

**PAK CHINA INVESTMENT  
COMPANY LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2022**

## Chairman's & Directors' Report 2022

We present the combined Chairman's and Directors' Report of Pak China Investment Company Limited (PCICL – the Company) along with the audited financial statements of the Company and Auditors' report thereon, for the year ended 31 December 2022.

### **Economy overview**

In the fiscal year 2021-22, Pakistan experienced a remarkable economic growth of 6.0%, driven by robust performances in both the agricultural and industrial sectors. This high-growth phase, however, revealed a susceptibility to global economic fluctuations due to the country's continued reliance on consumption as a primary driver, coupled with a sluggish improvement in productivity. The impressive expansion faced headwinds as adverse developments, both on the global and domestic fronts, unfolded. Despite the initial momentum, a combination of factors, including an expansionary fiscal stance in FY22, a surge in global commodity prices, and the ramifications of the Russia-Ukraine conflict, contributed to a notable deterioration in the current account deficit (CAD).

Furthermore, Pakistan faced compounded challenges in the fiscal year 2021-22, as the delay in the resumption of the International Monetary Fund (IMF) program and political instability heightened the nation's vulnerability. This was particularly evident in the depletion of foreign exchange (FX) reserves to critical levels, putting additional strain on the economy. The prolonged delay in engaging with the IMF not only hindered access to crucial financial support but also contributed to a sense of uncertainty and instability. Political factors further exacerbated the situation, creating an environment where economic decision-making became increasingly challenging.

The consequences of these challenges were starkly evident in the depletion of FX reserves to levels deemed critical for sustaining essential imports and meeting external obligations. The subsequent depreciation of the Pakistani Rupee (PKR) not only added to the economic stress but also intensified inflationary pressures. This was a result of the compounding effect, where the depreciation amplified the pass-through of elevated global commodity and oil prices.

Amidst inflationary pressure throughout the year, the central bank continued to tighten monetary policy and, in calendar year 2022, SBP raised the policy rate by 625 basis points from 9.75% to 16%. The SBP was of the view that inflation is broad-based and persistent, with core inflation on a rising trend for last many months.

### **Operating Results**

PCICL recorded a profit after tax of Rs. 1,324.6 million for financial year 2022, showcasing a notable increase from Rs. 708.14 million in 2021. Consequently, the Earnings Per Share (EPS) for 2022 rose to Rs. 1.36, up from Re. 0.73 in the previous year.

## Chairman's & Directors' Report 2022

The escalating inflation experienced throughout the year prompted the State Bank of Pakistan (SBP) to elevate the policy rate from 9.75% to 16%, thereby influencing the growth of the top line. Notably, the net mark-up income witnessed a substantial increase of 61.8%, from Rs. 1,468 million in 2021 to Rs. 2,376 million in 2022. The prevailing macroeconomic factors have exerted an impact on the overall business environment, leading to a 16.4% decline in fee and commission income, amounting to Rs. 21 million. This downturn is anticipated to influence future fee and commission income until there is a recovery in the economic cycle. Additionally, the value of the PKR witnessed a decline in comparison to USD, resulting in increase of exchange income, rising from Rs. 251.4 million in 2021 to Rs. 687.3 million in 2022. Performance of Pakistan Stock Exchange remained lackluster, and there a net loss on listed securities amounting to Rs. 19.8 million as compared to net loss of Rs. 42.6 million in 2021.

During the period of high inflation, PCICL strategically implemented prudent policies to effectively control and contain the impact of inflation on operating expenses. This deliberate approach resulted in a commendable outcome, as operating expenses saw a restrained growth of only 13%. The disciplined management of operating costs played a pivotal role in enhancing the company's bottom line. As a result, there was a notable increase in the overall profitability and resilience of PCICL, showcasing the effectiveness of the company's proactive measures in navigating challenging economic conditions.

On the Balance Sheet front, there has been a significant increase in total assets, reaching Rs. 94,215 million as of 31 Dec 2022, compared to Rs. 37,742 million as of 31 Dec 2021. This notable surge is primarily attributed to investments in Government Securities. The financing for these investments was obtained through borrowing from scheduled banks, leading to a corresponding increase in borrowings by Rs. 57,483 million.

In alignment with the prevailing economic environment, PCICL adhered to a policy of consolidation, focusing its corporate lending predominantly on low-risk blue-chip entities. As a result, gross advances witnessed a constrained growth of 3.6% compared to the previous year. This policy also contributed to an enhanced focus on monitoring relationships more closely.

In a noteworthy achievement, PCICL experienced no new Non-Performing Loan (NPLs) during 2022 and successfully recovered Rs. 102.9 million from existing NPLs. Consequently, the NPL to advances ratio exhibited a positive trend, decreasing from 9.7% at the previous year-end to 8.7% at the close of the current year.

## Chairman's & Directors' Report 2022

### Appropriations

The Board of Directors recommends the appropriations of Rs. 264.9 million from unappropriated profit to statutory reserve for the year ended 31 December 2022, as per instructions of SBP.

### Entity Ratings

During the year, the Company's long-term entity rating was maintained at 'AAA' by VIS Credit Rating Company Limited. The medium to long-term rating of 'AAA' is the highest rating rank and denotes highest credit quality, with negligible risk factors, being only slightly more than for risk-free debt of Government of Pakistan. The short-term rating of 'A-1+' denotes highest certainty of timely payment, liquidity factors are outstanding and safety is just below risk free short-term obligations of Government of Pakistan. Outlook on the assigned ratings is 'Stable'.

The assigned ratings of PCICL incorporate implicit support of its two sovereign sponsors, Government of Pakistan (GoP) and People's Republic of China (PRC), with equal shareholding held through Ministry of Finance (MoF) and China Development Bank (CDB), respectively. The ratings also take into account strong capitalization, diversified revenue stream, sound liquidity, and conservative risk appetite.

### Risk Management

The risk management framework encompasses multi-tier management supervision, efficient monitoring and clearly articulated risk appetite, policies and procedures. The Company is exposed to credit risk, market risk, liquidity risk and operational risk over the course of its core operations. Given the current macroeconomic scenario in Pakistan, foreign exchange risk and interest rate risk are also important factors affecting the Company's on and off balance sheet activities. Details about these principal risks faced by the company along with their mitigants are given in note 41 of attached financial statements.

The Company remains adequately capitalised as at 31 December 2022 with a capital adequacy ratio reported at 55.46% (2021: 62.44%) and leverage ratio at 15.83% (2021: 42.31%).

### Prior Year Adjustments

The Company's Investments in Central Depository Company of Pakistan Limited, Pakistan Stock Exchange Limited and Deli-JW Glassware Company Limited had been classified, accounted and presented by the management as "Associate" in the prior years and first quarter of current year based on the assumption that the Company held significant influence in these investee companies

## Chairman's & Directors' Report 2022

by virtue of its holding and representation on their respective Boards. Based on subjective evaluation, the company has recently reassessed its position in terms of significant influence and has now concluded that the Company does not hold this much of the significant influence on these investee companies that would warrant application of equity accounting and hence has decided that these investments are to be classified, accounted and presented as "Available for sale" category as per the criteria for recognition, accounting and presentation of the same under the financial reporting framework applicable to the Company for the preparation of its statutory financial statements. The said adjustments resulted in restatement of financial statements retrospectively. The significant impact of the restatements has been given in note 42 to these financial statements.

### Customer Complaint Management

PCICL has a procedure in place for customer complaints. However, no customer complaint was lodged during the year under review.

### Corporate Governance

The Corporate Governance Regulatory Framework of the State Bank of Pakistan dated November 22, 2021 states that though DFIs are not required to follow the Listed Companies (Code of Corporate Governance) Regulations, but it is expected that DFIs will continue to follow the best practices on corporate governance. The company remained committed to comply with the best practices on Corporate Governance and a statement to this effect is given below:

### Corporate and Financial Reporting Framework

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity;
- Proper books of accounts of the Company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom has been adequately disclosed and explained;
- The system of internal control is sound in design and has been effectively implemented and monitored;

## Chairman's & Directors' Report 2022

- There are no significant doubts upon the Company's ability to continue as a going concern;
- Key operating and financial data for the last six years, in a summarized form, is given hereunder;

*Rs. in millions*

	Dec-22	Dec-21	Dec-20	Dec-19	Dec-18	Dec-17
<b>P&amp;L</b>						
Net Interest Income	2,376	1,468	1,439	1,713	1,082	954
Non-Interest Income	817	379	284	263	405	277
Profit before tax	2,119	1,049	1,166	1,066	912	970
Profit after tax	1,325	708	773	760	619	671
EPS (Re)	1.36	0.73	0.80	0.82	0.68	0.74
<b>Balance Sheet</b>						
Assets	94,215	37,742	31,231	33,400	19,762	24,421
Advances – net	16,198	15,842	11,550	9,291	7,620	7,900
Investments – net	73,441	12,587	15,464	19,241	9,976	13,848
Net Assets	19,616	18,047	17,304	16,632	15,361	14,669

- There are no statutory payments on account of taxes, duties, levies and charges which are overdue outstanding as of 31 December 2022, except as disclosed in annexed financial statements;
- Details of the aggregate remuneration of executives and non-executives Directors are included in note 35 to the financial statements;
- Following is the fair value of investments as at 31 December 2022:
  - Provident Fund: Rs. 124.9 million, based on audited financial statements
  - Gratuity Fund: Rs. 86.9 million, based on audited financial statements
- During 2022, BOD & its committee meetings could not be held:

## Chairman's & Directors' Report 2022

### Board Structure and Performance Evaluation

Total number of male and female directors, composition of Board into executive and non-executive directors and names of members of Board committees are disclosed in statement of compliance with Code of Corporate Governance, annexed in this annual report. Meetings of the Board and its committees were not convened during the year 2022 on account of incomplete quorum of the Board. The role of Board is evaluated as per SBP guidelines. The Company has put in place an evaluation framework for evaluation of the Board. The performance of the Board is assessed on select parameters, undertaken through a questionnaire, relating to Board's composition, working procedure, role of the Board, Board's oversight and relationship with the management.

### Pattern of Shareholding

The pattern of shareholding at the close of 31 December 2022 is as under:

Shareholders	Shareholding
Ministry of Finance, Government of Pakistan	50%
China Development Bank	50%

### Statement on Internal Controls

The Board of Directors of the Company is responsible for ensuring that an adequate and effective internal control system exists in the Company and that the management of the Company assumes responsibility of establishing and maintaining effective internal controls throughout the Company and has made a statement on internal control in this regard. The management's statement on internal control is being endorsed by the Board of Directors through this report.

### Auditors

The present auditors, M/s A.F Ferguson & Co Chartered Accountants have completed their assignment for the year ended 31 December 2022 and shall retire at the conclusion of the Meeting.

The Board of Directors, on the recommendation of the Board Audit Committee, has recommended M/s Grant Thornton Anjum Rahman, Chartered Accountants, who have consented for appointment as statutory auditor for the next term; in place of retiring auditors. M/s Grant Thornton Anjum Rahman, Chartered Accountants have confirmed that they have been given satisfactory rating under the quality Control Review program of the Institute of Chartered Accountants of Pakistan, and that the firm and all their partners are compliant with the International Federation of Accountant's (IFAC) Guideline on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan, and meet the requirements for appointment under the applicable laws.

## Chairman's & Directors' Report 2022

### Events after the Date of Statement of Financial Position

There have not been any material events that occurred subsequent to the date of the Statement of Financial Position that require adjustments to the attached financial statements.

### Looking Ahead

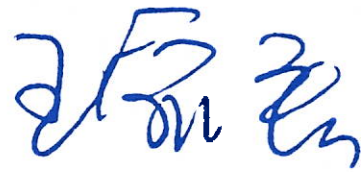
The primary objectives facing Pakistan's policymakers revolve around the imperative tasks of fortifying economic stability and refining the fiscal framework. This entails bolstering the tax-to-GDP ratio, exercising prudence in expenditures, mitigating inflationary pressures, and perpetuating efforts to enhance the competitiveness of our exports. The economic landscape presents a myriad of challenges, compounded by global uncertainties, necessitating a strategic navigation through challenging waters in the foreseeable future. Against this backdrop, the year 2023 is poised to serve as a pivotal juncture, where concerted measures for consolidation and economic equilibrium are anticipated. Our focal point remains the cultivation of high-caliber assets and enterprises, underpinned by a resilient and efficient operational infrastructure.

### Acknowledgements

The Board expresses its gratitude for the support and commitment extended by our main sponsors, Ministry of Finance, Government of Pakistan and China Development Bank. The Board also appreciates the efforts undertaken by the management and employees of the Company for establishing its mark in such a short period. The Board is also grateful for the continuous guidance provided by the State Bank of Pakistan and Securities & Exchange Commission of Pakistan.



**Hassan Raza**  
Managing Director  
Pak China Investment Co. Ltd.



**Wang Baojun**  
Chairman Board of Directors  
Pak China Investment Co. Ltd.

23 July 2024  
Islamabad





## **ANNUAL STATEMENT OF INTERNAL CONTROLS 2022**

An internal control system is a set of procedures and activities designed to identify and mitigate the risk in processes and operations in order to support the overall business objectives of the Company. It is the responsibility of the Company's management to establish an internal control system to maintain an adequate and effective internal control environment on an ongoing basis.

The Management of Pak China Investment Company Limited assumes full responsibility for establishing and maintaining an adequate and effective system of internal controls throughout the company that provides reasonable assurance regarding the reliability of financial reporting. Management understands that the effective maintenance of the Internal Controls System is an ongoing process under the ownership of the management. All significant policies and procedural manuals are in place; and the review, revision, and improvement to keep them updated to cope with latest challenges is actively pursued by the management.

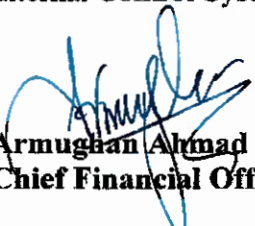
The management of PCICL, has adopted the internationally accepted COSO Integrated Framework, in accordance with the guidelines on Internal Controls from State Bank of Pakistan and has completed all stages of Internal Control over Financial Reporting (ICFR). Internal Audit conducts audit of relevant activities and processes to evaluate the effectiveness of the control environment throughout the Company.

The Company follows the SBP's instructions on Internal Controls over Financial Reporting (ICFR) and has complied with the SBP's stage wise implementation roadmap. As part of this exercise, the Company has documented a comprehensive ICFR Framework which has been approved by the Board of Directors. The Company's external auditors are engaged annually to provide a Long Form Report on ICFR. During the year, the Company conducted testing of financial reporting controls for ensuring the effectiveness of ICFR in the last quarter of 2022.

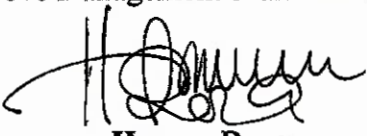
Based upon the results achieved from reviews and audits conducted during the year, management considers that the existing Internal Control System is adequate and is being effectively implemented and monitored, though room for improvement always exists.

During the year under review, PCICL endeavored to follow the guidelines issued by the SBP on internal controls, for evaluation and management of significant risks, and will continue to endeavor for further improvements in the Internal Controls System. While an Internal Controls System will be effectively implemented and monitored, however, due to inherent limitations, the Internal Controls System is designed to manage rather than eliminate the risks of failure to achieve desired objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board of Directors of PCICL is ultimately responsible for ensuring that an adequate and effective Internal Control System exists in the Company and endorses the above management evaluation.

  
**Armughan Ahmad Daud**  
**Chief Financial Officer**

23 July 2024

  
**Hassan Raza**  
**Managing Director**



**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF PAK CHINA INVESTMENT COMPANY LIMITED  
REVIEW REPORT ON THE STATEMENT OF COMPLIANCE OF CORPORATE GOVERNANCE**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations), to the extent they are not in conflict with the Joint Venture Agreement between the Government of Islamic Republic of Pakistan and the Government of Peoples Republic of China (JV agreement) and in case of conflict, the provisions of JV agreement prevail, prepared by the Board of Directors of Pak China Investment Company Limited (the Company) for the year ended December 31, 2022 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations to the extent they are not in conflict with the JV agreement and in case of conflict, the provisions of JV agreement prevail, is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations, to the extent they are not in conflict with the JV agreement and in case of conflict, the provisions of JV agreement prevail, and report if it does not and to highlight any non-compliance with the requirements of the Regulations, to the extent they are not in conflict with the JV agreement and in case of conflict, the provisions of JV agreement prevail. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations, to the extent they are not in conflict with the JV agreement and in case of conflict, the provisions of JV agreement prevail.

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 Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

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 Company's compliance, in all material respects, with the requirements contained in the Regulations, to the extent they are not in conflict with the JV agreement and in case of conflict, the provisions of JV agreement prevail, as applicable to the Company for the year ended December 31, 2022.

Chartered Accountants  
Islamabad

Date: July 23, 2024

UDIN: CR202210083cpVuSj17x

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
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## **Statement of Compliance with the Best Practices on Corporate Governance for the Year Ended December 31, 2022**

State Bank of Pakistan vide BPRD Circular no. 05 of 2021 dated November 22, 2021 prescribed the Corporate Governance Regulatory Framework (the Framework) which specifies that DFIs established under Joint Venture Agreements shall ensure compliance with all provision of the Framework, so long as any provision thereof is not in conflict with any provisions of their respective Joint Venture Agreements. The company reports compliance with the Framework alongwith the Joint Venture Agreement in the following manner:

1. The Joint Venture Agreement; under which the Company was established in 2007, requires that the Board of Directors (the Board) shall consist of six members, to be appointed equally by respective shareholders. The Board comprised of following members:

Categories	Names
Non-Executive Directors	Mr. Wang Baojun - Chairman Ms. Wang Li
Executive Directors	Mr. Jiang Ketao – Managing Director (Acting)
Female Directors	Ms. Wang li

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies.
3. The Company has prepared a Code of Conduct (“Statement of Ethics & Business Practices”) and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
4. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant polices along with their date of approval or updating is maintained by the Company.
5. The Board has a formal policy and transparent procedures for remuneration of Directors in accordance with the Companies Act, 2017 (The Act) and the Regulations.
6. The Chairman of the Board has attended the Directors’ Training program. For other Directors, training program could not be arranged and the Company intends to fulfill this requirement in future.
7. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, and complied with the relevant requirements of the Regulations.
8. Chief Financial Officer and Chief Executive Office duly endorsed the financial statements before approval of the Board.

9. Composition of the Committees was as follows:

Committee	Name of Chairman / Members	
Board Audit Committee	Nominee MoF (Vacant)	Chairman
	Ms. Wang Li	Member
	Mr. Jiang Ketao	Member
Board Human Resource & Remuneration Committee	Nominee MoF (Vacant)	Chairman
	Ms. Wang Li	Member
	Vacant Position	Member
Board Risk Management Committee	Nominee MoF (Vacant)	Chairman
	Ms. Wang Li	Member
	Managing Director (Vacant)	Member
	Mr. Jiang Ketao	Member

10. The terms of reference of the aforesaid committees have been formed, documented, and advised to the committees for compliance.

11. Meetings of the Board and its committees were not convened during the year 2022 on account of incomplete quorum of the Board.

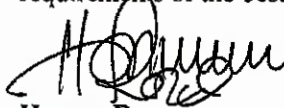
12. The Board has set up an effective Internal Audit function, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

13. Due to incomplete quorum of the board, the statutory auditors were not appointed during the year ended December 31, 2022. However, the same were appointed subsequently in 2023 for the audit of financial statements of the period to which this statement of compliance pertains.

14. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.

15. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

Except the matters highlighted at Para 6, 11 and 13 above, we confirm that all other applicable requirements of the best practices on corporate governance have been complied with.

  
Hassan Raza  
Managing Director

  
Wang Baojun  
Chairman Board of Directors

23 July 2024  
Islamabad





## INDEPENDENT AUDITOR'S REPORT

### To the members of Pak China Investment Company Limited Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of Pak China Investment Company Limited (the Company), which comprise the statement of financial position as at December 31, 2022, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, along with notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, the statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and give the information required by the Companies Act, 2017(XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2022 and of the profit and the comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

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

#### Information Other than the Financial Statements and Auditor's Reports Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be

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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 the Board of Directors for the Financial Statements**

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

*AAZL*

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### **Report on Other Legal and Regulatory Requirements**

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the profit and loss account and the statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes thereon have been drawn up in conformity with Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

#### **Other Matters**

The financial statements of the Company for the year ended December 31, 2021 were audited by another auditor, whose report dated October 30, 2023 expressed an unmodified opinion thereon.



