



SAUDI PAK
INDUSTRIAL AND AGRICULTURAL
INVESTMENT COMPANY LIMITED

Annual Report 2023

Paving Paths for a Progressive Pakistan



A renewed focus on sustainable agriculture and industry

Saudi Pak Industrial and Agricultural Investment Company Limited has been instrumental in enabling agricultural and industrial progress in the corporate and SME sectors since its inception in 1981. Currently, with a portfolio of more than PKR 43 billion in investment and advances, the organization is stimulating a robust economy in Pakistan in partnership with various banks, financial institutions, and entrepreneurial bodies.

We begin the next financial year, with a renewed focus on sustainable agriculture and industrial investment. We are partnering with regulatory and industrial stakeholders to help frame policy frameworks that help enable the economy to fulfill both the UN Sustainable Development Goals and targets for Pakistan's Agenda for Sustainable Development.

We strongly believe in working with the communities for sustainable solutions, keeping their best interest at heart while encouraging the adoption of innovative technology. With an ever greater focus on sustainability, Saudi Pak is bracing for a more progressive and sustainable economy.



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CORPORATE INFORMATION

Board of Directors

Mr. Sultan Abdulrauf
Chairman

Mr. Awais Manzur Sumra
Deputy Chairman

Mr. Ali Tahir
Director

Mr. Majid Misfer J. Alghamdi
Director

Mr. Qumar Sarwar Abbasi
Director

Mr. Ghanem Alghanem
Director

Risk Management Committee

Mr. Qumar Sarwar Abbasi
Chairman

Mr. Majid Misfer J. Alghamdi
Member

Mr. Ali Tahir
Member

Mr. Ghanem Alghanem
Member

Ms. Tayaba Mazhar
Secretary

Company Secretary

Ms. Tayaba Mazhar

Chief Financial Officer

Mr. Safdar Abbas Zaidi

GM/Chief Executive

Mr. Rizwan Ahmed Sheikh

Audit Committee

Mr. Ghanem Alghanem
Chairman

Mr. Awais Manzur Sumra
Member

Mr. Qumar Sarwar Abbasi
Member

Mr. Majid Misfer J. Alghamdi
Member

Mr. Ali Aosjah Muhammad
Secretary

Human Resource and Remuneration Committee

Mr. Sultan Abdulrauf
Chairman

Mr. Awais Manzur Sumra
Member

Mr. Ali Tahir
Member

Mr. Ghanem Alghanem
Member

Ms. Tayaba Mazhar
Secretary

Legal Advisors

Hassan Kaunain Nafees

Auditors

Grant Thornton Anjum Rahman
Chartered Accountants

CORPORATE VISION

To excel and play a leading role in the financial sector in Pakistan.

MISSION STATEMENT

Saudi Pak Industrial and Agricultural Investment Company Limited aims at strengthening economic cooperation between the brotherly people of Saudi Arabia and Pakistan.

To achieve this objective, we are committed to add value for our stakeholders through capital formation and investment related activities in Pakistan and abroad.

CORE VALUES

- Professionalism in our conduct.
- Competitiveness in our business.
- Transparency in our operations.
- Ethics in our dealings.

CORPORATE PROFILE

Saudi Pak Industrial and Agricultural Investment Company Limited was incorporated in 1981 under a joint venture agreement between the Kingdom of Saudi Arabia and the Government of Islamic Republic of Pakistan. The initial authorized capital of the Company was Rs.10,000 million. As of December 31, 2023, paid up capital of the Company is Rs. 6,765 million.

Kingdom of Saudi Arabia

(Through Ministry of Finance)



Islamic Republic of Pakistan

(Through State Bank of Pakistan)



Saudi Pak has a diverse product range to cater to the growing needs of its corporate customers in the private and public sectors.



Strategic Pillars



EMPOWER BUSINESSES

Provide Risk Appetite, support growth & empower businesses



CAPITAL FORMATION

Encourage Capital Formation for import substitution and export projects



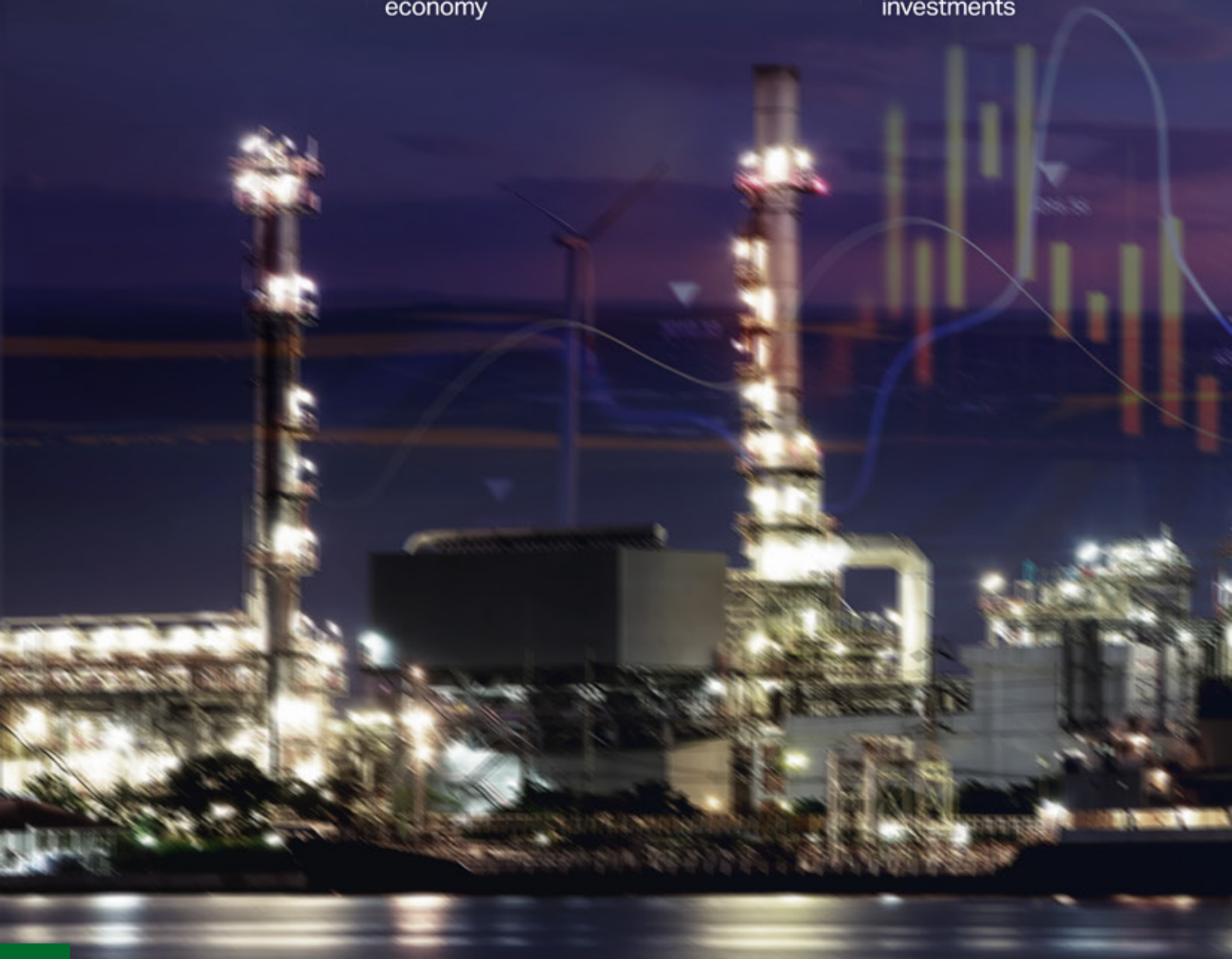
INCLUSIVE GROWTH

Impact focused responsible finance for all segments and sectors of the economy



BILATERAL TRADE

Leverage upon KSA & Pakistan synergies and grow bilateral trade & investments



LENDING & GUARANTEE SERVICES

- Long Term Finance
- Project Finance & Guarantees
- Islamic Finance*
- Structured Trade & Supply Chain Finance
- Development & Social Impact Finance
- Agriculture Finance
- Clean Energy Finance
- FINTECH & STARTUPS

TREASURY & CAPITAL MARKETS

- Fixed Income Trading & Money Market
- ALM/Balance Sheet Hedging
- Market Portfolio Management
- Commercial Leverage
- Certificate of Investments and Alternate Investment strategies
- Capital Market Bonds
- Equity Portfolio Management

**Envisaged under the 5 year strategy*

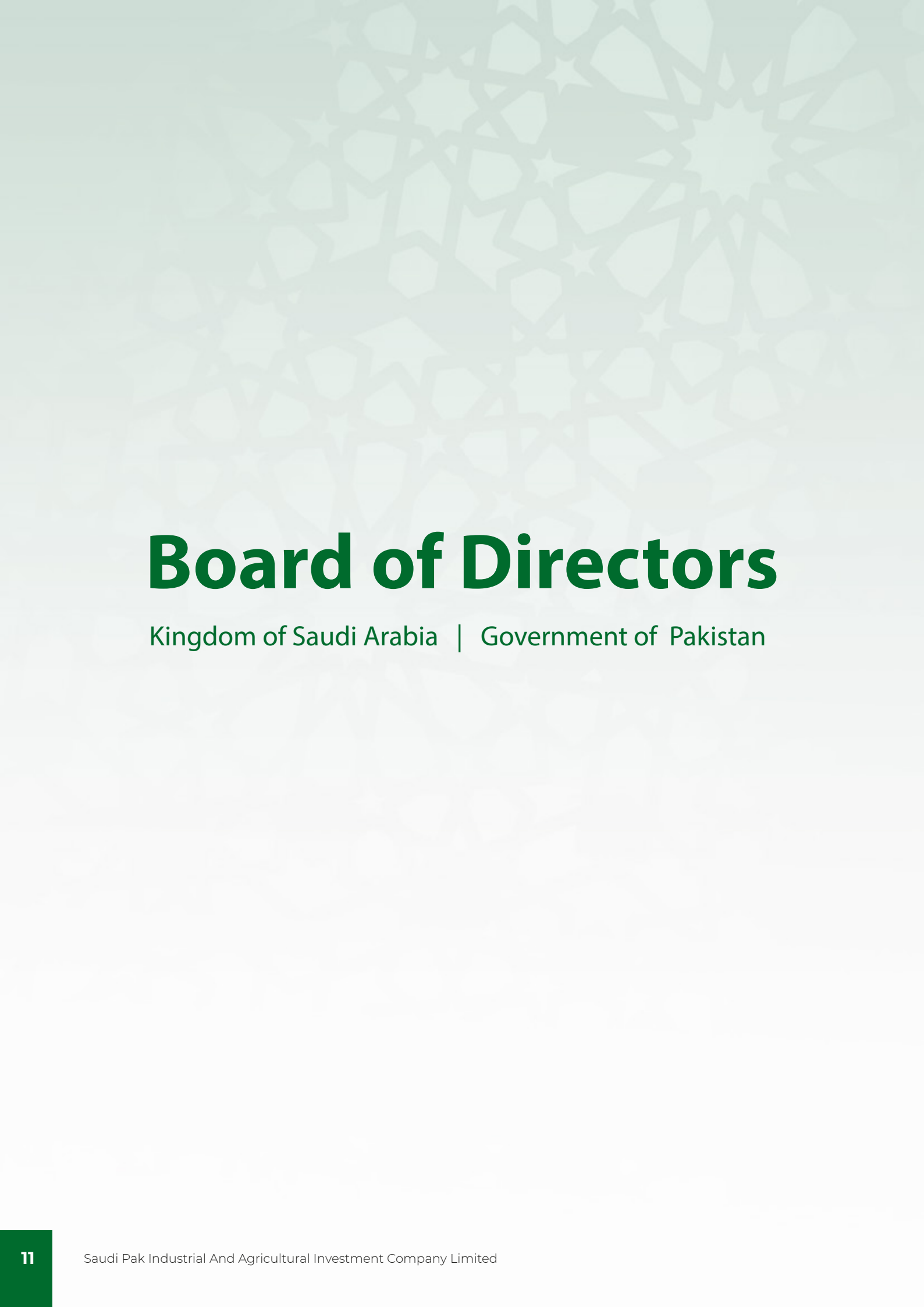
INVESTMENT BANKING & DEBT ADVISORY

- Debt Syndications & Capital Markets
- Debt Securities Trustee*
- ECA backed financing*
- Capital Restructuring Advisory*
- Merger & Acquisition Advisory*
- Private Equity Funds, VCs and Strategic Investments
- International Partnerships

EQUITY ADVISORY

- Market Maker*
- Underwriting & Book Building Services*
- Equity Investment Agents*
- Consultant to the issue
- Initial Public Offering Advisory*





Board of Directors

Kingdom of Saudi Arabia | Government of Pakistan



Mr. Sultan Abdulrauf
Chairman



Mr. Awais Manzur Sumra
Deputy Chairman



Mr. Majid Misfer J. Alghamdi
Director



Mr. Ali Tahir
Director



Mr. Ghanem Alghanem
Director



Mr. Qumar Sarwar Abbasi
Director



Saudi Pak is currently undergoing a transformative phase, where our focus is directed towards financing development-driven and impact-focused initiatives. Agriculture, renewable energy, and information technology stand as our core areas of concentration. This strategic alignment drives us towards greater innovation, efficiency, and impact across all fronts. Together, we embrace change to manifest our vision for a brighter, sustainable future.

Rizwan Ahmed Sheikh
Chief Executive

Management



Mr. Fateh Tariq
Portfolio Management &
Special Assessment Management



Mr. Umer Farooq
Chief Risk Management



Mr. Soofi Saifullah Akber
Head Treasury & Capital Markets



Mr. Adnan Adil Hussain
Group Head Operations



Mr. Ali Imran
CIO/Head Information Technology



Mr. Safdar Abbas Zaidi
Chief Financial Officer



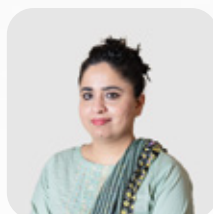
Ms. Tayyaba Mazhar
CS and Head Law



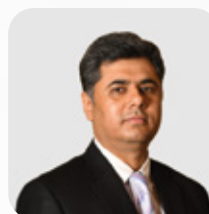
Mr. Shuja Ali
Head of Investment Banking
& Strategic Initiatives



Mr. Arif Majeed Butt
Chief Compliance Officer



Ms. Tayyaba Yamin
Head Human Resource



Mr. Ali Aoshah Muhammad
Head Internal Audit





Financial Highlights

(Rs. in million)

	2018	2019	2020	2021	2022	2023
Profit and Loss						
Net Mark-Up Income	603.20	763.28	992.24	1,430.58	499.29	334.05
Non Mark-Up Income	445.60	426.08	611.52	301.35	740.24	1,252.66
Total Income	1,048.80	1,189.36	1,603.76	1,731.93	1,239.53	1,586.71
Non Mark-Up Expenses	427.58	455.98	454.68	530.59	527.56	561.45
Provisions and write-offs (net)	(77.23)	328.49	340.28	(139.72)	318.01	467.37
Profit before Tax	698.46	404.90	808.80	1,341.06	393.95	557.89
Profit after Tax	407.55	267.07	616.25	922.32	310.78	507.56
Profitability Ratios						
Return on Equity	3.28%	2.08%	4.76%	6.74%	2.18%	3.60%
Return on Assets	1.97%	0.95%	1.44%	1.99%	0.63%	0.92%
Cost / Income Ratio	41%	38%	28%	31%	43%	35%
Balance Sheet						
Total Assets	19,191	37,085	48,236	44,688	53,607	56,137
Advances - gross	10,082	10,109	9,345	9,109	11,475	11,472
Advances - net	7,865	7,869	6,811	6,868	9,119	8,262
Non-performing loans	3,110	4,069	3,895	2,387	2,778	2,568
Investments - net	4,159	23,904	35,557	31,131	36,321	35,336
Borrowings	5,771	22,759	32,320	26,457	36,775	37,199
Deposits	8	510	2,446	2,912	1,953	3,665
Shareholder's equity	12,649	13,003	12,912	14,459	14,044	14,179
Asset Quality & Other Ratios						
NPL to gross advances	31%	40%	42%	26%	24%	22%
Specific provisioning coverage ratio	70%	55%	65%	94%	82%	90%
Capital adequacy ratio	47%	45%	38%	47%	43%	42%
Net stable funding ratio	118%	154%	184%	167%	169%	155%
Share Information						
Earnings per share	0.618	0.405	0.934	1.363	0.459	0.750





Chairman's Message

On behalf of the Board of Directors, I present the 42nd audited financial statements of Saudi Pak Industrial and Agricultural Investment Company Limited, including consolidated accounts and the accompanying Auditors' Report and Directors' Report for the year ended December 31, 2023.

Saudi Pak's commitment to responsible finance remains unwavering. The company continued to spearhead initiatives and transactions that contributed to development focused and impact driven outcomes. Key investment themes were financial inclusion, Fintech sukuk, tourism & community development, sustainable agriculture and equitable edtech. The year saw Saudi Pak enter into its first international partnership with The Islamic Corporation for Insurance of Investment & Export Credit (ICIEC) for promotion of trade and cross border investments.

During the year, the management focused on consolidating the balance sheet, recovering non-performing loans, strengthening corporate credit, diversifying product suite and establishing investment banking and strategic initiatives department. Our prudent risk management practices ensured the resilience of our business model, safeguarding the interests of our stakeholders.

Despite tough economic environment, the company booked fresh loans without compromising on credit quality and risk management. Substantial guarantee business was generated that provided a healthy fee-based income.

The company adopted IFRS-9 and managed to book all the requisite provisions under ECL (first-time adoption) while remaining profitable despite a challenging year in terms of economic conditions.

The credit quality and financial stability of the company were reconfirmed by the credit rating agency VIS, which maintained our long-term entity rating at AA+ and short-term rating at A-1+ with a stable outlook.

Moving forward, the company will remain focused to capitalize on available opportunities with particular focus on development focused initiatives while closely monitoring the overall economic situation to mitigate the potential risks. The Board of Directors fully support the management's plan and strategy.

We acknowledge the support of our sponsors, the Kingdom of Saudi Arabia and the Islamic Republic of Pakistan, as well as the professional guidance of the State Bank of Pakistan and the Securities Exchange Commission of Pakistan. I am also thankful to the Board Members, management, and staff for their contributions to the company's performance.

Thank you for your continued support.



Sultan Abdulrauf
Chairman

Al Masmak Palace (1895)
Riyadh, Saudi Arabia



چیرمین کا پیغام

میں، بورڈ آف ڈائریکٹرز کی جانب سے، 31 دسمبر 2023 کو ختم ہونے والے سال کے لئے آڈیٹرز رپورٹ اور ڈائریکٹرز رپورٹ کے ساتھ مجموعی کھاتوں پر مشتمل سعودی پاک انڈسٹریل اینڈ ایگریکلچرل انویسٹمنٹ کمپنی لمیٹڈ کی 42 ویں آڈٹ شدہ مالی اسٹیٹمنٹ پیش کرتا ہوں۔

سعودی پاک، مالیات کے شعبے میں پر عزم انداز سے مصروف عمل ہے۔ اس سال کمپنی نے ایسے اقدامات انجام دئے جن سے ادارے کی ترقی کو فروغ حاصل ہوا اور مثبت نتائج حاصل ہوئے۔ سرمایہ کاری کے اہم موضوعات میں مالی شمولیت، ڈیجیٹل مالیاتی آلات، سیاحت، کمیونٹی کی ترقی، پائیدار زراعت اور تعلیمی ٹیکنالوجی شامل ہیں۔ اس سال سعودی پاک نے تجارت اور بین الاقوامی سرمایہ کاری کو بڑھانے کے لئے اسلامک کارپوریشن فار انشورنس آف انویسٹمنٹ اینڈ ایکسپورٹ کریڈٹ (آئی سی آئی سی) کے ساتھ اپنی پہلی بین الاقوامی شراکت داری کی۔

سال کے دوران انتظامیہ نے بیلنس شیٹ کو مستحکم کرنے، نان پرفارمنگ قرضوں کی وصولی، کارپوریٹ کریڈٹ کو مضبوط بنانے، پروڈکٹ سوئیٹ کو مزید بہتر بنانے اور انویسٹمنٹ بینکنگ اور اسٹریٹجک اقدامات کے محکمے کے قیام پر توجہ مرکوز کی۔ ہماری بہترین حکمت عملی نے ہمارے کاروباری ماڈل کی ترتیب میں بہتری واقع کی، ہمارے اسٹیک ہولڈرز کے مفادات کا تحفظ کیا گیا۔

مشکل معاشی حالات کے باوجود، کمپنی نے کریڈٹ کوالٹی اور رسک مینجمنٹ پر سمجھوتہ کیے بغیر نئے قرضے جاری کیے۔ اس دوران ضمانتی کاروبار سے بھی فی بیڈ آمدنی حاصل ہوئی۔ کمپنی نے IFRS-9 نظام کو اپنایا اور ای سی ایل کے تحت مطلوبہ پروویژنز بھی مختص کیے، مشکل اقتصادی حالات میں بھی منافع برقرار رکھا۔

کمپنی کی کریڈٹ کوالٹی اور مالی استحکام کی تصدیق دوبارہ کریڈٹ ریٹنگ ایجنسی VIS کے تحت انجام پائی۔ جس نے ہماری طویل مدتی ادارہ جاتی ریٹنگ کو AA+ اور مختصر مدتی ریٹنگ کو A-1+ پر برقرار رکھا۔

آئندہ دور میں، ہمارا ادارہ ترقیاتی اقدامات پر خصوصی توجہ مرکوز کرتے ہوئے، مواقع سے بھرپور استفادہ کرنے کے لیے مکمل طور پر تیار ہے، اور ہم مجموعی اقتصادی حالات کا مکمل طور پر جائزہ لیتے ہوئے ممکنہ خطرات کو کم سے کم کرنے کا بھرپور اقدامات کریں گے۔ ہمارے بورڈ آف ڈائریکٹرز نے انتظامیہ کی تجویز کردہ منصوبہ بندی اور حکمت عملی کی بھرپور تائید کا اظہار کیا ہے۔

ہم اپنے اسپانسرز، مملکت سعودی عرب اور اسلامی جمہوریہ پاکستان کے ساتھ ساتھ اسٹیٹ بینک آف پاکستان اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی پیشہ ورانہ رہنمائی کا اعتراف کرتے ہیں۔ میں بورڈ ممبران، انتظامیہ اور عملے کا بھی شکریہ ادا کرتا ہوں جنہوں نے کمپنی کی کارکردگی میں بہترین تعاون کا مظاہرہ کیا۔ آپ کی مسلسل حمایت اور اعتماد کے لئے آپ کا مشکور و ممنون ہوں۔



سلطان عبدالرؤف
چیرمین

Directors' Report

Economic Overview

During the year, the economy faced several macroeconomic challenges including but not limited to current & trade account imbalance, consequences of monsoon floods in 2022 (in shape of devastating infrastructure and crops), low levels of Foreign Currency Reserves and rampant inflation due to which GDP growth contracted to 0.17 %. In addition, the regional conflicts severely disrupted the global demand-supply balance which led to slowdown of the global economic growth.

Average CPI inflation stood at 29.7% on a year-on-year basis in December 2023 vs 24.5% last year. The State Bank of Pakistan during Jul-Jun FY23 raised its policy rate by 8.25%, to a historic high of 22%.

The Rupee depreciated from PKR 226.43/USD at the start of the year to maximum of PKR 308.10/USD on 5th September 2023, however closed around 281.93/USD at year end consequent to IMF staff level agreement on 15th Nov 2023. FX reserves with the SBP fell to US\$ 4.47 billion at Jun-23, however, agreement with IMF under US\$ 3 Bn Stand by Arrangement facility supported in

closing the reserves position at US \$ 8.22 billion as of year-end. Stock market also showed great positivity and PSX-100 closed at 62,450 as of year end 2023 from 40,420 as of last year end (gain of more than 50% YoY).

Exports increased by 2% to US \$ 12.17 Billion in July –Nov FY-23/24 vs US \$ 11.94 Billion in July – Nov FY-22/23 on a cumulative basis. The foreign direct investment increased to US\$ 863 Million during July to Dec 2023 in comparison to US\$ 640 Million as of last half year end. The Current Account deficit reduced to US\$2.6 billion for FY2023 as against a deficit of US\$17.5 billion last year, mainly due to contraction in imports. During July to Nov FY 23/24, It further reduced to US \$ 1.160 Billion. LSM sector showed growth of 1.59% in Nov 2023 on year-on-year basis vs November 2022.

Going forward, the Pakistan's economy is likely to face challenges and uncertainty amid post-election outcome, unforeseen climate events, adverse development in global commodity prices, particularly in oil and external economic challenges that may have an impact on the economic indicators relevant to business.





Operational Overview

Corporate Finance

As the Government continued its monetary tightening in 2023, result of which the policy rate reached its peak, private sector lending was crowded out and credit off take declined to historically low levels. Despite such a testing macro-economic environment and challenges in every sector ranging from import restrictions, surge in energy tariffs, devaluation of the Rupee to cross PKR 300/US\$, international conflicts, and internal political uncertainty, Saudi Pak still saw opportunity to grow the portfolio in key performing sectors of the country. We remained engaged with resilient businesses that needed support and funding. This was achieved through the following:

- Business coverage was strengthened by beefing up the regional teams.
- Priority sectors were identified and penetrated through structured solutions.
- Focus was driven on product and segment diversification.
- Opportunities in unfunded guarantee offering were explored and booked.
- Trade financing and supply chain financing structures were explored.

Keeping in view the above and also our primary mandate to play a key role in Developmental Finance, Saudi Pak booked impact focused quality assets. Key highlights of Saudi Pak exposure during the year are as follows:

- Saudi Pak was the largest investor in Region's First Syndicated Sukuk Transaction for one of the fastest growing fintech company in the MENAP region. This provided much-needed working capital financing to scale up the business and growth.

- Saudi Pak inked agreement with a renowned local hospitality company to support tourism and community development in northern areas (Gilgit, Skardu, Bhurban and Naltar Valley) of Pakistan through first of its kind blended finance facility in consultation with The World Bank for setting 5-year impact targets of the initiative.
- Saudi Pak extended financial undertaking on behalf of leading Microfinance players in the country to State Bank of Pakistan under World Bank Supported Financial Inclusion and Infrastructure Project (FIP). As a result, through the guarantee, funds were deployed to uplift women and support micro-businesses (livestock, trade etc.) thereby improving the livelihood of whole communities at the bottom of the pyramid.
- Saudi Pak took exposure in one of the leading Agriculture players in the country by providing short term financing to enable the company procure paddy/rice for onward processing and export. This aligns with Saudi Pak's mandate to support the value chain in the agriculture sector and enable the players to compete globally and earn foreign exchange for the country.
- In addition to the above, exposure in Power & Gas and Pharmaceutical sectors were taken as these are vital sectors for Pakistan's economy.
- 2023 marked an important year as Saudi Pak recorded significant income through commissions and fees, providing support to the top line of the company.





Saudi Pak intends to make an impact through four key elements of Empowering Business, Inclusive Growth, Capital Formation and Bilateral Trade. The goal is to capitalize on our primary nature of a developmental organization so that we not only just lend but also provide the impetus for improving the livelihood and wellbeing of our country and its future.

Going forward, the year 2023 has laid the foundation for driving ahead Saudi Pak's 5 year strategy that will focus on priority sectors such as Agriculture, Software Exports, Green Energy, Climate Resilience initiatives, Pharmaceuticals, Surgical Equipment, Sports Products and Food Industry.

Investment Banking and Strategic initiatives

The Investment Banking and Strategic Initiatives Division (IBSI) was setup in 2023 to undertake Financial advisory and strategic investment mandates in line with strategic mission of Saudi Pak.

During the year, several engagements at government level, corporates and financial institutions at local and international level (Saudi Arabia) were initiated with a view to build understanding with the counterparts and evolve strategy to contribute towards establishing business relationship. Some of the key partnership arrangements and engagements during 2023 included:

1. MoU with The Islamic Corporation for Insurance of Investment & Export Credit (ICIEC)

Saudi Pak and ICIEC signed an MoU for economic corporation in Jeddah, to promote trade and cross border investments between Pakistan and member states.

Through the MoU, the two parties will work together, and introduce products like **Trade Credit Insurance** (protection against the risk of nonpayment of trade receivables by their import and export clients) and

Investment & Finance Risk Coverage (protection against Foreign Direct Investment risk for investors, sponsors and lenders etc.)

2. Engagement with Embassies of Saudi Arabia and Pakistan

Meetings were held with Ambassador of Saudi Arabia (in Pakistan) and Ambassador of Pakistan (in Saudi Arabia) to discuss areas of cooperation to facilitate investors in Saudi Arabia for engagement with Pakistani entrepreneurs and businessmen (and vice-versa).

3. Engagements with Corporates/Financial institutions in KSA

Saudi Pak engaged with large corporates and state-owned entities in KSA to deliberate on cross border investment and funding which may be provided (in Pakistan or KSA) to support Pakistani businesses in import substitution or export promotion initiatives.

4. Agriculture focused initiatives

Saudi Pak held meetings at various forums to explore opportunities in the entire value chain of the agriculture sector. Saudi Pak aims to work with Green Pakistan Initiative under Special Investment and Facilitation Council (SIFC) with a view to contribute towards Pakistan Food Security program and arranging Roadshow in Saudi Arabia for promotion of this sector.

5. Debt advisory and arrangement mandate

During the year, IBSI entered into advisory mandate for the largest local intercity transportation company to arrange funding for climate resilient, fleet financing initiative. Saudi Pak will endeavor to enter into Syndication mandates which are aligned with development focused and impact-based financing structure for its clients.

6. Ongoing engagements: The IBSI is:

- a. in discussions with relevant local and international stakeholders to extend support towards exploring and promoting country's mining sector, corporate farming and solar panel manufacturing (renewable/clean energy) initiatives and transactions.
- b. aims to establish Business Facilitation Digital Platform, a "one-stop" information facilitation and investment advisory portal to investors in Pakistan and KSA.
- c. in process for entering into partnership with country's leading export credit insurance provider, for which negotiations are underway.
- d. will continue to engage with SIFC and LIMS to explore areas of cooperation and play affective role in realizing country's growth aspirations.

Special Asset Management Division (SAMD)

Economic and political conditions remained volatile during 2023 resulting in uncertainty in predicting key economic variables. However, SAMD concerted efforts and focused approach resulted in contributions of one of the highest cash recoveries and NPLs settlement arrangements making it a standout year.

For next year, SAMD is expecting a record year in terms of recovery / reversals given the current focus and transactions executed during 2023.

Capital Market Operations

The PSX Benchmark Index, the KSE-100, returned 54.5% for CY23 as compared with -9.4% for CY22. The year remained a strong year for the Pakistan Stock Market as the KSE-100 Index marked its highest return since 2009. Market posted marginal return of 2.55% in 1HFY23 due to hikes in interest rate, Pak Rupee depreciation and heightened Sovereign default risk in international bond markets. But in second half of CY23 as IMF deal started materializing market showed strong performance. Sentiment was further lifted with stable currency,

unchanged policy rate and expectation of elections, thus generating a return of 50.66% in 2HFY23.

Portfolio Management Division (PMD) adopted a cautious approach in the wake of economic uncertainty in first half of CY 2023 and earned reasonable income through dividends. As the macroeconomic environment stabilized and sentiment improved during second half of the year, PMD realized income through capital gains at elevated market levels. On gross basis, PMD contribution to P&L amounted to Rs.1.07 billion for CY2023, which showcased the department's significant achievement. PMD Listed Common Stock Total Return under the IFRS9 framework was 60.3% as compared with the KSE-100 Index return of 54.5%.

Treasury

During 2023, Treasury front office remained an active participant in the money market and tapped the most optimal liquidity avenues including the SBP Open Market Operations (OMO) and the conventional market segment.

Keeping in view the monetary tightening and massive depreciation of Pak Rupee against major international currencies witnessed during 2023, Treasury remained cautious amid expectation of higher interest rates. Accordingly, Treasury did not add any high duration instrument on the books and focused more on investing in floating rate PIBs and T-Bills. During the year, 10-Y fixed rate PIBs amounting to Rs.600 million were sold, in a bid to deploy the funds in high yielding investments available in the market.

Within Treasury, a dedicated "Financial Institutions and Certificate of Investment – FI&COI" division was setup in 2023 to manage relationships with Financial Institutions and Commercial Banks and lead COI marketing desk. COI exposure was gradually enhanced as an alternative/low-cost funding source and aims to continually build its portfolio further to efficiently manage the borrowing costs.

Going forward, treasury aims to seek optimal revenue enhancements and cost reductions by rationalizing placement and fund mobilization keeping in view overall macro-economic environment into consideration.



Information Technology

During 2023, several initiatives were taken by Information Technology Division to further improve the IT infrastructure by adopting evolving technologies along with successful up-gradation of business solutions for the company. Technology Governance Framework has been upgraded with various policies and procedures to streamline the IT operations, ensuring the smooth functioning of business operations using best practices. Moreover, IT infrastructure has been further improved using evolving technologies for strengthening the security controls. In-House training sessions have also been conducted on Enterprise Governance and Technology Risk Management to ensure the implementation of industry standards, governance and best practices, reflecting regulatory landscape. Plan is also underway in 2024 to revamp the legacy systems and development of new products aligned with business strategy.

Disaster Recovery Site has been setup with complete IT infrastructure, data and critical systems to effectively manage and ensure the continuation of critical business operations, coping up with localized or global disasters. Regular testing has also been conducted to ensure the resilience of DR Site for implementing BCP with the engagement of Independent Third-Party consultant as an observer to ensure the IT infrastructure and DR Site capability for the continuity of critical business operations.

Human Resources

In 2023, the Human Resource Division (HRD) took proactive strides to position Saudi Pak as the employer

of choice, emphasizing inclusivity, collaboration, and individual growth to cultivate a dynamic workplace. HRD orchestrated a strategic two-day session, aligning divisional heads to formulate initiatives and action plans for FY 2023, laying the groundwork to achieve Saudi Pak's mission and organizational goals.

The HR team executed a successful recruitment drive, swiftly filling strategic and critical positions, contributing significantly to our growth and profitability targets. Focused on talent development, HRD implemented a robust learning framework spanning organizational, divisional, and personal development, enhancing our workforce's knowledge and skills.

Structural optimizations, cost efficiency measures, policy revisions, and diversity promotion initiatives underscore our commitment to continuous improvement. The substantial growth in social media engagement and increased brand visibility reflect positively on Saudi Pak's reputation as an employer of choice and responsible corporate citizen. Active employee participation in social media initiatives further amplifies our corporate presence.

Throughout the year, Saudi Pak executed a series of Employee Engagement Activities, creating a collaborative, dynamic, and innovative work culture. Highlights included a New Year Celebration emphasizing business excellence, recognition of performance achievements, and Women's Day events promoting gender equality at the workplace. Patriotic endeavors, such as Independence Day festivities and creative office décor competitions, underscored our commitment to instilling a sense of pride and creativity among employees.



Beyond internal initiatives, Saudi Pak actively participated in Saudi Arabia's National Day celebrations organized by KSA's Embassy in Pakistan. HRD championed corporate social responsibility through awareness campaigns on social media platforms, addressing environmental protection, health hazards, and disaster preparedness, reinforcing our commitment to the community.

Looking ahead, HR remains dedicated to sustaining people engagement, enhancing operational efficiency, and contributing to the company's profitability.

Risk Management Framework

Saudi Pak takes exposures through financing – funded & non-funded, investing in fixed income securities & shares, leading & participating in debt syndicates, underwriting shares issue, and providing advisory services; all these activities expose the company to various forms of risks.

Risk may also originate from gaps in controls and lapses in processes, systems, and data flow. The quantum and form of risk vary according to the products and services

offered. Risk management process involves risk identification, measurement, and mitigation.

The company has put in place a comprehensive risk management framework, overseen by the Board of Directors and its Risk Management Committee. It includes policies, procedures, limits, reporting mechanisms, and control functions, keeping the company's assets portfolio within the company's approved risk appetite.

- **Credit risk** is managed at obligor and portfolio levels. At the former level, it involves evaluating obligor, facility & security, and environmental risks. The management updated the proposal format, process flow and decision-making tools. A comprehensive Risk Rating model is under development to bring better understanding of risk and return (optimal price according to the Probability of Default, Loss Given Default and Exposure form & magnitude). Decision making committee has been recomposed as Financing & Investing Committee, to obtain input from various angles including funds availability at optimal price & tenor by Treasury Division.





At the Portfolio level, the Risk Review Committee reviews twice a month the portfolio updates on disbursed, approved but not disbursed and non-performing loans. Portfolio level weighted average ORR, FRR, tenor and price are also monitored. Sector limits and preferences, progress on classified and Watchlist accounts are also discussed monthly.

- **Market risk** management involves daily monitoring and reporting by the Treasury Middle Office, using various techniques like mark-to-market, PVBP, beta, Value-at-Risk (VaR), and sensitivity analyses. The company manages interest rate risk in the banking book through gap analysis and simulation. The board approved a robust Market Risk framework during the year, placing various limits based on market price movement. Asset Liability Committee reviews the market risk twice a month due to dynamic market situation.
- **Liquidity risk** management requires an optimal mix of short and long-term funds under Liquidity Risk

Policy, Treasury Policy, and Contingency Funding Plan. The focus is on periodic gap management, diversification of sources, and compliance with regulatory limits. A specialized unit has been established in Treasury to explore various avenues of funds generation at better price and varying tenor.

- **Operational risk** management involves the line management, Operational Risk Management Unit, and Internal Audit Division. The company has updated its Business Continuity Plan, Technology Governance Framework, IT Security Policy, and KYC/AML Policies. It applies regular usage of RCSA, KRI, and risk incident reporting. Information security risk assessments are also conducted regularly.

At the enterprise level, healthy Capital Adequacy Ratio and Liquidity Coverage Ratio, are ensured, even after applying regulatory stress tests. With the early adoption of IFRS-9 on Jan 2023, the company has applied a forward-looking risk management approach, with a sizeable Expected Credit Loss kept as a buffer against probabilistic losses.

Internal Audit

The year 2023 was a year of focus on processes revamping and development, where need be. The change of Management at top level gave an opportunity of fresh perspective in all areas of business; and Audit accordingly took advantage of the same. Besides the routine audit work, a lot of focus was put on improving and developing processes to enhance existing controls. Internal audit actively participated in reviewing old policies and procedures, where required, as well as making necessary recommendations for embedding of stronger controls in the eCIB mechanism, necessary tweaks in the IFRS 9 application, etc.

The audit strategy was also renewed for the next three years with a heavy focus on automation of the audit processes. The focus remained on continued value addition through assurance and advisory services and quality improvement through reviews and imparting of quality trainings to the staff members, in line with the approved audit strategy.

Future Outlook

As the financial industry undergoes transformational shifts, Saudi Pak is dedicated to staying at the forefront of change, ensuring that our strategies align with emerging trends and the evolving needs of the industry. The resilience displayed in the face of macro-economic uncertainties underscores our adaptability and determination to safeguard the interests of our stakeholders.

As we step into the new year, opportunities in agriculture value chain, structured trade finance initiatives, inclusive development finance and emerging segments like fintech & IT will be explored. In recognition of growing demand for Sharia-compliant financial services, Saudi Pak also intends to commence provision of Islamic Finance services through its platform for which a detailed strategy will be laid out going forward.

With a strong foundation, a focus on sustainable banking practices, and a dynamic approach to market dynamics, we are confident in our ability to navigate the future with agility and continue delivering value to our shareholders, customers, and the communities we serve.

Entity Rating

Saudi Pak's long term and short-term entity rating has been assessed by VIS Credit Rating Company Limited. Long Term entity rating has been reaffirmed at AA+ (Double A Plus) and Short-Term entity rating reaffirmed at A-1+ (A One Plus). Outlook on assigned rating has been "Stable".

Credit Rating

By VIS Credit Rating Company Limited.

Long Term

AA+

AA+

High credit quality. Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

Short Term

A-1+

A-1+

Highest certainty of timely payment. Short Term liquidity, including internal operating factors and/or access to alternative sources of funds, is outstanding and safety is just below risk-free Government of Pakistan's Short Term obligations.

Outlook

Stable

Corporate and Financial Reporting Framework

The Directors are pleased to state that:

- a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of accounts of the Company have been maintained.
- c) Appropriate accounting policies have consistently been applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has adequately been disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored. An audit committee, composed of four non-executive directors, has been formed for the purpose. The Committee meets periodically and independently throughout the year.

- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance.
- h) Key operating and financial data for the last five years, in summarized form, is included in this annual report.
- i) There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as of December 31, 2023, except as disclosed in the financial statements.
- j) The value of investment of Provident Fund as at December 31, 2023 according to their unaudited financial statement is approximately Rs.118.5 million (2022: Rs.99.5 million).

Auditors

The Auditors, M/s Grant Thornton Anjum Rehman, Chartered Accountants, have completed their assignment for the year ended December 31, 2023. The Board, on the proposal of the Audit Committee, recommends the appointment of M/s Grant Thornton Anjum Rehman, Chartered Accountants as Auditors for the year 2024.



Board of Directors Meetings

During the year, five meetings of the Board of Directors were held and attended by the directors as follows:

Name of Directors	Number of meetings held during the tenor of Directorship	Number of meeting attended during the tenor of Directorship
Mr. Sultan Abdulrauf	5	5
Mr. Zafar Hasan	3	3
Mr. Majid Misfer J. Alghamdi	5	5
Mr. Mohammad Tanvir Butt	3	3
Mr. Ghanem Alghanem	5	5
Mr. Qumar Sarwar Abbasi	5	5
Mr. Awais Manzur Sumra	2	2
Mr. Ali Tahir	2	2

During the 194th and 195th meeting of the board of directors, the Deputy Chairman and Director nominated by the Government of Pakistan were replaced i.e., Mr. Awais Manzur Sumra replaced Mr. Zafar Hasan and Mr. Ali Tahir replaced Mr. Muhammad Tanvir Butt.

During the year, two meetings of the Risk Management Committee of the Board were held and attended by the directors as follows:

Name of Directors	Number of meetings held during the tenor of Directorship	Number of meeting attended during the tenor of Directorship
Mr. Zafar Hasan	1	1
Mr. Qumar Sarwar Abbasi	2	2
Mr. Majid Misfer J. Alghamdi	2	2
Mr. Ghanem Alghanem	2	2
Mr. Ali Tahir	1	1

During the year, four meetings of the Audit Committee of the Board were held and attended by the directors as follows:

Name of Directors	Number of meetings held during the tenor of Directorship	Number of meeting attended during the tenor of Directorship
Mr. Ghanem Alghanem	4	4
Mr. Majid Misfer J. Alghamdi	4	4
Mr. Mohammad Tanvir Butt	2	2
Mr. Awais Manzur Sumra	1	1
Mr. Qumar Sarwar Abbasi	4	4

During the year, three meeting of the Human Resource and Remuneration Committee of the Board were held and attended by the directors as follows:

Name of Directors	Number of meetings held during the tenor of Directorship	Number of meeting attended during the tenor of Directorship
Mr. Sultan Abdulrauf	3	3
Mr. Zafar Hasan	2	2
Mr. Awais Manzur Sumra	1	1
Mr. Mohammad Tanvir Butt	2	2
Mr. Ali Tahir	1	1
Mr. Ghanem Alghanem	3	3

The categories and pattern of shareholding as required by the Companies Act, 2017, are included in this Report. The Government of Pakistan and the Kingdom of Saudi Arabia hold the shares of the Company in equal proportion.

Green Banking Initiative

Saudi Pak continues to support Government of Pakistan's environmental sustainability related initiatives and steps taken by State Bank of Pakistan for promoting green banking and environment friendly business projects. The green banking policy of Saudi Pak and environmental risk management manual documents are in place and being implemented. Saudi Pak looks forward to extending its complete financial support to business entrepreneurs for their eco-friendly ventures. Several other steps have been taken internally to encourage environmentally sustainable growth.

Corporate Social Responsibility

Saudi Pak is deeply committed to making a positive impact on the communities we serve through our Corporate Social Responsibility (CSR) initiatives. Aligned with our core values, we actively engage in various CSR activities aimed at fostering social development and well-being. We prioritize education, environmental sustainability, and community empowerment as key pillars of our CSR strategy. Through strategic partnerships and direct interventions, we supported different programs during 2023 including:

1. Under Saudi Pak's Equitable Edtech initiative, financial support to Noon, a global on-line learning platform (operating from four countries including Saudi Arabia, Iraq, Egypt and Pakistan) enabling deserving and under-privileged students to interact live/in real time with their mentors/teachers, to prepare them to appear for local exams (grade 9 to grade 12 students)
2. Grant support to Pakistan Institute of Development Economics for holding 37th annual conference of Pakistan Society of Development Economists in

Multan. The theme of the conference was "Breaking the aid – debt chains" participated by local and international scholars, economists, practitioners, policy makers and students etc.

3. Donation to "Aziz Jehan Begum Trust for the Blind" in Lahore. The trust has been operational for last 34 years where blind students are given education free of cost.
4. Donation in kind to Anjuman Faizul Islam, Rawalpindi, an orphanage where children aged between 5 to 10 years are provided accommodation, food and education.
5. Ration bags to deserving individuals, containing food items sufficient to sustain a family for a month.

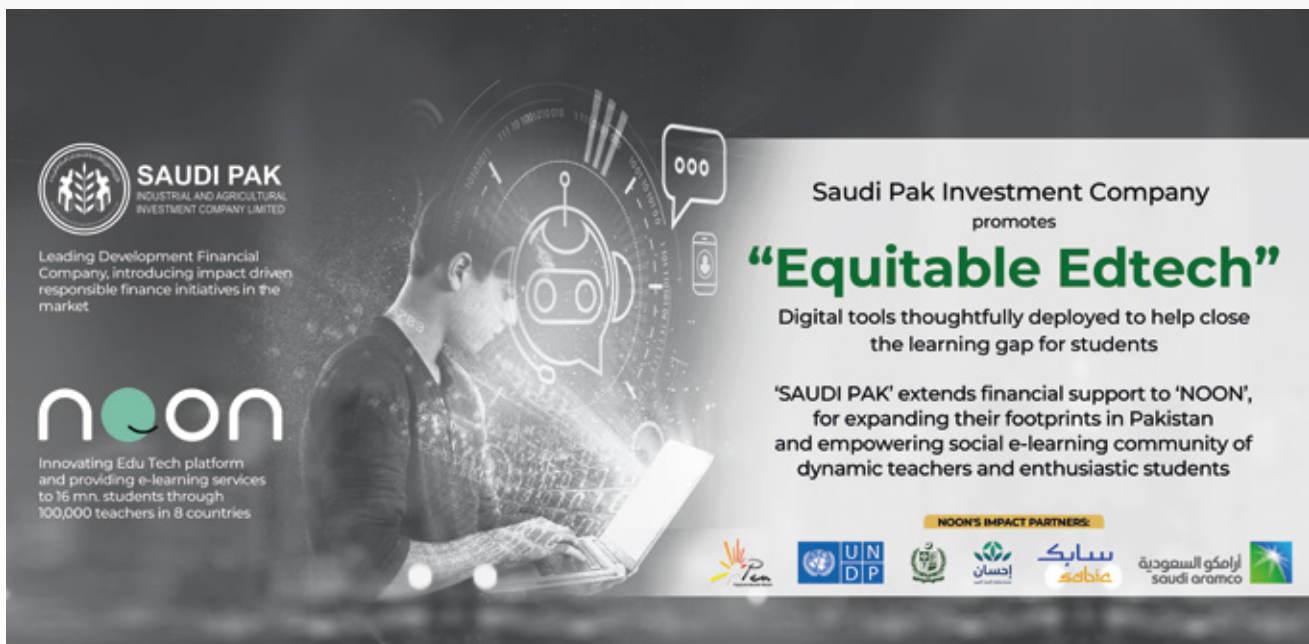
Strategic Investments

Saudi Pak's strategic investment include Saudi Pak Real Estate Limited

I. Saudi Pak Real Estate Limited

Saudi Pak Real Estate Limited (SPR) continues to show growth trajectory both in terms of performance and creating resource base for future endeavours. SPR's profitability in recent years has increased manifolds due to improved rental income, various cost-cutting initiatives and steady capital gains. The Company posted a record year with net profit after tax of around Rs.68 Mn for 2023 as compared to Rs.43 Mn last year, a solid growth of 58%.

During the year SPR has invested in a prime location office space in Karachi for rental yields and capital gain. Going forward, the company aims to enhance its profitability by building an investment portfolio of different asset classes to generate consistent revenue stream and capital gains.



SAUDI PAK
INDUSTRIAL AND AGRICULTURAL
INVESTMENT COMPANY LIMITED

Leading Development Financial
Company, introducing impact driven
responsible finance initiatives in the
market

noon
Innovating Edu Tech platform
and providing e-learning services
to 16 mn. students through
100,000 teachers in 8 countries

Saudi Pak Investment Company
promotes
"Equitable Edtech"
Digital tools thoughtfully deployed to help close
the learning gap for students

'SAUDI PAK' extends financial support to 'NOON',
for expanding their footprints in Pakistan
and empowering social e-learning community of
dynamic teachers and enthusiastic students

NOON'S IMPACT PARTNERS:

UNDP, IHSAN, Saudi Arafco, Saudi Aramco

II. Saudi Pak Leasing Company Limited

Saudi Pak Leasing Company Limited (SPLC) is an associated company of Saudi Pak by virtue of its 15,835,403 fully paid-up ordinary voting shares (35.06% of total ordinary shares) and 33,320,850 unencumbered and fully paid-up preference shares (63.08% of total preference shares).

Head Office Building

Saudi Pak owns a twenty story High Rise Building in Islamabad known as Saudi Pak Tower. The building, constructed in the year 1991, is known as a landmark of Islamabad. A major portion of the building is rented out. Several national and multinational companies including financial institutions, telecommunication companies, clinical service-oriented concerns etc. are housed in the Tower. The average building occupancy level in the year 2023 was 99.12% translating a revenue of Rs.518 million as compared to Rs.464.8 million in the year 2022. Several initiatives were taken to strengthen the building services and safety works. During 2024, the Head Office Building Department will continue its efforts to materialize further improvements for the betterment in overall building services.

Financial Results – 2023

Amid difficult operating environment, economic challenges and particularly high inflationary and interest rate environment, Saudi Pak disbursed Rs.1.7 billion corporate loans without compromising on credit quality

and Rs.3.3 billion non funded business (Guarantees) was also booked. Focus remained on reducing risk, book cleansing and recoveries.

During the year, Saudi Pak's total assets increased by 4.7%. Net equity increased by 1% despite of IFRS-9 ECL adjustments in opening retained earnings upon first time adoption in year 2023.

Net interest margin decreased by 33% as fixed rate PIBs in the treasury portfolio eroded gains earned through arbitrage income on investment in T-Bills. Non markup interest income increased by 69% compared to last year despite realizing loss of Rs.166 million upon selling of Rs.600 million 10-Y fixed rate PIBs. The increase of non-markup interest income was attributed to fresh commission income of Rs.42 million on guarantee business, 5% increase in dividend income, realized gain of Rs.375 million upon selling of quoted shares and Rs.280 million revaluation gain (unrealized) on quoted shares measured at FV-TPL. Administrative expenses increased by 6% to the comparable period due to higher inflation and fresh hiring made as per the strategy. Company booked net ECL/provisions of Rs.467 million in comparison to net Rs.318 million last year.

Overall, despite a challenging year with adverse macro-economic factors, the Company managed to close profit before tax at Rs.557.893 million, reflected 42% increase to the comparable period while profit after tax was closed at Rs.507.563 million increased by 63% to the last year.



The summarized financial results and recommendation for appropriations are as under:

	2023 (Rupees)	2022 (Rupees)
Un-appropriated/un-remitted profit brought forward	4,175,180,394	4,169,842,451
Initial Adjustments IFRS-9	(527,955,514)	-
Gain / (loss) – Sale of FV-OCI Securities	(193,129,091)	-
Profit after tax for the year	507,562,609	310,784,220
Transfer -Surplus on revaluation of fixed assets	82,011,160	86,850,400
Other comprehensive income related to equity	678,168	(139,833)
Profit available for appropriations	<u>4,044,347,726</u>	<u>4,567,337,238</u>
Appropriations:		
Transfer to reserve funds	101,512,522	62,156,844
Transfer to general reserve	-	-
Bonus Shares Issued	-	165,000,000
Dividend paid	-	165,000,000
Total appropriations	<u>101,512,522</u>	<u>392,156,844</u>
Un-appropriated/un-remitted profit	<u>3,942,835,204</u>	<u>4,175,180,394</u>

Acknowledgement

The Board wishes to place on record its appreciation of the hard work and dedication of the management, officers and staff of the Company.

Islamabad March 08 , 2024

For and on behalf of the
Board of Directors



Chairman

Statement of Compliance with Code of Corporate Governance

Saudi Pak owns a twenty story High Rise Building in Islamabad known as Saudi Pak. The statement is being presented in accordance with the listed Companies (Code of Corporate Governance) Regulation, 2019 (the Regulations) issued by the Securities and Exchange Commission of Pakistan, which has been voluntarily adopted by the Company.

The Company has applied the principles contained in the Code in the following manner:

1. The total number of directors is 6 as per the following detail:
 - Male 6
 - Female 0
2. The Board comprises of six non-executive directors as follows:
 - Mr. Sultan Abdulrauf
 - Mr. Awais Manzur Sumra
 - Mr. Ali Tahir
 - Mr. Majid Misfer J. Alghamdi
 - Mr. Qumar Sarwar Abbasi
 - Mr. Ghanem Alghanem

Exemption regarding appointment of independent director has been obtained from the State Bank of Pakistan.

