

JS Bank Limited

Shaheen Complex, Dr. Ziauddin Ahmed
Road, Karachi.

UAN: +92 21 111 JSBANK (572-265)

Phone: +92 11 1572 265

PRI: +92 38 907700

Fax: +92 32 631803

Website: www.jsbl.com

Form - 5

JSB-030-24
March 08, 2024

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi.

Subject: Transmission of Annual Report for the Year ended December 31, 2023

Dear Sir,

We have to inform you that the Annual Report of JS Bank Limited for the year ended December 31, 2023 has been transmitted through PUCARS and is also available on the Bank's website.

You may please inform the TRE Certificate Holders of the Exchange accordingly.

Thank you,

Yours truly,



Syed Muhammad Talib Raza
Company Secretary & Head of Legal



Syed Adeel Ehtesham
Chief Financial Officer

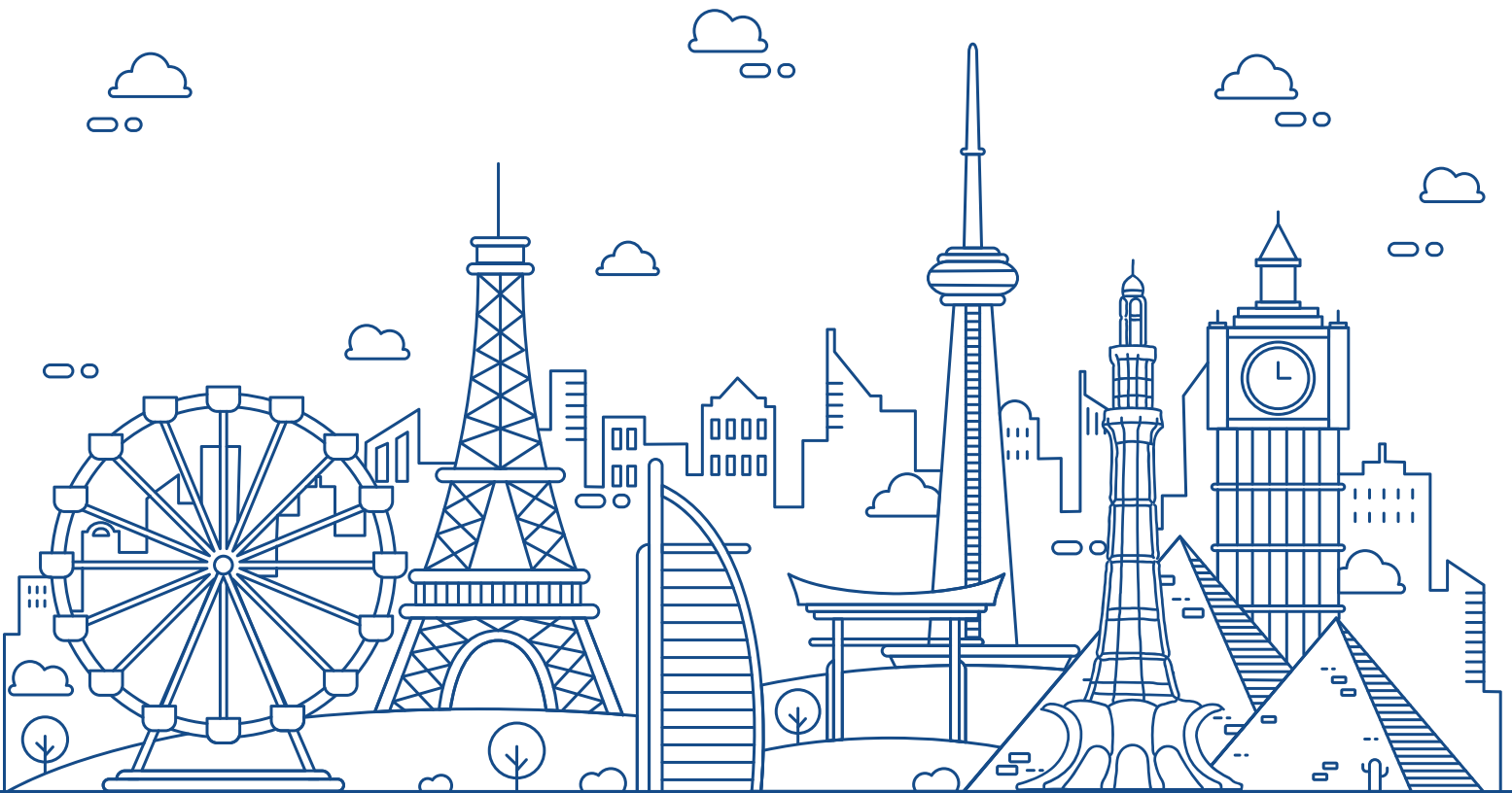


ANNUAL REPORT 2023

MONEY AND CULTURES

2023

Take a look at worldwide cultures with us and explore the interesting ways each society handles its personal finances.



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Form of Proxy

Pakistan

SAB SATH CHALEIN!

In Pakistan, money is managed collectively within the family and elders make the financial decisions. Pakistanis spend big on weddings and other family occasions and frequently exchange gifts. People save for their children's education, wedding and buying their own house.





About
JS Bank



VISION

To be the most innovative, customer centric, and responsible bank in Pakistan.



MISSION

Our mission is to be a world class bank providing innovative financial services to our customers through a motivated team of professionals, supported by the latest technology, whilst maintaining high ethical standards, creating value for all our stakeholders, and contributing to the society through responsible and sustainable development.

COMPANY INFORMATION

Board of Directors

Mr. Adil Matcheswala	Chairman
Mr. Khalilullah Shaikh	Independent Director*
Ms. Nargis Ali Akber Ghaloo	Independent Director
Lt. Gen. Retd. Sadiq Ali	Independent Director
Syed Mumtaz Ali Shah	Independent Director
Mr. Usman Yousaf Mobin	Independent Director
Mr. Basir Shamsie	President & CEO

Board Audit Committee

Ms. Nargis Ali Akber Ghaloo	Chairperson
Lt. Gen. Retd. Sadiq Ali	Member
Mr. Khalilullah Shaikh	Member*

Board Human Resource, Remuneration & Nomination Committee

Syed Mumtaz Ali Shah	Chairman
Mr. Adil Matcheswala	Member
Mr. Usman Yousaf Mobin	Member

Board Risk Management Committee

Syed Mumtaz Ali Shah	Chairman
Mr. Khalilullah Shaikh	Member*
Lt. Gen. Retd. Sadiq Ali	Member
Mr. Basir Shamsie	Member

Board IT Committee

Mr. Usman Yousaf Mobin	Chairman
Ms. Nargis Ali Akber Ghaloo	Member
Mr. Basir Shamsie	Member

Chief Financial Officer

Mr. Amin Muhammad Virani**

Company Secretary & Head of Legal

Mr. Hasan Shahid**

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi.

Legal Advisors

Bawaney & Partners
Haidermota & Co.
Liaquat Merchant Associates

Share Registrar

CDC Share Registrar Services Limited
CDC House, 99 – B,
Block 'B', S.M.C.H.S.,
Main Shahra-e-Faisal,
Karachi.

Registered office

JS Bank Limited, Shaheen Commercial Complex
Dr. Ziauddin Ahmed Road
P.O. Box 4847, Karachi-74200, Pakistan
UAN: +92 21 111 JS Bank (572-265) 111-654-321
www.jsbl.com

* Mr. Khalilullah Shaikh was appointed as director of the Bank with effect from December 12, 2023 in place of Mr. Shahnawaz Haider Nawabi, whose Fit and Proper Test (FPT) clearance was granted on February 06, 2024 by the State Bank of Pakistan.

** Syed Adeel Ehtesham and Syed Muhammad Talib Raza have been appointed as Chief Financial Officer and Company Secretary of the Bank with effect from March 01, 2024 and March 04, 2024 respectively.

CORPORATE VALUES



Integrity

Integrity is at the core of everything we do. We believe in achieving success by building a culture of trust and accountability by adhering to high moral values. We empower our people to say no.



Customer Centricity

Customer satisfaction is our prime objective. We aim to fully understand the needs of our customers and stakeholders so as to adapt our products and services to exceed their expectations.



Teamwork

Teamwork enables individuals to achieve bigger goals which foster a culture of trust and support. We believe in supporting each other and putting the team before individual performance. We respect diversity and promote inclusion.



Professional Excellence

As the industry we operate in is evolving rapidly and providing abundance of choice to the customers, we believe only persistent commitment towards excellence will make us the very best among the industry.



Innovation

We believe innovation is vital at workplace as it gives the organization the edge in implementing new ideas, refining services and creating dynamic products leading to business growth by effectively adapting the evolving marketplace.

CODE OF CONDUCT

JS Bank is committed to upholding the highest standards of ethical behaviour and maintaining its reputation as a trusted financial institution. Our Code of Conduct provides clear guidelines for employees to ensure that their personal business ethics align with the Bank's values and interests.

Honesty and integrity are paramount in our approach to building lasting business relationships. We strive to provide our customers with products and services that are delivered in a fair, transparent, and ethical manner. Our Code of Conduct emphasizes the importance of upholding ethical standards in all our business dealings and relationships, both internally and with external stakeholders.

We remain committed to fostering a culture of ethical behaviour and conducting our business with the utmost integrity. Our Code of Conduct provides a clear framework for employees to operate within and helps to ensure that our business practices are in line with the highest ethical standards.

At JS Bank, we aim to be transparent in all our operations and transactions. The complete Code of Conduct is provided to all employees and is also available on our website for easy access.

OPERATING STRUCTURE

Jahangir Siddiqui & Co. Ltd. (JSCL)

Jahangir Siddiqui & Co. Ltd. (the Holding Company) was incorporated under the Companies Ordinance, 1984 on May 4, 1991 as a public unquoted company. The Holding Company is presently listed on Pakistan Stock Exchange.

71.21%
JS Bank Limited (JSBL)

92.90%
JS Global Capital
Limited (JSGCL)

84.56%
JS Investments
Limited (JSIL)

75.12%
BankIslami Pakistan
Limited (BIPL)

Mexico

FAMILIA LO ES TODO!

In Mexico, people prioritize strong family bonds and family members help each other financially. They spend generously on special events like quinceañeras and weddings with big parties. Cash is still widely used in Mexico for everyday transactions.





Products & Services

PRODUCTS & SERVICES

JS Current Deposit Products

For complete day-to-day banking needs, JS Current Deposit menu is designed to provide our valued customers with transactional convenience and flexibility for all their financial dealings.

JS Savings Deposit Products

We offer a wide array of Savings products that cater to short term investment and transactional needs at the same time.

JS Term Deposit Products

JS Term Deposit offers attractive short and medium to long-term investment options with flexibility, convenience, and security. With various tenor options, customers can choose the one that best suits their investment needs.

Foreign Currency Accounts

The customers can save in any foreign currency accounts and enjoy attractive returns. A wide range of account types are offered for personal and business clients.

Safe Deposit Lockers

We take pride in offering our customers ease of mind and this is yet another service that highlights our commitment in providing everything necessary to accommodate their needs. We offer various types of lockers depending on customer requirement to protect their valuables.

JS Bank Wealth Management

Our wealth management offerings provide clients with a robust array of financial solutions integrating bancassurance products from various insurance providers, and mutual funds. For Bancassurance products we partner with the largest private sector life insurance company in Pakistan, EFU Life, EFU Health and TPL Life. Our offerings include a spectrum of options such as life insurance policies ensuring financial security for loved ones and health insurance plans for your own self as well as for your parents and house help too. Complementing these offerings are the diverse mutual funds managed by JS Investments Limited, which is one of the oldest Asset Management companies in Pakistan. From equity funds for capital

appreciation to debt funds for stable returns and balanced funds for a blend of growth and stability, our mutual fund offerings are professionally managed to optimize returns while managing risks effectively. For all wealth management offerings, we link our customers to the product providers and ensure that the customer is fully satisfied.

Transaction Banking Services

Under the umbrella of Transaction Banking, we offer Employee Banking and Cash Management solutions to institutional clients across Pakistan. Our Employee Banking customers and account holders enjoy unmatched services, special rates on consumer products, unparalleled insurance coverage. We also offer facilities like Advance Salary, Personal Loans and Corporate Charge Cards.

Corporate Banking

Our Corporate Banking Group is focused on providing an array of value added & customized financial services to fulfill the short-term and long-term business needs of multinational, public and private entities by partnering with them and building long-term sustainable relationships.

JS Private Banking

JS Private Banking is a personal conviction-driven investment boutique. Our state-of-the art client centers, coupled with our digital platforms, facilitate our clients in executing wealth strategies quickly and conveniently. No matter where you are in the world and how complex your personal wealth situation is, we can provide you with need-based advisory services and a holistic product match.

Forward-Looking relationship

Whether your goal is the long-term preservation of capital, enhancing investment performance, or seizing specific opportunities available in the market, our private banking experts develop the strategies most suitable to sustain and grow your wealth.

Global-View of your assets

Taking a global approach is paramount to managing your wealth efficiently. We work to provide you with unique tailor-made financial solutions to match your needs and aspirations. With us, you will build a trusted, personal relationship backed by a dedicated

team of professionals who anticipate the financial challenges and manage your wealth by staying at the forefront of environmental and technical change.

JS Consumer Lending Products

JS Consumer Banking offers a full suite of consumer lending products to our valued customers. The Bank's Current product portfolio consists of Credit Cards, Personal Finance, Home Finance and Auto Finance.

JS Green Financing

We offer Solar Financing to individuals and businessmen for residential, agriculture and commercial needs. As one of Pakistan's leading Banks in green financing, we ensure end to end comprehensive installation of solar solutions through AEDB-certified partners across Pakistan.

JS Gold Finance

We are one of the leading banks offering finance against gold / gold ornaments for personal, business, and agricultural requirements. We ensure end to end comprehensive valuations and processing of disbursements in efficient way to improve customer experience and satisfaction.

JS SME Banking

We are one of the leading banks in the SME lending space, with a variety of loans available geared towards development and expansion of SMEs across the country. We offer a diverse portfolio of lending facilities, including SBP initiatives offering rebated loans to specific target segments.

JS Prime Minister's Youth Business & Agriculture Loan Scheme (PMYB&ALs)

JS Bank actively participating in Prime Minister's Youth Business & Agriculture Loan Scheme (PMYB&ALs). The scheme aims at empowering the youth of Pakistan by providing them highly subsidized loans to set up or expand their small businesses & agriculture. Through its strategic alliance-based model, we have partnered with various local and international organizations in the ride hailing, dairy farming and transportation segment in addition to financing individual business loans. In the coming years, strategic partnerships in the Agri value chain,

Education, Business Incubation, Economic Development, and Manufacturing sectors are being explored as we look to transform lives throughout the country.

JS Khud Mukhtar

A financing solution based on State Bank of Pakistan's Refinance and Credit Guarantee Scheme for Women Entrepreneurs, JS Khud Mukhtar enables empowerment and financial stability for women entrepreneurs in Pakistan.

JS Naya Aghaaz

The JS Naya Aghaaz SME Loan has been designed to enable personal development of the differently abled individuals in Pakistan through term finance based on State Bank of Pakistan's Small Enterprise (SE) Financing and Credit Guarantee Scheme for Special Persons.

JS Agri Financing Products

Agriculture finance business of the Bank has embraced a new and progressive outlook as a result of various initiatives. A well-equipped, trained & experienced team has been put in place to facilitate customers on their doorsteps.

Digital Channels

JS ATMs

We have a widespread ATM network placed at both Bank branches and commercial locations for consumers' convenience. JS ATMs provide customers with 24-hour convenience to withdraw cash, view mini-statement, and make fund transfers and much more.

JS SMS Alerts

We continually update our valued customers with financial transaction and information alerts via SMS.

JS Blink Accounts

JSBL brings its customers the convenience of opening their bank accounts online without having to visit the branch. Customers can instantly open their Asaan Digital Account (ADA), Asaan Digital Remittances Account (ADRA), Freelancer Digital Account (FDA), Saving / Current Digital Accounts via

JS Bank's website, Mobile App, and JS Bot (WhatsApp) and keep enjoying large range of Banking services. To meet our customers' banking requirements, we believe in providing them with innovation, accessibility, excellent service, and convenience. In 2023, a notable growth occurred with the opening of 5,730 new accounts.

As of Year-end 2023, the process of Account Opening via BOB (Blink on Branch) was initiated in 272 branches resulting in the generation of 15,159 leads, out of which 12,640 accounts were successfully opened.

JS Roshan Digital Accounts

Roshan Digital Account (RDA) is an initiative of State Bank of Pakistan, in collaboration with commercial banks operating in Pakistan. These accounts provide innovative banking solutions for millions of Non-Resident Pakistanis (NRPs) seeking to undertake banking, payment, and investment activities in Pakistan. JSBL allows Non-resident Pakistanis to open JS RDA accounts digitally from anywhere in the world via Website, Mobile App & JS Bot (WhatsApp). This product enables RDA customers to invest in Naya Pakistan Certificate (Islamic & Conventional), Stock market via Roshan Equity Investment, Voluntary Pension Plan via Roshan Pension Plan, donate via Roshan Samaaji Khidmat & Finance their home via Roshan Apna Ghar. All of these products are end to end digital. JSBL's contribution to increasing Pakistan's inbound remittances is vital & essential in this national cause. JS Bank has established 4 RDA centers across Pakistan to provide services and timely resolution to NRP's queries. In 2023, a notable growth was achieved with the opening of 27,063 new accounts.

JS Mobile App & Internet Banking

JS Bank provides comprehensive digital services at no charge through its native Mobile Banking App and browser-driven Internet Banking platform. Our solutions are meticulously crafted to meet the diverse needs of customers seeking convenient banking options while remaining seamlessly connected with JS Bank around the clock.

JS Mobile and Internet Banking eliminates the necessity for customers to physically visit branches or utilize traditional channels. It offers uninterrupted banking services within a streamlined digital platform. Customers can effortlessly transfer funds, pay utility and credit card bills, and access financial statements with just a few clicks.

In an effort to bolster customer security, JS Bank has unveiled its newest Mobile app release, meticulously designed to comply with State Bank of Pakistan's BPRD Circular No. 4. This update ensures robust biometric-based authentication for customer registration and device or KYC level changes, alongside introducing a host of advanced security features.

Open Banking

Playing a pivotal role in the development of an enabling eco-system, we have ventured into the Open Banking space where we enable 3rd party players with financial use-cases. This is achieved over a Banking as a Service model, a feat which enables JSBL to offer its banking services beyond the conventional channels, enabling diverse experiences across the digital world.

JS Bot

JS Bank offers a unique proposition for banking on-the-go with JS BOT. With its simple setup and intuitive user interface, is an easy and simplified way for customers to access various banking needs in real-time, 24/7. Maintaining a personal of Social Banking, customer simply needs to add JS BOT in his/her contacts and perform one-time registration from within the chat window.

JS BOT eliminates branch visits and waiting in long queues. An ever-increasing service suite is offered to Retail, RDA, and Credit Card customer, so they can stay up to date with their financial statements, open new accounts, update information, consult on product and services, or simply ask for assistance - all through an easy-to-use chat window - all with secure encryption & verified authenticity.

JS Raast

JS Bank enables Raast being Pakistan's first instant payment system that provides end-to-end instant payments for JS Customers with hassle-free transactions & no minimum transaction limit. JS Mobile allows free-of-cost fund transfers via Raast ID, IBAN and QR mechanism for facilitating JS P2P (person-to-person) and P2M (person-to-merchant) segments. Transferring funds via JS Raast platforms ensures Simple, Fast, & Secure 24/7 payments.



Highlights from Zindigi

In the second year of operations in 2023, Zindigi has solidified its position as a robust contender in digital banking. Commercially launched in Jan 2022, Zindigi has shown extraordinary performance throughout 2023. Zindigi experienced an impressive 100% year-over-year growth in its user base, reaching a total of 4.58 million customers. This growth was paralleled by a consistent 200% rise in transaction volume and approximately 50% increase in transaction values.

These remarkable results were driven by our commitment to continuous innovation across our product spectrum. Zindigi introduced several innovative offerings, including digital payment solutions, loan services, enhancing stock trading, mutual funds, and debit card proposition. Notably, Zindigi led the industry by implementing the Raast Person-to-Merchant payment solution, launching a groundbreaking AI credit scoring-driven micro-lending service and launching first digital bank's ATM. Additionally, our expertise in stock trading was demonstrated by successfully managing a substantial PKR 1 billion in trading volume throughout the fiscal year. Furthermore, Zindigi has solidified its position as a leading provider of Banking as a Service (BaaS) and Open Banking solution.

Beyond our financial achievements, Zindigi is committed on enhancing financial literacy through podcasts, write-ups and increased interactions with youth and women to make a positive impact on society. "Zindigi Prize" Social Entrepreneurship Program, emerged as the largest startup competition, fostering and mentoring 5000 startups across 130+ university campuses nationwide. Furthermore, 'Her Zindigi' initiative launched to focus on financial and educational support to women, leading to their advancement in various aspects of their lives.

Zindigi has also been honored with the Best Digital Startup Award at the Pakistan Digital Awards 2023, a testament to the swift trust garnered within Pakistan in less than two years. Zindigi's future course is set to be marked by an unwavering dedication to refining its current range of services and driving innovation in the industry.

BUILDING THE JS BANK BRAND IN 2023

At JS Bank, our brand is more than just a symbol; it represents our legacy of integrity, excellence, and a deep-rooted commitment to our customers. We believe our marketing strategy should go beyond traditional advertising. We focus on cultivating a brand that is synonymous with trust, innovation, and relevance. This approach is in line with the evolving financial and personal needs of our diverse clientele. Our brand philosophy is based on being a life-long partner to our customers, supporting them in their journey towards financial freedom and success.

Women, Youth, and Financial Literacy Inclusivity

Committed to creating an inclusive banking environment, our efforts are laser-focused on key areas such as women, youth, and financial literacy. By offering accessible banking solutions, we aim to nurture entrepreneurship and empower individuals to achieve financial independence. Our marketing initiatives are not just campaigns; they are part of a larger vision to transform the landscape of financial inclusion and education. We are dedicated to ensuring that every segment of society has the tools and resources they need to thrive.

Strategic Media Utilization and Stakeholder Engagement

Our approach to media utilization combines the reach of traditional media with the engagement power of modern digital platforms. We understand the pivotal role of media in maintaining transparent and open communication with our stakeholders. This strategic media engagement is crucial for enhancing our brand awareness and upholding our reputation as a market leader. Through diverse channels, we aim to keep our stakeholders informed and engaged.

Celebrity Endorsements and Brand Ambassadors

Strategically, we partner with celebrities and influencers who embody our core values of trust, excellence, and innovation, to amplify our brand's message. Figures like Adnan Siddiqui as our lead, along with Junaid Akram, Ahsan Khan, and Faiza Saleem, are more than just brand ambassadors; they are the faces that resonate with our audience. These partnerships have helped us to connect authentically with different demographics, showcasing the value of our products and services and enhancing our visibility and relevance in the market.

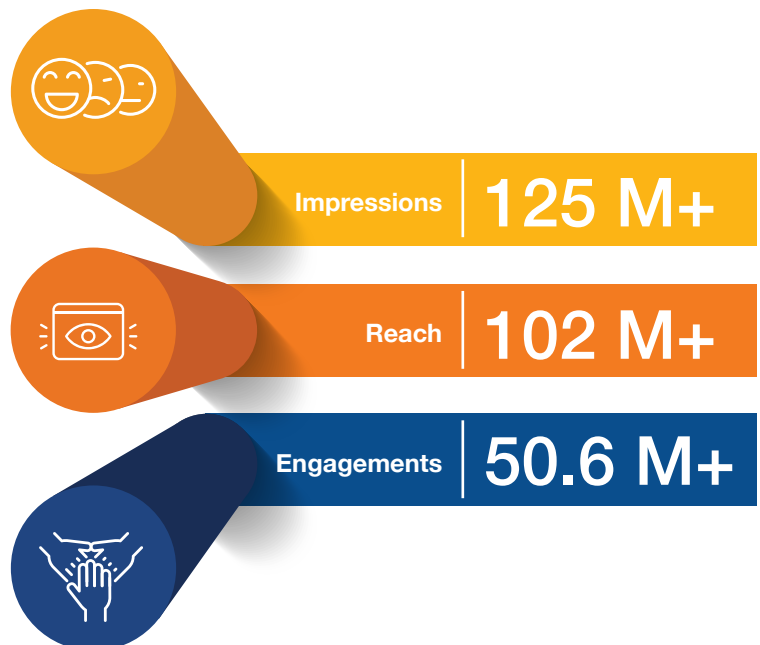


Major Campaign Highlights

Credit Cards Campaign 'Kharchon ki Problem Solved': This campaign was the anchor for the relaunch of JS Credit Cards offering amazing discounts and positioning it as a powerful savings tools. Anchored by a comprehensive campaign featuring renowned personalities such as Ali Rehman, Amna Ilyas, and Faisal Qureshi, it garnered remarkable response across various platforms and activations.



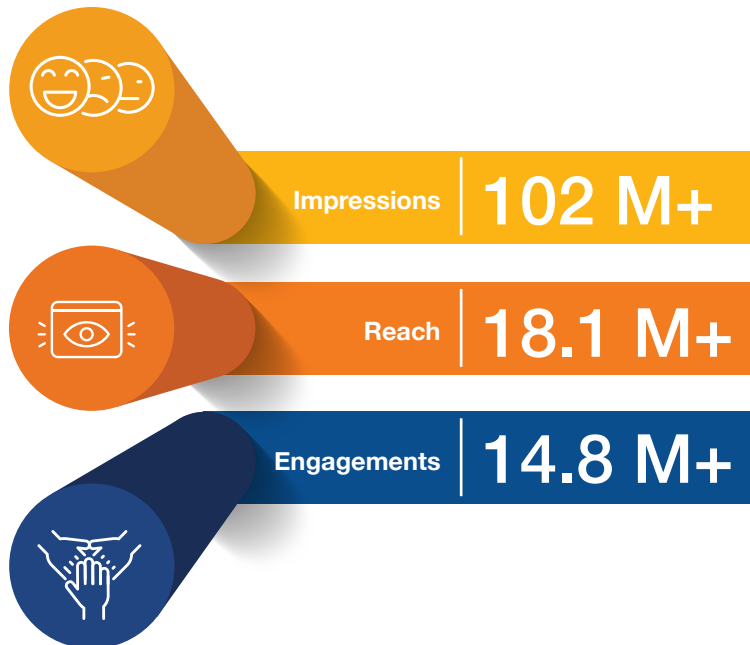
Credit Cards Kharchon Ki Problem Solved



Personal Loan Campaign ‘Ab Hongay Sab Loans Approve Asaani Sey’: Our personal loan campaign, featuring diverse use-cases and our brand ambassador Adnan Siddiqui, reached audiences through digital platforms and outdoor media. Collaborations with celebrity influencers further amplified our message, garnering significant attention and engagement.

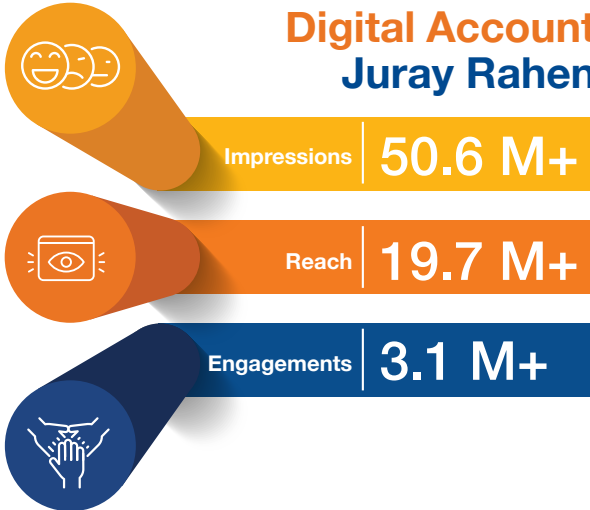


Personal Loan Ab Hongay Sab Loan Approve Asaani Sey!

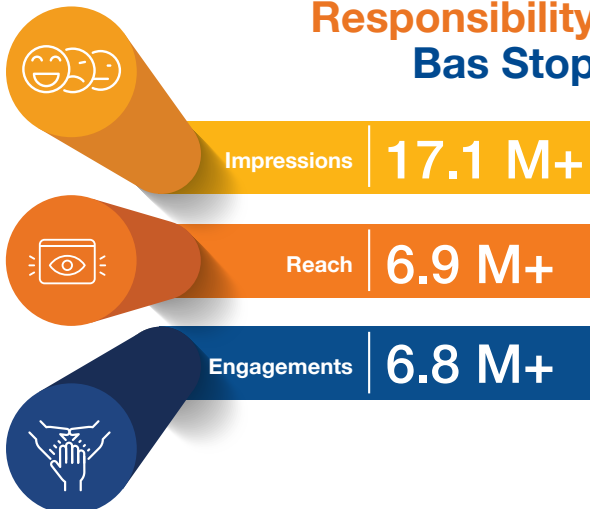


Roshan Digital Account Campaign 'Juray Rahen': Leveraging TVCs with Faisal Qureshi and our brand ambassador Adnan Siddiqui, this campaign highlighted the features of JS Roshan Digital Account, resonating with audiences across various platforms and airport screens.

Roshan Digital Account Juray Rahen



Corporate Social Responsibility Bas Stop



Public Service Message 'Bas. Stop!': Through bilingual animated messages on traffic rules and cleanliness, this impactful campaign sparked conversations on social media and encouraged positive action within the community.

Supporting Local Businesses

We support on-ground events that serve as platforms for local businesses to showcase their products and services. By sponsoring events such as The Locate, Karachi Women Festival, and The Commons, we not only contribute to the local economy but also provide opportunities for entrepreneurs to network, gain exposure, and thrive in a competitive market landscape. Through these initiatives, we are fostering a culture of entrepreneurship and economic empowerment within our communities.

Empowering Employees

Understanding that our employees are the cornerstone of our success, we invest in creating a positive, nurturing work environment. Programs like FitMe Month and JS Awaaz are designed to promote employee well-being, engagement, and professional development. These initiatives foster a healthy work-life balance and enhance creativity and innovation within our workforce. By prioritizing employee growth and happiness, we cultivate a culture of excellence and service that resonates with our customers and strengthens our position in the market.

In conclusion, marketing at JS Bank is not just about promoting products or services; it is about building relationships, driving meaningful change, and empowering growth. With a clear vision, strategic focus, and unwavering commitment to excellence, we are poised to embark on an exciting journey towards a future.

Community Outreach and Corporate Social Responsibility

At JS Bank, our commitment to social responsibility goes beyond business. We actively support local businesses and promote initiatives focused on women's empowerment and financial independence. Our initiatives, such as Pinktober and International Women's Day celebrations, demonstrate our dedication to making a positive impact on society. These initiatives not only strengthen our brand's reputation as a socially responsible corporate citizen but also align with our core values of community service and ethical banking.



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CREDIT RATING

Long Term

AA-

(Double A Minus)

Short Term

A1+

(A One Plus)

Outlook: Positive

(Assigned by: Pakistan Credit Rating Agency)

COMPOSITION OF THE BOARD

S.No	Name of Directors	Status
1	Mr. Adil Matcheswala - Chairman	Non - Executive Director
2	Mr. Khalilullah Shaikh	Independent Director
3	Ms. Nargis Ali Akber Ghaloo	Independent Director
4	Lt. Gen Retd. Sadiq Ali	Independent Director
5	Syed Mumtaz Ali Shah	Independent Director
6	Mr. Usman Yousaf Mobin	Independent Director
7	Mr. Basir Shamsie - President & CEO	Executive Director

The Board of Directors of JS Bank presently has five (5) directors as Independent Directors including one (1) Female Independent Director. The Independent Directors meet the criteria of independence as defined in the Companies Act 2017 and the State Bank of Pakistan directives. Further, the Board also has one (1) Non-Executive Director and one (1) Executive Director, who is also the President & CEO of the Bank.

PROFILE OF THE BOARD OF DIRECTORS

Mr. Adil Matcheswala

Chairman – Non-Executive Director

Mr. Adil Matcheswala is the CEO and founding Director of Speed (Private) Limited, a retail and distribution company that is incorporated in Pakistan. The Company's portfolio includes numerous leading International brands such as Nike, Adidas, Under Armour, Birkenstock, Tag Heuer, Charles & Keith, Pedro, and Timex.

He started his professional career in the financial services industry in 1992 and was the Head of the Equity Sales Division of Jahangir Siddiqui & Co. Ltd. (formerly Bear Stearns Jahangir Siddiqui Limited).

He has previously served as the Chairman of the Board and Chairman of the Audit Committee of JS Global Capital Ltd as well as a Director of JS Value Fund. He has served on the Board of JS Bank Limited since 2012. Mr. Matcheswala graduated from Brown University with an A.B. in Economics.

Directorships in other companies:

- Speed (Private) Limited
- JOMO Technologies (Private) Limited
- Service Industries Limited.

Mr. Khalilullah Shaikh

Independent Director

Mr. Khalilullah Shaikh is a Fellow Chartered Accountant and Chartered Certified Accountant. He qualified from the Institute of Chartered Accountants of Pakistan (ICAP) by setting a new record of winning '5 Gold Medals in one sitting' in the history of ICAP.

He has attended various local and international professional development programs, including the International Leadership Development Program at NUS, Singapore.

In his effort to contribute back to society, he served as an elected Council member of ICAP for 8 years. He has the honor of serving as the Youngest President of ICAP during 2019-20. Mr. Shaikh has contributed to the accountancy

profession regionally and globally as a Board member of the South Asian Federation of Accountants (SAFA) and as a member of the Professional Accountants in Business (PAIB) Committee of the International Federation of Accountants (IFAC). He is currently representing Pakistan as a Board Member at the global board of IFAC.

Mr. Shaikh is a high-energy, performance-focused Leader with a proven track record of serving at Senior Leadership positions. He is currently serving as Independent Director and Chairman Audit Committee:

- Alfalah GHP Investment Management Limited
- Dow University of Health Sciences
- He also serves as the Chair of ICAP-IBA Research Unit

Positions held during his career:

- Pakistan International Airlines: Chief Financial Officer 2019 – Sept 2021
- K-Electric Limited: 2007 – 2019
 - Director Finance & Business Administration
 - Head of Supply Chain
 - Chief Internal Auditor & Secretary BAC
- Shell Group: Head of Treasury & MIS 2005-2007
- A. F. Ferguson & Co. Assurance and Business Advisory Services: 2000 to 2005

Human Capital development is Mr. Shaikh's passion. He has taught Strategic Financial Management courses to CA and ACCA professionals for many years. His Student Alumni include over 2,500 CAs working across the globe. He speaks regularly at conferences and seminars in Pakistan and abroad.

Directorships in other companies:

- Alfalah Asset Management Limited
- Gratus Solutions (Private) Limited
- Gratus Consultants (Private) Limited

Ms. Nargis Ali Akber Ghaloo

Independent Director

Ms. Nargis Ali Akber Ghaloo is a retired senior civil servant having served the Government of

Pakistan in various capacities for 36 years. She retired as the Managing Director of the Public Procurement Regulatory Authority, Government of Pakistan.

Ms. Ghaloo was Chairperson of State Life Insurance Corporation of Pakistan, Pakistan's largest life insurer, from 2014 to 2016.

Ms. Ghaloo joined the Civil Services of Pakistan in 1982 and has many years of professional experience serving in senior management positions with provincial as well as federal government departments in diversified fields such as public sector management, administration, financial, judicial, health, insurance, and planning. Ms. Ghaloo did her Master's in English from the University of Sindh in 1981 and is a certified Director from The Pakistan Institute of Corporate Governance (PICG) and holds a certificate of Corporate Governance from INSEAD and also holds a certificate in Company Direction from the Institute of Directors, UK. Ms. Ghaloo has served on the Board of JS Bank since 2016.

Directorships in other companies:

- Hinopak Motors Limited
- Ghulam Ishaq Khan Institute of Engineering Sciences and Technology (Member Board of Governors)

Lt. Gen. (R) Sadiq Ali, HI (M)

Independent Director

Lt. Gen. (R) Sadiq Ali, was commissioned in the Pakistan Army on March 16, 1984. He is a graduate of the Turkish War Academy, Istanbul, and NDU, Islamabad. During his career, Mr. Sadiq Ali held several Operational Staff and Instructional appointments. He has commanded an Armored Regiment, an Infantry & Armored Brigade, Armored & Infantry Division, Commandant PMA Kakul, 4 Corps at Lahore, and POF Wah. He served as Secretary Defense Production from March 2020 to March 2022.

Directorships in other companies:

- Zameen REIT Management Company Limited

Syed Mumtaz Ali Shah

Independent Director

Syed Mumtaz Ali Shah retired as the Chief Secretary of Sindh in March 2022. He previously served as the Maritime Secretary of Pakistan. Shah has also briefly tenured as the Federal Secretary for the Ministry of Religious Affairs. Prior to his elevation to Grade 22 in 2017, Mr. Shah served in many positions in the Government of Sindh. Positions he held in Sindh include Home Secretary, the coveted position of Chairman Enquiries & Anti-Corruption Establishment, Secretary Works and Services, Secretary Information Department, Secretary General Administration, and Secretary Population Welfare. At the beginning of his career, he served as Assistant Commissioner Multan and Dera Ghazi Khan in Punjab. He has also previously served as Deputy Commissioner and District Coordination Officer (DCO) in Thatta, Umerkot, Badin and Mirpurkhas districts in Sindh, and Nasirabad district in Balochistan.

Beyond his extensive service in the public sector, Syed Mumtaz Ali Shah's career is marked by a noteworthy tenure in public sector corporate governance. His leadership journey began with his role as Managing Director at the Sindh Small Industries Corporation, where from 1994 to 1997, he spearheaded initiatives fostering industrial growth. In 2012, as the CEO/Executive Director of National Insurance Co. Ltd., he steered the company through complex insurance landscapes with acumen. His strategic vision was further exemplified during his tenure as Chairman of the Export Processing Zones Authority, where he played a crucial role in enhancing Pakistan's export capabilities. Subsequently, his leadership as Chairman of Karachi Port Trust (KPT) from 2017 to 2018 was pivotal in strategically enhancing maritime operations. These roles collectively underline his exceptional ability to lead and transform major public sector organizations, demonstrating a deep commitment to enhancing their strategic direction and operational efficacy.

In terms of global experience, Syed Mumtaz Ali Shah has undertaken multiple missions, notably leading a high-level maritime delegation to the Netherlands, focused on enhancing maritime business relations with Dutch public and private companies. Additionally, Mr. Syed Mumtaz Ali Shah represented the Government of Pakistan at the International Maritime Organization (IMO), a specialized agency of the United Nations, in London. In this capacity, he played a vital role in establishing key diplomatic relationships and partnerships. His international engagement also included leading a delegation to the International Maritime Conference in Shanghai, China, where he was pivotal in fostering collaborations and contributing to maritime trade discussions.

Syed Mumtaz Ali Shah has actively pursued professional development through prestigious training programs both in Pakistan and internationally. His completed programs include:

1. Leadership Training Course at Harvard University, Cambridge, USA
2. International Training Course at the Department of Corrections, Colorado, USA
3. Total Quality Management Training Course in Sweden
4. Corporate Governance Leadership Skills (CGLS) - Director Education Program by PICG

Syed Mumtaz Ali Shah holds a master's degree in English and Economics.

Directorships in other companies:

Nil

Mr. Usman Yousaf Mobin

Independent Director

Mr. Usman Yousaf Mobin was Chairman of NADRA from February 2015 to February 2021. Mr. Usman an MIT graduate is the youngest ever Head of any leading Pakistani organization. He studied at the prestigious Massachusetts Institute of Technology (MIT) and has a master's degree in Electrical Engineering and Computers Science as well as a bachelor's degree in the

same subject, Mr. Usman has completed many complicated national and international IT projects which have turned around not only NADRA, but also revolutionized the functioning of many other organizations.

Mr. Usman graduated with a cumulative GPA of 5.0/5.0 in 2002. Before MIT, he graduated from Atchison College with the best A-level grades in the world and won the President's Medal for best student in his class every year for 12 consecutive years.

In recognition of his services, Mr. Usman has been awarded numerous awards including Tamgha-e-Imtiaz in Public Service by the President of Pakistan in 2008. Mr. Usman Mobin has designed and implemented numerous international projects including the Citizens' Registration Project in Sri Lanka, Identity Management of Sri Lanka, Civil Registration of Sudan, Machine Readable Passports of Kenya, and Driver's License of Bangladesh.

In Pakistan, he has deployed the National Identity Card System, Civil Registration System, Smart Card, and software for the Benazir Income Support Programme, Watan Cards, Citizens Damage Compensation Program, Arms License Projects, and the world's first-ever ICAO-compliant multi-biometric passports.

Mr. Usman brings 12 years of experience in delivering high-quality citizen registration and citizen services projects around the world and has been the CTO of the organization since 2002.

Directorships in other companies:

- Aploi (Pvt) Ltd

Mr. Basir Shamsie

President and CEO

Mr. Basir Shamsie is the President & CEO of JS Bank Limited.

Mr. Shamsie joined Bear Stearns Jahangir Siddiqui & Co. (now Jahangir Siddiqui & Co. Ltd.) in 1994 in the Money and Bond Markets business. His expertise are in Treasury and Investment Banking and he is credited with over 60 capital market deals, many of which have been landmark transactions in Pakistan.

He was part of the core team responsible for the acquisition of American Express Bank's Pakistan operations in 2006 and its merger into JS Bank. Mr. Shamsie has since been associated with JS Bank in various senior roles including Group Head Treasury, Wholesale & International Banking which he held till May 2017. His last assignment was as Deputy CEO of JS Bank till July 2018.

Previously, he has also served as Chairman of JS Investments Limited and JS Global Capital Limited and as Director of JS Bank Limited.

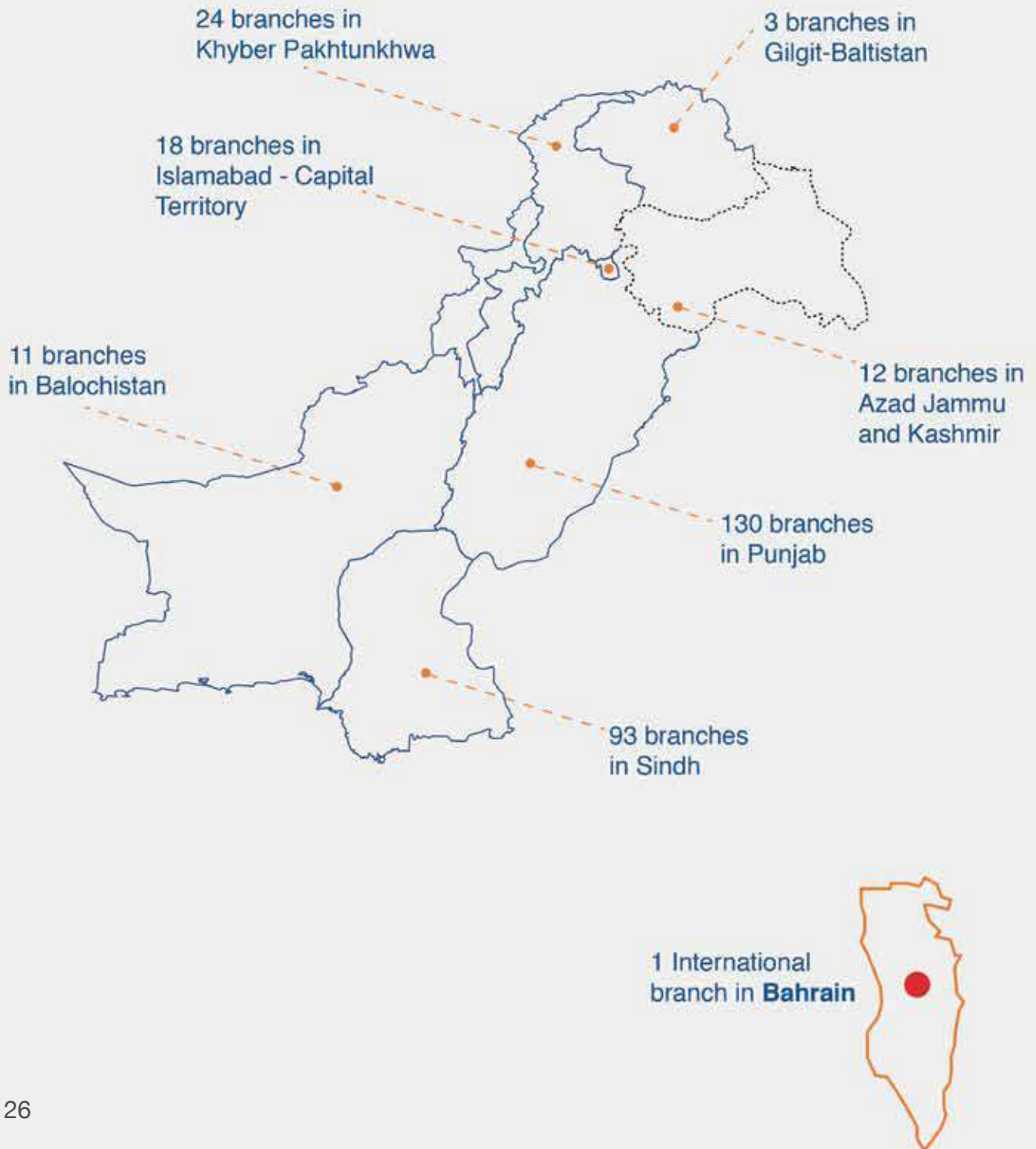
Mr. Shamsie received his Bachelors in Business Administration from University of Texas at Austin. He has also completed the Program for Leadership Development from Harvard Business School.

Directorships in other companies:

Nil

OUR PRESENCE

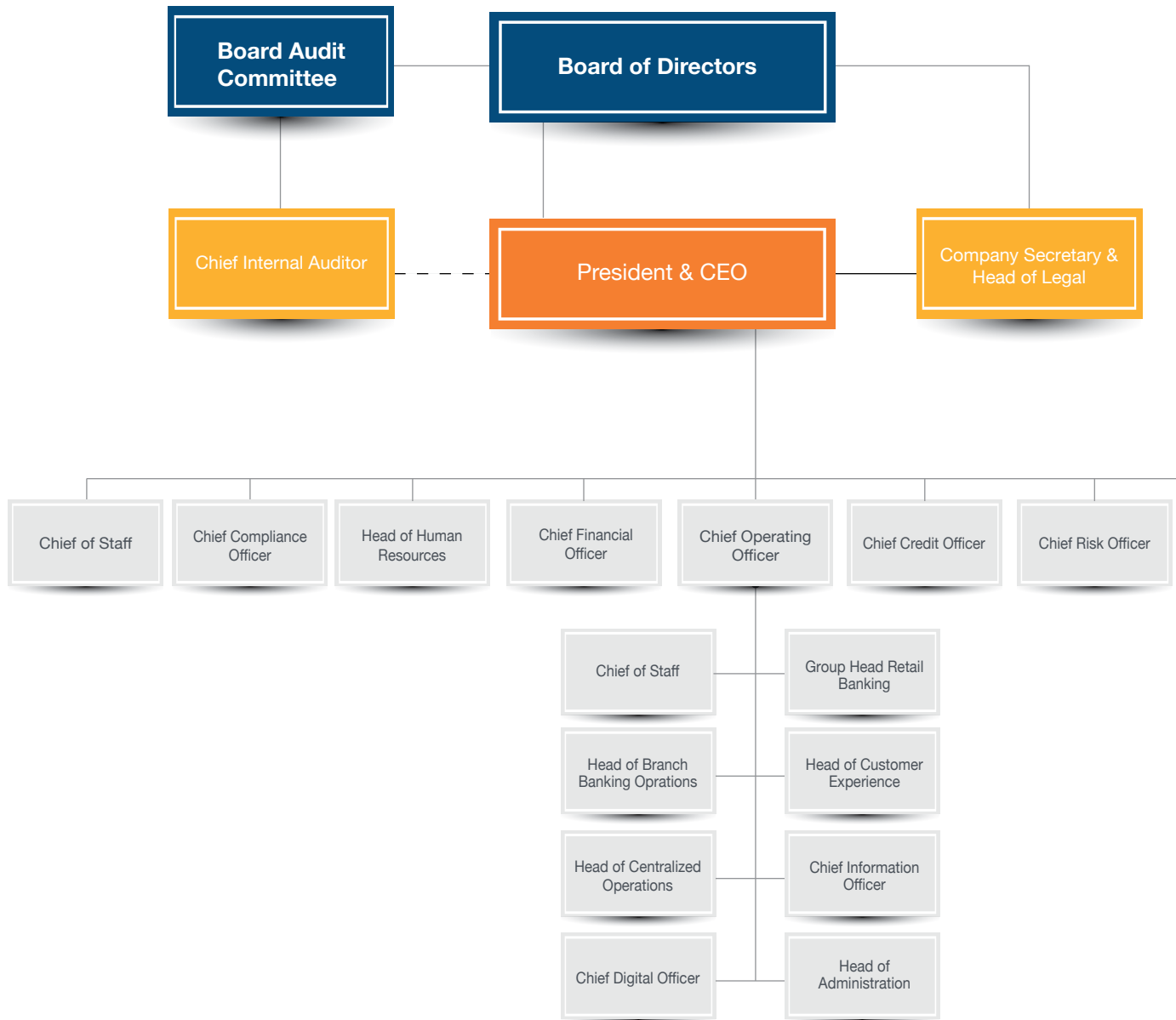
291 Nationwide Branches

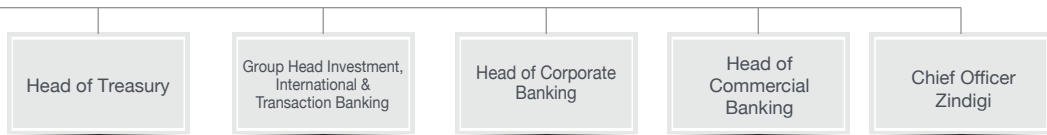


STAFF STRENGTH



ORGANIZATIONAL STRUCTURE





CORPORATE PROFILE OF THE BANK

JS Bank Limited (the Bank / JSBL) is a banking company incorporated in Pakistan as a public limited company on March 15, 2006. The Bank is a subsidiary company of Jahangir Siddiqui & Co. Ltd. (JSCL) and its shares are listed on the Pakistan Stock Exchange Limited (PSX). The Bank commenced its banking operations on December 30, 2006, and its registered office is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi.

The Bank is a scheduled bank engaged in commercial banking and related services as described in the Banking Companies Ordinance, 1962. It operates through 291 (December 31, 2022: 281) branches/sub-branches in Pakistan and one wholesale banking branch in Bahrain (December 31, 2022: one). The Pakistan Credit Rating Agency Limited (PACRA) has assigned the long-term entity rating of the Bank at AA- (Double A Minus) with positive outlook, whereas the short-term rating is maintained at 'A1+' (A One Plus), which is the highest possible short-term rating. The ratings denote a very low expectation of credit risk and indicate a very strong capacity for timely payment of financial commitments.

Subsidiaries

JS Global Capital Limited Holding 92.90%

JS Global Capital Limited is one of the largest securities brokerage and investment banking firms in Pakistan, with a leadership position in the domestic capital markets. It is in the business of equity, fixed income, currencies and commodities brokerage, and investment banking. JS Global Capital Limited was incorporated in Pakistan on June 28, 2000 and is the successor to the securities business of Jahangir Siddiqui & Co. Ltd. and Bear Stearns Jahangir Siddiqui Limited.

JS Investments Limited Holding 84.56%

JS Investments Limited is a licensed Investment Adviser and Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In addition, the Company is also a licensed Pension Fund Manager under the Voluntary Pension System Rules 2005. JSIL acquired the Private Equity and Venture Capital Fund Management Services

license(s) from the Securities and Exchange Commission of Pakistan.

BankIslami Pakistan Limited Holding 75.12%

BankIslami Pakistan Limited (the Bank) was incorporated in Pakistan on October 18, 2004 as a public limited company to carry out the business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah.

The Bank is operating through 440 branches including 60 sub-branches as on December 31, 2023 (2022: 380 branches including 80 sub-branches). The registered office of the Bank is situated at 11th Floor, Dolmen City Executive Tower, Marine Drive, Block-4, Clifton, Karachi. The shares of the Bank are quoted on the Pakistan Stock Exchange Limited.

CHAIRMAN'S REVIEW

It gives me immense pleasure to present on behalf of the Board of Directors, the Annual Report of JS Bank Limited for the year ended December 31, 2023.

2023 was an outstanding year for the Bank as it reported a Profit Before Tax of PKR 8,515 million (Profit After Tax of PKR 4,335) as compared to Profit Before Tax of PKR 2,131 million (Profit After Tax of 965 million) in the same period last year. This remarkable boost in profitability stemmed from improvement in both Interest-Based and Non-Interest Based income. Net Assets of the Bank also increased to PKR 40,322 million in 2023 as compared to PKR 21,547 last year.

JS Bank is committed to fostering sustainable growth through the strategic emphasis of facilitating financial inclusion. The Bank remained fundamentally true to its vision and commitment of providing quality services to its customers. We pride ourselves on being a tech-savvy mid-sized bank with a diversified portfolio of products. The Bank is organizationally well structured with a young, resilient, and highly skilled team who are determined to deliver the Bank's strategic objectives with speed and agility. The Bank has well-defined systems and processes in place that support its operations and are the enablers for its growth.

In August 2023, JS Bank successfully secured a majority stake (75.12%) in BankIslami Pakistan Limited, marking a significant milestone that solidified its position as one of Pakistan's fastest-growing financial institutions. This acquisition is a strategic milestone for JS Bank, aligning with its commitment to broaden its product offerings and meeting the diverse needs of its customers.

In January 2022, we introduced Zindigi to elevate the digital banking experience for our customers, especially catering to millennials and Gen Z with a design philosophy that revolved around making people's lives simple. Over the past two years, Zindigi has demonstrated robust performance, positioning itself as one of the fastest-growing fintech's in the country. Our achievements have also been recognized as Zindigi has won 2 prestigious awards (Asian Technology Award and Best Digital Startup Award). Zindigi remains committed towards fulfilling its ambitions of becoming the most relevant and prominent digital banking brand among its target market. JS Bank has also made concentrated efforts to improve digital financial services for heritage bank customers. During the year, over 100

projects, enhancements, robotics, and solutions were delivered by the Digital Transformation function.

In 2023, JS Bank gained significant traction in its consumer product offering, especially credit cards. The Bank also added some of the top local and multinational FMCGs in its Corporate Banking portfolio. We are also making a stable progress in growing our Employee Banking portfolio.

