The assessment is based on available information and may be subject to changes arising from further reasonable and supportable information being made available to the Bank at the time of finalising the impact for initial application of IFRS 9. However, the Bank expects an increase in the loss allowance resulting in a negative impact on equity. In addition, the Bank will implement changes in classification of certain financial instruments. These changes and impacts are discussed below:

Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. Debt securities that do not meet the Solely Payment of Principal and Profit (SPPI) criteria are measured at FVTPL regardless of the business model in which they are held. The entity's business model in which financial assets are held will determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). Equity instruments are generally measured at Fair Value through Profit or Loss (FVTPL) unless the Bank elects for Fair Value through Other Comprehensive Income (FVTOCI) at initial recognition. The Bank has analysed the impact of initial application of IFRS 9 on its financial assets as follows:

Equity securities

The Bank expects to continue measuring equity securities at fair value.

For certain quoted equity shares currently held as available-for-sale (AFS) with gains and losses recorded in other comprehensive income (OCI), the Bank will apply the option to present fair value changes in OCI, and, therefore, the application of IFRS 9 will not have a significant impact.

For those quoted equity shares currently held as Available-for-Sale (AFS) with gains and losses recorded in OCI for which FVOCI election is not made, will, instead, be measured at fair value through profit or loss (FVTPL), with mark to market impacts recorded in profit and loss account for future periods. The AFS reserve related to those securities, which is currently presented as accumulated OCI, will be reclassified from revaluation surplus / deficit to accumulated profit, however, there will be no impact on overall equity with respect to such classification.

Unquoted equity securities are required to be measured at fair value.

Debt securities

Debt securities currently classified as AFS and those which pass SPPI test, are expected to be measured at fair value through OCI under IFRS 9 as the business model is to hold the assets to collect contractual cash flows, but also to sell those investment. Debt securities currently classified as Held-to-Maturity (HTM) and those which pass SPPI test are expected to be measured at amortised costs under IFRS 9 as the business model is to hold the assets to collect contractual cash flows.

Certain debt instruments that do not meet the SPPI criteria shall be measured at FVTPL regardless of the business model in which these are held.

Impairment

The impairment requirements apply to financial assets measured at Amortised Cost and FVOCI (other than equity instruments), Islamic financing and related assets, and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk (SICR), an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is an objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'stage 3'.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Based on the requirement of IFRS 9 and the SBP's IFRS 9 application instructions, the Bank has performed an ECL assessment taking into account the key elements such as assessment of SCIR, Probability of Default, Loss Given Default and Exposure at Default.

Under the SBP's instructions, credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework. Moreover, until implementation of IFRS 9 has stabilized, stage 1 and stage 2 provisions would be made as per IFRS 9 ECL and stage 3 provision would be made considering higher of IFRS 9 ECL or provision computed under existing PRs' requirements.

Islamic financing related fee

Islamic financing origination / commitment fees that are regarded as compensation to the Bank for an ongoing involvement with the acquisition of a financial instrument would be recognised over the life of the related financing. However, if the commitment expires without the Bank making the financing, the fee would be recognised as revenue as earned.

Presentation and disclosure

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Bank's disclosure about its financial instruments particularly in the year of adoption of the IFRS 9.

The SBP has issued a revised format for the financial statements of the banks for the accounting periods starting from 1 January 2024, which includes the presentation and disclosures required upon adoption of IFRS 9.

Impact of adoption of IFRS 9

The actual impact of adopting IFRS 9 on the Bank's financial statements in the year 2024 may not be accurately estimated because it will be dependent on the financial instruments that the Bank would hold during next year and economic conditions at that time as well as accounting elections and judgements that it will make in future. Nevertheless, the Bank has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at 31 December 2023.

Based on the Bank's assessment, the IFRS 9 requirements are expected to have an impact on the classification and measurement of some of its financial assets and financial liabilities.

The total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Bank's equity as at 1 January 2024 is a reduction in equity of approximately Rs. 929 million.

The banking industry awaits clarifications from the regulator for various aspects of IFRS 9 application which may have an impact on adoption.

Impact on regulatory capital

The introduction of IFRS 9 will result in reduction in regulatory capital of the Banks, which is likely to reduce their lending capacity and ability to support their clients. In order to mitigate the impact of expected credit loss (ECL) models on capital, the SBP has determined that it may be appropriate for the Banks to introduce a transitional arrangement for the impact on regulatory capital from the application of ECL accounting. An Annexure B of the 'Application Instructions' issued by the SBP has detailed the transitional arrangement relating to regulatory capital.

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

The estimated impact of adoption of IFRS 9 on the capital ratios of the Bank are as follows:

	As per IFRS-9 adopted	As per current applicable reporting standards
Common Equity Tier 1 Capital Adequacy ratio	14.57%	14.94%
Tier 1 Capital Adequacy Ratio	16.00%	16.37%
Total Capital Adequacy Ratio	18.96%	19.33%
CET1 available to meet buffers (as a percentage of risk weighted assets)	8.57%	8.94%

- 2.3.2** There are certain other new and amended standards, interpretations and amendments that are mandatory for accounting periods beginning on or after 1 January 2024 but are considered not to be relevant or will not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

3 BASIS OF MEASUREMENT

- 3.1** These financial statements have been prepared under the historical cost convention except for available for sale investments, non-banking assets and commitments in respect of foreign exchange forward contracts which have been measured at fair value in accordance with the requirements of SBP. Further, the defined benefit obligation and lease liabilities against right-of-use assets have been carried at their present values.

3.2 Critical accounting estimates and judgments

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

Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies are as follows:

- i) classification and valuation of investments (notes 5.3 and 9);
- ii) provision against non-performing islamic financing and related assets (notes 5.4 and 10.5);
- iii) income taxes (notes 5.12,13 and 31);
- iv) defined benefit plans (notes 5.13 and 36);
- v) depreciation of fixed assets (notes 5.5.1 and 11.2);
- vi) amortisation of intangible assets (notes 5.6 and 12.1);
- vii) impairment of intangible assets (notes 5.7, 12.4 and 12.5);
- viii) valuation of right-of-use assets and their related lease liability (notes 5.5.3 and 11.3);
- ix) impairment of financial assets (note 5.3.5);
- x) depreciation and valuation of non-banking assets acquired in satisfaction of claims (notes 5.8 and 14.1); and
- xi) contingent liabilities and provision against off balance sheet obligations (notes 5.14, 5.15, 22.3 and 22.4).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

4 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

5 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

5.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, cash and balances with treasury banks and balances with other banks in current and deposit accounts.

5.2 Due to / from financial institutions

Bai Muajjal

In Bai Muajjal transactions, the Bank sells shariah compliant instruments on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period. The difference between sale and credit price is recognised over the credit period and recorded as income.

Musharaka

In Musharaka, the Bank invests in Shariah compliant business pools of financial institutions at agreed profit and loss sharing ratio under Musharaka agreements.

Musharaka from State Bank of Pakistan under Refinance Schemes

Under the refinance schemes, the Bank accepts funds from the SBP under shirkat-ul-aqd to constitute a pool for investment in export refinance portfolio of the Bank under the guidelines issued by the SBP. The profit of the pool is shared as per the agreed weightages between the partners.

Wakalah

In Wakalah, the Bank accepts / places funds from / with financial Institutions by entering into Investment Agency for the funds to be invested in profitable avenues as / on behalf of the Muwakkil.

5.3 Investments

5.3.1 Classification

Investments are classified as follows:

(a) Held for trading

These are securities, which are either acquired for the purpose of generating a profit from short-term fluctuations in market prices, profit rate movements or are securities included in the portfolio in which a pattern of short-term profit making exists. Such securities are normally sold within 90 days of the purchase date.

(b) Held to maturity

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

(c) Available for sale

These are investments, that do not fall under the 'held for trading' or 'held to maturity' categories.

5.3.2 Regular way contracts

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

5.3.3 Initial recognition and measurement

Investments other than those categorised as held for trading are initially recognised at fair value which includes transaction costs associated with the investments. Investments classified as held for trading are initially recognised at fair value, and transaction costs are expensed in the profit and loss account.

5.3.4 Subsequent measurement**(a) Held for trading**

These are measured at subsequent reporting dates at fair value. Gains and losses on remeasurement are included in the profit and loss for the year.

(b) Held to maturity

These are measured at amortised cost using the effective profit rate (EPR) method, less any impairment loss recognised to reflect irrecoverable amount. The amortisation and impairment are included in profit and loss for the year.

(c) Available for sale

In accordance with the requirements of the SBP, quoted securities and Government securities other than those classified as 'held to maturity', are re-measured at subsequent reporting date at fair value. Surplus / deficit arising on revaluation of quoted securities which are classified as 'available for sale', is included in other comprehensive income. On derecognition or impairment of available-for-sale investments, the cumulative gain or loss previously reported in other comprehensive income is transferred to profit and loss for the period.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available financial statements. A decline in the carrying amount is charged to the profit and loss account. A subsequent increase in the carrying value, upto the cost of investment is credited to profit and loss account. Investments in unquoted securities is valued at cost less impairment, if any.

5.3.5 Impairment

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

Gain or loss on sale of investments is included in the profit and loss account.

Premium or discount on acquisition of investments is amortised through the profit and loss account over the remaining period till maturity using the effective profit method.

5.4 Islamic financing and related assets

5.4.1 Islamic financing and related assets are stated net of specific and general provisions. Specific provision for Islamic financing and related assets is made in accordance with the requirements of the Prudential Regulations and other directives issued by the SBP which is based on the time based criteria and subjective evaluation of the credit worthiness of the borrowers. The amount of provision is charged to the profit and loss account. The amount of general provision is determined in accordance with the relevant regulations and the management's judgment. Islamic financing and related assets are written off when there is no realistic prospect of recovery. The Bank also offers various Islamic financing products the details of which are as follows:

(a) Murabaha

In Murabaha transactions, the Bank purchases the goods and after taking the possession, sells them to the customer on cost plus profit basis either in a spot or credit transaction.

(b) Ijarah

Ijarah is a contract whereby the owner of an asset (other than consumables) transfers its usufruct to another person for an agreed period and for an agreed consideration.

Ijarah assets are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged from the date of recognition of Ijarah assets on a straight line basis over the period of Ijarah. Impairment of Ijarah assets is determined on the same basis as that of operating fixed assets.

Ijarah rental income is recognised on an accrual basis as and when the rental becomes due. Impairment of Ijarah rentals receivable is determined in accordance with the requirements of the Prudential Regulations and other directives issued by the SBP and charged to the profit and loss account.

(c) Istisna

In istisna financing, the Bank places an order to purchase some specific goods / commodities from its customers to be delivered to the Bank within an agreed time. The goods are then sold by the customer on behalf of the Bank and the amount hence financed along with the profit is paid back to the Bank.

(d) Tijarah

In tijarah financing, the Bank purchases specific goods / commodities on cash basis from its customer against spot delivery. The customer is then appointed as an agent to sell the Tijarah goods in the market. On execution of onwards sale by the customers, the net amount realised is paid by the customer to the Bank.

(e) Diminishing Musharaka

In Diminishing Musharakah financing, the Bank enters into Musharakah based on Shirkat-ul-mulk for purchasing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers. The customers pay periodic profit as per the agreement for the utilisation of the Bank's Musharakah share and also periodically purchase the Bank's share over the tenure of the transaction.

(f) Salam

Salam is a sale transaction where the seller undertakes to supply some specific goods to the buyer at a future date against an advance price fully paid on spot. The funds disbursed under Salam are recorded as advances against Salam. On execution of goods receiving note and receipt of Salam, the same are recorded in the statement of financial position as inventories of the Bank at cost price and after the sale of goods by customer to its ultimate buyers, Salam financing is recognised.

(g) Running Musharaka

Running musharaka is a shirkul-aqd based financing facility offered to the customers where the Bank participates in operating activities of the customer and share profit and loss as per the actual performance of their business.

5.4.2 Inventories

Goods purchased but remaining unsold at the reporting date are recorded as inventories. The Bank values its inventories at the lower of cost and net realisable value. Cost of inventories represents actual purchases made by the Bank / customers as an agent of the Bank for subsequent sale.

The net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

5.5 Fixed assets

5.5.1 Property and equipment

Property and equipment, other than land, are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Land is stated at cost.

Depreciation is charged using the straight-line method in accordance with the rates specified in note 11.2 to these financial statements and after taking into account residual value, if any. 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 asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

Gains / losses on sale of fixed assets are credited / charged to the profit and loss account and disclosed in other income.

Subsequent costs are included in the asset's carrying amount and recognised as a separate asset as appropriate, only when it is probable that future 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 as and when incurred.

5.5.2 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets become available for use.

5.5.3 Leasing arrangements

Right-of-use assets

At the inception of the contract, the Bank assesses whether a contract is, or contain, a lease. The Bank applies a single recognition and measurement approach for all leases, except for short term leases and leases of low-value assets. At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease payment plus initial direct cost (if any). Subsequently, right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liability against right-of-use assets

At the commencement date of the lease, the Bank recognises lease liability measured at the present value of the consideration (lease payments) to be made over the lease term and is adjusted for lease prepayments. Lease payments include fixed lease payments less any incentive receivables, variable lease payment dependent upon index or rate, amount expected to be paid under residual value guaranteed if any. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. After the commencement date, the carrying amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities are remeasured if there is a modification, change in lease term, change in lease payments or change in assessment to purchase the underlying assets.

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

5.6 Intangible assets

Intangible assets having finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised from the month, when these assets are available for use, using the straight line method. No amortisation is charged in the month of disposal. The residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each reporting date. Amortisation rates are specified in note 12.1 to these financial statements.

Intangible assets having indefinite useful lives are not amortised but tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains and losses on disposal are taken to the profit and loss account.

5.6.1 Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognised directly in profit and loss account.

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at its cost less accumulated impairment losses, if any. Goodwill acquired in a business combination is tested for impairment annually or whenever there is an indication of impairment as per the requirements of International Accounting Standard (IAS) 36, 'Impairment of assets'. Impairment charge in respect of goodwill is recognised in the profit and loss account and is not subsequently reversed.

5.7 Impairment

The carrying amount 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 amount. The resulting impairment loss is taken to the profit and loss account. An impairment loss is reversed except for impairment loss relating to goodwill, if there has been a change in the estimate used to determine the recoverable amount. Such reversals are only made to the extent that the asset's carrying amount does not exceed the amount that would have been determined if no impairment loss had been recognised.

5.8 Non-banking assets

Non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation and accumulated impairment, if any. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying values do not differ materially from their fair values. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer cost and direct cost of acquiring title to property is charged to profit and loss account and not capitalised. The assets are disclosed in other assets as specified by the SBP.

Depreciation is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account.

5.9 Deposits

Deposits are generated on the basis of two modes i.e. Qard and Mudaraba. Deposits taken on Qard basis are classified as 'Current Accounts' and deposits generated on Mudaraba basis are classified as 'Savings account' and 'Fixed deposit accounts'.

No profit or loss is passed on to current account depositors. However, the funds of current accounts are treated as equity for the purpose of profit calculation and any profit earned / loss incurred on these funds are allocated to the equity of the Bank. Profits realised in pool are distributed in pre-agreed profit sharing ratio. Rab-ul-Maal share is distributed amongst depositors according to weightages assigned at the inception of profit calculation period.

Mudarib (the Bank) can distribute its share of profit to Rab-ul-Maal in line with Shariah guidelines issued by the SBP.

5.10 Subordinated debt

A subordinated debt is initially recorded at the amount of proceeds received and subsequently carried at amortised cost. Profit accrued on subordinated loans is charged to the profit and loss account.

5.11 Revenue recognition

- Profit on murabaha transactions is recognised on an accrual basis. Profit on murabaha transactions for the period from the date of disbursement to the date of culmination of murabaha is recognised immediately at the date of culmination.
- Rental income on ijarah financing is recognised on an accrual basis.
- Profit on diminishing musharaka, mudaraba and service ijarah is recognised on an accrual basis.

- Profit on running musharakah financing is recognised on an accrual basis and is adjusted upon declaration of profit by musharakah partners.
- Profit on tijarah, salam and istisna is recognised on an accrual basis for the period from the date of sale of goods by the Bank's customer till the realisation of sale proceeds by the Bank (date of culmination).
- Profit on bai muajjal transactions are recognised on an accrual basis.
- Commission on letters of credit, acceptances and letters of guarantee is recognised over the life of the contract.
- Dividend income is recognised when the Bank's right to receive the dividend is established.
- Profit from investment in sukuk is recognised on an accrual basis. Premium and discount on purchase of sukuk are being amortised through the profit and loss account over the remaining maturity using effective profit rate method.
- Profit on Wakala is accounted for on a time apportioned basis that reflects the effective yield on the asset.
- Gains / losses on disposal of fixed assets, ijarah assets and musharaka assets are taken to the profit and loss account in the period in which they arise.
- Rentals from non-banking assets are recognised when earned.
- The Bank earns fee and commission income from certain non-funded banking services. The related fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The Bank recognises fees earned on transaction-based arrangements at a point in time when the Bank has fully provided the service to the customer. Where the contract requires services to be provided over time, the income is recognised on a systematic basis over the life of the related service. Unearned fees and commissions are included under Other liabilities.
- Income earned from avenues that are not Shariah compliant is not recognised in the profit and loss account. This income is classified as charity payable in accordance with the recommendation of the RSBM of the Bank.
- Realisation of profit earlier suspended in compliance with the Prudential Regulations issued by SBP is credited to the profit and loss account on receipt basis.

5.12 Taxation

Income tax expense comprises of current and deferred tax. Expense is recognised in the profit and loss account except to the extent when it relates to items recognised directly in equity, in which case it is recognised in equity.

(a) Current

Provision for current taxation is based on taxable income for the year. Tax charge is determined in accordance with prevailing laws for taxation. The charge for the current tax is calculated using tax rates enacted or substantively enacted at the reporting date.

(b) Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. In addition, the Bank also records deferred tax asset on available tax losses. Deferred tax is calculated using the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of the deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

The Bank also recognises a deferred tax asset / liability on the deficit / surplus on revaluation of assets which is adjusted against the related surplus / deficit in accordance with the requirements of the International Accounting Standard (IAS) 12, 'Income Taxes'.

5.13 Staff retirement benefits

(a) Defined benefit plan

The Bank operates an approved funded gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn basic salary for each completed year of service, subject to a minimum of three years of service. The scheme is regulated under the trust deed and rules of the Fund and is administrated by the trustees nominated under the trust deed.

The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method. Remeasurement gain or losses are recognised in other comprehensive income while return on plan assets and interest cost (net) are recognised in the profit and loss account.

Further, the Bank is liable under the agreement with third-party contractual staff service provider to reimburse to service provider all payouts relating to the employees, which inter-alia includes gratuity payments (the benefit). The benefit is payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn gross salary for each completed year of service. The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method.

(b) Defined contribution plan

The Bank also operates a contributory provident fund for all permanent employees to which each monthly contributions are made, both by the Bank and the employees, to the fund at a rate of 10 percent of basic salary.

5.14 Provisions, contingent assets and contingent liabilities

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

Contingent assets are not recognised unless inflow of economic benefits is virtually certain.

Contingent liabilities are not recognised but are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

5.15 Provision for claims under guarantee and other off-balance sheet obligations

The Bank, in the ordinary course of business, issues letters of credit, acceptances, guarantees, bid bonds, performance bonds etc. The Bank's liability under such contracts is measured at the best estimate of the amount expected to settle any financial obligation arising under such contracts.

5.16 Foreign currency transactions

Foreign currency transactions are translated into Pakistani rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani rupees at the exchange rates prevailing at the reporting date. Exchange gains or losses are included in the profit and loss account.

5.17 Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in the financial statements at their committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the exchange rates prevailing at the reporting date.

5.18 Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for in these statement of financial position both as assets and liabilities.

5.19 Financial instruments

(a) Financial assets and financial liabilities

Financial assets and financial liabilities are initially recognised at the time when the Bank becomes a party to the contractual provisions of the instrument. These include regular way purchases or sales of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the market place. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and rewards of ownership of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial assets and liabilities is recognised in the profit and loss account.

(b) Off-setting

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

5.20 Share capital and reserves

Ordinary shares are classified as equity and are recorded at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Discount on issue of shares and capital support received are shown in equity as a separate reserve.

The appropriation to reserves are recognised in the financial statements in the period in which these are approved by the Board of directors.

5.21 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing product or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from those of other segments. The Bank's primary format of reporting is based on business segments. Operating segments are reported in a manner consistent with the internal reporting provided to the management. Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment.

5.21.1 Business segments

(a) Corporate banking

It includes assets and liabilities of corporate customers including corporate sukuks, project finance, export finance, trade finance and guarantees.

(b) Commercial and Small & Medium Enterprise (SME) banking

It includes assets and liabilities of commercial and SME clients including project finance, export finance, trade finance and guarantees.

(c) Retail and Consumer banking

It includes deposits and branch banking services. It also includes consumer auto and housing financing.

