



Financial Statements
for the year ended
December 31, 2023

DIRECTORS' REPORT

On behalf of the Board of Directors, I am presenting herewith the financial results of the Bank for the year ended December 31, 2023. Financial highlights are as follows:

(Rupees in '000)

Balance Sheet	As on Dec 31, 2023	As on Dec 31, 2022	% age Change Increase/(decrease)
Paid up Capital	3,452,428	29,524,428	16.94%
Reserves	1,894,365	1,461,412	29.63%
Accumulated losses	(10,912,821)	(12,626,381)	13.57%
Paid up Capital net of accumulated losses	25,505,972	18,359,459	38.93%
Deficit on Revaluation of Assets -net	(1,033,628)	(1,208,500)	(14.47%)
Equity	24,472,344	17,150,959	42.69%
Borrowings	37,546,440	106,934,714	(64.89%)
Deposits	223,569,650	223,043,950	0.24%
Investment (carrying value)	166,503,472	254,552,777	(34.59%)
Gross Advances	77,511,411	70,899,317	9.33%
Profit & Loss Account	Year Ended Dec 31, 2023	Year Ended Dec 31, 2022	%age Change Increase/(decrease)
Markup/return/interest income	50,308,343	36,377,762	38.29%
Markup/return/interest expenses	42,314,885	31,061,343	36.23%
Net markup/return/interest income	7,993,458	5,316,419	50.35%
Fee, Commission & Other Income	612,116	435,879	40.43%
Foreign Exchange Income	723,490	557,561	29.76%
Dividend Income	192,353	253,607	(24.15%)
Gain/ (loss) on sale of Investments	337,703	(157,712)	314.12%
Non-mark-up/non-interest income	1,865,662	1,089,335	71.27%
Total Income	9,859,120	6,405,754	53.91%
Non mark-up/interest expenses	8,178,314	6,736,209	21.41%
Provision/Diminution in value of investments	9,101	80,939	(88.76%)
Provision-specific & general against Advances & Bad debts written off directly	1,044,893	1,857,699	(45.37%)
Total Provisions	1,023,994	1,938,638	(47.18%)
Profit / (Loss) before Tax & Provisions	1,680,806	(330,455)	608.63%
Profit / (Loss) Before Tax	656,812	(2,269,093)	128.95%
Profit / (Loss) After Tax	2,164,764	(1,385,750)	256.22%
Profit / (Loss) per share(Rupees)	0.72	(0.54)	233.33%
Other Information	As on Dec 31, 2023	As on Dec 31, 2022	%age Change
No. of Accounts	816,219	573,882	42.23%
Number of Branches	330	330	-

A. Financial Review

Total Assets recorded decrease from Rs.357.8 bn to Rs.300.4 bn decrease by Rs 57bn (i.e. 16.03%) during the year, primarily attributed by decrease in investment by Rs 88.04 bn.

Major financial statement segment-wise review is as follows:

I. Deposits

Deposits registered a slight increase by Rs 525 mn (i.e. 0.24%) and stood at Rs. 223.56 bn compared to Rs. 223.04 bn on December 31, 2022 slight increase due to Bank strategy to shed high cost deposit and more focus on Current Account deposits (CA). Number of customer accounts stood at 816,219 after increase of 242,337 accounts (42.23%). Bank's focus on continuously innovating product offering and ensuring unparalleled and seamless service delivery to customers through both digital and physical channels.

II. Advances

Gross Advances increased by Rs 6.61 bn (i.e. 9.34%) and stood at Rs.77.51 bn at year-end 2023 compared to Rs. 70.89 bn on December 31, 2022, mainly due to commodity financing of Rs 10 bn provided to Trading Corporation of Pakistan. Bank has successfully launched yet another product for solar power financing for consumers as well as commercial segments during the year, in view of the increasing cost of electricity and managing the expense budgets of consumers and SME business.

Hectic recovery efforts continue to reduce/contain NPLs, with the Bank managing to reduce its older NPLs by Rs 1.86bn and reversal of provision of Rs 1.71bn.

III. Investments

Carrying value of Investments as at December 31, 2023 decreased by Rs.88.04 bn (34.59%) and stood at Rs166.50. bn at year-end 2023 compared to Rs.254.55 bn on December 31, 2022 as per strategy, bank did not reinvest funds received upon maturity of investments, and instead, the bank adjusted its Repo borrowing.

Gross Investment in equities and mutual funds stood at Rs. 1,207 mn, excluding Rs. 750 mn in Sindh Microfinance Bank Limited (wholly owned subsidiary), decreased by 1,871 mn (i.e.60.78 %) over December 31, 2022 (Rs. 3,078 mn), decrease occurred due to the bank's strategy to offload equity market shares on attractive prices, resulting in record capital gains of Rs 337 mn during the year as compare to capital loss of Rs 157 mn during 2022.

B. Profit and Loss Account

Improvement in the Bank's performance indicators was witnessed as Total Income for the year stood at Rs 9.86 bn compare to last year Rs 6.40 bn, depicting an increase by Rs 3.45 bn (i.e. 53.91%) over 2022. Major reasons for the improvement in total income are as below:



- (i) increase in Net Interest Income by Rs 2.68 bn i.e 50.35 % and
- (ii) increase in non-markup income by Rs 776 mn, main contribution factors FX income increased by Rs 166 mn, Fee commission income increased by Rs 175 mn during the year and capital gain on securities increase by Rs 495mn.

Since 2018, for the first time, the Bank recorded a profit before tax of Rs 657 mn, with a consistent growth trajectory throughout the year. This was backed by record quarterly profits, contrasting with a loss before tax of Rs. 2,269 million reported last years.

Post tax Profit for the year amounted to 2.16 bn compared to post tax loss of Rs. Rs.1.38 bn last year. Reasons for improvement in post-tax Profit was due to Return on financings, investments, and placements increased to Rs 50 billion from Rs 36 billion last year – higher by 38.29 % driven by substantial rise in earning assets and a higher underlying benchmark policy rate. The average policy rate during the year increased from 13.16 % to 20.68%, less Provisioning requirement during the year i.e Rs 1.02 bn(net of reversal of provision of Rs 1.713bn) with compare to Rs 1.938 bn in reported period last year and enhancement of the Super Tax rate to 10% for tax years 2024 and onwards. Consequently, this change resulted in the reversal of deferred tax charge of Rs 2,297mn.

C. Branches

The Bank continued to maintain its presence through 330 branches spread over 169 cities/towns in Pakistan and included 14 branches which are dedicated to Islamic Banking. No new branches were opened during the year. Region wise breakup is as under:

Regions	No. of Branches	No. of Cities/Towns
South: including Karachi, Sindh-other cities/towns & Baluchistan	206	97
North: including Punjab, Islamabad, KPK, AJK & GB	124	72
Total	330	169

ECONOMIC REVIEW

Since the start of the year Pakistan was under the stress of external debt payments. However, Pakistan's economy improved in the second half of 2023. The primary drivers were the Stand-by-Agreement (SBA) with IMF in July 2023 and the contingent economic support from Saudi Arabia, UAE, and China. This improved Pakistan's balance of payments, put the country on the fiscal consolidation path and helped the country in economic recovery.

Inflation remained high throughout the year. During the second half of CY24, the Consumer Price Index (CPI) averaged approximately 28.8%, showing a decrease from 33.10% in the first half of CY24. Inflation

surged in the latter part of year due to frequent hikes in gas tariffs and rising fuel prices, aligning with IMF directives. The surge in inflation has been broad based during the whole year. The headline inflation is expected to decline significantly in the second half of CY2024 due to contained aggregate demand, easing supply constraints, moderation in international commodity prices and favorable base effect.

The current account demonstrated a surplus of USD 397 mn in December 2023, a notable shift from USD 365 mn deficit in December 2022. The current account surplus helped bring down the H1-FY24 deficit by 77% to USD 831 mn, a substantial improvement from the USD 3.6 bn deficit recorded in the same period last year. The surplus was primarily driven by a 14% YoY uptick in overall exports and a 13% YoY surge in remittances, while imports saw a marginal 0.1% YoY decline.

Although the sovereign risk has since receded, significant economic challenges remain for Pakistan, including forthcoming negotiations with the IMF and seeking additional aid from foreign backers, particularly Saudi Arabia and the UAE.

The World Bank has projected Pakistan's economic growth at 1.7 percent for the ongoing fiscal year 2023-24, attributing the subdued economic outlook to tight monetary policy and political uncertainty. Loan from the International Monetary Fund (IMF) have provided much-needed dollars' inflows and stability. The new government after the elections is expected to abide by the IMF terms and complete the current program successfully.

PSX REVIEW

During 2023, the Stock Market outperformed with a remarkable return of 55%. This marked the first time in seven years that the index surpassed CPI inflation and fixed-income returns. Recent developments on the macroeconomic and geopolitical fronts have laid the foundation for a sustained bull run in the Pakistan equities market. The KSE100 index's unprecedented rally to record-high levels signals revitalized investor confidence, driven by measures taken to address the country's longstanding issues.

In November 2023, the KSE-100 index of the Pakistan Stock Exchange (PSX) experienced a remarkable surge, soaring by 33% and surpassing the historical milestone of 58,199 points for the first time ever.

Building on this success, the index continued its upward trajectory in December 2023, crossing the highest point at 66,000, marking yet another significant achievement.

Moreover, record-high profits amid attractive valuations, ample domestic liquidity, the resurgence of foreign investor interest, and the increasing importance of Pakistan in the geopolitical landscape are likely to make equities the go-to investment in 2024 and beyond.

CREDIT RATING

VIS Credit Rating Company Limited reaffirmed the Bank's long term entity rating of A+ (Single A Plus) and short term rating of A-1 (A-one) in its report dated June 27, 2023.

MINIMUM CAPITAL REQUIREMENT & CAPITAL ADEQUACY RATIO

Bank's Capital Adequacy Ratio stood at 16.21% as against the minimum requirement of 11.50 % and Leverage Ratio stood at 2.78% against minimum requirement of 3% as on December 31, 2023.



RISK MANAGEMENT FRAMEWORK

Risk taking is central to banking activity. The Bank evaluates business opportunities in terms of the risk-reward relationship. The risks that Bank takes are reasonable, controlled, within its size, complexity and nature of business. The diversity of our business requires us to identify, measure and manage our risks effectively through different limits. At the Bank, the risk is managed through a framework, organizational structure, risk management and monitoring processes that are closely aligned with the activities of the Bank and in line with the guidelines given by the State Bank of Pakistan (SBP). The Bank also continues to invest in systems and people as part of its process of continuously strengthening the risk management function. The Bank's comprehensive and integrated risk management governance structure consists of Board, related Board Committee(s) and management subcommittees, with varying areas of responsibilities, in order to maintain a sustainable focus on monitoring and governance over differing categories of risks.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Sindh Bank has established an ongoing process for identifying, evaluating and managing significant risks faced by the Bank and this process includes the system of Internal Control over Financial Reporting. The process is regularly reviewed by the Board Audit Committee.

The Board is of the view that the system of Internal Control over Financial Reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in implementation of the Board's policies and directives pertaining to Internal Control over Financial Reporting. The management is working continuously towards enhancing the system of Internal Control over Financial Reporting.

The Board is pleased to endorse the statement made by management relating to Internal Controls including management's evaluation of ICFR. The management's Statement on Internal Control is included in the Annual Report.

OTHER HIGHLIGHTS

a) Major IT Initiatives

Sindh Bank is continuously striving to improve its technical infrastructure, in order to provide innovative and secure financial solutions to its customers.

In 2023, Sindh Bank invested significantly in Server Hardware Upgrade and Communication Infrastructure upgrade. Bank procured high-end Dell Servers with high-speed storage to enhance system efficiency and up-time.



Bank achieved a significant milestone by adopting SD WAN (Software Defined Wide Area Network) solution. The solution will enhance Bank's capability to adopt to best available connectivity option. SD WAN can connect branches directly to the data center or to Software as Service applications, shortening transit time, reducing overhead, eliminating bottlenecks and enhancing application performance. On Digital Banking front, Sindh Bank opened more than 150K accounts of flood affected people across multiple districts digitally. During the process, Bank ensured that all the regulatory compliance related to AML/CFT is followed.

Bank had started the issuance of e-stamp paper on Government of Sindh behalf since November 2022.

The number of branches enabled for e-stamp issuance, were increased to 100. Bank also started the collection of lower denomination e-stamp fee. Sindh Bank is now also working as settlement Bank for Sindh Revenue Board for Point of Sale tax collection via 1Link's 1Bill Service.

On the information security front, Bank initiated the PCI DSS (Payment Card Industry Data Security Standard) assessment to ensure secure payment system environment.

b) Home Remittances

Sindh Bank via is network, made Home Remittance payments to about 110,382 customers during 2023, as compared to 117,129 payments in Year 2022.

Year 2022, Sindh Bank became Super-Agent of Western Union and made first sub agent named as Bank of Azad Jammu Kashmir.

Sindh Bank also became a partner bank in the Federal Government's Sohni Dharti Remittance Program. Under this program, USD 50 Million+ was disbursed in year 2023, making the Bank eligible for SBP PRI Home Remittance incentives.

Despite the challenges faced by the country in-respect of remittance, Bank performance can be gauge with the below summary of the results achieved during 2023 in terms of both transaction numbers and volumes, is given below:

The Bank is destined to take on-board wide range of exchange companies for better growth of Home Remittance business.

YEAR	No Of Transactions	Amount In USD	Amount In PKR
2023	110,382	42,659,369	11,956,186,714
2022	117,129	50,853,085	10,384,617,531

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d) Sindh Microfinance Bank Limited (wholly owned subsidiary)

Brief summary of financial highlights for the year ended December 31, 2023 showing below:

Sindh Microfinance Bank Limited ('SMFB') is a province level microfinance bank which started its operations in May 2016 with equity of Rs.750-mn. As of December 31, 2023, SMFB has increased its equity to Rs.1.1-bn with internally generated profits. SMFB is perhaps the only microfinance bank in the country which has continuously been in profits since its inception almost 9 years ago. Based on its sustainable results, in December 2023 SMFB applied to the State Bank of Pakistan for a national level license.

The aim of the microfinance program of SMFB is to improve access to finance for the underprivileged segment of the Sindh Province, especially for the economically active women in rural and semi urban areas of Sindh. To date, SMFB has disbursed 323,000 loans amounting to Rs.10.4 bn through its presence in 96 business locations in the province of Sindh. The depth of the impact of SMFB can be gauged by the fact that the average income of SMFB borrowers is \$2.8 per day which is well below the poverty line of \$3.65 /day set by the World Bank which means the social impact of SMFB is at the bottom of the pyramid level. It is also pertinent to note that employment generation is at the heart of the SMFB's mission and to this end SMFB has created the first employment opportunities for more than 2000 young individuals in the rural and semi urban areas of Sindh and in addition to that hundreds of thousands jobs were created through disbursement of over 300,000 loans.

SMFB registered a profit before tax of Rs.136-mn (2022: Rs.56-mn) which is an increase of 142% over the corresponding period last year. The outstanding loan portfolio of SMFB has reached almost Rs. 2 bn which has been majorly financed by deposits of more than Rs. 1.3 bn. During 2023 SMFB financed more than 78,000 loans amounting to Rs. 3.2 bn. SMFB also boasts one of the best recovery ratios in the industry since its portfolio at risk (PAR) has remained under 1% for most of its 8 years of operations. Only during COVID 19 and the 2022 floods, PAR increased beyond the 1% threshold. During the challenging situation of the floods of 2022 and COVID 19, SMFB managed to recover 90% of its affected portfolio which is a testament to the loyalty of its borrowers and the grass root level dedication of the credit team of SMFB.

The Pakistan Credit Rating Agency (PACRA) maintained the ratings of A- for the long term and A2 for the short term which in PACRA's perspective captures the strength of SMFB as a sustainable and growing institution in the microfinance sector.

J. J. Mehta

Brief summary of financial highlights for the nine months ended December 31, 2023 showing below:

	December 31, 2023		December 31 2022	
Balance Sheet				
	# of Account	Rs. In million	# of Account	Rs. In million
Gross Loan Portfolio	74,180	1,927	66,133	1,321
Total Assets		3,355		2,008
Deposits	162,152	1,323	129,056	600
Borrowings		721		310
Total Liabilities		2,254		995
Net Equity		1,102		1,012

	Year Ended December 31, 2023		Year Ended December 31, 2022	
	# of Account	Rs. In million	# of Account	Rs. In million
Loan Disbursements	78,576	3,221	57,778	1,991
Profit & loss account				
Net Interest Income		642		345
Profit Before Tax		136		56
Taxation		(46)		(16)
Profit After Tax		89		40

STAFF, TRAINING & DEVELOPMENT

Total number of staff working in the Bank i.e. executives, officers and support staff as at December 31, 2023 numbered 2,611 (Including 525 outsource staff) as compared to 2,494 (Including 502 outsource staff) as at December 31, 2022.

In the Calendar year ending December 2023, training department conducted a total of 119 training programs, comprising 55 in-house and 64 ex-house training sessions, covering diverse areas such as Branch Banking Operations, Islamic Banking, Compliance, and Risk Management. Notably, this following year the bank collaborated with 'The Institute of Bankers Pakistan (IBP)' to introduce a certification course for cash officers and general banking officers, certifying 411 officers across three batches. These initiatives, attended by 2,271 participants, aligned with State Bank of Pakistan directives, emphasizing Gender Sensitivity, Anti-Money Laundering/Compliance, and Islamic Banking training.

Additionally, staff participated in external programs offered by reputable institutions like NIBAF, IBP, LRC, and other well-known consultancies focusing on key areas such as Islamic Banking, Compliance, and Risk Management, in line with SBP's priorities."

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Bank continues to support multi-sectoral initiatives in health, education and community welfare that encourage financial inclusion, health and education.

The Bank organized / provided sponsorships for the below mentioned events during 2023:

- Breast Cancer Awareness Day was celebrated at the Head Office Sindh Bank to spread awareness about breast cancer and its prevention.
- Sponsorships were given to various institutions like Pakistan Hindu Council for 17th combined Hindu Marriages Event held at Railway Ground Karachi, sending Anti-Corruption Banners to Sindh Bank Branches all over Pakistan, Conference 2023, annual Urs Hazrat Lal Shahbaz Qalandar, Airport Security Force for ASF Passing out Parade- 51st Basic Aviation Security Course.
- The following products were launched specially for Women as a part of CSR.
 - i.Mera Ghar Home Finance
 - ii.Meri Gari Auto Finance
 - iii.Azaadi Salary Loan
 - iv.Haya Digital Account
 - v.Haya Asaan Account

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements prepared by the management of the bank, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the bank have been maintained.
- Appropriate accounting policies have been applied consistently in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The International Financial Reporting Standards, as applicable to banks in Pakistan, have been followed in preparation of financial statements and any departures there from have been adequately disclosed and explained.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt about the Bank's ability to continue as a going concern in the foreseeable future.
- The Directors' Orientation Course on Corporate Governance was conducted through an ICAP approved trainer and was attended by President & CEO and all those directors who have been approved by the SBP to attend the meetings during assessment of FPT documents of elected directors.
- Key financial and operating data for six years is being provided in the annual report.
- All the statutory liabilities, if any have been adequately disclosed in the financial statements.
- The appointment of the Chairman and other members of the Board and the terms of their appointment along with remuneration policy adopted are in the best interest of the Bank as well as in line with best practices.
- Value of investments of Sindh Bank Limited Employees Provident Fund as at December 31, 2023 amounted to Rs. 2,082.8 mn (2022 Rs. 1,671.4 mn). Value of investments of Sindh Bank Limited Employees Gratuity Fund as at December 31, 2023 Rs. 805.5 mn amounted to (2022 Rs. 632.6.

- mn) and further an amount Rs. 151.6 mn has been transferred subsequent to the balance sheet date, based on actuarial valuation of the fund.
- Statement of compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 is given separately in the Annual Report.

EVALUATION OF BOARD, CHAIRMAN, INDIVIDUAL DIRECTORS, INDEPENDENT DIRECTORS, PRESIDENT & CEO & COMMITTEES

In terms of State Bank's BPRD Circular # 11, dated August 22, 2016 and the Public Sector Companies (Corporate Governance) Rules 2013, the Board of Directors in its 44th Meeting held on November 21, 2016 approved the evaluation criteria and procedure for evaluation of its own performance, performance of Chairman, Individual Directors, Independent Directors, President & CEO and its Committees.

The Board members carried it out annually, based on the in-house developed mechanism and submitted their reports to the Chairman. The Performance of the Board was evaluated by all Directors on individual basis on the criteria which included Board Composition and structure, Board contribution towards developing strategies, policy framework, robust and effective risk management, internal control and audit functions etc.

The Directors' Orientation Course on Corporate Governance was conducted through an ICAP approved trainer and was attended by President & CEO and all other Directors in their 110 BOD meeting held on 22.02.2024

BOARD OF DIRECTORS

During the year under review attendance of Directors at the Board and Board Committee meetings was as under:

S.NO	NAME OF DIRECTORS	BOARD OF DIRECTORS		BOARD HUMAN RESOURCE COMMITTEE		BOARD AUDIT COMMITTEE		BOARD RISK MANAGEMENT COMMITTEE		BOARD IT COMMITTEE		BOARD NOMINATION COMMITTEE		BOARD SAM COMMITTEE	
		Held During the year	Attended	Held During the year	Attended	Held During the year	Attended	Held During the year	Attended	Held During the year	Attended	Held During the year	Attended	Held During the year	Attended
1	Mr. Anis A. Khan	8	8	4	4	-	-	-	-	3	3	1	1	5	5
2	Dr. Kazim Hussain Jatoi	8	2	4	2	-	-	4	1	-	-	-	-	5	1
3	Mr. Sajid Jamal Abro*	8	6	4	2	-	-	4	2	-	-	1	1	5	3
4	Mr. Asif Jahangir**	8	5	-	-	7	3	4	2	-	-	-	-	-	-
5	Mr. Javaid Bashir Sheikh	8	8	-	-	7	7	4	4	-	-	-	-	-	-
6	Mr. Mohammed Aftab Alam	8	8	-	-	7	7	-	-	3	3	1	1	5	5
7	Mr. Adnan Ali Khan***	8	4	4	1	-	-	-	-	3	1	-	-	-	-
8	Mrs. Shaista Bano Gilani	8	8	4	3	7	5	4	2	-	-	-	-	-	-
9	Mr. Imtiaz Ahmad Butt	8	2	-	-	-	-	4	-	3	1	-	-	-	-
10	Mr. Imran Samad, President & CEO	8	8	-	-	-	-	-	-	-	-	-	-	-	-
Total Meetings held during the year		8		4		7		4		3		1		5	

CHANGES IN THE BOARD OF DIRECTORS

There are following changes in the Board composition during the period:

- a) Mr. Imtiaz Ahmad Butt, Independent Director has been co-opted in place of outgoing Director Mr. Adnan A. Khan by the Board in its 106th BoD meeting held on August 28, 2023, whose approval has been received from SBP on October 09, 2023.
- b) In place of Mr. Asif Jahangir, GoS Nominee/Non-Executive Director after his resignation, one Mr. Mushtaq Malik, was approved by the Board for his cooption in its 106th BoD held on August 29, 2023 subject to GoS & SBP approval, whose approval was sought from Government of Sindh being replacement of GoS Nominee, and is awaited.
- c) Mr. Sajid Jamal Abro, Finance Secretary (FS) GoS has been transferred on September 05, 2023 and Dr. Kazim Hussain Jatoi, the new Finance Secretary of GoS has been appointed by the Board of Directors through Circular Resolution No.02/2023, dated 18.09.2023, which was then ratified by the Board in its 107th meeting held on October 26, 2023, whose approval has been received from SBP on October 24, 2023.

BOARD COMMITTEES MEETINGS

Details of the Board Committees meetings are disclosed in Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 in this report.

PATTERN OF SHAREHOLDING

The pattern of shareholding is attached with this report.

EXTERNAL AUDITORS

During the period previous external auditor's M/S RSM Avais Hyder Liaquat Nauman Chartered Accountants had resigned on April 27, 2023. In order to fill the casual vacancy, the Board of Directors in its meeting held on August 3, 2023 has appointed M/S Riaz Ahmad and Company, Chartered Accountants as statutory auditors of the Bank for the year 2023, on the recommendation of Board Audit Committee.

FUTURE OUTLOOK

With encouraging results achieved so far, the management is determined to maintain its focus on the following major goals in the coming period:

- (i) Recovery and reduction of Non-Performing Loans;
- (ii) Focus on Current account mobilization schemes;
- (iii) Increase of Consumer, SME and Commercial business;
- (iv) Alternate delivery and service channels based on technology platforms to facilitate our customers;
- (v) Training and development of Staff; and
- (vi) Strengthening the risk and control environment.

Acknowledgements

On behalf of the Board of Directors, I would like to sincerely thank the regulators, shareholders and customers for their continued guidance, support and confidence reposed in the Bank and its Management.

On behalf of the Board of Directors



Imran Samad
President/CEO



Non-Executive Director

Karachi, February 22, 2024



REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors of SINDH BANK LIMITED (the Bank) for the year ended 31 December 2023.

The responsibility for compliance with the Rules is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Rules and report if it does not and to highlight any non-compliance with the requirements of the Rules. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Rules.

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 internal controls, the Bank's corporate governance procedures and risks.

The Rules require the Bank 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. 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. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not. Moreover, the Public Sector Companies (Corporate Governance) Rules, 2013 also require the Board to ensure compliance with the law as well as Bank's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with supplier of goods and services. Compliance with above stated requirements has been checked, on a test basis, as part of the audit of the financial statements of the Bank for the purpose of expressing an opinion on those financial statements.

Based on our review, nothing has come to our attention which causes us to believe that the 'Statement of Compliance' does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Rules as applicable to the Bank for the year ended 31 December 2023.



RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Junaid Ashraf

KARACHI

DATE: 27 FEBRUARY 2024
UDIN: CR202310045IcUyKIQ27

SCHEDULE - I

Statement of Compliance with the Public Sector Companies (Code of Corporate Governance) Rules 2013

Name of company	-	Sindh Bank Limited
Name of the line ministry	-	Finance Department, Govt. of Sindh
For the year ended	-	31 st December, 2023

- I. This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.
- II. The Company has complied with the provisions of the Rules in the following manner:

S. No.	Provision of the Rules	Rule No	Y	N																					
			Tick the relevant box																						
1	The independent directors meet the criteria of independence, as defined under the Rules.	Rule-2(d)	✓																						
2	The Board has atleast one-third of its total members, as independent directors. At present the board includes: <table border="1" data-bbox="251 772 1161 1041"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of appointment</th> </tr> </thead> <tbody> <tr> <td>Non-Executive Director</td> <td>1. Mr. Anis A. Khan</td> <td>02/04/2021</td> </tr> <tr> <td>Finance Secretary GoS / Non-Executive Director</td> <td>2. Dr. Kazim Hussain Jatoi</td> <td>18/09/2023</td> </tr> <tr> <td>Independent Director</td> <td>3. Mr. Javaid Bashir Sheikh</td> <td>02/04/2021</td> </tr> <tr> <td>Non-Executive Director</td> <td>4. Mr. Mohammed Aftab Alam</td> <td>02/04/2021</td> </tr> <tr> <td>Independent Director</td> <td>5. Mrs. Shaista Bano Gilani</td> <td>30/09/2022</td> </tr> <tr> <td>Independent Director</td> <td>6. Mr. Imtiaz Ahmad Butt</td> <td>29/08/2023</td> </tr> </tbody> </table> <p>Note: The Board of Directors in its 106th Board Meeting held on 29.08.2023 has coopted Mr. Mushtaq Malik in place of Mr. Asif Jahangir, Non-Executive Director (Nominee of GoS) who has tendered his resignation. As Mr. Asif Jahangir was the Nominee of GoS, therefore request dated 31.08.2023 has been made for obtaining GoS approval in this respect, as desired by Finance Secretary, GoS, which reply is still awaited, after receiving the same his FPT documents will be submitted to SBP for approval.</p>	Category	Names	Date of appointment	Non-Executive Director	1. Mr. Anis A. Khan	02/04/2021	Finance Secretary GoS / Non-Executive Director	2. Dr. Kazim Hussain Jatoi	18/09/2023	Independent Director	3. Mr. Javaid Bashir Sheikh	02/04/2021	Non-Executive Director	4. Mr. Mohammed Aftab Alam	02/04/2021	Independent Director	5. Mrs. Shaista Bano Gilani	30/09/2022	Independent Director	6. Mr. Imtiaz Ahmad Butt	29/08/2023	Rule-3(2)	✓	
Category	Names	Date of appointment																							
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Independent Director	5. Mrs. Shaista Bano Gilani	30/09/2022																							
Independent Director	6. Mr. Imtiaz Ahmad Butt	29/08/2023																							
3	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	Rule-3(5)	✓																						
4	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as board members under the provisions of the Companies Act, 2017 (the Act, 2017).	Rule-3(7)	✓																						
5	The Office of the Chairman of the Board is separate from the Chief Executive of the Company.	Rule-4(1)	✓																						
6	The Chairman is elected by the Board of Directors, except where Chairman of the Board has been appointed by the Government.	Rule-4(4)	✓																						
7	The Board has evaluated the candidates for the position of the Chief Executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission. (Not applicable, where the chief executive has been nominated by the Government).	Rule-5(2)	✓																						
8	(a) The Company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place.	Rule-5(4)	✓																						
	(b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the companies' website. sindhbankltd.com.pk		✓																						

S. No.	Provision of the Rules	Rule No	Y	N
			Tick the relevant box	
	(c) The Board has set in place adequate systems and controls for the identification and redressal of the grievances arising from unethical practices.		✓	
9	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	Rule-5(5)	✓	
10	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	Rule-5(5)(b)(ii)	✓	
11	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	Rule-5(5)(b)(vi)	✓	
12	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	Rule-5(5)(c)(ii)	✓	
13	The Board has ensured compliance with the law as well as the Company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	Rule-5(5)(c)(iii)	✓	
14	The Board has developed a vision or mission statement and corporate strategy of the Company.	Rule-5(6)	✓	
15	The Board has developed significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended, has been maintained.	Rule-5(7)	✓	
16	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	Rule-5(8)	N/A	
17	The Board has ensured compliance with policy directions requirements received from the Government.	Rule-5(11)	N/A	
18	(a) The Board has met at least four times during the year.	Rule-6(1)	✓	
	(b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	Rule-6(2)	✓	
	(c) The minutes of the meetings were appropriately recorded and circulated.	Rule-6(3)	✓	
19	The Board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for the purpose.	Rule-8(2)	✓	
20	The Board has reviewed and approved the related party transactions placed before it after recommendation of Audit Committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	Rule-9	✓	
21	a. The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end.	Rule-10	✓	
	b. In case of listed PSCs, the Board has prepared half yearly account and undertaken limited scope review by the auditors.		N/A	
	c. The Board has placed the annual financial statements on the Company's website.		✓	

S. No.	Provision of the Rules	Rule No	Y	N																					
			Tick the relevant box																						
22	All the Board members underwent an orientation course arranged by the Company to apprise them of the material developments and information as specified in the Rules.	Rule-11	✓																						
23	<p>(a) The Board has formed the requisite committees, as specified in the Rules.</p> <p>(b) The committees were provided with written term of reference defining their duties, authority and composition.</p> <p>(c) The minutes of the meetings of the committees were circulated to all the Board members.</p> <p>(d) The committees were chaired by the following non-executive directors:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Committee</th> <th style="width: 15%;">Total Members</th> <th style="width: 60%;">Name of Chair (I.D-Independent Director & NED-Non Executive Director)</th> </tr> </thead> <tbody> <tr> <td>Board Audit Committee</td> <td style="text-align: center;">03</td> <td>Mr. Javaid Bashir Sheikh (I.D) Mr. Mohammed Aftab Alam (N.E.D) Mrs. Shaista Bano Gilani (I.D)</td> </tr> <tr> <td>Board Risk Management Committee</td> <td style="text-align: center;">03</td> <td>Finance Secretary-GoS (N.E.D) Mr. Javaid Bashir Sheikh (I.D) Mr. Imtiaz Ahmad Butt (I.D)</td> </tr> <tr> <td>Board HRR Committee</td> <td style="text-align: center;">03</td> <td>Mrs. Shaista Bano Gilani (I.D) Mr. Anis A. Khan (N.E.D) Finance Secretary-GoS (N.E.D)</td> </tr> <tr> <td>Board Information Technology Committee</td> <td style="text-align: center;">03</td> <td>Mr. Anis A. Khan (N.E.D) Mr. Mohammed Aftab Alam (N.E.D) Mr. Imtiaz Ahmad Butt (I.D)</td> </tr> <tr> <td>Board Nomination Committee</td> <td style="text-align: center;">03</td> <td>Mr. Anis A. Khan (N.E.D) Finance Secretary-GoS (N.E.D) Mr. Mohammed Aftab Alam (N.E.D)</td> </tr> <tr> <td>Board Special Assets Management Committee</td> <td style="text-align: center;">03</td> <td>Mr. Anis A. Khan (N.E.D) Finance Secretary-GoS (N.E.D) Mr. Mohammed Aftab Alam (N.E.D)</td> </tr> </tbody> </table>	Committee	Total Members	Name of Chair (I.D-Independent Director & NED-Non Executive Director)	Board Audit Committee	03	Mr. Javaid Bashir Sheikh (I.D) Mr. Mohammed Aftab Alam (N.E.D) Mrs. Shaista Bano Gilani (I.D)	Board Risk Management Committee	03	Finance Secretary-GoS (N.E.D) Mr. Javaid Bashir Sheikh (I.D) Mr. Imtiaz Ahmad Butt (I.D)	Board HRR Committee	03	Mrs. Shaista Bano Gilani (I.D) Mr. Anis A. Khan (N.E.D) Finance Secretary-GoS (N.E.D)	Board Information Technology Committee	03	Mr. Anis A. Khan (N.E.D) Mr. Mohammed Aftab Alam (N.E.D) Mr. Imtiaz Ahmad Butt (I.D)	Board Nomination Committee	03	Mr. Anis A. Khan (N.E.D) Finance Secretary-GoS (N.E.D) Mr. Mohammed Aftab Alam (N.E.D)	Board Special Assets Management Committee	03	Mr. Anis A. Khan (N.E.D) Finance Secretary-GoS (N.E.D) Mr. Mohammed Aftab Alam (N.E.D)	Rule-12	✓	✓
Committee	Total Members	Name of Chair (I.D-Independent Director & NED-Non Executive Director)																							
Board Audit Committee	03	Mr. Javaid Bashir Sheikh (I.D) Mr. Mohammed Aftab Alam (N.E.D) Mrs. Shaista Bano Gilani (I.D)																							
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			✓																						
			✓																						
24	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.	Rules-13	✓																						
25	The Chief Financial Officer and the Company Secretary have requisite qualification as prescribed by Rules.	Rules-14	✓																						
26	The Company has adopted International Financial Reporting Standards notified by the SECP in terms of Sub-section 1 of Section 225 of the Act, 2017.	Rule-16	✓																						
27	The directors' report for this year has been prepared in compliance with the requirements of the Act, 2017 and the Rules and fully describes the salient matters required to be disclosed.	Rule-17	✓																						
28	The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the Company except those disclosed to the company.	Rule-18	✓																						
29	a. A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration.	Rule-19	✓																						
	b. The annual report of the Company contains criteria and details of remuneration of each director.																								

S. No.	Provision of the Rules	Rule No	Y	N										
			Tick the relevant box											
30	The financial statements of the Company were duly endorsed by the Chief Executive and Chief Financial Officer, before consideration and approval of the Audit Committee and the Board.	Rule-20	✓											
31	<p>1. The Board has formed an Audit Committee, with defined and written terms of reference, and having the following members:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 20%;">Name of Committee</th> <th style="width: 40%;">Category & Number of Members</th> <th style="width: 40%;">Professional background</th> </tr> </thead> <tbody> <tr> <td rowspan="3" style="text-align: center;">Board Audit Committee</td> <td style="text-align: center;">Mr. Javaid Bashir Sheikh (I.D)</td> <td style="text-align: center;">Ex-Banker</td> </tr> <tr> <td style="text-align: center;">Mr. Mohammed Aftab Alam (N.E.D)</td> <td style="text-align: center;">Chartered Accountant</td> </tr> <tr> <td style="text-align: center;">Mrs. Shaista Bano Gilani (I.D)</td> <td style="text-align: center;">Ex-DG of SECP & Ex-member of CCP</td> </tr> </tbody> </table> <p>2. The Chief Executive and Chairman of the Board are not members of the Audit Committee.</p>	Name of Committee	Category & Number of Members	Professional background	Board Audit Committee	Mr. Javaid Bashir Sheikh (I.D)	Ex-Banker	Mr. Mohammed Aftab Alam (N.E.D)	Chartered Accountant	Mrs. Shaista Bano Gilani (I.D)	Ex-DG of SECP & Ex-member of CCP	Rule-21(1)&(2)	✓	
Name of Committee	Category & Number of Members	Professional background												
Board Audit Committee	Mr. Javaid Bashir Sheikh (I.D)	Ex-Banker												
	Mr. Mohammed Aftab Alam (N.E.D)	Chartered Accountant												
	Mrs. Shaista Bano Gilani (I.D)	Ex-DG of SECP & Ex-member of CCP												
			✓											
32	<p>a. The Chief Financial Officer, the Chief Internal Auditor and a representative of the external auditors attended all meetings of the Audit Committee at which issues relating to accounts and audit were discussed.</p> <p>b. The Audit Committee met the external auditors, at least once a year, without the presence of the Chief Financial Officer, the Chief Internal Auditor and other executives.</p> <p>c. The Audit Committee met the Chief Internal Auditor and other members of the internal audit function, at least once a year, without the presence of Chief Financial Officer and external auditors.</p>	Rule-21(3)	✓											
33	<p>a. The Board has set up an effective internal audit function, which has an audit charter, duly approved by the Audit Committee.</p> <p>b. The Chief Internal Auditor has requisite qualification and experience prescribed in the Rules.</p> <p>c. The internal audit reports have been provided to the external auditor for their review.</p>	Rule-22	✓											
34	The external auditors of the Company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	Rule-23(4)	✓											
35	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	Rule-23(5)	✓											



President & CEO



Non-Executive Director

Riaz Ahmad & Company
Chartered Accountants

SINDH BANK LIMITED

UNCONSOLIDATED FINANCIAL STATEMENTS WITH
ACCOMPANYING INFORMATION

FOR THE YEAR ENDED
31 DECEMBER 2023

INDEPENDENT AUDITOR'S REPORT

To the members of Sindh Bank Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of SINDH BANK LIMITED ("the Bank"), which comprise the unconsolidated statement of financial position as at December 31, 2023, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 22 branches which have been audited by us and notes to the unconsolidated financial statements, including material accounting policy information and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

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

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 13.1 to the unconsolidated financial statements which states that the deferred tax asset has been recognized in the unconsolidated financial statements on the basis of financial projections for the future years approved by Board of Directors of the Bank. The preparation of financial projection involves management assumptions regarding future business and economic conditions and significant change in assumptions may have impact on recoverability of the deferred tax assets.

Our opinion is not modified in respect of this matter.

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

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

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

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information 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, 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, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Bank 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

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

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
- b) the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

Riaz Ahmad & Company

Chartered Accountants

- c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
 - d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.
2. We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

Other Matter

The unconsolidated financial statements of the Bank for the year ended December 31, 2022 were audited by another firm of Chartered Accountants who expressed an unmodified opinion vide their report dated March 10, 2023.