Company has no female representation on the Board as no nomination for a female director has been received from the Governments of Pakistan and KSA.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
4. During the year ended December 31, 2023, the Government of Pakistan nominated two directors, namely Mr. Awais Manzur Sumra replacing Mr. Zafar Hasan and Mr. Ali Tahir replacing Mr. Muhammad Tanvir Butt, on August 09, 2023, whose Fit and Proper Test have been approved by the State Bank of Pakistan.

5. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
7. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board as empowered by the relevant provisions of the Act and these Regulations;
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
9. The Directors, General Manager/Chief Executive and executives do not hold any interest in the shares of the Company. State Bank of Pakistan from its holding has transferred 01 share in the name of Director Finance, SBP in a representative capacity.



10. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
11. The Board has carried out the Board performance evaluation under the Self Evaluation mechanism. The evaluation assessed performance both as a Board as well as at the individual Director level, and covered Board Composition, Strategic Planning, Board & CEO Effectiveness, Board Information, Board Committees, Board Procedures, and the Control Environment.
12. The following Directors and Executives have obtained relevant training (Director Training Program):

Name of Directors	
▶ Mr. Sultan Abdulrauf Chairman Saudi Pak	▶ Mr. Majid Misfer J. Alghamdi Director Saudi Pak
▶ Mr. Awais Manzur Sumra Deputy Chairman Saudi Pak	▶ Mr. Qumar Sarwar Abbasi Director Saudi Pak
▶ Mr. Ali Tahir Director Saudi Pak	▶ Mr. Ghanem Alghanem Director Saudi Pak

* Mr. Ali Tahir and Mr. Ghanem Alghanem obtained this training in January 2024.

Sr. no	Name of Executives	Designation
1	Ms. Tayaba Mazhar	Company Secretary
2	Mr. Safdar Abbas Zaidi	Chief Financial Officer

13. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
14. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
15. The Board has formed the following Committees comprising of members given below:-

a) Composition of Audit Committee of the Board:

1	Mr. Ghanem Alghanem	Chairman
2	Mr. Awais Manzur Sumra	Member
3	Mr. Qumar Sarwar Abbasi	Member
4	Mr. Majid Misfer J. Alghamdi	Member

b) Composition of Risk Management Committee of the Board:

1	Mr. Sultan Abdulrauf	Chairman
2	Mr. Awais Manzur Sumra	Member
3	Mr. Ali Tahir	Member
4	Mr. Ghanem Alghanem	Member

c) Composition of Human Resource and Remuneration Committee:

1	Mr. Qumar Sarwar Abbasi	Chairman
2	Mr. Majid Misfer J. Alghamdi	Member
3	Mr. Ali Tahir	Member
4	Mr. Ghanem Alghanem	Member

16. The terms of reference of the aforesaid Committees have been formed, documented and advised to the Committees for compliance;

17. The frequency of meetings of the Committees is as follows:

Board Committees

Audit Committee
Risk Management Committee
Human Resource & Remuneration
Committee

Frequency of Meeting

Quarterly
At least Twice in a year
At least Once in a year

18. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company;
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and are registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or a Director of the company;
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
21. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

**For and on behalf of the
Board of Directors**



Chairman

**Islamabad:
March 08, 2024**

Statement on Internal Controls

The Company's management is responsible to establish and maintain an adequate and effective system of internal controls and procedures. The internal controls system comprises of various components including Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring. The management is also responsible for evaluating the effectiveness of the Company's internal controls that encompass material matters by identifying control objectives and reviewing significant policies and procedures.

The Company has adopted an internationally accepted internal control COSO Framework in accordance with ICFR guidelines from State Bank of Pakistan (SBP). Keeping in view of the risk exposure, the control activities are evaluated across the Company through the Internal Audit Division, working independently of the line management. In addition, Compliance Division monitors control activities related to the regulatory and other procedural compliance requirements. The Audit Committee of the Board regularly reviews both internal and external audit reports and recommends to the Board for desired corrective measures to be taken by the Management, wherever required.

The Management of the Company ensures that an effective and efficient internal control system stays implemented and no compromises are made in implementing the desired control procedures and maintaining suitable control environment in general. However, control activities are continuous in nature that include identification, evaluation and management of significant risks faced by the Company. The Management strives for timely and satisfactory response to new

identifications or recommendations by the risk controlling divisions. Nonetheless, all internal control systems, no matter how well designed, have inherent limitations that they may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that degree of compliance with policies and procedures may deteriorate.

The Management took sufficiently necessary steps to rectify all observations and suggestions for improvement raised during the year by the Internal Audit Division. Furthermore, regular follow-up of the internal audit reports was done by the Compliance Division which ensured timely implementation of queries raised and recommendations to mitigate identified risks to safeguard the interests of the Company. Based upon the results achieved through ongoing testing of financial reporting controls and internal audits carried out during the year, the management considers that the Company's existing internal control system is adequate and has been effectively implemented and monitored.

The Company has completed all stages of its ICFR program as per the guidelines and has been granted exemption from the requirement of submission of the External Auditor's issued Long Form report to SBP. Annual assessment report on the efficacy of ICFR for the year ended December 31, 2023, was duly prepared and submitted to the Audit Committee of the Board in its 107th meeting for review.

Based on the above, the Board endorses the management's evaluation of Internal Controls.

Islamabad, Pakistan
March 08, 2024

**For and on behalf of the
Board of Directors**


Chairman



Grant Thornton

**Grant Thornton Anjum
Rahman**

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Evacuee Trust Complex,
Aga Khan Road, F-5/1,
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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of
Saudi Pak Industrial and Agricultural Investment Company Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by Board of Directors of Saudi Pak Industrial and Agricultural Investment Company Limited (the Company) for the year ended December 31, 2023 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provision of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such controls, the Company's corporate governance procedures and risks.

The Regulation require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respect, with the requirement contained in the Regulations as applicable to the company for the year ended December 31, 2023.

Grant Thornton Anjum Rahman

Grant Thornton Anjum Rahman

Chartered Accountants

Islamabad

Date: March 08, 2024

UDIN: CR202310164k69UNSHTC

Chartered Accountants

grantthornton.pk



Financial Statements

for the year ended December 31, 2023

STANDALONE

INDEPENDENT AUDITOR'S REPORT

To the members of
Saudi Pak Industrial and Agricultural Investment Company Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of **Saudi Pak Industrial and Agricultural Investment Company Limited** (the Company), which comprise the unconsolidated statement of financial position as at December 31, 2023 and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a material accounting policies 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 unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows 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 Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2023 and of the profit, the 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 Unconsolidated Financial Statements* section of our report. We are independent of the Company 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.

Emphasis of Matter

We draw attention to note 21.3.1 to the accompanying unconsolidated financial statements describing in detail the status of tax contingencies. Our opinion is not modified in respect of this matter.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the unconsolidated financial statements of the current year. This matter was addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.



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Islamabad, Pakistan.

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Following is the key audit matter:

Key audit matter	How the matter was addressed in our audit
Adoption of IFRS 9 “Financial Instruments”: (Refer to note 5.1 to the unconsolidated financial statements) The Company early adopted the IFRS 9 ‘Financial Instruments’ effective from January 01, 2023, as permitted by the State Bank of Pakistan (SBP) vide its circular BPRD circular No. 07 dated April 13, 2023, which resulted changes in accounting policies and adjustments to amounts previously recognized in the unconsolidated financial statements. As permitted by IFRS 09, the requirements have been applied retrospectively without restating the comparatives. As a result, the difference between the previously reported carrying amounts and new carrying amounts of financial instruments as of December 31, 2022 and January 01, 2023 amounting to Rs. 527,955,514 has been recognized in opening retained earnings. The new standard provides significant changes to classification and measurement of financial assets. The new standard also requires to recognize Expected Credit Losses (ECL) which require significant judgement and estimates to be made by the Company. The key changes arising from the adoption of IFRS 9 are that the Company’s credit losses are now based on expected credit losses rather than an incurred loss model. Further, there are significant changes in the accounting policies, transition disclosure requirements and numerous estimates and judgements involved in the first time adoption of IFRS 9 which are detailed in Note 5.1 to the unconsolidated financial statements. Since the adoption of IFRS 9 and recognition of ECL as per model requiring significance time and resource to audit and material to overall unconsolidated financial statements, we considered this area as key audit matter.	With respect to classification, measurement and ECL provision against financial assets we performed, among others, the following audit procedures: - Read the Company’s IFRS 9 based classification, measurement and impairment provisioning policy and compared the same with the requirements of IFRS 09; - Obtained an understanding and reviewed the Company’s business model assessment; - Updated the IT understanding on applications relevant to financial reporting including ECL model; - Read and discussed with management, the IFRS 9 Application Instructions Issued by SBP through its BPRD Circular No. 03, dated July 05, 2022; - Evaluated the reasonableness of opening balance adjustments and review the transitional disclosures in compliance with the relevant standards; - Evaluated the reasonableness of Company’s determination of significant increase in credit risk (SICR) and the resultant basis for classification of exposures into various stages. For a sample of exposures, we checked the appropriateness of the Company’s staging; - Checked the key data sources used in ECL model and for a sample of obligors the correctness of historical data input in ECL model has been tested; - Checked on sample basis the accuracy of the Exposure at Default (EAD), appropriateness of the Probability of Default (PD) and calculations of the Loss Given Default (LGD) used in the Company’s ECL model. Also read the internal risk rating reports to test the correctness of internal credit risk ratings used in the ECL model on sample basis;



	i. For stage 3 items checked that the impairment provisions have been recognized in the unconsolidated financial statements at higher of determined under IFRS 9 or applicable Prudential regulations; j. Checked the completeness of financial assets including off balance sheet items included in ECL calculation; k. Checked the arithmetical accuracy of the ECL model; and l. Assessed the unconsolidated financial statements disclosures arising on early adoption of IFRS 09 for appropriateness.
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Information Other than the Unconsolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises of information to be included in the annual report that shall also include the directors' report but does not include the unconsolidated financial statements and our auditor's report thereon. The other information obtained at the date of audit report is information included in directors' report while the complete set of annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained at the date of this auditor's report, 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.

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

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

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In preparing the unconsolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 unconsolidated 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 unconsolidated 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 Company'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 Company'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 unconsolidated 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated 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.



Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with 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 for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Hassaan Riaz.



Grant Thornton Anjum Rahman

Chartered Accountants

Place: Islamabad

Date: March 08, 2024

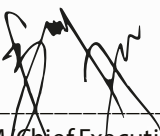
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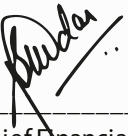
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

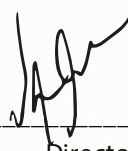
AS AT DECEMBER 31, 2023

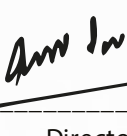
		2023	2022
	Note	Rupees	
ASSETS			
Cash and balances with treasury banks	6	134,586,641	116,437,350
Balances with other banks	7	90,301,307	127,875,540
Lendings to financial institutions	8	3,249,994,713	-
Investments	9	35,336,523,039	36,321,015,128
Advances	10	8,262,220,142	9,119,290,062
Non-current asset classified as held for sale	11	-	-
Property and equipment	12.1	4,048,080,647	4,140,381,949
Right-of-use asset	12.2	24,548,938	41,414,620
Intangible assets	13	6,457,046	6,392,003
Deferred tax assets	17	174,945,204	58,011,030
Other assets	14	4,809,762,784	3,675,883,486
		<u>56,137,420,461</u>	<u>53,606,701,168</u>
LIABILITIES			
Bills payable		-	-
Borrowings	15	37,199,288,126	36,774,866,849
Deposits and other accounts	16	3,665,000,000	1,953,000,000
Lease liabilities		-	-
Subordinated debt		-	-
Deferred tax liabilities	17	-	-
Other liabilities	18	1,094,257,042	835,273,389
		<u>41,958,545,168</u>	<u>39,563,140,238</u>
NET ASSETS		<u><u>14,178,875,293</u></u>	<u><u>14,043,560,930</u></u>
REPRESENTED BY			
Share capital	19	6,765,000,000	6,765,000,000
Statutory reserve		1,532,998,733	1,431,486,211
General reserve		358,662,940	358,662,940
Surplus on revaluation of assets	20	1,579,378,416	1,313,231,385
Unappropriated/ Unremitted profit		3,942,835,204	4,175,180,394
		<u><u>14,178,875,293</u></u>	<u><u>14,043,560,930</u></u>
CONTINGENCIES AND COMMITMENTS			
	21		

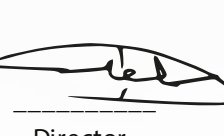
The annexed notes 1 to 43 and annexure I form an integral part of these financial statements.


GM/Chief Executive


Chief Financial Officer


Director


Director

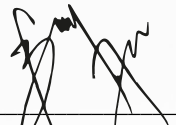

Director

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

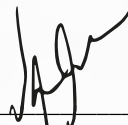
FOR THE YEAR ENDED DECEMBER 31, 2023

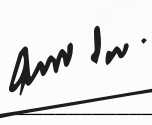
	Note	2023 -----Rupees-----	2022
Mark-up / return / interest earned	23	9,896,437,639	5,161,935,651
Mark-up / return / interest expensed	24	9,562,386,392	4,662,646,956
Net mark-up / interest income		334,051,247	499,288,695
NON MARK-UP / INTEREST INCOME			
Fee and commission income	25	56,521,359	8,950,000
Dividend income		419,135,066	400,457,127
Foreign exchange income		7,320,848	6,551,295
Income / (loss) from derivatives		-	-
(Loss) / gain on securities	26	489,983,978	66,148,755
Other income	27	279,693,529	258,130,770
Total non-markup / interest income		1,252,654,780	740,237,947
Total income		1,586,706,027	1,239,526,642
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	28	561,444,817	527,530,958
Workers welfare fund		-	-
Other charges	29	-	30,000
Total non-markup / interest expenses		561,444,817	527,560,958
Profit before credit loss allowance / provisions		1,025,261,210	711,965,684
Credit loss allowance / Provisions and write offs - net	30	467,368,564	318,010,719
Profit before taxation		557,892,646	393,954,965
Taxation	31	50,330,037	83,170,745
Profit after taxation		507,562,609	310,784,220
Basic and diluted earnings per share	32	0.750	0.459

The annexed notes 1 to 43 and annexure I form an integral part of these financial statements.


GM/Chief Executive


Chief Financial Officer


Director


Director


Director

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
	-----Rupees-----	
Profit after taxation for the year	507,562,609	310,784,220
Other comprehensive income / (loss)		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus / (deficit) on revaluation of debt instrument through FVOCI / Investment - net of tax	130,025,854	(406,969,314)
	130,025,854	(406,969,314)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain / (loss) on defined benefit obligations - net of tax	678,168	(139,833)
Movement in surplus / (deficit) on revaluation of investment in equity investments - net of tax	255,520,526	-
	256,198,694	(139,833)
Total comprehensive income / (loss)	<u>893,787,157.00</u>	<u>(96,324,927)</u>

The annexed notes 1 to 43 and annexure I form an integral part of these financial statements.


GM/Chief Executive


Chief Financial Officer


Director


Director


Director

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2023

	Share capital	Statutory Reserve	General Reserve	Surplus / (deficit) on revaluation of		Unappropriated / Unremitted profit	Total
				Investments	Fixed / Non Banking Assets		
Rupees							
Balance as at January 1, 2022	6,600,000,000	1,369,329,367	358,662,940	(880,415,670)	2,841,360,664	4,169,842,451	14,458,779,752
Profit after taxation for the year ended December 31, 2022	-	-	-	-	-	310,784,220	310,784,220
Other comprehensive (loss) / income - net of tax	-	-	-	(406,969,314)	-	(139,833)	(407,109,147)
Transfer to statutory reserve	-	62,156,844	-	-	-	(62,156,844)	-
Impact of rate change	-	-	-	-	(153,893,895)	-	(153,893,895)
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	(86,850,400)	86,850,400	-
Transactions with owners, recorded directly in equity							
Bonus shares issued	165,000,000	-	-	-	-	(165,000,000)	-
Dividend 2021: 2.5% per ordinary share	-	-	-	-	-	(165,000,000)	(165,000,000)
Balance as at December 31, 2022	6,765,000,000	1,431,486,211	358,662,940	(1,287,384,984)	2,600,616,369	4,175,180,394	14,043,560,930
Balance as at January 1, 2023	6,765,000,000	1,431,486,211	358,662,940	(1,287,384,984)	2,600,616,369	4,175,180,394	14,043,560,930
Adjustment on initial application of IFRS - 9	-	-	-	186,193,795	-	(527,955,514)	(341,761,719)
Balance as at January 01, 2023 (Revised)	6,765,000,000	1,431,486,211	358,662,940	(1,101,191,189)	2,600,616,369	3,647,224,880	13,701,799,211
Profit after taxation for the year ended December 31, 2023	-	-	-	-	-	507,562,609	507,562,609
Other comprehensive (loss) / Income - net of tax	-	-	-	385,546,380	-	678,168	386,224,548
Transfer to statutory reserve	-	101,512,522	-	-	-	(101,512,522)	-
Impact of rate change	-	-	-	-	(223,581,984)	-	(223,581,984)
Loss realized on sale of FVOCI	-	-	-	-	-	(193,129,091)	(193,129,091)
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	(82,011,160)	82,011,160	-
Transactions with owners, recorded directly in equity							
Dividend 2022: Nil per ordinary share	-	-	-	-	-	-	-
Balance as at December 31, 2023	6,765,000,000	1,532,998,733	358,662,940	(715,644,809)	2,295,023,225	3,942,835,204	14,178,875,293

The annexed notes 1 to 43 and annexure I form an integral part of these financial statements.


GM/Chief Executive


Chief Financial Officer


Director


Director

UNCONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 -----Rupees-----	2022
Cash flow from operating activities			
Profit before taxation		557,892,646	393,954,965
Less: dividend income		(419,135,066)	(400,457,127)
		<u>138,757,580</u>	<u>(6,502,162)</u>
Adjustments:			
Depreciation		171,330,260	167,020,859
Depreciation on right-of-use assets		16,865,682	14,675,277
Amortisation	13	3,926,760	4,422,525
Credit loss allowance / Provision and write-offs	30	467,368,564	318,010,719
Loss / (gain) on sale of fixed assets		(212,994)	(22,701,534)
Gain on disposal of non banking assets		-	-
Interest expense on lease liability against ROU assets		4,068,815	1,284,979
Charge for defined benefit plan	28.1	9,803,037	8,793,471
Charge for compensated absences	28.1	4,009,532	7,258,409
Unrealized gain - FVPL / held for trading	9.1	(280,134,143)	-
		<u>397,025,513</u>	<u>498,764,705</u>
		<u>535,783,093</u>	<u>492,262,543</u>
(Increase) / decrease in operating assets			
Lendings to financial institutions		(3,250,155,700)	-
Securities classified as FVPL / Held-for-trading		923,062,881	67,927,999
Advances		2,364,040	(2,365,402,738)
Others assets (excluding advance taxation)		(1,062,235,246)	(1,064,275,374)
		<u>(3,386,964,025)</u>	<u>(3,361,750,113)</u>
(Decrease) / increase in operating liabilities			
Borrowings from financial institutions		424,421,277	10,318,247,877
Deposits		1,712,000,000	(958,587,775)
Other liabilities (excluding current taxation)		237,984,175	301,831,307
		<u>2,374,405,452</u>	<u>9,661,491,409</u>
Payments against off-balance sheet obligations		-	-
Payment to defined benefit plan and compensated absences		(14,713,713)	(17,386,685)
Income tax paid		(987,819,831)	(670,806,920)
Net cash flow (used in) / from operating activities		<u>(1,479,309,024)</u>	<u>6,103,810,234</u>
Cash flow from investing activities			
Net investments in securities classified as FVOCI / available-for-sale		765,245,621	(6,690,909,105)
Net investments in amortized cost / held-to-maturity securities		422,427,456	337,616,126
Dividends received		370,021,572	408,683,258
Investments in operating fixed assets		(86,112,294)	(78,282,450)
Proceeds from sale of fixed assets		6,410,571	25,751,951
Sale proceeds from disposal of non banking assets		-	-
Net cash flow from / (used in) investing activities		<u>1,477,992,926</u>	<u>(5,997,140,220)</u>
Cash flow from financing activities			
Payments against lease liabilities		(17,930,880)	(16,283,520)
Dividend paid		-	(82,500,000)
Net cash flow used in financing activities		<u>(17,930,880)</u>	<u>(98,783,520)</u>
Effects of exchange rate changes on cash and cash equivalents		-	-
(Decrease) / increase in cash and cash equivalents		<u>(19,246,978)</u>	<u>7,886,494</u>
Cash and cash equivalents at beginning of the year		244,312,890	236,426,396
Cash and cash equivalents at end of the year	33	<u>225,065,912</u>	<u>244,312,890</u>

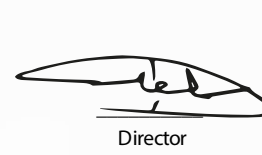
The annexed notes 1 to 43 and annexure I form an integral part of these financial statements.


GM/Chief Executive


Chief Financial Officer


Director


Director


Director

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

1. STATUS AND NATURE OF BUSINESS

Saudi Pak Industrial and Agricultural Investment Company Limited (the Company) was incorporated in Pakistan as a private limited company on December 23, 1981 and subsequently converted to public limited company on April 30, 2008. The Company is jointly sponsored by the Governments of Kingdom of Saudi Arabia (KSA) and the Government of the Islamic Republic of Pakistan. The Company is a Development Financial Institution (DFI) and principally engaged in investment in the industrial and agro-based industrial projects in Pakistan on commercial basis and markets its products in Pakistan and abroad. The Company was initially setup for a period of fifty years and upon mutual consent of the Government of Kingdom of Saudi Arabia (KSA) and Government of Pakistan the duration of Company has been further extended for another period of fifty years.

The registered office of the Company is situated at Saudi Pak Tower, Jinnah Avenue, Islamabad. The Company is also operating offices in Lahore and Karachi.

2. BASIS OF PRESENTATION

These unconsolidated financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan's BPRD Circular No. 02 dated February 09, 2023.

These unconsolidated financial statements are separate financial statements of the Company in which the investment in subsidiary is stated at cost and have not been accounted for on the basis of reported results and net assets of the investee which is done in consolidated financial statements.

2.1 Functional and presentation currency

Items included in the unconsolidated financial statements are measured using the currency of the primary economic environment in which the Company operates. The unconsolidated financial statements are presented in Pak. Rupee, which is the Company's functional and presentation currency.

3. STATEMENT OF COMPLIANCE

3.1 These unconsolidated 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 Standard Board (IASB) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

3.2 The SBP, vide its BSD Circular Letter no. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 40, Investment Property, for banking companies and DFIs till further instructions. Further, the SBP, vide its BSD Circular Letter no. 10 dated September 11, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instrument; recognition and measurement and IFRS 10, Consolidated Financial Statement was made applicable from period beginning on or after January 01, 2015 vide S.R.O. 663(1)/2014 dated July 10, 2014 by SECP. However, SECP has directed through S.R.O. 56(1)/2016 dated January 28, 2016, that the requirement of consolidation under section 2018 of Companies Act, 2017 and IFRS 10 is not applicable in case of investment by companies in mutual funds established under trust structure. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. Further, the SECP, through S.R.O 411(1)/2008 dated April 28, 2008, has deferred the applicability of IFRS 7, Financial Instruments: Disclosures, to banks and DFIs.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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

There are certain amendments to existing accounting and reporting standards that have become applicable to the Company for the accounting periods beginning on or after January 1, 2023. These are considered either not to be relevant or not to have any significant impact on these unconsolidated financial statements except the IFRS 9 Financial Instruments: classification and measurement that have significant effect on these unconsolidated financial statements on its application as disclosed in note 5.1.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 January 2024:

Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to IAS 1 The International Accounting Standards Board (IASB) issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by right to defer settlement
- That a right to defer settlement must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- Disclosures requirements

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed. The amendments must be applied retrospectively.

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognizing, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy in accordance with IAS 8 that results in information that is relevant and reliable.

A seller-lessee applies the amendment to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted and that fact must be disclosed.

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- **Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7**

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

- **Lack of exchangeability – Amendments to IAS 21**

The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed.

- **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28** The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

The effective date of the amendments until such time as it has finalized any amendments that result from its research project on the equity method. The amendments must be applied prospectively. Early application is permitted and must be disclosed.

The Company expects that the adoption of the above standards will have no material effect on the Company's financial statements, in the period of initial application

Further, the following new standards have been issued by the IASB, which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

- IFRS 1 – First time Adoption of IFRS
- IFRS 17 – Insurance Contracts

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

4. BASIS OF MEASUREMENT

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

- certain items of operating fixed assets and non-banking assets acquired in satisfaction of claims which are shown at revalued amounts;
- certain investments which are carried at fair value in accordance with directives of the SBP; and
- staff retirement benefit which is stated at present value of defined benefit obligation net of fair value of plan assets.

Critical accounting judgments and estimation uncertainty

The preparation of unconsolidated financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. The Company uses estimates and assumptions concerning the future. The resulting accounting estimate will, by definition, seldom equals the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these unconsolidated financial statements are as follows:

- i) Classification of investments
- ii) ECL against investments, advances and other assets
- iii) Valuation and impairment of available for sale securities
- iv) Valuation, useful life and depreciation of fixed assets and non-banking assets acquired in satisfaction of claims
- v) Useful life of intangibles
- vi) IFRS 16-lease term and effective interest rate of lease contracts for lease liabilities and right of use of assets
- vii) Taxation
- viii) Present value of staff retirement benefits
- ix) Valuation and impairment of subsidiary and associates

5. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these unconsolidated financial statements, except for early adoption of IFRS-9 w.e.f January 01, 2023.

5.1 Adoption of IFRS 9 and new forms of the preparation of annual financial statements

The State Bank of Pakistan (SBP) vide BPRD Circular Letter No. 07 dated April 13, 2023 has deferred the implementation of IFRS 9 "Financial Instruments" to accounting period beginning on or after January 01, 2024, however earlier adoption of IFRS 9 is permitted and encouraged, therefore the management of the Company has decided to adopt the IFRS 9 from accounting period on January 01, 2023.

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The adoption of IFRS 9 resulted changes in accounting policies and adjustments to amounts previously recognized in the unconsolidated financial statements. As permitted by IFRS 09, the requirements have been applied retrospectively without restating the comparatives. As a result, the difference between the previously reported carrying amounts and new carrying amounts of financial instruments as of December 31, 2022 and January 01, 2023 amounting to Rs. 527.956 million has been recognized in opening retained earnings. The new standard provides significant changes to classification and measurement of financial assets. The new standard also requires to recognize Expected Credit Losses (ECL) which require significant judgement and estimates to be made by the Company.

There were significant changes in the accounting policies, which are detailed below:

Further, during the year, the SBP, vide its BPRD Circular No. 02 dated February 09, 2023, issued the revised forms for the preparation of the annual financial statements of the Banks/DFIs which is applicable for the year beginning on or after January 01, 2023 which was subsequently deferred to January 01, 2024. Since the Company has early adopted the IFRS 9, it has early adopted the new format of the unconsolidated financial statements. The implementation of the revised forms has resulted in certain changes to the presentation and disclosures of various elements of the unconsolidated financial statements.

5.1.1 IFRS 9 – Financial Instruments

IFRS 9 brings fundamental changes to the accounting for financial assets and to certain aspects of accounting of financial liabilities. To determine appropriate classification and measurement category, IFRS 9 requires all financial assets, except equity instruments to be assessed based on combination of the Company's business model for managing the assets and the instruments' contractual cash flow characteristics. The adoption of IFRS 9 has also fundamentally changed the impairment method of financial assets with a forward-looking Expected Credit Losses (ECL) approach.

5.1.2 Classification

"Under IFRS 9, existing categories of financial assets: Held for trading (HFT), Available for sale (AFS) and Held to maturity (HTM) have been replaced by:

- Financial assets at fair value through profit or loss account (FVPL)
- Financial assets at fair value through other comprehensive income (FVOCI)
- Financial assets at amortized cost"

Under IFRS 9, the accounting for financial liabilities remains largely the same as before adoption of IFRS 9 and thus all financial liabilities are being carried at amortized cost. Financial liabilities can also be designated at FVPL where gains or losses arising from entity's own credit rating risk relating to are required to be presented in other comprehensive income with no reclassification to the profit or loss account. The Company did not have any financial liability measured at FVPL.

The classification and subsequent measurement is dependent on the Company's business model.

5.1.3 Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

- The objectives for the portfolio, in particular, whether the management's strategy focuses on earning contractual revenue, maintaining a particular yield profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
How the performance of the business model and the financial assets held within that business model are evaluated and reported to the company's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

"Eventually, the financial assets fall under either of the following three business models:

- a. Hold to Collect (HTC) Business Model: Holding assets in order to collect contractual cash flows
- b. Hold to Collect and Sell (HTC&S) Business Model: Collecting contractual cash flows and selling financial assets
- c. Other Business Models: Resulting in classification of financial assets as FVPL"

5.1.4 Assessments whether contractual cash flows are solely payments of principal and profit (SPPI)

As a second step of its classification process the Company assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). The most significant elements of profit within a financing arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set. In contrast, contractual terms that introduce a more than de minimize exposure to risks or volatility in the contractual cash flows that are unrelated to a basic financing arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

The Company has arrived at the below given classification and measurement mapping for its financial assets.

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Portfolio / Business Model		Financial asset measurement	
Financial assets portfolio	Business model	Asset is SPPI	Asset is not SPPI
Advances and Debt Investments originated by CFD	Hold to Collect	At Amortized Cost	At Fair Value through Profit and Loss
Bank Deposits / Cash	Hold to Collect	At Amortized Cost	At Fair Value through Profit and Loss
Placements with Financial Institutions	Hold to Collect	At Amortized Cost	At Fair Value through Profit and Loss
Debt Investments originated by Treasury Division with the intent to resale	Other	At Fair Value through Profit and Loss (SPPI test not applicable)	
Debt Investments originated by Treasury Division with the intent to hold to collect and sell	Hold to Collect and Sell	At Fair Value through Other Comprehensive Income	At Fair Value through Profit and Loss
Debt Investments originated by Treasury Division with the intent to hold to collect	Hold to Collect	At Amortized Cost	At Fair Value through Profit and Loss
Equity Investments	Other	• Quoted: At Fair Value through Profit & Loss or Fair Value through OCI (Irrevocable option) • Unquoted: At Fair Value through Other Comprehensive Income • Strategic investment: N/a	
Staff Advances	Hold to Collect	At Amortized Cost	At Fair Value through Profit and Loss

5.1.5 Reclassification

Reclassification of financial assets will only be made in exceptional cases along with the rationale for the change in the business model (under which they were managed) that has led to the reclassification. Such changes must be demonstrable to external parties. Financial liabilities are never reclassified.

5.1.6 Financial assets – debt instruments

Debt financial assets held by the Company (including; advances, lending to financial institutions, investment in federal government securities and other private debt securities, cash and balances with treasury Banks, balances with other Banks, and other financial assets) are measured at amortised cost if they meet both of the following conditions and is not designated as at FVPL:

- the assets are held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

The Company's business model for these financial assets can still be HTC even when sales of these financial assets occur. However, if more than an infrequent number of sales or sale(s) of significant value are/is made, the Company assess whether and how the sales are consistent with the HTC objective. This assessment includes the reason(s) for the sales, the expected frequency of sales, and whether the assets that are sold are held for an extended period of time relative to their contractual maturities.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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The aforementioned financial assets are measured at FVOCI only if these meet both of the following conditions and are not designated as at FVPL:

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

The aforementioned financial assets if held for trading purposes are classified as measured at FVPL. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

5.1.7 Financial assets – equity instruments

An equity instrument held by the Company for trading purposes is classified as measured at FVPL. On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. The Company has decided to classify its available for sale equity investment portfolio as of December 31, 2022 as FVOCI on irrevocable basis.

IFRS 9 has eliminated impairment assessment requirements for investments in equity instruments. However, unlisted equity instruments are required to be measured at lower of cost or breakup value till December 31, 2023 under the SBP's instructions. Accordingly, the Company has reversed impairment of Rs. 473.921 million on listed equity investment (FVOCI) held as at December 31, 2022 and the same has been transferred to deficit on revaluation of investments through remeasurements.

5.1.8 Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade date, the date on which the Company purchase or sell the asset. Other financial assets and liabilities like advances, lending to financial institutions, deposits etc. are recognized when funds are transferred to the customers' account or financial institutions. However, for cases, where funds are transferred on deferred payment basis, recognition is done when underlying asset is purchased. The Company will recognize due to customer and financial institution balances when these funds reach the Company.

5.1.8.1 Amortised cost

Financial assets and liabilities under amortized cost category are initially recognized at fair value adjusted for directly attributable transaction cost. These are subsequently measured at amortised cost using the effective interest method. An expected credit loss allowance (ECL) is recognized for financial assets in the profit or loss. interest income / expense on these assets / liabilities are recognized in the profit or loss account. On derecognition of these financial assets and liabilities, capital gain / loss will be recognized in the profit or loss account.

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5.1.8.2 Fair value through other comprehensive income

Debt instruments held at FVOCI are subsequently carried at fair value, with all unrealized gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in a separate component of equity. Changes in expected credit losses are recognized in the profit or loss and are accumulated in equity. On derecognition, the cumulative fair value gains or losses, net of the cumulative expected credit loss reserve, are transferred to the profit or loss.

Equity investments designated at FVOCI are subsequently carried at fair value with all unrealized gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in a separate component of equity. On derecognition, the cumulative reserve is transferred to retained earnings and is not recycled to profit or loss.

5.1.8.3 Fair value through profit or loss

Financial assets under FVPL category are initially recognized at fair value. Transaction cost will be directly recorded in the profit or loss. These assets are subsequently measured at fair value with changes recorded in the profit or loss account. Interest / dividend income on these assets are recognized in the profit or loss account. On derecognition of these financial assets, capital gain / loss will be recognized in the profit or loss account. An expected credit loss allowance (ECL) is not recognized for these financial assets.

5.1.9 Derecognition

5.1.9.1 Financial assets

"The Company derecognizes a financial asset when:

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

The Company enters into transactions whereby it transfers assets recognized in its unconsolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

5.1.9.2 Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the profit or loss account.

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5.1.10 Modification

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of financing to its customers. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with IFRS 9, the Company recalculate the gross carrying amount of the financial asset and shall recognize a modification gain or loss in the profit or loss account. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective profit rate (or credit-adjusted effective profit rate for purchased or originated credit-impaired financial assets). Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

5.1.11 Offsetting of financial assets and financial liabilities

"Financial assets and financial liabilities are offset and the net amount is reported in the unconsolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Financial assets and financial liabilities are generally reported gross in the unconsolidated statement of financial position except when IFRS netting criteria are met."

5.1.12 Overview of the ECL principles

The Company assesses on a forward-looking basis the expected credit losses ('ECL') associated with all advances and other debt financial assets not held at FVPL, together with letter of comfort, guarantees and unutilized financing commitments hereinafter referred to as "Financial Instruments". The Company recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined below.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated at individual customer level.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Company considers an exposure to have significantly increased in credit risk when there is considerable deterioration in the internal rating grade for subject customer. The Company also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer / facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, generally, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 60 days past due. The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated at individual customer level.

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Based on the above process, the Company groups its financial instruments into Stage 1, Stage 2, Stage 3 and purchased or originated credit impaired (POCI), as described below:

Stage 1

When financial instruments are first recognized, the Company recognizes an allowance based on 12mECLs. Stage 1 financial instruments also include facilities where the credit risk has improved and they have been reclassified from Stage 2. The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for all the scenarios.

Stage 2

When a financial instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 also includes facilities, where the credit risk has improved and the instrument has been reclassified from Stage 3. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs are applied over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3

For financial instruments considered credit-impaired, the Company recognizes the lifetime expected credit losses for these instruments. The Company uses a PD of 100% and LGD as computed for each portfolio or as prescribed by the SBP under the prudential regulations whichever is higher.

POCI

Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and profit / rental is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

Undrawn financing

When estimating LTECLs for undrawn financings commitments, the Company estimates the expected portion of the financings commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the financings are drawn down, based on a probability-weighting of the three scenarios. For revolving facilities that include both a financings and an undrawn commitment, ECLs are calculated and presented with respective facility's ECL.

Guarantee and letters of comfort:

The Company estimates ECLs based on credit conversion factor (CCF) calculated using the historical data relating to amount approved of a facility and actual utilized amount for Guarantee and letter of comfort contracts. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to guarantee and letter of credit contracts are recognized within other liabilities.

Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liabilities to the gross carrying amount of a financial asset or to the amortized cost of a financial liability.

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5.1.12.1 The calculation of ECLs

The Company calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to a Company in accordance with the contract and the cash flows that the Company expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD

The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio. The Company has adopted obligator risk rating (ORR) method for the determination of PD. Under this method, historical data has been analyzed relating to ORR yearly migration for probability of default matrix. Macroeconomic adjustments are then applied to default rates to incorporate current and future changes in economic environment. Macroeconomic variables that may affect default rates are identified and their impact on default rates is calculated using a multiple scenario-based modeling framework.

EAD

The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Company has the legal right to call it earlier. However, in case of revolving facilities, the Company does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Company's expectations of the customer behaviour, its likelihood of default and the Company's future risk mitigation procedures, which could include reducing or cancelling the facilities.

LGD

The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD. The discount rate used to discount the ECLs is based on the effective profit rate that is expected to be charged over the expected period of exposure to the facilities. When estimating the ECLs, the Company considers three scenarios (a base case, an upside, a downside). Each of these is associated with different PDs.

Definition of default

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, when it meets one or more of the following criteria:

The customer is more than 90 days past due on its contractual payments.

The Company considers a default to have occurred with regard to any particular credit instrument when either or both of the following two events have taken place:

- The Company considers that the obligor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if held).
- If principal or mark-up/interest, on any of the obligor's material credit obligations, is overdue by 90 days or more from the due date or as defined in Prudential Regulations from time to time.

Write-offs

The gross carrying amount of a credit instrument will be reduced when there is no reasonable expectation of recovery, in accordance with the terms of its Write-Off policy. Write-off constitutes a derecognition event.

5.1.13 Transitioning adjustments

The comparative period have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS-9 have been recognized in opening retained earnings as of January 01, 2023, as per detail given below:-

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5.1.13.1 Transition due to adoption of IFRS 9

	December 31, 2022	Expected credit loss allowances	Reclassification adjustments in relation to adopting IFRS 9	January 01, 2023
	----- "Rupees" -----			
ASSETS				
Cash and balances with treasury banks	116,437,350	-	-	116,437,350
Balances with other banks	127,875,540	(581,837)	-	127,293,703
Non-current asset classified as held for sale	-	-	-	-
Lendings to financial institutions	-	-	-	-
Investments	36,321,015,128	(112,987,223)	719,100,564	36,927,128,469
Advances	9,119,290,062	(1,114,285,741)	-	8,005,004,321
Property and equipment	4,140,381,949	-	-	4,140,381,949
Right of Use Assets	41,414,620	-	-	41,414,620
Intangible assets	6,392,003	-	-	6,392,003
Deferred tax assets	58,011,030	405,633,585	(237,303,187)	226,341,428
Other assets	3,675,883,486	-	-	3,675,883,486
	53,606,701,168	(822,221,216)	481,797,377	53,266,277,329
LIABILITIES				
Bills payable	-	-	-	-
Borrowings	36,774,866,849	-	-	36,774,866,849
Deposits and other accounts	1,953,000,000	-	-	1,953,000,000
Lease liabilities	-	-	-	-
Subordinated debt	-	-	-	-
Deferred tax liabilities	-	-	-	-
Other liabilities	835,273,389	1,337,880	-	836,611,269
	39,563,140,238	1,337,880	-	39,564,478,118
NET ASSETS	14,043,560,930	(823,559,096)	481,797,377	13,701,799,211
REPRESENTED BY				
Share capital	6,765,000,000	-	-	6,765,000,000
Statutory reserve	1,431,486,211	-	-	1,431,486,211
General reserve	358,662,940	-	-	358,662,940
Surplus on revaluation of assets - net	1,313,231,385	-	186,193,795	1,499,425,180
Unappropriated / unremitted profit	4,175,180,394	(823,559,096)	295,603,582	3,647,224,880
	14,043,560,930	(823,559,096)	481,797,377	13,701,799,211

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

Unappropriated profit

Retained earnings as of December 31, 2022

IFRS - 9 Impact

Expected Credit loss (ECL) allowance		4,175,180,394
Reclassification of provision for impairment on AFS quoted securities		(1,229,192,681)
Reclassification of deficit on AFS quoted securities		473,921,310
Deferred tax on ECL	405,633,585	(175,426,724)
Deferred tax on provision for Impairment adjustment	(31,836,413)	
Deferred tax on deficit on AFS quoted securities	28,945,409	
Related deferred tax impact		402,742,581

Revised Retained Earnings as of January 01, 2023

3,647,224,880

Balances with Other banks

As at December 31, 2022

IFRS 9 Impact

Credit loss allowance

As at January 01, 2023

Investment

As at December 31, 2022

IFRS 9 Impact

ECL allowance

Reclassification of AFS debt securities to amortised cost

As at January 01, 2023

Advances

As at December 31, 2022

IFRS 9 Impact

ECL allowance

As at January 01, 2023

Other liabilities

As at December 31, 2022

IFRS 9 Impact

ECL allowance

As at January 01, 2023

Surplus on revaluation of assets - net

As at December 31, 2022

IFRS 9 Impact

Reclassification of AFS debt securities to amortised cost

Reclassification of deferred tax

Reclassification of provision for impairment on AFS quoted securities

Adjustment of deferred tax in relation to impairment adjustment

Reclassification of deficit on AFS quoted securities

Reclassification of deferred tax

As at January 01, 2023

Deferred tax assets

As at December 31, 2022

IFRS 9 Impact

Reclassification of deferred tax in relation to adopting IFRS 9

Deferred tax on ECL allowance

As at January 01, 2023

Rupees

4,175,180,394

(1,229,192,681)

473,921,310

(175,426,724)

405,633,585

(31,836,413)

28,945,409

402,742,581

3,647,224,880

Rupees

127,875,540

(581,837)

(581,837)

127,293,703

(112,987,223)

719,100,564

606,113,341

36,927,128,469

(1,114,285,741)

(1,114,285,741)

8,005,004,321

835,273,389

1,337,880

836,611,269

1,313,231,385

719,100,564

(237,303,186)

481,797,378

(473,921,310)

31,836,413

(442,084,897)

175,426,724

(28,945,410)

146,481,314

1,499,425,180

Rupees

58,011,030

(237,303,187)

405,633,585

168,330,398

226,341,428

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

5.1.13.2 Reclassification of investments due to adoption of IFRS-9

Reclassification for Available for sale securities (AFS)	Rupees
Balance as at December 31, 2022 - Audited	34,820,500,128
Equity securities reclassified to FVPL	(1,487,154,488)
Debt securities reclassified to amortised cost	(5,578,040,800)
Debt securities reclassified through FVOCI	(26,507,452,921)
Equity securities reclassified through FVOCI	(1,247,851,919)
AFS investment as at January 01, 2023 - Unaudited	-

5.2 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury banks, balances with other banks and call money lendings.

5.3 Non-current asset classified as held for sale

The Company classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for sale in its present condition and its sale must be probable. For sale to be probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete plan must have been initiated. Assets designated as held for sale are carried at lower of carrying amount at designation and fair value less cost to sell, if fair value can reasonably be determined.

5.4 Sale and repurchase agreements

Securities sold under repurchase agreement (repo) are retained in the unconsolidated financial statements as investments and a liability for consideration received is included in borrowings. Conversely, consideration for securities purchased under resale agreement (reverse repo) are included in lendings to financial institutions. The difference between sale and repurchase / purchase and resale price is recognised as mark-up / return expensed and earned respectively on a time proportion basis as the case may be. Repo and reverse repo balances are reflected under borrowings from and lendings to financial institutions respectively.

5.5 Investments

Following classification and measurement policies for investments, except for that of subsidiary and associate, remained implemented until December 31, 2022, have been changed on adoption of IFRS 9 as detailed in note 5.1 above.

(a) Held-For-Trading (HFT)

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate movements. These are marked to market and surplus / deficit arising on revaluation of 'held for trading' investments is taken to unconsolidated profit and loss account in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

(b) Available-For-Sale (AFS)

These represent securities which do not fall under 'held for trading' or 'held to maturity' categories. Available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges, are valued at market value and the resulting surplus / deficit on revaluation, net of deferred tax, is taken through "Statement of Comprehensive Income" and is shown in the shareholders' equity in the unconsolidated statement of financial position. Where the decline in prices of available for sale securities is significant and prolonged, it is considered impaired and included in unconsolidated profit and loss account. Impairment loss on available for sale debt securities is determined in accordance with the requirements of prudential regulations issued by SBP.

"Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee companies as per their latest available financial statements.

Investments in other unquoted securities are valued at cost less impairment losses, if any."

(c) Held-To-Maturity (HTM)

These represent securities acquired with the intention and ability to hold them up to maturity. These are carried at amortized cost less impairment, if any, in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

(d) Investments in associate and subsidiary

Investment in associate and subsidiary is carried at cost less impairment, if any.

All purchases and sale of investments that require delivery within the time frame established by regulations or market convention are recognized at the trade date, which is the date the Company commits to purchase or sell the investments.

5.6 Advances

Advances are stated net of provision. Provision for non-performing advances until December 31, 2023 determined in accordance with the requirements of the Prudential Regulations issued by SBP from time to time has now been determined according to policy reflected in note 5.1.12.

The provision against non-performing advances are charged to the unconsolidated profit and loss account. Advances are written off when there is no realistic prospect of recovery.

5.7 Finance lease receivables

Leases where the Company transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in advances to the customers.

5.8 Fixed assets and depreciation

(a) Property and equipment (owned and leased)

Fixed assets are stated at cost less accumulated depreciation and impairment loss, if any, except for freehold land which is stated at cost and lease hold land, buildings and certain other items which are carried at revalued amount less depreciation.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

Certain items of fixed assets are revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value. Surplus / (deficit) arising on revaluation of fixed assets is credited / (debited) to the surplus on revaluation of assets account and is shown in the shareholders' equity in the unconsolidated statement of financial position.

In making estimates of the depreciation / amortization, the management uses useful life and residual value which reflects the pattern in which economic benefits are expected to be consumed by the Company. The useful life and the residual value are reviewed at each financial year end and any change in these estimates in future years might effect the carrying amounts of the respective item of operating fixed assets with the corresponding effect on depreciation / amortization charge.

Depreciation is provided on straight line method at rates specified in note 12.1.2 to the unconsolidated financial statements so as to write off the cost of the assets over their estimated useful lives. Depreciation of an asset begins when it is available for use. Depreciation of an asset ceases at the earlier of the date when the asset is classified as held for sale and the date that the asset is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Maintenance and normal repairs are charged to unconsolidated profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of operating fixed assets are taken to the unconsolidated profit and loss account.

(b) Capital work in progress

Capital work in progress is stated at cost less accumulated impairment losses, if any, and is transferred to the respective item of fixed assets when available for intended use.

5.9 Intangibles

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged to unconsolidated profit and loss account. Amortisation is computed from the date of purchase to date of disposal / write off using the straight line method in accordance with the rates specified in note 13 to these unconsolidated financial statements to write off cost of the assets over their estimated useful life.

5.10 IFRS 16 - Leases

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. Right to use assets are subsequently stated at cost less any accumulated depreciated/ accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenor. Right-of-use assets are depreciated over their expected useful lives using the straight line method.

The lease liabilities are initially measured as the present value of remaining lease payments, discounted using the incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or change in lease terms. Each lease payment is allocated between a reduction of the liability and finance cost. The finance cost is charged to profit and loss account as markup expense over the lease period.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

5.11 Non banking assets acquired in satisfaction of claims

In accordance with the BPRD Circular No. 1 of 2016 dated January 1, 2016 issued by SBP, the non-banking assets acquired in satisfaction of claims are carried at revalued amounts. Surplus arising on revaluation of such properties is credited to the 'surplus on revaluation of non banking assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and are not capitalized. These assets are depreciated as per Company's policy.

5.12 Deposits

Deposits are recorded at the fair value of proceeds received. Markup accrued on deposits is recognized separately as part of other liabilities and is charged to unconsolidated profit and loss account on a time proportion basis.

5.13 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the unconsolidated profit and loss account, except to the extent that it relates to items recognized directly in other comprehensive income or in equity, in which case it is recognised in other comprehensive income or in equity.

a) Current

Provision for current tax is the expected tax payable on the taxable income for the year using tax rates applicable at the date of unconsolidated statement of financial position. The charge for the current tax also includes adjustments, where considered necessary relating to prior years, arising from assessments made during the year for such years.

b) Deferred

Deferred tax is provided for by using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the date of unconsolidated statement of financial position, and applicable at the time of its reversal. A deferred tax asset is recognised only to the extent that it is probable that the future taxable profit will be available and credits can be utilized. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realised.

The Company recognizes deferred tax asset/liability on (deficit)/surplus on revaluation of securities and revaluation of operating fixed assets as an adjustment to deficit / surplus on revaluation of securities and revaluation of operating fixed assets.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

5.14 Staff retirement benefits

(a) Defined benefit plan

The Company operates an approved gratuity fund for its permanent employees. Contributions to the fund are made on the basis of actuarial recommendations. The actuarial valuation is carried out periodically using "projected unit credit method".

(b) Defined contribution plan

The Company also operates a recognized provident fund for all of its permanent employees. Equal monthly contributions at the rate of 10% of basic salary are made both by the Company and the employees, which are transferred to the provident fund.

(c) Compensated absences

As per its service rules, the Company grants compensated absences to all of its permanent employees. The provision for compensated absences is made on the basis of last drawn basic salary.

5.15 Revenue recognition

– Interest Income

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. For the financial assets that have become credit-impaired (Stage 3) subsequent to initial recognition, interest income is calculated by applying the effective interest rate to their amortised cost (i.e., net of the expected credit loss provision). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability. Interest income and expense presented in the statement of profit or loss include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- Interest income on investment (debt) securities measured at FVOCI and measured at amortised cost is calculated using effective interest rate method and is also included in interest income.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

– Fee and commission income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income are recognized over time as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised over time on a straight-line basis over the commitment period. In case of these services, the control is considered to be transferred over time as the customer is benefited from these services over the tenure of the service period. Other fee and commission expense relate mainly to transaction the services are received. When the Company provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

– Income from investment securities

Recognition of income from investment securities under respective classification are given in note 5.1 above.

- The Company follows the finance method to recognize income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of the leased assets) is deferred and taken to income over the term of lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gains/ losses on termination of lease contracts are recognized as income/expense on realization. Unrealized lease income on classified lease is held in suspense account, where necessary, in accordance with the requirements of SBP guidelines and recognized as income on receipt basis
- Dividend income is recognized when the Company's right to receive income is established.
- Rental income is recognized on systematic basis.
- Gains and losses on disposal of operating fixed assets are taken to the unconsolidated profit and loss account.

5.16 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak. Rupee at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated to Pak. Rupee at the exchange rates prevailing at the date of unconsolidated statement of financial position. Exchange gains and losses are included in unconsolidated profit and loss account of the Company.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

5.17 Impairment

The carrying amount of the Company's assets are reviewed at the date of unconsolidated statement of financial position to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognised as expense in the unconsolidated profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

5.18 Provisions

Provisions are recognised when there are present, legal or constructive obligations 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 amounts can be made. Provision for guarantee claims and other off balance sheet obligations is recognized when intimated and reasonable certainty exists to settle the obligations. Expected recoveries are recognized by debiting customer accounts. Charge to unconsolidated profit and loss account is stated net off expected recoveries.

5.19 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

5.20 Dividend Distribution

Dividends and appropriations to reserves, except appropriations which are required by the law, made subsequent to the reporting date are considered as non-adjusting events and are recorded in the financial statements in accordance with the requirements of International Accounting Standard (IAS) 10, 'Events after the reporting period' in the year in which they are approved / transfers are made.

5.21 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

5.22 Financial instruments

Financial assets and liabilities

Financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provision of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognized in the profit and loss account of the current period. The particular recognition and subsequent measurement methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

Off-setting of financial instruments

Financial assets and financial liabilities are only set-off and net amount is reported in the unconsolidated financial statements when there is legally enforceable right to set-off the recognized amount and the Company either intends to settle on net basis or to settle the liabilities and realize the assets simultaneously.

5.23 Statutory reserve

According to BPD Circular No. 15 dated May 31, 2004 issued by the SBP, an amount not less than 20% of the after tax profits shall be transferred to create a reserve fund till such time the reserve fund equals the amount of the paid-up capital and after that a sum not less than 5% of profit after tax shall be credited to the statutory reserve.

5.24 Segment Reporting

A segment is a distinguishable component of the Company that is engaged either in providing differentiated products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), subject to risks and rewards that are different from those of other segments. Segment information is presented as per the Company's functional structure and the guidance of State Bank of Pakistan. The Company's primary format of reporting is based on business segments. The Company comprises of the following main business segments:

(a) Business Segment

– Corporate finance

This includes investment activities such as underwriting, Initial Public Offers (IPOs) and corporate financing.

– Trading and Sales

Trading and sales includes the Company's treasury and money market activities.

– Building Rental Services

This segment undertakes the rental services of Saudi Pak Tower and its allied activities.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

(b) Geographical Segment

The Company conducts all its operations in Pakistan.