(d) Trading and sales

It includes treasury operations in respect of capital market, money market and other forex related activities.

(e) Others

It includes centralised functions which cannot be classified in any of the above segments.

5.21.2 Geographical segments

Currently, the operations of the Bank are carried out in Pakistan only.

5.22 Earnings per share

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

5.23 Pool management

The Bank operates general and specific pools for depositors and other fund providers.

Under the general deposits pool, the Bank accepts funds on Mudaraba basis from depositors (Rab-ul-Maal) where the Bank acts as Manager (Mudarib) and invests the funds in Shariah Compliant modes of Islamic financings and related assets, investments and placements. When utilising investing funds, the Bank prioritises the funds received from depositors over the funds generated from own sources after meeting the regulatory requirement relating to such deposits.

Specific pools are operated for:

- (a) Funds received from the State Bank of Pakistan under the Refinance Schemes under the Musharaka mode.
- (b) Funds acquired from Islamic Financial Institutions for liquidity management under either Musharaka or Wakala modes.
- (c) Funds accepted on Mudaraba basis from high net-worth / special deposit customers who demand higher rate of return on their investments.

The profit of each deposit pool is calculated on all the remunerative assets by utilising the funds from the pool after deduction of expenses directly incurred in earning the income of such pool, if any. No provisions against any non performing assets of the pool is passed on to the pool. The profit of the pool is shared among the members of the pool on pre-defined mechanism based on the weightages announced before the profit calculation period.

The deposits and funds under the above mentioned pools are provided to diversified sectors and avenues of the economy / business and are also invested in Government of Pakistan backed ijarah sukuk and other sovereign securities. Musharaka investments from the State Bank of Pakistan under Islamic Export Refinance Schemes are channelled towards the export sector of the economy.

6	CASH AND BALANCES WITH TREASURY BANKS	Note	2023	2022
			----- (Rupees in '000) -----	
	In hand			
	Local currency		3,401,846	2,879,096
	Foreign currencies		1,027,373	414,071
			4,429,219	3,293,167
	With State Bank of Pakistan in			
	Local currency current account		14,190,733	9,545,045
	Foreign currency current account		2,184,645	1,882,755
		6.1	16,375,378	11,427,800
	With National Bank of Pakistan in			
	Local currency current accounts		1,072,833	30,338
	Local currency deposit accounts		9	8
			1,072,842	30,346
			<u>21,877,439</u>	<u>14,751,313</u>
6.1	These include local and foreign currency amounts required to be maintained by the Bank with the SBP under the Banking Companies Ordinance, 1962 and /or stipulated by the SBP. These accounts are non-remunerative in nature.			
7	BALANCES WITH OTHER BANKS	Note	2023	2022
			----- (Rupees in '000) -----	
	In Pakistan			
	In current accounts		600	52,739
	In deposit accounts	7.1	146,154	129,946
			146,754	182,685
	Outside Pakistan			
	In current accounts		1,228,153	1,440,015
	In deposit accounts	7.1	308,100	317,254
			1,536,253	1,757,269
			<u>1,683,007</u>	<u>1,939,954</u>
7.1	The expected return on remunerative deposits ranges from 3% to 12% (31 December 2022: 0.08% to 9.50%) per annum.			
8	DUE FROM FINANCIAL INSTITUTIONS	Note	2023	2022
			----- (Rupees in '000) -----	
	Musharaka placements	8.2	4,400,000	-
	Wakalah placements	8.3	3,698,788	-
			<u>8,098,788</u>	<u>-</u>
8.1	Particulars of due from financial institution			
	In local currency		6,400,000	-
	In foreign currency		1,698,788	-
			<u>8,098,788</u>	<u>-</u>

8.2 The expected return on these placements is 22% (31 December 2022: Nil) per annum. These will mature by January 2024.

8.3 The expected return on these placements ranges from 3.1% to 21.25% (31 December 2022: Nil) per annum. These will mature by January 2024.

9 INVESTMENTS

2023				2022			
Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value

Note ----- (Rupees in '000) -----

9.1 Investments by type

Held-for-trading securities

Federal Government securities	11,901,778	-	(11)	11,901,767	-	-	-	-
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Available-for-sale securities

Federal Government securities	9.5.1	103,334,171	-	1,066,289	104,400,460	103,840,636	-	(133,145)	103,707,491
Shares	9.5.2 & 9.5.3	462,607	(306,753)	63,623	219,477	524,820	(303,313)	5,070	226,577
Non-government debt securities	9.5.4	1,663,955	(111,455)	(21,706)	1,530,794	1,754,355	(111,455)	10,453	1,653,353
Foreign securities	9.5.5	4,995,552	-	(166,566)	4,828,986	3,985,947	-	(186,311)	3,799,636
		110,456,285	(418,208)	941,640	110,979,717	110,105,758	(414,768)	(303,933)	109,387,057

Held-to-maturity securities

Federal Government securities	9.6	-	-	-	-	512,848	-	-	512,848
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Total investments

		122,358,063	(418,208)	941,629	122,881,484	110,618,606	(414,768)	(303,933)	109,899,905
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2023				2022			
Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value

----- (Rupees in '000) -----

9.2 Investments by segments

Federal Government securities

Ijarah sukuk	9.6	90,956,972	-	693,144	91,650,116	79,339,305	-	(527,884)	78,811,421
Bai muajjal		-	-	-	-	512,848	-	-	512,848
Other sukuk		24,278,977	-	373,134	24,652,111	24,501,331	-	394,739	24,896,070
		115,235,949	-	1,066,278	116,302,227	104,353,484	-	(133,145)	104,220,339

Shares

Listed companies	9.5.2	338,326	(280,599)	63,623	121,350	402,144	(277,159)	5,070	130,055
Unlisted companies	9.5.3	124,281	(26,154)	-	98,127	122,676	(26,154)	-	96,522
		462,607	(306,753)	63,623	219,477	524,820	(303,313)	5,070	226,577

Non government debt securities

Unlisted	9.5.4	1,663,955	(111,455)	(21,706)	1,530,794	1,754,355	(111,455)	10,453	1,653,353
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Foreign securities

Government securities	9.5.5.1	845,717	-	(4,988)	840,729	679,637	-	(11,311)	668,326
Non-government debt securities	9.5.5.2	4,149,835	-	(161,578)	3,988,257	3,306,310	-	(175,000)	3,131,310
		4,995,552	-	(166,566)	4,828,986	3,985,947	-	(186,311)	3,799,636

Total investments

		122,358,063	(418,208)	941,629	122,881,484	110,618,606	(414,768)	(303,933)	109,899,905
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	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
9.3 Investment given as collateral - at market value			
- Ijarah sukuk		-	3,983,200
9.4 Provision against diminution in value of investments			
9.4.1 Opening balance		414,768	456,839
Charge / reversals			
Charge for the year		3,440	8,337
Reversal on disposals		-	(50,408)
		3,440	(42,071)
Closing balance		418,208	414,768

9.4.2 Particulars of provision against debt securities

Category of classification	2023		2022	
	Non-performing investment	Provision	Non-performing investment	Provision
	----- (Rupees in '000) -----			
Domestic				
Loss	111,455	111,455	111,455	111,455
	111,455	111,455	111,455	111,455

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

9.5 Quality of available-for-sale securities

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

9.5.1 Federal Government securities

- Government guaranteed

Government of Pakistan Ijarah sukuks	79,055,194	79,339,305
Neelum Jhelum Hydro Power Company Private Limited	918,750	1,286,250
Pakistan Energy Sukuk I	9,773,744	9,826,723
Pakistan Energy Sukuk II	13,586,483	13,388,358
	103,334,171	103,840,636

9.5.2 Shares - Listed companies

Chemicals and pharmaceutical	51,507	51,507
Oil and gas exploration companies	113,621	177,439
Oil and gas marketing companies	92,413	92,413
Paper and board	71,409	71,409
Cable and electrical goods	9,376	9,376
	338,326	402,144

9.5.3 Shares - Unlisted companies

	2023		2022	
	Cost	Breakup value	Cost	Breakup value
	----- (Rupees in '000) -----			
Salaam Takaful Limited*	116,117	89,963	116,117	89,963
Crown Textile Mills Limited**	-	-	-	-
SWIFT	8,164	8,164	6,559	6,559
	<u>124,281</u>	<u>98,127</u>	<u>122,676</u>	<u>96,522</u>

* The break-up value of Salaam Takaful Limited is Rs. 7.83 per share as per the latest available (un-audited) financial statements for the period ended 30 September 2023 and Rs. 7.97 per share as per the (audited) financial statements for the year ended 31 December 2022.

** The Bank holds 444,656 (2022: 444,656) shares of Crown Textile Mills Limited which were transferred at Nil value upon amalgamation of Pakistan branches of Al Baraka Islamic Bank B.S.C. (c) with and into the Bank.

9.5.4 Non-government debt securities**Unlisted**

	2023	2022
	<u>Cost</u>	<u>Cost</u>
	----- (Rupees in '000) -----	
- AA+	375,000	475,000
- A+	677,500	597,500
- A	-	70,400
- AA-	500,000	500,000
- Non-performing	111,455	111,455
	<u>1,663,955</u>	<u>1,754,355</u>

9.5.5 Foreign securities

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

9.5.5.1 Government securities

- Oman Sovereign Sukuk

<u>845,717</u>	BB+	<u>679,637</u>	BB
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9.5.5.2 Non-government debt securities**Listed**

	2023	2022
	<u>Cost</u>	<u>Cost</u>
	----- (Rupees in '000) -----	
- A+	1,365,963	1,085,444
- A	1,406,138	1,127,486
- A-	1,377,734	1,093,380
	<u>4,149,835</u>	<u>3,306,310</u>

9.6 Particulars relating to held-to-maturity securities are as follows:**Federal Government securities**

Bai Muajjal with Government of Pakistan (through State Bank of Pakistan)	-	512,848
	<u>-</u>	<u>512,848</u>

**10 ISLAMIC FINANCING AND
RELATED ASSETS - NET**

ISLAMIC FINANCING AND RELATED ASSETS - NET		Performing		Non-performing		Total	
		2023	2022	2023	2022	2023	2022
Note		(Rupees in '000)					
- Murabaha financing	10.1	1,065,019	1,700,354	2,188,671	2,261,818	3,253,690	3,962,172
- Advance against murabaha financing		256,856	464,353	123,120	105,720	379,976	570,073
- Export refinance under Islamic scheme		33,800	13,500	54,455	63,871	88,255	77,371
- Advance against export refinance under Islamic scheme		5,530,095	5,361,324	63,785	-	5,593,880	5,361,324
- Inventory against export refinance under Islamic scheme		25,000	20,000	-	-	25,000	20,000
- Diminishing musharaka and Ijarah financing	10.2	41,127,171	49,548,617	2,975,793	2,448,647	44,102,964	51,997,264
- Advance against diminishing musharaka finance		246,856	636,178	-	-	246,856	636,178
- Running musharaka		2,577,002	2,990,977	-	-	2,577,002	2,990,977
- Tijarah finance		-	710,946	4,850	-	4,850	710,946
- Advance against tijarah		2,250,909	1,763,088	93,659	-	2,344,568	1,763,088
- Tijarah Inventory		-	-	7,228	7,228	7,228	7,228
- Over-due acceptances		31,341	4,002	491,342	494,670	522,683	498,672
- Payment against guarantee		3,776	3,776	64,439	56,062	68,215	59,838
- Payment against documents		1,346,999	903,334	-	-	1,346,999	903,334
- Salam financing		59,946	41,583	10,992	900	70,938	42,483
- Advance against salam		4,281,197	5,029,815	2,515,129	2,607,927	6,796,326	7,637,742
- Salam inventory		-	400	55,433	55,685	55,433	56,085
- Financing against bills			142		-	-	142
- Rahnuma Travel Services		5,183	-	-	-	5,183	-
- Istasna finance		1,470,672	314,637	589,264	569,165	2,059,936	883,802
- Advance against istasna		15,070,036	14,451,722	3,353,640	2,995,592	18,423,676	17,447,314
- Istasna inventory		3,200,534	443,974	72,089	4,720	3,272,623	448,694
- Qarz-e-Hasna		56,795	58,658	60,389	60,117	117,184	118,775
Islamic financing and related asset	10.3 & 10.4	78,639,187	84,461,380	12,724,278	11,732,122	91,363,465	96,193,502
Provisions against Islamic financing							
- Specific	10.5	-	-	(10,499,196)	(9,717,701)	(10,499,196)	(9,717,701)
- General	10.5	(1,108,380)	(418,752)	-	-	(1,108,380)	(418,752)
		(1,108,380)	(418,752)	(10,499,196)	(9,717,701)	(11,607,576)	(10,136,453)
Islamic financing and related assets - net of provisions		77,530,807	84,042,628	2,225,082	2,014,421	79,755,889	86,057,049

		Note	2023	2022
			(Rupees in '000)	
10.1	Murabaha receivable - gross		3,630,064	4,370,327
	Less: Deferred murabaha income	10.1.3	(294,975)	(313,187)
	Profit receivable shown in other assets		(81,399)	(94,968)
	Murabaha financing		<u>3,253,690</u>	<u>3,962,172</u>
10.1.1	The movement in murabaha financing during the year is as follows:			
	Opening balance		3,962,172	4,720,710
	Sales during the year		3,631,511	4,959,940
	Adjusted during the year		(4,339,993)	(5,718,478)
	Closing balance		<u>3,253,690</u>	<u>3,962,172</u>
10.1.2	Murabaha sale price		3,630,064	4,370,327
	Murabaha purchase price		(3,253,690)	(3,962,172)
			<u>376,374</u>	<u>408,155</u>
10.1.3	Deferred murabaha income			
	Opening balance		313,187	343,765
	Arising during the year		294,797	247,411
	Less: Recognised during the year		(313,009)	(277,989)
	Closing balance		<u>294,975</u>	<u>313,187</u>

- 10.2** This includes Ijarah financing contracts amounting to Rs. 145.049 million (31 December 2022: Rs. 173.077 million) which includes Ijarah contracts of Rs. 84.961 million entered up to December 2008. These are accounted for as finance lease where by assets under ijarah agreements are presented as a receivable at an amount equal to net investment in ijarah.

10.2.1

	2023					
	Cost		Depreciation			Book value
	As at 01 Jan 2023	Deletions	As at 31 Dec 2023	As at 01 Jan 2023	Reversal of accumulated depreciation	As at 31 Dec 2023
(Rupees in '000)						
Plant and machinery	447,579	(28,445)	419,134	286,457	(9,512)	276,945
Vehicles	94,552	(12,488)	82,064	82,597	(3,393)	79,204
Total	542,131	(40,933)	501,198	369,054	(12,905)	356,149

	2022					
	Cost		Depreciation			Book value
	As at 01 Jan 2022	Deletions	As at 31 Dec 2022	As at 01 Jan 2022	Reversal of accumulated depreciation	As at 31 Dec 2022
(Rupees in '000)						
Plant and machinery	724,412	(276,833)	447,579	542,675	(256,218)	286,457
Vehicles	535,598	(441,046)	94,552	446,461	(363,864)	82,597
Total	1,260,010	(717,879)	542,131	989,136	(620,082)	369,054

10.3 Particulars of Islamic financing and related assets (Gross)	2023	2022
	(Rupees in '000)	
In local currency	91,137,695	95,978,619
In foreign currency	225,770	214,883
	<u>91,363,465</u>	<u>96,193,502</u>

- 10.4** Islamic financing and related assets include Rs. 12,724.278 million (31 December 2022: Rs. 11,732.122 million) which have been placed under non-performing status as detailed below:

Category of classification	2023		2022	
	Classified Islamic financing and related assets	Provision	Classified Islamic financing and related assets	Provision
(Rupees in '000)				
Domestic				
Other assets especially mentioned	246,842	-	238,507	-
Substandard	249,877	31,356	215,491	27,611
Doubtful	474,612	178,269	191,619	52,007
Loss	11,752,945	10,289,571	11,086,505	9,638,083
	<u>12,724,276</u>	<u>10,499,196</u>	<u>11,732,122</u>	<u>9,717,701</u>

10.5 Particulars of provisions against Islamic financing and related assets

	2023			2022		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Opening balance	9,717,701	418,752	10,136,453	9,143,140	277,548	9,420,688
Charge for the year	1,215,776	750,000	1,965,776	1,210,006	141,204	1,351,210
Reversals for the year	(426,963)	(60,372)	(487,335)	(290,016)	-	(290,016)
	788,813	689,628	1,478,441	919,990	141,204	1,061,194
Charge for the year - agriculture financing	5,201	-	5,201	9,562	-	9,562
	794,014	689,628	1,483,642	929,552	141,204	1,070,756
Amounts written off against provision	(12,519)	-	(12,519)	(354,991)	-	(354,991)
Closing balance	<u>10,499,196</u>	<u>1,108,380</u>	<u>11,607,576</u>	<u>9,717,701</u>	<u>418,752</u>	<u>10,136,453</u>

10.5.1 The above provision against non-performing Islamic financing and related assets has been computed after considering allowable forced sale value (FSV) of collateral amounting to Rs. 1,763.004 (31 December 2022: Rs. 1,687.842) million. The FSV benefit recognised is not allowed for distribution of cash or stock dividend to shareholders and bonus to employees.

10.5.2 The Bank maintains general provision in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and House Financing issued by the SBP.

In addition, the Bank has also maintained a general provision of Rs. 894.744 million (2022: Rs. 144.744 million) against financing made on prudent basis, in view of prevailing economic conditions. This general provision is in addition to the requirements of Prudential Regulations.

10.5.3 Particulars of provisions against Islamic financing and related assets

	2023			2022		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
In local currency	10,499,196	1,108,380	11,607,576	9,717,701	418,752	10,136,453
In foreign currency	-	-	-	-	-	-
	<u>10,499,196</u>	<u>1,108,380</u>	<u>11,607,576</u>	<u>9,717,701</u>	<u>418,752</u>	<u>10,136,453</u>

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

10.6 Particulars of write offs:

10.6.1 Against provisions	<u>12,519</u>	<u>354,991</u>
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10.7 Details of loan write off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended is given in Annexure-1.

	Note	2023	2022
		----- (Rupees in '000) -----	
11. FIXED ASSETS			
Capital work-in-progress	11.1	295,956	285,843
Property and equipment	11.2	2,430,310	2,086,424
Right-of-use asset	11.3	1,543,900	1,603,234
		<u>4,270,166</u>	<u>3,975,501</u>

11.1 Capital work-in-progress

Advances to suppliers and contractors for:

- civil works	295,492	285,254
- computer hardware	464	589

Advance for purchase of property - related party

Provisions for impairment against advance for purchase of property	<u>251,680</u>	<u>251,680</u>
	<u>(251,680)</u>	<u>(251,680)</u>

- -

Total capital work-in-progress	<u>295,956</u>	<u>285,843</u>
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11.2 Property and equipment

Property and equipment	2023					
	Leasehold land	Building on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	(Rupees in '000)					
At 01 January 2023						
Cost	972,104	1,354,700	351,383	1,986,383	43,486	4,708,056
Accumulated depreciation	-	(820,371)	(303,255)	(1,462,033)	(35,973)	(2,621,632)
Net book value	972,104	534,329	48,128	524,350	7,513	2,086,424
Year ended December 2023						
Opening net book value	972,104	534,329	48,128	524,350	7,513	2,086,424
Additions	-	39,042	19,096	511,313	35,883	605,334
Disposals - Cost	-	(1,159)	(4,161)	(23,752)	(17,265)	(46,337)
- Accumulated depreciation	-	825	3,747	23,156	10,839	38,567
	-	(334)	(414)	(596)	(6,426)	(7,770)
Write off - Cost	-	(2,639)	(58)	(132)	-	(2,829)
- Accumulated depreciation	-	837	36	132	-	1,005
	-	(1,802)	(22)	-	-	(1,824)
Depreciation:						
Depreciation charge for the year	-	(64,093)	(12,134)	(167,430)	(8,197)	(251,854)
Closing net book value	972,104	507,142	54,654	867,637	28,773	2,430,310
At 31 December 2023						
Cost	972,104	1,389,944	366,260	2,473,812	62,104	5,264,224
Accumulated depreciation	-	(882,802)	(311,606)	(1,606,175)	(33,331)	(2,833,914)
Net book value	972,104	507,142	54,654	867,637	28,773	2,430,310
Rate of depreciation (%)	-	5% - 33%	10%	10% - 50%	20%	
Property and equipment	2022					
	Leasehold land	Building on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	(Rupees in '000)					
At 01 January 2022						
Cost	972,104	1,353,846	353,745	1,860,750	85,642	4,626,087
Accumulated depreciation	-	(786,344)	(296,196)	(1,442,810)	(50,422)	(2,575,772)
Net book value	972,104	567,502	57,549	417,940	35,220	2,050,315
Year ended December 2022						
Opening net book value	972,104	567,502	57,549	417,940	35,220	2,050,315
Additions	-	59,180	7,406	239,183	-	305,769
Disposals - Cost	-	(19,499)	(8,977)	(111,379)	(42,156)	(182,011)
- Accumulated depreciation	-	16,054	7,701	108,127	20,597	152,479
	-	(3,445)	(1,276)	(3,252)	(21,559)	(29,532)
Write off - Cost	-	(38,827)	(791)	(2,171)	-	(41,789)
- Accumulated depreciation	-	22,348	784	1,799	-	24,931
	-	(16,479)	(7)	(372)	-	(16,858)
Depreciation:						
Depreciation charge for the year	-	(72,429)	(15,544)	(129,149)	(6,148)	(223,270)
Closing net book value	972,104	534,329	48,128	524,350	7,513	2,086,424
At 31 December 2022						
Cost	972,104	1,354,700	351,383	1,986,383	43,486	4,708,056
Accumulated depreciation	-	(820,371)	(303,255)	(1,462,033)	(35,973)	(2,621,632)
Net book value	972,104	534,329	48,128	524,350	7,513	2,086,424
Rate of depreciation (%)	-	5% - 33%	10%	10% - 50%	20%	

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
11.3 Right-of-use asset			
At 01 January		1,603,234	1,829,236
Additions during the year		553,440	612,742
Depreciation charge during the year	28	(518,438)	(464,932)
Derecognition during the year		(93,175)	(373,812)
Modification		(1,161)	-
At 31 December	11.3.1	<u>1,543,900</u>	<u>1,603,234</u>

11.3.1 The right-of-use asset is against the leased branch offices of the Bank. Leases generally have lease term of 5 to 10 years.