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



RIAZ AHMAD & COMPANY
Chartered Accountants

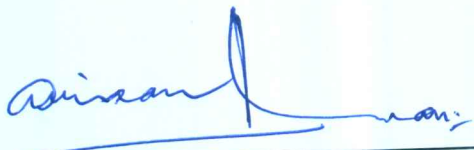
KARACHI

DATE: 27 FEBRUARY 2024
UDIN: AR202310045VN0la7YXc


SINDH BANK LIMITED
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	Note	2023 ----- (Rupees in '000') -----	2022 ----- (Rupees in '000') -----
ASSETS			
Cash and balances with treasury banks	6	53,407,771	14,168,738
Balances with other banks	7	957,883	1,619,530
Lendings to financial institutions	8	-	19,967,424
Investments	9	166,503,472	254,552,777
Advances	10	50,623,045	43,802,328
Fixed assets	11	3,936,450	4,032,522
Intangible assets	12	108,257	117,271
Deferred tax assets - net	13	17,193,965	14,662,046
Other assets	14	7,752,566	4,927,691
		300,483,409	357,850,327
LIABILITIES			
Bills payable	15	898,762	726,148
Borrowings	16	37,546,440	106,934,714
Deposits and other accounts	17	223,569,650	223,043,950
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	18	13,996,213	9,994,556
		276,011,065	340,699,368
NET ASSETS		24,472,344	17,150,959
REPRESENTED BY			
Share capital - net	19	34,524,428	29,524,428
Reserves		1,894,365	1,461,412
Deficit on revaluation of assets - net	20	(1,033,628)	(1,208,500)
Accumulated Loss		(10,912,821)	(12,626,381)
		24,472,344	17,150,959
CONTINGENCIES AND COMMITMENTS			
	21		

The annexed notes from 1 to 44 and Annexure - I (page 1 to 1) and Annexure - II (pages 1 to 9) form an integral part of these unconsolidated financial statements.



 Chairman



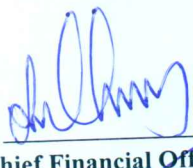
 President and
 Chief Executive Officer



 Director



 Director





 Chief Financial Officer

SINDH BANK LIMITED
UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2023

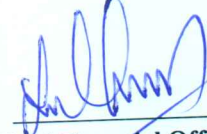
	Note	2023	2022
		----- (Rupees in '000') -----	
Mark-up / Return / Interest Earned	22	50,308,343	36,377,762
Mark-up / Return / Interest Expensed	23	42,314,885	31,061,343
Net Mark-up / Return / Interest Income		7,993,458	5,316,419
NON MARK-UP / INTEREST INCOME			
Fee and Commission Income	24	603,239	428,314
Dividend Income		192,353	253,607
Foreign Exchange Income		723,490	557,561
Income / (loss) from derivatives		-	-
Gain / (loss) on securities	25	337,703	(157,712)
Other Income	26	8,877	7,565
Total non-markup/interest Income		1,865,662	1,089,335
Total Income		9,859,120	6,405,754
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	27	8,119,190	6,726,416
Other charges	28	59,124	9,793
Total non-markup/interest expenses		8,178,314	6,736,209
PROFIT/(LOSS) BEFORE PROVISIONS		1,680,806	(330,455)
Provisions and write offs - net	29	1,023,994	1,938,638
Extra ordinary / unusual items		-	-
PROFIT/(LOSS) BEFORE TAXATION		656,812	(2,269,093)
Taxation	30	(1,507,952)	(883,343)
PROFIT/(LOSS) AFTER TAXATION		2,164,764	(1,385,750)
----- Rupees -----			
Basic Earnings/(Loss) per share	31	0.72	(0.54)
Diluted Earnings/(Loss) per share	32	0.72	(0.54)

The annexed notes from 1 to 44 and Annexure - I (page 1 to 1) and Annexure - II (pages 1 to 9) form an integral part of these unconsolidated financial statements.


 Chairman

 President and
 Chief Executive Officer


 Director



 Director


 Chief Financial Officer


SINDH BANK LIMITED
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
	----- (Rupees in '000') -----	
Profit / (Loss) after taxation for the year	2,164,764	(1,385,750)
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in (deficit) / surplus on revaluation of investments - net of tax	<u>83,072</u>	<u>(86,853)</u>
	2,247,836	(1,472,603)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain on defined benefit obligations - net of deferred tax	<u>(18,251)</u>	<u>(3,720)</u>
Movement in surplus on revaluation of non-banking assets - net of tax	<u>91,800</u>	<u>-</u>
	73,549	(3,720)
Total comprehensive income / (loss)	<u><u>2,321,385</u></u>	<u><u>(1,476,323)</u></u>

The annexed notes from 1 to 44 and Annexure - I (page 1 to 1) and Annexure - II (pages 1 to 9) form an integral part of these unconsolidated financial statements. ✓



 Chairman



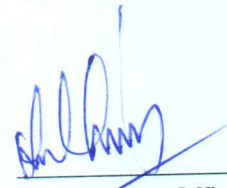
 President and
 Chief Executive Officer



 Director



 Director



 Chief Financial Officer

SINDH BANK LIMITED
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

	Share Capital	Shares Deposit Money	Capital Reserves		Statutory Reserve *	Surplus / (Deficit) on revaluation		Accumulated Loss **	Total
			Reserves on amalgamation	Share Premium		Investments	Fixed/Non-banking assets		
Balance as at January 01, 2022	25,524,428	4,000,000	9,433	51	1,451,928	(1,121,647)	-	(11,236,911)	18,627,282
Loss for the year ended December 31, 2022	-	-	-	-	-	-	-	(1,385,750)	(1,385,750)
Other comprehensive income / (loss) - net of tax	-	-	-	-	-	(86,853)	-	(3,720)	(90,573)
Transactions with owners, recorded directly in equity									
Issue of Shares during the year	4,000,000	(4,000,000)	-	-	-	-	-	-	-
Balance as at December 31, 2022	29,524,428	-	9,433	51	1,451,928	(1,208,500)	-	(12,626,381)	17,150,959
Profit/Loss for the year ended December 31, 2023	-	-	-	-	-	-	-	2,164,764	2,164,764
Other comprehensive income - net of tax	-	-	-	-	-	83,072	91,800	(18,251)	156,621
Transfer to statutory reserve	-	-	-	-	432,953	-	-	(432,953)	-
Transactions with owners, recorded directly in equity									
Shares deposit money	-	5,000,000	-	-	-	-	-	-	5,000,000
Issue of shares during the year	5,000,000	(5,000,000)	-	-	-	-	-	-	-
Balance as at December 31, 2023	34,524,428	-	9,433	51	1,884,881	(1,125,428)	91,800	(10,912,821)	24,472,344

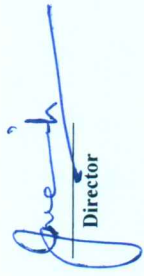
* Statutory reserve represents amount set aside as per the requirements of Section 21 of the Banking Companies Ordinance, 1962.

** As more fully explained in notes 9.5.2.1 & 10.6.2 of these unconsolidated financial statements, unappropriated profit includes an amount of Rs. 3,148.13 million net of tax as at December 31, 2023 (December 31, 2022: Rs. 4,737.96 million) representing additional profit arising from availing forced sale value benefit for determining provisioning requirement which is not available for the purpose of distribution of dividend to shareholders.

The annexed notes from 1 to 44 and Annexure - I (page 1 to 1) and Annexure - II (pages 1 to 9) form an integral part of these unconsolidated financial statements.


Chairman


Director



Director



Chief Financial Officer

SINDH BANK LIMITED
UNCONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2023

Note	2023	2022
	----- (Rupees in '000') -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	656,812	(2,269,093)
Less: Dividend income	(192,353)	(253,607)
	<u>464,459</u>	<u>(2,522,700)</u>
Adjustments:		
Depreciation	27 277,197	286,687
Depreciation on right of use assets	27 722,027	655,364
Interest expense on lease liability	584,041	221,035
Amortisation	27 41,219	35,219
Provision and write offs -net	29 1,023,994	1,938,638
Charge for defined benefit plan	35.1.4 115,770	98,588
Gain on sale of operating fixed assets	26 (5,115)	(3,630)
	<u>2,759,133</u>	<u>3,231,901</u>
	<u>3,223,592</u>	<u>709,201</u>
(Increase) / Decrease in operating assets		
Lendings to financial institutions	19,967,424	(13,886,216)
Advances - net	(6,612,094)	2,124,135
Other assets - net	(3,880,572)	(1,284,071)
	<u>9,474,758</u>	<u>(13,046,152)</u>
Increase / (Decrease) in operating liabilities		
Bills payable	172,614	101,422
Borrowings	(69,388,274)	80,148,976
Deposits and other accounts	525,700	5,435,544
Other liabilities (excluding current taxation)	4,412,558	4,192,733
	<u>(64,277,402)</u>	<u>89,878,675</u>
	<u>(51,579,052)</u>	<u>77,541,724</u>
Contribution to gratuity fund	35.1.3 (104,688)	(93,779)
Income tax paid	(644,314)	(441,118)
Net cash (used in) / generated from operating activities	<u>(52,328,054)</u>	<u>77,006,827</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in available-for-sale securities	78,770,659	(54,850,018)
Net investment in held-to-maturity securities	9,043,970	(24,222,699)
Dividend received	192,353	253,606
Investments in operating fixed assets	(930,242)	(1,866,555)
Sale proceeds of operating fixed assets disposed off	7,121	4,993
Net cash generated from / (used in) investing activities	<u>87,083,861</u>	<u>(80,680,673)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Shares deposit money	5,000,000	-
Payment of lease liability against right of use assets	(1,178,421)	(972,378)
Shares capital	-	-
Net cash generated from / (used in) financing activities	<u>3,821,579</u>	<u>(972,378)</u>
Increase / (decrease) in cash and cash equivalents	38,577,386	(4,646,224)
Cash and cash equivalents at the beginning of the year	<u>15,788,268</u>	<u>20,434,492</u>
Cash and cash equivalents at the end of the year	33 <u>54,365,654</u>	<u>15,788,268</u>

The annexed notes from I to 44 and Annexure - I (page 1 to 1) and Annexure - II (pages 1 to 9) form an integral part of these unconsolidated financial statements.


Chairman


**President and
Chief Executive Officer**


Director


Director


Chief Financial Officer

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

1. STATUS AND NATURE OF BUSINESS

- 1.1 Sindh Bank Limited (the Bank) was incorporated in Pakistan on October 29, 2010 as a public unlisted company and is engaged in Commercial Banking, Corporate and Investment related activities. The Bank operates 330 (2022: 330) branches including 8 (2022: 8) sub-branches and 14 (2022: 14) Islamic banking branches in Pakistan. The Bank's registered office is located at 3rd floor, Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi, Pakistan.
- 1.2 The Government of Sindh, through its Finance Department owns 99.97% ordinary shares of the Bank.
- 1.3 VIS Credit Rating Company Limited has reaffirmed the long term entity rating of A+ (Single A Plus) and short term rating of A-1 (A-one) in its report dated June 27, 2023.
- 1.4 Listing of the Bank will be undertaken in future after improvement in Bank's financial position and Regulator's guidance on the matter.

2. BASIS OF PRESENTATION

- 2.1 These unconsolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 02, dated 25 January 2018. These unconsolidated financial statements represent separate financial statements of the Bank. The consolidated financial statements of the bank is being issued separately.
- 2.2 In accordance with the directives of the Federal Government regarding the shifting of the Banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by Banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon. The Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) and notified under the provisions of the Companies Act, 2017.
- 2.3 The financial results of the Islamic Banking branches have been consolidated in these unconsolidated financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in Annexure II to these unconsolidated financial statements.
- 2.4 The Bank believes that there is no significant doubt on the Bank's ability to continue as a going concern. Therefore, the unconsolidated financial statements continue to be prepared on the going concern basis.

3. STATEMENT OF COMPLIANCE

- 3.1 This un-consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. The accounting and reporting standards comprise of :
- Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act 2017;
 - Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act 2017;
 - Provisions of and directives issued under the Companies Act 2017, Banking Companies Ordinance, 1962 and the directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

- 3.2 The SBP vide BSD Circular Letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for Banking companies till further instructions. SBP vide its BPRD Circular No. 07 of 2023 dated 23 April 2023 directed the Banks in Pakistan to implement IFRS 9, 'Financial Instruments' with effect from 01 January 2024. Further, according to the notification of the Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

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

3.4 IFRS 10, 'Consolidated Financial Statements' was made applicable from period beginning on or after 01 January 2015 vide S.R.O 633 (I) / 2014 dated 10 July 2014 by SECP. However, SECP has directed through S.R.O 56 (I) / 2016 dated 28 January 2016 that the requirement of consolidation under section 228 of the Companies Act, 2017 and IFRS 10, 'Consolidated Financial Statements' is not applicable in case of investment by companies in mutual funds established under trust structure.

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

There are certain amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after January 01, 2023. These are either considered to not be relevant or do not have any significant impact and accordingly have not been detailed in these financial statements, except as disclosed below.

IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies (Amendments)

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Bank's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Bank's unconsolidated financial statements.

3.6 Standards, interpretations and amendments to published approved accounting standards that are relevant but not yet effective:

As per BPRD Circular Letter No. 07 of 2023 dated 23 April 2023, the effective date for the implementation of IFRS 9 Financial Instruments is accounting period beginning on or after January 1, 2024. SBP has also extended the preparation of annual / interim financial statement on the revised formats to the first quarter of 2024. SBP has issued detailed instructions on the application of the Standard, including transitional provisions, impact on the Capital Adequacy Ratio (CAR) calculation and reporting requirements.

The IFRS 9 application instructions and guidelines that have been issued as part of the circular include the following key components:

- a) Basis for classification and measurement of debt and equity securities;
- b) Framework for determination of "Expected Credit Losses (ECL)" under the requirements of IFRS 9, including required risk management policies;
- c) Credit exposures (in local currency) that have been guaranteed by the Government and Government Securities have been exempted from the application of the above ECL Framework;
- d) In respect of non-performing exposures (Stage 3 exposures) provision would be made considering higher of IFRS 9 ECL or provision computed under existing PRs' requirements;
- e) In order to mitigate the impact of ECL provisioning on capital, a transitional arrangement is allowed to the banks to absorb the impact on regulatory capital and fully described in Annexure B to the aforementioned circular.

The actual impact of adopting IFRS 9 on the Bank's unconsolidated financial statements in the year 2024 may not be accurately estimated because it will be dependent on the financial instruments that the Bank would hold during next year and economic conditions at that time as well as accounting elections and judgements that it will make in future.

Further, the following IFRS as notified under the Companies Act, 2017 and the amendments thereto will be effective for future periods and not early adopted:

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

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

The above standards, amendments and improvements are not expected to have any material impact on the unconsolidated financial statements of the Bank for the future periods.

Further, following new standard has been issued by IASB which is yet to be notified by SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (accounting periods beginning on or after)
- IFRS 1 – First-time Adoption of International Financial Reporting Standards	01 January 2004

3.7 Critical accounting estimates and judgments

'The preparation of unconsolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

'In particular, information about significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant affect on the amounts recognized in the unconsolidated financial statements are as follows:

- i) classification and impairment against investments (notes 5.3 and 31);
- ii) classification of and provision against advances (notes 5.4 and 31);
- iii) depreciation and amortization / useful lives of operating fixed assets (notes 5.5, 11 and 12);
- iv) non-banking assets acquired in satisfaction of claims (note 5.7);
- v) taxation (note 5.8);
- vi) staff retirement and other benefits (note 5.9);
- vii) fair value of derivatives (note 5.17); and
- viii) judgements made by management in identification and reporting segment information (note 41).

4. BASIS OF MEASUREMENT

4.1 Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention except for certain investments, non-banking assets acquired in satisfaction of claims, right of use assets, lease liability and commitments in respect of foreign exchange and futures contracts which are measured at fair values and certain employee benefits and investments which are measured on present value basis.

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

4.2 Functional & Presentation of Currency

This Un-consolidated financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

The amount are rounded off to the nearest thousand rupees except as stated otherwise.

5. MATERIAL ACCOUNTING POLICY INFORMATION

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

5.1 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and balances with other banks in current and deposit accounts, excluding term deposit with original term of greater than three months.

5.2 Lending to / borrowing from Financial Institutions

The Bank enters into transactions of borrowings (repurchase) from and lending (reverse repurchase) to financial institutions at contracted rates for a specified period of time. These are reported as under:

5.2.1 Repurchase / resale agreements

a) Sale of securities under repurchase agreement (repo)

Securities sold subject to repurchase agreements (repo) remain on the unconsolidated statement of financial position as investments and the counter party liability is included in borrowings from financial institutions. The difference between the sale and repurchase price is accrued over the period of the agreement using the effective interest rate method and recorded as expense.

b) Purchase of securities under resale agreement (reverse repo)

Securities purchased under agreements for resale (reverse repo) are recorded as lendings to financial institutions. These transactions are accounted for on the settlement date. The difference between the purchase and resale price is recognized as mark-up return income over the period of the agreement using the effective interest rate method.

5.2.2 Bai Maujjal

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

5.3 Investments

The bank classifies its investments as follows:

a) Held-for-trading

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

b) Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold till maturity.

c) Available-for-sale

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

d) Subsidiaries

Subsidiary is an entity over which the Bank has control. Investment in subsidiary is carried at cost less accumulated impairment losses, if any.

5.3.1 Initial measurement

Investments other than those categorized as 'held-for-trading' are initially recognized at fair value and includes transaction costs associated with the investment. Investments classified as 'held-for-trading' are initially recognized at fair value and transaction costs are expensed in the unconsolidated profit and loss account.

5.3.2 Subsequent measurement

Held-for-trading

Investments classified as held-for-trading are measured on subsequent reporting dates at fair value. Gain and losses on remeasurement are included in the profit and loss account.

Held-to-maturity

Investments classified as held-to-maturity are carried at amortized cost. Unquoted equity securities are valued at lower of cost and break-up value. Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

Available-for-sale

Quoted securities classified as available-for-sale investments are measured on subsequent reporting dates at fair value. Any surplus / deficit arising thereon is kept in other comprehensive income and taken to the profit and loss account when actually realised upon disposal or when the investment is considered to be impaired.

Breakup value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

Subsidiaries

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

5.3.3 Impairment

The Bank determines that available-for-sale listed equity investments are impaired when there has been a significant or prolonged decline in the fair value of these investments below their cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates, among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial condition of the investee, industry and sector performance and changes in technology. A subsequent increase in the fair value of a previously impaired listed equity security is recorded in the statement of financial position in the surplus / deficit on revaluation of securities account and only recorded through the profit and loss account when realised on disposal.

A decline in the carrying value of unlisted equity securities is charged to the profit and loss account. A subsequent increase in the carrying value, up to the cost of the investment, is credited to the profit and loss account.

Provision for diminution in the value of debt securities held in Pakistan is made as per the Prudential Regulations issued by the SBP. Provision against investments by the Bank's overseas branches is made as per the requirements of their respective regulatory regimes.

When a debt security, classified as available-for-sale, is considered to be impaired, the balance in the surplus / deficit on revaluation of securities account is transferred to the profit and loss account as an impairment charge. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the profit and loss account.

When a debt security, classified as held-to-maturity, is considered to be impaired, the impairment is directly charged to the profit and loss account as held-to-maturity securities are carried at amortized cost. Any subsequent reversal of an impairment loss, up to the cost of the investment in the debt security, is credited to the profit and loss account

Provision for diminution in the value of other securities is made after considering objective evidence of impairment.

The Bank considers that a decline in the recoverable value of its investments in subsidiaries below their carrying value may be evidence of impairment. Recoverable value is calculated as the higher of fair value less costs to sell and value in use. An impairment loss is recognised when the recoverable value falls below the carrying value and is charged to the profit and loss account. Any subsequent reversal of an impairment loss, up to the carrying value of the investment in subsidiaries, associates and joint ventures, is credited to the profit and loss account.

5.3.4 Gain or loss on sale of investments is included in the profit and loss account in the year in which they arise.

5.4 Advances

Advances are stated net of provisions for non-performing advances. Specific and general provisions are made based on appraisal of the loan portfolio that takes into account the requirements of the Prudential Regulations issued by the State Bank of Pakistan. The provisions 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 after explicit approval from the Board of Directors.

Ijarah Financing

Applying IFAS-2, assets underlying Ijarah have been carried at cost less accumulated depreciation and impairment, if any, and are shown under Islamic financing and related assets. Rentals accrued from Ijarah financing net of depreciation charge are taken to the unconsolidated profit and loss account. Depreciation on Ijarah assets is charged by applying the straight line method over the Ijarah period which is calculated from the date of delivery of respective assets to mustajir upto the date of maturity / termination of Ijarah agreement.

Diminishing Musharakah

In Musharakah based financing, the Bank enters into Musharakah for financing an agreed share of fixed assets with its customer and enters into periodic profit payment agreement for the utilization of the Bank's Musharakah share by the customer. Specific and general provisions are made in accordance with the requirement of prudential regulations and other directives issued by the SBP and charged to unconsolidated profit and loss account.

5.5 Operating fixed assets and depreciation

5.5.1 *Property and equipment - owned*

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

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

Depreciation is charged to the unconsolidated profit and loss account applying the straight line method at the rates specified in note 11 to these unconsolidated financial statements after taking into account residual value, if significant. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each date of unconsolidated statement of financial position. Depreciation is charged from the date asset is available for use while no depreciation is charged from the date asset is disposed.

Gains or losses on disposal, if any, are recognized in the unconsolidated profit and loss account in the year in which they arise.

5.5.2 *Capital work-in-progress*

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and related advances there against, if any, are carried under this head. These are transferred to specific assets as and when the assets become available for use.

5.5.3 *Leases*

The Bank enters into lease arrangements principally in respect of office space for its operations. The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as a Lessee

A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments.

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use (RoU) Assets

The right-of-use assets recognised subsequent to the adoption of 'IFRS-16 Leases' are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

Lease Liability

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. After the commencement date, the carrying amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made.

Incremental borrowing rate

Borrowing rate that Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Bank estimated the Incremental borrowing rate using observable input such as market interest rates.

5.6 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged to the unconsolidated profit and loss account applying the straight line method at the rates specified in note 11, to these unconsolidated financial statements from the date an intangible asset is available for use. The useful life and amortisation method are reviewed and adjusted, if appropriate, at each date of unconsolidated statement of financial position.

5.7 Non-banking assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims are initially recorded at cost and are carried at revalued amounts less accumulated depreciation and impairment, if any. These assets are revalued with sufficient regularity by professionally qualified valuers to ensure that their net carrying value does not differ materially from their fair value. An increase in the market value over the acquisition cost is recorded as a surplus on revaluation. A decline in the market value is adjusted against the surplus of that asset or, if no surplus exists, is charged to the profit and loss account as an impairment. A subsequent increase in the market value of an impaired asset is reversed through the profit and loss account up to the extent of the impairment and thereafter credited to the surplus on revaluation of that asset. All direct costs of acquiring title to the asset are charged immediately to the profit and loss account.

Depreciation on assets acquired in satisfaction of claims is charged to the profit and loss account on the same basis as depreciation charged on the Bank's owned fixed assets.

If the recognition of such assets results in a reduction in non-performing loans, such reductions and the corresponding reductions in provisions held against non-performing loans are disclosed separately.

These assets are generally intended for sale. Gains and losses realized on the sale of such assets are disclosed separately from gains and losses realized on the sale of fixed assets. Surplus on revaluation (net of deferred tax) realized on disposal of these assets is transferred directly to unappropriated profit.

However, if such an asset, after initial recording, is used by the Bank for its own operations, the asset, along with any related surplus, is transferred to fixed assets.

5.8 Impairment

The carrying amount of assets is reviewed at each reporting date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized immediately in the unconsolidated financial statements. The resulting impairment loss is taken to the unconsolidated profit and loss account.

5.9 Taxation

Taxation (Income tax) expense relates to current and prior years and deferred tax. Income tax expense is recognized in the unconsolidated profit and loss account except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

a) Current

Provision for current tax is the tax payable on the expected taxable income for the year using tax rates enacted or substantively enacted at the reporting date and, any adjustment to tax payable relating to prior years, after taking into consideration available tax credits, rebates, tax losses etc.

b) Prior Year

This charge includes tax charge for prior years arising from assessments, changes in estimates and tax changes applied retrospectively.

c) Deferred

Deferred tax is recognized using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applicable to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and carried forward unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carried forward unused tax losses can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

5.10 Staff retirement and other benefits

a) Defined contribution plan

The Bank operates a recognised funded contributory provident fund for all its permanent employees to which equal contributions at the rate of 10 percent of basic salary are made by both the Bank and the employees. The contributions are recognized as employee benefit expense when they are due.

b) Defined benefit plan

The Bank operates recognised funded gratuity scheme for all its permanent employees who complete the prescribed eligibility period of service. Provision is made annually to meet the cost of such gratuity benefits on the basis of actuarial recommendations using the Projected Unit Credit Method.

c) Compensated absences

The Bank makes provision in the financial statements for its liabilities towards compensated absences. Liability under the scheme is determined on the basis of actuarial advice using the Projected Unit Credit Method.

5.11 Acceptances

Acceptances comprise of undertakings made by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with reimbursement from the customers. Acceptances are accounted for as on-balance sheet transactions and are reported in "other assets" and "other liabilities" simultaneously.

5.12 Provisions against liabilities

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

5.13 Revenue recognition

Revenue is recognized to the extent that the economic benefit associated with the transaction will flow to the Bank and the revenue can be reliably measured.

- 5.13.1** Mark-up / return / interest on advances and on investments are recognized on a time proportion basis using the effective interest rate method except that mark-up / return / interest on non-performing advances and investments is recognized on receipt basis, in accordance with the requirements of the Prudential Regulations issued by the SBP. Where debt securities are purchased at a premium or discount, such premium or discount is amortised through the unconsolidated profit and loss account over the remaining period of maturity.
- 5.13.2** Dividend income from investments is recognized when the Bank's right to receive the dividend is established.
- 5.13.3** Fees, brokerage and commission on letters of credit / guarantees and from other avenues is accrued and is recognized on time proportion basis.
- 5.13.4** Financial advisory fees is recognized when the right to receive the fees is established.
- 5.13.5** Gain or loss on sale of investments is included in unconsolidated profit and loss account in the year in which they arise.
- 5.13.6** Rentals from Ijarah is recognized as income over the term of the contract net of depreciation expense.
- 5.13.7** Profit on Diminishing Musharakah is recognized in unconsolidated profit and loss account on accrual basis.
- 5.14 Borrowings / deposits and their cost**

Borrowings / deposits are recorded at the proceeds received. Borrowing / deposit costs are recognized as an expense in the period in which these are incurred using the effective mark-up / interest rate method.

5.15 Proposed dividend and transfers between reserves

Dividends and appropriations to reserves, except appropriations which are by law required to be made subsequent to the date of statement of financial position 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 Balance Sheet Date' in the period in which they are approved / transfers are made.

5.16 Earnings per share

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

5.17 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated to Pak Rupees at the rates of exchange prevailing at the reporting date. Translation gains and losses are included in the unconsolidated profit and loss account.

5.18 Financial instruments

a) Financial assets and liabilities

Financial assets and liabilities carried on the unconsolidated statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances, certain receivables, bills payable, borrowings from financial institutions, deposits, subordinated loans and certain payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy notes associated with them.

b) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date at which the derivative contract is entered into and subsequently remeasured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets where fair value is positive and as liabilities where fair value is negative. Any changes in the fair value of derivative financial instruments are taken to unconsolidated profit and loss account.

5.19 Offsetting

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

5.20 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing particular products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), and is subject to risks and rewards that are different from those of other segments.

Business segments

a) Corporate Finance

This includes investment banking activities such as mergers and acquisitions, underwriting, privatization, securitization, Initial Public Offerings (IPOs) and secondary private placements.

b) Trading and sales (Treasury)

This includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lendings and repos, brokerage debt and prime brokerage.

c) Retail Banking

This includes mortgage finance and personal loans to individual customers.

d) Commercial banking and others

This includes loans, deposits and other transactions with corporates, small and medium sized customers including agriculture business.

5.21 Geographical segments

The Bank operates only in Pakistan.

5.22 Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in these unconsolidated financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Pak Rupee terms at the rates of exchange prevailing at the date of the unconsolidated statement of financial position.

5.23 Provision against off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations is made when the Bank has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Charge to unconsolidated profit and loss account is stated net of expected recoveries.

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

	Note	2023 ----- (Rupees in '000) -----	2022
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		3,959,099	4,593,287
Foreign currency		194,370	112,285
		<u>4,153,469</u>	<u>4,705,572</u>
With State Bank of Pakistan (SBP) in			
Local currency current accounts	6.1	47,075,466	9,015,993
Foreign currency current accounts	6.2	61,133	105,966
Foreign currency deposit accounts			
- Non Remunerative	6.3	158,549	104,727
- Remunerative	6.4	309,256	205,270
		<u>47,604,404</u>	<u>9,431,956</u>
With National Bank of Pakistan in			
Local currency current accounts		1,610,797	22,429
Local currency deposit accounts	6.5	22,571	5
		<u>1,633,368</u>	<u>22,434</u>
Prize bonds		16,530	8,776
	33	<u>53,407,771</u>	<u>14,168,738</u>
6.1 This represents cash reserve required to be maintained with SBP as per the requirement of Section 22 of the Banking Companies Ordinance, 1962.			
6.2 This represents US Dollar Settlement Account maintained with SBP.			
6.3 This represents foreign currency (FCY) cash reserve maintained with SBP to comply with statutory reserve requirement applicable on Bank's FCY deposits.			
6.4 This represents foreign currency special cash reserve maintained with SBP. The Bank is entitled to earn profit which is declared by SBP on a monthly basis. During the period, the SBP has declared 3.39% to 4.34% profits (2022 : 0% to 3.14%) per annum.			
6.5 This includes savings account with National Bank of Pakistan carrying mark-up at 20.5% (2022: 14.50%) per annum.			
7. BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		30	30
In savings account	7.1	1,719	1,434
		<u>1,749</u>	<u>1,464</u>
Outside Pakistan			
In current accounts	7.2	956,134	1,618,066
	33	<u>957,883</u>	<u>1,619,530</u>
7.1 This includes savings account with a commercial bank carrying profit at the rate of 20.5% (2022: 14.50%) per annum.			
7.2 This includes Rs. 842.188 million (2022: Rs. 678.603 million) held in Automated Investment Plans. This balance is current in nature and in case this goes above a specified amount, the bank is entitled to earn interest from the correspondent banks at the agreed rates.			
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse Repo)	8.1	-	19,967,424
		<u>-</u>	<u>19,967,424</u>
8.1 Particulars of lending			
In local currency		-	19,967,424
In foreign currencies		-	-
		<u>-</u>	<u>19,967,424</u>

SINDH BANK LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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8.2 Securities held as collateral against Lending to financial institutions

	2023		2022	
	Held by Bank	Further given as collateral	Total	Further given as collateral
Market Treasury Bills	-	-	-	-
Pakistan Investment Bonds	-	-	-	-
Total	-	-	18,016,775	18,016,775
	-	-	1,975,600	1,975,600
	-	-	19,992,375	19,992,375

9. INVESTMENTS

Note	2023					2022						
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
9.1 Investments by type												
Available-for-sale securities												
Federal Government Securities												
Market Treasury Bills	-	-	-	-	-	-	-	-	-	-	-	-
Pakistan Investment Bonds	17,400,629	-	(2,183,880)	15,216,749	64,108,973	-	(180,402)	63,928,571	17,616,725	-	(1,265,020)	16,351,705
Pakistan Investment Bonds - Floater	113,308,072	-	(319,502)	112,988,570	125,882,687	-	(167,136)	125,715,551	4,000,000	-	(14,598)	3,985,410
Government of Pakistan - Ijarah Sukuk Shares	4,000,000	-	42,076	4,042,076	4,000,008	-	-	3,985,410	-	-	-	-
Listed	971,211	(342,757)	212,934	841,388	2,785,332	(342,757)	(373,481)	2,069,094	-	-	-	-
Unlisted	-	(43,684)	-	-	-	(43,684)	-	-	-	-	-	-
Mutual funds & units	158,203	(386,441)	41,651	156,170	215,049	(386,441)	19,492	2,069,094	-	-	-	-
	135,838,115	(386,441)	(2,206,721)	133,244,953	214,608,774	(385,563)	(1,981,145)	212,242,066	-	-	-	-
Held-to-maturity securities												
Federal Government Securities												
Market Treasury Bills	-	-	-	-	-	-	-	-	-	-	-	-
Pakistan Investment Bonds	20,660,590	-	-	20,660,590	29,623,413	-	-	29,623,413	11,262,656	-	-	11,343,755
Preference Shares - Unlisted	11,262,656	-	-	11,262,656	11,343,755	-	-	11,343,755	77,708	(77,708)	-	-
Non-government debt securities	77,708	(77,708)	-	-	77,708	(77,708)	-	-	-	-	-	-
Term finance certificates - Listed	224,235	-	-	224,235	224,235	-	-	224,235	858,949	(489,641)	-	369,308
Term finance certificates - Unlisted	858,901	(497,863)	-	361,038	858,949	(497,863)	-	369,308	-	(567,349)	-	41,560,711
	33,084,090	(575,571)	-	32,508,519	42,128,060	(567,349)	-	41,560,711	-	-	-	-
Investment in Subsidiary												
Fully paid ordinary shares	750,000	-	-	750,000	750,000	-	-	750,000	-	-	-	-
Total Investments	169,672,205	(962,012)	(2,206,721)	166,503,472	257,486,834	(952,912)	(1,981,145)	254,552,777	750,000	(952,912)	(1,981,145)	254,552,777

9.3

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

9.2 Investments by segments

	2023		2022					
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	(Rupees in '000)							
Federal Government Securities								
Market Treasury Bills	20,660,590	-	-	20,660,590	93,732,386	-	(180,402)	93,551,984
Pakistan Investment Bonds	141,971,357	-	(2,503,381)	139,467,976	154,843,167	-	(1,432,155)	153,411,012
Government of Pakistan - Ijarah Sukuk	4,000,000	-	42,076	4,042,076	4,000,008	-	(14,598)	3,985,410
Shares	166,631,947	-	(2,461,305)	164,170,642	252,575,561	-	(1,627,155)	250,948,406
Listed companies								
Unlisted companies	971,211	(342,757)	212,934	841,388	2,785,332	(342,757)	(373,481)	2,069,094
	77,708	(77,708)	-	-	77,708	(77,708)	-	-
	1,048,919	(420,465)	212,934	841,388	2,863,040	(420,465)	(373,481)	2,069,094
Non-government debt securities								
Term finance certificates - listed	224,235	-	-	224,235	224,235	-	-	224,235
Term finance certificates - unlisted	858,901	(497,863)	-	361,038	858,949	(489,641)	-	369,308
	1,083,136	(497,863)	-	585,273	1,083,184	(489,641)	-	593,543
Mutual Funds & units								
Open ended								
REIT - Units	59,203	(43,684)	16,990	32,509	116,049	(42,806)	(4,269)	68,974
	99,000	-	24,661	123,661	99,000	-	23,760	122,760
	158,203	(43,684)	41,651	156,170	215,049	(42,806)	19,491	191,734
Investment in Subsidiary								
Sindh Microfinance Bank Ltd	750,000	-	-	750,000	750,000	-	-	750,000
Total Investments	169,672,205	(962,012)	(2,206,720)	166,503,472	257,486,834	(952,912)	(1,981,145)	254,552,777

9.3 Details of investment in Subsidiary

Name of Entity	Incorporation date	Incorporation Country	Percentage holding (%)	2023				Total Comprehensive Income
				Total Assets	Total Liabilities	Total Revenue	Profit after taxation	
(Rupees in '000')								
Sindh Microfinance Bank Limited	27-03-2015	Pakistan	100%	3,415,122	2,308,691	949,395	92,135	91,583
				2022				
Name of Entity	Incorporation date	Incorporation Country	Percentage holding (%)	Total Assets	Total Liabilities	Total Revenue	Profit after taxation	Total Comprehensive Income
Sindh Microfinance Bank Limited	27-03-2015	Pakistan	100%	2,007,714	995,341	469,686	41,409	43,026
				(Rupees in '000')				
				18				

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	2023	2022
	----- (Rupees in '000') -----	
9.4 Investments given as collateral		
Federal government securities		
Pakistan Investment Bonds	35,733,600	104,589,900
Market Treasury Bills	-	-
	<u>35,733,600</u>	<u>104,589,900</u>
9.5 Provision for diminution in value of investments		
9.5.1 Opening balance	952,912	873,216
Charge / reversals		
Charge for the year	9,100	80,939
Reversals for the year	-	-
Reversal on disposals	-	(1,243)
Transfers - net	9,100	79,696
Closing Balance	<u>962,012</u>	<u>952,912</u>
9.5.2 Particulars of classified debt securities (Category of classification)	2023	2022
	Non performing investments	Provision
	Non performing investments	Provision
	----- (Rupees in '000') -----	
Domestic		
Other assets especially mentioned	-	-
Substandard	-	-
Doubtful	-	-
Loss	592,051	575,571
Total	<u>592,051</u>	<u>575,571</u>
	<u>592,051</u>	<u>575,571</u>
	<u>592,051</u>	<u>575,571</u>
9.5.2.1	The Bank has availed the benefit of forced sale value of collateral against non-performing investment on the basis of the instructions of the State Bank of Pakistan. Had the benefit not been taken by the Bank, provision against non-performing investment would have been higher by Rs. 16.480 million (2022: Rs. 24.7 million). The resultant increase in profit due to FSV benefit taken will not be available for distribution as cash and stock dividend to shareholders.	
9.6 Quality of Available for Sale Securities		
Particulars regarding quality of Available for Sale (AFS) securities		
Federal Government Securities - Government guaranteed		
Pakistan Investment Bonds	130,708,701	143,499,412
Market Treasury Bills	-	64,108,973
Government of Pakistan - Ijarah Sukuk	4,000,000	4,000,008
	<u>134,708,701</u>	<u>211,608,393</u>
Shares (Equities)		
Listed Companies		
Refinery	7,682	7,682
Fertilizer	345,285	531,870
Cement	63,745	63,745
Power Generation & Distribution	-	364,285
Oil & Gas Marketing Companies	186,049	597,630
Commercial Banks	368,450	1,220,120
	<u>971,211</u>	<u>2,785,332</u>
Other investments (Mutual Funds and Units)		
Listed		
AAA	99,000	99,000
AA+	16,239	28,459
A+ / A-	42,964	87,590
	<u>158,203</u>	<u>215,049</u>
	<u>135,838,115</u>	<u>214,608,774</u>

SINDH BANK LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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	2023	2022
	----- (Rupees in '000') -----	
Equity Securities		
Listed Companies		
Pakistan Refinery Limited	7,682	7,682
Fauji Fertilizer Company Limited	280,283	280,283
Fauji Fertilizer Bin Qasim Limited	-	186,585
Fatima Fertilizer Company Limited	65,002	65,002
Thatta Cement Company Limited	63,745	63,745
Nishat Chunian Power Limited	-	201,358
Hub Power Company Limited	-	162,925
Sui Southern Gas Company Limited	164,142	164,142
Sui Northern Gas Pipelines Limited	-	129,401
Oil & Gas Development Company Limited	21,905	119,384
Pak Petroleum Limited	-	132,476
Pakistan State Oil Limited	-	52,228
Bank Makramah Limited (Summit Bank)	305,509	305,509
National Bank of Pakistan	-	233,102
Bank AlHabib Limited	-	39,007
Meezan Bank Ltd	-	85,390
Habib Bank Limited	-	205,598
United Bank Limited	-	80,853
MCB Bank Limited	-	207,721
Silk Bank Limited	62,943	62,941
	971,211	2,785,332
	2023	2022
9.7 Particulars relating to Held to Maturity securities	----- Cost -----	
	----- (Rupees in '000') -----	
Federal Government Securities - Government guaranteed		
Pakistan Investment Bonds	11,262,656	11,343,755
Market Treasury Bills	20,660,590	29,623,413
	31,923,246	40,967,168
Preference Shares - Unlisted Company		
Al-Arabia Sugar Mills Ltd	77,708	77,708
Non Government Debt Securities		
Listed		
Unrated	224,235	224,235
Un-listed		
AA	119,737	119,785
Unrated	224,820	224,820
Unrated	514,344	514,344
	858,901	858,949
	33,084,090	42,128,060

9.7.1 The market value of securities classified as held-to-maturity as at December 31, 2023 amounted to Rs. 29,916.83 million (December 31, 2022: Rs. 40,242.39 million).