Chartered Accountants  
Islamabad

Date: July 23, 2024

UDIN: AR202210083wyL4EA0VH

**PAK CHINA INVESTMENT COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2022**

	Note	-----Restated-----		
		2022	2021	2020
				-----Rupees-----
<b>ASSETS</b>				
Cash and balances with treasury banks	5	93,364,567	2,067,463,832	2,223,116,872
Balances with other banks	6	3,313,389,248	6,546,094,679	35,230,054
Lendings to financial institutions	7	99,825,849	-	1,149,985,152
Investments	8	73,440,579,528	12,587,332,925	15,463,517,937
Advances	9	16,198,258,207	15,841,552,779	11,550,098,344
Fixed assets	10	335,841,618	195,131,271	233,362,516
Intangible assets	11	-	217,988	494,736
Deferred tax assets	15	-	63,444,294	121,454,603
Other assets	12	733,982,851	441,250,303	453,464,171
		<b>94,215,241,868</b>	<b>37,742,488,071</b>	<b>31,230,724,385</b>
<b>LIABILITIES</b>				
Bills payable		-	-	-
Borrowings	13	72,177,830,346	14,694,377,694	12,902,913,838
Deposits and other accounts	14	1,503,420,313	4,750,000,000	512,400,000
Liabilities against assets subject to finance lease		-	-	-
Subordinated debt		-	-	-
Deferred tax liabilities	15	26,820,653	-	-
Other liabilities	16	891,129,239	251,125,549	511,476,256
		<b>74,599,200,551</b>	<b>19,695,503,243</b>	<b>13,926,790,094</b>
<b>NET ASSETS</b>		<b>19,616,041,317</b>	<b>18,046,984,828</b>	<b>17,303,934,291</b>
<b>REPRESENTED BY</b>				
Share capital	17	9,905,975,280	9,696,637,540	9,696,637,540
Advance against issue of shares	18	5,212,360	9,881,237	9,881,237
Statutory reserve		1,891,727,790	1,626,807,563	1,485,179,524
Surplus on revaluation of assets	19	244,804,836	206,109,425	170,118,599
Unappropriated profit		7,568,321,051	6,507,549,063	5,942,117,391
		<b>19,616,041,317</b>	<b>18,046,984,828</b>	<b>17,303,934,291</b>

**CONTINGENCIES AND COMMITMENTS** 20

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

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MANAGING DIRECTOR

*Signature*

CHIEF FINANCIAL OFFICER

CHAIRMAN

*Signature*

DIRECTOR

DIRECTOR



**PAK CHINA INVESTMENT COMPANY LIMITED  
PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED DECEMBER 31, 2022**

		2022	Restated 2021
	Note	----- Rupees -----	
<b>MARK-UP/ RETURN/ INTEREST EARNED</b>	21	5,579,922,080	2,683,452,483
<b>MARK-UP/ RETURN/ INTEREST EXPENSED</b>	22	<u>(3,204,085,295)</u>	<u>(1,215,192,501)</u>
Net mark-up/ interest income		2,375,836,785	1,468,259,982
<b>NON MARK-UP/INTEREST INCOME</b>			
Fee and commission income	23	107,977,636	129,124,698
Dividend income		26,731,694	27,077,266
Foreign exchange income		687,329,955	251,434,203
Income / (loss) from derivatives		-	-
(Loss) / Gain on securities - net	24	(19,832,247)	(42,649,144)
Other income	25	14,483,974	13,591,315
Total non-markup/ interest income		816,691,012	378,578,338
Total income		3,192,527,797	1,846,838,320
<b>NON MARK-UP/INTEREST EXPENSES</b>			
Operating expenses	26	604,118,987	534,215,093
Workers welfare fund		-	-
Other charges	27	-	4,692
Total non-markup / interest expenses		604,118,987	534,219,785
Profit before provisions		2,588,408,810	1,312,618,535
Provisions and write offs - net	28	469,363,026	263,192,266
Extra ordinary / unusual items		-	-
<b>PROFIT BEFORE TAXATION</b>		2,119,045,784	1,049,426,269
Taxation	29	794,444,649	341,286,075
<b>PROFIT AFTER TAXATION</b>		1,324,601,135	708,140,194
<b>Basic and diluted earnings per share</b>	30	1.36	0.73

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

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MANAGING DIRECTOR



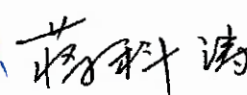
CHIEF FINANCIAL OFFICER



CHAIRMAN



DIRECTOR



DIRECTOR


**PAK CHINA INVESTMENT COMPANY LIMITED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2022**


	2022	Restated 2021
	-----Rupees-----	
Profit after taxation	1,324,601,135	708,140,194
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>		
Effect of change in tax rate on: Re-measurement loss / (profit) on defined benefit plan - net of tax	1,091,080	(1,080,483)
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>		
Net change in fair value of available-for-sale securities - net of tax	38,695,411	35,990,826
<b>TOTAL COMPREHENSIVE INCOME</b>	<u><u>1,364,387,626</u></u>	<u><u>743,050,537</u></u>

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

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MANAGING DIRECTOR

  
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CHIEF FINANCIAL OFFICER

  
\_\_\_\_\_  
CHAIRMAN

  
\_\_\_\_\_  
DIRECTOR

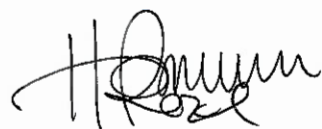
  
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DIRECTOR

PAK CHINA INVESTMENT COMPANY LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2022

	Share capital	Advance against issue of shares	Statutory reserve	Surplus on revaluation of investments	Unappropriated profit	Total
----- Rupees -----						
Balance as at January 01, 2021 as previously reported	9,696,637,540	9,881,237	1,538,966,655	83,193,433	6,153,575,746	17,482,254,611
Effect of restatement	-	-	(53,787,131)	86,925,166	(211,458,355)	(178,320,320)
Balance as at January 01, 2021 (Restated)	9,696,637,540	9,881,237	1,485,179,524	170,118,599	5,942,117,391	17,303,934,291
Profit after taxation - restated	-	-	-	-	708,140,194	708,140,194
Other comprehensive income - restated	-	-	-	35,990,826	(1,080,483)	34,910,343
Total comprehensive income	-	-	-	35,990,826	707,059,711	743,050,537
Transfer to statutory reserve - restated	-	-	141,628,039	-	(141,628,039)	-
Balance as at December 31, 2021 (Restated)	9,696,637,540	9,881,237	1,626,807,563	206,109,425	6,507,549,063	18,046,984,828
Profit after taxation	-	-	-	-	1,324,601,135	1,324,601,135
Other comprehensive income	-	-	-	38,695,411	1,091,080	39,786,491
Total comprehensive income	-	-	-	38,695,411	1,325,692,215	1,364,387,626
Transfer to statutory reserve	-	-	264,920,227	-	(264,920,227)	-
Transaction with owners recognized directly in equity						
Advance against issue of shares	-	204,668,863	-	-	-	204,668,863
Issue of Share Capital	209,337,740	(209,337,740)	-	-	-	-
	209,337,740	(4,668,877)	-	-	-	204,668,863
Balance as at December 31, 2022	9,905,975,280	5,212,360	1,891,727,790	244,804,836	7,568,321,051	19,616,041,317

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

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

  
MANAGING DIRECTOR

  
CHIEF FINANCIAL OFFICER

  
CHAIRMAN

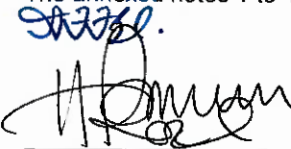
  
DIRECTOR


  
DIRECTOR

**PAK CHINA INVESTMENT COMPANY LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

		2022	Restated 2021
	Note	-----Rupees-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		2,119,045,784	1,133,166,790
Less: Dividend income		<u>(26,731,694)</u>	<u>(27,077,266)</u>
		<b>2,092,314,090</b>	<b>1,106,089,524</b>
<b>Adjustments for:</b>			
Depreciation	26	50,672,226	43,391,380
Amortization	26	217,987	276,748
Provision for gratuity		18,406,871	16,643,504
Provision against non-performing loans and advances - net	28	253,178,794	225,394,564
Provision for diminution in value of investments - net	28	216,184,232	37,797,702
Loss / (gain) on sale of fixed assets		563,485	(180,232)
Unrealized loss on held for trading securities	24.2	21,366,627	81,896,494
Interest expense on lease liability	22	4,965,255	2,417,555
Exchange gain		<u>(687,329,955)</u>	<u>(251,434,203)</u>
		<b>(121,774,478)</b>	<b>156,203,512</b>
		<b>1,970,539,612</b>	<b>1,262,293,036</b>
<b>Decrease / (Increase) in operating assets</b>			
Lendings to financial institutions		<u>(99,825,849)</u>	1,149,985,152
Advances		<u>(609,884,222)</u>	(4,541,408,462)
Other assets (excluding advance taxation)		<u>(319,850,740)</u>	<u>(7,677,853)</u>
		<b>(1,029,560,811)</b>	<b>(3,399,101,163)</b>
<b>Increase / (Decrease) in operating liabilities</b>			
Borrowings from financial institutions		<b>57,483,452,652</b>	1,791,463,856
Liabilities against assets subject to finance lease		-	-
Deposits		<u>(3,246,579,687)</u>	4,237,600,000
Other liabilities (excluding current taxation)		<u>509,015,299</u>	<u>(116,386,271)</u>
		<b>54,745,888,264</b>	<b>5,912,677,585</b>
Contribution to plan assets		<u>(21,256,990)</u>	(20,215,465)
Income tax paid		<u>(683,895,611)</u>	(277,464,160)
Net cash flow from operating activities		<b>54,981,714,464</b>	<b>3,478,189,833</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investment (made) / realized during the period - net		<u>(61,772,360,711)</u>	185,123,542
Dividend received		26,731,694	27,077,266
Capital expenditure		<u>(18,125,291)</u>	(5,160,136)
Proceeds from sale of fixed assets		867,286	180,232
Net cash flow from investing activities		<b>(61,762,887,022)</b>	<b>207,220,904</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Issue of share capital		209,337,740	-
Advance for issue of share		(4,668,877)	-
Lease payments		<u>(45,202,896)</u>	<u>(40,740,376)</u>
Net cash flow used in financing activities		<b>159,465,967</b>	<b>(40,740,376)</b>
Effects of exchange rate changes on cash and cash equivalents		<b>687,329,955</b>	<b>251,434,203</b>
<b>(Decrease) / Increase in cash and cash equivalents</b>		<b>(5,934,376,636)</b>	<b>3,896,104,564</b>
Cash and cash equivalents at beginning of the year		<b>6,154,617,111</b>	<b>2,258,346,926</b>
Cash and cash equivalents at end of the year	31	<b>220,240,475</b>	<b>6,154,451,490</b>

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

  
**MANAGING DIRECTOR**

  
**CHIEF FINANCIAL OFFICER**

  
**CHAIRMAN**

  
**DIRECTOR**

  
**DIRECTOR**

**PAK CHINA INVESTMENT COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**1 STATUS AND NATURE OF BUSINESS**

Pak China Investment Company Limited (the Company) is a public limited company incorporated in Pakistan on July 27, 2007 under the Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017 on May 30, 2017). The registered office of the Company is situated at 13th Floor, Saudi Pak Tower, Blue Area, Islamabad. The Company is a 50:50 joint venture between the 'Government of People's Republic of China' and 'Government of Islamic Republic of Pakistan' through China Development Bank and Ministry of Finance, respectively. The Company's objectives include, inter alia, investment and financing in infrastructure projects, and in industrial, manufacturing, non-manufacturing and financial sectors.

The Company commenced business after obtaining the Certificate of Commencement of Business, from the Securities and Exchange Commission of Pakistan (SECP), on November 02, 2007, and the permission to commence business from the State Bank of Pakistan (SBP), on January 10, 2008.

**2 BASIS OF PRESENTATION**

These financial statements have been presented in accordance with the format prescribed by SBP's BPRD Circular No. 2 dated January 25, 2018.

**2.1 STATEMENT OF COMPLIANCE**

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

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

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

**2.1.2** The SBP, vide BSD Circular Letter No. 11, dated September 11, 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 Non Banking Financial Institutions (NBFIs) till further instructions. Further, according to SRO 411(I)/2008 of Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, International Financial Reporting Standard 7 'Financial Instruments Disclosure' (IFRS 7), has not been made applicable for DFI's. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and disclosed in accordance with the requirements prescribed by SBP through various circulars.

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## 2.2 AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE EFFECTIVE IN THE CURRENT YEAR

There are certain new Standards and interpretations and amendments that are mandatory for the Company's accounting period beginning on or after January 1, 2022 that are considered not to be relevant or do not have any significant effect on the Company's operations and therefore, have not been detailed in these financial statements.

## 2.3 STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations as notified under the Companies Act, 2017 will be effective for the accounting periods started on or after:

IFRS 9 Financial Instruments	January 1, 2023
IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction'	January 1, 2023
IFRS 16 Leases on sale and leaseback'	January 1, 2024
IAS 1 Non current liabilities with covenants'	January 1, 2024
IAS 8 Accounting policies, changes in accounting estimates and errors' (amendments)	January 1, 2023

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

IFRS 17 Insurance Contracts	January 1, 2023
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The Company expects that the adoption of the above standards will have no material effect on the Company's financial statements, in the period of initial application.

### IFRS 9 Financial Instruments

As directed by the SBP via BPRD Circular no 3 of 2022, (IFRS) 9, 'Financial Instruments' is effective for periods beginning on or after January 1, 2023 for banks / DFIs having asset base of more than Rs. 500 billion as at December 31, 2021. The SBP via the same circular has finalized the instructions on (IFRS) 9 (Application Instructions) for ensuring smooth and consistent implementation of the standard in the banks / DFIs.

During 2022, the management of the Company has performed an impact assessment of (IFRS) 9 taking into account the SBP's (IFRS) 9 application instructions. The assessment is based on available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company at the time of finalizing the impact for initial application of (IFRS) 9. In addition, the Company will implement changes in classification of certain financial instruments.

An overview of the (IFRS) 9 requirements that are expected to have significant impact are discussed below along with the additional requirements introduced by the SBP:

### Classification and measurement

The classification and measurement of financial assets will be based on the business model within which they are held and their contractual cash flow characteristics. Financial assets that do not meet the solely payments of principal and profit (SPPI) criteria are measured at FVTPL regardless of the business model in which they are held. The Company's business model in which financial assets are held will determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVTPL').

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The business model reflects how groups of financial assets are managed to achieve a particular business objective. Financial assets can only be held at amortised cost if the instruments are held in order to collect the contractual cash flows (hold to collect), and where those contractual cash flows are solely payments of Debt instruments where the business model objectives are achieved by collecting the contractual cash flows and by selling the assets (hold to collect and sell) and that have SPPI cash flows are held at FVOCI, with unrealised gains or losses deferred in reserves until the asset is derecognized.

The classification of equity instruments is generally measured at FVTPL unless the Company, at initial recognition, irrevocably designates as FVOCI but both unrealized and realized gains or losses are recognized in reserves and no amounts other than dividends received are recognized in the profit and loss account.

All other financial assets will mandatorily be held at FVTPL. Financial assets may be designated at FVTPL only if doing so eliminates or reduces an accounting mismatch.

### **Impairment**

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

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

Based on the requirement of (IFRS 9) and the SBP's (IFRS 9) application instructions, the Company has performed an ECL assessment taking into account the key elements such as assessment of Significant Increase in Credit Risk, Probability of Default, Loss Given Default and Exposure at Default.

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

### **Presentation and disclosure**

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

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### **Impact of adoption of IFRS 9**

The Company will adopt IFRS 9 in its entirety effective January 01, 2023 with modified retrospective approach for restatement. The cumulative impact of initial application will be recorded as an adjustment to equity at the beginning of the accounting period. The actual impact of adopting IFRS 9 on the Company's financial statements in the year 2023 will be dependent on the financial instruments that the Company would hold during next year and economic conditions at that time as well as accounting elections and judgements that it will make in future.

Nevertheless, the Company has performed a preliminary assessment of the potential impact of adoption of IFRS 9 and based on this assessment, the Company does not expect any material effect on the Company's Capital Adequacy Ratio (CAR) and equity as of December 31, 2022.

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

### **3 BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention, except for certain investments which are revalued to their fair values, the defined benefit plan which is measured at present value.

#### **3.1 Critical accounting estimates and judgments**

The preparation of the financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires the management to exercise judgments in the process of applying the Company's accounting policies. The significant accounting areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in the application of the accounting policies are as follows:

- a) Classification / valuation of investments (note 8)
- b) Provision against non-performing loans and advances and debt securities classified as investments (note 9)
- c) Valuation and impairment of 'available-for-sale' equity investments (note 8)
- d) Assumption and estimation in recognition of provision for taxation (notes 15 and 29)
- e) Depreciation and amortisation of fixed assets and intangible assets (note 10 and 11)
- f) Provisions, Contingent assets and liabilities (note 20)
- g) Provision for gratuity (notes 33)

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#### **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these financial statements have been applied consistently to all years presented in these financial statements of the Company. Significant accounting policies are enumerated as follows:

##### **4.1 Functional and presentation currencies**

These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

##### **4.2 Cash and cash equivalents**

For the purpose of Cash Flow Statement, cash and cash equivalents include cash on hand, non-restricted balances with treasury banks and balances with other banks (net of overdrawn nostro balances) in current and deposit accounts.

##### **4.3 Lendings to / borrowings from financial institutions**

The Company enters into transactions of reverse repos and repos at contracted rates for a specified period of time. These are recorded as under:

###### **Sale under repurchase agreement**

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos), continue to be recognized in the statement of financial position, and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between the sale and repurchase price, is amortized as an expense over the term of the repo agreement.

###### **Purchase under resale agreement**

Securities purchased under agreement to resell (reverse repo) are included in lending to financial institutions. The differential between the purchase price and the resale price is amortized over the period of the agreement and recorded as income.

Securities held as collateral are not recognized in the financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowing from financial institutions.

###### **Other borrowings**

These are recorded at the fair value of consideration received. Mark-up on such borrowings is charged to the profit and loss account on a time proportion basis.

###### **Other lendings**

These are stated net of related provisions. Mark-up on such lendings is recognized in the profit and loss account on a time apportioned basis, except for the mark-up on impaired / delinquent lendings, which is recognized on a receipt basis.

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#### 4.4 Investments

The Company classifies its investments other than those in associates based on the criteria set out in BSD Circular Nos. 10, 11, 14 dated July 13, 2004, August 4, 2004 and September 24, 2004 respectively. Investments of the Company are classified in the following categories as per SBP guidelines:

##### **Held-To-Maturity**

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

##### **Available-For-Sale**

These are investments that do not fall under the held-for-trading and held-to-maturity categories.

##### **Held-For-Trading**

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

##### **Initial measurement**

All regular way purchases and sales of investments are recognized on the trade date .i.e., the date that the Company commits to purchase or sell the investment. Regular way purchases or sales of investment that require delivery of investments within the time frame generally established by regulation or convention in the market place.

Investments, excluding held for trading are initially recognized at fair value which includes transaction costs. Investments classified as held for trading are initially recognised at fair value and associated transaction costs are expensed in profit and loss account.

##### **Subsequent measurement**

##### **Held-To-Maturity**

These are measured at original recorded amounts less any subsequent impairment loss, if any, in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

##### **Available-For-Sale**

Quoted securities classified as available for sale investments are measured at fair value. Any surplus or deficit arising thereon is kept in a separate account shown in the statement of financial position below equity and is taken to profit and loss account when realized upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. A decline in the carrying value 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. Investment in other unquoted securities are valued at cost less impairment, if any.

Provision for diminution in the value of Term Finance Certificates and Sukuks are made as per the ageing criteria prescribed by the Prudential Regulations issued by SBP. Provision for diminution in the value of other securities are made for impairment, if any.

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## **Held-For-Trading**

Investments classified as held-for-trading are subsequently measured at fair value. Any unrealized surplus / deficit arising on revaluation is taken to the profit and loss account.

### **4.5 Advances**

Advances are stated net of specific and general provisions. Specific provision is determined on the basis of the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision.

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

Owing to the impact of Covid - 19 on economic activity, several business segments of economy were impacted by the pandemic. Therefore, certain borrowers of the Company have availed the SBP enabled deferment / restructuring and rescheduling. The borrowers who availed the SBP enabled deferment / restructuring paid the due amount as per restructuring terms. However, the full potential effect of the economic stress is difficult to predict given the uncertain economic environment. The management is also maintaining 1.5% (2021: 1.5%) general provision against performing loans and advances.

### **4.6 Operating fixed assets**

#### **Property and equipment**

These are stated at cost less accumulated depreciation and impairment, if any, except for freehold land, which is stated at cost.

Depreciation is calculated on the straight line method to write off the depreciable amount of each asset, over its estimated useful life, after taking into account residual values, if any. Depreciation on additions during the year is charged from the month of acquisition, or the date the asset is available for use, and on disposals, up to the month of disposal. The useful lives, residual values and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

The costs of day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Gains and losses on disposal items of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within "other income" in profit or loss.