Note	2023	2022
	----- Rupees -----	----- Rupees -----

6. CASH AND BALANCES WITH TREASURY BANKS

In hand			
Local currency		242,707	285,888
With State Bank of Pakistan in	6.1	134,343,934	116,151,462
Local currency current accounts		<u>134,586,641</u>	<u>116,437,350</u>

6.1 These represent current accounts maintained with the SBP to comply with the statutory cash reserve requirements.

2023	2022
----- Rupees -----	----- Rupees -----

7. BALANCES WITH OTHER BANKS

In Pakistan		
In current accounts	6,356,200	84,376,565
In deposit accounts	84,123,071	43,498,975
Less: Credit loss allowance held against balance with other banks	(177,964)	-
Balances with other banks - net of credit loss allowance	<u>90,301,307</u>	<u>127,875,540</u>

7.1 Deposit accounts include Rs. 46,924,361 (2022: Rs 13,623,257) held in local currency accounts. These accounts carry markup at the rates ranging from 7.00% to 20.50% (2022: 3.75% to 13.50%) per annum.

7.2 Deposit accounts include USD 132,013.73 (2022: USD 132,006.24) held in foreign currency accounts. These accounts carry markup at the rate of 0.25% (2022: 0.25%) per annum.

Note	2023	2022
	----- Rupees -----	----- Rupees -----

8. LENDINGS TO FINANCIAL INSTITUTIONS

Repurchase agreement lendings (Reverse Repo)	8.1	3,030,155,700	-
Letter based placement		<u>220,000,000</u>	-
		3,250,155,700	-
Less: Credit loss allowance held against lending to financial institutions		(160,987)	-
Lending to Financial Institutions - net of credit loss allowance		<u>3,249,994,713</u>	-

8.1 Particulars of lending

In local currency	<u>3,249,994,713</u>	-
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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

8.2 Securities held as collateral against lending to financial institutions

	2023		2022	
	Held by the Company	Further given as collateral	Total	Further given as collateral
	Rupees		Rupees	
Pakistan Investment Bonds	3,030,155,700	-	3,030,155,700	-
Total	3,030,155,700	-	3,030,155,700	-

8.3 Lending to FIs - Particulars of credit loss allowance

	2023		2022	
	Lending	Credit loss allowance held	Classified Lending	Provision held
	Rupees		Rupees	
Domestic				
Performing	3,250,155,700	160,987	-	-
Under performing	-	-	-	-
Non-performing				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	3,250,155,700	160,987	-	-
	3,250,155,700	160,987	-	-
	2023		2022	
	Stage 1	Stage 2	Stage 3	
	Rupees		Rupees	
Balance at the start of the year	-	-	-	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net remeasurement of credit loss allowance	-	-	-	-
New financial assets originated or purchased	160,987	-	-	-
Financial assets that have been derecognized	-	-	-	-
Changes in risk parameters (PDs/LGDs/EADs)	-	-	-	-
Balance at the end of the year	160,987	-	-	-

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

9. INVESTMENTS	Investments by type:	Note	2022					2023				
			Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Rupees	
--	Equity instruments											
	Classified / Measured at FVPL											
	Quoted securities		564,091,607	-	280,134,143	844,225,750	-	-	-	-		
	Classified / Measured at FVOCI (Non-reclassifiable)											
	Shares											
	Listed companies		661,427,300	-	(128,123,750)	533,303,550	-	-	-	-		
	Un-listed companies		783,833,048	(273,833,040)	-	510,000,008	-	-	-	-		
			1,445,260,348	(273,833,040)	(128,123,750)	1,043,303,558	-	-	-	-		
	Debt Instruments											
	Classified / Measured at FVOCI											
	Federal Government Securities		26,112,632,149	-	(972,135,349)	25,140,496,800	-	-	-	-		
	-Pakistan Investment Bonds (PIBs)		26,112,632,149	-	(972,135,349)	25,140,496,800	-	-	-	-		
	Non Government Debt Securities		1,069,651,845	(88,848,430)	-	980,803,415	-	-	-	-		
	-Term Finance Certificates (TFCs) / Sukuk		27,182,283,994	(88,848,430)	(972,135,349)	26,121,300,215	-	-	-	-		
	Classified / Measured at Amortised cost											
	Federal Government Securities		6,241,392,062	-	-	6,241,392,062	-	-	-	-		
	-Pakistan Investment Bonds (PIBs)		6,241,392,062	-	-	6,241,392,062	-	-	-	-		
	Non Government Debt Securities		1,163,022,923	(576,721,469)	-	586,301,454	-	-	-	-		
	-Term Finance Certificates (TFCs) / Sukuk		7,404,414,985	(576,721,469)	-	6,827,693,516	-	-	-	-		
	Available-for-sale securities (AFS)											
	Federal Government Securities		-	-	-	-	32,994,355,755	-	(1,800,587,455)	31,193,768,300		
	-Pakistan Investment Bonds (PIBs)		-	-	-	-	32,994,355,755	-	(1,800,587,455)	31,193,768,300		
	Shares- quoted securities		-	-	-	-	3,265,391,260	(941,511,580)	(98,873,281)	2,225,006,399		
	Non Government Debt Securities		-	-	-	-	969,651,845	(80,266,424)	2,340,000	891,725,421		
	-Term Finance Certificates (TFCs) / Sukuk		-	-	-	-	783,833,048	(273,833,040)	-	510,000,008		
	Un-quoted securities		-	-	-	-	38,013,231,908	(1,295,611,044)	(1,897,120,736)	34,820,500,128		
	Held-to-maturity securities											
	Non Government Debt Securities		-	-	-	-	1,529,701,077	(529,186,077)	-	1,000,515,000		
	-Term Finance Certificates (TFCs)	9.1.1	-	-	-	-	500,000,000	-	-	500,000,000		
	Subsidiaries											
	Saudi Pak Real Estate Company Limited	9.1.2	500,000,000	-	-	500,000,000	-	-	-	-		
	Associates											
	Saudi Pak Leasing Company Limited		243,467,574	(243,467,574)	-	-	-	-	-	-		
	- Investment in shares		333,208,501	(333,208,501)	-	-	-	-	-	-		
	- Investment in preference shares	9.1.3	576,676,075	(576,676,075)	-	-	-	-	-	-		
			37,672,727,009	(1,516,079,014)	(820,124,956)	35,336,523,039	40,042,932,985	(1,824,797,121)	(1,897,120,736)	36,321,015,128		
	Total Investments											

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

- 9.1.1 The Company has investment in unsecured subordinated TFCs having outstanding principal of Rs.299.760 million, issued by Silk Bank Limited (the Issuer). Markup of Rs.118.721 million accrued as of December 31, 2023 has been suspended (December 31, 2022 : NIL) along with provision of Rs.58.768 million (December 31, 2022: NIL) in these financial statements under expected credit loss (ECL) model as per IFRS 9. The overdue principal of Rs. 0.060 million (2022: Rs.0.060 million) and the accrued markup have not been paid due to "lock in event" that restricts the issuer to make payment without the approval of the State Bank of Pakistan (SBP) to avoid Issuer's non-compliance with capital adequacy ratio. The issuer's operations are continuing without any restriction and it is expected that the above restriction shall be lifted soon by SBP as corrective measures are in progress. Silk Bank also obtained extension to hold its AGM till March 05, 2024, keeping in view the finalization of due diligence exercise conducted by United Bank Limited and MCB Bank Limited. The debt obligation under TFCs is also duly recognized by the Issuer.
- 9.1.2 This represents investment in 50 million shares of Saudi Pak Real Estate Company Limited (SPREL) representing 100% of paid up capital of SPREL which is incorporated in Pakistan. On the basis of latest available un-audited financial statements of SPREL as at December 31, 2023, total assets and liabilities of SPREL are Rs. 864.236 million (2022: Rs. 811.016 million) and Rs. 33.961 million (2022: Rs. 21.981 million) while total revenue, profit after taxation and total comprehensive income for the year ended December 31, 2023 are Rs. 42.949 million (2022: Rs. 33.286 million), Rs. 66.545 million (2022: Rs. 42.903 million) and Rs. 66.210 million (2022: Rs. 42.907 million) respectively.
- 9.1.3 "The Company has Investment of 35.06% (2022: 35.06%) shareholding in ordinary shares of Saudi Pak Leasing Company Limited (SPLC) was classified under non-current assets held for sale under IFRS-5 as of yearend December 31, 2022. During the year, SECP vide its letter dated May 12, 2023, cancelled the SPLC's leasing license and further informed that SPLC is no longer classified as an NBFC and as such Saudi Pak's application for transfer of its shares under Rule 5(6)(e) of NBFC Rules 2003, could not be processed. Saudi Pak obtained a legal opinion as per which this SECP notice does not forbid Saudi Pak to continue its efforts for divestment. As Saudi Pak common stock of SPLC are frozen due to its previous status as an NBFC, therefore any release and subsequent sale of these shares requires a change in the Memorandum and Article of Association of the SPLC to be in line with the new status of being a non-NBFC company. The investment is again classified at cost less impairment as it does not currently fulfills the criteria of IFRS-5, i.e. non-current assets held for sale. On the basis of latest available audited financial statements of SPLC as at June 30, 2023, total assets and liabilities of SPLC are Rs. 811.584 million (2022: Rs. 783.362 million) and Rs. 1,380.019 million (2022: Rs. 1,394.910 million) while total revenue, profit after taxation and total comprehensive income for the year ended June 30, 2023 are Rs. 32.438 million (2022: Rs. 20.853 million), Rs. 14.581 million (2022: loss of Rs. 68.606 million) and Rs. 27.440 million (2022: loss of Rs. 64.621 million) respectively."

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

9.2 Investments by segments:

	2023				2022			
	Cost / Amortised cost	Credit loss allowance	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	Rupees				Rupees			
Investments by segments:								
Federal Government Securities:								
Pakistan Investment Bonds	32,354,024,211	-	(972,135,349)	31,381,888,862	32,994,355,755	-	(1,800,587,455)	31,193,768,300
	32,354,024,211	-	(972,135,349)	31,381,888,862	32,994,355,755	-	(1,800,587,455)	31,193,768,300
Shares:								
Listed Companies	1,225,518,907	-	152,010,393	1,377,529,300	3,265,391,260	(941,511,580)	(98,873,281)	2,225,006,399
Unlisted Companies	783,833,048	(273,833,040)	-	510,000,008	783,833,048	(273,833,040)	-	510,000,008
	2,009,351,955	(273,833,040)	152,010,393	1,887,529,308	4,049,224,308	(1,215,344,620)	(98,873,281)	2,735,006,407
Non Government Debt Securities								
Listed TFCs / Sukuk	731,098,389	(44,247,405)	-	686,850,984	1,231,098,389	(41,712,968)	2,340,000	1,191,725,421
Unlisted TFCs / Sukuk	1,501,576,379	(621,322,494)	-	880,253,885	1,268,254,533	(567,739,533)	-	700,515,000
Commercial paper	-	-	-	-	-	-	-	-
	2,232,674,768	(665,569,899)	-	1,567,104,869	2,499,352,922	(609,452,501)	2,340,000	1,892,240,421
Associates								
Saudi Pak Leasing Company Limited								
- Investment in shares	243,467,574	(243,467,574)	-	-	-	-	-	-
- Investment in preference shares	333,208,501	(333,208,501)	-	-	-	-	-	-
	576,676,075	(576,676,075)	-	-	-	-	-	-
Subsidiaries								
Saudi Pak Real Estate Company Limited	500,000,000	-	-	500,000,000	500,000,000	-	-	500,000,000
Total Investments	37,672,727,009	(1,516,079,014)	(820,124,956)	35,336,523,039	40,042,932,985	(1,824,797,121)	(1,897,120,736)	36,321,015,128

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
	----- Rupees -----	
9.2.1 Investments given as collateral		
Pakistan Investment Bonds (PIBs)	29,914,192,062	27,399,908,300
	<u>29,914,192,062</u>	<u>27,399,908,300</u>

9.3 Particulars of credit loss allowance

	2023			2022
9.3.1 Investments - exposure	Stage 1	Stage 2	Stage 3	Loss
	----- Rupees -----			
Opening balance	-	-	-	-
Impact of reclassification due to adoption of IFRS-9	1,427,005,000	429,145,421	643,202,501	-
New investments	300,000,000	-	-	-
Investments derecognised or repaid	(544,990,000)	-	(21,688,154)	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
	(244,990,000)	-	(21,688,154)	-
Amounts written off / charged Off	-	-	-	-
Closing balance	1,182,015,000	429,145,421	621,514,347	-

	2023			2022
9.3.2 Investments - Credit loss allowance	Stage 1	Stage 2	Stage 3	Loss
	----- Rupees -----			
Opening balance	-	-	1,824,797,121	1,620,682,243
Impact of reclassification due to adoption of IFRS-9	-	-	(941,511,580)	-
Impact of remeasurement due to adoption of IFRS-9	13,517,406	99,469,816	-	-
New investments	6,047,569	-	-	-
Investments derecognised or repaid	(10,139,420)	-	(21,688,154)	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
	(4,091,851)	-	(21,688,154)	-
Amounts written off / charged off	-	-	-	-
Changes in risk parameters (PDs/LGDs/EADs)	(1,528,204)	(29,561,615)	-	-
Charge / reversals				
Charge for the year	-	-	-	264,524,009
Reversals for the year	-	-	-	(16,471,728)
Reversal on disposals	-	-	-	(43,937,403)
	-	-	-	204,114,878
	7,897,351	69,908,201	861,597,387	1,824,797,121
Transfers - net (Note. 11)	-	-	576,676,075	-
Closing balance	7,897,351	69,908,201	1,438,273,462	1,824,797,121

9.3.3 Particulars of credit loss allowance / provision against debt securities

Category of classification

		2023		2022	
		Outstanding amount	Credit Loss Allowance	NPI	Provision
		-----Rupees-----		-----Rupees-----	
Domestic					
Performing	Stage 1	1,182,015,000	7,897,351	-	-
Underperforming	Stage 2	429,145,421	69,908,201	-	-
Non-Performing	Stage 3				
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		621,514,347	587,764,347	643,202,501	609,452,501
		621,514,347	587,764,347	643,202,501	609,452,501
Overseas		-	-	-	-
Total		2,232,674,768	665,569,899	643,202,501	609,452,501

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

9.4 Quality of FVOCI / Available for Sale Securities

Details regarding quality of securities held under "Held to Collect and Sell" model / Available for Sale (AFS) securities are as follows

	2023	2022
	----- Cost in Rupees -----	
Federal Government Securities - Government guaranteed		
Pakistan Investment Bonds	26,112,632,149	32,994,355,755
	<u>26,112,632,149</u>	<u>32,994,355,755</u>
Shares:		
Listed Companies		
Cement	52,702,188	109,775,900
Chemical	417,127,705	417,127,705
Close-end Mutual Fund	37,745,634	37,745,634
Commercial Banks	-	860,941,393
Fertilizer	-	-
Insurance	-	145,952,935
Oil & Gas Marketing Companies	-	255,976,980
Oil & Gas Exploration Companies	-	517,973,984
Power Generation and Distribution	153,851,773	885,925,664
Technology and Communication	-	33,971,065
	<u>661,427,300</u>	<u>3,265,391,260</u>

	2023		2022	
	Cost	Breakup Value	Cost	Breakup Value
	-----Rupees-----		-----Rupees-----	
Unlisted Companies				
Al Hamra Avenue Private Limited	50,000,000	-	50,000,000	-
Al Hamra Hills Private Limited	50,000,000	-	50,000,000	-
Ali Paper Board Industries Limited	5,710,000	-	5,710,000	-
Bela Chemical Industries Limited	6,500,000	-	6,500,000	-
Fruit Sap Limited	4,000,000	-	4,000,000	-
Innovative Investment Bank Limited	37,623,048	-	37,623,048	-
ISE Towers - REIT Management Company Limited	-	-	-	-
Pace Barka Properties Limited	168,750,000	178,188,218	168,750,000	193,302,602
Pak Kuwait Takaful Company	40,000,000	589,091	40,000,000	283,222
Pakistan Textile City Limited	50,000,000	5,047,010	50,000,000	5,047,010
Pakistan GasPort Consortium Limited	330,000,000	450,283,106	330,000,000	621,580,218
Saudi Pak Kalabagh Livestock Company Limited	10,000,000	-	10,000,000	-
Taurus Securities Limited	11,250,000	24,400,565	11,250,000	24,090,707
Trust Investment Bank Limited	20,000,000	-	20,000,000	-
	<u>783,833,048</u>	<u>658,507,990</u>	<u>783,833,048</u>	<u>844,303,759</u>

Breakup value has been calculated using latest available audited financial statements, except for the parties for which no breakup value is mentioned above due to non-availability of latest audited financial statements because of litigation or liquidation proceedings.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

Non Government Debt Securities

Listed

- AA+, AA, AA-
- B+, B, B-
- CCC and below
- Unrated

Unlisted

- A+, A, A-
- Unrated

2023 **2022**
-----Cost in Rupees-----

660,000,000	860,000,000
29,385,421	-
-	29,385,421
23,009,084	23,009,084
712,394,505	912,394,505
300,000,000	-
57,257,340	57,257,340
357,257,340	57,257,340
1,069,651,845	969,651,845

9.5 The Company does not have any investments in foreign securities as at December 31, 2023 (2022: Nil).

9.6 Particulars relating to securities classified Under "Held to Collect" model / Held to Maturity securities:

Federal Government Securities - Government guaranteed

Pakistan Investment Bonds

Note

2023 **2022**
-----Cost in Rupees-----

6,241,392,062	-
6,241,392,062	-

Non Government Debt Securities

Listed

- AA+, AA, AA-
- Unrated

Unlisted

- AA+, AA, AA-
- A+, A, A-
- B+, B, B-
- Unrated

-	300,000,000
18,703,884	18,703,884
18,703,884	318,703,884
222,015,000	267,005,000
100,000,000	100,000,000
299,760,000	299,760,000
522,544,039	544,232,193
1,144,319,039	1,210,997,193
1,163,022,923	1,529,701,077

9.6.1

9.6.1 Market value of held to collect model / held-to-maturity securities other than non performing investments as at December 31, 2023 is Rs. 6,254 million (2022: Rs. 576 million).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

10. ADVANCES

			2023	2022	2023	2022	2023	2022
	Note		Performing	Non Performing	Rupees			
								Total
Loans, leases, running finances- gross	10.1		8,903,760,565	8,696,407,690	2,568,413,975	2,778,130,890	11,472,174,540	11,474,538,580
Credit loss allowance / Provision against advances								
- Stage 1			(116,499,781)	-	-	-	(116,499,781)	-
- Stage 2			(175,564,694)	-	-	-	(175,564,694)	-
- Stage 3			(614,180,004)	-	(2,303,709,919)	-	(2,917,889,923)	-
- Specific			-	-	-	(2,268,864,901)	-	(2,268,864,901)
- General			-	(86,383,617)	-	-	-	(86,383,617)
			(906,244,479)	(86,383,617)	(2,303,709,919)	(2,268,864,901)	(3,209,954,398)	(2,355,248,518)
Advances - net of credit loss allowance / provision			7,997,516,086	8,610,024,073	264,704,056	509,265,989	8,262,220,142	9,119,290,062

10.1 Includes net investment in finance lease as disclosed below:

	2023	2022
	Later than one and less than five years	Later than one and less than five years
	Not later than one year	Not later than one year
	Over five years	Over five years
	Total	Total
	Rupees	
Lease rentals receivable	93,182,383	93,182,383
Residual value	-	-
Minimum lease payments	93,182,383	93,182,383
Financial charges for future periods	(28,746,708)	(28,746,708)
Present value of minimum lease payments	64,435,675	64,435,675

10.2 Particulars of advances (Gross)

	2023	2022
	Rupees	
In local currency	11,472,174,540	11,474,538,580
In foreign currency	-	-
	11,472,174,540	11,474,538,580

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

10.3 Particulars of credit loss allowance

10.3.1 Advances - exposure

	2023			2022
	Stage 1	Stage 2	Stage 3	Loss
		Rupees		
Gross carrying amount - current year	6,704,863,286	935,988,850	3,833,686,444	-
New advances	975,133,906	-	-	-
Advances derecognized or repaid	(405,268,770)	(359,214,358)	(213,014,818)	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(250,000,000)	250,000,000	-	-
Transfer to stage 3	-	-	-	-
	319,865,136	(109,214,358)	(213,014,818)	-
Amounts written off / charged Off	-	-	-	-
Closing balance - current year	7,024,728,422	826,774,492	3,620,671,626	-

10.3.2 Advances - Credit loss allowance

	2023			2022
	Stage 1	Stage 2	Stage 3	
		Rupees		
Opening balance	43,191,808	43,191,809	2,268,864,901	2,241,352,677
Impact of remeasurement due to adoption of IFRS-9	109,975,611	35,851,157	968,458,973	-
New advances	19,297,482	-	-	-
Advances derecognized or repaid	(22,660,183)	(13,880,078)	(198,004,746)	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(7,298,803)	7,298,803	-	-
Transfer to stage 3	-	-	-	-
	(10,661,504)	(6,581,275)	(198,004,746)	-
Amounts written off / charged off	-	-	-	-
Changes in risk parameters (PDs/LGDs/EADs)	(26,006,134)	103,103,003	(121,429,205)	-
Charge / reversals				
Charge for the year	-	-	-	232,976,246
Reversals for the year	-	-	-	(119,080,405)
Reversal on disposals	-	-	-	-
	-	-	-	113,895,841
Transfers - net	-	-	-	-
Closing balance	116,499,781	175,564,694	2,917,889,923	2,355,248,518

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

10.3.3 Advances - Credit loss allowance details Internal / External rating / stage classification

	2023			2022
	Stage 1	Stage 2	Stage 3	Loss
	Rupees			
Outstanding gross exposure				
Performing - Stage 1	7,024,728,422	-	-	-
Under Performing - Stage 2	-	826,774,492	-	-
Non-performing - Stage 3				
Other Assets Especially Mentioned				
Substandard	-	-	1,052,257,651	-
Doubtful	-	-	-	-
Loss	-	-	2,568,413,975	-
Total	7,024,728,422	826,774,492	3,620,671,626	-
Corresponding ECL				
Stage 1 and stage 2	(116,499,781)	(175,564,694)	-	-
Stage 3	-	-	(2,917,889,923)	-
	6,908,228,641	651,209,798	702,781,703	-

10.4 Advances include Rs. 2,568,413,975 (2022: Rs. 2,778,130,890) which have been placed under non-performing / stage 3 status as detailed below:-

	2023			2022
	Non Performing Loans	Credit Loss Allowance	Non Performing Loans	Provision
	Rupees			Rupees
Category of Classification in Stage 3				
Domestic				
Other Assets Especially Mentioned				
Substandard	1,052,257,651	614,180,004	-	-
Doubtful	-	-	-	-
Loss	2,568,413,975	2,303,709,919	270,000,000	-
Total	3,620,671,626	2,917,889,923	2,778,130,890	2,268,864,901

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

10.5 Particulars of credit loss allowance / provision against advances

Note	2023			2022		
	Stage 3	Stage 1 & 2	Total	Specific	General	Total
	Rupees			Rupees		
Opening balance	2,268,864,901	86,383,617	2,355,248,518	2,241,352,677	-	2,241,352,677
Impact of remeasurement due to adoption of IFRS-9	968,458,973	145,826,769	1,114,285,742	-	-	-
Charge for the year	17,864,333	122,400,485	140,264,818	146,592,629	86,383,617	232,976,246
Reversals	(337,298,284)	(62,546,396)	(399,844,680)	(119,080,405)	-	(119,080,405)
	(319,433,951)	59,854,089	(259,579,862)	27,512,224	86,383,617	113,895,841
Amounts written off	-	-	-	-	-	-
Closing balance	2,917,889,923	292,064,475	3,209,954,398	2,268,864,901	86,383,617	2,355,248,518

10.5.1 Particulars of Credit loss allowance / provision against advances

	2023			2022		
	Stage 3	Stage 1 & 2	Total	Specific	General	Total
	Rupees			Rupees		
In local currency	2,917,889,923	292,064,475	3,209,954,398	2,268,864,901	86,383,617	2,355,248,518
In foreign currencies	-	-	-	-	-	-
	2,917,889,923	292,064,475	3,209,954,398	2,268,864,901	86,383,617	2,355,248,518

10.5.2 In accordance with BSD circular No. 1 of 2011 dated October 21, 2011 issued by the SBP, as of December 31, 2023 the company has availed FSV benefit aggregating to Rs. nil (2022: Rs. 374.266 million, net of tax Rs.265.729 million). Accordingly, accumulated profit to the extent of Rs. nil (2022: Rs. 374.266 million) are not available for the distribution as cash or stock dividend as required by the aforementioned SBP directives.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

		2023	2022
	Note	-----Rupees-----	
10.6 Particulars of write offs:			
10.6.1 Against credit loss allowance / provisions Directly charged to Profit & Loss account	10.5	- -	- -
		<u>-</u>	<u>-</u>
10.6.2 Write Offs of Rs. 500,000 and above	10.7		
- Domestic		-	-
- Overseas		-	-
Write Offs of Below Rs. 500,000		-	-
		<u>-</u>	<u>-</u>
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 December 31, 2023 is given at Annexure I.			
10.8 Particulars of loans and advances to staff included in advances			
	Note	2023	2022
		-----Rupees-----	
Opening balance		58,045,985	56,452,718
Amount disbursed during the year		102,110,697	28,441,481
Amount received during the year		(28,978,697)	(26,848,214)
Amount written off		-	-
Closing balance		<u>131,177,985</u>	<u>58,045,985</u>
11. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE			
Cost of investment reclassified to / from investments	9.1.3		
- Investment in ordinary shares		-	243,467,574
- Investment in preference shares		-	333,208,501
Less: Provision on investment		-	(576,676,075)
		<u>-</u>	<u>-</u>
Less: Amounts received till 31 December		-	-
		<u>-</u>	<u>-</u>
12.1 PROPERTY AND EQUIPMENT			
Capital work-in-progress	12.1.1	60,227,595	40,256,613
Property and equipment	12.1.2	3,987,853,052	4,100,125,336
		<u>4,048,080,647</u>	<u>4,140,381,949</u>
12.1.1 Capital work-in-progress			
Civil works		55,127,823	38,359,113
Equipment		5,099,772	-
Advances to suppliers		-	1,897,500
		<u>60,227,595</u>	<u>40,256,613</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

12.12 Property and equipment

2023											
	Leasehold land	Building - Karachi office	Building on Leasehold land	Furniture and fixture	Office equipment	Vehicles	Heating and air conditioning	Elevators	Security systems *	Electrical fittings, fire fighting equipment and others **	Total
Rupees											
At January 1, 2023											
Cost / Revalued amount	2,578,050,000	52,282,000	1,245,251,046	15,024,127	60,853,802	73,881,670	102,265,320	51,800,000	5,067,148	174,510,320	4,358,985,433
Accumulated depreciation	43,122,244	2,094,616	49,861,685	13,454,210	46,021,844	44,611,135	15,179,666	7,782,413	763,868	35,968,416	258,860,097
Net book value	2,534,927,756	50,187,384	1,195,389,361	1,569,917	14,831,958	29,270,535	87,085,654	44,017,587	4,303,280	138,541,904	4,100,125,336
Year ended December 31, 2023											
Opening net book value	2,534,927,756	50,187,384	1,193,389,361	1,569,917	14,831,958	29,270,535	87,085,654	44,017,587	4,303,280	138,541,904	4,100,125,336
Additions	-	-	6,016,507	3,775,231	6,142,335	27,251,076	829,842	5,054,055	490,600	12,589,863	62,149,509
Disposals	-	-	-	(349,234)	(2,030,217)	(19,017,023)	-	-	-	(640,480)	(22,036,954)
- Cost / Revalued amount	-	-	-	349,150	1,240,734	13,634,434	-	-	-	615,059	15,839,377
- Accumulated depreciation	-	-	-	(84)	(789,483)	(5,382,589)	-	-	-	(25,421)	(6,197,577)
Depreciation charge	(43,053,444)	(2,091,276)	(49,872,350)	(840,322)	(8,300,358)	(14,709,639)	(15,373,120)	(7,834,101)	(792,986)	(25,356,620)	(168,224,216)
Closing net book value	2,491,874,312	48,096,108	1,151,533,518	4,504,742	11,884,452	36,429,383	72,542,376	41,237,541	4,000,894	125,749,726	3,987,853,052
At December 31, 2023											
Cost / Revalued amount	2,578,050,000	52,282,000	1,251,267,553	18,450,124	64,965,920	82,115,723	103,095,162	56,854,055	5,557,748	186,459,703	4,399,097,988
Accumulated depreciation	86,175,688	4,185,892	99,734,035	13,945,382	53,081,468	45,686,340	30,552,786	15,616,514	1,556,854	60,709,977	411,244,936
Net book value	2,491,874,312	48,096,108	1,151,533,518	4,504,742	11,884,452	36,429,383	72,542,376	41,237,541	4,000,894	125,749,726	3,987,853,052
Rate of depreciation (percentage)	1.59	4	4	20	33.33	20	15	15	15	15	15

2022											
	Leasehold land	Building - Karachi office	Building on Leasehold land	Furniture and fixture	Office equipment	Vehicles	Heating and air conditioning	Elevators	Security systems *	Electrical fittings, fire fighting equipment and others **	Total
Rupees											
At January 1, 2022											
Cost / Revalued amount	2,578,050,000	52,282,000	1,244,411,875	14,320,497	57,440,104	96,427,796	101,608,491	51,800,000	4,431,722	159,462,352	4,360,234,837
Accumulated depreciation	-	-	-	12,935,982	44,946,482	58,606,018	-	-	53,703	13,124,781	129,668,966
Net book value	2,578,050,000	52,282,000	1,244,411,875	1,384,515	12,491,622	37,821,778	101,608,491	51,800,000	4,378,019	146,337,571	4,230,565,871
Year ended December 31, 2022											
Opening net book value	2,578,050,000	52,282,000	1,244,411,875	1,384,515	12,491,622	37,821,778	101,608,491	51,800,000	4,378,019	146,337,571	4,230,565,871
Additions	-	-	867,460	883,546	9,927,512	7,229,594	719,780	-	718,283	16,178,522	36,524,697
Disposals	-	-	(28,289)	(179,916)	(6,513,814)	(29,775,720)	(62,951)	-	(82,857)	(1,130,554)	(37,774,101)
- Cost / Revalued amount	-	-	757	179,883	6,403,806	27,030,975	6,339	-	8,342	1,093,582	34,723,684
- Accumulated depreciation	-	-	(27,532)	(33)	(110,008)	(2,744,745)	(56,612)	-	(74,515)	(36,972)	(3,050,417)
Depreciation charge	(43,122,244)	(2,094,616)	(49,862,442)	(698,111)	(7,477,168)	(13,036,092)	(15,186,005)	(7,782,413)	(718,507)	(23,937,217)	(163,514,815)
Closing net book value	2,534,927,756	50,187,384	1,195,389,361	1,569,917	14,831,958	29,270,535	87,085,654	44,017,587	4,303,280	138,541,904	4,100,125,336
At December 31, 2022											
Cost / Revalued amount	2,578,050,000	52,282,000	1,245,251,046	15,024,127	60,853,802	73,881,670	102,265,320	51,800,000	5,067,148	174,510,320	4,358,985,433
Accumulated depreciation	43,122,244	2,094,616	49,861,685	13,454,210	46,021,844	44,611,135	15,179,666	7,782,413	763,868	35,968,416	258,860,097
Net book value	2,534,927,756	50,187,384	1,195,389,361	1,569,917	14,831,958	29,270,535	87,085,654	44,017,587	4,303,280	138,541,904	4,100,125,336
Rate of depreciation (percentage)	1.59	4	4	20	33.33	20	15	15	15	15	15

* This represents security system at Islamabad office. Security system of Islamabad office are revalued only, as they form an integral part of building structure.

** This represents electrical fittings, fire fighting equipment, telephone installation, leasehold improvements, electrical appliances, loose tools & miscellaneous item at Islamabad, Lahore and Karachi office. The Company revalues electrical fittings, fire fighting equipment and telephone installation for its Islamabad office only, as they form an integral part of building structure.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

12.1.3 Details of disposal of property & equipment

Particulars of assets	Cost / revalued amount	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyer
Rupees						
Furniture and fixture						
Furniture items - Islamabad office	179,824	179,760	64	88,000	Auction	Suleman Khan
Furniture items - Islamabad office	65,705	65,697	8	36,500	Auction	Munir Khan
Furniture items - Lahore office	103,705	103,693	12	24,000	Auction	Golden Interior
	349,234	349,150	84	148,500		
Office equipment						
Hp Elitebook Laptop	216,000	148,318	67,682	67,882	As per policy *	Kamal Uddin Khan
Iphone 13 Promax	401,277	158,783	242,494	242,494	As per policy *	Kamal Uddin Khan
Iphone 11 Promax	284,392	257,829	26,563	26,563	As per policy *	Kamal Uddin Khan
Iphone SE Red	67,500	30,665	36,835	36,835	As per policy *	Muhammad Ghairat Hayat
Hp Laptop Elitebook 850 G8	343,965	56,852	287,113	287,113	As per policy *	Muhammad Ghairat Hayat
Lenovo XI Laptop	442,766	341,746	101,020	101,020	As per policy *	Umar Saeed Khan
Samsung Mobile Galaxy N20	125,000	97,225	27,775	27,775	As per policy *	Umar Saeed Khan
Ups (6Kva) BCP	149,317	149,316	1	11,500	Auction	Golden Interior
	2,030,217	1,240,734	789,483	800,982		
Vehicles						
Toyota Corolla - ATS 583	4,121,022	1,371,604	2,749,418	2,749,418	As per policy *	Yawar Khan Afridi
Toyota Corolla Gli - AGG 857	1,954,454	1,954,453	1	1	As per policy *	Ali Imran
Toyota Corolla Gli - AMC 835	2,456,904	2,080,891	376,013	376,013	As per policy *	Muhammad Ghairat Hayat
Honda Civic I-Vtech Oriol - AJG 493	2,717,004	2,717,003	1	1	As per policy *	Fateh Tariq
Kia Picanto - AQY 977	2,058,512	1,323,990	734,522	734,522	As per policy *	M Zahid Rana
Kia Picanto - APY 834	2,057,502	1,611,714	445,788	445,788	As per policy *	Maqsood Ahmed Shaikh
Kia Picanto - AUB 841	2,107,292	1,030,447	1,076,845	1,076,845	As per policy *	Ali Aoshah Muhammad
Suzuki Cultus - LEA 18 9645	1,544,333	1,544,332	1	1	As per policy *	Taimur Javed
	19,017,023	13,634,434	5,382,589	5,382,589		

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

Particulars of assets	Cost / revalued amount	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyer
Rupees						
Electrical fittings, fire fighting equipment and others						
Fire fighting equipment items - Islamabad office	7,511	1,774	5,737	11,500	Auction	Suleman Khan
Fire fighting equipment items - Islamabad office	27,453	7,782	19,671	48,000	Auction	Munir Khan
Telephone installation items - Lahore office	5,015	5,010	5	2,500	Auction	Golden Interior
Electrical Appliances - Islamabad office	509,801	509,795	6	8,500	Auction	Suleman Khan
Electrical Appliances - Islamabad office	90,700	90,698	2	8,000	Auction	Munir Khan
	640,480	615,059	25,421	78,500		
	22,036,954	15,839,377	6,197,577	6,410,571		

* These items were sold to employees including key management personnel in accordance with policy of the Company.

12.1.4

Revaluation of property and equipment

The property and equipment of the Company were revalued by independent professional valuer on the estimated value on market / depreciated basis as at December 31, 2021. The revaluation was carried out by M/s Impulse (Pvt) Limited; member of Pakistan Engineering Council and on panel of Pakistan Banking Association; on the basis of professional assessment of present market values and resulted in increase in surplus by Rs. 1,402.642 million. The total surplus arising against revaluation of fixed assets as at December 31, 2021 amounted to Rs. 3,968.328 million. Had there been no revaluation, the carrying amount of the revalued assets as at December 31, 2023 would have been as follows:

	2023	2022
	Rupees	
Leasehold Land	26,888,156	27,337,889
Building - Karachi office	900,920	1,519,155
Building	25,992,190	21,553,367
Heating and air-conditioning system	4,961,413	5,602,685
Elevators	11,958,989	12,730,421
Security system	1,080,621	772,616
Electrical fittings, fire fighting equipment and others	51,225,792	59,435,792
	123,008,081	128,951,925
Cost / revalued amount of fully depreciated assets that are still in use:		
Furniture and fixture	12,276,264	12,412,624
Office equipment	40,534,370	35,896,885
Vehicles	21,206,968	9,791,193
Electrical fittings, fire fighting equipment and others	9,514,363	7,984,146
	83,531,965	66,084,848

12.1.5

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
	----- Rupees -----	
12.2 Right-of-use assets		
Office Space		
At January 1		
Cost	46,380,627	37,910,624
Accumulated depreciation	4,966,007	28,201,354
Net Carrying amount at January 1	<u>41,414,620</u>	<u>9,709,270</u>
Year ended December 31		
Opening net book value	41,414,620	9,709,270
Additions	-	46,380,627
Depreciation charge	16,865,682	14,675,277
Net Carrying amount at December 31	<u>24,548,938</u>	<u>41,414,620</u>
At December 31		
Cost	46,380,627	46,380,627
Accumulated depreciation	21,831,689	4,966,007
Net Carrying amount at December 31	<u>24,548,938</u>	<u>41,414,620</u>
Rate of amortisation (percentage)	<u>36.36</u>	<u>36.36</u>
Useful life (years)	2.75	2.75
	Computer software	Computer software
13 INTANGIBLE ASSETS		
At January 1		
Cost	34,909,062	30,203,584
Accumulated amortisation and impairment	28,517,059	24,094,534
Net book value	<u>6,392,003</u>	<u>6,109,050</u>
Year ended December 31		
Opening net book value	6,392,003	6,109,050
Additions - directly purchased	3,991,803	4,705,478
Amortisation charge	3,926,760	4,422,525
Closing net book value	<u>6,457,046</u>	<u>6,392,003</u>
At December 31		
Cost	38,900,865	34,909,062
Accumulated amortisation and impairment	32,443,819	28,517,059
Net book value	<u>6,457,046</u>	<u>6,392,003</u>
Rate of amortisation (percentage)	<u>33.33</u>	<u>33.33</u>
Useful life (years)	3	3

13.1 Cost of fully amortized intangible assets still in use amount to Rs. 26,731,494 (2022: Rs. 23,843,854).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

14. OTHER ASSETS	Note	2023	2022
		-----Rupees-----	
Income/ mark-up accrued in local currency - net of provision			
On investments		2,122,686,292	1,672,475,796
On advances		386,095,341	530,155,076
On lending to financial institutions		5,948,298	-
On deposits		89,558	1,074,553
		2,514,819,489	2,203,705,425
Advances, deposits, advance rent and other prepayments		20,291,785	24,031,294
Advance taxation (payments less provisions)		2,022,895,959	1,255,502,709
Excise duty		78,817,895	78,817,895
Non-banking assets acquired in satisfaction of claims	14.1	49,499,288	51,651,432
Dividend receivable		83,755,267	34,641,773
Other receivables		18,000,169	4,896,126
		4,788,079,852	3,653,246,654
Less: Credit loss allowance / Provision held against other assets	14.2	(256,792)	(256,792)
Other assets (net of credit loss allowance / provision)		4,787,823,060	3,652,989,862
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	14.1	21,939,724	22,893,624
Other assets - total		4,809,762,784	3,675,883,486
14.1 Market value of non-banking assets acquired in satisfaction of claims		77,651,100	77,651,100

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

"The non-banking asset acquired from Irfan Textile represents office area on 1st floor of Famous Mall, Lahore and was initially recorded in the financial statements in June 2007. This asset was last revalued by independent professional valuers M/s Amir Evaluators & Consultants on the basis of assessment of Present Market Value on 31 December 2021 at Rs. 77.651 million. M/s Impulse (Pvt) Limited is member of Pakistan Engineering Council and also on panel of Pakistan Banking Association.

Business activity could not be started since the building was constructed due to pending approval of building map and the issuance of completion certificate from Lahore Development Authority (LDA). Management is hopeful to dispose off the same once the NOC is arranged and provided by the plaza owners."

	2023	2022
	-----Rupees-----	
14.1.1 Non-banking assets acquired in satisfaction of claims		
Opening balance	74,545,056	77,651,100
Revaluation during the year	-	-
Disposals during the year	-	-
Depreciation	(3,106,044)	(3,106,044)
Closing balance	<u>71,439,012</u>	<u>74,545,056</u>

14.1.2 Gain on disposal of non-banking assets acquired in satisfaction of claims

Disposal proceeds	-	-
less: carrying value	-	-
Gain realized on disposal	-	-

	Note	2023	2022
		-----Rupees-----	
14.2 Credit loss allowance / Provision held against other assets			
Advances, deposits, advance rent & other prepayments	14.2.1	<u>256,792</u>	<u>256,792</u>

14.2.1 Movement in credit loss allowance / provision held against other assets

Opening balance	256,792	256,792
Charge for the year	-	-
Reversals / transfer	-	-
Amount Written off	-	-
Closing balance	<u>256,792</u>	<u>256,792</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

15. BORROWINGS

2023 2022
-----Rupees-----

Secured

Borrowings from State Bank of Pakistan under refinance scheme

Long term financing facility	15.1	2,059,903,071	2,195,224,199
Temporary economic relief facility	15.2	445,353,455	491,424,500
		2,505,256,526	2,686,648,699

Repurchase agreement borrowings	15.3	25,705,971,600	27,775,718,150
Against Government securities	15.4	3,738,060,000	-
Against book debts/receivables	15.5	5,250,000,000	4,812,500,000
Total secured		37,199,288,126	35,274,866,849

Unsecured

Call borrowings	15.6	-	1,500,000,000
Total unsecured		-	1,500,000,000
		37,199,288,126	36,774,866,849

- 15.1 These represent facilities obtained against State Bank of Pakistan refinance schemes under LTFF. The mark up is charged at the rates ranging from 2.00% to 7.00% (2022: 2.00% to 7.00%) per annum. These facilities will mature during January 2024 to June 2032 (2022: January 2023 to June 2032).
- 15.2 These represent facilities obtained against State Bank of Pakistan refinance schemes under TERF. The mark up is charged at the rate of 1.00% (2022: 1.00%) per annum. These facilities will mature during January 2024 to January 2031 (2022: April 2023 to January 2031).
- 15.3 These facilities were secured against government securities (PIBs). These carry markup at rates ranging from 22.08% to 22.16% (2022: 15.34% to 16.60%) per annum having maturity during January 2024 (2022: January 2023 to March 2023).
- 15.4 These represent facilities obtained from bank against charge on government securities (PIBs). These carry markup at rate of 21.70% (2022: nil) per annum having maturity during January 2024 (2022: nil).
- 15.5 These represent facilities obtained from various banks against charge on book debts/receivables valuing Rs. 10,267 million (2022: Rs. 10,267 million). The mark up is charged at varying rates ranging from 21.67% to 23.28% (2022: 15.86% to 17.31%) per annum. These facilities will mature during January 2024 to June 2028 (2022: January 2023 to December 2027).
- 15.6 These facilities were unsecured and carrying markup at rate of nil (2022: 16.25%) per annum having maturity in nil (2022: January 2023).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 -----Rupees-----	2022
15.6 Particulars of borrowings with respect to Currencies			
In local currency		37,199,288,126	36,774,866,849
In foreign currencies		-	-
		<u>37,199,288,126</u>	<u>36,774,866,849</u>
16. DEPOSITS AND OTHER ACCOUNTS			
Customers			
- Term deposits (local currency)	16.1	<u>3,665,000,000</u>	<u>1,953,000,000</u>
16.1 Composition of deposits			
- Public Sector Entities	16.2	3,055,000,000	1,343,000,000
- Non-Banking Financial Institutions	16.3	10,000,000	10,000,000
- Private Sector	16.4	600,000,000	600,000,000
		<u>3,665,000,000</u>	<u>1,953,000,000</u>

- 16.2 These Certificate of Investments (COIs) carry mark up at the rates ranging from 22.30% to 22.63% (2022: 16.80% to 16.88%) per annum with maturity during January 2024 to November 2024 (2022: November 2023).
- 16.3 These Certificate of Investments (COIs) carry mark up at the rate of 21.37% (2022: 16.12%) per annum with maturity in March 2024 (2022: March 2023).
- 16.4 These Certificate of Investments (COIs) carry mark up at the rates ranging from 21.49% to 23.15% (2022: 15.67% to 17.06%) per annum with maturity during July 2024 to December 2024 (2022: July 2023 to December 2023).

FOR THE YEAR ENDED DECEMBER 31, 2023

17. DEFERRED TAX ASSETS / (LIABILITIES)

At January 1 2023	Effect of IFRS-9 adoption (Note 5.1.13.1)	2023				At December 31 2023
		At January 1 2023 (Adjusted)	Recognized in P&L A/C	Recognized in Equity	Recognized in OCI	
-----Rupees-----						
7,201,506	-	7,201,506	-	-	(7,201,506)	-
609,735,752	(234,412,183)	375,323,569	-	-	9,290,722	384,614,291
656,967,000	405,633,585	1,062,600,585	301,722,032	-	-	1,364,322,617
106,340,876	(31,836,413)	74,504,463	(53,644,546)	-	-	20,859,917
1,380,245,134	1,39,384,989	1,51,916,302	248,077,486	-	2,089,216	1,769,796,825
(39,252,624)	-	(39,252,624)	(15,605,834)	-	-	(54,858,458)
(10,046,114)	-	(10,046,114)	(10,892,703)	-	-	(20,938,817)
(3,310,736)	-	(3,310,736)	569,458	-	-	(2,741,278)
-	28,945,409	28,945,409	(91,975,591)	-	-	(63,030,182)
(1,269,624,630)	-	(1,269,624,630)	39,923,742	(223,581,984)	-	(1,453,282,886)
(1,322,234,104)	28,945,409	(1,293,288,695)	(77,980,928)	(223,581,984)	-	(1,594,851,621)
58,011,030	1,68,330,398	226,341,428	170,006,544	(223,581,984)	2,089,216	174,945,204

Deductible Temporary Differences on

Actuarial loss on defined benefit plan	5,914,941	-	-	1,286,565	7,201,506
Surplus / (deficit) on revaluation of securities - AFS	125,773,667	-	-	483,962,085	609,735,752
Provision on non-performing loans	549,082,000	107,885,000	-	-	656,967,000
Impairment loss on available for sale quoted securities	67,767,173	38,573,703	-	-	106,340,876
	748,537,781	146,458,703	-	485,248,650	1,380,245,134
Taxable Temporary Differences on					
Accelerated tax depreciation	(25,281,541)	(13,971,083)	-	-	(39,252,624)
Dividend receivable	(10,716,976)	670,862	-	-	(10,046,114)
Right of use assets - net of lease liabilities	(2,815,688)	(495,048)	-	-	(3,310,736)
Surplus on revaluation of securities - HFT	(273,377)	273,377	-	-	-
Surplus on revaluation of operating fixed assets	(1,150,815,223)	35,084,488	(153,893,895)	-	(1,269,624,630)
	(1,189,902,805)	21,562,596	(153,893,895)	-	(1,322,234,104)
	(441,365,024)	168,021,299	(153,893,895)	485,248,650	58,011,030

17.1

At current year end, the Company had net deferred tax assets of Rs. 174.162 Million (2022: Rs. 58.011 Million). Management believes that it is probable that the company will be able to achieve the profits and consequently, the deferred tax assets will either be realized in future or adjusted against the taxable temporary differences on net basis. Deferred tax assets and liabilities on temporary differences are measured at the rate of 39% (2022: 33%).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

18. OTHER LIABILITIES

	Note	2023	2022
		Rupees	Rupees
Mark-up / return / interest payable in local currency		724,775,972	378,356,147
Accrued expenses		57,556,070	32,301,635
Advance rental income		175,710,549	154,619,487
Security deposits against rented properties	18.1	41,108,884	40,959,597
Payable to defined benefit plan		1,923,363	10,219,869
Provision for compensated absences	35	9,188,202	9,672,514
Payable to stock brokers - net		2,272,399	76,825,002
Lease liability against ROU assets as per IFRS - 16 Leases		17,520,021	31,382,086
Dividend payable to foreign Shareholder		-	82,500,000
Credit loss allowance against off-balance sheet obligations		43,642,361	-
Others		20,559,221	18,437,052
		<u>1,094,257,042</u>	<u>835,273,389</u>

18.1 This represents rent received in advance for premises let out in the Saudi Pak Tower, Jinnah Avenue, Blue Area, Islamabad.

19.5 Credit loss allowance / provision against off-balance sheet obligations

	2023	2022
	Rupees	Rupees
Opening balance	-	-
Impact of remeasurement due to adoption of IFRS-9	1,337,880	-
Charge for the year	42,304,481	-
Reversals	-	-
Closing balance	<u>42,304,481</u>	<u>-</u>

Disclose the nature of off-balance sheet obligations; expected timing of any resulting outflows of economic benefits; indication of the uncertainties about the amount or timing of those outflows; and the amount of any expected reimbursement stating the amount of any asset that has been recognized for the expected reimbursement. Further, disclosure should include the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate.

19. SHARE CAPITAL

19.1 Authorized Capital

	2023	2022
	Number of shares	Number of shares
1,000,000,000	<u>1,000,000,000</u>	<u>1,000,000,000</u>

Ordinary shares of Rs. 10 each

19.2 Issued, subscribed and paid up share capital

	2023	2022
	Number of shares	Number of shares
400,000,000	<u>400,000,000</u>	<u>400,000,000</u>
276,500,000	<u>276,500,000</u>	<u>276,500,000</u>
676,500,000	<u>676,500,000</u>	<u>676,500,000</u>

Ordinary shares
Fully paid in cash
Issued as bonus share: Issued as bonus share: Issued as bonus shares

	2023	2022
	Rupees	Rupees
4,000,000,000	<u>4,000,000,000</u>	<u>4,000,000,000</u>
2,765,000,000	<u>2,765,000,000</u>	<u>2,765,000,000</u>
6,765,000,000	<u>6,765,000,000</u>	<u>6,765,000,000</u>

19.3 State Bank of Pakistan on behalf of the Government of Pakistan and Ministry of Finance, KSA on behalf of Kingdom of Saudi Arabia are equal shareholders of the Company.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 ----- Rupees -----	2022
20. SURPLUS ON REVALUATION OF ASSETS			
Surplus / (deficit) on revaluation of			
- Securities measured at FVOCI / Available for sale securities	9.1	(1,100,259,100)	(1,897,120,736)
- Property & equipment	20.1	3,726,366,387	3,847,347,375
- Non-banking assets acquired in satisfaction of claims	20.2	21,939,724	22,893,624
		2,648,047,011	1,973,120,263
Deferred tax on surplus / (deficit) on revaluation of:			
- Securities measured at FVOCI / Available for sale securities		384,614,291	609,735,752
- Property & equipment	20.1	(1,453,282,886)	(1,269,624,630)
- Non-banking assets acquired in satisfaction of claims		-	-
		(1,068,668,595)	(659,888,878)
		1,579,378,416	1,313,231,385
20.1 Surplus on revaluation of property & equipment			
Surplus on revaluation of property & equipment as at January 1		3,847,347,375	3,968,328,363
Recognised during the year		-	-
Realised on disposal during the year - net of deferred tax		-	-
Related deferred tax liability on surplus realised on disposal		-	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(81,057,260)	(85,896,500)
Related deferred tax liability on incremental depreciation charged during the year		(39,923,728)	(35,084,488)
Surplus on revaluation of property & equipment as at December 31		3,726,366,387	3,847,347,375
Less: related deferred tax liability on:			
- revaluation as at January 1		1,269,624,630	1,150,815,223
- revaluation recognised during the year		-	-
- surplus realised on disposal during the year		-	-
- Impact of change in tax rate		223,581,984	153,893,895
- incremental depreciation charged during the year		(39,923,728)	(35,084,488)
		1,453,282,886	1,269,624,630
		2,273,083,501	2,577,722,745
20.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims			
Surplus on revaluation as at January 1		22,893,624	23,847,524
Recognized during the year		-	-
Realized on disposal during the year		-	-
Incremental depreciation		(953,900)	(953,900)
Surplus on revaluation as at December 31		21,939,724	22,893,624
21. CONTINGENCIES AND COMMITMENTS			
-Guarantees	21.1	3,316,800,526	70,000,000
-Commitments	21.2	3,166,708,369	759,115,718
		6,483,508,895	829,115,718
21.1 Guarantees:			
Financial guarantees		3,316,800,526	70,000,000
21.2 Commitments:			
Commitment for the acquisition of:			
- Property & equipment		821,801	8,935,734
- Intangible assets		2,575,000	2,525,000
		3,396,801	11,460,734
Non disbursed commitment for term and working capital finance		3,163,311,568	747,654,984
		3,166,708,369	759,115,718

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

21.3 Other contingent liabilities

21.3.1 Tax contingencies

- i) The Appellate Tribunal Inland Revenue (ATIR) Islamabad did not accept the Company's contention on certain matters in appeals relating to tax years 2004 to 2006, 2008 to 2010 and 2012 to 2014. These issues mainly relate to disallowance of provision for non performing loans and apportionment of expenses between income subject to final tax regime and normal tax regime. The Company has filed tax references before the Islamabad High Court. For tax years 2004 to 2006 and 2008 to 2010, the Islamabad High Court (IHC) remanded back the matters of disallowance of provision for non performing loans and apportionment of expenses between income subject to final tax regime and normal tax regime to the assessing officer. However, appeal effect proceedings yet to commence. For tax year 2012 to 2014, cases are still pending adjudication. The Company, however, accounted for the impact of tax of Rs. 617.237 million on provision for non performing loans & advances by routing it through Profit & Loss in the year 2018.