SINDH BANK LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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10. ADVANCES

Note	Performing		Non Performing		Total	
	2023	2022	2023	2022	2023	2022
	(Rupees in '000')					
Loans, cash credits, agriculture, running finances etc.	27,665,107	28,762,623	32,564,925	34,531,096	60,230,032	63,293,719
Commodity finance	15,619,270	5,205,042	-	-	15,619,270	5,205,042
Net investment in finance lease	305,814	538,713	410,329	420,881	716,143	959,594
Islamic financing and related assets						
Diminishing musharakah financing	433,901	1,021,768	121,353	11,898	555,254	1,033,666
Ijarah financing under IFAS 2	9,946	11,371	-	-	9,946	11,371
	44,034,038	35,539,517	33,096,607	34,963,875	77,130,645	70,503,392
Bills discounted and purchased (excluding market treasury bills)						
Payable in Pakistan	368,044	386,782	-	-	368,044	386,782
Payable outside Pakistan	9,317	5,738	3,405	3,405	12,722	9,143
	377,361	392,520	3,405	3,405	380,766	395,925
Advances - gross	44,411,399	35,932,037	33,100,012	34,967,280	77,511,411	70,899,317
Provision for non-performing advances						
- Specific provision	-	-	26,878,180	27,089,777	26,878,180	27,089,777
- General provision against consumer and small enterprise advances	10,186	7,212	-	-	10,186	7,212
	10,186	7,212	26,878,180	27,089,777	26,888,366	27,096,989
Advances - Net of Provision	44,401,213	35,924,825	6,221,832	7,877,503	50,623,045	43,802,328
					2023	2022
					(Rupees in '000')	
10.1 Particulars of advances (Gross)						
In local currency					77,511,411	70,899,317
In foreign currencies					-	-
					77,511,411	70,899,317
10.2 This represents commodity financing provided to Food Department and Trading Corporation of Pakistan.						

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	2023				2022			
	Not later than one year	Over one year and up to five years	Over five years	Total	Not later than one year	Over one year and up to five years	Over five years	Total
	(Rupees '000')							
Lease rental	142,323	512,715	-	655,038	326,395	538,791	-	865,186
Residual value	116,409	63,562	-	179,971	217,996	19,886	-	237,882
Minimum lease payments	258,732	576,277	-	835,009	544,391	558,677	-	1,103,068
Un-earned income for future periods	(19,423)	(99,443)	-	(118,866)	(114,407)	(29,067)	-	(143,474)
Present value of minimum lease payments	239,309	476,834	-	716,143	429,984	529,610	-	959,594

10.3.1 This represents portfolio taken on the books of the Bank due to amalgamation of the Company

10.4 **Diminishing musharakah financing**
Advance against musharakah
Diminishing musharakah

10.5 **Ijarah financing under IFAS 2**
Net book value of assets
Advance against Ijarah financing

10.5.1 **Particulars of assets under Ijarah**

	2023				2022			
	As at January 01	Additions/ Settled	As at December 31	As at January 01	Charge/ settled	As at December 31	Book Value As at December 31	Rate of depreciation (%)
	(Rupees '000')							
Vehicle	16,224	(16,224)	-	14,019	(14,019)	-	-	Over the Ijarah period
Plant and machinery	28,000	950	28,950	18,834	170	19,004	9,946	-
Total	44,224	(15,274)	28,950	32,853	(13,849)	19,004	9,946	-
	(Rupees '000')							
Vehicle	37,866	(21,642)	16,224	28,341	(14,322)	14,019	2,205	Over the Ijarah period
Plant and machinery	28,000	-	28,000	14,366	4,468	18,834	9,166	-
Total	65,866	(21,642)	44,224	42,707	(9,854)	32,853	11,371	-

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	31 Dec 23	31 Dec 22
	----- (Rupees in '000') -----	
10.5.2 Future Ijarah payments receivable		
Not later than one year	9,946	11,371
Later than one year and not later than five years	-	-
	<u>9,946</u>	<u>11,371</u>

10.6 Advances include Rs. 33,100.01 (2022: Rs. 34,967.28) million which have been placed under non-performing status as detailed below:

Category of Classification	2023		2022	
	Non Performing Loans	Provision	Non Performing Loans	Provision
----- (Rupees in '000') -----				
Domestic				
Other Assets Especially Mentioned	-	-	26,794	-
Substandard	8,889	333	10,979	36
Doubtful	116,780	932	198,971	23,739
Loss	32,974,343	26,876,915	34,730,536	27,066,002
Total	<u>33,100,012</u>	<u>26,878,180</u>	<u>34,967,280</u>	<u>27,089,777</u>

10.6.1 This represents non-performing portfolio of agricultural and small and medium enterprise financing classified as OAEM as per the requirements of the Prudential Regulations for Agricultural and Small and Medium Enterprise Financing issued by the State Bank of Pakistan.

10.6.2 The Bank has availed the benefit of forced sale value on plant and machinery under charge and mortgaged residential and commercial property (land and building only) held as collateral against non-performing advances on the basis of the instructions of the State Bank of Pakistan. Had the benefit not been taken by the Bank, specific provision against non-performing advances would have been higher by Rs. 6,156.33 (2022: Rs. 7,742.44) million. The resultant increase in profit due to FSV benefit taken will not be available for distribution as cash and stock dividend to shareholders.

10.6.3 Particulars of provision against advances

	2023			2022		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000') -----						
Opening balance	27,089,777	7,212	27,096,989	25,236,386	2,903	25,239,289
Exchange adjustments	-	-	-	-	-	-
Charge for the year	2,766,522	2,974	2,769,496	2,718,477	4,309	2,722,786
Reversals	(1,712,978)	-	(1,712,978)	(860,608)	-	(860,608)
	1,053,544	2,974	1,056,518	1,857,869	4,309	1,862,178
Amounts (reversal)/charged off - agriculture loans	(42,356)	-	(42,356)	(4,478)	-	(4,478)
Net charge during the year	1,011,188	2,974	1,014,162	1,853,391	4,309	1,857,700
Addition due to amalgamation of Sindh Leasing Co. Ltd	-	-	-	-	-	-
Transferred to other assets under DPS agreement	(1,222,785)	-	(1,222,785)	-	-	-
Amounts written off	-	-	-	-	-	-
Closing balance	<u>26,878,180</u>	<u>10,186</u>	<u>26,888,366</u>	<u>27,089,777</u>	<u>7,212</u>	<u>27,096,989</u>

10.6.3.1 Particulars of provision against advances

	2023			2022		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000') -----						
In local currency	26,878,180	10,186	26,888,366	27,089,777	7,212	27,096,989
In foreign currencies	-	-	-	-	-	-
	<u>26,878,180</u>	<u>10,186</u>	<u>26,888,366</u>	<u>27,089,777</u>	<u>7,212</u>	<u>27,096,989</u>

10.6.3.2 General provision against consumer loans represents provision maintained at an amount equal to 1% (2022: 1%) of the fully secured performing portfolio and 4% (2022: 4%) of the unsecured performing portfolio as required by the Prudential Regulations issued by SBP. General provision against Small Enterprises financing represents provision maintained at an amount equal to 0% (2022: 0%) of the fully secured performing portfolio and 1% of the unsecured performing portfolio as required by the Prudential Regulations issued by SBP.

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11. FIXED ASSETS	Note	31 Dec 23	31 Dec 22
		----- (Rupees in '000') -----	
Capital work-in-progress	11.1	1,321	26,725
Property and equipment	11.2	1,326,280	1,312,351
Right of use assets	11.5	2,608,849	2,693,446
		<u>3,936,450</u>	<u>4,032,522</u>
11.1 Capital work-in-progress			
Civil works		-	4,325
Equipment		-	2,041
Advances to suppliers		1,321	20,359
	11.1.1	<u>1,321</u>	<u>26,725</u>
11.1.1 Movement in Capital work-in-progress			
Opening balance		26,725	73,166
Transfer in		36,287	211,216
Transfer out		(61,691)	(257,657)
Write off		-	-
Closing balance		<u>1,321</u>	<u>26,725</u>

11.2 Property and Equipment

	2023				
	Leasehold improvements	Furniture and fixture	Computer and office equipment	Vehicles	Total
	----- (Rupees in '000') -----				
At January 1, 2023					
Cost / Revalued amount	1,389,947	569,082	1,791,443	504,654	4,255,126
Accumulated depreciation	578,789	485,711	1,613,467	264,808	2,942,775
Net book value	<u>811,158</u>	<u>83,371</u>	<u>177,976</u>	<u>239,846</u>	<u>1,312,351</u>
Year ended December 31, 2023					
Opening net book value	811,158	83,371	177,976	239,846	1,312,351
Additions	30,542	8,263	236,341	17,988	293,134
Disposals	-	-	-	(2,006)	(2,006)
Depreciation charge	(69,667)	(23,944)	(104,238)	(79,350)	(277,199)
Closing net book value	<u>772,033</u>	<u>67,690</u>	<u>310,079</u>	<u>176,478</u>	<u>1,326,280</u>
At December 31, 2023					
Cost / Revalued amount	1,420,489	577,307	2,021,062	493,571	4,512,429
Accumulated depreciation	648,456	509,617	1,710,983	317,093	3,186,149
Net book value	<u>772,033</u>	<u>67,690</u>	<u>310,079</u>	<u>176,478</u>	<u>1,326,280</u>
Rate of depreciation (percentage)	<u>5.00%</u>	<u>10.00%</u>	<u>33.33% & 20.0%</u>	<u>20.00%</u>	

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	2022				
	Leasehold improvements	Furniture and fixture	Computer and office equipment	Vehicles	Total
	(Rupees in '000')				
At January 1, 2022					
Cost / Revalued amount	1,324,292	562,730	1,721,214	384,506	3,992,742
Accumulated depreciation	512,163	444,605	1,526,022	245,192	2,727,982
Net book value	812,129	118,125	195,192	139,314	1,264,760
Year ended December 31, 2022					
Opening net book value	812,129	118,125	195,192	139,314	1,264,760
Additions	66,740	6,593	84,200	178,107	335,640
Disposals	(711)	(10)	(24)	(617)	(1,362)
Depreciation charge	(67,000)	(41,337)	(101,392)	(76,958)	(286,687)
Closing net book value	811,158	83,371	177,976	239,846	1,312,351
At December 31, 2022					
Cost / Revalued amount	1,389,947	569,082	1,791,443	504,654	4,255,126
Accumulated depreciation	578,789	485,711	1,613,467	264,808	2,942,775
Net book value	811,158	83,371	177,976	239,846	1,312,351
Rate of depreciation (percentage)	5.00%	10.00%	33.33% & 20.0%	20.00%	

11.3 The cost of fully depreciated fixed assets that are still in the Bank's use is as follows:

	2023	2022
	(Rupees in '000')	
Leasehold improvements	325	309
Furniture and fixtures	382,511	305,766
Electrical, office and computer equipment	1,512,720	1,341,356
Vehicles	118,385	96,376
	2,013,941	1,743,807

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11.4 Disposal

Description	Cost	Net Book Value	Sale Proceeds	Mode Of Disposal	Particulars of The Purchaser
------(Rupees in '000)-----					
Computers & Office Equipment					
Items with WDV of below Rs. 250,000/- and cost of less than Rs. 1,000,000/-	6,760	-	855	Negotiation	Various
Motor Vehicles					
Toyota Corolla Altis	2,323	-	-	As Per HR Policy	Tariq Ahsan
Toyota Corolla XLI	2,505	292	418	As Per HR Policy	Rukhsana Narejo
Suzuki Cultus	1,250	-	-	As Per HR Policy	Husn-E-Kamil
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Kazim Hussain
Suzuki Wagon R	1,877	1,252	2,000	Insurance Claim	Sindh Insurance Ltd
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Nazia Rasheed
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Naheed Hashmat
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Ghulam Mustafa Mahar
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Kashif Ahmed Memon
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Khalil Ahmed
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Muhammad Azam Gondal
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Ali Raza
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Wali Muhammad Attar
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Syed Irfan Ali
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Muhammad Adeel Siddiqui
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Ikhtlaq Ahmed
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Muhammad Affan Khan
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Khawaja Muhammad Atif
Suzuki Wagon R	1,540	462	462	As Per HR Policy	Syeda Sumaira Zaidi
Items with WDV of below Rs. 250,000/- and cost of less than Rs. 1,000,000/-	4,120	-	3,386	Auction	Various
	<u>29,071</u>	<u>2,006</u>	<u>6,266</u>		
TOTAL	<u>35,831</u>	<u>2,006</u>	<u>7,121</u>		

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	2023	2022
	----- (Rupees in '000') -----	
11.5 RIGHT OF USE ASSETS		
Year ended December 31		
Opening net book value	2,693,446	1,809,671
Additions	637,430	1,539,139
Disposals	-	-
Depreciation charge	(722,027)	(655,364)
Closing net book value	<u>2,608,849</u>	<u>2,693,446</u>
At December 31		
Cost	4,380,687	4,875,656
Accumulated depreciation	(1,771,838)	(2,182,210)
Net book value	<u>2,608,849</u>	<u>2,693,446</u>
Rate of depreciation (percentage)	10% to 100%	10% to 100%
12. INTANGIBLE ASSETS		
Computer Software		
At January 1		
Cost	412,051	373,835
Accumulated amortisation and impairment	294,780	259,561
Net book value	<u>117,271</u>	<u>114,274</u>
Year ended December 31		
Opening net book value	117,271	114,274
Additions:		
- directly purchased	32,205	38,217
Disposals	-	-
Amortisation charge	(41,219)	(35,220)
Other adjustments	-	-
Closing net book value	<u>108,257</u>	<u>117,271</u>
At December 31		
Cost	444,256	412,051
Accumulated amortisation and impairment	335,999	294,780
Net book value	<u>108,257</u>	<u>117,271</u>
Rate of amortisation (percentage)	20%	20%
Useful life	5 years	5 years

12.1 The cost of fully amortised software still in use amounted to Rs. 232.911 million (2022: Rs. 227.226 million) .

13. DEFERRED TAX ASSETS-NET

	2023			At Dec 31, 2023
	At Jan 1, 2023	Recognised in P&L A/C	Recognised in OCI	At Dec 31, 2023
	----- (Rupees in '000') -----			
Deductible Temporary Differences on				
- Provision against advances - general	9,108,677	1,994,386	-	11,103,063
- Tax losses carried forward	3,782,989	(323,272)	17,536	3,477,253
- Provision for diminution in the value of investments	94,853	24,321	-	119,174
- Deficit on revaluation of investments	772,647	-	308,647	1,081,294
- Others	985,289	408,816	-	1,394,105
- Others (RoU)	65,384	193,933	-	259,317
	<u>14,809,839</u>	<u>2,298,184</u>	<u>326,183</u>	<u>17,434,206</u>
Taxable Temporary Differences on				
- Accelerated tax depreciation - tangible fixed assets	(3,797)	4,298	-	501
- Net investment in Lease Finance	(131,859)	-	-	(131,859)
- Surplus on revaluation of non-banking assets	-	-	(88,200)	(88,200)
- Accelerated tax amortization - intangible assets	(12,137)	(8,546)	-	(20,683)
	<u>(147,793)</u>	<u>(4,248)</u>	<u>(88,200)</u>	<u>(240,241)</u>
	<u>14,662,046</u>	<u>2,293,936</u>	<u>237,983</u>	<u>17,193,965</u>

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	2022			At Dec 31, 2022
	At Jan 1, 2023	Recognised in P&L A/C	Recognised in OCI	
	(Rupees in '000')			
Deductible Temporary Differences on				
- Provision against advances - general	8,420,982	687,695	-	9,108,677
- Tax losses carried forward	3,319,583	461,028	2,378	3,782,989
- Provision for diminution in the value of investments	247,735	(152,882)	-	94,853
- Deficit on revaluation of investments	717,118	-	55,529	772,647
- Others	705,534	279,755	-	985,289
- Others (RoU)	-	65,384	-	65,384
	<u>13,410,952</u>	<u>1,340,980</u>	<u>57,907</u>	<u>14,809,839</u>
Taxable Temporary Differences on				
- Accelerated tax depreciation - tangible fixed assets	(20,465)	16,668	-	(3,797)
- Net investment in Lease Finance	(131,859)	-	-	(131,859)
- Accelerated tax amortization - intangible assets	(6,095)	(6,042)	-	(12,137)
	<u>(158,419)</u>	<u>10,626</u>	<u>-</u>	<u>(147,793)</u>
	<u>13,252,533</u>	<u>1,351,606</u>	<u>57,907</u>	<u>14,662,046</u>

- 13.1 The Bank has an aggregate amount of deferred tax assets of Rs. 17,193.96 million (2022: Rs. 14,662.05 million). Deferred tax asset has been recorded based on management's best estimate of the probable benefits expected to be realised in future years in the form of reduced tax liability as the Bank would be able to set off the profits earned in those years against the deferred tax asset. In this regard, the Bank has prepared financial projections for future taxable profits, which have been approved by the Board of the Bank, to assess the recoverability of deferred tax assets. The projections involve certain key management assumptions underlying the estimation of future taxable profits. The determination of future taxable profits is most sensitive to certain key assumptions such as growth in high yield consumer advances, investment returns, potential reversal of provision against assets, interest rates, cost of funds and expected recoveries of classified loans. Any significant change in such assumptions may have an effect on the recoverability of the deferred tax assets. Management believes that it is probable that the Bank will be able to achieve the profits and consequently, the deferred tax asset will be fully realised in future.

14. OTHER ASSETS	Note	2023	2022
		(Rupees in '000')	
Income/ Mark-up accrued in local currency	14.1	5,772,428	4,261,207
Accrued commission income		19,730	19,730
Advances, deposits, advance rent and other prepayments		213,037	182,617
Receivable against sale of shares		8,586	56,982
Mark to market gain on forward foreign exchange contracts		225,309	-
Insurance premium receivable against agriculture loans		9,998	9,841
Stationery and stamps on hand		10,332	18,966
Receivable against I Link ATM settlement account		616,552	305,152
Advance Taxation - net		-	12,912
Insurance claims receivable		7,445	3,375
Non-Banking Assets Acquired in Satisfaction of Claims	14.2	1,770,000	-
Other receivables		141,934	56,909
		<u>8,795,351</u>	<u>4,927,691</u>
Less: Provision held against other assets		(1,222,785)	-
Other assets (net of provision)		7,572,566	4,927,691
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		180,000	-
		<u>7,752,566</u>	<u>4,927,691</u>
14.1 Income/ Mark-up accrued in local currency			
On loans and advances		2,705,396	1,629,075
On investments		3,065,999	2,615,414
Others		1,033	16,718
		<u>5,772,428</u>	<u>4,261,207</u>

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14.2 **Market value of non-banking assets acquired in satisfaction of claims**

Non-banking assets acquired in satisfaction of claims have been valued at the average of two independent professional valuers' reports each dated August 11, 2023. As at reporting date, fair value does not differ materially from the recognized amount. These valuations were carried out by Joseph Lobo & Co. Pvt Ltd. and Iqbal A. Nanjee & Co. Pvt. Ltd. on the basis of professional assessment of present market values. The valuer are listed on the panel of Pakistan Bank's Association.

14.3 Non-banking assets acquired in satisfaction of claims	Note	2023	2022
		----- (Rupees in '000') -----	
Opening Balance		-	-
Additions		1,770,000	-
Revaluation		180,000	-
Disposals		-	-
Depreciation		-	-
Impairment		-	-
		<u>1,950,000</u>	<u>-</u>

15. **BILLS PAYABLE**

In Pakistan	898,762	726,148
Outside Pakistan	-	-
	<u>898,762</u>	<u>726,148</u>

16. **BORROWINGS**

Secured

Borrowings from State Bank of Pakistan			
- Under export refinance scheme	16.2	1,662,500	1,874,835
- Under long term finance facility	16.3	29,940	59,879

Repurchase agreement borrowings - Secured

- State Bank of Pakistan (SBP)	16.4	16,000,000	105,000,000
- Other commercial banks / DFI's	19.5	19,854,000	-
		<u>35,854,000</u>	<u>105,000,000</u>
		<u>37,546,440</u>	<u>106,934,714</u>

16.1 **Particulars of borrowings with respect to Currencies**

In local currency	37,546,440	106,934,714
In foreign currencies	-	-
	<u>37,546,440</u>	<u>106,934,714</u>

16.2 These represent borrowings from SBP under export refinance scheme at the rates ranging from 17% to 18% (2022: 8% to 10%) per annum having maturity upto six months.

16.3 These represent borrowings from SBP under long term finance facility at the rate of 3% (2022: 3%) per annum having maturity upto 5 years.

16.4 These represent repurchase agreement borrowings from State Bank of Pakistan at the rates ranging from 22.11% to 23% (2022: 15.22% to 16.17%) per annum maturing on January 12, 2024 (2022: February 24, 2023). The carrying value of securities given as collateral against these borrowings is given in note 9.4.

16.5 These represent repurchase agreement borrowings from Other commercial DFI's at the rate 22.95% (2022: NIL) per annum maturing on January 12, 2024 (2022: NIL).

17. **DEPOSITS AND OTHER ACCOUNTS**

	2023			2022		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
----- (Rupees in '000') -----						
Customers						
Current deposits	57,010,298	918,827	57,929,125	57,625,016	538,290	58,163,306
Savings deposits	126,210,668	1,231,979	127,442,647	98,443,519	1,009,539	99,453,058
Term deposits	34,311,181	282,821	34,594,002	61,811,366	435,818	62,247,184
Certificate of investments (COIs)	-	-	-	-	-	-
Margin and other deposits	2,302,355	-	2,302,355	480,506	-	480,506
	<u>219,834,502</u>	<u>2,433,627</u>	<u>222,268,129</u>	<u>218,360,407</u>	<u>1,983,647</u>	<u>220,344,054</u>
Financial Institutions						
Current deposits	48,424	30	48,454	53,242	24	53,266
Savings deposits	733,005	-	733,005	627,586	-	627,586
Term deposits	400,000	-	400,000	1,899,000	-	1,899,000
Margin and other deposits	120,062	-	120,062	120,044	-	120,044
	<u>1,301,491</u>	<u>30</u>	<u>1,301,521</u>	<u>2,699,872</u>	<u>24</u>	<u>2,699,896</u>
	<u>221,135,993</u>	<u>2,433,657</u>	<u>223,569,650</u>	<u>221,060,279</u>	<u>1,983,671</u>	<u>223,043,950</u>

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17.1	Composition of deposits	Note	2023	2022
			----- (Rupees in '000') -----	
	- Individuals		40,275,850	33,292,276
	- Government (Federal and Provincial)		143,233,090	150,415,341
	- Public Sector Entities		760,909	3,580,365
	- Banking Companies		231,314	14,847
	- Non-Banking Financial Institutions		1,301,521	2,685,049
	- Private Sector		37,766,966	33,056,072
			<u>223,569,650</u>	<u>223,043,950</u>

17.2 The SBP has set up a fully owned subsidiary – Deposit Protection Corporation (DPC), with an aim to provide protection to small depositors of banks operating in Pakistan. The Corporation has been set up through promulgation of the Deposit Protection Corporation Act, 2016, (the Act) and commenced its business with effect from 01 June 2018. Membership of the Deposit Protection Corporation is compulsory for all banks scheduled under sub-section (2) of section 37 of the State Bank of Pakistan Act, 1956. Under the arrangement, the objective of DPC would be to protect the depositors to the extent of the guaranteed amount, in case a member bank is notified as a failed institution by SBP.

The framework provided by DPC lays down the methodology for arriving at Eligible Deposits, as well as determining the premium amount payable under the regulations. The premium amount so determined are required to be deposited by all banks with DPC on a quarterly basis.

As at December 31, 2023, the deposits eligible to be covered under insurance arrangements amounted to Rs. 52,145.15 million (2022: Rs. 39,403.11 million) and premium paid amounted to Rs. 63.04 million (2022 : Rs. 51.61 million).

18. OTHER LIABILITIES

Mark-up / return / interest payable in local currency		9,156,368	4,740,408
Mark-up / return / interest payable in foreign currency		4,125	3,485
Accrued expenses		353,216	281,813
Net defined benefit liability		151,556	104,688
Provision for compensated absences		309,951	250,602
Payable against 1 Link ATM settlement account		-	-
Payable against purchase of operating fixed assets		22,834	44,089
Payable against purchase of shares		-	309,248
Retention money		63,987	56,547
Federal excise duty / sales tax on services payable		6,227	1,835
Lease liability against right of use assets	18.1	3,138,067	2,861,097
Withholding tax payable		153,071	20,919
Provision for taxation		128,758	-
Mark to market loss on forward foreign exchange contracts		-	692,112
Security deposit against leases	18.2	179,971	237,882
Others		328,082	389,831
		<u>13,996,213</u>	<u>9,994,556</u>

18.1 Lease liability against right of use assets

Opening balance	2,861,097	2,073,301
Additions / renewals	871,350	1,539,139
Borrowing cost	584,041	221,035
Payments	(1,178,421)	(972,378)
Closing balance	<u>3,138,067</u>	<u>2,861,097</u>
Current lease liability	482,842	865,906
Non current lease liability	2,655,225	1,995,191
	<u>3,138,067</u>	<u>2,861,097</u>

18.2 These represent interest free security deposits received from lessees against lease contracts of Sindh Leasing Company Limited which was amalgamated into the Bank, and are adjustable against residual value of leased assets at the expiry of the respective lease terms.

19. SHARE CAPITAL - NET

19.1 Authorised capital

2023	2022		2023	2022
Number of shares			----- (Rupees in '000') -----	
<u>3,500,000,000</u>	<u>3,000,000,000</u>	Ordinary shares of Rs.10 each	<u>35,000,000</u>	<u>30,000,000</u>

19.2 Issued, subscribed and paid-up share capital

2023	2022		2023	2022
Number of shares			----- (Rupees in '000') -----	
2,571,013,000	2,171,013,000	Fully paid in cash: Ordinary shares of Rs.10 each	25,710,130	21,710,130
500,000,000	400,000,000	Right shares of Rs.10 each issued during the year	5,000,000	4,000,000
381,429,817	381,429,817	Ordinary shares of Rs. 10 issued as consideration of amalgamation	3,814,298	3,814,298
<u>3,452,442,817</u>	<u>2,952,442,817</u>		<u>34,524,428</u>	<u>29,524,428</u>

19.3 The Government of Sindh, through its Finance Department, owns 99.97% ordinary shares of the Bank.

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	2023	2022
	----- (Rupees in '000') -----	
20. DEFICIT ON REVALUATION OF ASSETS - NET	Note	
Surplus / (deficit) on revaluation of		
- Available-for-sale securities		
Federal government securities	(2,461,306)	(1,627,156)
Fully paid ordinary shares - listed	212,934	(373,481)
Units of mutual funds (units / certificates)	41,651	19,492
	9.1	(1,981,145)
- Non-banking assets acquired in satisfaction of claims	20.1	-
		(2,026,721)
Deferred tax on surplus / (deficit) on revaluation of:		
- Available for sale securities	13	772,645
- Non-banking assets acquired in satisfaction of claims	20.1	-
		993,093
		(1,033,628)
		(1,208,500)
20.1 Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
Surplus on revaluation as at January 01		-
Recognised during the year		180,000
Surplus on revaluation as at December 31		180,000
Less: related deferred tax liability on:		
- revaluation as at January 01		-
- revaluation recognised during the year	13	(88,200)
		(88,200)
		91,800
21 CONTINGENCIES AND COMMITMENTS		
-Guarantees	21.1	7,385,376
-Commitments	21.2	138,756,926
-Other contingent liabilities		-
		146,142,302
21.1 Guarantees:		
Financial guarantees		846,955
Performance guarantees		5,029,483
Other guarantees		1,508,938
		7,385,376
21.2 Commitments:		
Documentary credits and short-term trade-related transactions		
- letters of credit		6,955,172
Commitments in respect of:		
- forward foreign exchange contracts	21.2.1	79,256,691
- forward lending, borrowings and credits	21.2.2	52,545,063
		-
Other commitments		138,756,926
21.2.1 Commitments in respect of forward foreign exchange contracts		
Purchase		39,761,279
Sale		39,495,412
		79,256,691
21.2.2 Commitments in respect of forward lending, borrowings and credits		
Forward repurchase agreement borrowing		36,047,812
Forward resale agreement lending		-
Undrawn formal standby facilities, credit lines and other commitments to lend	21.2.2.1	16,497,251
		52,545,063
		106,368,612
		19,984,859
		8,034,986
		134,388,457
21.2.2.1 Commitments to extend credit		

The Bank enters into commitments to extend credit in the normal course of its business but these are revocable commitments that do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

21.3 Contingencies

21.3.1 The Income Tax returns of the Bank have been filed till tax year 2023 (accounting year ended December 31, 2022) and amendment of deemed assessment(s) was carried out till tax year 2020, whereby certain disallowances to the taxable income were made.

Appeals against amended orders were filed before Commissioner Inland Revenue Authority (CIRA), these appeals were decided in Bank's favor and thereby delated impugned demands.

With respect to Bank's operations in Azad Jammu & Kashmir (AJK), Bank has filed income tax returns upto tax year 2023 (accounting year ended December 31, 2022) with the tax authorities of AJK. The Commissioner has issued amended assessment orders upto tax year 2019. The Bank has filed appeals which are pending at CIRA.

Government of Sindh through the Sindh WWF Act, 2014, has introduced levy of SWWF. As per Sindh WWF Act, 2014, banks / Financial institutions are included in definition of "Industrial Establishment" Sindh WWF is imposed at the rate of 2% to the total income. Since the Bank is trans provincial entity and the operations of the Bank in also in other Provinces and in Azad Jammu & Kashmir as well, the Bank along with other banks have filed a suit before Honorable Sindh High Court and challenged the vires of SWWF, which is pending for adjudication.

The Federal government has levied windfall tax vide S.R.O.1588 (I)/2023 dated 21st November, 2023, on foreign exchange income for the tax year 2022 and 2023. The Bank along with other banks have filed petition before the High Court who has granted stay against recovery.

The management is confident that these matters will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.

Through the Finance Act, 2023, 10% of super tax under section 4C levied on Banks in addition to normal tax rate i.e. 39%. Accordingly, the related impact of these changes have been incorporated in the current year. The Bank along with other banks have also filed petition before the High Court who has granted stay against recovery of super tax.

21.3.2 Sindh Leasing Company Limited - Amalgamated

The Income Tax returns of the Ex-Sindh Leasing Company Limited have been filed up to the tax year 2021 (accounting year ended December 31, 2020, interim period). ACIR initiated proceedings under section 122(5A) of the Ordinance which were finalized through order, increasing taxable income to Rs. 40,242,222 and raising additional tax demand of Rs. 2,974,421. The tax demand was duly paid under protest.

Appeal was filed before the Commissioner Inland Revenue Appeals (CIRA) on March 22, 2022 which was decided in Bank's favor and thereby deleting the whole of the impugned tax demand, accordingly, the refund application also filed.

Withholding tax monitoring proceedings of tax year 2015, 2018 and 2019 were initiated under section 176 of the income tax ordinance, 2001 read with rule 44 of income tax rules, 2002 by tax authorities, however, order not yet passed.

21.3.3 Other Contingent Liabilities

Claims against the Bank not acknowledged as debts

	2023	2022
Note	----- (Rupees in '000') -----	
	<u>792,500</u>	<u>792,500</u>

These mainly represent counter claims filed by the ex-employees of the Bank for damages purported to be sustained by them consequent to the termination from the Bank's employment. Based on legal advice, the management is confident that the matters will be decided in Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these financial statements.

22. MARK-UP/RETURN/INTEREST EARNED

On Loans and advances	22.1	7,485,434	5,204,543
On Investments		41,521,114	29,811,880
On Lendings to financial institutions		1,121,885	1,331,571
On Balances with banks		<u>179,910</u>	<u>29,768</u>
		<u>50,308,343</u>	<u>36,377,762</u>

22.1 This includes income from Leasing business amounting to Rs. 37.03 million (2022: Rs. 63.85) million.

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		2023	2022
	Note	----- (Rupees in '000') -----	
23. MARK-UP/RETURN/INTEREST EXPENSED			
Deposits		30,875,978	16,357,329
Borrowings		10,854,866	14,482,979
Finance charge on lease liability against right of use assets		584,041	221,035
		42,314,885	31,061,343
24. FEE AND COMMISSION INCOME			
Branch banking customer fees		74,627	63,120
Consumer finance related fees		3,521	2,189
Card related fees (debit cards)		271,392	213,977
Commission on trade		153,953	59,043
Commission on guarantees		57,045	51,888
Credit related fees		11,262	17,000
Commission on remittances including home remittances		27,961	20,223
Others		3,478	874
		603,239	428,314
25. GAIN / (LOSS) ON SECURITIES			
Realised	25.1	337,703	(157,712)
Unrealised - held for trading		-	-
		337,703	(157,712)
25.1 Realised gain / (loss) on:			
Federal Government Securities		9,799	(22,658)
Shares of listed companies		314,106	(135,054)
Mutual Funds		13,798	-
		337,703	(157,712)
26. OTHER INCOME			
Incidental charges		2,246	2,529
Gain on sale of operating fixed assets		5,115	3,630
Rent on premises shared		1,284	1,130
Prequalification application fee for tender		72	26
Godown charges		160	250
		8,877	7,565
27. OPERATING EXPENSES			
Total compensation expense	27.2	4,293,740	3,565,869
Property expense			
Rent & taxes		80,566	32,373
Insurance		56,062	54,990
Utilities cost		515,542	401,268
Security		467,344	402,784
Repairs & maintenance		20,509	25,455
Depreciation		69,667	67,000
Depreciation - right of use assets		722,027	655,364
		1,931,717	1,639,234

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	2023	2022
	----- (Rupees in '000') -----	
Information technology expenses		
Software maintenance	143,977	125,744
Hardware maintenance	125,604	86,167
Depreciation	33,692	18,726
Amortisation	41,219	35,219
Network charges	21,904	14,700
Others	73,900	45,935
	440,296	326,491
Other operating expenses		
Directors' fees and allowances	26,950	17,900
Fees and allowances to Shariah Board	4,697	4,018
Legal & professional charges	56,852	28,357
Travelling & conveyance	54,675	43,591
NIFT clearing charges	34,932	31,764
Training & development	4,575	2,032
Postage & courier charges	31,603	25,814
Communication	188,670	125,507
Stationery & printing	165,377	107,644
Marketing, advertisement & publicity	73,039	56,558
Donations	-	50,003
Auditor's Remuneration	12,773	12,755
Repairs & maintenance	169,092	126,805
Brokerage and commission	6,774	9,280
Entertainment Expenses	75,302	62,650
Fees and subscription	105,608	68,817
Insurance expenses	16,200	13,675
Premium of deposit protection fund	63,045	51,609
Depreciation	173,838	200,961
Outsourced service costs	143,553	112,568
Others	45,882	42,514
	1,453,437	1,194,822
	8,119,190	6,726,416
27.1	Total cost for the year included in other operating expenses relating to Janitorial outsourced activities is Rs. 143.552 million (2022: 112.528 million). These expenses represent payments made to companies incorporated in Pakistan.	
27.2	Total compensation expense	
Managerial Remuneration	2,630,471	2,175,509
- Fixed	16,045	12,349
- Variable Cash Bonus / Awards	115,770	98,589
Charge for defined benefit plan	133,182	117,742
Contribution to defined contribution plan	673,148	602,965
Rent & house maintenance	138,763	123,274
Utilities	138,847	123,350
Medical	120,507	114,356
Conveyance	48,115	-
Dearness Allowance	32,229	17,602
Employee old age benefits contribution	76,976	65,868
Leave Fare Assistance Allowances	80,671	40,905
Leave Encashment	79,680	69,874
Staff Insurances	9,336	3,486
Others	4,293,740	3,565,869
27.3	Auditors' remuneration	
Audit fee	10,585	10,497
Fee for other statutory certifications	955	1,166
Special certifications and sundry advisory services	610	549
Out-of-pocket expenses	623	543
	12,773	12,755

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		2023	2022
	Note	----- (Rupees in '000') -----	
28. OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		59,124	9,793
Others		-	-
		59,124	9,793
29. PROVISIONS & WRITE OFFS - NET			
Provision / diminution in value of investments	9.5.1	9,100	80,939
Provisions against loans & advances		1,011,188	1,853,390
General provision		2,974	4,309
Net provision during the year	10.6.3	1,014,162	1,857,699
Fixed assets written off		-	-
Bad debts written off directly		732	-
		1,023,994	1,938,638
30. TAXATION			
Current		783,858	468,263
Prior years		2,126	-
Deferred		(2,293,936)	(1,351,606)
		(1,507,952)	(883,343)
30.1 Relationship between tax expense and accounting profit			
Profit / (Loss) before tax		656,812	(2,269,093)
Tax on income / (Loss) @ applicable rate		321,838	(884,946)
Effect of permanent differences		296,126	3,819
Effect of change in rate		(2,296,522)	-
Prior year tax		2,126	-
Others		168,480	(2,216)
		(1,507,952)	(883,343)
31. BASIC EARNINGS/ (LOSS) PER SHARE			
Profit/(Loss) for the year		2,164,764	(1,385,750)
Weighted average number of ordinary shares		3,018,196,242	2,580,935,968
Basic Profit/(loss) per share		0.72	(0.54)
32. DILUTED EARNINGS/ (LOSS) PER SHARE			
Profit/(Loss) for the year		2,164,764	(1,385,750)
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)		3,018,196,242	2,580,935,968
Diluted profit/(loss) per share		0.72	(0.54)
33. CASH AND CASH EQUIVALENTS			
Cash and Balance with Treasury Banks	6	53,407,771	14,168,738
Balance with other banks	7	957,883	1,619,530
		54,365,654	15,788,268

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34. STAFF STRENGTH	Note	2023 ----- (Rupees in '000') -----	2022
Permanent		1,908	1,894
Temporary / on contractual basis		178	98
Total staff strength		<u>2,086</u>	<u>1,992</u>

34.1 In addition to the above 525 (2022: 502) staff from outsourcing services companies were assigned to the Bank.

35. DEFINED BENEFIT AND CONTRIBUTION PLANS

35.1 Defined benefit plan

The Bank operates a recognised gratuity plan for all its permanent and full time employees in the management cadre who have completed the minimum qualifying period of three years. Contributions are made to the fund in accordance with the recommendations of an actuary. Employees are entitled to the benefits under the plan which comprise of the last drawn basic salary for each completed year of service, subject to completion of minimum three years services with the Bank. The number of employees covered under the schemes are 2,074 (2022: 1,885).

35.1.1 Principal actuarial assumptions

The latest actuarial valuation was carried out as at December 31, 2023 using the Projected Unit Credit Method. Following are the significant assumptions used in the actuarial valuation:

	2023 ----- (Percentage) -----	2022
- Discount rate	15.50%	14.25%
- Expected rate of increase in salaries-short term	12.50%	10.00%
- Expected rate of increase in salaries-long term	14.50%	13.25%
- Expected return on plan assets	15.50%	14.25%
- Duration (Years)	7.36	10.43

35.1.2 Reconciliation of net defined benefit liability

Present value of defined benefit obligation	35.1.5	957,065	737,312
Fair value of plan assets	35.1.6	(805,509)	(632,624)
Payable to defined benefit plan	35.1.3	<u>151,556</u>	<u>104,688</u>

35.1.3 Movement in net defined benefit liability

Opening balance		104,688	93,779
Charge to profit and loss during the year	35.1.4	115,770	98,589
Remeasurement loss recognized in OCI	35.1.4	35,786	6,099
Bank's contribution		(104,688)	(93,779)
Closing balance		<u>151,556</u>	<u>104,688</u>

35.1.4 Charge for defined benefit plan

In profit and loss

Current service cost		108,310	92,845
Interest cost - net		7,460	5,743
Past service cost		-	-
Charge for the year		<u>115,770</u>	<u>98,588</u>

In other comprehensive income

Remeasurement (gain) / loss on defined benefit obligation		82,986	(6,877)
Remeasurement loss / (gain) on plan assets		(47,200)	12,976
		<u>35,786</u>	<u>6,099</u>

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	2023	2022
	----- (Percentage) -----	
35.1.5 Changes in present value of defined benefit obligations		
Opening balance	737,312	611,779
Current service cost	108,310	92,845
Interest cost	99,972	72,901
Benefits paid	(71,515)	(33,336)
Actuarial loss / (gain) on obligation - Experience assumptions	82,986	(6,877)
Closing balance	<u>957,065</u>	<u>737,312</u>

35.1.6 Fair value of plan assets		
Fair value of plan assets at the beginning of the year	632,624	518,000
Expected return on plan assets	92,512	67,157
Bank's contributions	104,688	93,779
Benefits paid	(71,515)	(33,336)
Actuarial gain / (loss) on assets - experience assumptions	47,200	(12,976)
Fair value of plan assets at the end of the year	<u>805,509</u>	<u>632,624</u>

35.1.7 Plan assets comprise		
Balance held in bank accounts	<u>805,509</u>	<u>632,624</u>

35.1.8 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	2023	2022
	----- (Rupees in '000') -----	
Discount rate (1% variation)	<u>891,178</u>	<u>666,398</u>
Future salary growth (1% variation)	<u>1,036,434</u>	<u>824,154</u>
Future mortality (1 year variation)	<u>956,832</u>	<u>737,637</u>

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of sensitivity of the assumptions shown.