#### **Capital work-in-progress**

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. It consists of expenditure incurred and advances made in respect of operating fixed assets and intangible assets in the course of their acquisition, construction and installation.

#### **Intangible assets**

Intangible assets having finite useful lives, are stated at cost less accumulated amortization and impairment, if any. These are amortized using the straight line method over their estimated useful lives. The useful lives, residual values and amortization methods are reviewed and adjusted, if appropriate, at each reporting date.

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## 4.7 Impairment

### Impairment of available for sale equities investments

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

### Impairment in non-financial assets (excluding deferred tax)

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

## 4.8 Leases

The Company 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.

The Company applies a single recognition and measurement approach for all leases, unless the lease term is 1 year or less or the lease contains a low-value asset.

### Where the Company is Lessee:

#### Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The right-of-use assets are also subject to impairment.

#### Lease liability

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period in which the event or condition that triggers the payment occurs.

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In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

#### **4.9 Taxation**

##### **Current**

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and any adjustments to any tax payable, relating to prior years.

##### **Deferred**

The Company accounts for deferred taxation using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization, or settlement, of the carrying amount of assets and liabilities. Deferred tax assets and liabilities, are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax assets and any unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilized.

Deferred tax on surplus / (deficit) on revaluation of investments is charged / (credited) to the same account.

#### **4.10 Provisions**

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events which makes it probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provision for guarantee claims and other off balance sheet obligations is recognized when intimated and reasonable certainty exists to settle the obligations. Expected recoveries are recognized by debiting customer accounts. Charge to profit and loss account is stated net off expected recoveries.

#### **4.11 Revenue recognition**

##### **Advances and investments**

Mark-up / return / interest income from loans, term finance certificates, bank deposits, government securities and reverse-repo transactions, is recognized on time proportion method, except where recovery is considered doubtful, in which case the income is recognized on a receipts basis.

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Gain / (loss) on sale of securities, is recognized in the profit and loss account at the time of sale of relevant securities.

#### **Dividend income**

Dividend income is recognized when the right to receive the dividend is established.

#### **Fee, brokerage and commission income**

Fee, Commission and Brokerage income is recognized on an accrual basis to the extent it is highly likely that significant reversal will not occur upon conclusion of related uncertainty.

#### **Rental income**

Rental income is recognized over the period of the rent agreement.

### **4.12 Staff retirement benefits**

#### **Defined benefit plan**

The Company operates an approved funded gratuity scheme for all its regular employees.

The amounts of post-employment benefits are usually dependent on one or more factors such as age, years of service and salary.

The liability recognized in respect of the gratuity scheme is the present value of the defined benefit obligation under the scheme at the balance sheet date.

The gratuity obligations are calculated annually by independent actuaries using the Projected Unit Credit Method. The most recent valuation in this regard was carried out as at December 31, 2022. The present value of the obligation is determined by discounting the estimated future cash outflows, using interest rates of high quality government securities that have terms to maturity approximating the terms of the related obligation.

Re-measurements, comprising of actuarial gains and losses, the return on plan assets excluding amounts included in net interest on the net defined benefit obligation and any changes in the effect of the asset ceiling are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings, through OCI, in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Company recognizes restructuring-related costs.

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The Company recognizes the following changes in the defined benefit obligation under 'administrative expenses' in the profit and loss account:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- interest expense

#### **Defined contribution plan**

The Company also operates a recognized provident fund scheme for all its regular employees. Equal monthly contributions are made, both by the Company and by the employees, at the rate of 10% of the basic salary of the employee. Contributions made by the Company are charged to the profit and loss account.

#### **4.13 Foreign currency transactions**

Foreign currency transactions are recorded at the rates prevailing on the date of the transactions. Monetary assets and liabilities in foreign currencies are reported in Rupees, at the rates of exchange prevailing on the reporting date. Exchange gains and losses are included in income currently.

#### **4.14 Offsetting of financial assets and financial liabilities**

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

#### **4.15 Earnings per share**

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

#### **4.16 Dividend and appropriations to reserves**

Dividend declared and appropriations, except for transfers to the statutory reserve, made subsequent to the balance sheet date, are recognized as a liability and recorded as changes in reserves, respectively, in the period in which these are approved by the directors / shareholders, as appropriate.

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#### 4.17 Segment information

A segment is a distinguishable component of the Company 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 Banking & SME

Corporate Banking & SME includes services provided in connection with funded & non-funded facilities.

b) Investment Banking

Investment Banking includes services provided in connection with mergers & acquisitions,

c) Treasury

Treasury includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.

d) Head Office

Head Office includes functions which cannot be classified in any of the above segments.

##### Geographical Segments

All the Company's business segments operate only in Pakistan.

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		2022	2021
	Note	-----Rupees-----	
<b>5 CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		5,404	13,885
<b>With State Bank of Pakistan in</b>			
Local currency current account	5.1	86,954,943	67,181,336
<b>With National Bank of Pakistan in</b>			
Local currency current account		6,154,598	72,886
Local currency deposit account	5.2	-	2,000,000,000
Foreign currency current account		249,622	195,725
		<u>93,364,567</u>	<u>2,067,463,832</u>

5.1 This mainly represents the minimum cash reserve required to be maintained with SBP, in accordance with the requirements of DMM Circular No. 21 dated 5 October 2012.

5.2 This represents two local currency term deposits matured on January 24, 2022.

		2022	2021
	Note	-----Rupees-----	
<b>6 BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan</b>			
In deposit account - Local currency	6.1	126,440,519	4,086,334,535
In current account - Local currency		440	304,449
In deposit account - Foreign currency	6.2	3,186,513,340	2,459,107,021
In current account - Foreign currency		434,949	348,674
		<u>3,313,389,248</u>	<u>6,546,094,679</u>

6.1 This represents local currency deposit accounts carry markup rates ranging from 7.00% to 14.50% (2021: 4.00% to 12.50%) per annum.

6.2 This mainly represents a foreign currency term deposit of USD 14,084,000 (2021: 13,861,000) carrying mark-up rate of 9.50% (2021: 3.75%) per annum and will mature on June 22, 2023.

		2022	2021
	Note	-----Rupees-----	
<b>7 LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Repurchase agreement lending (reverse repo)	7.1	<u>99,825,849</u>	-

7.1 This is secured against underlying Government securities and carries mark-up at a rate of 16.00%. (2021: nil) per annum and will mature on January 03, 2023. (2021: nil)

		2022	2021
		-----Rupees-----	
<b>7.2 Particulars of lending</b>			
In local currency		<u>99,825,849</u>	-

	2022			2021		
	-----Rupees-----			-----Rupees-----		
	Held by Company	Further given as collateral	Total	Held by Company	Further given as collateral	Total
<b>7.3 Security held as collateral against lendings to financial institutions</b>						
Market Treasury Bills	99,913,348	-	99,913,348	-	-	-

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8 INVESTMENTS

8.1 Investments by type

Note	2022				2021(Restated)			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	-----Rupees-----				-----Rupees-----			
<b>Held-for-trading securities</b>								
Shares	249,107,207	-	(81,569,453)	167,537,754	255,530,666	-	(62,137,729)	193,392,937
<b>Available-for-sale securities</b>								
Federal Government Securities								
Shares	63,587,717,693	-	(2,547,864)	63,585,169,829	4,496,780,170	-	(1,006,170)	4,495,774,000
Preference shares	1,470,200,522	(798,270,694)	202,721,519	874,651,347	1,470,200,522	(571,052,077)	170,600,100	1,069,748,545
Non Government Debt Securities	315,000,000	-	77,490,000	392,490,000	315,000,000	-	36,225,000	351,225,000
	8,697,481,837	(328,758,918)	52,007,679	8,420,730,598	6,261,908,305	(339,793,303)	77,843,713	5,999,958,715
<b>Held to maturity securities</b>								
Non Government Debt Securities	74,070,400,052	(1,127,029,612)	329,671,334	73,273,041,774	12,543,888,997	(910,845,380)	283,662,643	11,916,706,260
	-	-	-	-	477,233,728	-	-	477,233,728
<b>Total Investments</b>	<u>74,319,507,259</u>	<u>(1,127,029,612)</u>	<u>248,101,881</u>	<u>73,440,579,528</u>	<u>13,276,653,391</u>	<u>(910,845,380)</u>	<u>221,524,914</u>	<u>12,587,332,925</u>

8.2 Investments by segments

	2022				2021(Restated)			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	-----Rupees-----				-----Rupees-----			
<b>Federal Government Securities</b>								
Market Treasury Bills	63,587,717,693	-	(2,547,864)	63,585,169,829	4,496,780,170	-	(1,006,170)	4,495,774,000
<b>Shares</b>								
Listed Companies	1,398,508,281	(258,075,465)	(56,957,154)	1,083,475,662	1,404,931,740	(335,130,055)	(44,625,132)	1,025,176,553
Unlisted Companies	320,799,448	-	178,109,220	498,908,668	320,799,448	-	153,087,503	473,886,951
<b>Non Government Debt Securities</b>								
Listed	5,474,877,917	-	11,357,861	5,486,235,778	2,931,740,000	-	13,805,100	2,945,545,100
Unlisted	3,222,603,920	(328,758,918)	40,649,818	2,934,494,820	3,330,168,305	(339,793,303)	64,038,613	3,054,413,615
	8,697,481,837	(328,758,918)	52,007,679	8,420,730,598	6,261,908,305	(339,793,303)	77,843,713	5,999,958,715
<b>Preference shares</b>								
Listed Companies	315,000,000	-	77,490,000	392,490,000	315,000,000	-	36,225,000	351,225,000

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**8.2.1 Investments given as collateral**

Note

2022

2021

----- Rupees -----

Market Treasury Bills

54,890,201,468

965,817,625

Restated

2022

2021

----- Rupees -----

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

**8.3.1 Opening balance**

910,845,380

897,607,141

Charge during the year

227,218,617

42,878,998

Reversal during the year

(11,034,385)

(5,081,296)

Transfer to specific provision against advances

-

(24,559,463)

Closing Balance

1,127,029,612

910,845,380

**8.3.2 Particulars of provision against debt securities**

2022

2021

----- Rupees -----

**Category of classification**

NPI

Provision

NPI

Provision

**Domestic**

Other assets especially mentioned

-

-

-

-

Substandard

-

-

-

-

Doubtful

-

-

-

-

Loss\*

437,513,920

328,758,918

448,548,303

339,793,303

**Total**

437,513,920

328,758,918

448,548,303

339,793,303

\* Investments classified as "loss" includes zero-rated Term Finance Certificates (TFCs), amounting to Rs. 108.76 million, received pursuant to a court settlement, against overdue mark-up on a classified Non Government Debt Security. Under Prudential Regulations, issued by State Bank of Pakistan, the markup remains suspended/ deferred (refer to note 16.1).

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	2022	Restated 2021
	-----Rupees-----	
<b>8.4 Quality of Available for Sale Securities (At cost)</b>		
Details regarding Available for sales securities are as follows:		
<b>Federal Government Securities - Government guaranteed</b>		
- Market Treasury Bills	<u>63,587,717,693</u>	<u>4,496,780,170</u>
<b>Shares</b>		
- Fertilizer (Listed Company)	27,333,834	27,333,834
- Investment (Listed Company)	1,122,067,240	1,122,067,240
- Central Depository Company (Unlisted Company)	130,319,973	130,319,973
- Glassware (Unlisted Company)	190,479,475	190,479,475
	<u>1,470,200,522</u>	<u>1,470,200,522</u>
<b>Preference Shares</b>		
- Chemical (Listed Company)	<u>315,000,000</u>	<u>315,000,000</u>
<b>Non Government Debt Securities</b>		
Categorized based on long term rating by Credit Rating Agency		
<b>Listed</b>		
- AA+, AA, AA-	5,063,712,917	2,470,575,000
- A+, A, A-	411,165,000	461,165,000
	<u>5,474,877,917</u>	<u>2,931,740,000</u>
<b>Unlisted</b>		
- AAA	1,466,700,000	562,500,000
- AA+, AA, AA-	699,640,000	1,799,120,000
- A+, A, A-	393,750,000	520,000,000
- BB-	225,000,000	-
- CCC and below	-	-
- Unrated	437,513,920	448,548,305
	<u>3,222,603,920</u>	<u>3,330,168,305</u>
<b>8.5 Particulars relating to Held to Maturity securities are as follows</b>		
Categorized based on long term rating by Credit Rating Agency		
<b>Listed</b>		
- AA+, AA, AA-	-	477,233,728

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9 **ADVANCES**

	Performing		Non performing		Total	
	2022	2021	2022	2021	2022	2021
	----- Rupees -----					
Loans, cash credits, running finances, etc.	13,719,836,397	12,634,699,029	1,266,189,682	1,359,523,014	14,986,026,079	13,994,222,043
Islamic Financing and related assets	2,257,060,085	2,629,433,359	262,946,667	272,493,207	2,520,006,752	2,901,926,566
Advances - gross	<u>15,976,896,482</u>	<u>15,264,132,388</u>	<u>1,529,136,349</u>	<u>1,632,016,221</u>	<u>17,506,032,831</u>	<u>16,896,148,609</u>
Provision against advances						
- Specific	-	-	1,084,409,796	846,230,182	1,084,409,796	846,230,182
- General	223,364,828	208,365,648	-	-	223,364,828	208,365,648
Advances - net of provision	<u>15,753,531,654</u>	<u>15,055,766,740</u>	<u>444,726,553</u>	<u>785,786,039</u>	<u>16,198,258,207</u>	<u>15,841,552,779</u>

9.1 **Particulars of advances (Gross)**

In local currency

	2022	2021
	----- Rupees -----	
	<u>17,506,032,831</u>	<u>16,896,148,609</u>

9.2 Advances include Rs.1,529 million (2021: Rs.1,632 million) which have been placed under non-performing status as detailed below:

Category of Classification	2022		2021	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	----- Rupees -----			
Domestic				
Other Assets Especially Mentioned	262,946,667	-	272,493,207	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	1,266,189,682	1,084,409,796	1,359,523,014	846,230,182
	<u>1,529,136,349</u>	<u>1,084,409,796</u>	<u>1,632,016,221</u>	<u>846,230,182</u>

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	2022			2021		
	Specific	General (Note 9.2.2)	Total	Specific	General	Total
<b>9.2.1 Particulars of provision against advances</b>	----- Rupees -----					
Opening balance	846,230,182	208,365,648	1,054,595,830	668,201,172	136,440,631	804,641,803
Charge for the year	331,512,946	14,999,180	346,512,126	213,469,547	71,925,017	285,394,564
Reversals	(93,333,332)	-	(93,333,332)	(60,000,000)	-	(60,000,000)
	238,179,614	14,999,180	253,178,794	153,469,547	71,925,017	225,394,564
Transfer from provision for diminution in value of investments	-	-	-	24,559,463	-	24,559,463
Closing balance	<u>1,084,409,796</u>	<u>223,364,828</u>	<u>1,307,774,624</u>	<u>846,230,182</u>	<u>208,365,648</u>	<u>1,054,595,830</u>

9.2.2 General provision is being maintained at the rate of 1.5% (2021: 1.5%) of the performing portfolio of advances other than staff loans and Government of Pakistan guaranteed loan.

**9.2.3 Particulars of provision against advances**

	2022			2021		
	Specific	General	Total	Specific	General	Total
	----- Rupees -----					
In local currency	1,084,409,796	223,364,828	1,307,774,624	846,230,182	208,365,648	1,054,595,830
	<u>1,084,409,796</u>	<u>223,364,828</u>	<u>1,307,774,624</u>	<u>846,230,182</u>	<u>208,365,648</u>	<u>1,054,595,830</u>

**9.2.4 Details and impact of Forced Sale Value (FSV) benefit**

The net availed FSV benefit reduced during the year by Rs. 331.5 million (2021: increased by Rs. 251.3 million), which has resulted in increased charge for the period by the same amount. Had the availed FSV benefit not reduced, before and after tax profit would have been higher by Rs. 331.5 million (2021: lower by Rs. 251.3 million) and Rs. 222.1 million (2021: lower by Rs. 178.5 million), respectively. Accumulated availed FSV benefit as of December 31, 2022 was Rs. 181.8 million (December 31, 2021: Rs. 513.3 million). Unappropriated profit to that extent is not available for distribution by way of cash or stock dividend.

**9.3 Details of written off advances of Rs. 500,000 and above**

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of any written off advances or financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2022 is given at Annexure I.

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	Note	2022	2021
		-----Rupees-----	
<b>10 FIXED ASSETS</b>			
Capital work-in-progress	10.1	6,053,650	8,590,000
Property and equipment	10.2	329,787,968	186,541,271
		<u>335,841,618</u>	<u>195,131,271</u>
<b>10.1 Capital work-in-progress</b>			
Advances to suppliers		6,053,650	8,590,000

	2022								
	Freehold land (Note 10.2.1)	Building on Freehold land	Furniture and fixture	Electrical Fittings	Computer and Office equipment	Vehicles	Leased Building (Right of use assets)	Lease Hold Improvement	Total
	-----Rupees-----								
<b>At January 01, 2022</b>									
Cost	136,000,000	39,951,307	16,089,185	1,428,575	44,267,988	55,769,036	114,115,953	9,883,890	417,505,934
Accumulated depreciation	-	(22,596,516)	(14,508,033)	(1,428,575)	(40,326,375)	(47,386,419)	(94,834,855)	(9,883,890)	(230,964,663)
Net book value	<u>136,000,000</u>	<u>17,354,791</u>	<u>1,581,152</u>	<u>-</u>	<u>3,941,613</u>	<u>8,382,617</u>	<u>19,281,098</u>	<u>-</u>	<u>186,541,271</u>
Opening net book value as at January 01, 2022	136,000,000	17,354,791	1,581,152	-	3,941,613	8,382,617	19,281,098	-	186,541,271
Additions- Cost	-	-	492,123	-	20,169,518	-	174,688,050	-	195,349,691
Disposals- Cost	-	(3,200,000)	-	(686,800)	(2,306,301)	-	-	-	(6,193,101)
Depreciation charge	-	(1,502,049)	(691,214)	-	(6,606,107)	(5,399,334)	(36,473,522)	-	(50,672,226)
Accumulated depreciation on disposals	-	1,841,924	-	686,800	2,233,609	-	-	-	4,762,333
Closing net book value as at December 31, 2022	<u>136,000,000</u>	<u>14,494,666</u>	<u>1,382,061</u>	<u>-</u>	<u>17,432,332</u>	<u>2,983,283</u>	<u>157,495,626</u>	<u>-</u>	<u>329,787,968</u>
<b>At December 31, 2022</b>									
Cost	136,000,000	36,751,307	16,581,308	741,775	62,131,205	55,769,036	288,804,003	9,883,890	606,662,524
Accumulated depreciation	-	(22,256,641)	(15,199,247)	(741,775)	(44,698,873)	(52,785,753)	(131,308,377)	(9,883,890)	(276,874,556)
Net book value	<u>136,000,000</u>	<u>14,494,666</u>	<u>1,382,061</u>	<u>-</u>	<u>17,432,332</u>	<u>2,983,283</u>	<u>157,495,626</u>	<u>-</u>	<u>329,787,968</u>
Rate of depreciation (percentage)	-	4%	20%	20%	33%	20%	33%	20%	

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	2021								Total
	Free hold land	Building on Free hold land	Furniture and fixture	Electrical Fittings	Computer and Office equipment	Vehicles	Leased Building (Right of use assets)	Leasehold Improvements	
-----Rupees-----									
<b>At January 01, 2021</b>									
Cost	136,000,000	39,951,307	15,944,185	1,428,575	44,304,384	55,769,036	114,115,953	9,883,890	417,397,330
Accumulated depreciation	-	(20,998,464)	(13,917,935)	(1,428,575)	(38,356,054)	(41,759,834)	(62,529,063)	(9,883,890)	(188,873,815)
Net book value	<u>136,000,000</u>	<u>18,952,843</u>	<u>2,026,250</u>	<u>-</u>	<u>5,948,330</u>	<u>14,009,202</u>	<u>51,586,890</u>	<u>-</u>	<u>228,523,515</u>
Opening net book value as at 01 January 2021	136,000,000	18,952,843	2,026,250	-	5,948,330	14,009,202	51,586,890	-	228,523,515
Additions- Cost	-	-	145,000	-	1,264,136	-	-	-	1,409,136
Disposals- Cost	-	-	-	-	(1,802,472)	-	-	-	(1,802,472)
Other adjustments	-	-	-	-	501,940	-	-	-	501,940
Depreciation charge	-	(1,598,052)	(590,098)	-	(3,270,853)	(5,626,585)	(32,305,792)	-	(43,391,380)
Accumulated depreciation on disposals	-	-	-	-	1,802,472	-	-	-	1,802,472
Other adjustments	-	-	-	-	(501,940)	-	-	-	(501,940)
Closing net book value as at December 31, 2021	<u>136,000,000</u>	<u>17,354,791</u>	<u>1,581,152</u>	<u>-</u>	<u>3,941,613</u>	<u>8,382,617</u>	<u>19,281,098</u>	<u>-</u>	<u>186,541,271</u>
<b>At December 31, 2021</b>									
Cost	136,000,000	39,951,307	16,089,185	1,428,575	44,267,988	55,769,036	114,115,953	9,883,890	417,505,934
Accumulated depreciation	-	(22,596,516)	(14,508,033)	(1,428,575)	(40,326,375)	(47,386,419)	(94,834,855)	(9,883,890)	(230,964,663)
Net book value	<u>136,000,000</u>	<u>17,354,791</u>	<u>1,581,152</u>	<u>-</u>	<u>3,941,613</u>	<u>8,382,617</u>	<u>19,281,098</u>	<u>-</u>	<u>186,541,271</u>
Rate of depreciation (percentage)	-	4%	20%	20%	33%	20%	33%	20%	

10.2.1 The Company's freehold land and building is situated in Karachi, Pakistan and the related rental income is included in note 25 of these financial statements.