The Bank was recognized for its excellent contribution on national and international fronts in 2023. A few of the major awards received by JS Bank during the year include:

- Most Innovative Digital Banking Service Provider at International Finance Awards 2023
- Best Bank for CSR (Asia Money Awards 2023)
- Best Bank for Services and Product Development
- Merit Award for Corporate Governance at the ICAP Awards 2023

These local and global acknowledgments are a testimony to our consistent efforts in delivering the best-in-class customer experience and drive us to constantly surpass customer expectations.

JS Bank acknowledges the significant responsibility associated with its standing in the banking and corporate sectors. As a caring corporate citizen, the bank emphasizes on making meaningful contributions to society through Corporate Social Responsibility (CSR) initiatives. The Bank tries to demonstrate its values through contributions to the customers and the communities that it serves with a vision of bringing about a positive change.

The Pakistan Credit Rating Agency Limited (PACRA) has rated JS Bank Limited (JSBL) at 'AA- (Double A Minus), with a positive outlook while the short-term entity rating is maintained at 'A1+' (A One Plus), showing the Bank's continuous efforts to achieve a robust financial position.

Effective governance plays a pivotal role in guiding the business to execute strategies while maintaining a balance between sustainable shareholder value and adherence to regulatory requirements. Ensuring good corporate governance through ethical and professional business conduct as well as effective risk and audit management are key

foundation blocks for us. JS Bank has always been committed to sustainable value creation for all its stakeholders with high standards of corporate governance through a comprehensive system of internal controls. The Board of JS Bank follows comprehensive criteria for its performance evaluation and continually reviews the Bank's financial & operational soundness, and significant policies in line with regulatory requirements. The Board has constituted sub-committees for oversight of all key areas of the Bank covering risk management, audit-related matters, information technology, and human resources for achieving the Bank's strategic objectives. In its pursuit of transparency and accountability, the Board has engaged Grant Thornton Anjum Rahman (GT) to perform an annual evaluation of its members and committees and their performance.

I am confident that with our leading value-added offerings, emphasis on customer satisfaction, dedication towards excellent service quality, and focus on innovation and convenience, we are committed in our determination to strive for excellence and deliver to our stakeholders.

On behalf of the Board of Directors, I would like to thank the Ministry of Finance, the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan, and the Federal Board of Revenue for their continuous support and guidance. I would also like to thank our shareholders for their continued commitment and confidence in our long-term strategic vision, as well as our management and staff for their commitment and hard work for the greater progress and prosperity of our Bank.

Sincerely,

Adil Matcheswala

February 29, 2024

یہ مقامی اور عالمی اعترافات خدمات کی فراہمی میں ہماری مسلسل کوششوں کا منہ بولتا ثبوت ہیں۔ اور ہمیں ہر سال صارفین کی توقعات سے آگے بڑھنے کا حوصلہ دیتے ہیں۔

جے ایس بینک بینکنگ اور کارپوریٹ سیکٹر میں اپنی ذمہ داری کو تسلیم کرتا ہے اور ایک کارپوریٹ شہری کی حیثیت سے CSR اقدامات کے ذریعے معاشرے میں اپنا اہم کردار ادا کرنے پر توجہ مرکوز کرتا ہے۔ ایسے اقدامات پر توجہ مرکوز کرتے ہوئے جن سے اس کے صارفین اور کمیونٹیز دونوں کو فائدہ پہنچتا ہے، بینک کا مقصد اپنی اقدار کو محکم کرنا اور مثبت سماجی تبدیلی میں اپنا حصہ ڈالنا ہے۔

پاکستان کریڈٹ ریٹنگ ایجنسی (پے اے سی آر اے) کی جانب سے بینک کی مضبوط مالی پوزیشن کے حصول کیلئے کی جانے والی متواتر کوششوں کا اعتراف کرتے ہوئے طویل مدتی ایٹینیٹی ریٹنگ-AA (ڈبل اے مائنس) کی دوبارہ توثیق کی گئی جبکہ مختصر مدتی کریڈٹ ریٹنگ +A1 (اے ون پلس) پر مستحکم رہی جو مضبوط مالی حیثیت حاصل کرنے کیلئے بینک کی مسلسل کوششوں کو ظاہر کرتا ہے۔

پائیدار حصص یافتگان کی قدر اور ریگولیٹری تقاضوں کی تعمیل کے درمیان توازن قائم کرتے ہوئے حکمت عملیوں کو عملی جامہ پہنانے کے لیے کاروباری آپریشنز کو ہدایت دینے کے لیے موثر حکمرانی بہت اہم ہے۔ اچھی کارپوریٹ گورننس کو برقرار رکھنے میں اخلاقی اور پیشہ ورانہ کاروباری طرز عمل شامل ہے، موثر رسک اور آڈٹ مینجمنٹ کے ساتھ، جو ہمارے نقطہ نظر کے لیے بنیادی ہیں۔ جے ایس بینک تمام اسٹیک ہولڈرز کے لیے پائیدار قدر کی تخلیق کے لیے وقف ہے، اندرونی کنٹرول کے ایک مضبوط نظام کے ذریعے کارپوریٹ گورننس کے اعلیٰ معیارات کو برقرار رکھتا ہے۔ جے ایس بینک کا بورڈ اپنی کارکردگی کی جانچ کیلئے تفصیلی معیارات کی تعمیل کرتا ہے۔ بورڈ بینک کی مالی اور آپریشنل مضبوطی اور ریگولیٹری تقاضوں کے مطابق اہم پالیسیوں کا جائزہ لیتا ہے۔ بورڈ نے تمام اہم شعبوں کی نگرانی کیلئے اپنی ذیلی کمیٹیاں تشکیل دی ہیں جن میں بینک کے اسٹریٹجک مقاصد کے حصول کیلئے رسک مینجمنٹ، آڈٹ سے متعلقہ معاملات، انفارمیشن ٹیکنالوجی اور انسانی وسائل شامل ہیں۔ بورڈ نے گرانٹ تھورنٹن انجمن رجمن (جی ٹی) کو اپنے ممبران اور کمیٹیوں اور ان کی کارکردگی کا سالانہ جائزہ لینے کیلئے مامور کیا ہے۔

میں پر اعتماد ہوں کہ ہمارے متنوع بورڈ آف ڈائریکٹرز، ویلیو ایڈڈ پیشکشوں، صارف کے اطمینان پر زور اور کارکردگی کے حصول کیلئے لگن کے ساتھ ہم ہر حالات اور ماحول میں کامیاب ہوں گے اور ترقی کی منازل سے گزریں گے۔

میں بورڈ آف ڈائریکٹرز کی طرف سے وزارت خزانہ، اسٹیٹ بینک آف پاکستان، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فیڈرل بورڈ آف ریونیو کی طرف سے مسلسل تعاون اور رہنمائی پر شکرگزار ہوں۔ میں اپنے حصص یافتگان کا ہمارے طویل المدتی اسٹریٹجک وژن پر مسلسل عزم اور اعتماد کے ساتھ ساتھ بینک کی مزید ترقی اور خوشحالی کیلئے ہماری انتظامیہ اور عملہ کے عزم اور محنت کیلئے بھی ان کا شکریہ ادا کرنا چاہوں گا۔

خیر خواہ

عادل ہاجس والا

29 فروری 2024ء

چیسر مین جائزہ رپورٹ

میں بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2023 کو ختم ہونے والے سال کیلئے جے ایس بینک لمیٹڈ کی سالانہ رپورٹ پیش کرنے میں مسرت محسوس کر رہا ہوں۔

سال 2023 بینک کے لیے ایک شاندار سال رہا، اس سال بینک نے 8,515 ملین روپے کا قبل از ٹیکس منافع (بعد از ٹیکس منافع 4,335 ملین روپے) حاصل کیا جب کہ گذشتہ سال کی اسی مدت میں قبل از ٹیکس منافع 2,131 ملین روپے (بعد از ٹیکس منافع 965 ملین روپے) تھا۔ منافع میں یہ قابل ذکر اضافہ سودی اور غیر سودی آمدنی دونوں میں بہتری کے باعث ہوا۔ بینک کے خالص اثاثہ جات بھی 2023 میں 40,322 ملین روپے ہو گئے جو گذشتہ سال 21,547 ملین روپے تھے۔

جے ایس بینک مالی شمولیت کو حکمت عملی سے ترجیح دے کر پائیدار ترقی کو فروغ دینے کے لیے وقف ہے۔ بینک اپنے صارفین کو اعلیٰ معیاری خدمات فراہم کرنے کے اپنے نظریے اور عزم میں ثابت قدم رہا ہے۔ ہمیں پروڈکٹس کی متنوع رینج کے ساتھ تکنیکی طور پر ترقی یافتہ بینک ہونے پر فخر ہے۔ بینک کی تفصیلی تنظیمی طور پر نوجوان، پگھلا، اور انتہائی ہنرمند ٹیم کے ساتھ کی گئی ہے جو بینک کے اسٹریٹجک اہداف کو موثر طریقے سے حاصل کرنے کے لیے پرعزم ہے۔ ہم نے مضبوط نظام اور عمل قائم کیے ہیں جو ہمارے آپریشنز کو سپورٹ کرتے ہیں اور ہماری ترقی کو آسان بناتے ہیں۔

جنوری 2022 میں، ہم نے اپنے صارفین کے لیے ڈیجیٹل بینکنگ کے تجربے کو بڑھانے کے لیے "زندگی" (Zindigi) کا آغاز کیا، خاص طور پر نوجوانوں پر توجہ مرکوز کرتے ہوئے Gen Z کے لوگوں کی زندگیوں کو آسان بنانے کے فلسفے کے ساتھ ڈیزائن کیا گیا تھا۔ گذشتہ دو سالوں میں، زندگی نے بہترین کارکردگی کا مظاہرہ کیا، جو ملک میں سب سے تیزی سے ترقی کرنے والی فنانس کمپنیوں میں سے ایک کے طور پر ابھری ہے۔ ہماری کامیابیوں کو دو باوقار ایوارڈز کے ساتھ تسلیم کیا گیا ہے: ایٹینٹیکنا لوجی ایوارڈ اور بہترین ڈیجیٹل اسٹارٹ اپ ایوارڈ۔ زندگی اپنی ٹارگیٹ مارکیٹ میں سب سے زیادہ متعلقہ اور متنازع ڈیجیٹل بینکنگ برانڈ بننے کے اپنے مقصد کو حاصل کرنے کے لیے پرعزم ہے۔ مزید برآں، جے ایس بینک نے اپنے روایتی بینک صارفین کے لیے ڈیجیٹل مالیاتی خدمات کو بڑھانے کے لیے کوششیں وقف کی ہیں۔ پورے سال کے دوران، ڈیجیٹل ٹرانسفا ریشن فنکشن نے 100 سے زیادہ پروڈکٹس، اضافہ، ریبولکس اور حل کامیابی کے ساتھ پیش کیے۔

2023 میں، جے ایس بینک نے اپنی صارفی مصنوعات کی پیشکشوں میں خاص طور پر کریڈٹ کارڈز کے شعبے میں قابل ذکر ترقی کا تجربہ کیا۔ مزید برآں، بینک نے اپنے کارپوریٹ بینکنگ پورٹ فولیو کو کچھ سرکردہ مقامی اور ملٹی نیشنل FMCGs (فاسٹ مووگ کنزیومر گڈز کمپنیوں) میں شامل کر کے بڑھایا۔ مزید برآں، ہم اپنے ایمپلائی بینکنگ پورٹ فولیو کو وسعت دینے میں مسلسل آگے بڑھ رہے ہیں، اس شعبے میں مستحکم پیش رفت کا مظاہرہ کر رہے ہیں۔

سال 2023 میں، بینک کو قومی اور بین الاقوامی طور پر بہترین شراکت کے لیے تسلیم کیا گیا۔ دوران سال جے ایس بینک نے چند بڑے درج ذیل ایوارڈز حاصل کئے

☆: انٹرنیشنل فنانس ایوارڈز 2023 میں موست اینووٹیو ڈیجیٹل بینکنگ سروس پرووائیڈر

☆: بیسٹ بینک فار سی CSR (ایٹیا، مئی ایوارڈز 2023)

☆: بیسٹ بینک فار سروسز اینڈ پروڈکٹ ڈویلپمنٹ

☆: ICAP ایوارڈز 2023 میں میرٹ ایوارڈ فار کارپوریٹ گورننس

DIRECTORS' REPORT

We are pleased to present the 18th Annual Report of JS Bank Limited ("JSBL") along with the audited accounts and auditors' report for the year ended December 31, 2023.

Economy Review and Outlook

2023 started with economic challenges marked by high inflation and decreased large-scale production. However, a positive shift was seen later in the year, partly due to the IMF's Stand-By Arrangement. As the year progressed, there emerged a sense of clarity on the economic front, reinforced by concentrated administrative efforts to tackle longstanding issues.

Despite a decline in Workers' Remittances, a sharp reduction in the trade deficit, facilitated by strategic import rationalization led to a substantial decrease in the Current Account Deficit. This financial recalibration was further supported by IMF inflows and bilateral agreements, boosting foreign exchange reserves to USD 8.2 billion in December 2023. This has also resulted in Rupee gaining some strength as exchange rate improved by 8% between September and December 2023. Nevertheless, owing to a sharp rise in exchange rate at the start of the year, full year average exchange rate recorded a depreciation of 37% between 2023 and 2022.

The State Bank of Pakistan's response to soaring inflation involved a significant hike in the Policy Rate and maintaining it at 22% since June 2023 to counter inflationary pressures. Although Central Bank acknowledges the positive developments including improvement in FX reserves and fiscal-monetary coordination, persistently high headline and core inflation indicators are the reason why the Monetary Policy stance continues to remain hawkish.

Looking ahead, the global economic outlook for 2023 appears more favorable than initially projected, with non-energy commodity prices showing signs of easing. Domestically, the industrial sector is showing signs of recovery, particularly in Large Scale Manufacturing, which is expected to positively impact the overall GDP growth projected in the 2-3% range for the fiscal year 2024. An expected rebound in cotton and rice production will likely support agriculture growth. SBP expects FY24 (full year) headline inflation to fall within the range of 24 – 25% as against currently 7MFY24 average of 28.7%, which means a significant decline in monthly inflation is expected between April-June 2024.

Banking Sector Review

During the last quarter of 2024, banking sector's weighted average spreads mostly hovered within the range of 7.6 – 7.7% amidst a tight monetary policy. Moreover, high interest rates resulted in the banking sector's Advances growing only by 4% YoY to reach PKR 12.3 trillion while Deposits increased by 24% YoY to touch 27.8 trillion. Consequently, ADR of the sector has reduced from 53% in 2022 to 44% in 2023. IDR, on the other hand, has increased from 80% in 2022 to almost 90% as Investments have increased by 41% YoY to reach PKR 25.3 trillion.

Performance of the Bank

For the year 2023, the Bank reported its highest ever Profit before Tax of PKR 8,515 million. This Pre-Tax Profit is approximately 4x higher than that of last year; and more than the cumulative Pre-Tax Profitability of preceding five years. The Earnings Per Share (EPS) stands at PKR 2.75 (December 31, 2022: PKR 0.74).

The Bank recorded Net Interest Income (NII) of PKR 22,409 million in 2023 as compared to PKR 14,856 last year (up 51%). This growth in NII is primarily driven by higher interest rates than last year as well as deposit optimization. The Bank's Non-Remunerative Deposit base has increased from PKR 142,732 million in 2022 to PKR 160,546 million in 2023 (up 12.5%). This has also resulted in improvement in deposit mix as share of Non-Remunerative Deposits has increased from 31% last year to 33% in 2023. The Bank remained cautious in lending activities as Gross Advances book was reduced by 10% to PKR 213,787 million. On the other hand, our improved banking services enabled us to onboard some of Pakistan's well-known local and multinational customers. Furthermore, the Bank's Non-Markup Income more than doubled in 2023 primarily owing to 86% higher trade volume handled by the Bank. Share of the Bank's trade volume in the country's trade has also increased from 2.3% in 2022 to approximately 4% in 2023. In addition to higher income from dealing in FX, better fee income and higher dividends from subsidiaries also contributed to this significant increase in Non-Markup Income.

Operating Expenses increased from PKR 16,749 million in 2022 to PKR 23,042 million in 2023 as the Bank's Rupee- and Dollar denominated expenditure continued to take the brunt of high inflation and 36% exchange rate depreciation. However, despite

a 38% increase in Operating Expenses, the Bank's Cost to Income Ratio has improved from 83% to 67% in 2023, while Net Interest Income to Operating Cost has also increased from 88% to 96%.

2023 marked a successful closure of BankIslami Pakistan's ("BIPL") acquisition by JS Bank. During the year, the Bank has acquired 67.33% shareholding in BIPL, taking its total shareholding to 75.12%. While both banks will continue to operate independently in their respective domains, we will be able to provide a higher number of touchpoints to a wider client base through a combined network of more than 700 branches. Both banks will also continue to adopt best practices from each institution to improve customer experience.

Since the launch of "Kharchon ki Problem Solved" campaign in March 2023, the Bank's Credit Card offering has witnessed a 32% increase in customer base, and 87% increase in credit card spend. The Campaign offers cashbacks on utility & grocery charges, installment plans and discounts on more than 150 alliances. This value proposition is based on changing the acquisition from a push to the pull strategy. Bank's Transaction Banking segment also recorded significant progress during 2023. Multiple Employee Banking deals were executed resulting in 18% growth in Non-Remunerative deposits generated through this channel.

Zindigi, JS Bank's digital banking platform, has rapidly grown since its 2022 inception, becoming a leading fintech in Pakistan. In 2023, the app's downloads soared to 10 million, with 4.8 million accounts opened, and it processed transactions totaling PKR 150 billion, a 47% increase from the previous year. Zindigi stands out for offering advanced AI-driven micro-lending and being among the first to launch comprehensive Raast P2M Services. The platform also hosted the 'Zindigi Prize,' a major business idea competition, drawing participation from 5,000 startups and students from 130 universities. On the other hand, heritage bank's traditional services continued to be digitized. 80% of our brick & mortar branches are now equipped with digital account opening. Digital customer base has increased by 46% from last year and mobile app usage by 72%. Bank's WhatsApp based JS BOT also witnessed 1.4x increase in its usage.

JS Bank's enhanced financial performance led to an improved outlook from 'Stable' to 'Positive' by PACRA in December 2023, while maintaining long- and short-term ratings. This improvement reflects the Bank's successful strategies and promising future prospects.

The Bank also made significant strides in promoting gender diversity, increasing its female workforce by

31% in 2023. A notable initiative was the hiring of an all-female Universal Tellers batch, onboarding 60 women, a first in the industry, emphasizing JS Bank's commitment to equality and diversity in the workplace.

Capital Adequacy

As of December 31, 2023, JS Bank's Capital Adequacy Ratio (CAR) stood at 12.53% (December 2022: 13.26%) against SBP's minimum required CAR of 12.50%. However, the State Bank of Pakistan has temporarily reduced the requirement of CAR for banks by 1% as a regulatory relief to dampen the effects of COVID-19.

Summarized financial data for the last six years is given below:

	Rs. in million					
Particulars	2023	2022	2021	2020	2019	2018
Deposits	486,283	464,132	460,705	433,063	369,790	321,413
Equity	40,322	21,547	22,024	20,592	17,333	15,617
Total Assets	589,432	616,715	584,289	532,168	469,821	456,754
Investments - Net	287,479	303,465	231,266	201,698	142,568	148,690
Advances - Net	203,727	231,101	254,184	250,199	242,944	251,991
Gross Mark-up Income	92,087	72,047	39,125	43,099	41,595	29,997
Net Mark-up Income	22,409	14,856	11,895	9,777	7,028	8,809
Non-Mark-up Income	12,205	5,300	5,077	6,676	3,943	2,141
Profit Before Tax	8,515	2,131	2,209	2,023	133	905
Profit After Tax	4,335	965	1,304	1,150	25	562
Earnings Per Share (Basic) – PKR	2.75	0.74	1.01	0.89	0.0004	0.3
Return on Avg. Assets (ROAA)	0.72	0.16%	0.23%	0.23%	0.01%	0.13%
Return on Avg. Equity (ROAE)	14.01%	4.43%	6.12%	6.06%	0.15%	3.48%
Capital Adequacy Ratio (CAR)	12.53%	13.26%	13.77%	12.77%	12.93%	12.01%
Advs. to Deposits Ratio (ADR)	43.96%	51.39%	56.62%	58.74%	66.65%	79.38%

Customer Experience & Fair Treatment

At JS Bank, our Customer Experience Team (CET) is committed to fostering strong relationships and ensuring customer satisfaction at every touchpoint. This team is the driving force behind our customer-centric approach, focusing on effective grievance management and valuing customer feedback to enhance the overall banking experience and offer a best-in-class customer experience.

In 2023, the bank handled over 41,000 complaints with an average resolution time of four working days. Our robust Complaint Handling Policy and transparent Grievance Redressal Mechanism are designed to resolve issues efficiently and prevent recurrence. We offer multiple channels for customers to voice their concerns, ensuring accessibility and transparency throughout the process. Customers are also given the option of contacting the Banking Mohtasib office in case they are dissatisfied with the response received from the Bank. To create enhanced visibility of its complaint-handling function, JS Bank has incorporated awareness messages in several customer communications

such as account statements, ATM screens, and letters. For increased accessibility of the recourse mechanism for the customers, the Bank has made the information available on social media and has also sent SMS messages to its customers. The Bank's website offers a comprehensive grievance procedure, touchpoints, and online feedback forms.

The CET's diverse units, including the Voice, Chat, and SMS Team, and the Customer Care Unit, play a vital role in maintaining direct and effective communication with our customers. These units are integral to our strategy of delivering a fair, accessible, and efficient service, reducing operational risks and gathering insights for continuous improvement.

- Bank's multichannel Voice, Chat and SMS Team allows officers to interact with customers over communication channels which includes interactions over Voice (Retail Banking, Private Banking, Digital Financial Services or Branchless Banking and from Overseas), WhatsApp chat, SMS to 8012 and Emails (info@jsbl.com, CCU.Helpdesk@jsbl.com, rda@jsbl.com, and jsblink@jsbl.com).

- Customer Care unit serves as the institution's philosophy about customer complaints, the hierarchy, systems, and procedures to deal with the complaints arriving at all touchpoints. The Customer Care Unit ensures that it is fair, transparent, accessible, and efficient as the first line of defense against the grievances of the Bank customers. Customer Care Unit grievance handling mechanism oriented to achieve customer satisfaction not only reduces operational and reputational risk of a Bank but also provides valuable pieces of information that eventually can be used to bring improvement in products, procedures, and delivery channels.
- SQ Branch Banking team ensures through Branch visits that proper elements and commitments are in place to provide consistent service support and service delivery.
- Customer Insights interprets trends in customer behaviors primarily gauged through surveys which aim to increase the effectiveness of a product or service, as well as increase sales for the financial benefit of customers provisioning the product or service.
- Business Conduct ensures responsible banking by assessing conduct risk as per SBP Conduct Assessment Framework.

Our focus extends beyond just addressing complaints. We are dedicated to understanding customer behavior through our Customer Insights team and ensuring responsible banking practices. This commitment is reflected in our comprehensive 'Consumer Protection Framework,' which prioritizes customer welfare in all our products and services. We firmly believe in offering equal treatment to all customers, without any form of discrimination which helps them to feel the "WOW" experience.

At JS Bank, we strive for fairness and clarity in all our interactions, fostering a service culture that puts our customers first. Our goal is to create an environment where customers feel valued and informed, empowering them to make sound financial decisions. Through awareness and financial literacy programs, we are committed to guiding our customers through the complexities of the financial world, ensuring they have a positive and empowering banking experience.

Risk Management

The Board is committed to adopting the best risk management practices in letter and spirit. To maintain effective risk management oversight, the Bank follows an appropriate risk management framework according to the regulatory directives

issued by SBP and other related guidelines under the applicable Basel framework. In this regard, the Bank has a comprehensive set of risk management policies, practices, and procedures in place which enables the Bank to take into consideration, in an appropriate manner, all major kinds of risks including credit, market, liquidity, operational, Information security, Digital and Fraud Risks. The overall risk management framework of the Bank is under the supervision of the Board of Directors (BoD)/Board Risk Management Committee (BRMC) while the operational level day-to-day functioning is carried out by the senior management of the Bank. In order to develop a holistic integrated risk management approach, a dedicated and independent Risk Management Function is in place to manage various aspects of risk management in the Bank with the segregation of Credit Risk functions into other variants of risk management. To formalize and strengthen the risk management approach within the Bank, the following significant policies were developed/ reviewed and approved by the Board:

- Risk Management Policy
- Credit Policy
- SME Financing Policy
- Collateral Management Policy
- Internal Credit Risk Rating Policy
- Consumer Credit Policy
- Market Risk Management Policy
- Interest Rate Risk Management Policy
- Operational Risk Management Policy
- Liquidity Risk Management Policy
- Country Risk Management Policy
- Agricultural Credit Policy
- Remedial Management Policy
- Debt Property Swap Policy
- Business Continuity Planning Policy
- Information Security Policy
- ICAAP
- Fraud Risk Management Policy
- Environmental & Social Risk Management Framework

Bank's risk governance is exercised by the following committees:

- The Integrated Risk Management Committee (IRMC),
- Portfolio Management Committee (PMC),
- Operational Risk Management Committee (ORMC),
- Agri Credit Committee (ACC),
- Central Credit Committee
- Remedial Management Committee (RMC),
- IT Steering Committee (ITSC)
- Assets & Liabilities Committee (ALCO)

These Committees meet regularly to review market developments and the level of financial and security risk exposures of the Bank.

Risk Management plays a vital role in ensuring that an appropriate balance is maintained between risk and reward throughout the bank. Towards this end, the risk management function and framework have been modified in the year under review. Fraud Risk Management is now reporting to the Chief Risk Officer. The disciplines of risk management including market and liquidity, operational, BCP, portfolio, policy, agricultural credit, consumer and program lending, CAD, SAM, Digital, and information security risks remain under the umbrella of the Chief Risk Officer.

Market Risk measurement, monitoring and management reporting is done on a regular basis. The Market Risk & Basel Unit supported by the Treasury Middle Office is involved in the daily monitoring of all related financial risk exposures in the form of interest rate risk, equity exposure risk, currency or foreign exchange risk, cross border or country risk, financial institutions (FI) exposure risks, liquidity risk, and capital adequacy.

On the capital management side, the Bank's practices ensure that it has reasonable capital to cover the risks associated with its activities. It is the prime objective of the Bank's capital management to ensure that the bank complies with all regulatory capital requirements and at the same time maintains strong credit ratings and healthy capital ratios to support its business and maximize shareholders' value.

Bank's Operational Risk Management Framework ensures that adequate control environment exists to identify, address, and manage all operational risks and maintain an acceptable level of residual risks.

Bank is focusing on embedding Risk and Control Self-Assessment for effective management of key risks and cultivating an environment where every employee understands his responsibility towards the management of operational risks.

Apart from the Risks and Control Self-Assessment (RCSA), Operational Loss Data (OLD) and Key Risk Indicators (KRI) exercise, the Operational Risk management function also maintains the Business Continuity Planning Policy and conducted numerous Business Continuity Drills to test availability of systems and services from the alternate sites.

Credit Risk management is an ongoing process. The overall credit policy and the credit risk management guidelines are approved by the Board of Directors. In this regard, a Central Credit Committee (CCC) is entrusted with the responsibility of monitoring and controlling credit risk in the Bank. CCC meets regularly to actively supervise credit risk across the lending portfolio. In order to maintain a healthy growth of the credit portfolio, the Bank's Credit Risk Management processes are consistently upgraded and improved to meet future challenges. Further, in order to bolster credit risk management monitoring activities, a separate unit is in place for regular portfolio monitoring, formulating and implementing credit risk management tools, including setting up of industry, geographic and sectorial limits, and devising credit risk quantification / statistical techniques to meet SBP and Basel requirements. The health of the credit portfolio is being monitored through the Credit Administration, which is responsible for housekeeping elements along with the management of credit limits.

The Bank is conscious of risks and uncertainties associated with problem credits which require a different and more intense risk management approach. In this regard, a Special Asset Management Unit is in place following SBP's regulatory guidelines to focus on remedial management issues, take ownership of classified portfolio for effective management and to determine the work-out modes for rehabilitation and settlements, as stipulated in the Remedial Management Policy of the Bank.

In terms of Information Security, the Information Security Department performs security/risk assessments, as well as vulnerability assessments, monitors critical IT, and manages information and cyber security risks across the Bank. To improve the information security posture, defense in depth / layered security architecture is deployed with real-time monitoring of emerging threats. To further strengthen cybersecurity, the Bank is striving to build a process-oriented culture, bring maturity in tool utilization, and invest in IS staff to improve

management / regulatory reporting and increase JS staff security awareness training.

To combat digital risks and to support the Digital Finance business, a dedicated team of risk experts has been established under the umbrella of Digital Risk. The prime objective of this function is to optimize policies, processes, and systems, investigate and mitigate digital frauds, data analytics to identify potential risks and augment business, and implement strategic plans. Moreover, to battle fraud Risk the Bank has placed a robust fraud prevention mechanism to safeguard the Bank and its customers against potential threats/ attempts of internal and external fraud across all channels, physical or digital.

Statement on Internal Controls

The Bank places the utmost emphasis on establishing stringent controls across all its operations. It is the cornerstone of the Bank's policies to adhere to the best industry practices, ethical standards and regulatory requirements. In this context, the Board of Directors has promulgated policies that provide for assessing the overall effectiveness of the internal control environment.

Internal controls at JS Bank are intended to provide a reasonable measure of assurance regarding the effectiveness and efficiency of the Bank's operations, reliability of financial information and compliance with applicable laws and regulations. However, it is acknowledged that the systems put in place can only provide reasonable but not absolute assurance against material misstatement or loss since they are designed to manage, rather than eliminate, the risk of unforeseen situation.

To ensure effective management of risk, the governance structure of internal control functions at the Bank consists of three levels of defense. The first line of defense is the business itself which owns its risks, including its operational risk and is responsible for its management. The second line of defense is the oversight provided by the Risk Management, Compliance and control functions which identify and assess risks impacting existing and new business initiatives, coordinate risk mitigation with risk specialists and businesses and then report and escalate it to the Risk Management Function for appropriate corrective measures. The last line of defense is an independent and effective Internal Audit Function which reviews the effectiveness and adequacy of internal controls and continues to monitor compliance with policies and procedures.

The Board of Directors is regularly kept abreast of the state of compliance through the Board Audit

Committee. As a priority, all significant and material findings of the internal and external auditors and regulators are addressed by the management ensuring that appropriate corrective actions have been implemented. Adequate systems are in place to minimize breaches repetition of mistakes and strengthen the control environment. In addition, the Compliance Function is performing its due role to ensure regulatory compliance across the Bank.

The Bank diligently follows SBP's Guidelines on Internal Control to evaluate the effectiveness of the overall set of internal controls including financial reporting controls. Detailed documentation of bank-wide processes and controls has been completed. Furthermore, the Bank has developed a comprehensive management testing and reporting framework for ensuring the operating effectiveness of key controls and has significantly addressed the identified design improvement opportunities.

Upon satisfactory completion of the Internal Control over Financial Reporting (ICFR) Roadmap, the State Bank of Pakistan (SBP) granted an exemption to the Bank in August 2016 from the submission of a Long Form Report (LFR) by external auditors. Further, as per SBP directive vide BSD-1 Circular Letter No. 1 of 2021 of July 06, 2021, the banks that have completed all the stages of the ICFR roadmap, are allowed to discontinue submission of the Annual Assessment Report on the efficacy of ICFR to SBP. However, SBP may evaluate the Annual Assessment Report as part of supervisory assessments. Accordingly, the Annual Assessment Report for December 31, 2023, on the efficacy of ICFR shall be presented to the Board Audit Committee.

The Management considers that the internal control system presently existing is adequate, implemented effectively, and continuously monitored. This statement is also endorsed by the Board of Directors. The management will endeavor to continue enhancing its coverage and compliance with the SBP guidelines on Internal Controls thereby strengthening its control environment on an ongoing basis.

Corporate Governance

The Bank prides itself on its good corporate governance by maintaining high levels of professional and business conduct, implementing effective internal controls and audit functions, including a risk management framework, and complying strictly with both local and international codes of practice.

The Board closely reviews policy-related matters with long-term implications as per regulatory

obligations which also meet the Bank's operational requirements. The Management and the Board Committees have been duly constituted with a defined scope of work to ensure that they perform their prescribed functions precisely and efficiently as per their mandate and respective terms of reference.

Corporate and Financial Reporting Framework

The Directors confirm compliance with the Corporate and Financial Reporting Framework of the Securities & Exchange Commission of Pakistan for the following:

- The financial statements prepared by the management present fairly the state of affairs of the Bank, the results of its operations, the cash flow statement, and the statement of changes in equity.
- Proper books of accounts of the Bank have been maintained.
- Accounting policies as stated in the notes to the accounts have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards as applicable to banks in Pakistan have been followed in the preparation of the financial statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored.

- There are no doubts about the Bank's ability as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The details of outstanding statutory payments, if any, have been adequately disclosed in the financial statements.

Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019

The requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 set out by the Securities & Exchange Commission of Pakistan (SECP) have been adopted by the Bank and have been duly complied with. A Statement to this effect is annexed with the report.

Holding Company

Jahangir Siddiqui & Co. Limited, listed on the Pakistan Stock Exchange Limited, is the holding company of JS Bank Limited, owning 71.2% of the ordinary shares.

Subsidiary Companies

BankIslami Pakistan Limited, JS Global Capital Limited, and JS Investments Limited are subsidiaries of JS Bank with shareholdings of 75.1%, 92.9%, and 84.5% respectively. The performance of these companies has been reviewed under the consolidated Directors' Report.

Attendance of Directors in the Board meetings

Six meetings of the Board of Directors were held during the year 2023. The attendance of directors at Board Meetings was as follows:

Name of Director	Eligible to attend	Meetings attended
Mr. Adil Matcheswala - Chairman	6	6
Lt. Gen. (R) Sadiq Ali	6	6
Ms. Nargis Ali Akber Ghaloo	6	6
Syed Mumtaz Ali Shah	6	6
Mr. Usman Yousaf Mobin	6	6
*Mr. Khalilullah Shaikh	-	-
Mr. Basir Shamsie, President & CEO	6	6
*Mr. Shahnawaz Haider Nawabi	4	1

The attendance of directors at Board Committees meetings was as follows:

Name of Director	Audit Committee		Risk Committee		HR Committee		IT Committee	
	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended
Mr. Adil Matcheswala	-	-	-	-	4	3	-	-
Lt. Gen. (R) Sadiq Ali	4	4	4	4	-	-	-	-
Ms. Nargis Ali Akber Ghaloo	4	4	-	-	-	-	5	5
Syed Mumtaz Ali Shah	-	-	4	4	4	4	-	-
Mr. Usman Yousaf Mobin	-	-	-	-	4	4	5	5
*Mr. Khalilullah Shaikh	-	-	-	-	-	-	-	-
Mr. Basir Shamsie President & CEO	-	-	4	4	-	-	5	5
*Mr. Shahnawaz Haider Nawabi	3	0	3	1	-	-	-	-

*Mr. Khalilullah Shaikh was appointed director of the Bank on December 12, 2023 in place of Mr. Shahnawaz Haider Nawabi who resigned w.e.f. October 12, 2023.

Directors' Remuneration

The remuneration of directors is fixed by the Board of Directors under the applicable laws. The remuneration for attending meetings of the Board and/or Board Committees is within the scale as is reasonably determined by the Board of Directors, provided that an Executive Director shall not be paid any remuneration for attending Board/Board Sub Committee meetings. The remuneration paid to the Directors, Chief Executive Officer, and other executives is disclosed in note # 39 to the Unconsolidated Financial Statements.

Pattern of Shareholding

The pattern of shareholding at the close of December 31, 2023, as required u/s 227(f) of the Companies Act, 2017 is given on page number 405.

Related Party Transactions

Related party transactions are disclosed at note # 43 and note # 44 to the Unconsolidated Financial Statements and the Consolidated Financial Statements, respectively, of the Bank for the year ended December 31, 2023.

Corporate & Social Responsibility

The Statement of Corporate & Social Responsibility is included in the Annual Report.

Dividend to Shareholders

No dividend is being paid to the shareholders on the ordinary shares for the year 2023. However, in August 2023 the Bank issued 17% right shares to its shareholders.

Employee Benefit Schemes

The Bank operates a contributory provident fund for all permanent employees. The employer and employee both contribute 7.1% of the basic salaries to the funded scheme every month. Number of employees covered under this plan are 3,231 (2022: 3,013). During the year, the Bank has made a contribution of Rs. 312.365 million (2022: Rs. 263.085 million) to the fund. The employees have also made a contribution of equal amount to the fund.

Auditors

The current auditors, KPMG Taseer Hadi & Co. Chartered Accountants, being retired offered themselves for reappointment.

Auditors have confirmed that the firm is fully compliant with the International Federation of Accountants' Guidelines of Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan (ICAP), and has a satisfactory rating under the Quality Control Review Program of the ICAP.

On the recommendation of the Board Audit Committee, the Board of Directors recommends the appointment of KPMG Taseer Hadi & Co. Chartered Accountants for the year ending December 31, 2024, at the upcoming Annual General Meeting of the Bank.

Evaluation of the Board's Performance

At JS Bank, the Board of Directors is instrumental in charting the strategic course of the bank, ensuring that we consistently align with our long-term objectives while adhering to regulatory standards. The Board to discharge the fiduciary responsibility of safeguarding the stakeholders' interests, a formal and effective mechanism is put in place for an annual evaluation of the Board's own performance, members of the Board, and of its sub-committees as required by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan.

The Board of Directors of JS Bank is enriched with skills, core competencies, diversity, experience, and knowledge and at the same time committed to strong corporate governance to protect the overall interests of the Bank and its stakeholders. The Board continually reviews the Bank's financial and operational soundness, governance, internal controls, and significant policies as per regulatory requirements. Further, sub-committees were constituted with a prescribed mandate and respective terms of reference.

In line with the Best Practices of Corporate Governance, the Board has conducted a self-evaluation exercise on an annual basis by engaging Grant Thornton Anjum Rahman Chartered Accountants (GT) as an external facilitator which has a team of qualified consultants to conduct board evaluations for companies and banks. The Board of JS Bank in compliance with SBP's Guidelines on Performance Evaluation of the Board of Directors and Listed Companies (Code of Corporate Governance) Regulation, 2019 has conducted its self-evaluation for the year 2023 by engaging GT. The evaluation covered various aspects of the performance of the Board including but not limited to the Board sub committees, CEO & Chairman, etc.

This process, grounded in best corporate governance practices, involves a detailed, quantitative analysis, ensuring that our leadership remains effective and accountable to our goals and values.

Events after the Date of the Statement of Financial Position

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

Acknowledgments

On behalf of JS Bank, we would like to express our gratitude to our valued stakeholders for their continued patronage and support. We would also like to thank the Ministry of Finance, the State Bank of Pakistan, the Securities & Exchange Commission of Pakistan, and other regulatory authorities for their guidance and support to our Bank. At the close, we extend our appreciation to all our colleagues at JS Bank for their commitment toward ever-greater success and growth.

For and on behalf of the Board,

Basir Shamsie

President & CEO

Adil Matcheswala

Chairman

February 29, 2024

مالیاتی پوزیشن کے بیان کی تاریخ کے بعد کے واقعات:

مالیاتی پوزیشن کے بیان کی تاریخ کے بعد کوئی ایسا مادی واقعہ پیش نہیں آیا جس کے لیے منسلک مالی بیانات میں ایڈجسٹمنٹ کی ضرورت ہو۔

اظہار تشکر:

جے ایس بینک کی جانب سے، ہم اپنے قابل قدر اسٹیک ہولڈرز کی مسلسل سرپرستی اور حمایت کے لیے ان کا شکریہ ادا کرنا چاہتے ہیں۔ ہم وزارت خزانہ، اسٹیٹ بینک آف پاکستان، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، اور دیگر ریگولیٹری اتھارٹیز کا بھی شکریہ ادا کرنا چاہیں گے جنہوں نے ہمارے بینک کی رہنمائی اور مدد کی۔ آخر میں ہم جے ایس بینک میں اپنے تمام ساتھیوں کو مزید کامیابی اور ترقی کے لیے ان کے عزم پر خراج تحسین پیش کرتے ہیں۔

از طرف بورڈ

عادل ماچس والا
چیئرمین

باصر شمشی
صدر اینڈ سی ای او
29 فروری 2024ء

بورڈ آڈٹ کمیٹی کی سفارش پر، بورڈ آف ڈائریکٹرز 31 دسمبر، 2024 کو ختم ہونے والے سال کیلئے بینک کے آئندہ سالانہ اجلاس عام تک میسرز کے پی ایم جی تا شیربادی اینڈ کو، چارٹرڈ اکاؤنٹنٹس کی تقرری کی سفارش کرتے ہیں۔

بورڈ کی کارکردگی کا جائزہ:

جے ایس بینک کا بورڈ آف ڈائریکٹرز بینک کی اسٹریٹجک سمت متعین کرتا ہے اور اس بات کو یقینی بناتا ہے کہ تنظیم اس سمت پر قائم رہے۔ ریگولیٹری تعمیل کو یقینی بناتے ہوئے اسے اپنے طویل مدتی مقاصد حاصل کرنے کے قابل بناتا ہے۔ اسٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے تحت اسٹیک ہولڈرز کے مفادات کے تحفظ کی اپنی حقیقی ذمہ داری کو نبھانے کے لیے بورڈ کی اپنی کارکردگی، بورڈ کے اراکین اور اس کی کمیٹیوں کے سالانہ جائزے کے لیے ایک رکی اور موثر طریقہ کار وضع کیا جاتا ہے۔

جے ایس بینک کا بورڈ آف ڈائریکٹرز مہارت، بنیادی قابلیت تنوع، تجربہ اور علم کے یک اچھے امتزاج کا حامل ہے اور بینک اور اس کے اسٹیک ہولڈرز کے مجموعی مفادات کے تحفظ کے لیے مضبوط کارپوریٹ گورنس کے لیے پرعزم ہے۔ بورڈ ریگولیٹری تقاضوں کے مطابق بینک کے مالی اور آپریشنل استحکام، گورنس، انٹرنل کنٹرولز اور اہم پالیسیوں کا مسلسل جائزہ لیتا ہے۔ مزید برآں، بورڈ کمیٹیاں تشکیل دی گئی ہیں، جن میں سے ہر ایک کے پاس ایک مقررہ مینڈیٹ اور ٹرمر آف ریفرنس ہیں۔

کارپوریٹ گورنس کے بہترین طریقوں کے مطابق، بورڈ نے سالانہ بنیادوں پر میسرز گرانٹ تھورنٹن انجمن رحمان چارٹرڈ اکاؤنٹنٹس (جی ٹی) کو ایک بیرونی سہولت کار کے طور پر شامل کر کے خود تشخیصی مشق کا انعقاد کیا ہے جن کے پاس کمپنیوں اور بینکوں کے لیے بورڈ کی تشخیص کرنے کے لیے اہل کونسلٹنٹس کی ٹیم موجود ہے۔ جے ایس بینک کے بورڈ نے بورڈ آف ڈائریکٹرز اور سٹیک ہولڈرز (کوڈ آف کارپوریٹ گورنس) ریگولیشن 2019 کی کارکردگی کی تشخیص سے متعلق ایس بی پی کے رہنما خطوط کی تعمیل میں جی ٹی کو شامل کرتے ہوئے سال 2023 کے لیے اپنی خود تشخیص کی ہے۔ تشخیص میں بورڈ کی کارکردگی کے مختلف پہلوؤں کا احاطہ کیا گیا جس میں بورڈ کی ذیلی کمیٹیاں، سی ای او اور چیئر مین وغیرہ شامل ہیں جو کہ ان تک محدود نہیں۔

تشخیص ایک مقداری طریقہ کار استعمال کرتے ہوئے کی گئی تھی، جو موضوعی اسسٹ پربنی تھی اور کونسلٹنٹس کے تیار کردہ سوالناموں کے ذریعے کی گئی تھی۔

مقداری تکنیک میں مخصوص اور قابل پیمائش ہونے کا فائدہ ہے۔ جے ایس بینک کے بورڈ کی تشخیص میں استعمال ہونے والا پیمائش کا پیمانہ اس بات پر منحصر ہے کہ وہ دیے گئے بیان سے کتنی سختی سے متفق یا غیر متفق ہیں۔ اس طریقہ کار کا استعمال مخصوص اور قابل پیمائش ڈیٹا کو یقینی بناتا ہے

شیر ہولڈنگ کا پیٹرن:

کمپنیز ایکٹ 2017 کے سیکشن (f) 227 کے تحت 31 دسمبر، 2023 کے اختتام تک کمپنی کے شیر ہولڈنگ کا پیٹرن کا صفحہ نمبر 405 پر دیا گیا ہے۔

متعلقہ پارٹی سے کاروباری لین دین:

31 دسمبر، 2023 کو ختم ہونے والے سال کیلئے متعلقہ فریقین کے ساتھ کاروباری لین دین کو بینک کے غیر مربوط اور مربوط مالیاتی گوشواروں کے نوٹ نمبر 43 اور 44 میں ذکر کیا گیا ہے۔

کارپوریٹ اور سماجی ذمہ داری:

کارپوریٹ اور سماجی ذمہ داری کا بیان سالانہ رپورٹ میں شامل ہے۔

حصص یافتگان کیلئے منقسمہ منافع:

سال 2023 کیلئے عمومی حصص پر حصص یافتگان کو منافع منقسمہ ادا نہیں کیا جا رہا ہے۔ تاہم اگست 2023 میں بینک نے اپنے حصص یافتگان کو 17 فیصد رائٹ حصص جاری کئے تھے۔

ملازمین کے فائدے کیلئے سکیمیں:

بینک تمام مستقل ملازمین کے لیے کنٹریبیوٹری پروویڈنٹ فنڈ آپریٹ کرتا ہے۔ آجر اور ملازم دونوں ہر ماہ فنڈ اسکیم میں بنیادی تنخواہ کا 7.1 فیصد حصہ ڈالتے ہیں۔ اس منصوبے کے تحت آنے والے ملازمین کی تعداد (3,231 : 2022 : 3,013) ہے۔ سال کے دوران، بینک نے فنڈ میں 312.365 ملین روپے (2022 : 263.085 ملین روپے) کا حصہ ڈالا۔ ملازمین نے بھی فنڈ میں برابر رقم کا حصہ ڈالا ہے۔

آڈیٹرز:

موجودہ آڈیٹرز میسرز کے پی ایم جی تاثیر بادی اینڈ کو، چارٹرڈ اکاؤنٹنٹس نے مدت معاہدہ ختم ہونے کے بعد دوبارہ تقرری کی پیش کش کی ہے۔

آڈیٹرز نے تصدیق کی ہے کہ فرم انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس کے ضابطہ اخلاق کے رہنما اصولوں کی پوری طرح تعمیل کرتی ہے، جیسا کہ انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (آئی سی اے پی) نے اختیار کیا اور آئی سی اے پی کے کوالٹی کنٹرول ریویو پروگرام کے تحت اس کی تسلی بخش درجہ بندی ہے۔

6	6	سید ممتاز علی شاہ
6	6	جناب عثمان یوسف مبین
6	6	جناب باصر شمشی، صدر وی ای او
6	6	جناب شاہنواز حیدر نوابی*
-	-	جناب خلیل اللہ شیخ

بورڈ کے اجلاسوں میں ڈائریکٹرز کی شرکت درج ذیل ہے:

آئی ٹی کمیٹی		ایچ آر کمیٹی		رسک کمیٹی		آڈٹ کمیٹی		ڈائریکٹرز کا نام
اجلاس میں شرکت	شرکت کا اہل	اجلاس میں شرکت	شرکت کا اہل	اجلاس میں شرکت	شرکت کا اہل	اجلاس میں شرکت	شرکت کا اہل	
-	-	3	4	-	-	-	-	جناب عادل ماچس والا
-	-	-	-	4	4	4	4	لیفٹننٹ جنرل (ریٹائرڈ) صادق علی
5	5	-	-	-	-	4	4	محترمہ مہرگس علی اکبر گلو
-	-	4	4	4	4	-	-	سید ممتاز علی شاہ
5	5	4	4	-	-	-	-	جناب عثمان یوسف مبین
-	-	-	-	-	-	-	-	جناب خلیل اللہ شیخ*
5	5	-	-	4	4	-	-	جناب باصر شمشی۔ صدر اینڈ سی ای او
-	-	-	-	1	3	0	3	جناب شاہنواز حیدر نوابی*

* مورخہ 12 دسمبر 2023 کو جناب خلیل اللہ شیخ کو جناب شاہنواز حیدر نوابی کی جگہ بینک کا ڈائریکٹر مقرر کیا گیا، جنہوں نے 12 اکتوبر 2023 کو استعفیٰ دے دیا تھا۔

ڈائریکٹرز کا معاوضہ:

ڈائریکٹرز کا معاوضہ قابل اطلاق قوانین کے مطابق بورڈ آف ڈائریکٹرز کی طرف سے فلسڈ ہے۔ بورڈ اور یا بورڈ کمیٹیوں کے اجلاسوں میں شرکت کا معاوضہ بورڈ آف ڈائریکٹرز کی طرف سے طے شدہ کے مطابق ہے، بشرطیکہ ایگزیکٹو ڈائریکٹر کو بورڈ/بورڈ سب کمیٹی کے اجلاسوں میں شرکت کے لیے کوئی معاوضہ ادا نہیں کیا جائے گا۔ ڈائریکٹرز، چیف ایگزیکٹو آفیسر اور دیگر ایگزیکٹوز کو ادا کئے جانے والے معاوضے کا ذمہ دار کرنوٹ نمبر 39 میں غیر متفقہ مالیات بیانات میں کیا گیا ہے۔

- ☆ اکاؤنٹنگ پالیسیوں کو جیسا کہ اکاؤنٹس کے نوٹس میں بیان کیا گیا ہے مالیاتی گوشواروں کی تیاری میں مستقل طور پر لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینے معقول اور دانشمندانہ فیصلے پر مبنی ہیں۔
- ☆ مالیاتی گوشواروں کی تیاری میں پاکستان میں قابل اطلاق انٹرنیشنل فنانشل رپورٹنگ سٹینڈرڈز پر عمل درآمد کیا گیا
- ☆ انٹرنل کنٹرول کا نظام محفوظ طریقہ سے بنایا گیا اور موثر انداز میں اس کی نگرانی کی جا رہی ہے
- ☆ بینک کی اپنے کاروبار کو جاری رکھنے کی صلاحیت پر کوئی شک و شبہات نہیں ہیں۔
- ☆ کارپوریٹ گورننس کے بہترین طریقہ کار سے مادی حقائق کا اخراج نہیں کیا گیا جو کہ لسٹنگ ریگولیشنز میں تفصیلی درج ہیں۔
- ☆ بقایا قانونی ادائیگیوں کی تفصیلات، اگر کوئی ہیں، مالی بیانات میں مناسب طور پر ظاہر کی گئی ہیں۔

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کی تعمیل:

بینک نے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) کی جانب سے مرتب کردہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کو اپناتے ہوئے ان کی مناسب تعمیل کی ہے۔ اس سلسلے میں رپورٹ کے ساتھ ایک بیان منسلک ہے۔

ہولڈنگ کمپنی:

جہانگیر صدیقی اینڈ کمپنی لمیٹڈ جو پاکستان سٹاک ایکسچینج لمیٹڈ میں درج ہے، بے ایس بینک لمیٹڈ کی ہولڈنگ کمپنی ہے جو 72 فیصد معمولی حصص رکھتی ہے۔

ذیلی کمپنیاں:

بینک اسلامی پاکستان لمیٹڈ، بے ایس گلوبل کمپیٹل لمیٹڈ اور بے ایس انویسٹمنٹس لمیٹڈ، بے ایس بینک کی ذیلی کمپنیاں ہیں جو بالترتیب 75.1 فیصد، 92.9 فیصد اور 84.5 فیصد حصص رکھتی ہیں۔ ڈائریکٹرز رپورٹ کے جائزہ کے تحت ان کمپنیوں کی کارکردگی کا جائزہ لیا گیا ہے۔

بورڈ اجلاسوں میں ڈائریکٹرز کی شرکت:

سال 2023 کے دوران بورڈ آف ڈائریکٹرز کے چھ اجلاس منعقد ہوئے۔ بورڈ اجلاسوں میں ڈائریکٹرز کی شرکت درج ذیل ہے:

ڈائریکٹر کا نام	شرکت کا اہل	اجلاسوں میں شرکت
جناب عادل ماچس والا۔ چیئرمین	6	6
لیفٹننٹ جنرل (ریٹائرڈ) صادق علی	6	6
محترمہ مرگس علی اکبر گلو	6	6

میں بہتری کے مواقع کو حل کیا ہے۔

فنانشل رپورٹنگ پر انٹرنل کنٹرول (آئی سی ایف آر) روڈ میپ کی اطمینان بخش تکمیل پر ایس بی پی نے اگست 2016 میں ایکسٹرنل آڈیٹرز کی طرف سے لانگ فارم رپورٹ (ایل ایف آر) جمع کرانے سے استثنیٰ دیا۔ مزید برآں ایس بی پی کی طرف سے 6 جولائی، 2021 کو جاری کردہ احکام نامہ بی ایس ڈی سرکلریٹ نمبر 1 آف 2021 کے مطابق ایسے تمام بینک جنہوں نے آئی سی ایف آر روڈ میپ کے تمام مراحل کو مکمل کر لیا ہے، انہیں آئی سی ایف آر کی افادیت پر سالانہ اسسمنٹ رپورٹ کو جمع نہ کرانے کی اجازت دی ہے۔ تاہم ایس بی پی سپروائزری آسٹنس کے حصے کے طور پر سالانہ اسسمنٹ رپورٹ کا جائزہ لے سکتا ہے۔ اسی طرح آئی سی ایف آر کی افادیت پر 31 دسمبر، 2023 کیلئے سالانہ اسسمنٹ رپورٹ بورڈ آڈٹ کمیٹی کو پیش کی جائے گی۔

انتظامیہ یہ سمجھتی ہے کہ موجودہ انٹرنل کنٹرول سسٹم موزوں ہے، موثر انداز میں نافذ شدہ ہے اور اس کی مسلسل نگرانی کی جا رہی ہے۔ اس بیان کی بورڈ آف ڈائریکٹرز کی طرف سے توثیق کی جاتی ہے۔ انتظامیہ اپنی کوریج کو بڑھانے اور اندرونی کنٹرولز پر ایس بی پی کی گائیڈ لائنز کی تعمیل جاری رکھنے کی کوشش کرے گی اور اس طرح اس کے کنٹرول کے ماحول کو مسلسل بنیادوں پر مضبوط بنائے گی۔