35.1.9 The expected gratuity expense for the year commencing January 01, 2024 works out to Rs. 138.222 million (2023: Rs. 108.655 million).

35.1.10 Maturity analysis

The weighted average duration of the defined benefit obligation works out to be 7.36 years. Expected benefit payments for the next five years are:

	2024	2025	2026	2027	2028
	----- (Rupees in '000') -----				
Expected benefit payments	104,185	95,859	94,567	117,144	115,219

35.1.11 Risks Associated with Defined Benefit Plans

Investment Risks

The risk arises when the actual performance of the investment is lower than expectation. This is managed by formulating the investment plan in consultation with the trustee and the actuary.

Longevity Risks

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

Salary Increase Risk

The risk that the final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final Salary, the benefit amount increases similarly. The risk is managed by actuarial valuations and accounting for benefits based on that.

Withdrawal Risk

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

35.2 Defined contribution plan

The Bank operates a recognised provident fund plan for all its permanent employees. Equal monthly contributions are made, both by the Bank and its employees, to the fund at the rate of 10% of basic salary of the employees. The minimum qualifying period of service for the purpose of the Bank's contribution is one year. The contribution made by the Bank and its employees during the year amounted to Rs. 266.36 (2022: Rs.235.48) million. The number of employees as at December 31, 2023 eligible under the plan were 1,866 (2022: 1,825).

36. COMPENSATED ABSENCES

The Bank grants compensated absences to all its regular employees as per service rules. Minimum qualifying period for encashment is three years of service. Regular employees are entitled to 30 days privilege leave for each completed year of service. Unutilized privilege leave is accumulated upto a maximum of 60 days which would be encashed at the time of retirement from the regular service of the Bank or severance of service except in case of dismissal. This is encashable on the basis of last drawn gross salary. The Bank recognises the liability for compensated absences in respect of employees in the period in which these are earned up to the balance sheet date. The provision of Rs. 309.95 (2022: Rs.250.603) million has been made on the basis of actuarial recommendations.

	2023	2022
	--- (Rupees in '000') ---	
Opening balance	250,603	224,032
(Reversal) / Expense for the year	80,671	40,906
Benefit paid during the year	(21,323)	(14,335)
Closing balance	309,951	250,603

37. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

37.1 Total Compensation Expense

	2023						
	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non- Executives				
	(Rupees in '000')						
Fees and Allowances	4,600	-	22,350	3,386	-	-	-
Managerial Remuneration							
- Fixed	-	-	-	-	14,545	139,705	112,873
- Variable Cash Bonus / Awards	-	-	-	-	-	1,240	-
Charge for defined benefit plan	-	-	-	-	1,463	12,869	9,437
Contribution to defined contribution plan	-	-	-	-	1,455	13,188	11,287
Rent & house maintenance	-	-	-	-	6,545	62,867	50,793
Utilities	-	-	-	-	1,455	13,970	11,287
Medical	-	-	-	-	1,455	13,970	11,287
Conveyance	-	-	-	1,311	2,294	37,761	55,591
Bonus	-	-	-	-	2,766	19,663	16,554
Others	400	-	-	-	6,109	18,485	13,091
Total	5,000	-	22,350	4,697	38,087	333,718	292,200
Number of Persons	1	-	8	2	1	27	43
	2022						
	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non- Executives				
	(Rupees in '000')						
Fees and Allowances	3,175	-	14,725	2,780	-	-	-
Managerial Remuneration							
- Fixed	-	-	-	-	14,545	124,086	80,043
- Variable Cash Bonus / Awards	-	-	-	-	-	1,000	-
Charge for defined benefit plan	-	-	-	-	1,437	9,854	6,228
Contribution to defined contribution plan	-	-	-	-	1,455	11,668	7,872
Rent & house maintenance	-	-	-	-	6,545	55,839	36,019
Utilities	-	-	-	-	1,455	12,409	8,004
Medical	-	-	-	-	1,455	12,409	8,004
Conveyance	-	-	-	1,340	1,644	26,773	34,575
Bonus	-	-	-	-	2,082	19,897	13,286
Others	300	-	-	-	1,150	16,365	11,326
Total	3,475	-	14,725	4,120	31,768	290,300	205,357
Number of Persons	1	-	6	2	1	25	36

37.1.1 The President and Chief Executive Officer and certain executives of the Bank are provided with free use of Bank maintained cars.

37.1.2 The term "Key Management Personnel" means the following functional responsibilities:

- (a) Any executive or key executive, acting as second to CEO, 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 CEO / President or the person mentioned in (a) above.

The term 'Material Risk Taker' and 'Material Risk Controller' have the same meaning as defined in revised guidelines on remuneration practice issued by the State Bank of Pakistan vide BPRD Circular No. 1 of 2017.

37.1.3 The terms Directors/ Executive Directors/ Non-Executive Directors, CEO and Key Executives have same meaning as defined in Prudential Regulations (PRs) for Corporate and Commercial Banking. For the purpose of these disclosures Key Executive will also include Executives who have direct reporting line to the President/CEO or BoD or its Committees.

37.2 Meeting Fees paid to Directors for participation in Board and Committee Meetings

		2023							
		For Board Committees							
Sr. No.	Name of Directors	For Board Meetings	Audit Committee	Risk Management Committee	Procurement, I.T. & Security Committee	Human Resource & Remuneration Committee	Special Asset Management Committee	Nomination Committee	Total Amount Paid
		(Rupees in '000')							
1	Mr. Anis A Khan	2,000	-	-	600	800	1,000	200	4,600
2	Mr. Javaid B. Sheikh	2,000	1,400	800	-	-	-	-	4,200
3	Ms. Shaista Bano Gilani	2,000	1,000	400	-	600	-	-	4,000
4	Mr. Mohammad Aftab Alam	2,000	1,400	-	600	-	1,000	200	5,200
5	Mr. Kazim Hussain Jatoi	500	-	200	-	400	200	-	1,300
6	Mr. Imtiaz Ahmad Butt	500	-	200	200	-	-	-	900
7	Mr. Asif Jahangir	1,250	600	400	-	-	-	-	2,250
8	Mr. Sajid Jamal Abro	1,500	-	400	-	400	600	200	3,100
9	Mr. Adnan Ali Khan	1,000	-	-	200	200	-	-	1,400
Total Amount Paid		12,750	4,400	2,400	1,600	2,400	2,800	600	26,950

		2022							
		For Board Committees							
Sr. No.	Name of Directors	For Board Meetings	Audit Committee	Risk Management Committee	I.T. Committee	Human Resource & Remuneration Committee	Special Asset Management Committee	Nomination Committee	Total Amount Paid
		(Rupees in '000')							
1	Mr. Anis Ahmed Khan	1,800	-	-	375	200	600	200	3,175
2	Mr. Sajid Jamal Abro	1,650	175	575	-	200	600	200	3,400
3	Mr. Asif Jahangir	2,050	400	200	175	-	-	-	2,825
4	Mr. Javaid Bashir Sheikh	2,050	750	575	-	-	-	-	3,375
5	Mr. Mohammed Aftab Alam	1,450	400	-	375	-	600	200	3,025
6	Mr. Adnan Ali Khan	750	-	-	200	200	-	-	1,150
7	Mrs. Masooma Hussain	600	350	-	-	-	-	-	950
Total Amount Paid		10,350	2,075	1,350	1,125	600	1,800	600	17,900

37.3 Remuneration paid to Shariah Board Members

Items	2023			2022		
	Chairman	Resident Member	Non Resident Member	Chairman	Resident Member	Non Resident Member
(Rupees in '000')						
Managerial Remuneration (Fixed)	1,717	1,669	-	1,561	1,517	-
Fuel Allowances	655	655	-	470	470	-
Total Amount	2,372	2,324	-	2,031	1,987	-
Total Number of Persons	1	1	-	1	1	-

38. FAIR VALUE MEASUREMENTS

IFRS 13 "Fair Value Measurement" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for 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 Bank's accounting policy as stated in note 5.4 to these financial statements.

The repricing profile, effective rates and maturity profile are stated in note 42.2.6 to these financial statements.

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

38.1 Fair value of financial assets

IFRS 13 requires the Bank to make fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability.

38.2 The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. For financial assets, the Bank essentially carries its investments in debt and equity securities at fair values. Valuation of investments is carried out as per guidelines specified by the SBP.

	Fair Value			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000') -----			
On balance sheet financial instruments				
Financial assets measured at fair value				
Available-for-sale securities				
Pakistan Investment Bonds	-	128,205,319	-	128,205,319
Shares of listed companies	841,388	-	-	841,388
Units of mutual funds	156,170	-	-	156,170
Ijarah Sukuk - GoP	-	4,042,076	-	4,042,076
Sukuk bonds	-	-	-	-
	<u>997,558</u>	<u>132,247,395</u>	<u>-</u>	<u>133,244,953</u>
Off balance sheet financial instruments				
Foreign exchange contracts (purchase)	-	39,761,279	-	39,761,279
Foreign exchange contracts (sale)	-	39,495,412	-	39,495,412
	<u>-</u>	<u>79,256,691</u>	<u>-</u>	<u>79,256,691</u>
On balance sheet financial instruments				
Financial assets measured at fair value				
Available-for-sale securities				
Pakistan Investment Bonds	-	142,067,256	-	142,067,256
Market Treasury Bills	-	63,928,571	-	63,928,571
Shares of listed companies	2,069,094	-	-	2,069,094
Term finance certificates - Listed	-	-	-	-
Units of mutual funds	68,975	122,760	-	191,735
Ijarah Sukuk - GoP	-	3,985,410	-	3,985,410
Sukuk bonds	-	-	-	-
	<u>2,138,069</u>	<u>210,103,997</u>	<u>-</u>	<u>212,242,066</u>
Off balance sheet financial instruments				
Foreign exchange contracts (purchase)	-	16,669,577	-	16,669,577
Foreign exchange contracts (sale)	-	15,692,909	-	15,692,909
	<u>-</u>	<u>32,362,486</u>	<u>-</u>	<u>32,362,486</u>

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The valuation techniques used for the above assets are disclosed below:

Item	Valuation techniques and input used
Fully paid-up ordinary shares /close end mutual funds	Fair value is determined on the basis of closing quoted market prices available at the Pakistan Stock Exchange.
Open ended mutual funds	Fair value is based on redemption prices as at the close of the business day.
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates (Reuters page).
Government of Pakistan (GoP) - Ijarah Sukuks	Fair values derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters.
Term Finance, Bonds and Sukuk certificates	Investments in debt securities (comprising term finance certificates, bonds, sukuk certificates and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.

39. SEGMENT INFORMATION

39.1 Segment Details with respect to Business Activities

	2023				
	Trading and sales	Retail banking	Corporate finance	Commercial banking and others	Total
	(Rupees in '000')				
Profit & Loss					
Net mark-up/return/interest income	32,035,688	49,791	-	(24,092,021)	7,993,458
Inter segment revenue - net	(38,819,878)	-	-	38,819,878	-
Non mark-up / interest income	1,211,700	175	-	653,787	1,865,662
Total Income	(5,572,490)	49,966	-	15,381,644	9,859,120
Segment direct expenses	(114,925)	(3,990)	-	(6,471,139)	(6,590,054)
Inter segment expense allocation	(159,326)	(37,343)	-	(1,391,591)	(1,588,260)
Total expenses	(274,251)	(41,333)	-	(7,862,730)	(8,178,314)
Provisions	(9,101)	-	-	(1,014,893)	(1,023,994)
(Loss) / Profit before tax	(5,855,842)	8,633	-	6,504,021	656,812
Balance Sheet					
Cash & Bank balances	47,605,256	-	-	6,760,398	54,365,654
Investments	166,503,472	-	-	-	166,503,472
Net inter segment lending	-	-	-	183,460,692	183,460,692
Lendings to financial institutions	-	-	-	-	-
Advances - performing	49,100	694,211	-	43,657,902	44,401,213
Advances - non-performing	-	-	-	6,221,832	6,221,832
Others	6,323,118	3,344	-	22,664,776	28,991,238
Total Assets	220,480,946	697,555	-	262,765,600	483,944,101
Borrowings	35,883,940	-	-	1,662,500	37,546,440
Subordinated debt	-	-	-	-	-
Deposits & other accounts	-	-	-	223,569,650	223,569,650
Net inter segment borrowing	182,771,285	689,407	-	-	183,460,692
Others	299,727	8,148	-	14,587,100	14,894,975
Total liabilities	218,954,952	697,555	-	239,819,250	459,471,757
Equity	1,525,994	-	-	22,946,350	24,472,344
Total Equity & liabilities	220,480,946	697,555	-	262,765,600	483,944,101
Contingencies & Commitments	115,302,612	-	-	30,837,799	146,140,411

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	2022				Total
	Trading and sales	Retail banking	Corporate finance	Commercial banking and others	
	(Rupees in '000)				
Profit & Loss					
Net mark-up/return/interest income	16,703,966	40,824	-	(11,428,371)	5,316,419
Inter segment revenue - net	(22,136,445)	-	-	22,136,445	-
Non mark-up / interest income	606,009	453	-	482,873	1,089,335
Total Income	(4,826,470)	41,277	-	11,190,947	6,405,754
Segment direct expenses	(101,900)	(5,528)	-	(5,375,967)	(5,483,395)
Inter segment expense allocation	(125,281)	(30,618)	-	(1,096,915)	(1,252,814)
Total expenses	(227,181)	(36,146)	-	(6,472,882)	(6,736,209)
Provisions	(80,939)	-	-	(1,857,699)	(1,938,638)
(Loss) / Profit before tax	(5,134,590)	5,131	-	2,860,366	(2,269,093)
Balance Sheet					
Cash & Bank balances	9,432,651	-	-	6,355,617	15,788,268
Investments	254,552,777	-	-	-	254,552,777
Net inter segment lending	-	-	-	181,249,550	181,249,550
Lendings to financial institutions	19,967,424	-	-	-	19,967,424
Advances - performing	47,748	470,947	-	35,406,130	35,924,825
Advances - non-performing	-	1,800	-	7,875,703	7,877,503
Others	4,903,213	2,574	-	18,833,743	23,739,530
Total Assets	288,903,813	475,321	-	249,720,743	539,099,877
Borrowings	105,059,879	-	-	1,874,835	106,934,714
Subordinated debt	-	-	-	-	-
Deposits & other accounts	-	-	-	223,043,950	223,043,950
Net inter segment borrowing	180,782,307	467,243	-	-	181,249,550
Others	2,440,114	8,078	-	8,272,512	10,720,704
Total liabilities	288,282,300	475,321	-	233,191,297	521,948,918
Equity	621,513	-	-	16,529,446	17,150,959
Total Equity & liabilities	288,903,813	475,321	-	249,720,743	539,099,877
Contingencies & Commitments	158,715,957	-	-	13,059,959	171,775,916

40. RELATED PARTY TRANSACTIONS

The related parties of the Bank comprise associated undertakings, directors, staff retirement funds and key management personnel (including their associates).

Transactions with related parties includes deposits, advances and other banking services which are carried out on an arm's length basis. Transaction with executives and key management persons are undertaken at terms in accordance with employment agreements and service rules. Contributions to and accruals in respect of staff retirement benefit plans are made in accordance with the terms of the benefit plan. Remuneration of the President & Chief Executive Officer and directors are determined in accordance with the terms of their appointment.

Government of Sindh (GoS) through its Finance Department holds 99.97% shareholding in the Bank and therefore entities which are owned and / or controlled by the GoS, or where the GoS may exercise significant influence, are related parties of the Bank. The Bank in the ordinary course of business enters into transactions with Government-related entities. Such transactions include lending to, deposits from and provision of other banking services to such entities. However, it is impracticable to disclose transactions with all other entities owned or controlled by GoS.

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The details of balances and transactions with related parties, other than those disclosed under respective notes, during the year are as follows:

	2023					2022				
	Directors	Key management personnel	Subsidiaries	Other related parties	Directors	Key management personnel	Subsidiaries	Other related parties	Subsidiaries	Other related parties
----- (Rupees in '000') -----										
Investments										
Opening balance	-	-	750,000	-	-	-	-	-	750,000	-
Investment made during the year	-	-	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	750,000	-	-	-	-	-	750,000	-
Advances										
Opening balance	-	191,206	-	-	-	-	-	-	184,296	-
Addition during the year	-	15,342	-	-	-	-	-	-	73,125	-
Repaid during the year	-	70,836	-	-	-	-	-	-	104,370	-
Transfer in / (out) - net	-	44,654	-	64,377	-	-	-	-	38,155	-
Closing balance	-	180,366	-	64,377	-	-	-	-	191,206	-
Other Assets										
Interest / mark-up accrued	-	226	-	4,029	-	-	-	-	233	-
Other receivable	-	-	-	-	-	-	-	-	-	3
	-	226	-	4,029	-	-	-	-	233	3
Deposits and other accounts										
Opening balance	5,101	304,172	24,915	1,837,495	767	40,590	39,300	2,138,735	-	-
Received during the year	28,089	1,023,861	9,591,836	12,602,719	20,783	923,785	5,147,175	16,435,032	-	-
Withdrawn during the year	26,365	1,226,908	9,565,730	12,823,927	19,132	732,137	5,161,560	16,736,272	-	-
Transfer in / (out) - net	(5,785)	(35,042)	-	-	2,683	71,934	-	-	-	-
Closing balance	1,040	66,083	51,021	1,616,287	5,101	304,172	24,915	1,837,495	-	-
Other Liabilities										
Interest / mark-up payable	15	3,355	2,997	96,812	21	3,949	400	28,249	-	-

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2023

2022

	Directors	Key management personnel	Subsidiaries	Other related parties	Directors	Key management personnel	Subsidiaries	Other related parties
	(Rupees in '000')							
Income								
Mark-up / return / interest earned	-	7,926	-	15,552	-	7,067	-	-
Fee and commission income	3	8	738	50	2	27	478	39
Net gain on sale of securities	-	-	153	1,380	-	-	5	232
Other income	-	-	-	1,283	-	-	-	1,130
Expense								
Mark-up / return / interest paid	152	17,242	7,976	248,550	61	7,820	3,753	200,472
Remuneration paid	-	304,675	-	-	-	253,087	-	-
Contribution to provident fund	-	14,746	-	-	-	12,512	-	-
Provision for gratuity	-	14,699	-	-	-	11,964	-	-
Other staff benefits	-	33,397	-	-	-	27,569	-	-
Directors' meeting fee	26,950	-	-	-	17,900	-	-	-
Other expenses	400	-	-	-	500	-	-	-
Insurance premium paid	-	-	-	121,028	-	-	-	122,889
Others								
Sale of Government Securities	-	-	527,500	2,850,000	-	-	123,035	5,544,300
Purchase of Government Securities	-	-	-	1,325,000	-	-	-	-
Gratuity paid	-	14,186	-	-	-	-	-	-
Leave encashment paid	-	8,480	-	-	-	-	-	-
Insurance claims settled	-	-	-	7,843	-	-	-	26,032
Expenses recovered under agency arrangement	-	-	-	58	-	-	-	77

As at the date of unconsolidated statement of financial position, loans/advances and deposits related to government related entities and its related entities amounted to Rs. 15,619.27 million (note 10.2) and Rs. 114,219.44 million (note 17). The above includes deposits amounting to Rs. 46,275.31 million (2022: Rs.34,328.51) million received through the Finance Department, Government of Sindh.

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	2023	2022
41 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS	----- (Rupees in '000') -----	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	23,611,607	16,898,047
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	7,865,342	2,288,600
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	7,865,342	2,288,600
Eligible Tier 2 Capital	10,186	7,212
Total Eligible Capital (Tier 1 + Tier 2)	7,875,528	2,295,812
Risk Weighted Assets (RWAs):		
Credit Risk	29,745,725	26,979,421
Market Risk	5,367,513	6,237,413
Operational Risk	13,482,604	9,454,405
Total	48,595,842	42,671,239
Common Equity Tier 1 Capital Adequacy ratio	16.19%	5.36%
Tier 1 Capital Adequacy Ratio	16.19%	5.36%
Total Capital Adequacy Ratio	16.21%	5.38%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.00%	6.00%
Tier 1 minimum ratio	7.50%	7.50%
Total capital minimum ratio	10.00%	10.00%
Total capital minimum ratio plus CCB	11.50%	11.50%
Approach followed for determining Risk Weighted Assets		
Credit Risk	Comprehensive	Comprehensive
Market Risk	Maturity method	Maturity method
Operational Risk	Basic Indicator	Basic Indicator
	2023	2022
	----- (Rupees in '000') -----	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	7,865,342	2,288,600
Total Exposures	283,326,719	338,819,641
Leverage Ratio (%)	2.78%	0.68%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	163,924,564	132,719,755
Total Net Cash Outflow	38,601,138	37,666,184
Liquidity Coverage Ratio (%)	425%	352%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	174,179,315	159,888,541
Total Required Stable Funding	86,395,391	78,670,959
Net Stable Funding Ratio	202%	203%

41.1 The full disclosures on the Capital Adequacy, Leverage Ratio & Liquidity requirements as per SBP instructions issued from time to time are placed on the Bank's website. The link to the full disclosure is available at <http://www.sindhbankltd.com/financials/bsel-statements>.

42. RISK MANAGEMENT

The Bank's risk management framework encompasses the culture, processes and structure and is directed towards the effective management of potential opportunities and threats to the Bank. The prime objective of the Bank's risk management strategy is to abandon the traditional approach of 'managing risk by silos' and to put in place integrated risk and economic capital management capabilities that will enable the Bank to achieve integrated view of risks across its various business operations and to gain strategic advantage from its risk management capabilities.

The Board of Directors (BOD) keeps an oversight on the Bank-wide risk management framework and approves the risk management strategy and policies of the Bank. The Board Risk Management Committee (BRMC), ensures that the Bank maintains a complete and prudent integrated risk management framework at all times and ensures that the risk exposures are maintained within acceptable levels. BRMC is responsible for reviewing the extent of design and adequacy of risk management framework. BRMC oversight ensures that risks are managed within the level of tolerance and risk appetite of the Bank.

42.1 Credit risk

Credit risk arises from the potential that an obligor is either unwilling to perform on an obligation or its ability is impaired resulting in economic loss to the Bank. The objective of credit risk management is to keep credit risk exposure within permissible level, relevant to the Bank's risk appetite and capital, to maintain the soundness of assets and to ensure returns commensurate with risk. The Bank takes necessary measures to control such risk by evaluating, measuring and monitoring credit exposures.

The Bank has a comprehensive pre-approval evaluation process of credit risk embedded within Risk Management Division. The risk evaluation function is an integral part of Credit Risk Management Framework and is independent from the risk taking function. The credit evaluation department will independently identify actual and potential risks both on individual and on portfolio basis including adherence to relevant internal policies, procedures and related regulatory guidelines.

In addition to monitoring credit limits specified in the Prudential Regulations of the State Bank of Pakistan, the credit limit structure of the Bank includes internal limits as established by the BOD and senior management. Credit Limits along with credit concentration is monitored on a regular basis and any exceptions are reported to the relevant authorities for their timely action where necessary.

The Bank uses comprehensive Approach for assessing the capital charge for Credit risk.

42.1.1 Lendings to financial institutions

Credit risk by public / private sector

	Gross Lendings		Non Performing Lendings		Provision held	
	2023	2022	2023	2022	2023	2022
	----- (Rupees in '000') -----					
Public/ Government	-	-	-	-	-	-
Private	-	19,967,424	-	-	-	-
Total	-	19,967,424	-	-	-	-

42.1.2 Investment in debt securities

Credit risk by industry sector

	Gross Investments		Non Performing		Provision held	
	2023	2022	2023	2022	2023	2022
	----- (Rupees in '000') -----					
Govt. of Pakistan	166,631,947	252,575,561	-	-	-	-
Banks	568,793	568,841	-	-	-	-
Sugar	592,051	592,051	592,051	592,051	575,571	567,350
Total	167,792,791	253,736,453	592,051	592,051	575,571	567,350

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42.1.2.1 Credit risk by public / private sector

	Gross Investments		Non Performing Investments		Provision held	
	2023	2022	2023	2022	2023	2022
	----- (Rupees in '000') -----					
Public/ Government	166,631,947	252,575,561	-	-	-	-
Private	1,160,844	1,160,892	592,051	592,051	575,571	567,350
Total	167,792,791	253,736,453	592,051	592,051	575,571	567,350

42.1.3 Advances

Credit risk by industry sector

	Advances (Gross)		Non Performing Advances		Provision held	
	2023	2022	2023	2022	2023	2022
	----- (Rupees in '000') -----					
Pharmaceuticals	61,632	268,796	-	-	-	-
Agriculture business	1,256,388	1,376,383	1,129,258	1,203,409	1,086,424	1,112,904
Manufacturing of textile	642,487	802,264	10,677	43,863	1,012	33,186
Cement	64,377	64,377	-	-	-	-
Transport, storage and communication	57,710	57,824	-	-	-	-
Wholesale and retail trade	11,398,721	1,623,116	363,082	462,575	358,166	350,511
Mining and quarrying	6,331,186	6,782,029	-	-	-	-
Hotel and restaurants	855,106	865,234	-	-	-	-
Petroleum	3,110,840	3,039,883	2,022,460	2,022,460	2,022,460	2,022,460
Media channels	2,018,180	2,220,936	1,200,509	-	828,869	-
Manufacture of basic iron and steel	2,056,439	2,256,314	1,756,740	1,756,740	1,671,736	1,642,645
Sugar	17,671,473	20,559,081	14,073,382	17,122,073	10,191,637	12,350,339
Automobile and transportation equipment	2,433,935	2,446,607	2,433,254	2,434,209	2,433,254	2,299,625
Chemicals and chemical products	1,251,168	1,121,652	1,103,884	1,103,884	1,103,884	1,079,225
Financial	1,909,468	1,828,881	1,177,884	1,177,884	519,970	480,446
Rice & Wheat	819,624	699,487	-	-	-	-
Construction, real estate and societies	2,966,255	2,959,973	2,670,716	2,556,722	2,598,716	1,821,612
Food	5,906,722	5,508,539	136,747	152,806	136,747	152,806
Insurance	-	1,467	-	-	-	-
Power, electricity and gas	8,320,833	8,900,159	3,119,032	2,948,239	2,492,653	2,626,535
Domestic Appliances	1,519,064	1,659,365	-	-	-	-
Education	12,895	117,554	11,353	11,898	10,965	11,481
Individuals	2,417,779	1,897,753	1,271	2,004	1,271	1,702
Others	4,429,129	3,841,643	1,889,763	1,968,514	1,420,416	1,104,300
Total	77,511,411	70,899,317	33,100,012	34,967,280	26,878,180	27,089,777

42.1.3.1 Credit risk by public / private sector

	Advances (Gross)		Non Performing Advances		Provision held	
	2023	2022	2023	2022	2023	2022
	----- (Rupees in '000') -----					
Public/ Government	15,619,270	5,210,287	-	-	-	-
Private	61,892,141	65,689,030	33,100,012	34,967,280	26,878,180	27,089,777
Total	77,511,411	70,899,317	33,100,012	34,967,280	26,878,180	27,089,777

42.1.4 Contingencies and Commitments

Credit risk by industry sector

	2023	2022
	----- (Rupees in '000') -----	
Chemical and pharmaceuticals	39,456	27,730
Manufacturing of textile	107,764	63,926
Transport, storage and communication	128,500	128,900
Wholesale and retail trade	2,681,000	1,107,525
Petroleum	116,991	116,991
Manufacture of basic iron and steel	191,514	11,543
Sugar	70,635	21,223
Automobile and transportation equipment	93,099	49,802
Financial	121,642,641	159,565,957
Construction, real estate and societies	327,862	289,365
Domestic Appliances	628,083	14,000
Power, electricity and gas	2,838,515	1,454,425
Education	84,163	30,830
Trusts and Non-profit Organizations	107,097	-
Others	585,840	858,713
Total	129,643,160	163,740,930

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42.1.4.1 Credit risk by public / private sector	2023	2022
	----- (Rupees in '000') -----	
Public/ Government	16,156,357	106,368,612
Private	113,486,803	57,372,318
Total	129,643,160	163,740,930

42.1.5 Concentration of Advances

The bank's top 10 exposures (funded and non-funded) aggregated Rs. 46,428.87 million (2022: Rs. 28,724.62 million) as follows:

Funded	36,110,938	28,670,815
Non Funded	10,317,933	53,801
Total Exposure	46,428,871	28,724,616

42.1.5.1 The sanctioned limits against these top 10 exposures aggregated Rs. 42,836.15 million (2022: Rs. 32,461.52 million).

42.1.5.2 Total Funded Facilities Classified

Classified funded facilities of the bank's top 10 exposures are as follows:

	2023		2022	
	Classified	Provision held	Classified	Provision held
----- (Rupees in '000') -----				
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	9,580,052	6,773,408	10,175,435	7,074,074
Total	9,580,052	6,773,408	10,175,435	7,074,074

42.1.6 Advances - Province/Region-wise Disbursement & Utilization

Name of Province / Region	Disbursements	2023					AJK including Gilgit-Baltistan
		UTILIZATION					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	
----- (Rupees in '000') -----							
Punjab	23,278,169	23,278,169	-	-	-	-	-
Sindh	71,254,281	-	71,254,281	-	-	-	-
KPK including FATA	786,535	-	-	786,535	-	-	-
Balochistan	816,711	-	-	-	816,711	-	-
Islamabad	3,571,971	-	-	-	-	3,571,971	-
AJK including Gilgit-Baltistan	8,048	-	-	-	-	-	-
Total	99,715,715	23,278,169	71,254,281	786,535	816,711	3,571,971	8,048

Name of Province / Region	Disbursements	2022					AJK including Gilgit-Baltistan
		UTILIZATION					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	
----- (Rupees in '000') -----							
Punjab	22,827,862	22,827,862	-	-	-	-	-
Sindh	34,643,340	-	34,643,340	-	-	-	-
KPK including FATA	246,989	-	-	246,989	-	-	-
Balochistan	1,975,405	-	-	-	579,775	1,395,629	-
Islamabad	1,112,975	-	-	-	-	1,112,975	-
AJK including Gilgit-Baltistan	24,007	-	-	-	-	-	-
Total	60,830,578	22,827,862	34,643,340	246,989	579,775	2,508,604	24,007

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42.2 Market risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. Market Risk management aims to provide risk management practices that are integrated in key strategic, capital and financial planning process and day-to-day business processes across the Bank. The Bank's market risk management policies set out risk management parameters, governance and control framework as well as reporting arrangements.

The Bank has developed a market risk management framework to efficiently and effectively monitor and manage market risk in every transaction of Banking and Trading Book.

42.2.1 Balance sheet split by trading and banking books	2023			2022		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	----- (Rupees in '000') -----					
Cash and balances with treasury banks	53,407,771	-	53,407,771	14,168,738	-	14,168,738
Balances with other banks	957,883	-	957,883	1,619,530	-	1,619,530
Lendings to financial institution:	-	-	-	19,967,424	-	19,967,424
Investments	166,503,472	-	166,503,472	254,552,777	-	254,552,777
Advances	50,623,045	-	50,623,045	43,802,328	-	43,802,328
Fixed assets	3,936,450	-	3,936,450	4,032,522	-	4,032,522
Intangible assets	108,257	-	108,257	117,271	-	117,271
Deferred tax assets	17,193,965	-	17,193,965	14,662,046	-	14,662,046
Other assets	7,752,566	-	7,752,566	4,927,691	-	4,927,691
	<u>300,483,409</u>	<u>-</u>	<u>300,483,409</u>	<u>357,850,327</u>	<u>-</u>	<u>357,850,327</u>

42.2.2 Foreign exchange risk

The foreign exchange risk is defined as the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates. It refers to the impact of adverse movement in currency exchange rates on the value of open foreign currency positions. The objective of the foreign exchange risk management is to minimize the adverse impact of foreign exchange rate movements on the assets and liabilities mismatch (tenor and position) and maximize earnings. The Bank limits its currency exposure to the extent of statutory net open position prescribed by the SBP except in the cases where exemption is provided by SBP. Foreign exchange open and mismatch positions are controlled through close monitoring and are marked to market on a daily basis.

	2023			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000') -----			
Pakistan Rupee	298,820,634	273,571,602	(265,867)	24,983,165
United States Dollar	1,482,151	2,092,432	263,865	(346,416)
Great Britain Pound	38,572	190,780	-	(152,207)
Euro	79,288	154,540	-	(75,252)
Japanese Yen	-	1,711	2,002	291
Saudi Riyal	39,351	-	-	39,351
UAE Dirham	1,771	-	-	1,771
Chines Yen	21,641	-	-	21,641
	<u>300,483,409</u>	<u>276,011,065</u>	<u>-</u>	<u>24,472,344</u>

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Foreign exchange risk

	2022			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
----- (Rupees in '000') -----				
Pakistan Rupee	355,705,216	338,764,756	(976,669)	15,963,791
United States Dollar	1,145,576	1,637,318	976,669	484,927
Great Britain Pound	754,313	163,013	-	591,301
Euro	15,559	-	-	15,559
Japanese Yen	184,824	134,282	-	50,542
Saudi Riyal	1,404	-	-	1,404
UAE Dirham	6,528	-	-	6,528
Chines Yen	36,906	-	-	36,906
	<u>357,850,327</u>	<u>340,699,368</u>	<u>-</u>	<u>17,150,959</u>

42.2.3 Foreign exchange risk

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
----- (Rupees in '000') -----				
Impact of 1% change in foreign exchange rates on:				
- Profit and loss account	7,583	(2,659)	(2,117)	(9,767)
- Other comprehensive income	-	-	-	-

42.2.4 Equity position risk

The Bank's equity exposure is managed within the SBP limits for overall investment and per scrip exposure. In addition, there are also internal limits for each scrip.

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
----- (Rupees in '000') -----				
Impact of 5% change in equity prices on:				
- Profit and loss account	-	-	-	-
- Other comprehensive income	(68,355)	-	(839,543)	-

42.2.5 Yield / interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in interest rates, including changes in the shape of the yield curve. Interest rate risk is inherent in the Bank's business and arises due to the mismatches in the contractual maturities or repricing of on- and off-balance sheet assets and liabilities. The Bank uses maturity Gap limits to monitor asset and liability gaps. Any breach are report to ALCO where it is discussed and appropriate action will be taken.

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
----- (Rupees in '000') -----				
Impact of 1% change in interest rates on:				
- Profit and loss account	-	-	-	-
- Other comprehensive income	(1,111,917)	-	(6,780,309)	-

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42.2.6 Mismatch of interest rate sensitive assets and liabilities

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Bank is exposed to interest / mark-up rate risk as a result of mismatches or gaps in the amount of interest / mark-up based assets and liabilities that mature or reprice in a given period. The Bank manages this risk by matching / re-pricing the assets and liabilities. The Assets and Liabilities Committee (ALCO) of the Bank monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Bank.

Effective yield / Interest rate	Total	2023										Non-interest bearing financial instruments	
		Exposed to yield / Interest risk											
		Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years			
(Rupees in '000')													
On-balance sheet financial instruments													
Assets													
	53,407,771	331,828	-	-	-	-	-	-	-	-	-	-	53,075,943
Cash and balances with treasury banks	957,883	1,719	-	-	-	-	-	-	-	-	-	-	956,164
Balances with other banks	-	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	166,503,472	117,030,676	224,820	24,424,774	360,453	8,438,176	8,075,876	6,201,139	1,747,558	-	-	-	1,747,558
Investments	50,623,045	23,112,077	903,717	11,157,852	7,375,204	441,213	1,253,245	3,303,976	1,651,246	-	-	-	90,155
Advances	7,752,566	-	-	-	-	-	-	-	-	-	-	-	7,752,566
Other assets	279,244,737	140,476,300	1,128,537	35,582,626	7,735,657	8,879,389	9,329,121	9,505,115	1,651,246	-	-	-	63,622,386
Liabilities													
Bills payable	898,762	-	-	-	-	-	-	-	-	-	-	-	898,762
Borrowings from financial institutions	37,546,440	35,854,000	1,662,500	-	-	29,940	-	-	-	-	-	-	-
Deposits and other accounts	223,569,650	7,403,087	133,516,353	12,131,920	8,859,514	109,264	169,056	980,462	-	-	-	-	60,399,994
Other liabilities	13,996,213	-	-	-	-	-	-	-	-	-	-	-	13,996,213
On-balance sheet gap	276,011,065	43,257,087	135,178,853	12,131,920	8,859,514	139,204	169,056	980,462	-	-	-	-	75,294,969
Off-balance sheet financial instruments													
Documentary credits and short-term trade related transactions	14,340,548	835,505	7,211,056	3,183,032	1,159,650	163,395	137,506	1,642,240	8,164	-	-	-	-
Commitments in respect of:													
Forward foreign exchange contracts - purchase	39,761,279	25,084,479	14,662,264	-	-	-	-	-	-	-	-	-	-
Forward foreign exchange contracts - sale	(39,495,412)	(9,068,952)	(21,291,525)	(9,134,935)	(9,134,935)	-	-	-	-	-	-	-	-
Purchase and resale agreements - lending	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements - borrowing	(36,045,921)	(36,045,921)	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	(21,439,506)	(19,194,889)	581,795	3,183,032	(7,960,749)	163,395	137,506	1,642,240	8,164	-	-	-	-
Total yield / Interest Risk Sensitivity Gap	78,024,324	(133,468,521)	8,903,580	26,633,738	(9,084,606)	28,991,485	19,693,914	1,996,138	9,513,279	1,651,246	-	-	(11,672,583)
Cumulative yield / Interest Risk Sensitivity Gap	78,024,324	(55,444,197)	(64,528,803)	(37,895,065)	(8,184,497)	(6,533,251)	(18,205,834)	(11,672,583)	(18,205,834)	(18,205,834)	(18,205,834)	(18,205,834)	(18,205,834)
Reconciliation with total assets:													
Assets as per above	279,244,737	-	-	-	-	-	-	-	-	-	-	-	-
Fixed assets	3,936,450	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	108,257	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax asset	17,193,965	-	-	-	-	-	-	-	-	-	-	-	-
Assets as per unconsolidated statement of financial position	300,483,409	-	-	-	-	-	-	-	-	-	-	-	-
Reconciliation with total liabilities:													
Liabilities as per above	276,011,065	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liability	-	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities as per unconsolidated statement of financial position	276,011,065	-	-	-	-	-	-	-	-	-	-	-	-

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42.3 Liquidity risk

The Bank monitors its liquidity risk through various liquidity ratios and liquidity risk indicators. Any deviations or breaches are reported to the relevant authorities for timely action. Moreover, Asset and Liability Management Committee (ALCO), a senior management committee, also reviews the liquidity position of the Bank on at least monthly basis and takes appropriate measures where required. The Bank uses liquidity gap ladder to assess the liquidity gaps and liquidity needs in different time buckets, under normal and stressed scenarios, whereas, the Contingency Funding Plan (CFP) of the Bank is also in place. The ALCO reviews the current economic situation, projected cash flows and asset / liability mix and approves strategy for managing liquidity. Mandatory stress tests of SBP are conducted, on a periodic basis, to test the adequacy of liquidity contingency plan and to identify the extent of liquidity stress that the Bank is able to take in current conditions.