10.2.2 Costs of fully depreciated property & equipment still in use are:

	2022	2021
	-----Rupees-----	
Leasehold improvements	9,883,890	9,883,890
Electrical fittings	741,775	1,428,575
Furniture and fixtures	12,962,838	12,962,838
Computers and office equipment	37,665,880	34,785,262
Vehicles	30,363,109	27,636,109
	<u>91,617,492</u>	<u>86,696,674</u>

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	Note	Computer Software Rupees
<b>11 INTANGIBLE ASSETS</b>		
<b>At January 01, 2022</b>		
Cost		5,948,867
Accumulated amortization		(5,730,879)
Net book value		<u>217,988</u>
Opening net book value 01 January 2022		217,988
Additions- Cost		-
Disposals- Cost		-
Amortization charge	26	(217,988)
Closing net book value		<u>-</u>
<b>At December 31, 2022</b>		
Cost		5,948,867
Accumulated amortization		(5,948,867)
Net book value		<u>-</u>
Rate of amortization (percentage)		<u>33%</u>
Useful life (Years)		<u>3</u>
<b>At January 01, 2021</b>		
Cost		6,450,807
Accumulated amortization		(5,956,071)
Net book value		<u>494,736</u>
Opening net book value January 01, 2021		494,736
Additions- Cost		-
Disposals- Cost		-
Other adjustments		(501,940)
Amortization charge	26	(276,748)
Other adjustments		501,940
Closing net book value		<u>217,988</u>
<b>At December 31, 2021</b>		
Cost		5,948,867
Accumulated amortization		(5,730,879)
Net book value		<u>217,988</u>
Rate of amortization (percentage)		<u>33%</u>
Useful life (Years)		<u>3</u>

11.1 Cost of fully amortized intangible assets still in use amounts to Rs. 5.9 million (2021:Rs. 5.2 million).

	2022	2021
	-----Rupees-----	
<b>12 OTHER ASSETS</b>		
Income / mark-up accrued in local currency	442,586,871	298,351,450
Income / mark-up accrued in foreign currency	160,608,703	2,049,118
Advances, deposits, advance rent and other prepayments	12,442,563	9,006,107
Receivable against fee, commission and advisory services	48,199,149	32,080,498
Advance taxation (payments less provisions)	64,667,672	91,785,864
Receivable from provident fund	5,345,606	7,973,522
Others	132,287	3,744
	<u>733,982,851</u>	<u>441,250,303</u>

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	Note	2022	2021
		-----Rupees-----	
<b>13 BORROWINGS</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan			
Renewable Energy Power Projects (REPP)	13.1	42,947,931	59,053,401
Long Term Finance Facility (LTFF)	13.2	2,153,087,527	806,527,000
Temporary Economic Relief Facility (TERF)	13.3	1,294,924,187	915,722,556
Repurchase agreement borrowings	13.4	342,849,573	965,532,750
Borrowing from financial institutions	13.5	54,229,359,000	-
Other borrowings	13.6	8,274,229,167	7,455,500,000
<b>Total secured</b>		<b>66,337,397,385</b>	<b>10,202,335,707</b>
<b>Unsecured</b>			
Borrowing from financial institutions	13.7	5,840,432,961	4,492,041,987
<b>Total unsecured</b>		<b>5,840,432,961</b>	<b>4,492,041,987</b>
		<b>72,177,830,346</b>	<b>14,694,377,694</b>

- 13.1** This represents SBP Refinance Facility under Finance Scheme for Renewable Energy Power Projects (REPP) to develop and encourage the private sector participation in small renewable energy power projects. The loan availed under the scheme is payable in maximum of 10 years, with an inclusive grace period of maximum of 2 years at a concessional SBP service rate of 2.00% per annum (2021: 2.00%)
- 13.2** This represents an SBP Long Term Finance Facility (LTFF) for imported and locally manufactured plant and machinery. The loan availed under this scheme is payable over maximum of 10 years with an inclusive grace period of maximum of 2 years at a concessional SBP mark-up rate of 2.00% to 4.50% (2021: 2.00%) per annum.
- 13.3** This represents an SBP Refinance Facility under Temporary Economic Refinance Facility (TERF) for imported and local manufactured plant & machinery, during COVID-19 pandemic. The loan availed under this scheme is payable in a maximum of 10 years with an inclusive grace period of maximum of 2 years, at a concessional SBP mark-up rate of 1.00% per annum (2021: 1.00%)
- 13.4** This is secured against pledge of Government securities having maturity upto 4 days ( 2021: 4 days) and will mature on January 03, 2023. This carry mark-up at the rate of 16.60% (2021: 10.70%) per annum.
- 13.5** This represents borrowings from schedule banks secured against treasury bills carrying a mark-up rate of 15.80% to 16.10% (2021: nil) per annum, having maturity of 57 to 80 days (2021: nil) with maturity between February 27, 2023 to March 09, 2023.
- 13.6** This represents secured long term & short term finance facilities from commercial banks. The principal term & conditions of each facility are given below.
- 13.6.1** The long term loan facility of Rs. 2 billion having outstanding balance of Rs. 1,357.6 million from a commercial bank, payable in a maximum of 4 years with an inclusive grace period of maximum of 2 years. Mark-up is payable on quarterly basis at the rate of 3MK + 0.20% per annum. The bank has first pari passu charge over all present and future loans, advances (including leases), investments and book debts / receivables of the Company for Rs. 2,667 million inclusive of 25% margin. The available limit is Rs 448.5 million.
- 13.6.2** The long term loan facility of Rs. 2 billion from a commercial bank is payable in a maximum of 4 years, with an inclusive grace period of maximum of 2 years. The mark-up is payable on quarterly basis at the rate of 3MK + 0.15% per annum. The bank has first pari passu charge over all present and future loans, advances (including leases), investments and book debts / receivables of the Company, for Rs. 2,667 million inclusive of 25% margin.
- 13.6.3** The long term loan facility, with an outstanding principal balance amounting to Rs. 1,666.7 billion is obtained from a commercial bank and is payable in a maximum of 5 years, including grace of period of 2 years. Mark-up is payable on quarterly basis at the rate of 3MK + 0.20% per annum. The bank has first pari passu charge over all present and future loans, advances (including leases), investments and book debts / receivables of the Company, amounting to Rs. 2,667 million inclusive of 25% margin.
- 13.6.4** A drawdown of Rs.2,250 million was made from term loan facility of Rs. 5 billion provided by commercial bank. The loan is payable in maximum of 5 years, with an inclusive grace period of 1 year. The mark-up is payable on quarterly basis at the rate of 3MK + 0.15% per annum. The bank hold first pari passu charge over all present and future assets of the company (excluding land & building) for Rs. 6,667 million, inclusive of 25% margin.
- 13.6.5** The running finance facility amounting to Rs. 1 billion from a commercial bank is payable in a maximum of 1 year on roll over basis. The mark-up payable is on quarterly basis at the rate of 3MK + 0.12% p.a. The bank has first pari passu charge over all present and future loans, advances (including leases), investments and book debts / receivables of the Company amounting to Rs. 1,333 million, per annum inclusive of 25% margin.
- 13.7** This represent un-secured borrowings from financial institutions, carrying mark-up rate of 13.09% to 15.64% (2021: 11.15% to 11.32%) per annum having maturity up to 7 to 364 days (2021: 356 to 364 days).

		2022	2021
		-----Rupees-----	
<b>13.8 Particulars of borrowings with respect to Currencies</b>			
In local currency		<b>72,177,830,346</b>	<b>14,694,377,694</b>

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14 DEPOSITS AND OTHER ACCOUNTS

	2022			2021		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
-----Rupees-----						
<b>Customers</b>						
Current deposits	-	-	-	-	-	-
Savings deposits	-	-	-	-	-	-
Term deposits	1,503,420,313	-	1,503,420,313	4,750,000,000	-	4,750,000,000
Others	-	-	-	-	-	-
	1,503,420,313	-	1,503,420,313	4,750,000,000	-	4,750,000,000
<b>Financial Institutions</b>						
Current deposits	-	-	-	-	-	-
Savings deposits	-	-	-	-	-	-
Term deposits	-	-	-	-	-	-
Others	-	-	-	-	-	-
	1,503,420,313	-	1,503,420,313	4,750,000,000	-	4,750,000,000

14.1 Composition of deposit	2022	2021
	-----Rupees-----	
Private sector entities	1,503,420,313	4,750,000,000

	2022			
	January 01, 2022 (Restated)	Recognised in profit and loss account	Recognised in OCI	December 31, 2022
-----Rupees-----				

15 DEFERRED TAX LIABILITIES / ASSETS

**Deductible Temporary Differences on**

- Post retirement employee benefits	3,791,901	(1,098,624)	479,179	3,172,456
- Provision for diminution in the value of available-for-sale investments	212,919,431	38,352,712	-	251,272,143
- Provision against advances, off balance sheet etc.	218,779,095	144,525,429	-	363,304,524
- Liabilities against assets subject to lease	-	44,368,635	-	44,368,635
- Revaluation of investments - HFT	7,767,216	2,428,966	-	10,196,182
- Capital Loss on Shares	-	50,065	-	50,065
	443,257,643	228,627,183	479,179	672,364,005

**Taxable Temporary Differences on**

- Accelerated tax depreciation	(1,419,456)	(44,506,550)	-	(45,926,006)
- Revaluation of investments - AFS	(77,553,218)	-	(7,313,280)	(84,866,498)
- Accrued Interest on T- Bills	(670,226)	670,226	-	-
- Unrealized exchange gain	(300,170,449)	(268,221,705)	-	(568,392,154)
	(379,813,349)	(312,058,029)	(7,313,280)	(699,184,658)
	63,444,294	(83,430,846)	(6,834,101)	(26,820,653)

2021 (Restated)

	January 01, 2021	Recognised in profit and loss account	Recognised in OCI	December 31, 2021
	-----Rupees-----			

**Deductible Temporary Differences on**

- Post retirement employee benefits	4,386,446	(1,035,869)	441,324	3,791,901
- Provision for diminution in the value of available-for-sale investments	271,375,845	(58,456,414)	-	212,919,431
- Provision against advances, off balance sheet etc.	143,392,427	75,386,668	-	218,779,095
- Liabilities against assets subject to lease	11,113,618	(11,113,618)	-	-
- Revaluation of investments - HFT	(7,382,815)	15,150,031	-	7,767,216
	422,885,521	19,930,798	441,324	443,257,643

**Taxable Temporary Differences on**

- Accelerated tax depreciation	(11,144,608)	9,725,152	-	(1,419,456)
- Revaluation of investments - AFS	(63,031,780)	-	(14,521,438)	(77,553,218)
- Accrued Interest on T- Bills	-	(670,226)	-	(670,226)
- Unrealized exchange gain	(227,254,530)	(72,915,919)	-	(300,170,449)
	(301,430,918)	(63,860,993)	(14,521,438)	(379,813,349)
	121,454,603	(43,930,195)	(14,080,114)	63,444,294

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16 OTHER LIABILITIES	Note	2022	2021
		-----Rupees-----	
Mark-up / return / interest payable in local currency		564,788,454	57,286,585
Suspended markup	16.1	108,755,000	108,755,000
Accrued expenses		59,967,347	54,967,110
Unearned markup fee & commission		2,816,015	3,527,268
Withholding tax / sales tax payable		2,998,588	8,560,388
Payable to defined benefit plan		9,613,504	13,075,522
Lease liability against right-of-use assets	16.2	134,450,409	-
Payable to Employees Old Age Benefit Institution		66,000	-
Others		7,673,922	4,953,676
		<u>891,129,239</u>	<u>251,125,549</u>

16.1 This represents suspended / deferred mark-up, in the form of zero-rated TFCs, on classified non government debt security.

16.2 Lease liability against right-of-use assets

	2022			2021		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	-----Rupees-----					
Not later than one year	49,251,612	17,182,243	32,069,369	-	-	-
Later than one year and up to five years	128,911,620	26,530,580	102,381,040	-	-	-
	<u>178,163,232</u>	<u>43,712,823</u>	<u>134,450,409</u>	-	-	-

17 SHARE CAPITAL

17.1 Authorized Capital

2022	2021		2022	2021
Number of shares			-----Rupees-----	
<u>1,214,000,000</u>	<u>1,214,000,000</u>	Ordinary shares of Rs. 10 each	<u>12,140,000,000</u>	<u>12,140,000,000</u>

17.2 Issued, subscribed and paid up capital

2022	2021		2022	2021
Number of shares			-----Rupees-----	
<u>990,597,528</u>	<u>969,663,754</u>	Ordinary shares of Rs. 10 each, issued for cash	<u>9,905,975,280</u>	<u>9,696,637,540</u>

17.3 The Ministry of Finance (MOF), Government of Islamic Republic of Pakistan, and the China Development Bank (CDB) on behalf of the Government of People's Republic of China, each hold 495,298,764 (2021: 484,831,877) ordinary shares of the Company, respectively.

18 ADVANCE AGAINST ISSUE OF SHARES

This represents the balance amount after further issue of shares to both the sponsors in the ratio of 50:50. The Company has adjusted the advance received from Ministry of Finance as approved by the BOD in the meeting held on September 27, 2019.

19 SURPLUS ON REVALUATION OF ASSETS	Note	2022	Restated 2021
		-----Rupees-----	
Surplus on revaluation of			
- Available for sale securities	8.1	329,671,334	283,662,643
Deferred tax on surplus on revaluation of:			
- Available for sale securities	15	(84,866,498)	(77,553,218)
		<u>244,804,836</u>	<u>206,109,425</u>

20 CONTINGENCIES AND COMMITMENTS

Guarantees	20.1	3,572,561,685	2,853,258,592
Commitments	20.2	8,402,083,225	2,617,343,126
Other contingent liability	20.3	168,100,000	168,100,000
		<u>12,142,744,910</u>	<u>5,638,701,718</u>

20.1 Guarantees

Financial guarantees		<u>3,572,561,685</u>	<u>2,853,258,592</u>
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		2022	2021
		-----Rupees-----	
<b>20.2</b>	<b>Commitments</b>		
	Documentary credits and short term trade related transactions		
	Letters of credit	253,997,522	182,924,810
	Commitments in respect of:		
	Forward government securities transactions - Purchase	6,177,119,768	965,817,625
	Forward government securities transactions - Sale	99,913,348	-
	Commitments to extend credits	20.2.1 1,869,586,337	1,457,179,274
	Commitment for acquisition of fixed assets	1,466,250	11,421,417
		<u>8,402,083,225</u>	<u>2,617,343,126</u>

**20.2.1 Commitments to extend credits**

The Company makes commitments to extend credit in the normal course of its business, but these being revocable commitments, normally do not attract any significant penalty or expense if the facility is unilaterally withdrawn. As at reporting date, however, the Company's outstanding irrevocable commitments amounts to Rs. 1,869.6 million (2021: Rs. 1,457.2 million).

**20.3 Other contingent liability**

**20.3.1** An ex-employee of the company has lodged a claim of Rs.168.1 million against the Company in 2009. The case has been decided in favor of the Company and the complainant has filed an appeal before the High Court against decision of the Civil Judge in 2019. Based on internal assessment and legal advice, management is confident that the case will be decided in the favor of the Company and possibility of any adverse

**20.3.2** For tax related contingencies, please refer note 29.2 of these financial statements.

		2022	2021
		----- Rupees -----	
<b>21</b>	<b>MARK-UP / RETURN / INTEREST EARNED</b>		
	On loans and advances	1,994,660,344	1,169,826,134
	On investments	3,022,812,861	1,349,221,113
	On lending's to financial institutions	14,996,563	2,194,028
	On deposits with banks	316,510,772	77,299,744
	On securities purchased under resale agreement	230,941,540	84,911,464
		<u>5,579,922,080</u>	<u>2,683,452,483</u>
<b>22</b>	<b>MARK-UP / RETURN / INTEREST EXPENSED</b>		
	On deposits	180,586,402	107,339,111
	On borrowings	2,910,869,878	766,310,340
	On securities sold under repurchase agreements	107,663,760	339,125,495
	On lease liability	4,965,255	2,417,555
		<u>3,204,085,295</u>	<u>1,215,192,501</u>
<b>23</b>	<b>FEE AND COMMISSION INCOME</b>		
	Credit related fee	51,084,554	60,492,901
	Commission on trade	2,938,174	1,628,860
	Commission on guarantees	18,763,652	12,195,419
	Investment banking fees	35,191,256	54,807,518
		<u>107,977,636</u>	<u>129,124,698</u>
<b>24</b>	<b>GAIN ON SECURITIES</b>		
	Realized - net	24.1 1,534,380	39,247,350
	Unrealized - held for trading	24.2 (21,366,627)	(81,896,494)
		<u>(19,832,247)</u>	<u>(42,649,144)</u>
<b>24.1</b>	<b>Realized gain / (loss) on:</b>		
	Federal Government Securities	-	194,282
	Non Government Debt Securities	-	5,309,727
	Shares	1,534,380	32,524,316
	Mutual Funds	-	1,219,025
		<u>1,534,380</u>	<u>39,247,350</u>
<b>24.2</b>	<b>Un-realized profit / (loss) on:</b>		
	Shares	<u>(21,366,627)</u>	<u>(81,896,494)</u>
<b>25</b>	<b>OTHER INCOME</b>		
	Rent on property	14,483,974	13,411,083
	Gain on sale of fixed assets	-	180,232
		<u>14,483,974</u>	<u>13,591,315</u>

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	Note	2022 ----- Rupees -----	2021
<b>26 OPERATING EXPENSES</b>			
<b>Total Compensation expenses</b>	<b>26.1</b>	<b>443,707,580</b>	<b>414,469,849</b>
<b>Property expense</b>			
Rent and taxes		2,539,959	1,571,680
Insurance		73,917	73,917
Utilities cost		7,391,911	4,920,877
Security		5,453,348	4,961,812
Repair and maintenance		3,672,774	2,331,437
Depreciation		37,975,571	33,903,844
		<b>57,107,480</b>	<b>47,763,567</b>
<b>Information technology expenses</b>			
Software maintenance		2,155,567	1,952,956
Hardware maintenance		518,907	1,305,312
Amortization		217,987	276,748
Depreciation		3,560,330	2,030,526
Network charges		917,565	949,221
		<b>7,370,356</b>	<b>6,514,763</b>
<b>Other operating expenses</b>			
Directors' fees and allowances		-	3,750,000
Legal and professional charges		6,395,528	5,446,578
Outsourced services costs		6,514,425	7,517,520
Travelling and conveyance		33,491,069	15,283,687
Insurance		4,572,442	4,472,843
Repair and maintenance		2,956,948	461,572
Depreciation		9,136,325	7,457,010
Training and development		2,350,539	1,088,700
Communication		3,462,683	3,237,468
Stationery and printing		3,402,083	2,573,619
Marketing, advertisement and publicity		4,299,464	2,326,336
Auditors remuneration		3,755,000	3,406,161
Bank charges	26.3	392,447	488,107
Entertainment		5,462,473	2,646,637
Donations	26.4	1,000,000	-
Loss on sale of fixed assets		563,485	-
Miscellaneous	26.5	8,178,660	5,310,676
		<b>95,933,571</b>	<b>65,466,914</b>
		<b>604,118,987</b>	<b>534,215,093</b>
<b>26.1 Total Compensation expenses</b>			
<b>Managerial Remuneration</b>			
i) Fixed		296,274,805	287,898,986
ii) Variable			
- Cash Bonus		34,610,661	31,798,755
		<b>330,885,466</b>	<b>319,697,741</b>
Charge for defined benefit plan		18,406,871	16,643,504
Contribution to defined contribution plan		12,306,534	11,713,496
EOBI		589,650	428,700
Medical		31,000,030	31,220,697
Leave fair assistance		16,650,909	16,137,945
Leave encashment		5,493,616	3,344,120
Allowances	26.1.1	26,834,803	14,560,500
Others		1,539,701	723,146
		<b>443,707,580</b>	<b>414,469,849</b>

26.1.1 This mainly includes overseas and vehicle allowance of Rs. 7.6 (2021: Nil) and Rs. 15.4 million (2021: 13.8 million), respectively.