11.4 Disposal of assets - related party

Details of disposal of fixed assets made to any related party otherwise than through a regular auction are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
----- (Rupees in '000) -----						
Vehicles						
Mercedes Benz	12,778	7,241	5,537	5,537	As per Bank's policy	Mr. Mohammad Zahid Ahmed (Ex-Deputy Chief Executive Officer)
KIA Picanto	2,050	1,161	889	889	As per Bank's policy	Mr. Mohammad Zahid Ahmed (Ex-Deputy Chief Executive Officer)
Computer equipments						
Laptop	229	229	-	-	As per Bank's policy	Mr. Mohammad Zahid Ahmed (Ex-Deputy Chief Executive Officer)
Laptop	91	91	-	-	As per Bank's policy	Mr. Javed Hussain Siddiqui (Executive, Ex-Employee)
Laptop	84	84	-	-	As per Bank's policy	Mr. Abdullah Ghaffar (Executive, Ex-Employee)
31 December 2023	<u>15,232</u>	<u>8,806</u>	<u>6,426</u>	<u>6,426</u>		

11.5 Property and equipment includes assets that are temporarily idle amounting to Rs. 987.5 million (31 December 2022: Rs. 987.5 million).

11.6 Fully depreciated property and equipment

Cost of property and equipment that are fully depreciated and are still in use are as follows:

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
Building on leasehold land		458,008	293,812
Furniture and fixture		249,333	204,621
Electrical, office and computer equipment		1,046,313	953,116
Vehicles		26,061	28,498
		<u>1,779,715</u>	<u>1,480,047</u>

12 INTANGIBLE ASSETS

Computer software	12.1 & 12.2	143,458	150,654
Advance to suppliers against computer software		153,560	106,279
Core deposits	12.1 & 12.3	198,900	269,100
Brand	12.4	383,145	383,145
Goodwill	12.5	396,117	396,117
		<u>1,275,180</u>	<u>1,305,295</u>

12.1 Movement in intangibles assets is as following:

At 01 January 2023

	Computer software	Core deposits	Total
	(Rupees in '000)		
Cost	1,104,551	1,386,000	2,490,551
Accumulated amortisation	(953,897)	(1,116,900)	(2,070,797)
Net book value	150,654	269,100	419,754

Year ended 31 December 2023

Opening net book value	150,654	269,100	419,754
Additions			
- through acquisitions / directly purchased	80,597	-	80,597
Write off - Cost	(37,473)	-	(37,473)
- Accumulated amortisation	37,473	-	37,473
	-	-	-
Amortisation charge for the year	(87,793)	(70,200)	(157,993)
Closing net book value	143,458	198,900	342,358

At 31 December 2023

Cost	1,147,675	1,386,000	2,533,675
Accumulated amortisation	(1,004,217)	(1,187,100)	(2,191,317)
Net book value	143,458	198,900	342,358

Rate of amortisation (%) 14.29% - 33.33% 8.33% - 10%

Useful life 3 to 7 Years 10 to 12 Years

At 01 January 2022

	Computer software	Core deposits	Total
	(Rupees in '000)		
Cost	998,787	1,386,000	2,384,787
Accumulated amortisation	(889,200)	(1,023,585)	(1,912,785)
Net book value	109,587	362,415	472,002

Year ended 31 December 2022

Opening net book value	109,587	362,415	472,002
Additions			
- through acquisitions / purchased	106,493	-	106,493
Write off - Cost	(729)	-	(729)
- Accumulated amortisation	729	-	729
	-	-	-
Amortisation charge for the year	(65,426)	(93,315)	(158,741)
Closing net book value	150,654	269,100	419,754

At 31 December 2022

Cost	1,104,551	1,386,000	2,490,551
Accumulated amortisation	(953,897)	(1,116,900)	(2,070,797)
Net book value	150,654	269,100	419,754

Rate of amortisation (%) 14.29% - 33.33% 8.33% - 10%

Useful life 3 to 7 Years 10 to 12 Years

12.2 Intangible assets include computer software that are fully amortised and are still in use aggregating to Rs. 818.932 million (31 December 2022: Rs. 856.405 million).

12.3 Core deposits are intangible assets acquired by the Bank during its amalgamation with Ex-Emirates Global Islamic Bank Limited and Ex-Burj Bank Limited. The valuation of core deposit was carried out by an independent valuer at the time of amalgamation. The carrying amount of core deposits is Rs. 198.900 million (31 December 2022: Rs. 269.100 million) with a remaining amortisation period of 3 years.

- 12.4** Intangible assets include brand having indefinite useful life with a carrying amount of Rs. 383.145 million (31 December 2022: Rs. 383.145 million). This represents the Bank's ability to attract new customers and generate superior returns from existing customers due to brand recognition. The management considers that the benefits from usage of brand will be available to the Bank for an indefinite time period.

The management on an ongoing basis assesses the recoverable amount of Brand, recognised upon amalgamation with Ex-Emirates Global Islamic Bank Limited.

IAS 36 "Impairment of assets" requires an intangible asset with an indefinite useful life to be tested for impairment annually by comparing its carrying amount with its recoverable amount. An impairment loss shall be recognised if the recoverable amount of the intangible asset is less than its carrying amount. During the year, the management has assessed the recoverable amount of the Brand which exceeds its carrying amount. Accordingly, no impairment loss has been recognised in these financial statements on the Brand.

The recoverable amount of the Brand has been determined based on value-in-use calculation using relief-from-royalty method based on financial strategy / projections approved by the management of the Bank covering a five-year period. The following rates have been used by the Bank in the computation of value-in-use:

Royalty rate	2.00%
Discount rate (post-tax)	23.00%
Terminal growth rate (post-tax)	9.00%

The calculation of value-in-use is most sensitive to the following assumptions:

Revenue growth

Revenue growth is based on prevailing industry trends and anticipated market conditions. The assumptions are important as they represent management assessment of how the Bank's profit earned on Islamic financing (net of provisions) and fee and commission income might change over the projected period.

Royalty rate

Royalty rate reflects the management's assessment (based on industry experience) of the percentage of royalty that would have been paid for using the brand name at the time of amalgamation with Ex-Emirates Global Islamic Bank Limited.

Discount rate

Discount rate reflects management's estimate of the rate of return required for the Brand and is calculated using the Capital Asset Pricing Model adjusted for a risk premium.

Terminal growth rate

Terminal growth rate is used to extrapolate the cash flows beyond the budgeted period. Assumptions are based on the management's best estimates. The rates are consistent with forecasts included in industry reports.

The management believes that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of brand.

- 12.5** Goodwill was recognised by the Bank upon merger of Ex-Burj Bank Limited and the amount of goodwill was allocated to the "retail and consumer banking" segment (as an individual cash-generating unit). The management on an ongoing basis assesses the recoverable amount of the cash-generating unit in accordance with the requirement of IAS 36. IAS 36 states that a cash-generating unit will be tested for impairment on an annual basis and an impairment loss shall be recognised if, and only if, the recoverable amount of the unit is less than the carrying amount of the unit.

During the year, the management has assessed the recoverable amount of the cash-generating unit which exceeds its carrying amount. Accordingly, no impairment loss has been recognised in these financial statements on goodwill.

The recoverable amount of goodwill has been determined based on value-in-use calculation using discounted cash flow based on financial strategy / projections approved by the management of the Bank covering a five-year period. The following rates have been used by the Bank in the computation of value-in-use:

Discount rate (post-tax)	22.00%
Terminal growth rate (post-tax)	9.00%

The calculation of value in use is most sensitive to the following assumptions:

Deposit and Islamic financing growth and profit margins

Deposit and Islamic financing growth and profit margins are based on prevailing industry trends and anticipated market conditions.

Discount rate

Discount rate reflects management estimates of the rate of return required for retail and consumer banking sector and is calculated after taking into account the prevailing risk-free rate, industry risk and business risk. Discount rate is calculated by using the cost of equity of the Bank derived using the Capital Asset Pricing Model (CAPM).

Terminal growth rate

Terminal growth rate is used to extrapolate the cash flows beyond the budgeted period. Assumptions are based on the management's best estimates. The rates are consistent with forecasts included in industry reports.

The management believes that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of brand.

13 DEFERRED TAX ASSETS

Note

2023			
At 01 Jan 2023	Recognised in P&L	Recognised in OCI	At 31 Dec 2023
(Rupees in '000)			

Deductible temporary differences on:

- Tax losses carried forward
- Post retirement employee benefits
- Provision against assets
- Other deductible temporary differences
- Deficit on revaluation of investments

13.1

338,478	(338,478)	-	-
41,456	-	80,923	122,379
2,526,014	789,038	-	3,315,052
46,207	67,690	-	113,897
130,691	-	(130,691)	-
3,082,846	518,250	(49,768)	3,551,328

Taxable temporary differences on:

- Surplus on revaluation of investments
- Surplus on revaluation of non-banking assets
- Accelerated tax depreciation

-	5	(461,404)	(461,399)
(263,773)	-	(36,806)	(300,579)
(165,298)	(78,181)	-	(243,479)
(429,071)	(78,176)	(498,210)	(1,005,457)

2,653,775	440,074	(547,978)	2,545,871
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2022			
At 01 Jan 2022	Recognised in P&L	Recognised in OCI	At 31 Dec 2022
(Rupees in '000)			

Deductible temporary differences on:

- Tax losses carried forward
- Minimum tax
- Post retirement employee benefits
- Provision against assets
- Other deductible temporary differences
- Deficit on revaluation of investments

944,049	(605,571)	-	338,478
228,522	(228,522)	-	-
25,552	-	15,904	41,456
2,115,632	410,382	-	2,526,014
20,930	25,277	-	46,207
-	-	130,691	130,691
3,334,685	(398,434)	146,595	3,082,846

Taxable temporary differences on:

- Surplus on revaluation of investments
- Surplus on revaluation of non-banking assets
- Accelerated tax depreciation

(125,499)	(1,340)	126,839	-
(180,754)	-	(83,019)	(263,773)
(146,695)	(18,603)	-	(165,298)
(452,948)	(19,943)	43,820	(429,071)

2,881,737	(418,377)	190,415	2,653,775
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14	OTHER ASSETS	Note	2023	2022
			----- (Rupees in '000) -----	
	Profit / return accrued in local currency		7,617,279	5,731,273
	Profit / return accrued in foreign currency		28,532	22,665
	Advances, deposits, advance rent and other prepayments		623,373	703,856
	Non-banking assets acquired in satisfaction of claims	14.1.1	1,273,420	1,312,781
	Mark to market gain on re-measurement of forward exchange contracts		-	452,929
	Stamps and stationery		1,924	4,249
	Acceptances		1,867,635	2,361,669
	Settlement account with State Bank of Pakistan		864,924	724,316
	Others		322,282	213,878
			<u>12,599,369</u>	<u>11,527,616</u>
	Less: Provision held against other assets	14.2	(226,970)	(149,212)
	Other assets (net of provision)		<u>12,372,399</u>	<u>11,378,404</u>
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims		613,426	613,426
	Other assets - total		<u>12,985,825</u>	<u>11,991,830</u>
14.1	Market value of non-banking assets acquired in satisfaction of claims	14.1.1	<u>1,938,302</u>	<u>1,926,207</u>
14.1.1	The non-banking assets acquired in satisfaction of claims have been revalued by professionally qualified valuers listed on Pakistan Banks' Association panel of valuers namely Professional Associates, Oceanic Surveyors (Private) Limited and Medallion Services (Private) Limited. The above market value as of 31 December 2023 is based on desktop valuation. The SBP's Regulations for Debt Property Swap require the Bank to carry out a full scope valuation of non-banking assets after every three years and desktop valuation every year. The latest full scope valuation was carried out on 31 December 2022 and latest desktop valuation has been carried out on 31 December 2023.			
			2023	2022
			----- (Rupees in '000) -----	
14.1.2	Non-banking assets acquired in satisfaction of claims			
	Opening balance		1,926,207	1,808,249
	Revaluation surplus during the year		-	149,955
	Depreciation for the year		(39,361)	(31,997)
	Closing balance		<u>1,886,846</u>	<u>1,926,207</u>
14.2	Provision held against other assets			
	Non-performing receivables		226,724	148,966
	Others		246	246
			<u>226,970</u>	<u>149,212</u>
14.2.1	Movement in provision held against other assets			
	Opening balance		149,212	149,212
	Charge for the year		77,758	-
	Closing balance		<u>226,970</u>	<u>149,212</u>

	Note	2023	2022
		----- (Rupees in '000) -----	
15	BILLS PAYABLE		
	In Pakistan	<u>5,646,089</u>	<u>5,376,942</u>
16.	DUE TO FINANCIAL INSTITUTIONS		
	Secured		
	Borrowings from State Bank of Pakistan		
	- Under Islamic export refinance scheme	16.1 5,652,680	5,310,244
	- Under Islamic refinance scheme for payment of salaries and wages	-	125,080
	- Under Islamic temporary economic refinance facility for plant and machinery	16.2 1,901,331	1,978,884
	- Under Islamic refinance facility for combating COVID-19	16.3 36,039	49,879
	- Under Islamic financing facility for renewable energy	16.4 42,433	109,001
	- Under Islamic refinance and credit guarantee scheme for Women entrepreneurs	16.5 17,178	-
	- Under Shariah compliant standing ceiling facility	-	3,886,913
		<u>7,649,661</u>	<u>11,460,001</u>
	Unsecured		
	Other Musharaka	-	1,490,000
		<u>7,649,661</u>	<u>12,950,001</u>
16.1	The range of profit rates on these borrowings is 17% to 18% per annum (31 December 2022: 8% to 10% per annum). The maximum limit approved by SBP to the Bank under Islamic Export Refinance Scheme is Rs. 5.869 billion. These contracts will mature in June 2024.		
16.2	SBP vide its Circular No. 02 of 2020 had introduced an Islamic temporary economic refinance facility to support sustainable economic growth. The facility aims to provide concessionary finance for setting up of new industrial units through purchase of new imported and locally manufactured plant and machinery. The profit rate on these borrowings is 1% (31 December 2022: 1%) per annum. The maximum limit approved by SBP to the Bank under this scheme is Rs. 2 billion. These contracts will mature in October 2032.		
16.3	SBP vide its Circular No. 04 of 2020 had introduced an Islamic refinance facility to combat the impact of COVID-19. The facility aims to provide long term finance for purchase of new imported and locally manufactured medical equipments to be used for combating COVID-19 by hospitals and medical centers registered with provincials / federal agencies. The maximum limit approved by SBP to the Bank under this scheme is Rs. 75 million. These contracts will mature in December 2026.		
16.4	The profit rate on these borrowings is 2% (31 December 2022: 2%) per annum. The maximum limit approved by SBP to the Bank is Rs. 168 million. Further, these contracts will mature in September 2031.		
16.5	SBP vide its IH&SMEFD Circular No. 05 of 2017 has introduced a refinance and credit guarantee scheme to improve access to finance for women entrepreneurs in the underserved areas of the country. The maximum limit approved by SBP to the Bank under this scheme is Rs. 100 million. These contracts will mature in September 2028.		
16.6	Particulars of due to financial institutions with respect to currencies	2023	2022
		----- (Rupees in '000) -----	
	In local currency	7,649,661	12,950,001
	In foreign currency	-	-
		<u>7,649,661</u>	<u>12,950,001</u>

17 DEPOSITS AND OTHER ACCOUNTS

	2023			2022		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
(Rupees in '000)						
Customers						
Current deposits	46,335,328	9,299,502	55,634,830	27,397,519	7,477,567	34,875,086
Savings deposits	45,175,857	5,959,493	51,135,350	54,920,776	9,351,938	64,272,714
Term deposits	50,297,961	7,757,803	58,055,764	54,508,615	2,200,361	56,708,976
Margin accounts	8,781,295	-	8,781,295	3,299,962	-	3,299,962
	150,590,441	23,016,798	173,607,239	140,126,872	19,029,866	159,156,738
Financial Institutions						
Current deposits	143,469	96,629	240,098	89,991	1,820	91,811
Savings deposits	33,474,252	1,156	33,475,408	24,262,195	925	24,263,120
Term deposits	15,000	-	15,000	1,537,500	-	1,537,500
	33,632,721	97,785	33,730,506	25,889,686	2,745	25,892,431
	184,223,162	23,114,583	207,337,745	166,016,558	19,032,611	185,049,169

17.1 Composition of deposits	2023	2022
	(Rupees in '000)	
- Individuals	80,084,792	75,851,304
- Government (federal and provincial)	10,210,780	14,925,554
- Public sector entities	4,245,391	2,122,832
- Banking companies	1,846,161	1,086
- Non-banking financial institutions	31,884,346	25,891,345
- Private sector	79,066,275	66,257,048
	207,337,745	185,049,169

17.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 91,513 million (31 December 2022: Rs. 81,060 million).

18 SUBORDINATED DEBT	Note	2023	2022
		(Rupees in '000)	
Tier II mudaraba sukuk - second issue	18.1	1,500,000	1,500,000
Tier II mudaraba sukuk - third issue	18.2	1,735,000	1,735,000
Additional Tier I capital	18.3	1,389,241	1,389,241
		4,624,241	4,624,241

18.1 In August 2017, the Bank issued regulatory shariah compliant unsecured, subordinated privately placed Tier-II sukuk (second issue) based on mudaraba of Rs. 1.5 billion as instruments of redeemable capital under section 66 of the Companies Act, 2017. A brief description of Tier-II sukuk (second issue) is as follows:

Credit rating	A by VIS Credit Rating Company Limited
Issue date	22 August 2017
Tenor	7 years from the issue date
Maturity date	21 August 2024
Profit payment frequency	Semi-annually in arrears
Redemption	Bullet payment at the end of the seventh year
Expected periodic profit amount (mudaraba profit amount)	Mudaraba profit is computed under the general depositors' pool on the basis of profit Sharing Ratio (PSR) and monthly weightages announced by the Bank. Profit rate is 6 month KIBOR + 0.75% per annum.
Call option	The Bank may call Tier-II sukuk with prior approval of SBP after completion of five years from the date of issue.
Loss absorbency	The Tier-II sukuk, at the option of the SBP, will be fully and permanently converted into common shares upon the occurrence of a Point of Non-Viability (PONV) trigger event as determined by SBP or for any other reason as may be directed by SBP.
Lock-in-clause	Profit and / or redemption amount can be held back in respect of the Tier-II sukuk, if such payment will result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) requirement.

- 18.2** In December 2021, the Bank issued regulatory shariah compliant unsecured, subordinated privately placed Tier-II sukuk (third issue) based on mudaraba of Rs. 1.735 billion as instruments of redeemable capital under section 66 of the Companies Act, 2017. A brief description of Tier-II sukuk (third issue) is as follows:

Credit rating	A by VIS Credit Rating Company Limited
Issue date	22 December 2021
Maturity date	21 December 2031
Tenor	10 years from the issue date
Profit payment frequency	Semi-annually in arrears
Redemption	Bullet payment at the end of the tenth year
Expected periodic profit amount (mudaraba profit amount)	Mudaraba profit is computed under the general depositors' pool on the basis of profit Sharing Ratio (PSR) and monthly weightages announced by the Bank. Profit rate is 6 month KIBOR + 1.5% per annum.
Call option	The Bank may call Tier-II sukuk with prior approval of SBP after completion of five years from the date of issue.
Loss absorbency	The Tier-II sukuk, at the option of the SBP, will be fully and permanently converted into common shares upon the occurrence of a Point of Non-Viability (PONV) trigger event as determined by SBP or for any other reason as may be directed by SBP.
Lock-in-clause	Profit and / or redemption amount can be held back in respect of the Tier-II sukuk, if such payment will result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) requirement.