کارپوریٹ گورنس:

بینک کو پیشہ وارانہ اور کاروبار باہر باہر وضع کی اعلیٰ سطح برقرار رکھنے، موثر انٹرنل کنٹرول پر عمل درآمد، آڈٹ فنکشنز بشمول رسک مینجمنٹ فریم ورک اور مقامی اور عالمی ضابطوں تکمیل کے ذریعے اپنے بہتر کارپوریٹ گورنس پر فخر ہے۔

بینک ریگولیٹری فرائض کے مطابق پالیسی سے متعلق معاملات اور ان کے طویل المدت اثرات کا بڑا باریک بینی سے جائزہ لیتا ہے جو بینک کے آپریشنل تقاضوں کو بھی پورا کرتا ہے۔ مینجمنٹ اور بورڈ کمیٹی کو کام کے متعین دائرہ کار کے ساتھ یہ یقینی بنانے کیلئے تشکیل دیا گیا کہ وہ اپنے مینڈیٹ اور متعلقہ ٹرمز آف ریفرنس کے مطابق اپنے متعین کام موثر انداز میں سرانجام دیں۔

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک:

بینک کے ڈائریکٹرز سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے کارپوریٹ گورنس کے ضابطہ کے کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کی مندرجہ ذیل کیلئے تعمیل کی تصدیق کرتے ہیں:

- ☆ مینجمنٹ کی طرف سے تیار کیے گئے مالیاتی گوشوارے بینک کے امور حیثیت، آپریشنز کے نتائج، کیش اسٹیٹمیٹ اور ایکویٹی میں تبدیلیوں کا اسٹیٹمنٹ کو شفاف انداز میں پیش کرتے ہیں۔
- ☆ بینک کے اکاؤنٹس کی کتابیں مناسب طریقہ سے برقرار رکھی گئی ہیں

نمٹنے کیلئے، بینک نے تمام چینلز، فزیکل یا ڈیجیٹل پر اندرونی اور بیرونی دھوکہ دہی کے ممکنہ خطرات/کوششوں سے بینک اور اس کے کسٹمرز کی حفاظت کے لیے ایک مضبوط فراڈ سے بچاؤ کا طریقہ کار وضع کیا ہے۔

انٹرنل کنٹرول پر بیان:

بینک اپنے تمام تر آپریشنز میں سخت اور موثر کنٹرول قائم کرنے بہت زیادہ زور دیتا ہے۔ صنعت کے بہترین طریقہ کار اخلاقی معیارات اور ریگولیٹری تقاضوں کی تعمیل کو بینک کی پالیسیوں میں بنیادی اہمیت حاصل ہے۔ اسی تناظر میں بورڈ آف ڈائریکٹرز ایسی پالیسیاں مرتب کرتے ہیں جو انٹرنل کنٹرول کی مجموعی موثریت کی جانچ پڑتال فراہم کرتے ہیں۔

جے ایس بینک کے اندر انٹرنل کنٹرولز کا مقصد بینک کے آپریشنز کی موثریت اور کارکردگی بھروسہ مند مالی معلومات اور قابل اطلاق قوانین اور ریگولیٹری تقاضوں کی تعمیل سے متعلق مناسب اقدامات اٹھانے کی یقینی دہانی فراہم کرتے ہیں۔ تاہم یہ بات تسلیم کی جاتی ہے کہ یہ نظام مادی تبدیلیوں کے حوالے سے غلط بیان یا نقصان سے مکمل نہیں بلکہ مناسب یقین دہانی دے سکتے ہیں کیونکہ اسے غیر متوقع صورتحال میں خطرے کو ختم کرنے کیلئے نہیں بلکہ ان کا انتظام کرنے کیلئے ڈیزائن کیا گیا۔

رسک مینجمنٹ کو موثر انداز میں یقینی بنانے کیلئے بینک میں انٹرنل کنٹرول فنکشن کا گورننس اسٹریکچر تین دفاعی سطح پر مشتمل ہے۔ پہلی دفاعی لائن خود کاروبار ہے جو شمول آپریشنل خطرات کی ملکیت قبول کرتا ہے اور اس کے نظم و نسق کا ذمہ دار ہے۔ دوسری دفاعی لائن رسک مینجمنٹ کمپلائنس اور کنٹرول فنکشنز کی طرف سے فراہم کردہ نگرانی ہے جس کے ذریعے نئے اور موجودہ کاروباری اقدامات کو متاثر کرنے والے خطرات کی نشاندہی اور ان کی شدت کا اندازہ، رسک ماہرین اور برنسز کے ساتھ خطرے کو کم کرنے کیلئے اقدامات ترتیب دیئے جاتے ہیں، اس کے بعد رسک مینجمنٹ فنکشن کو مناسب اصلاحی اقدامات کیلئے رپورٹ کیا جاتا ہے۔ آخری دفاعی لائن آزاد اور موثر انٹرنل آڈٹ فنکشن ہے جو انٹرنل کنٹرول کی موثریت کا جائزہ لیتا ہے اور پالیسیوں اور طریقہ کاروں کی تعمیل کی نگرانی کرتا ہے۔

بورڈ آف ڈائریکٹرز کو بورڈ آڈٹ کمیٹی کی طرف سے کمپلائنس رپورٹ سے باقاعدگی سے آگاہ کیا جاتا ہے۔ ترجیح کے طور پر، اندرونی اور بیرونی آڈیٹرز اور ریگولیٹرز کے تمام اہم اور مادی نتائج پر انتظامیہ کی طرف سے توجہ دی جاتی ہے اور اس بات کو یقینی بناتے ہوئے کہ مناسب اصلاحی اقدامات نافذ کیے گئے ہیں۔ خلاف ورزیوں کو کم کرنے، غلطیوں کی تکرار، اور کنٹرول انوائرنمنٹ کو مضبوط کرنے کے لیے مناسب نظام موجود ہیں۔ اس کے علاوہ کمپلائنس فنکشن پورے بینک میں ریگولیٹری تعمیل کو یقینی بنانے کے لیے اپنا مناسب کردار ادا کر رہا ہے۔

مالیاتی رپورٹنگ کنٹرول سمیت اندرونی کنٹرول کی مجموعی موثریت کا جائزہ لینے کے لیے بینک اندرونی کنٹرول سے متعلق ایس بی پی کی گائیڈ لائنز پر پوری توجہ سے عمل کرتا ہے۔ بینک کے وسیع عمل اور کنٹرول کی تفصیلی دستاویزات مکمل ہو چکی ہیں۔ مزید برآں، بینک نے کلیدی کنٹرولز کی آپریشنل موثریت کو یقینی بنانے کے لیے ایک جامع انتظامی جانچ اور رپورٹنگ کا فریم ورک تیار کیا ہے اور نمایاں طور پر نشاندہی کئے گئے ڈیزائن

آپریٹل رسک مینجمنٹ فنکشن بزنس کنٹینوٹی پلاننگ پالیسی کی بھی نگرانی کرتا ہے۔ اس میں رکاوٹوں کی صورت میں متبادل سائنٹس سے سسٹمز اور سروسز کی دستیابی کا اندازہ لگانے کے لیے متعدد کاروباری تسلسل کی مشقیں کرنا شامل ہے۔ یہ مشقیں اس بات کو یقینی بنانے میں مدد کرتی ہیں کہ ہمارے کاروباری آپریشن منفی حالات میں بھی بغیر کسی رکاوٹ کے جاری رہ سکتے ہیں، اس طرح ہمارے سسٹمز اور اسٹیک ہولڈرز کے مفادات کا تحفظ ہوتا ہے۔

کریڈٹ رسک مینجمنٹ ایک جاری عمل ہے۔ مجموعی کریڈٹ پالیسی اور کریڈٹ رسک مینجمنٹ کی گائیڈ لائنز کی منظوری بورڈ آف ڈائریکٹرز کی طرف سے دی جاتی ہے۔ اس سلسلے میں سینٹرل کریڈٹ کمیٹی (سی سی سی) کو بینک میں کریڈٹ رسک کی نگرانی اور کنٹرول کرنے کی ذمہ داری سونپی جاتی ہے۔ سی سی سی لینڈنگ پورٹ فولیو میں کریڈٹ رسک کی فعال نگرانی کرنے کیلئے باقاعدگی سے اجلاس منعقد کرتی ہے۔ کریڈٹ پورٹ فولیو کی منظم ترقی کو برقرار رکھنے اور مستقبل کے چیلنجز سے نمٹنے کیلئے بینک کے کریڈٹ رسک مینجمنٹ کے طریقہ کار کی مسلسل اپ گریڈیشن کی جاتی ہے۔ کریڈٹ رسک مینجمنٹ کی نگرانی کی سرگرمیوں کو تیز کرنے کیلئے بینک میں ایک کریڈٹ رسک مانیٹرنگ یونٹ موجود ہے جو ایس بی پی اور بیسلس کے تقاضوں کو پورا کرنے کیلئے باقاعدگی سے پورٹ فولیو کی نگرانی، کریڈٹ رسک مینجمنٹ کے ٹولز کی تیاری اور عمل درآمد بشمول صنعتی، جغرافیائی اور شعبہ جاتی حدود کے قیام اور کریڈٹ رسک کوانٹیفیکیشن / شماراتی تکنیک وضع کرتی ہے۔ کریڈٹ پورٹ فولیو کے استحکام کی کریڈٹ ایڈمنسٹریشن کے ذریعے نگرانی کی جاتی ہے جو کریڈٹ حدود کے نظم و نسق کے ساتھ ہاؤس کیپنگ کی بھی ذمہ دار ہوتی ہے۔

بینک کریڈٹ مسائل سے جڑے خطرات اور غیر یقینی صورتحال کے حوالے سے باخبر ہے جس کیلئے رسک مینجمنٹ کے حوالے سے ایک مختلف اور سخت اپروچ کی ضرورت ہوتی ہے۔ اس سلسلے میں، ایس بی پی کی ریگولیٹری گائیڈ لائنز پر عمل کرتے ہوئے ایک اسپیشل ایسٹ مینجمنٹ یونٹ موجود ہے تاکہ اصلاحی انتظامی مسائل پر توجہ مرکوز، موثر انتظام کے لیے کلاسیفائیڈ پورٹ فولیو کی ملکیت اور بحالی اور آباد کاری کے لیے ورک آؤٹ طریقوں کا تعین کیا جاسکے، جیسا کہ بینک کی ریویژن مینجمنٹ پالیسی میں درج ہے۔

انفارمیشن سیکورٹی کے لحاظ سے، انفارمیشن سیکورٹی ڈیپارٹمنٹ سیکورٹی خطرے کے ساتھ ساتھ خطرے نشاندہی کرتا ہے، اہم آئی ٹی کی نگرانی کرتا ہے، اور پورے بینک میں معلومات اور سائبر سیکورٹی کے خطرات کا انتظام کرتا ہے۔ معلومات کے تحفظ کو بہتر بنانے کے لیے، ابھرتے ہوئے خطرات کی حقیقی وقت کی نگرانی کے ساتھ گہرائی پر توں والے حفاظتی ڈھانچے تعینات کیا گیا ہے۔ سائبر سیکورٹی کو مزید مضبوط کرنے کے لیے، بینک ایک عمل پیرہی پلچر بنانے، ہٹول کے استعمال میں پختگی لانے اور مینجمنٹ / ریگولیٹری رپورٹنگ کو بہتر بنانے اور جے ایس اسٹاف کی سیکورٹی سے متعلق ٹولز (tools) آگاہی کی تربیت کو بڑھانے کے لئے جے ایس کے عملے میں سرمایہ کاری کرنے کی کوشش کر رہا ہے۔

ڈیجیٹل خطرات سے نمٹنے اور ڈیجیٹل فنس کے کاروبار کو سپورٹ کرنے کے لیے، ڈیجیٹل رسک کی چھتری کے تحت خطرے کے ماہرین کی ایک قابل ٹیم بنائی گئی ہے۔ اس فنکشن کا بنیادی مقصد پالیسیوں، عمل اور نظام کو بہتر بنانا، ڈیجیٹل فراڈ کی تحقیقات اور تخفیف، ممکنہ خطرات کی نشاندہی کرنے کے لیے ڈیٹا اینالیٹکس اور کاروبار کو بڑھانا، اور اسٹریٹجک منصوبوں کو نافذ کرنا ہے۔ مزید برآں، دھوکہ دہی کے خطرے سے

- ☆ آئی ٹی سٹیٹنگ کمیٹی (آئی ٹی ایس سی)
- ☆ ایسٹس اینڈ لائسینس کمیٹی (ای ایل سی او)

ان کمیٹیوں کا اجلاس مارکیٹ کی پیش رفتوں اور بینک کی مالی اور سیکورٹی رسک کی سطح کا جائزہ لینے کیلئے باقاعدہ سے منعقد ہوتا ہے۔

رسک مینجمنٹ اس بات کو یقینی بنانے کیلئے ایک اہم کردار ادا کرتی ہے کہ پورے بینک نظام میں رسک اور ریسورسز کے درمیان مناسب توازن کو برقرار رکھا جائے۔ اس لئے زیر جائزہ رسک مینجمنٹ فنکشن در فریم ورک کو نمایاں طور پر مضبوط اور مستحکم کیا گیا ہے۔ چیف کریڈٹ آفیسر کے تحت علیحدہ کریڈٹ رسک گروپ جو کارپوریٹ، مالی اداروں اور انٹرنیشنل بینکنگ کے کریڈٹ جائزہ کی نگرانی سرانجام دیتا ہے، کریڈٹ ایڈمنسٹریشن اور آپریشنل ایسٹس مینجمنٹ کا قیام شامل ہے لیکن اس تک محدود نہیں ہے۔ رسک مینجمنٹ کے باقی نظم و ضبط میں مارکیٹ اینڈ لیکویڈیٹی، آپریشنل، بی سی پی، پورٹ فولیو، پالیسی، ایگریگیشن کریڈٹ، کنزیومر اینڈ پروگرام لینڈنگ، سی اے ڈی، ایس اے ایم، ڈیجیٹل اور انفارمیشن سیکورٹی رسک چیف رسک آفیسر کے چھتری تلے کام کرتے ہیں۔

مارکیٹ رسک کی پیمائش، نگرانی اور انتظامی رپورٹنگ مستقل بنیادوں پر کی جاتی ہے۔ ٹریڈری ڈیل آفس کی معاونت سے مارکیٹ رسک اور پوسٹل یونٹ کی طرف سے انٹریٹ ریٹ رسک، ایکویٹی ایکسپوزر رسک، کرنسی یا فارن ایکسچینج رسک، کراس بارڈر یا کنٹری رسک، مالیاتی اداروں (ایف آئی) ایکسپوزر رسک لیکویڈیٹی رسک اور کپیٹل ایڈویزی کی شکل میں تمام متعلقہ فنکشنل رسک ایکسپوزر کی یومیہ نگرانی کی جاتی ہے۔

کپیٹل مینجمنٹ کے حوالے سے بینک کا طرز عمل اس بات کو یقینی بناتا ہے کہ اس کے پاس اپنی سرگرمیوں سے وابستہ خطرات کو پورا کرنے کے لیے معقول سرمایہ موجود ہے۔ یہ بینک کے کپیٹل مینجمنٹ کا بنیادی مقصد ہے کہ اس بات کو یقینی بنائے کہ بینک تمام ریگولیٹری سرمائے کے تقاضوں کی تعمیل کرتا ہے اور ساتھ ہی ساتھ اپنے کاروبار کو معاونت فراہم کرنے اور شیئر ہولڈرز کی قدر کو زیادہ سے زیادہ کرنے کے لیے مضبوط کریڈٹ ریٹنگ اور صحت مند سرمائے کے تناسب کو برقرار رکھتا ہے۔

بینک کا آپریشنل رسک مینجمنٹ فریم ورک تمام آپریشنل خطرات کی شناخت، ان سے نمٹنے اور ان کا انتظام کرنے کے لیے ایک مناسب کنٹرول ماحول کی موجودگی کو یقینی بنانے کے لیے ڈیزائن کیا گیا ہے۔ بینک اہم خطرات کو موثر طریقے سے منظم کرنے کے لیے رسک اینڈ کنٹرول سیلف ایسیمنٹ (آرسی ایس اے) کے عمل کو ترجیح دے رہا ہے۔ مزید برآں، ہم ایک ایسے ماحول کو فروغ دے رہے ہیں جہاں ہر ملازم آپریشنل خطرات کو کم کرنے میں اپنی ذمہ داری کو تسلیم کرے۔

بورڈ کی طرف سے مندرجہ ذیل اہم پالیسیاں مرتب کی گئیں جائزہ لیا گیا اور منظوری دی گئی ہے۔

- ☆ رسک مینجمنٹ پالیسی
- ☆ کریڈٹ پالیسی
- ☆ ایس ایم ای فنانسنگ پالیسی
- ☆ کولیشنل مینجمنٹ پالیسی
- ☆ انٹرنل کریڈٹ رسک ریٹنگ پالیسی
- ☆ کنزیومر کریڈٹ پالیسی
- ☆ مارکیٹ رسک مینجمنٹ پالیسی
- ☆ انٹریسٹ ریٹ رسک مینجمنٹ پالیسی
- ☆ آپریشنل رسک مینجمنٹ پالیسی
- ☆ لیکویڈٹی رسک مینجمنٹ پالیسی
- ☆ کنٹری رسک مینجمنٹ پالیسی
- ☆ ایگریکلچرل کریڈٹ پالیسی
- ☆ ریمیڈیل مینجمنٹ پالیسی
- ☆ ڈیپٹ پراپرٹی سویپ پالیسی
- ☆ برنس کمیونٹی پلاننگ پالیسی
- ☆ انفارمیشن سیکورٹی پالیسی
- ☆ آئی سی اے اے پی پالیسی
- ☆ فراڈ رسک مینجمنٹ پالیسی
- ☆ انوائس منٹل اینڈ سوشل رسک مینجمنٹ فریم ورک

بینک کے رسک گورننس کو درج ذیل کمیٹیاں استعمال کرتی ہیں:

- ☆ اینٹی گریڈ رسک مینجمنٹ کمیٹی (آئی آر ایم سی)
- ☆ پورٹ فولیو مینجمنٹ کمیٹی (پی ایم سی)
- ☆ آپریشنل رسک مینجمنٹ کمیٹی (او آر ایم سی)
- ☆ ایگری کریڈٹ کمیٹی (اے سی سی)
- ☆ سینٹرل کریڈٹ کمیٹی
- ☆ ریمیڈیل مینجمنٹ کمیٹی (آر ایم سی)

جس کا مقصد کسی پروڈکٹ یا سروس کی تاثیر کو بڑھانا اور ساتھ ہی پروڈکٹ یا سروس فراہم کرنے والے کسٹمر کے مالی فائدے کے لیے فروخت میں اضافہ کرنا ہے۔

☆ کاروباری طرز عمل ایس بی پی کنڈکٹ اسسمنٹ فریم ورک کے مطابق طرز عمل کے خطرے کا اندازہ لگا کر ذمہ دارانہ بینکنگ کو یقینی بناتا ہے۔

اپنے بینک میں، ہم نے ایک مضبوط ”کنزرویٹو پروٹیکشن فریم ورک“ نافذ کیا ہے جو ہمارے اعمال اور فیصلوں کے لیے رہنما اصول کے طور پر کام کرتا ہے۔ یہ فریم ورک اس بات کو یقینی بناتا ہے کہ ہم ڈیزائننگ اور فروخت سے لے کر اپنی مصنوعات اور خدمات کے انتظام تک ہر مرحلے پر کسٹمر کے فوائد کو ترجیح دیتے ہیں۔ ہم تمام صارفین کے ساتھ یکساں سلوک کی پیشکش کرنے کے لیے پرعزم ہیں، بغیر کسی امتیاز کے، اس بات کو یقینی بنانے کے لیے کہ وہ "WOW" کا تجربہ حاصل کریں اور انہیں قابل قدر اور عزت کا احساس ہو۔

بینک کی اہم توجہ کسٹمر کے ساتھ تمام معاملات میں انصاف پسندی، مواصلات میں وضاحت، سروس کچھ کو تیار کرنا اور شکایات سے نمٹنے کا ایک موثر طریقہ کار وضع کرنا ہے۔ ہمارا مقصد ایسا ماحول قائم کرنا ہے جہاں کسٹمر اپنے حقوق اور فیصلوں کے بارے میں جامع معلومات کے ساتھ قابل قدر، قابل احترام اور با اختیار محسوس کریں۔

جے ایس بینک میں، ہم ہر بات چیت میں انصاف پسندی اور وضاحت کے لیے وقف ہیں، ایک سروس کچھ کو فروغ دیتے ہیں جو ہمارے صارفین کو ترجیح دیتا ہے۔ ہمارا مقصد ایک ایسا ماحول قائم کرنا ہے جہاں صارفین کو سراہا اور باخبر محسوس ہو، جس سے وہ باخبر مالیاتی انتخاب کر سکیں۔ آگاہی کے اقدامات اور مالیاتی خواندگی کے پروگراموں کے ذریعے، ہم اپنے صارفین کو مالیاتی منظر نامے کی پیچیدگیوں کو تلاش کرنے میں مدد کرنے کے لیے پرعزم ہیں، اس بات کو یقینی بناتے ہوئے کہ ان کے پاس مثبت اور با اختیار بینکنگ سفر ہو۔

رسک مینجمنٹ:

بورڈ رسک مینجمنٹ کے بہترین طریقوں پر ان کی اصل روح کے مطابق عمل درآمد کیلئے پرعزم ہے۔ موثر رسک مینجمنٹ کو برقرار رکھنے کیلئے بینک پیسل فریم ورک کے تحت ایس بی پی کی طرف سے جاری ریگولیشنری ہدایات اور دیگر متعلقہ گائیڈ لائنز کے مطابق رسک مینجمنٹ کے مناسب فریم ورک پر عمل درآمد کرتا ہے۔ اس سلسلے میں بینک نے رسک مینجمنٹ پالیسیوں، طریقہ کاروں اور طرز عمل کا جامع نظام تشکیل دے رکھا ہے جو بینک کو تمام بڑے خطرات بشمول کریڈٹ، مارکیٹ، لیکویڈٹی، آپریشنل، انفارمیشن سیکورٹی، ڈیجیٹل اور فراڈ رسک کو مناسب طریقے سے پرکھنے کے قابل بناتا ہے۔ بینک کا مجموعی رسک مینجمنٹ فریم ورک بورڈ آف ڈائریکٹرز (بی او ڈی) بورڈ رسک مینجمنٹ کمیٹی (بی آر ایم سی) کی نگرانی میں کام کرتا ہے جبکہ بینک کی سینئر انتظامیہ کی طرف سے آپریشنل سطح کے روزمرہ کے فنکشن انجام دیئے جاتے ہیں۔ ایک جامع مربوط رسک مینجمنٹ اپروچ تیار کرنے کی خاطر بینک میں رسک مینجمنٹ کے متعدد پہلوؤں کا انتظام کرنے کیلئے ایک الگ اور آزاد رسک مینجمنٹ فنکشن موجود ہے جبکہ کریڈٹ رسک فنکشنز کو رسک مینجمنٹ کے دیگر متعدد اقسام میں الگ کیا گیا ہے۔ بینک کے اندر رسک مینجمنٹ اپروچ کو مضبوط بنانے کیلئے

کسٹمر ایکسپیرینس اور فیڈ بیک:

بینک کی کسٹمر ایکسپیرینس ٹیم (سی ای ٹی) تمام چٹ پوائنٹس پر بینک اور کلائنٹس کے درمیان بہتر رابطہ کاری کو یقینی بنانے کیلئے بینک کے کلائنٹس ایکسپیرینس کی منصوبہ بندی اور ان کی نگرانی کرتی ہے۔ سی ای ٹی ایسی حکمت عملیاں تشکیل اور انہیں نافذ کرتا ہے جو صارف کے ساتھ بہتر تعلقات قائم کرنے کیلئے سود مند ہوتی ہیں۔ صارف پر توجہ ہمارے بنیادی اقدار میں سے ایک ہے جو شکایات کے ازالہ کے انتظام، شکایت سے نمٹنے اور صارف کی فیڈ بیک کو اہمیت دینے کے ساتھ ساتھ ان کی ضروریات کو سمجھنے اور انہیں بہترین تجربہ کی پیشکش سے ہم آہنگی ہے۔

سال 2023 میں بینک کو مجموعی طور پر 41,000 شکایات موصول ہوئیں اور ان شکایات کو حل کرنے میں اوسطاً 4 دن لگے۔ بینک کی شکایت سے نمٹنے کی پالیسی اور شکایات کے ازالے کا طریقہ کار اس بات کو یقینی بناتا ہے کہ شکایات کو بروقت حل کیا جائے اور جہاں ممکن ہو شکایات کی نگرانی اور رد کا جائے۔ ہم صارفین کو اپنے تحفظات کا اظہار کرنے کے لیے مختلف چینل فراہم کرتے ہیں، پورے عمل میں رسائی اور شفافیت کو یقینی بناتے ہیں۔ اگر وہ بینک کے جواب سے مطمئن نہیں ہیں تو صارفین کے پاس بینکنگ محتسب کے دفتر سے رابطہ کرنے کا اختیار بھی ہے۔ اپنی شکایات کو سنبھالنے کے بہتر انتظام کیلئے، جے ایس بینک نے کئی کسٹمرز کی کمیونیکیشنز جیسے اکاؤنٹ اسٹیٹمنٹس، اے ٹی ایم اسکرینز، اور خطوط میں آگاہی کے پیغامات شامل کیے ہیں۔ صارفین کے لیے ریسورس میکانزم کی بڑھتی ہوئی رسائی کیلئے بینک نے یہ معلومات سوشل میڈیا پر دستیاب کی ہیں اور اپنے صارفین کو ایس ایم ایس پیغامات بھی بھیجے ہیں۔ بینک کی ویب سائٹ شکایت کا ایک جامع طریقہ کار، چٹ پوائنٹس اور آن لائن فیڈ بیک فارم پیش کرتی ہے۔

سی ای ٹی میں وائس، چیٹ اور ایس ایم ایس ٹیم، کسٹمر کیئر یونٹ، ایس کیو برانچ بینکنگ، کسٹمر انسائٹس اور کاروباری طرز عمل شامل ہیں۔

☆ بینک کی ملٹی چینل وائس، چیٹ اور ایس ایم ایس ٹیم افسران کو کمیونیکیشن چینلز پر صارفین کے ساتھ بات چیت کرنے کی اجازت دیتی ہے جس میں وائس (ریٹیل بینکنگ، پرائیویٹ بینکنگ، ڈیجیٹل فنانشل سروسز یا برانچ لیس بینکنگ اور بیرون ملک سے)، وائس ایپ چیٹ، 8012 پر ایس ایم ایس اور ای میل (info@jsbl.com، CCU.Helpdesk@jsbl.com، rda@jsbl.com اور jsblink@jsbl.com) پر بات چیت شامل ہے۔

☆ کسٹمر کیئر یونٹ تمام چٹ پوائنٹس پر آنے والی شکایات سے نمٹنے کے لیے کسٹمر کی شکایات، درجہ بندی، نظام اور طریقہ کار کے بارے میں ادارے کے فلسفے کے طور پر کام کرتا ہے۔ کسٹمر کیئر یونٹ اس بات کو یقینی بناتا ہے کہ یہ منصفانہ، شفاف، قابل رسائی، اور بینک کے صارفین کی شکایت کے لئے دفاع کی پہلی لائن کے طور پر موثر ہے۔ صارفین کی اطمینان حاصل کرنے کے لیے کسٹمر کیئر یونٹ شکایات سے نمٹنے کا طریقہ کار نہ صرف بینک کے آپریشنل اور ساکھ کے خطرے کو کم کرتا ہے لیکن قیمتی معلومات بھی فراہم کرتا ہے جو بالآخر پروڈکٹس، طریقہ کار اور ترسیل کے ذرائع میں بہتری لانے کے لیے استعمال کی جاسکتی ہیں۔

☆ ایس کیو برانچ کی بینکنگ ٹیم برانچ کے وزٹ کے ذریعے اس بات کو یقینی بناتی ہے کہ مسلسل سروس سپورٹ اور سروس ڈیلیوری فراہم کرنے کے لیے مناسب عناصر اور وعدے موجود ہیں۔

☆ کسٹمر انسائٹس ایسے کسٹمر جن کا بنیادی طور پر سروے کے ذریعے اندازہ لگایا جاتا ہے کہ رویوں کے رجحانات کی ترجمانی کرتی ہے

جے ایس بینک نے خواتین کی افرادی قوت کی شرکت کو بڑھانے میں بھی اہم پیش رفت کی ہے۔ گذشتہ سال کے مقابلے خواتین ملازمین کی تعداد میں 31 فیصد اضافہ ہوا ہے۔ ایک اہم اقدام یونیورسل ٹیلر کے پورے بیچ کی بھرتی تھی جس میں صرف خواتین شامل تھیں، جس میں 60 خواتین شامل تھیں۔ یہ اقدام صنعت کے اندر ایک اہم پیش رفت کی نشاندہی کرتا ہے اور کام کی جگہ پر مساوات اور تنوع کو فروغ دینے کے لیے جے ایس بینک کی لگن کو اجاگر کرتا ہے۔

کمپیٹل ایڈویکسی:

31 دسمبر 2023 تک، جے ایس بینک کا کمپیٹل ایڈویکسی ریشو (سی اے آر) دسمبر 2022 میں 13.26 فیصد کے مقابلے میں 12.53 فیصد رہا جبکہ ایس بی پی کی طرف سے مقرر کردہ کم سے کم مطلوبہ سی اے آر 12.50 فیصد ہے۔ تاہم، اسٹیٹ بینک آف پاکستان نے کورونا وبا کے اثرات کو کم کرنے کے لیے ریگولیٹری ریلیف کے طور پر فی الحال بینکوں کیلئے سی اے آر کی ضرورت کو عارضی طور پر 1 فیصد تک کم کر دیا ہے۔

گذشتہ چھ سالوں کیلئے مالی اعداد و شمار کا خلاصہ ذیل میں دیا گیا ہے:

تفصیلات	2018	2019	2020	2021	2022	2023
ڈپازٹس	321,413	369,790	433,063	460,705	464,132	486,283
ایکویٹی	15,617	17,333	20,592	22,024	21,547	40,322
کل اثاثے	456,754	469,821	532,168	584,289	616,715	589,432
سرمایہ کاریاں - صافی	148,690	142,568	201,698	231,266	303,465	287,479
ایڈوانسز - صافی	251,991	242,944	250,199	254,184	231,101	203,727
مجموعی مارک اپ	29,997	41,595	43,099	39,125	72,047	92,087
صافی مارک اپ	8,809	7,028	9,777	11,895	14,856	22,409
نان مارک اپ اٹم	2,141	3,943	6,676	5,077	5,300	12,205
قبل از ٹیکس منافع	905	133	2,023	2,209	2,131	8,515
بعد از ٹیکس منافع	562	25	1,150	1,304	965	4,335
فی حصص آمدنیاں (بنیادی) - روپے	0.3	0.0004	0.89	1.01	0.74	2.75
اوسط اثاثوں پر منافع (ROAA)	0.13%	0.01%	0.23%	0.23%	0.16%	0.72
اوسط ایکویٹی پر منافع (ROAE)	3.48%	0.15%	6.06%	6.12%	4.43%	14.01%
کمپیٹل ایڈویکسی ریشو (سی اے آر)	12.01%	12.93%	12.77%	13.77%	13.26%	12.53%
ڈپازٹس ریشو کی طرف ایڈوانسز	79.38%	66.65%	58.74%	56.62%	51.39%	43.96%

2023 میں، بے ایس بینک کے ذریعے بینک اسلامی پاکستان (بی آئی پی ایل) کے حصول کی کامیابی سے تکمیل ہوئی۔ پورے سال کے دوران، بینک نے بی آئی پی ایل میں 67.33 فیصد شیئر ہولڈنگ حاصل کی، جس سے اس کی کل شیئر ہولڈنگ 75.12 فیصد ہو گئی۔ جب کہ دونوں بینک اپنے اپنے دائرہ اختیار میں آزادانہ آپریشنز جاری رکھیں گے، حصول کے نتیجے میں 700 سے زیادہ برانچوں کا مشترکہ میٹ ورک ہمیں وسیع تر کلائنٹ بیس کو زیادہ تعداد میں ٹچ پوائنٹس پیش کرنے کے قابل بنائے گا۔ مزید برآں، دونوں بینک صارفین کے مجموعی تجربے کو بڑھانے کے لیے ہر ادارے سے بہترین طریقوں سے فائدہ اٹھانا اور ان پر عمل درآمد جاری رکھیں گے۔

مارچ 2023 میں "Kharchon ki Problem Solved" مہم کے آغاز کے بعد سے، بینک کے کریڈٹ کارڈ کی پیشکش نے اپنے کسٹمر بیس میں 32 فیصد اضافہ اور کریڈٹ کارڈ کے اخراجات میں 87 فیصد اضافہ دیکھا ہے۔ یہ مہم یوٹیلٹی اور گروسری چارجز، قسطوں کے منصوبوں، اور 150 سے زیادہ الائنسز پر رعایت فراہم کرتی ہے، جو صارفین کے لیے اس کی کشش کو بڑھاتی ہے۔ اس قدر تجویز کی بنیاد حصول کی حکمت عملی کو پش سے پل اپروچ کی طرف منتقل کرنے پر رکھی گئی ہے۔ مزید برآں، بینک کے ٹرانزیکشن بینکنگ شعبہ نے 2023 کے دوران قابل ذکر پیش رفت کی ہے۔ متعدد ملازمین کے بینکنگ سودے انجام دیئے گئے، جس کی وجہ سے اس چینل کے ذریعے پیدا ہونے والے غیر منافع بخش ڈپازٹس میں 18 فیصد اضافہ ہوا۔

بے ایس بینک کے ڈیجیٹل بینکنگ پلیٹ فارم "زندگی" نے جنوری 2022 میں اپنے آغاز کے بعد سے اہم پیش رفت کی ہے، جو پاکستان میں سب سے تیزی سے ترقی کرنے والی فنٹیکس میں سے ایک بن گیا ہے۔ ایک سال میں، زندگی کے ایپ ڈاؤن لوڈز 10 ملین تک پہنچ گئے، اور کھولے گئے اکاؤنٹس کی کل تعداد 4.8 ملین تک پہنچ گئی، جو صارفین میں اس کے تیزی سے اپنانے اور مقبولیت کا ثبوت ہے۔ ڈیجیٹل بینکنگ پلیٹ فارم نے 2023 میں 150 بلین روپے مالیت کی ٹرانزیکشنز کو بھی پروسیس کیا، جس میں گذشتہ سال کے مقابلے میں 47 فیصد اضافہ ہوا۔ زندگی اعلیٰ درجے کی AI ڈرائیوین مائیکرو لینڈنگ اور جامع Raast P2M سروسز شروع کرنے والوں کی پیشکش کیلئے نمایاں ہے اس پلیٹ فارم نے "زندگی پرائز" کی میزبانی بھی کی، جو کہ بڑے کاروباری آئیڈیا مقابلوں میں سے ایک ہے، جس میں 5,000 اسٹارٹ اپس اور 130 یونیورسٹیوں کے طلباء نے شرکت کی۔ دریں اثنا، بینک نے روایتی خدمات کو ڈیجیٹل بنانے کے لیے اپنی کوششیں جاری رکھیں۔ ہماری 80 فیصد برکس اور مارٹنٹھیں اب ڈیجیٹل اکاؤنٹ کھولنے کی سہولیات سے لیس ہیں۔ ڈیجیٹل کسٹمر بیس میں گذشتہ سال سے 46 فیصد اضافہ ہوا ہے، اور موبائل ایپ کے استعمال میں 72 فیصد اضافہ ہوا ہے۔ مزید برآں، بینک کے واٹس ایپ پر مبنی JS BOT کے استعمال میں 1.4x اضافہ ہوا۔

بے ایس بینک کی بہتر مالی کارکردگی اور بہتر امکانات کے نتیجے میں پاکستان کریڈٹ ریٹنگ ایجنسی (پی اے سی آر اے) نے دسمبر 2023 میں اپنے ریٹنگ ایکشن کے دوران بینک کے آؤٹ لک کو "مستحکم" سے "مثبت" تک بہتر بنایا، جبکہ بینک کی طویل مدتی ریٹنگ اور مختصر مدتی ریٹنگ AA- (ڈبل اے مائنس) اور A1+ (اے ون پلس) بالترتیب برقرار رکھی۔

عکاسی کرتا ہے۔ مزید برآں، بلند شرح سود نے بینکنگ سیکٹر کی ترقی میں حصہ ڈالا جو سالانہ 4 فیصد اضافہ کے ساتھ 12.3 ٹریلیں روپے تک پہنچ گیا، جبکہ ڈپازٹس میں سالانہ 24 فیصد اضافہ ہوا جو کہ 27.8 ٹریلیں روپے تک پہنچ گئے۔ شعبہ کا ADR گذشتہ سال 2022 میں 53 فیصد سے کم ہو کر 2023 میں 44 فیصد رہ گیا۔ دوسری جانب IDR گذشتہ سال 2022 میں 80 فیصد سے بڑھ کر 90 فیصد ہو گیا کیونکہ سرمایہ کاری میں سالانہ 41 فیصد اضافہ ہوا جو کہ 25.3 ٹریلیں روپے تک پہنچ گئی۔

بینک کی مالیاتی کارکردگی:

2023 میں، بینک کا اب تک کا سب سے زیادہ قبل از ٹیکس منافع 8,515 ملین روپے رہا۔ یہ قبل از ٹیکس منافع گذشتہ سال کے مقابلے میں تقریباً چار گنا زیادہ ہے اور گذشتہ پانچ سالوں کے مجموعی قبل از ٹیکس منافع سے زیادہ ہے۔ منافع میں یہ خاطر خواہ اضافہ مارک اپ اور نان مارک اپ آمدنی والے طبقات دونوں کے تعاون کے ساتھ وسیع البنیاد ہے۔ فی حصص آمدنی (ای پی ایس) 2.75 روپے (31 دسمبر 2022: 0.74 روپے) رہی۔

2023 میں، بینک نے 22,409 ملین روپے کی نیٹ انٹریسٹ انکم (NII) ریکارڈ کی، جو گذشتہ سال 14,856 ملین روپے کے مقابلے میں 51 فیصد اضافہ ہے۔ NII میں یہ اضافہ بنیادی طور پر گذشتہ سال کے مقابلے میں زیادہ سود کی شرحوں کے ساتھ ساتھ ڈپازٹ کی اصلاح کی کوششوں سے ہوا ہے۔ مزید برآں، بینک کا غیر منافع بخش ڈپازٹس 2022 میں 142,732 ملین روپے سے بڑھ کر 2023 میں 160,546 ملین روپے ہو گیا، جو کہ 12.5 فیصد کے اضافہ کی نمائندگی کرتا ہے۔ ڈپازٹس کس میں بہتری واضح ہے کیونکہ غیر منافع بخش ڈپازٹس کا حصہ گذشتہ سال کے 31 فیصد سے بڑھ کر 2023 میں 33 فیصد ہو گیا۔ اعلیٰ شرح سود کے ماحول میں، بینک نے قرض دینے کی سرگرمیوں کے حوالے سے محتاط رویہ برقرار رکھا، جس کے نتیجے میں مجموعی ایڈوانس بک میں 10 فیصد کمی ہو کر 213,787 ملین روپے ہو گئی۔ دوسری طرف، ہماری بہتر بینکنگ خدمات نے ہمیں پاکستان کے کچھ مشہور مقامی اور کثیر القومی صارفین کی توجہ اپنی جانب مبذول کرانے کے قابل بنایا۔ مزید برآں، بنیادی طور پر بینک کی طرف سے پنڈل کیے جانے والے تجارتی حجم میں 86 فیصد اضافے کی وجہ سے بینک کی نان مارک اپ آمدنی 2023 میں دگنی سے بھی زیادہ ہو گئی۔ ملک کی تجارت میں بینک کے تجارتی حجم کا حصہ بھی 2022 میں 2.3 فیصد سے بڑھ کر 2023 میں تقریباً 4 فیصد ہو گیا۔ غیر ملکی زرمبادلہ میں ڈیلنگ سے آمدنی میں اضافے کے علاوہ، بہتر فیس آمدنی، اور ذیلی اداروں سے زیادہ منافع نے بھی نان مارک اپ آمدنی میں اس خاطر خواہ اضافے میں اہم کردار ادا کیا۔

دوسری جانب، آپریٹنگ اخراجات 2022 میں 16,749 ملین روپے سے بڑھ کر 2023 میں 23,042 ملین روپے ہو گئے کیونکہ بینک کے روپیہ اور ڈالر سے متعلق اخراجات مسلسل بلند افراط زر اور شرح مبادلہ میں 36 فیصد کمی کے اثرات کو برداشت کرتے رہے۔ مزید برآں، بینک نے اپنی کنزیومر پروڈکٹس اور زندگی کی مارکیٹنگ کے لیے فنڈز مختص کرنا جاری رکھا۔ آپریٹنگ اخراجات میں 38 فیصد اضافے کے باوجود، بینک کی لاگت سے آمدنی کا تناسب 2023 میں 83 فیصد سے بڑھ کر 67 فیصد ہو گیا۔ مزید برآں، اسی مدت کے دوران خالص سودی آمدنی سے آپریٹنگ لاگت کا تناسب 88 فیصد سے بڑھ کر 96 فیصد ہو گیا۔

ڈائریکٹرز رپورٹ

ہم 31 دسمبر، 2023 کو ختم ہونے والے سال کیلئے جے ایس بینک لمیٹڈ (جے ایس بی ایل) کی اٹھارویں (18) سالانہ رپورٹ معہ پڑتال شدہ کھاتوں اور آڈیٹرز کی رپورٹس پیش کرنے میں مسرت محسوس کرتے ہیں۔

اقتصادی جائزہ:

2023 میں، سال کا آغاز اقتصادی چیلنجز کے درمیان ہوا جس کی خاص وجہ بلند افراط زر اور بڑے پیمانے پر پیداوار میں کمی تھی۔ تاہم، سال کے آخر میں ایک مثبت تبدیلی دیکھی گئی، جس کی جزوی وجہ آئی ایم ایف کے اسٹینڈ بائی آرٹیکل کو قرار دیا گیا۔ جوں جوں سال آگے بڑھتا گیا، معاشی محاذ پر وضاحت کا احساس بڑھتا گیا، جسے دیرینہ مسائل سے نمٹنے کے لیے مربوط انتظامی کوششوں سے تقویت ملی۔

درکرزی ترسیلات زر میں کمی کے باوجود، تجارتی خسارے میں نمایاں کمی، جسے اسٹریٹیجک امپورٹ ریٹلائزیشن کے ذریعے سہولت فراہم کی گئی، کرنٹ اکاؤنٹ خسارے میں خاطر خواہ کمی کا باعث بنی۔ اس مالیاتی ری کیلیبریشن کو آئی ایم ایف کی آمد اور دوطرفہ معاہدوں سے مزید مدد ملی، جس سے زرمبادلہ کے ذخائر دسمبر 2023 میں 8.2 بلین امریکی ڈالر تک پہنچ گئے۔ اس کے نتیجے میں روپے کو کچھ تقویت ملی کیونکہ ستمبر اور دسمبر 2023 کے درمیان شرح مبادلہ میں 8 فیصد کی بہتری آئی۔ اس کے باوجود، سال کے آغاز میں شرح مبادلہ میں تیزی سے اضافے کی وجہ سے، پورے سال کی اوسط شرح مبادلہ میں 2023 اور 2022 کے درمیان 37 فیصد کی کمی ریکارڈ کی گئی۔

اسٹیٹ بینک آف پاکستان نے بلند افراط زر کے جواب میں پالیسی ریٹ میں نمایاں اضافہ کرتے ہوئے اسے جون 2023 سے 22 فیصد پر برقرار رکھا تا کہ افراط زر کے دباؤ کا مقابلہ کیا جاسکے۔ اگرچہ سینٹرل بینک FX ذخائر میں بہتری اور مالیاتی ہم آہنگی جیسی مثبت پیش رفت کو تسلیم کرتا ہے، لیکن مسلسل بلند افراط زر اور بنیادی افراط زر کے اشاریے، ہی مانیٹری پالیسی کا موقف بدستور ناگوار رہنے کی وجوہات ہیں۔

آگے دیکھتے ہوئے، 2023 کے لیے عالمی اقتصادی نقطہ نظر ابتدائی اندازوں سے زیادہ سازگار نظر آ رہا ہے، نان انرجی اشیاء کی قیمتوں میں نرمی کے آثار نظر آ رہے ہیں۔ گھریلو طور پر، صنعتی شعبہ بحالی کے آثار نظر آ رہے ہیں، خاص طور پر بڑے پیمانے پر مینوفیکچرنگ میں، جس سے توقع ہے کہ مالی سال 2024 کے لیے 2-3 فیصد کی حد میں متوقع مجموعی جی ڈی پی شرح نمو پر مثبت اثر پڑے گا۔ کپاس اور چاول کی پیداوار میں متوقع بحالی ممکنہ طور پر زراعت کی ترقی کی حمایت کرتا ہے۔ اسٹیٹ بینک آف پاکستان کو توقع ہے کہ مالی سال 2024 (پورے سال) بلند افراط زر میں 24 فیصد سے 25 فیصد تک کی کمی آئے گی جو کہ موجودہ مالی سال 2024 کے پہلے سات مہینوں کی اوسط 28.7 فیصد کے برعکس ہے۔ اس سے ظاہر ہوتا ہے کہ اپریل سے جون 2024 کے درمیان ماہانہ افراط زر میں نمایاں کمی متوقع ہے۔

بینکنگ سیکٹر کا جائزہ:

2024 کی آخری سہ ماہی کے دوران، بینکنگ سیکٹر کا وزنی اوسط اسپریڈ زیادہ تر 7.6 فیصد سے 7.7 فیصد تک رہا، جو سخت مالیاتی پالیسی کی

Italy

SUSTAINABILITY FOR SUCCESS!

Italians are into sustainable and eco-conscious spending, strongly emphasizing buying quality over quantity, recycling, reusing, and conserving resources. They tend to prioritize experiences over material possessions.





Performance & Position

HIGHLIGHTS

Net Markup Income
Rs. 22,409.04 million

Profit Before Tax
Rs. 8,515.17 million

Profit After Tax
Rs. 4,334.92 million

Advances (Gross)
Rs. 213,786.79 million

Investments
Rs. 287,478.86 million

Deposits
Rs. 486,282.78 million

Assets
Rs. 589,432.46 million

Equity
Rs. 40,322.07 million

ROE
14.01%

ROA
0.72%

CAR
12.53%

EPS
Rs. 2.75

SIX YEARS' FINANCIAL SUMMARY

	2023	2022	2021	2020	2019	2018
						Rs. in million
Statement of Financial Position						
Cash and balances with treasury banks	40,895	24,765	34,267	30,421	25,589	32,111
Balances with other banks	3,727	1,800	1,186	1,106	463	969
Lendings to financial institutions	-	11,351	31,939	23,240	30,321	1,937
Investments - net	287,479	303,465	231,266	201,698	142,568	148,690
Advances - net	203,727	231,102	254,184	250,199	242,945	251,991
Operating fixed assets	15,640	13,836	13,302	10,086	11,964	8,415
Deferred tax assets	-	-	-	-	9	287
Other assets	37,965	30,396	18,145	14,678	16,194	12,354
Assets held for sale	-	-	-	739	374	-
Total Assets	589,432	616,715	584,289	532,168	470,427	456,754
Bills payable	5,669	5,403	7,039	4,982	3,804	3,520
Borrowings	27,222	97,808	70,474	48,303	54,468	96,559
Deposits and other accounts	486,283	464,132	460,705	433,063	369,790	321,413
Sub-ordinated debts	8,498	6,995	6,997	7,493	7,495	7,497
Deferred tax liabilities	1,316	320	1,386	1,194	-	-
Other liabilities	20,123	20,511	15,664	16,541	17,536	12,148
Total Liabilities	549,110	595,169	562,265	511,576	453,094	441,137
Net Assets	40,322	21,547	22,024	20,592	17,333	15,617
Share capital	20,507	12,975	12,975	12,975	12,975	12,975
Discount on issue of shares	-	(2,855)	(2,855)	(2,855)	(2,855)	(2,855)
Preference shares	-	-	-	-	-	-
Reserves	6,563	2,787	2,331	1,991	1,750	1,712
Surplus / (Deficit) on revaluation of assets - net of tax	1,960	795	2,467	2,334	637	(1,036)
Accumulated profits / (losses)	11,292	7,845	7,107	6,148	4,828	4,821
Total Equity	40,322	21,547	22,024	20,592	17,333	15,617
Profit and Loss Account						
Mark-up / return / interest earned	92,087	72,047	39,125	43,099	41,595	29,997
Fee, commission and brokerage income	4,133	3,213	3,207	3,596	2,860	2,669
Dividend income	1,752	130	574	98	300	109
Foreign exchange income	5,758	2,162	1,187	1,010	963	671
Gain / (loss) on securities	114	(307)	95	1,873	(711)	(1,434)
Gain / (loss) from derivatives	0	(77)	12	29	47	17
Other Income	448	177	3	70	484	109
Total Gross Income	104,292	77,347	44,202	49,775	45,538	32,138
Mark-up / return / interest expensed	69,678	57,191	27,231	33,322	34,566	21,188
Operating expenses	23,042	16,749	12,723	13,019	10,792	9,956
Provisions / (reversals) and write offs - net	2,807	1,099	1,995	1,280	(92)	239
Worker welfare fund & Other Charges	250	177	45	132	139	(149)
Total Expenses	95,777	75,216	41,993	47,752	45,405	31,233
Profit Before Tax	8,515	2,131	2,209	2,023	133	905
Taxation	4,180	1,166	905	873	108	342
Profit After Taxation	4,335	965	1,304	1,150	25	562

SIX YEARS' VERTICAL ANALYSIS

	Rs. in million											
	2023	%	2022	%	2021	%	2020	%	2019	%	2018	%
Statement of Financial Position												
Cash and balances with treasury banks	40,895	7%	24,765	4%	34,267	6%	30,421	6%	25,589	5%	32,111	7%
Balances with other banks	3,727	1%	1,800	0%	1,186	0%	1,106	0%	463	0%	969	0%
Lendings to financial institutions	-	0%	11,351	2%	31,939	5%	23,240	4%	30,321	6%	1,937	0%
Investments - net	287,479	49%	303,465	49%	231,266	40%	201,698	38%	142,568	30%	148,690	33%
Advances - net	203,727	35%	231,102	37%	254,184	44%	250,199	47%	242,945	52%	251,991	55%
Operating fixed assets	15,640	3%	13,836	2%	13,302	2%	10,086	2%	11,964	3%	8,415	2%
Deferred tax assets	-	0%	-	0%	-	0%	-	0%	9	0%	287	0%
Other assets	37,965	6%	30,396	5%	18,145	3%	14,678	3%	16,194	3%	12,354	3%
Assets held for sale	-	0%	-	0%	-	0%	739	0%	374	0%	-	0%
Total Assets	589,432	100%	616,715	100%	584,289	100%	532,168	100%	470,427	100%	456,754	100%
Bills payable	5,669	1%	5,403	1%	7,039	1%	4,982	1%	3,804	1%	3,520	1%
Borrowings	27,222	5%	97,808	16%	70,474	12%	48,303	9%	54,468	12%	96,559	21%
Deposits and other accounts	486,283	83%	464,132	75%	460,705	79%	433,063	81%	369,790	79%	321,413	70%
Sub-ordinated debts	8,498	1%	6,995	1%	6,997	1%	7,493	1%	7,495	2%	7,497	2%
Deferred tax liabilities	1,316	0%	320	0%	1,386	0%	1,194	0%	-	0%	-	0%
Other liabilities	20,123	3%	20,511	3%	15,664	3%	16,541	3%	17,536	4%	12,148	3%
Total Liabilities	549,110	93%	595,169	97%	562,265	96%	511,576	96%	453,094	96%	441,137	97%
Net Assets	40,322	7%	21,547	3%	22,024	4%	20,592	4%	17,333	4%	15,617	3%
Represented by:												
Share capital	20,507	3%	12,975	2%	12,975	2%	12,975	2%	12,975	3%	12,975	3%
Discount on issue of shares	-	0%	(2,855)	0%	(2,855)	0%	(2,855)	-1%	(2,855)	%-1	(2,855)	%-1
Preference shares	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Reserves	6,563	1%	2,787	0%	2,331	0%	1,991	0%	1,750	0%	1,712	0%
Surplus / (Deficit) on revaluation of assets - net of tax	1,960	0%	795	0%	2,467	0%	2,334	0%	637	0%	(1,036)	0%
Accumulated profits / (losses)	11,292	2%	7,845	1%	7,107	1%	6,148	1%	4,828	1%	4,821	1%
Total Equity	40,322	7%	21,547	3%	22,024	4%	20,592	4%	17,333	4%	15,617	3%
Profit and Loss Account												
Mark-up / return / interest earned	92,087	88%	72,047	93%	39,125	89%	43,099	87%	41,595	91%	29,997	93%
Fee, commission and brokerage income	4,133	4%	3,213	4%	3,207	7%	3,596	7%	2,860	6%	2,669	8%
Dividend income	1,752	2%	130	0%	574	1%	98	0%	300	1%	109	0%
Foreign exchange income	5,758	6%	2,162	3%	1,187	3%	1,010	2%	963	2%	671	2%
Gain / (loss) on securities	114	0%	(307)	0%	95	0%	1,873	4%	(711)	-2%	(1,434)	-4%
Gain / (loss) from derivatives	0	0%	(77)	0%	12	0%	29	0%	47	0%	17	0%
Other Income	448	0%	177	0%	3	0%	70	0%	484	1%	109	0%
Total Gross Income	104,292	100%	77,347	100%	44,202	100%	49,775	100%	45,538	100%	32,138	100%
Mark-up / return / interest expensed	69,678	67%	57,191	74%	27,231	62%	33,322	67%	34,566	76%	21,188	66%
Provisions / (reversals) and write offs - net	2,807	3%	1,099	1%	1,995	5%	1,280	3%	(92)	0%	239	1%
Worker welfare fund & Other Charges	250	0%	177	0%	45	0%	132	0%	139	0%	(149)	0%
Operating expenses	23,042	22%	16,749	22%	12,723	29%	13,019	26%	10,792	24%	9,956	31%
Total Expenses	95,777	92%	75,216	97%	41,993	95%	47,752	96%	45,405	100%	31,233	97%
Profit Before Tax	8,515	8%	2,131	3%	2,209	5%	2,023	4%	133	0%	905	3%
Taxation	4,180	4%	1,166	2%	905	2%	873	2%	108	0%	342	1%
Profit After Taxation	4,335	4%	965	1%	1,304	3%	1,150	2%	25	0%	562	2%