26.2 Total cost for the year relating to outsourced activities is Rs. 13.8 million (2021: Rs. 13.8 million) entirely relating to companies incorporated in Pakistan and on account of security guards, supporting and janitorial staff. This cost includes outsourced service cost, which is disclosed specifically in note 26.

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	Note	2022	2021
		----- Rupees -----	
<b>26.3 Auditors' remuneration</b>			
Annual audit fee		1,200,000	762,300
Half year review		650,000	231,000
Fee for other statutory certifications		300,000	127,051
Fee for special certifications and other services		950,000	2,085,250
Out-of-pocket expenses		655,000	200,560
		<u>3,755,000</u>	<u>3,406,161</u>
<b>26.4</b>	This represents an amount paid to Prime Minister's flood relief fund 2022.		
<b>26.5</b>	This also includes sales tax expense on auditors remuneration.		
<b>27 OTHER CHARGES</b>			
Penalties imposed by State Bank of Pakistan		-	4,692
			<u>4,692</u>
		2022	Restated 2021
		----- Rupees -----	
<b>28 PROVISIONS AND WRITE OFFS - NET</b>			
Provision for diminution in value of investments - net	8.3	216,184,232	37,797,702
Provisions against loans and advances - net	9.2.1	253,178,794	225,394,564
		<u>469,363,026</u>	<u>263,192,266</u>
		2022	Restated 2021
		----- Rupees -----	
<b>29 TAXATION</b>			
<b>For the Period</b>			
Current		664,186,333	296,669,009
Deferred		83,430,846	43,930,195
<b>For the prior period</b>			
Current		46,827,470	686,871
		<u>794,444,649</u>	<u>341,286,075</u>
<b>29.1 Relationship between current tax expense and accounting profit</b>			
Accounting Profit before taxation		2,119,045,784	1,049,426,269
Applicable tax rate		29%	29%
Tax on accounting profit at applicable rate		614,523,277	304,333,618
Impact of rate change		(2,011,467)	(493,969)
Impact of super tax		80,950,539	-
Impact of lower rate & permanent difference		54,154,830	36,759,554
Prior year current tax charge		46,827,470	686,871
		<u>794,444,649</u>	<u>341,286,074</u>
<b>29.2 Tax status</b>			
<b>29.2.1</b>	For the Tax Year 2011, a tax demand of Rs. 109.22 million was raised by Assistant Commissioner Inland Revenue (the "ACIR") by disallowing provision for bad debts, provision against non-performing loan and advances, credit for an instalment of advance tax and Worker's Welfare Fund. Subsequently, the assessment was rectified. The Company had paid Rs. 15.11 million in protest on the issue of disallowing "provision against non-performing loan and advances" and submitted appeal before CIR(A). The appeal was decided in favor of the Company and the tax of Rs 15.11 million deposited under protest became refundable. However, the department has filed an appeal before Appellate Tribunal Inland Revenue (ATIR) against appellate order of CIR(A). The final hearing in this case was held on March 07, 2022, wherein ATIR has disposed of the appeal and the case has been remanded back. The Company then filed tax reference before the High Court against the ATIR order which is yet to be fixed for hearing.		
<b>29.2.2</b>	For the Tax Year 2013, a tax demand of Rs. 95.01 million was raised by the Taxation Officer by disallowing provision for non performing loans, profit on debt, other provisions and charging Workers Welfare Fund. The CIR(A) upheld the orders of the assessing officer. The Company filed appeal before ATIR against the order of CIR(A) and ATIR upheld the contentions of the appellate orders of the CIR(A). Returned refund of Rs. 15 million pertaining to tax year 2011 was adjusted against the instant demand and the Company paid balance amount of Rs. 49 million under protest. The Company filed writ petition before High Court, which is yet to be fixed for hearing.		

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- 29.2.3** For the Tax Year 2014 & 2015, assessment was amended by the ACIR in terms of Section 122 of the Income tax ordinance, creating an aggregate tax demand amounting to Rs. 128 million on provisions, apportionment, super tax and default surcharge. The Company submitted appeal before the CIR(A) on the amended assessment order which has been disposed of in favor of tax department. Later the Company attained stay form ATIR for 40 days or till the disposal of main appeal subject to deposit of 30% of the total amount. As per directions of the ATIR, payment of Rs. 38.5 million was made to tax department as a cumulative payment for all the pending issues pertaining to tax year 2014 and 2015. The Company filed writ petition for interim relief before Islamabad High Court. The High Court has granted stay for recovery of outstanding demand and also restrained the tax department to take extreme measures until decision of the appeal. The final hearing in this case was held on 07 March 2022, wherein ATIR has disposed of the appeal and the case has been remanded back. Both The Company and tax department filed cross tax references before the High Court against the ATIR order which is yet to be fixed for hearing.
- 29.2.4** For the Tax Year 2016, a tax demand of Rs. 82.54 million has been raised by the Taxation Officer mainly by disallowing provision against non-performing loans, suspended mark-up, disallowance of expenses attributable to capital gain, contending short payment of super tax and claim of tax credit. The CIR(A) has disposed of the appeal and major portion of the demand has been confirmed while disallowance of the tax credits was remanded back. Hearing in respect of remand back proceedings was held and an appeal effect order under Section 124/129 of the Ordinance was passed by the ACIR. The Company filed appeal before CIR(A) against appeal effect order which is yet to be fixed for hearing.
- 29.2.5** For the Tax Year 2017, show cause notices were issued to the Company by the ACIR. The ACIR through the notices proposed to amend the deemed assessment under Section 122(9) read with section 122(5A) of the Ordinance. These notices were duly replied. The assessment order was issued by the ACIR by creating demand amounting Rs. 331.21. Company filed appeal before CIR(A) against the assessment order which is
- 29.2.6** On the basis of opinion of its tax advisor and appellate history, the Company's management is confident of a favorable resolution of these matters and hence no provision has been made in these financial statements.

	Note	2022 ----- Rupees -----	Restated 2021
<b>30 BASIC AND DILUTED EARNINGS PER SHARE</b>			
Profit for the period - Rupees		<u>1,324,601,135</u>	<u>708,140,194</u>
Weighted average number of ordinary shares - Numbers		<u>977,119,619</u>	<u>969,663,754</u>
Basic earnings per share - Rs		<u>1.36</u>	<u>0.73</u>

- 30.1** Diluted earning per share has not been separately presented as the Company does not have convertible instruments in issue.

		2022 ----- Rupees -----	2021
<b>31 CASH AND CASH EQUIVALENTS</b>			
Cash and balance with treasury banks	5	<u>93,364,567</u>	<u>2,067,463,832</u>
Balance with other banks	6	<u>126,875,908</u>	<u>4,086,987,658</u>
		<u>220,240,475</u>	<u>6,154,451,490</u>

		-----Number-----	
<b>32 STAFF STRENGTH</b>			
Permanent		<u>50</u>	<u>48</u>
The Company's own staff strength at the end of the year		<u>50</u>	<u>48</u>
Outsourced	32.1	<u>10</u>	<u>9</u>
<b>Total staff strength</b>		<u>60</u>	<u>57</u>

- 32.1** This excludes outsourced security guards and janitorial staff.

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### 33 DEFINED BENEFIT PLAN

#### 33.1 General description

The Company operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with actuarial valuation. The latest actuarial valuation was carried out as at December 31, 2022.

The benefits under the gratuity scheme are payable on retirement, at the age of 60 years, or on earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn gross salary for each year of eligible service or part thereof, subject to a minimum of one year of service.

#### 33.2 Number of Employees under the scheme

The number of employees covered under the defined benefit scheme are 50 as of December 31, 2022 (2021: 48).

#### 33.3 Principal actuarial assumptions

	2022	2021
Discount rate	<u>14.50%</u>	<u>11.75%</u>
Expected rate of return on plan assets	<u>14.50%</u>	<u>11.75%</u>
Expected rate of Salary increase	<u>14.50%</u>	<u>11.75%</u>
Average remaining working lives of employees	<u>6.6 years</u>	<u>6.3 years</u>
Normal retirement age	<u>60 years</u>	<u>60 years</u>

#### 33.4 Reconciliation of amount payable to defined benefit plan

	Note	2022	2021
-----Rupees-----			
Present value of defined benefit obligation	33.5	96,516,903	86,694,421
Fair value of plan assets	33.7	<u>(86,903,399)</u>	<u>(73,618,899)</u>
		<u>9,613,504</u>	<u>13,075,522</u>

#### 33.5 Movement in the present value of the defined benefit obligation

Opening balance	86,694,421	79,735,068
Current service cost	18,119,346	16,189,020
Interest cost	8,937,746	6,753,900
Benefits paid	(21,256,991)	(20,215,465)
Benefits payable	-	(713,125)
Changes in demographic assumptions	388,424	-
Changes in financial assumptions	571,954	362,660
Remeasurement loss	3,062,003	4,582,363
Closing balance	<u>96,516,903</u>	<u>86,694,421</u>

#### 33.6 Movement in payable to defined benefit plan

Opening balance	13,075,522	15,125,676
Charge for the year	18,406,871	16,643,504
Remeasurement loss chargeable to the other comprehensive	(611,898)	1,521,807
Company's contributions for the year	<u>(21,256,991)</u>	<u>(20,215,465)</u>
	<u>9,613,504</u>	<u>13,075,522</u>

#### 33.7 Movement in the fair value of plan assets

Opening balance	73,618,899	64,609,392
Contributions	21,256,991	20,215,465
Interest income on plan assets	8,650,221	6,299,416
Benefits paid	(21,256,991)	(20,215,465)
Benefits payable	-	(713,125)
Return on plan assets excluding interest income	4,634,279	3,423,216
Closing balance	<u>86,903,399</u>	<u>73,618,899</u>

Actual return on plan assets

13,284,500

<u>13,284,500</u>	<u>9,722,632</u>
-------------------	------------------

	2022	2021
	-----Rupees-----	
<b>33.8 The amounts recognized in profit and loss are as follows:</b>		
Current service cost	18,119,346	16,189,020
Interest cost	8,937,746	6,753,900
Interest income on plan assets	<u>(8,650,221)</u>	<u>(6,299,416)</u>
	<u>18,406,871</u>	<u>16,643,504</u>

**33.9 The amounts recognized in the other comprehensive income are as follows:**

**Remeasurement loss / (gain):**

Actuarial loss - demographic assumptions	388,424	-
Actuarial loss - experience adjustment	3,062,003	4,582,363
Actuarial loss / (gain) - Changes in financial assumptions	571,954	362,660
Return on plan assets, excluding interest income	<u>(4,634,279)</u>	<u>(3,423,216)</u>
	<u>(611,898)</u>	<u>1,521,807</u>

**33.10 Components of plan assets**

	2022	2021		
	-----%-----			
National Savings account	-	99.80	-	74,186,965
Certificate of Investments (COIs)	99.70	-	86,645,495	
Bank balances	0.30	0.20	257,904	145,059
	<u>100</u>	<u>100</u>	<u>86,903,399</u>	<u>74,332,024</u>

**33.11 Year end sensitivity analysis (+/- 100 bps) on the defined benefit obligation**

Current liability	<u>96,516,903</u>	<u>86,694,421</u>
Discount rate +100 bps	<u>89,239,342</u>	<u>79,125,926</u>
Discount rate -100 bps	<u>104,694,476</u>	<u>95,436,665</u>
Average salary increase +100 bps	<u>104,835,103</u>	<u>95,543,284</u>
Average salary increase -100 bps	<u>89,071,976</u>	<u>78,890,491</u>

**33.12** Based on actuarial advice, the management estimates that P&L charge for the next year would be Rs. 19.9 million.

**33.13** Expected contributions to be paid to the funds in the next year would be Rs. 9.6 million.

	2022	2021
	-----Rupees-----	
<b>33.14 Maturity profile</b>		
<b>Particulars</b>	<b>Undiscounted payments</b>	
Year 1	10,043,960	7,424,050
Year 2	15,082,320	8,305,267
Year 3	11,363,294	12,503,772
Year 4	11,854,600	9,081,227
Year 5	12,534,728	9,474,521
Year 6 to Year 10	818,721,936	66,506,465
Year 11 and above	<u>1,957,330,732</u>	<u>1,553,226,951</u>

At December 31, 2022, the weighted-average duration of the defined benefit obligation was 8 years (2021: 9 years).

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### 33.15 Funding Policy

The Company carries out the actuarial valuation of the defined benefit plan on a periodic basis. Contributions are made annually in accordance with the actuarial recommendations.

### 33.16 Risk associated with defined benefit plan

The defined benefit plan exposes the Company to the following risks:

#### Investment risk

The risk arises when the actual performance of the investments is lower than expectation, which may result in shortfall in funds needed to meet the related liabilities.

#### Mortality risks

The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

#### Salary increase

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

#### Withdrawal risk

The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

## 34 DEFINED CONTRIBUTION PLAN

The Company also operates a recognized contributory provident fund scheme for all its regular employees, where contributions are made by the Company and employees at 10% per annum (2021: 10% per annum) of the employees' basic salary. During the year the Company contributed Rs. 12.3 million (2021: Rs. 11.7 million) in respect of this fund.

	2022	2021		
	-----Rupees-----			
<b>34.1 Funding Policy</b>				
Contributions made to the provident fund, during the year, are as follows:				
Contribution from the Company	12,306,534	11,713,496		
Contribution from the employees	12,306,534	11,713,496		
	<u>24,613,068</u>	<u>23,426,992</u>		
<b>34.2 Provident fund trust</b>				
Size of the trust (Rupees)	124,885,844	84,065,537		
Cost of investments made (Rupees)	117,198,914	82,963,000		
Percentage of investment made	93.84%	98.69%		
Fair value of investment made (Rupees)	119,711,865	82,963,000		
	2022	2021	2022	2021
Break-up of investments	-----%-----		-----Rupees-----	
National savings account	-	100	-	82,963,000
Term deposit receipts	100	-	117,198,914	-
	<u>100</u>	<u>100</u>	<u>117,198,914</u>	<u>82,963,000</u>

34.3 Investments out of the provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for that purpose.

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35 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

35.1 Total Compensation Expense

Items	2022			Managing Director	Key Management Personnel
	Chairman	Executives (other than CEO)*	Non-Executives		
Fees and Allowances etc.	-	-	-	-	-
Managerial Remuneration					
i Fixed	-	-	1,402,887	63,998,392	107,934,864
ii Total Variable	-	-	-	-	17,239,382
of which					
- Cash Bonus / Awards	-	-	-	-	17,239,382
Leave fare assistance	-	-	-	2,354,525	6,256,104
Charge for defined benefit plan	-	-	-	183,264	6,371,222
Contribution to defined contribution plan	-	-	-	1,773,693	4,415,316
Rent & house maintenance	-	-	-	-	-
Utilities	-	-	-	179,296	20,806
Medical	-	-	-	7,151,129	9,114,344
Conveyance	-	-	-	1,895,582	7,832,836
Entertainment	-	-	-	-	854,063
Boarding and lodging	-	-	-	-	524,726
Daily allowance	-	-	-	-	250,080
Professional training and staff welfare	-	-	-	-	608,700
Repair & Maintenance	-	-	-	680,924	-
Insurance	-	-	-	326,569	807,000
Others	-	-	-	1,122,610	1,670,536
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,402,887</b>	<b>79,665,984</b>	<b>163,899,979</b>
Number of Persons	-	-	1	1	12

Items	2021			Managing Director	Key Management Personnel
	Chairman	Executives (other than CEO)	Non-Executives		
Fees and Allowances etc.	-	-	3,750,000	-	-
Managerial Remuneration					
i Fixed	-	12,874,336	-	55,538,726	88,320,904
ii Total Variable	-	-	-	-	12,215,885
of which					
- Cash Bonus / Awards	-	-	-	-	12,215,885
Leave fare assistance	-	911,492	-	1,657,286	5,788,954
Charge for defined benefit plan	-	165,159	-	-	5,677,816
Contribution to defined contribution plan	-	656,032	-	1,299,379	3,592,311
Utilities	-	5,713	-	27,894	-
Medical	-	2,694,917	-	5,401,939	7,767,186
Conveyance	-	-	-	-	3,797,614
Entertainment	-	44,905	-	-	726,916
Boarding and lodging	-	-	-	-	182,995
Daily allowance	-	-	-	-	211,220
Professional training and staff welfare	-	-	-	-	459,930
Insurance	-	-	-	345,827	765,961
Membership Fee & Subscription	-	-	-	103,150	-
Others *	-	153,928	-	345,608	237,111
<b>Total</b>	<b>-</b>	<b>17,506,482</b>	<b>3,750,000</b>	<b>64,719,809</b>	<b>129,744,803</b>
Number of Persons	-	1	1	1	13

35.1.1 There are no "Other Material Risk Takers/Controllers" other than "Key Management Personnel" as defined in format of annual financial statements.

35.1.2 State Bank of Pakistan has issued the remuneration guidelines vide BPRD circular number 1, 2017 dated January 25, 2017. The objective of these guidelines was to provide guidance to financial institutions to develop fair, transparent and sound compensation policy that is aligned with risks and responsibilities of individuals. Following the guidelines, comprehensive framework has been developed and MRT's and MRC's has been identified. After the performance appraisal process of year 2022, 30% of performance bonus for MRT's and MRC's has been withheld. The total withheld amount in this account is Rs. 10.2 million ( 2021: Rs. 6.0 million)

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

2022

Sr. No.	Name of Director	Meeting fees and allowances paid				
		For Board Meetings	For Board Committees			Total Amount Paid
			Audit Committee	HR Committee	Risk Committee	
1		-	-	-	-	-
	Total Amount Paid	-	-	-	-	-

2021

Sr. No.	Name of Director	Meeting fees and allowances paid				
		For Board Meetings	For Board Committees			Total Amount Paid
			Audit Committee	HR Committee	Risk Committee	
1	Noor Ahmed	2,000,000	1,000,000	250,000	500,000	3,750,000
	Total Amount Paid	2,000,000	1,000,000	250,000	500,000	3,750,000

**35.3 Disclosure on Board of Directors**

2022

Sr. No	Name of Director	Date of Joining / Leaving the Board		Status of Director	Member of Board Committees	Number of other Board Memberships
		Joining	Leaving			
1	Ms. Wang Li	6/27/2018	-	Non executive director	3	-
2	Wang Baojun	8/4/2021	-	Non executive director/Chairman	3	-
3	Jiang Ketao	8/4/2021	-	Executive director	2	1

2021

Sr. No	Name of Director	Date of Joining / Leaving the Board		Status of Director	Member of Board Committees	Number of other Board Memberships
		Joining	Leaving			
1	Noor Ahmed	12/13/2018	11/22/2021	Non executive director	3	-
2	Ms. Wang Li	6/27/2018	-	Non executive director	3	-
3	Zuo Kun	5/19/2020	2/22/2021	Non executive director	-	-
4	Wang Baojun*	5/22/2018	-	Non executive director/Chairman	1	2
5	Jiang Ketao	8/4/2021	-	Executive director	2	1

\*Mr. Wang Baojun vacated office on August 04, 2021 and was present on the Board of following entities.

- 1 Pakistan Stock Exchange Limited
- 2 Central Depository Company of Pakistan Limited

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### 35.4 Directors' Participation in Board and Committee meetings

2022

Sr. No	Name of Director	Number of Board meetings Attended	Number of Board committees Attended		
			Audit Committee	HR Committee	Risk Committee
1	Wang Li	-	-	-	-
2	Wang Baojun	-	-	-	-
3	Jiang Ketao	1	-	-	-

\* Meetings of the Board and its Committees were not convened during the Year 2022 on account of incomplete Quorum of the Board.