42.3.1 Maturity of assets and liabilities (based on contractual maturities)

2023

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
(Rupees in '000')														
Assets														
Cash and balances with treasury banks	53,407,771	3,434,488	2,772,853	1,968,144	8,291,291	853,177	2,039,018	3,116,907	30,931,893	-	-	-	-	-
Balances with other banks	957,883	957,883	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	166,503,472	-	-	79,408,000	-	-	420,694	372,571	3,764,184	21,089,119	42,018,776	8,075,876	4,266,896	7,087,356
Advances	50,623,045	7,166,530	2,339	650,703	251,226	1,873,843	99,867	7,913,926	2,570,048	10,865,134	573,265	3,348,752	1,350,599	13,956,813
Fixed assets	3,936,450	-	-	-	65,477	64,157	64,157	194,610	96,749	196,747	580,579	680,596	1,380,506	612,872
Intangible assets	108,257	-	-	-	2,966	2,966	2,966	8,996	9,095	9,095	36,082	36,091	-	-
Deferred tax assets	17,193,965	-	-	893,418	1,746,869	2,493,738	2,987,476	2,987,476	2,987,476	3,097,512	-	-	-	-
Other assets	7,752,566	1,811,535	874	20,472	2,370,160	287,689	736,020	2,423,550	-	-	91,613	-	-	10,653
	300,483,409	13,370,436	2,776,066	82,940,737	12,727,989	5,575,570	6,350,198	17,018,036	40,359,445	35,257,607	43,300,315	12,141,315	6,998,001	21,667,694
Liabilities														
Bills payable	898,762	898,762	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings from financial institutions	37,546,440	-	35,854,000	-	-	-	1,662,500	-	-	-	29,940	-	-	-
Deposits and other accounts	223,569,650	185,063,043	1,761,939	1,191,665	4,439,986	3,207,041	2,133,831	8,859,896	1,927,999	13,708,850	111,870	173,970	989,560	-
Deferred tax liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	13,996,213	1,420,236	260,374	175,867	233,339	505,793	353,703	812,825	7,229,196	216,998	624,957	618,074	1,544,851	-
	276,011,065	187,382,041	37,876,313	1,367,532	4,673,325	3,712,834	4,150,034	9,672,721	9,157,195	13,925,848	766,767	792,044	2,534,411	-
Gap	24,472,344	(174,011,605)	(35,100,247)	81,573,205	8,054,664	1,862,736	2,200,164	7,345,315	31,202,250	21,331,759	42,533,548	11,349,271	4,463,590	21,667,694
Share capital - net	34,524,428													
Reserves	1,894,365													
Shares deposit money	-													
Deficit on revaluation of assets	(1,033,628)													
Accumulated Loss	(10,912,821)													
Net assets	24,472,344													

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Maturity of assets and liabilities (based on contractual maturities)

	2022													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
(Rupees in '000')														
Assets														
Cash and balances with treasury banks	14,168,738	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,619,530	-	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	19,967,424	19,967,424	-	-	-	-	-	-	-	-	-	-	-	-
Investments	254,552,777	-	29,862,895	947,120	73,273	44,264,248	20,493,874	45,787,204	61,550,377	23,699,591	9,095,852	12,670,070	7,128,666	
Advances	43,802,328	5,232,297	66,632	947,120	73,273	2,347,791	2,227,756	6,239,654	4,218,476	3,055,958	1,110,309	3,665,039	12,950,528	
Fixed assets	4,032,522	-	-	-	82,102	55,377	167,976	169,822	169,822	673,750	673,753	1,334,492	650,051	
Intangible assets	117,271	-	-	-	3,213	3,213	3,213	9,745	9,852	39,087	39,096	-	-	
Deferred tax assets	14,662,046	-	-	733,102	733,102	1,466,205	1,466,205	1,466,205	2,199,307	2,199,307	2,932,408	-	-	
Other assets	4,927,691	1,545,140	57,409	787,591	1,060,737	306,148	431,234	558,633	137,474	-	-	-	43,325	
	357,850,327	42,533,129	124,041	32,330,708	1,952,427	48,442,982	24,677,659	54,229,417	3,313,374	68,285,308	29,667,693	13,851,418	17,669,601	20,772,570
Liabilities														
Bills payable	726,148	726,148	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings from financial institutions	106,934,714	-	105,000,000	-	-	-	1,874,835	-	-	59,879	-	-	-	-
Deposits and other accounts	223,043,950	156,898,568	1,323,178	269,267	1,753,252	5,357,040	6,370,352	11,852,426	7,463,627	30,149,813	95,597	725,184	463,146	322,500
Deferred tax liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	9,994,556	539,144	613,648	1,084,537	1,009,534	747,456	178,128	946,625	2,042,251	791,997	582,605	1,097,055	-	-
	340,699,368	158,163,860	106,936,826	1,353,804	2,762,786	6,104,496	8,423,315	12,799,051	9,505,878	30,511,389	947,473	1,307,789	1,560,201	322,500
Gap	17,150,959	(115,630,731)	(106,812,785)	30,976,904	(810,359)	42,338,486	16,254,344	41,430,366	(6,192,504)	37,773,919	28,720,220	12,543,629	16,109,400	20,450,070
Share capital - net	29,524,428													
Reserves	1,461,412													
Proposed shares to be issued and reserves on														
Deficit on revaluation of investments	(1,208,500)													
Accumulated loss	(12,626,381)													
Net assets	17,150,959													

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

42.3.2 Maturity of assets and liabilities (based on SBP BSD Circular No. 03 date February 22, 2011)

2023

	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
(Rupees in '000')										
Assets										
Cash and balances with treasury banks	53,407,771	4,945,993	3,762,023	1,964,505	42,735,250	-	-	-	-	-
Balances with other banks	957,883	957,883	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	166,503,472	79,632,235	420,694	372,571	24,629,067	43,755,672	9,590,876	1,151,218	6,201,139	750,000
Advances	50,623,045	8,070,798	1,973,710	7,913,926	13,435,182	573,265	3,348,752	1,350,599	12,047,213	1,909,600
Operating fixed assets	3,936,450	65,477	128,314	194,610	293,497	480,579	713,406	1,447,696	612,871	-
Intangible assets	108,257	2,966	5,931	8,996	18,189	36,082	36,093	-	-	-
Deferred tax asset	17,193,965	2,640,287	4,481,214	4,987,477	5,084,987	-	-	-	-	-
Other assets	7,752,566	4,203,042	1,023,709	2,376,074	-	139,089	-	-	-	10,652
	300,483,409	100,518,681	11,795,595	17,818,159	86,196,172	44,984,687	13,689,127	3,949,513	18,861,223	2,670,252
Liabilities										
Bills payable	898,762	898,762	-	-	-	-	-	-	-	-
Borrowings from financial institutions	37,546,440	35,854,000	1,662,500	-	-	29,940	-	-	-	-
Deposits and other accounts	223,569,650	41,082,015	48,274,578	27,365,071	105,572,587	111,870	173,971	989,558	-	-
Deferred tax liability	-	-	-	-	-	-	-	-	-	-
Other liabilities	13,996,213	2,089,814	859,496	812,825	7,446,194	624,957	618,074	1,544,853	-	-
	276,011,065	79,924,591	50,796,574	28,177,896	113,018,781	766,767	792,045	2,534,411	-	-
Gap	24,472,344	20,594,090	(39,000,979)	(10,359,737)	(26,822,609)	44,217,920	12,897,082	1,415,102	18,861,223	2,670,252
Share capital - net	34,524,428									
Reserves	1,894,365									
Shares deposit money	-									
Deficit on revaluation of assets	(1,033,628)									
Accumulated Loss	(10,912,821)									
Net assets	24,472,344									

Where an asset or a liability does not have a contractual maturity date, the period in which these are assumed to mature have been taken as expected date of maturity, based on the criteria determined by ALCO of the Bank.

SINDH BANK LIMITED
NOTES TO THE UNCONSOLIDATED 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 in '000')

Assets																			
Cash and balances with treasury banks	14,168,738	3,385,525	4,356,444	1,577,116	4,735,711	113,942	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,619,530	1,619,530	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	19,967,424	19,967,424	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	254,552,777	29,862,894	64,758,122	45,787,204	61,550,377	23,699,591	10,818,832	10,947,090	6,378,667	750,000									
Advances	43,802,328	6,319,322	4,575,548	6,239,654	5,591,554	3,350,375	1,110,307	3,665,039	11,572,697	1,377,832									
Operating fixed assets	4,032,522	82,102	110,753	167,976	339,644	673,750	673,753	1,334,492	650,052	-									
Intangible assets	117,271	3,213	6,425	9,745	19,704	39,087	39,097	-	-	-									
Deferred tax asset	14,662,046	1,466,204	2,932,410	1,466,205	3,665,512	2,199,307	2,932,408	-	-	-									
Other assets	4,927,691	3,450,879	737,382	558,633	137,474	-	-	-	43,323	-									
	357,850,327	66,157,093	77,477,084	55,806,533	76,039,976	30,076,052	15,574,397	15,946,621	18,644,739	2,127,832									

Liabilities																			
Bills payable	726,148	726,148	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings from financial institutions	106,934,714	105,000,000	1,874,835	-	-	59,879	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	223,043,950	31,445,722	47,671,790	27,542,230	114,777,781	95,597	725,184	463,146	322,500	-									
Deferred tax liability	-	-	-	-	-	-	-	-	-	-									
Other liabilities	9,994,556	3,246,861	925,583	946,625	2,403,827	791,997	582,605	1,097,058	-	-									
	340,699,368	140,418,731	50,472,208	28,488,855	117,181,608	947,473	1,307,789	1,560,204	322,500	-									
Gap	17,150,959	(74,261,638)	27,004,876	27,317,678	(41,141,632)	29,128,579	14,266,608	14,386,417	18,322,239	2,127,832									

Share capital - net	29,524,428
Reserves	1,461,412
Shares deposit money	-
Deficit on revaluation of assets	(1,208,500)
Accumulated Loss	(12,626,381)
Net assets	<u>17,150,959</u>

Where an asset or a liability does not have a contractual maturity date, the period in which these are assumed to mature have been taken as expected date of maturity, based on the criteria determined by ALCO of the Bank.

42.4 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events.

The Bank strives to manage operational risk within acceptable levels through sound operational risk management practices.

The Bank has set up a separate Operational Risk Management (ORM) Unit. ORM Unit resides within Risk Management Division (RMD). Its responsibility is to implement Operational Risk management tools across the bank for effective measurement and monitoring of operational risk faced by different areas of the Bank.


43. GENERAL

43.1 Figures have been rounded off to the nearest thousand rupee.


44. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue by the Board of Directors on _____.

h



Chairman



President and
Chief Executive Officer



Director



Director



Chief Financial Officer

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

S. No.	Name and address of the borrower	Name of individuals/ partners/ directors (with CNIC No.)	Father's/ Husband's name	Outstanding Liabilities at beginning of year				Principal written-off	Interest/ Mark-up written-off/ waived *	Other financial relief provided	Total (9+10+11)
				Principal	Interest/ Mark-up	Other than Interest/ Mark-up	Total				
1	2	3	4	5	6	7	8	9	10	11	12
----- (Rupees in '000') -----											
TOTAL:											

Relief includes amounts which would be due to the Bank under contractual arrangements whether or not accrued in the books.

*Waiver of cost of fund allowed as per decree.

We have nothing to report in this regard.

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**ISLAMIC BANKING BUSINESS
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023**

ANNEXURE - II

ISLAMIC BANKING BUSINESS

The Bank commenced its Islamic Banking operations effective from June 26, 2014 and is operating with 14 Islamic Banking branches and 13 Islamic Banking Windows in Conventional branches (2022: 14 Branches and 13 Islamic Banking Windows) at the end of year. The statement of financial position, profit and loss account and cash flow statement of the Islamic banking division are as follows:

Assets	Note	2023 ----- (Rupees in '000') -----	2022 ----- (Rupees in '000') -----
Cash and balances with treasury banks		171,655	308,289
Balances with other banks		975	1,091
Due from financial institutions		-	-
Investments	1	4,165,737	4,108,170
Islamic financing and related assets	2	554,235	1,033,556
Fixed assets		109,640	170,539
Intangible assets		2,333	3,333
Deferred tax assets		-	-
Due from head office	5	15,160	14,563
Other assets		196,788	194,838
		5,216,523	5,834,379
Liabilities			
Bills payable		8,976	7,279
Due to financial institutions		1,450,000	1,000,000
Deposits and other accounts	4	2,689,143	3,933,951
Deferred tax liability		32,701	6,437
Due to head office	5	-	-
Other liabilities		152,229	233,055
		4,333,049	5,180,722
Net Assets		883,474	653,657
Represented By			
Islamic banking fund		1,100,000	1,100,000
Reserves		-	-
Surplus on revaluation of investments		34,035	2,725
Accumulated loss	6	(250,561)	(449,068)
		883,474	653,657
CONTINGENCIES AND COMMITMENTS	7		

ISLAMIC BANKING BUSINESS
 PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED DECEMBER 31, 2023

ANNEXURE - II

	2023	2022
Note	----- (Rupees in '000') -----	
Profit / return on financing, investments and placements earned	10 992,515	701,231
Return on deposits and other dues expensed	11 573,773	446,704
Net income earned	418,742	254,527
Other income		
Fee, commission and brokerage income	22,505	8,248
Income from dealing in foreign currencies	1,852	374
Dividend income	16,920	14,400
Gain on sale / redemption of securities	-	-
Other income	714	387
	41,991	23,409
Total income	460,733	277,936
Other expenses		
Administrative expenses	262,721	215,172
Other charges	20	19
	262,741	215,191
Profit before provision	197,992	62,745
Provisions and write offs -net	515	2,136
Extra ordinary / unusual items	-	-
Profit before taxation	198,507	64,881
Taxation	-	-
Profit after taxation	198,507	64,881

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**ISLAMIC BANKING BUSINESS
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2023**

ANNEXURE - II

	2023	2022
Note	----- (Rupees in '000') -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	198,507	64,881
Less: Dividend income	(16,920)	(14,400)
	<u>181,587</u>	<u>50,481</u>
Adjustments		
Depreciation	44,152	39,565
Amortisation	1,000	1,000
Provision against non-performing loans and advances - net	(515)	(2,136)
	<u>44,637</u>	<u>38,429</u>
	<u>226,224</u>	<u>88,910</u>
(Increase) / decrease in operating assets		
Balances with and due from financial institutions	-	700,000
Islamic financing and related assets - net	479,837	183,475
Due from head office	(597)	5,894
Other assets	(1,952)	(115,693)
	<u>477,288</u>	<u>773,676</u>
(Decrease) / increase in operating liabilities		
Bills payable	1,697	(5,321)
Due to financial institutions	450,000	750,000
Deposits and other accounts	(1,244,808)	(689,905)
Due to head office	-	-
Other liabilities	(80,826)	6,240
	<u>(873,937)</u>	<u>61,014</u>
	<u>(170,425)</u>	<u>923,600</u>
Income tax paid	-	-
Net cash flow from / (used in) operating activities	<u>(170,425)</u>	<u>923,600</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in securities	8	(999,991)
Dividend received	16,920	14,400
Investment in operating fixed assets	16,747	(32,089)
Net cash flow (used in) / from investing activities	<u>33,675</u>	<u>(1,017,680)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Islamic Banking Fund	-	-
Net cash from financing activity	<u>-</u>	<u>-</u>
Increase in cash and cash equivalents	<u>(136,750)</u>	<u>(94,080)</u>
Cash and cash equivalents at beginning of the year	309,380	403,460
Cash and cash equivalents at end of the year	<u>172,630</u>	<u>309,380</u>

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ISLAMIC BANKING BUSINESS
NOTES TO ANNEXURE - I
FOR THE YEAR ENDED DECEMBER 31, 2023

1 INVESTMENTS

	2023				2022			
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost /Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Federal Government Securities:								
- Ijarah Sukuks	4,000,000	-	42,076	4,042,076	4,000,008	-	(14,598)	3,985,410
REIT Units:								
-Listed	99,000	-	24,661	123,661	99,000	-	23,760	122,760
Total Investments	4,099,000	-	66,737	4,165,737	4,099,008	-	9,162	4,108,170

2 ISLAMIC FINANCING AND RELATED ASSETS

	2023	2022
	----- (Rupees in '000') -----	
Ijarah financing under IFAS 2	9,946	11,371
Diminishing musharakah financing	555,254	1,033,666
Less: provision against Islamic financing	565,200	1,045,037
- Specific	(10,965)	(11,481)
- General	-	-
Islamic financing and related assets - net of provision	(10,965)	(11,481)
	554,235	1,033,556

Note

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ISLAMIC BANKING BUSINESS
NOTES TO ANNEXURE - I
FOR THE YEAR ENDED DECEMBER 31, 2023

2.1 Ijarah financing under IFAS 2

Net book value of assets
Advance against Ijarah financing

	2023	2022
	(Rupees in '000')	
Note		
2.1.1	9,946	11,371
	<u>9,946</u>	<u>11,371</u>

2.1.1 Particulars of assets under Ijarah

	2023					
	Cost			Accumulated Depreciation		
	As at January 01,	Additions/ Settled	As at December 31,	As at January 01,	Charge/ settled	As at December 31,
	(Rupees in '000')					
Vehicle	16,224	(16,224)	-	14,019	(14,019)	-
Plant and machinery	28,000	950	28,950	18,834	170	19,004
Total	<u>44,224</u>	<u>(15,274)</u>	<u>28,950</u>	<u>32,853</u>	<u>(13,849)</u>	<u>19,004</u>
						Over the Ijarah period
						<u>9,946</u>
						<u>9,946</u>

	2022					
	Cost			Accumulated Depreciation		
	As at January 01,	Additions/ Settled	As at December 31,	As at January 01,	Charge/ settled	As at December 31,
	(Rupees in '000')					
Vehicle	37,866	(21,642)	16,224	28,341	(14,322)	14,019
Plant and machinery	28,000	-	28,000	14,366	4,468	18,834
Total	<u>65,866</u>	<u>(21,642)</u>	<u>44,224</u>	<u>42,707</u>	<u>(9,854)</u>	<u>32,853</u>
						Over the Ijarah period
						<u>2,205</u>
						<u>9,166</u>
						<u>11,371</u>

2.1.2 Future Ijarah payments receivable

Not later than one year
Later than one year and not later than five years
Over five years

	2023	2022
	(Rupees in '000')	
	9,946	11,371
	<u>-</u>	<u>-</u>
	<u>9,946</u>	<u>11,371</u>

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ISLAMIC BANKING BUSINESS
NOTES TO ANNEXURE - I
FOR THE YEAR ENDED DECEMBER 31, 2023

3	SECTOR WISE PORTFOLIO	Note	2023	2022
			----- (Rupees in '000') -----	
	Chemical and chemical products		9,603	9,166
	Construction, real estate and societies		-	-
	Education		11,353	11,898
	Food		-	165,000
	Hotel and restaurants		-	-
	Power, electricity and gas		413,599	521,131
	Transport, Storage and Communication		-	27,452
	Wholesale and retail trade		-	286,525
	Individuals		13,547	11,488
	Insurance		-	1,467
	Others		117,534	10,911
	Pharmaceuticals		-	-
	Gross Financing		565,636	1,045,037
	Govt. of Pakistan		4,042,075	3,985,410
	Financial Institutions		123,660	122,760
	Total Invested Funds		4,731,371	5,153,207

4	DEPOSITS	2023			2022		
		In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- (Rupees in '000') -----							
	Customers						
	Current deposits	697,630	3,336	700,966	791,885	1,081	792,966
	Savings deposits	1,587,194	5,321	1,592,515	1,904,738	6,040	1,910,778
	Term deposits	347,408	-	347,408	500,121	-	500,121
	Margin and other deposits	22,931	-	22,931	28,768	-	28,768
		2,655,163	8,657	2,663,820	3,225,512	7,121	3,232,633
	Financial Institutions						
	Current deposits	4,170	-	4,170	2,711	-	2,711
	Savings deposits	21,103	-	21,103	98,577	-	98,577
	Term deposits	-	-	-	600,000	-	600,000
	Margin and other deposits	50	-	50	30	-	30
		25,323	-	25,323	701,318	-	701,318
		2,680,486	8,657	2,689,143	3,926,830	7,121	3,933,951

4.1	Composition of deposits	2023	2022
		----- (Rupees in '000') -----	
	- Individuals	42,038	870,384
	- Government (Federal and Provincial)	277,586	382,186
	- Public Sector Entities	129,759	131,353
	- Banking Companies	500	484
	- Non-Banking Financial Institutions	25,323	700,834
	- Private Sectors	2,213,937	1,848,710
		2,689,143	3,933,951

4.2 As at 31 December 2023, the deposits eligible to be covered under insurance arrangements amounted to Rs. 1,009.67 million (2022: Rs. 1,274.73 million) and premium paid amounted to Rs. 2.04 million (2022 : Rs. 1.37 million).

ISLAMIC BANKING BUSINESS
NOTES TO ANNEXURE - I
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
	----- (Rupees in '000') -----	
5 DUE FROM / (TO HEAD OFFICE)		
Interbranch transaction account (daily basis)	<u>15,160</u>	<u>14,563</u>
6 ACCUMULATED LOSS		
Opening Balance	(449,068)	(513,949)
Add: Islamic Banking profit/(loss) for the year	198,507	64,881
Less: Taxation	-	-
Less: Reserves	-	-
Less: Transferred / Remitted to Head Office	-	-
Closing Balance	<u>(250,561)</u>	<u>(449,068)</u>
7 CONTINGENCIES AND COMMITMENTS		
-Guarantees	231,177	178,617
-Letter of Credit	69,916	353,321
-Commitments	-	-
	<u>301,093</u>	<u>531,938</u>
8 CHARITY FUND		
Opening Balance	221	666
Additions during the period		
Received from customers on account of delayed payment	3	48
Profit on charity saving account	-	-
Other	752	972
	755	1,020
Payments / utilization during the period		
Education	-	-
Charity organisation	160	1,465
Hospital	-	-
	160	1,465
Closing Balance	<u>816</u>	<u>221</u>
9 CASH AND CASH EQUIVALENT		
Cash and balances with treasury banks	171,655	308,289
Balances with other banks	975	1,091
	<u>172,630</u>	<u>309,380</u>
10 PROFIT / RETURN ON FINANCING, INVESTMENTS AND PLACEMENTS EARNED		
Profit earned on:		
Financing	147,829	173,047
Investments	800,872	468,260
Placements	43,814	59,924
On deposits with financial institutions	-	-
	<u>992,515</u>	<u>701,231</u>
11 RETURN ON DEPOSITS AND OTHER DUES EXPENSED		
Deposits and other accounts	428,877	383,290
Due to Financial Institutions	130,181	39,825
Amortisation of lease liability against right-of-use assets	14,715	23,589
	<u>573,773</u>	<u>446,704</u>

12 POOL MANAGEMENT

12.1 Sindh Bank Limited - SA' ADAT Islamic Banking Division is maintaining the following pools for profit declaration and distribution:

12.1.1 General Pool, Special Pools and FI Pools

Priority of utilization of funds in pools will be as follows:

- Depositors Funds
- Equity Funds

Priority of utilization of funds in the FI pool shall be:

- FI Funds
- Equity Funds

12.1.2 Weightages for distribution of profit in general pool

Profits are calculated on the basis of weightages assigned to different tiers and tenors. These weightages are announced monthly. While considering weightages emphasis shall be given to the quantum, type and period of risk assessed by applying following factors:

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

Any change in profit sharing weightages of any category of deposit/fund providers shall be applicable from next period.

12.1.3 Special and Financial Institution Pools.

Profit is calculated and distributed on the basis of pre agreed Profit Sharing Ratio.

12.1.4 Identification and allocation of Pool related income and expenditure

The allocation of income and expenditure to different pools is being done based on a pre-defined basis and accounting principles as mentioned below.

Any direct expenditure shall be charged to respective pools, while indirect expenses including the establishment costs shall be borne by Sindh Bank - Islamic Banking Division (SNDB - IBD) as Mudarib. The direct expenses to be charged to the pool may include depreciation for Ijarah assets, insurance / Takaful expenses of pool assets, stamp fees or documentation charges, brokerage fee on purchase of securities, impairment / losses due to physical damages to specific assets in pool etc. However, this is not an exhaustive list. SNDB - IBD pool management framework and the respective pool creation memo may identify and specify these and may similar expenses to be charged to the pool.

✓

12.1.5 Parameters associated with risks and rewards

Following are the consideration attached with risks and rewards of pools:

- Period, return, safety, security and liquidity of investment;
- All financing proposal under process at various stages and likely to be extended in the near future;
- Expected withdrawal of deposits according to the maturities affecting the deposit base;
- Maturities of funds obtained under Moradaba arrangements from Head Office and Islamic Banking Financial Institutions;
- Elements of risks associated with different kind of investments;
- Regulatory requirements; and
- Shariah compliance.

12.1.6 Basis of Profit allocation

During the year, the profit was distributed between Mudarib and Rubbal Maal as per following profit sharing ratio based upon gross income less direct expenses.

	2023	2022
	----- (Rupees in '000') -----	
Rubbal Maal	67.22%	67.70%
Mudarib	32.78%	32.30%

12.1.7 MUDARIB'S SHARE (in amount and percentage of distributable income)

Rubbal Maal (%)	67.22%	67.70%
Rubbal Maal (amount)	30,290	40,659
Mudarib (%)	32.78%	32.30%
Mudarib (amount)	16,610	19,265

12.1.8 Amount and percentage of mudarib's share transferred to depositors thought Hiba

Mudarib's share	16,610	19,265
Hiba	1,072	4,604
Hiba percentage of mudarib's share	6.45%	23.90%

In addition to the General Pool, 12 Special Pools were maintained as on December 31, 2023.

Amount and percentage of Mudarib's share transferred to depositors thought Hiba for Special Pool during 2023.

	2023	2022
	----- (Rupees in '000') -----	
Mudarib's share	45,709	32,730
Hiba	13,151	8,790
Hiba percentage of mudarib's share	28.77%	26.86%

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

	2023	2022
Profit rate earned	20.34%	14.32%
Profit rate distributed to depositors	13.94%	9.29%

Riaz Ahmad & Company

Chartered Accountants

SINDH BANK LIMITED

CONSOLIDATED FINANCIAL STATEMENTS WITH
ACCOMPANYING INFORMATION

FOR THE YEAR ENDED
31 DECEMBER 2023

INDEPENDENT AUDITOR'S REPORT

To the members of Sindh Bank Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of SINDH BANK LIMITED and its subsidiary company ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, consolidated of financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023 and of 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 Auditors' 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 13.1 to the consolidated financial statements which states that the deferred tax asset has been recognized in the consolidated financial statements on the basis of financial projections for the future years approved by Board of Directors of the Bank. The preparation of financial projection involves management assumptions regarding future business and economic conditions and significant change in assumptions may have impact on recoverability of the deferred tax assets.

Our opinion is not modified in respect of this matter.

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

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

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

Riaz Ahmad & Company

Chartered Accountants

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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, 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 the accounting and reporting standards as applicable in Pakistan and the Companies Act, 2017 (XIX of 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.

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.

Riaz Ahmad & Company

Chartered Accountants

- 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.

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2022 were audited by another firm of Chartered Accountants who expressed an unmodified opinion vide their report dated March 10, 2023.

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



RIAZ AHMAD & COMPANY
Chartered Accountants

KARACHI

DATE: 27 FEBRUARY 2024
UDIN: AR202310045Oza9g7GhB

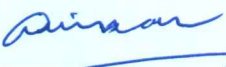
SINDH BANK LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

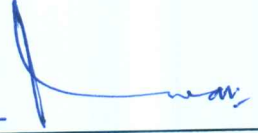
	Note	2023 ----- (Rupees in '000') -----	2022 ----- (Rupees in '000') -----
ASSETS			
Cash and balances with treasury banks	6	53,488,206	14,204,082
Balances with other banks	7	1,484,233	2,014,183
Lendings to financial institutions	8	-	19,967,424
Investments	9	166,397,880	253,857,565
Advances	10	52,528,902	45,105,226
Fixed assets	11	4,055,481	4,113,696
Intangible assets	12	114,464	124,022
Deferred tax assets - net	13	17,201,220	14,662,219
Other assets	14	7,801,390	5,048,053
		303,071,776	359,096,470
LIABILITIES			
Bills payable	15	898,762	726,148
Borrowings	16	38,267,440	107,244,714
Deposits and other accounts	17	224,841,914	223,632,712
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	18	14,235,310	10,079,561
		278,243,426	341,683,135
		24,828,350	17,413,335
NET ASSETS			
REPRESENTED BY			
Share capital - net	19	34,524,428	29,524,428
Reserves		1,985,305	1,526,805
Shares deposit money	20	-	-
Proposed Ordinary shares to be issued on amalgamation	21	-	-
Deficit on revaluation of assets	20	(1,033,628)	(1,208,500)
Accumulated Loss		(10,647,755)	(12,429,398)
		24,828,350	17,413,335

CONTINGENCIES AND COMMITMENTS

21

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


 Chairman


 President and
 Chief Executive Officer


 Director



 Director

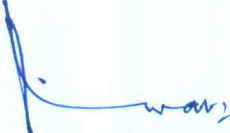

 Chief Financial Officer

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

	Note	2023	2022
		----- (Rupees in '000') -----	
Mark-up / Return / Interest Earned	22	51,248,347	36,842,955
Mark-up / Return / Interest Expensed	23	42,634,953	31,181,376
Net Mark-up / return / Interest Income		8,613,394	5,661,579
NON MARK-UP / INTEREST INCOME			
Fee and Commission Income	24	602,501	427,836
Dividend Income		192,353	253,607
Foreign Exchange Income		723,490	557,561
Income / (loss) from derivatives		-	-
Gain / (Loss) on securities	25	337,703	(157,712)
Other Income	26	8,877	7,565
Total non-markup/interest Income		1,864,924	1,088,857
Total Income		10,478,318	6,750,436
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	27	8,477,970	7,000,000
Other charges	28	59,164	9,834
Total non-markup/interest expenses		8,537,134	7,009,834
Profit/(Loss) BEFORE PROVISIONS		1,941,184	(259,398)
Provisions and write offs - net	29	1,153,568	1,952,454
Extra ordinary / unusual items		-	-
Profit/(Loss) BEFORE TAXATION		787,616	(2,211,852)
Taxation	30	(1,468,636)	(867,513)
Profit/(Loss) AFTER TAXATION		2,256,252	(1,344,339)
----- Rupees -----			
Basic Earnings/(Loss) per share	31	0.75	(0.52)
Diluted Earnings/(Loss) per share	32	0.75	(0.52)

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


 Chairman


 President and
 Chief Executive Officer


 Director


 Director


 Chief Financial Officer

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

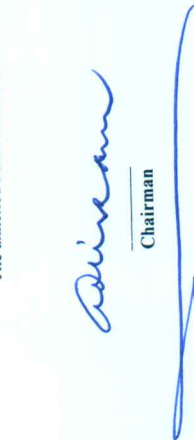
	Share Capital	Shares Deposit Money	Capital Reserves		Statutory Reserve *	Depositors' protection fund reserve **	Surplus / (Deficit) on revaluation		Accumulated Loss ***	Total
			Reserves on amalgamation	Share Premium			Investments	Fixed/Non-banking assets		
Balance as at January 01, 2022	25,524,428	4,000,000	9,433	51	1,495,961	11,007	(1,121,647)	(11,072,603)	18,846,630	
Loss for the year ended December 31, 2022	-	-	-	-	-	-	-	(1,344,339)	(1,344,339)	
Other comprehensive income - net of tax	-	-	-	-	-	-	(86,853)	(2,103)	(88,956)	
Transfer to statutory reserve	-	-	-	-	8,282	-	-	(8,282)	-	
Transfer to depositors' protection fund	-	-	-	-	-	2,071	-	(2,071)	-	
- 5% of the profit after tax for the year	-	(4,000,000)	-	-	-	-	-	-	-	
Issue of shares during the year	4,000,000	-	-	-	-	-	-	-	-	
Shares deposit money	-	-	-	-	-	-	-	-	-	
Balance as at December 31, 2022	29,524,428	-	9,433	51	1,504,243	13,078	(1,208,500)	(12,429,398)	17,413,335	
Profit for the year ended December 31, 2023	-	-	-	-	-	-	-	2,256,252	2,256,252	
Other comprehensive income - net of tax	-	-	-	-	-	-	83,072	(18,784)	156,088	
Transfer to statutory reserve	-	-	-	-	451,251	-	-	(451,251)	-	
Transfer to depositors' protection fund	-	-	-	-	-	-	-	-	-	
- 5% of the profit after tax for the year	-	-	-	-	-	4,574	-	(4,574)	-	
return on investment	-	-	-	-	-	2,675	-	-	2,675	
Issue of shares during the year	5,000,000	(5,000,000)	-	-	-	-	-	-	-	
Shares deposit money	-	5,000,000	-	-	-	-	-	-	-	
Balance as at December 31, 2023	34,524,428	-	9,433	51	1,955,494	20,327	(1,125,428)	(10,647,755)	24,828,350	

* Statutory reserve represents amount set aside as per the requirements of section 21 of the Banking Companies Ordinance, 1962 in case of the Bank and under Microfinance Institution Ordinance, 2001 and Prudential Regulations "R-4 - Statutory Reserve" in the case of Sindh Microfinance Bank, to create a reserve fund to which shall be credited an amount equal to at least 20% of its annual profits after taxes.

** The Sindh Microfinance Bank Limited is required under Microfinance Institutions Ordinance, 2001 to contribute 5% of its annual after tax profit to the Depositors' Protection Fund and profit earned on investments of the fund shall also be credited to the fund.

*** As more fully explained in note 9.4.2.1 & 10.6.2 of these consolidated financial statements, unappropriated profit includes an amount of Rs.3,148.13 million net of tax as at December 31, 2023 (December 31, 2022: Rs. 4,737.96 million) representing additional profit arising from availing forced sale value benefit for determining provisioning requirement which is not available for the purpose of distribution of dividend to shareholders.

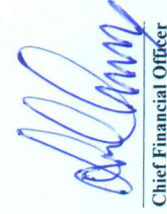
The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.


Chairman


President and Chief Executive Officer


Director


Director


Chief Financial Officer

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

CASH FLOW FROM OPERATING ACTIVITIES

Profit / (Loss) before taxation
Less: Dividend income

Adjustments:

Depreciation
Depreciation on right of use assets
Amortisation
Provision and write offs -net
Written-off operating fixed assets
Charge for defined benefit plan
Gain on sale of operating fixed assets

(Increase) / Decrease in operating assets

Lendings to financial institutions
Advances - net
Other assets - net

Increase / (Decrease) in operating liabilities

Bills payable
Borrowings
Deposits and other accounts
Other liabilities (excluding current taxation)

Contribution to gratuity fund
Income tax paid

Net cash generated from operating activities

CASH FLOW FROM INVESTING ACTIVITIES


Net investment in available-for-sale securities
Net investment in held-to-maturity securities
Dividend received
Investments in operating fixed assets
Fair valuation adjustment of net assets of Sindh Leasing Company Limited
Sale proceeds of operating fixed assets disposed off
Net cash (used in) / generated from investing activities


CASH FLOW FROM FINANCING ACTIVITIES

Shares deposit money
Payment of lease liability against right of use assets
Issue of share capital
Net cash generated from financing activities
Increase in cash and cash equivalents
Cash and cash equivalents at the beginning of the year
Cash and cash equivalents at the end of the year

Note	2023 ----- (Rupees in '000') -----	2022 ----- (Rupees in '000') -----
	787,616	(2,211,852)
	(192,353)	(253,607)
	595,263	(2,465,459)
27	285,052	293,897
27	745,905	669,406
27	43,136	36,232
29	1,139,557	1,945,818
	-	-
35.1.4	123,050	104,137
26	(5,115)	(3,630)
	2,331,585	3,045,860
	2,926,848	580,401
	19,967,424	(13,886,216)
	(7,218,411)	1,758,522
	(3,167,418)	(1,291,153)
	9,581,595	(13,418,847)
	172,614	101,422
	(68,977,275)	79,708,975
	1,209,202	5,790,034
	4,339,137	3,434,002
	(63,256,322)	89,034,433
	(50,747,879)	76,195,987
35.1.3	(107,191)	(99,643)
	(628,492)	(469,603)
	(51,483,562)	75,626,741
	78,770,659	(54,850,018)
	8,454,350	(23,801,902)
	192,353	253,607
	(1,008,326)	(1,888,400)
	-	-
	7,121	4,993
	86,416,157	(80,281,720)
	5,000,000	-
	(1,178,421)	-
	-	-
	3,821,579	-
	38,754,174	(4,654,979)
	16,218,265	20,873,244
33	54,972,439	16,218,265

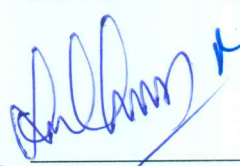
The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.


Chairman


**President and
Chief Executive Officer**


Director


Director


Chief Financial Officer

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

1. STATUS AND NATURE OF BUSINESS

The "Group" consists of:

1.1 Holding Company

- 1.1.1 Sindh Bank Limited (the Bank) was incorporated in Pakistan on October 29, 2010 as a public unlisted company and is engaged in Commercial Banking, Corporate and Investment related activities. The Bank operates 330 (2022: 330) branches including 8 (2022: 8) sub-branches and 14 (2022: 14) Islamic banking branches in Pakistan. The Bank's registered office is located at 3rd floor, Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi, Pakistan.
- 1.1.2 The Government of Sindh, through its Finance Department owns 99.97% ordinary shares of the Bank.
- 1.1.3 VIS Credit Rating Company Limited has reaffirmed the long term entity rating of A+ (Single A Plus) and short term rating of A-1 (A-one) in its report dated June 27, 2023.

1.1.4 Listing of the Bank will be undertaken in future after improvement in Bank's financial position and Regulator's guidance on the matter.

1.2 Subsidiary company

1.2.1 Sindh Microfinance Bank Limited

Sindh Microfinance Bank Limited (the Microfinance Bank) was incorporated on March 27, 2015 as a public company limited by shares under the provision of the company's Act, 2017 (previously Companies Ordinance, 1984). The Microfinance Bank obtained Microfinance banking license from State Bank of Pakistan (SBP) on October 16th, 2015, to operate in Sindh Province. Subsequently the Microfinance Bank has received the certificate of commencement of business from Securities & Exchange Commission of Pakistan (SECP) on November 30, 2015. The Microfinance Bank's registered office is situated at 39/F, 2nd Floor, Muhammad Ali Cooperative Housing Society, Karachi. The Microfinance Bank's principal business will be to provide microfinance services to the poor and underserved segment of the society as envisaged under the Microfinance Institutions Ordinance, 2001. The Microfinance Bank operates with a network of 19 (2022: 19) branches and 77 (2022: 71) services centers. The Bank holds 99.99% shares of the Microfinance Bank and remaining shares are held by the nominees of the Bank.

The credit rating companies PACRA has maintained the long term rating of the Microfinance Bank at "A-" and short term rating at "A2" as of March 29, 2023.

2. BASIS OF PRESENTATION

- 2.1 These consolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 02, dated 25 January 2018. These consolidated financial statements represent separate financial statements of the Group.
- 2.2 In accordance with the directives of the Federal Government regarding the shifting of the Banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by Group from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon. The Islamic Banking branches of the Group have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) and notified under the provisions of the Companies Act, 2017.
- 2.3 The Group believes that there is no significant doubt on the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

3. STATEMENT OF COMPLIANCE

- 3.1 This consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. The accounting and reporting standards comprise of :

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

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

3.2 The SBP vide BSD Circular Letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for Banking companies till further instructions. SBP vide its BPRD Circular No. 07 of 2023 dated 23 April 2023 directed the Banks in Pakistan to implement IFRS 9, 'Financial Instruments' with effect from 01 January 2024. Further, according to the notification of the Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

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

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

3.4 IFRS 10, 'Consolidated Financial Statements' was made applicable from period beginning on or after 01 January 2015 vide S.R.O 633 (I) / 2014 dated 10 July 2014 by SECP. However, SECP has directed through S.R.O 56 (I) / 2016 dated 28 January 2016 that the requirement of consolidation under section 228 of the Companies Act, 2017 and IFRS 10, 'Consolidated Financial Statements' is not applicable in case of investment by companies in mutual funds established under trust structure.