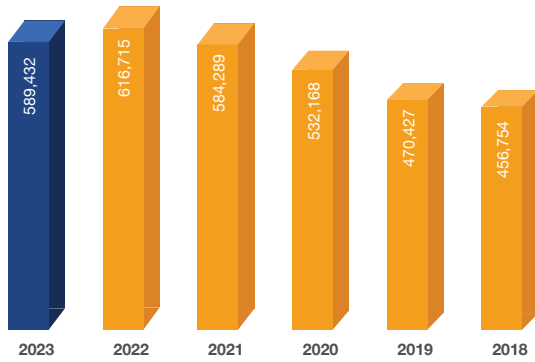
SIX YEARS' HORIZONTAL ANALYSIS

	6 Years CAGR	2023	2022	2021	2020	2019	2018
Rs. in million							
Statement of Financial Position							
Cash and balances with treasury banks	5%	40,895	24,765	34,267	30,421	25,589	32,111
Balances with other banks	31%	3,727	1,800	1,186	1,106	463	969
Lendings to financial institutions	-100%	-	11,351	31,939	23,240	30,321	1,937
Investments - net	14%	287,479	303,465	231,266	201,698	142,568	148,690
Advances - net	-4%	203,727	231,102	254,184	250,199	242,945	251,991
Operating fixed assets	13%	15,640	13,836	13,302	10,086	11,964	8,415
Deferred tax assets	-100%	-	-	-	-	9	287
Other assets	25%	37,965	30,396	18,145	14,678	16,194	12,354
Assets held for sale	0%	-	-	-	739	374	-
Total Assets	5%	589,432	616,715	584,289	532,168	470,427	456,754
Bills payable	10%	5,669	5,403	7,039	4,982	3,804	3,520
Borrowings	-22%	27,222	97,808	70,474	48,303	54,468	96,559
Deposits and other accounts	8.63%	486,283	464,132	460,705	433,063	369,790	321,413
Sub-ordinated debts	3%	8,498	6,995	6,997	7,493	7,495	7,497
Deferred tax liabilities	100%	1,316	320	1,386	1,194	-	-
Other liabilities	11%	20,123	20,511	15,664	16,541	17,536	12,148
Total Liabilities	4%	549,110	595,169	562,265	511,576	453,094	441,137
Net Assets	21%	40,322	21,547	22,024	20,592	17,333	15,617
Represented by:							
Share capital	10%	20,507	12,975	12,975	12,975	12,975	12,975
Discount on issue of shares	-100%	-	(2,855)	(2,855)	(2,855)	(2,855)	(2,855)
Preference shares	0%	-	-	-	-	-	-
Reserves	31%	6,563	2,787	2,331	1,991	1,750	1,712
Surplus / (Deficit) on revaluation of assets - net of tax	100%	1,960	795	2,467	2,334	637	(1,036)
Accumulated profits / (losses)	19%	11,292	7,845	7,107	6,148	4,828	4,821
Total Equity	21%	40,322	21,547	22,024	20,592	17,333	15,617
Profit and Loss Account							
Mark-up / return / interest earned	25%	92,087	72,047	39,125	43,099	41,595	29,997
Fee, commission and brokerage income	9%	4,133	3,213	3,207	3,596	2,860	2,669
Dividend income	74%	1,752	130	574	98	300	109
Foreign exchange income	54%	5,758	2,162	1,187	1,010	963	671
Gain / (loss) on securities	100%	114	(307)	95	1,873	(711)	(1,434)
Gain / (loss) from derivatives	-77%	0	(77)	12	29	47	17
Other Income	33%	448	177	3	70	484	109
Total Gross Income	27%	104,292	77,347	44,202	49,775	45,538	32,138
Mark-up / return / interest expensed	27%	69,678	57,191	27,231	33,322	34,566	21,188
Provisions / (reversals) and write offs - net	64%	2,807	1,099	1,995	1,280	(92)	239
Worker welfare fund & Other Charges	100%	250	177	45	132	139	(149)
Operating expenses	18%	23,042	16,749	12,723	13,019	10,792	9,956
Total Expenses	25%	95,777	75,216	41,993	47,752	45,405	31,233
Profit Before Tax	57%	8,515	2,131	2,209	2,023	133	905
Taxation	65%	4,180	1,166	905	873	108	342
Profit After Taxation	50%	4,335	965	1,304	1,150	25	562

SIX YEARS' FINANCIAL PERFORMANCE

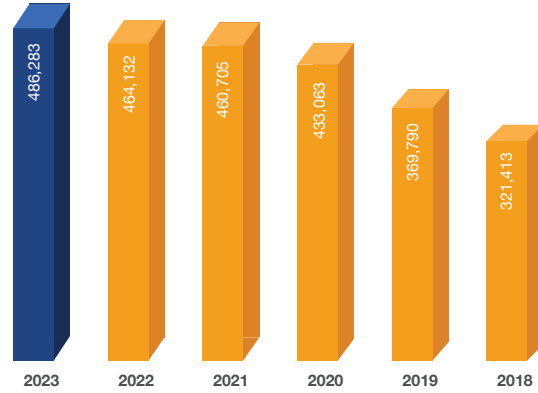
Total Assets

Rs. in million



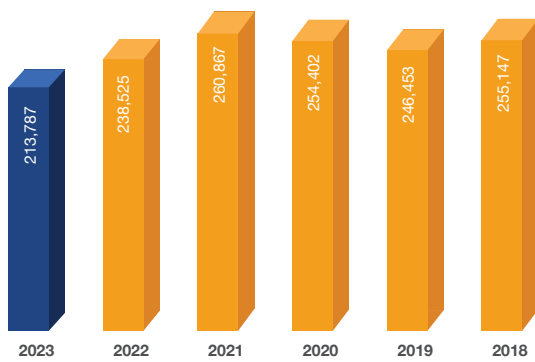
Deposits

Rs. in million



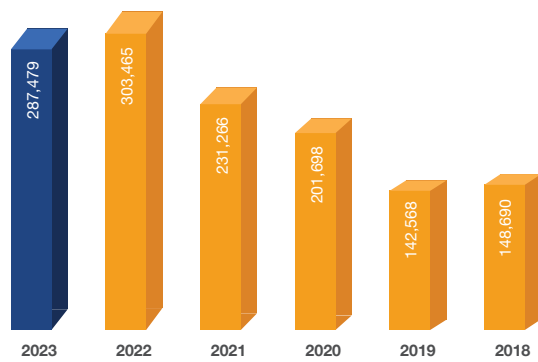
Gross Advances

Rs. in million



Investments

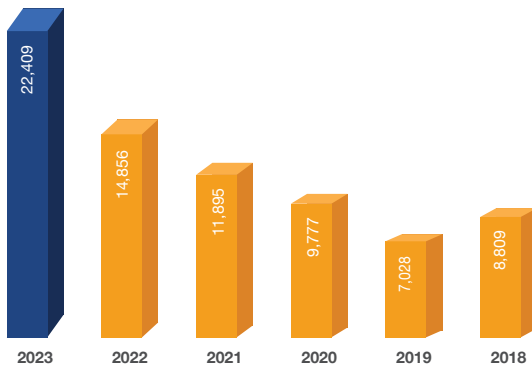
Rs. in million



SIX YEARS' FINANCIAL PERFORMANCE

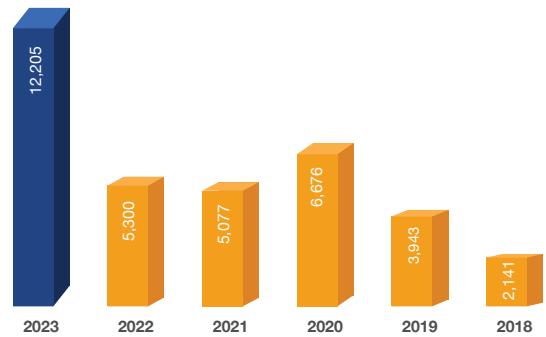
Net Markup Income

Rs. in million



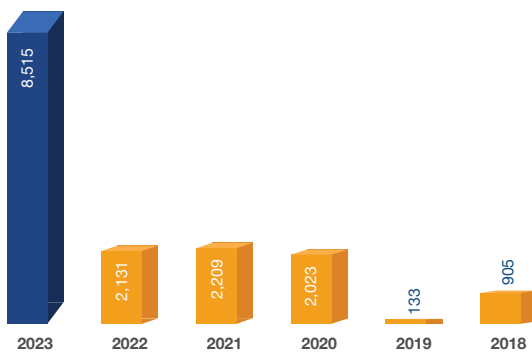
Non Markup Income

Rs. in million



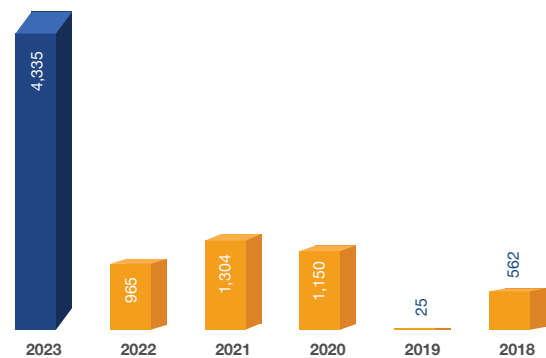
Profit Before Tax

Rs. in million

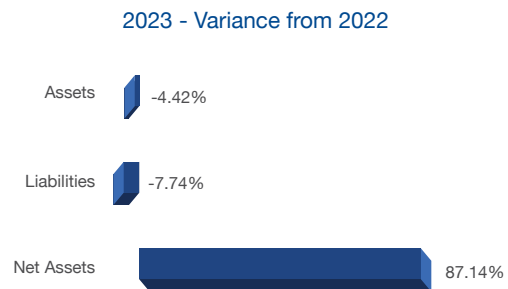
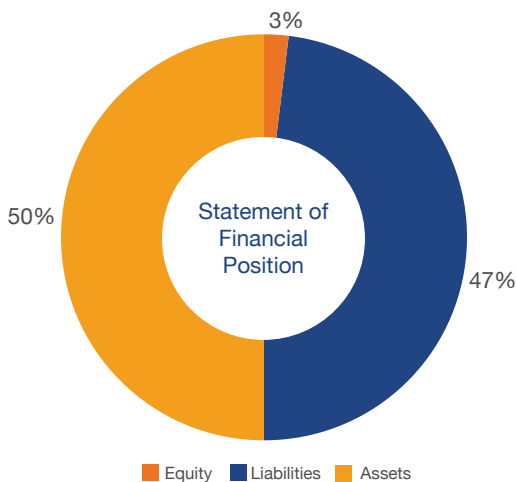


Profit After Tax

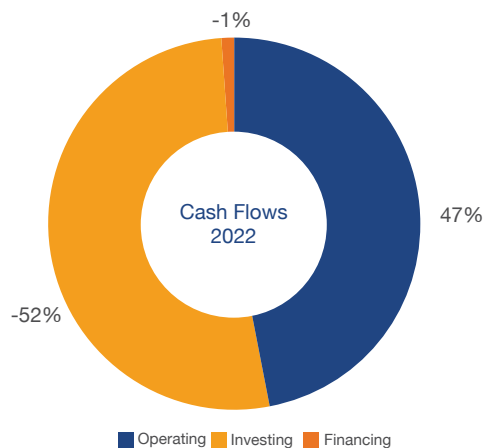
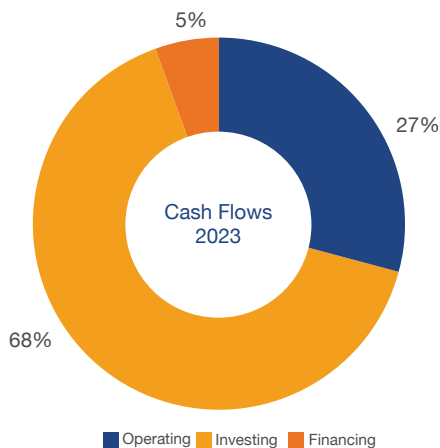
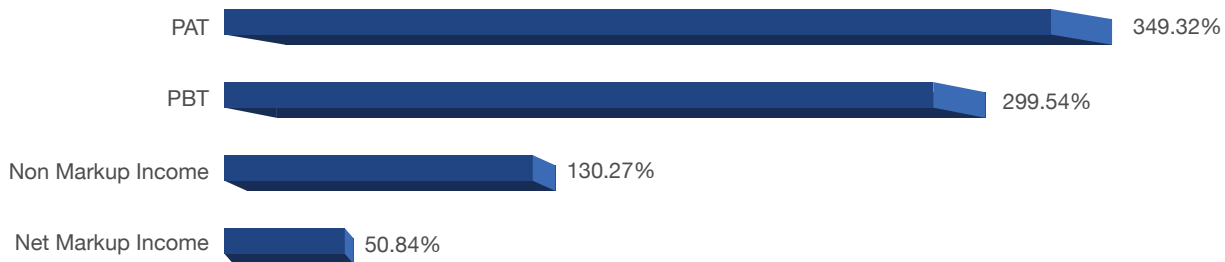
Rs. in million



GRAPHICAL PRESENTATION OF FINANCIAL STATEMENTS



Profit and Loss account Variance from 2022



FINANCIAL RATIOS

	2023	2022	2021	2020	2019	2018
Profitability Ratios						
			(Percentage)			
Profit before tax ratio (PBT / Total Income)	24.60%	10.57%	13.02%	12.29%	1.22%	8.26%
Gross yield on earning ratio	18.75%	13.20%	7.56%	9.07%	10.00%	7.45%
Gross spread ratio	24.33%	20.62%	30.40%	22.69%	16.90%	29.37%
Non Interest income to total income	35.26%	26.30%	29.91%	40.58%	35.94%	19.55%
Cost/Income ratio	67.29%	83.97%	75.23%	79.93%	99.62%	89.56%
Return on Equity (PAT / Average Equity)	14.01%	4.43%	6.12%	6.06%	0.15%	3.48%
Investors' Ratios						
			(Rs. in million / Percentage)			
Market Price per share (Rs)	9.04	4.69	4.82	6.30	5.40	7.37
Earning per share (Rs)	2.75	0.74	1.01	0.89	0.00	0.30
Breakup Value or Net assets per share (Rs)	19.66	16.61	16.97	15.87	13.36	12.04
Breakup Value per share without Surplus on Revaluation on fixed Assets (Rs)	19.15	15.72	16.05	15.14	12.54	11.23
Market capitalisation (Rs in million)	18,537.99	6,085.11	6,253.78	8,174.02	7,006.31	9,562.31
Number of shares (Number in million)	2,050.66	1,297.46	1,297.46	1,297.46	1,297.46	1,297.46
Price to Book Ratio	45.97%	28.24%	28.40%	39.69%	40.42%	61.23%
Assets Quality and Liquidity Ratios						
			(Percentage / Times)			
Gross Advances to Deposits ratio	43.96%	51.39%	56.62%	58.74%	66.65%	79.38%
Net Advances to Deposits ratio	41.89%	49.79%	55.17%	57.77%	65.70%	78.40%
Investments to Deposits ratio	59.12%	65.38%	50.20%	46.57%	38.55%	46.26%
Infection Ratio (NPLs to Gross Advances)	7.57%	6.84%	5.34%	4.61%	4.20%	3.26%
NPLs to Net Advances Ratio	7.94%	7.06%	5.48%	4.69%	4.26%	3.30%
Coverage ratio (Specific provisions to NPLs)	59.69%	44.21%	47.18%	35.64%	32.26%	35.98%
Deposits to shareholders' equity	12.1 Times	21.5 Times	20.9 Times	21.0 Times	21.3 Times	20.6 Times
Assets to shareholders' equity	14.6 Times	28.6 Times	26.5 Times	25.8 Times	27.1 Times	29.2 Times
Earning assets to total assets ratio	83.34%	88.52%	88.55%	89.28%	88.40%	88.15%
Capital Adequacy						
			(Rs. in million / Percentage)			
Tier 1 Capital	19,747	20,661	20,055	18,479	17,120	15,917
Total Eligible Capital	25,654	24,759	25,810	23,100	21,426	20,178
Risk Weighted Assets (RWA)	204,688	186,736	187,444	180,889	165,774	168,020
RWA to Total Assets	34.73%	30.28%	32.08%	33.99%	35.24%	36.79%
Tier 1 to RWA	9.65%	11.06%	10.70%	10.22%	10.33%	9.47%
Capital adequacy ratio	12.53%	13.26%	13.77%	12.8%	12.93%	12.01%
Other Financial Ratios						
			(Percentage / Times)			
Net Operating Margin (PAT / Total Income)	12.52%	4.79%	7.69%	6.99%	0.24%	5.13%
Return on capital employed	11.21%	3.35%	4.57%	4.35%	0.11%	2.51%
Return on Assets (PAT / Average Assets)	0.72%	0.16%	0.23%	0.23%	0.01%	0.13%
Debt to Equity Ratio (Long term Debt / Equity)	0.2 Times	0.3 Times	0.3 Times	0.4 Times	0.4 Times	0.5 Times
Weighted Average cost of deposit	11.30%	8.41%	4.88%	7.32%	8.22%	4.94%
Others						
			(Number)			
Number of Branches	292	282	282	308	360	345
Number of Employees (Permanent, contractual and outsourced)	4,940	4,739	4,487	5,311	4,904	5,127

DIRECT METHOD CASH FLOW STATEMENT

	2023	2022
	----- Rupees in '000 -----	
CASHFLOW FROM OPERATING ACTIVITIES		
Markup / return / interest and commission receipts	81,238,482	66,987,149
Markup / return / interest payments	(68,163,090)	(55,531,073)
Payments to employees, suppliers and Others	(769,782)	(5,890,359)
	12,305,610	5,565,717
Decrease / (increase) in operating assets		
Lendings to financial institutions	11,351,162	20,587,882
Held-for-trading securities	(14,543)	1,075,866
Advances	24,683,232	22,126,946
Other assets (excluding advance taxation)	(8,194,357)	(12,381,424)
	27,825,494	31,409,270
Decrease) / Increase in operating liabilities)		
Bills payable	265,776	(1,635,941)
Borrowings	(69,843,454)	27,333,906
Deposits	22,150,858	3,426,906
Other liabilities	(366,312)	5,249,813
	(47,793,132)	34,374,684
Income tax paid	(7,662,028)	71,349,671
Net cash (used in) / generated from operating activities	(10,617,675)	69,948,143
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in available-for-sale securities	(12,047,023)	14,472,435
Net investment in held-to-maturity securities	47,291,663	(91,293,894)
Investment in subsidiary	(6,618,634)	-
Dividends received	1,751,922	257,720
Investment in fixed assets	(2,183,431)	(1,461,594)
Investment in intangible assets	(1,321,382)	(864,030)
Proceeds from sale of fixed assets	167,611	130,241
Effect of translation of net investment in foreign branch	219,841	263,175
Net cash generated from / (used in) investing activities	27,260,567	(78,495,947)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liability against right of use assets	(1,551,908)	(1,322,720)
Issuance of share capital (Right shares)	2,205,689	-
Issuance of subordinated debt	3,500,000	-
Repayment of subordinated debt	(1,997,233)	(1,800)
Net cash generated from / (used in) financing activities	2,156,548	(1,324,520)
Increase / (decrease) in cash and cash equivalents	18,799,440	(9,872,324)
Cash and cash equivalents at beginning of the year	25,273,672	35,145,996
Cash and cash equivalents at end of the year	44,073,112	25,273,672

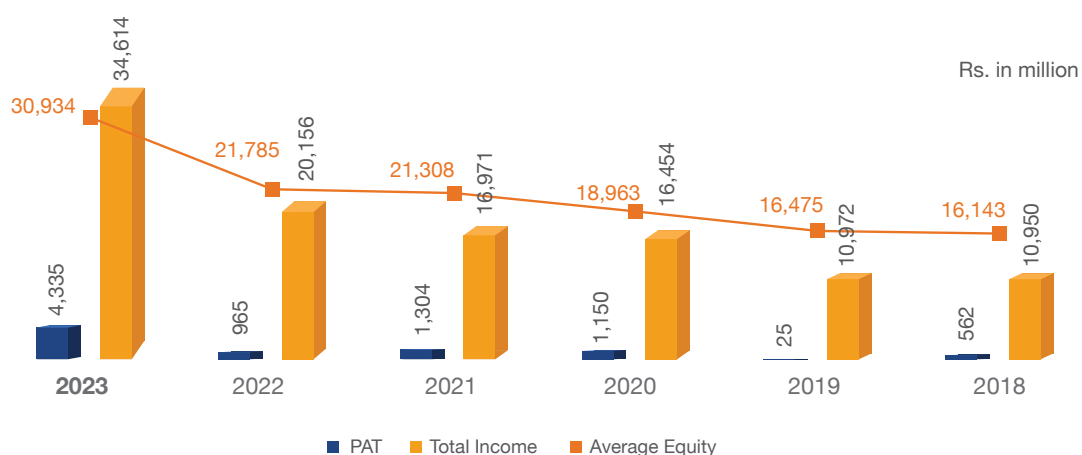
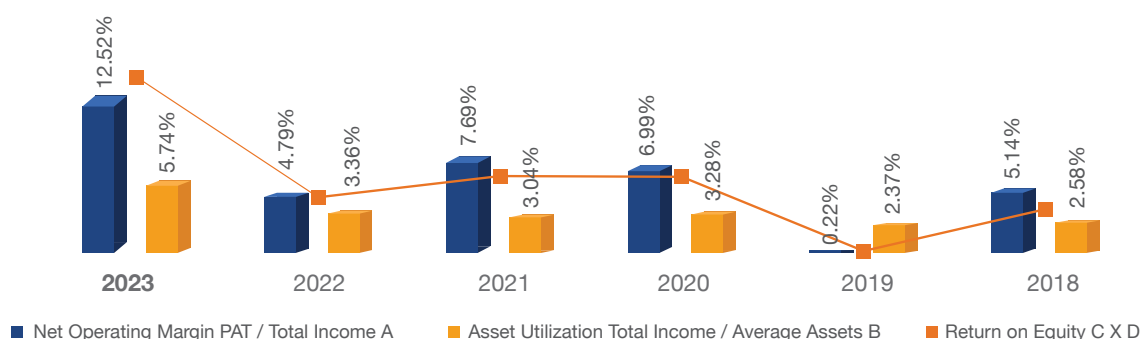
DUPONT ANALYSIS

DuPont model is a financial ratio based on the return on equity ratio that is used to analyze the Bank's ability to increase its return on equity. This is the method of breaking down the original equation for ROE into three components: operating efficiency, asset efficiency, and leverage.

Operating efficiency is measured by net profit margin and indicates the amount of net income generated after taking account all the expenses.

Asset efficiency is measured by the total asset turnover and represents how much revenue has been generated by optimum utilization of the assets. Finally, financial leverage is determined by the Equity Multiplier.

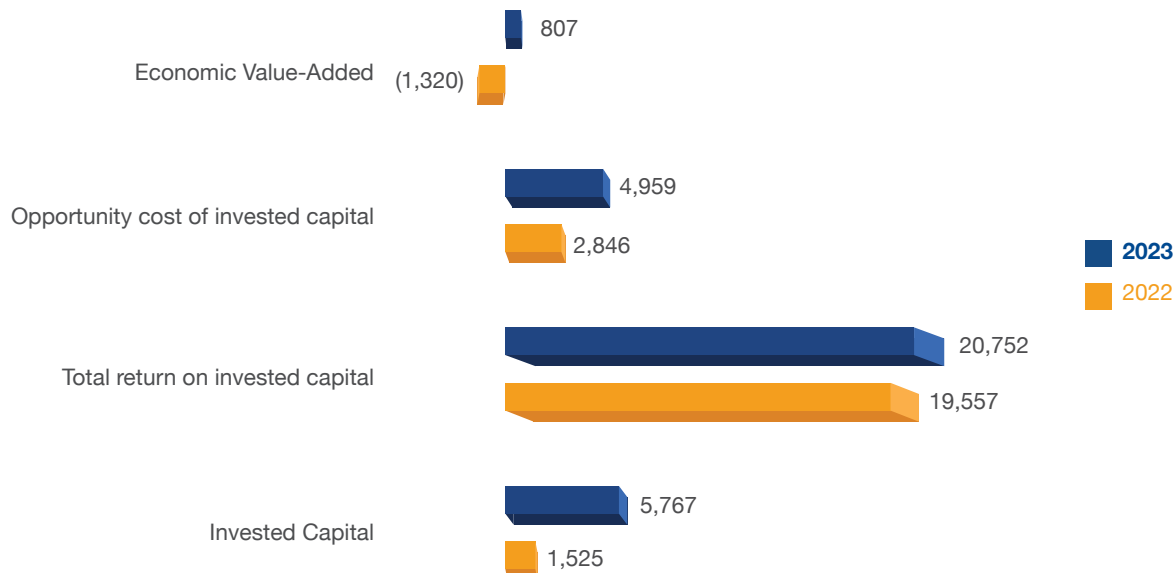
			2023	2022	2021	2020	2019	2018
Net Operating Margin	PAT / Total Income	A	12.52%	4.79%	7.69%	6.99%	0.22%	5.14%
Asset Utilization	Total Income / Average Assets	B	5.74%	3.36%	3.04%	3.28%	2.37%	2.58%
Return on Assets		C = A X B	0.72%	0.16%	0.23%	0.23%	0.01%	0.13%
Leverage Ratio / Equity Multiplier	Average Assets / Average Equity	D	19.50	27.56	26.20	26.42	28.12	26.27
Return on Equity		C X D	14.01%	4.43%	6.12%	6.06%	0.15%	3.48%



ECONOMIC VALUE-ADDED STATEMENT

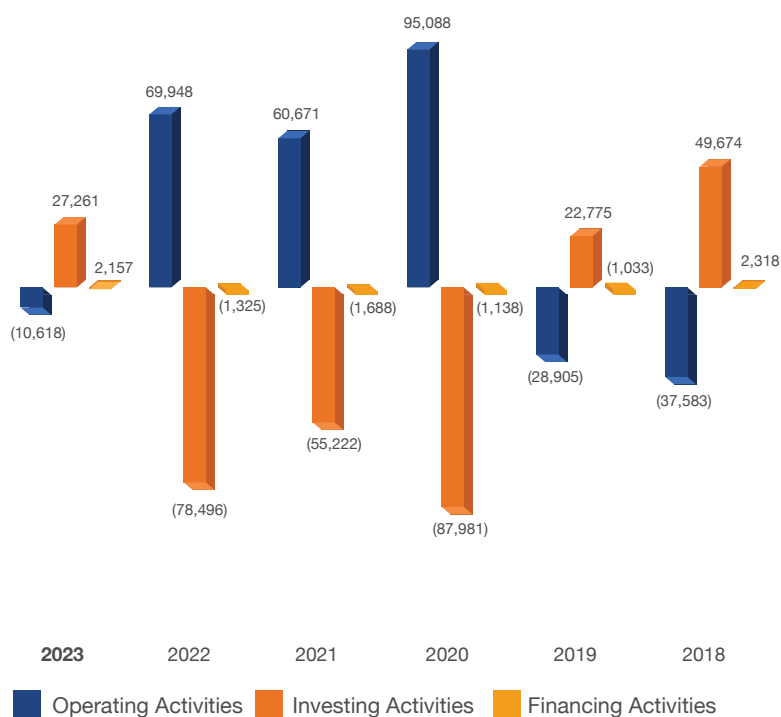
Economic value added is a measure based on the residual income technique that serves as an indicator of the profitability. It takes into account all costs including the opportunity cost of equity.

	2023	2022
	----- Rs. in million -----	
Return on Invested Capital		
Profit after taxation	4,335	965
Provision and write offs	2,807	1,099
Tax @ 49%	1,376	538
Provision and write offs - net of Tax	1,432	560
Return on invested capital	5,767	1,525
Invested Capital		
Equity at start of the year (excluding surplus)	20,752	19,557
Economic cost	23.90%	14.55%
Opportunity cost of invested capital	4,959	2,846
Economic Value Added (EVA)	807	(1,320)



SUMMARY OF CASH FLOWS

	Rs. in million					
	2023	2022	2021	2020	2019	2018
Cash flows from operating activities	(10,618)	69,948	60,671	95,088	(28,905)	(37,583)
Cash flows from investing activities	27,261	(78,496)	(55,222)	(87,981)	22,775	49,674
Cash flow from financing activities	2,157	(1,325)	(1,688)	(1,138)	(1,033)	2,318
Cash and cash equivalents at beginning of the year	25,274	35,146	31,384	25,415	32,578	18,169
Cash and cash equivalents at end of the year	44,073	25,274	35,146	31,384	25,415	32,578

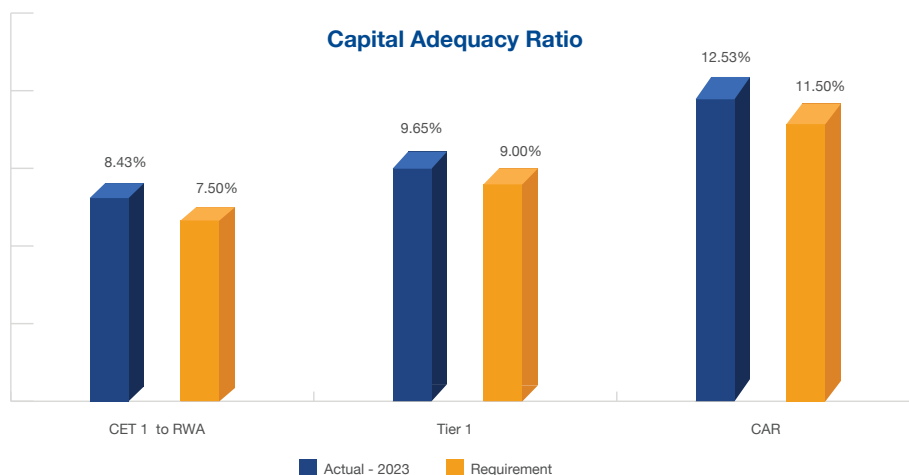
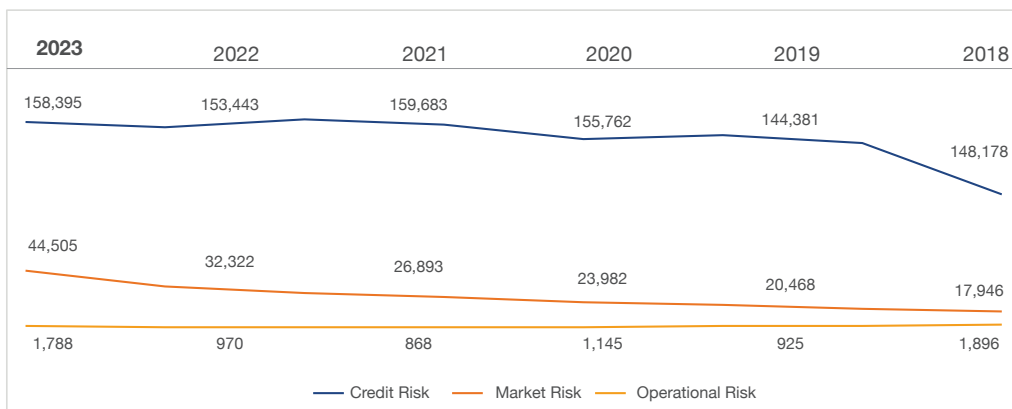


FREE CASH FLOWS

	Rs. in million					
	2023	2022	2021	2020	2019	2018
Profit before taxation	8,515	2,131	2,209	2,023	133	905
Adjustment for non-cash items	3,790	3,434	3,306	3,476	1,457	537
Operating assets / liabilities changes	(22,923)	64,382	55,156	89,589	(30,495)	(39,026)
Net cash (used in) / generated from operations	(10,618)	69,948	60,671	95,088	(28,905)	(37,583)
Capital expenditure	(3,505)	(2,326)	(2,629)	(1,076)	(2,032)	(1,367)
Free cash flows	(14,122)	67,623	58,042	94,012	(30,937)	(38,951)

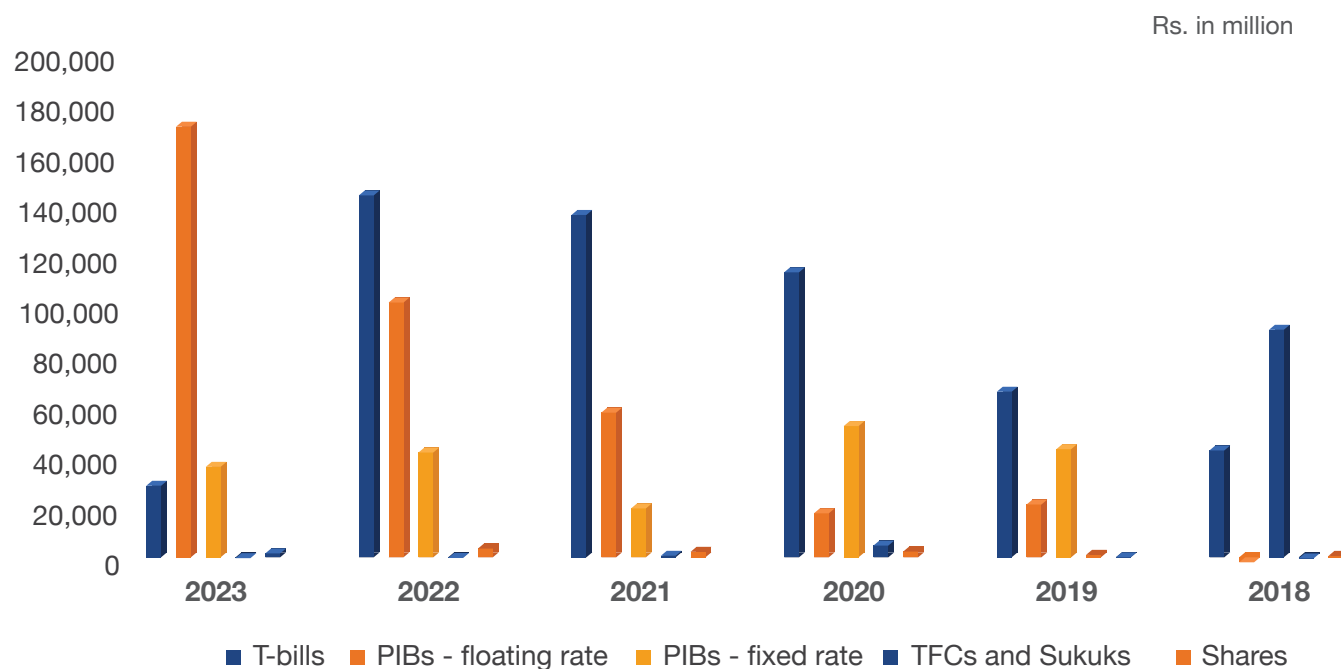
ANALYSIS OF CAPITAL ADEQUACY RATIO

	2023	2022
	----- Rs. in million -----	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	20,507	10,119
Eligible Common Equity Tier 1 (CET 1) Capital	17,247	18,161
Eligible Additional Tier 1 (ADT 1) Capital	2,500	2,500
Total Eligible Tier 1 Capital	19,747	20,661
Eligible Tier 2 Capital	5,907	4,098
Total Eligible Capital (Tier 1 + Tier 2)	25,654	24,759
Risk Weighted Assets (RWAs):		
Credit Risk	158,395	153,443
Market Risk	1,788	970
Operational Risk	44,505	32,322
Total	204,688	186,736
Total Eligible Capital	25,654	24,759
Risk Weighted Assets (RWAs)	204,688	186,736
Capital Adequacy Ratio	12.53%	13.26%



CATEGORY OF INVESTMENTS - FAIR VALUE

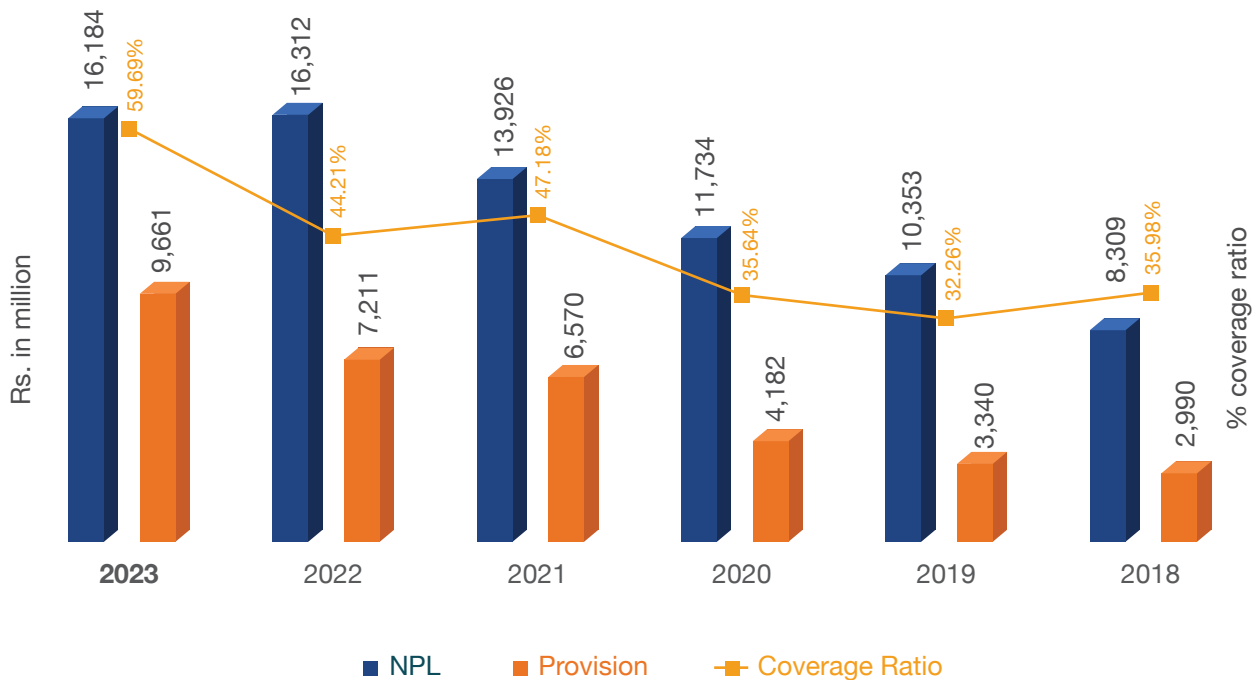
	2023	2022	2021	2020	2019	2018
	----- Rs. in million -----					
T-bills	30,363	145,571	137,818	115,052	67,669	44,375
PIBs - floating rate	172,829	103,061	59,377	19,424	22,927	-
PIBs - fixed rate	37,877	43,548	21,375	54,044	44,881	92,252
TFCs and Sukuks	1,642	1,707	2,577	6,639	2,963	1,526
Shares	3,534	5,450	4,160	4,264	1,966	2,557
Associates and subsidiaries	21,086	2,141	2,141	2,161	2,120	2,099
Others	20,149	1,988	3,819	114	41	5,882
	287,479	303,465	231,267	201,698	142,568	148,690



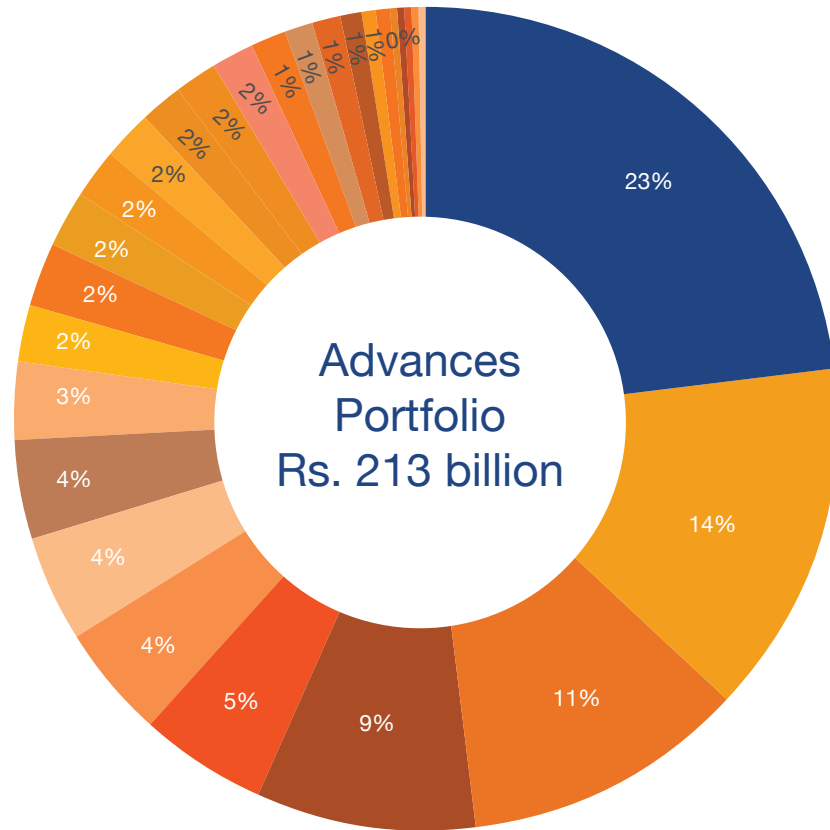
NON-PERFORMING LOANS

Category wise	2023		2022		Variance		Rs. in million
	NPLs	Provision	NPLs	Provision	NPLs	Provision	2023 Coverage
OAEM	364	2	414	0	-12.10%	100.00%	0.59%
Substandard	1,337	118	1,301	171	2.78%	-31.23%	8.81%
Doubtful	2,510	221	1,808	462	38.80%	-52.20%	8.80%
Loss	11,974	9,320	12,789	6,577	-6.37%	41.70%	77.83%
Total	16,184	9,661	16,312	7,211	-0.78%	33.97%	59.69%

Coverage Ratio

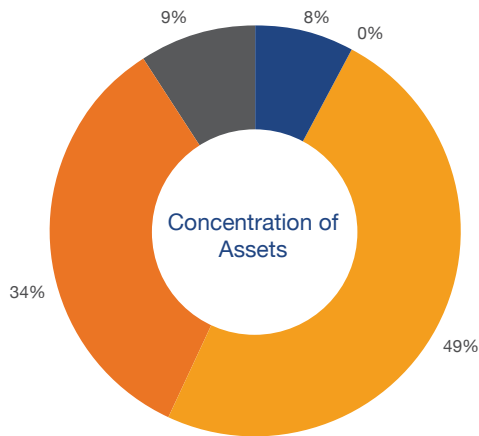


ADVANCES BY SEGMENT

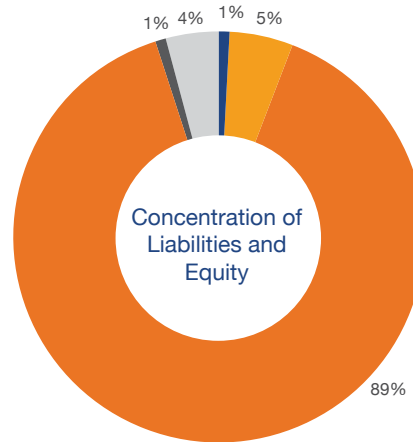


- Individuals
- Food / confectionery / beverages
- Transportation
- Others
- Textile
- Power and water
- Wholesale and retail trade
- Metal and steel
- Engineering, IT and other services
- Agri finance
- Brokerage
- Automobile and transportation equipment
- Real estate
- Petroleum, oil and gas
- Fertilizer
- Pharmaceuticals
- Cement
- Plastic
- Tele-communication
- Chemical
- Paper / board / furniture
- Sugar
- Financial

FUNDING MIX



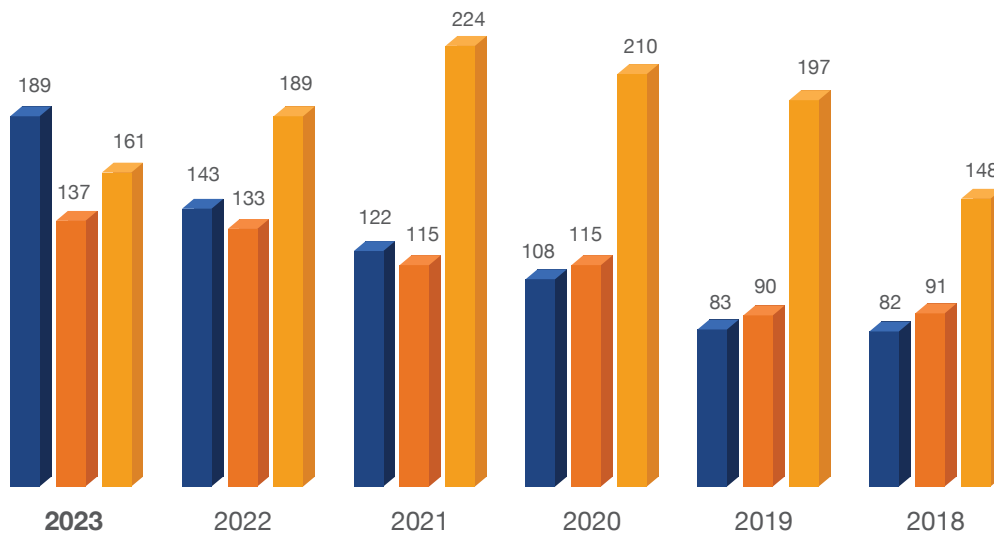
- Cash and Bank Balances
- Fixed Assets and Other Assets
- Advances - net
- Investment - net
- Lending to Financial Institutions



- Bills Payable
- Subordinated Debt
- Deposit & other accounts
- Borrowings
- Deferred Tax and Other Liabilities

Deposit Breakdown

Rs. in billion

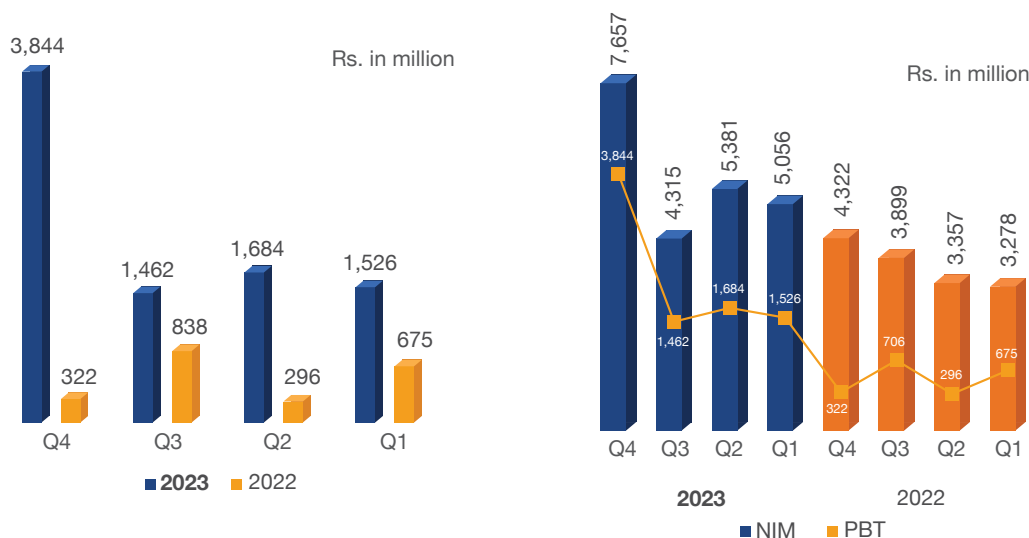


- Non-Remunerative Deposits
- Saving Account
- Term Deposit

QUARTERLY PERFORMANCE

	2023				2022				Rs. in million
	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	
Profit and loss account									
Mark-up earned	27,585	22,035	21,485	20,982	23,273	18,907	16,065	13,802	
Mark-up expensed	(19,927)	(17,721)	(16,104)	(15,926)	(18,951)	(15,008)	(12,708)	(10,524)	
Net mark-up income	7,657	4,315	5,381	5,056	4,322	3,899	3,357	3,278	
Non mark-up income	5,284	2,909	1,805	2,207	974	1,866	1,250	1,210	
Total Income	12,941	7,223	7,186	7,263	5,296	5,765	4,607	4,488	
Non-mark-up expenses	(7,528)	(5,525)	(5,264)	(4,974)	(4,510)	(4,476)	(4,440)	(3,500)	
Profit before provisions	5,413	1,699	1,922	2,288	786	1,289	167	988	
Provisions and write off	(1,569)	(237)	(238)	(763)	(464)	(451)	129	(313)	
Profit before taxation	3,844	1,462	1,684	1,526	322	838	296	675	
Taxation	(1,830)	(648)	(1,032)	(669)	(179)	(442)	(280)	(265)	
Profit after taxation	2,014	813	652	856	145	395	16	409	
Statement of Financial Position									
Assets									
Cash and balance with treasury banks	40,895	35,730	35,836	33,983	24,765	31,838	30,744	27,901	
Balances with other banks	3,727	2,798	3,693	3,491	1,800	1,290	4,535	1,344	
Lendings to Financial Institutions	-	-	37,117	837	11,351	322	46,760	327	
Investments	287,479	302,224	253,500	238,416	303,465	282,689	326,745	300,153	
Advances	203,727	202,405	201,235	223,564	231,102	233,528	243,023	246,819	
Fixed assets	10,767	10,716	10,621	9,913	10,004	9,993	10,248	10,233	
Intangible assets	4,873	4,458	4,116	3,934	3,832	3,546	3,356	3,207	
Deferred tax assets	-	-	-	279	-	-	-	-	
Other assets	37,965	33,711	34,269	28,380	30,396	25,718	26,691	20,864	
	589,432	592,043	580,388	542,797	616,715	588,924	692,103	610,848	
Liabilities									
Bills payable	5,669	5,607	6,591	6,210	5,403	5,929	6,318	5,719	
Borrowings	27,222	34,831	52,191	52,087	97,808	53,228	154,892	108,424	
Deposits and other accounts	486,283	484,112	469,814	436,988	464,132	481,217	482,368	450,950	
Subordinated debts	8,498	8,499	10,138	6,995	6,995	6,997	6,997	6,997	
Deferred tax liabilities	1,316	899	110	-	320	888	608	809	
Other liabilities	20,123	21,127	18,837	18,933	20,511	18,485	19,618	16,367	
	549,110	555,074	557,681	521,213	595,169	566,744	670,801	589,266	
Net assets	40,322	36,969	22,706	21,584	21,547	22,180	21,302	21,582	
Represented by:									
Share capital	20,507	20,507	10,119	10,119	10,119	10,119	10,119	10,119	
Reserves	6,563	6,189	3,316	3,175	2,787	2,757	2,554	2,452	
Surplus / (deficit) on revaluation of assets - net of tax	1,960	526	205	(285)	795	1,525	1,171	1,567	
Unappropriated profit	11,292	9,748	9,066	8,575	7,845	7,779	7,458	7,444	
	40,322	36,969	22,706	21,584	21,547	22,180	21,302	21,582	

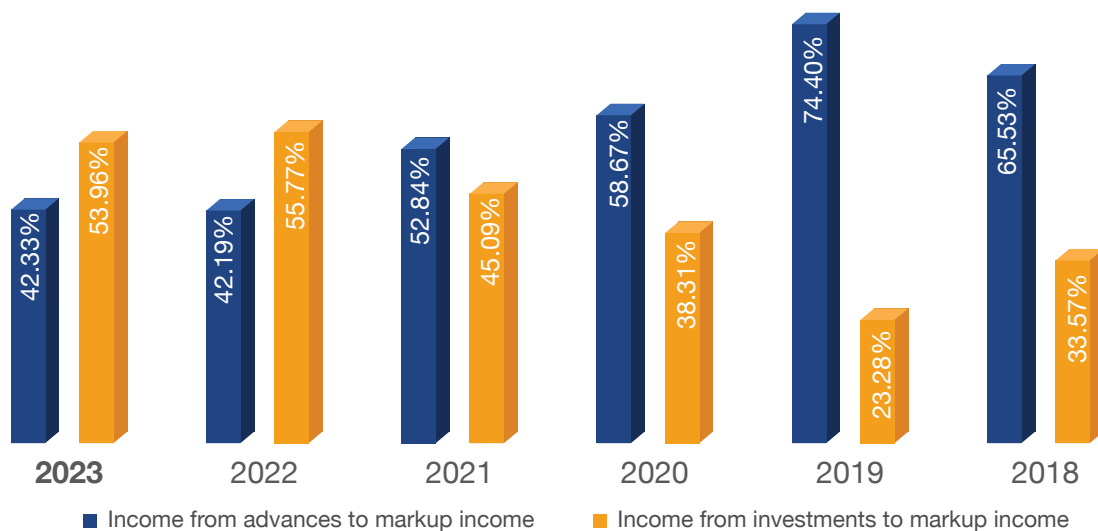
Quarterly PBT



MARKUP AND NON-MARKUP INCOME

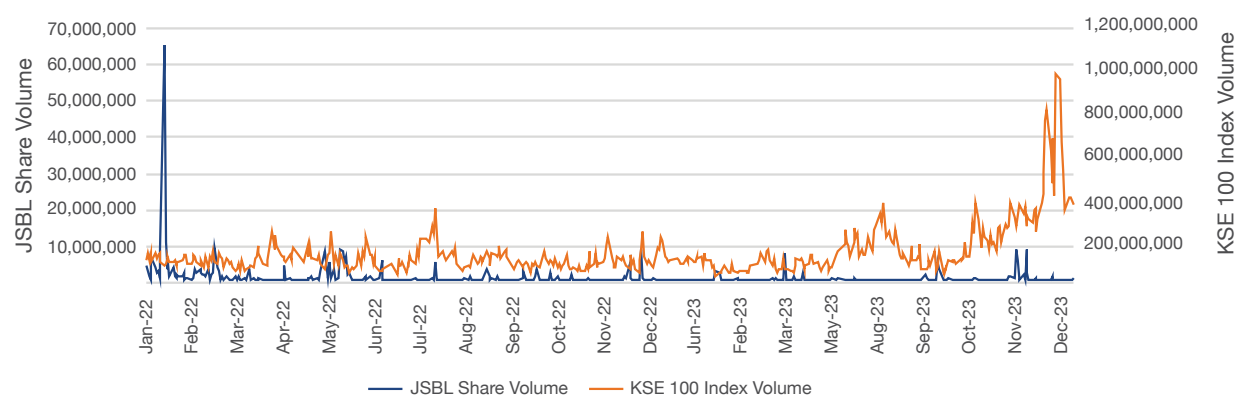
	2023	2022	2021	2020	2019	Rs. in million 2018
Mark-up/return/interest earned						
Loans and advances	38,977	30,398	20,672	25,288	30,945	19,657
Investments	49,689	40,180	17,643	16,509	9,683	10,071
Lendings to financial institutions	247	60	26	33	53	111
Balances with others banks	305	79	46	10	55	20
Securities purchased under resale agreements	2,869	1,329	738	1,259	859	137
	92,087	72,047	39,125	43,099	41,595	29,997
Mark-up/return/interest expensed						
Deposits	53,705	38,912	21,814	29,390	28,415	15,099
Borrowings	12,446	16,279	3,815	1,889	3,678	5,556
Sub-ordinated debts	1,782	1,064	696	900	1,029	408
Cost of foreign currency swaps against foreign currency deposits / borrowings	1,445	581	518	736	937	125
Lease liability against right-of-use assets	301	356	388	406	507	-
	69,678	57,191	27,231	33,322	34,566	21,188
Net Markup income	22,409	14,856	11,895	9,777	7,029	8,809
Non-markup / interest income						
Fee and commission income	4,133	3,213	3,207	3,596	2,860	2,669
Dividend income	1,752	130	574	98	300	109
Foreign exchange income	5,758	2,162	1,187	1,010	963	671
Gain / (loss) on securities	114	(307)	95	1,873	(711)	(1,434)
Income from derivatives	0.01	(77)	12	29	47	17
Other income	448	177	3	70	484	109
	12,205	5,300	5,077	6,676	3,943	2,141

Markup income from Advances and investments (2023 - 2018)



MARKET SHARE INFORMATION

2023	JSBL Share Price			Free Float		Market Capitalization	
	High	Low	Close	Shares (m)	%	Shares (m)	Value (m)
December 31, 2023	10.09	5.65	9.04	410	20%	2,050	18,538
September 30, 2023	6.20	4.98	5.70	410	20%	2,050	11,689
June 30, 2023	4.89	4.00	4.89	324	25%	1,297	6,345
March 31, 2023	4.88	3.90	4.12	324	25%	1,297	5,346
2022	High	Low	Close	Shares (m)	%	Shares (m)	Value (m)
December 31, 2022	5.10	3.61	4.69	324	25%	1,297	6,085
September 30, 2022	4.03	3.50	3.95	324	25%	1,297	5,125
June 30, 2022	4.94	3.58	4.00	324	25%	1,297	5,190
March 31, 2022	4.97	4.17	4.36	324	25%	1,297	5,657



SHARE PRICE SENSITIVITY ANALYSIS

Factors that can influence the share price of JS Bank Limited are given below:

Discount Rate/Monetary Policy

The monetary policy rate can be changed by the SBP based on different macroeconomic factors. Any volatility in the interest rates may impact revenue and profitability of the Bank and the share price as well.