2021

Sr. No	Name of Director	Number of Board meetings Attended	Number of Board committees Attended		
			Audit Committee	HR Committee	Risk Committee
1	Noor Ahmed	4	4	1	2
2	Wang Li	4	4	1	2
3	Zuo Kun	-	-	-	-
4	Wang Baojun	4	-	-	1
5	Jiang Ketao	1	-	-	1

### 36 FAIR VALUE MEASUREMENTS

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

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

#### 36.1 Fair value of financial assets

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

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

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

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

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

		2022				
		Carrying value	Level 1	Level 2	Level 3	Total
		----- Rupees -----				
<b>On balance sheet financial instruments</b>						
<b>Financial assets - measured at fair value</b>						
<b>Investments</b>						
Federal Government Securities	63,585,169,829	-	63,585,169,829	-	63,585,169,829	
Shares	543,280,433	543,280,433	-	-	543,280,433	
Preference Shares	392,490,000	392,490,000	-	-	392,490,000	
Non-Government Debt Securities	3,790,810,598	-	3,790,810,598	-	3,790,810,598	
	<b>68,311,750,860</b>	<b>935,770,433</b>	<b>67,375,980,427</b>	<b>-</b>	<b>68,311,750,860</b>	
<b>Financial assets - disclosed but not measured at fair value</b>						
Shares	498,908,668	-	-	-	-	
Commercial Paper	-	-	-	-	-	
Non-Government Debt Securities	4,629,920,000	-	-	-	-	
	<b>5,128,828,668</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
	<b>73,440,579,528</b>	<b>935,770,433</b>	<b>67,375,980,427</b>	<b>-</b>	<b>68,311,750,860</b>	
<b>Off-balance sheet financial instruments - measured at fair value</b>						
Forward government securities transactions - purchase	-	-	6,177,119,768	-	6,177,119,768	
Forward government securities transactions - sale	-	-	-	99,913,348	-	
		2021(Restated)				
		Carrying value	Level 1	Level 2	Level 3	Total
		----- Rupees -----				
<b>On balance sheet financial instruments</b>						
<b>Financial assets - measured at fair value</b>						
<b>Investments</b>						
Federal Government Securities	4,495,774,000	-	4,495,774,000	-	4,495,774,000	
Shares	789,254,531	789,254,531	-	-	789,254,531	
Preference Shares	351,225,000	351,225,000	-	-	351,225,000	
Non-Government Debt Securities	3,410,038,715	-	3,410,038,715	-	3,410,038,715	
	<b>9,046,292,246</b>	<b>1,140,479,531</b>	<b>7,905,812,715</b>	<b>-</b>	<b>9,046,292,246</b>	
<b>Financial assets - disclosed but not measured at fair value</b>						
Shares	473,886,951	-	-	-	-	
Commercial Paper	477,233,728	-	-	-	-	
Non-Government Debt Securities	2,589,920,000	-	-	-	-	
	<b>3,541,040,679</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
	<b>12,587,332,925</b>	<b>1,140,479,531</b>	<b>7,905,812,715</b>	<b>-</b>	<b>9,046,292,246</b>	
<b>Off-balance sheet financial instruments - measured at fair value</b>						
Forward government securities transactions - purchase	965,817,625	-	-	965,817,625	-	

36.3 Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arms length transaction. Fair value of the financial instrument is based on:

Federal Government Securities  
Listed Securities  
Non-Government Debt Securities

PKRV rates (Reuters page)  
Market Prices  
MUFAP

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37 SEGMENT INFORMATION

37.1 Segment Details with respect to Business Activities

	2022				
	Corporate banking & SME group	Investment Banking group	Treasury	Head Office	Total
<b>Profit &amp; Loss</b>	-----Rupees-----				
Net mark-up / return / profit	1,877,912,044	32,733,727	252,490,304	212,700,710	2,375,836,785
Inter segment revenue - net	(1,825,423,000)	(82,601,000)	(192,677,000)	2,100,701,000	-
Non mark-up income	72,786,380	45,067,587	-	698,837,045	816,691,012
Total Income	125,275,424	(4,799,686)	59,813,304	3,012,238,755	3,192,527,797
Segment direct expenses	(55,015,816)	(57,785,737)	(27,266,863)	(464,050,571)	(604,118,987)
Provisions / Impairment	(237,644,409)	(4,500,000)	-	(227,218,617)	(469,363,026)
Profit before tax	(167,384,801)	(67,085,423)	32,546,441	2,320,969,567	2,119,045,784
	-----Rupees-----				
	2022				
	Corporate banking & SME group	Investment Banking group	Treasury	Head Office	Total
<b>Balance Sheet</b>	-----Rupees-----				
Cash & Bank balances	-	-	99,825,849	3,406,753,815	3,506,579,664
Investments	8,411,511,729	1,984,093,199	63,585,169,829	(540,195,229)	73,440,579,528
Advances					
Performing	15,528,041,993	300,000,000	-	148,854,489	15,976,896,482
General provision	(218,864,828)	(4,500,000)	-	-	(223,364,828)
	15,309,177,165	295,500,000	-	148,854,489	15,753,531,654
Non-performing	1,528,472,785	-	-	663,564	1,529,136,349
Specific provision	(1,083,746,232)	-	-	(663,564)	(1,084,409,796)
	444,726,553	-	-	-	444,726,553
Others	447,395,000	45,545,263	87,499	576,796,707	1,069,824,469
<b>Total Assets</b>	<b>24,612,810,447</b>	<b>2,325,138,462</b>	<b>63,685,083,177</b>	<b>3,592,209,782</b>	<b>94,215,241,868</b>
Borrowings	11,237,401,812	350,287,000	60,590,141,534	-	72,177,830,346
Deposits	-	-	1,503,420,313	-	1,503,420,313
Others	102,913,646	13,484,211	459,391,741	342,160,294	917,949,892
<b>Total liabilities</b>	<b>11,340,315,458</b>	<b>363,771,211</b>	<b>62,552,953,588</b>	<b>342,160,294</b>	<b>74,599,200,551</b>
Equity	-	-	-	19,616,041,317	19,616,041,317
<b>Total Equity &amp; liabilities</b>	<b>11,340,315,458</b>	<b>363,771,211</b>	<b>62,552,953,588</b>	<b>19,958,201,611</b>	<b>94,215,241,868</b>
<b>Contingencies &amp; Commitments</b>	<b>5,696,145,544</b>	<b>-</b>	<b>6,277,033,116</b>	<b>169,566,250</b>	<b>12,142,744,910</b>
	-----Rupees-----				
	2021(Restated)				
	Corporate banking & SME group	Investment Banking group	Treasury	Head Office	Total
<b>Profit &amp; Loss</b>	-----Rupees-----				
Net mark-up / return / profit	1,266,514,021	2,187,250	167,823,901	31,734,810	1,468,259,982
Inter segment revenue - net	(841,581,000)	(23,123,000)	(128,035,000)	992,739,000	-
Non mark-up income	73,168,157	29,841,590	1,963,307	273,605,284	378,578,338
Total Income	498,101,178	8,905,840	41,752,208	1,298,079,094	1,846,838,320
Segment direct expenses	(49,365,703)	(50,206,091)	(24,583,142)	(410,064,848)	(534,219,784)
Provisions	(220,313,268)	-	-	(42,878,999)	(263,192,267)
Profit before tax	228,422,207	(41,300,251)	17,169,066	845,135,247	1,049,426,269

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	2021 (Restated)				
	Corporate banking & SME group	Investment Banking group	Treasury	Head Office	Total
<b>Balance Sheet</b>	-----Rupees-----				
Cash & Bank balances	4,000,000,000	-	2,000,000,000	2,613,558,511	8,613,558,511
Investments	6,460,873,872	1,079,669,890	4,495,774,000	551,015,163	12,587,332,925
Advances					
Performing	15,118,549,942	-	-	145,582,446	15,264,132,388
General provision	(208,365,648)	-	-	-	(208,365,648)
	14,910,184,294	-	-	145,582,446	15,055,766,740
Non-Performing	1,631,352,657	-	-	663,564	1,632,016,221
Specific provision	(845,566,618)	-	-	(663,564)	(846,230,182)
	785,786,039	-	-	-	785,786,039
Others	297,147,400	33,973,960	1,369,863	367,552,633	700,043,856
<b>Total Assets</b>	<b>26,453,991,605</b>	<b>1,113,643,850</b>	<b>6,497,143,863</b>	<b>3,677,708,753</b>	<b>37,742,488,071</b>
Borrowings	8,712,372,685	501,664,000	5,480,341,009	-	14,694,377,694
Deposits	4,750,000,000	-	-	-	4,750,000,000
Others	45,404,647	10,201,560	10,016,019	185,503,324	251,125,550
<b>Total liabilities</b>	<b>13,507,777,332</b>	<b>511,865,560</b>	<b>5,490,357,028</b>	<b>185,503,324</b>	<b>19,695,503,244</b>
Equity	-	-	-	18,046,984,827	18,046,984,827
<b>Total Equity &amp; liabilities</b>	<b>13,507,777,332</b>	<b>511,865,560</b>	<b>5,490,357,028</b>	<b>18,232,488,151</b>	<b>37,742,488,071</b>
<b>Contingencies &amp; Commitments</b>	<b>4,493,362,676</b>	<b>-</b>	<b>965,817,625</b>	<b>179,521,417</b>	<b>5,638,701,718</b>

37.2 Segment details with respect to geographical locations

GEOGRAPHICAL SEGMENT ANALYSIS

	2022		
	In Pakistan	Outside Pakistan	Total
<b>Profit &amp; Loss</b>	-----Rupees-----		
Net mark-up/return/profit	2,375,836,785	-	2,375,836,785
Non mark-up / return / interest income	816,691,012	-	816,691,012
Total Income	3,192,527,797	-	3,192,527,797
Total expenses	(604,118,987)	-	(604,118,987)
Provisions/Impairment	(469,363,026)	-	(469,363,026)
Profit before tax	2,119,045,784	-	2,119,045,784
	<b>In Pakistan</b>	<b>Outside Pakistan</b>	<b>Total</b>
<b>Balance Sheet</b>	-----Rupees-----		
Cash & Bank balances	3,506,579,664	-	3,506,579,664
Investments	73,440,579,528	-	73,440,579,528
Advances			
Performing	15,753,531,654	-	15,753,531,654
Non-performing	444,726,553	-	444,726,553
Others	1,069,824,469	-	1,069,824,469
<b>Total Assets</b>	<b>94,215,241,868</b>	<b>-</b>	<b>94,215,241,868</b>
Borrowings	72,177,830,346	-	72,177,830,346
Deposits	1,503,420,313	-	1,503,420,313
Others	917,949,892	-	917,949,892
<b>Total liabilities</b>	<b>74,599,200,551</b>	<b>-</b>	<b>74,599,200,551</b>
Equity	19,616,041,317	-	19,616,041,317
<b>Total Equity &amp; liabilities</b>	<b>94,215,241,868</b>	<b>-</b>	<b>94,215,241,868</b>
<b>Contingencies &amp; Commitments</b>	<b>12,142,744,910</b>	<b>-</b>	<b>12,142,744,910</b>

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	2021(Restated)		Total
	In Pakistan	Outside Pakistan	
-----Rupees-----			
<b>Profit &amp; Loss</b>			
Net mark-up/return/profit	1,468,259,982	-	1,468,259,982
Non mark-up / return / interest income	378,578,338	-	378,578,338
Total Income	1,846,838,320	-	1,846,838,320
Segment direct expenses	(534,219,784)	-	(534,219,784)
Provisions/Impairment	(263,192,267)	-	(263,192,267)
Profit before tax	1,049,426,269	-	1,049,426,269
-----Rupees-----			
2021(Restated)			
	In Pakistan	Outside Pakistan	Total
-----Rupees-----			
<b>Balance Sheet</b>			
Cash & Bank balances	8,613,558,511	-	8,613,558,511
Investments	12,587,332,925	-	12,587,332,925
Advances			
Performing	15,055,766,740	-	15,055,766,740
Non-performing	785,786,039	-	785,786,039
Others	700,043,856	-	700,043,856
<b>Total Assets</b>	37,742,488,071	-	37,742,488,071
Borrowings	14,694,377,694	-	14,694,377,694
Deposits & other accounts	4,750,000,000	-	4,750,000,000
Others	251,125,550	-	251,125,550
<b>Total liabilities</b>	19,695,503,244	-	19,695,503,244
Equity	18,046,984,827	-	18,046,984,827
<b>Total Equity &amp; liabilities</b>	37,742,488,071	-	37,742,488,071
<b>Contingencies &amp; Commitments</b>	5,638,701,718	-	5,638,701,718

38 TRUST ACTIVITIES

The Company is not engaged in any trust activity.

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39 RELATED PARTY TRANSACTIONS

The Company has related party relationships with shareholders and entities in which its shareholders have any interest, key management personnel, directors and employees' funds. The Government of Pakistan (Ministry of Finance) is a related party of the Company; therefore all government authorities, agencies, affiliates and other organizations ("state-controlled entities") are related parties of the Company. Significant transactions with these state-controlled entities have been separately disclosed, in aggregate. Other entities which for its business acquisition or provision of services relies / depends to a greater extent on the Company / DFI i.e. major portion (50% or more) of its business (upstream or downstream) is also a related party.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk (i.e. under the comparable uncontrolled price method) other than those under terms of employment.

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

	2022			2021 (Restated)		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
----- Rupees -----						
<b>Lendings to financial institutions</b>						
Opening balance	-	-	-	-	-	-
Addition during the period	-	-	83,266,548,545	-	-	59,913,740,069
Repaid during the period	-	-	(83,266,548,545)	-	-	(59,913,740,069)
Closing balance	-	-	-	-	-	-
<b>Investments</b>						
Opening balance	-	-	822,705,214	-	-	1,024,902,113
Investment made during the period	-	-	-	-	-	-
Closing balance	-	-	822,705,214	-	-	1,024,902,113
<b>Advances</b>						
Opening balance	-	79,400,676	500,000,000	-	43,372,843	101,050,930
Addition during the period	-	4,627,620	-	-	42,253,529	398,949,070
Repaid during the period	-	(7,566,643)	(105,263,157)	-	(6,225,697)	-
Closing balance	-	76,461,653	394,736,843	-	79,400,676	500,000,000
<b>Other Assets</b>						
Interest / mark-up accrued	-	-	5,080,209	-	-	4,332,192
Receivable from staff retirement fund	-	-	5,345,606	-	-	7,973,522
Other receivable	-	483,554	2,366,908	-	-	1,697,850
	-	483,554	12,792,723	-	-	14,003,564
<b>Borrowings</b>						
Opening balance	-	-	-	-	-	-
Borrowings during the period	-	-	9,648,205,968	-	-	9,853,727,607
Settled during the period	-	-	(9,648,205,968)	-	-	(9,853,727,607)
Closing balance	-	-	-	-	-	-
<b>Other Liabilities</b>						
Deposits	-	-	203,420,313	-	-	-
Interest / mark-up payable	-	-	2,937,046	-	-	-
Payable to staff retirement fund	-	-	9,613,504	-	-	13,075,522
Other liabilities	2,550,537	11,515,936	98,805,108	-	6,135,277	167,958
	2,550,537	11,515,936	314,775,971	-	6,135,277	13,243,480

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	2022			2021(Restated)		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
	Rupees					
<b>Income</b>						
Mark-up / return / interest earned	-	2,982,176	122,518,102	-	2,488,667	42,735,576
Fee and commission income	-	-	200,000	-	-	200,000
Dividend Income			21,150,000			27,077,266
<b>Expense</b>						
Mark-up / return / interest paid	500,230	500,230	16,296,605	33,663	-	5,495,306
<b>Operating expenses</b>						
Charge for defined benefit plan	183,264	6,371,222	11,852,385	165,159	5,677,816	10,800,529
Charge for contribution plan	1,773,693	4,415,316	6,117,525	1,955,411	3,592,311	6,165,774
Salaries	29,265,961	75,272,749	-	32,264,272	61,477,817	-
Bonus expense	4,779,687	29,668,388	-	6,948,912	20,950,575	-
Overseas allowances	7,646,397	-	-	-	-	-
Leave fair assistance & Encashment	2,354,525	7,616,070	-	2,568,778	7,181,085	-
Tax borne by employer	23,709,234	11,150,390	-	29,199,878	9,184,716	-
Others	11,356,110	29,405,844	4,304,190	9,123,881	21,680,483	4,329,754
Depreciation expense on lease hold building	6,843,035	-	15,944,416	-	-	19,935,386
CDC Charges paid	-	-	926,956	1,767,201	-	941,103

The Federal Government through Ministry of Finance holds controlling interest (50% shareholding) in the Company and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government may exercise significant influence, are related parties of the Company. The Company in the ordinary course of business enters into transaction with Government related entities. Such transactions include deposits to, investments, lendings, loan and advances and provision of other banking services. As at reporting date the deposits, loans and advances, investments, lendings and borrowings relating to Government related entities amounted to Rs. 6.6 million (2021: 4.459.3 million), Rs. 1.200 million (2021: 1,500 million), Rs. 567.1 million (2021: 762.2 million), Rs. 99.8 million (Rs. nil) Rs. nil (2021: 965.5 million) respectively, and income earned on deposits, advances, investment and lendings and interest expense on borrowings amounted to Rs. 87.7 million (2021: 18.6 million) Rs. 202.3 million (2021: 137.2 million), Rs. 96.6 million (2021: 74.8 million), Rs. 39.0 million (2021: 12.9 million) and Rs. 21.6 million (2021: 66.5 million) respectively.

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	2022	Restated 2021
	-----Rupees-----	
<b>40 CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
<b>40.1 Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	<u>9,905,975,280</u>	<u>9,696,637,540</u>
<b>40.2 Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>15,867,454,650</u>	16,342,016,392
Eligible Tier 2 Capital	<u>-</u>	-
Total Eligible Capital (Tier 1 + Tier 2)	<u>15,867,454,650</u>	<u>16,342,016,392</u>
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	<u>16,786,952,392</u>	16,150,300,257
Market Risk	<u>7,547,481,608</u>	6,508,493,581
Operational Risk	<u>4,181,550,074</u>	3,512,078,143
Total	<u>28,515,984,074</u>	<u>26,170,871,981</u>
<b>Common Equity Tier 1 Capital Adequacy ratio</b>	<u>55.64%</u>	62.44%
<b>Tier 1 Capital Adequacy Ratio</b>	<u>55.64%</u>	62.44%
<b>Total Capital Adequacy Ratio</b>	<u>55.64%</u>	62.44%
<b>40.3 Other information:</b>		
<b>Minimum capital requirements prescribed by the SBP</b>		
CET1 minimum ratio (%)	<u>6.00%</u>	6.00%
Tier 1 minimum ratio (%)	<u>7.50%</u>	7.50%
Total capital minimum ratio (%)	<u>10.00%</u>	10.00%
Capital Conservation Buffer (CCB)	<u>1.50%</u>	1.50%
Total capital plus CCB minimum ratio (%)	<u>11.50%</u>	11.50%
<b>40.4 Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	<u>15,867,454,650</u>	16,342,016,392
Total Exposures	<u>100,205,083,006</u>	38,620,983,862
Leverage Ratio	<u>15.83%</u>	42.31%
Minimum Requirement	<u>3.00%</u>	3.00%
<b>40.5 Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	<u>16,313,020,791</u>	8,559,407,876
Total Net Cash Outflow	<u>3,064,041,335</u>	3,479,580,092
Liquidity Coverage Ratio	<u>532.40%</u>	245.99%

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	2022	Restated 2021
	-----Rupees-----	
<b>40.6 Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	31,417,151,478	29,955,737,533
Total Required Stable Funding	<u>26,682,858,025</u>	<u>20,415,145,418</u>
Net Stable Funding Ratio	<u>117.74%</u>	<u>146.73%</u>
Minimum Requirement	<u>100.00%</u>	<u>100.00%</u>

The SBP, vide BPRD Circular No.08 dated June 23, 2016 has set the minimum Net Stable Funding Ratio Requirement (NSFR) for Banks / DFIs at 100%.

The link to the full disclosure is available at <https://pakchinainvest.com/uploads/files/capital-adequacy/car-2022/car-december-2022.pdf>

#### 41 RISK MANAGEMENT

The Company manages all of its risk proactively through a well-established enterprise risk management practice. The Company is exposed to the following risks in the course of its regular business:

- Credit Risk
- Market Risk
- Operational Risk
- Liquidity Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

##### a) Risk management philosophy and framework

The Company's is exposed to a variety of financial risks requiring analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Company's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance.

The Company's risk management policies are established to identify and analyze the risks faced by the Company to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk Management policies and systems are reviewed regularly to reflect changes in market conditions, emerging best practices and products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board of Directors has the overall responsibility for setting the risk appetite and ensuring risk is effectively managed through a robust Enterprise Risk Management (ERM) framework. Board and Management level committees have been established, as part of the corporate governance structure, to oversee the performance and operations of the Company. Some of these committees are responsible specifically for overseeing execution of the ERM strategy and monitoring performance against the Company's risk management framework.