The related tax demands for all the aforesaid tax years aggregate to Rs 1,091.694 million, out of which Rs 635.194 million has been paid by / recovered from the Company.

- ii) For the tax years 2015 to 2018, the assessing officer amended the Company's assessment under section 122(5A) of the Income Tax Ordinance 2001 and created an aggregate tax demand of Rs. 1,463.932 million by making various add backs and disallowances. The Company preferred appeals before Commissioner Inland Revenue - Appeals [CIR(A)] who in terms of separate appellate orders remanded majority of the matters to the assessing officer and on certain matters upheld the actions of assessing officer. The Company has preferred separate appeals before ATIR for aforesaid cases which are pending adjudication.
- iii) For tax years 2015 to 2017 proceedings under section 161 were initiated and cumulative demand of Rs. 276.482 million was created on account of alleged default in withholding of tax out of which Rs 26.034 million has been paid by / recovered from the Company. The Company preferred appeal before the CIR(A) who remanded certain issues and upheld certain matters. The Company preferred further appeal before ATIR which is pending adjudication.

The management, based on the opinion of its legal counsels, believes that the above mentioned matters are likely to be decided in favor of the Company at superior appellate forums and therefore no further charge is required to be recognized in these unconsolidated financial statements.

21.3.2 Other contingencies

- i) MACPAC Films Limited (Suit No. B-24/2014 of Rs. 1,040.623 million)

Macpac Films Limited Karachi ("Customer") availed a Term Finance of Rs.125.00 million in 2003/04 and then defaulted. In 2011, a settlement package was approved by Saudi Pak containing waiver/write-off of Rs.72.659 million on account of markup and liquidated damages subject to payment of Rs.100.141 million. The Customer accepted and paid Rs.100.141 million. The write off/waiver was reported to the State Bank of Pakistan (SBP) in compliance with regulatory requirements. Customer had requested Saudi Pak and SBP to remove its name from CIB of SBP as it was allegedly impacting the customer's business which was neither accepted by SBP nor Saudi Pak. Customer filed the instant suit in the Court which is being contested on merit. Upon Court's direction, SBP had also filed comments endorsing regulatory compliance by Saudi Pak. Evidence of the customer was recorded and part evidence of Saudi Pak's witness is also recorded. Now case is fixed for recording of remaining evidence of Saudi Pak's witnesses. Prima facie, there is no substance in this frivolous suit, therefore, it is expected that it will be dismissed on merits after due process of law.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

21.3 Other contingent liabilities

ii) Muhammad Zafar Sultan Paracha vs. Saudi Pak, Federation of Pakistan, DHA, Mukhtiarkar Gadap Town, Karachi (Suit No.1065/2014 of Rs. 200 million)

On April 27, 2014, the Company invited bids for the sale of four properties i.e. farm house at Gadap Town and three plots (DHA Plots No.9-C, 17-C, 20-C) at Karachi. Highest bid of Rs.134.500 million offered by Mr. Mudassir for only three plots at DHA was accepted. Down payment was received and sale agreement dated June 2, 2014 was executed between Saudi Pak and the highest bidder through his nominee. Mr. Zafar Sultan Paracha had offered a lower bid of Rs. 93 million against all the four properties therefore his bid was rejected. He filed the subject suit in the Sindh High Court, Karachi and obtained an interim stay on July 5, 2014 restraining transfer of the above mentioned plots. Saudi Pak contested and got the stay vacated through Court as a result, three plots at DHA were transferred to the successful bidder/buyer after receipt of balance sale consideration. Mr. Piracha then filed an Appeal in the Court against the Stay Vacation Order which was also contested by Saudi Pak, separately. While vacating the stay order, the learned Judge of the Sindh High Court had observed that remaining suit to the extent of damages claimed against alleged loss of business opportunity etc, will separately be heard and decided. Appeal was fixed for hearing on 20 April 2022 but neither the counsel nor the Appellant attended the hearing, therefore, the Division Bench of the Sindh High Court dismissed the appeal for non-prosecution. Saudi Pak has filed its reply in the suit proceeding and filed application for rejection of plaint being without any merits having no cause of action. Hearing is now scheduled on 06 March 2023 for settling issues for evidence of parties and arguments on Saudi Pak's application seeking out-right rejection of the plaint. Prima facie, the suit is baseless, as no cause of action is accrued to the Plaintiff, therefore, it is expected that it will be dismissed after due process of law.

iii) Kohinoor Spinning Mills Limited and its Guarantors vs. Saudi Pak (Suite No.258676/2018 of Rs. 600 million)

"The Customer availed disbursement of TFF of Rs.400 million from Saudi Pak on 11.12.2014 via RTGS but defaulted after part payments whereof Saudi Pak filed a recovery suit COS No.17/2017 of Rs.396.085 million against the Customer and its directors/guarantors in the Lahore High Court, Lahore in which proceedings still continue. After due process it will be decreed in favor of Saudi Pak.

As a counter-blast, the Customer subsequently filed a frivolous damages suit of Rs.600 million against Saudi Pak in the same Court, during 2018, alleging therein that: (i) TFF of Rs.400.00million not disbursed to the Customer; & (ii) Customer suffered business losses of Rs.200.00 million which may also be granted to the Customer. Its reply (PLA) was filed by Saudi Pak. It is still at evidence stage. Customer has filed affidavits in evidence of its witnesses. It will be fixed for cross examination of customer's witnesses. Saudi Pak's evidence will be recorded after completion of customer's evidence. Prima facie suit of the Customer is baseless/frivolous having no substance. It is therefore expected that it will be dismissed on merits after due process of law. "

22. Presently, the Company does not deal in derivative products.

23. MARK-UP / RETURN / INTEREST EARNED	2023	2022
	----- Rupees -----	
Loans and advances	1,514,593,743	1,062,279,338
Investments	7,979,587,601	4,068,149,441
Lendings to financial institutions	394,861,039	26,062,611
Balances with banks	7,395,256	5,444,261
	<u>9,896,437,639</u>	<u>5,161,935,651</u>
23.1 Interest income (calculated using effective interest rate method) recognised on:		
Financial assets measured at amortised cost	2,154,622,193	1,263,952,650
Financial assets measured at FVOCI	7,741,815,446	3,897,983,001
	<u>9,896,437,639</u>	<u>5,161,935,651</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

		2023	2022
	Note	----- Rupees -----	
24. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits	24.2	787,725,180	347,353,169
Borrowings			
Securities purchased under repurchase agreements		7,430,729,633	3,444,840,982
Other short term borrowings		385,090,507	486,422,628
Long term finance for export oriented projects from SBP		96,924,429	40,187,941
Long term borrowings		855,615,651	337,890,358
		8,768,360,220	4,309,341,909
Interest expense on lease liability against ROU assets		4,068,815	1,284,979
Brokerage fee		2,232,177	4,666,899
		<u>9,562,386,392</u>	<u>4,662,646,956</u>
24.1 Interest expense calculated using effective interest rate method		9,560,154,215	4,657,980,057
Other financial liabilities		2,232,177	4,666,899
		<u>9,562,386,392</u>	<u>4,662,646,956</u>
24.2 The markup expensed amounting to Rs. 2,069,202 (2022: Rs. 1,225,668) relates to Saudi Pak Employees Contributory Fund.			
		2023	2022
	Note	----- Rupees -----	
25. FEE & COMMISSION INCOME			
Credit related fees		13,994,833	8,775,000
Commission on guarantees		42,526,526	175,000
		<u>56,521,359</u>	<u>8,950,000</u>
26. (LOSS) / GAIN ON SECURITIES			
Realized	26.1	209,849,835	66,148,755
Unrealized - measured at FVPL / held for trading	9.1	280,134,143	-
		<u>489,983,978</u>	<u>66,148,755</u>
26.1 Realized (loss) / gain on:			
Federal Government Securities		(165,073,850)	51,000
Shares - listed		374,923,685	37,493,074
Shares - unlisted		-	28,604,681
		<u>209,849,835</u>	<u>66,148,755</u>
27. OTHER INCOME			
Rent on property - net	27.1	273,996,108	233,461,683
Gain / (loss) on sale of property & equipment - net		212,994	22,701,534
Other rental		1,818,101	1,682,700
Sale of scrap items		1,658,138	212,000
Others		2,008,188	72,853
		<u>279,693,529</u>	<u>258,130,770</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

		2023	2022
	Note	Rupees	Rupees
27.1 Rent on property - net			
Rental income		517,817,724	464,828,257
Less: property expense			
Salaries, allowances and employee benefits		34,884,715	34,718,943
Traveling and conveyance		2,800	2,700
Medical		465,071	1,228,016
Janitorial services		14,822,185	12,624,321
Security services		21,548,161	24,523,502
Insurance		2,370,712	2,170,994
Postage, telegraph, telegram and telephone		19,121	41,632
Printing and stationery		92,059	124,541
Utilities		21,447,278	13,067,191
Consultancy and professional charges		902,500	-
Repairs and maintenance		18,843,232	16,287,578
Rent, rates and taxes		2,659,381	2,656,870
Depreciation		123,305,824	122,185,410
Office general expenses		2,458,577	1,734,876
		243,821,616	231,366,574
		273,996,108	233,461,683
28. OPERATING EXPENSES			
Total compensation expense	28.1	279,438,680	264,069,092
Property expense			
Rent & taxes		603,223	526,106
Insurance		338,673	310,142
Utilities cost		26,325,331	25,345,973
Security (including guards)		4,750,205	4,892,041
Repair and maintenance (including janitorial charges)		4,809,345	4,130,272
Depreciation on ROU assets		16,865,682	14,675,277
Depreciation		17,615,118	17,455,058
		71,307,577	67,334,869
Information technology expenses			
Software maintenance		12,738,667	7,550,749
Hardware maintenance		2,603,446	1,911,398
Amortisation		3,926,760	4,422,525
Network charges		5,941,406	4,324,979
		25,210,279	18,209,651
Other operating expenses			
Shareholders' fee		-	(5,293,500)
Directors' fees and allowances		22,190,000	25,250,000
Legal and professional charges		4,363,464	4,547,177
Consultancy, custodial and rating services		12,526,092	9,379,323
Outsourced services costs		38,046,155	40,668,689
Travelling and conveyance		26,758,458	33,910,740
Depreciation		30,409,318	27,380,391
Training and development		3,557,823	2,819,548
Postage and courier charges		432,486	419,168
Communication		4,186,928	4,011,293
Stationery and printing		5,689,959	5,386,972
Marketing, advertisement and publicity		4,930,708	2,520,104
Donations	28.2	2,327,582	3,000,000
Auditors' remuneration	28.3	2,200,000	2,375,250
Repair and maintenance		6,748,264	3,929,886
Insurance		2,055,886	1,719,753
Office and general expenses		18,829,023	15,653,071
Bank charges		236,135	239,481
		185,488,281	177,917,346
		561,444,817	527,530,958

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

28.1 Total compensation expense

Fees and allowances etc.
Managerial remuneration
i) Fixed
ii) Variable
of which;
a) Cash bonus / awards etc.
b) Bonus & awards in shares etc.
Charge for defined benefit plan
Contribution to defined contribution plan
Compensated absences
Leave fare assistance
Exgratia
Rent & house maintenance
Utilities
Medical
Conveyance
Grant to employee
Others
Sub-total
Sign-on bonus
Severance allowance
Grand total

	2023	2022
	----- Rupees -----	
	-	-
	101,009,605	108,864,052
	32,000,000	10,000,000
	-	-
	9,803,037	8,793,471
	6,619,601	10,128,872
	4,009,532	7,258,409
	3,979,619	4,434,247
	7,536,924	9,128,662
	54,901,154	52,492,716
	9,889,934	11,169,873
	20,067,004	18,384,801
	24,293,196	20,181,714
28.1.1	5,329,074	3,232,275
	279,438,680	264,069,092
	-	-
	-	-
	279,438,680	264,069,092

28.1.1 This includes mainly group life insurance for permanent employees.

28.2 Donations

Noon-Educational Services (Pvt) Ltd	1,000,000	-
Anjuman Faiz-Ul-Islam (Reg) Rawalpindi	1,027,582	-
Prime Minister's Flood Relief Fund Account 2022	-	2,000,000
Aziz Jehan Begum Trust For The Blind	300,000	300,000
Make-A-Wish Foundation Pakistan	-	400,000
Cancer Foundation Hospital	-	300,000
	2,327,582	3,000,000

28.3 Auditors' remuneration

Grant Thomson Anjum Rahman

Audit fee	1,250,000	1,150,000
Half yearly review	600,000	550,000
Fee for other statutory certifications	250,000	200,000
Out of pocket expenses	100,000	100,000
	2,200,000	2,000,000
Fee for other certifications	-	375,250
Tax services	-	-
	2,200,000	2,375,250

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
	----- Rupees -----	
29. OTHER CHARGES		
Penalties imposed by State Bank of Pakistan	-	30,000
	<u>-</u>	<u>30,000</u>
30. CREDIT LOSS ALLOWANCE / PROVISIONS & WRITE OFFS - NET		
Credit loss allowance / provisions against lending to financial institutions	160,987	-
Credit loss allowance / provisions for diminution in value of investments - net	96,799,311	204,114,878
Credit loss allowance / Provisions against loans and advances - net	328,507,658	113,895,841
Other credit loss allowance	41,900,608	-
Bad debts written off directly	-	-
	<u>467,368,564</u>	<u>318,010,719</u>
31. TAXATION		
Current tax		
Current year	216,552,210	203,608,193
Prior year	3,874,371	47,583,851
	<u>220,426,581</u>	<u>251,192,044</u>
Deferred tax		
Current year	(170,096,544)	(168,021,299)
Prior year	-	-
	<u>(170,096,544)</u>	<u>(168,021,299)</u>
	<u>50,330,037</u>	<u>83,170,745</u>
31.1 Relationship between tax expense and accounting profit		
Accounting profit for the year	-	393,954,965
	<u>-</u>	<u>393,954,965</u>
Tax rate	--	29%
	<u>--</u>	<u>29%</u>
Tax on accounting profit	-	114,246,940
Tax effect on income subject to lower rate of taxation	-	(68,062,641)
Tax effect of prior years	-	47,583,851
Impact of super tax for current year	-	31,327,256
Impact of change of rate on deferred tax	-	(99,581,727)
Reversal of deferred tax asset for prior year	-	-
Permanent differences on		
Reversal of provision against investment	-	47,113,204
Expenses not claimable against rental income	-	(2,089,590)
Right of use asset under IFRS - 16 Leases	-	(4,255,830)
Others	-	16,889,282
	<u>-</u>	<u>83,170,745</u>
31.2 Current year income of the Company is subject to alternate corporate tax under section 113(c) of the Income Tax Ordinance, 2001 (the "Ordinance").		
32. BASIC / DILUTED EARNINGS PER SHARE	2023	2022
Profit for the year - Rupees	<u>507,562,609</u>	<u>310,784,220</u>
Weighted average number of ordinary shares	<u>676,500,000</u>	<u>676,500,000</u>
Basic / diluted earnings per share - Rupee	<u>0.750</u>	<u>0.459</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

33. CASH AND CASH EQUIVALENTS

Cash and Balance with treasury banks
Balance with other banks - Gross

2023	2022
----- Rupees -----	
134,586,641	116,437,350
90,479,271	127,875,540
225,065,912	244,312,890

34. STAFF STRENGTH

Permanent
On Company's contract
Company's own staff strength at the end of the year

2023	2022
----- (Number) -----	
65	69
2	1
67	70

34.1 In addition to the above, 76 (2022: 85) employees of outsourcing services companies were assigned to the Company as at the end of the year to perform services other than security and janitorial services. No employee was working abroad.

35. DEFINED BENEFIT PLAN

35.1 General description

The Company operates an approved funded gratuity scheme for all its regular employees and GM/CEO. Contributions are made in accordance with the actuarial recommendations. The benefits under the gratuity fund are payable in lump sum on retirement at the age of 60 years or earlier cessation of service, subject to minimum service period of three years. The benefit is equal to month's last drawn basic salary for each completed year of eligible service and on pro-rata basis for the incomplete year. The latest actuarial valuation of defined benefit plan was conducted at December 31, 2023 using the projected unit credit method. Detail of the defined benefit plan are:

35.2 Number of employees under the scheme

The number of employees covered under the following defined benefit scheme are:

Gratuity fund

2023	2022
----- (Number) -----	
66	70

35.3 Principal actuarial assumptions

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

	2023	2022
Discount rate	15.50% per annum	14.50% per annum
Expected rate of return on plan assets	18.01% per annum	12.57% per annum
Expected rate of salary increase	13.50% per annum	12.50% per annum
Mortality rates	SLIC (2001-05)-1	SLIC (2001-05)-1
Rate of employee turnover	Moderate	Moderate

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
	----- Rupees -----	
35.4 Reconciliation of payable to defined benefit plans		
Present value of obligations	53,812,472	74,143,323
Fair value of plan assets	(51,889,109)	(63,923,454)
Net liability payable	<u>1,923,363</u>	<u>10,219,869</u>
35.5 Movement in defined benefit obligations		
Obligations at the beginning of the year	74,143,323	66,100,005
Current service cost	8,399,429	7,642,125
Interest cost	10,959,973	7,747,584
Benefits paid by the Company	(31,823,654)	(9,253,654)
Re-measurement loss	(7,866,599)	1,907,263
Obligations at the end of the year	<u>53,812,472</u>	<u>74,143,323</u>
35.6 Movement in fair value of plan assets		
Fair value at the beginning of the year	63,923,454	55,791,173
Interest income on plan assets	9,556,365	6,596,238
Contributions by Company - net	10,219,869	10,308,832
Benefits paid by the Fund to the Company	(31,823,654)	(9,253,654)
Re-measurements: net return on plan assets		
over interest income - loss	35.8.2 13,075	480,865
Fair value at the end of the year	<u>51,889,109</u>	<u>63,923,454</u>
35.7 Movement in payable under defined benefit schemes		
Opening balance	10,219,869	10,308,832
Charge for the year	9,803,037	8,793,471
Benefits paid to outgoing members	(31,823,654)	(9,253,654)
Contribution by the Company - net	(10,219,869)	(10,308,832)
Re-measurement loss recognized in OCI		
during the year	35.8.2 (7,879,674)	1,426,398
Amount paid by the fund to the Company	31,823,654	9,253,654
Closing balance	<u>1,923,363</u>	<u>10,219,869</u>
35.8 Charge for defined benefit plans		
35.8.1 Cost recognised in profit and loss		
Current service cost	8,399,429	7,642,125
Net interest on defined benefit liability	1,403,608	1,151,346
	<u>9,803,037</u>	<u>8,793,471</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

35.8.2 Re-measurements recognised in OCI during the year

	2023	2022
	----- Rupees -----	
Loss / (gain) on obligation		
- Demographic assumptions	-	-
- Financial assumptions	303,819	1,104,585
- Experience adjustments	(8,170,418)	802,678
Total actuarial loss on obligation	(7,866,599)	1,907,263
Return on plan assets over interest income - loss	(13,075)	(480,865)
Total re-measurements recognised in OCI	(7,879,674)	1,426,398

35.9 Components of plan assets

Cash and cash equivalents - net	2,454,054	3,474,857
Term deposit receipts (TDR) / Certificate of Investment - unquoted	49,435,055	60,448,597
	51,889,109	63,923,454

35.9.1 There is no significant risk associated with the plan assets, as it consists of fixed interest rate bearing TDR's and saving accounts with financial institutions having satisfactory credit ratings.

35.10 Sensitivity analysis

A sensitivity analysis is performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the gratuity scheme. The increase in the present value of defined benefit obligations as a result of change in each assumption is summarised below:

	2023	2022
	----- Rupees -----	
Discount rate +0.5%	51,992,856	72,245,115
Discount rate -0.5%	55,741,613	76,153,975
Long term salary increase +0.5%	55,890,464	76,350,565
Long term salary increase -0.5%	51,839,217	72,043,332

2024
---- Rupees ----

35.11 Expected contributions to be paid to the fund in the next financial year

7,301,419

35.12 Expected charge for next financial year

Current service cost	7,024,022
Net interest on defined benefit asset / liability	277,397
	7,301,419

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

2023 2022
----- Rupees -----

35.13 Maturity profile

Distribution of timing of benefit payments (years)

- 1	7,759,864	5,412,973
- 2	11,517,401	41,755,063
- 3	3,184,495	11,544,936
- 4	5,556,837	3,134,589
- 5	6,623,269	5,335,696
- 6-10	77,530,758	60,425,869

Weighted average duration of the PBO (years)	6.96	5.27
--	------	------

35.14 Funding Policy

An implicit, though not formally expressed objective is that the liabilities under the scheme in respect of members in service on the valuation date on a going concern basis and having regard to projected future salary increases, should be covered by the Fund on the valuation date, the total book reserve as of the valuation date, future contributions to the Fund, future additions to the book reserve and future projected investment income of the Fund.

35.15 Significant risk associated with the staff retirement benefit schemes

Asset volatility	The risk of the investment underperforming and not being sufficient to meet the liabilities.
Changes in bond yields	Not applicable as underlying interest rate on bonds is fixed.
Inflation risk	The investment and bank balances may lose its value due to the increase of general inflation rate.
Life expectancy	The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.
Withdrawal rate	The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

36. DEFINED CONTRIBUTION PLAN

The Company operates a recognized provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Company and by the employees to the Fund at the rate of 10% of basic salary of the employee. Payments are made to the employees as specified in the rules of the Fund. As per latest available unaudited financial statements of the Fund, total assets of the Fund as at December 31, 2023 were Rs. 132,072,219 (2022: Rs. 139,621,456).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

37. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

37.1 Total compensation expense

Items	2023			
	Directors		GM / CEO	Key Management Personnel
	Chairman	Executives (other than CEO)		
	Rupees			
Fees and allowances etc.	3,990,000	-	18,200,000	-
Managerial remuneration				
i) Fixed	-	-	10,322,296	40,619,564
ii) Total variable	-	-	-	-
of which				
a) Cash bonus / awards	-	-	2,500,000	3,243,965
b) Bonus & awards in shares	-	-	-	-
Charge for defined benefit plan	-	-	2,915,925	2,771,392
Contribution to defined contribution plan	-	-	1,032,109	3,167,001
Compensated absences	-	-	-	1,723,696
Leave fare assistance	-	-	856,486	3,123,133
Exgratia	-	-	856,486	2,576,694
Rent & house maintenance	-	-	7,210,900	19,001,938
Utilities	-	-	1,844,072	3,264,451
Medical	-	-	406,903	5,278,316
Conveyance	-	-	1,475,274	13,242,061
Others	-	-	2,000,000	-
Total	3,990,000	-	31,420,451	98,012,211
Number of persons	1	-	1	15

In addition to above, the GM / CEO of the Company and certain other key management personnel are provided with Company maintained vehicles and club membership in accordance with their terms of employment.

For the purposes of the foregoing, the term "Key Management Personnel" as per BPRD Circular No.2 dated January 25, 2018 means the following functional responsibilities:

- (a) Any executive or key executive, acting as second to GM, by whatever name called, and including the Chief Operating Officer (COO) and Deputy Managing Director.
- (b) Any executive or key executive reporting directly to the GM / Chief Executive or the person mentioned in (a) above.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

Items	2022				Key Management Personnel	
	Directors			GM / CEO		
	Chairman	Executives (other than CEO)	Non-Executives			

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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

		2023					
Sr. No.	Name of Directors	Meeting Fees and Allowances Paid					Total Amount Paid
		For Board Meetings	For Annual General Meeting	For Board Committees			
				Audit Committee	Risk Management Committee	Human Resource Committee	
		-----Rupees-----					
1	Sultan Mohammed Hasan Abdulrauf	3,000,000	150,000	-	-	840,000	3,990,000
2	Majid Misfer J.Alghamdi	1,400,000	80,000	850,000	200,000	-	2,530,000
3	Ghanem Alghanem	1,900,000	80,000	900,000	400,000	750,000	4,030,000
4	Zafar Hasan	1,500,000	80,000	-	250,000	500,000	2,330,000
5	Awais Manzur Sumra	1,000,000	-	250,000	-	250,000	1,500,000
6	Qumar Sarwar Abbasi	2,200,000	80,000	1,000,000	450,000	-	3,730,000
7	Mohammad Tanvir Butt	1,500,000	80,000	500,000	-	500,000	2,580,000
8	Ali Tahir	1,000,000	-	-	250,000	250,000	1,500,000
Total Amount Paid		13,500,000	550,000	3,500,000	1,550,000	3,090,000	22,190,000

In addition to the above, boarding/lodging expenses of the Directors' for attending meetings are borne by the Company and are included in traveling expenses under other operating expenses.

		2022					
		Meeting Fees and Allowances Paid					
		For Board Committees					
Sr. No.	Name of Directors	For Board Meetings	For Annual General Meeting	Audit Committee	Risk Management Committee	Human Resource Committee	Total Amount Paid
Rupees							
1	Sultan Mohammed Hasan Abdulrauf	3,600,000	150,000	-	-	900,000	4,650,000
2	Majid Misfer J.Alghamdi	2,400,000	80,000	950,000	450,000	450,000	4,330,000
3	Ghanem Alghanem	2,400,000	80,000	900,000	450,000	250,000	4,080,000
4	Zafar Hasan	3,000,000	80,000	-	500,000	500,000	4,080,000
5	Qumar Sarwar Abbasi	2,700,000	80,000	950,000	500,000	-	4,230,000
6	Mohammad Tanvir Butt	2,400,000	80,000	700,000	-	700,000	3,880,000
Total Amount Paid		16,500,000	550,000	3,500,000	1,900,000	2,800,000	25,250,000

In addition to the above, boarding/lodging expenses of the Directors' for attending meetings are borne by the Company and are included in traveling expenses under other operating expenses.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

38. FAIR VALUE MEASUREMENTS

The fair value of traded investments is based on quoted market prices, except for securities classified by the Company as 'amortised cost'. Securities classified as amortised cost are carried at amortized cost. Fair value of unquoted equity investments, other than subsidiary and associates, is determined on the basis of break up value of these investments as per the latest available audited financial statements. Further, financial statements of several unquoted equity investments are not available whether due to liquidation or litigation, hence, breakup value of these investments can not be determined.

Fair value of unquoted debt securities, fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Company's accounting policy as stated in note 5.5

Fair value of remaining financial assets and liabilities except fixed term loans, staff loans, non-performing advances and fixed term deposits is not significantly different from the carrying amounts since assets and liabilities are either short term in nature or are frequently repriced in the case of customer loans and deposits.

38.1 Fair value of financial assets

The Company 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 (Pakistan Stock Exchange) 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) available at MUFAP, Reuters page, redemption prices determined by valuers on the panel of Pakistan Bank's Association .
- Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments carried at fair values, by the level in the fair value hierarchy into which the fair value measurement is categorised.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

		2023		
Carrying / Notional Value	Level 1	Level 2 Rupees	Level 3	Total
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	25,140,496,800	-	25,140,496,800
Shares	1,377,529,300	-	-	1,377,529,300
Non-Government Debt Securities	-	980,803,415	-	980,803,415
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	-	6,241,392,062	6,241,392,062
Non-Government Debt Securities	-	-	586,301,454	586,301,454
Cash and balances with treasury banks	-	-	-	-
Balances with other banks	-	-	-	-
Advances	-	-	-	-
Other assets	-	-	-	-
Off-balance sheet financial instruments - measured at fair value				
	-	-	-	-
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	31,193,768,300	-	31,193,768,300
Shares	2,225,006,399	-	-	2,225,006,399
Non-Government Debt Securities	-	891,725,421	-	891,725,421
Financial assets - disclosed but not measured at fair value				
Investments				
Non-Government Debt Securities	-	-	1,000,515,000	1,000,515,000
Cash and balances with treasury banks	-	-	-	-
Balances with other banks	-	-	-	-
Advances	-	-	-	-
Other assets	-	-	-	-
Off-balance sheet financial instruments - measured at fair value				
	-	-	-	-

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Items	Valuation approach and input used
Federal Government securities	The fair values of Federal Government securities are determined on the basis of PKRV rates / prices sourced from Mutual Funds Association of Pakistan (MUFAP) and these securities are classified under level 2.
Non-Government Debt Securities	Investment in Non-Government Debt Securities determined in Rupees are valued on the basis of rates announced by MUFAP. These are classified in level 2. Where market rates of these securities are not available on MUFAP as at December 31, 2023, therefore, these securities are classified level 3.

38.2 The Company's policy is to recognize transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused such transfer. There were no transfers between levels 1 and 2 during the year.

38.3 Fair value of non-financial assets

In case of non-financial assets, the Company has adopted revaluation model (as per IAS 16) in respect of leasehold land, building and non-banking assets acquired in satisfaction of claims.

The property and equipment of the Company were recently revalued by independent professional valuer as at December 31, 2021. The revaluation was carried out by M/s Impulse (Pvt) Limited on the basis of professional assessment of present market values.

The non banking assets acquired from Ifan Textile were last revalued by independent professional valuer in December 2021. The revaluation was carried out by M/s Amir Evaluators and consultants on the basis of professional assessment of recent market values.

	2023			
	Level 1	Level 2	Level 3	Total
	Rupees			
Non-financial assets				
Operating fixed assets				
Property and equipment (lease hold land, building & others)	-	-	3,926,433,515	3,926,433,515
Other assets				
Non banking assets acquired in satisfaction of claims	-	-	71,439,012	71,439,012
	2022			
	Level 1	Level 2	Level 3	Total
	Rupees			
Non-financial assets				
Operating fixed assets				
Property and equipment (lease hold land, building & others)	-	-	4,049,255,333	4,049,255,333
Other assets				
Non banking assets acquired in satisfaction of claims	-	-	74,545,056	74,545,056

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Items	Valuation approach and input used
Operating fixed assets and non-banking assets acquired in satisfaction of claims	Land, buildings and other fixed assets and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these unconsolidated financial statements.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

39. SEGMENT INFORMATION

39.1 Segment details with respect to business activities

	2023			
	Corporate Finance	Trading and sales	Building rental services	Total
	-----Rupees-----			
Profit & loss				
Net mark-up/return/profit	8,610,041	325,441,206	-	334,051,247
Non mark-up / return / interest income	56,223,795	918,902,886	277,528,099	1,252,654,780
Total income	64,833,836	1,244,344,092	277,528,099	1,586,706,027
Segment direct expenses	93,431,627	468,013,190	-	561,444,817
Total expenses	93,431,627	468,013,190	-	561,444,817
Provisions	446,821,173	20,547,391	-	467,368,564
Profit before tax	(475,418,964)	755,783,511	277,528,099	557,892,646
Balance sheet				
Cash & bank balances	-	224,887,948	-	224,887,948
Investments	880,253,885	34,456,269,154	-	35,336,523,039
Lendings to financial institutions	-	3,249,994,713	-	3,249,994,713
Advances - performing	7,997,516,086	-	-	7,997,516,086
Advances - non-performing net of provision	264,704,056	-	-	264,704,056
Others	2,233,064,520	4,509,490,044	2,321,240,055	9,063,794,619
Total asset:	11,375,538,547	42,440,641,859	2,321,240,055	56,137,420,461
Borrowings	7,755,256,526	29,444,031,600	-	37,199,288,126
Deposits & other accounts	3,665,000,000	-	-	3,665,000,000
Others	196,938,911	711,624,868	185,693,263	1,094,257,042
Total liabilities	11,617,195,437	30,155,656,468	185,693,263	41,958,545,168
Equity	-	-	-	14,178,875,293
Total equity & liabilities	11,617,195,437	30,155,656,468	185,693,263	56,137,420,461
Contingencies & commitments	6,480,573,212	1,940,026	995,657	6,483,508,895
	2022			
	Corporate Finance	Trading and sales	Building rental services	Total
	-----Rupees-----			
Profit & loss				
Net mark-up/return/profit	211,014,445	288,274,250	-	499,288,695
Non mark-up / return / interest income	8,950,000	495,858,711	235,429,236	740,237,947
Total income	219,964,445	784,132,961	235,429,236	1,239,526,642
Segment direct expenses	115,571,112	411,989,846	-	527,560,958
Total expenses	115,571,112	411,989,846	-	527,560,958
Provisions / (reversals)	97,424,113	220,586,606	-	318,010,719
Profit before tax	6,969,220	151,556,509	235,429,236	393,954,965
Balance sheet				
Cash & bank balances	-	244,312,890	-	244,312,890
Investments	1,000,515,000	35,320,500,128	-	36,321,015,128
Lendings to financial institutions	-	-	-	-
Advances - performing	8,610,024,073	-	-	8,610,024,073
- non-performing	509,265,989	-	-	509,265,989
Others	1,691,972,230	3,626,762,851	2,603,348,007	7,922,083,088
Total asset:	11,811,777,292	39,191,575,869	2,603,348,007	53,606,701,168
Borrowings	9,544,598,132	27,230,268,717	-	36,774,866,849
Deposits & other accounts	506,884,232	1,446,115,768	-	1,953,000,000
Others	146,307,332	494,232,619	194,733,438	835,273,389
Total liabilities	10,197,789,696	29,170,617,104	194,733,438	39,563,140,238
Equity	-	-	-	14,043,560,930
Total equity & liabilities	10,197,789,696	29,170,617,104	194,733,438	53,606,701,168
Contingencies & commitments	818,560,311	2,582,854	7,972,553	829,115,718

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

39.2 Segment details with respect to geographical locations

GEOGRAPHICAL SEGMENT ANALYSIS

Profit & loss

Net mark-up/return/profit
Inter segment revenue - net
Non mark-up / return / interest income
Total income

Segment direct expenses
Inter segment expense allocation
Total expenses
Provisions
Profit before tax

Balance sheet

Cash & bank balances
Investments
Net inter segment lendings
Lendings to financial institutions
Advances - performing
- non-performing net of provision
Others

Total asset:

Borrowings
Deposits & other accounts
Net inter segment borrowing
Others

Total liabilities

Equity

Total equity & liabilities

Contingencies & commitments

Profit & loss

Net mark-up/return/profit
Inter segment revenue - net
Non mark-up / return / interest income
Total Income

Segment direct expenses
Inter segment expense allocation
Total expenses
Provisions
Profit before tax

Balance sheet

Cash & bank balances
Investments
Net inter segment lendings
Lendings to financial institutions
Advances - performing
- non-performing net of provision
Others

Total asset:

Borrowings
Deposits & other accounts
Net inter segment borrowing
Others

Total liabilities

Equity

Total equity & liabilities

Contingencies & commitments

2023		
In Pakistan	Outside Pakistan	Total
Rupees		
334,051,247	-	334,051,247
-	-	-
1,252,654,780	-	1,252,654,780
1,586,706,027	-	1,586,706,027
561,444,817	-	561,444,817
-	-	-
561,444,817	-	561,444,817
467,368,564	-	467,368,564
557,892,646	-	557,892,646
224,887,948	-	224,887,948
35,336,523,039	-	35,336,523,039
-	-	-
3,249,994,713	-	3,249,994,713
7,997,516,086	-	7,997,516,086
264,704,056	-	264,704,056
9,063,794,619	-	9,063,794,619
56,137,420,461	-	56,137,420,461
37,199,288,126	-	37,199,288,126
3,665,000,000	-	3,665,000,000
-	-	-
1,094,257,042	-	1,094,257,042
41,958,545,168	-	41,958,545,168
14,178,875,293	-	14,178,875,293
56,137,420,461	-	56,137,420,461
6,483,508,895	-	6,483,508,895
2022		
In Pakistan	Outside Pakistan	Total
499,288,695	-	499,288,695
-	-	-
740,237,947	-	740,237,947
1,239,526,642	-	1,239,526,642
527,560,958	-	527,560,958
-	-	-
527,560,958	-	527,560,958
318,010,719	-	318,010,719
393,954,965	-	393,954,965
244,312,890	-	244,312,890
36,321,015,128	-	36,321,015,128
-	-	-
-	-	-
8,610,024,073	-	8,610,024,073
509,265,989	-	509,265,989
7,922,083,088	-	7,922,083,088
53,606,701,168	-	53,606,701,168
36,774,866,849	-	36,774,866,849
1,953,000,000	-	1,953,000,000
-	-	-
835,273,389	-	835,273,389
39,563,140,238	-	39,563,140,238
14,043,560,930	-	14,043,560,930
53,606,701,168	-	53,606,701,168
829,115,718	-	829,115,718

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

40 RELATED PARTY TRANSACTIONS

The Government of Kingdom of Saudi Arabia and the Islamic Republic of Pakistan each own 50% shares of the Company. Therefore, all entities owned by and controlled by these Governments are related parties of the Company. Other related parties comprise of entities over which the Company has control (subsidiaries), entities over which the directors are able to exercise significant influence (associated undertakings), entities with common directors, major shareholders, directors, key management personnel and employees' funds. The Company in normal course of business pays for electricity, gas and telephone to entities controlled by Government of Pakistan. Contributions to and accruals in respect of Staff Gratuity Fund are made in accordance with the actuarial valuation.

Transactions which are made under the terms of employment with related parties mainly comprise of loans and advances, deposits etc.

Advances for the house building, conveyance and personal use have also been provided to staff and executives in accordance with the employment and pay policy. Facility of group life insurance and hospitalization facility is also provided to staff and executives. In addition to this, majority of executives of the Company have been provided with Company maintained car.

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					
	Shareholders	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Shareholders	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
Lending to financial institutions												
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	-	-	180,681,040,393	-	-	-	-	-	19,492,212,383
Repaid during the year	-	-	-	-	-	(17,430,893,693)	-	-	-	-	-	(19,492,212,383)
Closing balance	-	-	-	-	-	3,250,155,700	-	-	-	-	-	-
Investments												
Opening balance	-	-	-	-	-	199,640,000	-	-	-	500,000,000	-	199,720,000
Investment made during the year	-	-	-	-	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	-	(80,000)	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	576,676,075	-	-	-	-	-	-	(80,000)
Closing balance	-	-	-	-	576,676,075	199,560,000	-	-	-	500,000,000	-	199,640,000
Provision for diminution in value of investments												
Opening balance	-	-	-	-	-	338,339	-	-	-	-	-	-
Advances												
Opening balance	-	-	24,564,071	-	-	-	-	-	26,026,934	-	-	-
Addition during the year	-	-	47,157,893	-	-	-	-	-	10,412,718	-	-	-
Repaid during the year	-	-	(80,791,178)	-	-	-	-	-	(12,894,098)	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	1,018,517	-	-	-
Closing balance	-	-	63,627,86	-	-	-	-	-	24,564,071	-	-	-
Provision held against advances												
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-
Non-current asset classified as held for sale												
Opening balance	-	-	-	-	576,676,075	-	-	-	-	-	576,676,075	-
Addition during the year	-	-	-	-	-	-	-	-	-	-	-	-
Repaid during the year	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	(576,676,075)	-	-	-	-	-	576,676,075	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-
Provision for Non-current asset classified as held for sale												
Other assets - Income / markup accrued	-	-	-	-	-	-	-	-	-	-	576,676,075	-
Other assets - security deposit	-	-	-	2,633,280	-	14,837,624	-	-	-	2,633,280	-	6,511,442
Provision against other assets	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings												
Opening balance	-	-	-	-	-	-	-	-	-	-	-	6,670,000,000
Borrowings during the year	-	-	-	-	-	20,907,677,325	-	-	-	-	-	142,563,911,654
Settled during the year	-	-	-	-	-	(20,907,677,325)	-	-	-	-	-	(149,233,911,654)
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts												
Opening balance	-	-	-	-	-	1,353,000,000	-	-	-	-	-	2,711,587,775
Received during the year	-	-	-	-	-	1,712,000,000	-	-	-	-	-	356,073,379
Withdrawn during the year	-	-	-	-	-	-	-	-	-	-	-	(1,714,661,154)
Closing balance	-	-	-	-	-	3,065,000,000	-	-	-	-	-	1,353,000,000
Other Liabilities												
Interest / mark-up payable	-	-	-	-	-	17,866,326	-	-	-	-	-	10,786,083
Payable to defined benefit plan	-	-	-	-	-	1,923,363	-	-	-	-	-	10,219,869
Dividend payable to Foreign shareholder	-	-	-	-	-	2,988,372	-	-	-	426,170	-	2,366,908
Security deposit	-	-	-	482,245	-	33,886,810	-	-	-	1,065,425	-	24,773,648
Rent received in advance	-	-	-	1,205,610	-	-	-	-	-	-	-	-
Income												
Mark-up / return / interest earned	-	-	793,803	-	-	233,444,774	-	-	754,188	-	-	42,924,206
Rental income	-	-	-	5,478,530	-	34,378,212	-	-	-	4,911,721	-	26,226,209
Expense												
Mark-up / return / interest expensed	-	-	-	-	-	672,638,606	-	-	-	-	-	781,514,882
Contribution to employees' funds	-	-	-	-	-	6,898,649	-	-	-	-	-	10,464,818
Directors' fees and allowances	-	22,190,000	-	-	-	-	-	25,250,000	-	-	-	-
Shareholders' fee	-	-	-	-	-	-	-	-	-	-	-	(5,293,500)
Operating expenses	-	-	129,432,662	-	428,960	-	-	-	149,118,813	-	388,780	-

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41. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):

Capital Adequacy Ratio (CAR):

	2023	2022
	Rs '000'	
Minimum Capital Requirement (MCR):	6,765,000	6,765,000
Eligible Common Equity Tier 1 (CET 1) Capital	12,299,877	12,253,559
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	12,299,877	12,253,559
Eligible Tier 2 Capital	1,680,616	1,124,774
Total Eligible Capital (Tier 1 + Tier 2)	13,980,493	13,378,333
Risk Weighted Assets (RWAs):		
Credit Risk	26,355,145	22,217,420
Market Risk	4,035,153	6,111,660
Operational Risk	3,099,671	2,876,520
Total	33,489,970	31,205,600
Common Equity Tier 1 Capital Adequacy ratio	36.73%	39.27%
Tier 1 Capital Adequacy Ratio	36.73%	39.27%
Total Capital Adequacy Ratio	41.75%	42.87%

As of December 2023, the Company is required to meet a Tier 1 to RWA ratio and CAR, including CCB, of 7.5% and 11.5% respectively.

Standardized Approach is used for calculating the Capital Adequacy for Market and Credit Risk while Basic Indicator Approach (BIA) is used for Operational Risk.

Leverage Ratio (LR):

Eligible Tier-1 Capital	12,299,877	12,253,559
Total Exposures	62,329,101	53,966,116
Leverage Ratio	19.73%	22.71%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	4,903,416	4,639,985
Total Net Cash Outflow	2,987,739	3,295,451
Liquidity Coverage Ratio	164.12%	140.80%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	37,546,620	36,098,612
Total Required Stable Funding	24,290,905	21,362,298
Net Stable Funding Ratio	154.57%	168.98%

41.1 The link to the full disclosures for capital adequacy, leverage and liquidity ratios will be available at <https://www.saudipak.com/financial/>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

42. RISK MANAGEMENT

Saudi Pak Industrial & Agricultural Investment Co. Ltd. (the Company) defines risk as the possibility that an action or event could have adverse outcomes, which could either result in a direct loss of earnings / capital, or the imposition of constraints on the ability to meet objectives. In the normal course of business, the Company is exposed to various risks, including, but not limited to, credit, market, liquidity, and operational risks. The Company recognizes that management of these risks is essential for maintaining financial viability and achieving objectives. In this regard, the Company's approach to risk management is to ensure the ongoing alignment of its risk levels with its risk appetite through a coordinated set of activities that direct and control the Company with regard to risk.

The Company's overall appetite for risk is governed by its Board of Directors (Board) approved "Risk Management Policy", which delineates key definitions, roles and responsibilities, risk appetite / risk limits, and principles for managing risk across the Company. The Company's Risk Management Framework, comprising of the Risk Management Policy, other Board-approved policies, procedural manuals, sound management information system (MIS) and reporting, and clearly articulated roles, responsibilities and accountabilities, is fundamental to the Company's overall risk management culture and awareness.

The Company recognizes that responsibility for risk management resides at all levels, since the risk management processes rely on individual responsibility and independent oversight. The Board, duly supported by its Risk Management Committee, is accountable for ensuring that adequate and sound structures and policies are in place for risk management. The Management's role is to transform strategic decisions and risk appetite set by the Board into effective processes and systems, and to institute an appropriate hierarchy to execute and implement the approved policies and procedures. In this regard, the Company has implemented a three-line-of-defense approach, wherein as a first line of defense, risk management activities are performed in the business units and functional support units, with the Divisional Heads being accountable for managing risk in their area of operations in accordance with the Risk Management Framework, as well as for the results (both positive and negative) of taking these risks.

To assist in discharge of these responsibilities and accountabilities, various cross-functional committees have been constituted at the Senior Management level, and delegation of authority in financial / operational powers for the Divisions / Regional Offices has been clearly defined. The Risk Management Division (RMD) and Compliance Division (CD) serve as second-line of defense by providing independent oversight of the Company's risk-taking activities and regulatory compliance respectively. The RMD's responsibilities include the design of a clear, transparent and well-aligned Risk Management Policy, independent pre-approval risk reviews of proposals and policies, and ongoing assessment, monitoring and reporting of risks at the portfolio and enterprise level through a broad spectrum of techniques.

The second-line-of-defense is further strengthened through the presence of cross-functional committees such as Risk Review Committee, Operational Risk Management Committee and Compliance Committee. The Internal Audit Division functions as the third-line-of-defense, with direct reporting to the Audit Committee of the Board and independently carrying out internal audits in line with its approved roles and responsibilities.

On an enterprise level, risk monitoring results for the year revealed that the Company's Capital Adequacy Ratio (CAR) remained well above both the internal as well as the regulatory requirements throughout the year, and that the capital and liquidity position remained resilient even under stress.

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42.1 Credit Risk

Credit risk is the risk of loss to the Company's earnings or capital arising from the potential that an obligor is either unwilling to perform on an obligation or its ability to perform on such obligation is impaired. Credit risk arises primarily from the Company's advances / debt investments portfolio and lending to financial institutions (FIs) portfolio. Credit risk may also arise at the portfolio level in case of inadequate diversification of the advances portfolio, in terms of industrial sectors, regions, products, or clients.

Pursuit of credit risk is essential to fulfilling the corporate objectives of the Company, and is a primary source of income, conversely, also constituting one of the greatest risk of losses. In this regard, focus is primarily on bankable transactions, offering adequate risk & reward relationship with satisfactory security support. The Company's credit risk management process encompasses identification, assessment, monitoring and control of credit risk exposures. As part of this process, obligor risk, facility risk and environmental risk are carefully evaluated using internal risk rating methodologies, as articulated in the Company's Internal Credit Risk Rating Policy.

Advances exposures are invariably secured by credit risk mitigants in the form of various types of collateral / security with adequate margins. Readily marketable / liquid securities / urban properties are preferred over other forms of collateral. Credit risk stress testing is regularly carried out to identify vulnerable areas for initiating corrective action, if necessary. Regular assessment, monitoring and reporting of the performing & non-performing credit risk portfolio in terms of trends & concentrations, is made by the Risk Management Division (RMD) to the Risk Review Committee and Risk Management Committee of the Board. Board-approved Credit Policy, Credit Risk Policy, Credit Administration Policy, and Special Asset Management Policy are in place, clearly establishing relevant roles and responsibilities, selection criteria, principles and limits for credit risk.

Specific norms for appraisal, sanctioning, documentation, inspections and monitoring, maintenance, rehabilitation and management of assets have been stipulated. Internal controls and processes in place for credit risk management also include:

- Well-defined credit approval and disbursement mechanism, with deliberation at cross-functional committee, and review by independent functions;
- Post-disbursement credit administration, monitoring and review, including review of credit ratings;
- Board-approved borrower / group limits well within those prescribed in terms of Prudential Regulations, along with other limits on portfolio concentration, e.g. sectoral limits;
- Board-approved counterparty limits for lendings to FIs in place and regularly reviewed;
- Clear lines of authority for Treasury transactions, and independent Back Office / Settlement Division in place to process deals;
- Independent Middle Office in place at RMD to monitor lending to FIs limit compliance;
- Credit Risk Management Committee-approved insurer-wise limits and eligible valuers in place and reviewed annually;
- Policies & procedures circulated amongst concerned functionaries through the Company's intranet; and
- Various training initiatives to enhance credit risk knowledge for concerned personnel.

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Dedicated Special Asset Management Division (SAMD) and Law Division (LD) are in place to manage past due and impaired assets through litigation, workout or other remedial measures, as appropriate. The Company adheres to the SBP instructions for definitions of past due and impaired assets in the Corporate / Commercial, SME-Medium Enterprise, and SME-Small Enterprise categories respectively.

In addition, the Company applies ECL model for recognizing allowance for credit loss in accordance with IFRS 9 as disclosed in note 5.1.2 to the financial statements.

The Company employs the Basel Standardized Approach to determine capital requirements for credit risk. As per SBP Guidelines, the Company recognizes VIS and PACRA as approved rating agencies and applies their ratings where available to determine appropriate risk weight by using mapping criteria prescribed by SBP. Also the Company developed its internal credit rating policy for assigning obligor risk rating (ORR) as per SBP guidelines. ORR are assigned based on a time horizon that covers the life of the credit. ORR is assigned on a scale of 12 grades, with the first 4 grades (I-IV) representing stage 1 borrowers and afterword 5 grades (V-IX) representing stage 2 in increasing order of riskiness and the last 3 grades (X-XII) representing stage 3/non-performing borrowers. In absence of risk ratings, the exposures are treated as unrated and relevant risk weights are applied. The Company follows Simple Approach for credit risk mitigation in its Basel capital calculation. Under Simple Approach, the risk weight of the mitigant is substituted for the risk weight of the counterparty to the extent coverage is provided by the mitigant, provided the former risk weight is lower than the latter.

The Company is presently not involved in securitization activities.

The Company's maximum credit risk exposure as at December 31, 2023 amounted to:

	2023 Without benefit of collateral	2023 With benefit of collateral
	----- Rupees -----	
Lending to financial institutions	220,000,000	3,030,155,700
Debt investments	-	1,567,104,869
(excluding Government of Pakistan local currency denominated debt)	-	8,262,220,142
Advances	220,000,000	12,859,480,711

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

42.1.1 Lendings to financial institutions

Credit risk by public / private sector

	2023	2022	2023	2022	2023	2022
	Gross lendings	Non-performing lendings	Rupees			
			Stage 1	Stage 2	Stage 3	Provision held
Public / Government	3,250,155,700	-	160,987	-	-	-
Private	-	-	-	-	-	-
	3,250,155,700	-	-	-	-	-

42.1.2 Investment in debt securities

Credit risk by industry sector

	2023	2022	2023	2022	2023	2022
	Gross investments	Non-performing investments	Rupees			
			Stage 1	Stage 2	Stage 3	Provision held
Textile	321,352,500	321,352,500	-	-	287,602,500	295,605,000
Chemical and Pharmaceuticals	258,448,879	272,134,533	-	-	258,448,879	272,134,533
Construction	300,000,000	-	6,047,569	-	-	-
Power (electricity), Gas, Water, Sanitary	-	500,000,000	-	-	-	-
Transport, Storage and Communication	37,964,468	37,964,468	-	-	37,964,468	37,964,468
Financial	1,314,908,921	1,359,898,921	1,849,782	69,908,201	3,748,500	3,748,500
	2,232,674,768	2,499,352,922	7,897,351	69,908,201	587,764,347	609,452,501

Credit risk by public / private sector

	2023	2022	2023	2022	2023	2022
	Gross investments	Non-performing investments	Rupees			
			Stage 1	Stage 2	Stage 3	Provision held
Public / Government	199,560,000	199,720,000	-	-	-	-
Private	2,033,114,768	2,299,632,922	7,897,351	69,908,201	587,764,347	609,452,501
	2,232,674,768	2,499,352,922	7,897,351	69,908,201	587,764,347	609,452,501

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42.1.3 Advances

Credit risk by industry sector

	2023	2022	2023	2022	2023	2022
	Gross advances		Non-performing advances		Rupees	
					Stage 1	Stage 2
					Stage 3	Provision held
Textile	3,334,612,189	3,218,986,672	1,283,936,652	1,345,653,567	34,128,394	1,162,487,642
Chemical and Pharmaceuticals	230,000,000	-	-	-	7,574,479	-
Cement	1,110,942,228	1,118,795,322	116,206,923	116,206,923	10,187,417	116,206,923
Sugar	243,114,473	243,114,473	243,114,473	243,114,473	-	243,114,473
Automobile and transportation equipment	403,000,000	403,000,000	153,000,000	153,000,000	-	153,000,000
Electronics and electrical appliances	758,529,371	951,375,492	-	-	11,763,669	-
Construction	95,080,094	196,080,094	95,080,094	196,080,094	-	95,080,094
Power (electricity), Gas, Water, Sanitary	800,312,844	1,010,710,571	165,028,752	165,028,752	945,761	165,028,752
Transport, Storage and Communication	1,600,000,000	1,700,000,000	-	-	28,596,783	-
Financial	73,500,000	123,500,000	73,500,000	73,500,000	-	73,500,000
Services	851,000,000	901,000,000	101,000,000	101,000,000	16,432,082	101,000,000
Paper board and products	4,203,851	4,203,851	4,203,851	4,203,851	-	4,203,851
Rubber and plastic products	223,000,000	270,000,000	223,000,000	270,000,000	-	-
Basic metals	153,059,948	178,920,566	69,093,230	69,093,230	1,500,220	69,093,230
Dairy & Poultry	1,052,257,651	1,055,555,554	-	-	-	-
Others	539,561,891	99,295,985	41,250,000	41,250,000	5,370,976	41,250,000
	11,472,174,540	11,474,538,580	2,568,413,975	2,778,130,890	116,499,781	2,917,889,923

Credit risk by public / private sector

	2023	2022	2023	2022	2023	2022
	Gross advances		Non-performing advances		Rupees	
					Stage 1	Stage 2
					Stage 3	Provision held
Public/ Government	-	-	-	-	-	-
Private	11,472,174,540	11,474,538,580	2,568,413,975	2,778,130,890	116,499,781	2,917,889,923
	11,472,174,540	11,474,538,580	2,568,413,975	2,778,130,890	116,499,781	2,917,889,923

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	2023	2022
	-----Rupees-----	
42.1.4 Contingencies and Commitments		
Commitments: credit risk by industry sector		
Textile	500,000,000	378,000,000
Chemical and Pharmaceuticals	370,000,000	-
Cement	5,264,695	5,264,695
Sugar	-	112,000,000
Electronics and electrical appliances	200,180,779	52,390,289
Power (electricity), Gas, Water, Sanitary	3,570,000,000	70,000,000
Transport, Storage and Communication	200,000,000	-
Financial	1,326,800,526	200,000,000
Services	275,000,000	-
Others	36,262,895	11,460,734
	<u>6,483,508,895</u>	<u>829,115,718</u>
Credit risk by public / private sector		
Public/ Government	1,326,800,256	-
Private	5,156,708,639	829,115,718
	<u>6,483,508,895</u>	<u>829,115,718</u>

42.1.5 Concentration of Advances

Top 10 exposures of the Company on the basis of total (funded and non-funded exposures) aggregated to Rs. 7,977 million (2022: Rs. 7,153 million) as follows:

	2023	2022
	-----Rupees-----	
Funded	5,277,467,905	7,153,388,076
Non Funded	2,700,000,000	-
Total Exposure	<u>7,977,467,905</u>	<u>7,153,388,076</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 8,650,000,000 (2022: Rs. 8,025,000,000).