- 18.3** In December 2018, the Bank issued regulatory shariah compliant unsecured, subordinated privately placed Additional Tier-I (ADT-1) capital based on mudaraba of Rs. 1.389 billion. A brief description of Additional Tier-I (ADT-1) capital is as follows:

Credit rating	Not rated
Issue date	26 December 2018
Tenor	Perpetual
Profit payment frequency	Monthly
Redemption	Perpetual
Expected periodic profit amount (mudaraba profit amount)	Mudaraba profit is computed under the general depositors' pool on the basis of Profit Sharing Ratio (PSR) and monthly weightages announced by the Bank. Profit rate is 1 Year KIBOR + 2.50% per annum.
Call option	The Bank may call ADT-1 Capital sukuk with prior approval of SBP after completion of five years from the date of issue.
Loss absorbency	The ADT-1 capital, at the option of the SBP, will be fully and permanently converted into common shares upon the occurrence of a Point of Non-Viability (PONV) trigger event as determined by SBP or for any other reason as may be directed by SBP.
Lock-in-clause	Profit and / or redemption amount can be held back in respect of the ADT-1 capital, if such payment will result in a shortfall in the Bank's minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) requirement.

19 OTHER LIABILITIES	Note	2023	2022
		----- (Rupees in '000) -----	
Return on deposits and other dues:			
- payable in local currency		3,157,342	2,523,349
- payable in foreign currencies		250,001	16,396
Accrued expenses		872,224	707,235
Current taxation (payments less provisions)		986,130	270,146
Mark to market loss on re-measurement of forward exchange contracts		493,523	-
Unearned income		73,512	73,696
Advance payments		739,862	833,429
Charity fund balance	19.1	58,422	32,200
Security deposits against ijarah		73,718	81,903
Payable in respect of defined benefit plan	36.1.3 & 36.2.3	286,268	62,621
Takaful payable against ijarah and diminishing musharakah assets		294,557	377,468
Branch adjustment account		179,877	393,226
Acceptances		1,867,635	2,361,669
Lease liability against right-of-use assets	19.2	1,677,081	1,695,781
Others		852,604	540,421
		<u>11,862,756</u>	<u>9,969,540</u>

	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
19.1 Charity fund balance		
Opening balance	32,200	77,705
Additions during the year		
Received from customers on account of delayed payment	50,948	58,873
Dividend purification amount	234	683
Non-shariah compliant income	4,682	3,117
Profit on charity saving account	31	92
Others	769	69
	56,664	62,834
Payments / utilisation during the year		
Education	(16,350)	(21,585)
Health	(4,940)	(50,068)
Infrastructure and development	(200)	(19,000)
Others	(8,952)	(17,686)
	(30,442)	(108,339)
Closing balance	58,422	32,200

19.2 Lease liability against right-of-use assets

19.2.1 Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
At 01 January	1,695,781	1,847,617
Additions during the year	553,440	612,742
Finance charge for the year	219,693	254,105
Payments made during the year	(697,497)	(644,871)
Derecognition during the year	(93,175)	(373,812)
Modifications made during the year	(1,161)	-
At 31 December	1,677,081	1,695,781

19.2.2 Maturity analysis of lease liabilities

Upto one year	387,132	18,802
After one year	1,289,949	1,676,979
Total lease liabilities	1,677,081	1,695,781

19.2.3 Amounts recognised in the profit and loss account

Finance cost for lease liabilities (included in Profit / return expensed)	219,693	254,105
Expense relating to short-term leases (included in operating expenses)	130,813	94,678
Total amount recognised in profit or loss account	350,506	348,783

20 SHARE CAPITAL - NET

20.1 Authorised capital

2023 -----Number of shares-----	2022 -----Number of shares-----		2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
2,500,000,000	2,500,000,000	Ordinary shares of Rs. 10 each	25,000,000	25,000,000

20.2 Issued, subscribed and paid-up capital

2023 -----Number of shares-----		2022 -----Number of shares-----		2023 ----- (Rupees in '000) -----		2022 ----- (Rupees in '000) -----	
450,000,000	450,000,000	Ordinary shares of Rs. 10 each fully paid in cash		4,500,000	4,500,000	4,500,000	4,500,000
923,962,760	923,962,760	Issued for consideration other than cash		9,239,628	9,239,628	9,239,628	9,239,628
<u>1,373,962,760</u>	<u>1,373,962,760</u>			<u>13,739,628</u>	<u>13,739,628</u>	<u>13,739,628</u>	<u>13,739,628</u>
-	-	Add: Capital support fund*		1,393,628	1,393,628	1,393,628	1,393,628
-	-	Less: Discount on issue of shares		(632,766)	(632,766)	(632,766)	(632,766)
<u><u>1,373,962,760</u></u>	<u><u>1,373,962,760</u></u>			<u><u>14,500,490</u></u>	<u><u>14,500,490</u></u>	<u><u>14,500,490</u></u>	<u><u>14,500,490</u></u>

* In order to support the CAR requirements, Al Baraka Islamic Bank, B.S.C (c) (the Parent Bank) has injected a temporary Capital Support Fund amounting to Rs 1.394 billion (USD 9 million) which is an allowable capital for the purposes of CAR, MCR and Leverage ratio. These funds can only be remitted back after prior approval of SBP. In case capital of the Bank is not increased through alternate plans, the said capital support fund will be converted into share capital of the Bank. Presently, the SBP has allowed the Bank, a timeline extension for the commencement of conversion process of Capital Support Fund into Share Capital till 30 June 2024. At present, the Bank does not have relevant basis to determine the number of shares to be issued at the time of conversion, accordingly the diluted EPS cannot be ascertained.

20.3 Shareholders having more than 10% shareholding in 2023 and 2022

Name of shareholder	2023		2022	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Al Baraka Islamic Bank (Bahrain) B.S.C. (c)	812,446,582	59.13%	812,446,582	59.13%
Islamic Corporation for the Development of the Private Sector	162,847,717	11.85%	162,847,717	11.85%
Mal Al Khaleej Investment L.L.C.	158,360,039	11.53%	158,360,039	11.53%

21	SURPLUS ON REVALUATION OF ASSETS	Note	2023 ----- (Rupees in '000) -----		2022 ----- (Rupees in '000) -----	
	Surplus / (deficit) on revaluation of:					
	- Available-for-sale securities	9.1	941,640	(303,933)		
	- Non-banking assets acquired in satisfaction of claims	21.1	613,426	613,426		
			1,555,066	309,493		
	Deferred tax on (deficit) / surplus on revaluation of:					
	- Available-for-sale securities		(461,404)	130,691		
	- Non-banking assets acquired in satisfaction of claims	21.1	(300,579)	(263,773)		
			(761,983)	(133,082)		
			<u>793,083</u>	<u>176,411</u>		
21.1	Surplus on revaluation of non-banking assets acquired in satisfaction of claims					
	Surplus on revaluation as at January 1		613,426	463,471		
	Revaluation surplus recognised during the year		-	149,955		
	Surplus on revaluation as at December 31		613,426	613,426		
	Less: related deferred tax liability on:					
	- revaluation as at January 1		(263,773)	(180,754)		
	- tax rate change during the year		(36,806)	(18,538)		
	- revaluation surplus recognised during the year		-	(64,481)		
			(300,579)	(263,773)		
			<u>312,847</u>	<u>349,653</u>		

22	CONTINGENCIES AND COMMITMENTS	Note	2023 ----- (Rupees in '000) -----	2022 -----
	- Guarantees	22.1	13,425,395	14,712,264
	- Commitments	22.2	43,424,135	48,500,519
			<u>56,849,530</u>	<u>63,212,783</u>
22.1	Guarantees:			
	Financial guarantees		29,688	953,683
	Performance guarantees		10,612,398	10,040,818
	Other guarantees		2,783,309	3,717,763
			<u>13,425,395</u>	<u>14,712,264</u>
22.2	Commitments:			
	Documentary credits and short-term trade-related transactions			
	- letters of credit		16,300,830	11,407,940
	Commitments in respect of forward foreign exchange contracts	22.2.1	26,425,287	36,327,164
	Commitments for acquisition of operating fixed assets		10,952	4,618
	Other commitments	22.2.2	687,066	760,797
			<u>43,424,135</u>	<u>48,500,519</u>
22.2.1	Commitments in respect of forward foreign exchange contracts			
	Purchase		19,051,426	23,494,138
	Sale		7,373,861	12,833,026
			<u>26,425,287</u>	<u>36,327,164</u>
22.2.1.1	The maturities of the above contracts are spread over the period upto one year.			
22.2.2	Other commitments			
	Commitments in respect of financing	22.2.2.1	<u>687,066</u>	<u>760,797</u>
22.2.2.1	These represent commitments that are irrecoverable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.			
22.3	Tax contingencies			
22.3.1	The Bank has received various assessment orders from the Deputy Commissioner Inland Revenue (DCIR) stating that the Bank has short paid Federal Excise Duty (FED) on specific income of the Bank for the years 2009 to 2011 amounting to Rs. 86.585 million and Rs. 34.575 million in respect of year 2012. In response to the Bank's appeal, the Appellate Tribunal Inland Revenue (ATIR) has set aside the orders relating to years 2009 to 2011 for fresh adjudication and the said matter is pending decision for further proceedings. For the year 2012, the Commissioner Inland Revenue Appeal (CIRA) has dropped the proceedings amounting to Rs.8.991 million. Accordingly, the Bank has filed the appeal before the ATIR against the order of CIRA amounting to Rs. 25.584 million.			
	In respect of assessments of ex - Burj Bank Limited [now Al Baraka Bank (Pakistan) Limited] , the taxation authorities have raised a demand of Rs.1.9 million on account of charging minimum tax in respect of tax year 2011, the matter is presently pending for hearing in Sindh High Court.			
	During the year 2021, the Assistant Commissioner Sindh Revenue Board ("AC-SRB") passed an Order creating a Sindh Sales Tax ("SST") demand of Rs. 15.9 million (inclusive of penalty). The Bank being aggrieved by the impugned Order, filed an appeal before the Commissioner (Appeals) Sindh Revenue Board ("CA-SRB"). The appeal is still pending adjudication before CA-SRB.			
	In respect of assessments of ex - Burj Bank Limited [now AlBaraka Bank (Pakistan) Limited], the taxation authorities have raised a demand of Rs.41.650 million on account of additions / disallowances of certain expenses in the tax return filed for the tax year 2014. As a result of rectification order demand has been reduced to Rs. 3.071 million. The Bank has filed an appeal before Commissioner Inland Revenue (CIR) appeals which is pending for hearing.			

In respect of assessments of ex - Burj Bank Limited [now Al Baraka Bank (Pakistan) Limited], Deputy Commissioner Inland Revenue (DCIR) passed the order under Section 122(1) of the Income Tax Ordinance, 2001, demanding Rs. 5.416 million on account of minimum tax on turnover for the tax year 2015. In response to the Bank's appeal, the matter was set-aside for a fresh adjudication. The matter is pending for further proceedings.

In respect of assessments of ex - Burj Bank Limited [now Al Baraka Bank (Pakistan) Limited], the Additional Commissioner Inland Revenue (ACIR) passed the Order under Section 122(9) demanding Rs. 25.343 million on account of minimum tax on turnover for the tax year 2016 when the Bank had a gross loss. The matter is pending at the forum of Commissioner Inland Revenue Appeals (CIRA).

The management of the Bank, in consultation with its tax advisors, is confident that the appeals are likely to be decided in favor of the Bank and, hence, no provision has been made in these financial statements.

- 22.3.2** During the year 2020, the Bank received assessment orders from Appellate Tribunal (ATIR) in respect of ex-Al Baraka Islamic Bank B.S.C (merged with and into the Bank) related to various tax matters from tax years 2001-2011. Based on the advise of the Bank's tax advisor, the Bank has filed the reference application before the Honorable High Court, Lahore against the said orders.

The management of the Bank, in consultation with its tax advisors, is confident that the appeals are likely to be decided in favor of the Bank and, hence, no provision has been made in these financial statements for the income tax claims amounting to Rs. 116.512 million.

- 22.3.3** During the year 2022, the Assistant / Deputy Commissioner Inland Revenue (DCIR) passed an Order under Section 161(1) of the Income Tax Ordinance, 2001, demanding Rs. 6.128 million on account of short deduction of withholding tax in tax year 2016. The Bank has filed an appeal against the said decision before Commissioner Inland Revenue Appeals (CIRA). The Commissioner (Appeals) passed order u/s 129 (1) to remand back the matter to the DCIR. The appeal effect order is pending.

The management of the Bank, in consultation with its tax advisors, is confident that the appeal is likely to be decided in favor of the Bank and hence, no provision has been made in these financial statements for the tax claims amounting to Rs. 6.128 million.

- 22.3.4** During the year 2021, Additional Commissioner Inland Revenue (ACIR) passed the Order under Section 122(5A) of the Income Tax Ordinance, 2001, on certain disallowances and additions in the tax return filed for the tax year 2017. The Bank has filed an appeal against the said decision before Commissioner Inland Revenue Appeals (CIRA). The Commissioner (Appeals) passed an Order under section u/s 129(1). The Bank has filed an appeal before Appellate Tribunal Inland Revenue (ATIR) against the Order of the Commissioner (Appeals) and the appeal is pending for hearing.

The management of the Bank, in consultation with its tax advisors, is confident that the appeal is likely to be decided in favor of the Bank and hence, no provision has been made in these financial statements for the income tax claims amounting to Rs. 8.385 million.

- 22.3.5** During the year 2023, the DCIR passed the Order under section 161(1) of the Ordinance for the tax year 2017 requiring the Bank to pay tax demand of Rs. 488.512 million. Appeal was filed before the Commissioner (Appeals) and the Commissioner (Appeals) passed the Appellate Order maintaining the action of DCIR. The Bank filed the appeal along with the stay application before the Appellate Tribunal Inland Revenue (ATIR). The ATIR passed the Appellate Order remanding back the matter to the tax officer for verification of the details / reconciliations relating to withholding taxes.

The management of the Bank, in consultation with its tax advisors, is confident that the matter is likely to be decided in favor of the Bank and hence, no provision has been made in these financial statements for the income tax claims amounting to Rs. 488.512 million.

- 22.3.6** During the year 2021, Assistant / Deputy Commissioner Inland Revenue (DCIR) passed an Order under Section 122(1) of the Income Tax Ordinance, 2001, on account of certain additions / disallowances of certain expenses in the tax return filed for the tax year 2018. The Bank filed an appeal before Commissioner Inland Revenue (Appeals) who passed an Order on 13 June 2022 annulling additions / disallowances of certain expenses however there are certain additions / disallowances of expenses for which appeal has been filed before ATIR.

The management of the Bank, in consultation with its tax advisors, is confident that the appeal is likely to be decided in favor of the Bank and hence, no provision has been made in these financial statements for the income tax claims of Rs. 380.184 million.

- 22.3.7** During the year 2021, Additional Commissioner Inland Revenue (ACIR) passed the order under Section 122(5A) of the Income Tax Ordinance, 2001, on account of additions / disallowances of certain expenses in the tax return filed for the tax year 2019. The Order has been rectified by ACIR and the income tax demanded reduced from Rs. 299.266 million to Rs. 97.372 million.

The Bank has filed an appeal before Commissioner Inland Revenue (Appeals). The management of the Bank, in consultation with its tax advisors, is confident that the appeal is likely to be decided in favor of the Bank and hence, no provision has been made in these financial statements for the income tax claims amounting to Rs. 97.372 million.

- 22.3.8** During the year 2022, Additional Commissioner Inland Revenue (ACIR) AJK passed the order under Section 122(1) of the Income Tax Ordinance, 2001, on account of additions / disallowances of certain expenses in the tax return filed for the tax year 2019 and raised a demand of Rs. 6.741 million. The Bank filed an appeal against the Order before Commissioner Inland Revenue (Appeals) which is pending for hearing.

The management of the Bank, in consultation with its tax advisors, is confident that the appeal is likely to be decided in favor of the Bank and hence, no provision has been made in these financial statements for the income tax claims amounting to Rs. 6.741 million.

- 22.3.9** During the year 2022, Additional Commissioner Inland Revenue (ACIR) passed the Order under Section 122(5A) of the Income Tax Ordinance, 2001, on account of certain additions / disallowances of certain expenses in the tax return filed for the tax year 2020. The Bank filed an application for rectification and an appeal against the Order before Commissioner Inland Revenue (Appeals). The Order passed by CIR annulled additions / disallowances of certain expenses. However there are certain additions / disallowances of expenses for which the Bank has filed an appeal before the ATIR.

The management of the Bank, in consultation with its tax advisors, is confident that the appeal is likely to be decided in favor of the Bank and hence, no provision has been made in these financial statements for the income tax claims amounting to Rs. 964.289 million.

- 22.3.10** The Bank has received an Order from Deputy Commissioner (DC) SRB stating that the Bank has short paid Sindh Sales Tax (SST) on specific income of the Bank for the year 2014 amounting to Rs. 20.762 million. The Bank has filed an appeal before the Commissioner (Appeals) SRB against the order-in-original which is pending for hearing.

The management of the Bank, in consultation with its tax advisors, is confident that the appeal is likely to be decided in favor of the Bank and hence, no provision has been made in these financial statements for the income tax claims amounting to Rs. 20.762 million.

- 22.3.11** During the year 2023, DCIR passed an order demanding Rs. 400.07 million on account of certain additions / disallowances of certain expenses in the tax return filed for the tax year 2022. The Bank has filed the appeal before the Commissioner (Appels) and the same is pending for hearing.

The management of the Bank, in consultation with its tax advisors, is confident that the appeal is likely to be decided in favor of the Bank and hence, no provision has been made in these financial statements for the income tax claims amounting to Rs. 400.07 million.

22.4	Other contingencies	2023	2022
		----- (Rupees in '000) -----	
	Claims against the Bank not acknowledged as debt	<u>2,687,416</u>	<u>2,285,605</u>
22.4.1	These mainly represent counter claims by borrowers for damages, claims filed by the former employee(s) of the Bank and other claims related to banking transactions. Based on legal advice and / or internal assessments carried out, management is confident that the matters will be decided in the Bank's favor and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these financial statements.		

		2023	2022
		----- (Rupees in '000) -----	
23	PROFIT / RETURN EARNED		
	On:		
	- Islamic financing and related assets - net	14,200,070	12,243,678
	- Investments	21,832,068	11,939,188
	- Due from financial institutions	448,772	491,601
	- Balances with banks	20,803	118,789
		<u>36,501,713</u>	<u>24,793,256</u>
24	PROFIT / RETURN EXPENSED		
	On:		
	- Deposits	19,011,951	12,893,871
	- Borrowings	1,187,391	1,988,085
	- Conversion cost against foreign currency deposits / borrowings	933,589	311,935
	- Subordinated debt	956,798	649,368
	- Finance charge on lease liability against right-of-use assets	219,693	254,105
	- SBP Islamic refinance schemes	829,698	249,727
		<u>23,139,120</u>	<u>16,347,091</u>
25	FEE AND COMMISSION INCOME		
	Branch banking customer fees	113,472	87,075
	Consumer finance related fees	174,319	130,552
	Debit card related fees and income	162,853	99,921
	Investment banking fees	29,969	70,227
	Commission on trade	339,679	329,541
	Commission on guarantees	112,114	119,629
	Commission on cash management	11,922	11,424
	Commission on remittances including home remittances	29,680	25,616
	Commission on bancatakaful	2,897	7,198
	Others	22,922	20,206
		<u>999,827</u>	<u>901,389</u>
26	GAIN ON SECURITIES - NET		
	Realised	26.1 62,645	22,420
	Unrealised - held for trading	9.1 (11)	-
		<u>62,634</u>	<u>22,420</u>
26.1	Realised gain / (loss) on:		
	Federal Government securities	61,451	70,350
	Shares	1,194	(47,930)
		<u>62,645</u>	<u>22,420</u>
27	OTHER INCOME		
	Rent on property	15,107	21,853
	Gain on sale of fixed assets - net	4,838	6,387
	Loss on termination of Islamic financing	(1,590)	(3,812)
		<u>18,355</u>	<u>24,428</u>

28	OPERATING EXPENSES	Note	2023	2022
			----- (Rupees in '000) -----	----- (Rupees in '000) -----
	Total compensation expense	28.1	3,328,157	2,752,866
	Property expense			
	Rent and taxes		156,781	124,330
	Takaful expense		39,399	67,388
	Utilities		401,961	332,772
	Security (including guards)	28.2	373,384	292,759
	Repair and maintenance (including janitorial charges)	28.2	150,610	98,225
	Depreciation on property and equipment		64,093	72,429
	Depreciation on right of use assets		518,438	464,932
	Depreciation - non banking assets		39,361	31,997
	Branch license Fee		7,225	7,750
			1,751,252	1,492,582
	Information technology expenses			
	Software maintenance		379,139	282,480
	Hardware maintenance		16,296	51,448
	Depreciation on property and equipment		89,420	60,749
	Amortisation		87,793	65,426
	Network charges		100,120	86,271
	Mastercard association Fee		112,315	107,104
			785,083	653,478
	Other operating expenses			
	Directors' fees and allowances		109,575	119,525
	Fees and allowances to Shariah Board		6,290	7,540
	Legal and professional charges		77,821	132,925
	Outsourced services costs	28.2	276,699	200,046
	Travelling and conveyance		84,007	51,059
	NIFT clearing charges		21,680	18,887
	Depreciation on property and equipment		98,341	90,092
	Amortisation		70,200	93,315
	Takaful and registration of Ijarah		8,595	7,459
	Training and development		33,997	8,443
	Postage and courier charges		40,735	37,484
	Communication		55,757	47,243
	Stationery and printing	28.2	162,873	148,999
	Marketing, advertisement and publicity		125,617	65,116
	Repair and maintenance		69,695	51,044
	Auditors' remuneration	28.3	34,826	17,678
	Depositors' protection		129,697	135,203
	Brokerage, commission and bank charges		262,124	231,256
	Others		113,386	72,365
			1,781,915	1,535,679
			7,646,407	6,434,605
28.1	Total compensation expense			
	Managerial remuneration			
	i) Fixed		1,539,910	1,403,520
	ii) Total variable of which		293,298	154,305
	a) Cash bonus / awards		293,298	154,305
	b) Bonus and awards in shares		-	-
	Charge for defined benefit plan		93,891	100,329
	Contribution to defined contribution plan		118,540	104,566
	Rent and house maintenance		406,298	368,687
	Utilities		132,490	118,870
	Medical		201,026	128,919
	Conveyance		541,565	373,412
	Others		1,139	258
			3,328,157	2,752,866

- 28.2** Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 768.203 million (2022: Rs. 570.627 million). This cost includes outsourced service costs, which are disclosed specifically in note 28. The entire cost pertains to payments to companies incorporated in Pakistan and mainly on account of security guards, janitorial staff and printing activities.