##### b) Board Level Committees

###### Board Risk Management Committee ("BRMC")

The BRMC is responsible for overseeing and regularly monitoring the Company's risk governance framework, enterprise risk management, capital, liquidity and fund planning ensuring an effective system of risk management and controls are implemented. The BRMC is also responsible for overseeing compliance within approved risk policies and tolerance levels and works with management to refine risk strategy that is aligned to the Company's long term

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### **c) Senior Management Level Committees**

#### **Management Committee ("Mancom")**

The Management Committee is responsible for conduct of performance review of overall Company's operation; functions as a forum for communication and exchange of ideas for continuous improvement of Company's performance. Mancom is also responsible for review and deliberate upon Company's strategy policy which need to be submitted to BOD meeting, review and deliberate the compliance of internal and external audit reports and review the performance of ICFR budgetary process.

#### **Risk Review Committee ("RRC")**

The RRC is responsible for building a risk intelligent enterprise, ensuring a suitable and an effective risk management approach is incorporated into the day-to-day operations and recommending new credit policies and changes to existing ones, and the future direction of the credit activities in the Company. The RRC interacts with other management level committees to ensure risks are consolidated and incorporated within the business plan (strategy and financials) and business operations. In fulfilling its purpose, the RRC is responsible to translate the decisions of the Board regarding enterprise risk management ("ERM"), support the Senior Management and the GH-Risk Management in decision-making related to ERM, and report regularly through its Chairperson to the BRMC regarding matters related to its primary purpose and operational risks.

#### **Credit Management Committee ("CMC")**

CMC is responsible for taking credit and investment decisions within the authority levels established by the Board of Directors and approved threshold, with adherence to the credit policies

#### **Asset Liability Committee ("ALCO")**

The ALCO is responsible to actively monitor and manage committed and outstanding assets and liabilities, and to recommend appropriate funding, investment, and hedging strategies. In addition, the ALCO is responsible for ensuring continuous liquidity required for growth while complying with the regulatory requirements. ALCO ensures the operational performance of the Company in meeting or exceeding set performance targets and authorizes actions to maintain, enhance or correct service delivery issues. The ALCO is also responsible for guiding, shaping, approving and monitoring a coherent set of projects in line with the Company's long term strategy that will maintain and enhance the Company's progress towards its future vision, recommending investment and expenditure in line with that goal.

### **41.1 Credit Risk**

Credit risk is the risk emanating when a counter party of the Company does not fulfil its contractual obligation or the quality of an issuer deteriorates. It arises principally from financing, investment and treasury activities. The credit process is consistent for all forms of credit risk to a single obligor. Overall exposure is evaluated on an ongoing basis to ensure a broad diversification of credit risk. Potential concentrations by industry and risk grade are regularly reviewed to avoid excessive exposure and ensure a broad diversification. The Company's total credit portfolio and therefore the maximum exposure to credit risk before collateral held or other credit enhancements is reported under note 40.

Following are the risk management policies adopted by the Company to ensure credit quality and minimize the risk of concentration:

#### **a) Credit rating and measurement**

The risk rating system is the basis for determining the credit risk of the financial assets portfolio, pricing, portfolio management, loss provisions and reserves and credit approval authority delegation. The company has started to revamp the credit risk grading framework: Obligor Risk Rating and Facility Risk Rating; these would provide the user with Probability of Default and Loss Given Default. Currently, the system produces alphabetical ratings from AAA to C as performing, and D, DD and DDDD, as Substandard, Doubtful and Loss

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**b) Credit approval**

All credit and investment exposures are reviewed and approved by the Credit Management Committee ('CMC') within the authority delegated by the Board of Directors.

**c) Credit monitoring**

The Company regularly monitors credit exposures and external trends which may impact risk management outcomes. Internal risk management reports are presented to the Risk Review Committee and Board Risk Management Committee, containing information on key variables; portfolio delinquency and financing impairment performance. All Corporate exposures accounts are monitored carefully for performance and reviewed formally on an annual basis or earlier. The Company has policies in place for client visits and monitoring of accounts to make sure that any concerns on the quality of the accounts are addressed well in time. An exposure is categorized as watch list or non-performing as per SBP guidelines.

Based on Business Unit feedback on collection of overdue amounts, CMC decides on whether to retain the relationship under existing Business Group or transfer to Legal Department. All non-performing accounts under litigation for recovery are monitored closely by the Legal Department of the Company which directly report to the Managing Director. Such accounts are re-evaluated and remedial actions are agreed and monitored.

During 2022, Pakistan witnessed significant economic uncertainty, rising inflation, increasing fuel prices, deplete foreign exchange resources, and massive devaluation of the Pakistani rupee. In June 2022, Pakistan was hit by worst ever floods in the history of country. During the year, the SBP increased the benchmark interest rate by cumulative 625 bps to 16%. Company is well cognizant of these circumstances and rigorously monitor portfolio on regular basis.

**d) Credit risk mitigation**

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools. Additional support in the form of collateral and guarantee is obtained where required. The reliance that can be placed on these credit mitigation resources is carefully assessed in light of issues such as legal enforceability, market value and counterparty risk of the guarantor.

Collateral types which are eligible for risk mitigation include: cash under lien; mortgage / charge over residential/commercial/industrial property; charge over assets such as plant and machinery; marketable securities; commodities; bank guarantees; and letters of credit etc. CMC controls the approval of collateral types. Collateral is valued in accordance with the SBP guidelines, which prescribe the frequency of valuation for different collateral types. The valuation frequency is driven by the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Collateral held against impaired financings is maintained at fair value.

**e) Offsetting financial instruments**

The Company has not entered in significant master netting arrangement with counterparties which enable them to settle transactions on net basis. In absence of such agreements the financial asset and liabilities are settled on gross basis.

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





**41.1.1 Lendings to Financial institutions.**

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provisioning held	
	2022	2021	2022	2021	2022	2021
Public / Government	99,825,849	-	-	-	-	-
Private	-	-	-	-	-	-
	<b>99,825,849</b>	-	-	-	-	-

**41.1.2 Investment in debt securities (including preference shares)**

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2022	2021	2022	2021	2022	2021
	-----Rupees-----					
Textile	615,315,000	740,315,000	240,315,000	240,315,000	131,560,000	131,560,000
Chemical and Pharmaceuticals	530,948,920	543,233,305	197,198,920	208,233,305	197,198,918	208,233,305
Power (electricity), Gas, Water, Sanitary	1,354,546,250	1,310,308,728	-	-	-	-
Wholesale and Retail Trade	500,000,000	500,000,000	-	-	-	-
Financial	5,861,671,667	3,760,285,000	-	-	-	-
Others	150,000,000	200,000,000	-	-	-	-
	<b>9,012,481,837</b>	<b>7,054,142,033</b>	<b>437,513,920</b>	<b>448,548,305</b>	<b>328,758,918</b>	<b>339,793,305</b>

Credit risk by public / private sector

Public/ Government	567,140,000	762,220,000	-	-	-	-
Private	8,445,341,837	6,291,922,033	437,513,920	448,548,305	328,758,918	339,793,305
	<b>9,012,481,837</b>	<b>7,054,142,033</b>	<b>437,513,920</b>	<b>448,548,305</b>	<b>328,758,918</b>	<b>339,793,305</b>

**41.1.3 Advances**

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2022	2021	2022	2021	2022	2021
	-----Rupees-----					
Textile	3,388,309,854	2,160,982,374	24,559,463	24,559,463	24,559,463	24,559,463
Chemical and Pharmaceuticals	945,851,268	1,000,000,000	-	-	-	-
Cement	330,000,005	601,111,113	46,666,668	140,000,000	46,666,668	140,000,000
Sugar	250,000,000	1,049,187,500	-	-	-	-
Electronics and electrical appliances	750,000,000	968,750,000	-	-	-	-
Construction	-	500,000,000	-	-	-	-
Power (electricity), Gas, Water, Sanitary	4,202,557,829	2,960,623,631	712,546,124	722,092,664	449,599,457	236,784,885
Transport, Storage and Communication	1,900,389,214	1,730,406,380	80,000,000	80,000,000	80,000,000	80,000,000
Financial	177,777,778	266,666,667	-	-	-	-
Services	1,425,000,000	1,425,000,000	-	-	-	-
Mining and quarrying	700,000,000	1,630,008,360	-	-	-	-
Manufacture of basic metals	1,151,320,287	659,007,813	-	-	-	-
Manufacture of rubber & plastic products	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000
Manufacture of food products	774,110,734	669,473,467	474,700,530	474,700,530	292,920,644	174,222,270
Manufacture of glass and glass products	394,736,843	500,000,000	-	-	-	-
Manufacture of porcelain & ceramic products	300,000,000	-	-	-	-	-
Soap Industry	476,460,966	438,685,291	-	-	-	-
Individuals	149,518,053	146,246,010	663,564	663,564	663,564	663,564
	<b>17,506,032,831</b>	<b>16,896,148,606</b>	<b>1,529,136,349</b>	<b>1,632,016,221</b>	<b>1,084,409,796</b>	<b>846,230,182</b>

Credit risk by public / private sector

Public/ Government	1,500,000,000	1,500,000,000	-	-	-	-
Private	16,006,032,831	15,396,148,606	1,529,136,349	1,632,016,221	1,084,409,796	846,230,182
	<b>17,506,032,831</b>	<b>16,896,148,606</b>	<b>1,529,136,349</b>	<b>1,632,016,221</b>	<b>1,084,409,796</b>	<b>846,230,182</b>

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41.1.4 Contingencies and Commitments

Credit risk by industry sector

	2022	2021
	-----Rupees-----	
Sugar	-	250,000,000
Power (electricity), Gas, Water, Sanitary	3,728,267,105	2,905,743,815
Electronics and electrical appliances	200,000,000	187,500,000
Financial	120,000,000	145,000,000
Manufacture of basic metals	187,500,000	-
Textile	1,436,249,609	663,577,089
Manufacture of food products	589,796	105,227,063
Soap Industry	23,539,034	61,314,709
Mining and Qaurrying	-	175,000,000
	<u>5,696,145,544</u>	<u>4,493,362,676</u>
<b>Credit risk by public / private sector</b>		
Public/ Government	-	-
Private	5,696,145,544	4,493,362,676
	<u>5,696,145,544</u>	<u>4,493,362,676</u>

41.1.5 Concentration of Advances

The Company's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 12.7 billion (2021: 9.3 billion) are as following:

	2022	2021
	-----Rupees-----	
Funded	9,413,626,651	7,851,786,276
Non Funded	3,293,169,351	1,446,343,058
Total Exposure	<u>12,706,796,002</u>	<u>9,298,129,334</u>

The sanctioned limits against these top 10 exposures aggregated to Rs 15 billion (2021: 13 billion)

Total funded classified therein

	2022		2021	
	Amount	Provision held	Amount	Provision held
	-----Rupees-----			
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	-	-	-	-

41.1.6 Advances - Province/Region-wise Disbursement & Utilization

Province/Region	Disbursements	2022					
		Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	-----Rupees-----						
Punjab	2,431,163,333	2,431,163,333	-	-	-	-	
Sindh	5,081,963,656	-	4,621,963,656	-	460,000,000	-	
KPK including FATA	178,980,000	-	-	178,980,000	-	-	
Balochistan	-	-	-	-	-	-	
Islamabad	675,000,000	-	-	-	675,000,000	-	
AJK including Gilgit-Baltistan	-	-	-	-	-	-	
Total	<u>8,367,106,989</u>	<u>2,431,163,333</u>	<u>4,621,963,656</u>	<u>178,980,000</u>	<u>460,000,000</u>	<u>675,000,000</u>	

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Province/Region	Disbursements	2021					AJK including Gilgit-Baltistan
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	
Punjab	3,299,452,750	3,299,452,750	-	-	-	-	-
Sindh	9,724,809,942	-	8,949,694,942	-	775,115,000	-	-
KPK including FATA	-	-	-	-	-	-	-
Balochistan	-	-	-	-	-	-	-
Islamabad	525,000,000	-	525,000,000	-	-	-	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-
<b>Total</b>	<b>13,549,262,692</b>	<b>3,299,452,750</b>	<b>9,474,694,942</b>	<b>-</b>	<b>775,115,000</b>	<b>-</b>	<b>-</b>

**41.2 Market Risk**

Market risk is the potential impact of adverse price movements such as benchmark rates, foreign exchange prices, equity prices and market conditions on the earnings/economic value of an asset held by the Company. The exposure to market risk occurs throughout the contract which may negatively affect the earnings and capital of the Company. The Company is exposed to market risk through investments / structural positions parked in the Banking Book. The Company's market risk is managed by the Risk Management under the supervision of ALCO and supported by the Treasury Middle Office (TMO). The Company has adopted Standardized Measurement Method to assess and report the market risk.

**41.2.1 Balance sheet split by trading and banking books**

	2022			2021 (Restated)		
	Banking book	Trading book	Total	Banking book	Trading book	Total
Cash and balances with treasury banks	93,364,567	-	93,364,567	2,067,463,832	-	2,067,463,832
Balances with other banks	3,313,389,248	-	3,313,389,248	6,546,094,679	-	6,546,094,679
Lendings to financial institutions	99,825,849	-	99,825,849	-	-	-
Investments	73,273,041,774	167,537,754	73,440,579,528	12,393,939,988	193,392,937	12,587,332,925
Advances	16,198,258,207	-	16,198,258,207	15,841,552,779	-	15,841,552,779
Fixed assets	335,841,618	-	335,841,618	195,131,271	-	195,131,271
Intangible assets	-	-	-	217,988	-	217,988
Deferred tax assets	-	-	-	63,444,294	-	63,444,294
Other assets	733,982,851	-	733,982,851	441,250,303	-	441,250,303
	<b>94,047,704,114</b>	<b>167,537,754</b>	<b>94,215,241,868</b>	<b>37,549,095,134</b>	<b>193,392,937</b>	<b>37,742,488,071</b>

**41.2.2 Foreign Exchange Risk**

Currency risk represents the risk of change in the fair value of financial assets and financial liabilities due to changes in foreign exchange rates. The Company manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows through allowing exposures in local currency only. However, where foreign currency exposures are allowed due to compelling reasons, foreign exchange positions are reviewed frequently.

	2022				2021 (Restated)			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
United States Dollar	3,187,197,911	-	1,228,014,248	4,415,212,159	2,459,651,420	-	967,913,719	3,427,565,139
Euro	-	-	-	-	-	-	372,898,930	372,898,930
CNY	-	-	44,922,324	44,922,324	-	-	-	-
	<b>3,187,197,911</b>	<b>-</b>	<b>1,272,936,572</b>	<b>4,460,134,483</b>	<b>2,459,651,420</b>	<b>-</b>	<b>1,340,812,649</b>	<b>3,800,464,069</b>

Impact of 1% change in foreign exchange rates on	2022		2021 (Restated)	
	Banking book	Trading book	Banking book	Trading book
- Profit and loss account	21,354,226	-	17,463,525	-
- Other comprehensive income	-	-	-	-
	<b>21,354,226</b>	<b>-</b>	<b>17,463,525</b>	<b>-</b>

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**41.2.3 Equity position Risk**

Equity position risk is the risk that the fair value will fluctuate as a result of changes in the prices of equities and all instruments that exhibit market behavior similar to equities. The company's such instruments are classified as available for sale investments, and are kept as such with the intent of earning profit due to underlying fundamental strength of each security

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
Impact of 5% change in equity prices on				
- Profit and loss account		7,329,777	-	8,219,200
- Other comprehensive income		-	14,060,536	-
	17,171,438	-	14,060,536	-
	17,171,438	7,329,777	14,060,536	8,219,200

**41.2.4 Yield / Interest Rate Risk in the Banking Book**

Interest/Yield Risk is the risk that value of financial instruments will change due to change in the market interest rates or due to change in shape of yield curve. The Company manages its interest rate risk by entering into floating rate agreements with its customers. All of the credit portfolio is linked to the floating rate. To further keep the Company abreast of the interest rate risk, an Asset and Liability Committee (ALCO) meets regularly to discuss the interest rate risk strategy. Interest rate risk profile is also prepared on monthly basis to ascertain the interest rates movement with regard to the portfolio while also anticipating policy rate movements.

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in interest rates on				
- Profit and loss account	193,963,725	-	177,117,522	-
- Other comprehensive income	-	-	-	-
	193,963,725	-	177,117,522	-

**41.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities**

The following table summarizes the mismatch of financial assets and liabilities of the Company, which are subject to interest rate risk, at carrying amounts categorized the earlier of contractual re-pricing or maturity dates. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amount of assets and liabilities that mature or re-price in a given period:

Effective Yield/ Interest Rate	Total	2022 Exposed to Yield/ Interest risk									Non-interest bearing financial Instruments	
		Up to 1 Month	Over 1 to 3 months	Over 3 to 6 months	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-----												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	93,364,567	-	-	-	-	-	-	-	-	-	-	93,364,567
Balances with other banks	3,313,389,248	126,440,519	-	3,186,504,980	-	-	-	-	-	-	-	443,749
Lending to financial institutions	99,825,849	99,825,849	-	-	-	-	-	-	-	-	-	-
Investments	73,440,579,528	2,632,405,650	60,552,044,705	5,121,680,568	3,983,504,502	-	-	-	-	-	-	1,150,944,103
Assets subject to lease	157,495,626	3,532,820	6,769,453	10,374,836	19,967,049	40,644,159	27,208,500	48,293,157	705,652	-	-	-
Advances	16,198,258,207	2,633,660,186	9,533,507,200	410,344,107	149,265,370	451,501,918	491,741,247	1,036,881,184	1,481,124,675	-	-	10,232,320
Other assets	665,839,384	-	-	-	-	-	-	-	-	-	-	665,839,384
	93,968,752,409	5,495,865,024	70,092,321,358	8,728,904,491	4,152,736,921	492,146,077	518,949,747	1,085,174,341	1,481,830,327	-	-	1,920,824,123
<b>Liabilities</b>												
Borrowings	72,177,830,346	3,222,885,346	61,154,075,563	916,537,296	3,598,759,690	434,134,903	459,555,203	884,198,208	1,507,684,138	-	-	-
Deposits and other accounts	1,503,420,313	1,191,244,891	312,175,422	-	-	-	-	-	-	-	-	-
Other liabilities	891,129,239	3,532,820	6,769,453	10,374,836	19,967,049	40,644,159	27,393,978	24,146,579	1,621,536	-	-	758,678,829
	74,572,379,898	4,417,663,056	61,473,020,438	926,912,132	3,618,726,739	474,779,062	486,949,181	908,344,787	1,509,305,674	-	-	758,678,829
<b>On-balance sheet gap</b>	<b>19,396,372,511</b>	<b>1,078,201,968</b>	<b>8,619,300,920</b>	<b>7,801,992,359</b>	<b>534,010,182</b>	<b>17,367,015</b>	<b>32,000,566</b>	<b>176,829,554</b>	<b>(27,475,347)</b>	<b>-</b>	<b>-</b>	<b>1,164,145,294</b>
<b>Off-balance sheet financial instruments</b>												
Commitments in respect of												
Government securities	6,177,119,768	-	6,177,119,768	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>	<b>6,177,119,768</b>	<b>-</b>	<b>6,177,119,768</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Yield/Interest Risk Sensitivity Gap</b>		<b>1,078,201,968</b>	<b>2,442,181,152</b>	<b>7,801,992,359</b>	<b>534,010,182</b>	<b>17,367,015</b>	<b>32,000,566</b>	<b>176,829,554</b>	<b>(27,475,347)</b>	<b>-</b>	<b>-</b>	<b>1,164,145,294</b>
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>		<b>1,078,201,968</b>	<b>3,520,383,120</b>	<b>11,322,375,479</b>	<b>11,856,385,661</b>	<b>11,873,752,676</b>	<b>11,905,753,242</b>	<b>12,082,582,796</b>	<b>12,055,107,449</b>	<b>12,055,107,449</b>	<b>-</b>	<b>13,219,252,743</b>

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	Effective Yield/ Interest Rate	Total	2021 (Restated)								Non-interest bearing financial instruments	
			Up to 1 Month	Over 1 to 3 months	Over 3 to 6 months	Exposed to Yield/ Interest risk						
						1 years	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 Years	
<b>On-balance sheet financial instruments</b>												
-----Rupees-----												
<b>Assets</b>												
Cash and balances with treasury banks	12.0%	2,067,463,832	2,000,000,000	-	-	-	-	-	-	-	-	67,463,832
Balances with other banks	9.0%	6,546,094,679	4,086,334,535	-	2,458,941,400	-	-	-	-	-	-	818,744
Investments	11.1%	12,587,332,925	1,717,893,600	1,786,486,500	3,215,282,341	4,495,774,000	-	-	-	-	-	1,371,896,484
Assets subject to lease	10.7%	19,281,098	2,743,279	4,187,229	4,915,575	7,435,015	-	-	-	-	-	-
Advances	10.3%	15,841,552,779	3,898,243,498	9,666,113,532	445,937,173	11,339,591	149,864,461	221,600,300	427,572,789	935,636,290	78,064,731	7,180,414
Other assets		345,530,142	-	-	-	-	-	-	-	-	-	345,530,142
		37,407,255,455	11,705,214,912	11,456,787,261	6,125,076,489	4,514,548,606	149,864,461	221,600,300	427,572,789	935,636,290	78,064,731	1,792,889,616
<b>Liabilities</b>												
Borrowings	9.3%	14,694,377,694	3,421,032,750	5,005,368,490	5,368,490	4,502,778,967	158,498,453	231,472,329	430,733,695	939,124,520	-	-
Deposits and other accounts	11.5%	4,750,000,000	4,750,000,000	-	-	-	-	-	-	-	-	-
Other liabilities		251,125,549	-	-	-	-	-	-	-	-	-	251,125,549
		19,695,503,243	8,171,032,750	5,005,368,490	5,368,490	4,502,778,967	158,498,453	231,472,329	430,733,695	939,124,520	-	251,125,549
<b>On-balance sheet gap</b>		17,711,752,212	3,534,182,162	6,451,418,771	6,119,707,999	11,769,639	(8,633,992)	(9,872,029)	(3,160,906)	(3,488,230)	78,064,731	1,541,764,067
<b>Off-balance sheet financial instruments</b>												
Commitments in respect of:												
Government securities												
<b>Off-balance sheet gap</b>		-	-	-	-	-	-	-	-	-	-	-
<b>Total Yield/Interest Risk Sensitivity Gap</b>			3,534,182,162	6,451,418,771	6,119,707,999	11,769,639	(8,633,992)	(9,872,029)	(3,160,906)	(3,488,230)	78,064,731	1,541,764,067
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>			3,534,182,162	9,985,600,933	16,105,308,932	16,117,078,571	16,108,444,579	16,098,572,540	16,095,411,644	16,091,923,414	16,169,988,145	17,711,752,212

41.2.6 Reconciliation of financial assets with total assets and liabilities.

Total assets as per statement of financial position

Fixed assets  
Intangible assets  
Equity accounted investments  
Deferred tax assets  
Other Assets

Total Assets as per mismatch report

	2022	2021 Restated
	-----Rupees-----	
	94,215,241,868	37,742,488,071
	178,345,992	175,850,173
	-	217,988
	-	-
	-	63,444,294
	68,143,467	95,720,161
	246,489,469	335,232,616
	93,968,752,409	37,407,255,455

41.2.7 For details of off balance sheet items included in the commitments, Please refer to note number 20.2 of the financial statements

### 41.3 Operational Risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed internal processes, people, technology and infrastructure within the Company, and from external factors other than credit, market and liquidity risks such as those arising from disruptive business events, natural disasters, non-compliance with regulations and generally accepted standards of corporate behavior.