3.5 **Standards, interpretations of and amendments to published accounting 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 accounting periods beginning on or after January 01, 2023. These are either considered to not be relevant or do not have any significant impact and accordingly have not been detailed in these financial statements, except as disclosed below.

IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies (Amendments)

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on The Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in The Group's consolidated financial statements.

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

As per BPRD Circular Letter No. 07 of 2023 dated 23 April 2023, the effective date for the implementation of IFRS 9 Financial Instruments is accounting period beginning on or after January 1, 2024. SBP has also extended the preparation of annual / interim financial statement on the revised formats to the first quarter of 2024. SBP has issued detailed instructions on the application of the Standard, including transitional provisions, impact on the Capital Adequacy Ratio (CAR) calculation and reporting requirements.

The IFRS 9 application instructions and guidelines that have been issued as part of the circular include the following key components:

- a) Basis for classification and measurement of debt and equity securities;
- b) Framework for determination of “Expected Credit Losses (ECL)” under the requirements of IFRS 9, including required risk management policies;
- c) Credit exposures (in local currency) that have been guaranteed by the Government and Government Securities have been exempted from the application of the above ECL Framework;
- d) In respect of non-performing exposures (Stage 3 exposures) provision would be made considering higher of IFRS 9 ECL or provision computed under existing PRs’ requirements;
- e) In order to mitigate the impact of ECL provisioning on capital, a transitional arrangement is allowed to The Groups to absorb the impact on regulatory capital and fully described in Annexure B to the aforementioned circular.

The actual impact of adopting IFRS 9 on The Group’s consolidated financial statements in the year 2024 may not be accurately estimated because it will be dependent on the financial instruments that The Group would hold during next year and economic conditions at that time as well as accounting elections and judgements that it will make in future.

Further, the following IFRS as notified under the Companies Act, 2017 and the amendments thereto will be effective for future periods and not early adopted:

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

The above standards, amendments and improvements are not expected to have any material impact on the consolidated financial statements of The Group for the future periods.

Further, following new standard has been issued by IASB which is yet to be notified by SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (accounting periods beginning on or after)
- IFRS 1 – First-time Adoption of International Financial Reporting Standards	01 January 2004

3.7 Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant affect on the amounts recognized in the consolidated financial statements are as follows:

- i) classification and impairment against investments (notes 5.3 and 29);
- ii) classification and provision against advances (notes 5.4 and 29);
- iii) depreciation and amortization / useful lives of operating fixed assets (notes 5.5, 5.6, 11 and 12);
- iv) non-banking assets acquired in satisfaction of claims (note 5.7);
- v) taxation (note 5.9);
- vi) staff retirement and other benefits (note 6);
- vii) fair value of derivatives (note 5.17); and
- viii) judgements made by management in identification and reporting segment information (note 39).

4. BASIS OF MEASUREMENT

4.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except for certain investments, non-banking assets acquired in satisfaction of claims, right of use assets, lease liability and commitments in respect of foreign exchange and futures contracts which are measured at fair values and certain employee benefits and investments which are measured on present value basis.

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 Rupees, which is The Group's functional and presentation currency.

4.2 Functional & Presentation of Currency

These consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

The amount are rounded off to the nearest thousand rupees except as stated otherwise.

5. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year, unless otherwise disclosed or specified.

5.1 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and balances with other banks in current and deposit accounts, excluding term deposit with original term of greater than three months.

5.2 Lending to / borrowing from Financial Institutions

The Group enters into transactions of borrowings (repurchase) from and lending (reverse repurchase) to financial institutions at contracted rates for a specified period of time. These are reported as under :

5.2.1 Repurchase / resale agreements

a) *Sale of securities under repurchase agreement (repo)*

Securities sold subject for repurchase agreements (repo) remain on the consolidated statement of financial position as investments and the counter party liability is included in borrowings from financial institutions. The difference between the sale and repurchase price is accrued over the period of the agreement using the effective interest rate method and recorded as expense.

b) *Purchase of securities under resale agreement (reverse repo)*

Securities purchased under agreements for resale (reverse repo) are recorded as lendings to financial institutions. These transactions are accounted for on the settlement date. The difference between the purchase and resale price is recognized as mark-up return income over the period of the agreement using the effective interest rate method.

5.2.2 Bai Maujjal

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

5.3 Investments

The group classifies its investments as follows:

a) *Held-for-trading*

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

b) *Held-to-maturity*

These are securities with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold till maturity.

c) *Available-for-sale*

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

5.3.1 Initial measurement

Investments other than those categorized as 'held-for-trading' are initially recognized at fair value and includes transaction costs associated with the investment. Investments classified as 'held-for-trading' are initially recognized at fair value and transaction costs are expensed in the consolidated profit and loss account.

5.3.2 Subsequent measurement

Held-for-trading

Investments classified as held-for-trading are measured on subsequent reporting dates at fair value. Gain and losses on remeasurement are included in the profit and loss account.

Held-to-maturity

Investments classified as held-to-maturity are carried at amortized cost. Unquoted equity securities are valued at lower of cost and break-up value. Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

Available-for-sale

Quoted securities classified as available-for-sale investments are measured on subsequent reporting dates at fair value. Any surplus / deficit arising thereon is kept other comprehensive income and taken to the profit and loss account when actually realised upon disposal or when the investment is considered to be impaired.

Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

5.3.3 Impairment

The Group determines that available-for-sale listed equity investments are impaired when there has been a significant or prolonged decline in the fair value of these investments below their cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates, among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial condition of the investee, industry and sector performance and changes in technology. A subsequent increase in the fair value of a previously impaired listed equity security is recorded in the statement of financial position in the surplus / deficit on revaluation of securities account and only recorded through the profit and loss account when realised on disposal.

A decline in the carrying value of unlisted equity securities is charged to the profit and loss account. A subsequent increase in the carrying value, up to the cost of the investment, is credited to the profit and loss account.

Provision for diminution in the value of debt securities held in Pakistan is made as per the Prudential Regulations issued by the SBP. Provision against investments by the Group's overseas operations is made as per the requirements of their respective regulatory regimes.

When a debt security, classified as available-for-sale, is considered to be impaired, the balance in the surplus / deficit on revaluation of securities account is transferred to the profit and loss account as an impairment charge. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the profit and loss account.

When a debt security, classified as held-to-maturity, is considered to be impaired, the impairment is directly charged to the profit and loss account as held-to-maturity securities are carried at amortized cost. Any subsequent reversal of an impairment loss, up to the cost of the investment in the debt security, is credited to the profit and loss account.

Provision for diminution in the value of other securities is made after considering objective evidence of impairment.

The Group considers that a decline in the recoverable value of its investments in associates and joint ventures below their carrying value may be evidence of impairment. Recoverable value is calculated as the higher of fair value less costs to sell and value in use. An impairment loss is recognised when the recoverable value falls below the carrying value and is charged to the profit and loss account. Any subsequent reversal of an impairment loss, up to the carrying value of the investment in associates and joint ventures, is credited to the profit and loss account.

5.3.4 Gain or loss on sale of investments is included in the consolidated profit and loss account in the year in which they arise.

5.4 Advances

Advances are stated net of provisions for non-performing advances. Specific and general provisions are made based on appraisal of the loan portfolio that takes into account the requirements of the Prudential Regulations issued by the State Bank of Pakistan. The provisions 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 after explicit approval from the Board of Directors.

Ijarah Financing

Applying IFAS-2, assets underlying Ijarah have been carried at cost less accumulated depreciation and impairment, if any, and are shown under Islamic financing and related assets. Rentals accrued from Ijarah financing net of depreciation charge are taken to the consolidated profit and loss account. Depreciation on Ijarah assets is charged by applying the straight line method over the Ijarah period which is calculated from the date of delivery of respective assets to mustajir upto the date of maturity / termination of Ijarah agreement.

Diminishing Musharakah

In Musharakah based financing, the Group enters into Musharakah for financing an agreed share of fixed assets with its customer and enters into periodic profit payment agreement for the utilization of the Groups Musharakah share by the customer. Specific and general provisions are made in accordance with the requirement of prudential regulations and other directives issued by the SBP and charged to consolidated profit and loss account.

5.5 Operating fixed assets and depreciation

5.5.1 Property and equipment - owned

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in an asset's carrying amount or recognized as a separate asset as appropriate, only when it is probable that future benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the consolidated profit and loss account as and when incurred.

Depreciation is charged to the consolidated profit and loss account applying the straight line method at the rates specified in note 11 to these consolidated financial statements after taking into account residual value, if significant. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each date of consolidated statement of financial position. Depreciation is charged from the date asset is available for use while no depreciation is charged from the date asset is disposed.

Gains or losses on disposal, if any, are recognized in the consolidated profit and loss account in the year in which they arise.

5.5.2 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and related advances there against, if any, are carried under this head. These are transferred to specific assets as and when the assets become available for use.

5.5.3 Leases

The Group enters into lease arrangements principally in respect of office space for its operations. The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a Lessee

A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use (RoU) Assets

The right-of-use assets recognised subsequent to the adoption of 'IFRS-16 Leases' are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

Lease Liability

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. After the commencement date, the carrying amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made.

Incremental borrowing rate

Borrowing rate that Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimated the Incremental borrowing rate using observable input such as market interest rates.

5.6 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged to the consolidated profit and loss account applying the straight line method at the rates specified in note 12, to these consolidated financial statements from the date an intangible asset is available for use. The useful life and amortisation method are reviewed and adjusted, if appropriate, at each date of consolidated statement of financial position.

5.7 Non-banking assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims are initially recorded at cost and are carried at revalued amounts less accumulated depreciation and impairment, if any. These assets are revalued with sufficient regularity by professionally qualified valuers to ensure that their net carrying value does not differ materially from their fair value. An increase in the market value over the acquisition cost is recorded as a surplus on revaluation. A decline in the market value is adjusted against the surplus of that asset or, if no surplus exists, is charged to the profit and loss account as an impairment. A subsequent increase in the market value of an impaired asset is reversed through the profit and loss account up to the extent of the impairment and thereafter credited to the surplus on revaluation of that asset. All direct costs of acquiring title to the asset are charged immediately to the profit and loss account.

Depreciation on assets acquired in satisfaction of claims is charged to the profit and loss account on the same basis as depreciation charged on the Group's owned fixed assets.

If the recognition of such assets results in a reduction in non-performing loans, such reductions and the corresponding reductions in provisions held against non-performing loans are disclosed separately.

These assets are generally intended for sale. Gains and losses realized on the sale of such assets are disclosed separately from gains and losses realized on the sale of fixed assets. Surplus on revaluation (net of deferred tax) realized on disposal of these assets is transferred directly to

However, if such an asset, after initial recording, is used by the Group for its own operations, the asset, along with any related surplus, is transferred to fixed assets.

5.8 Impairment

The carrying amount of assets is reviewed at each reporting date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized immediately in the consolidated financial statements. The resulting impairment loss is taken to the consolidated profit and loss account.

5.9 Taxation

Taxation (Income tax) expense relates to current and prior years and deferred tax. Income tax expense is recognized in the consolidated profit and loss account except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

a) *Current*

Provision for current tax is the tax payable on the expected taxable income for the year using tax rates enacted or substantively enacted at the reporting date and, any adjustment to tax payable relating to prior years, after taking into consideration available tax credits, rebates, tax losses etc.

b) *Prior Year*

This charge includes tax charge for prior years arising from assessments, changes in estimates and tax changes applied retrospectively.

c) *Deferred*

Deferred tax is recognized using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applicable to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and carried forward unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carried forward unused tax losses can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

5.10 Staff retirement and other benefits

a) *Defined contribution plan*

The Group operates a recognised funded contributory provident fund for all its permanent employees to which equal contributions at the rate of 10 percent (2019: 10 percent) of basic salary are made by both the Group and the employees. The contributions are recognized as employee benefit expense when they are due.

b) *Defined benefit plan*

The Group operates a recognised funded gratuity scheme for all its permanent employees who complete the prescribed eligibility period of service. Provision is made annually to meet the cost of such gratuity benefits on the basis of actuarial recommendations using the Projected Unit Credit Method.

c) *Compensated absences*

The Group makes provision in the financial statements for its liabilities towards compensated absences. Liability under the scheme is determined on the basis of actuarial advice using the Projected Unit Credit Method.

5.11 Acceptances

Acceptances comprise of undertakings made by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be simultaneously settled with reimbursement from the customers. Acceptances are accounted for as on-balance sheet transactions and are reported in "other assets" and "other liabilities" simultaneously.

5.12 Provisions against liabilities

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



5.13 Revenue recognition

Revenue is recognized to the extent that the economic benefit associated with the transaction will flow to the Group and the revenue can be reliably measured.

- 5.13.1 Mark-up / return / interest on advances and on investments are recognized on a time proportion basis using the effective interest rate method except that mark-up / return / interest on non-performing advances and investments is recognized on receipt basis, in accordance with the requirements of the Prudential Regulations issued by the SBP. Where debt securities are purchased at a premium or discount, such premium or discount is amortised through the consolidated profit and loss account over the remaining period of maturity.
- 5.13.2 Dividend income from investments is recognized when the Group's right to receive the dividend is established.
- 5.13.3 Fees, brokerage and commission on letters of credit / guarantees and from other avenues is accrued and is recognized on time proportion basis.
- 5.13.4 Financial advisory fees is recognized when the right to receive the fees is established.
- 5.13.5 Gain or loss on sale of investments is included in consolidated profit and loss account in the year in which they arise.
- 5.13.6 Rentals from Ijarah is recognized as income over the term of the contract net of depreciation expense.
- 5.13.7 Profit on Diminishing Musharakah is recognized in consolidated profit and loss account on accrual basis.

5.14 Borrowings / deposits and their cost

Borrowings / deposits are recorded at the proceeds received. Borrowing / deposit costs are recognized as an expense in the period in which these are incurred using the effective mark-up / interest rate method.

5.15 Proposed dividend and transfers between reserves

Dividends and appropriations to reserves, except appropriations which are by law required to be made subsequent to the date of statement of financial position 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 Balance Sheet Date' in the period in which they are approved / transfers are made.

5.16 Earnings per share

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

5.17 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated to Pak Rupees at the rates of exchange prevailing at the reporting date. Translation gains and losses are included in the consolidated profit and loss account.

5.18 Financial instruments

a) *Financial assets and liabilities*

Financial assets and liabilities carried on the consolidated statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances, certain receivables, bills payable, borrowings from financial institutions, deposits, subordinated loans and certain payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy notes associated with them.

b) *Derivative financial instruments*

Derivative financial instruments are initially recognised at fair value on the date at which the derivative contract is entered into and subsequently remeasured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets where fair value is positive and as liabilities where fair value is negative. Any changes in the fair value of derivative financial instruments are taken to consolidated profit and loss account.

5.19 Offsetting

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

5.20 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing particular products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), and is subject to risks and rewards that are different from those of other segments.

Business segments

a) Corporate Finance

This includes investment banking activities such as mergers and acquisitions, underwriting, privatization, securitization, Initial Public Offerings (IPOs) and secondary private placements.

b) Trading and sales (Treasury)

This includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lendings and repos, brokerage debt and prime brokerage.

c) Retail Banking

This includes mortgage finance and personal loans to individual customers.

d) Commercial banking and others

This includes loans, deposits and other transactions with corporates, small and medium sized customers including agriculture loans.

Geographical segments

5.21 The Group operates only in Pakistan.

5.22 Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in these consolidated financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Pak Rupee terms at the rates of exchange prevailing at the date of the consolidated statement of financial position.

5.23 Provision against off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations is made when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Charge to consolidated profit and loss account is stated net of expected recoveries.

T

		2023	2022
		----- (Rupees in '000') -----	
6	CASH AND BALANCES WITH TREASURY BANKS		
	In hand		
	Local currency	3,960,469	4,594,195
	Foreign currency	194,370	112,285
		4,154,839	4,706,480
	With State Bank of Pakistan (SBP) in		
	Local currency current accounts	6.1 47,152,820	9,042,458
	Foreign currency current accounts	6.2 61,133	105,966
	Foreign currency deposit accounts		
	- Non Remunerative	6.3 158,549	104,727
	- Remunerative	6.4 309,256	205,270
		47,681,758	9,458,421
	With National Bank of Pakistan in		
	Local currency current accounts	1,610,797	22,428
	Local currency deposit accounts	6.5 24,282	7,977
		1,635,079	30,405
	Prize bonds	16,530	8,776
		33 53,488,206	14,204,082
6.1	This represents cash reserve required to be maintained with SBP as per the requirement of Section 22 of the Banking Companies Ordinance,		
6.2	This represents US Dollar Settlement Account maintained with SBP.		
6.3	This represents foreign currency (FCY) cash reserve maintained with SBP to comply with statutory reserve requirement applicable on Group's FCY deposits.		
6.4	This represents foreign currency special cash reserve maintained with SBP. The Group is entitled to earn profit which is declared by SBP on a monthly basis. During the period, the SBP has declared 3.39% to 4.34% profits (2022 : 0% to 3.14%) per annum.		
6.5	This includes savings account with National Bank of Pakistan carrying mark-up at 20.5% (2022: 14.5%) per annum.		
7	BALANCES WITH OTHER BANKS		
	In Pakistan		
	In current account	1,500	2,025
	In savings account	7.1 526,599	394,091
		528,099	396,116
	Outside Pakistan		
	In current accounts	7.2 956,134	1,618,067
		1,484,233	2,014,183
7.1	This includes savings account with a commercial bank carrying profit at the range of 16% to 23.9% (2022: 14.50%) per annum.		
7.2	This includes Rs. 842.188 million (2022: Rs. 678.603 million) held in Automated Investment Plans. This balance is current in nature and in case this goes above a specified amount, the Group is entitled to earn interest from the correspondent banks at the agreed rates.		
8	LENDINGS TO FINANCIAL INSTITUTIONS		
	Call money lendings	-	-
	Repurchase agreement lendings (Reverse Repo)	8.2 & 8.3 -	19,967,424
	Musharaka arrangements	-	-
		-	19,967,424

8.1 Particulars of lending

In local currency
In foreign currencies

Note	2023	2022
	----- (Rupees in '000') -----	
	-	19,967,424
	-	-
	<u>-</u>	<u>19,967,424</u>

8.2 Securities held as collateral against Lending to financial institutions

	2023		2022		
	Held by Bank	Further given as collateral	Total	Further given as collateral	Total
	----- Rupees in '000' -----				
Market Treasury Bills	-	-	18,016,775	-	18,016,775
Pakistan Investment Bonds	-	-	1,975,600	-	1,975,600
Total	-	-	19,992,375	-	19,992,375

9 INVESTMENTS

Investments by type	2023				2022			
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
----- (Rupees in '000') -----								
Available-for-sale securities								
Federal Government Securities								
Market Treasury Bills	-	-	-	-	64,108,973	-	(180,402)	63,928,571
Pakistan Investment Bonds	17,400,629	-	(2,183,880)	15,216,749	17,616,725	-	(1,265,020)	16,351,705
Pakistan Investment Bonds - Floater	113,308,072	-	(319,502)	112,988,570	125,882,687	-	(167,136)	125,715,551
Government of Pakistan - Ijarah Sukuk	4,000,000	-	42,076	4,042,076	4,000,008	-	(14,598)	3,985,410
Shares								
Listed	971,211	(342,757)	212,934	841,388	2,785,332	(342,757)	(373,481)	2,069,094
Mutual funds & Units	158,203	(43,684)	41,651	156,170	215,049	(42,806)	19,492	191,735
	135,838,115	(386,441)	(2,206,721)	133,244,953	214,608,774	(385,563)	(1,981,145)	212,242,066
Held-to-maturity securities								
Federal Government Securities								
Market Treasury Bills	20,804,998	-	-	20,804,998	29,678,201	-	-	29,678,201
Pakistan Investment Bonds	11,262,656	-	-	11,262,656	11,343,755	-	-	11,343,755
Preference Shares - Unlisted	77,708	(77,708)	-	-	77,708	(77,708)	-	-
Term Deposit Accounts	500,000	-	-	500,000	-	-	-	-
Non-government debt securities								
Term finance certificates- Listed	224,235	-	-	224,235	224,235	-	-	224,235
Term finance certificates- Unlisted	858,901	(497,863)	-	361,038	858,949	(489,641)	-	369,308
	33,728,498	(575,571)	-	33,152,927	42,182,848	(567,349)	-	41,615,499
Total Investments	169,566,613	(962,012)	(2,206,721)	166,397,880	256,791,622	(952,912)	(1,981,145)	253,857,565

9.2 Investments by segments

	2023					2022				
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value		
----- (Rupees in '000') -----										
Federal Government Securities										
Market Treasury Bills	20,804,998	-	-	20,804,998	93,787,174	-	(180,402)	93,606,772		
Pakistan Investment Bonds	141,971,357	-	(2,503,382)	139,467,975	154,843,167	-	(1,432,155)	153,411,012		
Government of Pakistan - Ijarah Sukuk	4,000,000	-	42,076	4,042,076	4,000,008	-	(14,598)	3,985,410		
	166,776,355	-	(2,461,306)	164,315,049	252,630,349	-	(1,627,155)	251,003,194		
Shares										
Listed companies	971,211	(342,757)	212,934	841,388	2,785,332	(342,757)	(373,481)	2,069,094		
Unlisted companies	77,708	(77,708)	-	-	77,708	(77,708)	-	-		
	1,048,919	(420,465)	212,934	841,388	2,863,040	(420,465)	(373,481)	2,069,094		
Non-government debt securities										
Term finance certificates - listed	224,235	-	-	224,235	224,235	-	-	224,235		
Term finance certificates - unlisted	858,901	(497,863)	-	361,038	858,949	(489,641)	-	369,308		
Sukuk certificates	-	-	-	-	-	-	-	-		
	1,083,136	(497,863)	-	585,273	1,083,184	(489,641)	-	593,543		
Mutual Funds & units										
Open ended	59,203	(43,684)	16,990	32,509	116,049	(42,806)	(4,269)	68,974		
REIT - Units	99,000	-	24,661	123,661	99,000	-	23,760	122,760		
	158,203	(43,684)	41,651	156,170	215,049	(42,806)	19,491	191,734		
Others										
Term deposits accounts	500,000	-	-	500,000	-	-	-	-		
Total Investments	169,566,613	(962,012)	(2,206,721)	166,397,880	256,791,622	(952,912)	(1,981,145)	253,857,565		

9.3 Investments given as collateral	2023	2022
	----- (Rupees in '000') -----	
Federal government securities		
Pakistan Investment Bonds	35,733,600	104,589,900
Market Treasury Bills	-	-
	<u>35,733,600</u>	<u>104,589,900</u>

9.4 Provision for diminution in value of investments

9.4.1 Opening balance	952,912	873,216
Charge / reversals		
Charge for the year	9,101	80,939
Reversals for the year	-	-
Reversal on disposals	-	(1,243)
Transfers - net	9,101	79,696
Amounts written off	-	-
Closing Balance	<u>962,012</u>	<u>952,912</u>

9.4.2 Particulars of classified debt securities (Category of classification)

Category of classification	2023		2022	
	Non performing investments	Provision	Non performing investments	Provision
Domestic	----- (Rupees in '000') -----			
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	592,051	575,571	592,051	567,349
Total	<u>592,051</u>	<u>575,571</u>	<u>592,051</u>	<u>567,349</u>

9.4.2.1 The Group have availed the benefit of forced sale value of collateral against non-performing investment on the basis of the instructions of the State Bank of Pakistan. Had the benefit not been taken by the Group, provision against non-performing investment would have been higher by Rs. 16.480 million (2022: Rs.24.7 million). The resultant increase in profit due to FSV benefit taken will not be available for distribution as cash and stock dividend to shareholders.

9.5 Quality of Available for Sale Securities

Particulars regarding quality of Available for Sale (AFS) securities

	2023	2022
	----- Cost -----	
	----- (Rupees in '000') -----	
Federal Government Securities - Government guaranteed		
Pakistan Investment Bonds	130,708,701	143,499,412
Market Treasury Bills	-	64,108,973
Government of Pakistan - Ijarah Sukuk	4,000,000	4,000,008
	<u>134,708,701</u>	<u>211,608,393</u>
Shares - Listed Companies		
Refinery	7,682	7,682
Fertilizer	345,285	531,870
Cement	63,745	63,745
Power Generation & Distribution	-	364,285
Oil & Gas Marketing Companies	186,049	597,630
Commercial Banks	368,450	1,220,120
	<u>971,211</u>	<u>2,785,332</u>

9.5.1

Other investments (Mutual Funds)**Listed**

AAA
AA+
A+ / A-

2023	2022
----- Cost -----	
----- (Rupees in '000') -----	
99,000	99,000
16,239	28,459
42,964	87,590
158,203	215,049
135,838,115	214,608,774

9.5.1 Equity Securities - Listed Companies

Pakistan Refinery Limited	7,682	7,682
Fauji Fertilizer Company Limited	280,283	280,283
Fauji Fertilizer Bin Qasim Limited	-	186,585
Fatima Fertilizer Company Limited	65,002	65,002
Thatta Cement Company Limited	63,745	63,745
Nishat Chunian Power Limited	-	201,358
Hub Power Company Limited	-	162,925
Sui Southern Gas Company Limited	164,142	164,142
Sui Northern Gas Pipelines Limited	-	129,401
Oil & Gas Development Company Limited	21,905	119,384
Pak Petroleum Limited	-	132,476
Pakistan State Oil Limited	-	52,228
Summit Bank Limited	305,509	305,509
National Bank of Pakistan	-	233,102
Bank AlHabib Limited	-	39,007
Meezan Bank Limited	-	85,390
Habib Bank Limited	-	205,598
United Bank Limited	-	80,853
MCB Bank Limited	-	207,721
Silk Bank Limited	62,943	62,941
	971,211	2,785,332

9.6 Particulars relating to Held to Maturity securities	2023	2022
	----- Cost -----	
	----- (Rupees in '000') -----	
Federal Government Securities - Government guaranteed		
Pakistan Investment Bonds	11,262,656	11,343,755
Market Treasury Bills	20,804,998	29,678,201
	32,067,654	41,021,956
Preference Shares - Unlisted Company		
Al-Arabia Sugar Mills Ltd	77,708	77,708
Non Government Debt Securities		
Listed		
Unrated	224,235	224,235
Un-listed		
AA	119,737	119,785
BBB+	224,820	224,820
Unrated	514,344	514,344
	858,901	858,949
Term deposit accounts		
Microfinance Banks	500,000	-
	33,728,499	42,182,848

9.6.1 The market value of securities classified as held-to-maturity as at December 31, 2023 amounted to Rs. 30,061.24 million (December 31, 2022: Rs. 40,297.18 million).

10 ADVANCES

Note	Performing		Non Performing		Total	
	2023	2022	2023	2022	2023	2022
	----- (Rupees in '000') -----					
Loans, cash credits, agriculture, running finances etc.	29,586,554	30,047,225	32,570,853	34,567,552	62,157,407	64,614,777
Commodity finance 10.2	15,619,270	5,205,042	-	-	15,619,270	5,205,042
Net investment in finance lease 10.3	305,814	538,713	410,329	420,881	716,143	959,594
Islamic financing and related assets						
Diminishing musharakah financing 10.4	433,901	1,021,768	121,353	11,898	555,254	1,033,666
Ijarah financing under IFAS 2 10.5	9,946	11,371	-	-	9,946	11,371
	45,955,485	36,824,119	33,102,535	35,000,331	79,058,020	71,824,450
Bills discounted and purchased (excluding market treasury bills)						
Payable in Pakistan	368,044	386,782	-	-	368,044	386,782
Payable outside Pakistan	9,317	5,738	3,405	3,405	12,722	9,143
	377,361	392,520	3,405	3,405	380,766	395,925
Advances - gross 10.1	46,332,846	37,216,639	33,105,940	35,003,736	79,438,786	72,220,375
Provision for non-performing advances						
- Specific provision	-	-	26,880,754	27,095,152	26,880,754	27,095,152
- General provision against consumer and small enterprise advances	29,130	19,997	-	-	29,130	19,997
	29,130	19,997	26,880,754	27,095,152	26,909,884	27,115,149
Advances - Net of Provision	46,303,716	37,196,642	6,225,186	7,908,584	52,528,902	45,105,226

10.1 Particulars of advances (Gross)	2023	2022
	----- (Rupees in '000') -----	
In local currency	79,438,786	72,220,375
In foreign currencies	-	-
	79,438,786	72,220,375

10.2 This represents commodity financing provided to Food Department and Trading Corporation of Pakistan.

10.5.2	Future Ijarah payments receivable	2023	2022
		----- (Rupees in '000') -----	
	Not later than one year	9,946	11,371
	Later than one year and not later than five years	-	-
		<u>9,946</u>	<u>11,371</u>

10.6 Advances include Rs. 33,105.94 million (2022: Rs. 35,003.74) million which have been placed under non-performing status as detailed below:

Category of Classification		2023		2022	
		Non Performing Loans	Provision	Non Performing Loans	Provision
		----- (Rupees in '000') -----			
Domestic					
Other Assets Especially Mentioned	10.6.1	1,277	-	52,185	-
Substandard		9,849	573	12,914	519
Doubtful		119,493	2,288	207,444	27,975
Loss		32,975,321	26,877,893	34,731,193	27,066,658
Total		<u>33,105,940</u>	<u>26,880,754</u>	<u>35,003,736</u>	<u>27,095,152</u>

10.6.1 This represents non-performing portfolio of agricultural and small and medium enterprise financing classified as OAEM as per the requirements of the Prudential Regulations for Agricultural and Small and Medium Enterprise Financing issued by the State Bank of Pakistan.

10.6.2 The Group has availed the benefit of forced sale value on plant and machinery under charge and mortgaged residential and commercial property (land and building only) held as collateral against non-performing advances on the basis of the instructions of the State Bank of Pakistan. Had the benefit not been taken by the Bank, specific provision against non-performing advances would have been higher by Rs.6,156.33 (2022: Rs.7,742.44) million. The resultant increase in profit due to FSV benefit taken will not be available for distribution as cash and stock dividend to shareholders.

10.6.3 Particulars of provision against advances

	2023			2022		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000') -----					
Opening balance	27,095,152	19,997	27,115,149	25,240,531	12,124	25,252,655
Exchange adjustments	-	-	-	-	-	-
Charge for the year	2,885,789	9,133	2,894,922	2,726,401	7,873	2,734,274
Reversals	(1,712,978)	-	(1,712,978)	(860,610)	-	(860,610)
	1,172,811	9,133	1,181,944	1,865,791	7,873	1,873,664
Amounts charged off - agriculture loans	(42,356)	-	(42,356)	(4,478)	-	(4,478)
Net charge / (reversal) during the year	1,130,455	9,133	1,139,588	1,861,313	7,873	1,869,186
Transferred to other assets under DPS agreement	(1,222,785)	-	(1,222,785)	-	-	-
Amounts written off	(122,069)	-	(122,069)	(6,692)	-	(6,692)
Closing balance	<u>26,880,753</u>	<u>29,130</u>	<u>26,909,883</u>	<u>27,095,152</u>	<u>19,997</u>	<u>27,115,149</u>

10.6.3.1 Particulars of provision against advances

	2023			2022		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000') -----					
In local currency	26,880,753	29,130	26,909,883	27,095,152	19,997	27,115,149
In foreign currencies	-	-	-	-	-	-
	<u>26,880,753</u>	<u>29,130</u>	<u>26,909,883</u>	<u>27,095,152</u>	<u>19,997</u>	<u>27,115,149</u>

10.6.3.2 General provision against consumer loans represents provision maintained at an amount equal to 1% (2022: 1%) of the fully secured performing portfolio and 1% (2022: 1%) of the unsecured performing portfolio as required by the Prudential Regulations issued by SBP. General provision against Small Enterprises financing represents provision maintained at an amount equal to 1% (2022: 1%) of the fully secured performing portfolio and 1% of the unsecured performing portfolio as required by the Prudential Regulations issued by SBP.

	Note	<u>2023</u>	<u>2022</u>
		----- (Rupees in '000') -----	
11	FIXED ASSETS		
	Capital work-in-progress	11.1 1,321	26,725
	Property and equipment	11.3 1,349,801	1,340,419
	Right of use assets	11.6 2,704,359	2,746,552
		<u>4,055,481</u>	<u>4,113,696</u>
11.1	Capital work-in-progress		
	Civil works	-	4,325
	Equipment	-	2,041
	Advances to suppliers	1,321	20,359
		<u>1,321</u>	<u>26,725</u>
11.2	Movement in Capital work-in-progress		
	Opening balance	26,725	73,166
	Transfer in	36,287	211,216
	Transfer out	(61,691)	(257,657)
	Closing balance	<u>1,321</u>	<u>26,725</u>

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11.3 Property and Equipment

	2023				
	Leasehold improvements	Furniture and fixture	Computer and office equipment	Vehicles	Total
	(Rupees in '000')				
At January 1, 2023					
Cost / Revalued amount	1,393,502	571,829	1,825,281	513,316	4,303,928
Accumulated depreciation	579,501	487,068	1,628,707	268,233	2,963,509
Net book value	814,001	84,761	196,574	245,083	1,340,419
Year ended December 31, 2023					
Opening net book value	814,001	84,761	196,574	245,083	1,340,419
Additions	30,792	8,648	239,015	17,988	296,443
Movement in surplus on assets revalued during the year	-	-	-	-	-
Acquisitions through business combinations	-	-	-	-	-
Impairment loss recognised in the profit and loss account - net	-	-	-	-	-
Disposals	-	-	-	(2,006)	(2,006)
Depreciation charge	(69,872)	(24,256)	(109,849)	(81,078)	(285,055)
Exchange rate adjustments	-	-	-	-	-
Other adjustments / transfers	-	-	-	-	-
Closing net book value	774,921	69,153	325,740	179,987	1,349,801
At December 31, 2023					
Cost / Revalued amount	1,424,294	580,440	2,057,574	502,234	4,564,542
Accumulated depreciation	649,373	511,287	1,731,834	322,247	3,214,741
Net book value	774,921	69,153	325,740	179,987	1,349,801
Rate of depreciation (percentage)	5.00%	10.00%	33.33% & 20.0%	20.00%	
	2022				
	Leasehold improvements	Furniture and fixture	Computer and office equipment	Vehicles	Total
	(Rupees in '000')				
At January 1, 2022					
Cost / Revalued amount	1,327,578	565,447	1,739,565	390,935	4,023,525
Accumulated depreciation	512,703	445,688	1,536,232	246,884	2,741,507
Net book value	814,875	119,759	203,333	144,051	1,282,018
Year ended December 31, 2022					
Opening net book value	814,875	119,759	203,333	144,051	1,282,018
Additions	67,009	6,623	99,688	180,341	353,661
Movement in surplus on assets revalued during the year	-	-	-	-	-
Acquisitions through business combinations	-	-	-	-	-
Impairment loss recognised in the profit and loss account - net	-	-	-	-	-
Disposals	(711)	(10)	(24)	(617)	(1,362)
Depreciation charge	(67,172)	(41,611)	(106,423)	(78,692)	(293,898)
Exchange rate adjustments	-	-	-	-	-
Other adjustments / transfers	-	-	-	-	-
Closing net book value	814,001	84,761	196,574	245,083	1,340,419
At December 31, 2022					
Cost / Revalued amount	1,393,502	571,829	1,825,281	513,316	4,303,928
Accumulated depreciation	579,501	487,068	1,628,707	268,233	2,963,509
Net book value	814,001	84,761	196,574	245,083	1,340,419
Rate of depreciation (percentage)	5.00%	10.00%	33.33% & 20.0%	20.00%	

11.4 The cost of fully depreciated fixed assets that are still in the Group's use is as follows:

	2023	2022
	----- (Rupees in '000') -----	
Leasehold improvements	325	309
Furniture and fixtures	382,511	305,766
Electrical, office and computer equipment	1,512,720	1,341,356
Vehicles	118,385	101,849
	<u>2,013,941</u>	<u>1,749,280</u>

11.5 Disposal

Description	Cost	Net Book Value	Sale Proceeds	Mode Of Disposal	Particulars of The Purchaser
----- (Rupees in '000) -----					
Computers & Office Equipment					
Items with WDV of below Rs. 250,000/- and cost of less than Rs. 1,000,000/-	6,760	-	855	Negotiation	Various
Motor Vehicles					
Toyota Corolla Altis	2,323	-	-	As Per HR Policy	Tariq Ahsan
Toyota Corolla XLI	2,505	292	418	As Per HR Policy	Rukhsana Narejo
Suzuki Cultus	1,250	-	-	As Per HR Policy	Husn-E-Kamil
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Kazim Hussain
Suzuki Wagon R	1,877	1,251	2,000	Insurance Claim	Sindh Insurance Ltd
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Nazia Rasheed
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Naheed Hashmat
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Ghulam Mustafa Mahar
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Kashif Ahmed Memon
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Khalil Ahmed
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Muhammad Azam Gondal
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Ali Raza
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Wali Muhammad Attar
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Syed Irfan Ali
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Muhammad Adeel Siddiqui
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Ikhtlaq Ahmed
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Muhammad Affan Khan
Suzuki Wagon R	1,104	-	-	As Per HR Policy	Khawaja Muhammad Atif
Suzuki Wagon R	1,540	462	462	As Per HR Policy	Syeda Sumaira Zaidi
Items with WDV of below Rs. 250,000/- and cost of less than Rs. 1,000,000/-	4,120	-	3,386	Auction	Various
	<u>29,071</u>	<u>2,006</u>	<u>6,266</u>		
TOTAL	<u>35,831</u>	<u>2,006</u>	<u>7,121</u>		

13.1 In this respect, the management of the Group have prepared five year projections which have been approved by the Board of Directors of the Group. The projections involve certain key assumptions underlying the estimation of future taxable profits, such as cost to income ratio of the Group, deposit composition, growth of deposits and advances, investment returns, expected recoveries of classified advances, etc. The management believes that it is probable that the Group will be able to achieve the profits projected in the projections and consequently the deferred tax asset will be fully realized in the future.