	Note	2023	2022
		----- (Rupees in '000) -----	
28.3 Auditors' remuneration			
Audit fee		3,931	3,276
Fee for half yearly limited scope review		1,184	986
Fee for audit / review of group reporting		6,268	5,331
Fee for other statutory certifications		2,384	2,074
Fee for audit of AJK and Gilgit Region branches		609	553
Special certifications and sundry advisory services		15,001	2,115
Sindh sales tax		2,869	1,340
Out-of-pocket expenses		2,580	2,003
		<u>34,826</u>	<u>17,678</u>

29 OTHER CHARGES

Penalties imposed by State Bank of Pakistan		<u>17,430</u>	<u>56,524</u>
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30 PROVISIONS AND WRITE OFFS - NET

Provision / (reversal) for diminution in value of investments	9.4.1	3,440	(42,071)
Provision against non-performing Islamic financing and related assets	10.5	1,483,642	1,070,756
Provision against other assets		77,758	-
Write off against other assets		63	11,075
Write off against fixed assets		1,825	16,858
		<u>1,566,728</u>	<u>1,056,618</u>

31 TAXATION

Current tax		3,174,453	707,537
Deferred tax		(440,074)	418,377
Prior year tax		285,723	-
		<u>3,020,102</u>	<u>1,125,914</u>

- 31.1** The Bank has recognised super tax charge of Rs 722.174 million (2022: Rs. 317.308 million) in the current year based on taxable income for the year.

	2023	2022
	-----Rupees in '000-----	
31.2 Relationship between tax expense and accounting profit		
Profit before taxation	<u>6,124,278</u>	<u>2,635,609</u>
Tax at the applicable rate of 39%	2,388,468	1,027,888
Impact of super tax	722,174	317,308
Tax impact due to rate change during the year	(422,608)	(223,900)
Prior year charge	285,723	-
Permanent difference	72,851	532
Other	(26,506)	4,086
Tax charge for the year	<u>3,020,102</u>	<u>1,125,914</u>

	2023	2022
	-----Rupees in '000-----	
32 BASIC / DILUTED EARNING PER SHARE		
Profit after taxation for the year	<u>3,104,176</u>	<u>1,509,695</u>
	-----Number of shares-----	
Weighted average number of ordinary shares	<u>1,373,962,760</u>	<u>1,373,962,760</u>
	-----Rupees-----	
Basic / diluted earnings per share	<u>2.26</u>	<u>1.10</u>

32.1 Diluted earnings per share has not been presented as the Bank does not have any convertible instruments in issue at December 31, 2023 and December 31, 2022 which would have any effect on the earnings per share if the option to convert is exercised.

	2023	2022
	-----Rupees in '000-----	
33 CASH AND CASH EQUIVALENTS		
Cash and balance with treasury banks	21,877,439	14,751,313
Balance with other banks	<u>1,683,007</u>	<u>1,939,954</u>
	<u>23,560,446</u>	<u>16,691,267</u>

34 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOW ARISING FROM FINANCING ACTIVITIES

Balance as at 01 January	4,323,860	4,968,731
Change from financing cash flows		
Payment of lease liability against right-of-use assets	(697,497)	(644,871)
Balance as at 31 December	<u>3,626,363</u>	<u>4,323,860</u>

	2023	2022
	----- Number -----	
35 STAFF STRENGTH		
Permanent	1,658	1,643
On bank contract	58	152
Consultants	<u>1</u>	<u>1</u>
Bank's own staff strength at the end of the year	<u>1,717</u>	<u>1,796</u>

35.1 In addition to the above, 464 (31 December 2022: 438) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services.

36 DEFINED BENEFIT PLAN

36.1 Permanent Employees Defined Benefit Plan

The Bank operates an approved funded gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn basic salary for each completed year of service, subject to a minimum of three years of service. The Bank contributes to the gratuity fund based on the independent actuarial valuations.

	2023	2022
	----- Number -----	
36.1.1 Number of employees under the scheme		
The number of employees covered under the following defined benefit scheme are:		
Gratuity fund	<u>1,654</u>	<u>1724*</u>

*This includes 80 support staff on bank's contract which were eligible for gratuity.

36.1.2 Principal actuarial assumptions

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

	2023	2022
	----- per annum -----	
Discount rate	15.50%	14.25%
Expected rate of return on plan assets	15.50%	14.25%
Expected rate of salary increase - next one year	15.00%	12.25%
Expected rate of salary increase - after one year	14.50%	12.25%

36.1.3 Reconciliation of payable to defined benefit plans

	Note	2023	2022
		-----Rupees in '000-----	
Present value of obligations		581,785	432,926
Fair value of plan assets		(408,694)	(370,305)
		<u>173,091</u>	<u>62,621</u>

36.1.4 Movement in defined benefit obligations

Obligations at the beginning of the year	432,926	378,539
Current service cost	95,724	98,185
Interest cost	49,757	39,654
Past service cost	-	5,540
Benefits paid by the Bank	(114,518)	(105,253)
Re-measurement loss	117,896	16,261
Obligations at the end of the year	<u>581,785</u>	<u>432,926</u>

36.1.5 Movement in fair value of plan assets

Fair value at the beginning of the year	370,305	360,972
Expected return on plan assets	51,590	43,050
Contribution by the Bank	97,967	86,166
Benefits paid	(114,518)	(105,253)
Re-measurements: Net return on plan assets over interest income loss	36.1.7.2 3,350	(14,630)
Fair value at the end of the year	<u>408,694</u>	<u>370,305</u>

36.1.6 Movement in payable under defined benefit schemes

Opening balance	62,621	17,567
Charge for the year	93,891	100,329
Contribution by the Bank	(97,967)	(86,166)
Re-measurement loss recognised in OCI during the year	36.1.7.2 114,546	30,891
Closing balance	<u>173,091</u>	<u>62,621</u>

36.1.7 Charge for defined benefit plans**36.1.7.1 Cost recognised in the profit and loss account**

Current service cost	95,724	98,185
Past service cost	-	5,540
Net interest on defined benefit asset / liability	(1,833)	(3,396)
	<u>93,891</u>	<u>100,329</u>

36.1.7.2 Re-measurements recognised in OCI during the year

Loss / (gain) on obligation		
- Financial assumptions	58,005	(3,167)
- Demographic assumptions	26,838	-
- Experience adjustment	33,053	19,428
Return on plan assets over interest income	(3,350)	14,630
Total re-measurements recognised in OCI	<u>114,546</u>	<u>30,891</u>

	2023	2022
	----- (Rupees in '000) -----	
36.1.8 Components of plan assets		
Cash and cash equivalents	352,929	332,340
Units of mutual funds	55,765	37,965
	<u>408,694</u>	<u>370,305</u>

Impact on defined benefit obligation - Increase / (Decrease)

36.1.9 Sensitivity analysis

- 1% increase in discount rate	(24,727)	(58,447)
- 1% decrease in discount rate	27,048	24,293
- 1 % increase in expected rate of salary increase	29,540	26,833
- 1 % decrease in expected rate of salary increase	(27,420)	(61,142)
- 10% increase in withdrawal rate	1,251	(19,758)
- 10% decrease in withdrawal rate	(1,426)	(20,484)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (that is, present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the statement of financial position.

(Rupees in '000)

36.1.10 Expected contributions to be paid to the funds in the next financial year	<u>125,052</u>
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36.1.11 Expected charge for the next financial year	<u>135,531</u>
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36.1.12 Maturity profile

Weighted average duration of the defined benefit obligation	4.71 years	10.02 years
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	2023	2022
	----- (Rupees in '000) -----	
Distribution of timing of benefit payments		
Less than 12 months	118,820	20,541
Between 1 year and 5 years	345,086	10,699
Between 6 and 10 years	428,545	292,153
Above 10 years	755,427	2,668,140

36.1.13 Funding policy

The policy followed by the Bank in respect of the staff retirement benefit schemes is disclosed in note 5.13 of these financial statements.

36.1.14 Risks associated with defined benefit plan**- Investment risks**

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

- Longevity risks

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.

36.2 Third Party Contractual Employees Defined Benefit Obligation

The Bank is liable under the agreement with third-party contractual staff service provider to reimburse to service provider all payouts relating to the employees, which inter-alia includes gratuity payments (the benefit). The benefit is payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn gross salary for each completed year of service. The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method.

The actuarial valuation has also been carried out for gratuity payable as at December 31, 2022. The Bank had already recorded liability of Rs. 43.597 million as at December 31, 2022. Since the difference in the amount of liability as per actuarial valuation and recorded liability is not material, the same has been adjusted in current year.

		2023
		---- Number ----
36.2.1	Number of employees eligible for the benefit	324
	The number of contractual employees eligible for the benefit	<u>324</u>
36.2.2	Principal actuarial assumptions	
	The actuarial valuation was carried out as at 31 December 2023 using the following significant assumptions:	
		2023
		Per annum
	Discount rate	15.50%
	Expected rate of salary increase - next one year	20.00%
	Expected rate of salary increase - after one year	17.50%
		Note
		2023
		Rupees in '000
36.2.3	Present value of obligation	113,177
36.2.4	Movement in defined benefit obligation	
	Obligations at the beginning of the year	43,597
	Current service cost	26,666
	Interest cost	6,050
	Benefits paid by the Bank	(1,933)
	Re-measurement loss recognised in OCI during the year	36.2.5.2 38,797
	Obligations at the end of the year	<u>113,177</u>
36.2.5	Charge for defined benefit obligation	
36.2.5.1	Cost recognised in the profit and loss account	
	Current service cost	26,666
	Net interest on defined benefit asset / liability	6,050
		<u>32,716</u>
36.2.5.2	Re-measurements recognised in OCI during the year	
	Loss on obligation	
	- Financial assumptions	2,710
	- Experience adjustment	36,087
	Total re-measurements recognised in OCI	<u>38,797</u>

2023
Impact on defined benefit obligation - Increase / (Decrease)

36.2.7 Sensitivity analysis

Rupees in '000

1% increase in discount rate	(10,029)
1% decrease in discount rate	11,703
1 % increase in expected rate of salary increase	11,888
1 % decrease in expected rate of salary increase	(10,369)
10% increase in withdrawal rate	(987)
10% decrease in withdrawal rate	1,071

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (that is, present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the statement of financial position.

Rupees in '000

36.2.8 Expected charge for the next financial year

36,594

36.2.9 Maturity profile

Weighted average duration of the defined benefit obligation	9.64 years
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Distribution of timing of benefit payments2023
Rupees in '000

Less than 12 months	9,185
Between 1 year and 5 years	38,347
Between 6 and 10 years	71,875
Above 10 years	1,040,259

36.2.10 Risks associated with defined benefit obligation**- Longevity risks**

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.

37 DEFINED CONTRIBUTION PLAN

The Bank also operates a recognised contributory provident fund for all permanent employees. Equal monthly contributions are made, both by the Bank and the employees, to the fund at a rate of 10% of basic salary.

	2023	2022
	----- (Rupees in '000) -----	
Contribution from the Bank	118,540	104,566
Contribution from the employees	118,540	104,566
	<u>237,080</u>	<u>209,132</u>

38 COMPENSATION OF DIRECTORS AND EXECUTIVES

		2023					
		Directors		Members shariah board	President / CEO	Key management personnel	Other material risk takers / controllers
		Chairman	Non-executives				
Note		(Rupees in '000)					
Fees and allowances etc.		8,350	101,225*	6,290	-	-	-
Managerial remuneration							
i) Fixed		-	-	10,263	26,962	141,882	104,598
ii) Total variable		-	-	1,056	-	16,082	8,321
of which							
a) Cash bonus / awards	38.1	-	-	1,056	-	16,082	8,321
b) Bonus & awards in shares		-	-	-	-	-	-
Charge for defined benefit plan		-	-	-	1,933	7,748	6,302
Contribution to defined contribution plan		-	-	-	2,320	11,299	8,631
Rent & house maintenance		-	-	-	7,960	36,771	27,694
Utilities		-	-	-	2,320	12,257	8,631
Medical		-	-	8	2,334	12,417	8,837
Conveyance		-	-	2,660	1,946	50,366	58,378
Others		-	-	400	-	712	599
Total		8,350	101,225	20,677	45,775	289,534	231,991
Number of persons		1	9	4	1	23	28

		2022					
		Directors		Members shariah board	President / CEO	Key management personnel	Other material risk takers / controllers
		Chairman	Non-executives				
		(Rupees in '000)					
Fees and allowances etc.		5,000	114,525	7,540	-	-	-
Managerial remuneration							
i) Fixed		-	-	9,010	14,993	134,132	88,947
ii) Total variable		-	-	789	2,146	8,312	5,634
of which							
a) Cash bonus / awards		-	-	789	2,146	8,312	5,634
b) Bonus & awards in shares		-	-	-	-	-	-
Charge for defined benefit plan		-	-	-	987	7,461	5,124
Contribution to defined contribution plan		-	-	-	1,292	10,518	7,187
Rent & house maintenance		-	-	-	3,875	33,956	23,432
Utilities		-	-	-	1,292	11,319	7,211
Medical		-	-	5	1,301	11,442	7,361
Conveyance		-	-	2,130	173	39,157	43,983
Others		-	-	10	2	223	796
Total		5,000	114,525	19,484	26,061	256,520	189,675
Number of persons		1	7	4	2	24	32

The Bank also provides Bank maintained car to certain executives for their own use and business use.

*This includes fee paid to resigned directors for the meetings held during their tenure.

- 38.1** SBP has issued guidelines and disclosure on governance and remuneration practices through BPRD of Circular No. 1 of 2017 dated 25 January 2017 effective from 01 January 2019. The amount of bonus pay out of deferred at the time of payment to the President, Chief Executive Officer, key management personnel and other material risk takers / material risk controllers, as per the Remuneration Policy as at 31 December 2023 amounts to Rs. 15.472 million (31 December 2022: Rs. 9.693 million).

38.1.1 Movement of deferred remuneration**2023**
(Rupees in '000)

Opening balance	9,693
Addition of 2022 deferred remuneration	5,779
Less: Paid during the year	-
Closing balance	15,472

38.2 Remuneration to Directors for participation in Board and Committee Meetings

2023									
Meeting Fees and Allowances									
For Board Meetings	For Board Committees								
	ITD & IS Committee	Pakistan Capital Injection Committee	Risk Committee	Audit Committee	Compliance Committee	Nomination and Remuneration Committee	Board Executive Committee	Total amount paid	
(Rupees in '000)									
Dr. Jehad El Nakla	4,750	-	-	-	-	-	3,600	8,350	
Mr. Tareq Mahmood Kazim*	975	500	-	-	-	3,500	1,500	6,475	
Mr. Mohammed Tareq Sadeq	4,250	-	-	2,450	2,450	-	-	9,150	
Mr. Zahid Rahim	3,750	2,450	-	3,600	-	-	3,100	12,900	
Mr. Azhar Hamid	3,750	-	-	1,300	1,150	2,450	-	8,650	
Ms. Aminah Zahid Zaheer	3,750	2,450	-	2,300	-	8,850	3,100	20,450	
Mr. Abdul Malek Mazhar	4,250	-	-	-	2,450	2,450	10,850	-	20,000
Mr. Azhar Aziz Dogar	3,750	1,950	-	2,300	-	-	1,950	9,950	
Mr. Mohamed Abdulla Abdulrahim	2,600	-	-	1,300	1,300	-	4,550	-	9,750
Mr. Youssef Wassim Aboul Naja	1,950			650			1,300	3,900	
	33,775	7,350	-	11,450	7,350	7,350	27,750	14,550	109,575

*Resigned during the year ended 31 December 2023.

2022									
Meeting Fees and Allowances									
For Board Meetings	For Board Committees								
	ITD & IS Committee	Pakistan Capital Injection Committee	Risk Committee	Audit Committee	Compliance Committee	Nomination and Remuneration Committee	Board Executive Committee	Total amount paid	
(Rupees in '000)									
Dr. Jehad El Nakla	3,000	-	-	-	-	-	2,000	5,000	
Mr. Tareq Mahmood Kazim	3,525	2,500	7,500	-	-	-	11,000	26,025	
Mr. Mohammed Tareq Sadeq	3,500	-	-	2,000	2,000	-	-	7,500	
Mr. Zahid Rahim	4,000	3,000	7,500	2,000	-	-	2,500	19,000	
Mr. Azhar Hamid	3,500	-	-	2,000	2,000	-	-	7,500	
Ms. Aminah Zahid Zaheer	4,500	3,000	7,500	1,500	-	-	2,500	31,000	
Mr. Abdul Malek Mazhar	3,500	-	-	2,000	1,500	10,000	-	17,000	
Mr. Azhar Aziz Dogar	4,000	-	-	2,500	-	-	-	6,500	
	29,525	8,500	22,500	6,000	6,000	5,500	33,000	119,525	

38.3 Remuneration paid to shariah board members

	2023			2022		
	Chairman	Resident Member	Non-Resident Member	Chairman	Resident Member	Non-Resident Member
(Rupees in '000)						
Fees and allowances etc.	2,450	-	3,840	3,500	-	4,040
Managerial remuneration						
i) Fixed	-	10,263	-	-	9,010	-
ii) Total variable	-	1,056	-	-	789	-
of which						
a) Cash bonus / awards	-	1,056	-	-	789	-
a) Bonus & awards in shares	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	-	-
Rent & house maintenance	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Medical	-	8	-	-	5	-
Conveyance	-	2,660	-	-	2,130	-
Others	-	400	-	-	10	-
Total	2,450	14,387	3,840	3,500	11,944	4,040
Number of persons	1	1	2	1	1	2

39 FAIR VALUE MEASUREMENTS

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 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 Islamic financings, 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.

The repricing profile and maturity are stated in notes 44.2.5 and 44.4.1 to these financial statements.

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 assets and liabilities are either short term in nature or in the case of customer Islamic financing and deposits are frequently repriced.

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

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

39.1 Fair value of financial assets

The following table provides the fair value measurement hierarchy of the Bank's assets:

2023				
	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government securities	23,724,572	92,577,655	-	116,302,227
Other securities	-	1,530,794	-	1,530,794
Shares	121,350	-	-	121,350
Foreign securities	-	4,828,986	-	4,828,986
	<u>23,845,922</u>	<u>98,937,435</u>	<u>-</u>	<u>122,783,357</u>
Financial assets - disclosed but not measured at fair value				
Investments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	19,051,426	-	19,051,426
Forward sale of foreign exchange	-	7,373,861	-	7,373,861
	<u>-</u>	<u>7,373,861</u>	<u>-</u>	<u>7,373,861</u>
2022				
	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government securities	23,520,350	80,187,141	-	103,707,491
Other securities	-	1,653,353	-	1,653,353
Shares	130,055	-	-	130,055
Foreign securities	-	3,799,636	-	3,799,636
	<u>23,650,405</u>	<u>85,640,130</u>	<u>-</u>	<u>109,290,535</u>
Financial assets - disclosed but not measured at fair value				
Investments	-	-	-	512,848
	<u>-</u>	<u>-</u>	<u>-</u>	<u>512,848</u>
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	23,494,138	-	23,494,138
Forward sale of foreign exchange	-	12,833,026	-	12,833,026
	<u>-</u>	<u>12,833,026</u>	<u>-</u>	<u>12,833,026</u>

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

39.2 Fair value of non-financial assets

2023				
Carrying Amount	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
Non-banking assets acquired in satisfaction of claims				
1,886,846	-	-	1,886,846	1,886,846
<u>1,886,846</u>	<u>-</u>	<u>-</u>	<u>1,886,846</u>	<u>1,886,846</u>
2022				
Carrying Amount	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
Non-banking assets acquired in satisfaction of claims				
1,926,207	-	-	1,926,207	1,926,207
<u>1,926,207</u>	<u>-</u>	<u>-</u>	<u>1,926,207</u>	<u>1,926,207</u>

Reconciliation from the opening balances to the closing balances is disclosed in note 14.1.2.