Minimum Rate of Return on Deposits/Regulatory Risk

Any upward revision in the minimum deposit rate will lead to increased cost of deposits that would squeeze net interest margins earned by the Bank. As a result, the earning and correspondingly the share price of the Bank may be adversely affected.

Inflation

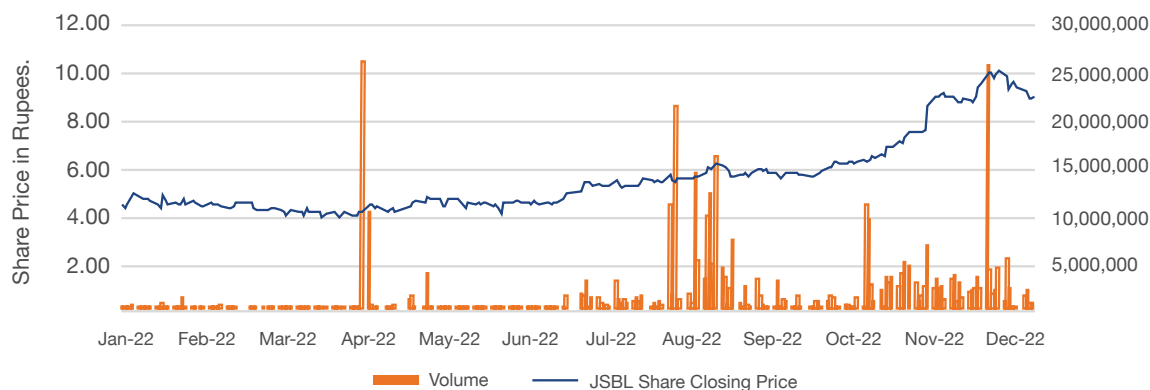
Inflation is one of the key determinants for policy rate change. Increase in inflation would lead to monetary tightening by the SBP, enabling the Bank to invest in high yielding investments, leading to increased profitability and a positive impact on the share price of the Bank.

Political Stability & Law and order situation

Political instability and turmoil would adversely impact the capital market of the Country. As a result, the share price of the Bank may also be negatively affected.

Sensitivity Analysis of Change in Market Capitalization

Share Price as of December 31, 2023	Rs. 9.04
Market Capitalization as of December 31, 2023	Rs. 18,538 Million
Change in Share Price by	Change in Market Capitalization
+10%	Rs. 1,853 Million
-10%	Rs. (1,853) Million



SENSITIVITY ANALYSIS - FOREIGN CURRENCY FLUCTUATIONS

The Pak Rupee experienced a relatively challenging year and saw highs and lows due to political uncertainty, deteriorating foreign exchange reserves, rising external financing gap and challenging global financial markets. During the year 2023, the Rupee started its journey with a high of 226.93 against the US Dollar in January then touched a low of 307.09 in September and finally closed at 281.86 in December 2023. In CY23, PKR depreciated by 24.48% against USD, however the currency has stabilized during the 1HFY24 as it has appreciated by 1.45% due to Stand-by Arrangement (SBA) with International Monetary Fund (IMF). The gap between open market and interbank market has also narrowed after SBP implemented multiple policy level and administrative control changes during 1HFY24.

The USD/PKR interbank market has now settled around the 280 levels. Despite the reduction in volatility in the last few months, our astute management of our dealings in foreign currency has ensured stable earnings. The risk appetite of our Bank is determined by the Board and monitored by the Risk team. The Treasury team proactively manages day to day liquidity, Net Open Positions and FEEL limits of the bank. The Risk management team ensures adherence to LCR and NSFR ratios as per SBP guidelines. The Bank ensures full implementation of BASEL III liquidity standards and liquidity ratios.



CALENDAR OF MAJOR EVENTS - 2023

March 03, 2023

Annual Results – 2022 approved by the Board

March 29, 2023

Annual General Meeting

April 26, 2023

1st Quarter Results – 2023 approved by the Board

May 19, 2023

EGM to approve the change in the mode of consideration for the acquisition of shares of BIPL through a Tender Offer

August 10, 2023

Issuance & Allotment of 17% Right Shares

August 18, 2023

Acquisition of majority shares of BIPL

August 23, 2023

2nd Quarter Results – 2023 approved by the Board

October 24, 2023

3rd Quarter Results – 2023 approved by the Board

December 20, 2023

Approval of Budget FY 2024 by the Board

December 29, 2023

Corporate Briefing Session

VALUE CHAIN

JS Bank value chain activities can be divided into two categories: primary activities and support activities. The primary activities are related to internal and external logistics, marketing, and after-sales service. Support activities are the value activities that sustain and facilitate the primary activities.

Downstream activities (Primary Activities)

- Conception of financial Products and Services
- Mobilization of deposits and distribution network
- Asset Management and portfolio Enhancement
- Marketing & Sales- Choice of the method of distribution, of the advertising, of the target market
- Associated services to the products and after-sales: consumer services

Upstream activities (Supporting Activities)

- Banking infrastructure,
- Technology development,
- Human resource management,
- Risk Management, and
- Governance and Stakeholders engagement

Basic Competencies

- Well-equipped Physical and electronic network
- Robust familiarity of consumer's needs, their behavior & background
- Specialized know-how in view of interpreting the sector
- Staff training programs
- Automation of operations
- Technological control in products and services

Distinctive competencies

- Product and process innovation: getting ahead of the competition
- Perfect fusion of services and products in order to offer the complete package
- Capability of staff to advise consumers in many situations: financial expertise
- Differentiated offer with respect to a variety of situations: flexible products, possibility to renegotiate

Japan

OLD IS GOLD!

The Japanese are known as Super Savers. Japan's money culture combines traditional values with modern financial practices. It emphasizes the importance of saving, investing, and maintaining financial stability while valuing money's role in social interactions and gift-giving.





Strategy & Resource Allocation

STRATEGY AND RESOURCE ALLOCATION

At JS Bank, we are dedicated to spearheading sustainable growth and delivering comprehensive solutions that transcend traditional banking. To achieve this, we are investing in technology, people and enhancing our network. Our strategy supports steady growth, prioritizing customer satisfaction and cost efficiency. We have streamlined our structure for agility in decision-making. Our expansion into Islamic Banking with “BankIslami” caters to diverse banking needs, fostering benefits of scale.

Our strategic focus spans from leveraging technology for customer service excellence, particularly for younger demographics, to expanding our reach for income growth, and eventually establishing a significant presence nationally and internationally. We’re committed to partnerships that add value and support environmental, social, and governance (ESG) initiatives, aiming to integrate deeply into Pakistan’s financial ecosystem.

Strategic Objectives

<p>Short Term</p>	<ul style="list-style-type: none"> • Continue to leverage on technology and deliver superior customer service by digitalizing and automating core banking processes. Our aim is to improve our customer interface and enable customers to interact and transact digitally with a sharp focus on catering to emerging millennial and Gen-Z population. • Data driven decision making to optimize costs, drive quality and core profitable earnings instead of just a growth in headline numbers. Focused efforts to grow in high yielding conventional banking products. • Increase our presence across the country through an optimized branch network to maximize income streams via profitable growth in deposits, prudent and measured expansion in advances
<p>Medium Term</p>	<ul style="list-style-type: none"> • Steadily increase our customer base and deposits, grow our market share in consumer products to be a leader within mid-sized banks with a diversified portfolio of products and low infection ratio. • Through our diversified portfolio of products providing financial solutions to individuals, SMEs, Agriculture customers and Public and private sector organizations. • To have end to end digitally enabled banking solutions for Gen Zs and millennials and establish the Bank as an innovative and customer centric.
<p>Long Term</p>	<ul style="list-style-type: none"> • Develop JS Bank as a prominent Bank of the country with an international presence. Deliver a user experience that transcends conventional and Islamic banking norms and embeds deeply within the financial eco system of Pakistan’s economy. • Continue to connect with likeminded organizations to create synergies and build a network of partners that bring value through solutions to our customers, utilizing benefits of synergies created between such partnerships. • Support environmental, social, and good governance (ESG) initiatives for economic growth, social progress, and environmental protection.

Strategies in place

At JS Bank, we are redefining our branch network, placing operational excellence and customer centricity at the heart of everything we do. By harnessing data analytics and actively engaging with customer feedback, we are committed to delivering a seamless banking experience that meets our high service standards at every touchpoint.

Our focus remains on expanding the reach of our WhatsApp, mobile and online banking services, creating secure and user-friendly solutions for our tech-savvy customers. With the fast-paced growth of digital landscape in the country we will remain focused on delivering robust digital banking solutions. Collaborations with tech innovators will continue to be crucial, ensuring our services are secure and our operations agile in the face of change.

We will concentrate on leveraging our core strengths in Retail and SME banking, refining our flagship product offerings, and driving revenue growth through strategic initiatives in deposits and non-funded income streams, including Trade and Cash Management.

Our greatest asset is our human resource. Inspired by an organizational vision where talent thrives, we are fostering a dynamic, inclusive work culture that celebrates diversity and equality and propels us towards our growth ambitions. We regularly recalibrate our Key Performance Indicators to align them with our strategic objectives, ensuring that they stay relevant amid evolving economic and regulatory landscapes.

Key performance Indicators to developed measure performance are:

Strategic Objective	Strategy for meeting objective	KPI
Accelerate digital transformation, optimize costs and automate processes to enhance efficiency, and improve customer satisfaction	<p>Enabling end to end banking solutions through digital channels i.e., Mobile, WhatsApp and Internet banking.</p> <p>Automate and simplify customer onboarding through Digital Account Opening, Micro Payment Gateway, Pakistan Single Window, freelancer account, etc.</p> <p>360 views of customer across all touchpoints with enhanced focus on deposits, transactional solutions and capitalize on cross-sell opportunities in existing relationships</p>	<p>% Increase in Mobile banking usage in comparison to target set and previous year</p> <p>% Decrease in manual account opening in comparison to target set and previous year</p> <p>% Increase in CRM Utilization in comparison to target set and previous year</p>
Provide value added services and deliver operational excellence through an established branch footprint	<p>Establish a strategically positioned network of branches offering top notch service and a welcoming and appealing look and feel. Improve customer experience by reducing turnaround times, monitoring service levels through customer feedback and digital/ technology platforms.</p>	<p>Improvement in BSI score in comparison to target set and previous year</p>
Maintain a strong capital base and healthy deposits and advances	<p>Steadily grow our deposits and advances, retain existing pool and capitalize on opportunities present in the market in public and private sector. Greater focus on SME and commercial clients through competitive pricing and differentiated offerings</p>	<p>Growth in deposits and Advances in comparison to target set and previous year</p>
A diverse portfolio of profitable products meeting consumer needs across each segment and demography	<p>Offer innovative and digitally enabled financial solutions addressing financing needs of SME enterprises and leverage on our flagship and profitable products. Increasing deposits and customer stickiness via conversion of customers to digital channels</p>	<p>Growth in Ending Net Receivable from customer comparing with target and previous year.</p>
An optimized and well led diverse organization	<p>Encourage gender equality and diversity across all businesses. Develop a caring and compassionate culture that drives the right employee behavior. Foster employee developing needs by providing relevant and challenging on the job learning and career growth</p>	<p>Global Diversity & Inclusion Benchmark</p>

Resource Allocation Plan

Nature of Capital	Resource allocation plan
Human Capital	<ul style="list-style-type: none"> • Based on business requirements and customer needs, organizational changes are being done to ensure we are well positioned as a team in line with the bank’s strategic goal • Prioritize the retention of hi-potential talent by nurturing their professional development and growth within our bank’s culture. • Dedicate continuous effort to train and develop our team members to excel in customer service.
Manufactured Capital	<ul style="list-style-type: none"> • Investments in our branches’ infrastructure, to increase footprint strategically • Strategically position our branches and tailor our services to expand our customer base through targeted product offerings. • Equipping branches with latest digital technology to improve service levels
Financial Capital	<ul style="list-style-type: none"> • Invest in process automation and IT network improvement and build capacity internally to achieve technological advancements • Allocate capital to infrastructural enhancements and high-return assets, driving cost efficiencies and profitability.
Intellectual Capital	<ul style="list-style-type: none"> • Reengineer processes whenever needed to create synergy between functions aiming to increase customer satisfaction • Drive compliance across the organization ensuring all Governance standards are strictly implemented and followed • Drive constant innovation in products and processes to improve customer satisfaction
Social and Relationship Capital	<ul style="list-style-type: none"> • Forge strategic partnerships with organizations that reflect our innovative spirit to introduce pioneering banking solutions. • Collaborate with entities that advance sustainable energy initiatives, underlining our commitment to environmental consciousness. • Conserve energy through renewable energy solutions, promote paperless environment and contribute to the environment by actively participating in cleanliness.

Strategy to Overcome Liquidity Problem

JS Bank actively manages the Bank's liquidity and funding to support its business strategy and meet regulatory requirements at all times, including stress scenarios. The liquidity risk is managed through a detailed risk management framework, which is approved by the Board of Directors. Under this framework, the Bank closely monitors its liquidity position by analyzing early warning indicators and various risk appetite measures, including the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The Bank's Current, Savings and Term deposit base indicates a stable and sound liquidity position. The Bank also has a reasonable portfolio of marketable securities that can be realized in the event of liquidity stress. The Bank is fully compliant with Basel III Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), which shows the Bank's ability to meet its short-term funding requirements and provision of stable funding against its asset portfolio. The Bank has a well-defined Liquidity Contingency Plan for liquidity crisis management. Further, our risk management section of the report discusses detail aspect of liquidity risks.

Significant Changes from Prior Years

2023 marked a successful closure of BankIslami Pakistan's ("BIPL") acquisition by JS Bank. During the year, the Bank has acquired 67.33% shareholding in BIPL, taking its total shareholding to 75.12%. While both banks will continue to operate independently in their respective domains, we will be able to provide a higher number of touchpoints to a wider client base through a combined network of more than 700 branches. Both banks will also continue to adopt best practices from each institution to improve customer experience.

BUSINESS MODEL

Key Inputs



FINANCIAL CAPITAL

Share Capital Rs. 20,506 million
Total Equity Rs. 40,322 million
Deposits Rs. 486,283 million
Subordinated Debts Rs.8,498 million



HUMAN CAPITAL

Staff Strength 4,940
Hub of creativity and excellence.
Culture of integrity and diligent professionalism.



MANUFACTURED CAPITAL

Branch Network 292
Intangible Assets Rs. 4,873 million
Property and Equipments Rs.10,767 million



INTELLECTUAL CAPITAL

Well-defined strategic direction and coherent policies
Robust and capable board with diverse expertise
Effective leadership and skilled management
Streamlined and optimized infrastructure system



SOCIAL AND RELATIONSHIP CAPITAL

Engaging and dynamic social media presence
Well-maintained and user-friendly website
Responsive and preemptive grievance redressal system



INSTITUTIONAL CAPITAL

Long-Term Credit Rating AA-
Short-Term Credit Rating A1+
Outlook: Positive



NATURAL CAPITAL

Stringent Health and Safety protocols prioritized across all premises

Business activities

Our Principles to Operate

- Sustainable office practices and eco-friendly operations
- Continuous improvement of customer experience and satisfaction
- Effective and agile risk management strategies
- Ongoing professional development and upskilling opportunities for employees
- High employee satisfaction and motivation levels
- Commitment to diversity and inclusion, including hiring people with disabilities
- Full compliance with all regulatory standards and requirements
- Continuous innovation and adoption of digital technologies
- Socially responsible business practices and community involvement
- Meaningful contributions to Corporate Social Responsibility initiatives
- Strong ethical values and principles ingrained in all business practices

Key Outputs

TO SHAREHOLDERS



Profit after Tax Rs. 4,335 million
 Earnings per Share Rs. 2.75
 Return on Equity 14.01%
 CAR 12.53%
 Return on Assets 0.72%

TO HUMAN CAPITAL



Salaries & Benefit Rs.8,151 million
 Robust training and development programs
 Professionally trained and skilled service staff
 Well-structured and beneficial internship opportunities.
 Engaging team building and motivational programs to foster collaboration and productivity.

TO CUSTOMERS



Deposits Growth 4.77%
 CASA Mix Improved 61.20%
 Commendable customer complaint resolution rate.

TO REGULATOR



Strict adherence to all regulatory mandates and standards.
 Effective corporate governance policies and their rigorous implementation.

TO SOCIETY



Contribution to CSR Rs.170 million
 Strong and positive customer relations and engagement.
 Inclusive hiring practices that welcome people with disabilities.
 Supportive and inspiring workplace culture and environment.

Singapore

LESS IS A LOT MORE!

Singaporeans value financial discipline, and the concept of “saving face” is important to avoid appearing wasteful.

Families prioritize education and are willing to invest significantly in children’s education. Singapore has one of the world’s highest national saving rates.





Risk & Opportunities

RISKS AND OPPORTUNITIES

Summarized risks, opportunities and related mitigating factors are documented below:

Risk Type	Materiality Rating	Residual Risk Post Embedded Controls	Source	Strategy	Impacted Capital
<p>Credit Risk</p> <p>The risk of loss to the Bank arising from its borrowers in the event of failure to fulfill their obligations, including whole or partial settlement of principal, mark-up, and other receivables.</p>	<p>High</p>	<p>Medium</p>	<p>External</p>	<p>Measurement: Credit Risk Management function under Credit Risk Group identifies, measures, manages, monitors, and mitigates credit risk. Credit Risk is measured and estimated through detailed quantitative financial and qualitative factors analysis, internal and external credit risk ratings including facility risk ratings, and borrower’s account behavior analysis.</p> <p>Monitoring: Credit Risk function carries out review of borrowers through credit proposals and the Credit Admin Department (CAD) function under Risk Management Group, performs post disbursement monitoring including security documentation and limits monitoring. Business functions continuously remain in contact with customers for updated information about the customers.</p> <p>Management: The Bank has a diversified loan portfolio spread over Corporate / Commercial & SME businesses with different industry sectors. Credit Risk Function ensures to minimize credit risk associated with borrowers. Credit & Risk Management Groups have a defined structure with credit approving authorities with Central Credit Committee in place to approve large credit exposures. The Bank has fully implemented Loan Originating System (LOS) for automated credit approval process in a paperless environment to optimize the turnaround time with effective credit and control policies.</p> <p>To further enhance the credit risk analysis, the Bank has in place Internal Credit Risk Rating (ICRR) model for Obligor Risk Ratings (ORR) and Facility Risk Ratings (FRR) along with Environmental Risk Rating (ERR) for corporate, commercial, and small & medium enterprise borrowers.</p> <p>The Bank has Portfolio Management Committee (PMC) at management level and Board Risk Management Committee (BRMC) at board level for discussions and deliberations on key risk issues on portfolio level. Periodic meetings are conveyed to oversee the risk exposures at portfolio level.</p>	<p>Financial</p>

<p>Market Risk</p> <p>The risk of loss arising from potential unfavorable change in the Bank's assets and liabilities from market variables including, but not limited to, interest rates, foreign exchange rates, equity prices, commodity prices, spreads, and market volatilities.</p>	<p>High</p>	<p>Low</p>	<p>External</p>	<p>Measurement: The Bank is exposed to market risk through its trading and other investment activities including derivatives and options. VaR methodologies augmented by sensitivity analysis, notional limits, management action triggers and stop loss triggers at script and portfolio level, and stress testing are used to capture and report the various aspects of market risk.</p> <p>Monitoring: The Bank has a separate Market Risk Unit under Risk Management Group that ensures market risk limits will not exceed the tolerance levels set by the Board. Assets & Liability Committee (ALCO) is entrusted to monitor the market risk exposures and limits through meetings on a periodic basis.</p> <p>Management: The Bank is following a balanced approach towards risk taking in the market risk area. The robust risk management architecture ensures that the exposures remain within the defined risk appetite. Dashboards for money market and foreign exchange exposures are being presented to manage the limits and exposures within defined levels.</p>	<p>Financial</p>
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<p>Liquidity Risk</p> <p>The risk that the Bank is unable to offset certain positions at marketplace or the inability of the Bank to convert assets to cash or obtain funding from other sources.</p>	<p>High</p>	<p>Low</p>	<p>Internal & External</p>	<p>Measurement: The Bank measures Liquidity Risk as part of its liquidity monitoring activities. The purpose of the liquidity risk assessments and stress tests is intended to ensure sufficient liquidity for the Bank under normal and stress conditions.</p> <p>Monitoring: In line with SBP's directives under Liquidity Risk framework and Basel III guidelines, the Bank regularly monitors liquidity monitoring tools along with Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR). The Bank has also in place established Early Warning Indicators and Liquidity Risk Analysis tools to trigger any point for management attention.</p> <p>The Bank employs stress testing to assess its balance sheet's vulnerability to hypothetical stress events. Liquidity risk factors undergo significant shocks, and their impact on the balance sheet is quantified. Stress testing encompasses scenarios defined by both regulatory standards and internally identified risks. Results are communicated to senior management, the Board of Directors, and regulators.</p> <p>Management: The Bank is following liquidity risk management approach to manage funding sources and intraday liquidity management. The Bank's deposit base indicates fair liquidity position and Bank's NSFR and LCR are well above the regulatory requirement.</p> <p>The Bank strategically emphasizes diversification and stability in its funding approach. Its funding base is varied, encompassing stable sources like equity, subordinated loans, retail and small business deposits, and less stable forms such as deposits from larger entities. It is fully compliant with Basel III Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), ensuring an ample supply of high-quality liquidity assets relative to liabilities.</p> <p>The Liquidity Coverage Ratio's (LCR) key drivers include High-Quality Liquid Assets (HQLA) and Net Cash Outflow, determined by asset liquidity quality and liability profile volatility.</p> <p>While NSFR drivers primarily include Equity Base and Long Term funding along with High Quality Assets.</p> <p>ALCO has the responsibility for liquidity management and contingency funding plan. Underlying policies are approved by the Board in respect of liquidity, investment, and treasury.</p> <p>A Contingency Funding Plan (CFP) is in place to address liquidity challenges during crises. CFP identifying stress scenarios and corresponding funding plans, incorporating early warning indicators. Three Contengency Levels are defined in CFP with varying action Plans for each level.</p>	<p>Financial</p>
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<p>Operational Risk</p> <p>Operational risk is the risk of loss to the Bank from inadequate or failed processes, systems, people and / or from external events.</p>	Medium	Low	Internal & External	<p>Measurement: The Bank has a defined Operational Risk Management Policy and framework in place. Considering the policy, the Bank manages to have database of operational risks/losses, and Key Risk Indicators (KRI). The Bank analyzes key risks and controls through Risk and Control Self-Assessment (RCSA) exercise covering all critical functions of the Bank. Analyses of operational loss and results of KRIs and RCSAs help the Bank to mitigate risks.</p> <p>Monitoring: The Bank is in a practice to present updates on operational risk and loss events on a periodic basis to senior management and board sub-committee.</p> <p>Management: The Bank has an Operational Risk Management unit under Risk Management Group responsible for managing operational risk tools. There is an Operational Risk Management Committee (ORMC) at management level to oversee various operational risk events. The Bank has initiated awareness program through workshops and training sessions to build and inculcate risk culture across the Bank.</p>	Financial, Intellectual & Reputational
<p>Capital Adequacy Risk</p> <p>This risk is registered in an event when the Bank has an insufficient capital to support its business activities and to meet the regulatory requirements under normal and stressed situations.</p>	High	Medium	Internal & External	<p>Measurement: The Bank has a capital base above the regulatory limits and Basel requirements and is following the predefined format and criteria mentioned in the Basel II and III guidelines.</p> <p>Monitoring: The Bank assesses the current and future capital requirements and ensures that the minimum capital requirements specified by the State Bank are adhered to. Regular assessment of capital enables the Bank to evaluate adequacy of the amount, type and distribution of capital required to cover various risks.</p> <p>Management: The Bank's total Capital Adequacy Ratio is above the requirement of 11.50% (including capital conservation buffer of 1.50%). The Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio is also above the requirement of 7.5%(inclusive of 1.5% CCB). The Bank maintains a leverage ratio above the regulatory limit of 3.0%. The Bank will continue to accumulate profits to capitalize opportunities in short, medium and long term.</p>	Financial

<p>Country Risk</p> <p>The risk of likelihood of a country unable to fulfill its obligations towards one or more foreign lenders/ investors.</p>	<p>Low</p>	<p>Low</p>	<p>External</p>	<p>Measurement The Bank's country Risk exposure is assessed against the Bank's cross border trade and treasury activities. Risk Tolerance Limits are set for various countries with different country ratings.</p> <p>Monitoring & Management: Market Risk Unit and ALCO are responsible for regular monitoring of risk exposure. Country Exposure Limits both for Trade and Treasury exposures are in place, which broadly capture direct exposure on sovereigns and foreign domiciled counterparties.</p>	<p>Financial</p>
<p>Information Security Risk</p> <p>This risk comprises the impacts to the Bank and its stakeholders that could occur due to the threats and vulnerabilities associated with the operations and use of information systems and the Technology environments in which those systems operate.</p>	<p>High</p>	<p>Low</p>	<p>Internal & External</p>	<p>Monitoring & Management The Bank always focuses to provide simplified banking solutions to its customers through innovative technology applications with an aim to protect the customer information from vulnerabilities and threats. The Bank has embedded various controls on the information security and consistently developing more controls.</p> <p>The Bank developed a risk-based approach to identify the threats and vulnerabilities and their appropriate mitigation. Controls are arranged in a layered way to value the prevention, detection and corrective measures for its operations/Data/Systems. In this regard JSBL also get benefit from local and international regulations to comply with.</p>	<p>Financial & Reputational</p>

<p>Compliance Risk</p> <p>means the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities.</p>	<p>Medium</p>	<p>Medium</p>	<p>External and internal</p>	<p>Measurement The Bank takes into consideration all regulatory risks for effective management of changes in legislature and regulatory requirements that may affect the Bank.</p> <p>Monitoring & Management Compliance Function of the Bank reviews key regulatory developments to anticipate changes and their potential impact on its performance. The Bank aims to keep continued compliance with regulatory requirements and is managed by maintaining a governance framework, policies, procedures, systems, and customer support arrangement with an aim to proactively minimize reputational risk. We can manage reputational risk through:</p> <ul style="list-style-type: none"> ▪ Existence of a well-articulated and socialized policy statement that the Bank personnel must not engage in activities that could negatively impact its reputation ▪ Existence of socialization of policies such as Code of Conduct, Whistle Blowing and Personal Account Dealing ▪ Refraining from activities that could lead to monetary and non-monetary fines from the Regulators ▪ Avoiding any unfavorable/ negative news in the media 	<p>Financial & Reputational</p>
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RISK MANAGEMENT FRAMEWORK

Board's efforts for determining the company's level of risk tolerance by establishing risk management policies.

Risk Governance Structure

- Board of Directors
- Board Risk Management Committee (BRMC)
- Integrated Risk Management Committee (IRMC)
- Management Committees for Risks; including Central Credit Committee (CCC), Portfolio Management Committee (PMC), ALCO, Operational Risk Management Committee (ORMC), Remedial Management Committee (RMC), IFRS-9 Steering Committee to oversee implementation of IFRS-9, and IT Steering Committee (ITSC) to review IS related matters
- Risk Management Function under the Chief Risk Officer (CRO) broadly covers Agri Credit Risk, Market & Basel, Enterprise Risk Management, Business Continuity Planning, Operational and Environmental Risk, Consumer & Program Lending Risk, Credit Administration, Special Assets Management, Information Security, Digital Risk and Strategic Projects and Quantitative Analysis
- Credit Risk Function under the Chief Credit Officer (CCO) covers risk heads under corporate, emerging corporate, international, and financial institutions

The Bank has a well-structured risk management framework which is based on three lines of defense; business and support functions directly involved in risk taking activities constitute the first line of defense, Risk and Compliance, being the second line of defense, are responsible for ensuring policies, procedures and limits are within strategic objectives and regulatory requirements, and audit function plays an independent part for overseeing as the third line of defense.

Inadequacy in the capital structure and plans to address such inadequacy

The Bank is not facing any kind of inadequacy in the capital structure and has capital adequacy over and above the regulatory requirement.

Information about default in payment of any debts and reasons thereof

There were no defaults in the payment of any borrowing / debt during the year. The Bank has sufficient liquidity to fulfill all its commitments.

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America

IT'S ALL ABOUT YOU!

In the United States, people learn to manage their money independently from a young age. Credit cards and loans are commonly used to make purchases to maintain a certain lifestyle, and saving for retirement is a common financial goal.





Corporate Governance

CORPORATE GOVERNANCE

Role & Responsibilities of the Board

Role, responsibilities, prohibitions and restrictions relevant to the directors of JS Bank Limited, as contained in the existing laws and regulations have been prepared, and approved by the Board as Directors' Handbook.

The Board is responsible for formulating goals and strategies for the Bank. It is also responsible to define and determine policies of the Bank regarding the execution of its functions and approve internal rules for implementation. The formulation of clear objectives and policies provides a framework for the Management to work within defined parameters. The Board also helps to set priorities for the Bank. One of the key functions of the Board is to monitor the performance of Senior Management and its function.

Sub-Committees of the Board

The Board establishes its sub-committees to discharge its responsibilities. For each sub-committee, the Board adopts formal Terms of Reference setting out the matters relevant to the composition, roles, functions, responsibilities, and administration of such committees. All the Board Sub-Committee meetings are held sufficient number of times in a year to discharge their duties.

The Board presently has the following sub committees

1. Board Audit Committee
2. Board Risk Management Committee
3. Board Human Resource, Remuneration and Nomination Committee
4. Board IT Committee

All the Board Sub-committees have access to the appropriate external and professional advice if needed to assist the committee in fulfilling its role.

Annual Evaluation of the Board's Performance

The Board of Directors of JS Bank sets the Bank's strategic direction and ensures that the organization stays true to this direction - enabling it to achieve its long-term objectives while ensuring regulatory

compliance. The Board to discharge fiduciary responsibility of safeguarding the stakeholders' interests, a formal and effective mechanism is put in place for an annual evaluation of the Board's own performance, members of the Board and of its sub-committees as required by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan.

The Board of Directors of JS Bank is enriched with skills, core competencies, diversity, experience, and knowledge and at the same time committed to strong corporate governance to protect the overall interests of the Bank and its stakeholders. The Board continually reviews the Bank's financial and operational soundness, governance, internal controls, and significant policies as per regulatory requirements. Further, sub-committees were constituted with a prescribed mandate and respective terms of reference.

In line with the Best Practices of Corporate Governance, the Board has conducted a self-evaluation exercise on an annual basis by engaging Grant Thornton Anjum Rahman Chartered Accountants (GT) as an external facilitator which has a team of qualified consultants to conduct board evaluations for companies and banks. The Board of JS Bank in compliance with SBP's Guidelines on Performance Evaluation of the Board of Directors and Listed Companies (Code of Corporate Governance) Regulation, 2019 has conducted its self-evaluation for the year 2023 by engaging GT. The evaluation covered various aspects of the performance of the Board including but not limited to the Board Sub Committees, CEO & Chairman, etc.

The evaluation was carried out using a quantitative method, based on subjective assessment, and was conducted via questionnaires developed by the consultants.

The quantitative technique has the advantage of being specific and measurable. The measurement scale used in JS Bank's Board evaluation is the summated rating depending on how strongly they agree or disagree with a given statement. The use of this method ensures specific and measurable data that can be benchmarked over time.

Role & Responsibilities of the Chairman

The Chairman of the Board of Directors is responsible for leadership of the Board of Directors and for ensuring that the Board plays an effective role in fulfilling its responsibilities. The Chairman's role entails the following:

- Preside as the Chairman at general meetings of the Bank.
- Set the agenda of the Board meetings and ensure that reasonable time is available for discussion of the same.
- Ensure that the minutes of the meetings truly reflect what transpired during the meeting.
- Ensure that the minutes of the meetings are kept in accordance with the requirements of the law.
- Ensure that the Board discharges its role effectively and swiftly in line with regulatory requirements.

Role & Responsibilities of the President & CEO

The President & CEO's role constitutes an absolutely engaged position, demanding complete involvement and shepherding of the organization. The role entails the following:

- Ensure execution of the strategy developed by the Board.
- Effectively allocate and manage organizational resources and budgets to ensure the achievement of short and mid-term objectives that contribute to the achievement the long-term strategic goals.
- Establish a system of checks and controls to supplement the growth of the Bank.
- Provide liaison between the Board of Directors and the Bank's Management to ensure placement of managerial efforts with the Board's directives.
- Encourage a culture of professionalism and high ethical standards within the Bank.
- Facilitate an organizational culture of development of innovative products and services to meet the growing needs of a diverse range of customers.

Board's Performance Evaluation

Grant Thornton Anjum Rahman Chartered Accountants (GT) carried out Board's Performance Evaluation.

Formal Orientation Courses for Directors

The Board members are regularly provided with an update on new applicable laws, rules, and regulations including amendments made thereto to apprise them of their powers, duties, and responsibilities. At the time of induction of a new director, he/she is provided with detailed written material in the shape of extracts from relevant laws, rules & regulations on the role and responsibilities of the Board of Directors.

Directors' Training

The directors on the Board are fully conversant with their duties and responsibilities as directors of the Bank. Out of seven directors, four directors have completed Director's Training Program and one director of the Bank is exempted from the requirement of the Directors' Training Program. Whereas the remaining newly appointed directors will be certified in due course.

The Bank has an effective system to carry out orientation for its directors to acquaint them with the code, applicable laws, and their duties and responsibilities to enable them to effectively govern the affairs of the Bank for and on behalf of shareholders.

Directors' Remuneration

The Bank has formal Directors' Remuneration Policy for non-executive directors including independent directors, which has been approved by the shareholders.

The remuneration of directors is fixed by the Board of Directors in accordance with applicable laws. The remuneration for attending meetings of the Board and/or Board Committees is within the scale as is reasonably determined by the Board of Directors, provided that Executive Director shall not be paid any remuneration for attending Board/Board sub committee's meetings.

Security Clearance of Foreign Director

In accordance with the regulatory requirements clearance of foreign director(s) is being obtained from the Interior Ministry, Government of Pakistan.

Board meetings held outside Pakistan

None

Policy for Actual and Perceived Conflict of Interest

The Bank has an effective system in place to deal with conflicts of interest relating to the Board members. Under this mechanism, any director who has a business or other interest in a matter being presented at a Board meeting does not participate in either the discussion or the decision on that matter. The procedure to handle conflict of interest in the Board meetings is followed strictly and no breach occurred during the year.

Investors' Grievance Policy

At our Bank, we have established a separate Customer Experience division that oversees various aspects of our operations, including Voice, Chat & SMS, Customer Care Unit, Business Conduct, Branch Services & Customer Insights. These divisions are dedicated to gaining a deeper understanding of our customer's needs and ensuring the highest level of customer satisfaction and service quality.

We take great pride in our commitment to customer satisfaction and service excellence. Through our Customer Experience division, we strive to create a positive and seamless banking journey for our valued customers.

The primary goal of our Customer Experience division is to continuously enhance the knowledge of our customers and evolve our products and services up to their expectations. By doing so, we can tailor our services to meet their specific needs and provide them with a superior banking experience.

As part of our commitment to ensuring customer satisfaction, we conduct mystery shopping and surveys to gauge the level of our customers' experience with our grievance handling procedures. Our Branch Banking Service Quality team conducts regular Branch Visits to evaluate Customer Centric attributes which enables us to continuously enhance our Service Quality Standards.

We firmly believe in the importance of continuous improvement, and therefore, corrective actions are implemented from time to time to overcome any weak service areas identified through these evaluations.

At JS Bank, we place great emphasis on maintaining fairness during customer interactions, fostering clear and open communication, nurturing a service-oriented culture, and upholding a robust grievance-handling mechanism. These elements are paramount to us as we strive to provide the highest level of service to our valued customers.

We have expanded our reach by utilizing different platforms to disseminate this material. We have posted relevant content on social media platforms, SMS messages, In-app notification and also utilized email direct messages (EDMs) to communicate with our customers. By employing these channels, we aim to provide a wider audience with access to our recourse mechanism.

The Customer Experience team is committed to training our staff, specially our front-line teams. Customer Experience has designed an extensive training module namely STOP (Service Trainee Officer Program) to train them on our Quality Standards, Grooming, & Etiquettes, Branch Service Index (BSI), Fair Treatment of Customers, and Conduct Assessment Framework (CAF). Additionally, Customer Experience in coordination with Learning & Organizational Development (L&OD) has developed an extensive Gamified E-module on Fair Treatment of Customers (FTC).

Keeping our Green Banking Initiative in focus, Customer Experience adopted QR Codes for Schedule of charges (SOC), Surveys, Feedback, and our Touchpoints which helps us reduce significant usage of paper & carbon emissions.

Investors may speak with the Company Secretary or go to the Bank's official touchpoints at <https://jsbl.com/touchpoints> to express their complaints (against any stakeholder):

Company Secretary

JS Bank Limited 1st Floor Shaheen Commercial Complex,

Dr Zia Uddin Ahmed Road, Karachi, Pakistan.

Contact Number: +92 (21) 111 572 265 Ext: 7576

Investors can visit the SECP service desk management at <https://sdms.secp.gov.pk/sdmsadmn/> to file a complaint.

Whistle Blowing Policy

Whistle blowing policy was established to receive and handle complaints in a fair and transparent manner and providing protection to the complainant against victimization. Disclosure of such incidences reported to the Audit Committee during the year.

HR has clear Disciplinary action procedures, according to which Disciplinary Action Committee explicitly handles all disciplinary related cases in a fair and transparent manner via a standard process to ensure prompt, consistent and fair treatment for all employees. It aims to provide bank's employee a fair, clear and useful tool for correcting performance problems.

All employees (full-time, part-time, adhoc, temporary, contract staff, interns and secondees) and outside parties are expected and encouraged to escalate any actual or suspected irregularities, financial malpractices, frauds, forgeries, and improper conduct to any/ all of the following for their attention and appropriate action:

- Head of Human Resources (HoHR).
- Chief Compliance Officer (CCO).
- Chief Internal Auditor (CIA).

The Bank has made necessary arrangements to provide safe, secure, and confidential reporting channel(s)/ mechanism and implemented a whistleblowing program so that employees and outside parties may escalate their concerns without fear of reprisal or adverse consequences.

Where whistleblower chooses to reveal his/ her identity, reasonable efforts are made to ensure confidentiality of the whistleblower's identity (unless otherwise required by law or regulatory authority) to prevent discrimination or victimization.

The whistleblower report may be shared with relevant stakeholders (for review, investigation, and appropriate action) strictly on need-to-know basis without disclosing the identity of the whistle-blower.

HoHR, CCO, and CIA take appropriate measures to protect the whistle blower from discrimination and/ or victimization.

The Internal Audit provides summary findings on significant whistleblowing cases to the BAC on quarterly basis.

The BAC reviews the effectiveness of whistleblowing procedures for receiving (through internal or external sources) complaints/concerns. Further, The BAC ensures that such concerns are treated confidentially, and the reporting employee(s) are protected and not penalized in any manner and employees remain aware of existence of such procedures and encouraged to be a 'whistle blower'.

Related Parties Policy

Transactions with Related Parties are a normal feature of trade, commerce and business. JS Bank's Policy ensures that transactions between the Bank and its Related Parties are based on principles of transparency and arm's length pricing. The Bank ensures that it meets its obligations under The Companies Act 2017, The Banking Companies Ordinance 1962, Prudential Regulations of SBP, Code of Corporate Governance, Rule Book of

Pakistan Stock Exchange, applicable International Financial Reporting Standards and International Accounting Standards and relevant guidelines and directives while entering into and reporting transactions with Related Parties. Facilities extended to Related Parties should be at arm's length basis and on normal terms and conditions applicable to other borrowers of JSBL. Further, JSBL ensures that the standards are not compromised in such cases and market rates are used while extending facilities to the Related Parties.

The details of all Related Party Transactions are placed before the Board Audit Committee and upon recommendations of the Committee, the same shall be placed before the Board for review and formal approval.

In the financial statements, which are appended to this Annual Report, the Bank has included adequate disclosures regarding Related Party Transactions while maintaining required protocols.

Business Continuity Plan

The Bank has a Board of Directors' approved Business Continuity Planning Framework clearly documenting the roles and responsibilities of each stakeholder. This framework is well implemented, and regular testing are undertaken to ensure that key functions of the Bank can continue their operations from alternate processing site(s) in case the primary site(s) are not accessible or available.

For technology side, Bank has Disaster Recovery Plan (DRP) under the ownership of Information Technology Group which ensures high systems availability (or near zero system downtime) for critical systems. Bank has a dedicated disaster recovery site that is geographically separated from the primary site to enable the restoration of critical systems and resumption of business operations in case of disruption at the primary site.

REPORT OF THE AUDIT COMMITTEE

The Board Audit Committee comprises of three non-executive directors including two independent directors, one being Chairman of the Committee. The Committee members as a whole possesses rich diversified experience at various strategic positions which provides the Committee significant economic, financial, and business strength for better oversight, supervision, monitoring and control.

The Committee assists the Board to effectively carry out its supervisory oversight responsibilities on financial reporting, compliance, risk assessment and internal controls. The Committee discharged its duties and responsibilities in accordance with the Terms of Reference (TOR) as approved by the Board of Directors, requirements of the Code of Corporate Governance and other directives issued by the State Bank of Pakistan (SBP).

- The Committee ensures the Internal Audit Function of the Bank equipped with the necessary financial, human, operational, physical, and technological resources to carry out its mandated responsibilities.
- The Committee approves annual risk-based internal audit plan as part of risk assessment process.
- The Committee oversees the activities of Internal Audit Function in accordance with the Internal Audit Charter duly approved by the Committee and ensures its independence in the organizational structure.
- The Committee ensures that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective.
- The Committee reviews the Bank's statement on internal controls prior to endorsement by the Board of Directors.
- The Committee reviews and reports to the Board any significant matter(s) identified by the Internal Audit Function / External Auditors that warrant Board's immediate attention.

- The Committee reviews and recommends the annual financial statements and interim financial information of the Bank to the Board of Directors for approval.
- The Committee recommends appointment of External Auditors of the Bank.
- The Chief Internal Auditor (CIA) shall report functionally to the Audit Committee and administratively to the Chief Executive Officer. The overall staff strength of the Internal Audit shall be decided by the Audit Committee based on network and business volume requirements.

Meetings of the Committee

The meetings of the Committee are held to assess overall risk management and control environment of the Bank, review activities of Internal Audit Function and the actions taken by Business and Support Groups for implementation on the Committee observations. During the year, four meetings of the Committee were held and following matters (including significant matters) were discussed:

- Review and approve Risk Based Annual Internal Audit Plan.
- Review Quarterly Report on Internal Control System and significant findings. In addition, review the management's action plan to ensure that audit observations/ recommendations receive proper and timely attention by the senior management.
- Review the annual independent assessment / opinion of CIA on the state of Bank's internal controls based on the audits conducted over the period.
- Review of quarterly, half yearly and annual financial statements; prior to their approval by the Board of Directors.
- The Committee oversight and periodically review the ICFR system for effective implementation and its continuous up-gradation.
- Review the Management Letter issued by the External Auditors and Management's response thereto.

- Recommend to the Board of Directors the appointment of External Auditors.
- Review Quarterly Activity Report of Compliance.

Upon satisfactory completion of all the stages of SBP's guidelines on Internal Controls over Financial Reporting (ICFR) roadmap, SBP has granted exemption to the Bank from the submission of a Long Form Report (LFR) by external auditors.

Internal Controls Framework and Role of Internal Audit Function

The Board of Directors has promulgated policies for assessing the overall effectiveness of the internal control environment. It is the responsibility of senior management to evolve systems and procedures that ensure overall comprehensive controls in the light of Board of Directors guidelines.

To ensure effective management of risk, the governance structure of internal control functions at the Bank consists of three levels of defense. The first line of defense is the business itself which owns its risks, including its operational risk and is responsible for its management. The second line of defense is the oversight provided by the Risk Management, Compliance and control functions who identify and assess risks impacting existing and new business initiatives, coordinate risk mitigation with risk specialists and business, and then report and escalate it to the Risk Management Function for appropriate corrective measures. The last line of defense is an independent and effective Internal Audit Function which reviews the effectiveness and adequacy of internal controls and continues to monitor compliance with policies and procedures.

The Board of Directors is regularly kept up to date about the state of compliance through the Board Audit Committee. As a priority, all significant and material findings of the internal and external auditors and regulators are addressed by the management ensuring that appropriate corrective actions have been implemented.

The Bank diligently follows SBP's Guidelines on Internal Control to evaluate the effectiveness of the overall set of internal controls including financial reporting controls. A detailed documentation of bank-wide processes and controls has been completed. Furthermore, the Bank has developed a comprehensive management testing and reporting framework for ensuring operating effectiveness of key controls, and has significantly addressed the identified design improvement opportunities.

SALIENT FEATURES OF BOARD COMMITTEES' TOR

Board Audit Committee (BAC)

The Audit Committee shall review the effectiveness of the Bank's internal control and operational controls, integrity, and adequacy of financial reporting and appraise the audit efforts of the Bank's external auditors and internal audit function (IAF); and review the Bank's process for monitoring compliance with relevant laws and regulations.

- Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof.
- Consideration of any issue or matter as may be assigned by the Board of Directors.
- Report to the Board any significant matter(s) identified by the IAF / External Auditors that warrant Board's immediate attention.
- Review of BAC performance on annual basis against the defined roles & responsibilities.
- Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective.
- Determination of appropriate measures to safeguard the Bank's assets.
- Determination of compliance with relevant statutory requirements.
- Review the Bank's statement on internal controls prior to endorsement by the Board of Directors.
- Consider and approve the Internal Audit Charter.
- Review and approve Risk Based Annual Audit Plan.
- Review scope and adequacy of IAF and ensure that IAF has adequate resources and is appropriately placed within the Bank.
- The BAC shall ensure that IAF remains equipped with the necessary financial, human, operational, physical, and technological resources to carry out its mandated responsibilities.
- Review major findings of special reviews, internal and external frauds, internal control deficiencies and significant audit issues, and ensure audit recommendations have been effectively implemented.
- Review action taken by Business and Support Groups for implementation of Audit Committee observations on issues deliberated in Committee meetings.
- The BAC shall formulate and document 'Key Performance Indicators' (KPIs) for CIA and evaluate his/her performance against the set KPIs on annual basis.
- Consider and recommend to the Board regarding promotions, increments and rewards for Chief Internal Auditor (CIA).
- The BAC shall ensure independence of any investigations/disciplinary actions against CIA and Internal Auditors.
- Review quarterly, half-yearly and annual financial statements of the Bank, prior to their approval by the Board of Directors and any announcements to be made in the public domain with regard to these accounts.
- The committee shall review the Related Party transactions and recommend the same for review and approval by the Board of Directors.
- Consider annual review report on the Bank's Internal Controls over Financial Reporting (ICFR) for effectiveness and efficiency of Financial Reporting.
- Recommend to the Board of Directors the appointment of External Auditors and consider any questions of their resignation or removal, audit fees and provision of other services in addition to audit of financial statements.
- Discuss with External Auditors, major

observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary).

- Review the Management Letter issued by the External Auditors and Management's response thereto.
- Ensure coordination between the Internal and External Auditors of the Bank.
- Compliance Department shall periodically, on quarterly basis, report to the Board Audit Committee on the Bank's management of its compliance risk and identified gaps, in such a manner as to assist the Committee to make an informed judgment on whether the bank is managing its compliance risk effectively. Compliance Risk to include risks emanating from Money Laundering (ML) / Terrorist Financing (TF), AML/CFT obligations and its allied elements.
- Audit Committee is a committee of Board of Directors of JS Bank Ltd from which it derives its authority and to which it regularly reports. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention, with full power to retain outside counsel or other experts for this purpose.

Board HR Remuneration & Nomination Committee (BHRRNC)

- Recommending Human Resource management policies to the Board
- Review and recommend to the Board selection, evaluation, compensation, increments, performance bonuses, succession planning, fringe benefits including service end benefits of the Executive Directors, CEO, Key Executives and any other employee or group of employees institution wide (as required by the Board).
- Consideration and approval on recommendation of CEO on such matters for key management positions who report directly to the Chief Executive Officer or Chief Operating Officer or Deputy Chief Executive Officer.
- The Committee shall assess whether the remuneration policy is aligned with the significant regulatory requirements including Guidelines on Remuneration Practices issued by the State Bank of Pakistan (SBP). The review may focus on the following:
 - Criteria for identification of personnel who may subject the Bank to significant risks i.e. Material Risk Takers (MRTs) and Material Risk Controllers (MRCs).
 - Remuneration principles including concept of fixed and variable remuneration, risk adjusted balanced scorecard mechanism to ensure alignment of remuneration with long-term and short-term business objectives of the Bank and incorporate necessary risk adjustments.
 - Major types of risks and how these are taken into account for determination of risk adjusted compensation.
 - Separate structures of remuneration for MRTs and MRCs.
 - Review of scorecards for MRTs and MRCs and their performance evaluation mechanisms.
 - Criteria for determining the variable portion of remuneration to be deferred, the period of deferral for different types and levels of employees identified as MRTs or MRCs and payout structure of deferred remuneration.
 - Ensure that institution wide remuneration policy should take into account all cadres of employees. The remuneration policy should specifically take into account the pay-gap between the highest paid and the lowest paid employees, across various levels as well as across the organization.
- Review the Bank-wide program for implementation of Guidelines on Remuneration

Practices, including necessary awareness and change management initiatives, review, progress against roadmap for onward reporting to State Bank of Pakistan (SBP).

- Review the remuneration policy and remuneration setting mechanism at least once every three years. Amongst other factors, the review of remuneration framework may include but not limited to the effectiveness of remuneration policy and mechanism.
- Review and obtain approval for fixed and variable compensation pools from the Board of Directors.
- Approve development of a fund for deferred compensation pool management and monitoring progress there against.
- Role of BHRRRC in facilitating enablement of Internal Audit and Compliance role in implementation reviews, as per Guidelines on Remuneration Practices.
- Receive and consider information from the Bank's risk management, compliance and internal audit functions, to assess the appropriateness of the compensation system relative to the organizational goals and risk profile of the Bank.
- Grievance handling & Disciplinary Action Policy
- Guidance for performance management, annual increment and employee recognition programs.
- Monitoring the utilization of training and development budget, and implementation of approved training and development policy.
- Review and approval of Provident Fund, Gratuity Fund policies and any other separation benefits or schemes.
- Those matters wherein ratification/ approval of the Board will be required, the Secretary BHRRRC with the approval of its Chairman shall forward Memoranda to the Company Secretary for placing before the Board of Directors.
- Ensure implementation of all Risk Management Policies approved by the Board and subsequent monitoring thereof. Periodically oversee updating of the risk policies based on changing business requirements as well as SBP guidelines, and recommend to the BoD for approval.
- To review Risk Appetite Statement and Internal Capital Adequacy Assessment Process and recommend the same to the Board.
- Advances Portfolio Reviews including NPLs, remedial actions and strategy for the same.
- To review / approve list of shares and margins to be accepted as collateral for Financing Against Shares (FAS). Also to approve / ratify any exceptions to existing FAS requirements as laid down in Credit Policy of the bank.
- Review / Approve Sector / Industry Concentration guidelines for the overall credit portfolio of the Bank;
- To approve / ratify credit bulletins issued by the RMG and the President/CEO from time to time, for effective implementation of Credit Policy / Risk Management Framework;
- Review and approve the Market / Liquidity limits as recommended by ALCO / IRMC / CCC as and when required.
- Review operational risks snapshot that covers significant issues escalated from IRMC/ORMC/ ALCO.
- Review Information Security status report and risks including any strategy, policy and action items. Policy changes to be recommended to the BoD for approval.
- Review and recommend IFRS-9 Policy, ECL model and any change in SICR criteria.
- Review the risks and other relevant matters with respect to Digital Financial Services including overseeing effectiveness of the Digital Fraud Risk Management Unit.

Board Risk Management Committee (BRMC)

- Review Risk Management Policies and recommend for approval by the Board of Directors (BoD).
- Delegation of powers to the President / CEO & Chief Risk Officer to appoint credit officers, based on their experience and ability to understand associated risks while approving credit.