14 OTHER ASSETS	Note	<u>2023</u>	<u>2022</u>
		----- (Rupees in '000') -----	
Income/ Mark-up accrued in local currency	14.1	5,814,866	4,331,108
Accrued commission income		19,730	19,730
Advances, deposits, advance rent and other prepayments		219,423	195,156
Receivable against sale of shares		8,586	56,982
Mark to market gain on forward foreign exchange contracts		225,309	-
Insurance premium receivable against agriculture loans		9,998	9,841
Stationery and stamps on hand		10,332	18,966
Dividend receivable		-	-
Receivable against 1 Link ATM settlement account		616,552	305,152
Advance Taxation - net		-	50,834
Insurance claims receivable		7,445	3,375
Non-Banking Assets Acquired in Satisfaction of Claims	14.2	1,770,000	-
Other receivables		141,934	56,909
		<u>8,844,175</u>	<u>5,048,053</u>
Less: Provision held against other assets		(1,222,785)	-
Other assets (net of provision)		<u>7,621,390</u>	<u>5,048,053</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		<u>180,000</u>	<u>-</u>
		<u><u>7,801,390</u></u>	<u><u>5,048,053</u></u>
14.1 Income/ Mark-up accrued in local currency			
- On loans and advances		2,747,073	1,697,226
- On investments		3,066,760	2,615,414
- Others		1,033	18,468
		<u>5,814,866</u>	<u>4,331,108</u>
14.2 Market value of non-banking assets acquired in satisfaction of claims			
Non-banking assets acquired in satisfaction of claims have been valued at the average of two independent professional valuers' reports each dated August 11, 2023. As at reporting date, fair value does not differ materially from the recognized amount. These valuations were carried out by Joseph Lobo & Co.Pvt Ltd. and Iqbal A. Nanjee & Co. Pvt. Ltd. on the basis of professional assessment of present market values. The valuer are listed on the panel of Pakistan Bank's Association.			
14.3 Non-banking assets acquired in satisfaction of claims			
Opening Balance		-	-
Additions		1,770,000	-
Revaluation		180,000	-
Disposals		-	-
Depreciation		-	-
Impairment		-	-
		<u>1,950,000</u>	<u>-</u>

	Note	<u>2023</u>	<u>2022</u>
		----- (Rupees in '000') -----	
15	BILLS PAYABLE		
	In Pakistan	898,762	726,148
	Outside Pakistan	-	-
		<u>898,762</u>	<u>726,148</u>
16	BORROWINGS		
	Secured		
	Borrowings from State Bank of Pakistan		
	- Under export refinance scheme	16.2 1,662,500	1,874,835
	- Under long term finance facility	16.3 29,940	59,879
	Repurchase agreement borrowings - Secured		
	- State Bank of Pakistan(SBP)	16.4 16,000,000	105,000,000
	- Other commercial banks / DFIs	19,854,000	-
		<u>35,854,000</u>	105,000,000
	Unsecured		
	- State Bank of Pakistan(SBP)	16.5 571,000	310,000
	- Other microfinance bank	16.6 150,000	-
		<u>38,267,440</u>	<u>107,244,714</u>
16.1	Particulars of borrowings with respect to Currencies		
	In local currency	38,267,440	107,244,714
	In foreign currencies	-	-
		<u>38,267,440</u>	<u>107,244,714</u>
16.2	These represent borrowings from SBP under export refinance scheme at the rates ranging from 17% to 18% (2022: 8% to 10%) per annum having maturity upto six months.		
16.3	These represent borrowings from SBP under long term finance facility at the rate of 3% (2022: 3.00%) per annum having maturity upto 5 years.		
16.4	These represent repurchase agreement borrowings from State Bank of Pakistan at the rates ranging from 22.11% to 23% (2022: 15.22% to 16.17) per annum maturing on January 02, 2024 (2022: February 24, 2023). The carrying value of securities given as collateral against these borrowings is given in note 9.3.		
16.5	This represent borrowings from SBP under LOC fund of Microfinance Bank Ltd at the rate of 6 month kibar +1% /-1% (2022: 6 month kibar +1% / -1%) per annum having maturity upto 5 years.		
16.6	The Group obtained borrowing from Pakistan Microfinance Investment Corporation Ltd. (PMIC). A total amount of Rs. 150 million was sanctioned and received by the Group in two tranches amounting to Rs. 75 million each at a markup rate of six months KIBOR +2.5%. The interest on the facility is payable quarterly and the principle is repayable in 4 quarterly installments by January 2025.		

17 DEPOSITS AND OTHER ACCOUNTS

Note	2023			2022		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	----- (Rupees in '000') -----					
Customers						
Current deposits	57,010,572	918,827	57,929,399	57,625,139	538,290	58,163,429
Savings deposits	126,203,023	1,231,979	127,435,002	98,451,962	1,009,539	99,461,501
Term deposits	35,284,997	282,821	35,567,818	62,121,959	435,818	62,557,777
Margin and other deposits	2,302,355	-	2,302,355	480,506	-	480,506
	220,800,947	2,433,627	223,234,574	218,679,566	1,983,647	220,663,213
Financial Institutions						
Current deposits	48,424	30	48,454	53,242	24	53,266
Savings deposits	1,038,824	-	1,038,824	897,189	-	897,189
Term deposits	400,000	-	400,000	1,899,000	-	1,899,000
Margin and other deposits	120,062	-	120,062	120,044	-	120,044
	1,607,310	30	1,607,340	2,969,475	24	2,969,499
	222,408,257	2,433,657	224,841,914	221,649,041	1,983,671	223,632,712

17.1 Composition of deposits

	2023	2022
	----- (Rupees in '000') -----	
- Individuals	40,549,975	33,467,773
- Government (Federal and Provincial)	143,233,090	150,415,341
- Public Sector Entities	760,909	3,580,365
- Banking Companies	537,134	264,863
- Non-Banking Financial Institutions	1,301,521	2,648,298
- Private Sectors	38,478,944	33,256,072
	224,861,573	223,632,712

17.2 The SBP has set up a fully owned subsidiary – Deposit Protection Corporation (DPC), with an aim to provide protection to small depositors of banks operating in Pakistan. The Corporation has been set up through promulgation of the Deposit Protection Corporation Act, 2016, (the Act) and commenced its business with effect from 01 June 2018. Membership of the Deposit Protection Corporation is compulsory for all banks scheduled under sub-section (2) of section 37 of the State Bank of Pakistan Act, 1956. Under the arrangement, the objective of DPC would be to protect the depositors to the extent of the guaranteed amount, in case a member bank is notified as a failed institution by SBP.

The framework provided by DPC lays down the methodology for arriving at Eligible Deposits, as well as determining the premium amount payable under the regulations. The premium amount so determined are required to be deposited by all banks with DPC on a quarterly basis.

As at 31 December 2023, the deposits eligible to be covered under insurance arrangements amounted to Rs. 52,145.15 million (2022: Rs. 39,403.11 million) and premium paid amounted to Rs. 63.04 million (2022 : Rs. 51.61 million).

18 OTHER LIABILITIES

Mark-up / return / interest payable in local currency		9,315,772	4,776,890
Mark-up / return / interest payable in foreign currency		4,125	3,485
Accrued expenses		353,654	282,605
Net defined benefit liability		156,413	107,192
Provision for compensated absences		309,951	250,603
Payable to employees' provident fund		297	784
Payable against purchase of operating fixed assets		22,834	44,089
Payable against purchase of shares		-	309,248
Retention money		63,987	56,547
Federal excise duty / sales tax on services payable		6,226	1,835
Lease liability against right of use assets	18.1	3,231,133	2,896,585
Mark to market loss on forward foreign exchange contracts		-	692,112
Withholding tax payable		154,037	23,742
Provision for taxation		106,446	-
Security deposit against leases	18.2	179,971	237,882
Others		330,464	395,962
		14,235,310	10,079,561

		<u>2023</u>	<u>2022</u>
		----- (Rupees in '000') -----	
18.1	Lease liability against right of use assets		
	Opening balance	2,896,585	2,129,702
	Impact of adoption of IFRS 16	-	-
	Additions / renewals	871,350	1,539,139
	Borrowing cost	641,619	235,296
	Payments	(1,178,421)	(1,007,552)
	Closing balance	<u>3,231,133</u>	<u>2,896,585</u>
	Current lease liability	503,666	901,394
	Non current lease liability	<u>2,727,467</u>	<u>1,995,191</u>
		<u>3,231,133</u>	<u>2,896,585</u>
18.2	These represent interest free security deposits received from lessees against lease contracts of Sindh Leasing Company Limited was amalgamated into the Group, and are adjustable against residual value of leased assets at the expiry of the respective lease terms.		
19	SHARE CAPITAL-NET		
19.1	Authorised capital		
	<u>2023</u> <u>2022</u>	<u>2023</u>	<u>2022</u>
	Number of shares	----- (Rupees in '000') -----	
	<u>3,500,000,000</u> 3,000,000,000 Ordinary shares of Rs.10 each	<u>35,000,000</u>	<u>30,000,000</u>
19.2	Issued, subscribed and paid-up sha Fully paid in cash		
	2,571,013,000 2,571,013,000 Ordinary shares of Rs.10 each	29,524,428	25,524,428
	500,000,000 400,000,000 Right shares of Rs.10 each issued during the year	5,000,000	4,000,000
	381,429,817 381,429,817 Ordinary shares of Rs. 10 issued as consideration of amalgamation	-	-
	<u>3,452,442,817</u> <u>3,352,442,817</u>	<u>34,524,428</u>	<u>29,524,428</u>
19.3	The Government of Sindh, through its Finance Department, owns 99.97% ordinary shares of the Group.		
20	DEFICIT ON REVALUATION OF ASSETS - NET OF DEFERRED TAX		
	Surplus / (deficit) on revaluation of		
20.1	- Available-for-sale securities		
	Federal government securities	(2,461,306)	(1,627,156)
	Fully paid ordinary shares - listed	212,934	(373,481)
	Units of mutual funds (units / certificates)	41,651	19,492
		-	-
		<u>(2,206,721)</u>	<u>(1,981,145)</u>
	9.1		
		(2,206,721)	(1,981,145)
	- Non-banking assets acquired in satisfaction of claims		
		180,000	-
	20.2	<u>(2,026,721)</u>	<u>(1,981,145)</u>
	Deferred tax on surplus / (deficit) on revaluation of:		
	- Available for sale securities	13	1,081,293
	- Non-banking assets acquired in satisfaction of claims	20.2	772,645
		<u>(88,200)</u>	<u>-</u>
		993,093	772,645
		<u>(1,033,628)</u>	<u>(1,208,500)</u>

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		<u>2023</u>	<u>2022</u>	
		----- (Rupees in '000') -----		
20.2	Surplus on revaluation of non-banking assets acquired in satisfaction of claims			
	Surplus on revaluation as at January 01	-	-	
	Recognised during the year	180,000	-	
	Surplus on revaluation as at December 31	180,000	-	
	Less: related deferred tax liability on:			
	- revaluation as at January 01	-	-	
	- revaluation recognised during the year	(88,200)	-	
		(88,200)	-	
		91,800	-	
		<u><u>91,800</u></u>	<u><u>-</u></u>	
21	CONTINGENCIES AND COMMITMENTS			
	-Guarantees	21.1	7,385,376	4,475,012
	-Commitments	21.2	140,645,785	167,300,904
	-Other contingent liabilities		-	-
			<u>148,031,161</u>	<u>171,775,916</u>
21.1	Guarantees:			
	Financial guarantees		846,955	695,773
	Performance guarantees		5,029,483	2,684,368
	Other guarantees		1,508,938	1,094,871
			<u>7,385,376</u>	<u>4,475,012</u>
21.2	Commitments:			
	Documentary credits and short-term trade-related transactions			
	- letters of credit		6,955,172	549,961
	Commitments in respect of:			
	- forward foreign exchange contracts	21.2.1	79,256,691	32,362,486
	- forward lending, borrowings and credits	21.2.2	54,433,922	134,388,457
	Other commitments		-	-
			<u>140,645,785</u>	<u>167,300,904</u>
21.2.1	Commitments in respect of forward foreign exchange contracts			
	Purchase		39,761,279	16,669,577
	Sale		39,495,412	15,692,909
			<u>79,256,691</u>	<u>32,362,486</u>
21.2.2	Commitments in respect of forward lending, borrowings and credits			
	Forward repurchase agreement borrowing		37,936,671	106,368,612
	Forward resale agreement lending		-	19,984,859
	Undrawn formal standby facilities, credit lines and other commitments to lend	21.2.2.1	16,497,251	8,034,986
			<u>54,433,922</u>	<u>134,388,457</u>
21.2.2.1	Commitments to extend credit			

The Group makes commitments to extend credit in the normal course of its business but these are revocable commitments that do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

21.3 Contingencies

21.3.1 The Income Tax returns of the Group have been filed up to the tax year 2023 (accounting year ended December 31, 2022) and amendment of deemed assessment were carried out till tax year 2021, whereby certain disallowances to the taxable income were made.

Appeals against amended orders were filed before Commissioner Inland Revenue Authority (CIRA), these appeals decided in bank's favor and thereby delated impugned demands.

With respect to Group's operations in Azad Jammu & Kashmir (AJK), bank has filed income tax returns upto tax year 2023 (accounting year ended December 31, 2022) with the tax authorities of AJK. The Commissioner has issued amended assessment orders upto tax year 2019. The Group has filed appeals which are pending at CIRA.

Government of Sindh through the Sindh WWF Act, 2014, has introduced levy of SWWF. As per Sindh WWF Act, 2014, banks / Financial institutions are included in definition of "Industrial Establishment" Sindh WWF is imposed at the rate of 2% to the total income. Since the Group is trans provincial entity and the operations of the Group in also in other Provinces and in Azad Jammu & Kashmir as well, the Group along with other banks have filed a suit before Honorable Sindh High Court and challenged the vires of SWWF, which is pending for adjudication.

The Federal government has levied windfall tax vide S.R.O.1588 (I)/2023 dated 21st November, 2023, on foreign exchange income for the tax year 2022 and 2023. The Group along with other banks have filed petition before the High Court who has granted stay against recovery.

The management is confident that these matters will be decided in favour of the Group and consequently has not made any provision in respect of these amounts.

Through the Finance Act, 2023, 10% of super tax under section 4C levied on Banks in addition to normal tax rate i.e. 39%, Accordingly, the related impact of these changes have been incorporated in the current year. The Group along with other banks have also filed petition before the High Court who has granted stay against recovery of super tax.

21.3.2 Sindh Leasing Company Limited - Amalgamated

The Income Tax returns of the Ex-Sindh Leasing Company Limited have been filed up to the tax year 2021 (accounting year ended December 31, 2020, interim period). ACIR initiated proceedings under section 122(5A) of the Ordinance which were finalized through order, increasing taxable income to Rs. 40,242,222 and raising additional tax demand of Rs. 2,974,421. The tax demand was duly paid under protest.

Appeal was filed before the Commissioner Inland Revenue Appeals (CIRA) on March 22, 2022 which was decided in Bank's favour and thereby deleting the whole of the impugned tax demand, accordingly, the refund application filed.

Withholding tax monitoring proceedings of tax year 2015, 2018 and 2019 were initiated under section 176 of the income tax ordinance, 2001 read with rule 44 of income tax rules, 2002 by tax authorities, however, order not yet passed.

21.3.3 Other Contingent Liabilities

Claims against the Group not acknowledged as debts

<u>2023</u>	<u>2022</u>
----- (Rupees in '000') -----	
<u>792,500</u>	<u>792,500</u>

These mainly represent counter claims filed by the ex-employees of the Group for damages purported to be sustained by them consequent to the termination from the Group's employment. Based on legal advice, the management is confident that the matters will be decided in Group's favour and the possibility of any outcome against the Group is remote and accordingly no provision has been made in these financial statements.

22 MARK-UP/RETURN/INTEREST EARNED

On Loans and advances	22.1	8,265,792	5,596,350
On Investments		41,537,920	29,816,335
On Lendings to financial institutions		1,121,885	1,331,570
On Balances with banks		322,750	98,700
		<u>51,248,347</u>	<u>36,842,955</u>

22.1 This includes income from Leasing business amounting to Rs. 36.98 (2022: 63.85) million.

	<u>2023</u>	<u>2022</u>
	----- (Rupees in '000') -----	
23 MARK-UP/RETURN/INTEREST EXPENSED		
Deposits	31,065,634	16,424,938
Borrowings	10,960,439	14,524,511
Lease liability against right of use assets	608,880	231,927
Others	-	-
	<u>42,634,953</u>	<u>31,181,376</u>
24 FEE & COMMISSION INCOME		
Branch banking customer fees	73,889	62,642
Consumer finance related fees	3,521	2,189
Card related fees (debit and credit cards)	271,392	213,977
Commission on trade	153,953	59,043
Commission on guarantees	57,045	51,888
Credit related fees	11,262	17,000
Commission on remittances including home remittances	27,961	20,223
Others	3,478	874
	<u>602,501</u>	<u>427,836</u>
25 GAIN / (LOSS) ON SECURITIES		
Realised	25.1 337,703	(157,712)
Unrealised - held for trading	-	-
	<u>337,703</u>	<u>(157,712)</u>
25.1 Realised (loss) / gain on:		
Federal Government Securities	9,799	(22,658)
Shares of listed companies	314,106	(135,054)
Units of mutual funds	13,798	-
Others investments	-	-
	<u>337,703</u>	<u>(157,712)</u>
26 OTHER INCOME		
Incidental charges	2,246	799
Gain on sale of operating fixed assets	5,115	3,630
Rent on premises shared	1,284	1,130
Prequalification application fee for tender	72	26
Godwon charges	160	250
Others	-	1,730
	<u>8,877</u>	<u>7,565</u>

27	OPERATING EXPENSES	Note	2023	2022
			----- (Rupees in '000') -----	
	Total compensation expense	27.2	4,554,276	3,764,016
	Property expense			
	Rent & taxes		80,566	32,373
	Insurance		56,062	54,990
	Utilities cost		525,367	408,588
	Security		467,344	402,784
	Repairs & maintenance		20,509	26,018
	Depreciation		69,667	67,000
	Depreciation- right of use assets		745,905	669,406
			1,965,420	1,661,159
	Information technology expenses			
	Software maintenance		151,157	128,645
	Hardware maintenance		125,604	86,167
	Depreciation		41,547	18,726
	Amortisation		43,136	36,232
	Network charges		21,904	14,700
	Others		73,900	45,935
			457,248	330,405
	Other operating expenses			
	Directors' fees and allowances		27,389	18,380
	Fees and allowances to Shariah Board		4,697	4,018
	Legal & professional charges		68,981	28,501
	Travelling & conveyance		68,666	52,649
	NIFT clearing charges		34,932	33,872
	Depreciation		173,838	208,171
	Training & development		5,700	3,180
	Postage & courier charges		31,603	25,814
	Communication		194,137	130,312
	Stationery & printing		170,596	110,796
	Marketing, advertisement & publicity		73,257	56,813
	Donations		-	50,003
	Auditor's Remuneration	27.4	13,455	13,441
	Repairs & maintenance		173,936	131,273
	Brokerage and commission		6,036	9,280
	Entertainment Expenses		75,302	62,650
	Premium of deposit protection fund		63,045	51,609
	Fees and subscription		105,608	75,647
	Insurance expenses		16,200	16,760
		27.1	143,553	112,568
	Others		50,095	48,683
			1,501,026	1,244,420
			8,477,970	7,000,000

27.1 Total cost for the year included in other operating expenses relating to Janitorial outsourced activities is Rs. 143.552 million (2022: 112.52 million). These expenses represent payments made to companies incorporated in Pakistan.

	Note	2023	2022
		----- (Rupees in '000') -----	
27.2 Total compensation expense			
Managerial Remuneration			
- Fixed		2,877,321	2,363,049
- Variable Cash Bonus / Awards etc.		16,045	12,349
Charge for defined benefit plan		119,875	104,137
Contribution to defined contribution Plan		138,290	122,801
Rent & house maintenance		673,148	602,965
Utilities		138,763	123,274
Medical		138,847	123,350
Conveyance		120,507	114,356
Dearness Allowance		48,115	-
Employee old age benefits contribution		32,229	17,602
Leave Fare Assistance Allowances		76,976	65,868
Leave Encashment		80,671	40,905
Staff Insurances		84,153	69,874
Others staff		9,336	3,486
		<u>4,554,276</u>	<u>3,764,016</u>
27.3 Details of donations			
Distribution of tents amounting to Rs. 50 mn were provided under provincial Disaster Management Authority Program in the province of Sindh			50,003
			<u>50,003</u>
27.4 Auditors' remuneration			
Audit fee		11,268	11,083
Fee for other statutory certifications		955	1,266
Special certifications and sundry advisory services		610	549
Out-of-pocket expenses		622	543
		<u>13,455</u>	<u>13,441</u>
28 OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		59,164	9,834
Others		-	-
		<u>59,164</u>	<u>9,834</u>
29 PROVISIONS & WRITE OFFS - NET			
Provisions / diminution in value of investments	9.4.1	9,101	80,939
Provisions against loans & advances		1,130,456	1,864,879
General provision		9,132	4,309
Net provision during the year	10.6.3	1,139,588	1,869,188
Fixed assets written off		-	-
Bad debts written off directly		4,879	2,327
		<u>1,153,568</u>	<u>1,952,454</u>
30 TAXATION			
Current		830,038	483,674
Prior years		2,126	-
Deferred		(2,300,800)	(1,351,187)
		<u>(1,468,636)</u>	<u>(867,513)</u>

		2023	2022
	Note	----- (Rupees in '000') -----	
30.1 Relationship between tax expense and accounting profit			
Profit / (Loss) before tax		<u>787,616</u>	<u>(2,211,852)</u>
Tax on income/ (loss) at applicable rates		<u>(385,932)</u>	<u>(862,622)</u>
Effect of prior year on current taxation		-	-
Effect of permanent differences		<u>(1,082,704)</u>	<u>(4,891)</u>
		<u>(1,468,636)</u>	<u>(867,513)</u>
30.2	During the period, rate of super tax was enhanced to 10% for the tax year 2024 and onwards. Accordingly, the impact of this change has been incorporated in these consolidated financial statements.		
31 BASIC EARNINGS/ (LOSS) PER SHARE			
Profit/(Loss) for the year		<u>2,256,252</u>	<u>(1,344,339)</u>
Weighted average number of ordinary shares		<u>3,018,196,242</u>	<u>2,580,935,968</u>
Basic Profit/(loss) per share		<u>0.75</u>	<u>(0.52)</u>
32 DILUTED EARNINGS/ (LOSS) PER SHARE			
Profit/(Loss) for the year		<u>2,256,252</u>	<u>(1,344,339)</u>
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)		<u>3,018,196,242</u>	<u>2,580,935,968</u>
Diluted profit/(loss) per share		<u>0.75</u>	<u>(0.52)</u>
33 CASH AND CASH EQUIVALENTS			
Cash and Balance with Treasury Banks	6	<u>53,488,206</u>	<u>14,204,082</u>
Balance with other banks	7	<u>1,484,233</u>	<u>2,014,183</u>
		<u>54,972,439</u>	<u>16,218,265</u>
34 STAFF STRENGTH			
Permanent		<u>2,104</u>	<u>2,097</u>
Temporary / on contractual basis		<u>408</u>	<u>296</u>
Total staff strength	34.1	<u>2,512</u>	<u>2,393</u>

34.1 In addition to the above 525 (2022: 502) staff from outsourcing service companies were assigned to the Group.

35 DEFINED BENEFIT AND CONTRIBUTION PLANS

35.1 Defined benefit plan

The Group operates a recognised gratuity plan for all its permanent and full time employees in the management cadre who have completed the minimum qualifying period of three years. Contributions are made to the fund in accordance with the recommendations of an actuary. Employees are entitled to the benefits under the plan which comprise of the last drawn basic salary for each completed year of service, subject to completion of minimum three years services with the Group. The number of employees covered under the schemes are 2,286 (2022: 2,286).

35.1.1 Principal actuarial assumptions

The latest actuarial valuation was carried out as at December 31, 2023 using the Projected Unit Credit Method. Following are the significant assumptions used in the actuarial valuation:

	2023	2022
Note	----- (Percentage) -----	
- Discount rate	14.50% - 15.50%	14.25% - 14.50%
- Expected rate of increase in salaries-short term	12.50% to 15.50%	10% to 13.5%
- Expected rate of increase in salaries-long term	14.50%	13.25% - 13.50%
- Expected return on plan assets	15.50%	14.25%
- Duration (Years)	7.36%	10.43%
	2023	2022
	----- (Rupees in '000') -----	
35.1.2 Reconciliation of net defined benefit liability		
Present value of defined benefit liability	35.1.5 991,460	755,215
Fair value of plan assets	35.1.6 (831,873)	(648,024)
Payable to defined benefit plan	35.1.3 159,587	107,191
35.1.3 Movement in net defined benefit liability		
Opening balance	107,191	98,875
Charge to profit and loss during the year	35.1.4 123,050	104,137
Remeasurement loss recognized in OCI	35.1.4 36,621	3,822
Bank's contribution	(107,191)	(99,643)
Closing balance	159,671	107,191
35.1.4 Charge for defined benefit plan		
In profit and loss		
Current service cost	113,291	98,171
Interest cost - net	9,759	5,966
Charge for the year	123,050	104,137
In other comprehensive income		
Remeasurement loss on defined benefit obligation	83,821	(9,079)
Remeasurement loss on plan assets	(47,200)	12,901
	36,621	3,822
35.1.5 Changes in present value of defined benefit liability		
Opening balance	765,077	631,568
Current service cost	113,291	98,171
Interest cost	102,271	74,592
Past service cost	-	-
Benefits paid	(73,000)	(30,175)
Actuarial loss / (gain) on obligation	-	-
- Financial assumptions	61	155
- Demographic assumptions	-	(185)
- Experience assumptions	83,760	(9,049)
	83,821	(9,079)
Closing balance	991,460	765,077
35.1.6 Fair value of plan assets		
Fair value of plan assets at the beginning of the year	657,885	532,693
Expected return on plan assets	92,596	68,626
Bank's contributions	107,192	99,642
Benefits paid	(73,000)	(30,175)
Actuarial loss on assets - experience assumptions	47,200	(12,901)
Fair value of plan assets at the end of the year	35.1.7 831,873	657,885

35.1.7 Plan assets comprise	<u>2023</u>	<u>2022</u>
	----- (Rupees in '000') -----	
Balance held in bank accounts	<u>831,873</u>	<u>657,885</u>

35.1.8 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

Discount rate (1% variation)	<u>911,594</u>	<u>683,211</u>
Future salary growth (1% variation)	<u>1,058,851</u>	<u>842,742</u>
Future mortality (1 year variation)	<u>956,832</u>	<u>737,637</u>

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of sensitivity of the assumptions shown.

35.1.9 The expected gratuity expense for the year commencing January 01, 2024 works out to Rs. 138.222 million (2023: Rs. 108.66 million).

35.1.10 Maturity analysis

The weighted average duration of the defined benefit obligation works out to be 10.83 years. Expected benefit payments for the next five years are:

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
	----- (Rupees in '000) -----				
Expected benefit payments	107,800	100,453	98,307	131,529	118,325

35.1.11 Risks Associated with Defined Benefit Plans

Investment Risks

The risk arises when the actual performance of the investment is lower than expectation. This is managed by formulating the investment plan in consultation with the trustee and the actuary.

Longevity Risks

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

Salary Increase Risk

The risk that the final salary at the time of cessation of service is higher than what we assumed. Since the benefit is calculated on the final Salary, the benefit amount increases similarly. The risk is managed by actuarial valuations and accounting for benefits based on that.

Withdrawal Risk

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

35.2 Defined contribution plan

The Group operates a recognised provident fund plan for all its permanent employees. Equal monthly contributions are made, both by the Group and its employees, to the fund at the rate of 10% of basic salary of the employees. The minimum qualifying period of service for the purpose of the Group's contribution is one year. The contribution made by the Group and its employees during the year amounted to Rs.286.86 million (2022: Rs.246 million). The number of employees as at December 31, 2023 eligible under the plan were 2,060 (2022: 2147).

36. COMPENSATED ABSENCES

The Group grants compensated absences to all its regular employees as per service rules. Minimum qualifying period for encashment is three years of service. Regular employees are entitled to 30 days privilege leave for each completed year of service. Unutilized privilege leave is accumulated upto a maximum of 60 days which would be encashed at the time of retirement from the regular service of the Group or severance of service except in case of dismissal. This is encashable on the basis of last drawn gross salary. The Group recognises the liability for compensated absences in respect of employees in the period in which these are earned up to the balance sheet date. The provision of Rs.309.95 million (2022: Rs.250.60 million) has been made on the basis of actuarial recommendations.

	2023	2022
	----- (Rupees in '000') -----	
Opening balance	250,603	224,032
Expense / (Reversal) for the year	80,671	40,906
Benefit paid during the year	(21,323)	(14,335)
Closing balance	<u>309,951</u>	<u>250,603</u>

37. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

37.1 Total Compensation Expense

	2023						
	Chairman	Directors Executives (other than CEO)	Non- Executives	Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	(Rupees in '000')						
Fees and Allowances	4,673	-	22,497	3,386	-	-	-
Managerial Remuneration							
- Fixed	-	-	-	-	22,128	155,265	112,873
- Variable Cash Bonus / Awards	-	-	-	-	-	1,240	-
Charge for defined benefit plan	-	-	-	-	1,463	12,869	9,437
Contribution to defined contribution plan	-	-	-	-	2,213	14,744	11,287
Rent & house maintenance	-	-	-	-	9,957	69,869	50,793
Utilities	-	-	-	-	2,213	15,526	11,287
Medical	-	-	-	-	2,213	15,526	11,287
Conveyance	-	-	-	1,311	2,294	37,761	55,591
Bonus	-	-	-	-	3,921	23,280	16,554
Others	400	-	-	-	6,109	18,485	13,091
Total	<u>5,073</u>	<u>-</u>	<u>22,497</u>	<u>4,697</u>	<u>52,511</u>	<u>364,565</u>	<u>292,200</u>
Number of Persons	<u>1</u>	<u>-</u>	<u>11</u>	<u>2</u>	<u>2</u>	<u>37</u>	<u>43</u>
	2022						
	Chairman	Directors Executives (other than CEO)	Non- Executives	Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	(Rupees in '000')						
Fees and Allowances	3,175	-	15,205	2,780	-	-	-
Managerial Remuneration							
- Fixed	-	-	-	-	23,207	134,122	80,043
- Variable Cash Bonus / Awards	-	-	-	-	-	1,000	-
Charge for defined benefit plan	-	-	-	-	1,437	9,854	6,228
Contribution to defined contribution plan	-	-	-	-	2,321	12,672	7,872
Rent & house maintenance	-	-	-	-	10,443	60,355	36,019
Utilities	-	-	-	-	2,321	13,413	8,004
Medical	-	-	-	-	2,321	13,413	8,004
Conveyance	-	-	-	1,340	1,644	26,773	34,575
Bonus	-	-	-	-	3,622	21,420	13,286
Others	300	-	-	-	1,150	16,365	11,326
Total	<u>3,475</u>	<u>-</u>	<u>15,205</u>	<u>4,120</u>	<u>48,466</u>	<u>309,387</u>	<u>205,357</u>
Number of Persons	<u>1</u>	<u>-</u>	<u>9</u>	<u>2</u>	<u>2</u>	<u>31</u>	<u>36</u>

37.1.1 The President and Chief Executive Officer and certain executives of the Group are provided with free use of Group maintained cars.

37.1.2 The term "Key Management Personnel" means the following functional responsibilities:

- (a) Any executive or key executive, acting as second to CEO, 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 CEO / President or the person mentioned in (a) above.

The term 'Material Risk Taker' and 'Material Risk Controller' have the same meaning as defined in revised guidelines on remuneration practice issued by the State Bank of Pakistan vide BPRD circular No. 1 of 2017.

37.1.3 The terms Directors/ Executive Directors/ Non-Executive Directors, CEO and Key Executives have same meaning as defined in Prudential Regulations (PRs) for Corporate and Commercial Banking. For the purpose of these disclosures Key Executive will also include Executives who have direct reporting line to the President/CEO or BoD or its Committees.

37.2 Meeting Fees paid to Directors for participation in Board and Committee Meetings

		2023							
		For Board Committees							
Sr. No	Name of Directors	For Board Meetings	Audit Committee	Risk Management Committee	Procurement, I.T. & Security Committee	Human Resource & Remuneration Committee	Special Asset Management Committee	Nomination Committee	Total Amount Paid
		(Rupees in '000')							
1	Mr. Anis A Khan	2,000	-	-	600	800	1,000	200	4,600
2	Mr. Javaid B. Sheikh	2,000	1,400	800	-	-	-	-	4,200
3	Ms. Shaista Bano Gilani	2,000	1,000	400	-	600	-	-	4,000
4	Mr. Mohammad Aftab Alam	2,000	1,400	-	600	-	1,000	200	5,200
5	Mr. Kazim Hussain Jatoi	500	-	200	-	400	200	-	1,300
6	Mr. Imtiaz Ahmad Butt	500	-	200	200	-	-	-	900
7	Mr. Asif Jahangir	1,250	600	400	-	-	-	-	2,250
8	Mr. Sajid Jamal Abro	1,500	-	400	-	400	600	200	3,100
9	Mr. Adnan Ali Khan	1,000	-	-	200	200	-	-	1,400
10	Mr. Abdul Quddus Khan	60	-	-	-	-	-	-	60
11	Mr. Ghulam Mustafa Suhag	60	-	-	-	-	-	-	60
12	Mr. Sikandar Abbasi	100	-	-	-	-	-	-	100
Total Amount Paid		12,970	4,400	2,400	1,600	2,400	2,800	600	27,170
		2022							
		For Board Committees							
Sr. No	Name of Directors	For Board Meetings	Audit Committee	Risk Management Committee	Procurement, I.T. & Security Committee	Human Resource & Remuneration Committee	Special Asset Management Committee	Nomination Committee	Total Amount Paid
		(Rupees in '000')							
1	Mr. Anis Ahmed Khan	1,800	-	-	375	200	600	200	3,175
2	Mr. Sajid Jamal Abro	1,650	175	575	-	200	600	200	3,400
3	Mr. Asif Jahangir	2,050	400	200	175	-	-	-	2,825
4	Mr. Javaid Bashir Sheikh	2,050	750	575	-	-	-	-	3,375
5	Mr. Mohammed Aftab Alam	1,450	400	-	375	-	600	200	3,025
6	Mr. Adnan Ali Khan	750	-	-	200	200	-	-	1,150
7	Mrs. Masooma Hussain	600	350	-	-	-	-	-	950
8	Mr. Abdul Quddus Khan	80	-	-	-	-	-	-	80
9	Mr. Abdul Sattar Jumani	40	-	-	-	-	-	-	40
10	Dr. Noor Muhammad Soomro	40	-	-	-	-	-	-	40
11	Mr. Ghulam Mustafa Suhag	80	-	-	-	-	-	-	80
12	Mr. Farooq Ahmed	40	-	-	-	-	-	-	40
13	Ms. Naila Masood	40	-	-	-	20	-	-	60
14	Mr. Shamsuddin Khan	40	-	-	-	20	-	-	60
15	Mr. Sikandar Abbasi	80	-	-	-	-	-	-	80
Total Amount Paid		10,790	2,075	1,350	1,125	640	1,800	600	18,380

37.3 Remuneration paid to Shariah Board Members

Items	2023			2022		
	Chairman	Member	Resident Member	Chairman	Member	Resident Member
	(Rupees in '000)					
Managerial Remuneration (Fixed)	1,717	1,669	-	1,561	1,517	-
Fuel Allowances	655	655	-	470	470	-
Total Amount	<u>2,372</u>	<u>2,324</u>	<u>-</u>	<u>2,031</u>	<u>1,987</u>	<u>-</u>
Total Number of Persons	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>

38 FAIR VALUE MEASUREMENTS

IFRS 13 "Fair Value Measurement" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for 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 5.4 to these financial statements.

The repricing profile, effective rates and maturity profile are stated in note 44.2.6 to these financial statements.

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

38.1 Fair value of financial assets

IFRS 13 requires the Group to make fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

38.2 The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. For financial assets, the Group essentially carries its investments in debt and equity securities at fair values. Valuation of investments is carried out as per guidelines specified by the SBP.

On balance sheet financial instruments
Financial assets measured at fair value
Available-for-sale securities

	Fair Value			Total
	Level 1	Level 2	Level 3	
	----- (Rupees in '000') -----			
Pakistan Investment Bonds	-	128,205,319	-	128,205,319
Shares of listed companies	841,388	-	-	841,388
Term finance certificates - Listed	-	-	-	-
Units of mutual funds	156,170	-	-	156,170
Ijarah Sukuk - GoP	-	4,042,076	-	4,042,076
Sukuk bonds	-	-	-	-
	<u>997,558</u>	<u>132,247,395</u>	<u>-</u>	<u>133,244,953</u>

Off balance sheet financial instruments

Foreign exchange contracts (purchase)	-	39,761,279	-	39,761,279
Foreign exchange contracts (sale)	-	39,495,412	-	39,495,412

On balance sheet financial instruments
Financial assets measured at fair value
Available-for-sale securities

	Fair Value			Total
	Level 1	Level 2	Level 3	
	----- (Rupees in '000') -----			
Pakistan Investment Bonds	-	142,067,256	-	142,067,256
Market Treasury Bills	-	63,928,571	-	63,928,571
Shares of listed companies	2,069,094	-	-	2,069,094
Term finance certificates - Listed	-	-	-	-
Units of mutual funds	68,975	122,760	-	191,735
Ijarah Sukuk - GoP	-	3,985,410	-	3,985,410
Sukuk bonds	-	-	-	-
	<u>2,138,069</u>	<u>210,103,997</u>	<u>-</u>	<u>212,242,066</u>

Off balance sheet financial instruments

Foreign exchange contracts (purchase)	-	16,669,577	-	16,669,577
Foreign exchange contracts (sale)	-	15,692,909	-	15,692,909

The valuation techniques used for the above assets are disclosed below.

Item	Valuation techniques and input used
Fully paid-up ordinary shares /close end mutual funds	Fair value is determined on the basis of closing quoted market prices available at the Pakistan Stock Exchange.
Open ended mutual funds	Fair value is based on redemption prices as at the close of the business day.
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates (Reuters page).
Government of Pakistan (GoP) - Ijarah Sukuks	Fair values derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters.
Term Finance, Bonds and Sukuk certificates	Investments in debt securities (comprising term finance certificates, bonds, sukuk certificates and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.

39 SEGMENT INFORMATION

39.1 Segment Details with respect to Business Activities

	2023				
	Trading and sales	Retail banking	Corporate finance	Commercial banking and others	Total
Profit & Loss	(Rupees in '000')				
Net mark-up/return/interest income	32,035,688	49,791	-	(24,092,021)	7,993,458
Inter segment revenue - net	(38,819,878)	-	-	38,819,878	-
Non mark-up / interest income	1,211,700	175	-	653,787	1,865,662
Total Income	(5,572,490)	49,966	-	15,381,644	9,859,120
Segment direct expenses	(114,925)	(3,990)	-	(8,519,863)	(8,638,778)
Inter segment expense allocation	(159,326)	(37,343)	-	(1,390,855)	(1,587,524)
Total expenses	(274,251)	(41,333)	-	(9,910,718)	(10,226,302)
Provisions	(9,101)	-	-	1,033,095	1,023,994
(Loss) / Profit before tax	(5,855,842)	8,633	-	6,504,021	656,812
Balance Sheet					
Cash & Bank balances	47,605,256	-	-	7,367,183	54,972,439
Investments	166,503,472	-	-	(105,592)	166,397,880
Net inter segment lending	-	-	-	183,460,692	183,460,692
Lendings to financial institutions	-	-	-	-	-
Advances - performing	49,100	694,211	-	45,560,405	46,303,716
Advances - non-performing	-	-	-	6,225,186	6,225,186
Others	6,323,118	3,344	-	22,846,093	29,172,555
Total Assets	220,480,946	697,555	-	265,353,967	486,532,468
Borrowings	35,883,940	-	-	2,383,500	38,267,440
Subordinated debt	-	-	-	-	-
Deposits & other accounts	-	-	-	224,841,914	224,841,914
Net inter segment borrowing	182,771,285	689,407	-	-	183,460,692
Others	299,727	8,148	-	14,826,197	15,134,072
Total liabilities	218,954,952	697,555	-	242,051,611	461,704,118
Equity	1,525,994	-	-	23,302,356	24,828,350
Total Equity & liabilities	220,480,946	697,555	-	265,353,967	486,532,468
Contingencies & Commitments	115,302,612	-	-	30,837,799	146,140,411
	2022				
	Trading and sales	Retail banking	Corporate finance	Commercial banking and others	Total
Profit & Loss	(Rupees in '000')				
Net mark-up/return/interest income	16,703,966	385,984	-	(11,428,371)	5,661,579
Inter segment revenue - net	(22,136,445)	-	-	22,136,445	-
Non mark-up / interest income	606,009	453	-	482,395	1,088,857
Total Income	(4,826,470)	386,437	-	11,190,469	6,750,436
Segment direct expenses	(101,900)	(4,027)	-	(5,375,967)	(5,481,894)
Inter segment expense allocation	(125,281)	(30,618)	-	(1,372,041)	(1,527,940)
Total expenses	(227,181)	(34,645)	-	(6,748,008)	(7,009,834)
Provisions	(80,939)	(13,816)	-	(1,857,699)	(1,952,454)
(Loss) / Profit before tax	(5,134,590)	337,976	-	2,584,762	(2,211,852)
Balance Sheet					
Cash & Bank balances	9,432,651	429,997	-	6,355,617	16,218,265
Investments	253,802,777	54,788	-	-	253,857,565
Net inter segment lending	750,000	(750,000)	-	181,249,550	181,249,550
Lendings to financial institutions	19,967,424	-	-	-	19,967,424
Advances - performing	47,748	1,742,765	-	35,406,130	37,196,643
Advances - non-performing	-	32,880	-	7,875,703	7,908,583
Others	4,903,213	211,034	-	18,833,743	23,947,990
Total Assets	288,903,813	1,721,464	-	249,720,743	540,346,020
Borrowings	105,059,879	310,000	-	1,874,835	107,244,714
Subordinated debt	-	-	-	-	-
Deposits & other accounts	-	588,762	-	223,043,950	223,632,712
Net inter segment borrowing	180,782,307	467,243	-	-	181,249,550
Others	2,440,114	93,084	-	8,272,511	10,805,709
Total liabilities	288,282,300	1,459,089	-	233,191,296	522,932,685
Equity	621,513	262,375	-	16,529,447	17,413,335
Total Equity & liabilities	288,903,813	1,721,464	-	249,720,743	540,346,020
Contingencies & Commitments	158,715,957	-	-	13,059,959	17,775,916

40 RELATED PARTY TRANSACTIONS

The related parties of the Group comprise associated undertakings, directors, staff retirement funds and key management personnel (including their associates).