39.2 Valuation techniques used in determination of fair values

Particulars	Valuation approach and input used
Federal government securities	The fair value of federal government securities are determined on the basis of rates / prices sourced from Reuters. However, valuation of Pakistan Energy Sukuk on the basis of rates announced or last traded rates by PSX.
Non-government debt securities	Investment in non-government debt securities denominated in local currency are valued on the basis of rates announced by the Mutual Funds Association of Pakistan (MUFAP).
Foreign securities	The fair value of foreign securities are denominated on the basis of rates taken from Bloomberg / Reuters.
Forward foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by State Bank of Pakistan.
Non-banking assets acquired in satisfaction of claims	The fair value of land and building are derived using the sale comparison approach. The sales value is determined by physically analysing the condition of land and building and by ascertaining the current market value of similar land, which is selling in near vicinity. Moreover, for buildings, the valuer has also considered prevailing current cost of construction for relevant type of civil work carried out thereon, wherever required. Please refer note 14.1.1 highlighting the year of valuation and external valuer name.

The valuations of land and building, mentioned above, are conducted by the valuation experts appointed by the Bank which are also on the panel of the Pakistan Banks' Association (PBA). The valuation experts use a market based approach to arrive at the fair value of the Bank's properties. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a quantitative disclosure of sensitivity has not been presented in these financial statements.

40 SEGMENT INFORMATION

40.1 Segment details with respect to business activities

	2023					
	Corporate Banking	Commercial and SME Banking	Retail and Consumer Banking	Trading and Sales	Others	Inter-segment Eliminations
	(Rupees in '000)					
Profit and loss						
Net profit / return earned	4,525,924	836,281	(5,709,518)	14,584,025	(874,119)	-
Inter segment revenue - net	-	-	21,079,173	-	2,758,542	(23,837,715)
Other income	287,976	241,853	492,987	1,089,591	4,828	-
Total Income	4,813,900	1,078,134	15,862,642	15,673,616	1,889,251	(23,837,715)
Segment direct expenses	(542,437)	(407,947)	(6,697,975)	(140,463)	-	-
Inter segment expense allocation	(4,896,951)	(480,418)	(5,340,375)	(13,119,971)	-	23,837,715
Total expenses	(5,439,388)	(888,365)	(12,038,350)	(13,260,434)	-	23,837,715
Provisions	(586,825)	(142,969)	(81,670)	(3,441)	(751,823)	-
(Loss) / profit before tax	(1,212,313)	46,800	3,742,622	2,409,741	1,137,428	-
Statement of Financial Position						
Cash and balances with treasury banks	87,960	-	5,395,092	16,394,387	-	-
Balances with other banks	-	-	-	1,683,007	-	-
Due from financial institutions	-	-	-	8,098,788	-	-
Investments	2,458,333	-	-	120,423,151	-	-
Net inter segment lending	-	2,778,119	114,925,932	-	12,829,560	(130,533,611)
Islamic financing and related assets - performing	44,710,868	9,884,104	20,417,096	-	2,518,739	-
- non-performing	1,319,625	511,813	393,644	-	-	-
Others	4,959,465	1,271,581	5,984,593	4,805,841	4,055,562	-
Total assets	53,536,251	14,445,617	147,116,357	151,405,174	19,403,861	(130,533,611)
Bills payable	-	-	5,646,089	-	-	-
Due to financial institutions	6,721,303	928,358	-	-	-	-
Subordinated debt	-	-	-	-	4,624,241	-
Deposits and other accounts	32,582,761	11,081,545	132,109,431	31,564,008	-	-
Net inter segment borrowing	14,765,408	-	-	115,768,203	-	(130,533,611)
Others	2,301,884	947,012	5,425,300	872,159	2,316,401	-
Total liabilities	56,371,356	12,956,915	143,180,820	148,204,370	6,940,642	(130,533,611)
Equity	(2,835,105)	1,488,702	3,935,537	3,200,804	12,463,219	-
Total equity and liabilities	53,536,251	14,445,617	147,116,357	151,405,174	19,403,861	(130,533,611)
Contingencies and commitments	16,800,544	13,232,847	180,052	26,636,088	5,253,587	-

	2022						Total
	Corporate Banking	Commercial and SME Banking	Retail and Consumer Banking	Trading and Sales	Others	Inter-segment Eliminations	
----- (Rupees in '000) -----							
Profit and loss							
Net profit / return earned	2,764,277	1,746,570	(5,169,702)	9,763,338	(658,318)	-	8,446,165
Inter segment revenue - net	-	-	17,289,805	-	1,550,412	(18,840,217)	-
Other income	388,992	191,465	351,134	845,667	13,721	-	1,790,979
Total Income	3,153,269	1,938,035	12,471,237	10,609,005	905,815	(18,840,217)	10,237,144
Segment direct expenses	(245,209)	(281,199)	(5,935,485)	(83,024)	-	-	(6,544,917)
Inter segment expense allocation	(2,695,523)	(1,891,474)	(3,983,126)	(10,270,094)	-	18,840,217	-
Total expenses	(2,940,732)	(2,172,673)	(9,918,611)	(10,353,118)	-	18,840,217	(6,544,917)
Provisions / (reversals)	(583,615)	(290,522)	(124,144)	42,072	(100,409)	-	(1,056,618)
(Loss) / profit before tax	(371,078)	(525,160)	2,428,482	297,959	805,406	-	2,635,609
Statement of Financial Position							
Cash and balances with treasury banks	49,952	-	3,259,753	11,441,608	-	-	14,751,313
Balances with other banks	-	-	-	1,939,954	-	-	1,939,954
Due from financial institutions	-	-	-	-	-	-	-
Investments	3,029,073	-	-	106,870,832	-	-	109,899,905
Net inter segment lending	-	-	163,802,792	-	10,168,570	(173,971,362)	-
Islamic financing and related assets - performing	43,035,925	12,278,771	26,638,844	-	2,089,088	-	84,042,628
- non-performing	1,033,010	628,363	353,048	-	-	-	2,014,421
Others	5,686,349	1,264,508	4,503,114	3,655,380	4,817,050	-	19,926,401
Total assets	52,834,309	14,171,642	198,557,551	123,907,774	17,074,708	(173,971,362)	232,574,622
Bills payable	-	-	5,376,942	-	-	-	5,376,942
Due to financial institutions	6,749,505	823,583	-	5,376,913	-	-	12,950,001
Subordinated debt	-	-	-	-	4,624,241	-	4,624,241
Deposits and other accounts	28,701,109	-	156,348,060	-	-	-	185,049,169
Net inter segment borrowing	14,550,068	13,847,503	27,318,484	118,255,307	-	(173,971,362)	-
Others	2,901,390	25,716	6,689,467	104,323	248,644	-	9,969,540
Total liabilities	52,902,072	14,696,802	195,732,953	123,736,543	4,872,885	(173,971,362)	217,969,893
Equity	(67,763)	(525,160)	2,824,598	171,231	12,201,823	-	14,604,729
Total equity and liabilities	52,834,309	14,171,642	198,557,551	123,907,774	17,074,708	(173,971,362)	232,574,622
Contingencies and commitments	18,247,731	8,494,243	143,646	36,327,164	4,390,406	-	67,603,190

40.2 Segment details with respect to geographical locations

GEOGRAPHICAL SEGMENT ANALYSIS	Pakistan	
	2023	2022
(Rupees in '000)		
Profit before tax	6,124,278	2,635,609
Total assets	255,373,649	232,574,622
Total liabilities	237,120,492	217,969,893
Total equity and liabilities	255,373,649	232,574,622
Contingencies and commitments	62,103,118	67,603,190

41 TRUST ACTIVITIES

The Bank commonly act as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions including on behalf of certain related parties. These are not assets of the Bank and, therefore, are not included in the Statement of Financial Position. The following is the list of assets held under trust:

Category	Type	2023	2022	2023	2022
		Number of IPS account		Face value	
----- (Rupees in '000) -----					
Takaful company	Government of Pakistan Ijara Sukuk	1	1	2,429,000	834,000
Employee funds	Government of Pakistan Ijara Sukuk	2	2	1,145,000	1,078,500
Others	Government of Pakistan Ijara Sukuk	15	9	7,161,900	2,514,100
		18	12	10,735,900	4,426,600

42 RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, employee benefit plans and its directors and Key Management Personnel.

The Banks enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing other than Islamic financing made to key management personnel which is in accordance with human resource policy of the Bank. Contributions to and accruals in respect of employee benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	2023					2022				
	Parent	Directors	Key management personnel	Other related parties	Total	Parent	Directors	Key management personnel	Other related parties	Total
(Rupees in '000)										
Islamic financing and related assets										
Opening balance	-	-	323,346	-	323,346	-	-	380,424	-	380,424
Addition during the year	-	-	179,092	2,500	181,592	-	-	82,532	-	82,532
Repaid during the year	-	-	(62,074)	(412)	(62,486)	-	-	(53,468)	-	(53,468)
Transfer in / out	-	-	(1,331)	-	(1,331)	-	-	(86,142)	-	(86,142)
Closing balance	-	-	439,033	2,088	441,121	-	-	323,346	-	323,346
Fixed assets										
Fixed assets	-	-	-	251,680	251,680	-	-	-	251,680	251,680
Provision for impairment	-	-	-	251,680	251,680	-	-	-	251,680	251,680
Other assets										
Profit receivable on Islamic financing and related assets	-	-	239	2	241	-	-	85	-	85
Subordinated debt	1,389,241	-	-	-	1,389,241	1,389,241	-	-	-	1,389,241
Deposits and other accounts										
Opening balance	15,310	47,938	44,752	1,178,785	1,286,785	13,845	49,643	46,691	1,093,154	1,203,333
Received during the year	8,273	131,804	367,805	7,773,529	8,281,411	1,465	65,156	265,621	11,587,411	11,919,653
Withdrawn during the year	(6,646)	(119,527)	(366,731)	(8,257,096)	(8,750,000)	-	(66,861)	(255,299)	(11,508,446)	(11,830,606)
Transfer in/out	-	-	(5,360)	(32,859)	(38,219)	-	-	(12,261)	6,666	(5,595)
Closing balance	16,937	60,215	40,466	662,359	779,977	15,310	47,938	44,752	1,178,785	1,286,785
Other Liabilities										
Return payable on deposits	-	28	359	6,596	6,983	-	40	295	3,554	3,889
Return payable on Sub-ordinated debt	278,975	-	-	-	278,975	197,648	-	-	-	197,648
Payable in respect of defined benefit plan	-	-	-	173,091	173,091	-	-	-	62,621	62,621
Other liabilities	-	-	-	657	657	-	-	-	657	657

	2023					2022				
	Parent	Directors	Key management personnel	Other related parties	Total	Parent	Directors	Key management personnel	Other related parties	Total
(Rupees in '000)										
Related party transactions during the year										
Income										
Profit earned on Islamic financing and related assets	-	-	11,166	107	11,273	-	-	10,306	-	10,306
Fee and commission income	-	-	-	1,147	1,147	-	-	-	6,318	6,318
Expense and transactions										
Return on deposits expenses	-	5,457	3,655	85,413	94,525	-	640	2,952	132,015	135,607
Salaries, allowances and benefits	-	-	316,603	-	316,603	-	-	260,044	-	260,044
Director fee and other allowances	-	109,575	-	-	109,575	-	119,525	-	-	119,525
Shariah Board fee	-	-	-	6,290	6,290	-	-	-	7,540	7,934
Rent expense	-	-	-	40,239	40,239	-	-	-	37,731	37,731
Contribution to defined contribution plan	-	-	-	118,540	118,540	-	-	-	104,566	104,566
Contribution to defined benefit plan	-	-	-	93,891	93,891	-	-	-	100,329	100,329
Return on sub-ordinated loan	275,764	-	-	-	275,764	194,437	-	-	-	194,437

43	CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS	2023	2022
		----- (Rupees in '000) -----	----- (Rupees in '000) -----
	Minimum Capital Requirement (MCR):		
	Paid-up capital (net of losses)	14,500,490	13,668,038
	Capital Adequacy Ratio (CAR):		
	Eligible Common Equity Tier 1 (CET 1) Capital	14,495,766	11,426,288
	Eligible Additional Tier 1 (ADT 1) Capital	1,389,241	1,389,241
	Total Eligible Tier 1 Capital	15,885,007	12,815,529
	Eligible Tier 2 Capital	2,867,796	2,453,753
	Total Eligible Capital (Tier 1 + Tier 2)	18,752,803	15,269,282
	Risk Weighted Assets (RWAs):		
	Credit Risk	73,335,184	78,582,865
	Market Risk	2,426,120	1,365,195
	Operational Risk	21,257,712	16,667,845
	Total	97,019,016	96,615,905
	Common Equity Tier 1 Capital Adequacy Ratio	14.94%	11.83%
	Tier 1 Capital Adequacy Ratio	16.37%	13.26%
	Total Capital Adequacy Ratio	19.33%	15.80%
	The minimum capital adequacy ratio required by SBP as at 31 December 2023 is 11.5% (31 December 2022: 11.5%).		
	Leverage Ratio (LR):		
	Eligible Tier-1 Capital	15,885,007	12,815,529
	Total Exposures	288,551,099	275,516,707
	Leverage Ratio	5.51%	4.65%
	Liquidity Coverage Ratio (LCR):		
	Total High Quality Liquid Assets	138,869,289	117,370,386
	Total Net Cash Outflow	64,926,867	63,752,123
	Liquidity Coverage Ratio	213.89%	184.10%
	Net Stable Funding Ratio (NSFR):		
	Total Available Stable Funding	169,467,734	148,334,072
	Total Required Stable Funding	78,239,783	82,406,182
	Net Stable Funding Ratio	216.60%	180.00%

43.1 The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time have been placed on the website. The link to the full disclosure is available at www.albaraka.com.pk/page/investor-relations.

44 RISK MANAGEMENT

Pakistan faced significant economic headwinds in 2023 including, large accumulated economic imbalances as well as series of domestic and external economic shocks, rising inflation, increasing fuel prices, depleting foreign exchange reserves, massive devaluation of the Pakistani rupee, political instability, increasing interest rates, and high budget deficit made the year more challenging. In this backdrop, business confidence and economic activity collapsed due to import controls, periodic exchange rate fixing, creditworthiness downgrades, and ballooning interest payments. In FY 2023, Pakistan's GDP was 0.29% as compared to 6.1% in FY 2022. The General Inflation (CPI) increased significantly touching a multi-year high of 29.7% in December as compared to 24.5% in December 2022. During the year, SBP increased the benchmark interest rate by a cumulative 600 bps to 22%. In July 2023 Pakistan also entered Stand-By Arrangement (SBA) with IMF to unlocked new external financing and averted a balance of payments crisis. Even with the SBA, reserves are expected to remain low, necessitating continued import controls and constraining economic recovery.

The Bank is regularly conducting assessments of the credit portfolio, with robust post disbursement credit review mechanism to identify borrowers most likely to be affected in the challenging business and economic environment. Bank is confident that it has more than sufficient risk bearing capacity to stand with in these difficult times.

The wide variety of the Bank's business activities require the Bank to identify, assess, measure, aggregate and manage risks effectively which are constantly evolving as the business activities expand in response to the Bank's strategy and growth. The Bank manages the risk through a framework of risk management encompassing policies and procedures, organisational structures, risk measurement and monitoring processes and techniques that are closely aligned with business activities of the Bank.

The primary goal of risk management is to identify, assess and monitor risks inherent in the activities of the Bank and take adequate measures to manage and control these risks on timely basis. This will help in achieving sustainable business growth and financial and non-financial targets with better protection and soundness. The Bank's aim is to achieve an appropriate balance between risk and return and minimizing potential adverse effects on the Bank's financial performance.

This section presents information about Bank's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments:

- Credit risk is the risk of loss resulting from client or counterparty default (note 44.1).
- Market risk is exposure to market variables such as benchmark rates, exchange rates and equity indices (note 44.2).
- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events and Shariah non compliance (note 44.3).
- Liquidity risk is the potential loss arising from Bank's inability to meet its obligations when due (note 44.4).

The objective of risk management is to effectively manage uncertainties that arise in the normal course of business activities. The Bank manages the risk through a framework of risk management, policies and principles, organizational structures, and risk measurement and monitoring processes that are closely aligned with the business activities of the Bank.

Risk management principles

- The Board of Directors (the Board) provides overall risk management supervision. The Board Risk Committee (BRC) regularly monitors the Bank's risk profile.
- The Bank has set up objectives and policies to manage the risks that arise in connection with the Bank's activities. The risk management framework and policies of the Bank are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate the salient risk elements in the operations of the Bank.
- The establishment of the overall financial risk management objectives is consistent and tandem with the strategy to create and enhance shareholders value, while guided by a prudent and robust framework of risk management policies.
- The structure of risk management function is closely aligned with the organizational structure of the Bank.

Risk management organisation

The Board through its sub-committee called Board Risk Committee (BRC) oversees the overall risk of the Bank. The Risk Management Department (RMD) is the organisational arm performing the functions of identifying, measuring, monitoring and controlling the various risk and assists the apex level committee and the various sub-committees in conversion of policies into action.

The BRC comprises executive directors, non-executive directors and the Chief Risk Officer. One of the non-executive directors of the Bank chairs the BRC, who is responsible for planning, management and control of the aforementioned risks of the Bank.

The BRC has delegated some of its tasks of risk management to sub committees which are as follows:

Name of the committees

Credit Committee
 Asset and Liability Management Committee (ALCO)
 Credit Risk Management Committee (CRMC)

Chaired by

Chief Executive Officer
 Chief Executive Officer
 Chief Executive Officer

Credit committee is responsible for approving and monitoring all financing transactions and also the overall quality of the asset portfolio. For this purpose it has formulated credit policy so as to effectively monitor the risk profile of the Bank's asset portfolio and to ensure strict adherence to the SBP's Prudential Regulations, Banking Companies Ordinance, 1962 and any other regulatory requirement.

ALCO has the responsibility for the formulation of overall strategy and oversight of the assets liability management function. ALCO monitors the maintenance of liquidity ratios, depositor's concentration both in terms of overall funding mix and avoidance of reliance on large deposits. The Board has approved a comprehensive liquidity management policy.

CRMC is responsible to oversee credit risk activities on bank wide basis while ensuring compliance with regulatory requirements and internal policies. Its responsibilities also include to provide support and guide front lines in managing their businesses, perform finance portfolio review, establish financing standards and benchmarks, maintain adequate industry diversification and decide upon provisioning. It is also required to delegate financing approving powers & prudential limits on large financing exposures.

The Bank's risk management, compliance and internal audit and legal departments support the risk management function. The role of the risk management department is to quantify the risk and the quality and integrity of the Bank's risk-related data. The Compliance Department ensures that all the directives and guidelines issued by SBP are being complied with in order to mitigate the compliance and operational risks. Internal Audit Department reviews the compliance of internal control procedures with internal and regulatory standards.

44.1 Credit risk

Credit risk is the risk of loss to Bank as a result of failure by a client or counterparty to meet its contractual obligations when due. Exposure to credit risks for the Bank arises primarily from financing and investing activities.

The management of credit risk is governed by credit policies approved by the Board. The procedures set out the relevant approval authorities, limit structures, risks, credit ratings and other matters involved in order to ensure sound credit granting standards.

The Bank has a well defined credit structure duly approved by the Board under which delegated authorities at various levels are operating and which critically scrutinise and sanction credit. The emphasis is to provide short to medium term trade related Islamic financing and related assets to reputable names, which are self liquidating and Shariah compliant. The risk appraisal system of the Bank has enabled it to build a sound portfolio.

Credit risk management framework forms part of the overall business strategy and credit operations of the Bank. The principles for credit risk management have been laid down in the Bank's credit risk policy, credit manual and credit operations procedure manuals. The policy has been developed in accordance with the requirements of the State Bank of Pakistan and is reviewed and updated (where required) on periodic basis.