The Company has established Operational Risk Management Framework, which outlines approaches to identifying, measuring, reporting and mitigating operational, information security and business continuity risks with forward looking management discipline. The management of operational risk is the primary responsibility of each business or support function and implementation of the framework is coordinated by Operational Risk Department under supervision of GH-Risk Management, who maintains supervisory oversight and drives improvement.

#### Information Security

Information Security risk is increasingly assuming prominent threat potential in digital age. The Company recognizes its key dependencies on systems, people and service processes and the risks, to which they are exposed to both from internal and external factors. To mitigate these threats, the Company has implemented robust information security framework based on industry best practices.

#### Business Continuity Management

The Company is committed to ensure continuity and resilience of its key business processes and service deliveries against internal and external disruptive events, natural calamities, etc. To achieve these objectives, the Company has designed and implemented Business Continuity Plan (BCP) by identifying disruptive scenarios, developing continuity plans and periodically testing the same for their continued viability.

#### 41.3.1 Operational Risk-Disclosures Basel II Specific

The Company has adopted the Basic Indicator Approach (BIA) for ascertaining capital requirements for its operational risk. Up to the year end, the Company has not incurred any significant loss owing to the operational risk.

### 41.4 Liquidity Risk

Liquidity risk is the risk that the Company is not in a position to fund growth in assets or meet obligations as they become due. Liquidity risk arises in the normal course of business by taking shorter term liquidity sources, often repayable on demand or at short notice, and using these short term sources to fund credit facilities over medium to longer periods. The Company has defined the liquidity risk appetite at a level so as to ensure that the Company has a controlled liquidity risk position with adequate cash or cash equivalents to be able to meet its financial obligations, in all foreseeable circumstances and without incurring substantial additional costs.

#### Asset Liability Committee (ALCO)

The ALCO develops and implements the policy and procedures that translate the Company's goals, objectives, and risk tolerances into operating standards that are well understood by the Company's staff. ALCO oversees the implementation and maintenance of management information and other systems that identify, measure, monitor and control the bank's liquidity risk.

#### Liquidity management and monitoring

The Company's daily liquidity management activity is performed by the Treasury Department. Treasury's activity is overseen by the Market Risk team which measures, monitors and reports on liquidity management activity, covering the following activities:

- Monitoring of the maturity profile of assets and liabilities on a continuous basis;
- Stress testing based on the sensitivity analysis of key factors and combined events;
- Measuring Key regulatory liquidity indicators e.g. Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR);
- Monitoring of concentration risks in liquidity sources; and
- Monitoring of early warning indicators to assess the potential impact arising from a series of defined idiosyncratic and systemic stress scenarios.

#### Liquidity Contingency plan

The Company has an established liquidity position available all the times to meet the contingencies. In addition, Company has also entered into financing agreements with different Commercial Banks to meet its funding requirements.

*SAJ*

41.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Company

Total		2022												
		Up to 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
<b>Assets</b>		<b>Rupees</b>												
Treasury bank balances	93,364,567	-	93,364,567	-	-	-	-	-	-	-	-	-	-	-
Other banks balance	3,313,389,248	-	126,440,959	443,310	-	-	-	3,186,504,980	-	-	-	-	-	-
Lending to financial institutions	99,825,849	-	99,825,849	-	-	-	-	-	-	-	-	-	-	-
Investments	73,440,579,528	-	99,534,500	12,500,000	1,053,156,000	2,958,824,752	54,660,676,825	1,013,886,083	368,566,504	4,156,888,585	562,102,452	638,439,709	2,823,534,231	5,162,469,886
Advances	16,198,258,267	60,303,094	-	-	460,498,899	131,188,995	335,670,540	1,205,111,044	1,677,046,197	1,427,375,203	2,723,130,400	2,259,996,301	3,267,578,659	2,650,359,775
Fixed assets	335,841,618	-	-	-	4,819,874	4,612,760	10,871,197	14,366,117	12,783,608	12,564,965	50,968,652	29,771,124	51,233,253	143,850,069
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	733,982,851	77,468,419	50,543,932	6,144,133	139,991,848	72,026,705	38,880,208	208,336,428	28,675,477	7,758,472	3,497,191	3,125,292	63,702,125	33,832,620
	94,215,241,868	137,771,513	489,709,806	19,087,443	1,658,486,622	3,166,652,313	55,046,096,770	5,628,204,653	2,027,071,785	5,604,587,225	3,339,698,695	2,931,332,426	6,206,048,268	7,980,512,350
<b>Liabilities</b>														
Borrowings	72,177,830,346	7,231,813	2,048,218,063	-	259,872,969	801,397,126	54,402,678,438	1,333,203,963	748,951,844	4,495,641,180	3,583,364,071	2,105,388,534	884,198,208	1,507,684,139
Deposits and other accounts	1,503,420,313	-	-	-	1,191,244,891	200,000,000	112,175,422	-	-	-	-	-	-	-
Deferred tax others-Liability	26,820,653	-	-	-	26,820,653	-	-	-	-	-	-	-	-	-
Other liabilities	891,129,239	-	22,717,067	6,512,886	90,602,419	56,979,610	245,800,536	97,245,445	19,597,029	141,807,234	47,949,923	27,393,978	24,146,680	110,376,538
	74,599,200,551	7,231,813	2,070,935,130	6,512,886	1,568,540,931	1,058,376,735	54,760,654,397	1,430,449,407	768,548,872	4,637,448,414	3,631,313,994	2,132,782,511	908,344,788	1,618,060,674
<b>Net assets</b>	19,616,041,317	130,539,700	1,601,225,323	12,574,557	89,925,690	2,108,275,577	285,444,374	4,197,755,245	1,258,522,913	967,138,811	(291,615,299)	798,649,914	6,297,703,480	6,362,451,676
Share capital	9,905,975,280													
Advance against issue of shares	5,212,360													
Statutory reserve	1,891,727,790													
Unappropriated profit	7,588,321,051													
Surplus on revaluation	244,804,836													
	19,616,041,317													

Total		2021(Restated)												
		Up to 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
<b>Assets</b>		<b>Rupees</b>												
Treasury banks balance	2,087,463,832	-	67,463,832	-	2,000,000,000	-	-	-	-	-	-	-	-	-
Other banks balance	6,546,094,679	-	88,638,984	514,295	4,000,000,000	-	-	2,458,941,400	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	12,587,332,925	-	-	12,500,000	62,500,000	-	-	631,641,629	214,125,036	4,614,026,083	581,061,667	627,311,667	1,822,265,477	4,121,801,366
Advances	15,841,552,779	283,067,522	-	30,781,250	96,902,623	183,961,979	651,820,682	287,418,831	1,931,453,087	582,213,617	3,281,720,289	2,307,831,498	3,632,241,542	2,692,139,659
Fixed assets	195,131,271	-	-	-	3,658,541	3,480,840	11,180,681	7,711,983	7,711,983	5,315,847	5,612,348	1,918,445	11,186,364	137,374,291
Intangible assets	217,988	-	-	-	20,896	21,552	21,552	64,656	84,656	24,676	-	-	-	-
Deferred tax assets	63,444,294	-	-	-	63,444,294	-	-	-	-	-	-	-	-	-
Other assets	441,250,303	116,406,940	4,825,128	7,760,783	151,389,475	47,059,259	25,518,647	37,947,447	3,118,518	7,377,084	1,390,944	1,390,944	3,125,291	33,839,853
	37,742,488,071	399,474,462	159,927,944	51,556,308	6,377,915,828	234,523,940	688,521,742	3,423,725,946	2,158,473,280	5,208,957,307	3,840,785,246	2,638,452,554	6,368,818,674	6,985,355,140
<b>Liabilities</b>														
Borrowings	14,694,377,694	-	1,965,532,750	-	-	-	255,368,490	255,368,490	422,035,157	5,164,077,144	2,075,165,121	2,103,838,997	1,514,067,026	839,124,519
Deposits and other accounts	4,750,000,000	-	-	-	4,750,000,000	-	-	-	-	-	-	-	-	-
Other liabilities	251,125,549	-	12,366,810	17,309,681	69,452,627	1,001,255	19,791,577	17,944,171	-	4,428,697	4,077,833	-	-	168,755,000
	19,695,503,243	-	1,977,899,560	17,309,681	4,815,452,627	1,001,255	275,160,067	273,312,661	422,035,157	5,168,503,841	2,079,242,954	2,103,838,997	1,514,067,026	1,047,879,519
<b>Net assets</b>	18,046,984,828	399,474,462	(1,818,971,616)	34,246,627	1,562,463,202	233,522,385	413,361,675	3,150,413,285	1,734,438,123	40,453,466	1,770,542,294	734,813,556	3,854,751,648	5,637,475,620
Share capital	9,696,637,540													
Advance against issue of shares	9,881,237													
Statutory reserve	1,626,807,563													
Unappropriated profit	6,507,549,063													
Surplus on revaluation	208,109,425													
	18,046,984,828													



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

	2022									
	Total	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-----										
<b>Assets</b>										
Treasury banks balance	93,364,567	93,364,567	-	-	-	-	-	-	-	-
Other banks balance	3,313,389,248	126,884,268	-	3,186,504,980	-	-	-	-	-	-
Lending to financial institutions	99,825,849	99,825,849	-	-	-	-	-	-	-	-
Investments	73,440,579,528	1,165,190,500	57,619,501,577	1,013,886,083	4,465,455,089	562,102,452	638,439,709	2,823,534,231	3,677,469,886	1,475,000,000
Advances	16,198,258,207	520,801,993	466,858,635	1,205,111,044	3,104,421,400	2,723,130,400	2,259,996,301	3,267,578,659	2,399,682,257	250,677,518
Fixed assets	335,841,618	4,819,874	15,483,957	14,366,117	25,348,572	50,968,652	29,771,124	51,233,253	7,850,087	135,999,982
Intangible assets	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	733,982,851	274,148,332	110,906,913	208,336,428	36,433,949	3,497,191	3,125,292	63,702,125	-	33,832,620
	94,215,241,868	2,285,035,384	58,212,751,083	5,628,204,653	7,631,659,010	3,339,698,695	2,931,332,426	6,206,048,268	6,085,002,230	1,895,510,120
<b>Liabilities</b>										
Borrowings	72,177,830,346	2,315,322,845	55,204,075,563	1,333,203,963	5,244,593,024	3,583,364,071	2,105,388,534	884,198,208	1,507,684,139	-
Deposits and other accounts	1,503,420,313	1,191,244,891	312,175,422	-	-	-	-	-	-	-
Deferred tax others-Liability	26,820,653	26,820,653	-	-	-	-	-	-	-	-
Other liabilities	891,129,239	119,832,371	302,780,146	97,245,445	161,404,262	47,949,923	27,393,978	24,146,580	110,376,535	-
	74,599,200,551	3,653,220,760	55,819,031,132	1,430,449,407	5,405,997,286	3,631,313,994	2,132,782,511	908,344,788	1,618,060,674	-
<b>Net assets</b>	19,616,041,317	(1,368,185,376)	2,393,719,951	4,197,755,246	2,225,661,724	(291,615,299)	798,549,914	5,297,703,480	4,466,941,556	1,895,510,120
Share capital	9,905,975,280									
Advance against issue of shares	5,212,360									
Statutory reserve	1,891,727,790									
Unappropriated profit	7,568,321,051									
Surplus on revaluation	244,804,836									
	19,616,041,317									

	2021(Restated)									
	Total	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-----										
<b>Assets</b>										
Treasury banks balance	2,067,463,832	2,067,463,832	-	-	-	-	-	-	-	-
Other banks balance	6,546,094,679	4,087,153,279	-	2,458,941,400	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	12,587,332,925	75,000,000	-	631,641,629	4,828,151,119	581,061,667	527,311,667	1,822,265,477	4,013,146,363	108,755,003
Advances	15,841,552,779	410,751,395	835,782,861	287,418,831	2,513,666,704	3,261,720,289	2,307,831,498	3,532,241,542	2,285,199,593	406,940,066
Fixed assets	195,131,271	3,858,541	14,641,501	7,711,983	13,027,830	5,612,348	1,918,445	11,186,364	1,374,280	135,999,979
Intangible assets	217,988	20,896	43,104	64,656	89,332	-	-	-	-	-
Deferred tax assets	63,444,294	63,444,294	-	-	-	-	-	-	-	-
Other assets	441,250,303	280,382,306	72,577,916	37,947,447	10,495,602	1,390,944	1,390,944	3,125,291	-	33,939,853
	37,742,488,071	6,987,874,543	923,045,382	3,423,725,946	7,365,430,587	3,849,785,248	2,838,452,554	5,368,818,674	6,299,720,236	685,634,902
<b>Liabilities</b>										
Borrowings	14,694,377,694	1,965,532,750	255,368,490	255,368,490	5,588,112,301	2,075,165,121	2,103,638,997	1,514,067,026	939,124,519	-
Deposits and other accounts	4,750,000,000	4,750,000,000	-	-	-	-	-	-	-	-
Other liabilities	251,125,549	95,129,017	20,792,832	17,944,171	4,426,697	4,077,833	-	-	-	108,754,999
	19,695,503,243	6,810,661,767	276,161,322	273,312,661	5,590,538,998	2,079,242,954	2,103,638,997	1,514,067,026	939,124,519	108,754,999
<b>Net assets</b>	18,046,984,828	177,212,776	646,884,060	3,150,413,285	1,774,891,589	1,770,542,294	734,813,556	3,854,751,648	5,360,595,717	576,879,903
Share capital	9,696,637,540									
Statutory reserve	9,881,237									
Statutory reserve	1,628,807,563									
Unappropriated profit	6,507,549,063									
Surplus on revaluation	208,109,425									
	18,046,984,828									

27/10



42 Restatement

The Company's Investments in Central Depository Company of Pakistan Limited, Pakistan Stock Exchange Limited and Deli-JW Glassware Company Limited have been classified, accounted and presented by the management as "Associate" in the prior year whereas in facts and circumstances, the Company did not demonstrate significant influence as to attract recognition, accounting and presentation of the aforesaid entities as associates under the financial reporting framework applicable to the Company for the preparation of its statutory financial statements. The said adjustments resulted in restatement of financial statements retrospectively. The significant impact of the restatements is summarized below:

	January 01, 2021 As previously reported Rupees	Effect of Restatement Rupees	January 01, 2021 Restated Rupees
<b>Statement of financial position</b>			
<b>As at January 01, 2021</b>			
Investments	15,657,891,369	(194,373,432)	15,463,517,937
Deferred tax asset	105,401,492	16,053,111	121,454,603
<b>Impact on net assets</b>		<u>(178,320,321)</u>	
Statutory reserve	1,538,966,656	(53,787,132)	1,485,179,524
Surplus on revaluation of assets	83,193,433	86,925,166	170,118,599
Unappropriated profit	6,153,575,746	(211,458,355)	5,942,117,391
<b>Impact on equity</b>		<u>(178,320,321)</u>	
	December 31, 2021 As previously reported Rupees	Effect of Restatement Rupees	December 31, 2021 Restated Rupees
<b>Statement of financial position</b>			
<b>As at December 31, 2021</b>			
Investments	12,842,681,680	(255,348,755)	12,587,332,925
Deferred tax asset	36,208,892	27,235,402	63,444,294
<b>Impact on net assets</b>		<u>(228,113,353)</u>	
Statutory reserve	1,693,599,200	(66,791,637)	1,626,807,563
Surplus on revaluation of assets	104,092,310	102,017,115	206,109,425
Unappropriated profit	6,770,887,894	(263,338,831)	6,507,549,063
<b>Impact on equity</b>		<u>(228,113,353)</u>	
	December 31, 2021 As previously reported Rupees	Effect of Restatement Rupees	December 31, 2021 Restated Rupees
<b>Profit and Loss Account</b>			
<b>For the Year ended December 31, 2021</b>			
Dividend income	-	27,077,266	27,077,266
Share in profit of associated companies	67,938,788	(67,938,788)	-
Taxation	360,004,067	(18,717,992)	341,286,075
<b>Impact on profit</b>		<u>(59,579,514)</u>	
	December 31, 2021 As previously reported Rupees	Effect of Restatement Rupees	December 31, 2021 Restated Rupees
<b>Statement of Comprehensive Income</b>			
<b>For the Year ended December 31, 2021</b>			
Share of other comprehensive income from Associate	(137,547)	137,547	-
Net change in fair value of available-for-sale securities - net of tax	30,255,700	8,439,711	38,695,411
Company's share of equity accounted investees' OCI:	154,044	(154,044)	-
<b>Impact on other comprehensive income</b>		<u>8,439,711</u>	
<b>Impact on basic and diluted earning per share</b>	0.80	(0.07)	0.73

*Signature*

**43 GENERAL**

**43.1 Events after the reporting date**

There are no adjusting events after the date of statement of financial position that may have an impact on the financial statements.

**43.2** Captions, as prescribed by BPRD Circular No. 2, dated January 25, 2018 issued by the SBP, for which there are no amounts, have not been reproduced in these financial statements except for the statement of financial position and profit and loss account.

**43.3** Figures have been rounded off to the nearest Rupee, unless otherwise stated.

**44 DATE OF AUTHORIZATION**

These financial statements were authorized for issue in the Board of Directors meeting held on

27730. 23 JUL 2024.

MANAGING DIRECTOR

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

**PAK CHINA INVESTMENT COMPANY LIMITED**  
**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF**  
**OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED**  
**DURING THE YEAR ENDED DECEMBER 31, 2022**

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
1	Digri Sugar Mills - 48 - J/1, Block 6, PECHS, Karachi	Jellani Altaf - 42201-7801602-5 Naveed Muhammad Javeri - 42201-4892360-5 Mustapha Tapu Javeri - 42201-9407234-3	Muhammad Altaf Hassan Ali Javeri Hassan Ali Javeri	12,187,500	445,752	32,781,237	45,414,489	-	31,220,225		31,220,225
<b>TOTAL:</b>				12,187,500	445,752	32,781,237	45,414,489	-	31,220,225	-	31,220,225

*S. J. J. J.*