- Review any other risk related matters / regulatory changes that warrant discussion at the committee.

Board IT Committee (BITC)

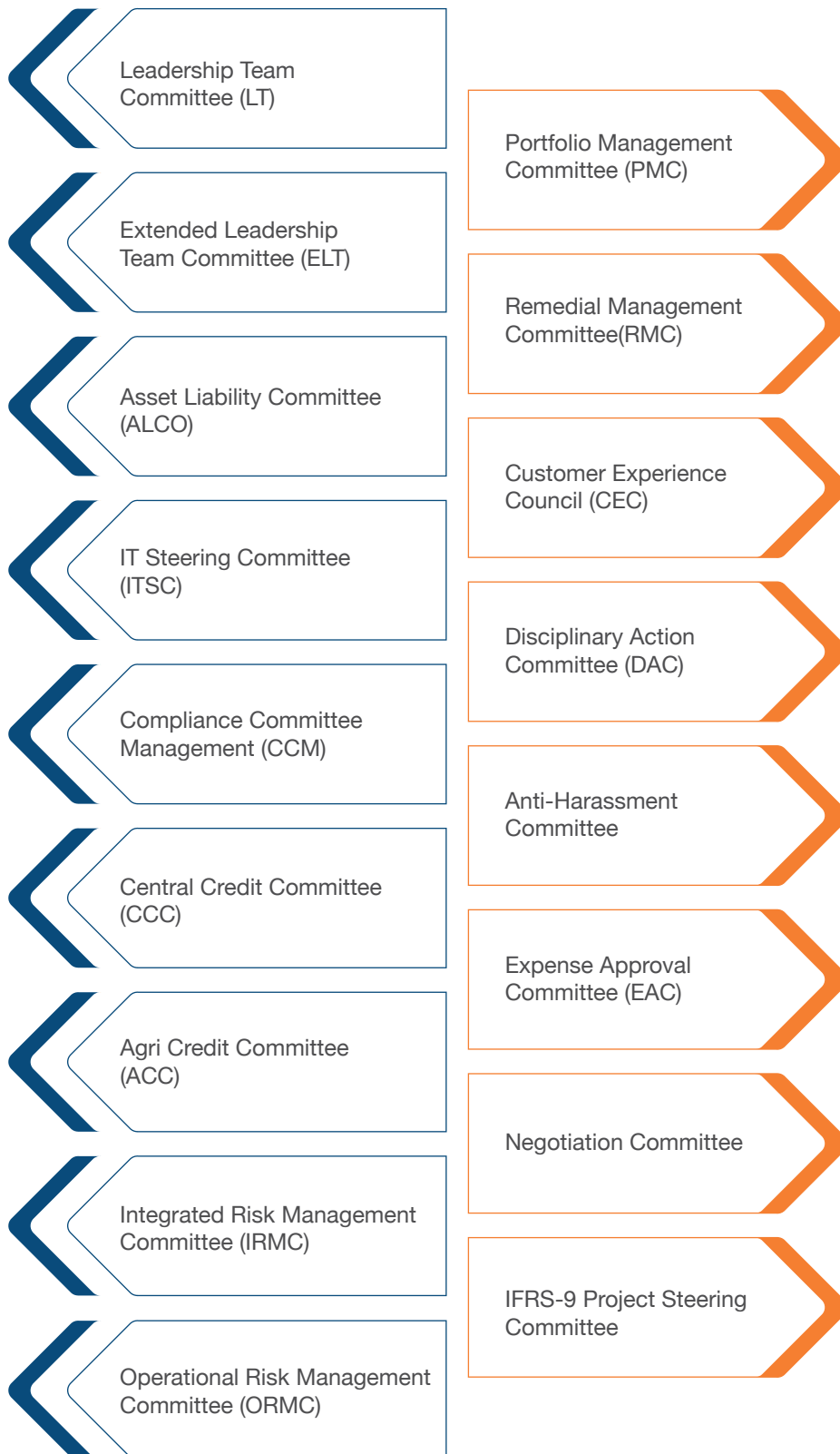
The Board IT Committee shall be mainly responsible for advising and reporting to the Board on the status of technology related activities, major IT projects and digital initiatives within JS Bank including but not limited to the following:

- To review IT and Digital strategies and relevant policies before submission to the Board and make recommendations for strategic decisions on IT related matters.
- To review progress and implementation of the IT Strategic Plan and deliberate changes to it, as and when required.
- To ensure the alignment of IT strategy with business strategy, optimization of resources,

value delivery and performance measurement to achieve business objectives and effective technology risk management.

- To ensure that risk management strategies are designed and implemented which have the capability to respond to wide-scale disruptions, including cyber-attacks and attacks on multiple critical infrastructure sectors
- To review progress and implementation of various IT projects
- To make recommendations on major IT investment decisions and ensure that investments are aligned with IT Strategy approved by the Board.
- To review and approve cloud-based outsourcing arrangements in line with the policy approved by the Board of Directors.
- To review and approve TORs of IT Steering Committee

MANAGEMENT COMMITTEES



IT GOVERNANCE

Technology governance is an integral part of Bank's corporate governance framework consisting of the leadership and organizational structures to ensure the alignment of IT strategy with business strategy, optimization of resources, value delivery and performance measurement to achieve business objectives and effective technology risk management. It is now recognized that technology plays a pivotal role in improving corporate governance and in this context, the need to govern technology and technology enabled business developments to have never been so greater.

A comprehensive enterprise technology governance framework based on prudent practices can help bank in better development of innovative products and services by enabling them to manage technology issues and identify, measure, mitigate, monitor and report technology-based risks and threats. The underlying principle for an enterprise technology governance framework is that technology requirements of an institution follow a pre-defined process that begins with a business need and ends with a technology solution that conforms to the policies approved by the board of directors and senior management. As such, technology governance is an ongoing activity that shall not be considered a onetime effort in the fast-changing technology environment.

The purpose of the technology governance framework is to evaluate the current and future use of technology, direct the preparation and implementation of plans and policies to ensure that use of technology meets business objectives and monitor compliance to policies and performance against the plans. The basic principles of strategic alignment of IT and the business, value delivery to businesses, risk management, resource management (including project management) and performance management shall form the basis of this technology governance framework. Technology governance framework shall be closely aligned with Bank's corporate governance framework and shall cover, among other things, policies and procedures to provide oversight and transparency in the use of technology. Bank is encouraged to adopt relevant aspects of international standards/best practices for effective and efficient enterprise technology governance.

Scope

Technology governance aims at fully aligning technology and business strategies with each other so that technology risks are identified and controlled as part of the enterprise risk management process. It spans the culture, organizational policies and procedures which provide oversight and transparency to optimize the costs and enable trust, teamwork and confidence in the use of technology itself and the people trusted with technology services. Therefore, the processes for technology governance need to be integrated with the bank's overall corporate governance framework.

The evolving role of technology and automation in the banking services sector has become increasingly complex. Bank employs the advances in technology which drives the efficiency of operations and financial soundness of these institutions by improving overall decision-making process. As technology becomes an integral part of the business and operations of financial institutions, such technology usage and dependence, if not properly managed, may heighten various risks. Bank has developed this policy aimed to enable themselves to keep abreast with the aggressive and widespread adoption of technology. An IT governance framework comprises definitions, principles and a model for governing IT. The board should govern IT through two main tasks: a) Evaluate the current and future use of IT, including strategies, proposals and other arrangements (internal, external, or both). b) Monitor the performance of IT against plans and business objectives; and, that the use of IT conforms to internal policies and conforms to external obligations (regulatory, legislation, common law, contractual).

This Policy suggests guidelines for defining the roles and responsibilities pertaining to Information Technology throughout the bank. A comprehensive IT Governance Framework shall enable bank to evaluate the current and future use of IT, direct the preparation and implementation of plans and policies to ensure that use of IT meets business objectives and monitor conformance to policies,

and performance against the plans. IT Governance framework entails an IT strategy, organizational structures, roles of the board and senior management and IT policy framework.

Broadly an enterprise IT Governance Framework of the bank shall aim to achieve the following institutional objectives:

Strategic Alignment – Alignment of the strategic direction of IT with the business with respect to services & projects and verifying strategic compliance, i.e. achievement of organizational objectives through strategic IT objectives.

Benefit Realization (Value Delivery) – Ensuring that IT delivers the promised benefits against the strategy, concentrating on optimizing costs & proving the intrinsic value of IT. Bank's IT processes with IT portfolio management shall provide effective and efficient delivery of the IT components of programs and early warning of any deviations from plan, including cost, schedule or functionality that may impact the expected outcomes of the programs. It shall be ensured that the expected business outcomes of technology based investments are understood; that comprehensive and aligned business cases are created and approved by stakeholders; with active management of the benefit realization; and efforts required in objectives are achieved.

HUMAN RESOURCE MANAGEMENT POLICIES

Our HR policies provide written guidance for all our management on how to handle a range of employment issues. They play an important role in practically and effectively implementing our HR strategy. They also provide consistency and transparency for employees and managers, helping to enhance the psychological contract and create a positive organisational culture.

As all transformations primarily start and are dependent on its people, at JS Bank, we developed the People Strategy to play a fundamental role in making JS Bank, The Bank of Choice for both our customers and our employees.

The People Strategy was directly linked to our Business Strategy and set the direction for all the key areas of HR, including sourcing, hiring, onboarding, performance management, learning & development, talent management, succession planning and reward & recognition. One of the key pillars realized for the People Strategy was to hire Right Person for the Right Role. This is being achieved by efficiently planning our workforce capacity, initiating competency-based assessments for key job roles and improving Candidate Experience. Further to sustain the strategy, values driven culture was invigorated by assigning the central leadership with the task of creating a humanistic workplace.

SPEAK UP POLICY

Overview

JS Bank is focused on consistently working at the best standards to conduct our activities and business. Integrity is our core value and ingrained in all our business conduct. We endeavor to acquire and maintain the trust of all our stakeholders-employees, customers and partners by serving and managing them professionally and ethically. Speak up policy is established to receive and handle complaints in a fair and transparent manner and provide protection to complainant against victimisation.

Purpose

The policy provides a channel to Bank's staff and external parties such as shareholders, vendors, customers etc. for raising concerns/complaints about internal business practices that are inconsistent with generally accepted accounting

principles, falsification, alteration or substitution of Bank records, violation of JS Bank's Code of Conduct including: conflicts of interest, Inaccuracy of books and records, insider trading, Collusion with Competitors, money laundering, failure to comply with the various compliance programmes of the Bank, authorising, directing or participating in serious breaches of Bank policy, deliberately failing to report serious breaches of policy, concealing such breaches, or deliberately withholding relevant information concerning a serious breach, or any other wrongdoing without any fear of reprisal or adverse consequences. The objective of the programme is to address/resolve these concerns/complaints to prevent and/or detect improper activities for safeguarding the interest and reputation of the Bank and its stakeholders.

Reporting

All speak up incidences are reported to the Audit Committee during the year. HR has clear disciplinary procedure policy according to which Disciplinary Action Committee explicitly handles all complaints in a fair and transparent manner via a standard process to remove all kinds of biasness and ensure victims and witness's protection. This is also supported by Grievance Redressal and Harassment at Workplace policies.

Protection of Whistle Blowers

As a critical element of the policy, reporting employees are provided with complete confidentiality and security. No adverse employment action, e.g., termination, lower appraisal rating, etc., shall be taken against the whistle-blower employee in retaliation for reporting the incidents on impropriety falling within the scope of Code of Conduct and Whistle-blowing Policy/ Process. In line with the policy guidelines, employees are encouraged to remain vigilant and in case of detecting any abnormal/in appropriate/criminal matter, immediately report the same.

Incentives for Whistle Blowing

Complainant may be awarded spot award (monetary) and recognition, depending upon the nature and gravity of the concerns/complaints.

Diversity & Inclusion policy

JS Bank seeks and values diversity among its employees, recognising that a mix of people enriches our Bank and is essential to creativity and business growth. As a bank, we are committed to equal employment opportunity and unbiased treatment of all individuals based on job-related qualifications and without regard to race, color, gender, age, national origin, religion, creed, sexual orientation, gender identity, marital status, citizenship, disability, veteran, status or any other basis prohibited by law. Our people are expected to support the Bank's commitment to diversity and equal employment opportunity. At JS Bank, diversity and inclusion are at the core of our culture. We have made sure to entail to every aspect on our journey when it comes to diversity and inclusion. Be it for women empowerment, people with disabilities or different religious beliefs and background, we have been the ambassador of equity in rights for everyone. It is our priority to bring in programmes to ensure diversity is not only mentioned in words, but in spirit and action. We collaborated with NOWPDP to not only train but hire a batch of people with disabilities into our workforce, making sure they have same responsibilities and same rights as other colleagues. We are the first Bank in the market to establish such a standard, along with ensuring our culture is sensitised and inclusive for dealing with them on a regular basis. For women, we are doing multiple initiatives including but not limited to Reboot-for females returning to work after career break, lean-in, and creating a digital eco system to enable female entrepreneurs to enhance their business reach and potential, allowing them spaces to grow and earn. We make sure to celebrate every occasion with our people, be it Eid, Christmas, or Diwali. We cherish each of our colleague and do not stay apart from making them feel special. We also won the Global Diversity and Inclusion Award 2020 and 2021 for all our diversity initiatives and policies.

Code of Conduct and other Ethical Values Promoted by the Board

The Code of Conduct is designed to guide the personal business ethics of JS Bank. It applies to every employee of JS Bank. Employees are expected to read the document promptly upon receiving it and embracing it into their daily conduct. At JS Bank, we earn the trust of our customers, regulators, investors and each other by

always acting with integrity and holding ourselves to high standards. Acting according to our Code of Conduct is vital for us to be a Bank that achieves sustainable success. In addition to the ethical guidelines included in the Code, employees must comply with the requirements of all applicable laws and regulations. This is mandatory for everyone and is not subject to business priorities or individual discretion. We aim to create an environment in which "speak up" and challenge are not just welcomed and respected, but are also a core part of our responsibilities, especially where actions or failures to act are inconsistent with this Code.

Our Values

Integrity – We earn the trust of our customers, other stakeholders, communities and each other by acting with honesty and integrity and holding ourselves to high ethical standards. We seek to maintain open, credible, constructive and transparent relationships between ourselves, our customers and with our regulators.

Customer centricity – We place customers at the center of our activities. To be successful, we must understand the rapidly changing needs of our customers. We aim to provide solutions to support them in value creation. In providing our services, we aim to exceed their expectations from what we promise and treat them fairly.

Teamwork – Teamwork enables individuals to achieve bigger goals which foster a culture of trust and support. We believe in supporting each other and putting team before individual performance. We respect diversity and promote inclusion.

Professional excellence – We have a persistent commitment towards excellence. Our Bank is committed to generating sustainable value by responsibly balancing risks and returns, and by putting long-term success over short-term gain. We do so by implementing and creating abundance of choice for customers.

Innovation – We continuously embrace new and better ways of doing things while taking account of potential risks. Innovation is essential to our success, as it gives us an edge in implementing new ideas, refining services and creating dynamic products leading to business growth by effectively adapting the evolving marketplace

Other initiatives taken by HR including representation / inclusion of persons with disabilities

JS Bank joined hands with NOWPDP—a non-for-profit organisation working to create inclusion for People with disabilities in the business community. Via this collaboration, we made explicit commitment to sustainable and transformative progress on disability inclusion across the organisation, and to embrace and empower people with disabilities. The initiative comprised of a comprehensive and wide-ranging policy on disability and an action plan, which served as the primary framework for implementation. We termed this project URAAN—an initiative to embrace and empower people of determination.

1. **Policy review:** We started with review of our HR policy to ensure it is compliant to the rules and regulations of SBP, and equitable on grounds of representing PWDs. This was the initial step where we reviewed our employment policies and practices to determine where gaps may exist and find ways to create practices that advance diversity, equity and inclusion. The review also considered the international and local best practices. We now have a revised policy in place
2. **Sensitisation surveys:** In second step, a perception survey was rolled out to a diverse sample of organisation. The survey helped determine how disability is perceived by the employees of the organisation. This carved the way towards developing sensitisation training sessions. The survey was rolled out to a sample of 10% of the bank wide population, and responses were collected from a total of 241 people across various departments, grades, cities, gender, and multiple other demographic dimensions.
3. **Sensitisation sessions:** An important step in the program were sensitisation sessions. These sessions aimed at capacity building of our people to work with a diverse workforce, specially PWDs. These were built on the results gathered from survey and created awareness around communicating with PWDs in an apt manner, behavioral changes with respect to those with a disability, and how could they make operating procedures inclusive. We conducted a total of 6 sessions and trained 150 people from across the organisation.
4. **Role mapping:** We not only wanted to create awareness and let it go, instead we wanted PWDs to come in and join a culture that supports them. A subject area expert came in from

NOWPDP and we had a detailed discussion around onboarding PWDs into our workforce, starting with an internship programme. We discussed criteria and requirements that PWD interns would require to function and be productive, alongwith the job description most suited to their skills. Continuing to the same, our business partners collaborated with their businesses to identify multiple positions across departments where we would place these interns for an exposure of corporate world. Role mapping is what helped us understand the positions which could readily be taken up by PWDs and they could meaningfully participate in all levels of the organisation's workforce. We identified 25 roles.

5. **Persons with Disabilities (PWDs)** normally face severe limitations while accessing financial services offered by financial institutions because of a combination of physical constraints and perceptions about their abilities to handle financial matters. The need arose to make banking easy and convenient for them through supportive physical infrastructure, accessible products and services, assistive technologies, and supportive staff interactions. Keeping in view of the above and in line with State Bank of Pakistan's guidelines for Banking on Equality, 08 branches were selected pan Pakistan as PWD – Role Model branches. The purpose of these branches was not only to facilitate PWD customers but also to serve as model branches for our employees who face similar challenges. These branches were relocated / renovated to comply with PWD guidelines and were also equipped with interpretation services deployed through Connect Hear. Further, organizations such as NOWPDP were engaged for sourcing of potential candidates for each branch with similar challenges and provided them the platform to make and excel in their professional career.

Remuneration for MRTs

The compensation mix for MRTs is appropriately balanced and the amount of fixed remuneration is sufficiently high in order to ensure that the reduction of the variable remuneration down to zero would be possible.

Further, the variable remuneration of MRTs will be compensated on achieving the pre-determined qualitative and quantitative objectives considering the risk-adjusted performance and long-term health of the Bank. The qualitative factors may override the achievements of quantitative factors in order to discourage undue/excessive risk taking.

Remuneration for MRCs

The remuneration level of staff in the control and support functions/ MRCs allows the Bank to employ qualified and experienced personnel in these functions. The Bank ensures that the mix of fixed and variable remuneration for control and support function personnel is weighted in favour of fixed remuneration. The variable remuneration of control functions is to be based on function-specific objectives and is not determined by the financial performance of the business areas they monitor. This compensation structure is designed to ensure that objectivity and independence of these functions is not compromised.

Deferral of variable remuneration

The variable compensation of all MRTs, MRCs, and in case of Bahrain operations, approved persons (APs) is subject to mandatory deferrals and malus/ claw back in accordance with the below table:

Deferred variable remuneration is paid proportionately over the three years, even if the person is no more employee of the Bank (subject to the malus provisions).

Malus and Claw back

The Bank has devised malus and claw back provisions in the relevant policies that allows forfeiture/adjustment of paid variable remuneration in certain adverse business situations. Any decision to hold or claw back individual's award can only be made by the BHRRNC of the Bank as per events set out in detail in the Bank's remuneration framework and accountability framework.

Employees	Element of Variable Pay	Constitution	Vesting Period	Malus	Claw Back
MRTs	Upfront cash	70%	Immediate	-	No
MRTs	Deferred cash	30%	3 Years	Yes	No
MRCs	Upfront cash	75%	Immediate	-	No
MRCs	Deferred cash	25%	3 Years	Yes	No
MRTs and APs (Bahrain)*	Upfront cash	40%	Immediate	-	No
MRTs and APs (Bahrain)*	Deferred cash	60%	3 Years	Yes	Yes

* MRTs and approved persons earning over BHD 100,000 in total compensation.

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South Africa

STRENGTH IN NUMBERS!

In South Africa, the community is at the center of the financial mindset. Money is often shared among extended families and communities to support one another. You will also find informal savings clubs and groups like the "committees" you hear about in Pakistan.





Corporate
Social
Responsibility

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

PIONEERING GREEN INITIATIVES

JS Bank leads the way in driving sustainability initiatives across Pakistan. With a strong focus on combating climate change, we actively work towards creating positive environmental and social impact.

Green Banking

Our Green Banking Office ensures that environmental and social factors are considered in banking operations and decision-making processes. We are committed to identifying and addressing all social and environmental risks in addition to aiding our clients in identifying and managing these risks as well as reducing carbon footprints and social adverse actions

We are compliant with SBP's Green Banking Guidelines and have an Environmental and Social Risk Management Framework in place creating awareness towards social and environmental risks involved in the extension of credit and procedures and authorities which have been established to manage these risks.

Green Climate Fund

At JS Bank, we demonstrate an unwavering commitment to transformation by conducting institutional arrangements, streamlining systems, and shaping robust policies and procedures to solidify our track record of sustainable initiatives.

We hold the Green Climate Fund (GCF) accreditation, making us the first and only commercial to achieve this milestone. The accreditation gives us access to USD 250 Million in GCF Funding to execute and implement climate-resilient projects in both mitigation and adaptation result areas.

Green Office

JS Bank achieved a significant milestone in 2017 by becoming the inaugural commercial bank in Pakistan to receive certification for the Green Office Program, offered by Worldwide Fund for Nature (WWF-Pakistan) for its headquarters situated at Shaheen Commercial Complex in Karachi. This initiative aims to reduce greenhouse gas emissions

and to decrease the ecological footprint at the workplace through various initiatives such as reducing electricity consumption and paper waste.

Solar Financing

JS Bank provides solar financing schemes, which are renewable energy financing solutions that empower individuals, entrepreneurs, and farmers to produce cost-effective energy while reducing reliance on the grid. Throughout 2023, JS Bank effectively financed more than 231 solar projects designed for residential and agricultural use.

Sustainable Operations

We have introduced carbon reduction measures in self-operations. This ongoing exercise includes the measurement of energy and paper consumption in all our operating locations. In 2023, a total of 291 branches were equipped with energy-efficient lighting and fans while 105 branches were powered by solar energy.

JS BANK'S INITIATIVES FOR UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS (SDGs)

SDGs are a set of 17 goals established by the United Nations in 2015 as part of the 2030 Agenda for Sustainable Development. These goals aim to address global challenges such as poverty, inequality, climate change, environmental degradation, peace, and justice. Each goal has specific targets to be achieved by 2030. At JS Bank, we continuously strive to synchronize our operations and endeavors with the Sustainable Development Goals, for a world that is more equitable, prosperous, and environmentally sustainable by the year 2030.

SDG Goal 3 - Good Health and Well-being

Pinktober 2023: JS Bank launched a campaign for Pinktober, aiming to educate employees about breast cancer prevention. They organized an awareness session with Dr. Zubaida Qazi from Pink Pakistan Trust, who discussed breast cancer risk factors and the importance of regular screenings. The session fostered proactive healthcare practices and underscored JS Bank's commitment to community well-being.

JS Thrive: JS Thrive was launched in 2023 and is dedicated to fostering a sustainable future where individuals, businesses, and communities thrive. It goes beyond financial success to encompass physical health, mental resilience, emotional well-being, and a sense of purpose. Through JS Thrive initiatives like promoting mental health and improving access to healthcare, JS Bank strives to enhance well-being for its employees and society at large.

SDG Goal 5 – Gender Equality

- JS Bank aims to achieve gender equality and empower all women by eliminating discrimination based on gender. It also seeks to ensure equal participation and opportunities for leadership. In 2023, women made up 30% of the 1,671 individuals admitted into JS Bank.
- JS Bank successfully completed its Women Leadership Development Program for middle to senior managers, a testament to its commitment to gender diversity and inclusion. Through intensive training and coaching, participants enhanced their leadership skills, empowering them to excel in their roles with confidence and resilience. This program underscores the Bank's vision of creating a workplace where all individuals thrive and contribute to its success.
- Through our program, Hum Qadam, we aim to instill gender sensitivity in our employees, fostering a respectful workplace by raising awareness and equipping them with the necessary knowledge and skills for respectful interactions with colleagues.
- HR organized Employee Town Halls exclusively for female employees in the South and North regions to promote diversity and inclusion. This initiative signals the bank's commitment to an equitable workplace where all voices are valued. The town halls provided a safe space for open dialogue, empowering female employees by addressing workplace challenges and fostering solidarity. Additionally, the events facilitated networking opportunities, encouraging collaboration and cross-departmental

relationships among female staff. The session was attended by our PWD colleagues who were included in the discussion through the assistance of on-site interpreters.

- JS Khud Mukhtar is a financing solution solely for businesswomen of Pakistan, enabling financial empowerment through inclusion, and stability to female entrepreneurs. JS Khud Mukhtar is based on the State Bank of Pakistan's Refinance and Credit Guarantee Scheme for Women. This woman centric financing solution provides an opportunity to promote banking on equality via easy access to finance
- JS Her current account is designed for women and offers banking benefits, preferential pricing and free micro critical illness cover for 7 types of women related cancers.

SDG Goal 7 – Affordable & Clean Energy

JS Bank's offers solar financing schemes which are renewable energy financing solutions enabling individuals, businesspersons and farmers to generate cost effective energy with reduced dependence on the grid. In 2023, JS Bank successfully financed over 231 solar projects for residential, agriculture and business purposes.

SDG Goal 10 – Reduce Inequality

JS Bank is committed to "Inclusion for All." We're dedicated to fostering an inclusive culture where talent is valued regardless of gender, disability, or race. Embracing diversity brings unique perspectives that drive innovation. Therefore, we are focused on becoming a more diverse, equitable, and inclusive organization to make a meaningful impact.

JS Naya Aghaaz is based on the refinance scheme of the State Bank of Pakistan and promotes diversity and inclusion by providing financial access for setting up a new business and to expand current businesses. It provides financing solution for Persons with Disabilities (PWD), enabling personal development and financial independence for male and female entrepreneurs.

SDG 13 Climate Action

JS Bank proudly marks a significant achievement as the sole private sector entity securing approval from the Green Climate Fund's (GCF) board for the "Pakistan Distributed Solar Project" (PDSP). We have also completed all the prerequisites for implementation and are expecting the project to commence in the first quarter of 2024. This groundbreaking initiative, led by the private sector, reinforces our commitment to environmental responsibility.

The GCF has pledged USD 10 Million, comprising a USD 9 Million Guarantee dedicated to supporting JS Bank's Solar portfolio and an additional USD 1 Million Grant allocated for Marketing Campaigns, Capacity Building, and Training Sessions. This substantial backing aims to bolster the promotion of the renewable energy sector in Pakistan.

For more information, please visit Green Climate Fund's website: [SAP024: Pakistan Distributed Solar Project | Green Climate Fund](#)

CORPORATE & SOCIAL RESPONSIBILITY (CSR)

At JS Bank, we try to demonstrate our values through our contribution to the customers and the communities that we serve. Therefore, everything we do is done with a vision of bringing about a positive change – a change that allows us to bank with purpose.

JS Bank has demonstrated a strong dedication to Corporate Social Responsibility within Pakistan by partnering with Future Trust, a non-profit philanthropic organization established by the JS Group. Future Trust is committed to fostering technology and innovation to combat poverty and enhance the overall socio-economic conditions and living standards of the Pakistani people. Together, they support the youth by providing access to progressive education, vocational training, career guidance, and entrepreneurship opportunities.

Medical

Future Trust has a deep commitment to public health and supports existing medical facilities all over the country. This includes developing healthcare facilities in deprived rural areas, providing mobile health care in difficult-to-reach areas and establishing a diagnostic laboratory. Major activities during the year are:

The Indus Hospital (for Jahangir Siddiqui Hospital, Sehwan)

Future Trust continued its collaboration with Indus Hospital for providing free diagnostic and health services to underprivileged population through Jahangir Siddiqui Hospital, Sehwan. Among others, these services include outpatient's department, EPI Enrolments, mental health screening, blood test, family planning counselling, ECG, ultrasound and X-Rays. With the collaboration of Indus Hospital team, Jahangir Siddiqui Hospital is creating an impact on vulnerable communities of the neighborhood.

During 2023, almost 29,000 patients were provided family medicine and other additional services at the hospital. Additionally, 3,826 sessions of Community Engagements for raising health awareness were also conducted.

During September 2022, devastating floods hit Bagh-e-Yousuf and Sehwan, severely damaging Jahangir Siddiqui Hospital (JS Hospital). Submerged for about two months, the hospital resumed operations in January 2023. However, comprehensive repair and rehabilitation of the hospital was required. Future Trust initiated the repair work with the OPD block being prioritized due to its high utilization.

Sindh Institute of Urology and Transplantation

The Trust supported The Sindh Institute of Urology and Transplantation (SIUT). SIUT is regarded as one of the premier institutes in Pakistan that provides free of cost treatment of urological and nephrological ailments, oncological treatments, treatments of hepatic and gastrointestinal diseases, and organ transplantation facilities to the general public.

Uro Gynae Clinic: The Trust supported Uro Gynae Clinic which provides specialized free of cost treatment for urological and gynecological diseases to underprivileged population of Pakistan. During the year 2023, 856 patients were provided consultation and treatment at the clinic.

PinkDetect

PinkDetect and Future Trust are working together to support women in remote areas of Pakistan, particularly in terms of tech and healthcare. Future Trust recently teamed up with PinkDetect for an event in an underprivileged area of Karachi, engaging

120 women aged 19-65 with the help of medical students. The event included educational sessions on breast health, one-on-one consultations with doctors, and free vital checks and supplements. Additionally, FT is collaborating on a mobile app for breast cancer awareness and diagnosis, with a prototype already in development.

Medical Support to Individuals

The Trust also provided financial support to various deserving and needy individuals for their medical treatment. During the year, Future Trust has supported 12 individuals in their treatments and surgeries at various renowned hospitals including Aga Khan University Hospital.

Educational

Future Trust's educational initiative encompasses support for special education, higher education, institutional development and capacity building with the vision of building an educated society. Major initiatives of the Trust in education are:

JS Academy for the Deaf

Future Trust continued its support to JS Academy for the Deaf which focuses on education of deaf and hearing-impaired children to read, write and communicate in sign language. The Academy is educating students from class Nursery to Graduation. During the year 2023, 162 students were enrolled at the Academy.

Solarization of JS Academy for the Deaf

During 2023, Future Trust has solarized the JS Academy for the Deaf. The implementation of this solar system is in line with our dedication to sustainability and environmental stewardship. Utilizing solar power will substantially diminish our carbon emissions and lessen dependence on non-renewable energy sources. Additionally, solar energy will lead to substantial reductions in electricity expenses, generating long-term savings that can be directed towards educational initiatives and infrastructure. Furthermore, the solar system will function as an educational resource, enabling students to gain insights into renewable energy, sustainability, and the significance of energy conservation.

Autism Spectrum Disorder Welfare Trust (ASDWT)

The Trust supported Autism Spectrum Disorder Welfare Trust (ASDWT) with a view to create awareness, acceptance, support and inclusion of people with Autism, Specific Learning Disorder and other related neuro-disabilities. ASDWT conducts workshops, seminars and other outreach programs to educate the society and to train parents, teachers, professionals, doctors, paramedics and psychologists in their identification and management of Autism and other related disabilities. During the year 3,019 people benefited directly from various

Milestone Charitable Trust

The Trust continued its support to Milestone Charitable Trust that focuses on children with Autism, Down syndrome and Cerebral Palsy etc. with individual attention on each child through personalize curriculum, group activities and individual therapy sessions with the aim to overcome their academic, emotional and behavioral hurdles. Most of the children belong to the underprivileged population of the society. During the year 22 students were enrolled in the center.

Dost Foundation Pakistan

The Trust continued its support to Dost Foundation Pakistan (DFP). DFP is operating ten schools in Gilgit Baltistan, out of which eight schools are providing free education to the students. The vocational centers are established for sustainability of the Foundation and to enhance the technical skills of people.

Fakhr-e-Imdad Foundation

Fakhr-e-Imdad Foundation (FIF) serves as a philanthropic entity within the JS Group. Established on May 13, 2000, as a non-profit organization, FIF primarily focuses on delivering quality education, vocational training, IT training, and healthcare services in rural regions of the country. FIF's educational institutions are situated in underserved areas such as Mirwah Gorchani, Mandranwala, and Tando Ghulam Ali. During the year, Future Trust has supported FIF through Endowment Fund and General Donations.

Basant Hall Children's Library

The Basant Hall, Hyderabad, founded in 1901, is undergoing conservation efforts by the Endowment Fund Trust to transform it into an arts and cultural complex. This historical building, functioning solely as a community center without commercial intent, houses a children's library aimed at facilitating access to information, promoting literacy, cultural enrichment, and offering recreational programs. The library provides materials in both physical and digital formats. Future Trust has aided the Endowment Fund Trust in digitizing the library as part of this initiative.

Institute of Contemporary Studies

During the year, Future Trust has supported Institute of Contemporary Studies (ICS). ICS, established 24 years ago, manages institutes specializing in health sciences and skill-based training across Pakistan. The National Excellence Institute in Islamabad, accredited by the Pakistan Nursing Council and the Punjab Medical Faculty, offers diverse education in pharmacy, nursing, physics, chemistry, physiotherapy, and psychology. Additionally, ICS operates the College of International Skills Development (CISD) with 30 campuses nationwide, providing training in IT, artificial intelligence, data sciences, culinary arts, fashion design, English language, and other fields.

Educational Support to Individuals

Future Trust offers financial assistance to low-income individuals by reimbursing educational expenses for their children. Specifically, the program covers the costs associated with the education of up to two children per eligible family. Over the course of the year, the Trust has extended its support to a total of 61 students, ensuring that they have access to the educational resources they need to thrive. This initiative serves as a vital means of promoting equal opportunities for children from economically disadvantaged backgrounds, empowering them to pursue their academic goals without financial barriers.

Vocational & Career Guidance

The Trust's vocational and career guidance initiative encompasses support for the skills enhancement, promoting and job placement in the industries. Through Karigar Training Institute, Future Trust has extended support to less privileged youth of society to become economically independent,

through acquisition of specialized vocational skills of motorcycle repair work, air-conditioning/refrigeration, plumbing and electrical trades.

Community Services

The Trust strives for and contributes towards the general social and economic uplift of the people without any discrimination. In these hard times people cannot even afford the basic requirements of living. Future Trust provided financial support to various under privileged and needy families with the purpose of solving their basic problems of living.

The Trust supported Anjuman Kashana-e-Atfal-o-Naunihal (the Institute) for the installation of solar system at the Institute. It is providing shelter for the orphan, abandoned and unclaimed girls, where these girls are being educated in reputable schools and colleges, and also being taught some basic life skills. At present, the institute is providing shelter to 125 girls with the ages ranging between 6-24 years. The institute has also made arrangements for placement of 800 abandoned babies, so far, with respectable families all over the world.

International days celebrated by JS Bank

Celebrating international days at the Bank is not just about marking dates on a calendar; it's about demonstrating a genuine commitment to social responsibility, ethical conduct, and sustainability while engaging stakeholders and driving positive impact.

These international days provide an opportunity to raise awareness among employees, clients, and the community about important global issues such as corruption, environmental conservation, human rights, etc. Participating in these events demonstrates that the Bank is actively engaged in addressing social and environmental concerns beyond its core business activities.

JS Bank Commemorates World Anti-Corruption Day

In alignment with the global community's efforts to combat corruption, JS Bank marked World Anti-Corruption Day with a resolute commitment to promoting ethical practices and eliminating malpractices such as money laundering. On this significant occasion, JS Bank joined hands with organizations worldwide to raise awareness and foster a culture of integrity.

The event witnessed the participation of eminent speakers, including the Chief Risk Officer, the Chief Compliance Officer, and the Head of HR from JS Bank, who delivered compelling speeches reaffirming the bank's unwavering dedication to upholding ethical standards and combating corruption at every level.

Emphasizing the critical role of ethical conduct in banking operations, the Chief Risk Officer underscored JS Bank's proactive approach in implementing robust risk management frameworks to detect and prevent corruption-related risks. Furthermore, the Chief Compliance Officer reiterated the bank's zero-tolerance stance towards illicit financial activities, emphasizing the importance of stringent regulatory compliance measures. In line with JS Bank's commitment to nurturing a culture of integrity, the Head of HR highlighted the significance of fostering ethical awareness among employees through comprehensive training programs and ongoing communication initiatives.

Through its participation in World Anti-Corruption Day activities, JS Bank demonstrated its steadfast resolve to collaborate with the global community in combating corruption and promoting transparency and accountability in financial systems. By standing firmly against malpractices like money laundering, JS Bank reaffirmed its dedication to fostering trust, integrity, and sustainability in the banking sector and beyond.



JS Bank Joins Global Earth Hour Campaign: Advocating for the Planet's Biggest Hour

In a resounding declaration of its commitment to environmental stewardship, JS Bank joined hands with millions worldwide during the annual Earth Hour campaign. Embracing the ethos of sustainability and corporate responsibility, the bank was set to advocate for the planet's most significant hour, urging individuals and communities to come together for collective action. As part of its participation in the Earth Hour campaign, JS Bank leveraged its platform and influence to inspire a meaningful change. Through various outreach programs and digital campaigns, the bank encouraged its customers, employees, and stakeholders to pledge their support for sustainability initiatives. From promoting energy efficiency to advocating for reforestation projects, JS Bank championed a range of activities aimed at reducing the carbon footprint and preserving natural resources. Moreover, JS Bank spearheaded efforts to raise awareness about the interconnectedness of environmental sustainability and economic prosperity. By highlighting the business case for sustainability and showcasing innovative green technologies, the bank aims to galvanize action not only within its own operations but also across the broader business community.

JS Bank Joins World Water Day: Promoting Conservation in Pakistan

JS Bank proudly participated in the World Water Day, emphasizing its commitment to water conservation and sustainability in Pakistan. With a focus on raising awareness and educating stakeholders, JS Bank aimed to address the pressing issue of water scarcity. CEO Basir Shamsie stated, "Water is a precious resource essential for life and development. JS Bank is dedicated to promoting conservation efforts, inspiring positive action, and fostering a culture of environmental stewardship." JS Bank's participation in World Water Day reflects its commitment to making a tangible impact on water management practices and contributing to a sustainable future for Pakistan.

JS Bank Joins Plastic Free July Campaign, Earns Special Appreciation from Australia

In a bid to combat plastic pollution and champion sustainability, JS Bank enthusiastically joined the Plastic Free July campaign in 2023. This global initiative saw 89 million individuals worldwide unite in the collective effort to refuse single-use plastics, marking a significant step towards a cleaner and greener future.

JS Bank's commitment to reducing plastic waste garnered special recognition from Australia, a leading advocate in the fight against plastic pollution. The bank's proactive measures to minimize and reuse single-use plastics, coupled with efforts to educate employees on adopting eco-friendly alternatives like reusable mugs and thermoses, earned accolades for its impactful contribution. Over the past five years, the Plastic Free July campaign has made substantial strides in waste reduction, with participants around the globe collectively avoiding 10 billion kilograms of household waste. Notably, this includes an impressive 1.4 billion kilograms of plastic, surpassing the efforts of even the largest clean-up initiatives worldwide with JS Bank being a part on this.



JS Bank's Earth Day 2023: Leading the Charge for Sustainability

JS Bank commemorated Earth Day with a series of impactful initiatives focused on environmental responsibility. At Frere Hall Gardens, bank employees engaged in a cleaning drive and conducted educational sessions for the public. They advocated for the creation and maintenance of parks to enhance environmental quality, fostering a greener and more sustainable future. Notably, the team highlighted select tree species, educating visitors about their significance and the importance of preservation.



HR INITIATIVES TOWARDS CORPORATE RESPONSIBILITY

JS Thrive - A Holistic Approach to Well-being

JS Thrive is more than just a program; it is a philosophy that permeates every aspect of our organization. By aligning with the United Nations Sustainable Development Goal (SDG) 3, “Good Health and Well-being,” we actively contribute to a global movement toward creating healthier and more sustainable societies. This year JS Thrive offered a range of engaging initiatives designed to promote well-being and foster a supportive community:

Mental Health Session: Providing a safe space for discussing mental health issues and coping strategies, the objective of this session was to reduce stigma and offer support.

Mental Well-being Art Competition: Through expressive art, this competition encouraged creative expression, fosters community, and promotes mental well-being.

Nutrition Month Kickstart - Apple Day: Launching nutrition awareness with apple distribution, this initiative highlighted the importance of healthy eating and lifestyle.

Nutrition Session: Demystifying the science of nourishment, this session amplified understanding of nutritional principles and introduced health-friendly habits.

Pets at Work: Fostering a positive and stress-relieving environment, this initiative allowed pets in the workplace, enhancing well-being through pet therapy.

Healthy Breakfast Day: Celebrating the significance of a nutritious morning meal, this event illuminated the role of breakfast in overall well-being.

Battle on the Pitch: A mega cricket event for the staff – Battle on the Pitch, under the umbrella of JS Thrive, was organized in Q3 - 2023 in all three regions – North, Central, and South. All the regions brought their strategic flair to the game, displayed precision, showcased their agility and quick reflexes on the field. Amidst cheers and friendly

banter, the whole league was a perfect platform for inter-office bonding and fostering a sense of unity among colleagues from diverse regions. The event celebrated the spirit of cricket and strengthened the professional relationships among the office community, creating lasting memories and a sense of pride for each region.

Pinktober 2023

JS Bank launched an extensive campaign to raise awareness about Pinktober, an initiative dedicated to breast cancer awareness. Through this campaign, JS Bank aimed to educate its employees about the importance of early detection and prevention methods for breast cancer. Additionally, the bank organized an awareness session, inviting both employees and IBA students to participate.

The session featured Dr. Zubaida Qazi (of Pink Pakistan Trust) who shared valuable insights on breast cancer, its risk factors, and the significance of regular screenings. Interactive discussions and informative presentation helped dispel myths and encouraged proactive healthcare practices among attendees. By engaging both internal and external stakeholders, JS Bank demonstrated its commitment to promoting health awareness and supporting initiatives that contribute to the well-being of its community.





International Day of Persons with Disabilities (IDPWD) 2023

At JS Bank, we believe in the strength of diversity and the power of inclusion. We remain committed to creating an inclusive work environment where diversity is not just embraced but celebrated.

On the occasion of IDPWD, we recognized and celebrated the remarkable contributions of our talented employees with disabilities.

The day commenced with a heartwarming and inspirational motivational session, specially curated to uplift and empower our PWD colleagues. It was an opportunity to shed light on their unique skills, resilience, and determination, which enrich our workplace every day. The joyous occasion brought together employees from various departments, fostering a sense of community and support.

Women Leadership development program

This year we launched our Women Leadership Development Program specifically designed for staff from middle to senior managers. This program marks a significant milestone in JS Bank's commitment to gender diversity and inclusion. Through intensive training sessions and coaching, participants have honed their leadership skills, empowering them to navigate the complexities of their roles with confidence and resilience. The program's success not only highlights JS Bank's dedication to fostering female talent but also underscores its vision of creating a workplace where all individuals have the opportunity to thrive and contribute to the organization's success.

Hum Qadam (Gender sensitization program)

Through our program, Hum Qadam, we are teaching gender sensitivity to our employees which plays a crucial role in cultivating a respectful workplace by raising awareness, changing attitudes, and providing employees with the knowledge and skills needed to interact respectfully with colleagues.

A program, mandated by SBP under its Banking on Equality Policy, has been launched for all job families with regular session at our Learning Academy in Karachi.

This initiative is a proactive approach to promote respectful behavior in the workplace. By addressing biases, stereotypes, and discriminatory behaviors, it creates an environment where all employees feel valued and respected, contributing to a more harmonious and productive workplace culture.



Female Employees Town Hall

Employee Town Halls were organized by HR exclusively for Females of South and North regions as part of organization's broader effort to promote diversity and inclusion. It was an initiative to signal bank's commitment to creating an equitable and inclusive workplace where all voices are heard and valued. The town halls served as a platform to empower and support female employees by creating a safe space for open dialogue, sharing experiences, and discussing challenges they may face in the workplace. The event also served as a networking opportunity for female employees to

connect with colleagues from different departments, fostering collaboration and cross-functional relationships.

The session was attended by our PWD colleagues who were included in the discussion through the assistance of on-site interpreters.

Women Service Champions Training Program

Women Service Champions pan Pakistan were trained on how to better facilitate customers through the program Banking with HER. The full day training program for RMs/BMs is also mandated by the SBP under the Banking on Equality policy and aims to create champions at customer’s touch points who can facilitate women customers and bank with them effectively by selling them loans and products specific to their needs.

Childcare Assistance Policy

JS Bank has introduced its Childcare Assistance Policy, offering a monthly allowance for children up to three years old. This initiative underscores JS Bank’s commitment to supporting its employees in balancing work and family responsibilities. By alleviating childcare costs, the policy aims to empower parents within the workforce, fostering a supportive and inclusive environment where employees can thrive both personally and professionally.

Learning Interventions

Investment in people development

Learning Hours	No. of Trained People	Investments in PKR
132,808	25,317	67,968,924

Knowledge Connect emailers

“Knowledge Connect” is our internal communication series aimed at fostering a culture of compliance and transparency. By delivering bite-sized emailers, it efficiently disseminates vital information on the code of conduct and regulatory requirements such as the conflict-of-interest policy. This approach ensures that employees stay informed and compliant, contributing to a stronger ethical framework within the organization.

Managerial effectiveness programs

Managerial Effectiveness Program, a comprehensive two-day workshop designed to enhance managerial

skills and leadership capabilities. This program equips participants with the tools and knowledge necessary to drive performance and achieve organizational goals efficiently.

Anti-Harassment Framework at JS Bank

JS Bank maintains a stringent Anti-harassment policy, firmly committed to fostering a safe and respectful workplace environment for all employees. The bank recognizes that harassment in any form undermines individual dignity, impedes productivity, and compromises the overall integrity of the workplace. The anti-harassment policy at JS Bank is governed in line with ‘Protection against Harassment of Women at the Workplace Act, 2010 as amended in 2022’ (“Act”).

Our anti-harassment policy outlines clear guidelines and procedures for addressing and preventing harassment. The policy emphasizes zero tolerance for harassment and encourages employees to report any incidents promptly and confidentially by sending an email at Anti.harassment@jsbl.com. JS Bank ensures that all complaints are thoroughly investigated with sensitivity and impartiality, and appropriate disciplinary action is taken against perpetrators.

The Bank has a standing Inquiry Committee comprising of 3 members of which one is a female, which has the mandate to conduct the inquiry, investigate the matter and counsel the victim in harassment – including sexual harassment – at workplace. In 2023, three instances of harassment were reported and subsequently addressed.

Participation at Career Fairs

JS Bank actively engages with potential employees, to contribute to job creation, and to support diversity and inclusion. We are committed to developing talent for sustainable growth.

Project Internships:

As part of collaboration with the Universities/ Colleges, JS Bank offers Internship Programs throughout the year, to provide practical exposure for the students, particularly in banking industry. We believe that such initiatives play a crucial role in fostering connections with future leaders and empowering the next generation.

Batch Hiring:

JS Bank aims to enhance workforce development by offering program hiring opportunities on an ongoing basis, that focus on comprehensive training and skill development. By incorporating a mix of theoretical knowledge and practical experience, we create a talented team, ready to navigate merging market trends.

Employee Benefits Enhanced for 2024

Our revised staff house loan policy and auto loan policy is designed to make the dream of owning a home and a better ride attainable with enhanced loan limits and favorable interest rates. Policies like these provide access to essential assets, enhancing quality of life and reducing financial stress for employees and their families.

Measuring Progress: Essential HR Data in 2023

	Female	Male	Total
Total Staff Strength	830	3,748	4,578
Induction in 2023	494 (30%)	1,177 (70%)	1,671

Maternity/Paternity Leave	Count of Employees
Maternity Leave	43
Paternity Leave	361
Grand Total	404

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UAE

WHERE MONEY BUYS HAPPINESS!

The Emiratis are known for their hospitality and generosity. They enjoy shopping for luxury goods and designer brands and spend lavishly on gifts, feasts, and social events. In the UAE, digital payments with services like Apple Pay, Google Pay, and various mobile banking apps are widely used





Stakeholders Relationship & Engagement

STAKEHOLDERS RELATIONSHIP AND ENGAGEMENT

Steps to Encourage Minority Shareholders' Participation in AGMs

JS Bank Limited always provides a forum for two-way engagement with the shareholders, particularly the minority shareholders. To ensure the meaningful participation of minority shareholders in the AGM, the Bank takes the following measures:

- Notice of AGM is sent to every member of the Bank at least 21 days before the meeting. The notice was published in both English & Urdu newspapers having Nationwide circulation.
- Notice of AGM dispatched to members of the bank on their registered address containing the QR code and the weblink address to view and download the annual audited financial statements together with the report.
- The annual audited financial statements through electronic (email) has been provided or hard form (on request).
- During AGM, a detailed briefing on the Bank's performance and its future plans is given to the shareholders.
- The shareholders are encouraged to raise queries and give suggestions relating to the Bank's operations.

Issues raised in the last AGM, decisions taken, and their implementation status

No issues have been raised in the last AGM.

Investor Relations Section on Corporate Website

Corporate information including quarterly, semiannual, and annual reports of the Bank can be accessed on the following URL

<https://jsbl.com/knowledge-center/investor-information/>

The Bank disseminates information to its investors and shareholders through a mix of information exchange platforms, including its corporate website, maintained under the applicable regulatory framework. The website is updated regularly

to provide detailed and latest Bank information including but not limited to financial highlights, investor information, dividend, and other requisite information.

Corporate Briefing Session

Bank has the practice to conduct annual corporate and investors briefing session. During the year 2023, a teleconferencing session was held on Dec 29, 2023. Notice was issued to the stakeholders through Pakistan Stock Exchange to encourage them to attend the session online/in person.

JS bank by complying with the regulatory requirement has made the presentation available on the website.

Customer Grievance Redressal Practices

The JS Bank Customer Experience (CE) team organizes, plans, and regularly assesses the Bank's customer experience across all touchpoints to create the best possible interaction between the Bank and its customers. The CE team develops and implements efficient procedures that improve client connections, loyalty, and satisfaction. One of our core values, customer centricity, works hand in hand with efficient complaint handling, grievance management, in order to understand & adapt our product and services to meet our Customer's expectations.

The complaint management policy and grievance procedure ensures that complaints are handled within the State Bank of Pakistan-defined turnaround time (TAT) and, where necessary, that recurrence of complaints is prevented.

The complaint management process is put in place by registering concerns, acknowledging them, giving an interim reply (where necessary), and resolving them. If customers are not pleased with the Bank's resolution, they may also approach the Banking Ombudsman (Mohtasib).

In order to increase exposure of its complaint management function, the Bank has also included information in many consumer communications, such as account statements, ATM screens, and

letters and emails sent to customers. To increase the number of customers who have access to the recourse mechanism, the Bank has posted such information on social media via SMS messages, In-app notifications and email direct messages (EDMs) to its customers twice a year. A thorough grievance system, touchpoints, and online feedback forms are available on the Bank's website. Customers also receive regular email broadcasts for customer awareness and education.

Our corporate culture is founded on treating customers fairly. In line with the same, the Bank has incorporated a "Customer Protection Framework", whereby we always prioritize the demands of the customer while creating, marketing, and managing our business. Our main objectives are to maintain fairness in all our interactions with customers, communicate effectively, promote a culture of service, and develop a productive method for handling grievances. We also focus on the financial decisions that customers make through our consumer education and financial literacy initiatives.

In contrast to call centres that only handle phone calls, the JS Bank Voice, Chat and SMS (VCS) Team facilitates customer interactions across a variety of channels, such as phone calls, emails, chat over SMS and self-service Whatsapp BOT, online forms, and the growing use of social media interactions. The JS Bank VCS team comprises of qualified experts who provide an array of knowledge regarding our product, services and complaint responses around-the-clock. The customers are further assisted by supporting technologies including interactive voice response, automatic call distribution, and computer telephony integration.

STATEMENT AND DISTRIBUTION OF VALUE ADDED

Value Added	2023		2022	
	Rs. in million		Rs. in million	
Net mark-up / interest income	22,409		14,856	
Non mark-up / interest income	12,205		5,300	
Operating expenses excluding Staff cost, depreciation, amortization, donations and WWF	(12,143)		(7,712)	
Provisions against advanced, lending, investments and others	(2,807)		(1,099)	
Other charges	(79)		(134)	
Value added available for addition	19,584		11,211	
Distribution of Value added	2023		2022	
	Rs. in million	%	Rs. in million	%
To Employees				
Remuneration, provident fund and other benefits	8,151	41.62%	6,863	61.22%
To Government				
Worker Welfare Fund	170	0.87%	43	0.38%
Income Tax	4,180	21.35%	1,166	10.40%
	4,351	22.22%	1,209	10.79%
To Society				
Donations	170	0.87%	43	0.38%
To Growth and expansion				
Depreciation	2,298	11.73%	1,963	17.51%
Amortization	280	1.43%	167	1.49%
Retained Earnings	4,335	22.14%	965	8.61%
	6,912	35.30%	3,095	27.61%
	19,584	100.00%	11,211	100.00%

EXCELLENCE IN CORPORATE REPORTING

Management's responsibility towards Financial Statements and Directors' compliance statement

The Bank's Management is aware of its responsibility towards the preparation and presentation of financial statements. The Directors of the Company confirm that:

- The financial statements, fairly represent the state of affairs of the Bank, the result of its operations, comprehensive income, cash flows, and changes in equity.
- Proper books of accounts of the Bank have been maintained.
- Appropriate accounting policies have consistently been applied in the preparation of financial statements and accounting estimates, and are based on reasonable and prudent business judgment.
- International Financial Reporting Standards (IFRS), as applicable in Pakistan and to the banks in Pakistan, have been followed in preparation of financial statements, and any departures therefrom have been adequately disclosed and explained.
- The system of Internal Controls is sound in design, and has been effectively implemented and monitored.
- There are no significant doubts regarding the Bank's ability to continue as a going concern.
- There is no material departure from the best practices of corporate governance

Adoption and Statement of Adherence with the International Integrated Reporting Framework

The main purpose of this report is to provide meaningful and valuable information to the Bank's stakeholders, covering its strategic priorities and future plans. To achieve this objective, the report encompasses a comprehensive overview of the organization and external environment, governance, risks and opportunities, strategy and

resource allocation, and outlook. The Bank has adopted an integrated thinking approach, resulting in a periodic and holistic report that reflects its value creation over time. The reporting approach links financial and non-financial information to provide a complete perspective on the Bank's performance for all relevant stakeholders.