The Bank has a rigorous pre-approval evaluation process of credit risk embedded in each credit transactions executed by the business units. The entire process broadly encompasses, gathering relevant information of the borrower, credit investigations and visits, detailed credit appraisal and credit risk assessment and measurement. In addition to monitoring credit limits specified in the Prudential Regulations of the State Bank of Pakistan, credit limit structure includes internal limits as established by the senior management and the Board. Internal limits include limits with respect to Board approved risk appetite, industry / sector, credit approval authority and exposure with financial institutions. All these limits are monitored on regular basis and exceptions are reported to the relevant authorities for their timely action where necessary.

Besides managing credit risk at transaction level, the Bank regularly monitors credit risk at portfolio level and ensures that no undue concentration of risk is present in the overall credit exposure. The Bank has well established management information set-up which allows efficient and effective assessment, monitoring and management of its credit risk profile in various dimensions.

Provisions are determined in accordance with the requirements of the SBP. The authority to determine provisions and credit valuation adjustments for impaired claims, vests in Credit Operations Department and is according to the SBP regulations.

44.1.1 Due from financial institutions

Credit risk by public / private sector

	Due from financial institutions (Gross)		Non-performing due from financial institutions		Provision held	
	2023	2022	2023	2022	2023	2022
Public / Government	-	-	-	-	-	-
Private	8,098,788	-	-	-	-	-
	<u>8,098,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Rupees in '000)

44.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2023	2022	2023	2022	2023	2022
Textile	102,213	102,213	102,213	102,213	102,213	102,213
Pharmaceuticals	578,325	261,813	-	-	-	-
Electronics and electrical appliances	-	308,758	-	-	-	-
Power (electricity), gas, water, sanitary	25,030,755	25,378,853	-	-	-	-
Financial	4,571,324	3,740,551	9,242	9,242	9,242	9,242
Federal Government securities	91,650,116	79,324,269	-	-	-	-
Foreign Government securities	840,729	668,326	-	-	-	-
	<u>122,773,462</u>	<u>109,784,783</u>	<u>111,455</u>	<u>111,455</u>	<u>111,455</u>	<u>111,455</u>

(Rupees in '000)

Credit risk by public / private sector

Public / Government	117,142,956	104,888,665	-	-	-	-
Private	5,630,506	4,896,118	111,455	111,455	111,455	111,455
	<u>122,773,462</u>	<u>109,784,783</u>	<u>111,455</u>	<u>111,455</u>	<u>111,455</u>	<u>111,455</u>

44.1.3 Islamic financing and related assets

Credit risk by industry sector

	Islamic financing and related assets (Gross)		Non-performing Islamic financing and related assets		Provision held	
	2023	2022	2023	2022	2023	2022
Agriculture, forestry, hunting and fishing	1,818,396	2,027,213	500,310	323,091	363,673	240,419
Mining and quarrying	1,672,098	1,682,831	119,902	-	-	-
Textile	12,385,194	11,706,079	3,762,503	3,825,323	3,520,297	3,302,494
Chemical and pharmaceuticals	6,494,873	5,574,777	473,162	477,346	460,462	458,296
Cement	1,405,845	1,477,008	-	-	-	-
Sugar	2,776,266	3,148,293	308,369	314,467	268,272	274,372
Footwear and leather garments	326,947	472,068	266,652	37,835	114,038	34,873
Automobile and transportation equipment	1,416,668	1,657,178	4,458	9,450	2,167	1,500
Electronics and electrical appliances	1,508,396	2,680,283	286,326	275,482	118,823	21,612
Construction	659,383	1,078,006	448,098	340,654	321,385	279,010
Power (electricity), gas, water, sanitary	1,432,936	2,382,755	188,425	197,210	-	-
Wholesale and retail trade	1,784,616	2,181,919	424,705	162,688	312,231	117,579
Exports / Imports	41,910	209,179	-	-	-	-
Transport, storage and communication	6,524,181	7,390,327	81,902	88,403	61,581	63,390
Financial	592,812	617,812	89,035	89,035	89,035	89,035
Insurance	-	411	-	-	-	-
Services	2,359,385	2,640,598	166,357	196,567	163,461	193,441
Individuals / staff	24,574,862	30,156,464	956,963	845,777	553,735	486,502
Food products and beverages	12,375,873	12,577,467	2,462,520	2,268,238	2,093,788	2,019,899
Oil and gas companies	2,219,000	2,406,500	1,781,500	1,781,500	1,781,500	1,781,500
Others	8,993,824	4,126,334	403,091	499,056	274,748	353,779
	<u>91,363,465</u>	<u>96,193,502</u>	<u>12,724,278</u>	<u>11,732,122</u>	<u>10,499,196</u>	<u>9,717,701</u>

(Rupees in '000)

	Islamic financing and related assets (Gross)		Non-performing Islamic financing and related assets		Provision held	
	2023	2022	2023	2022	2023	2022
Credit risk by public / private sector	-----Rupees in '000-----					
Public / Government	6,458,333	7,392,857	-	-	-	-
Private	84,905,132	88,800,645	12,724,278	11,732,122	10,499,196	9,717,701
	<u>91,363,465</u>	<u>96,193,502</u>	<u>12,724,278</u>	<u>11,732,122</u>	<u>10,499,196</u>	<u>9,717,701</u>

44.1.4 Contingencies and Commitments

	2023	2022
Credit risk by industry sector	-----Rupees in '000-----	
Agriculture, forestry, hunting and fishing	410,491	148,256
Mining and quarrying	124,377	-
Textile	2,245,699	2,574,042
Chemical and pharmaceuticals	4,430,269	3,965,573
Cement	178,556	131,055
Sugar	42,088	145,240
Footwear and leather garments	159,820	128,245
Automobile and transportation equipment	1,020,215	516,427
Electronics and electrical appliances	3,355,098	1,011,494
Construction	3,474,483	3,457,264
Power (electricity), gas, water, sanitary	1,656,946	1,715,786
Wholesale and retail trade	2,006,476	929,356
Exports / Imports	44,472	176,675
Oil and gas companies	371,648	-
Transport, storage and communication	36,752	97,152
Financial	26,714,776	36,562,855
Services	6,231,654	2,631,081
Food products and beverages	970,467	3,471,129
Others	8,628,832	9,941,561
	<u>62,103,119</u>	<u>67,603,190</u>
Credit risk by public / private sector		
Public / Government	4,018,515	2,326,512
Private	58,084,604	65,276,678
	<u>62,103,119</u>	<u>67,603,190</u>

44.1.5 Concentration of Islamic financing and related assets

The bank top 10 exposures on the basis of total funded and non-funded exposures aggregated to Rs. 26,903 million (31 December 2022: Rs. 25,296 million) are as following:

	2023	2022
	-----Rupees in '000-----	
Funded	20,520,686	17,129,176
Non-funded	6,382,437	8,166,451
Total exposure	<u>26,903,123</u>	<u>25,295,627</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 34,356 million (31 December 2022: Rs. 36,769 million).

Total funded classified therein

	2023		2022	
	Amount	Provision held	Amount	Provision held
	-----Rupees in '000-----			
Loss	1,781,500	1,781,500	1,781,500	1,781,500
Total	<u>1,781,500</u>	<u>1,781,500</u>	<u>1,781,500</u>	<u>1,781,500</u>

44.1.6 Islamic financing and related assets - Province / Region-wise disbursement and utilisation

Province / Region	2023						
	Disbursements	Utilisation					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
(Rupees in '000)							
Punjab	34,040,598	34,040,598	-	-	-	-	-
Sindh	65,351,254	-	65,351,254	-	-	-	-
KPK including FATA	555,016	-	-	555,016	-	-	-
Balochistan	497,416	-	-	-	497,416	-	-
Islamabad	2,966,581	-	-	-	-	2,966,581	-
AJK including Gilgit-Baltistan	9,539	-	-	-	-	-	9,539
Total	103,420,404	34,040,598	65,351,254	555,016	497,416	2,966,581	9,539

Province / Region	2022						
	Disbursements	Utilisation					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
(Rupees in '000)							
Punjab	62,030,049	62,030,049	-	-	-	-	-
Sindh	92,114,679	-	92,114,679	-	-	-	-
KPK including FATA	224,692	-	-	224,692	-	-	-
Balochistan	852,400	-	-	-	852,400	-	-
Islamabad	4,723,633	-	-	-	-	4,723,633	-
AJK including Gilgit-Baltistan	20,439	-	-	-	-	-	20,439
Total	159,965,892	62,030,049	92,114,679	224,692	852,400	4,723,633	20,439

44.2 Market risk

Market risk is the risk that the Bank's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as profit rates, credit spreads, commodity prices, equity prices and foreign exchange rates.

The main objective of the Bank's market risk management is to minimise market risk and to facilitate business growth within a controlled and transparent risk management framework.

Market risk arise from investment in sukuk, equities and dealing in foreign exchange transactions.

Market risk is being monitored by ALCO and performs following functions in relation to market risk:

- Regular periodic review of market risk, based on economic review reports.
- Keeps an eye on the structure / composition of the Bank's assets and liabilities and decide upon product pricing for deposits, Islamic financing and related assets.
- Develop future business strategy in view of the latest trends / policy in the market, economic conditions and local regulatory requirements.
- Review and recommend to the Board of Directors, new opportunities for generating revenues.

44.2.1 Statement of Financial Position split by trading and banking books

	2023			2022		
	Banking book	Trading book	Total	Banking book	Trading book	Total
(Rupees in '000)						
Cash and balances with treasury banks	21,877,439	-	21,877,439	14,751,313	-	14,751,313
Balances with other banks	1,683,007	-	1,683,007	1,939,954	-	1,939,954
Due from financial institutions	8,098,788	-	8,098,788	-	-	-
Investments	110,878,411	12,003,073	122,881,484	109,776,310	123,595	109,899,905
Islamic financing and related assets	79,755,889	-	79,755,889	86,057,049	-	86,057,049
Fixed assets	4,270,166	-	4,270,166	3,975,501	-	3,975,501
Intangible assets	1,275,180	-	1,275,180	1,305,295	-	1,305,295
Deferred tax assets	2,545,871	-	2,545,871	2,653,775	-	2,653,775
Other assets	12,985,825	-	12,985,825	11,991,830	-	11,991,830
	243,370,576	12,003,073	255,373,649	232,451,027	123,595	232,574,622

44.2.2 Foreign exchange risk

Foreign exchange risk arises from the fluctuation in the value of financial instruments consequent to the changes in foreign exchange rates. Objective of foreign exchange risk management function is to minimize the adverse impact of foreign exchange assets and liabilities mismatch and maximize the earnings. The Bank manages this risk by setting and monitoring dealer, currency, inter exposures, stop loss and counter party limits for on and off balance sheet financial instruments.

	2023				2022			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)				(Rupees in '000)			
Pakistan rupee	242,404,980	212,163,670	(11,677,564)	18,563,746	222,078,937	196,515,055	(10,661,113)	14,902,769
US Dollar	9,507,124	20,628,662	10,589,971	(531,567)	9,603,890	18,429,084	8,240,442	(584,752)
Great Britain pound	1,634,513	2,075,418	482,783	41,878	560,526	1,758,361	1,258,331	60,496
Euro	1,246,675	1,745,484	527,939	29,130	125,024	1,105,542	1,008,127	27,609
Arab Emirates Dirham	141,379	200,213	76,871	18,037	73,784	152,033	154,213	75,964
Japanese Yen	9,504	28	-	9,476	35,661	24	-	35,637
Canadian Dollar	27,452	-	-	27,452	14,979	-	-	14,979
Saudi Riyal	44,592	-	-	44,592	-	-	-	-
Singapore Dollar	-	-	-	-	50	50	-	-
Swiss Frank	13,034	-	-	13,034	14,314	-	-	14,314
Chinese Yuan	344,391	307,012	-	37,379	67,453	9,740	-	57,713
Malaysian Ringit	5	5	-	-	4	4	-	-
Foreign currency exposure	12,968,669	24,956,822	11,677,564	(310,589)	10,495,685	21,454,838	10,661,113	(298,040)
	<u>255,373,649</u>	<u>237,120,492</u>	<u>-</u>	<u>18,253,157</u>	<u>232,574,622</u>	<u>217,969,893</u>	<u>-</u>	<u>14,604,729</u>

The exposures of the Bank to foreign exchange risk is also restricted by the statutory limit on aggregate exposure prescribed by the SBP.

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on:				
- Profit and loss	(119,882)	116,776	(109,591)	106,611

44.2.3 Equity position risk

Equity position includes the following:

- Strategic investment
- Investment in equities for generating revenue in short term

The equity investments are accounted for and disclosed as per the provisions and directives of SBP, SECP and the requirements of accounting and reporting standards as applicable in Pakistan.

Provision for diminution in the value of securities is made after considering impairment, if any, in their value and is charged to the profit and loss account.

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices on:				
- Other comprehensive	1,003	5,065	323	6,180

44.2.4 Yield / profit rate risk

It includes all material yield risk positions of the Bank taking into account all re-pricing and maturity data. It includes current balances and contractual yield rates, the Bank understands that its Islamic financing and related assets shall be re-priced as per their respective contracts.

The Bank estimates changes in the economic value of equity due to changes in the yield rates on on-balance sheet positions by conducting duration gap analysis. It also assesses yield rate risk on earnings of the bank by applying upward and downward shocks.

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in profit rates on				
- Profit and loss	(90,814)	(5,976)	(112,490)	-
- Other comprehensive	-	-	-	-

44.2.5 Mismatch of yield rate sensitive assets and liabilities

2023												
Effective yield rate	Total	Exposed to Yield risk									Non-interest bearing financial instruments	
		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)												
Assets												
Cash and balances with treasury banks		21,877,439	-	-	-	-	-	-	-	-	-	21,877,439
Balances with other banks	9.91%	1,683,007	454,254	-	-	-	-	-	-	-	-	1,228,753
Due from financial institutions	11.59%	8,098,788	8,098,788	-	-	-	-	-	-	-	-	-
Investments	21.19%	122,881,484	12,486,976	11,617,268	92,796,059	8,008	3,530,012	2,223,684	-	-	-	219,477
Islamic financing and related assets-net	19.33%	79,755,889	22,317,615	19,208,128	20,877,544	9,095,810	14,328	77,928	519,043	2,535,169	3,794,831	1,315,493
Other assets		11,016,561	-	-	-	-	-	-	-	-	-	11,016,561
		245,313,168	43,357,633	30,825,396	113,673,603	9,103,818	3,544,340	2,301,612	519,043	2,535,169	3,794,831	35,657,723
Liabilities												
Bills payable		5,646,089	-	-	-	-	-	-	-	-	-	5,646,089
Due to financial institutions	15.08%	7,649,661	346,400	3,680,700	1,625,580	-	1,944	1,294	112,546	1,827,980	-	53,217
Deposits and other accounts	14.42%	207,337,745	142,681,522	-	-	-	-	-	-	-	-	64,656,223
Subordinated debt	22.80%	4,624,241	-	1,500,000	1,735,000	1,389,241	-	-	-	-	-	-
Other liabilities		9,081,795	-	-	-	-	-	-	-	-	-	9,081,795
		234,339,531	143,027,922	5,180,700	3,360,580	1,389,241	1,944	1,294	112,546	1,827,980	-	79,437,324
On-balance sheet gap		10,973,637	(99,670,289)	25,644,696	110,313,023	7,714,577	3,542,396	2,300,318	406,497	707,189	3,794,831	(43,779,601)
Non-financial assets												
Fixed assets		4,270,166										
Intangible assets		1,275,180										
Other assets		1,969,264										
Deferred tax assets		2,545,871										
		10,060,481										
Non-financial liabilities												
Other liabilities		2,780,961										
Total net assets		18,253,157										
Off-balance sheet financial instruments												
Commitments in respect of:												
- forward foreign exchange contracts		26,425,287	-	-	-	-	-	-	-	-	-	26,425,287
- guarantees		13,425,395	-	-	-	-	-	-	-	-	-	13,425,395
- letter of credit		16,300,830	-	-	-	-	-	-	-	-	-	16,300,830
- financing		687,066	-	-	-	-	-	-	-	-	-	687,066
Off-balance sheet gap		59,536,946	-	-	-	-	-	-	-	-	-	56,838,578
Total yield risk sensitivity gap			(99,670,289)	25,644,696	110,313,023	7,714,577	3,542,396	2,300,318	406,497	707,189	3,794,831	13,058,977
Cumulative yield risk sensitivity gap			(99,670,289)	(74,025,593)	36,287,430	44,002,007	47,544,403	49,844,721	50,251,218	50,958,407	54,753,238	67,812,215

2022											
Effective yield rate	Total	Exposed to Yield risk									Non-interest bearing financial instruments
		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	-	14,751,313	-	-	-	-	-	-	-	-	14,751,313
Balances with other banks	14.02%	1,939,954	447,200	-	-	-	-	-	-	-	1,492,754
Due from financial institutions	-	-	-	-	-	-	-	-	-	-	-
Investments	15.17%	109,899,905	12,177,918	11,508,896	82,186,882	-	668,326	2,105,461	1,025,845	-	226,577
Islamic financing and related assets	17.34%	86,057,049	20,703,433	23,403,446	20,070,443	13,694,351	87,124	17,544	248,984	2,587,652	1,647,090
Other assets	-	9,991,082	-	-	-	-	-	-	-	-	9,991,082
		222,639,303	33,328,551	34,912,342	102,257,325	13,694,351	755,450	2,123,005	1,274,829	2,587,652	28,108,816
Liabilities											
Bills payable	-	5,376,942	-	-	-	-	-	-	-	-	5,376,942
Due to financial institutions	13.54%	12,950,001	2,228,978	5,867,200	2,590,979	-	-	2,916	1,869	2,083,100	174,959
Deposits and other accounts	11.89%	185,049,169	146,782,310	-	-	-	-	-	-	-	38,266,859
Subordinated debt	15.99%	4,624,241	-	1,500,000	1,735,000	1,389,241	-	-	-	-	-
Other liabilities	-	7,819,338	-	-	-	-	-	-	-	-	7,819,338
		215,819,691	149,011,288	7,367,200	4,325,979	1,389,241	-	2,916	1,869	2,083,100	51,638,098
On-balance sheet gap		6,819,612	(115,682,737)	27,545,142	97,931,346	12,305,110	755,450	2,120,089	1,272,960	504,552	(23,529,282)
Non-financial assets											
Fixed assets		3,975,501									
Intangible assets		1,305,295									
Other assets		1,999,864									
Deferred tax assets		2,653,775									
		9,934,435									
Non-financial liabilities											
Other liabilities		2,149,318									
Total net assets		14,604,729									
Off-balance sheet financial instruments											
Commitments in respect of:											
- forward foreign exchange contracts		36,327,164	-	-	-	-	-	-	-	-	36,327,164
- guarantees		14,712,264	-	-	-	-	-	-	-	-	14,712,264
- letter of credit		11,407,940	-	-	-	-	-	-	-	-	11,407,940
- financing		760,797	-	-	-	-	-	-	-	-	760,797
Off-balance sheet gap		63,208,165	-	-	-	-	-	-	-	-	63,208,165
Total yield risk sensitivity gap			(115,682,737)	27,545,142	97,931,346	12,305,110	755,450	2,120,089	1,272,960	504,552	39,678,883
Cumulative yield risk sensitivity gap			(115,682,737)	(88,137,595)	9,793,751	22,098,861	22,854,311	24,974,400	26,247,360	26,751,912	70,027,777

44.3 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events and Shariah non-compliance. In this regard, an Operational Risk Management unit has been established within the Risk Management Department.

Under basic indicator approach the capital charge for operational risk is a fixed percentage (denoted alpha) of average positive annual gross income of the Bank over the past three years. Figures for any year in which annual gross income is negative or zero, should be excluded from both the numerator and denominator when calculating the average.

The Bank ensures that the key operational risks are managed in a timely and effective manner by raising awareness of operational risk, improving early warning information and allocating risk ownership and responsibilities. The Bank has developed policies, guidelines and manuals necessary for the mitigation of operational risk.

The Bank is also supervised by the Shariah Board which sets out guidelines, policies and procedures for the Bank to ensure that all its activities and products are Shariah compliant. The internal audit function of the Bank performs regular audit on various operations of the Bank and monitors the key risk exposure areas to ensure that internal control procedures are in place and those procedures are able to mitigate risk associated with operational activities.

44.4 Liquidity risk

Liquidity risk is defined as the potential loss arising from the Bank's inability to meet its obligation when due.

The Liquidity Coverage Ratio (LCR) is a quantitative requirement which aims to ensure that a bank maintains an adequate level of unencumbered high quality liquid assets which can easily be converted into cash at little or no loss of value in private markets, to withstand an acute liquidity stress scenario over a 30-day horizon at the entity level.

LCR has been defined as

$$\frac{\text{Stock of high quality liquid assets (HQLAs)}}{\text{Total net cash outflows over the next 30 calendar days}}$$

Liquid assets comprise of high quality assets that can be readily sold or used as collateral to obtain funds in a range of stress scenarios. There are two categories of assets included in the stock of HQLAs, viz. Level 1 and Level 2 assets. Level 1 assets are with 0% haircut while Level 2A assets are with a minimum 15% haircut and Level 2B Assets, with a maximum 50% haircut.