	2023		2022	
	Amount	Credit loss allowance held	Amount	Provision held
	-----Rupees-----			
Total funded classified therein				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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42.1.6 Advances - Province/Region-wise Disbursement & Utilization

Province/Region	2023				
	Disbursements	Punjab	Sindh	Utilization KPK including FATA	Balochistan Islamabad AJK including Gilgit-Baltistan
Punjab	-	-	-	-	-
Sindh	-	-	-	-	-
KPK including FATA	-	-	-	-	-
Baluchistan	-	-	-	-	-
Islamabad	1,611,913,906	1,381,913,906	230,000,000	-	-
AJK including Gilgit-Baltistan	-	-	-	-	-
Total	1,611,913,906	1,381,913,906	230,000,000	-	-

Province/Region	2022				
	Disbursements	Punjab	Sindh	Utilization KPK including FATA	Balochistan Islamabad AJK including Gilgit-Baltistan
Punjab	-	-	-	-	-
Sindh	-	-	-	-	-
KPK including FATA	-	-	-	-	-
Baluchistan	-	-	-	-	-
Islamabad	3,756,229,305	2,511,494,000	1,244,735,305	-	-
AJK including Gilgit-Baltistan	-	-	-	-	-
Total	3,756,229,305	2,511,494,000	1,244,735,305	-	-

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42.2 Market Risk

Market risk is the risk of loss to the Company's earnings or capital arising from potential movements in market risk factors, such as interest rates, equity prices and foreign exchange rates. The Company is exposed to market risk from its banking book as well as trading book exposures, the latter of which includes FVOCI & FVPL investments in debt & listed equity instruments. The Company uses Basel Standardized Approach to assess the market risk for its trading book exposures. The portfolios covered under the approach include the FVOCI & FVPL investments in debt and listed equity instruments. The capital charge required there against is presented in Note 41.

The market risk strategy of the Company is to maximize returns while keeping exposure to market risk at or below the approved levels, provided in the shape of market risk limits. Board-approved Treasury Policy, PMD Investment Policy and Market Risk Policy are in place with defined market risk management parameters / limits to control market risk levels. The Treasury Division (TD) and Portfolio Management Division (PMD) consider economic and market conditions, along with the Company's portfolio mix, diversification and expertise when setting and executing annual business strategy and reviewing policy.

Assets / Liability Management Committee (ALCO) meets monthly, and evaluates liquidity, market and interest rate risk as part of its approved Terms of Reference. An independent Market & Liquidity Risk / Middle Office Unit housed in RMD is tasked to, inter alia, independently monitor, measure and analyze market risk of the Company on daily basis, perform risk review of day-to-day PMD & TD activities, escalate any limit breaches or exceptions on the same working day of identification, review the Company's interest rate risk management framework & methodology, and prepare risk reports for ALCO and RMCB, including review of performance of the investment portfolio.

The Company uses a comprehensive suite of risk measurement techniques to assess market risk in the trading book, which includes monitoring levels and trends in mark-to-market, price value of basis point (PVBp), beta, and Value-at-Risk (VaR) metrics, as well as stress tests and sensitivity analyses based on these measures. VaR is calculated for all trading book positions and portfolios on a daily basis, and measures the estimated maximum loss over a defined horizon based on historical simulation.

The Company calculates its VaR with a 1-day, 10-day and 30-day horizon period using a one-tail, 99% confidence interval in accordance with Basel specifications. The 1-day VaR is further back tested on daily basis against next day's P&L based on actual observed movements in market risk factors. Back testing results suggest that the model is currently providing an appropriate estimate of the risk. For interest rate risk in the banking book, the Company primarily relies on gap analysis & static simulation model. Stress tests are carried out for traded & non-traded market risks on the basis of extreme, yet plausible, stress scenarios. Results produced by the aforementioned models are included in management and Board-committee reporting.

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The Company's objective regarding trading in equities is to maximize the return on equity investment by acquiring fundamentally strong shares at appropriate levels and maintaining such a balance between short term and long term investment that can provide maximum possible opportunities to avail both capital gains and dividend income. The Company's maximum exposure to the stock market is constrained in terms of the single-stock and aggregate limits prescribed under the SBP Prudential Regulations. Prime responsibility for managing the Company's equity positions rests with the Portfolio Management Division (PMD). The Board of Directors has approved sectoral limits, as well as portfolio limits that fall within the SBP-prescribed aggregate limit for DFIs. ALCO reviews investment climate and stock market investment strategy & portfolio, and reviews & approves listed stock investment / divestment recommendations by PMD, and stop loss decision where required. ALCO also monitor and manage investments in unquoted companies. The Market & Liquidity Risk /Middle Office Unit housed in RMD independently monitors PMD deals, policy / limit compliance, broker usage, realized/unrealized gain/loss, and generates market risk metrics such as beta, Value-at-Risk, sensitivity analyses and stress tests. The Unit is responsible for escalation of any limit breaches to concerned authorities, and also provides monthly / need basis summary reports to ALCO and periodic performance reports to the Risk Management Committee of the Board. PMD performance is also regularly reviewed by ALCO through regular reporting by the former, with the latter also serving as approving authority for the broker panel.

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	-----Rupees-----		-----Rupees-----	
Impact of 5% change in equity prices on				
- Profit and loss account	-	42,211,288	-	-
- Other comprehensive income	-	26,665,178	-	111,250,320

42.2.3 Equity position Risk

The Company's objective regarding trading in equities is to maximize the return on equity investment by acquiring fundamentally strong shares at appropriate levels and maintaining such a balance between short term and long term investment that can provide maximum possible opportunities to avail both capital gains and dividend income. The Company's maximum exposure to the stock market is constrained in terms of the single-stock and aggregate limits prescribed under the SBP Prudential Regulations. Prime responsibility for managing the Company's equity positions rests with the Portfolio Management Division (PMD). The Board of Directors has approved sectoral limits, as well as portfolio limits that fall within the SBP-prescribed aggregate limit for DFIs. ALCO reviews investment climate and stock market investment strategy & portfolio, and reviews & approves listed stock investment / divestment recommendations by PMD, and stop loss decision where required. ALCO also monitor and manage investments in unquoted companies. The Market & Liquidity Risk /Middle Office Unit housed in RMD independently monitors PMD deals, policy / limit compliance, broker usage, realized/unrealized gain/loss, and generates market risk metrics such as beta, Value-at-Risk, sensitivity analyses and stress tests. The Unit is responsible for escalation of any limit breaches to concerned authorities, and also provides monthly / need basis summary reports to ALCO and periodic performance reports to the Risk Management Committee of the Board. PMD performance is also regularly reviewed by ALCO through regular reporting by the former, with the latter also serving as approving authority for the broker panel.

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Banking book	Trading book	Banking book	Trading book
-----Rupees-----		-----Rupees-----	
- 42,211,288		- -	
- 26,665,178		- 111,250,320	

Impact of 5% change in equity prices on
 - Profit and loss account
 - Other comprehensive income

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

The Company's interest rate risk arises from its trading book and banking book. Interest rate risk in the trading book is a result of FVPL & OCI investments in debt instruments that are reported at fair value, and whose value is influenced by prevailing interest rates. The Company's interest rate risk exposures in the banking book originate from financial assets & liabilities that are exposed to different points in the yield curve, and are not matched in terms of repricing / maturity dates or interest rate basis. Since the Company does not take non-maturity deposits and bulk of its loans are floating-rate in nature, optionality/prepayment-related interest rate risk is insignificant.

The primary objective of interest rate risk management is to control exposure to interest rate risk, within approved limits. The Company has Board-approved Treasury Policy and Interest Rate Risk Management Framework in place that govern the interest rate risk management process. The Treasury Division directly functions to manage interest rate risks through diversification of exposures and structuring matching asset/liability transactions. The ALCO provides oversight of interest rate risk, including articulating interest rate view, deciding on future business strategy, monitoring interest rate risk and deliberating on mitigation measures. To control interest rate risk in the trading book, duration limits are in place for the fixed income investment portfolio, in terms of the Treasury Policy. To control interest rate risk in the banking book, target levels have been established on the repricing/ maturity gaps in each time band, as determined through slotting of interest-rate sensitive assets and liabilities according to contractual repricing / maturity dates, whichever is earlier, and ALCO-approved earnings at risk tolerance limit is also in place. The Market & Liquidity Risk / Middle Office Unit monitors limit compliance, reviews the interest rate risk management framework, develops interest rate risk measurement methodology, and provides monthly & quarterly reports to ALCO. Interest rate risk measurement methodology currently employed by the Company for the trading book includes marking-to-market, price value of basis point (PVBP), sensitivity analyses / stress testing and Value-at-Risk. For the banking book, methodology is based on gap analysis and static simulation, with an earnings and economic value perspective, as well as stress testing.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

Impact of 1% change in interest rates on
 - Profit and loss account
 - Other comprehensive income

	2023	2022
Banking book	Trading book	Banking book
-Rupees	-Rupees	-Rupees
36,472,935	-	34,871,809
-	-	-

42.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

Mismatch of Interest Rate Sensitive Assets and Liabilities													
	Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk										Non-interest bearing financial instruments
			2023										
			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													
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	-	134,586,641	-	-	-	-	-	-	-	-	-	134,586,641	
Balances with other banks	20.50	90,301,307	84,123,071	-	-	-	-	-	-	-	-	6,178,236	
Lending to financial institutions	22.27	3,249,994,713	3,249,994,713	-	-	-	-	-	-	-	-	-	
Investments	19.88	35,336,523,039	7,371,922,332	17,584,873,464	249,359,075	6,241,392,062	-	-	-	-	-	2,421,279,306	
Advances	18.83	8,262,220,142	4,086,716,035	2,773,028,258	1,271,297,864	902,194	-	-	-	-	-	-	
Other assets	-	2,616,574,925	-	-	-	-	-	-	-	-	-	2,616,574,925	
	-	49,690,200,767	14,792,756,151	20,357,901,722	1,520,656,939	6,242,294,256	-	-	-	-	-	5,178,619,108	
Liabilities													
Borrowings	20.83	37,199,288,126	30,477,734,205	108,609,692	4,236,687,297	185,604,376	-	-	-	-	-	-	
Deposits and other accounts	22.42	3,665,000,000	3,455,000,000	10,000,000	200,000,000	-	-	-	-	-	-	-	
Other liabilities	-	846,272,546	-	-	-	-	-	-	-	-	-	846,272,546	
	-	41,710,560,672	33,932,734,205	118,609,692	4,436,687,297	185,604,376	-	-	-	-	-	846,272,546	
	-	7,979,640,095	(19,139,978,054)	20,239,292,030	(2,916,030,358)	6,056,689,880	(347,381,428)	(353,845,068)	(353,845,068)	(796,183,437)	(687,636,906)	4,332,346,562	
On-balance sheet gap													
	-	-	-	-	-	-	-	-	-	-	-	-	
Off-balance sheet financial instruments													
	-	-	-	-	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	-	-	-	-	
Total Yield/Interest Risk Sensitivity Gap	-	-	(19,139,978,054)	20,239,292,030	(2,916,030,358)	6,056,689,880	(347,381,428)	(353,845,068)	(353,845,068)	796,183,437	(687,636,906)	4,332,346,562	
Cumulative Yield/Interest Risk Sensitivity Gap	-	-	(19,139,978,054)	1,099,313,976	(1,816,716,382)	4,239,973,498	3,892,592,070	3,538,747,002	4,334,930,439	3,647,293,533	3,647,293,533	-	

42.2.6 Yield Risk

	Effective Yield/Interest rate	Total	Exposed to Yield/Interest risk										Non-interest bearing financial instruments
			2022										
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 Years to 2 Years	Over 2 Years to 3 Years	Over 3 Years to 5 Years	Over 5 Years to 10 Years	Above 10 Years		
Rupees													

On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	-	116,437,350	-	-	-	-	-	-	-	-	-	-	116,437,350
Balances with other banks	12.25	127,875,540	43,498,975	-	-	-	-	-	-	-	-	-	84,376,565
Investments	14.58	36,321,015,128	17,893,500,000	296,390,421	5,578,040,800	-	-	-	-	-	-	-	3,268,756,407
Advances	13.89	9,119,290,062	2,320,631,187	4,953,112,892	1,787,499,998	2,295,976	-	-	-	-	-	-	5,103,406
Other assets	-	2,243,243,324	-	-	-	-	-	-	-	-	-	-	2,243,243,324
	-	47,927,861,404	9,672,230,162	22,846,612,892	2,083,890,419	2,295,976	-	-	-	-	-	-	5,712,813,646

Liabilities													
Borrowings	15.32	36,774,866,849	11,089,130,590	19,407,917,842	3,674,187,297	98,374,594	-	-	-	-	-	-	-
Deposits and other accounts	16.62	1,953,000,000	1,743,000,000	10,000,000	200,000,000	-	-	-	-	-	-	-	-
Other liabilities	-	546,879,433	-	-	-	-	-	-	-	-	-	-	546,879,433
	-	39,274,746,282	12,832,130,590	19,417,917,842	3,874,187,297	98,374,594	-	-	-	-	-	-	546,879,433
	-	(3,159,900,428)	(3,159,900,428)	(3,428,695,050)	(1,790,296,878)	(96,078,618)	(353,845,068)	(353,845,068)	(707,690,136)	(707,690,136)	(896,140,554)	(896,140,554)	5,165,994,213

On-balance sheet gap													
	-												

Off-balance sheet financial instruments													
	-												

Off-balance sheet gap													
	-												

Total Yield/Interest Risk Sensitivity Gap													
	-												

Cumulative Yield/Interest Risk Sensitivity Gap													
	-												

	-												

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42.2.6 Yield Risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

42.2.7 Assets do not include fixed assets of Rs. 4,072,629,585 (2022: Rs. 4,181,796,569), Intangible assets of Rs. 6,457,046 (2022: Rs. 6,392,003) and other assets consisting of Advances, deposits, advance rent and other prepayments, advance taxation, excise duty, non-banking assets acquired in satisfaction of claims of Rs. 21,193,187,859 (2022: Rs. 1,432,640,162)

42.2.8 Liabilities do not include other liabilities consisting of advance rental income, Provision for compensated absences of Rs. 247,984,496 (2022: Rs. 288,393,956)

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

42.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events. Types of events that can lead to operational risk include:

- Internal / external fraud events
- Employment practices & workplace safety events
- Clients, products & business practices events
- Damage to physical assets events
- Business disruption and system failures events
- Execution, delivery & process management events

Types of operational risk losses can include monetary, regulatory, client, or health & safety loss, or legal liability / inability to enforce legal claim, and measures that may be taken to mitigate losses include improving underlying processes through enhanced internal controls, having contingency plan / backup arrangements in place, and ensuring adequate insurance coverage.

The Company's operational risk management process is governed by the Operational Risk Management Framework ("ORMF") and Operational Risk Policy which have been duly approved by the Board of Directors. The operational risk management structure comprises the line management as first line of defense, an independent Operational Risk Management Unit ("ORMU") operating under the Risk Management Division ("RMD") as second line of defense, and independent Internal Audit as third line of defense. An organizational culture of integrity and discipline built through trainings and appropriate hiring, and separation of duties and principles of internal control as embedded in relevant policies and procedures, are key principles for operational risk management. Operational Risk Coordinators ("ORCs") that have been established from each division work with the ORMU to identify, analyze, explain and mitigate operational issues within their respective areas of expertise. The ORMU develops and updates the ORMF, implements operational risk measurement and reporting, and coordinates with ORCs to source necessary information and promote sound operational risk management. Senior management-level Operational Risk Management Committee ("ORMC") meets quarterly / need basis with the goal to assure that actions are being taken to meet the stated objective of operational risk management in the Company. Presently loss data, key risk indicators, risk & control self-assessments, and scenario analysis are being used to assess operational risk. Operational risk reports on the basis of these tools, along with suggested risk mitigants where required, are presented by ORMU to the ORMC. Operational risk reports are also discussed as part of the agenda of meetings of Risk Management Committee of the Board ("RMCB").

In order to ensure business continuity, resumption and recovery of critical business process after a disaster, the Company has a robust Business Continuity Plan / Disaster Recovery Plan in place, with off-site backup and regular testing carried out. The Company also has a Technology Governance Framework & IT Security Policy in place, addressing issues such as incident reporting, risk identification, IT controls and systems security, with added oversight provided by regular meetings of the IT Steering Committee of management. KYC / AML Policies are also in place for Credit and Treasury activities.

Basic Indicator Approach with capital charge of 15% of average gross income for previous 3 years has been applied for Operational Risk. Loss data process has been fully implemented, with ORCs providing details for events / near misses / potential losses through an in-house software.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

42.4 Liquidity Risk

Liquidity risk is the potential for loss arising from either an inability to meet obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses.

The liquidity risk strategy of the Company is to strive to maintain liquidity at an acceptable level over the short- and long-term, in order to settle financial obligations in a timely and economical manner. Liquidity Risk Policy, Treasury Policy and Contingency Funding Plan are in place to govern the liquidity risk management process. The prime responsibility for the management of liquidity risk lies with Treasury Division (TD) which ensures that the Company's operations can meet its current and future funding needs. Mix of Saudi Pak assets and liabilities is monitored by TD to ensure that gaps are efficiently managed, and target gap levels are in place. Regulatory limits (e.g. Statutory Liquidity Requirement [SLR], Net Stable Funding Ratio [NSFR]) are monitored and returns are submitted. Internal limit on liquid assets to total borrowings and deposits is also in place. TD further aims for effective diversification of sources of borrowing / liquidity. The Company's leverage also remains well within parameters allowed by SBP, ensuring a stable source of liquidity in the form of capital. ALCO provides additional oversight for liquidity risk management through its monthly meetings. The Market & Liquidity Risk / Middle Office Unit housed in RMD independently reviews liquidity risk policy, and monitors liquidity ratios, gaps and funding concentrations on daily basis, providing regular reporting on the same to ALCO along with stress testing, with timely escalation in case of any limit breach. The Company overall strives to maintain a strong market reputation and to keep credit risk and market risk within manageable limits so that these risks may not trigger any undesirable liquidity crunch.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

42.4.1 Assets and Liabilities - based on contractual maturity

Total	2023												
	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-----													
Assets													
Cash and balances with treasury banks	134,586,641	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	90,301,307	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	3,249,994,713	3,249,994,713	-	-	-	-	-	-	-	-	-	-	-
Investments	35,336,523,039	120,000	-	-	30,000	33,750,000	22,154,994	6,241,422,062	6,672,044,151	2,220,691,482	80,000	2,415,730,342	17,730,500,008
Advances	8,262,220,142	433,344,160	43,614,677	217,713,611	68,964,739	88,005,597	574,075,490	328,858,057	557,386,814	1,882,743,812	1,453,960,522	1,489,928,381	863,407,266
Non-current asset	-	-	-	-	-	-	-	-	-	-	-	-	-
Classified as held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Property And Equipment	4,048,086,647	2,105,333	2,456,222	5,614,222	10,526,666	10,526,666	91,807,993	31,579,998	31,579,998	126,319,991	126,319,991	244,704,425	3,364,188,653
Right of Use Asset	24,548,938	281,095	327,944	749,386	1,405,474	1,405,473	4,216,421	4,216,421	4,216,420	7,683,255	-	-	-
Intangible assets	6,457,046	35,869	41,847	95,650	179,344	179,344	538,033	538,033	538,032	2,152,131	2,152,785	-	-
Deferred tax assets	174,945,204	619,818	62,397	403,645	1,457,898	2,915,797	4,373,695	2,915,725	5,831,449	17,494,563	17,494,563	34,989,127	86,014,418
Other assets	4,899,762,784	505,976,939	50,936,684	329,508,323	295,151,514	590,303,029	586,671,386	1,073,725,428	1,073,725,429	-	-	-	-
	56,137,420,461	4,192,377,927	97,439,771	554,103,037	377,715,635	727,085,906	1,283,837,612	7,683,255,724	8,345,522,293	4,257,085,234	1,600,007,861	4,185,352,475	22,044,110,347
Liabilities													
Bills payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	37,199,288,126	11,000,000,000	-	8,253,650,107	36,860,246	71,749,446	486,687,297	81,370,131	729,234,245	1,478,845,068	1,353,845,068	1,707,690,102	775,272,318
Deposits and other accounts	3,665,000,000	-	-	1,712,000,000	-	10,000,000	-	400,000,000	1,543,000,000	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,094,257,042	48,790,078	97,580,156	55,760,089	139,400,223	278,800,445	264,913,015	92,479,033	92,479,033	-	-	5,125,688	11,959,471
	41,956,545,168	11,048,790,078	11,321,664,254	10,021,410,196	176,260,469	360,549,891	751,600,312	573,849,164	2,364,713,278	1,478,845,068	1,353,845,068	1,712,815,590	787,231,789
Net assets	14,178,875,293	(6,856,412,151)	(11,224,224,483)	(9,467,307,159)	201,455,166	366,536,015	532,237,300	71,094,065,560	5,980,899,015	2,778,340,166	246,162,793	2,472,536,885	21,256,878,558
Share capital/ Head office capital account	6,765,000,000	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	1,891,661,673	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated/ Unremitted profit	3,942,835,204	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) on revaluation of assets	1,579,378,416	-	-	-	-	-	-	-	-	-	-	-	-
	14,178,875,293	-	-	-	-	-	-	-	-	-	-	-	-

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

2022													
Rupees													
	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
Assets													
Cash and balances with treasury banks	116,437,350	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	127,875,540	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	36,321,015,128	60,000	-	-	250,030,000	33,750,000	22,495,000	250,030,000	2,276,886,820	10,520,475,800	2,260,260,000	660,160,000	20,046,867,508
Advances	9,119,290,062	352,051,245	21,193,875	36,263,497	35,541,891	69,610,546	494,675,645	239,983,500	450,554,723	1,622,499,013	1,752,777,788	2,504,674,056	1,372,251,879
Non-current asset classified as held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Property And Equipment	4,140,381,949	2,203,320	2,570,540	5,875,522	11,016,603	11,016,603	73,306,421	33,049,809	33,049,809	132,199,234	132,199,236	254,486,690	3,449,038,942
Right of Use Asset	41,414,620	281,095	327,944	749,586	1,405,474	1,405,473	4,216,421	4,216,421	4,216,420	16,865,683	7,683,254	-	-
Intangible assets	6,392,003	35,508	41,426	94,686	177,538	177,537	532,613	532,613	532,613	2,130,452	2,131,099	-	-
Deferred tax assets	58,011,030	295,120	17,767	30,399	483,432	966,865	1,450,297	966,841	1,933,682	5,801,117	5,801,117	11,602,234	28,521,987
Other assets	3,675,883,486	584,381,800	35,180,432	60,195,008	254,711,456	509,422,912	570,949,956	691,740,192	691,740,190	-	-	-	-
	53,606,701,168	939,308,088	59,331,984	103,208,698	553,366,394	626,349,936	1,167,626,353	1,220,519,376	3,458,914,257	12,299,971,299	4,160,852,494	3,430,924,980	24,896,680,316
Liabilities													
Bills payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	36,774,866,849	5,170,785,000	1,518,112,498	4,400,233,092	15,239,233,596	4,043,684,246	424,187,297	111,687,297	611,687,297	1,252,103,970	1,103,845,068	1,770,190,136	1,129,117,352
Deposits and other accounts	1,953,000,000	-	-	-	-	10,000,000	-	400,000,000	1,543,000,000	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	835,273,389	46,293,453	92,586,906	52,906,804	81,101,595	162,203,190	175,779,103	88,121,099	88,121,099	17,520,021	-	7,206,031	16,818,738
	39,563,140,238	5,217,078,453	1,610,699,404	4,483,139,896	15,320,335,191	4,215,887,436	599,966,400	599,808,396	2,242,808,396	1,269,623,991	1,103,845,068	1,777,398,167	1,145,936,090
Net assets	14,043,560,930	(4,277,770,365)	(1,551,367,420)	(4,349,931,198)	(14,766,968,797)	(3,589,537,500)	567,659,953	620,710,980	1,216,105,861	11,030,347,308	3,057,007,426	1,653,526,813	23,750,744,226
Share capital/ Head office capital account	6,765,000,000	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	1,790,149,151	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated/ Unremitted profit	4,175,180,394	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) on revaluation of assets	1,313,231,385	-	-	-	-	-	-	-	-	-	-	-	-
	14,043,560,930	-	-	-	-	-	-	-	-	-	-	-	-

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

42.4.2 Assets and liabilities - based on expected maturities

	2023								
	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									
Assets									
Cash and balances with treasury banks	134,586,641	134,586,641	-	-	-	-	-	-	-
Balances with other banks	90,301,307	90,301,307	-	-	-	-	-	-	-
Lending to financial institutions	3,249,994,713	3,249,994,713	-	-	-	-	-	-	-
Investments	35,336,523,039	120,000	33,780,000	22,154,994	12,913,466,213	2,220,691,482	80,000	2,415,730,342	17,230,500,008
Advances	8,262,220,142	954,689,262	156,970,336	574,075,490	886,444,871	1,882,743,812	1,453,960,522	1,489,928,581	863,407,268
Non-current asset classified as held for sale	-	-	-	-	-	-	-	-	-
Property And Equipment	4,048,080,647	10,526,666	21,053,332	91,807,593	63,159,996	126,319,991	126,319,991	244,704,425	449,069,620
Right of Use Asset	24,548,938	1,405,474	2,810,947	4,216,421	8,432,841	7,683,255	-	-	-
Intangible assets	6,457,046	179,344	358,688	538,033	1,076,065	2,152,131	2,152,785	-	-
Deferred tax assets	174,945,204	1,457,969	4,373,695	4,373,695	8,747,174	17,494,563	17,494,563	34,989,127	43,736,301
Other assets	4,809,762,784	1,190,185,998	885,454,543	586,671,386	2,147,450,857	-	-	-	-
	56,137,420,461	5,633,447,374	1,104,801,541	1,283,837,612	16,028,778,017	4,257,085,234	1,600,007,861	4,185,352,475	18,586,713,197
Liabilities									
Bills payable	-	-	-	-	-	-	-	-	-
Borrowings	37,199,288,126	30,477,734,205	108,609,692	486,687,297	810,604,376	1,478,845,068	1,353,845,068	1,707,690,102	775,272,318
Deposits and other accounts	3,665,000,000	1,712,000,000	10,000,000	-	1,943,000,000	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	1,094,257,042	209,100,334	418,200,668	264,913,015	184,958,066	-	-	5,125,488	11,959,471
	41,958,545,168	32,398,834,539	536,810,360	751,600,312	2,938,562,442	1,478,845,068	1,353,845,068	1,712,815,590	787,231,789
Net assets	14,178,875,293	(26,765,387,165)	567,991,181	532,237,300	13,090,215,575	2,778,240,166	246,162,793	2,472,536,885	17,799,481,408
Share capital/ Head office capital account	6,765,000,000								
Reserves	1,891,661,673								
Unappropriated/ Unremitted profit	3,942,835,204								
Surplus/(Deficit) on revaluation of assets	1,579,378,416								
	14,178,875,293								

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

Total		2022								
		Rupees—								
		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
Assets										
Cash and balances with treasury banks	116,437,350	-	-	-	-	-	-	-	-	-
Balances with other banks	127,875,540	-	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	36,321,015,128	60,000	283,780,000	22,495,000	2,526,916,820	10,520,475,800	2,260,260,000	660,160,000	19,546,867,508	500,000,000
Advances	9,119,290,062	576,721,021	105,152,437	494,675,645	690,538,223	1,622,499,013	1,752,777,788	2,504,674,056	1,372,251,879	-
Non-current asset classified as held for sale	-	-	-	-	-	-	-	-	-	-
Property And Equipment	4,140,381,949	11,016,602	22,033,206	73,306,421	66,099,618	132,199,234	132,199,236	254,488,690	468,421,553	2,980,617,389
Right of Use Asset	41,414,620	1,405,474	2,810,947	4,216,421	8,432,841	16,865,683	7,683,254	-	-	-
Intangible assets	6,392,003	177,538	355,075	532,613	1,065,226	2,130,452	2,131,099	-	-	-
Deferred tax assets	58,011,030	483,458	1,450,297	1,450,297	2,900,523	5,801,117	5,801,117	11,602,234	25,981,253	2,540,734
Other assets	3,675,883,486	957,318,780	764,134,368	570,949,956	1,383,480,382	-	-	-	-	-
	53,606,701,168	1,791,495,763	1,179,716,330	1,167,626,353	4,679,433,633	12,299,971,299	4,160,852,494	3,430,924,980	21,413,522,193	3,483,158,123
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings	36,774,866,849	11,089,130,590	19,282,917,842	424,187,297	723,374,594	1,252,103,970	1,103,845,068	1,770,190,136	1,129,117,352	-
Deposits and other accounts	1,953,000,000	-	10,000,000	-	1,943,000,000	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	835,273,389	198,400,513	243,304,785	175,779,103	176,242,198	17,520,021	-	7,208,031	16,818,738	-
	39,563,140,238	11,287,531,103	19,536,222,627	599,966,400	2,842,616,792	1,269,623,991	1,103,845,088	1,777,398,167	1,145,936,090	-
Net assets	14,043,560,930	(9,496,035,340)	(18,356,506,297)	567,659,953	1,836,816,841	11,030,347,308	3,057,007,426	1,653,526,813	20,267,586,103	3,483,158,123
Share capital/ Head office capital account										
Reserves	6,765,000,000									
Unappropriated/ Unremitted profit	1,790,149,151									
Surplus/(Deficit) on revaluation of assets	4,175,180,394									
	1,313,231,385									
	14,043,560,930									

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

42.5 Derivative Risk

Presently the Company does not have exposure in derivative products, and consequently is not exposed to derivatives-related risk.

43 DATE OF AUTHORIZATION

These unconsolidated financial statements were authorized for issue by the Board of Directors of the Saudi Pak Industrial and Agricultural Investment Company Limited on **March 8, 2024**.



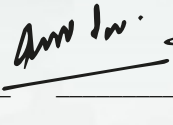
"GM/Chief Executive



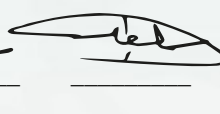
Chief Financial Officer



Director



Director



Director

SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE, PROVIDED DURING THE YEAR JANUARY - DECEMBER 31, 2023

S. No.	Name and address	Name of individual / Partners / Directors	CNIC No.	Fathers' / Husband Name	Outstanding liabilities at the beginning of the year				Principal written off	Mark up waived	Other financial relief provided	Total
					Principal	Mark up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12	13
1	N/A	N/A	N/A	N/A	---	---	---	---	---	---	---	---
					0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

(Rupee in million)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
CONSOLIDATED



INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

**Grant Thornton Anjum
Rahman**

302 B, 3rd Floor,
Evacuee Trust Complex,
Aga Khan Road, F-5/1,
Islamabad, Pakistan.

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To the members of
Saudi Pak Industrial and Agricultural Investment Company Limited

Opinion

We have audited the annexed consolidated financial statements of **Saudi Pak Industrial and Agricultural Investment Company Limited** and its subsidiary (the Group), which comprise the consolidated statement of financial position as at December 31, 2023 and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a material accounting policies information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

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 Consolidated Financial Statements* section of our report. We are independent of the Group 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.

Emphasis of Matter

We draw attention to note 22.3.1 to the accompanying consolidated financial statements describing in detail the status of tax contingencies. Our opinion is not modified in respect of this matter.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current year. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.



Following is the key audit matter:

Key audit matter	How the matter was addressed in our audit
Adoption of IFRS 9 “Financial Instruments”: (Refer to note 5.1 to the consolidated financial statements) The Holding Company early adopted the IFRS 9 ‘Financial Instruments’ effective from January 01, 2023, as permitted by the State Bank of Pakistan (SBP) vide its circular BPRD circular No. 07 dated April 13, 2023, which resulted changes in accounting policies and adjustments to amounts previously recognized in the consolidated financial statements. As permitted by IFRS 09, the requirements have been applied retrospectively without restating the comparatives. As a result, the difference between the previously reported carrying amounts and new carrying amounts of financial instruments as of December 31, 2022 and January 01, 2023 amounting to Rs. 527,955,514 has been recognized in opening retained earnings. The new standard provides significant changes to classification and measurement of financial assets. The new standard also requires to recognize Expected Credit Losses (ECL) which require significant judgement and estimates to be made by the holding Company. The key changes arising from the adoption of IFRS 9 are that the holding Company’s credit losses are now based on expected credit losses rather than an incurred loss model. Further, there are significant changes in the accounting policies, transition disclosure requirements and numerous estimates and judgements involved in the first time adoption of IFRS 9 which are detailed in note 5.1 to the consolidated financial statements. Since the adoption of IFRS 9 and recognition of ECL as per model requiring significance time and resource to audit and material to overall consolidated financial statements, we considered this area as key audit matter.	With respect to classification, measurement and ECL provision against financial assets we performed, among others, the following audit procedures: - Read the Holding Company’s IFRS 9 based classification, measurement and impairment provisioning policy and compared the same with the requirements of IFRS 09; - Obtained an understanding and reviewed the Holding Company’s business model assessment; - Updated the IT understanding on applications relevant to financial reporting including ECL model; - Read and discussed with management, the IFRS 9 Application Instructions Issued by SBP through its BPRD Circular No. 03, dated July 05, 2022; - Evaluated the reasonableness of opening balance adjustments and review the transitional disclosures in compliance with the relevant standards; - Evaluated the reasonableness of Holding Company’s determination of significant increase in credit risk (SICR) and the resultant basis for classification of exposures into various stages. For a sample of exposures, we checked the appropriateness of the holding Company’s staging; - Checked the key data sources used in ECL model and for a sample of obligors the correctness of historical data input in ECL model has been tested; - Checked on sample basis the accuracy of the Exposure at Default (EAD), appropriateness of the Probability of Default (PD) and calculations of the Loss Given Default (LGD) used in the Holding Company’s ECL model. Also read the internal risk rating reports to test the correctness of internal credit risk ratings used in the ECL model on sample basis; - For stage 3 items checked that the impairment provisions have been recognized in the consolidated financial statements at higher of

	determined under IFRS 9 or applicable Prudential regulations; j. Checked the completeness of financial assets including off balance sheet items included in ECL calculation; k. Checked the arithmetical accuracy of the ECL model; and l. Assessed the consolidated financial statements disclosures arising on early adoption of IFRS 09 for appropriateness.
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Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises of information to be included in the annual report that shall also include the directors' report but does not include the consolidated financial statements and our auditor's report thereon. The other information obtained at the date of audit report is information included in directors' report while the complete set of annual report is expected to be made available to us after the date of this auditor's report.

- Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.
- In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained at the date of this auditor's report, 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.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

The engagement partner on the audit resulting in this independent auditor's report is Hassaan Riaz.

Grant Thornton Anjum Rahman

Grant Thornton Anjum Rahman

Chartered Accountants

Place: Islamabad

Date: March 08, 2024

UDIN: AR202310164HT8aPYpNA

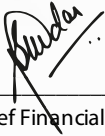
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

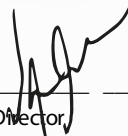
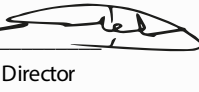
AS AT DECEMBER 31, 2023

	Note	2023 -----Rupees-----	2022
ASSETS			
Cash and balances with treasury banks	6	134,586,641	116,440,110
Balances with other banks	7	96,679,459	137,866,992
Lendings to financial institutions	8	3,249,994,713	-
Investments	9	34,969,187,555	36,154,009,926
Advances	10	8,262,473,645	9,119,337,560
Non-current asset classified as held for sale	11	-	-
Property and equipment	12	4,517,792,493	4,384,554,352
Intangible assets	13	6,457,046	6,392,003
Deferred tax assets	18	177,686,482	61,321,766
Other assets	14	4,845,140,675	3,702,657,861
Development properties	15	181,781,774	192,734,028
		<u>56,441,780,483</u>	<u>53,875,314,598</u>
LIABILITIES			
Bills payable		-	-
Borrowings	16	37,199,288,126	36,774,866,849
Deposits and other accounts	17	3,665,000,000	1,953,000,000
Lease liabilities		-	-
Subordinated debt		-	-
Deferred tax liabilities	18	-	-
Other liabilities	19	1,084,766,462	810,490,215
		<u>41,949,054,588</u>	<u>39,538,357,064</u>
NET ASSETS			
		<u>14,492,725,895</u>	<u>14,336,957,534</u>
REPRESENTED BY			
Share capital	20	6,765,000,000	6,765,000,000
Statutory reserve		1,532,998,733	1,431,486,211
General reserve		358,662,940	358,662,940
Surplus on revaluation of assets	21	1,579,378,416	1,313,231,385
Unappropriated/ Unremitted profit		4,256,685,806	4,468,576,998
		<u>14,492,725,895</u>	<u>14,336,957,534</u>
CONTINGENCIES AND COMMITMENTS			
	22		

The annexed notes 1 to 44 and annexure I form an integral part of these consolidated financial statements.


GM/Chief Executive


Chief Financial Officer

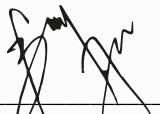
  
Director Director Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2023

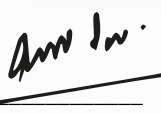
		2023	2022
	Note	-----Rupees-----	
Mark-up / return / interest earned	24	9,916,715,905	5,186,890,998
Mark-up / return / interest expensed	25	9,558,317,577	4,661,361,977
Net mark-up / interest income		358,398,328	525,529,021
NON MARK-UP / INTEREST INCOME			
Fee and commission income	26	56,521,359	8,950,000
Dividend income		423,218,802	415,684,929
Foreign exchange income		7,320,848	6,551,295
Income / (loss) from derivatives		-	-
(Loss) / gain on securities	27	491,598,591	67,495,895
Other income	28	286,987,616	273,076,812
Total non-markup / interest income		1,265,647,216	771,758,931
Total income		1,624,045,544	1,297,287,952
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	29	568,050,356	536,171,894
Workers welfare fund		-	-
Other charges	30	-	30,000
Total non-markup / interest expenses		568,050,356	536,201,894
Profit before credit loss allowance / provisions		1,055,995,188	761,086,058
Credit loss allowance / Provisions and write offs - net	31	467,368,564	318,010,719
Profit before taxation		588,626,624	443,075,339
Taxation	32	60,274,328	90,273,997
Profit after taxation		528,352,296	352,801,342
Basic and diluted earnings per share	33	0.781	0.522

The annexed notes 1 to 44 and annexure I form an integral part of these consolidated financial statements.


GM/Chief Executive


Chief Financial Officer


Director


Director


Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
	-----Rupees-----	
Profit after taxation for the year	528,352,296	352,801,342
Other comprehensive income / (loss)		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus / (deficit) on revaluation of debt instrument through FVOCI / Investment - net of tax	130,025,854	(406,969,314)
	130,025,854	(406,969,314)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain / (loss) on defined benefit obligations - net of tax	342,479	(135,527)
Movement in surplus / (deficit) on revaluation of investment in equity investments - net of tax	255,520,526	-
	255,863,005	(135,527)
Total comprehensive income / (loss)	<u>914,241,155</u>	<u>(54,303,499)</u>

The annexed notes 1 to 44 and annexure I form an integral part of these consolidated financial statements.


GM/Chief Executive


Chief Financial Officer


Director


Director


Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2023

	Share capital	Statutory reserve	General reserve	Surplus / (deficit) on revaluation of			Unappropriated / Unremitted profit	Total
				Investments	Fixed / Non Banking Assets			
Rupees								
Balance as at January 1, 2022	6,600,000,000	1,369,329,367	358,662,940	(880,415,670)	2,841,360,664	4,421,217,627	14,710,154,928	
Profit after taxation for the year ended December 31, 2022	-	-	-	-	-	352,801,342	352,801,342	
Other comprehensive (loss) / Income - net of tax	-	-	-	(406,969,314)	-	(135,527)	(407,104,841)	
Transfer to statutory reserve	-	62,156,844	-	-	-	(62,156,844)	-	
Impact of rate change	-	-	-	-	(153,893,895)	-	(153,893,895)	
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	(86,850,400)	86,850,400	-	
Transactions with owners, recorded directly in equity								
Bonus shares issued	165,000,000	-	-	-	-	(165,000,000)	-	
Dividend 2021: 2.5% per ordinary share	-	-	-	-	-	(165,000,000)	(165,000,000)	
Balance as at December 31, 2022	6,765,000,000	1,431,486,211	358,662,940	(1,287,384,984)	2,600,616,369	4,468,576,998	14,336,957,534	
Balance as at January 1, 2023	6,765,000,000	1,431,486,211	358,662,940	(1,287,384,984)	2,600,616,369	4,468,576,998	14,336,957,534	
Adjustment on initial application of IFRS -9	-	-	-	186,193,795	-	(527,955,514)	(341,761,719)	
Balance as at January 01, 2023 (Revised)	6,765,000,000	1,431,486,211	358,662,940	(1,101,191,189)	2,600,616,369	3,940,621,484	13,995,195,815	
Profit after taxation for the year ended December 31, 2023	-	-	-	-	-	528,352,296	528,352,296	
Other comprehensive (loss) / Income - net of tax	-	-	-	385,546,380	-	342,479	385,888,859	
Transfer to statutory reserve	-	101,512,522	-	-	-	(101,512,522)	-	
Impact of rate change	-	-	-	-	(223,581,984)	-	(223,581,984)	
Loss realized on sale of FVOCI	-	-	-	-	-	(193,129,091)	(193,129,091)	
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	(82,011,160)	82,011,160	-	
Transactions with owners, recorded directly in equity								
Dividend 2022: Nil per ordinary share	-	-	-	-	-	-	-	
Balance as at December 31, 2023	6,765,000,000	1,532,998,733	358,662,940	(715,644,809)	2,295,023,225	4,256,685,806	14,492,725,895	

The annexed notes 1 to 44 and annexure I form an integral part of these consolidated financial statements.


GM/Chief Executive


Chief Financial Officer


Director

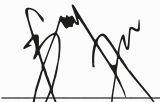

Director

CONSOLIDATED CASH FLOW STATEMENT

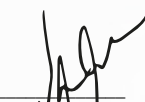
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 -----Rupees-----	2022
Cash flow from operating activities			
Profit before taxation		588,626,624	443,075,339
Less: dividend income		(423,218,802)	(415,684,929)
		<u>165,407,822</u>	<u>27,390,410</u>
Adjustments:			
Depreciation		171,720,114	167,855,891
Depreciation on right-of-use assets		-	-
Amortization	13	3,926,760	4,422,525
Credit loss allowance / Provision and write-offs	31	467,368,564	318,010,719
Loss / (gain) on sale of fixed assets		(258,493)	(22,753,534)
Gain on disposal of non banking assets		-	-
Interest expense on lease liability against ROU assets		-	-
Charge for defined benefit plan	29.1	10,094,219	10,887,223
Charge for compensated absences	29.1	4,473,971	7,694,770
Unrealized gain - FVPL / held for trading	9.1	(281,748,756)	(1,347,140)
		<u>375,576,379</u>	<u>484,770,454</u>
		<u>540,984,201</u>	<u>512,160,864</u>
(Increase) / decrease in operating assets			
Lendings to financial institutions		(3,250,155,700)	-
Securities classified as FVPL / Held-for-trading		981,341,610	(85,015,635)
Development properties		10,952,254	5,476,135
Advances		2,158,035	(2,365,124,489)
Others assets (excluding advance taxation)		(1,061,110,410)	(1,070,619,261)
		<u>(3,316,814,211)</u>	<u>(3,515,283,250)</u>
(Decrease) / increase in operating liabilities			
Borrowings from financial institutions		424,421,277	10,318,247,877
Deposits		1,712,000,000	(958,587,775)
Other liabilities (excluding current taxation)		238,434,672	301,887,484
		<u>2,374,855,949</u>	<u>9,661,547,586</u>
Payments against off-balance sheet obligations		-	-
Payment to defined benefit plan and compensated absences		(14,824,991)	(17,895,125)
Income tax paid		(1,006,923,016)	(681,095,983)
Net cash flow (used in) / from operating activities		<u>(1,422,722,068)</u>	<u>5,959,434,092</u>
Cash flow from investing activities			
Net investments in securities classified as FVOCI / available-for-sale		765,245,621	(6,690,909,105)
Net investments in amortized cost / held-to-maturity securities		566,093,622	425,869,382
Dividends received		374,105,308	423,911,060
Investments in operating fixed assets		(312,041,592)	(88,414,215)
Proceeds from sale of fixed assets		6,456,071	25,803,951
Sale proceeds from disposal of non banking assets		-	-
Net cash flow from / (used in) investing activities		<u>1,399,859,030</u>	<u>(5,903,738,927)</u>
Cash flow from financing activities			
Payments against lease liabilities		-	-
Dividend paid		-	(82,500,000)
Net cash flow used in financing activities		<u>-</u>	<u>(82,500,000)</u>
Effects of exchange rate changes on cash and cash equivalents		-	-
(Decrease) / increase in cash and cash equivalents		<u>(22,863,038)</u>	<u>(26,804,835)</u>
Cash and cash equivalents at beginning of the year		254,307,102	281,111,937
Cash and cash equivalents at end of the year	34	<u>231,444,064</u>	<u>254,307,102</u>

The annexed notes 1 to 44 and annexure I form an integral part of these consolidated financial statements.


GM/Chief Executive


Chief Financial Officer


Director


Director


Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

1. STATUS AND NATURE OF BUSINESS

Saudi Pak Industrial and Agricultural Investment Company Limited (the Holding Company) was incorporated in Pakistan as a private limited company on December 23, 1981 and subsequently converted to public limited company on April 30, 2008. The Company is jointly sponsored by the Governments of Kingdom of Saudi Arabia (KSA) and the Government of the Islamic Republic of Pakistan. The Company is a Development Financial Institution (DFI) and principally engaged in investment in the industrial and agro-based industrial projects in Pakistan on commercial basis and markets its products in Pakistan and abroad. The Company was initially set up for a period of fifty years and upon mutual consent of the Government of Kingdom of Saudi Arabia (KSA) and Government of Pakistan the duration of the Company has been further extended for another period of fifty years.

The registered office of the Holding Company is situated at Saudi Pak Tower, Jinnah Avenue, Islamabad. The Holding Company is also operating offices in Lahore and Karachi.

The Group consists of Saudi Pak Industrial and Agricultural Investment Company Limited, (the Holding Company) and its subsidiary company namely Saudi Pak Real Estate Limited (the subsidiary company) and associate company namely Saudi Pak Leasing Company Limited (the associate company).

Saudi Pak Real Estate Limited (the subsidiary company)

The subsidiary company was incorporated in Pakistan as an unlisted public limited company on November 14, 2006 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The subsidiary company is wholly owned subsidiary of the Holding Company. The principal place of business of the subsidiary company is Pakistan. The principal business of the subsidiary company is investment in properties (both for investment and development purposes), property management services, investment in joint ventures and other related services. The registered office of the subsidiary company is situated at Saudi Pak Tower, 61-A, Jinnah Avenue, Islamabad.

Saudi Pak Leasing Company Limited (SPLC) (the associate company)

The Holding Company has 35.06% (2022: 35.06%) investment in ordinary share capital and 63% (2022: 63%) of the issued non-redeemable / convertible preference shares of the associate company. The license of associate company to carry out business of leasing expired on March 18, 2010 and subsequently has been cancelled on June 30, 2021, and is non-operational. The principal place of business of the associate company is Pakistan. The Group has accounted for the investment in the associate using the equity accounting of investments as per the requirements of IAS-28.

During the year, SECP vide its letter dated May 12, 2023, cancelled the SPLC's leasing license and further informed that SPLC is no longer classified as an NBFC and as such Group's application for transfer of its shares under Rule 5(6)(e) of NBFC Rules 2003, could not be processed. The Group obtained a legal opinion as per which this SECP notice does not forbid Group to continue its efforts for divestment. As Group common stock of SPLC are frozen due to its previous status as an NBFC, therefore any release and subsequent sale of these shares requires a change in the Memorandum and Article of Association of the SPLC to be in line with the new status of being a non-NBFC company. Accordingly the Group has accounted for the investment in the associate using the equity accounting of investments as per the requirements of IAS-28, as it does not currently fulfills the criteria of IFRS-5, i.e. non-current assets held for sale.

2. BASIS OF PRESENTATION

These consolidated financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan's BPRD Circular No. 02 dated February 09, 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

2.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Holding Company and the financial statements of subsidiary company from the date on which control of the subsidiary by the Holding Company commences until the date control ceases. Subsidiary company are those enterprises in which the Holding Company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has the power to elect and appoint more than 50% of its directors. When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in consolidated profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. The financial statements of the subsidiary company are incorporated on a line-by-line basis and the investment held by the Holding Company is eliminated against the corresponding share capital and pre-acquisition reserve of subsidiary company in the consolidated financial statements.

The financial statements of subsidiary company are prepared for the same reporting period as the Holding Company, using accounting policies that are generally consistent with those of the Holding Company. However, Non-banking subsidiary company in Pakistan follows the requirements of International Financial Reporting Standard (IFRS) 9, Financial Instruments, Recognition and Measurement as applicable to the subsidiary company, IAS 40, Investment Property and IFRS 7, Financial Instruments: Disclosures. Intra-group balances and transactions are eliminated.

Associate company is an entity in which the Group has significant influence, but not control, over the financial and operating policies. Interests in associate company is accounted for using the equity method. It is initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the consolidated profit or loss and consolidated comprehensive income of equity accounted investee, until the date on which significant influence or control ceases.

2.2 Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in Pak. Rupee, which is the Group's functional and presentation currency.

3. STATEMENT OF COMPLIANCE

3.1 These consolidated 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 Standard Board (IASB) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

3.2 The SBP, vide its BSD Circular Letter no. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 40, Investment Property, for banking companies and DFIs till further instructions. Further, the SBP, vide its BSD Circular Letter no. 10 dated September 11, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instrument; recognition and measurement and IFRS 10, Consolidated Financial Statement was made applicable from period beginning on or after January 01, 2015 vide S.R.O. 663(1)/2014 dated July 10, 2014 by SECP. However, SECP has directed through S.R.O. 56(1)/2016 dated January 28, 2016, that the requirement of consolidation under section 2018 of Companies Act, 2017 and IFRS 10 is not applicable in case of investment by companies in mutual funds established under trust structure. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. Further, the SECP, through S.R.O 411(1)/2008 dated April 28, 2008, has deferred the applicability of IFRS 7, Financial Instruments: Disclosures, to banks and DFIs.

3.3 **Standards, interpretations and amendments to the published accounting and reporting standards that are effective in the current year:**

There are certain amendments to existing accounting and reporting standards that have become applicable to the Group for the accounting periods beginning on or after January 1, 2023. These are considered either not to be relevant or not to have any significant impact on these consolidated financial statements except the IFRS 9 Financial Instruments: classification and measurement that have significant effect on these consolidated financial statements on its application as disclosed in note 5.1.

3.4 **Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective:**

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 January 2024:

- **Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to IAS 1**

The International Accounting Standards Board (IASB) issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by right to defer settlement
- That a right to defer settlement must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- Disclosures requirements

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed. The amendments must be applied retrospectively.

- **Lease Liability in a Sale and Leaseback – Amendments to IFRS 16**

The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognizing, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy in accordance with IAS 8 that results in information that is relevant and reliable.

A seller-lessee applies the amendment to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted and that fact must be disclosed.

● **Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7**

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

● **Lack of exchangeability – Amendments to IAS 21**

The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed.

● **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28**

The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

The effective date of the amendments until such time as it has finalized any amendments that result from its research project on the equity method. The amendments must be applied prospectively. Early application is permitted and must be disclosed.