Transactions with related parties includes deposits, advances and other banking services which are carried out on an arm's length basis. Transaction with executives and key management persons are undertaken at terms in accordance with employment agreements and service rules. Contributions to and accruals in respect of staff retirement benefit plans are made in accordance with the terms of the benefit plan. Remuneration of the President & Chief Executive Officer and directors are determined in accordance with the terms of their appointment.

Government of Sindh (GoS) through its Finance Department holds 99.99% shareholding in the Group and therefore entities which are owned and / or controlled by the GoS, or where the GoS may exercise significant influence, are related parties of the Group. The Group in the ordinary course of business enters into transactions with Government-related entities. Such transactions include lending to, deposits from and provision of other banking services to such entities. However, it is impracticable to disclose transactions with all other entities owned or controlled by GoS.

The details of balances and transactions with related parties, other than those disclosed under respective notes, during the year are as follows:

	2023				2022				
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
	----- (Rupees in '000') -----								
Investments									
Opening balance	-	-	-	-	-	-	-	-	-
Investment made during the year	-	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-
Advances									
Opening balance	-	222,730	-	-	-	211,252	-	-	-
Addition during the year	-	15,342	-	-	-	77,693	-	-	-
Repaid during the year	-	70,836	-	-	-	104,370	-	-	-
Transfer in / (out) - net	-	44,654	64,377	-	-	38,155	-	-	-
Closing balance	-	211,890	64,377	-	-	222,730	-	-	-
Other Assets									
Interest / mark-up accrued	-	226	4,029	-	-	233	-	-	-
Other receivable	-	-	-	-	-	-	-	-	-
	-	226	4,029	-	-	233	-	-	-
Deposits and other accounts									
Opening balance	5,101	304,178	1,837,495	767	40,596	2,138,735			
Received during the year	28,089	1,023,861	12,602,719	20,783	923,785	16,435,032			
Withdrawn during the year	26,365	1,226,908	12,823,927	19,132	732,137	16,736,272			
Transfer in / (out) - net	(5,785)	(35,042)	-	2,683	71,934	-			
Closing balance	1,040	66,089	1,616,287	5,101	304,178	1,837,495			
Other Liabilities									
Premium payable	-	-	-	-	-	-	-	-	-
Interest / mark-up payable	15	3,355	96,812	21	3,949	28,249			
	15	3,355	96,812	21	3,949	28,249			

2023

2022

	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
----- (Rupees in '000') -----						
Income :						
Mark-up / return / interest earned	-	9,047	23,526	-	8,079	4,492
Fee and commission income	3	8	50	2	27	39
Net gain on sale of securities	-	-	1,380	-	-	232
Other income	-	-	1,283	-	-	1,130
Expense :						
Mark-up / return / interest paid	152	17,242	248,550	61	7,820	200,472
Remuneration paid	-	304,675	-	-	253,087	-
Contribution to provident fund	-	19,854	-	-	17,570	-
Provision for gratuity	-	18,805	-	-	17,512	-
Other staff benefits	-	33,397	-	-	27,569	-
Directors' meeting fee	27,170	-	-	18,380	-	-
Other expenses	400	-	-	500	-	-
Insurance premium paid	-	-	121,766	-	-	125,748
Others :						
Sale of Government Securities	-	-	2,850,000	-	-	5,544,300
Purchase of Government Securities	-	-	1,325,000	-	-	119,668
Gratuity paid	-	14,186	-	-	-	5,863
Leave encashment paid	-	8,480	-	-	-	-
Expenses recovered under agency arrangement	-	-	58	-	-	77
Insurance claims settled	-	-	7,843	-	-	26,032

As at the date of consolidated statement of financial position, loans/advances and deposits related to government related entities and its related entities amounted to Rs. 15,619.27 million (note 10.2) and Rs. 114,219.44 million (note 17.1). The above includes deposits amounting to Rs. 46,275.31 (2022: Rs.34,328.51) million received through the Finance Department, Government of Sindh.

41 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)

	2023	2022
	----- (Rupees in '000') -----	
	23,876,673	17,095,030

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital

Eligible Additional Tier 1 (ADT 1) Capital

Total Eligible Tier 1 Capital

Eligible Tier 2 Capital

Total Eligible Capital (Tier 1 + Tier 2)

	9,024,409	3,343,643
	-	-
	9,024,409	3,343,643
	29,130	19,997
	9,053,539	3,363,640

Risk Weighted Assets (RWAs):

Credit Risk

Market Risk

Operational Risk

Total

	31,857,368	28,233,237
	5,367,513	6,537,413
	14,262,320	10,052,361
	51,487,201	44,823,011

Common Equity Tier 1 Capital Adequacy ratio

	17.53%	7.46%
--	--------	-------

Tier 1 Capital Adequacy Ratio

	17.53%	7.46%
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Total Capital Adequacy Ratio

	17.58%	7.50%
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National minimum capital requirements prescribed by SBP

Common Equity Tier 1 minimum ratio

Tier 1 minimum ratio

Total capital minimum ratio

Total capital minimum ratio plus CCB

	6.00%	6.00%
	7.50%	7.50%
	10.00%	10.00%
	11.50%	11.50%

Approach followed for determining Risk Weighted Assets

Credit Risk

Market Risk

Operational Risk

Comprehensive Maturity Basic Indicator **Comprehensive Maturity Basic Indicator**

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

Leverage Ratio (LR):

Eligible Tier-1 Capital

Total Exposures

Leverage Ratio (%)

	9,024,409	3,343,643
	299,187,871	350,271,053
	3.02%	0.95%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets

Total Net Cash Outflow

Liquidity Coverage Ratio (%)

	163,924,564	132,719,755
	38,601,138	37,666,184
	425%	352%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding

Total Required Stable Funding

Net Stable Funding Ratio

	174,179,315	159,888,541
	86,395,391	78,670,959
	202%	203%

41.1 The full disclosures on the Capital Adequacy, Leverage Ratio & Liquidity requirements as per SBP instructions issued from time to time shall be placed on the website. The link to the full disclosures shall be short and clear and be provided within this note such as, The link to the full disclosure is available at <http://www.sindhbankltd.com/financials/basel-statements>.

42. RISK MANAGEMENT

The Group's risk management framework encompasses the culture, processes and structure and is directed towards the effective management of potential opportunities and threats to the Group. The prime objective of the Group's risk management strategy is to abandon the traditional approach of 'managing risk by silos' and to put in place integrated risk and economic capital management capabilities that will enable the Group to achieve integrated view of risks across its various business operations and to gain strategic advantage from its risk management capabilities.

The Board of Directors (BOD) keeps an oversight on the Group-wide risk management framework and approves the risk management strategy and policies of the Group. The Board Risk Management Committee (BRMC), ensures that the Group maintains a complete and prudent integrated risk management framework at all times and ensures that the risk exposures are maintained within acceptable levels. BRMC is responsible for reviewing the extent of design and adequacy of risk management framework. BRMC oversight ensures that risks are managed within the level of tolerance and risk appetite of the Group.

42.1 Credit risk

Credit risk arises from the potential that an obligor is either unwilling to perform on an obligation or its ability is impaired resulting in economic loss to the Group. The objective of credit risk management is to keep credit risk exposure within permissible level, relevant to the Group's risk appetite and capital, to maintain the soundness of assets and to ensure returns commensurate with risk. The Group takes necessary measures to control such risk by evaluating, measuring and monitoring credit exposures.

The Group has a comprehensive pre-approval evaluation process of credit risk embedded within Risk Management Division. The risk evaluation function is an integral part of Credit Risk Management Framework and is independent from the risk taking function. The credit evaluation department will independently identify actual and potential risks both on individual and on portfolio basis including adherence to relevant internal policies, procedures and related regulatory guidelines.

In addition to monitoring credit limits specified in the Prudential Regulations of the State Bank of Pakistan, the credit limit structure of the Group includes internal limits as established by the BOD and senior management. Credit Limits along with credit concentration is monitored on a regular basis and any exceptions are reported to the relevant authorities for their timely action where necessary.

The Group uses comprehensive Approach for assessing the capital charge for Credit risk.

42.1.1 Lendings to financial institutions

Credit risk by public / private sector

	Gross Lendings		Non Performing Lendings		Provision held	
	2023	2022	2023	2022	2023	2022
	(Rupees in '000')					
Public/ Government	-	-	-	-	-	-
Private	-	19,967,424	-	-	-	-
Total	-	19,967,424	-	-	-	-

42.1.2 Investment in debt securities

Credit risk by industry sector

	Gross Investments		Non Performing Investments		Provision held	
	2023	2022	2023	2022	2023	2022
	(Rupees in '000')					
Government of Pakistan	166,776,355	252,606,591	-	-	-	-
Banks	1,856,379	1,788,960	456,344	278,701	278,701	278,701
Cement	96,145	63,745	34,923	34,923	34,923	34,923
Fertilizer	79,167	531,870	22,684	22,684	22,684	22,684
Financial	156,912	238,809	43,684	42,806	43,684	42,806
Petroleum	9,604	192,385	6,449	6,449	6,449	6,449
Power (electricity), Gas & Water	-	777,210	-	-	-	-
Sugar	592,051	592,052	414,409	592,051	575,571	567,350
Total	169,566,613	256,791,622	978,493	977,614	962,012	952,913

42.1.2.1 Credit risk by public / private sector

	Gross Investments		Non Performing Investments		Provision held	
	2023	2022	2023	2022	2023	2022
	(Rupees in '000')					
Public/ Government	168,413,844	253,403,110	322,381	6,449	322,381	6,449
Private	1,152,769	3,388,512	656,112	971,165	639,631	946,464
Total	169,566,613	256,791,622	978,493	977,614	962,012	952,913

42.1.3 Advances

Credit risk by industry sector

	Advances (Gross)		Non Performing Advances		Provision held	
	2023	2022	2023	2022	2023	2022
	(Rupees in ' 000')					
Pharmaceuticals	61,632	268,796	-	-	-	-
Agriculture business	1,256,388	1,376,383	1,129,258	1,203,409	1,086,424	1,112,904
Manufacturing of textile	642,487	802,264	10,677	43,863	1,012	33,186
Cement	64,377	64,377	-	-	-	-
Transport, storage and communication	57,710	57,824	-	-	-	-
Wholesale and retail trade	11,398,721	1,623,116	363,082	462,575	358,166	350,511
Mining and quarrying	6,331,186	6,782,029	-	-	-	-
Hotel and restaurants	855,106	865,234	-	-	-	-
Petroleum	3,110,840	3,039,883	2,022,460	2,022,460	2,022,460	2,022,460
Media channels	2,018,180	2,220,936	1,200,509	-	828,869	-
Manufacture of basic iron and steel	2,056,439	2,256,314	1,756,740	1,756,740	1,671,736	1,642,645
Sugar	17,671,473	20,559,081	14,073,382	17,122,073	10,191,637	12,350,339
Automobile and transportation equipment	2,433,935	2,446,607	2,433,254	2,434,209	2,433,254	2,299,625
Chemicals and chemical products	1,251,168	1,121,652	1,103,884	1,103,884	1,103,884	1,079,225
Financial	1,909,468	1,828,881	1,177,884	1,177,884	519,970	480,446
Rice & Wheat	819,624	699,487	-	-	-	-
Construction, real estate and societies	2,966,255	2,959,973	2,670,716	2,596,716	2,598,716	1,828,893
Food	5,906,722	5,508,539	136,747	152,806	136,747	152,806
Insurance	-	1,467	-	-	-	-
Power, electricity and gas	8,320,833	8,900,159	3,119,032	2,948,239	2,492,653	2,626,535
Domestic Appliances	1,519,064	1,659,365	-	-	-	-
Education	12,895	117,555	11,353	11,898	10,965	11,481
Individuals	2,417,779	1,897,753	1,271	2,004	1,271	1,702
Others	6,356,504	5,162,700	1,895,691	1,964,976	1,422,990	1,102,394
Total	79,438,786	72,220,375	33,105,940	35,003,736	26,880,754	27,095,152

42.1.3.1 Credit risk by public / private sector

	Advances (Gross)		Non Performing Advances		Provision held	
	2023	2022	2023	2022	2023	2022
	(Rupees in ' 000')					
Public/ Government	15,619,270	5,210,287	-	-	-	-
Private	63,819,516	67,010,088	33,105,940	35,003,736	26,880,754	27,095,152
Total	79,438,786	72,220,375	33,105,940	35,003,736	26,880,754	27,095,152

42.1.4 Contingencies and Commitments

Segmental information by the class / nature of business and by distribution of Contingencies and Commitments is given below:

	2023	2022
	(Rupees in '000')	
Chemical and pharmaceuticals	39,456	27,730
Manufacturing of textile	107,764	63,926
Transport, storage and communication	128,500	128,900
Wholesale and retail trade	2,681,000	1,107,525
Petroleum	116,991	116,991
Manufacture of basic iron and steel	191,514	11,543
Sugar	70,635	21,223
Automobile and transportation equipment	93,099	49,802
Financial	121,642,641	159,565,957
Construction, real estate and societies	327,862	289,365
Domestic Appliances	628,083	14,000
Power, electricity and gas	2,838,515	1,454,425
Education	84,163	30,830
Trusts and Non-profit Organizations	107,097	-
Others	585,840	858,713
Total	129,643,160	163,740,930

42.1.4.1 Credit risk by public / private sector	2023	2022
	---- (Rupees in '000') ----	
Public/ Government	16,156,357	106,368,612
Private	113,486,803	57,372,318
Total	129,643,160	163,740,930

42.1.5 Concentration of Advances

The Group's are top 10 exposures (funded and non-funded) aggregated Rs. 46,428.87 million (2022: Rs. 28,724.62 million) as follows:

Funded	36,110,938	28,670,815
Non Funded	10,317,933	53,801
Total Exposure	46,428,871	28,724,616

42.1.5.1 The sanctioned limits against these top 10 exposures aggregated Rs. 42,836.15 million (2022: Rs. 36,612.81 million).

42.1.5.2 Total Funded Facilities Classified

Classified funded facilities of the group's top 10 exposures are as follows:

	2023		2022	
	Classified	Provision held	Classified	Provision held
----- (Rupees in '000') -----				
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	9,580,052	6,773,408	10,175,435	7,074,074
Total	9,580,052	6,773,408	10,175,435	7,074,074

42.1.6 Advances - Province/Region-wise Disbursement & Utilization

Name of Province / Region	Disbursements	2023					
		UTILIZATION					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
----- (Rupees in '000') -----							
Punjab	23,278,169	23,278,169	-	-	-	-	-
Sindh	71,254,281	-	71,254,281	-	-	-	-
KPK including FATA	786,535	-	-	786,535	-	-	-
Balochistan	816,711	-	-	-	816,711	-	-
Islamabad	3,571,971	-	-	-	-	3,571,971	-
AJK including Gilgit-Baltistan	8,048	-	-	-	-	-	8,048
Total	99,715,715	23,278,169	71,254,281	786,535	816,711	3,571,971	8,048

Name of Province / Region	Disbursements	2022					
		UTILIZATION					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
----- (Rupees in '000') -----							
Punjab	22,827,862	22,827,862	-	-	-	-	-
Sindh	34,643,340	-	34,643,340	-	-	-	-
KPK including FATA	246,989	-	-	246,989	-	-	-
Balochistan	1,975,405	-	-	-	579,775	1,395,629	-
Islamabad	1,112,975	-	-	-	-	1,112,975	-
AJK including Gilgit-Baltistan	24,007	-	-	-	-	-	24,007
Total	60,830,578	22,827,862	34,643,340	246,989	579,775	2,508,604	24,007

42.2 Market risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. Market Risk management aims to provide risk management practices that are integrated in key strategic, capital and financial planning process and day-to-day business processes across the Group. The Group's market risk management policies set out risk management parameters, governance and control framework as well as reporting arrangements.

The Group have developed a market risk management framework to efficiently and effectively monitor and manage market risk in every transaction of Banking and Trading Book.

42.2.1 Balance sheet split by trading and banking books

	2023			2022		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	----- (Rupees in '000') -----					
Cash and balances with	53,488,206	-	53,488,206	14,204,082	-	14,204,082
Balances with other banks	1,484,233	-	1,484,233	2,014,183	-	2,014,183
Lendings to financial institutions	-	-	-	19,967,424	-	19,967,424
Investments	166,397,880	-	166,397,880	253,857,565	-	253,857,565
Advances	52,528,902	-	52,528,902	45,105,226	-	45,105,226
Fixed assets	4,055,481	-	4,055,481	4,113,696	-	4,113,696
Intangible assets	114,464	-	114,464	124,022	-	124,022
Deferred tax assets	17,201,220	-	17,201,220	14,662,219	-	14,662,219
Other assets	7,801,390	-	7,801,390	5,048,053	-	5,048,053
	<u>303,071,776</u>	<u>-</u>	<u>303,071,776</u>	<u>359,096,470</u>	<u>-</u>	<u>359,096,470</u>

42.2.2 Foreign exchange risk

The foreign exchange risk is defined as the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates. It refers to the impact of adverse movement in currency exchange rates on the value of open foreign currency positions. The objective of the foreign exchange risk management is to minimize the adverse impact of foreign exchange rate movements on the assets and liabilities mismatch (tenor and position) and maximize earnings. The Group limits its currency exposure to the extent of statutory net open position prescribed by the SBP except in the cases where exemption is provided by SBP. Foreign exchange open and mismatch positions are controlled through close monitoring and are marked to market on a daily basis.

	2023			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000') -----			
Pakistan Rupee	301,409,001	275,803,963	(265,867)	25,339,172
United States Dollar	1,482,151	2,092,432	265,867	(344,414)
Great Britain Pound	38,572	190,780	-	(152,207)
Euro	79,288	154,540	-	(75,252)
Japanese Yen	-	1,711	2,002	291
Saudi Riyal	39,351	-	-	39,351
UAE Dirham	1,771	-	-	1,771
Chines Yen	21,641	-	-	21,641
	<u>303,071,776</u>	<u>278,243,426</u>	<u>2,002</u>	<u>24,830,352</u>

	2022			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
	(Rupees in '000')			
Pakistan Rupee	356,951,360	339,748,523	(976,669)	16,226,168
United States Dollar	1,145,576	1,637,318	976,669	484,928
Great Britain Pound	754,313	163,013	-	591,301
Euro	15,559	-	-	15,559
Japanese Yen	184,824	134,282	-	50,542
Saudi Riyal	1,404	-	-	1,404
UAE Dirham	6,528	-	-	6,528
Chines Yen	36,906	-	-	36,906
	<u>359,096,470</u>	<u>341,683,135</u>	<u>-</u>	<u>17,413,335</u>

42.2.3 Foreign exchange risk

Impact of 1% change in foreign exchange rates on :	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000')			
- Profit and loss account	7,583	(2,659)	(2,117)	(9,767)
- Other comprehensive income	-	-	-	-

42.2.4 Equity position risk

Equity position risk in trading book arises due to change in price of shares or levels of equity indices.

The Group's equity and mutual fund exposure is managed within the SBP limits for overall investment and per scrip exposure. In addition, there are internal limits for trading positions as well as stop loss limits, dealer limits, future contracts limits and continuous funding system limits.

Impact of 5% change in equity prices on :	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000')			
- Profit and loss account	-	-	-	-
- Other comprehensive income	(68,355)	-	(839,543)	-

42.2.5 Yield / interest rate risk

Yield / interest rate risk reflects the degree of vulnerability of an organization to adverse changes in mark-up / interest rates. Such risk taking is normal in a financial institution and could be an important source of profit earning. However, excess yield / interest rate risk may create a serious threat to a Group's returns and capital base. ALCO, Treasury Division and RMD monitor the repricing / mismatch risks, basis risks, yield curve risks, and option risks on a continuous basis to minimize the yield / interest rate risk.

Impact of 1% change in interest rates on :	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000')			
- Profit and loss account	-	-	-	-
- Other comprehensive income	(1,111,917)	-	(6,780,309)	-

42.2.6 Mismatch of interest rate sensitive assets and liabilities

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Group is exposed to interest / mark-up rate risk as a result of mismatches or gaps in the amount of interest / mark-up based assets and liabilities that mature or reprice in a given period. The Group manages this risk by matching / re-pricing the assets and liabilities. The Assets and Liabilities Committee (ALCO) of the Bank monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Group.

	Effective yield / Interest rate	Exposed to yield / Interest risk										Non-interest bearing financial instruments	
		Total	(Rupees in '000')										
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks		416,263	-	-	-	-	-	-	-	-	-	-	53,071,943
Balances with other banks	5.20%-17.50%	1,719	-	-	-	-	-	-	-	-	-	-	1,482,514
Lendings to financial institutions		-	-	-	-	-	-	-	-	-	-	-	-
Investments	12.58%-19.12%	83,450,072	224,820	360,453	24,319,182	42,018,776	8,075,876	-	6,201,139	-	-	-	1,747,562
Advances	10.52%-44.00%	23,112,077	1,903,717	8,275,204	11,157,852	441,213	1,253,245	1,334,360	3,303,976	1,651,246	-	-	96,012
Other assets		7,801,390	-	-	-	-	-	-	-	-	-	-	7,801,390
Total		106,980,131	2,128,537	8,635,657	35,477,034	42,459,989	9,329,121	1,334,360	9,505,115	1,651,246	64,199,421		
Liabilities													
Bills payable		-	-	-	-	-	-	-	-	-	-	-	898,762
Borrowings from financial institutions	8.00%-18.70%	35,854,000	2,383,500	-	-	29,940	-	-	-	-	-	-	-
Deposits and other accounts	6.35%-13.75%	7,403,087	133,516,353	8,859,514	12,131,920	109,264	169,056	980,462	-	-	-	-	61,672,258
Other liabilities		14,235,310	-	-	-	-	-	-	-	-	-	-	14,235,310
Total		43,257,087	135,899,853	8,859,514	12,131,920	139,204	169,056	980,462	9,505,115	1,651,246	76,806,330		
On-balance sheet gap		63,723,044	(133,771,316)	(223,857)	23,345,114	47,320,785	9,160,065	353,898	9,505,115	1,651,246	(12,606,909)		
Off-balance sheet financial instruments													
Documentary credits and short-term trade related transactions		835,505	7,211,056	1,159,650	3,183,032	163,395	137,506	1,642,240	8,164	-	-	-	-
Commitments in respect of :													
Forward foreign exchange contracts - purchase		25,084,479	14,662,264	14,536	-	-	-	-	-	-	-	-	-
Forward foreign exchange contracts - sale		(9,068,952)	(21,291,525)	(9,134,935)	-	-	-	-	-	-	-	-	-
Purchase and resale agreements - lending		-	-	-	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements - borrowing		(36,045,921)	-	-	-	-	-	-	-	-	-	-	-
Total yield / Interest Risk Sensitivity Gap		(19,194,889)	581,795	(7,960,749)	3,183,032	163,395	137,506	1,642,240	8,164	-	-	-	-
Total yield / Interest Risk Sensitivity Gap		44,528,155	(133,189,521)	(8,184,606)	26,528,146	42,484,180	9,297,571	1,996,138	9,513,279	1,651,246	(12,606,909)		
Cumulative yield / Interest Risk Sensitivity Gap		44,528,155	(88,661,366)	(96,845,972)	(70,317,826)	(27,833,646)	(18,536,075)	(16,539,937)	(7,026,658)	(5,375,412)	(17,982,321)		
Reconciliation with total assets:													
Assets as per above		281,700,611	-	-	-	-	-	-	-	-	-	-	-
Fixed assets		4,169,945	-	-	-	-	-	-	-	-	-	-	-
Deferred tax asset		17,201,220	-	-	-	-	-	-	-	-	-	-	-
Assets as per consolidated statement of financial position		303,071,776											
Reconciliation with total liabilities:													
Liabilities as per above		278,243,426	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liability		-	-	-	-	-	-	-	-	-	-	-	-
Liabilities as per consolidated statement of financial position		278,243,426											

Effective yield / Interest rate	Exposed to yield / interest risk							Non-interest bearing financial instruments	
	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

On-balance sheet financial instruments**Assets**

Cash and balances with treasury banks	14,204,082	217,704	-	-	-	-	-	-	-	-	13,986,378
Balances with other banks	2,014,183	381,995	-	-	-	-	-	-	-	-	1,632,188
Lending to financial institutions	19,967,424	19,967,424	-	-	-	-	-	-	-	-	-
Investments	253,857,565	110,950,595	64,677,692	48,787,832	248,938	3,141,807	9,095,852	8,435,137	6,258,882	-	2,260,830
Advances	45,105,226	13,829,737	2,492,455	7,495,927	4,884,063	1,835,324	219,025	1,708,677	11,167,879	-	94,306
Other assets	5,048,053	-	-	-	-	-	-	-	-	-	5,048,053
	340,196,533	145,347,455	67,170,147	56,283,759	5,133,001	4,977,131	9,314,877	10,143,814	17,426,761	1,377,833	23,021,755

Liabilities

Bills payable	726,148	-	-	-	-	-	-	-	-	-	726,148
Borrowings from financial institutions	107,244,714	50,000,000	56,874,835	-	310,000	59,879	-	-	-	-	-
Deposits and other accounts	223,632,712	94,641,259	20,511,196	11,852,319	36,224,137	93,272	722,360	448,549	322,500	-	58,817,120
Other liabilities	10,079,561	-	-	-	-	-	-	-	-	-	10,079,561
	341,683,135	144,641,259	77,386,031	11,852,319	36,534,137	153,151	722,360	448,549	322,500	-	69,622,829
	(1,486,602)	706,196	(10,215,884)	44,431,440	(31,401,136)	4,823,980	8,592,517	9,695,265	17,104,261	1,377,833	(46,601,074)

On-balance sheet gap**Off-balance sheet financial instruments**

Documentary credits and short-term trade related transaction	5,024,973	126,275	2,422,018	319,145	916,140	398,511	3,698	835,156	4,030	-	-
	16,669,577	2,810,100	13,859,477	-	-	-	-	-	-	-	-
Forward foreign exchange contracts - purchase	(15,692,909)	(15,211,160)	(481,749)	-	-	-	-	-	-	-	-
Forward foreign exchange contracts - sale	19,984,859	19,984,859	-	-	-	-	-	-	-	-	-
Purchase and resale agreements - lending	(106,368,612)	(50,918,175)	(55,450,437)	-	-	-	-	-	-	-	-
Sale and repurchase agreements - borrowing	(80,382,112)	(43,208,101)	(39,650,691)	319,145	916,140	398,511	3,698	835,156	4,030	-	-
	(42,501,905)	(49,866,575)	(49,866,575)	44,750,585	(30,484,996)	5,222,491	8,596,215	10,530,421	17,108,291	1,377,833	(46,601,074)
	(42,501,905)	(92,368,480)	(47,617,895)	(78,102,891)	(72,880,400)	(64,284,185)	(53,753,764)	(36,645,473)	(35,267,640)	(81,868,714)	

Total yield / Interest Risk Sensitivity Gap**Reconciliation with total assets:**

Assets as per above	340,196,533										
Fixed assets	4,237,718										
Deferred tax asset	14,662,219										
Assets as per consolidated statement of financial	359,096,470										

Reconciliation with total liabilities:

Liabilities as per above	341,683,135										
Deferred tax liability	-										
Liabilities as per consolidated statement of	341,683,135										

42.3 Liquidity risk

The Group monitors its liquidity risk through various liquidity ratios and liquidity risk indicators. Any deviations or breaches are reported to the relevant authorities for timely action. Moreover, Asset and Liability Management Committee (ALCO), a senior management committee, also reviews the liquidity position of the Group on at least monthly basis and takes appropriate measures where required. The Group uses liquidity gap ladder to assess the liquidity gaps and liquidity needs in different time buckets, under normal and stressed scenarios. Whereas, the Contingency Funding Plan (CFP) of the Group is also in place. The ALCO reviews the current economic situation, projected cash flows and asset / liability mix and approves strategy for managing appropriate liquidity. Mandatory stress tests of SBP are conducted, on a periodic basis, to test the adequacy of liquidity contingency plan and to identify the extent of liquidity stress that the Group is able to take in current conditions.

42.3.1 Maturity of assets and liabilities (based on contractual maturities)

2023

Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years	
														(Rupees in '000')
Assets														
Cash and balances with treasury	53,488,206	3,434,488	2,857,288	1,968,144	8,291,291	853,177	2,039,018	3,116,907	30,927,893	-	-	-	-	
Balances with other banks	1,484,233	1,484,233	-	-	-	-	-	-	-	-	-	-	-	
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	
Investments	166,397,880	-	-	79,408,000	-	-	420,694	266,979	3,764,184	21,089,119	42,018,776	8,075,876	4,266,896	
Advances	52,528,902	7,166,530	2,339	650,703	251,226	1,873,843	99,867	8,913,926	3,070,048	11,265,134	579,120	3,348,752	1,350,599	
Fixed assets	4,055,481	-	-	-	65,477	64,157	127,339	194,610	96,749	196,747	580,579	680,596	1,380,506	
Intangible assets	114,464	-	-	-	2,966	2,966	2,966	15,203	9,095	9,095	36,082	36,091	-	
Deferred tax assets	17,201,220	-	-	893,418	1,746,869	2,493,738	2,987,476	2,988,925	2,987,476	3,103,318	-	-	-	
Other assets	7,801,390	1,811,535	874	20,472	2,370,160	287,689	736,020	2,479,627	-	84,360	-	-	10,653	
	303,071,776	13,896,786	2,860,501	82,940,737	12,727,989	5,575,570	6,413,380	17,976,177	40,855,445	35,663,413	43,298,917	12,141,315	6,998,001	
													21,723,545	
Liabilities														
Bills payable	898,762	898,762	-	-	-	-	-	-	-	-	-	-	-	
Borrowings from financial	38,267,440	-	36,575,000	-	-	-	1,662,500	-	-	-	29,940	-	-	
Deposits and other accounts	224,841,914	185,063,043	1,761,939	1,191,665	4,439,986	4,207,041	2,233,831	8,959,896	2,019,922	13,708,850	111,870	173,970	969,901	
Deferred tax liability	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other liabilities	14,235,310	1,420,236	260,374	175,867	233,339	505,793	353,703	1,001,186	7,229,196	216,998	624,957	618,074	1,595,587	
	278,243,426	187,382,041	38,597,313	1,367,532	4,673,325	4,712,834	4,250,034	9,961,082	9,249,118	13,925,848	766,767	792,044	2,565,488	
Gap	24,828,350	(173,485,255)	(35,736,812)	81,573,205	8,054,664	862,736	2,163,346	8,015,095	31,606,327	21,737,565	42,532,150	11,349,271	4,432,513	21,723,545
Share capital - net	34,524,428													
Reserves	1,985,305													
Shares deposit money	-													
Deficit on revaluation of assets	(1,033,628)													
Accumulated Loss	(10,647,755)													
Net assets	24,828,350													

42.3.1 Maturity of assets and liabilities (based on contractual maturities)

2022

Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
Assets													
14,204,082	14,204,082	-	-	-	-	-	-	-	-	-	-	-	-
2,014,183	2,014,183	-	-	-	-	-	-	-	-	-	-	-	-
19,967,424	19,967,424	-	-	-	-	-	-	-	-	-	-	-	-
253,857,565	-	66,632	29,862,895	947,120	44,264,248	20,493,874	45,841,992	-	61,550,377	23,699,591	9,095,852	12,670,070	6,378,666
45,105,226	5,232,297	-	-	180,734	2,992,539	2,765,062	6,239,654	1,667,495	4,218,476	3,087,482	1,110,309	3,646,877	12,950,528
4,113,696	-	-	-	82,102	55,377	55,377	167,976	169,822	169,822	673,750	673,753	1,334,492	731,225
124,022	-	-	-	3,213	3,213	3,213	9,745	9,852	9,852	39,087	45,847	-	-
14,662,219	-	-	733,102	733,102	1,466,205	1,466,205	1,466,205	1,466,205	2,199,307	2,199,307	2,932,581	-	-
5,048,053	1,545,140	57,409	787,591	1,060,737	306,148	431,234	675,364	-	141,105	-	-	-	43,325
359,096,470	42,963,126	124,041	32,330,708	2,059,888	49,087,750	25,214,965	54,400,936	3,313,374	68,288,939	29,699,217	13,858,342	17,651,439	20,103,744
Liabilities													
726,148	726,148	-	-	-	-	-	-	-	-	-	-	-	-
107,244,714	-	105,000,000	-	-	310,000	1,874,835	-	-	-	59,879	-	-	-
223,632,712	156,898,568	1,323,178	269,267	1,753,252	5,357,040	6,370,352	11,852,426	7,623,970	30,149,813	238,297	1,010,903	463,146	322,500
-	-	-	-	-	-	-	-	-	-	-	-	-	-
10,079,561	539,144	613,648	1,084,537	1,056,130	747,456	178,128	947,167	2,042,251	361,576	829,989	582,480	1,097,055	-
341,683,135	158,163,860	106,936,826	1,353,804	2,809,382	6,414,496	8,423,315	12,799,593	9,666,221	30,511,389	1,128,165	1,593,383	1,560,201	322,500
17,413,335	(115,200,734)	#####	30,976,904	(749,494)	42,673,254	16,791,650	41,601,343	(6,352,847)	37,777,550	28,571,052	12,264,959	16,091,238	19,781,244
Gap													
29,524,428													
1,526,805													
-													
(1,208,500)													
(12,429,398)													
17,413,335													

Share capital net	29,524,428
Reserves	1,526,805
Proposed Ordinary shares to be issued and	-
Deficit on revaluation of assets	(1,208,500)
Accumulated Loss	(12,429,398)
Net assets	17,413,335

42.3.2 Maturity of assets and liabilities (based on SBP BSD Circular No. 03 date February 22, 2011)

2023

	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	53,488,206	4,945,993	3,762,023	1,964,505	42,815,685	-	-	-	-	-
Balances with other banks	1,484,233	1,484,233	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	166,397,880	79,632,230	420,694	372,571	24,523,475	43,755,672	9,590,876	1,151,218	6,201,144	750,000
Advances	52,528,902	8,070,798	2,973,710	8,813,926	13,435,182	579,120	3,348,752	1,350,599	12,047,213	1,909,602
Operating fixed assets	4,055,481	65,477	128,314	257,792	293,497	480,579	713,406	1,447,696	668,720	-
Intangible assets	114,464	2,966	5,931	15,203	18,189	36,082	36,093	-	-	-
Deferred tax asset	17,201,220	2,640,287	4,481,214	4,987,477	5,092,242	-	-	-	-	-
Other assets	7,801,390	4,203,042	1,023,709	2,352,836	-	211,151	-	-	-	10,652
	303,071,776	101,045,026	12,795,595	18,764,310	86,178,270	45,062,604	13,689,127	3,949,513	18,917,077	2,670,254
Liabilities										
Bills payable	898,762	898,762	-	-	-	-	-	-	-	-
Borrowings from financial institutions	38,267,440	36,575,000	1,662,500	-	-	29,940	-	-	-	-
Deposits and other accounts	224,841,914	41,082,015	48,274,578	28,365,071	105,572,587	111,870	373,971	1,061,822	-	-
Deferred tax liability	-	-	-	-	-	-	-	-	-	-
Other liabilities	14,235,310	2,089,814	859,496	812,825	7,446,194	813,318	618,073	1,595,590	-	-
	278,243,426	80,645,591	50,796,574	29,177,896	113,018,781	955,128	992,044	2,657,412	-	-
Gap	24,828,350	20,399,435	(38,000,979)	(10,413,586)	(26,840,511)	44,107,476	12,697,083	1,292,101	18,917,077	2,670,254
Share capital - net	34,524,428									
Reserves	1,985,305									
Shares deposit money	-									
Deficit on revaluation of assets	(1,033,628)									
Accumulated Loss	(10,647,755)									
Net assets	<u>24,828,350</u>									

Where an asset or a liability does not have a contractual maturity date, the period in which these are assumed to mature have been taken as expected date of maturity, based on the criteria determined by ALCO of the Group.

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
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(Rupees in '000')

Assets

Cash and balances with treasury banks	3,384,109	4,356,444	1,577,116	4,772,471	113,942	-	-	-	-
Balances with other banks	2,014,183	-	-	-	-	-	-	-	-
Lendings to financial institutions	19,967,424	-	-	-	-	-	-	-	-
Investments	253,857,565	64,758,122	45,841,992	61,550,377	23,699,591	10,818,832	10,947,090	6,378,667	-
Advances	45,105,226	6,426,783	4,575,548	6,884,422	3,363,738	1,110,307	3,665,039	11,572,697	1,377,832
Operating fixed assets	4,113,696	82,102	110,753	167,976	339,644	673,750	1,334,492	731,226	-
Intangible assets	124,022	3,213	6,425	9,745	19,704	45,848	-	-	-
Deferred tax asset	14,662,219	1,466,204	2,932,410	1,466,205	3,665,512	2,932,581	-	-	-
Other assets	5,048,053	3,567,610	737,382	558,633	137,474	-	-	46,954	-
	359,096,470	66,774,522	77,477,084	56,506,089	76,614,042	15,581,321	15,946,621	18,729,544	1,377,832

Liabilities

Bills payable	726,148	-	-	-	-	-	-	-	-
Borrowings from financial institutions	107,244,714	1,874,835	-	-	59,879	-	-	-	-
Deposits and other accounts	223,632,712	31,445,722	47,671,790	27,702,573	238,297	725,184	748,865	322,500	-
Deferred tax liability	-	-	-	-	-	-	-	-	-
Other liabilities	10,079,561	3,293,457	925,583	947,167	829,863	582,605	1,097,059	-	-
	341,683,135	140,775,327	50,472,208	28,649,740	1,128,039	1,307,789	1,845,924	322,500	-
Gap	17,413,335	(74,000,805)	27,004,876	27,856,349	(40,567,566)	14,273,532	14,100,697	18,407,044	1,377,832

Share capital-net

29,524,428

Reserves

1,526,805

Proposed shares to be issued on amalgamation

(1,208,500)

Deficit on revaluation of assets

(12,429,398)

Net assets17,413,335

Where an asset or a liability does not have a contractual maturity date, the period in which these are assumed to mature have been taken as expected date of maturity, based on the criteria determined by ALCO of the Group.

42.4 **Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events.

The Group strives to manage operational risk within acceptable levels through sound operational risk management practices.

The Group has set up a separate Operational Risk Management (ORM) Unit. ORM Unit resides within Risk Management Division (RMD). Its responsibility is to implement Operational Risk management tools across the group for effective measurement and monitoring of operational risk faced by different areas of the Group.

43. **GENERAL**

43.1 Figures have been rounded off to the nearest thousand rupee.

44. **DATE OF AUTHORISATION FOR ISSUE**

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

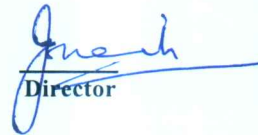


Chairman

President and
Chief Executive Officer



Director



Director



Chief Financial Officer