The term "Total net cash outflows" is defined as the total expected cash outflows minus total expected cash inflows in the stress scenario for the subsequent 30 calendar days.

The most significant drivers of the Bank's cash outflow were Retail and unsecured wholesale funding. Unsecured funding transactions include funds provided by non-financial corporate customers, sovereigns, central banks, multilateral development banks and PSEs.

The objective of NSFR is to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress.

NSFR has been defined as

$$\frac{\text{Available amount of Stable Funding (Funding Source)}}{\text{Required amount of Stable Funding (Funding User)}}$$

The amount of available stable funding (ASF) is measured mainly on the broad characteristics of the relative stability of a bank's funding sources (equity & liabilities), contractual maturity of its liabilities and the difference in the tendency to withdraw their funding by different types of funding providers.

The amount of required stable funding (RSF) is measured based on the broad characteristics of the liquidity risk profile of the Bank's assets and off-balance sheet (OBS) exposures.

As per Bank's Investment Policy, ALCO shall be the management's governing committee mainly responsible for Market and Liquidity risks pertaining to balance sheet and off-balance sheet items. It is ALCO's responsibility to establish and monitor liquidity targets as well as strategies and tactics to meet those targets. Furthermore, ALCO will ensure that sufficient liquidity is available for unanticipated contingencies. ALCO monitors the maintenance of liquidity ratios, depositor's concentration both in terms of overall funding mix and avoidance of reliance on large individual deposits. The Board of Directors have approved a comprehensive liquidity management policy.

Management of liquidity is centrally managed through the Treasury within the bank. The Bank has sufficient liquidity sources for outflows and management is of the view that we are adequately liquid as required by LCR & NSFR regulations. The Asset and Liability Management Committee (ALCO) of the Bank is responsible for oversight of liquidity management and review of positions on monthly basis and / or on need basis based on systematic risks.

The Bank has a comprehensive Contingency plan that specifies strategies for dealing with the liquidity problem and outlines particular funding sources that would be drawn upon as part of the overall strategy. It also outlines trigger points that would be indicative of the crisis and lays the course of action to be taken by the institution for handling such a crises.

44.4.1 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Bank

[illegible]

2022													
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	Over 5 years
(Rupees in '000)													
Assets													
Cash and balances with treasury banks	14,751,313	14,751,313	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,939,954	1,939,954	-	-	-	-	-	-	-	-	-	-	-
Due from financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	109,899,905	226,577	-	-	-	308,758	512,848	-	71,500	668,326	35,775,772	48,715,773	23,620,351
Islamic financing and related assets - net	86,057,049	-	393,580	1,093,029	5,194,583	5,886,689	10,628,524	11,882,627	1,679,902	2,024,602	3,482,847	9,489,241	12,713,676
Fixed assets	3,975,501	20	-	16	1	1,155	1,317	295,670	15,279	52,160	162,030	296,497	2,254,070
Intangible assets	1,305,295	-	-	-	6,427	6,427	6,427	125,560	19,282	19,282	77,128	77,128	913,814
Deferred tax assets	2,653,775	932	10,559	29,327	143,638	158,455	284,807	308,200	45,546	95,083	164,407	344,960	382,387
Other assets	11,991,830	1,033,165	301,618	845,533	945,569	305,064	5,812,773	175,964	1,160,833	1,001,224	60,787	-	-
	232,574,622	17,951,961	705,757	1,967,905	6,290,218	6,666,548	16,733,848	13,300,869	2,920,842	3,263,851	4,615,525	45,983,598	39,884,298
Liabilities													
Bills payable	5,376,942	5,376,942	-	-	-	-	-	-	-	-	-	-	-
Due to financial institutions	12,950,001	125,080	1,490,000	12,198	726,780	3,966,237	1,900,963	2,590,979	-	-	11,947	42,717	2,083,100
Deposits and other accounts	185,049,169	126,802,693	2,564,772	1,645,905	14,962,330	5,192,902	11,324,889	8,536,055	5,820,908	7,084,680	392,602	324,517	-
Sub-ordinated loans	4,624,241	-	-	-	-	-	-	-	-	-	1,500,000	-	3,124,241
Other liabilities	9,969,540	1,777,880	500,805	843,346	4,207,942	246,633	23,920	-	233,614	340,644	104,635	299,829	614,002
	217,969,893	134,082,595	4,555,577	2,501,449	19,897,052	9,405,772	13,249,772	11,127,034	6,054,522	7,425,324	1,997,237	636,293	5,821,343
Net assets	14,604,729	(116,130,634)	(3,849,820)	(533,544)	(13,606,834)	(2,739,224)	3,484,076	2,173,835	(3,133,680)	(4,161,473)	2,618,288	45,347,305	34,062,955

Represented by

Share capital - net	14,500,490
Reserves	760,280
Surplus on revaluation of assets - net of tax	176,411
Accumulated losses	(832,452)
	<u>14,604,729</u>

44.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

Saving and current accounts have been bucketed on the basis of behavioural study conducted by the Bank.

2023									
Total	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)									
Assets									
Cash and balances with treasury banks	21,877,439	21,877,439	-	-	-	-	-	-	-
Balances with other banks	1,683,007	1,683,007	-	-	-	-	-	-	-
Due from financial institutions	8,098,788	8,098,788	-	-	-	-	-	-	-
Investments	122,881,484	219,477	-	2,754,229	7,068,687	36,198,450	22,634,348	29,566,794	24,339,499
Islamic financing and related assets - net	79,755,889	10,115,287	10,564,836	13,789,303	5,541,628	6,533,531	13,008,163	8,870,189	5,768,997
Fixed assets	4,270,166	27	1,715	297,635	53,708	157,953	276,366	1,033,996	2,448,766
Intangible assets	1,275,180	1,660	3,905	164,908	17,782	62,394	98,092	42,236	884,203
Deferred tax assets	2,545,871	506,692	530,219	239,985	196,080	167,483	438,018	221,724	245,670
Other assets	12,985,825	6,381,236	2,250,014	3,076,239	852,025	38,461	164,926	118,369	104,555
	255,373,649	48,883,613	13,350,689	20,322,299	13,729,910	43,158,272	36,619,913	39,853,308	33,791,690
									5,663,955
Liabilities									
Bills payable	5,646,089	5,646,089	-	-	-	-	-	-	-
Due to financial institutions	7,649,661	11,400	3,940,950	1,700,330	-	7,965	19,680	252,012	1,717,324
Deposits and other accounts	207,337,745	35,496,497	19,276,801	29,135,086	25,665,620	22,660,057	22,594,094	22,656,193	22,390,047
Subordinated debt	4,624,241	-	-	-	1,500,000	-	-	-	1,735,000
Other liabilities	11,862,756	4,115,435	3,564,209	271,115	2,352,952	449,874	379,712	339,146	390,313
	237,120,492	45,269,421	26,781,960	31,106,531	29,518,572	23,117,896	22,993,486	23,247,351	26,232,684
									8,852,591
Net assets	18,253,157	3,614,192	(13,431,271)	(10,784,232)	(15,788,662)	20,040,376	13,626,427	16,605,957	7,559,006
									(3,188,636)
Represented by									
Share capital-net	14,500,490								
Reserves	1,381,115								
Surplus on revaluation of assets - net of tax	793,083								
Accumulated losses	1,578,469								
	<u>18,253,157</u>								

2022									
Total	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)									
Assets									
Cash and balances with treasury banks	14,751,313	14,751,313	-	-	-	-	-	-	-
Balances with other banks	1,939,954	1,939,954	-	-	-	-	-	-	-
Due from financial institutions	-	-	-	-	-	-	-	-	-
Investments	109,899,905	226,577	308,758	512,848	71,500	668,326	35,775,772	48,715,773	23,520,351
Islamic financing and related assets - net	86,057,049	6,681,192	16,515,213	11,882,627	3,704,504	3,482,847	9,489,241	21,587,749	6,452,774
Fixed assets	3,975,501	37	2,472	295,670	67,439	162,030	296,497	897,286	2,254,070
Intangible assets	1,305,295	6,427	12,854	125,560	38,564	77,128	77,128	53,820	913,814
Deferred tax assets	2,653,775	184,456	443,262	308,200	140,629	164,407	344,960	685,474	382,387
Other assets	11,991,830	3,125,885	6,117,837	175,964	2,162,057	60,787	-	349,300	-
	232,574,622	26,915,841	23,400,396	13,300,869	6,184,693	4,615,525	45,983,598	72,289,402	33,523,396
									6,360,902
Liabilities									
Bills payable	5,376,942	5,376,942	-	-	-	-	-	-	-
Due to financial institutions	12,950,001	2,354,058	5,867,200	2,590,979	-	11,947	42,717	2,083,100	-
Deposits and other accounts	185,049,169	31,853,276	26,662,006	17,412,244	25,585,858	19,413,006	19,344,921	19,417,320	19,020,404
Subordinated debt	4,624,241	-	-	-	-	1,500,000	-	-	1,735,000
Other liabilities	9,969,540	7,329,973	270,553	-	574,258	104,635	299,829	776,290	614,002
	217,969,893	46,914,249	32,799,759	20,003,223	26,160,116	21,017,641	19,656,697	20,236,327	23,452,506
									7,729,375
Net assets	14,604,729	(19,998,408)	(9,399,363)	(6,702,354)	(19,975,423)	(16,402,116)	26,326,901	52,053,075	10,070,890
									(1,368,473)
Represented by									
Share capital-net	14,500,490								
Reserves	760,280								
Surplus on revaluation of assets - net of tax	176,411								
Accumulated losses	(832,452)								
	<u>14,604,729</u>								

45 PROFIT / (LOSS) DISTRIBUTION TO DEPOSITOR'S POOL

45.1 General remunerative depositors' pools / IERS pools / Treasury pools

2023							
Remunerative pools	Period	Profit sharing ratio (average)	Profit rate and weightage announcement period	Mudarib share (Rupees in '000)	Percentage of Mudarib Share transferred through Hiba	Profit rate return earned	Profit rate return distributed
General pool - PKR	Jan to Dec 2023	50%	Monthly	403,576	15.5%	17.3%	10.0%
General pool - FCY	Jan to Dec 2023	86%	Monthly	4,170	9.6%	0.9%	0.2%
Islamic export refinance pool	Jan to Dec 2023	59%	Monthly	-	-	16.7%	14.2%
Treasury pool	Jan to Dec 2023	8%	Variable	-	-	20.8%	20.4%
Special depositors' pool - PKR	Jan to Dec 2023	15%	Monthly	197,749	17.6%	20.0%	17.4%
Special depositors' pool - FCY	Jan to Dec 2023	50%	Monthly	33,324	33.4%	11.2%	7.3%

2022							
Remunerative pools	Period	Profit sharing ratio (average)	Profit rate and weightage announcement period	Mudarib share (Rupees in '000)	Percentage of Mudarib Share transferred through Hiba	Profit rate return earned	Profit rate return distributed
General pool - PKR	Jan to Dec 2022	50%	Monthly	280,050	24.6%	12.2%	7.7%
General pool - FCY	Jan to Dec 2022	80%	Monthly	7,743	21.2%	1.3%	0.4%
Islamic export refinance pool	Jan to Dec 2022	72%	Monthly	-	-	8.7%	5.1%
Treasury pool	Jan to Dec 2022	14%	Variable	-	-	10.6%	9.4%
Special depositors' pool - PKR	Jan to Dec 2022	17%	Variable	147,599	42.1%	13.7%	12.3%

46 COMPLAINT MANAGEMENT

46.1 Mechanism of the Complaint Management Unit (CMU)

The Bank seeks to maintain its reputation as one of the market players who believe in delivering high quality Islamic Banking Services, and is committed to maintain responsiveness to the needs and concerns of its customers. The Bank has a designated separate and independent Complaint Management Unit (CMU) under Corporate Communication Department to handle complaints / grievances of the customers as per the Consumer Grievances Handling Mechanism (CGHM) policy issued by the SBP. The unit is efficiently performing its role and it is totally independent in scrutinizing, investigating and efficient closures of the complaints / queries raised by customers.

CMU is the responsible unit whose role is to be an effective intermediary between the customers and the core units of the Bank to get customer complaints properly responded and answered. The unit's core focus is the quick and efficient resolution of the complaints, analyses root cause of complaints and taking necessary measures to ensure its non-recurrence and to improve the service quality. The statistical data provided by CMU enables the concerned departments / units in improving performance and provision of quality service to the customers.

46.2 Lodgment of complaints

The complaint lodgment procedure is adequately displayed in all our branches as well as on our corporate website www.albaraka.com.pk. Further, details regarding lodgment of a complaint to Banking Mohtasib Pakistan and State Bank of Pakistan are also prominently displayed. Moreover, Sunwai CCP URL pasted on our website too.

All complaints of the customers that are received through various channels are logged in a Complaint Management System to keep track of their resolution. The Bank has a complaint escalation mechanism whereby all complaints are escalated to the senior management if not resolved within the stipulated time.

The Bank receive complaints from following sources:

- 1) Phone banking / call centre
- 2) Letter / CEO office / drop box / registers / email / e-forms
- 3) Banking Mohtasib Pakistan / SBP / Prime Minister Portal
- 4) Social media / website / survey

During 2023, the Bank received 9,921 complaints through different channels, out of which 98% were resolved with average resolution TAT of 6 days. The Bank follows defined standards, practices and regulatory requirements in resolution of complaints lodged with the Bank.

46.3 Steps of complaint resolution or handling of complaint

Fundamental steps of complaint handling as defined by SBP in BC & CPD Circular No. 01 of 2016 & BC&CPD Circular Letter No. 02 of 2021, being followed in the Bank are as follows:

- 1) Acknowledgment of complaint receipt.
- 2) Investigation and tagging of complaint to relevant department / branches.
- 3) Interim update to customer, if complaint resolution exceeds the defined timeline.
- 4) Intimation of resolution of complaint to customer.
- 5) Root cause analysis of the complaint.
- 6) Suggestions for required actions and its recurrence.
- 7) Issuing daily MIS to all the stakeholders.
- 8) Sending SMS at least on bi-annual basis to all customers informing them about modes of complaint lodgement.

46.4 New initiatives

The Bank consistently endeavours to provide superior customer services and in order to give better customers experience, below are the few initiatives taken by the Bank during 2023.

- The Bank has arranged quarterly training sessions for empowering the front end staff to comprehend the concept of Handling Customer's Complaints & Grievances.
- The Bank conducts extensive surveys regarding the complaint management to gauge customers' satisfaction and their experience. This research activity also help to identify customers expectations associated with Bank. ABPL has introduced a Digital Survey Platform for customers where they can provide their feedback through website.
- The Bank has also upgraded its Complaint Management System V2 by launching a state-of-the-art solution which resulted in process automation and efficient handling of customer complaints.
- The Bank also enhanced its complaint monitoring mechanism by introducing Complaint Management Dashboard which is regularly reviewed by the senior management to ensure timely resolution of customer complaints.
- Complaint Management System has been modified in terms of its functionality - Complaint's aging will be calculated on an hourly basis for more efficient handling of customer complaints. Acknowledgements are being routed with more accuracy with minimum discrepancy ratio.
- The voice of customer complaint closure survey score was 76% in 2023.

47 CORRESPONDING FIGURES

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparison and better presentation. There were no significant reclassifications / restatements during the year.

48 GENERAL

Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

49 DATE OF AUTHORISATION

These financial statements were authorised for issue on 22 February 2024 by the Board of Directors of the Bank.


Chief Executive Officer


Chief Financial Officer


Chairman


Director


Director

STATEMENT SHOWING WRITTEN-OFF FINANCING OR ANY OTHER FINANCIAL RELIEF OF RUPEES 500,000 OR ABOVE DURING THE YEAR ENDED 31 DECEMBER 2023

Rupees in thousands

Sr. No.	Name of the borrower	Name of individuals / partners / directors (with N.I.C. No.)	Father's name	Outstanding Liabilities at beginning of year				Written-off		Waiver	Total (9+10+11)
				Principal	Profit	Other financial relief	Total (5+6+7)	Principal	Profit	Other financial relief	
1	2	3	4	5	6	7	8	9	10	11	12
1	Arshad Alam	4240151807249	ALAM ZAIB	1,433	478	62	1,973	-	478	62	540
2	Shaikh Ahsan Madni	3630213120955	MUHAMMAD MADNI	3,029	1,052	2	4,083	-	754	2	756
3	Akbar Raza	4210122281013	SYED SHAHID RAZA	2,254	439	-	2,694	-	597	-	597
4	Muhammad Kaleem	3630309225727	MUHAMMAD RAFIQ	2,120	636	145	2,901	-	588	145	733
5	Mahmood Ahmad	3520266976437	MANZOOR AHMAD	1,530	509	50	2,089	-	581	50	631
6	New Rehmat Steel	1- Muhammad Yousaf Manj (35404-0817506-7) 2- Rana Mohsin Bhatti (35202-2896935-9)	1- Ch Faqir Hussain Manj 2- Muhammad Sharif Bhatti	82,519	10,145	-	92,664	12,519	10,145	-	22,664
7	MEHAR JAVED IQBAL	3630218372533	MUHAMMAD SUKSHH	1,605	711	6	2,322	-	736	-	736
8	SHERYAR	4240193831859	NORAZ KHAN	4,976	538	30	5,544	-	749	-	749
9	SHAHBAZ ALI HAIDER	3630234745513	ALLAH DITA KHAN	2,060	374	119	2,553	-	630	117	747
10	BISMILLAH HOSPITAL PVT LTD	1. Rahat Saeed Butt (35201-5367731-3) 2. Ghazala Rahat Saeed (35201-6682368-6)	1. Khawaja Muhammad Saeed 2. Rahat Saeed Butt	12,483	6,747	-	19,230	-	2,181	-	2,181
				114,009	21,629	414	136,053	12,519	17,438	376	30,333

AHER

Statement showing charity paid of Rs. 500,000 or above during the year ended 31 December 2023

Names	31 December 2023	31 December 2022
	-----Rupees in '000-----	
Molana Tariq Jamil Foundation (MTJF)	5,000	-
Sahil Welfare Association	5,000	-
Habib University Foundation	4,500	-
Shahid Afridi Foundation	-	15,500
Dawood Global Foundation	2,940	-
Alamgir Welfare Trust International	2,500	11,000
IBA Karachi (CEIF)	2,350	-
Make-A-Wish Foundation Pakistan	2,000	-
Indus Hospital	-	9,500
Jamia Darul- Uloom Karachi	-	5,000
Pakistan Aid Foundation	-	5,000
The Citizen Foundation	-	3,400
Baitussalam Welfare Trust	-	3,000
Alkhidmat Foundation Pakistan	802	3,000
Green Crescent Trust	-	2,726
Afzaal Memorial Thalassemia Foundation - AMTF	1,500	2,500
Shaukat Khanum Memorial Trust	-	2,500
Lahore Businessmen Association	-	2,000
The Layton Rahmatullah Benevolent Trust - LRBT	-	2,000
Professional Education Foundation	1,500	2,000
Anjuman Akhwan Us Safa	-	2,000
Patients Welfare Association, Jinnah Hospital	-	2,000
Health And Nutrition Development Society (HANDS)	-	2,000
Al Mustafa Welfare Society	-	1,900
Million Smiles Foundation	-	1,500
Health Education and Livelihood Promoter (HELP)	-	1,500
Family Educational Services Foundation - FESF	-	1,500
Pakistan Red Crescent Society	-	1,500
Saylani Welfare International Trust	1,000	1,500
The Hunar Foundation	-	1,500
Pakistan Children's Heart Foundation	-	1,500
Dua Foundation	-	1,175
Ihsan Trust	-	1,000
Memon Health and Education Foundation	500	1,000
Tameer-e-Millat Foundation	-	1,000
Orange Tree Foundation - OTF	-	1,000
Patel Hospital - Patel Foundation	-	1,000
Cancer Care Hospital & Research Center	-	1,000
The Cancer Foundation	-	1,000
Karachi Down Syndrome Program (KDSP)	-	1,000
National Disability & Development Forum (NDF)	-	1,000
Pakistan Association of the Blind (Sindh)	-	1,000
Nice Welfare Society	500	992
Arif Memorial Trust	-	820
FMD Distributor	-	570
Marghar Welfare Society	-	500
Mother & Child Rehabilitation	-	500
Parents Voice Association	-	500
Society for Advancement of Health, Education and the Environment (SAHEE)	-	500
Aiwan-e-Tijarat o Sanat Hospital Trust	-	500
Friends of Burn Centre (Civil Hospital)	-	500
Karwan-e-Hayat	-	500
Neurology Research & Patient Welfare Fund (National Epilepsy Center)	-	500
Chal Foundation	-	500
Bint-e-Fatima Foundation	-	500
TOTAL	30,092	106,083

Attest