Content Elements Incorporated in our Annual Report

- **Organisational Overview, Business Model and External Environment**

JS Bank Limited (JSBL) is a banking company incorporated in Pakistan as a public limited company. The Bank is a subsidiary company of Jahangir Siddiqui & Co. Ltd. (JSCL) and its shares are listed on Pakistan Stock Exchange Limited (PSX).

- **Governance**

The Board of Directors (BoD) is responsible for establishing the Bank's goals and strategies. In addition to setting policies and guidelines for the Bank's operations, the BoD oversees the performance of the senior management team in executing their assigned responsibilities.

- **Stakeholder Relationship and Engagement**

The Bank maintains strong stakeholder relations through proactive stakeholder management, which involves developing an understanding of the diverse stakeholders of the Bank, identifying their interests in the Bank's functions and operations, and engaging with them accordingly.

- **Sustainability and Corporate Social Responsibility**

JS Bank is committed to contributing to the community through various activities, including initiatives related to health, environment, sports, social awareness, cultural promotion, and welfare, while prioritizing the interests of its employees and customers.

- **Risks and Opportunities**

The Bank operates in an environment where market risk, credit risk, liquidity risk, operational risk, and environmental risks are present. To mitigate these risks, the Bank has implemented risk management measures that effectively safeguards the Bank's capital against these risks.

- **Strategy and Resource Allocation**

In pursuit of its goal to maximize shareholder value and achieve sustainable returns that exceeds shareholder expectations, the Bank formulates short, medium, and long-term objectives, execution plans, and considers the operational context and stakeholder feedback in developing its strategies.

- **Outlook**

The Bank acknowledges that the government's fiscal actions, including monetary policy, geopolitical situation, law and order situation, inflation, and taxation, may present challenges and risks to its operations. To mitigate these risks and maintain its market position, the Bank allocates its resources strategically and takes corrective measures to protect its capital and provide maximum returns to its shareholders.

- **Performance and Position**

The Bank regularly evaluates its performance and position based on Key Performance Indicators (KPIs). The bank has been performing impressively in terms of year-on-year growth.

- **Excellence in Corporate Reporting**

The Corporate Reporting Framework of the Bank is based on the International Financial Reporting Standards (IFRS), the Companies Act, 2017, the Banking Companies Ordinance, 1962, and the directives issued by the State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP). The Bank and its subsidiaries follow a financial calendar from January to December, and M/s KPMG Taseer Hadi & Co. is the Bank's external auditor. The External Auditors' Report provides key information about the current fiscal year and was prepared for the reporting year ended December 31, 2023.



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 37131900, Fax +92 (21) 35685095

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of JS Bank Limited

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **JS Bank Limited** ("the Bank") for the year ended 31 December 2023 in accordance with the requirements of regulation 36 of the Regulations.

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

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

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

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

Date: 07 March 2024

Karachi

UIDN: CR202310106Pd3N79r5w

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co.
Chartered Accountants

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

STATEMENT OF COMPLIANCE

Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the 'Regulations')

Name of company: **JS Bank Limited (the 'Bank')**
Year ended: **December 31, 2023**

The Bank has complied with the requirements of the Regulations in the following manner:

1. The total number of directors of the Bank is seven (07) as per the following:
 - a. Male: Six (06) including the President and Chief Executive Officer (President & CEO)
 - b. Female: One (01)
2. The composition of the Board is as follows:

Category	Names
i) Independent Directors	<ul style="list-style-type: none"> • Ms. Nargis Ali Akber Ghaloo • Lt. Gen. (R) Sadiq Ali • Mr. Khalilullah Shaikh* • Syed Mumtaz Ali Shah • Mr. Usman Yousaf Mobin
ii) Non-Executive Directors	<ul style="list-style-type: none"> • Mr. Adil Matcheswala – Chairman
iii) Executive Director	<ul style="list-style-type: none"> • Mr. Basir Shamsie – President & CEO
iv) Female Director	<ul style="list-style-type: none"> • Ms. Nargis Ali Akber Ghaloo (Independent Director)

* Mr. Khalilullah Shaikh was appointed by the Board of Directors on December 12, 2023 subject to approval of State Bank of Pakistan (SBP). The approval from SBP was received on February 06, 2024.

3. The directors have confirmed that none of them is serving as a director on more than seven (07) listed companies, including the Bank.
4. The Bank has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy, and significant policies of the Bank. The Board has ensured that a complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Bank.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 (Act) and the Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording, and circulating minutes of meetings of the Board.

8. The Board has a formal policy and transparent procedures for the remuneration of directors in accordance with the Act and the Regulations.
9. Out of seven (07) directors, five (05) directors have completed Director's Training Program, and one (01) director is exempted from the requirement in accordance with the Regulations. Whereas one (01) newly elected director will obtain certification in due course.
10. The Board has approved the appointment of the Chief Financial Officer (CFO), Company Secretary, and Head of Internal Audit, including their remuneration and terms and conditions of employment, and complied with relevant requirements of the Regulations. No new appointment has been made during the financial year.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below-

Audit Committee:

Ms. Nargis Ali Akber Ghaloo (Independent Director)	Chairperson
Lt. Gen. (R) Sadiq Ali (Independent Director)	Member
Mr. Khalilullah Shaikh (Independent Director)*	Member

HR Remuneration & Nomination Committee:

Syed Mumtaz Ali Shah (Independent Director)	Chairman
Mr. Adil Matcheswala (Non-Executive Director)	Member
Mr. Usman Yousaf Mobin (Independent Director)	Member

Risk Management Committee:

Syed Mumtaz Ali Shah (Independent Director)	Chairman
Lt. Gen. (R) Sadiq Ali (Independent Director)	Member
Mr. Basir Shamsie (Director, President and CEO)	Member

IT Committee:

Mr. Usman Yousaf Mobin (Independent Director)	Chairman
Ms. Nargis Ali Akber Ghaloo (Independent Director)	Member
Mr. Basir Shamsie (Director, President and CEO)	Member

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

14. The frequency of meetings of the committees was as per following:

Committees	Meetings held during the year
Board Audit Committee	Four (04)
Board HR Remuneration & Nomination Committee	Four (04)
Board Risk Management Committee	Four (04)
Board IT Committee	Five (05)

15. The Board has set up an effective internal audit function comprising suitably qualified and experienced persons for the purpose and is conversant with the policies and procedures of the Bank.

16. The statutory auditors of the Bank 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 the 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 CEO, CFO, Head of Internal Audit, Company Secretary or Director of the Bank.

17. 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.

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33, and 36 of the Regulations have been complied with.

For and on behalf of the Board

Basir Shamsie

President & CEO

Adil Matcheswala

Chairman

Karachi: February 29, 2024

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France

RESTING EASY?

The French are known for their appreciation of quality over quantity, which can sometimes be more expensive but is seen as an investment. They value experiences, fine dining, and thoughtful gifts. The French prioritize financial security.





Unconsolidated Financial Statements



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 37131900, Fax +92 (21) 35685095

INDEPENDENT AUDITOR'S REPORT

To the members of JS Bank Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of **JS Bank Limited** (the Bank), which comprise the unconsolidated statement of financial position as at 31 December 2023, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and unconsolidated cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 40 branches which have been audited by us and notes to the financial statements, including a summary of material 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 unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2023 and of the profit, other comprehensive income, the changes in equity and its cash flow for the year then ended.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



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Following are the Key Audit Matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	<p data-bbox="375 716 711 743">Provision against advances</p> <p data-bbox="375 764 867 791">(Refer note 10.4 to the financial statements)</p> <p data-bbox="375 814 824 1031">The Bank's Advances portfolio includes fund-based and non-funded financing facilities. The portfolio includes corporate financing to several public sector entities and large to small size businesses operating in the private sector, as well as consumer financing to individuals.</p> <p data-bbox="375 1054 824 1354">As per the Bank's accounting policy (refer note 4.6.1 to the financial statements), the Bank determines provisions against non-performing financing exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan (SBP) and also maintains general provision against corporate and consumer financing in respect of potential credit losses in the portfolio.</p> <p data-bbox="375 1377 824 1734">The Prudential Regulations require specific provisioning against loan losses on the basis of time based criteria which should be supplemented by a subjective evaluation of Bank's credit portfolio. The determination of provision against advances, therefore, involve use of management's judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers' repayment behaviors and realizability of collateral held by the Bank.</p> <p data-bbox="375 1757 824 1814">In view of the significance of this area in terms of its impact on the financial</p>	<p data-bbox="846 814 1276 871">Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> <li data-bbox="846 894 1362 1056">• Assessing the design implementation and operating effectiveness of key controls established by the Bank to identify loss events and for determining the extent of provisioning required against non-performing loans; <li data-bbox="846 1079 1362 1829">• In accordance with the regulatory requirement, we sampled and tested at least sixty percent of the total advances portfolio and performed the following substantive procedures for sample loan accounts: <ul style="list-style-type: none"> <li data-bbox="889 1262 1362 1423">- verifying repayments of loan/ mark-up installments and checked that non-performing loans have been correctly classified and categorized based on the number of days overdue; and <li data-bbox="889 1446 1362 1671">- examining watch list accounts and, based on review of the individual facts and circumstances, discussions with management and our assessment of financial conditions of the borrowers, formed a judgement as to whether classification of these accounts as performing was appropriate. <li data-bbox="846 1694 1362 1829">• Checking the accuracy of specific provision made against non-performing advances and of general provision made against consumer finance by recomputing the provision amount after considering the



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S. No.	Key Audit Matters	How the matter was addressed in our audit
	<p>statements and the level of involvement of management's judgment, we identified provision as a significant area of audit judgment and a key audit matter.</p>	<p>benefit of forced sales value, if any, in accordance with the criteria prescribed under the PRs;</p> <ul style="list-style-type: none"> • Where the management has not identified indicators displaying impairment, reviewing the credit history, account movement, financial ratios, report on security maintained and challenged the management's assessment based on our view of the credit from the review of credit file.
2	<p>Valuation of investments (Refer note 9 to the financial statements)</p>	
	<p>The carrying value of investments held by the Bank amounted to Rs. 287,478.855 million, which constitutes 48.8% of the Bank's total assets as at 31 December 2023.</p> <p>The significant portion of the investments comprise of Federal government securities, Term finance certificates, Sukuks and equity securities.</p> <p>Investments are carried at amortized cost or fair value in accordance with the Bank's accounting policy relating to their recognition. Provision against investments is made based on impairment policy of the Bank which includes both objective and subjective factors.</p> <p>We identified assessing the carrying value of the investment as a key audit matter because of its significance to the unconsolidated financial statements.</p>	<p>Our audit procedures to verify valuation of investments, amongst others, included the following:</p> <ul style="list-style-type: none"> • Assessing the design implementation and operating effectiveness of key controls established by the Bank to determine valuation of investments; • Checking the valuation of investments in the portfolio, as recorded in the general ledger, to supporting documents, externally quoted market prices and break-up values including the significant and prolonged decline in fair value of listed equity investments for impairment; • Checking that the valuation of unquoted securities are in accordance with criteria prescribed under the Prudential Regulations; • Involving our internal valuation specialists to review and evaluate the valuation of unquoted debt securities;



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S. No.	Key Audit Matters	How the matter was addressed in our audit
3	<p data-bbox="378 974 747 999">Impairment testing of goodwill</p> <p data-bbox="378 1024 870 1050">(Refer Note 12.3 to the financial statements)</p> <p data-bbox="378 1075 795 1234">As at 31 December 2023, intangible assets include goodwill amounting to Rs. 1,463.624 million acquired as a result of scheme of amalgamation as disclosed in note 12.3 to the financial statements.</p> <p data-bbox="378 1260 821 1444">Goodwill is required to be annually assessed for impairment under IAS-36 "Impairment of Assets". Accordingly, Management has performed an impairment test of the goodwill which is subjective in nature due to assumptions made about future performance.</p> <p data-bbox="378 1470 812 1579">As disclosed in note 12.3, the Bank uses a discounted cash flow model to determine value in use, on the basis of the certain key assumptions.</p> <p data-bbox="378 1604 821 1736">Due to the significance and impact of the assumptions and judgements involved, the impairment testing of goodwill is considered to be a key audit matter.</p>	<p data-bbox="846 659 1357 949"> <ul style="list-style-type: none"> Obtaining independent confirmations for verifying the existence of the investment portfolio as at 31 December 2023 and reconciling it with the books and records of the Bank. Where such confirmations were not available, alternate procedures were performed; Assessing the appropriateness and adequacy of the disclosure made in the unconsolidated financial statement. </p> <hr/> <p data-bbox="846 1075 1276 1125">Our audit procedures, amongst others, included the following:</p> <ul data-bbox="846 1150 1357 1705" style="list-style-type: none"> Evaluating the model used in determining the value in use as well as assessing the discount rate used; Comparing the cash flow forecasts to approved budgets and other relevant market and economic information, as well as testing the underlying calculations; Involving our internal valuation specialists to review and evaluate management's key assumptions used in impairment calculations; Performing sensitivity analyses around the key assumptions used in the models; Assessing the adequacy of the related disclosures in the unconsolidated financial statements in accordance with the applicable financial reporting framework.



KPMG Taseer Hadi & Co.

S. No.	Key Audit Matters	How the matter was addressed in our audit
4	<p>Acquisition of BankIslami Pakistan Limited (Refer Note 1.4 to the financial statements)</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> • Examining the relevant minutes of the meetings of Board of Directors and Shareholders along with all the requisite approvals from all the regulatory bodies; • Examining the necessary documents to ensure that all the regulatory requirements have been complied with; • Examining the share purchase agreements to understand the key terms and conditions; • Evaluating the competence, capabilities and objectivity of the Management Expert and evaluated the appropriateness of the work performed; • Obtaining the valuation report and conducted inquiries with Management's Expert to understand the valuation methodology; • Engaging our valuation specialist in assessing the appropriateness of the valuation methodology and key assumptions applied in the valuation; • Evaluating the transaction is recorded in line with the requirements of accounting and reporting standards as applicable in Pakistan; • Assessing the appropriateness and adequacy of the disclosure made in the unconsolidated financial statement.



KPMG Taseer Hadi & Co.

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

Management is responsible for the other information. The Other Information comprises the information included in the Bank's Annual Report but does not include the unconsolidated financial statements, consolidated 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 materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 Unconsolidated Financial Statements

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

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

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

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

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



KPMG Taseer Hadi & Co.

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

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

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

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



KPMG Taseer Hadi & Co.

Report on Other Legal and Regulatory Requirements

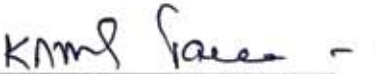
1. Based on our audit, we further report that in our opinion:
 - a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
 - b) the unconsolidated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

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

Date: 07 March 2024

Karachi

UDIN: AR202310106lwIXsbHAI


KPMG Taseer Hadi & Co.
Chartered Accountants

Unconsolidated Statement of Financial Position

As at December 31, 2023

2023	2022		2023	2022
----- USD in '000 -----			----- Rupees in '000 -----	
ASSETS				
145,090	87,862	Cash and balances with treasury banks	40,895,031	24,764,967
13,225	6,388	Balances with other banks	3,727,490	1,800,436
-	40,272	Lendings to financial institutions	-	11,351,162
1,019,932	1,076,648	Investments	287,478,855	303,464,863
722,793	819,915	Advances	203,726,900	231,101,816
38,199	35,494	Fixed assets	10,766,680	10,004,318
17,288	13,596	Intangible assets	4,872,907	3,832,137
-	-	Deferred tax assets	-	-
134,693	107,840	Other assets	37,964,595	30,395,794
2,091,220	2,188,015		589,432,458	616,715,493
LIABILITIES				
20,112	19,169	Bills payable	5,668,721	5,402,945
96,581	347,009	Borrowings	27,222,479	97,808,216
1,725,259	1,646,671	Deposits and other accounts	486,282,778	464,131,920
-	-	Liabilities against assets subject to finance lease	-	-
30,149	24,817	Subordinated debts	8,497,767	6,995,000
4,669	1,135	Deferred tax liabilities	1,316,108	320,000
71,394	72,769	Other liabilities	20,122,537	20,510,793
1,948,164	2,111,570		549,110,390	595,168,874
143,056	76,445	NET ASSETS	40,322,068	21,546,619
REPRESENTED BY				
72,754	35,902	Share capital	20,506,625	10,119,242
23,285	9,889	Reserves	6,563,243	2,787,201
6,953	2,821	Surplus on revaluation of assets	1,959,868	795,021
40,064	27,833	Unappropriated profit	11,292,332	7,845,155
143,056	76,445		40,322,068	21,546,619
CONTINGENCIES AND COMMITMENTS				
			22	

The annexed notes 1 to 48 and annexures I and II form an integral part of these unconsolidated financial statements.

President and
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman

Unconsolidated Profit and Loss Account

For the year ended December 31, 2023

2023	2022		Note	2023	2022
----- USD in '000 -----				----- Rupees in '000 -----	
326,712	255,613	Mark-up / return / interest earned	24	92,087,212	72,047,205
247,208	202,906	Mark-up / return / interest expensed	25	69,678,174	57,191,203
79,504	52,707	Net mark-up / interest income		22,409,038	14,856,002
Non mark-up / interest income					
14,664	11,401	Fee and commission income	26	4,133,281	3,213,415
6,216	462	Dividend income		1,751,922	130,094
20,428	7,672	Foreign exchange income		5,757,857	2,162,423
-	(271)	Income / (loss) from derivatives		11	(76,513)
404	(1,089)	Gain / (loss) on securities	27	113,846	(306,835)
1,588	630	Other income	28	447,655	177,448
43,300	18,805	Total non mark-up / interest income		12,204,572	5,300,032
122,804	71,512	Total Income		34,613,610	20,156,034
Non mark-up / interest expenses					
81,748	59,423	Operating expenses	29	23,041,555	16,748,968
604	151	Workers' Welfare Fund	30	170,313	42,625
281	477	Other charges	31	79,275	134,413
82,633	60,051	Total non-mark-up / interest expenses		23,291,143	16,926,006
40,171	11,461	Profit before provisions		11,322,467	3,230,028
9,960	3,898	Provisions and write offs - net	32	2,807,293	1,098,788
30,211	7,563	Profit before taxation		8,515,174	2,131,240
14,831	4,138	Taxation	33	4,180,256	1,166,462
15,380	3,425	Profit after taxation		4,334,918	964,778
Earnings per share - basic and diluted					
0.010	0.003		34	2.75	0.74

The annexed notes 1 to 48 and annexures I and II form an integral part of these unconsolidated financial statements.

President and
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman

Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2023

2023	2022		2023	2022
----- USD in '000 -----			----- Rupees in '000 -----	
15,380	3,425	Profit after taxation for the year	4,334,918	964,778
Other comprehensive income / (loss)				
Items that may be reclassified to profit and loss account in subsequent periods				
780	934	Effect of translation of net investment in foreign branch	219,841	263,175
1,786	(3,964)	Movement in surplus on revaluation of investments - net of tax (Pakistan operations)	503,467	(1,117,368)
1,238	(1,671)	Movement in surplus on revaluation of debt investments - net of tax (Bahrain operations)	348,900	(471,057)
3,024	(5,635)		852,367	(1,588,425)
3,804	(4,701)		1,072,208	(1,325,250)
Items that will not be reclassified to profit and loss account in subsequent periods				
(255)	(191)	Remeasurement loss on defined benefit obligations - net of tax	(71,780)	(53,839)
(162)	(114)	Movement in surplus on revaluation of fixed assets - net of tax	(45,739)	(32,007)
1,387	-	Movement in surplus on revaluation of non-banking assets - net of tax	390,813	(98)
65	(110)	Movement in surplus on revaluation of equity investments - net of tax (Bahrain operations)	18,429	(31,048)
1,035	(415)		291,723	(116,992)
20,219	(1,691)	Total comprehensive income / (loss)	5,698,849	(477,464)

The annexed notes 1 to 48 and annexures I and II form an integral part of these unconsolidated financial statements.

President and
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman

Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2023

	Share capital	Capital reserve		Statutory reserve	Surplus / (deficit) on revaluation of			Unappropriated profit	Total
		Share premium	Exchange translation reserve		Investments	Fixed Assets	Non-Banking Assets		
----- Rupees in '000 -----									
Balance as at January 01, 2022	10,119,242	-	194,012	2,137,058	1,146,128	1,201,316	119,714	7,106,613	22,024,083
Total comprehensive loss for the year ended December 31, 2022									
Profit after taxation	-	-	-	-	-	-	-	964,778	964,778
Other comprehensive (loss) / income - net of tax	-	-	263,175	-	(1,619,473)	(32,007)	(98)	(53,839)	(1,442,242)
	-	-	263,175	-	(1,619,473)	(32,007)	(98)	910,939	(477,464)
Transfer to statutory reserve	-	-	-	192,956	-	-	-	(192,956)	-
Transfer from surplus on revaluation of assets - net of tax	-	-	-	-	-	(21,580)	(12,533)	34,113	-
Loss on disposal of equity investments at FVOCI transferred to unappropriated profit	-	-	-	-	13,554	-	-	(13,554)	-
Balance as at December 31, 2022	10,119,242	-	457,187	2,330,014	(459,791)	1,147,729	107,083	7,845,155	21,546,619
Total comprehensive income for the year ended December 31, 2023									
Profit after taxation	-	-	-	-	-	-	-	4,334,918	4,334,918
Other comprehensive income / (loss) - net of tax	-	-	219,841	-	870,796	(45,739)	390,813	(71,780)	1,363,931
	-	-	219,841	-	870,796	(45,739)	390,813	4,263,138	5,698,849
Transfer to statutory reserve	-	-	-	866,984	-	-	-	(866,984)	-
Transfer from surplus on revaluation of assets - net of tax	-	-	-	-	-	(41,667)	(16)	41,683	-
Gain on disposal of equity investments at FVOCI transferred to unappropriated profit	-	-	-	-	(9,340)	-	-	9,340	-
Transactions with owners, recorded directly in equity									
Issue of share capital (right shares)	2,205,689	-	-	-	-	-	-	-	2,205,689
Issue of share capital (further issue of shares)	5,326,293	5,544,618	-	-	-	-	-	-	10,870,911
Transfer of share discount to share premium	2,855,401	(2,855,401)	-	-	-	-	-	-	-
Balance as at December 31, 2023	<u>20,506,625</u>	<u>2,689,217</u>	<u>677,028</u>	<u>3,196,998</u>	<u>401,665</u>	<u>1,060,323</u>	<u>497,880</u>	<u>11,292,332</u>	<u>40,322,068</u>

The annexed notes 1 to 48 and annexures I and II form an integral part of these unconsolidated financial statements.

President and
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman

Unconsolidated Cash Flow Statement

For the year ended December 31, 2023

2023 ----- USD in '000 -----	2022		2023 ----- Rupees in '000 -----	2022
CASH FLOW FROM OPERATING ACTIVITIES				
30,211	7,563	Profit before taxation	8,515,174	2,131,240
6,216	462	Less: Dividend income	1,751,922	130,094
<u>23,995</u>	<u>7,101</u>		<u>6,763,252</u>	<u>2,001,146</u>
Adjustments:				
4,036	3,141	Depreciation on fixed assets	1,137,617	885,201
118	76	Depreciation on non-banking assets	33,222	21,488
3,998	3,748	Depreciation on right-of-use assets	1,126,808	1,056,517
992	594	Amortisation	279,575	167,361
1,068	1,262	Interest expense on lease liability against right-of-use assets	300,981	355,571
397	331	Charge for defined benefit plan	111,970	93,228
-	-	Unrealised loss on revaluation of investments classified as held-for-trading - net	49	107
9,960	3,898	Provisions and write offs - net	2,807,293	1,098,788
604	151	Provision for workers' welfare fund	170,313	42,625
(1,180)	-	Gain on reclassification of AFS equity shares	(332,658)	-
(154)	59	(Gain) / loss on sale of fixed assets - net	(43,461)	16,622
(175)	(614)	Gain on termination of leases - net	(49,351)	(172,937)
<u>19,664</u>	<u>12,646</u>		<u>5,542,358</u>	<u>3,564,571</u>
<u>43,659</u>	<u>19,747</u>		<u>12,305,610</u>	<u>5,565,717</u>
Decrease / (increase) in operating assets				
40,272	73,043	Lendings to financial institutions	11,351,162	20,587,882
(52)	3,817	Held-for-trading securities	(14,543)	1,075,866
87,572	78,503	Advances	24,683,232	22,126,946
(29,072)	(43,927)	Other assets (excluding advance taxation)	(8,194,357)	(12,381,424)
<u>98,720</u>	<u>111,436</u>		<u>27,825,494</u>	<u>31,409,270</u>
(Decrease) / increase in operating liabilities				
943	(5,804)	Bills payable	265,776	(1,635,941)
(247,794)	96,977	Borrowings	(69,843,454)	27,333,906
78,588	12,158	Deposits and other accounts	22,150,858	3,426,906
(1,300)	18,626	Other liabilities	(366,312)	5,249,813
<u>(169,563)</u>	<u>121,957</u>		<u>(47,793,132)</u>	<u>34,374,684</u>
<u>(27,184)</u>	<u>253,140</u>		<u>(7,662,028)</u>	<u>71,349,671</u>
(10,486)	(4,972)	Income tax paid	(2,955,647)	(1,401,528)
<u>(37,670)</u>	<u>248,168</u>		<u>(10,617,675)</u>	<u>69,948,143</u>
CASH FLOW FROM INVESTING ACTIVITIES				
(42,741)	51,346	Net investment in available-for-sale securities	(12,047,023)	14,472,435
167,784	(323,897)	Net investment in held-to-maturity securities	47,291,663	(91,293,894)
(23,482)	-	Investment in subsidiary	(6,618,634)	-
6,216	914	Dividends received	1,751,922	257,720
(7,746)	(5,186)	Investment in fixed assets	(2,183,431)	(1,461,594)
(4,688)	(3,065)	Investment in intangible assets	(1,321,382)	(864,030)
595	462	Proceeds from sale of fixed assets	167,611	130,241
780	934	Effect of translation of net investment in foreign branch	219,841	263,175
<u>96,718</u>	<u>(278,492)</u>	Net cash generated from / (used in) investing activities	<u>27,260,567</u>	<u>(78,495,947)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
(5,506)	(4,693)	Payment of lease liability against right of use assets	(1,551,908)	(1,322,720)
7,825	-	Issuance of share capital (Right shares)	2,205,689	-
12,417	-	Issuance of subordinated debt	3,500,000	-
(7,086)	(6)	Repayment of subordinated debt	(1,997,233)	(1,800)
<u>7,650</u>	<u>(4,699)</u>	Net cash generated from / (used in) financing activities	<u>2,156,548</u>	<u>(1,324,520)</u>
<u>66,698</u>	<u>(35,023)</u>	Increase / (decrease) in cash and cash equivalents	<u>18,799,440</u>	<u>(9,872,324)</u>
89,667	124,693	Cash and cash equivalents at beginning of the year	25,273,672	35,145,996
<u>156,365</u>	<u>89,670</u>	Cash and cash equivalents at end of the year	<u>44,073,112</u>	<u>25,273,672</u>

The annexed notes 1 to 48 and annexures I and II form an integral part of these unconsolidated financial statements.

President and
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

1. STATUS AND NATURE OF BUSINESS

1.1 JS Bank Limited (the Bank) is a banking company incorporated in Pakistan as a public limited company on March 15, 2006. The Bank is a subsidiary company of Jahangir Siddiqui & Co. Ltd. (JSCL) and its shares are listed on Pakistan Stock Exchange Limited (PSX). The Bank commenced its banking operations on December 30, 2006 and its registered office is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi.

The Bank is a scheduled bank, engaged in commercial banking and related services as described in the Banking Companies Ordinance, 1962 and is operating through 291 (2022: 281) branches / sub-branches in Pakistan and one wholesale banking branch in Bahrain (2022: one). The Pakistan Credit Rating Agency Limited (PACRA) has assigned the long-term entity rating of the Bank to AA- (Double A Minus) whereas short-term rating is maintained at 'A1+' (A One Plus), which is the highest possible short-term rating. The ratings denote a very low expectation of credit risk and indicate very strong capacity for timely payment of financial commitments.

1.2 Jahangir Siddiqui Investment Bank Limited (JSIBL), formerly Citicorp Investment Bank Limited, was acquired by Jahangir Siddiqui & Co. Ltd. (JSCL) on February 01, 1999. JSIBL's holding company JSCL, entered into a Framework Agreement with American Express Bank Limited, New York (AMEX) on November 10, 2005 for acquisition of its American Express Bank Limited - Pakistan Branches, (AEBL). Consequently, a new banking company, JS Bank Limited was incorporated on March 15, 2006 and a restricted Banking License was issued by the State Bank of Pakistan (SBP) on May 23, 2006.

A Transfer Agreement was executed on June 24, 2006 between JSIBL and JSBL for transfer of the entire business and undertakings of JSIBL to JSBL and a separate Transfer Agreement was also executed on June 24, 2006, between AMEX and JSBL for the transfer of AEBL's commercial banking business in Pakistan with all assets and liabilities (other than certain excluded assets and liabilities) (AEBL business). The shareholders of JSIBL and JSBL, in their respective extra-ordinary general meetings held on July 31, 2006, approved a Scheme of Amalgamation (the Scheme) under Section 48 of the Banking Companies Ordinance, 1962. The Scheme was initially approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter No. SC/NBFC(J)-R/JSIBL/2006/517 dated September 28, 2006. Subsequently, the Scheme was sanctioned by the SBP vide its order dated December 02, 2006 and, in accordance therewith, the effective date of amalgamation was fixed at December 30, 2006.

1.3 The Bank is the holding company of BankIslami Pakistan Limited (BIPL), JS Global Capital Limited (JSGCL) and JS Investments Limited (JSIL).

1.4 The shareholders of the Bank in their meeting held on March 30, 2022 approved to acquire, as per the requirements of section 199 of the Companies Act, 2017, 86,316,954 ordinary shares of BankIslami Pakistan Limited (BIPL), constituting 7.79% of the paid-up capital of BIPL, from Emirates NBD Bank PJSC at a price of upto Rs. 13.24 per share making the aggregate consideration upto Rs. 1,142 million.

During the year, pursuant to the approvals of the shareholders of the Bank at their General Meetings held on March 29, 2023 and May 19, 2023 and after obtaining all the requisite corporate and regulatory approvals and compliance with all the applicable laws and regulations, the Bank had acquired:

- 42.45%, i.e., on August 18, 2023, 470,603,772 ordinary voting shares and control of BankIslami Pakistan Limited (BIPL), from sponsors and other shareholders of BIPL (including but not limited to, Jahangir Siddiqui & Co. Ltd., the holding company of the Bank) through agreements against the issuance of 532,629,349 new shares of the Bank by way of other than rights and other than cash consideration, i.e., 1.1318 ordinary shares of the Bank issued as consideration for every 1 ordinary share of BIPL. Accordingly on August 18, 2023, BIPL became a subsidiary of the Bank with 50.24% shareholding.
- 24.88%, i.e., on August 25, 2023, 275,891,276 ordinary shares of BIPL by way of public offer (published in newspapers on June 28, 2023) made to all public shareholders as required under the Takeover Regulations in cash at the rate of Rs. 23.99 per share. To partly finance the public offer, the Bank, with the approval of the Board of Directors, had issued 220,568,925 ordinary shares by way of 17% Right Shares, i.e., 17 right shares for every 100 shares held, at par value of Rs. 10/- each.

Post-acquisition, the shareholding of the Bank in BIPL had increased to 75.12%.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

2. BASIS OF PRESENTATION

These unconsolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BSD Circular No. 02, dated January 25, 2018.

These unconsolidated financial statements are separate financial statements of the Bank in which the investments in subsidiaries and associates are stated at cost and are accounted for on the basis of direct equity interest rather than on the basis of reported results. The consolidated financial statements of the Bank are being issued separately.

These unconsolidated financial statements have been presented in Pakistan Rupees (PKR), which is the currency of the primary economic environment in which the Bank operates and functional currency of the Bank. The amounts are rounded to nearest thousand except as stated otherwise.

The US Dollar amounts shown on the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information solely for the convenience of readers and have not been subject to audit by the external auditors. For the purpose of conversion to US Dollars, the rate of Rs. 281.8607 to 1 US Dollar has been used for 2023 and 2022 as it was the prevalent rate as on December 31, 2023.

2.1 Statement of compliance

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

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

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017, or 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.

The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies vide BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks vide its notification S.R.O 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

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

Further, as per SBP's BPRD Circular no. 07 dated April 13, 2023, IFRS 9 'Financial Instruments' is applicable for all Banks effective from January 01, 2024. However, an option of early adoption of the standard had been made permissible.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

2.2 Standards, interpretations of and amendments to approved accounting standards that are effective in the current period

The Bank has adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from January 01, 2023. These amendments neither resulted in any changes to the accounting policies nor impacted the accounting policies' information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

The information disclosed in note 4 'material accounting policies' has been assessed to be in line with the amendments.

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

2.3 Standards, interpretations of and amendments to approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 01, 2024:

	Effective date (annual periods beginning on or after)
Classification of Liabilities as Current or Non-current and application of materiality to disclosure of accounting policies - Amendments to IAS 1	January 01, 2024
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	January 01, 2024
Lease liability in a sale and leaseback - Amendments to IFRS 16	January 01, 2024
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	January 01, 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Not yet finalised
Amendments to IAS 21- Lack of Exchangeability	January 01, 2025

2.4 Critical accounting estimates and key sources of estimation uncertainty

The preparation of these unconsolidated financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in the application of its accounting policies. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis.

Notes to the Unconsolidated Financial Statements

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

- i) classification and valuation of investments (notes 4.3 and 9).
- ii) provision against advances (notes 4.6 and 10.4).
- iii) income taxes (notes 4.14 and 33).
- iv) defined benefit plans (notes 4.16 and 37).
- v) fair value of derivatives (note 4.4.2 and 23).
- vi) valuation and depreciation of fixed assets (notes 4.7 and 11).
- vii) impairment of goodwill (notes 4.20 and 12.3)
- viii) valuation of right-of-use assets and related lease liability (notes 4.8, 11.3 and 19.1).
- ix) valuation of non-banking assets acquired in satisfaction of claims (note 4.10 and 13.1).

3. BASIS OF MEASUREMENT

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

- Certain classes of fixed assets and non-banking assets acquired in satisfaction of claims which are stated at revalued amounts less accumulated depreciation.
- Investments classified as held-for-trading and available-for-sale and derivative financial instruments, which are measured at fair value.
- Net obligations in respect of defined benefit schemes which are carried at their present values.

4. MATERIAL ACCOUNTING POLICY INFORMATION

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

4.1 Cash and cash equivalents

Cash and cash equivalents represent cash and balances with treasury banks and balances with other banks net of any overdrawn nostro accounts.

4.2 Lendings to / borrowings from financial institutions

The Bank enters into transactions of lendings to / borrowings from financial institutions at contracted rates for a specified period of time. These are recorded as under:

(a) Sale under repurchase obligation

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and liability to counter party is included in borrowings. The difference in sale and repurchase value is accrued over the period of the contract and recorded as an expense using effective interest rate method.

(b) Purchase under resale obligation

Securities purchased under agreement to resell (reverse repo) are not included in statement of financial position as the Bank does not obtain control over the securities. Amount paid under these agreements is included in lendings to financial institutions or advances as appropriate. The difference between the contracted price and resale price is amortised over the period of the contract and recorded as income using effective interest method.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

(c) Other borrowings

Other borrowings include borrowings from the SBP and unsecured call borrowings which are recorded at the proceeds received. Mark-up paid on such borrowings is charged to the profit and loss account over the period of borrowings on time proportionate basis using effective interest method.

4.3 Investments

Investments of the Bank are classified into following categories:

Held-for-trading

These are securities which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealer's margin or are securities included in a portfolio in which a pattern of short-term profit taking exists. These securities are carried at fair value with any related gain or loss being recognised in profit and loss account.

Available-for-sale

These are investments that do not fall under the held-for-trading or held-to-maturity categories. These are initially recognised at cost, being the fair value of the consideration given including the acquisition cost. These securities are carried at fair value with any related surplus or deficit on revaluation recognised in other comprehensive income.

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturities that are held with the intention and ability to hold till maturity. Investments classified as held-to-maturity are carried at amortised cost.

Associates

Associate is an entity over which the Bank has significant influence but not control. Investment in associate is carried at cost less accumulated impairment losses, if any.

Subsidiaries

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

4.3.1 Initial measurement

All 'regular way' purchases and sales of financial assets are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Bank. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

Investments are initially recognised at fair value which, in the case of investments other than held-for-trading, includes transaction costs associated with the investments. Transaction costs on investments held-for-trading are expensed as incurred.

Premium or discount on acquisition of investments is capitalised and amortised through the profit and loss account using effective yield over the remaining period of the investment.

Notes to the Unconsolidated Financial Statements

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4.3.2 Subsequent measurement

Held-for-trading

These are securities measured at subsequent reporting dates at fair value. Gains and losses on re-measurement are included in the profit and loss account.

Available-for-sale

Quoted securities classified as available-for-sale investments are measured at subsequent reporting dates at fair value. Any surplus or deficit arising thereon is kept in a separate account shown in the statement of financial position as part of the equity and is taken to the profit and loss account when realised 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. Investments in other unquoted securities are valued at cost less impairment, if any.

Held-to-maturity

These are securities measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

4.3.3 Impairment / diminution in the value of securities

Impairment loss in respect of quoted equity securities classified as available-for-sale and held-to-maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below average cost. A decline to be considered as:

- Significant if the fair value is below the weighted average cost by more than 30 percent.
- Prolonged if the fair value is below the weighted average cost for a period of more than one year.

Available-for-sale

If an available-for-sale equity security is impaired, the cumulative loss that had been recognised in equity, shall be reclassified from equity to profit and loss as a reclassification adjustment even though the financial asset has not been derecognised, any further decline in the fair value at subsequent reporting dates is recognised as impairment. Therefore, at each reporting period, for an equity security that was determined to be impaired, additional impairments is recognised for the difference between the fair value and the original cost basis, less any previously recognised impairment.

If, in subsequent period, the value of an available-for-sale equity security increases resulting in revaluation surplus, any impairment losses recognised in profit and loss account shall not be reversed except in case of derecognition.

Held-to-maturity, subsidiaries and associates

Impairment losses are incurred if, and only if, there is objective evidence of impairment after initial recognition of the investment. The impairment loss is recognised in the profit and loss account. If, in a subsequent period, any indication that an impairment loss recognised in prior periods no longer exists or may have decreased, the impairment loss shall be reversed, with the amount of the reversal recognised in profit and loss account.

Notes to the Unconsolidated Financial Statements

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Debt Securities

Participation Term Certificates (PTCs), Term Finance Certificates (TFCs), Sukuk certificates and other debt securities will be classified on the valuation date on the basis of default in their repayment in line with the criteria prescribed for classification of short, medium and long-term facilities in accordance with the requirements of the Prudential Regulations issued by the SBP.

4.4 Financial instruments

4.4.1 Financial assets and financial liabilities

Financial assets and financial liabilities are recognised at the time when the Bank becomes party to the contractual provision of the instrument. Financial assets are derecognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are derecognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial asset and liability is recognised in the profit and loss account at the time of derecognition. The particular recognition and subsequent measurement method for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

4.4.2 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

4.5 Off-setting 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 Bank intends to either settle the assets and liabilities on a net basis or to realise the assets and to settle the liabilities simultaneously. Income and expenses arising from such assets and liabilities are accordingly offset.

4.6 Advances

4.6.1 Loan and advances

Advances are stated net of general and specific provisions. General and specific provisions against funded loans are determined in accordance with the requirements of the Prudential Regulations issued by the SBP and charged to the profit and loss account. Advances are written off when there are no realistic prospects of recovery.

4.6.2 Finance lease

Leases, where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognised at an amount equal to the present value of the lease payment including any guaranteed residual value, if any. Net investment in finance lease is included in loans and advances to customers.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

4.7 Fixed assets

4.7.1 Property and equipment

Fixed assets except office premises are shown at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Leasehold land and buildings on leasehold land are stated at revalued amount less accumulated depreciation and impairment loss, if any.

Depreciation is calculated and charged to profit and loss account using the straight-line method so as to write down the cost of the assets to their residual values over their estimated useful lives at the rates given in note 11.2. A full month's depreciation is charged from the month in which assets are brought into use and no depreciation is charged for the month in which the disposal is made. The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, annually.

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is recognised in the profit and loss account in the year the asset is derecognised.

4.7.2 Surplus / deficit on revaluation of fixed assets

The surplus arising on revaluation is credited to other comprehensive income. However, the increase shall be recognised in profit and loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit and loss account.

The deficit arising on a particular property as a result of a revaluation is recognised in profit and loss account as an impairment. However, the decrease to be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Depreciation on buildings which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets Account" to unappropriated profit through Statement of Changes in Equity to record realisation of surplus to the extent of the incremental depreciation charge for the year.

Gains or losses on disposal of assets are included in the profit and loss account except for the related surplus on revaluation of fixed assets (net of deferred tax) which is transferred directly to equity.

4.7.3 Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any. These are transferred to specified assets as and when assets are available for use.

4.8 Lease liability and right-of-use asset

The Bank enters into leasing arrangements for its office premises, branches, ATMs and warehouses. Rental contracts are typically for a fixed period and may have extension options as described below. At inception of a contract, the Bank assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Notes to the Unconsolidated Financial Statements

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In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not be terminated).

The lease liability is initially measured at the present value of the lease payments to be made over the lease term, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Bank's incremental borrowing rate.

Lease payments include fixed payments less any lease incentive receivable, variable lease payment that are based on an index or a rate which are initially measured using the index or rate as at the commencement date, amounts expected to be payable by the Bank under residual value guarantees, the exercise price of a purchase option if the Bank is reasonably certain to exercise that option and payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option. The extension and termination options are incorporated in determination of lease term only when the Bank is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or lease modification.

The lease liability is remeasured when the Bank reassesses the reasonable certainty of exercise of extension or termination option upon occurrence of either a significant event or a significant change in circumstance, or when there is a change in assessment of an option to purchase underlying asset, or when there is a change in amount expected to be payable under a residual value guarantee, or when there is a change in future lease payments resulting from a change in an index or rate used to determine those payment. The corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit and loss if the carrying amount of right-to-use asset has been reduced to zero.

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently measured at cost model. The right of use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

4.9 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment, if any. Intangible assets are amortised from the month when the assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Bank. The useful life and amortisation method are reviewed and adjusted, if appropriate, annually.

Intangible assets having an indefinite useful life are carried at cost less any impairment in value and are not amortised. However, these are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

4.10 Non-banking assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims under Debt Property Swap (DPS) transactions, against the loans in category of loss, are initially carried at cost and subsequently at revalued amounts at each year-end date of the statement of financial position, being the fair value at the date of revaluation less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. The valuation of properties acquired is conducted regularly, so as to ensure that their net carrying value does not materially differ from their fair value.

All direct cost including legal fees, valuation and transfer costs of acquiring title to property shall be expensed when incurred through profit and loss account.

Notes to the Unconsolidated Financial Statements

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Subsequent costs are included in the asset's carrying amounts only when it is probable that future benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other subsequent costs including repair and maintenance are charged to the profit and loss account as and when incurred.

Depreciation on assets acquired in satisfaction of claims is charged to the profit and loss account in line with the depreciation charged on fixed assets.

Any reductions in non-performing loans and corresponding reductions in provisions held against non-performing loans, as a result of the recognition of such assets, are disclosed separately in the notes to these unconsolidated financial statements.

These assets are generally intended for sale. Gains and losses realised on the sale of such assets are disclosed separately from gains and losses realised on the sale of fixed assets in the notes to these unconsolidated financial statements. If such asset is subsequently used by the Bank for its own operations, the asset, along with any related surplus, is transferred to fixed assets.

4.10.1 Surplus / deficit on revaluation of non-banking assets

Revaluation of non-banking assets acquired in satisfaction of claims under DPS transactions is carried out under criteria given in regulations for DPS issued by the State Bank of Pakistan (SBP) vide BPRD Circular No. 01 dated January 01, 2016 i.e. valuation of property shall be done on individual property basis and not on portfolio basis, whereas accounting treatment of revaluation is accounted for in accordance with applicable financial reporting standards i.e. International Accounting Standard (IAS) 16 as referred in note 4.7.2.

Furthermore, revaluation surplus on such assets shall not be admissible for calculating Bank's Capital Adequacy Ratio and exposure limits under the Prudential Regulations. However, the surplus can be adjusted upon realisation of sale proceeds.

4.11 Impairment other than investments and deferred tax

At each balance sheet date, the Bank reviews the carrying amounts of its assets (other than investment and deferred tax asset) to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of net selling price (being fair value less cost to sell) and value-in-use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit and loss account immediately.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognised as income in the profit and loss account.

4.12 Borrowings / deposits and their cost

Borrowings / deposits are initially recorded at the amount of proceeds received. Costs of borrowings / deposits are recognised separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

4.13 Subordinated debts

Subordinated debts are initially recorded at the amount of proceeds received. Mark-up accrued on subordinated debts is recognised separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

Notes to the Unconsolidated Financial Statements

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4.14 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemptions available, if any, or minimum tax on turnover, whichever is higher. The charge for current tax also includes adjustments, where considered necessary, relating to prior years arising from assessments made during the year.

Deferred

Deferred tax is recognised using the balance sheet approach on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts appearing in these unconsolidated financial statements. Deferred tax liability is recognised on taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax is calculated at the rates that are expected to apply to the period wherein the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the profit and loss account.

Deferred tax, if any, on revaluation of investments is recognised as an adjustment to surplus / deficit arising on revaluation in accordance with the requirements of International Accounting Standard (IAS) 12, 'Income Taxes'.

4.15 Provisions

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

Provision against identified non-funded losses is recognised when intimated and reasonable certainty exists for the Bank to settle the obligation. The loss is charged to profit and loss account net of expected recovery.

4.16 Staff retirement benefits

4.16.1 Defined contribution plan

The Bank has established a provident fund scheme for all permanent employees effective from January 01, 2007. Equal monthly contributions are made, both by the Bank and the employees, to the fund at the rate of 7.1 percent with effect from July 01, 2015 due to change in salary structure. Contribution by the Bank is charged to profit and loss account.

4.16.2 Defined benefit plan

The Bank operates an approved funded gratuity scheme covering all its eligible employees who have completed minimum qualifying period. An actuarial valuation of defined benefit scheme is conducted at the end of every year or on occurrence of any significant change. The most recent valuation in this regard was carried out as at December 31, 2023, using the projected unit credit actuarial valuation method. Under this method cost of providing for gratuity is charged to profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. Past-service costs are recognised immediately in profit and loss account and actuarial gains and losses are recognised immediately in other comprehensive income.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

4.17 Revenue recognition

Revenue is recognised to the extent that economic benefits will flow to the Bank and the revenue can be reliably measured. These are recognised as follows:

- Mark-up income / interest on performing advances and returns on debt securities are recognised on a time proportion basis using the effective interest method except returns on debt securities in held-to-maturity portfolio which is recognised on a straight line basis.
- Mark-up income / interest / profit on non-performing advances and debt securities is recognised on a receipt basis, in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan.
- Where debt securities are purchased at premium or discount, such premium / discount is amortised through the profit and loss account over the remaining period of maturity.
- Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gains / losses on termination of lease contracts, documentation charges, front-end fees and other lease income are recognised as income when these are realised.
- Fee, brokerage and commission income is recognised on an accrual basis.
- Dividend income is recognised when the Bank's right to receive dividend is established.
- Gain / loss on sale of investments is credited / charged to profit and loss account.

4.18 Dividend and appropriation to reserves

Dividend and appropriation to reserves, except for statutory reserves, are recognised in the unconsolidated financial statements in the periods in which these are approved. The revaluation surplus related to fixed assets and non-banking assets is not available for distribution of dividend.

4.19 Foreign currencies

4.19.1 Functional and presentation currency

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

4.19.2 Transactions and balances

Transactions in foreign currencies are translated into Pakistani rupees at the exchange rates prevailing on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Forward contracts relating to foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract. The forward cover received / paid on forward purchase / sale contracts relating to foreign currency deposits are realised / charged directly to profit and loss account.

Notes to the Unconsolidated Financial Statements

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4.19.3 Foreign operations

Assets and liabilities of foreign operations are translated into rupees at the exchange rate prevailing at the reporting date. The results of foreign operations are translated at average rate of exchange for the year.

4.19.4 Translation gains and losses

Translation gains and losses arising on revaluations of net investment in foreign operations are taken to Exchange Translation Reserve in the statement of comprehensive income. These are recognised in the profit and loss account on disposal.

4.19.5 Commitments

Commitments for outstanding forward foreign exchange contracts disclosed in these unconsolidated financial statements are translated at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date.

4.20 Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those units or groups of units.

4.21 Earnings per share

The Bank presents basic and diluted earnings per share (EPS). Basis EPS is calculated by dividing the profit or loss attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

4.22 Segment reporting

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

Segment information is presented as per the Bank's functional structure and the guidance given under International Financial Reporting Standard (IFRS) 8. For management purposes, the Bank has been organised into six operating segments based on products and services, as follows:

4.22.1 Business segments

Retail Banking

Retail banking includes branch banking, small and medium enterprises, direct sales, private banking, product management, branch distribution network and tele sales.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

Corporate / Commercial Banking

This includes corporate banking, commercial banking and institutional sales related loans, deposits and other transactions.

Treasury

This segment is responsible for asset / liability management and includes all treasury related products such as fixed income money market, FX and derivatives.

Investment, International & Institutional Banking

This segment includes international branch, financial institutions business, home remittances, cash management, employee banking, venture capital and green banking.

Zindigi

It is a digital platform catering branchless banking customers.

Others

This includes the head office related activities and other functions which cannot be classified in any of the above segments.

4.22.2 Geographical segment

The Bank operates in two geographic regions being:

- Pakistan
- Bahrain

5. Application of IFRS 9, 'Financial Instruments'

As directed by SBP via BPRD Circular No. 07 dated April 13, 2023, IFRS 9, 'Financial Instruments' is effective for periods beginning on or after January 01, 2024, for all banks.

SBP via its BPRD Circular No. 03 dated July 05, 2022 has provided detailed instructions on implementation of IFRS 9 (the Application Instructions) for ensuring smooth and consistent implementation of the standard across banks.

IFRS 9 replaces the existing guidance in IAS 39, 'Financial Instruments: Recognition and Measurement'. The standard includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39

The Bank will adopt IFRS 9 in its entirety effective January 01, 2024 with modified retrospective approach for restatement. During the year 2023, the management of the Bank continued to perform parallel run assessments for IFRS 9, taking into account the SBP's IFRS 9 application instructions. The assessments were based on available information that existed at respective parallel run reporting cut offs and were subject to changes that could arise from further reasonable and supportable information being made available to the Bank at the time of finalizing the impact for initial application of IFRS 9. Banks expect an increase in the loss allowance resulting in a negative impact on equity. In addition, Banks will implement changes in classification of certain financial instruments. These changes and impacts for the Bank are discussed below.

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5.1 Classification and measurement

Under the new standard, classification and measurement of financial assets depends on how these are managed (the entity's business model) and their contractual cash flow characteristics. Financial assets that do not meet the Solely Payment of Principal and Interest (SPPI) criteria are required to be measured at fair value through profit or loss regardless of the business model in which they are held. The Bank's business model in which financial assets are held will determine whether the financial assets are to be measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The Bank has analysed the impact of initial application of IFRS 9 on its financial assets as follows:

Equity Securities

Equity instruments are generally measured as FVTPL unless the Bank elects for FVOCI at initial recognition.

For equity shares held as available-for-sale (AFS) with surplus / deficit recorded in OCI, the Bank may elect these equity shares as FVOCI. However, in accordance with IFRS 9 requirements, fair value gain or losses recognised in OCI will not be recycled to profit and loss account on derecognition of these securities.

For those equity shares currently held as AFS with gains and losses recorded in OCI for which FVOCI election is not made, will be measured at FVTPL, with marked to market impacts recorded in profit and loss account for future periods. The surplus / deficit related to these securities currently presented in equity, will be reclassified to retained earnings, with no impact on overall equity with respect to such classification.

Debt securities

Debt securities that are currently classified as AFS and pass the SPPI test, are expected to be measured at FVOCI under IFRS 9 as the Bank's business model is to hold the assets to collect contractual cash flows and sell those investment. Debt securities currently classified as HTM and pass the SPPI test are expected to be measured at amortised cost under IFRS 9 as the Bank's business model is to hold the assets to collect contractual cash flows.

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

For certain debt securities which are currently classified as AFS and in case the Bank decides to designate the same under the Held to Collect Business Model with the intention to collect the future cash flows on initial recognition as permitted under the standard, the mark to market gain / (loss) pertaining to these securities will be reversed from the surplus / deficit and adjusted against the book value of securities at initial recognition. This will have an impact on the overall retained earnings which will be consolidated in the opening retained earnings adjustment under IAS 8 (modified retrospective application criteria) in addition to the ECL impact.

5.2 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, a provision is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL).

Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'stage 3'.

Notes to the Unconsolidated Financial Statements

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The assessment of credit risk and the estimation of ECL should be unbiased and probability-weighted and would 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 would take into account the time value of money.

Based on the requirements of IFRS 9 and SBP's IFRS 9 application instructions, the Bank has performed an ECL assessment considering the key elements such as assessment of Significant Increase in Credit Risk (SICR), Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). These elements are described below:

- PD: The probability that a counterparty will default, calibrated over the 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating forward looking information.
- LGD: It is an estimate of magnitude of loss sustained on any facility upon default by a customer. It is expressed as a percentage of the exposure outstanding on the date of classification of an obligor. It is the difference between contractual cash flows due and those that the Bank expects to receive, including any form of collateral.
- EAD: the expected balance sheet exposure at the time of default, incorporating expectations on drawdowns, amortisation, pre-payments and forward-looking information where relevant.

For the purpose of calculation of ECL, the Bank has used 5 years data till December 31, 2023 and going forward, one more year's data shall be included until the Bank has at least 10 years data.

5.3 Significant Increase in Credit Risk (SICR)

A SICR is assessed in the context of an increase in the risk of a default occurring over the life of the financial instrument when compared to that expected at the time of initial recognition. It is not assessed in the context of an increase in the ECL. The Bank uses a number of qualitative and quantitative measures in assessing SICR. Quantitative measures relate to deterioration of Obligor Risk Ratings (ORR) or where principal and / or interest payments are 60 days or more past due. Qualitative factors include unavailability of financial information and pending litigations.