The Group expects that the adoption of the above standards will have no material effect on the Group's financial statements, in the period of initial application

Further, the following new standards have been issued by the IASB, which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

- IFRS 1 – First time Adoption of IFRS
- IFRS 17 – Insurance Contracts

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

4. BASIS OF MEASUREMENT

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

- certain items of operating fixed assets and non-banking assets acquired in satisfaction of claims which are shown at revalued amounts;
- certain investments which are carried at fair value in accordance with directives of the SBP; and
- staff retirement benefit which is stated at present value of defined benefit obligation net of fair value of plan assets.
- investment properties which are carried at fair value.

Critical accounting judgments and estimation uncertainty

The preparation of consolidated financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. The Group uses estimates and assumptions concerning the future. The resulting accounting estimate will, by definition, seldom equals the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are as follows:

- i) Classification of investments
- ii) ECL against investments, advances and other assets
- iii) Valuation and impairment of available for sale securities
- iv) Valuation, useful life and depreciation of fixed assets and non-banking assets acquired in satisfaction of claims
- v) Useful life of intangibles
- vi) Taxation
- vii) Present value of staff retirement benefits
- viii) Net realizable value of development properties

5. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for early adoption of IFRS-9 w.e.f January 01, 2023.

5.1 Adoption of IFRS 9 and new forms of the preparation of annual financial statements

The State Bank of Pakistan (SBP) vide BPRD Circular Letter No. 07 dated April 13, 2023 has deferred the implementation of IFRS 9 "Financial Instruments" to accounting period beginning on or after January 01, 2024, however earlier adoption of IFRS 9 is permitted and encouraged, therefore the management of the Holding Company has decided to adopt the IFRS 9 from accounting period on January 01, 2023.

The adoption of IFRS 9 resulted changes in accounting policies and adjustments to amounts previously recognized in the consolidated financial statements. As permitted by IFRS 09, the requirements have been applied retrospectively without restating the comparatives. As a result, the difference between the previously reported carrying amounts and new carrying amounts of financial instruments as of December 31, 2022 and January 01, 2023 amounting to Rs. 527.956 million has been recognized in opening retained earnings. The new standard provides significant changes to classification and measurement of financial assets. The new standard also requires to recognize Expected Credit Losses (ECL) which require significant judgement and estimates to be made by the Group.

There were significant changes in the accounting policies, which are detailed below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

Further, during the year, the SBP, vide its BPRD Circular No.02 dated February 09, 2023, issued the revised forms for the preparation of the annual financial statements of the Banks/DFIs which is applicable for the year beginning on or after January 01, 2023 which was subsequently deferred to January 01, 2024. Since the Group has early adopted the IFRS 9, it has early adopted the new format of the consolidated financial statements. The implementation of the revised forms has resulted in certain changes to the presentation and disclosures of various elements of the consolidated financial statements.

5.1.1 IFRS 9 – Financial Instruments

IFRS 9 brings fundamental changes to the accounting for financial assets and to certain aspects of accounting of financial liabilities. To determine appropriate classification and measurement category, IFRS 9 requires all financial assets, except equity instruments to be assessed based on combination of the Group's business model for managing the assets and the instruments' contractual cash flow characteristics. The adoption of IFRS 9 has also fundamentally changed the impairment method of financial assets with a forward-looking Expected Credit Losses (ECL) approach.

5.1.2 Classification

Under IFRS 9, existing categories of financial assets: Held for trading (HFT), Available for sale (AFS) and Held to maturity (HTM) have been replaced by:

- Financial assets at fair value through profit or loss account (FVPL)
- Financial assets at fair value through other comprehensive income (FVOCI)
- Financial assets at amortized cost

Under IFRS 9, the accounting for financial liabilities remains largely the same as before adoption of IFRS 9 and thus all financial liabilities are being carried at amortized cost. Financial liabilities can also be designated at FVPL where gains or losses arising from entity's own credit rating risk relating to are required to be presented in other comprehensive income with no reclassification to the profit or loss account. The Group did not have any financial liability measured at FVPL.

The classification and subsequent measurement is dependent on the Group's business model.

5.1.3 Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- The objectives for the portfolio, in particular, whether the management's strategy focuses on earning contractual revenue, maintaining a particular yield profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

Eventually, the financial assets fall under either of the following three business models:

- Hold to Collect (HTC) Business Model: Holding assets in order to collect contractual cash flows
- Hold to Collect and Sell (HTC&S) Business Model: Collecting contractual cash flows and selling financial assets
- Other Business Models: Resulting in classification of financial assets as FVPL

5.1.4 Assessments whether contractual cash flows are solely payments of principal and profit (SPPI)

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). The most significant elements of profit within a financing arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic financing arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

The Group has arrived at the below given classification and measurement mapping for its financial assets.

Portfolio / Business Model		Financial asset measurement	
Financial assets portfolio	Business model	Asset is SPPI	Asset is not SPPI
Advances and Debt Investments originated by CFD	Hold to Collect	At Amortized Cost	At Fair Value through Profit and Loss
Bank Deposits / Cash	Hold to Collect	At Amortized Cost	At Fair Value through Profit and Loss
Placements with Financial Institutions	Hold to Collect	At Amortized Cost	At Fair Value through Profit and Loss
Debt Investments originated by Treasury Division with the intent to resale	Other	At Fair Value through Profit and Loss (SPPI test not applicable)	
Debt Investments originated by Treasury Division with the intent to hold to collect and sell	Hold to Collect and Sell	At Fair Value through Other Comprehensive Income	At Fair Value through Profit and Loss
Debt Investments originated by Treasury Division with the intent to hold to collect	Hold to Collect	At Amortized Cost	At Fair Value through Profit and Loss
Equity Investments	Other	- Quoted: At Fair Value through Profit & Loss or Fair Value through OCI (Irrevocable option) - Unquoted: At Fair Value through Other Comprehensive Income - Strategic investment: N/a	
Staff Advances	Hold to Collect	At Amortized Cost	At Fair Value through Profit and Loss

5.1.5 Reclassification

Reclassification of financial assets will only be made in exceptional cases along with the rationale for the change in the business model (under which they were managed) that has led to the reclassification. Such changes must be demonstrable to external parties. Financial liabilities are never reclassified.

5.1.6 Financial assets – debt instruments

Debt financial assets held by the Group (including; advances, lending to financial institutions, investment in federal government securities and other private debt securities, cash and balances with treasury Banks, balances with other Banks, and other financial assets) are measured at amortized cost if they meet both of the following conditions and is not designated as at FVPL:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

The Group's business model for these financial assets can still be HTC even when sales of these financial assets occur. However, if more than an infrequent number of sales or sale(s) of significant value are/is made, the Group assess whether and how the sales are consistent with the HTC objective. This assessment includes the reason(s) for the sales, the expected frequency of sales, and whether the assets that are sold are held for an extended period of time relative to their contractual maturities.

The aforementioned financial assets are measured at FVOCI only if these meet both of the following conditions and are not designated as at FVPL:

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

The aforementioned financial assets if held for trading purposes are classified as measured at FVPL

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

5.1.7 Financial assets – equity instruments

An equity instrument held by the Group for trading purposes is classified as measured at FVPL. On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. The Group has decided to classify some of its available for sale equity investment portfolio as of December 31, 2022 as FVOCI on irrevocable basis.

IFRS 9 has eliminated impairment assessment requirements for investments in equity instruments. However, unlisted equity instruments are required to be measured at lower of cost or breakup value till December 31, 2023 under the SBP's instructions. Accordingly, the Group has reversed impairment of Rs. 473.921 million on listed equity investment (FVOCI) held as at December 31, 2022 and the same has been transferred to deficit on revaluation of investments through remeasurements.

5.1.8 Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade date, the date on which the Group purchase or sell the asset. Other financial assets and liabilities like advances, lending to financial institutions, deposits etc. are recognized when funds are transferred to the customers' account or financial institutions. However, for cases, where funds are transferred on deferred payment basis, recognition is done when underlying asset is purchased. The Group will recognize due to customer and financial institution balances when these funds reach the Group.

5.1.8.1 Amortized cost

Financial assets and liabilities under amortized cost category are initially recognized at fair value adjusted for directly attributable transaction cost. These are subsequently measured at amortized cost using the effective interest method. An expected credit loss allowance (ECL) is recognized for financial assets in the profit or loss. Interest income / expense on these assets / liabilities are recognized in the profit or loss account. On derecognition of these financial assets and liabilities, capital gain / loss will be recognized in the profit or loss account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

5.1.8.2 Fair value through other comprehensive income

Debt instruments held at FVOCI are subsequently carried at fair value, with all unrealized gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in a separate component of equity. Changes in expected credit losses are recognized in the profit or loss and are accumulated in equity. On derecognition, the cumulative fair value gains or losses, net of the cumulative expected credit loss reserve, are transferred to the profit or loss.

Equity investments designated at FVOCI are subsequently carried at fair value with all unrealized gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in a separate component of equity. On derecognition, the cumulative reserve is transferred to retained earnings and is not recycled to profit or loss.

5.1.8.3 Fair value through profit or loss

Financial assets under FVPL category are initially recognized at fair value. Transaction cost will be directly recorded in the profit or loss. These assets are subsequently measured at fair value with changes recorded in the profit or loss account. Interest / dividend income on these assets are recognized in the profit or loss account. On derecognition of these financial assets, capital gain / loss will be recognized in the profit or loss account. An expected credit loss allowance (ECL) is not recognized for these financial assets.

5.1.9 Derecognition

5.1.9.1 Financial assets

The Group derecognizes a financial asset when:

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

The Group enters into transactions whereby it transfers assets recognized in its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

5.1.9.2 Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the profit or loss account.

5.1.10 Modification

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of financing to its customers. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with IFRS 9, the Group recalculate the gross carrying amount of the financial asset and shall recognize a modification gain or loss in the profit or loss account. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective profit rate (or credit-adjusted effective profit rate for purchased or originated credit-impaired financial assets). Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

5.1.11 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position except when IFRS netting criteria are met.

5.1.12 Overview of the ECL principles

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with all advances and other debt financial assets not held at FVPL, together with letter of comfort, guarantees and unutilized financing commitments hereinafter referred to as "Financial Instruments". The Group recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined below.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated at individual customer level.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Group considers an exposure to have significantly increased in credit risk when there is considerable deterioration in the internal rating grade for subject customer. The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer / facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, generally, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 60 days past due. The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated at individual customer level.

Based on the above process, the Group groups its financial instruments into Stage 1, Stage 2, Stage 3 and purchased or originated credit impaired (POCI), as described below:

Stage 1

When financial instruments are first recognized, the Group recognizes an allowance based on 12mECLs. Stage 1 financial instruments also include facilities where the credit risk has improved and they have been reclassified from Stage 2. The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for all the scenarios.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

Stage 2

When a financial instrument has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 also includes facilities, where the credit risk has improved and the instrument has been reclassified from Stage 3. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs are applied over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3

For financial instruments considered credit-impaired, the Group recognizes the lifetime expected credit losses for these instruments. The Group uses a PD of 100% and LGD as computed for each portfolio or as prescribed by the SBP under the prudential regulations whichever is higher.

POCI

Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and profit / rental is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

Undrawn financing

When estimating LTECLs for undrawn financings commitments, the Group estimates the expected portion of the financings commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the financings are drawn down, based on a probability-weighting of the three scenarios. For revolving facilities that include both a financings and an undrawn commitment, ECLs are calculated and presented with respective facility's ECL.

Guarantee and letters of comfort:

The Group estimates ECLs based on credit conversion factor (CCF) calculated using the historical data relating to amount approved of a facility and actual utilized amount for Guarantee and letter of comfort contracts. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to guarantee and letter of credit contracts are recognized within other liabilities.

Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liabilities to the gross carrying amount of a financial asset or to the amortized cost of a financial liability.

5.1.12.1 The calculation of ECLs

The Group calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to a Group in accordance with the contract and the cash flows that the Group expects to receive.

PD

The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio. The Group has adopted obligator risk rating (ORR) method for the determination of PD. Under this method, historical data has been analyzed relating to ORR yearly migration for probability of default matrix. Macroeconomic adjustments are then applied to default rates to incorporate current and future changes in economic environment. Macroeconomic variables that may affect default rates are identified and their impact on default rates is calculated using a multiple scenario-based modeling framework.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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EAD

The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier. However, in case of revolving facilities, the Group does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Group's expectations of the customer behaviour, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities.

LGD

The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

The discount rate used to discount the ECLs is based on the effective profit rate that is expected to be charged over the expected period of exposure to the facilities.

When estimating the ECLs, the Group considers three scenarios (a base case, an upside, a downside). Each of these is associated with different PDs.

Definition of default

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, when it meets one or more of the following criteria:

The customer is more than 90 days past due on its contractual payments.

The Group considers a default to have occurred with regard to any particular credit instrument when either or both of the following two events have taken place:

- The Group considers that the obligor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if held).
- If principal or mark-up/interest, on any of the obligor's material credit obligations, is overdue by 90 days or more from the due date or as defined in Prudential Regulations from time to time.

Write-offs

The gross carrying amount of a credit instrument will be reduced when there is no reasonable expectation of recovery, in accordance with the terms of its Write-Off policy. Write-off constitutes a derecognition event.

5.1.13 Transitioning adjustments

The comparative period have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS-9 have been recognized in opening retained earnings as of January 01, 2023, as per detail given below:-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

5.1.13.1 Transition due to adoption of IFRS 9

	31 December 2022	Expected credit loss allowances	Reclassification adjustments in relation to adopting IFRS 9	01 January 2023
	----- "Rupees" -----			
ASSETS				
Cash and balances with treasury banks	116,440,110	-	-	116,440,110
Balances with other banks	137,866,992	(581,837)	-	137,285,155
Non-current asset classified as held for sale	-	-	-	-
Lendings to financial institutions	-	-	-	-
Investments	36,154,009,926	(112,987,223)	719,100,564	36,760,123,267
Advances	9,119,337,560	(1,114,285,741)	-	8,005,051,819
Property and equipment	4,384,554,352	-	-	4,384,554,352
Right of Use Assets	-	-	-	-
Intangible assets	6,392,003	-	-	6,392,003
Deferred tax assets	61,321,766	405,633,585	(237,303,187)	229,652,164
Other assets	3,702,657,861	-	-	3,702,657,861
Development properties	192,734,028	-	-	192,734,028
	53,875,314,598	(822,221,216)	481,797,377	53,534,890,759
LIABILITIES				
Bills payable	-	-	-	-
Borrowings	36,774,866,849	-	-	36,774,866,849
Deposits and other accounts	1,953,000,000	-	-	1,953,000,000
Lease liabilities	-	-	-	-
Subordinated debt	-	-	-	-
Deferred tax liabilities	-	-	-	-
Other liabilities	810,490,215	1,337,880	-	811,828,095
	39,538,357,064	1,337,880	-	39,539,694,944
NET ASSETS	14,336,957,534	(823,559,096)	481,797,377	13,995,195,815
REPRESENTED BY				
Share capital	6,765,000,000	-	-	6,765,000,000
Statutory reserve	1,431,486,211	-	-	1,431,486,211
General reserve	358,662,940	-	-	358,662,940
Surplus on revaluation of assets - net	1,313,231,385	-	186,193,795	1,499,425,180
Unappropriated / unremitted profit	4,468,576,998	(823,559,096)	295,603,582	3,940,621,484
	14,336,957,534	(823,559,096)	481,797,377	13,995,195,815

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

Unappropriated profit

Retained earnings as of December 31, 2022

IFRS - 9 Impact

Expected Credit loss (ECL) allowance		(1,229,192,681)
Reclassification of provision for impairment on AFS quoted securities		473,921,310
Reclassification of deficit on AFS quoted securities		(175,426,724)
Deferred tax on ECL	405,633,585	
Deferred tax on provision for Impairment adjustment	(31,836,413)	
Deferred tax on deficit on AFS quoted securities	28,945,409	
Related deferred tax impact		402,742,581

Revised Retained Earnings as of January 01, 2023

3,940,621,484

Balances with Other banks

As at December 31, 2022

IFRS 9 Impact

Credit loss allowance	(581,837)	(581,837)
As at January 01, 2023		137,285,155

Investment

As at December 31, 2022

IFRS 9 Impact

ECL allowance	(112,987,223)	
Reclassification of AFS debt securities to amortised cost	719,100,564	606,113,341
As at January 01, 2023		36,760,123,267

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

Advances

As at December 31, 2022		9,119,337,560
IFRS 9 Impact		
ECL allowance	(1,114,285,741)	(1,114,285,741)
As at January 01, 2023		8,005,051,819

Other liabilities

As at December 31, 2022		810,490,215
IFRS 9 Impact		
ECL allowance		1,337,880
As at January 01, 2023		811,828,095

Surplus on revaluation of assets - net

As at December 31, 2022		1,313,231,385
IFRS 9 Impact		
Reclassification of AFS debt securities to amortised cost	719,100,564	
Reclassification of deferred tax	(237,303,186)	
		481,797,378
Reclassification of provision for impairment on AFS quoted securities	(473,921,310)	
Adjustment of deferred tax in relation to impairment adjustment	31,836,413	
		(442,084,897)
Reclassification of deficit on AFS quoted securities	175,426,724	
Reclassification of deferred tax	(28,945,410)	
		146,481,314
As at January 01, 2023		1,499,425,180

Deferred tax assets

As at December 31, 2022		61,321,766
IFRS 9 Impact		
Reclassification of deferred tax in relation to adopting IFRS 9	(237,303,187)	
Deferred tax on ECL allowance	405,633,585	
		168,330,398
As at January 01, 2023		229,652,164

5.1.13.2 Reclassification of investments due to adoption of IFRS-9

Reclassification for Available for sale securities (AFS)

Balance as at December 31, 2022 - Audited	Rupees
	34,820,500,128
Equity securities reclassified to FVPL	(1,487,154,488)
Debt securities reclassified to amortised cost	(5,578,040,800)
Debt securities reclassified through FVOCI	(26,507,452,921)
Equity securities reclassified through FVOCI	(1,247,851,919)
AFS investment as at January 01, 2023 - Unaudited	-

5.2 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury banks, balances with other banks and call money lendings.

5.3 Non-current asset classified as held for sale

The Group classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for sale in its present condition and its sale must be probable. For sale to be probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete plan must have been initiated. Assets designated as held for sale are carried at lower of carrying amount at designation and fair value less cost to sell, if fair value can reasonably be determined.

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5.4 Sale and repurchase agreements

Securities sold under repurchase agreement (repo) are retained in the consolidated financial statements as investments and a liability for consideration received is included in borrowings. Conversely, consideration for securities purchased under resale agreement (reverse repo) are included in lendings to financial institutions. The difference between sale and repurchase / purchase and resale price is recognised as mark-up / return expensed and earned respectively on a time proportion basis as the case may be. Repo and reverse repo balances are reflected under borrowings from and lendings to financial institutions respectively.

5.5 Investments

Following classification and measurement policies for investments, except for that of subsidiary and associate, remained implemented until December 31, 2022, have been changed on adoption of IFRS 9 as detailed in note 5.1 above.

(a) Held-For-Trading (HFT)

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate movements. These are marked to market and surplus / deficit arising on revaluation of 'held for trading' investments is taken to consolidated profit and loss account in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

(b) Available-For-Sale (AFS)

These represent securities which do not fall under 'held for trading' or 'held to maturity' categories. Available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges, are valued at market value and the resulting surplus / deficit on revaluation, net of deferred tax, is taken through "Statement of Comprehensive Income" and is shown in the shareholders' equity in the consolidated statement of financial position. Where the decline in prices of available for sale securities is significant and prolonged, it is considered impaired and included in consolidated profit and loss account. Impairment loss on available for sale debt securities is determined in accordance with the requirements of prudential regulations issued by SBP.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee companies as per their latest available financial statements.

Investments in other unquoted securities are valued at cost less impairment losses, if any.

(c) Held-To-Maturity (HTM)

These represent securities acquired with the intention and ability to hold them up to maturity. These are carried at amortized cost less impairment, if any, in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

(d) Investments in associate and subsidiary

Investment in associate and subsidiary is carried at cost less impairment, if any.

All purchases and sale of investments that require delivery within the time frame established by regulations or market convention are recognized at the trade date, which is the date the Group commits to purchase or sell the investments.

5.6 Advances

Advances are stated net of provision. Provision for non-performing advances until December 31, 2023 determined in accordance with the requirements of the Prudential Regulations issued by SBP from time to time has now been determined according to policy reflected in note 5.1.12.

The provision against non-performing advances are charged to the consolidated profit and loss account. Advances are written off when there is no realistic prospect of recovery.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5.7 Finance lease receivables

Leases where the Group transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in advances to the customers.

5.8 Fixed assets and depreciation

(a) Property and equipment (owned and leased)

Fixed assets are stated at cost less accumulated depreciation and impairment loss, if any, except for freehold land which is stated at cost and lease hold land, buildings and certain other items which are carried at revalued amount less depreciation.

Certain items of fixed assets are revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value. Surplus / (deficit) arising on revaluation of fixed assets is credited / (debited) to the surplus on revaluation of assets account and is shown in the shareholders' equity in the consolidated statement of financial position.

In making estimates of the depreciation / amortization, the management uses useful life and residual value which reflects the pattern in which economic benefits are expected to be consumed by the Group. The useful life and the residual value are reviewed at each financial year end and any change in these estimates in future years might effect the carrying amounts of the respective item of operating fixed assets with the corresponding effect on depreciation / amortization charge.

Depreciation is provided on straight line method at rates specified in note 12.2 to the consolidated financial statements so as to write off the cost of the assets over their estimated useful lives. Depreciation of an asset begins when it is available for use. Depreciation of an asset ceases at the earlier of the date when the asset is classified as held for sale and the date that the asset is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Maintenance and normal repairs are charged to consolidated profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of operating fixed assets are taken to the consolidated profit and loss account.

(b) Capital work in progress

Capital work in progress is stated at cost less accumulated impairment losses, if any, and is transferred to the respective item of fixed assets when available for intended use.

5.9 Intangibles

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged to consolidated profit and loss account. Amortization is computed from the date of purchase to date of disposal / write off using the straight line method in accordance with the rates specified in note 13 to these consolidated financial statements to write off cost of the assets over their estimated useful life.

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5.10 IFRS 16 - Leases

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. Right to use assets are subsequently stated at cost less any accumulated depreciated/ accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenor. Right-of-use assets are depreciated over their expected useful lives using the straight line method.

The lease liabilities are initially measured as the present value of remaining lease payments, discounted using the incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or change in lease terms. Each lease payment is allocated between a reduction of the liability and finance cost. The finance cost is charged to profit and loss account as markup expense over the lease period.

5.11 Development properties

Development properties include acquisition or development of properties for sale in the ordinary course of business. These are carried in the consolidated statement of financial position at lower of cost and net realizable value. Cost includes all direct costs attributable to the acquisition, design and construction of the properties.

The cost of development properties recognized in consolidated profit and loss account on sale is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold. Net realizable value represents the selling price in the ordinary course of business less cost of completion and estimated cost necessarily to be incurred for sale. The management reviews the carrying values of the development properties on an annual basis.

5.12 Non banking assets acquired in satisfaction of claims

In accordance with the BPRD Circular No. 1 of 2016 dated January 1, 2016 issued by SBP, the non-banking assets acquired in satisfaction of claims are carried at revalued amounts. Surplus arising on revaluation of such properties is credited to the 'surplus on revaluation of non banking assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and are not capitalised. These assets are depreciated as per Group's policy.

5.13 Deposits

Deposits are recorded at the fair value of proceeds received. Markup accrued on deposits is recognised separately as part of other liabilities and is charged to consolidated profit and loss account on a time proportion basis.

5.14 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated profit and loss account, except to the extent that it relates to items recognised directly in other comprehensive income or in equity, in which case it is recognised in other comprehensive income or in equity.

(a) Current

Provision for current tax is the expected tax payable on the taxable income for the year using tax rates applicable at the date of consolidated statement of financial position. The charge for the current tax also includes adjustments, where considered necessary relating to prior years, arising from assessments made during the year for such years.

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(b) Deferred

Deferred tax is provided for by using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the date of consolidated statement of financial position, and applicable at the time of its reversal. A deferred tax asset is recognised only to the extent that it is probable that the future taxable profit will be available and credits can be utilized. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realised.

The Group recognizes deferred tax asset/liability on (deficit)/surplus on revaluation of securities and revaluation of operating fixed assets as an adjustment to deficit / surplus on revaluation of securities and revaluation of operating fixed assets.

5.15 Staff retirement benefits

(a) Defined benefit plan

The Group operates an approved gratuity fund for its permanent employees. Contributions to the fund are made on the basis of actuarial recommendations. The actuarial valuation is carried out periodically using "projected unit credit method".

(b) Defined contribution plan

The Group also operates a recognized provident fund for all of its permanent employees. Equal monthly contributions at the rate of 10% of basic salary are made both by the Group and the employees, which are transferred to the provident fund.

(c) Compensated absences

As per its service rules, the Group grants compensated absences to all of its permanent employees. The provision for compensated absences is made on the basis of last drawn basic salary.

5.16 Revenue recognition

– Interest Income

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. For the financial assets that have become credit-impaired (Stage 3) subsequent to initial recognition, interest income is calculated by applying the effective interest rate to their amortised cost (i.e., net of the expected credit loss provision). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability. Interest income and expense presented in the statement of profit or loss include:

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- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- Interest income on investment (debt) securities measured at FVOCI and measured at amortised cost is calculated using effective interest rate method and is also included in interest income.
- **Fee and commission income**
 Fee and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.
 Other fee and commission income are recognised over time as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised over time on a straight-line basis over the commitment period. In case of these services, the control is considered to be transferred over time as the customer is benefited from these services over the tenure of the service period. Other fee and commission expense relate mainly to transaction the services are received. When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.
- **Income from investment securities**
 Recognition of income from investment securities under respective classification are given in note 5.1 above.
- The Group follows the finance method to recognize income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of the leased assets) is deferred and taken to income over the term of lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gains/ losses on termination of lease contracts are recognized as income/expense on realization. Unrealized lease income on classified lease is held in suspense account, where necessary, in accordance with the requirements of SBP guidelines and recognized as income on receipt basis.
- Dividend income is recognized when the Group's right to receive income is established.
- Rental income is recognized on systematic basis.
- Gains and losses on disposal of operating fixed assets are taken to the consolidated profit and loss account.

5.17 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak. Rupee at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated to Pak. Rupee at the exchange rates prevailing at the date of consolidated statement of financial position. Exchange gains and losses are included in consolidated profit and loss account of the Group.

5.18 Impairment

The carrying amount of the Group's assets are reviewed at the date of consolidated statement of financial position to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognised as expense in the consolidated profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

5.19 Provisions

Provisions are recognised when there are present, legal or constructive obligations 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 amounts can be made. Provision for guarantee claims and other off balance sheet obligations is recognized when intimated and reasonable certainty exists to settle the obligations. Expected recoveries are recognized by debiting customer accounts. Charge to consolidated profit and loss account is stated net off expected recoveries.

5.20 Share capital

Ordinary shares are classified as equity and recognised at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

5.21 Dividend Distribution

Dividends and appropriations to reserves, except appropriations which are required by the law, made subsequent to the reporting date are considered as non-adjusting events and are recorded in the financial statements in accordance with the requirements of International Accounting Standard (IAS) 10, 'Events after the reporting period' in the year in which they are approved / transfers are made.

5.22 Earnings per share

The Group presents earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

5.23 Financial instruments

Financial assets and liabilities

Financial assets and financial liabilities are recognized at the time when the Group becomes a party to the contractual provision of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognized in the profit and loss account of the current period. The particular recognition and subsequent measurement methods adopted for significant financial assets and financial liabilities are disclosed in the Individual policy statements associated with them.

Off-setting of financial instruments

Financial assets and financial liabilities are only set-off and net amount is reported in the consolidated financial statements when there is legally enforceable right to set-off the recognized amount and the Group either intends to settle on net basis or to settle the liabilities and realize the assets simultaneously.

5.24 Statutory reserve

According to BPD Circular No. 15 dated May 31, 2004 issued by the SBP, an amount not less than 20% of the after tax profits shall be transferred to create a reserve fund till such time the reserve fund equals the amount of the paid-up capital and after that a sum not less than 5% of profit after tax shall be credited to the statutory reserve.

5.25 Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing differentiated products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), subject to risks and rewards that are different from those of other segments. Segment information is presented as per the Group's functional structure and the guidance of State Bank of Pakistan. The Group's primary format of reporting is based on business segments. The Group comprises of the following main business segments:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

(a) Business Segment

– Corporate finance

This includes investment activities such as underwriting, Initial Public Offers (IPOs) and corporate financing.

– Trading and Sales

Trading and sales includes the Group's treasury and money market activities.

– Building Rental Services

This segment undertakes the rental services of Saudi Pak Tower and its allied activities.

(b) Geographical Segment

The Group conducts all its operations in Pakistan.

	Note	2023 ----- Rupees -----	2022 -----
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		242,707	288,648
With State Bank of Pakistan in			
Local currency current accounts	6.1	<u>134,343,934</u>	<u>116,151,462</u>
		<u>134,586,641</u>	<u>116,440,110</u>

6.1 These represent current accounts maintained with the SBP to comply with the statutory cash reserve requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
	----- Rupees -----	
7. BALANCES WITH OTHER BANKS		
In Pakistan		
In current accounts	6,419,626	84,439,991
In deposit accounts	90,437,797	53,427,001
Less: Credit loss allowance held against balance with other banks	(177,964)	-
Balances with other banks - net of credit loss allowance	<u>96,679,459</u>	<u>137,866,992</u>

- 7.1 Deposit accounts include Rs. 53,239,087 (2022: Rs Rs. 23,551,283) held in local currency accounts. These accounts carry markup at the rates ranging from 7.00% to 20.50% (2022: 3.75% to 14.50%) per annum.
- 7.2 Deposit accounts include USD 132,013.73 (2022: USD 132,006.24) held in foreign currency accounts. These accounts carry markup at the rate of 0.25% (2022: 0.25%) per annum.

	Note	2023	2022
		----- Rupees -----	
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse Repo)	8.1	3,030,155,700	-
Letter based placement		220,000,000	-
		<u>3,250,155,700</u>	<u>-</u>
Less: Credit loss allowance held against lending to financial institutions		(160,987)	-
Lending to Financial Institutions - net of credit loss allowance		<u>3,249,994,713</u>	<u>-</u>

8.1 Particulars of lending

In local currency	3,249,994,713	-
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8.2 Securities held as collateral against lending to financial institutions

	2023		2022		
	Held by the Group	Further given as collateral	Total	Held by the Group	Further given as collateral
	----- Rupees -----			----- Rupees -----	
Pakistan Investment Bonds	3,030,155,700	-	3,030,155,700	-	-
Total	<u>3,030,155,700</u>	<u>-</u>	<u>3,030,155,700</u>	<u>-</u>	<u>-</u>

8.3 Lending to FIs - Particulars of credit loss allowance

		2023	Credit loss allowance held	2022	Classified Lending	Provision held
		----- Rupees -----		----- Rupees -----		
Domestic						
Performing	Stage 1	3,250,155,700	160,987	-	-	-
Under performing	Stage 2	-	-	-	-	-
Non-performing	Stage 3					
Substandard		-	-	-	-	-
Doubtful		-	-	-	-	-
Loss		-	-	-	-	-
		<u>3,250,155,700</u>	<u>160,987</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total		<u>3,250,155,700</u>	<u>160,987</u>	<u>-</u>	<u>-</u>	<u>-</u>

	2023	2022
	----- Rupees -----	
Balance at the start of the year	-	-
Transfer to stage 1	-	-
Transfer to stage 2	-	-
Transfer to stage 3	-	-
Net remeasurement of credit loss allowance	-	-
New financial assets originated or purchased	160,987	-
Financial assets that have been derecognised	-	-
Changes in risk parameters (PDs/LGDs/EADs)	-	-
Balance at the end of the year	<u>160,987</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

9. INVESTMENTS	2023						2022					
	Rupees						Rupees					
Investments by type:	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value				
Note												
Equity instruments												
Classified / Measured at FVPL												
Quoted securities	564,091,607	-	280,134,143	844,225,750	-	-	-	-	-	-	-	-
Open end mutual fund	131,049,903	-	1,614,613	132,664,516	-	-	-	-	-	-	-	-
	695,141,510	-	281,748,756	976,890,266	-	-	-	-	-	-	-	-
Classified / Measured at FVOCI (Non-reclassifiable)												
Shares												
Listed companies	661,427,300	-	(128,123,750)	533,303,550	-	-	-	-	-	-	-	-
Un-listed companies	783,833,048	(273,833,040)	(128,123,750)	510,000,008	-	-	-	-	-	-	-	-
	1,445,260,348	(273,833,040)	(128,123,750)	1,043,303,558	-	-	-	-	-	-	-	-
Debt instruments												
Classified / Measured at FVOCI												
Federal Government Securities	26,112,632,149	-	(972,135,349)	25,140,496,800	-	-	-	-	-	-	-	-
-Pakistan Investment Bonds (PIBs)	26,112,632,149	-	(972,135,349)	25,140,496,800	-	-	-	-	-	-	-	-
Non Government Debt Securities	1,069,651,845	(88,848,430)	-	980,803,415	-	-	-	-	-	-	-	-
-Term Finance Certificates (TFCs) / Sukuk	27,182,283,994	(88,848,430)	(972,135,349)	26,121,300,215	-	-	-	-	-	-	-	-
Classified / Measured at Amortised cost												
Federal Government Securities	6,241,392,062	-	-	6,241,392,062	-	-	-	-	-	-	-	-
-Pakistan Investment Bonds (PIBs)	6,241,392,062	-	-	6,241,392,062	-	-	-	-	-	-	-	-
Non Government Debt Securities	1,163,022,923	(576,721,469)	-	586,301,454	-	-	-	-	-	-	-	-
-Term Finance Certificates (TFCs) / Sukuk	7,404,414,985	(576,721,469)	-	6,827,693,516	-	-	-	-	-	-	-	-
Held-for-trading securities												
Open end mutual fund	-	-	-	-	187,981,492	-	1,347,140	189,328,632	-	1,347,140	189,328,632	-
Available-for-sale securities (AFS)												
Federal Government Securities	-	-	-	-	32,994,355,735	-	(1,800,587,455)	31,193,768,300	-	(1,800,587,455)	31,193,768,300	-
-Pakistan Investment Bonds (PIBs)	-	-	-	-	32,994,355,735	-	(1,800,587,455)	31,193,768,300	-	(1,800,587,455)	31,193,768,300	-
Shares-quoted securities	-	-	-	-	3,265,391,260	(941,511,580)	(98,873,281)	2,225,006,399	-	(98,873,281)	2,225,006,399	-
Non Government Debt Securities	-	-	-	-	969,651,845	(80,266,424)	2,340,000	891,725,421	-	2,340,000	891,725,421	-
-Term Finance Certificates (TFCs) / Sukuk	-	-	-	-	783,833,048	(273,833,040)	-	510,000,008	-	-	510,000,008	-
Un-quoted securities	-	-	-	-	38,013,231,908	(1,295,611,044)	(1,897,120,736)	34,820,500,128	-	(1,897,120,736)	34,820,500,128	-
Held-to-maturity securities												
Federal Government Securities	-	-	-	-	143,666,166	-	-	143,666,166	-	-	143,666,166	-
-Market treasury bills	-	-	-	-	143,666,166	-	-	143,666,166	-	-	143,666,166	-
Non Government Debt Securities	-	-	-	-	1,529,701,077	(529,186,077)	-	1,000,515,000	-	-	1,000,515,000	-
-Term Finance Certificates (TFCs)	-	-	-	-	1,673,367,243	(529,186,077)	-	1,144,181,166	-	-	1,144,181,166	-
Associates												
Saudi Pak Leasing Company Limited	243,467,574	(243,467,574)	-	-	-	-	-	-	-	-	-	-
-Investment in shares	333,208,501	(333,208,501)	-	-	-	-	-	-	-	-	-	-
-Investment in preference shares	576,676,075	(576,676,075)	-	-	-	-	-	-	-	-	-	-
	37,303,776,912	(1,516,079,014)	(818,510,343)	34,969,187,555	39,874,580,643	(1,824,797,121)	(1,895,773,596)	36,154,009,926	-	(1,895,773,596)	36,154,009,926	-
Total Investments												

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

- 9.1.1 The Group has investment in unsecured subordinated TFCs having outstanding principal of Rs.299.760 million, issued by Silk Bank Limited (the Issuer). Markup of Rs.118.721 million accrued as of December 31, 2023 has been suspended (December 31, 2022: NIL) along with provision of Rs.58.768 million (December 31, 2022: NIL) in these consolidated financial statements under expected credit loss (ECL) model as per IFRS 9. The overdue principal of Rs. 0.060 million (2022: Rs.0.060 million) and the accrued markup have not been paid due to "lock in event" that restricts the issuer to make payment without the approval of the State Bank of Pakistan (SBP) to avoid Issuer's non-compliance with capital adequacy ratio. The issuer's operations are continuing without any restriction and it is expected that the above restriction shall be lifted soon by SBP as corrective measures are in progress. Silk Bank also obtained extension to hold its AGM till March 05, 2024, keeping in view the finalization of due diligence exercise conducted by United Bank Limited and MCB Bank Limited. The debt obligation under TFCs is also duly recognized by the Issuer.
- 9.1.2 The Group has Investment of 35.06% (2022: 35.06%) shareholding in ordinary shares of Saudi Pak Leasing Company Limited (SPLC) was classified under non-current assets held for sale under IFRS-5 as of year end December 31, 2022. During the year, SECP vide its letter dated May 12, 2023, cancelled the SPLC's leasing license and further informed that SPLC is no longer classified as an NBFC and as such Group's application for transfer of its shares under Rule 5(6)(e) of NBFC Rules 2003, could not be processed. The Group obtained a legal opinion as per which this SECP notice does not forbid Group to continue its efforts for divestment. As Group common stock of SPLC are frozen due to its previous status as an NBFC, therefore any release and subsequent sale of these shares requires a change in the Memorandum and Article of Association of the SPLC to be in line with the new status of being a non-NBFC company. Accordingly in their Group has accounted for the investment in the associate using the equity accounting of investments as per the requirements of IAS-28, as it does not currently fulfills the criteria of IFRS-5, i.e. non-current assets held for sale.

On the basis of latest available audited financial statements of SPLC as at June 30, 2023, total assets and liabilities of SPLC are Rs. 811.584 million (2022: Rs. 783.362 million) and Rs. 1,380.019 million (2022: Rs. 1,394.910 million) while total revenue, profit after taxation and total comprehensive income for the year ended June 30, 2023 are Rs. 32.438 million (2022: Rs. 20.853 million), Rs. 14.581 million (2022: loss of Rs. 68.606 million) and Rs. 27.440 million (2022: loss of Rs. 64.621 million) respectively."

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

92 Investments by segments:

Federal Government Securities:

Market Treasury Bills
Pakistan Investment Bonds

Shares:

Listed Companies
Unlisted Companies

Non Government Debt Securities

Listed TFCs / Sukuk
Unlisted TFCs / Sukuk
Commercial paper

Other Investments

Mutual funds
Certificate of Investment (COI)

Associates

Saudi Pak Leasing Company Limited
- Investment in shares
- Investment in preference shares

Total Investments

		2023						2022					
		Cost / Amortised cost	Credit loss allowance	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Rupees—			
		32,354,024,211	-	(972,135,349)	31,381,888,862	143,666,166	-	-	143,666,166				
		32,354,024,211	-	(972,135,349)	31,381,888,862	32,994,355,755	-	(1,800,587,455)	31,193,768,300				
						33,138,021,921	-	(1,800,587,455)	31,337,434,466				
		1,225,518,907	-	152,010,393	1,377,529,300	3,265,391,260	(941,511,580)	(98,873,281)	2,225,006,399				
		783,833,048	(273,833,040)	-	510,000,008	783,833,048	(273,833,040)	-	510,000,008				
		2,009,351,955	(273,833,040)	152,010,393	1,887,529,308	4,049,224,308	(1,215,344,620)	(98,873,281)	2,735,006,407				
		731,098,389	(44,247,405)	-	686,850,984	1,231,098,389	(41,712,968)	2,340,000	1,191,725,421				
		1,501,576,379	(621,322,494)	-	880,253,885	1,268,254,533	(567,739,533)	-	700,515,000				
		-	-	-	-	-	-	-	-				
		2,232,674,768	(665,569,899)	-	1,567,104,869	2,499,352,922	(609,452,501)	2,340,000	1,892,240,421				
		131,049,903	-	1,614,613	132,664,516	187,981,492	-	1,347,140	189,328,632				
		-	-	-	-	-	-	-	-				
		131,049,903	-	1,614,613	132,664,516	187,981,492	-	1,347,140	189,328,632				
		243,467,574	(243,467,574)	-	-	-	-	-	-				
		333,208,501	(333,208,501)	-	-	-	-	-	-				
		576,676,075	(576,676,075)	-	-	-	-	-	-				
		37,303,776,912	(1,516,079,014)	(818,510,343)	34,969,187,555	39,874,580,643	(1,824,797,121)	(1,895,773,596)	36,154,009,926				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
	----- Rupees -----	
9.2.1 Investments given as collateral		
Pakistan Investment Bonds (PIBs)	29,914,192,062	27,399,908,300
	<u>29,914,192,062</u>	<u>27,399,908,300</u>

9.3 Particulars of credit loss allowance

	2023			2022
9.3.1 Investments - exposure	Stage 1	Stage 2	Stage 3	Loss
		----- Rupees -----		
Opening balance	-	-	-	-
Impact of reclassification due to adoption of IFRS-9	1,427,005,000	429,145,421	643,202,501	-
New investments	300,000,000	-	-	-
Investments derecognized or repaid	(544,990,000)	-	(21,688,154)	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
	(244,990,000)	-	(21,688,154)	-
Amounts written off / charged Off	-	-	-	-
Closing balance	1,182,015,000	429,145,421	621,514,347	-

	2023			2022
9.3.2 Investments - Credit loss allowance	Stage 1	Stage 2	Stage 3	Loss
	----- Rupees -----			
Opening balance	-	-	1,824,797,121	1,620,682,243
Impact of reclassification due to adoption of IFRS-9	-	-	(941,511,580)	-
Impact of remeasurement due to adoption of IFRS-9	13,517,406	99,469,816	-	-
New investments	6,047,569	-	-	-
Investments derecognised or repaid	(10,139,420)	-	(21,688,154)	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
	(4,091,851)	-	(21,688,154)	-
Amounts written off / charged off	-	-	-	-
Changes in risk parameters (PDs/LGDs/EADs)	(1,528,204)	(29,561,615)	-	-
Charge / reversals				
Charge for the year	-	-	-	264,524,009
Reversals for the year	-	-	-	(16,471,728)
Reversal on disposals	-	-	-	(43,937,403)
	-	-	-	204,114,878
	7,897,351	69,908,201	861,597,387	1,824,797,121
Transfers - net (Note. 11)	-	-	576,676,075	-
Closing balance	7,897,351	69,908,201	1,438,273,462	1,824,797,121

9.3.3 Particulars of credit loss allowance / provision against debt sec

Category of classification

		2023		2022	
		Outstanding amount	Credit Loss Allowance	NPI	Provision
		-----Rupees-----		-----Rupees-----	
Domestic					
Performing	Stage 1	1,182,015,000	7,897,351	-	-
Underperforming	Stage 2	429,145,421	69,908,201	-	-
Non-Performing	Stage 3				
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		621,514,347	587,764,347	643,202,501	609,452,501
		621,514,347	587,764,347	643,202,501	609,452,501
Overseas		-	-	-	-
Total		2,232,674,768	665,569,899	643,202,501	609,452,501

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

9.4 Quality of FVOCI / Available for Sale Securities

Details regarding quality of securities held under "Held to Collect and Sell" model / Available for Sale (AFS) securities are as follows

	2023	2022
	----- Cost in Rupees -----	
Federal Government Securities - Government guaranteed		
Pakistan Investment Bonds	26,112,632,149	32,994,355,755
	<u>26,112,632,149</u>	<u>32,994,355,755</u>

Shares:

Listed Companies

Cement	52,702,188	109,775,900
Chemical	417,127,705	417,127,705
Close-end Mutual Fund	37,745,634	37,745,634
Commercial Banks	-	860,941,393
Fertilizer	-	-
Insurance	-	145,952,935
Oil & Gas Marketing Companies	-	255,976,980
Oil & Gas Exploration Companies	-	517,973,984
Power Generation and Distribution	153,851,773	885,925,664
Technology and Communication	-	33,971,065
	<u>661,427,300</u>	<u>3,265,391,260</u>

	2023		2022	
	Cost	Breakup Value	Cost	Breakup Value
	-----Rupees-----		-----Rupees-----	
Unlisted Companies				
Al Hamra Avenue Private Limited	50,000,000	-	50,000,000	-
Al Hamra Hills Private Limited	50,000,000	-	50,000,000	-
Ali Paper Board Industries Limited	5,710,000	-	5,710,000	-
Bela Chemical Industries Limited	6,500,000	-	6,500,000	-
Fruit Sap Limited	4,000,000	-	4,000,000	-
Innovative Investment Bank Limited	37,623,048	-	37,623,048	-
ISE Towers - REIT Management Company Limited	-	-	-	-
Pace Barka Properties Limited	168,750,000	178,188,218	168,750,000	193,302,602
Pak Kuwait Takaful Company	40,000,000	589,091	40,000,000	283,222
Pakistan Textile City Limited	50,000,000	5,047,010	50,000,000	5,047,010
Pakistan GasPort Consortium Limited	330,000,000	450,283,106	330,000,000	621,580,218
Saudi Pak Kalabagh Livestock Company Limited	10,000,000	-	10,000,000	-
Taurus Securities Limited	11,250,000	24,400,565	11,250,000	24,090,707
Trust Investment Bank Limited	20,000,000	-	20,000,000	-
	<u>783,833,048</u>	<u>658,507,990</u>	<u>783,833,048</u>	<u>844,303,759</u>

Breakup value has been calculated using latest available audited financial statements, except for the parties for which no breakup value is mentioned above due to non-availability of latest audited financial statements because of litigation or liquidation proceedings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

Non Government Debt Securities

Listed

- AA+, AA, AA-
- B+, B, B-
- CCC and below
- Unrated

Unlisted

- A+, A, A-
- Unrated

2023 2022
-----Cost in Rupees-----

660,000,000	860,000,000
29,385,421	-
-	29,385,421
23,009,084	23,009,084
712,394,505	912,394,505
300,000,000	-
57,257,340	57,257,340
357,257,340	57,257,340
1,069,651,845	969,651,845

9.5 The Group does not have any investments in foreign securities as at December 31, 2023 (2022: Nil).

9.6 Particulars relating to securities classified Under "Held to Collect" model / Held to Maturity securities:

Federal Government Securities - Government guaranteed

- Market Treasury Bills
- Pakistan Investment Bonds

Note	2023	2022
	-----Cost in Rupees-----	
	-	143,666,166
	6,241,392,062	-
9.6.1	6,241,392,062	143,666,166

Non Government Debt Securities

Listed

- AA+, AA, AA-
- Unrated

-	300,000,000
18,703,884	18,703,884
18,703,884	318,703,884

Unlisted

- AA+, AA, AA-
- A+, A, A-
- B+, B, B-
- Unrated

222,015,000	267,005,000
100,000,000	100,000,000
299,760,000	299,760,000
522,544,039	544,232,193
1,144,319,039	1,210,997,193
1,163,022,923	1,529,701,077

9.6.1

9.6.1 Market value of held to collect model / held-to-maturity securities other than non performing investments as at December 31, 2023 is Rs. 6,254 million (2022: Rs. 576 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

10. ADVANCES

	Note	2023	Performing	2022	2023	Non Performing	2022	2023	2022
Loans, leases, running finances- gross	10.1	8,904,014,068	8,696,455,188	2,568,413,975	2,778,130,890	11,472,428,043	11,474,586,078		
Credit loss allowance / Provision against advances									
- Stage 1		(116,499,781)	-	-	-	(116,499,781)	-		
- Stage 2		(175,564,694)	-	-	-	(175,564,694)	-		
- Stage 3		(614,180,004)	-	(2,303,709,919)	-	(2,917,889,923)	-		
- Specific		-	-	-	(2,268,864,901)	-	(2,268,864,901)		
- General		-	(86,383,617)	-	-	-	(86,383,617)		
		(906,244,479)	(86,383,617)	(2,303,709,919)	(2,268,864,901)	(3,209,954,398)	(2,355,248,518)		
Advances - net of credit loss allowance / provision		7,997,769,589	8,610,071,571	264,704,056	509,265,989	8,262,473,645	9,119,337,560		

10.1 Includes net investment in finance lease as disclosed below:

	2023			2022				
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total

10.2 Particulars of advances (Gross)

	2023	2022
In local currency	11,472,428,043	11,474,586,078
In foreign currency	-	-
	11,472,428,043	11,474,586,078

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

10.3 Particulars of credit loss allowance

10.3.1 Advances - exposure

	2023	2022
	Stage 1	Stage 2 Stage 3 Loss
Gross carrying amount - current year	6,704,910,784	935,988,850 3,833,686,444 -
New advances	975,339,911	- - -
Advances derecognized or repaid	(405,268,770)	(359,214,358) (213,014,818) -
Transfer to stage 1	-	- - -
Transfer to stage 2	(250,000,000)	250,000,000 - -
Transfer to stage 3	-	- - -
Amounts written off / charged Off	320,071,141	(109,214,358) (213,014,818) -
Closing balance - current year	7,024,981,925	826,774,492 3,620,671,626 -

10.3.2 Advances - Credit loss allowance

	2023	2022
	Stage 1	Stage 2 Stage 3 Loss
Opening balance	43,191,808	43,191,809 2,268,864,901 2,241,352,677
Impact of remeasurement due to adoption of IFRS-9	109,975,611	35,851,157 968,458,973 -
New advances	19,297,482	- - -
Advances derecognized or repaid	(22,660,183)	(13,880,078) (198,004,746) -
Transfer to stage 1	-	- - -
Transfer to stage 2	(7,298,803)	7,298,803 - -
Transfer to stage 3	-	- - -
Amounts written off / charged off	(10,661,504)	(6,581,275) (198,004,746) -
Changes in risk parameters (PDs/LGDs/EADs)	(26,006,134)	103,103,003 (121,429,205) -
Charge / reversals	-	- - -
Charge for the year	-	- - 232,976,246
Reversals for the year	-	- - (119,080,405)
Reversal on disposals	-	- - -
Transfers - net	-	- - 113,895,841
Closing balance	116,499,781	175,564,694 2,917,889,923 2,355,248,518

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

10.3.3 Advances - Credit loss allowance details Internal / External rating / stage classification

Outstanding gross exposure				
Performing - Stage 1	7,024,981,925	-	-	-
Under Performing - Stage 2	-	826,774,492	-	-
Non-performing - Stage 3				
Other Assets Especially Mentioned			1,052,257,651	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	2,568,413,975	-
	-	-	3,620,671,626	-
Total	7,024,981,925	826,774,492	3,620,671,626	-
Corresponding ECL				
Stage 1 and stage 2	(116,499,781)	(175,564,694)	-	-
Stage 3	-	-	(2,917,889,923)	-
	6,908,482,144	651,209,798	702,781,703	-

10.4 Advances include Rs. 2,568,413,975 (2022: Rs. 2,778,130,890) which have been placed under non-performing / stage 3 status as detailed below:-

Category of Classification in Stage 3

Domestic		rupees	rupees
Other Assets Especially Mentioned	1,052,257,651	614,180,004	-
Substandard	-	-	-
Doubtful	-	-	-
Loss	2,568,413,975	2,303,709,919	270,000,000
Total	3,620,671,626	2,917,889,923	2,268,864,901

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

10.5 Particulars of credit loss allowance / provision against advances

Note	2023		2022			
	Stage 3	Stage 1 & 2 Rupees	Total	Specific Rupees	General Rupees	Total
Opening balance	2,268,864,901	86,383,617	2,355,248,518	2,241,352,677	-	2,241,352,677
Impact of remeasurement due to adoption of IFRS-9	968,458,973	145,826,769	1,114,285,742	-	-	-
Charge for the year	17,864,333	122,400,485	140,264,818	146,592,629	86,383,617	232,976,246
Reversals	(337,298,284)	(62,546,396)	(399,844,680)	(119,080,405)	-	(119,080,405)
	(319,433,951)	59,854,089	(259,579,862)	27,512,224	86,383,617	113,895,841
Amounts written off	-	-	-	-	-	-
Closing balance	2,917,889,923	292,064,475	3,209,954,398	2,268,864,901	86,383,617	2,355,248,518

10.5.1 Particulars of Credit loss allowance / provision against advances

	2023		2022			
	Stage 3	Stage 1 & 2 Rupees	Total	Specific	General Rupees	Total
In local currency	2,917,889,923	292,064,475	3,209,954,398	2,268,864,901	86,383,617	2,355,248,518
In foreign currencies	-	-	-	-	-	-
	2,917,889,923	292,064,475	3,209,954,398	2,268,864,901	86,383,617	2,355,248,518

10.5.2

In accordance with BSD circular No. 1 of 2011 dated October 21, 2011 issued by the SBP, as of December 31, 2023 the Group has availed FSV benefit aggregating to Rs. nil (2022: Rs. 374,266 million, net of tax Rs.265,729 million). Accordingly, accumulated profit to the extent of Rs. nil (2022: Rs. 374,266 million) are not available for the distribution as cash or stock dividend as required by the aforementioned SBP directives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 -----Rupees-----	2022 -----Rupees-----
10.6 Particulars of write offs:			
10.6.1 Against credit loss allowance / provisions Directly charged to Profit & Loss account	10.5	- - - - -	- - - - -
10.6.2 Write Offs of Rs. 500,000 and above - Domestic - Overseas Write Offs of Below Rs. 500,000	10.7	- - - - -	- - - - -
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 December 31, 2023 is given at Annexure I.			
10.8 Particulars of loans and advances to staff included in advances			
	Note	2023 -----Rupees-----	2022 -----Rupees-----
Opening balance		58,093,483	56,778,465
Amount disbursed during the year		103,235,697	28,536,481
Amount received during the year		(29,897,692)	(27,221,463)
Amount written off		-	-
Closing balance		131,431,488	58,093,483
11. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE			
Cost of investment reclassified to / from investments	9.1.2	-	243,467,574
- Investment in ordinary shares		-	333,208,501
- Investment in preference shares		-	(576,676,075)
Less: Provision on investment		-	-
Less: Amounts received till 31 December		-	-
		-	-
12. PROPERTY AND EQUIPMENT			
Capital work-in-progress	12.1	60,227,595	40,256,613
Property and equipment	12.2	4,457,564,898	4,344,297,739
		4,517,792,493	4,384,554,352
12.1 Capital work-in-progress			
Civil works		55,127,823	38,359,113
Equipment		5,099,772	-
Advances to suppliers		-	1,897,500
		60,227,595	40,256,613

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

12.2 Property and equipment

[illegible][illegible]

* This represents security system at Islamabad and Karachi office. Security system of Islamabad office are revalued only, as they form an integral part of building structure.

** This represents electrical fittings, fire fighting equipment, telephone installation for its Islamabad office only, as they form an integral part of building structure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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Details of disposal of property & equipment

Particulars of assets	Cost/ revalued amount	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyer
Rupees						
Furniture and fixture						
Furniture items - Islamabad office	179,824	179,760	64	88,000	Auction	Suleman Khan
Furniture items - Islamabad office	65,705	65,697	8	36,500	Auction	Munir Khan
Furniture items - Lahore office	103,705	103,693	12	24,000	Auction	Golden Interior
Furniture and fixture - Subsidiary company	173,000	172,999	1	45,500	Auction	Sadiq Shah
	522,234	522,149	85	194,000		
Office equipment						
Hp Elitebook Laptop	216,000	148,318	67,682	67,682	As per policy *	Kamal Uddin Khan
Iphone 13 Promax	401,277	158,783	242,494	242,494	As per policy *	Kamal Uddin Khan
Iphone 11 Promax	284,392	257,829	26,563	26,563	As per policy *	Kamal Uddin Khan
Iphone SE Red	67,500	30,665	36,835	36,835	As per policy *	Muhammad Ghairat Hayat
Hp Laptop Elitebook 850 G8	343,965	56,852	287,113	287,113	As per policy *	Muhammad Ghairat Hayat
Lenovo XI Laptop	442,766	341,746	101,020	101,020	As per policy *	Umar Saeed Khan
Samsung Mobile Galaxy N20	125,000	97,225	27,775	27,775	As per policy *	Umar Saeed Khan
Ups (6Kva) BCP	149,317	149,316	1	11,500	Auction	Golden Interior
	2,030,217	1,240,734	789,483	800,982		
Vehicles						
Toyota Corolla - ATS 583	4,121,022	1,371,604	2,749,418	2,749,418	As per policy *	Yavar Khan Afridi
Toyota Corolla Gli - AGG 857	1,954,454	1,954,453	1	1	As per policy *	Ali Imran
Toyota Corolla Gli - AMC 835	2,456,904	2,080,891	376,013	376,013	As per policy *	Muhammad Ghairat Hayat
Honda Civic I-Vtech Oriol - AUG493	2,717,004	2,717,003	1	1	As per policy *	Fateh Tariq
Kia Picanto - AQY977	2,058,512	1,323,990	734,522	734,522	As per policy *	M Zahid Rana
Kia Picanto - APY 834	2,057,502	1,611,714	445,788	445,788	As per policy *	Maqsood Ahmed Shaikh
Kia Picanto - AUB 841	2,107,292	1,030,447	1,076,845	1,076,845	As per policy *	Ali Asojah Muhammad
Suzuki Cultus - LEA 18 9645	1,544,333	1,544,332	1	1	As per policy *	Taimur Javed
	19,017,023	13,634,434	5,382,589	5,382,589		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

Particulars of assets	Cost / revalued amount	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyer
----- Rupees -----						
Electrical fittings, fire fighting equipment and others						
Fire fighting equipment Items - Islamabad office	7,511	1,774	5,737	11,500	Auction	Suleman Khan
Fire fighting equipment Items - Islamabad office	27,453	7,782	19,671	48,000	Auction	Munir Khan
Telephone installation Items - Lahore office	5,015	5,010	5	2,500	Auction	Golden Interior
Electrical Appliances - Islamabad office	509,801	509,795	6	8,500	Auction	Suleman Khan
Electrical Appliances - Islamabad office	90,700	90,698	2	8,000	Auction	Munir Khan
	640,480	615,059	25,421	78,500		
	22,209,954	16,012,376	6,197,578	6,456,071		

* These items were sold to employees including key management personnel in accordance with policy of the Group.

12.4

Revaluation of property and equipment

The property and equipment of the Holding Company were revalued by independent professional valuer on the estimated value on market / depreciated basis as at December 31, 2021. The revaluation was carried out by M/s Impulse (Pvt) Limited; member of Pakistan Engineering Council and on panel of Pakistan Banking Association; on the basis of professional assessment of present market values and resulted in increase in surplus by Rs. 1,402.642 million. The total surplus arising against revaluation of fixed assets as at December 31, 2021 amounted to Rs. 3,968.328 million. Had there been no revaluation, the carrying amount of the revalued assets as at December 31, 2023 would have been as follows:

	2023	2022
	----- Rupees -----	
Leasehold Land	26,888,156	27,337,889
Building - Karachi office	900,920	1,519,155
Building	25,992,190	21,553,367
Heating and air-conditioning system	4,961,413	5,602,685
Elevators	11,958,989	12,730,421
Security system	1,080,621	772,616
Electrical fittings, fire fighting equipment and others	51,225,792	59,435,792
	123,008,081	128,951,925

12.5

Cost / revalued amount of fully depreciated assets that are still in use:

Furniture and fixture	12,276,264	12,412,624
Office equipment	40,534,370	35,896,885
Vehicles	21,206,968	9,791,193
Electrical fittings, fire fighting equipment and others	9,514,363	7,984,146
	83,531,965	66,084,848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

		2023	2022
		-----Rupees-----	
		Computer software	Computer software
13	INTANGIBLE ASSETS		
At January 1			
	Cost	34,909,062	30,203,584
	Accumulated amortisation and impairment	28,517,059	24,094,534
	Net book value	6,392,003	6,109,050
Year ended December 31			
	Opening net book value	6,392,003	6,109,050
	Additions - directly purchased	3,991,803	4,705,478
	Amortisation charge	3,926,760	4,422,525
	Closing net book value	6,457,046	6,392,003
At December 31			
	Cost	38,900,865	34,909,062
	Accumulated amortisation and impairment	32,443,819	28,517,059
	Net book value	6,457,046	6,392,003
	Rate of amortisation (percentage)	33.33	33.33
	Useful life (years)	3	3
13.1	Cost of fully amortized intangible assets still in use amount to Rs. 26,731,494 (2022: Rs. 23,843,854).		
14.	OTHER ASSETS	Note	2023 -----Rupees----- 2022
	Income/ mark-up accrued in local currency - net of provision		
	On investments		2,122,686,2921,678,229,864
	On advances		386,095,341530,155,076
	On lending to financial institutions		5,948,298-
	On deposits		89,5581,148,561
			2,514,819,4892,209,533,501
	Advances, deposits, advance rent and other prepayments		18,475,91622,212,185
	Advance taxation (payments less provisions)		2,055,389,7191,278,268,117
	Excise duty		78,817,89578,817,895
	Non-banking assets acquired in satisfaction of claims	14.1	49,499,28851,651,432
	Dividend receivable		83,755,26734,641,773
	Other receivables		22,700,1694,896,126
			4,823,457,7433,680,021,029
	Less: Credit loss allowance / Provision held against other assets	14.2	(256,792)(256,792)
	Other assets (net of credit loss allowance / provision)		4,823,200,9513,679,764,237
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims	14.1	21,939,72422,893,624
	Other assets - total		4,845,140,6753,702,657,861
14.1	Market value of non-banking assets acquired in satisfaction of claims		77,651,10077,651,100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

The non-banking asset acquired from Irfan Textile represents office area on 1st floor of Famous Mall, Lahore and was initially recorded in the financial statements in June 2007. This asset was last revalued by independent professional valuers M/s Amir Evaluators & Consultants on the basis of assessment of Present Market Value on 31 December 2021 at Rs. 77.651 million. M/s Impulse (Pvt) Limited is member of Pakistan Engineering Council and also on panel of Pakistan Banking Association. Business activity could not be started since the building was constructed due to pending approval of building map and the issuance of completion certificate from Lahore Development Authority (LDA). Management is hopeful to dispose off the same once the NOC is arranged and provided by the plaza owners.

		2023	2022
		-----Rupees-----	
14.1.1 Non-banking assets acquired in satisfaction of claims			
Opening balance		74,545,056	77,651,100
Revaluation during the year		-	-
Disposals during the year		-	-
Depreciation		(3,106,044)	(3,106,044)
Closing balance		<u>71,439,012</u>	<u>74,545,056</u>
14.1.2 Gain on disposal of non-banking assets acquired in satisfaction of claims			
Disposal proceeds		-	-
less: carrying value		-	-
Gain realized on disposal		<u>-</u>	<u>-</u>
		2023	2022
		-----Rupees-----	
14.2 Credit loss allowance / Provision held against other assets	Note		
Advances, deposits, advance rent & other prepayments	14.2.1	<u>256,792</u>	<u>256,792</u>
14.2.1 Movement in credit loss allowance / provision held against other assets			
Opening balance		256,792	256,792
Charge for the year		-	-
Reversals / transfer		-	-
Amount Written off		-	-
Closing balance		<u>256,792</u>	<u>256,792</u>
15. DEVELOPMENT PROPERTIES			
Balance at beginning of the year		192,734,028	198,210,163
Additions during the year		-	-
Cost of plots / house sold during the year		(10,952,254)	(5,476,135)
Balance at end of the year	15.1	<u>181,781,774</u>	<u>192,734,028</u>
15.1	This represents cost of 32 - eight marla plots situated at Royal Residencia Housing Scheme, Lahore held by subsidiary company.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

16. BORROWINGS

Secured

Borrowings from State Bank of Pakistan under refinance scheme

Long term financing facility	16.1	2,059,903,071	2,195,224,199
Temporary economic relief facility	16.2	445,353,455	491,424,500
		2,505,256,526	2,686,648,699
Repurchase agreement borrowings	16.3	25,705,971,600	27,775,718,150
Against Government securities	16.4	3,738,060,000	-
Against book debts/receivables	16.5	5,250,000,000	4,812,500,000
Total secured		37,199,288,126	35,274,866,849

Unsecured

Call borrowings	16.6	-	1,500,000,000
Total unsecured		-	1,500,000,000
		37,199,288,126	36,774,866,849

16.1 These represent facilities obtained against State Bank of Pakistan refinance schemes under LTFF. The mark up is charged at the rates ranging from 2.00% to 7.00% (2022: 2.00% to 7.00%) per annum. These facilities will mature during January 2024 to June 2032 (2022: January 2023 to June 2032).

16.2 These represent facilities obtained against State Bank of Pakistan refinance schemes under TERF. The mark up is charged at the rate of 1.00% (2022: 1.00%) per annum. These facilities will mature during January 2024 to January 2031 (2022: April 2023 to January 2031).

16.3 These facilities were secured against government securities (PIBs). These carry markup at rates ranging from 22.08% to 22.16% (2022: 15.34% to 16.60%) per annum having maturity during January 2024 (2022: January 2023 to March 2023).

16.4 These represent facilities obtained from bank against charge on government securities (PIBs). These carry markup at rate of 21.70% (2022: nil) per annum having maturity during January 2024 (2022: nil).

16.5 These represent facilities obtained from various banks against charge on book debts/receivables valuing Rs. 10,267 million (2022: Rs. 10,267 million). The mark up is charged at varying rates ranging from 21.67% to 23.28% (2022: 15.86% to 17.31%) per annum. These facilities will mature during January 2024 to June 2028 (2022: January 2023 to December 2027).

16.6 These facilities were unsecured and carrying markup at rate of nil (2022: 16.25%) per annum having maturity in nil (2022: January 2023).

	Note	2023 -----Rupees-----	2022
16.7 Particulars of borrowings with respect to Currencies			
In local currency		37,199,288,126	36,774,866,849
In foreign currencies		-	-
		37,199,288,126	36,774,866,849

17. DEPOSITS AND OTHER ACCOUNTS

Customers			
- Term deposits (local currency)	16.1	3,665,000,000	1,953,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

17.1 Composition of deposits

- Public Sector Entities	17.2	3,055,000,000	1,343,000,000
- Non-Banking Financial Institutions	17.3	10,000,000	10,000,000
- Private Sector	17.4	600,000,000	600,000,000
		<u>3,665,000,000</u>	<u>1,953,000,000</u>

17.2 These Certificate of Investments (COIs) carry mark up at the rates ranging from 22.30% to 22.63% (2022: 16.80% to 16.88%) per annum with maturity during January 2024 to November 2024 (2022: November 2023).

17.3 These Certificate of Investments (COIs) carry mark up at the rate of 21.37% (2022: 16.12%) per annum with maturity in March 2024 (2022: March 2023).

17.4 These Certificate of Investments (COIs) carry mark up at the rates ranging from 21.49% to 23.15% (2022: 15.67% to 17.06%) per annum with maturity during July 2024 to December 2024 (2022: July 2023 to December 2023).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

118. DEFERRED TAX ASSETS / (LIABILITIES)

	At January 1 2023	Effect of IFRS-9 adoption (Note 5.1.13.1)	At January 1 2023 (Adjusted)	Recognised in P&L A/C	Recognised in Equity	Recognised in OCI	At December 31 2023
					Rupees		
Deductible Temporary Differences on							
Actuarial loss on defined benefit plan	7,200,257	-	7,200,257	26,492	-	(7,104,156)	122,593
Unused tax losses	11,244,891	-	11,244,891	3,755,749	-	-	15,000,640
Surplus / (deficit) on revaluation of securities - FVOCI / AFS	609,737,552	(234,412,183)	375,323,569	-	-	9,290,722	384,614,291
Credit loss allowance against advances	656,967,000	405,633,585	1,062,600,585	301,722,032	-	-	1,364,322,617
Impairment loss on quoted securities - FVPL	106,340,876	(31,836,413)	74,504,463	(53,644,546)	-	-	20,859,917
	1,391,488,776	139,384,989	1,530,873,765	251,859,727	-	2,186,566	1,784,920,058
Taxable Temporary Differences on							
Accelerated tax depreciation	(38,052,860)	-	(38,052,860)	(15,693,407)	-	-	(53,746,267)
Dividend receivable	(10,046,114)	-	(10,046,114)	(10,892,703)	-	-	(20,938,817)
Surplus on revaluation of securities - FVPL / HFT	-	28,945,409	28,945,409	(91,975,591)	-	-	(63,030,182)
Surplus on revaluation of operating fixed assets	(1,269,624,630)	-	(1,269,624,630)	39,923,728	(223,581,984)	-	(1,453,282,886)
Short term investment - COI & T Bill	(58,005)	-	(58,005)	58,005	-	-	-
	(1,317,781,609)	28,945,409	(1,288,836,200)	(78,579,968)	(223,581,984)	-	(1,590,998,152)
	(12,385,401)	-	(12,385,401)	(3,752,673)	-	(97,350)	(16,235,424)
Excess deferred tax asset of the subsidiary company not recognized	18.1						
	61,321,766	168,330,398	229,652,164	169,527,086	(223,581,984)	2,089,216	177,686,482

Excess deferred tax asset of the subsidiary company not recognized

Deductible Temporary Differences on

	At January 1 2022	Recognised in P&L A/C	Recognised in Equity	Recognised in OCI	At December 31 2022
			Rupees		
Deductible Temporary Differences on					
Actuarial loss on defined benefit plan	5,853,874	-	-	1,346,383	7,200,257
Unused tax losses	17,218,138	(5,973,247)	-	-	11,244,891
Surplus / (deficit) on revaluation of securities - AFS	125,773,667	-	-	483,962,085	609,735,752
Provision on non-performing loans	549,082,000	107,885,000	-	-	656,967,000
Impairment loss on available for sale quoted securities	67,767,173	38,573,703	-	-	106,340,876
	765,694,852	140,485,456	-	485,308,468	1,391,488,776
Taxable Temporary Differences on					
Accelerated tax depreciation	(25,428,722)	(12,624,138)	-	-	(38,052,860)
Dividend receivable	(10,716,976)	670,862	-	-	(10,046,114)
Right of use assets - net of lease liabilities	-	-	-	-	-
Surplus on revaluation of securities - HFT	(273,377)	273,377	-	-	-
Surplus on revaluation of operating fixed assets	(1,150,815,223)	35,084,488	(153,893,895)	-	(1,269,624,630)
Short term investment- COI & T Bill	(503,014)	445,009	-	-	(58,005)
	(1,187,737,312)	23,849,598	(153,893,895)	-	(1,317,781,609)
	(16,506,876)	4,181,293	-	(59,818)	(12,385,401)
Excess deferred tax asset of the subsidiary company not recognized	(438,549,336)	168,516,347	(153,893,895)	485,248,650	61,321,766

Excess deferred tax asset of the subsidiary company not recognized

18.1 Deferred tax asset to the extent of Rs. 16,235,424 (2022; Rs. 12,385,401) related to the subsidiary company has not been recognized by its management in view of uncertainty related to taxable profits in foreseeable future.

At current year end, the Group had net deferred tax assets of Rs. 177,686 Million (2022: Rs. 61,322 Million). Management believes that it is probable that the Group will be able to achieve the profits and consequently, the deferred tax assets will either be realized in future or adjusted against the taxable temporary differences on net basis. Deferred tax assets and liabilities on temporary differences are measured at the rate of 39% (2022: 33%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

19. OTHER LIABILITIES

	Note	2023	2022
		Rupees	Rupees
Mark-up / return / interest payable in local currency		724,775,972	378,356,147
Accrued expenses		58,252,575	33,069,012
Advance rental income		179,784,614	158,377,284
Security deposits against rented properties	19.1	42,920,395	42,827,182
Payable to defined benefit plan		2,346,099	10,015,734
Provision for compensated absences	36.	9,890,572	10,021,723
Payable to stock brokers - net		2,272,399	76,825,002
Dividend payable to Foreign Shareholder		-	82,500,000
Credit loss allowance against off-balance sheet obligations		43,642,361	-
Others		20,881,475	18,498,131
		<u>1,084,766,462</u>	<u>810,490,215</u>

19.1 This represents rent received in advance for premises let out in the Saudi Pak Tower, Jinnah Avenue, Blue Area, Islamabad.

192 Credit loss allowance / provision against off-balance sheet obligations

Opening balance	-	-
Impact of remeasurement due to adoption of IFRS-9	1,337,880	-
Charge for the year	42,304,481	-
Reversals	-	-
Closing balance	42,304,481	-
	<u>43,642,361</u>	<u>-</u>

20. SHARE CAPITAL

20.1 Authorized Capital

	2023	2022
	Number of shares	Number of shares
1,000,000,000	1,000,000,000	1,000,000,000
Ordinary shares of Rs. 10 each		

20.2 Issued, subscribed and paid up share capital

	2023	2022
	Number of shares	Number of shares
400,000,000	400,000,000	4,000,000,000
276,500,000	276,500,000	2,765,000,000
676,500,000	<u>676,500,000</u>	<u>6,765,000,000</u>

Ordinary shares
Fully paid in cash
Issued as bonus shares

20.3 State Bank of Pakistan on behalf of the Government of Pakistan and Ministry of Finance, KSA on behalf of Kingdom of Saudi Arabia are equal shareholders of the Holding Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 ----- Rupees -----	2022
21. SURPLUS ON REVALUATION OF ASSETS			
Surplus / (deficit) on revaluation of			
- Securities measured at FVOCI / Available for sale securities	9.1	(1,100,259,100)	(1,897,120,736)
- Property & equipment	21.1	3,726,366,387	3,847,347,375
- Non-banking assets acquired in satisfaction of claims	21.2	21,939,724	22,893,624
		2,648,047,011	1,973,120,263
Deferred tax on surplus / (deficit) on revaluation of:			
- Securities measured at FVOCI / Available for sale securities		384,614,291	609,735,752
- Property & equipment	21.1	(1,453,282,886)	(1,269,624,630)
- Non-banking assets acquired in satisfaction of claims		-	-
		(1,068,668,595)	(659,888,878)
		1,579,378,416	1,313,231,385
21.1 Surplus on revaluation of property & equipment			
Surplus on revaluation of property & equipment as at January 1		3,847,347,375	3,968,328,363
Recognised during the year		-	-
Realised on disposal during the year - net of deferred tax		-	-
Related deferred tax liability on surplus realised on disposal		-	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(81,057,260)	(85,896,500)
Related deferred tax liability on incremental depreciation charged during the year		(39,923,728)	(35,084,488)
Surplus on revaluation of property & equipment as at December 31		3,726,366,387	3,847,347,375
Less: related deferred tax liability on:			
- revaluation as at January 1		1,269,624,630	1,150,815,223
- revaluation recognised during the year		-	-
- surplus realised on disposal during the year		-	-
- Impact of change in tax rate		223,581,984	153,893,895
- incremental depreciation charged during the year		(39,923,728)	(35,084,488)
		1,453,282,886	1,269,624,630
		2,273,083,501	2,577,722,745
21.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims			
Surplus on revaluation as at January 1		22,893,624	23,847,524
Recognised during the year		-	-
Realized on disposal during the year		-	-
Incremental depreciation		(953,900)	(953,900)
Surplus on revaluation as at December 31		21,939,724	22,893,624
22. CONTINGENCIES AND COMMITMENTS			
- Guarantees	22.1	3,316,800,526	70,000,000
- Commitments	22.2	3,166,708,369	759,115,718
		6,483,508,895	829,115,718
22.1 Guarantees:			
Financial guarantees		3,316,800,526	70,000,000
22.2 Commitments:			
Commitment for the acquisition of:			
- Property & equipment		821,801	8,935,734
- Intangible assets		2,575,000	2,525,000
		3,396,801	11,460,734
Non disbursed commitment for term and working capital finance		3,163,311,568	747,654,984
		3,166,708,369	759,115,718

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

22.3 Other contingent liabilities

22.3.1 Tax contingencies- Holding Company

- i) The Appellate Tribunal Inland Revenue (ATIR) Islamabad did not accept the Holding Company's contention on certain matters in appeals relating to tax years 2004 to 2006, 2008 to 2010 and 2012 to 2014. These issues mainly relate to disallowance of provision for non performing loans and apportionment of expenses between income subject to final tax regime and normal tax regime. The Holding Company's has filed tax references before the Islamabad High Court. For tax years 2004 to 2006 and 2008 to 2010 the Islamabad High Court (IHC) remanded back the matters of disallowance of provision for non performing loans and apportionment of expenses between income subject to final tax regime and normal tax regime to the assessing officer. However, appeal effect proceedings yet to commence. For tax year 2012 to 2014, cases are still pending adjudication. The Holding Company's however, accounted for the impact of tax of Rs. 617.237 million on provision for non performing loans & advances by routing it through Profit & Loss in the year 2018.

The related tax demands for all the aforesaid tax years aggregate to Rs 1,091.694 million, out of which Rs 635.194 million has been paid by / recovered from the Holding Company's.

- ii) For the tax years 2015 to 2018, the assessing officer amended the Holding Company's assessment under section 122(5A) of the Income Tax Ordinance 2001 and created an aggregate tax demand of Rs. 1,463.932 million by making various add backs and disallowances. The Holding Company's preferred appeals before Commissioner Inland Revenue - Appeals [CIR(A)] who in terms of separate appellate orders remanded majority of the matters to the assessing officer and on certain matters upheld the actions of assessing officer. The Holding Company's has preferred separate appeals before ATIR for aforesaid cases which are pending adjudication.
- iii) For tax years 2015 to 2017 proceedings under section 161 were initiated and cumulative demand of Rs. 276.482 million was created on account of alleged default in withholding of tax out of which Rs 26.034 million has been paid by / recovered from the Holding Company's. The Holding Company's preferred appeal before the CIR(A) who remanded certain issues and upheld certain matters. The Holding Company's preferred further appeal before ATIR which is pending adjudication.

The management, based on the opinion of its legal counsels, believes that the above mentioned matters are likely to be decided in favour of the Holding Company's at superior appellate forums and therefore no further charge is required to be recognised in these consolidated financial statements.

22.3.2 Tax contingencies- subsidiary company

- 22.3.2.1 The return filed by the subsidiary company was amended vide assessment order under section 122(1) of the Ordinance, for the tax year 2015 creating an aggregate demand amounting PKR 9,022,333. The subsidiary company filed an appeal before the (CIR(A) against the said order on July 27, 2021 which has not yet been fixed for hearing. The management is of the view that a favorable outcome is expected.

- 22.3.2.2 The assessment in respect of tax year 2016 was amended by Additional Commissioner Inland Revenue vide assessment order bearing bar code No. 100000125720901 dated June 13, 2022 under Section 122 (5A) of the Ordinance creating an aggregate demand amounting Rs. 183,642. The subsidiary company filed an appeal against the aforesaid assessment order before the CIR(A). The CIR(A) has remanded back the case.

- 22.3.2.3 The assessment in respect of tax year 2017 was amended by the assessing officer under section 122(5A) of the Ordinance by creating demand amounting PKR 179,569. The subsidiary company filed an appeal before the CIR(A) which has been Annulled back by the CIRA vide Appellate Order bearing Bar code No. 100000158155259 dated August 25, 2023. Subsequently, the assessing officer passed an order creating demand amounting PKR 19,256,487 under section 161(1A) of the Ordinance for the tax year 2017. The Company filed an appeal before the CIR(A) against the said order on January 05, 2023 which has been remanded back by the CIRA vide Appellate Order bearing Bar code No. 100000158411693 dated August 29, 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

22.3.3 Other contingencies - Holding Company

i) **MACPAC Films Limited (Suit No. B-24/2014 of Rs. 1,040,623 million)**

Macpac Films Limited Karachi ("Customer") availed a Term Finance of Rs.125.00 million in 2003/04 and then defaulted. In 2011, a settlement package was approved by Holding Company containing waiver/write-off of Rs.72.659 million on account of markup and liquidated damages subject to payment of Rs.100.141 million. The Customer accepted and paid Rs.100.141 million. The write off/waiver was reported to the State Bank of Pakistan (SBP) in compliance with regulatory requirements. Customer had requested Holding Company and SBP to remove its name from CLB of SBP as it was allegedly impacting the customer's business which was neither accepted by SBP nor Holding Company. Customer filed the instant suit in the Court which is being contested on merit. Upon Court's direction, SBP had also filed comments endorsing regulatory compliance by Holding Company. Evidence of the customer was recorded and part evidence of Holding Company witness is also recorded. Now case is fixed for recording of remaining evidence of Holding Company witnesses. Prima facie, there is no substance in this frivolous suit, therefore, it is expected that it will be dismissed on merits after due process of law.

ii) **Muhammad Zafar Sultan Parachav. Saudi Pak, Federation of Pakistan, DHA, Mukhtiar kar Gadap Town, Karachi (Suit No.1065/2014 of Rs. 200 million)**

On April 27, 2014, the Holding Company's invited bids for the sale of four properties i.e. farm house at Gadap Town and three plots (DHA Plots No.9-C, 17-C, 20-C) at Karachi. Highest bid of Rs.134.500 million offered by Mr. Mudassir for only three plots at DHA was accepted. Down payment was received and sale agreement dated June 2, 2014 was executed between Holding Company and the highest bidder through his nominee. Mr. Zafar Sultan Paracha had offered a lower bid of Rs. 93 million against all the four properties therefore his bid was rejected. He filed the subject suit in the Sindh High Court, Karachi and obtained an interim stay on July 5, 2014 restraining transfer of the above mentioned plots. Holding Company contested and got the stay vacated through Court as a result, three plots at DHA were transferred to the successful bidder/buyer after receipt of balance sale consideration. Mr. Piracha then filed an Appeal in the Court against the Stay Vacation Order which was also contested by Holding Company, separately. While vacating the stay order, the learned Judge of the Sindh High Court had observed that remaining suit to the extent of damages claimed against alleged loss of business opportunity etc, will separately be heard and decided. Appeal was fixed for hearing on 20 April 2022 but neither the counsel nor the Appellant attended the hearing, therefore, the Division Bench of the Sindh High Court dismissed the appeal for non-prosecution. Holding Company has filed its reply in the suit proceeding and filed application for rejection of plaint being without any merits having no cause of action. Hearing is now scheduled on 06 March 2023 for settling issues for evidence of parties and arguments on Holding Company application seeking outright rejection of the plaint. Prima facie, the suit is baseless, as no cause of action is accrued to the Plaintiff, therefore, it is expected that it will be dismissed after due process of law.

iii) **Kohinoor Spinning Mills Limited and its Guarantors vs. Saudi Pak (Suite No. 258676/2018 of Rs. 600 million)**

The Customer availed disbursement of TFF of Rs.400 million from Holding Company on 11.12.2014 via RTGS but defaulted after part payments whereof Holding Company filed a recovery suit COS No.17/2017 of Rs.396.085 million against the Customer and its directors/guarantors in the Lahore High Court, Lahore in which proceedings still continue. After due process it will be decreed in favor of Holding Company.

As a counter-blast, the Customer subsequently filed a frivolous damages suit of Rs.600 million against Holding Company in the same Court, during 2018, alleging therein that: (i) TFF of Rs.400.00million not disbursed to the Customer; & (ii) Customer suffered business losses of Rs.200.00 million which may also be granted to the Customer. Its reply (PLA) was filed by Holding Company. It is still at evidence stage. Customer has filed affidavits in evidence of its witnesses. It will be fixed for cross examination of customer's witnesses. Holding Company evidence will be recorded after completion of customer's evidence. Prima facie suit of the Customer is baseless/frivolous having no substance. It is therefore expected that it will be dismissed on merits after due process of law.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

23. Presently, the Group does not deal in derivative products.

24. **MARK-UP / RETURN / INTEREST EARNED**

	2023	2022
	----- Rupees -----	
Loans and advances	1,514,593,743	1,062,279,338
Investments	7,992,777,860	4,088,857,074
Lendings to financial institutions	394,861,039	26,062,611
Balances with banks	14,483,263	9,691,975
	<u>9,916,715,905</u>	<u>5,186,890,998</u>

24.1 **Interest income (calculated using effective interest rate method) recognised on:**

Financial assets measured at amortised cost	2,174,900,459	1,288,907,997
Financial assets measured at FVOCI	7,741,815,446	3,897,983,001
	<u>9,916,715,905</u>	<u>5,186,890,998</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

		2023	2022
	Note	Rupees	
25. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits	25.2	787,725,180	347,353,169
Borrowings			
Securities purchased under repurchase agreements		7,430,729,633	3,444,840,982
Other short term borrowings		385,090,507	486,422,628
Long term finance for export oriented projects from SBP		96,924,429	40,187,941
Long term borrowings		855,615,651	337,890,358
		8,768,360,220	4,309,341,909
Brokerage fee		2,232,177	4,666,899
		<u>9,558,317,577</u>	<u>4,661,361,977</u>
25.1 Interest expense calculated using effective interest rate method		9,556,085,400	4,656,695,078
Other financial liabilities		2,232,177	4,666,899
		<u>9,558,317,577</u>	<u>4,661,361,977</u>
25.2 The markup expensed amounting to Rs. 2,069,202 (2022: Rs. 1,225,668) relates to Saudi Pak Employees Contributory Fund.			
		2023	2022
	Note	Rupees	
26. FEE & COMMISSION INCOME			
Credit related fees		13,994,833	8,775,000
Commission on guarantees		42,526,526	175,000
		<u>56,521,359</u>	<u>8,950,000</u>
27. (LOSS) / GAIN ON SECURITIES			
Realized	27.1	209,849,835	66,148,755
Unrealized - measured at FVPL / held for trading	9.1	281,748,756	1,347,140
		<u>491,598,591</u>	<u>67,495,895</u>
27.1 Realised (loss) / gain on:			
Federal Government Securities		(165,073,850)	51,000
Shares - listed		374,923,685	37,493,074
Shares - unlisted		-	28,604,681
		<u>209,849,835</u>	<u>66,148,755</u>
28. OTHER INCOME			
Rent on property - net	28.1	278,658,273	237,770,603
Gain / (loss) on sale of property & equipment - net		258,493	22,753,534
Other rental		1,818,101	1,682,700
Sale of scrap items		1,669,192	223,049
Others		4,583,557	10,646,926
		<u>286,987,616</u>	<u>273,076,812</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

		2023	2022
	Note	Rupees	
28.1 Rent on property - net		522,479,889	469,137,177
Rental income			
Less: property expense			
Salaries, allowances and employee benefits		34,884,715	34,718,943
Traveling and conveyance		2,800	2,700
Medical		465,071	1,228,016
Janitorial services		14,822,185	12,624,321
Security services		21,548,161	24,523,502
Insurance		2,370,712	2,170,994
Postage, telegraph, telegram and telephone		19,121	41,632
Printing and stationery		92,059	124,541
Utilities		21,447,278	13,067,191
Consultancy and professional charges		902,500	-
Repairs and maintenance		18,843,232	16,287,578
Rent, rates and taxes		2,659,381	2,656,870
Depreciation		123,305,824	122,185,410
Office general expenses		2,458,577	1,734,876
		243,821,616	231,366,574
		278,658,273	237,770,603
29. OPERATING EXPENSES			
Total compensation expense	29.1	294,393,553	279,547,285
Property expense			
Rent & taxes		603,223	526,106
Insurance		338,673	310,142
Utilities cost		26,899,621	26,029,722
Security (including guards)		4,750,205	4,892,041
Repair and maintenance (including janitorial charges)		4,809,345	4,130,272
Depreciation		17,615,118	17,455,058
		55,016,185	53,343,341
Information technology expenses			
Software maintenance		12,738,667	7,550,749
Hardware maintenance		2,603,446	1,911,398
Amortisation		3,926,760	4,422,525
Network charges		5,941,406	4,324,979
		25,210,279	18,209,651
Other operating expenses			
Shareholders' fee		-	(5,293,500)
Directors' fees and allowances		22,190,000	25,250,000
Legal and professional charges		5,698,764	5,708,367
Consultancy, custodial and rating services		12,526,092	9,379,323
Outsourced services costs		38,046,155	40,668,689
Travelling and conveyance		30,538,417	36,723,947
Depreciation		30,799,172	28,215,423
Training and development		3,557,823	2,819,548
Postage and courier charges		432,486	419,168
Communication		4,267,188	4,085,899
Stationery and printing		5,770,209	5,451,222
Marketing, advertisement and publicity		5,262,708	2,672,104
Donations	29.2	2,327,582	3,000,000
Auditors' remuneration	29.3	3,065,000	3,200,250
Repair and maintenance		7,123,834	4,438,299
Insurance		2,226,807	1,879,022
Office and general expenses		19,338,582	16,199,043
Bank charges		259,520	254,813
		193,430,339	185,071,617
		568,050,356	536,171,894

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

29.1 Total compensation expense

Fees and allowances etc.
Managerial remuneration
i) Fixed
ii) Variable
of which;
a) Cash bonus / awards etc.
b) Bonus & awards in shares etc.
Charge for defined benefit plan
Contribution to defined contribution plan
Compensated absences
Leave fare assistance
Exgratia
Rent & house maintenance
Utilities
Medical
Conveyance
Grant to employee
Others

Sub-total

Sign-on bonus

Severance allowance

Grand total

	2023	2022
	Rupees	
	-	-
	112,647,075	119,285,632
	33,200,000	11,200,000
	-	-
	10,094,219	10,887,223
	7,111,475	10,589,261
	4,473,971	7,694,770
	3,979,619	4,434,247
	7,536,924	9,128,662
	54,901,154	52,492,716
	9,889,934	11,169,873
	20,936,912	19,250,912
	24,293,196	20,181,714
29.1.1	5,329,074	3,232,275
	294,393,553	279,547,285
	-	-
	-	-
	294,393,553	279,547,285

29.1.1 This includes mainly group life insurance for permanent employees.

29.2 Donations

Noon-Educational Services (Pvt) Ltd
Anjuman Faiz-Ul-Islam (Reg) Rawalpindi
Prime Minister's Flood Relief Fund Account 2022
Aziz Jehan Begum Trust For The Blind
Make-A-Wish Foundation Pakistan
Cancer Foundation Hospital

1,000,000	-
1,027,582	-
-	2,000,000
300,000	300,000
-	400,000
-	300,000
2,327,582	3,000,000

29.3 Auditors' remuneration

Grant Thomson Anjum Rahman

Audit fee
Half yearly review
Fee for other statutory certifications
Out of pocket expenses

Fee for other certifications

Tax services

1,820,000	1,700,000
820,000	750,000
250,000	200,000
175,000	175,000
3,065,000	2,825,000
-	375,250
-	-
3,065,000	3,200,250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

		2023	2022
		Rupees	
30. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		-	30,000
		-	30,000
31. CREDIT LOSS ALLOWANCE / PROVISIONS & WRITE OFFS - NET			
Credit loss allowance / provisions against lending to financial institutions		160,987	-
Credit loss allowance / provisions for diminution in value of investments - net	9.3.2	96,799,311	204,114,878
Credit loss allowance / Provisions against loans and advances - net	10.5	328,507,658	113,895,841
Other credit loss allowance		41,900,608	-
Bad debts written off directly		-	-
		467,368,564	318,010,719
32. TAXATION			
Current tax			
Current year		227,093,863	211,252,963
Prior year		2,707,551	47,537,381
		229,801,414	258,790,344
Deferred tax			
Current year		(169,527,086)	(168,516,347)
Prior year		-	-
		(169,527,086)	(168,516,347)
	32.1	60,274,328	90,273,997
32.1 Relationship between tax expense and accounting profit			
Accounting profit for the year		-	443,075,339
Tax rate		-	29%
Tax on accounting profit		-	128,491,848
Tax effect on income subject to lower rate of taxation		-	(73,641,008)
Tax effect of prior years		-	47,537,381
Impact of super tax for current year		-	31,327,256
Impact of change of rate on deferred tax		-	(99,581,727)
Reversal of deferred tax asset for prior year		-	-
Minimum tax of subsidiary company		-	7,644,770
Permanent differences on			
Reversal of provision against investment		-	47,113,204
Expenses not claimable against rental income		-	(2,089,590)
Right of use asset under IFRS - 16 Leases		-	-
Others		-	3,471,863
		-	90,273,997
32.2	Current year income of the Holding Company is subject to alternate corporate tax under section 113(c) of the Income Tax Ordinance, 2001 (the "Ordinance").		
33. BASIC / DILUTED EARNINGS PER SHARE			
Profit for the year - Rupees		528,352,296	352,801,342
Weighted average number of ordinary shares		676,500,000	676,500,000
Basic / diluted earnings per share - Rupee		0.781	0.522

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

34. CASH AND CASH EQUIVALENTS

Cash and Balance with treasury banks
Balance with other banks - Gross

2023	2022
----- Rupees -----	
134,586,641	116,440,110
96,857,423	137,866,992
231,444,064	254,307,102

35. STAFF STRENGTH

Permanent
On Group contract
Group own staff strength at the end of the year

2023	2022
----- (Number) -----	
71	73
2	1
73	74

35.1 In addition to the above, 76 (2022: 85) employees of outsourcing services companies were assigned to the Company as at the end of the year to perform services other than security and janitorial services. No employee was working abroad.

36. DEFINED BENEFIT PLAN

36.1 General description

The Group operates an approved funded gratuity scheme for all its regular employees and GM/CEO. Contributions are made in accordance with the actuarial recommendations. The benefits under the gratuity fund are payable in lump sum on retirement at the age of 60 years or earlier cessation of service, subject to minimum service period of three years. The benefit is equal to month's last drawn basic salary for each completed year of eligible service and on pro-rata basis for the incomplete year. The latest actuarial valuation of defined benefit plan was conducted at December 31, 2023 using the projected unit credit method. Detail of the defined benefit plan are:

36.2 Number of employees under the scheme

The number of employees covered under the following defined benefit scheme are:

	2023	2022
	----- (Number) -----	
Gratuity fund	72	74

36.3 Principal actuarial assumptions

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

	2023	2022
Discount rate - (the Holding Company)	15.50% per annum	14.50% per annum
Discount rate - (the subsidiary company)	15.50% per annum	11.75% per annum
Expected rate of return on plan assets	18.01% per annum	12.57% per annum
Expected rate of salary increase - (the Holding Company)	13.50% per annum	12.50% per annum
Expected rate of salary increase - (the subsidiary company)	N/A	N/A
Mortality rates	SLIC (2001-05)-1	SLIC (2001-05)-1
Rate of employee turnover	Moderate	Moderate

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
	----- Rupees -----	
36.4 Reconciliation of payable to defined benefit plans		
Present value of obligations	59,153,148	78,318,840
Fair value of plan assets	(56,807,049)	(68,303,106)
Payable to Member	-	-
Net liability payable	<u>2,346,099</u>	<u>10,015,734</u>
36.5 Movement in defined benefit obligations		
Obligations at the beginning of the year	78,318,840	67,985,232
Current service cost	8,720,211	7,947,441
Interest cost	11,565,423	7,958,153
Benefits paid by the Group	(31,823,654)	(9,439,947)
Past service cost / (Plan Curtailment)	-	2,108,206
Benefits Payable	-	-
Re-measurement loss	(7,627,672)	1,759,755
Obligations at the end of the year	<u>59,153,148</u>	<u>78,318,840</u>
36.6 Movement in fairvalue of plan assets		
Fair value at the beginning of the year	68,303,106	60,397,842
Interest income on plan assets	10,191,415	7,126,577
Contributions by Group - net	10,219,869	10,308,832
Benefits paid by the Fund to the Group	(31,823,654)	(9,867,808)
Re-measurements: net return on plan assets over interest income - loss	36.8.2 (83,687)	337,663
Fair value at the end of the year	<u>56,807,049</u>	<u>68,303,106</u>
36.7 Movement in payable under defined benefit schemes		
Opening balance	10,015,734	8,015,251
Charge for the year	10,094,219	10,887,223
Benefits paid to outgoing members	(31,823,654)	(9,439,947)
Contribution by the Group - net	(10,219,869)	(10,308,832)
Re-measurement loss recognised in OCI during the year	36.8.2 (7,543,985)	1,422,092
Amount paid by the fund to the Group	31,823,654	9,439,947
Closing balance	<u>2,346,099</u>	<u>10,015,734</u>
36.8 Charge for defined benefit plans		
36.8.1 Cost recognised in profit and loss		
Current service cost	8,720,211	7,947,441
Past service cost (credit) arising on plan curtailment	-	2,108,206
Net interest on defined benefit liability	1,374,008	831,576
	<u>10,094,219</u>	<u>10,887,223</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

36.8.2 Re-measurements recognised in OCI during the year

	2023	2022
	----- Rupees -----	
Loss / (gain) on obligation	-	-
- Demographic assumptions	393,335	920,363
- Financial assumptions	(8,021,007)	839,392
- Experience adjustments		
Total actuarial loss on obligation	(7,627,672)	1,759,755
Return on plan assets over interest income - loss	83,687	(337,663)
Total re-measurements recognised in OCI	(7,543,985)	1,422,092

36.9 Components of plan assets

Cash and cash equivalents - net	4,496,036	5,390,951
Term deposit receipts (TDR) / Certificate of Investment - unquoted	49,435,055	60,448,597
Investment in mutual funds	2,875,958	2,463,558
	56,807,049	68,303,106

36.9.1 There is no significant risk associated with the plan assets, as it consists of fixed interest rate bearing TDR's and saving accounts with financial institutions having satisfactory credit ratings.

36.10 Sensitivity analysis

A sensitivity analysis is performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the gratuity scheme. The increase in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

	2023	2022
	----- Rupees -----	
Discount rate +0.5%	54,441,714	74,156,278
Discount rate -0.5%	58,662,905	78,443,112
Long term salary increase +0.5%	58,819,910	78,647,254
Long term salary increase -0.5%	54,277,215	73,944,945
		2024
		---- Rupees ----

36.11 Expected contributions to be paid to the fund in the next financial year

7,301,419

36.12 Expected charge for next financial year

Current service cost	7,024,022
Net interest on defined benefit asset / liability	277,397
	7,301,419

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

2023 2022
----- Rupees -----

36.13 Maturity profile

Distribution of timing of benefit payments (years)

- 1	8,215,889	5,790,920
- 2	11,990,331	42,119,346
- 3	3,682,441	11,911,730
- 4	5,556,837	3,517,027
- 5	6,623,269	5,335,696
- 6-10	140,098,187	103,796,055

Weighted average duration of the PBO (years) - (the Holding Company)	6.96	5.27
Weighted average duration of the PBO (years) - (the subsidiary company)	6.00	6.00

36.14 Funding Policy

An implicit, though not formally expressed objective is that the liabilities under the scheme in respect of members in service on the valuation date on a going concern basis and having regard to projected future salary increases, should be covered by the Fund on the valuation date, the total book reserve as of the valuation date, future contributions to the Fund, future additions to the book reserve and future projected investment income of the Fund.

36.15 Significant risk associated with the staff retirement benefit schemes

Asset volatility	The risk of the investment underperforming and not being sufficient to meet the liabilities.
Changes in bond yields	Not applicable as underlying interest rate on bonds is fixed.
Inflation risk	The investment and bank balances may lose its value due to the increase of general inflation rate.
Life expectancy	The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.
Withdrawal rate	The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

37. DEFINED CONTRIBUTION PLAN

The Group operates a recognized provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Group and by the employees to the Fund at the rate of 10% of basic salary of the employee. Payments are made to the employees as specified in the rules of the Fund. As per latest available unaudited financial statements of the Fund, total assets of the Fund as at December 31, 2023 were Rs. 133,724,385 (2022: Rs. 141,427,906).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

38. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

38.1 Total compensation expense

Items	2023			
	Chairman	Directors Executives (other than CEO)	Non-Executives	GM / CEO Key Management Personnel
	Rupees			
Fees and allowances etc.	3,990,000	-	18,200,000	280,000
Managerial remuneration				
i) Fixed	-	-	-	12,446,874
ii) Total variable	-	-	-	-
of which				
a) Cash bonus / awards	-	-	-	3,130,000
b) Bonus & awards in shares	-	-	-	-
Charge for defined benefit plan	-	-	-	2,915,925
Contribution to defined contribution plan	-	-	-	1,032,109
Compensated absences	-	-	-	-
Leave fare assistance	-	-	-	856,486
Ex gratia	-	-	-	1,022,596
Rent & house maintenance	-	-	-	7,210,900
Utilities	-	-	-	1,844,072
Medical	-	-	-	406,903
Conveyance	-	-	-	1,475,274
Others	-	-	-	2,000,000
Total	3,990,000	-	18,200,000	34,621,139
Number of persons	1	-	7	2
				16

In addition to above, the GM / CEO of the Holding Company and certain other key management personnel are provided with Group maintained vehicles and club membership in accordance with their terms of employment.

For the purposes of the foregoing, the term "Key Management Personnel" as per BPRD Circular No. 2 dated January 25, 2018 means the following functional responsibilities:

- (a) Any executive or key executive, acting as second to GM, by whatever name called, and including the Chief Operating Officer (COO) and Deputy Managing Director.
- (b) Any executive or key executive reporting directly to the GM / Chief Executive or the person mentioned in (a) above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

Items	2022				
	Directors			Key Management Personnel	
	Chairman	Executives (other than CEO)	Non-Executives		
-----Rupees-----					
Fees and Allowances etc.	4,650,000	-	20,600,000	320,000	-
Managerial Remuneration					
i) Fixed	-	-	-	28,127,115	42,721,964
ii) Total Variable	-	-	-	-	-
of which					
a) Cash Bonus / Awards	-	-	-	300,000	3,743,965
b) Bonus & Awards in Shares	-	-	-	-	-
Charge for defined benefit plan	-	-	-	2,576,121	2,989,289
Contribution to defined contribution plan	-	-	-	2,634,736	3,585,443
Compensated absences	-	-	-	3,806,660	1,446,742
Leave fare assistance	-	-	-	2,196,150	2,238,097
Exgratia	-	-	-	2,344,464	3,474,132
Rent & house maintenance	-	-	-	7,560,000	19,960,774
Utilities	-	-	-	3,532,665	3,474,897
Medical	-	-	-	408,000	6,093,434
Conveyance	-	-	-	3,938,787	9,348,944
Others	-	-	-	-	-
Total	4,650,000	-	20,600,000	57,744,698	99,077,681
Number of Persons	1	-	5	2	15

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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

		2023					
		Meeting Fees and Allowances Paid					
		For Board Committees					
Sr. No.	Name of Directors	For Board Meetings	For Annual General Meeting	Audit Committee	Risk Management Committee	Human Resource Committee	Total Amount Paid
-----Rupees-----							
1	Sultan Mohammed Hasan Abdulrauf	3,000,000	150,000	-	-	840,000	3,990,000
2	Majid Misfer J. Alghamdi	1,400,000	80,000	850,000	200,000	-	2,530,000
3	Ghanem Alghanem	1,900,000	80,000	900,000	400,000	750,000	4,030,000
4	Zafar Hasan	1,500,000	80,000	-	250,000	500,000	2,330,000
5	Awais Manzur Sumra	1,000,000	-	250,000	-	250,000	1,500,000
6	Qumar Sanwar Abbasi	2,200,000	80,000	1,000,000	450,000	-	3,730,000
7	Mohammad Tanvir Butt	1,500,000	80,000	500,000	-	500,000	2,580,000
8	Ali Tahir	1,000,000	-	-	250,000	250,000	1,500,000
Total Amount Paid		13,500,000	550,000	3,500,000	1,550,000	3,090,000	22,190,000

In addition to the above, boarding/lodging expenses of the Directors' for attending meetings are borne by the Group and are included in traveling expenses under other operating expenses.

		2022					
		Meeting Fees and Allowances Paid					
Sr. No.	Name of Directors	For Board Committees					Total Amount Paid
		For Board Meetings	For Annual General Meeting	Audit Committee	Risk Management Committee	Human Resource Committee	
		-----Rupees-----					
1	Sultan Mohammed Hasan Abdulrauf	3,600,000	150,000	-	-	900,000	4,650,000
2	Majid Misfer J.Alghamdi	2,400,000	80,000	950,000	450,000	450,000	4,330,000
3	Ghanem Alghanem	2,400,000	80,000	900,000	450,000	250,000	4,080,000
4	Zafar Hasan	3,000,000	80,000	-	500,000	500,000	4,080,000
5	Qumar Sarwar Abbasi	2,700,000	80,000	950,000	500,000	-	4,230,000
6	Mohammad Tanvir Butt	2,400,000	80,000	700,000	-	700,000	3,880,000
Total Amount Paid		16,500,000	550,000	3,500,000	1,900,000	2,800,000	25,250,000

In addition to the above, boarding/lodging expenses of the Directors' for attending meetings are borne by the Group and are included in traveling expenses under other operating expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

39. FAIR VALUE MEASUREMENTS

The fair value of traded investments is based on quoted market prices, except for securities classified by the Group as 'amortised cost'. Securities classified as amortised cost are carried at amortised cost. Fair value of unquoted equity investments, other than subsidiary and associates, is determined on the basis of break up value of these investments as per the latest available audited financial statements. Further, financial statements of several unquoted equity investments are not available whether due to liquidation or litigation, hence, breakup value of these investments can not be determined.

Fair value of unquoted debt securities, fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group's accounting policy as stated in note 5.5

Fair value of remaining financial assets and liabilities except fixed term loans, staff loans, non-performing advances and fixed term deposits is not significantly different from the carrying amounts since assets and liabilities are either short term in nature or are frequently repriced in the case of customer loans and deposits.

39.1 Fair value of financial assets

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

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets (Pakistan Stock Exchange) 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) available at MUFAP, Reuters page, redemption prices determined by valuers on the panel of Pakistan Bank's Association .
- Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments carried at fair values, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Carrying / Notional Value	2023			
		Level 1	Level 2	Level 3	Total
		----- Rupees -----			
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	25,140,496,800	-	25,140,496,800	-	25,140,496,800
Shares	1,377,529,300	1,377,529,300	-	-	1,377,529,300
Open end Mutual Fund	132,664,516	132,664,516	-	-	132,664,516
Non-Government Debt Securities	980,803,415	-	980,803,415	-	980,803,415
Financial assets - disclosed but not measured at fair value					
Investments					
Federal Government Securities	6,241,392,062	-	-	6,241,392,062	6,241,392,062
Non-Government Debt Securities	586,301,454	-	-	586,301,454	586,301,454
Cash and balances with treasury banks	134,586,641	-	-	-	-
Balances with other banks	96,679,459	-	-	-	-
Advances	8,262,473,645	-	-	-	-
Other assets	2,621,274,925	-	-	-	-
Off-balance sheet financial instruments - measured at fair value		-	-	-	-
	Carrying / Notional Value	Level 1	Level 2	Level 3	Total
		----- Rupees -----			
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	31,193,768,300	-	31,193,768,300	-	31,193,768,300
Shares	2,225,006,399	2,225,006,399	-	-	2,225,006,399
Open end Mutual Fund	189,328,632	-	189,328,632	-	189,328,632
Non-Government Debt Securities	891,725,421	-	891,725,421	-	891,725,421
Financial assets - disclosed but not measured at fair value					
Investments					
Non-Government Debt Securities	1,000,515,000	-	-	1,000,515,000	1,000,515,000
Federal Government Securities	143,666,166	-	-	143,666,166	143,666,166
Cash and balances with treasury banks	116,440,110	-	-	-	-
Balances with other banks	137,866,992	-	-	-	-
Advances	9,119,337,560	-	-	-	-
Other assets	2,249,071,400	-	-	-	-
Off-balance sheet financial instruments - measured at fair value		-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Items	Valuation approach and input used
Federal Government securities	The fair values of Federal Government securities are determined on the basis of PKRV rates / prices sourced from Mutual Funds Association of Pakistan (MUFAP) and these securities are classified under level 2.
Non-Government Debt Securities	Investment in Non-Government Debt Securities determined in Rupees are valued on the basis of rates announced by MUFAP. These are classified in level 2. Where market rates of these securities are not available on MUFAP as at December 31, 2023, therefore, these securities are classified level 3.

39.2 The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused such transfer. There were no transfers between levels 1 and 2 during the year.

39.3 Fair value of non-financial assets

In case of non-financial assets, the Group has adopted revaluation model (as per IAS 16) in respect of leasehold land, building and non-banking assets acquired in satisfaction of claims.

The property and equipment of the Holding Company were recently revalued by independent professional valuer as at December 31, 2021. The revaluation was carried out by M/s Impulse (Pvt) Limited on the basis of professional assessment of present market values.

The non banking assets acquired from Irfan Textile were last revalued by independent professional valuer in December 2021. The revaluation was carried out by M/s Amir Evaluators and consultants on the basis of professional assessment of recent market values.

	2023			
	Level 1	Level 2	Level 3	Total
	Rupees			
Non-financial assets				
Operating fixed assets				
Property and equipment (lease hold land, building & others)	-	-	4,420,051,054	4,420,051,054
Other assets				
Non banking assets acquired in satisfaction of claims	-	-	71,439,012	71,439,012
	2022			
	Level 1	Level 2	Level 3	Total
	Rupees			
Non-financial assets				
Operating fixed assets				
Property and equipment (lease hold land, building & others)	-	-	4,292,468,333	4,292,468,333
Other assets				
Non banking assets acquired in satisfaction of claims	-	-	74,545,056	74,545,056

Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Items	Valuation approach and input used
Operating fixed assets and non-banking assets acquired in satisfaction of claims	Land, buildings and other fixed assets and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

40. SEGMENT INFORMATION

40.1 Segment details with respect to business activities

	2023			
	Corporate Finance	Trading and sales	Building rental services	Total
	Rupees			
Profit & loss				
Net mark-up/return/profit	12,678,856	325,441,206	20,278,266	358,398,328
Non mark-up / return / interest income	56,223,795	893,902,886	315,520,535	1,265,647,216
Total income	68,902,651	1,219,344,092	335,798,801	1,624,045,544
Segment direct expenses	90,833,841	453,745,294	23,471,221	568,050,356
Total expenses	90,833,841	453,745,294	23,471,221	568,050,356
Provisions	446,821,173	20,547,391	-	467,368,564
Profit before tax	(468,752,363)	745,051,407	312,327,580	588,626,624
Balance sheet				
Cash & bank balances	-	224,887,948	6,378,152	231,266,100
Investments	880,253,885	33,956,269,154	132,664,516	34,969,187,555
Lendings to financial institutions	-	3,249,994,713	-	3,249,994,713
Advances - performing	7,997,516,086	-	253,503	7,997,769,589
Advance - non-performing net of provision	264,704,056	-	-	264,704,056
Others	2,227,143,677	4,474,365,605	3,027,349,188	9,728,858,470
Total asset:	11,369,617,704	41,905,517,420	3,166,645,359	56,441,780,483
Borrowings	7,755,256,526	29,444,031,600	-	37,199,288,126
Deposits & other accounts	3,665,000,000	-	-	3,665,000,000
Others	194,365,461	699,578,833	190,822,168	1,084,766,462
Total liabilities	11,614,621,987	30,143,610,433	190,822,168	41,949,054,588
Equity	-	-	-	14,492,725,895
Total equity & liabilities	11,614,621,987	30,143,610,433	190,822,168	56,441,780,483
Contingencies & commitments	6,480,570,445	1,905,007	1,033,443	6,483,508,895
	2022			
	Corporate Finance	Trading and sales	Building rental services	Total
	Rupees			
Profit & loss				
Net mark-up/return/profit	211,295,942	289,277,732	24,955,347	525,529,021
Non mark-up / return / interest income	8,950,000	495,858,711	266,950,220	771,758,931
Total income	220,245,942	785,136,443	291,905,567	1,297,287,952
Segment direct expenses	112,356,245	400,529,436	23,316,213	536,201,894
Total expenses	112,356,245	400,529,436	23,316,213	536,201,894
Provisions / (reversals)	97,424,113	220,586,606	-	318,010,719
Profit before tax	10,465,584	164,020,401	268,589,354	443,075,339
Balance sheet				
Cash & bank balances	-	244,312,890	9,994,212	254,307,102
Investments	1,000,515,000	34,820,500,128	332,994,798	36,154,009,926
Lendings to financial institutions	-	-	-	-
Advances - performing	8,610,024,073	-	47,498	8,610,071,571
- non-performing	509,265,989	-	-	509,265,989
Others	1,686,531,797	3,607,102,073	3,054,026,140	8,347,660,010
Total asset:	11,806,336,859	38,671,915,091	3,397,062,648	53,875,314,598
Borrowings	9,633,924,998	27,140,941,851	-	36,774,866,849
Deposits & other accounts	511,628,107	1,441,371,893	-	1,953,000,000
Others	138,698,706	467,570,571	204,220,938	810,490,215
Total liabilities	10,284,251,811	29,049,884,315	204,220,938	39,538,357,064
Equity	-	-	-	14,336,957,534
Total equity & liabilities	10,284,251,811	29,049,884,315	204,220,938	53,875,314,598
Contingencies & commitments	818,555,809	2,537,828	8,022,081	829,115,718

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40.2 Segment details with respect to geographical locations

GEOGRAPHICAL SEGMENT ANALYSIS

Profit & loss

Net mark-up/return/profit	358,398,328
Inter segment revenue - net	-
Non mark-up / return / interest income	1,265,647,216
Total income	1,624,045,544

Segment direct expenses	568,050,356
Inter segment expense allocation	-
Total expenses	568,050,356
Provisions	467,368,564
Profit before tax	588,626,624

Balance sheet

Cash & bank balances	231,266,100
Investments	34,969,187,555
Net inter segment lendings	-
Lendings to financial institutions	3,249,994,713
Advances - performing	7,997,769,589
Advances - non-performing net of provision	264,704,056
Others	9,728,858,470

Total asset:

Borrowings	37,199,288,126
Deposits & other accounts	3,665,000,000
Net inter segment borrowing	-
Others	1,084,766,462

Total liabilities

Equity	14,492,725,895
Total equity & liabilities	56,441,780,483

Contingencies & commitments

Profit & loss

Net mark-up/return/profit	525,529,021
Inter segment revenue - net	-
Non mark-up / return / interest income	771,758,931
Total Income	1,297,287,952

Segment direct expenses	536,201,894
Inter segment expense allocation	-
Total expenses	536,201,894
Provisions	318,010,719
Profit before tax	443,075,339

Balance sheet

Cash & bank balances	254,307,102
Investments	36,154,009,926
Net inter segment lendings	-
Lendings to financial institutions	-
Advances - performing	8,610,071,571
Advances - non-performing net of provision	509,265,989
Others	8,347,660,010

Total asset:

Borrowings	36,774,866,849
Deposits & other accounts	1,953,000,000
Net inter segment borrowing	-
Others	810,490,215

Total liabilities

Equity	39,538,357,064
Total equity & liabilities	14,336,957,534

Contingencies & commitments

	2023	
	In Pakistan	Outside Pakistan
	Rupees	
Net mark-up/return/profit	358,398,328	-
Inter segment revenue - net	-	-
Non mark-up / return / interest income	1,265,647,216	-
Total income	1,624,045,544	-
Segment direct expenses	568,050,356	-
Inter segment expense allocation	-	-
Total expenses	568,050,356	-
Provisions	467,368,564	-
Profit before tax	588,626,624	-
Cash & bank balances	231,266,100	-
Investments	34,969,187,555	-
Net inter segment lendings	-	-
Lendings to financial institutions	3,249,994,713	-
Advances - performing	7,997,769,589	-
Advances - non-performing net of provision	264,704,056	-
Others	9,728,858,470	-
Total asset:	56,441,780,483	-
Borrowings	37,199,288,126	-
Deposits & other accounts	3,665,000,000	-
Net inter segment borrowing	-	-
Others	1,084,766,462	-
Total liabilities	41,949,054,588	-
Equity	14,492,725,895	-
Total equity & liabilities	56,441,780,483	-
Contingencies & commitments	6,483,508,895	-
	2022	
	In Pakistan	Outside Pakistan
Net mark-up/return/profit	525,529,021	-
Inter segment revenue - net	-	-
Non mark-up / return / interest income	771,758,931	-
Total Income	1,297,287,952	-
Segment direct expenses	536,201,894	-
Inter segment expense allocation	-	-
Total expenses	536,201,894	-
Provisions	318,010,719	-
Profit before tax	443,075,339	-
Cash & bank balances	254,307,102	-
Investments	36,154,009,926	-
Net inter segment lendings	-	-
Lendings to financial institutions	-	-
Advances - performing	8,610,071,571	-
Advances - non-performing net of provision	509,265,989	-
Others	8,347,660,010	-
Total asset:	53,875,314,598	-
Borrowings	36,774,866,849	-
Deposits & other accounts	1,953,000,000	-
Net inter segment borrowing	-	-
Others	810,490,215	-
Total liabilities	39,538,357,064	-
Equity	14,336,957,534	-
Total equity & liabilities	53,875,314,598	-
Contingencies & commitments	829,115,718	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

41 RELATED PARTY TRANSACTIONS

The Government of Kingdom of Saudi Arabia and the Islamic Republic of Pakistan, each own 50% shares of the Holding Company. Therefore, all entities owned by and controlled by these Governments are related parties of the Group. Other related parties comprise of entities over which the Group has control (subsidiaries), entities over which the directors are able to exercise significant influence (associated undertakings), entities with common directors, major shareholders, directors, key management personnel and employees' funds. The Group in normal course of business pays for electricity, gas and telephone to entities controlled by Government of Pakistan. Contributions to and accruals in respect of Staff Gratuity Fund are made in accordance with the actuarial valuation.

Transactions which are made under the terms of employment with related parties mainly comprise of loans and advances, deposits etc.

Advances for the house building, conveyance and personal use have also been provided to staff and executives in accordance with the employment and pay policy. Facility of group life insurance and hospitalization facility is also provided to staff and executives. In addition to this, majority of executives of the group have been provided with Group maintained car.

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				
	Shareholders	Directors	Key management personnel	Associates	Other related parties	Shareholders	Directors	Key management personnel	Associates	Other related parties
Rupees:-										
Lendings to financial institutions										
Opening balance	-	-	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	-	180,081,049,393	-	-	-	-	19,492,212,383
Repaid during the year	-	-	-	-	(177,430,893,693)	-	-	-	-	(19,492,212,383)
Closing balance	-	-	-	-	3,250,155,700	-	-	-	-	-
Investments										
Opening balance	-	-	-	-	199,640,000	-	-	-	-	199,720,000
Investment made during the year	-	-	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	(80,000)	-	-	-	-	(80,000)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	576,676,075	199,560,000	-	-	-	-	199,640,000
Provision for diminution in value of investments	-	-	-	576,676,075	338,339	-	-	-	-	-
Advances										
Opening balance	-	-	24,564,071	-	-	-	-	26,026,994	-	-
Addition during the year	-	-	471,578,953	-	-	-	-	10,412,718	-	-
Repaid during the year	-	-	(8,079,178)	-	-	-	-	(12,894,098)	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	1,018,517	-	-
Closing balance	-	-	63,642,786	-	-	-	-	24,564,071	-	-
Provision held against advances	-	-	-	-	-	-	-	-	-	-
Non-current asset classified as held for sale										
Opening balance	-	-	-	576,676,075	-	-	-	-	576,676,075	-
Addition during the year	-	-	-	-	-	-	-	-	-	-
Repaid during the year	-	-	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	(576,676,075)	-	-	-	-	576,676,075	-
Closing balance	-	-	-	-	-	-	-	-	576,676,075	-
Provision for Non-current asset classified as held for sale	-	-	-	-	-	-	-	-	576,676,075	-
Other assets - Income / markup accrued	-	-	-	-	14,837,624	-	-	-	-	6,511,442
Other assets - security deposit	-	-	-	-	-	-	-	-	-	-
Provision against other assets	-	-	-	-	-	-	-	-	-	-
Borrowings										
Opening balance	-	-	-	-	-	-	-	-	-	-
Borrowings during the year	-	-	-	-	20,907,677,325	-	-	-	-	6,670,000,000
Settled during the year	-	-	-	-	(20,907,677,325)	-	-	-	-	142,563,911,654
Closing balance	-	-	-	-	-	-	-	-	-	(149,233,911,654)
Deposits and other accounts										
Opening balance	-	-	-	-	1,353,000,000	-	-	-	-	2,711,587,775
Received during the year	-	-	-	-	1,712,000,000	-	-	-	-	356,073,379
Withdrawn during the year	-	-	-	-	-	-	-	-	-	(1,714,681,154)
Closing balance	-	-	-	-	3,065,000,000	-	-	-	-	1,353,000,000
Other Liabilities										
Interest/mark-up payable	-	-	-	-	17,866,326	-	-	-	-	10,786,083
Payable to defined benefit plan	-	-	-	-	2,346,099	-	-	-	-	10,015,734
Dividend payable to foreign shareholder	-	-	-	-	-	82,500,000	-	-	-	-
Security deposit	-	-	-	-	2,988,372	-	-	-	-	2,366,908
Rent received in advance	-	-	-	-	33,886,810	-	-	-	-	24,773,648
Income										
Mark-up / return / interest earned	-	-	793,803	-	233,444,774	-	-	754,188	-	42,924,206
Dividend income	-	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	34,378,212	-	-	-	-	26,226,209
Expense										
Mark-up / return / interest expensed	-	-	-	-	672,638,606	-	-	-	-	781,514,882
Contribution to employees' funds	-	-	-	-	7,390,523	-	-	-	-	10,925,207
Directors' fees and allowances	-	221,90,000	-	-	-	-	25,250,000	-	-	-
Shareholders' fee	-	-	-	-	-	-	-	-	-	(5,293,500)
Operating expenses	-	-	138,399,504	428,960	-	-	-	1,56,82,2379	388,780	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
	----- Rs '000' -----	
42. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	6,765,000	6,765,000
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	12,299,877	12,253,559
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	12,299,877	12,253,559
Eligible Tier 2 Capital	1,680,616	1,124,774
Total Eligible Capital (Tier 1 + Tier 2)	13,980,493	13,378,333
Risk Weighted Assets (RWAs):		
Credit Risk	26,355,145	22,217,420
Market Risk	3,489,031	6,111,660
Operational Risk	3,099,671	2,876,520
Total	32,943,848	31,205,600
Common Equity Tier 1 Capital Adequacy ratio	37.34%	39.27%
Tier 1 Capital Adequacy Ratio	37.34%	39.27%
Total Capital Adequacy Ratio	42.44%	42.87%
As of December 2023, the Holding Company is required to meet a Tier 1 to RWA ratio and CAR, including CCB, of 7.5% and 11.5% respectively.		
Standardized Approach is used for calculating the Capital Adequacy for Market and Credit Risk while Basic Indicator Approach (BIA) is used for Operational Risk.		
Leverage Ratio (LR):		
Eligible Tier-1 Capital	12,299,877	12,253,559
Total Exposures	62,329,101	53,966,116
Leverage Ratio	19.73%	22.71%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	4,903,416	4,639,985
Total Net Cash Outflow	2,987,739	3,295,451
Liquidity Coverage Ratio	164.12%	140.80%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	37,546,620	36,098,612
Total Required Stable Funding	24,290,905	21,362,298
Net Stable Funding Ratio	154.57%	168.98%

42.1 The link to the full disclosures for capital adequacy, leverage and liquidity ratios will be available at <https://www.saudipak.com/financial/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

43. RISK MANAGEMENT

The Group defines risk as the possibility that an action or event could have adverse outcomes, which could either result in a direct loss of earnings / capital, or the imposition of constraints on the ability to meet objectives. In the normal course of business, the Group is exposed to various risks, including, but not limited to, credit, market, liquidity, and operational risks. The Group recognizes that management of these risks is essential for maintaining financial viability and achieving objectives. In this regard, the Group's approach to risk management is to ensure the ongoing alignment of its risk levels with its risk appetite through a coordinated set of activities that direct and control the Group with regard to risk.

The Group's overall appetite for risk is governed by its Board of Directors (Board) approved "Risk Management Policy", which delineates key definitions, roles and responsibilities, risk appetite / risk limits, and principles for managing risk across the Group. The Group's Risk Management Framework, comprising of the Risk Management Policy, other Board-approved policies, procedural manuals, sound management information system (MIS) and reporting, and clearly articulated roles, responsibilities and accountabilities, is fundamental to the Group's overall risk management culture and awareness.

The Group recognizes that responsibility for risk management resides at all levels, since the risk management processes rely on individual responsibility and independent oversight. The Board, duly supported by its Risk Management Committee, is accountable for ensuring that adequate and sound structures and policies are in place for risk management. The Management's role is to transform strategic decisions and risk appetite set by the Board into effective processes and systems, and to institute an appropriate hierarchy to execute and implement the approved policies and procedures. In this regard, the Group has implemented a three-line-of-defense approach, wherein as a first line of defense, risk management activities are performed in the business units and functional support units, with the Divisional Heads being accountable for managing risk in their area of operations in accordance with the Risk Management Framework, as well as for the results (both positive and negative) of taking these risks.

To assist in discharge of these responsibilities and accountabilities, various cross-functional committees have been constituted at the Senior Management level, and delegation of authority in financial / operational powers for the Divisions / Regional Offices has been clearly defined. The Risk Management Division (RMD) and Compliance Division (CD) serve as second-line of defense by providing independent oversight of the Group's risk-taking activities and regulatory compliance respectively. The RMD's responsibilities include the design of a clear, transparent and well-aligned Risk Management Policy, independent pre-approval risk reviews of proposals and policies, and ongoing assessment, monitoring and reporting of risks at the portfolio and enterprise level through a broad spectrum of techniques.

The second-line-of-defense is further strengthened through the presence of cross-functional committees such as Risk Review Committee, Operational Risk Management Committee and Compliance Committee. The Internal Audit Division functions as the third-line-of-defense, with direct reporting to the Audit Committee of the Board and independently carrying out internal audits in line with its approved roles and responsibilities.

On an enterprise level, risk monitoring results for the year revealed that the Group's Capital Adequacy Ratio (CAR) remained well above both the internal as well as the regulatory requirements throughout the year, and that the capital and liquidity position remained resilient even under stress.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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43.1 Credit Risk

Credit risk is the risk of loss to the Group's earnings or capital arising from the potential that an obligor is either unwilling to perform on an obligation or its ability to perform on such obligation is impaired. Credit risk arises primarily from the Group's advances / debt investments portfolio and lending to financial institutions (FIs) portfolio. Credit risk may also arise at the portfolio level in case of inadequate diversification of the advances portfolio, in terms of industrial sectors, regions, products, or clients.

Pursuit of credit risk is essential to fulfilling the corporate objectives of the Group, and is a primary source of income, conversely, also constituting one of the greatest risk of losses. In this regard, focus is primarily on bankable transactions, offering adequate risk & reward relationship with satisfactory security support. The Group's credit risk management process encompasses identification, assessment, monitoring and control of credit risk exposures. As part of this process, obligor risk, facility risk and environmental risk are carefully evaluated using internal risk rating methodologies, as articulated in the Group's Internal Credit Risk Rating Policy.

Advances exposures are invariably secured by credit risk mitigants in the form of various types of collateral / security with adequate margins. Readily marketable / liquid securities / urban properties are preferred over other forms of collateral. Credit risk stress testing is regularly carried out to identify vulnerable areas for initiating corrective action, if necessary. Regular assessment, monitoring and reporting of the performing & non-performing credit risk portfolio in terms of trends & concentrations, is made by the Risk Management Division (RMD) to the Risk Review Committee and Risk Management Committee of the Board. Board-approved Credit Policy, Credit Risk Policy, Credit Administration Policy, and Special Asset Management Policy are in place, clearly establishing relevant roles and responsibilities, selection criteria, principles and limits for credit risk.

Specific norms for appraisal, sanctioning, documentation, inspections and monitoring, maintenance, rehabilitation and management of assets have been stipulated. Internal controls and processes in place for credit risk management also include:

- Well-defined credit approval and disbursement mechanism, with deliberation at cross-functional committee and review by independent functions;
- Post-disbursement credit administration, monitoring and review, including review of credit ratings;
- Board-approved borrower / group limits well within those prescribed in terms of Prudential Regulations, along with other limits on portfolio concentration, e.g. sectoral limits;
- Board-approved counterparty limits for lendings to FIs in place and regularly reviewed;
- Clear lines of authority for Treasury transactions, and independent Back Office / Settlement Division in place to process deals;
- Independent Middle Office in place at RMD to monitor lending to FIs limit compliance;
- Credit Risk Management Committee-approved insurer-wise limits and eligible valuers in place and reviewed annually;
- Policies & procedures circulated amongst concerned functionaries through the Group's intranet; and
- Various training initiatives to enhance credit risk knowledge for concerned personnel.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

Dedicated Special Asset Management Division (SAMD) and Law Division (LD) are in place to manage past due and impaired assets through litigation, workout or other remedial measures, as appropriate. The Group adheres to the SBP instructions for definitions of past due and impaired assets in the Corporate / Commercial, SME-Medium Enterprise, and SME-Small Enterprise categories respectively.

In addition, the Group applies ECL model for recognizing allowance for credit loss in accordance with IFRS 9 as disclosed in note 5.1.2 to the financial statements.

The Group employs the Basel Standardized Approach to determine capital requirements for credit risk. As per SBP Guidelines, the Group recognizes VIS and PACRA as approved rating agencies and applies their ratings where available to determine appropriate risk weight by using mapping criteria prescribed by SBP. Also the Group developed its internal credit rating policy for assigning obligor risk rating (ORR) as per SBP guidelines. ORR are assigned based on a time horizon that covers the life of the credit. ORR is assigned on a scale of 12 grades, with the first 4 grades (I-IV) representing stage 1 borrowers and afterword 5 grades (V-IX) representing stage 2 in increasing order of riskiness and the last 3 grades (X-XII) representing stage 3/non-performing borrowers. In absence of risk ratings, the exposures are treated as unrated and relevant risk weights are applied. The Group follows Simple Approach for credit risk mitigation in its Basel capital calculation. Under Simple Approach, the risk weight of the mitigant is substituted for the risk weight of the counterparty to the extent coverage is provided by the mitigant, provided the former risk weight is lower than the latter.

The Group is presently not involved in securitization activities.

The Group's maximum credit risk exposure as at December 31, 2023 amounted to:

	2023 Without benefit of collateral	2023 With benefit of collateral
	-----Rupees-----	
Lending to financial institutions	220,000,000	3,030,155,700
Debt investments		
(excluding Government of Pakistan local currency denominated debt)	-	1,567,104,869
	-	8,262,473,645
Advances	220,000,000	12,859,734,214

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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

43.1.1 Lendings to financial institutions

Credit risk by public / private sector

	2023	2022	2023	2022	2023	2022	2023	2022
	Gross lendings		Non-performing lendings		Rupees-----		Provision held	
					Stage 1	Stage 2	Stage 3	
Public / Government	3,250,155,700	-	-	-	160,987	-	-	-
Private	-	-	-	-	-	-	-	-
	3,250,155,700	-	-	-	-	-	-	-

43.1.2 Investment in debt securities

Credit risk by industry sector

	2023	2022	2023	2022	2023	2022	2023	2022
	Gross investments		Non-performing investments		Rupees-----		Provision held	
					Stage 1	Stage 2	Stage 3	
Textile	321,352,500	329,355,000	321,352,500	329,355,000	-	-	287,602,500	295,605,000
Chemical and Pharmaceuticals	258,448,879	272,134,533	258,448,879	272,134,533	-	-	258,448,879	272,134,533
Construction	300,000,000	-	-	-	6,047,569	-	-	-
Power (electricity), Gas, Water, Sanitary	-	500,000,000	-	-	-	-	-	-
Transport, Storage and Communication	37,964,468	37,964,468	37,964,468	37,964,468	-	-	37,964,468	37,964,468
Financial	1,314,908,921	1,359,898,921	3,748,500	3,748,500	1,849,782	69,908,201	3,748,500	3,748,500
	2,232,674,768	2,499,352,922	621,514,347	643,202,501	7,897,351	69,908,201	587,764,347	609,452,501

Credit risk by public / private sector

	2023	2022	2023	2022	2023	2022	2023	2022
	Gross investments		Non-performing investments		Rupees-----		Provision held	
					Stage 1	Stage 2	Stage 3	
Public / Government	199,560,000	199,720,000	-	-	-	-	-	-
Private	2,033,114,768	2,299,632,922	621,514,347	643,202,501	7,897,351	69,908,201	587,764,347	609,452,501
	2,232,674,768	2,499,352,922	621,514,347	643,202,501	7,897,351	69,908,201	587,764,347	609,452,501

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

43.1.3 Advances

Credit risk by industry sector

	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	Gross advances		Non-performing advances		Rupees		Stage 1		Stage 2	
Textile	3,334,612,189	3,218,986,872	1,283,936,652	1,345,653,567	34,128,394	1,162,487,642	1,106,387,578			
Chemical and Pharmaceuticals	230,000,000	-	-	-	7,574,479	-	-			
Cement	1,110,942,228	1,118,795,322	116,206,923	116,206,923	10,187,417	-	116,206,923	116,206,923		
Sugar	243,114,473	243,114,473	243,114,473	243,114,473	-	-	243,114,473	243,114,473		
Automobile and transportation equipment	403,000,000	403,000,000	153,000,000	153,000,000	-	99,055,104	153,000,000	153,000,000		
Electronics and electrical appliances	758,529,371	951,375,492	-	-	11,763,669	-	-	-		
Construction	95,080,094	196,080,094	95,080,094	196,080,094	-	-	95,080,094	196,080,094		
Power (electricity), Gas, Water, Sanitary	800,312,844	1,010,710,571	165,028,752	165,028,752	945,761	75,487,207	165,028,752	165,028,752		
Transport, Storage and Communication	1,600,000,000	1,700,000,000	-	-	28,596,783	-	-	-		
Financial	73,500,000	123,500,000	73,500,000	73,500,000	-	-	73,500,000	73,500,000		
Services	851,000,000	901,000,000	101,000,000	101,000,000	16,432,082	-	101,000,000	101,000,000		
Paper board and products	4,203,851	4,203,851	4,203,851	4,203,851	-	-	4,203,851	4,203,851		
Rubber and plastic products	223,000,000	270,000,000	223,000,000	270,000,000	-	-	79,744,954	-		
Basic metals	153,059,948	178,920,566	69,093,230	69,093,230	1,500,220	-	69,093,230	69,093,230		
Dairy & Poultry	1,052,257,651	1,055,555,554	-	-	-	-	614,180,004	-		
Others	539,815,394	99,343,483	41,250,000	41,250,000	5,370,976	-	41,250,000	41,250,000		
	11,472,428,043	11,474,586,078	2,568,413,975	2,778,130,890	116,499,781	175,564,694	2,917,889,923	2,268,864,901		
	2023	2022	2023	2022	2023	2022	2023	2022		
	Gross advances		Non-performing advances		Rupees		Stage 1		Stage 2	
Public/ Government	11,472,428,043	11,474,586,078	2,568,413,975	2,778,130,890	116,499,781	175,564,694	2,917,889,923	2,268,864,901		
Private	11,472,428,043	11,474,586,078	2,568,413,975	2,778,130,890	116,499,781	175,564,694	2,917,889,923	2,268,864,901		

Credit risk by public / private sector

Public/ Government
Private

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
	-----Rupees-----	
43.1.4 Contingencies and Commitments		
Commitments: credit risk by industry sector		
Textile	500,000,000	378,000,000
Chemical and Pharmaceuticals	370,000,000	-
Cement	5,264,695	5,264,695
Sugar	-	112,000,000
Electronics and electrical appliances	200,180,779	52,390,289
Power (electricity), Gas, Water, Sanitary	3,570,000,000	70,000,000
Transport, Storage and Communication	200,000,000	-
Financial	1,326,800,526	200,000,000
Services	275,000,000	-
Others	36,262,895	11,460,734
	<u>6,483,508,895</u>	<u>829,115,718</u>
Credit risk by public / private sector		
Public/ Government	1,326,800,256	-
Private	5,156,708,639	829,115,718
	<u>6,483,508,895</u>	<u>829,115,718</u>

43.1.5 Concentration of Advances

Top 10 exposures of the Group on the basis of total (funded and non-funded exposures) aggregated to Rs. 7.977 million (2022: Rs. 7.153 million) as follows:

	2023	2022
	-----Rupees-----	
Funded	5,277,467,905	7,153,388,076
Non Funded	2,700,000,000	-
Total Exposure	<u>7,977,467,905</u>	<u>7,153,388,076</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 8,650,000,000 (2022: Rs. 8,025,000,000).

	2023		2022	
	Amount	Credit loss allowance held	Amount	Provision held
	-----Rupees-----			
Total funded classified therein				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

43.1.6 Advances - Province/Region-wise Disbursement & Utilization

	2023					
	Disbursements			Utilization		
Province/Region	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Punjab	-	-	-	-	-	-
Sindh	-	-	-	-	-	-
KPK including FATA	-	-	-	-	-	-
Baluchistan	-	-	-	-	-	-
Islamabad	1,611,913,906	1,381,913,906	230,000,000	-	-	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-
Total	1,611,913,906	1,381,913,906	230,000,000	-	-	-

	2022					
	Disbursements			Utilization		
Province/Region	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Punjab	-	-	-	-	-	-
Sindh	-	-	-	-	-	-
KPK including FATA	-	-	-	-	-	-
Baluchistan	-	-	-	-	-	-
Islamabad	3,756,229,305	2,511,494,000	1,244,735,305	-	-	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-
Total	3,756,229,305	2,511,494,000	1,244,735,305	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

43.2 Market Risk

Market risk is the risk of loss to the Group's earnings or capital arising from potential movements in market risk factors, such as interest rates, equity prices and foreign exchange rates. The Group is exposed to market risk from its banking book as well as trading book exposures, the latter of which includes FVOCI & FVPL investments in debt & listed equity instruments. The Group uses Basel Standardized Approach to assess the market risk for its trading book exposures. The portfolios covered under the approach include the FVOCI & FVPL investments in debt and listed equity instruments. The capital charge required there against is presented in Note 41.

The market risk strategy of the Group is to maximize returns while keeping exposure to market risk at or below the approved levels, provided in the shape of market risk limits. Board-approved Treasury Policy, PMD Investment Policy and Market Risk Policy are in place with defined market risk management parameters / limits to control market risk levels. The Treasury Division (TD) and Portfolio Management Division (PMD) consider economic and market conditions, along with the Group's portfolio mix, diversification and expertise when setting and executing annual business strategy and reviewing policy.

Assets / Liability Management Committee (ALCO) meets monthly, and evaluates liquidity, market and interest rate risk as part of its approved Terms of Reference. An independent Market & Liquidity Risk /Middle Office Unit housed in RMD is tasked to, inter alia, independently monitor, measure and analyze market risk of the Group on daily basis, perform risk review of day-to-day PMD & TD activities, escalate any limit breaches or exceptions on the same working day of identification, review the Group's interest rate risk management framework & methodology, and prepare risk reports for ALCO and RMCB, including review of performance of the investment portfolio.

The Group uses a comprehensive suite of risk measurement techniques to assess market risk in the trading book, which includes monitoring levels and trends in mark-to-market, price value of basis point (PVBP), beta, and Value-at-Risk (VaR) metrics, as well as stress tests and sensitivity analyses based on these measures. VaR is calculated for all trading book positions and portfolios on a daily basis, and measures the estimated maximum loss over a defined horizon based on historical simulation.

The Group calculates its VaR with a 1-day, 10-day and 30-day horizon period using a one-tail, 99% confidence interval in accordance with Basel specifications. The 1-day VaR is further back tested on daily basis against next day's P&L based on actual observed movements in market risk factors. Back testing results suggest that the model is currently providing an appropriate estimate of the risk. For interest rate risk in the banking book, the Group primarily relies on gap analysis & static simulation model. Stress tests are carried out for traded & non-traded market risks on the basis of extreme, yet plausible, stress scenarios. Results produced by the aforementioned models are included in management and Board-committee reporting.

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FOR THE YEAR ENDED DECEMBER 31, 2023

43.2.1 Balance sheet split by trading and banking books

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
		Rupees		Rupees
Cash and balances with treasury banks	134,586,641	-	116,440,110	-
Balances with other banks	96,679,459	-	137,866,992	-
Lendings to financial institutions	3,249,994,713	-	-	-
Investments	8,451,161,455	26,518,026,100	2,735,235,227	33,418,774,699
Advances	8,262,473,645	-	9,119,337,560	-
Fixed assets	4,517,792,493	-	4,384,554,352	-
Intangible assets	6,457,046	-	6,392,003	-
Deferred tax assets	177,686,482	-	61,321,766	-
Other assets	4,845,140,675	-	3,702,657,861	-
Development Properties	181,781,774	-	192,734,028	-
	<u>29,741,972,609</u>	<u>26,518,026,100</u>	<u>20,456,539,899</u>	<u>33,418,774,699</u>
				<u>53,875,314,598</u>

43.2.2 Foreign Exchange Risk

The Group does not actively deal in foreign currency. Its aggregate foreign currency exposure is limited to USD-denominated bank balance, as represented in the table below. As such, the Group's direct exposure to foreign currency risk is minimal, with a favorable impact in case of PKR depreciation.

The foreign exchange exposures during the year of the Group is given as follows:

	2023				2022			
	Foreign Currency Assets	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure		
							Rupees	
United States Dollar	37,198,710	-	37,198,710	-	-	-	-	29,875,718

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
		Rupees		Rupees
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	371,987	-	298,757	-
- Other comprehensive income	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

43.2.3 Equity position Risk

The Group's objective regarding trading in equities is to maximize the return on equity investment by acquiring fundamentally strong shares at appropriate levels and maintaining such a balance between short term and long term investment that can provide maximum possible opportunities to avail both capital gains and dividend income. The Group's maximum exposure to the stock market is constrained in terms of the single-stock and aggregate limits prescribed under the SBP Prudential Regulations. Prime responsibility for managing the Group's equity positions rests with the Portfolio Management Division (PMD). The Board of Directors has approved sectoral limits, as well as portfolio limits that fall within the SBP-prescribed aggregate limit for DFIs. ALCO reviews investment climate and stock market investment strategy & portfolio, and reviews & approves listed stock investment / divestment recommendations by PMD, and stop loss decision where required. ALCO also monitor and manage investments in unquoted companies. The Market & Liquidity Risk / Middle Office Unit housed in RMD independently monitors PMD deals, policy / limit compliance, broker usage, realized/unrealized gain/loss, and generates market risk metrics such as beta, Value-at-Risk, sensitivity analyses and stress tests. The Unit is responsible for escalation of any limit breaches to concerned authorities, and also provides monthly / need basis summary reports to ALCO and periodic performance reports to the Risk Management Committee of the Board. PMD performance is also regularly reviewed by ALCO through regular reporting by the former, with the latter also serving as approving authority for the broker panel.

	2023		2022	
	Banking Book	Trading Book	Banking Book	Trading Book
	-----Rupees-----		-----Rupees-----	
Impact of 5% change in equity prices on				
- Profit and loss account	-	48,844,513	-	-
- Other comprehensive	-	26,665,178	-	111,250,320

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

The Group's interest rate risk arises from its trading book and banking book. Interest rate risk in the trading book is a result of FVPL & OCI investments in debt instruments that are reported at fair value, and whose value is influenced by prevailing interest rates. The Group's interest rate risk exposures in the banking book originate from financial assets & liabilities that are exposed to different points in the yield curve, and are not matched in terms of repricing / maturity dates or interest rate basis. Since the Group does not take non-maturity deposits and bulk of its loans are floating-rate in nature, optionality/prepayment-related interest rate risk is insignificant.

The primary objective of interest rate risk management is to control exposure to interest rate risk, within approved limits. The Group has Board-approved Treasury Policy and Interest Rate Risk Management Framework in place that govern the interest rate risk management process. The Treasury Division directly functions to manage interest rate risks through diversification of exposures and structuring matching asset/liability transactions. The ALCO provides oversight of interest rate risk, including articulating interest rate view, deciding on future business strategy, monitoring interest rate risk and deliberating on mitigation measures. To control interest rate risk in the trading book, duration limits are in place for the fixed income investment portfolio, in terms of the Treasury Policy. To control interest rate risk in the banking book, target levels have been established on the repricing/ maturity gaps in each time band, as determined through slotting of interest-rate sensitive assets and liabilities according to contractual repricing / maturity dates, whichever is earlier, and ALCO-approved earnings at risk tolerance limit is also in place. The Market & Liquidity Risk / Middle Office Unit monitors limit compliance, reviews the interest rate risk management framework, develops interest rate risk measurement methodology, and provides monthly & quarterly reports to ALCO. Interest rate risk measurement methodology currently employed by the Group for the trading book includes marking-to-market, price value of basis point (PVB), sensitivity analyses / stress testing and Value-at-Risk. For the banking book, methodology is based on gap analysis and static simulation, with an earnings and economic value perspective,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
	Banking Book	Trading Book
	Rupees	Rupees
	36,538,618	36,408,226

Impact of 1% change in interest rates on
- Profit and loss account
- Other comprehensive income

43.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective Yield/Interest rate	Total	2023						
		Exposed to Yield/Interest risk						
		Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 12 Months	Over 12 to 24 Months	Over 24 to 36 Months	Non-interest bearing financial instruments

-	134,586,641	90,437,797	-	-	-	-	-	134,586,641
20.50	96,679,459	3,249,994,713	-	-	-	-	-	6,241,662
22.27	3,249,994,713	7,371,922,332	17,584,873,464	249,359,075	6,241,392,062	-	-	2,053,943,822
19.88	34,969,187,555	4,086,716,035	1,271,297,864	902,194	6,717,143	-	-	2,621,274,925
18.83	8,262,473,645	-	-	-	-	-	-	4,816,047,050
-	2,621,274,925	-	-	-	-	-	-	-
	49,334,196,938	14,799,070,877	20,357,901,722	1,520,656,939	6,242,294,256	6,717,143	-	-

20.83	37,199,288,126	30,477,734,205	108,609,692	4,236,687,297	185,604,376	353,845,068	-	-
22.42	3,665,000,000	3,455,000,000	10,000,000	200,000,000	-	-	-	-
-	849,102,816	-	-	-	-	-	-	-
	41,713,390,942	33,932,734,205	118,609,692	4,436,687,297	185,604,376	353,845,068	-	-
	7,620,805,996	(19,133,663,328)	20,239,292,030	(2,916,030,358)	6,056,689,880	(347,127,925)	-	-

43.2.6 Yield Risk is the risk of decline in earnings, due to adverse movement of the yield curve. Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

43.2.7 Assets do not include fixed assets of Rs. 4,517,792,493 (2022: Rs. 4,384,554,352), Intangible assets of Rs. 6,457,046 (2022: Rs. 6,392,003) and other assets consisting of Advances, deposits, advance rent and other prepayments, advance taxation, excise duty, non-banking assets acquired in satisfaction of claims of Rs. 2,223,865,750 (2022: Rs. 1,453,586,461) and development property of Rs. 181,781,774 (2022: Rs. 192,734,028)

43.2.8 Liabilities do not include other liabilities consisting of advance rental income, Payable to defined benefit plan, Provision for compensated absences of Rs. 235,663,646 (2022: Rs. 260,914,741)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

43.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events. Types of events that can lead to operational risk include:

- Internal / external fraud events
- Employment practices & workplace safety events
- Clients, products & business practices events
- Damage to physical assets events
- Business disruption and system failures events
- Execution, delivery & process management events

Types of operational risk losses can include monetary, regulatory, client, or health & safety loss, or legal liability / inability to enforce legal claim, and measures that may be taken to mitigate losses include improving underlying processes through enhanced internal controls, having contingency plan / backup arrangements in place, and ensuring adequate insurance coverage.

The Group's operational risk management process is governed by the Operational Risk Management Framework ("ORMF") and Operational Risk Policy which have been duly approved by the Board of Directors. The operational risk management structure comprises the line management as first line of defense, an independent Operational Risk Management Unit ("ORMU") operating under the Risk Management Division ("RMD") as second line of defense, and independent Internal Audit as third line of defense. An organizational culture of integrity and discipline built through trainings and appropriate hiring, and separation of duties and principles of internal control as embedded in relevant policies and procedures, are key principles for operational risk management. Operational Risk Coordinators ("ORCs") that have been established from each division work with the ORMU to identify, analyze, explain and mitigate operational issues within their respective areas of expertise. The ORMU develops and updates the ORMF, implements operational risk measurement and reporting, and coordinates with ORCs to source necessary information and promote sound operational risk management. Senior management-level Operational Risk Management Committee ("ORMC") meets quarterly / need basis with the goal to assure that actions are being taken to meet the stated objective of operational risk management in the Group. Presently loss data, key risk indicators, risk & control self-assessments, and scenario analysis are being used to assess operational risk. Operational risk reports on the basis of these tools, along with suggested risk mitigants where required, are presented by ORMU to the ORMC. Operational risk reports are also discussed as part of the agenda of meetings of Risk Management Committee of the Board ("RMCB").

In order to ensure business continuity, resumption and recovery of critical business process after a disaster, the Group has a robust Business Continuity Plan / Disaster Recovery Plan in place, with off-site backup and regular testing carried out. The Group also has a Technology Governance Framework & IT Security Policy in place, addressing issues such as incident reporting, risk identification, IT controls and systems security, with added oversight provided by regular meetings of the IT Steering Committee of management. KYC / AML Policies are also in place for Credit and Treasury activities.

Basic Indicator Approach with capital charge of 15% of average gross income for previous 3 years has been applied for Operational Risk. Loss data process has been fully implemented, with ORCs providing details for events / near misses / potential losses through an in-house software.

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43.4 Liquidity Risk

Liquidity risk is the potential for loss arising from either an inability to meet obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses.

The liquidity risk strategy of the Group is to strive to maintain liquidity at an acceptable level over the short- and long-term, in order to settle financial obligations in a timely and economical manner. Liquidity Risk Policy, Treasury Policy and Contingency Funding Plan are in place to govern the liquidity risk management process. The prime responsibility for the management of liquidity risk lies with Treasury Division (TD) which ensures that the Group's operations can meet its current and future funding needs. Mix of Saudi Pak assets and liabilities is monitored by TD to ensure that gaps are efficiently managed, and target gap levels are in place. Regulatory limits (e.g. Statutory Liquidity Requirement [SLR], Net Stable Funding Ratio [NSFR]) are monitored and returns are submitted. Internal limit on liquid assets to total borrowings and deposits is also in place. TD further aims for effective diversification of sources of borrowing / liquidity. The Group's leverage also remains well within parameters allowed by SBP, ensuring a stable source of liquidity in the form of capital. ALCO provides additional oversight for liquidity risk management through its monthly meetings. The Market & Liquidity Risk / Middle Office Unit housed in RMD independently reviews liquidity risk policy, and monitors liquidity ratios, gaps and funding concentrations on daily basis, providing regular reporting on the same to ALCO along with stress testing, with timely escalation in case of any limit breach. The Group overall strives to maintain a strong market reputation and to keep credit risk and market risk within manageable limits so that these risks may not trigger any undesirable liquidity crunch.

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43.4.1 Assets and Liabilities - based on contractual maturity

	2023													
	Rupees													
	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
Assets														
Cash and balances with treasury banks	134,586,641	134,586,641	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	96,679,459	96,679,459	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	3,249,994,713	-	3,249,994,713	-	-	-	-	-	-	-	-	-	-	-
Investments	34,969,187,555	-	120,000	-	-	30,000	166,414,516	22,154,994	6,241,422,062	6,672,044,151	2,220,691,482	80,000	2,415,730,342	17,230,500,008
Advances	8,262,473,645	260,098,814	433,244,160	43,614,677	217,731,611	68,964,739	88,005,597	574,075,490	328,858,057	557,586,814	1,882,997,315	1,453,960,522	1,489,928,581	863,407,268
Non-current asset classified as held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property And Equipment	4,517,792,493	350,889	2,105,333	245,622	5,614,222	10,526,666	10,526,666	91,807,593	31,579,998	31,579,998	126,319,991	126,319,991	714,416,271	3,364,188,653
Intangible assets	6,457,046	5,978	35,869	41,847	95,650	179,344	179,344	538,033	538,033	538,032	2,152,131	2,152,785	-	-
Deferred tax assets	177,686,482	372,109	619,818	62,397	403,645	1,457,898	2,915,797	4,373,695	2,915,725	5,831,449	17,494,563	17,494,563	37,730,405	86,014,418
Other assets	4,845,140,675	303,764,052	505,976,939	50,936,684	329,508,323	295,151,514	590,303,029	586,671,386	1,073,725,428	1,109,103,320	-	-	-	-
Development Properties	181,781,774	-	-	-	-	-	-	-	-	-	-	-	181,781,774	-
	56,441,780,483	795,857,942	4,192,096,832	97,111,827	553,353,451	376,310,161	858,344,949	1,279,621,191	7,679,039,303	8,376,683,764	4,249,655,482	1,600,007,861	4,839,587,373	21,544,110,347
Liabilities														
Bills payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	37,199,288,126	-	11,000,000,000	11,224,084,098	8,253,650,107	36,860,246	71,749,446	486,687,297	81,370,131	729,234,245	1,478,845,068	1,353,845,068	1,707,690,102	775,272,318
Deposits and other accounts	3,665,000,000	-	-	-	1,712,000,000	-	10,000,000	-	400,000,000	1,543,000,000	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,084,766,462	6,970,011	48,790,078	97,580,156	55,760,089	139,400,223	278,800,445	264,913,015	74,959,012	100,508,474	-	-	5,125,488	11,959,471
	41,949,054,588	6,970,011	11,048,790,078	11,321,664,254	10,021,410,196	176,260,469	360,549,891	751,600,312	556,329,143	2,372,742,719	1,478,845,068	1,353,845,068	1,712,815,590	787,231,789
Net assets	14,492,725,895	788,887,931	(6,856,693,246)	(11,224,552,427)	(9,468,056,745)	200,049,692	497,795,058	528,020,879	7,122,710,160	6,003,941,045	2,770,810,414	246,162,793	3,126,771,783	20,756,878,558

Share capital/ Head office capital account
Reserves
Unappropriated/
Unretained profit

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43.4.2 Assets and liabilities - based on expected maturities

Total		2023									
		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											
Assets	Cash and balances with treasury banks	134,586,641	-	-	-	-	-	-	-	-	-
	Balances with other banks	96,679,459	-	-	-	-	-	-	-	-	-
	Lending to financial institutions	3,249,994,713	-	-	-	-	-	-	-	-	-
	Investments	34,969,187,555	120,000	22,154,994	12,913,466,213	2,220,691,482	80,000	2,415,730,342	17,230,500,008	-	-
	Advances	8,262,473,645	954,689,262	156,970,336	574,075,490	886,444,871	1,882,997,315	1,453,960,522	1,489,928,581	863,407,268	-
	Non-current asset classified as held for sale	-	-	-	-	-	-	-	-	-	-
	Property And Equipment	4,517,792,493	10,526,666	21,053,332	91,807,593	63,159,996	126,319,991	126,319,991	714,416,271	449,069,620	2,915,119,033
	Right of Use Asset	-	-	-	-	-	-	-	-	-	-
	Intangible assets	6,457,046	179,344	358,688	538,033	1,076,065	2,152,131	2,152,785	-	-	-
	Deferred tax assets	177,686,482	1,457,969	4,373,695	4,373,695	8,747,174	17,494,563	17,494,563	37,730,405	43,736,301	42,278,117
	Other assets	4,845,140,675	1,190,185,998	885,454,543	586,671,386	2,182,828,748	-	-	-	-	-
	Development Properties	181,781,774	-	-	-	-	-	-	181,781,774	-	-
		56,441,780,483	1,234,655,110	1,279,621,191	16,055,723,067	4,249,655,482	1,600,007,861	4,839,587,373	18,586,713,197	2,957,397,150	
Liabilities	Bills payable	-	-	-	-	-	-	-	-	-	-
	Borrowings	37,199,288,126	30,477,734,205	486,687,297	810,604,376	1,478,845,068	-	1,353,845,068	1,707,690,102	775,272,318	-
	Deposits and other accounts	3,665,000,000	1,712,000,000	-	1,943,000,000	-	-	-	-	-	-
	Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
	Subordinated debt	-	-	-	-	-	-	-	-	-	-
	Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	Other liabilities	1,084,766,462	209,100,334	264,913,015	175,467,486	-	-	-	5,125,488	11,959,471	-
		41,949,054,588	32,398,834,539	751,600,312	2,929,071,862	1,478,845,068	1,353,845,068	1,712,815,590	787,231,789	-	-
Net assets		14,492,725,895	(26,760,414,487)	528,020,879	13,126,651,205	2,770,810,414	246,162,793	3,126,771,783	17,799,481,408	2,957,397,150	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

	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-----										
Assets										
Cash and balances with treasury banks	116,440,110	116,440,110	-	-	-	-	-	-	-	-
Balances with other banks	137,866,992	137,866,992	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	36,154,009,926	60,000	473,108,632	166,161,166	2,526,916,820	10,520,475,800	2,260,260,000	660,160,000	19,546,867,508	-
Advances	9,119,337,560	576,721,021	105,152,437	494,675,645	690,538,223	1,622,546,511	1,752,777,788	2,504,674,056	1,372,251,879	-
Non-current asset classified as held for sale	-	-	-	-	-	-	-	-	-	-
Property And Equipment	4,384,554,352	11,018,602	22,033,206	73,306,421	66,099,618	132,199,234	132,199,236	498,661,093	468,421,553	2,980,617,389
Right of Use Asset	-	-	-	-	-	-	-	-	-	-
Intangible assets	6,392,003	177,538	355,075	532,613	1,065,226	2,130,452	2,131,099	-	-	-
Deferred tax assets	61,321,766	483,458	1,450,297	1,450,297	2,900,523	5,801,117	5,801,117	14,912,970	25,981,253	2,540,734
Other assets	3,702,657,861	957,318,780	764,134,368	570,949,956	1,410,254,757	-	-	-	-	-
Development Properties	192,734,028	-	-	-	-	-	-	192,734,028	-	-
	53,875,314,598	1,800,084,501	1,366,234,015	1,307,076,098	4,697,775,167	12,283,153,114	4,153,169,240	3,871,142,147	21,413,522,193	2,983,158,123
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings	36,774,866,849	11,089,130,590	19,282,917,842	424,187,297	723,374,594	1,252,103,970	1,103,845,068	1,770,190,136	1,129,117,352	-
Deposits and other accounts	1,953,000,000	-	10,000,000	-	1,943,000,000	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	810,490,215	198,400,513	243,304,785	175,779,103	168,979,045	-	-	7,208,031	16,818,738	-
	39,538,357,064	11,287,531,103	19,536,222,627	599,966,400	2,835,353,639	1,252,103,970	1,103,845,068	1,777,398,167	1,145,936,090	-
Net assets	14,336,957,534	(9,487,446,602)	(18,169,988,612)	707,109,698	1,862,421,528	11,031,049,144	3,049,324,172	2,093,743,980	20,267,586,103	2,983,158,123
Share capital/ Head office capital account										
	6,765,000,000									
Reserves	1,790,149,151									
Unappropriated/ Unremitted profit	4,468,576,998									
Surplus/(Deficit) on revaluation of assets	1,313,231,385									
	14,336,957,534									

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

43.5 Derivative Risk

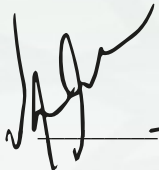
Presently the Company does not have exposure in derivative products, and consequently is not exposed to derivatives-related risk.

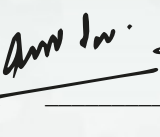
44 DATE OF AUTHORIZATION

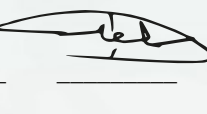
These unconsolidated financial statements were authorized for issue by the Board of Directors of the Saudi Pak Industrial and Agricultural Investment Company Limited on **March 8, 2024**.


 "GM/Chief Executive


 Chief Financial Officer


 Director


 Director


 Director

SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE, PROVIDED DURING THE YEAR JANUARY - DECEMBER 31, 2023

(Rupee in million)

S. No.	Name and address	Name of individual / Partners / Directors	CNIC No.	Fathers' / Husband Name	Outstanding liabilities at the beginning of the year				Principal written off	Mark up waived	Other financial relief provided	Total
					Principal	Mark up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12	13
1	N/A	N/A	N/A	N/A	---	---	---	---	---	---	---	---
					0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

This image shows a full page of a notebook or worksheet. It features horizontal blue ruling lines spaced evenly down the page. The top portion of the page has a light green header area. A faint, repeating geometric pattern is visible across the entire page, consisting of interconnected hexagons and pentagons in shades of green and yellow. There are no markings, text, or drawings on the page.

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