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

As required by the Application Instructions, financial assets may be reclassified out of stage 3 if they meet the requirements of Prudential Regulations (PR) issued by SBP. Financial assets in stage 2 may be reclassified to stage 1 if the conditions that led to a SICR no longer apply. However, a minimum period of 6 months from initial downgrade is required before any facility is moved back to stage 1 from stage 2. For a facility to move back from stage 3 to stage 2, it should meet the criteria defined under the respective Prudential Regulations for de-classification of account / facility. An exposure cannot be upgraded from stage 3 to stage 1 directly and should be upgraded to stage 2 initially.

5.4 Presentation and disclosure

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

The SBP vide BPRD Circular No. 03 dated February 09, 2023 has issued revised formats for annual as well as interim financial statements of Banks for the accounting periods starting from January 01, 2024, which include the presentation and disclosures of adoption of IFRS 9 as applicable in Pakistan.

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5.5 Additional requirements and exceptions introduced by SBP Instructions

SBP has enforced the application of IFRS 9 in its entirety except for some exceptions and additional requirements. A high-level comparison of such exceptions that are relevant to the Bank is as follows:

(i) Use of Fair Value Option for financial assets

IFRS 9 allows entities to irrevocably designate, at initial recognition, a financial asset as measured at FVTPL if doing so eliminates or significantly reduces any 'accounting mismatch' that would otherwise arise from measuring assets or liabilities or recognising gains and losses on them on different bases. SBP instructions state that banks may apply the fair value option if, in addition to the IFRS 9 criterion, (a) it is consistent with a documented risk management strategy, and (b) fair values are reliable at inception and throughout life of the instrument. Nonetheless, banks should avoid this option for financial instruments that are categorised as Level 3 in terms of the IFRS 13 hierarchy.

(ii) Unquoted equity securities

SBP has advised banks to measure investment in unquoted equity securities at lower of cost or breakup value till December 31, 2023.

In case where the breakup value of such securities is less than the cost, the difference of the cost and the breakup value will be classified as loss and provided for by charging it to the profit and loss account.

(iii) Rebuttable presumptions about default and SICR

IFRS 9 includes a rebuttable presumption that a default does not occur later than 90 days past due and it also presumes that there is SICR if credit exposure is more than 30 days past due. In order to bring consistency, SBP has allowed the backstop to the rebuttable presumption of days past due of credit portfolio against a specific credit facility and its stage allocation under IFRS 9 as mentioned in Annexure-C of BPRD Circular No. 03 dated July 05, 2022. However, banks are free to choose more stringent days past due criteria.

(iv) Income recognition on impaired assets

The Banks are advised to recognise income on impaired assets (loans classified under PRs i.e., OAEM and stage 3 loans) on a receipt basis in accordance with the requirements of Prudential Regulations issued by SBP.

(v) Impact of Provisions on Regulatory Capital

The banks are allowed to include provisions for stage 1 and stage 2 in Tier 2 capital up to a limit of 1.25% of total credit risk-weighted assets. In order to mitigate the impact of ECL provisioning on capital, a transitional arrangement is allowed to the banks to absorb the impact on regulatory capital. Accordingly, banks, which choose to apply transitional arrangement, may implement this arrangement in accordance with SBP's Guideline for absorption of ECL for CAR purposes as mentioned in Annexure-C of BPRD Circular No. 03 dated July 05, 2022.

5.6 Impact of adoption of IFRS 9

The Bank will adopt IFRS 9 in its entirety effective January 01, 2024 with modified retrospective approach for restatement. The actual impact of adopting IFRS 9 on the Bank's financial statements in the year 2023 may not be accurately estimated because it will be dependent on the financial instruments that the Bank would hold during next year and economic conditions at that time as well as accounting elections and judgements that it will make in future. Nevertheless, the Bank has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at December 31, 2023.

Notes to the Unconsolidated Financial Statements

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The total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Bank's equity at January 01, 2024 is given below:

- a decrease of approximately Rs. 706.540 million in the Bank's equity related to additional provision requirements as per IFRS 9; and
- an increase of approximately Rs. 360.335 million in the Bank's equity related to deferred tax impacts.

5.7 Impact on regulatory capital

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

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

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

	As per adopted IFRS 9	As per current Standards
Common Equity Tier 1 Capital Adequacy ratio	8.37%	8.43%
Tier 1 Capital Adequacy Ratio	9.60%	9.65%
Total Capital Adequacy Ratio	12.46%	12.53%

The Bank will continue to refine its expected credit loss model and embed its operational processes which may change the actual impact on adoption, although parallel runs have been carried out till the reporting date, the new systems and associated controls in place have not been operational for a more extended period.

5.8 Governance, ownership and responsibilities

The Bank has adopted a governance framework requiring the Risk, Finance, Operations, Internal Audit and IT functions to effectively work together to ensure input from all business lines. IFRS 9 requires robust credit risk models that can predict Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

6. CASH AND BALANCES WITH TREASURY BANKS	2023	2022
	Note	----- Rupees in '000 -----
In hand:		
Local currency	8,606,571	7,824,288
Foreign currencies	2,159,380	488,360
	10,765,951	8,312,648
With State Bank of Pakistan in:		
Local currency current account	6.1 20,387,010	15,207,132
Foreign currency current account	6.2 2,071,676	815,151
Foreign currency deposit account	6.3 4,614,459	364,657
	27,073,145	16,386,940
With National Bank of Pakistan in local currency current accounts	3,038,343	58,322
National Prize Bonds	17,592	7,057
	40,895,031	24,764,967

Notes to the Unconsolidated Financial Statements

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- 6.1** This represents local currency current accounts maintained under the Cash Reserve Requirement of the SBP.
- 6.2** This represents cash reserve account maintained with SBP at an amount equivalent to at least 5% per annum (2022: 5% per annum) of the Bank's foreign currency deposits mobilised under FE-25 scheme.
- 6.3** This represent a foreign currency deposit account maintained under the Special Cash Reserve Requirement (SCRR) of the SBP Profit rates on these deposits are fixed by SBP on a monthly basis. It also includes a foreign currency settlement account maintained with the SBP which carries mark-up at a rate of 4.34% per annum (2022: 3.14% per annum).

7. BALANCES WITH OTHER BANKS	Note	2023	2022
		----- Rupees in '000 -----	
In Pakistan			
In current accounts		5,636	255,029
In deposit accounts		73	73
		5,709	255,102
Outside Pakistan			
In current accounts	7.1	3,721,855	1,545,369
		3,727,564	1,800,471
Less: Provision under IFRS 9	7.2	(74)	(35)
Balances with other banks - net of provision		3,727,490	1,800,436

- 7.1** This includes amount held in Automated Investment Plans. The Bank is entitled to earn interest from the foreign correspondent banks at agreed upon rates when the balance exceeds a specified amount which comes upto 4.83% per annum (2022: 3.83% per annum).

- 7.2** This represents provision held under IFRS 9 by Bahrain branch of the Bank.

8. LENDINGS TO FINANCIAL INSTITUTIONS	Note	2023	2022
		----- Rupees in '000 -----	
Repurchase agreement lendings (Reverse Repo)	8.2	-	11,351,162
8.1 Particulars of lendings			
In local currency		-	11,351,162
In foreign currencies		-	-
		-	11,351,162

- 8.2** Repurchase agreement lendings carry mark-up rate Nil (2022: 16.00% to 16.75%) per annum.

Notes to the Unconsolidated Financial Statements

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8.3 Securities held as collateral against repurchase agreement lendings (reverse repo)

	2023			2022		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
----- Rupees in '000 -----						
Market Treasury Bills	-	-	-	11,053,559	-	11,053,559
Pakistan Investment Bonds	-	-	-	307,459	-	307,459
	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,361,018</u>	<u>-</u>	<u>11,361,018</u>

	2023				2022			
	Cost / Amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / Amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
----- Rupees in '000 -----								
9. INVESTMENTS	Note							
9.1 Investments by type								
Held-for-trading securities								
Federal Government Securities								
Market Treasury Bills	47,974	-	(49)	47,925	33,538	-	(107)	33,431
Available-for-sale securities								
Federal Government Securities								
Market Treasury Bills	427,432	-	25	427,457	40,317,081	-	(395,161)	39,921,920
Pakistan Investment Bonds - Fixed	28,540,271	-	(1,124,212)	27,416,059	34,811,083	-	(1,399,722)	33,411,361
Pakistan Investment Bonds - Floater	110,030,211	-	1,001,079	111,031,290	69,406,348	-	(31,328)	69,375,020
Government of Pakistan Eurobonds	1,853,745	(124,556)	(224,752)	1,504,437	1,470,530	(49,083)	(743,736)	677,711
Shares								
Listed Companies								
Ordinary shares	2,176,754	-	1,268,044	3,444,798	3,190,873	-	1,941,804	5,132,677
Preference shares	136,589	(136,589)	-	-	136,589	(136,589)	-	-
Unlisted Company								
Ordinary shares	11,000	-	-	11,000	11,000	-	-	11,000
Non Government Debt Securities								
Listed								
Term Finance Certificates	393,446	(143,446)	(15,412)	234,588	393,446	(143,446)	-	250,000
Sukuk Certificates	200,000	-	(10,470)	189,530	244,083	-	91	244,174
Unlisted								
Term Finance Certificates	231,928	(131,928)	-	100,000	140,133	(140,133)	-	-
Sukuk Certificates	1,117,486	-	-	1,117,486	1,212,440	-	-	1,212,440
Preference shares	27,733	(27,733)	-	-	27,733	(27,733)	-	-
Foreign Securities								
Government Debt Securities	9.4.4 18,554,551	(189,192)	(95,171)	18,270,188	410,164	(129,576)	(146,817)	133,771
Non Government Debt Securities	9.4.4 371,295	(52)	2,710	373,953	679,632	(394)	(5,374)	673,864
Ordinary shares	9.4.2 92,031	-	(14,258)	77,773	335,143	-	(28,705)	306,438
Open End Mutual Funds	-	-	-	-	500,000	-	2,298	502,298
	<u>164,164,472</u>	<u>(753,496)</u>	<u>787,583</u>	<u>164,198,559</u>	<u>153,286,278</u>	<u>(626,954)</u>	<u>(806,650)</u>	<u>151,852,674</u>
Held-to-maturity securities								
Federal Government Securities								
Market Treasury Bills	29,887,607	-	-	29,887,607	105,615,196	-	-	105,615,196
Pakistan Investment Bonds - Fixed	10,461,059	-	-	10,461,059	10,136,487	-	-	10,136,487
Pakistan Investment Bonds - Floater	61,797,508	-	-	61,797,508	33,686,154	-	-	33,686,154
	9.5.1 <u>102,146,174</u>	<u>-</u>	<u>-</u>	<u>102,146,174</u>	<u>149,437,837</u>	<u>-</u>	<u>-</u>	<u>149,437,837</u>
Associates	242,067	(43,145)	-	198,922	242,067	(20,267)	-	221,800
Subsidiaries	20,887,275	-	-	20,887,275	1,919,121	-	-	1,919,121
Total Investments	<u>287,487,962</u>	<u>(796,641)</u>	<u>787,534</u>	<u>287,478,855</u>	<u>304,918,841</u>	<u>(647,221)</u>	<u>(806,757)</u>	<u>303,464,863</u>

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9.1.1 Investments include certain approved / government securities which are held by the Bank to comply with the Statutory Liquidity Requirement determined on the basis of the Bank's demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.

	2023				2022			
	Cost / Amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / Amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
9.2 Investments by segment	----- Rupees in '000 -----							
Federal Government Securities								
Market Treasury Bills	30,363,013	-	(24)	30,362,989	145,965,815	-	(395,268)	145,570,547
Pakistan Investment Bonds - Fixed	39,001,330	-	(1,124,212)	37,877,118	44,947,570	-	(1,399,722)	43,547,848
Pakistan Investment Bonds - Floaters	171,827,719	-	1,001,079	172,828,798	103,092,502	-	(31,328)	103,061,174
Government of Pakistan Eurobonds	1,853,745	(124,556)	(224,752)	1,504,437	1,470,530	(49,083)	(743,736)	677,711
	243,045,807	(124,556)	(347,909)	242,573,342	295,476,417	(49,083)	(2,570,054)	292,857,280
Shares								
Listed Companies	2,313,343	(136,589)	1,268,044	3,444,798	3,327,462	(136,589)	1,941,804	5,132,677
Unlisted Company	11,000	-	-	11,000	11,000	-	-	11,000
	2,324,343	(136,589)	1,268,044	3,455,798	3,338,462	(136,589)	1,941,804	5,143,677
Mutual Funds	-	-	-	-	500,000	-	2,298	502,298
Non Government Debt Securities								
Listed Companies	593,446	(143,446)	(25,882)	424,118	637,529	(143,446)	91	494,174
Unlisted Companies	1,377,147	(159,661)	-	1,217,486	1,380,306	(167,866)	-	1,212,440
	1,970,593	(303,107)	(25,882)	1,641,604	2,017,835	(311,312)	91	1,706,614
Foreign Securities								
Government Debt Securities	18,554,551	(189,192)	(95,171)	18,270,188	410,164	(129,576)	(146,817)	133,771
Non Government Debt Securities	371,295	(52)	2,710	373,953	679,632	(394)	(5,374)	673,864
Ordinary shares	92,031	-	(14,258)	77,773	335,143	-	(28,705)	306,438
	19,017,877	(189,244)	(106,719)	18,721,914	1,424,939	(129,970)	(180,896)	1,114,073
Associates								
Omar Jibran Engineering Industries Limited	180,000	-	-	180,000	180,000	-	-	180,000
Veda Transit Solutions (Private) Limited	41,800	(22,878)	-	18,922	41,800	-	-	41,800
Intercity Touring Company (Private) Limited	20,267	(20,267)	-	-	20,267	(20,267)	-	-
	242,067	(43,145)	-	198,922	242,067	(20,267)	-	221,800
Subsidiaries								
JS Global Capital Limited	1,357,929	-	-	1,357,929	1,357,929	-	-	1,357,929
JS Investments Limited	561,192	-	-	561,192	561,192	-	-	561,192
BankIslami Pakistan Limited	18,968,154	-	-	18,968,154	-	-	-	-
	20,887,275	-	-	20,887,275	1,919,121	-	-	1,919,121
Total Investments	287,487,962	(796,641)	787,534	287,478,855	304,918,841	(647,221)	(806,757)	303,464,863

Notes to the Unconsolidated Financial Statements

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	2023		2022	
	Cost	Market value	Cost	Market value
9.2.1 Investments given as collateral	----- Rupees in '000 -----			
Available-for-sale securities				
Federal Government Securities:				
Pakistan Investment Bonds - Floater	-	-	62,800,000	62,198,080
	-	-	62,800,000	62,198,080
			2023	2022
9.3 Provision for diminution in value of investments		Note	----- Rupees in '000 -----	
9.3.1 Opening balance			647,221	616,699
Exchange adjustments			44,314	28,126
Charge for the year			22,879	24,570
Reversals for the year			(8,205)	(104,869)
		32	14,674	(80,299)
Impairment under IFRS 9 in Bahrain branch				
Charge for the year			90,432	82,695
Closing Balance			796,641	647,221
9.3.2 Particulars of provision against debt securities				
	2023		2022	
Category of classification	Non-performing Investments	Provision	Non-performing Investments	Provision
	----- Rupees in '000 -----			
Domestic				
Loss	303,107	303,107	311,312	311,312
	303,107	303,107	311,312	311,312

9.3.2.1 The Bank has recognised provision (expected credit loss) under IFRS 9 of Rs. 313.800 million (2022: Rs. 179.053) held on foreign debt securities by Bahrain branch of the Bank.

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9.4 Quality of Available-for-sale Securities

Details regarding quality of Available-for-sale securities are as follows:

	Cost			
	2023	2022		
9.4.1 Federal Government Securities - Government guaranteed	----- Rupees in '000 -----			
Market Treasury Bills	427,432	40,317,081		
Pakistan Investment Bonds - Fixed	28,540,271	34,811,083		
Pakistan Investment Bonds - Floater	110,030,211	69,406,348		
Government of Pakistan Eurobonds	1,853,745	1,470,530		
	<u>140,851,659</u>	<u>146,005,042</u>		
9.4.2 Shares				
Listed Companies				
Packaging	25,053	25,053		
Oil and gas	399,824	399,824		
Financial	-	1,145,951		
Technology & Communication	575,475	692,637		
Insurance	897,864	897,864		
Fertilizer	249,007	-		
Pharmaceutical	29,531	29,544		
	<u>2,176,754</u>	<u>3,190,873</u>		
Foreign companies				
Automobile and transportation equipment	-	261,403		
Financial	85,625	68,786		
	<u>85,625</u>	<u>330,189</u>		
	2023	2022		
	Cost	Breakup value	Cost	Breakup value
	----- Rupees in '000 -----			
Unlisted Companies				
ISE Towers REIT Management Limited	<u>11,000</u>	<u>24,906</u>	11,000	21,534
Foreign securities				
Society for Worldwide Interbank Financial Telecommunication (SWIFT)	<u>6,406</u>	<u>11,202</u>	4,954	8,052
	Cost			
	2023	2022		
	----- Rupees in '000 -----			
9.4.3 Non Government Debt Securities				
Listed				
AAA	-	44,083		
AA-	450,000	450,000		
Unrated	143,446	143,446		
	<u>593,446</u>	<u>637,529</u>		
Unlisted				
A+, A, A-	108,333	1,212,440		
BB	1,109,153	-		
Unrated	159,661	167,866		
	<u>1,377,147</u>	<u>1,380,306</u>		
	<u>1,970,593</u>	<u>2,017,835</u>		

Notes to the Unconsolidated Financial Statements

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9.4.4 Foreign Securities

	2023		2022	
	Cost	Rating	Cost	Rating
----- Rupees in '000 -----				
Government debt securities				
Republic of Sri Lanka	563,721	C	410,164	SD
US Treasury bills	17,990,830	AA+	-	-
	<u>18,554,551</u>		<u>410,164</u>	
Non Government debt securities				
Kuwait Projects	-	-	679,632	-
Qatar Islamic Bank	140,999	A-	-	-
Mamoura Diversified Global Holding	230,296	AA	-	-
	<u>371,295</u>		<u>679,632</u>	

9.5 Quality of Held-to-Maturity Securities

Details regarding quality of Held-to-Maturity securities are as follows:

	Cost	
	2023	2022
---- Rupees in '000 ----		
9.5.1 Federal Government Securities - Government guaranteed		
Market Treasury Bills	29,887,607	105,615,196
Pakistan Investment Bonds - Fixed	10,461,059	10,136,487
Pakistan Investment Bonds - Floater	61,797,508	33,686,154
	<u>102,146,174</u>	<u>149,437,837</u>

9.6 The market value of securities classified as held-to-maturity as at December 31, 2023 amounted to Rs. 100,310.906 million (2022: Rs. 147,022.393 million).

9.7 The Bank acquired effective controlling interest in JS Global Capital Limited (JSGCL) on December 21, 2011, April 15, 2016, October 01, 2019 and June 02, 2021 of 51.05%, 16.11%, 16.37% and 9.37% respectively. The ownership interest has increased by 41.85%, without any change in the cost of investment, due to the fact that JSGCL has bought back its 11,993,000 shares on April 15, 2016, 7,450,000 shares on October 02, 2019 and 27,477,297 share on June 02, 2021.

9.8 JSIL is principally owned by the Bank, holding 84.56% of its equity interest. The Bank acquired effective controlling interest in JSIL on November 01, 2012, December 22, 2015 and August 31, 2019 of 52.24%, 12.92% and 19.40% respectively. The ownership interest has increased by 32.32% without any change in the cost of investment, due to the fact that JSIL has bought back its 38,225,744 ordinary shares out of its 100 million ordinary shares.

9.9 The Bank acquired effective controlling interest of 50.24% in BankIslami Pakistan Limited (BIPL) on August 18, 2023 and accordingly, BIPL has become a subsidiary of the Bank. The ownership interest further increased by 24.88% on August 25, 2023 by way of public offer. Post-acquisition, the shareholding of the Bank in BIPL has increased to 75.12%. Refer note 1.4.

9.10 The investment in Intercity Touring Company classified as associate company is fully provided for as of reporting date.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

9.11 Particulars of Assets and Liabilities of Subsidiaries and Associates

			2023				
As at	Country of Incorporation	Holding (%)	Assets	Liabilities	Revenue	Profit / (loss)	
----- Rupees in '000 -----							
Subsidiaries							
JS Global Capital Limited	Dec 31, 2023	Pakistan	92.90%	6,251,182	3,799,471	1,095,433	187,296
JS Investments Limited	Dec 31, 2023	Pakistan	84.56%	2,122,220	456,799	641,945	310,024
BankIslami Pakistan Limited	Dec 31, 2023	Pakistan	75.12%	654,865,896	618,399,978	43,494,329	11,045,099
Associates							
Omar Jibran Engineering Industries Limited	Jun 30, 2023	Pakistan	9.60%	5,372,772	2,430,640	2,345,882	(145,624)
Veda Transit Solutions Private Limited	Jun 30, 2022	Pakistan	3.92%	4,242,630	3,236,774	2,468,979	(80,262)
			2022				
As at	Country of Incorporation	Holding (%)	Assets	Liabilities	Revenue	Profit / (loss)	
----- Rupees in '000 -----							
Subsidiaries							
JS Global Capital Limited	Dec 31, 2022	Pakistan	92.90%	5,357,006	3,096,505	754,049	76,121
JS Investments Limited	Dec 31, 2022	Pakistan	84.56%	1,771,784	416,387	196,796	(149,051)
Associates							
Omar Jibran Engineering Industries Limited	Jun 30, 2022	Pakistan	9.60%	5,022,767	2,308,053	3,458,393	145,018
Veda Transit Solutions (Private) Limited	Jun 30, 2022	Pakistan	3.92%	4,242,630	3,236,774	2,468,979	(80,262)

		Performing		Non-Performing		Total	
		2023	2022	2023	2022	2023	2022
----- Rupees in '000 -----							
10. ADVANCES	Note						
Loans, cash credits, running finances, etc.	10.1	186,577,182	212,191,088	16,184,450	16,311,887	202,761,632	228,502,975
Bills discounted and purchased		11,025,154	10,021,695	-	-	11,025,154	10,021,695
Advances - gross		197,602,336	222,212,783	16,184,450	16,311,887	213,786,786	238,524,670
Provision against advances							
- Specific		-	-	(9,660,542)	(7,210,740)	(9,660,542)	(7,210,740)
- General		(377,450)	(200,614)	-	-	(377,450)	(200,614)
- Provision under IFRS-9	10.4.5	(21,894)	(11,500)	-	-	(21,894)	(11,500)
	10.4	(399,344)	(212,114)	(9,660,542)	(7,210,740)	(10,059,886)	(7,422,854)
Advances - net of provision		197,202,992	222,000,669	6,523,908	9,101,147	203,726,900	231,101,816

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

10.1 Particulars of net investment in finance lease

	2023				2022			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	----- Rupees in '000 -----							
Lease rentals receivable	2,199,360	1,935,201	17,321	4,151,882	3,045,170	2,774,814	39,047	5,859,031
Guaranteed residual value	576,844	993,678	17,305	1,587,827	1,001,802	1,401,925	18,504	2,422,231
Minimum lease payments	2,776,204	2,928,879	34,626	5,739,709	4,046,972	4,176,739	57,551	8,281,262
Finance charges for future periods	(491,904)	(487,044)	(3,926)	(982,874)	(591,410)	(552,753)	(4,258)	(1,148,421)
Present value of minimum lease payments	<u>2,284,300</u>	<u>2,441,835</u>	<u>30,700</u>	<u>4,756,835</u>	<u>3,455,562</u>	<u>3,623,986</u>	<u>53,293</u>	<u>7,132,841</u>

2023 2022
----- Rupees in '000 -----

10.2 Particulars of advances (gross)

In local currency	202,199,868	229,336,508
In foreign currencies	11,586,918	9,188,162
	<u>213,786,786</u>	<u>238,524,670</u>

10.3 Advances include Rs. 16,184.450 million (2022: Rs. 16,311.887 million) which have been placed under non-performing status as detailed below:

Category of Classification	2023		2022	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
	----- Rupees in '000 -----			
Domestic				
Other Assets Especially Mentioned *	363,753	2,154	413,839	252
Substandard	1,336,698	117,718	1,300,581	171,165
Doubtful	2,509,560	220,851	1,808,030	462,049
Loss	11,974,439	9,319,819	12,789,437	6,577,274
Total	<u>16,184,450</u>	<u>9,660,542</u>	<u>16,311,887</u>	<u>7,210,740</u>

* The Other Assets Especially Mentioned category pertains to agriculture, housing and small enterprises financing.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

10.4 Particulars of provision against advances

	Note	2023				2022			
		Specific	General	Provision under IFRS-9	Total	Specific	General	Provision under IFRS-9	Total
		----- Rupees in '000 -----							
Opening balance		7,210,740	200,614	11,500	7,422,854	6,569,829	87,787	25,193	6,682,809
Exchange adjustments		-	-	2,856	2,856	-	-	5,122	5,122
Charge for the year		3,128,536	176,836	7,538	3,312,910	1,731,847	112,827	-	1,844,674
Reversals for the year	10.4.2	(624,082)	-	-	(624,082)	(870,683)	-	(18,815)	(889,498)
	32	2,504,454	176,836	7,538	2,688,828	861,164	112,827	(18,815)	955,176
Amounts written off	10.5	(54,652)	-	-	(54,652)	(220,253)	-	-	(220,253)
Closing balance		9,660,542	377,450	21,894	10,059,886	7,210,740	200,614	11,500	7,422,854

10.4.1 Particulars of provision against advances

	Note	2023				2022			
		Specific	General	Provision under IFRS-9	Total	Specific	General	Provision under IFRS-9	Total
		----- Rupees in '000 -----							
In local currency		9,660,542	377,450	-	10,037,992	7,210,740	200,614	-	7,411,354
In foreign currency	10.4.5	-	-	21,894	21,894	-	-	11,500	11,500
		9,660,542	377,450	21,894	10,059,886	7,210,740	200,614	11,500	7,422,854

10.4.2 This includes reversal of provision of Nil (2022: Rs. 104.477 million) against reduction in non-performing loans of Rs. 2,977.400 million (2022: Rs. 542.248 million) of certain borrowers under 'Debt Property Swap' transactions.

10.4.3 The State Bank of Pakistan through various circulars has allowed benefit of the forced sale value (FSV) of Plant and Machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against non-performing loans (NPLs) for a maximum of five years from the date of classification. As at December 31, 2023, the Bank has availed cumulative FSV benefit under the directives of the State Bank of Pakistan (SBP) of Rs. 3,914.240 million (2022: Rs. 6,820.087 million).

The additional profit arising from availing the FSV benefit - net of tax amounts to Rs. 1,996.262 million (2022: Rs. 3,478.244 million). The additional impact on profitability arising from availing the benefit of FSV shall not be available for payment of cash or stock dividend to shareholders or bonus to employees under the requirement of Regulation R-8 of Corporate / Commercial Banking of SBP.

10.4.4 The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of a certain Public Sector Entity (PSE) which is fully guaranteed by the Government of Pakistan. No provision is required against these loans as per SBP letter; however, mark-up overdue by 90 days and above is being suspended.

10.4.5 This represents provision held under IFRS 9 by Bahrain branch of the Bank.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

10.4.6 Advances - Deferred & Restructured / Rescheduled

The SBP vide BPRD Circular No. 13 dated March 26, 2020, has relaxed certain classification criteria of SBP Prudential Regulation R-8 (Classification and Provisioning of Assets). Accordingly, certain exposures of the Bank as at December 31, 2023 relating to facilities of customers have not been classified as non-performing on account of such relaxation.

10.5 Particulars of Write Offs:	2023	2022
	----- Rupees in '000 -----	
10.5.1 Against provisions	54,652	220,253
Directly charged to profit and loss account	-	-
	<u>54,652</u>	<u>220,253</u>
10.5.2 Write offs of Rs.500,000 and above	6,947	4,167
Write offs of below Rs.500,000	47,705	216,086
	<u>54,652</u>	<u>220,253</u>

10.6 Details of loan write off of Rs. 500,000 and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand and above allowed to a person(s) during the year ended is given in Annexure-I to these unconsolidated financial statements. However, these write-offs do not affect the Bank's right to recover debts from these customers.

11. FIXED ASSETS	Note	2023	2022
		----- Rupees in '000 -----	
Capital work-in-progress	11.1	450,659	845,168
Property and equipment	11.2	8,176,443	6,872,431
Right-of-use assets	11.3	2,139,578	2,286,719
		<u>10,766,680</u>	<u>10,004,318</u>
11.1 Capital work-in-progress			
Civil works		277,785	159,515
Advance to suppliers		10,726	290
Equipment		162,148	685,363
		<u>450,659</u>	<u>845,168</u>

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

11.2	Property and equipment	2023						
		Leasehold land	Building on leasehold land	Leasehold improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
		Rupees in '000						
	At January 01, 2023							
	Cost / Revalued amount	1,728,122	2,444,578	2,178,004	775,833	4,453,823	148,221	11,728,581
	Accumulated depreciation	-	(424,325)	(905,864)	(448,814)	(3,011,499)	(65,648)	(4,856,150)
	Net book value	<u>1,728,122</u>	<u>2,020,253</u>	<u>1,272,140</u>	<u>327,019</u>	<u>1,442,324</u>	<u>82,573</u>	<u>6,872,431</u>
	Year ended December 2023							
	Opening net book value	1,728,122	2,020,253	1,272,140	327,019	1,442,324	82,573	6,872,431
	Additions	-	617,158	265,172	140,337	1,377,406	160,990	2,561,063
	Movement in surplus on assets revalued during the year	-	-	-	-	-	-	-
	Disposals	-	(61,165)	(11,384)	(5,740)	(27,595)	(18,266)	(124,150)
	Depreciation charge	-	(104,089)	(200,559)	(78,270)	(736,085)	(18,614)	(1,137,617)
	Exchange rate adjustments	-	-	3,352	625	507	677	5,161
	Other adjustments / transfers	-	66	(235)	71	(329)	(18)	(445)
	Closing net book value	<u>1,728,122</u>	<u>2,472,223</u>	<u>1,328,486</u>	<u>384,042</u>	<u>2,056,228</u>	<u>207,342</u>	<u>8,176,443</u>
	At December 31, 2023							
	Cost / Revalued amount	1,728,122	2,993,162	2,366,850	866,662	5,534,922	288,087	13,777,805
	Accumulated depreciation	-	(520,939)	(1,038,364)	(482,620)	(3,478,694)	(80,745)	(5,601,362)
	Net book value	<u>1,728,122</u>	<u>2,472,223</u>	<u>1,328,486</u>	<u>384,042</u>	<u>2,056,228</u>	<u>207,342</u>	<u>8,176,443</u>
	Rate of depreciation (%)	-	1 - 5	10	12.5	12.5 - 33.3	20	
		2022						
		Leasehold land	Building on leasehold land	Leasehold improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
		Rupees in '000						
	At January 01, 2022							
	Cost / Revalued amount	1,728,122	2,304,849	1,439,432	647,911	3,956,471	124,858	10,201,643
	Accumulated depreciation	-	(336,563)	(760,700)	(407,102)	(2,618,706)	(57,497)	(4,180,568)
	Net book value	<u>1,728,122</u>	<u>1,968,286</u>	<u>678,732</u>	<u>240,809</u>	<u>1,337,765</u>	<u>67,361</u>	<u>6,021,075</u>
	Year ended December 2022							
	Opening net book value	1,728,122	1,968,286	678,732	240,809	1,337,765	67,361	6,021,075
	Additions	-	213,947	771,722	159,405	691,057	43,318	1,879,449
	Movement in surplus on assets revalued during the year	-	-	-	-	-	-	-
	Disposals	-	(70,939)	(21,826)	(6,469)	(32,269)	(15,360)	(146,863)
	Depreciation charge	-	(90,601)	(158,520)	(67,410)	(555,314)	(13,356)	(885,201)
	Exchange rate adjustments	-	-	3,542	767	634	609	5,552
	Other adjustments / transfers	-	(440)	(1,510)	(83)	451	1	(1,581)
	Closing net book value	<u>1,728,122</u>	<u>2,020,253</u>	<u>1,272,140</u>	<u>327,019</u>	<u>1,442,324</u>	<u>82,573</u>	<u>6,872,431</u>
	At December 31, 2022							
	Cost / Revalued amount	1,728,122	2,444,578	2,178,004	775,833	4,453,823	148,221	11,728,581
	Accumulated depreciation	-	(424,325)	(905,864)	(448,814)	(3,011,499)	(65,648)	(4,856,150)
	Net book value	<u>1,728,122</u>	<u>2,020,253</u>	<u>1,272,140</u>	<u>327,019</u>	<u>1,442,324</u>	<u>82,573</u>	<u>6,872,431</u>
	Rate of depreciation (%)	-	1 - 5	10	12.5	12.5 - 33.3	20	

11.2.1 This includes transfer from capital work-in-progress during the year of Rs. 1,217.585 million (2022: Rs. 1,313.014 million).

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

11.2.2 The cost of fully depreciated property and equipment still in use	2023	2022
	---- Rupees in '000 ----	
Leasehold improvements	156,648	307,460
Furniture and fixture	185,558	195,902
Electrical, office and computer equipment	1,828,069	1,633,843
Vehicles	12,001	25,811
	<u>2,182,276</u>	<u>2,163,016</u>

11.2.3 The details of disposals of assets to related parties are given in Annexure II to these unconsolidated financial statements.

11.2.4 The properties of the Bank were revalued by independent professional valuers as at December 31, 2021. The revaluation was carried out by M/s. Luckyhiya Associates (Private) Limited on the basis of professional assessment of present market values which resulted in increase in surplus by Rs. 347.037 million. The total surplus against revaluation of fixed assets as at December 31, 2023 amounts to Rs. 1,393.824 million.

Had there been no revaluation, the carrying amount of the revalued assets at December 31, would have been as follows:

	2023	2022
	---- Rupees in '000 ----	
Note		
Leasehold land	1,014,912	1,014,912
Building on leasehold land	1,791,610	1,257,938
	<u>2,806,522</u>	<u>2,272,850</u>

11.3 The carrying amounts of right-of-use assets

Opening balance		2,286,719	2,845,079
Additions		1,147,815	833,564
Termination of leases		(177,510)	(303,538)
Depreciation	29	(1,126,808)	(1,056,517)
Exchange rate adjustments		5,685	6,266
Other adjustments		3,677	(38,135)
Closing balance		<u>2,139,578</u>	<u>2,286,719</u>

12. INTANGIBLE ASSETS

Capital work-in-progress - computer software		815,848	775,702
Computer software	12.1	2,593,435	1,592,811
Goodwill	12.1 & 12.3	1,463,624	1,463,624
		<u>4,872,907</u>	<u>3,832,137</u>

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

			2023		
			Computer software	Goodwill (note 12.3)	Total
			Rupees in '000		
12.1	Intangible Assets	Note			
	At January 1, 2023				
	Cost		2,454,222	1,463,624	3,917,846
	Accumulated amortisation and impairment		(861,411)	-	(861,411)
	Net book value		<u>1,592,811</u>	<u>1,463,624</u>	<u>3,056,435</u>
	Year ended December 2023				
	Opening net book value		1,592,811	1,463,624	3,056,435
	Additions - directly purchased	12.2.1	1,281,236	-	1,281,236
	Disposals		-	-	-
	Amortisation charge		(279,575)	-	(279,575)
	Exchange rate adjustments		867	-	867
	Other adjustments / transfers		(1,904)	-	(1,904)
	Closing net book value		<u>2,593,435</u>	<u>1,463,624</u>	<u>4,057,059</u>
	At December 31, 2023				
	Cost		3,738,014	1,463,624	5,201,638
	Accumulated amortisation and impairment		(1,144,579)	-	(1,144,579)
	Net book value		<u>2,593,435</u>	<u>1,463,624</u>	<u>4,057,059</u>
	Rate of amortisation (%)		<u>10</u>		
	Useful life (years)		<u>10</u>		
			2022		
			Computer software	Goodwill	Total
			Rupees in '000		
	At January 1, 2022				
	Cost		1,653,041	1,463,624	3,116,665
	Accumulated amortisation and impairment		(692,641)	-	(692,641)
	Net book value		<u>960,400</u>	<u>1,463,624</u>	<u>2,424,024</u>
	Year ended December 2022				
	Opening net book value		960,400	1,463,624	2,424,024
	Additions - directly purchased		798,881	-	798,881
	Disposals		-	-	-
	Amortisation charge		(167,361)	-	(167,361)
	Exchange rate adjustments		914	-	914
	Other adjustments / transfers		(23)	-	(23)
	Closing net book value		<u>1,592,811</u>	<u>1,463,624</u>	<u>3,056,435</u>
	At December 31, 2022				
	Cost		2,454,222	1,463,624	3,917,846
	Accumulated amortisation and impairment		(861,411)	-	(861,411)
	Net book value		<u>1,592,811</u>	<u>1,463,624</u>	<u>3,056,435</u>
	Rate of amortisation (%)		<u>10</u>		
	Useful life (years)		<u>10</u>		

12.1.1 This includes transfer from capital work-in-progress during the year of Rs. 1,142.444 million (2022: Rs. 798.881 million).

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

12.4 The cost of fully amortised intangible assets that are still in the Bank's use amounted to Rs. 302.063 million (2022: Rs. 193.650 million).

12.3 Goodwill is recorded by the Bank upon the event fully disclosed in note 1.2. For impairment testing, goodwill has been allocated to 'Treasury' Segment as Cash Generating Unit (CGU), which is also a reportable segment.

Key assumptions used in value-in-use calculation

The recoverable amount of the CGU has been determined based on value-in-use calculation, using cash flow projections based on business plan approved by the Board of Directors of the Bank covering a five year period. The discount rates applied to cash flows beyond five years are extrapolated using a terminal growth rate. The following rates are used by the Bank.

	2023	2022
	----- Percentages-----	
- Discount rate	18.04	17.17
- Terminal growth rate	15.00	13.00

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

a) Interest margins

Interest margins are based on prevailing industry trends and anticipated market conditions.

b) Discount rate

Discount rate reflects management estimates of the rate of return required for each business and is calculated after taking into account the prevailing risk free rate, industry risk and business risk. Discount rate is calculated by using cost of equity of the Bank.

c) Key business assumptions

The assumptions are important as they represent management assessment of how the unit's position might change over the projected period. Based on the expansion plans, management expects aggressive growth in advances, investments and deposits during the projected periods and thereafter stabilisation in line with industry trends.

Management believes that any significant change in key assumptions, on which CGU's recoverable amount is based, may impact the carrying amount to further exceed its recoverable amount. Value-in-use calculation of the CGU are sensitive to changes in assumptions for interest rate spreads, Non Funded Income (NFI), long term growth rates and discount rate.

d) Sensitivity to changes in assumption

The estimated recoverable amount of the 'Treasury' CGU exceeds its carrying amount by approximately Rs. 15,841 million (2022: Rs. 5,245 million). Management has identified two key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The following table shows the amount that these two assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount.

	Changes required for carrying amount to equal recoverable amount	
	2023	2022
	----- Percentages-----	
- Discount rate	-0.72	1.28
- Terminal growth rate	0.87	-1.58

Notes to the Unconsolidated Financial Statements

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	Note	2023 ---- Rupees in '000 ----	2022
13. OTHER ASSETS			
Income / mark-up accrued in local currency		23,018,231	12,291,533
Income / mark-up accrued in foreign currencies		155,308	33,276
Advances, deposits, advance rent and other prepayments		1,239,908	847,457
Acceptances		2,622,716	6,586,244
Advance taxation (payments less provision)		-	938,509
Defined benefit plan assets - net	37.5	-	119,523
Stationery and stamps in hand		21,290	17,729
Receivable in respect of home remittance		30,805	22,004
Due from State Bank of Pakistan		807,190	978,503
Non-banking assets acquired in satisfaction of claims	13.1	4,775,743	3,664,799
Mark to market gain on derivative instruments	23.2	-	14,874
Mark to market gain on forward foreign exchange contracts		1,642,158	1,108,517
Advance against investments in securities		1,178,306	1,178,306
Branchless banking fund settlement		202,425	326,775
Inter bank fund transfer settlement		1,079,395	1,164,134
Credit card settlement		498,755	712,177
Insurance claims receivable		27,302	27,437
Others		155,791	267,812
		37,455,323	30,299,609
Less: Provision held against other assets	13.2	(11,241)	(11,241)
Other assets - net of provisions		37,444,082	30,288,368
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	21.3	520,513	107,426
		37,964,595	30,395,794
13.1 Non-banking assets acquired in satisfaction of claims			
Market value of non-banking assets acquired in satisfaction of claims		5,296,256	3,772,225
13.1.1 Movement in non-banking assets acquired in satisfaction of claims at market value:			
Opening balance		3,772,225	2,658,537
Additions		1,795,415	1,160,009
Disposal		(34,123)	(24,833)
Revaluation		413,119	-
Transfer to property and equipment		(617,158)	-
Depreciation	29	(33,222)	(21,488)
		5,296,256	3,772,225

13.1.2 During the year, the Bank has acquired properties of Rs. 1,795.415 million (2022: Rs. 1,160.009 million) against debt property swap with borrowers resulting in reversal of provision of Nil (2022: Rs.104.477 million) against reduction in non-performing loans of Rs. 2,997.401 million (2022: Rs. 542.248 million).

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

Non-banking assets acquired in satisfaction of claims have been revalued by independent professional valuers as at December 31, 2023. The revaluation was carried out by M/s Pakistan Inspection Co. (Private) Limited on the basis of professional assessment of present market values. The revaluation resulted in an increase in revaluation surplus by Rs. 413.119 million.

13.2	Provision held against other assets	Note	2023 ----- Rupees in '000 -----	2022
	Advances, deposits, advance rent & other prepayments		10,184	10,184
	Others		1,057	1,057
			<u>11,241</u>	<u>11,241</u>
13.2.1	Movement in provision held against other assets			
	Opening balance		11,241	11,241
	Charge for the year		-	13,870
	Reversal for the year		-	(13,870)
			-	-
	Closing balance		<u>11,241</u>	<u>11,241</u>
14.	BILLS PAYABLE			
	In Pakistan		5,269,279	5,083,176
	Outside Pakistan		399,442	319,769
			<u>5,668,721</u>	<u>5,402,945</u>
15.	BORROWINGS			
	Secured			
	Borrowings from State Bank of Pakistan under:			
	Export refinancing scheme	15.2	13,554,172	20,288,522
	Long-term finance facility	15.3	2,014,764	2,337,963
	Financing facility for storage of agricultural produce		133,729	133,097
	Financing facility for renewable energy projects	15.4	1,157,963	1,078,480
	Refinance for women entrepreneurs	15.5	165,296	82,127
	Refinance scheme for payment of wages & salaries		-	7,179
	Refinance facility for modernization of Small and Medium Enterprises (SMEs)	15.6	157,968	70,911
	Refinance facility for combating COVID-19	15.7	152,375	230,090
	Temporary economic refinance facility	15.8	4,714,801	4,832,742
	Small enterprise financing and credit guarantee scheme for special persons		1,978	3,039
	Refinance facility for working capital of SMEs		193,750	385
	Refinance facility for SME Asaan Finance (SAAF) scheme		1,438,299	1,607,471
	Repurchase agreement borrowings		-	62,800,000
			<u>23,685,095</u>	<u>93,472,006</u>
	Borrowing from financial institutions:			
	Refinancing facility for mortgage loans	15.9	2,987,901	3,044,444
	Total secured		<u>26,672,996</u>	<u>96,516,450</u>
	Unsecured			
	Overdrawn nostro accounts		549,483	1,291,766
			<u>27,222,479</u>	<u>97,808,216</u>

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

	2023	2022
	----- Rupees in '000 -----	
15.1	Particulars of borrowings	
	In local currency	26,672,996
	In foreign currencies	96,516,450
	549,483	1,291,766
	<u>27,222,479</u>	<u>97,808,216</u>
15.2	The Bank has entered into agreement with the SBP for extending export finance to customers. These borrowings are repayable on a quarterly basis and have maturities upto June 2024. These carry mark-up rates ranging from 1.00% to 18.00% (2022: 2.00% to 10.00%) per annum.	
15.3	These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings have maturities upto February 2033. These carry mark-up rates ranging from 2.00% to 11.00% (2022: 2.00% to 8.00%) per annum.	
15.4	These borrowings have been obtained from the SBP for providing financing facilities to address challenges of energy shortage and climate change through promotion of renewable energy. These carry mark-up at 2.00% (2022: 2.00%) per annum and have maturities upto December 2031.	
15.5	These borrowings have been obtained from the SBP under a scheme to provide refinance for women entrepreneurs in the underserved areas of the country. These carry mark-up at 0.00% (2022: 0.00%) per annum and have maturities upto November 2028.	
15.6	These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises by providing financing facilities for setting up new units, purchase of new plant and machinery for Balancing, Modernization and Replacement (BMR) of existing units and financing for import / local purchase of new generators up to a maximum capacity of 500 KVA. These carry mark-up at rates of 0.00% (2022: 2.00%) per annum and have maturities upto June 2026.	
15.7	These borrowings have been obtained from the SBP under a scheme to provide the emergency refinance facility to hospitals & medical centre to develop capacity for the treatment of COVID-19 patients. These carry mark-up at 0.00% (2022: 0.00%) per annum and have maturities upto July 2026.	
15.8	These borrowings have been obtained from the SBP under a scheme to provide concessionary refinance for setting up of new industrial units in the backdrop of challenges being faced by industries post pandemic scenario. These carry mark-up at 1.00% (2022: 1.00%) per annum and have maturities upto August 2032.	
15.9	The Bank has entered into agreement with the Pakistan Mortgage Refinance Company Limited (PMRC) for extending housing finance facilities to the Bank's customers on the agreed terms and conditions. The borrowing carries mark-up rates ranging from 6.50% to 11.67% (2022: 6.50% to 11.67%) and have maturities upto June 2031.	

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

16. DEPOSITS AND OTHER ACCOUNTS

	2023			2022		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
----- Rupees in '000 -----						
Customers						
Current deposits	128,237,399	11,215,356	139,452,755	118,168,325	9,299,899	127,468,224
Savings deposits	119,326,770	6,400,278	125,727,048	117,063,409	6,410,101	123,473,510
Term deposits	139,870,324	45,365,021	185,235,345	169,651,265	10,755,327	180,406,592
Margin deposits	19,264,764	566,321	19,831,085	13,179,090	289	13,179,379
	406,699,257	63,546,976	470,246,233	418,062,089	26,465,616	444,527,705
Financial Institutions						
Current deposits	978,840	283,096	1,261,936	1,373,845	710,695	2,084,540
Savings deposits	11,207,875	525	11,208,400	9,346,187	1,279	9,347,466
Term deposits	3,566,209	-	3,566,209	8,172,209	-	8,172,209
	15,752,924	283,621	16,036,545	18,892,241	711,974	19,604,215
	422,452,181	63,830,597	486,282,778	436,954,330	27,177,590	464,131,920

2023 2022
---- Rupees in '000 ----

16.1 Composition of deposits

- Individuals	168,944,733	145,880,014
- Government (Federal and Provincial)	70,471,689	100,466,489
- Public Sector Entities	33,631,088	20,994,167
- Banking Companies	2,033,009	1,781,231
- Non-Banking Financial Institutions	14,003,536	17,822,984
- Private Sector	197,198,723	177,187,035
	486,282,778	464,131,920

16.2 Deposits include eligible deposits of Rs. 128,244.148 million (2022: Rs. 118,371.513 million) protected under Depositors Protection Mechanism introduced by State Bank of Pakistan.

		2023	2022
	Note	---- Rupees in '000 ----	
17. SUBORDINATED DEBTS			
Term Finance Certificates - Fifth Issue	17.1	3,499,767	-
Term Finance Certificates - Fourth Issue	17.2	2,498,000	2,499,000
Term Finance Certificates - Third Issue	17.3	2,500,000	2,500,000
Term Finance Certificates - Second Issue	17.4	-	1,996,000
		8,497,767	6,995,000

17.1 During the year, the Bank issued Rs. 3.5 billion of rated, privately placed and listed (in process), unsecured and subordinated term finance certificates (TFCs or the Issue) as an instrument of redeemable capital under Section 66 of the Companies Act, 2017 and as outlined by State Bank of Pakistan, SBP, under the BPRD Circular No. 06 dated August 15, 2013 and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose:	To contribute towards the Bank's Tier II Capital for complying with the capital adequacy requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.
Issue date:	August 30, 2023
Tenure:	Up to ten years from the issue date.

Notes to the Unconsolidated Financial Statements

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Maturity date:	August 30, 2033
Rating:	A+ (Single A Plus)
Profit rate:	Floating rate of return at Base Rate + 2 percent per annum; Base Rate is defined as the average three months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the issue date and subsequently on the immediately preceding business day before the start of each three monthly period.
Profit payment:	Quarterly
Redemption:	The instrument is structured to redeem 0.24% of the Issue amount during the first nine years after the issue date and the remaining Issue amount of 99.76% in four equal quarterly installments of 24.94% each in the last year.
Security:	The Issue is unsecured
Subordination:	The Issue is subordinated all other indebtedness of the Bank including depositors, however, senior to the claims of investors in instruments eligible for inclusion in Tier I Capital
Call option:	Exercisable in part or in full on or after five years from the issue date, subject to SBP's approval.
Lock-in-clause:	Principal and profit will be payable subject to compliance with MCR or CAR or Leverage Ratio set by SBP.
Loss absorbency clause:	Upon the occurrence of a Point of Non-Viability (PONV) event as defined under SBP BPRD Circular No. 06 dated August 15, 2013, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and / or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFCs' divided by market value per share of the Bank's common share on the date of trigger of PONV as declared by SBP, subject to a cap of 924,772,179 shares.

17.2

In 2021, the Bank had issued Rs. 2.5 billion of rated, privately placed and listed, unsecured and subordinated term finance certificates (TFCs or the Issue) as an instrument of redeemable capital under Section 66 of the Companies Act, 2017 and as outlined by State Bank of Pakistan (SBP) under the BPRD Circular No. 06 dated August 15, 2013 and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose:	To contribute towards the Bank's Tier II Capital for complying with the capital adequacy requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.
Issue date:	December 28, 2021
Tenure:	Up to Seven years from the issue date.
Maturity date:	December 28, 2028
Rating:	A + (Single A Plus)
Profit rate:	Floating rate of return at Base Rate + 2 percent per annum; Base Rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the issue date and subsequently on the immediately preceding business day before the start of each six monthly period.
Profit payment:	Semi-annual
Redemption:	The instrument is structured to redeem 0.24% of the Issue amount during the first six years after the issue date and the remaining Issue amount of 99.76% in two equal semi-annual installments of 49.88% each in the last year.
Security:	The Issue is unsecured

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

Subordination:	The Issue is subordinated all other indebtedness of the Bank including depositors, however, senior to the claims of investors in instruments eligible for inclusion in Tier I Capital
Call option:	Exercisable in part or in full on or after the 10th redemption, subject to SBP's approval.
Lock-in-clause:	Payment of profit will be made from current year's earning and subject to compliance with MCR and / or CAR or LR set by SBP.
Loss absorbency clause:	Upon the occurrence of a Point of Non-Viability (PONV) event as defined under SBP BPRD Circular No. 06 dated August 15, 2013, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and / or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFCs' divided by market value per share of the Bank's common share on the date of trigger of PONV as declared by SBP, subject to a cap of 400,647,739 shares.

- 17.3** In 2018, the Bank had issued Rs. 2.5 billion of rated, privately placed, unsecured, subordinated, perpetual and non-cumulative term finance certificates (TFCs or the Issue) as an instrument of redeemable capital under Section 66(1) of the Companies Act, 2017 and as outlined by the State Bank of Pakistan (SBP) under the BPRD Circular No. 06 dated August 15, 2013 and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose:	To contribute towards the Bank's Tier I Capital for complying with the capital adequacy requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.
Issue date:	December 31, 2018
Maturity date:	Perpetual
Rating:	A (Single A)
Profit rate:	Floating rate of return at Base Rate + 2.25 percent per annum; Base Rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the issue date and subsequently on the immediately preceding business day before the start of each six monthly period.
Profit payment:	Semi-annually on a non-cumulative basis
Redemption:	Not applicable
Security:	The Issue is unsecured
Subordination:	The Issue is subordinated as to payment of principal and profit to all other claims except common shares.
Call option:	Exercisable in part or in full at a par value on or after five years from the issue date, with prior approval of SBP. The Bank shall not exercise the call option unless the called instrument is replaced with capital of same or better quality.
Lock-in-clause:	Payment of profit will be made from current year's earning and subject to compliance with MCR and / or CAR or LR set by SBP.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

Loss absorbency clause:	
Pre-Specified Trigger (PST)	<p>Upon the occurrence of a PST as defined under SBP BPRD Circular No. 06 dated August 15, 2013 which stipulates that if an issuer's Common Equity Tier 1 (CET 1) ratio falls to or below 6.625% of Risk Weighted Assets (RWAs), the Issuer will have full discretion to determine the amount of TFCs to be permanently converted into common shares or written off, subject to SBP regulations / instructions, and the cap specified below. The Bank will be able to exercise this discretion subject to:</p> <ul style="list-style-type: none"> - If and when Bank's CET 1 reaches the loss absorption trigger point, the aggregate amount of Additional Tier-1 capital to be converted must at least be the amount sufficient to immediately return the CET 1 ratio to above 6.625% of total RWAs (if possible); - The converted amount should not exceed the amount needed to bring the CET 1 ratio to 8.5% of RWAs (i.e. minimum CET 1 of 6.0% plus capital conservation buffer of 2.5%); and - In case, conversion of Additional Tier-1 capital Instrument is not possible following the trigger event, the amount of the Instrument must be written off in the accounts resulting in increase in CET 1 of the Issuer.
Point of Non-Viability (PONV)	<p>Upon the occurrence of a PONV event as defined under SBP BPRD Circular No. 06 dated August 15, 2013, which stipulates that SBP may, at its option, fully and permanently convert the TFCs into common shares of the Bank and / or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Value of the TFCs' divided by market value per share of the Bank's common / ordinary share on the date of the PONV trigger event as declared by SBP, subject to the cap specified below:</p> <p>The PONV trigger event is the earlier of:</p> <ul style="list-style-type: none"> - A decision made by SBP that a conversion or temporary / permanent write-off is necessary without which the Issuer would become non-viable; - The decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined by SBP. - The maximum number of shares to be issued to TFC holders at the PST and / or PONV (or otherwise as directed by SBP) will be subject to a specified cap of 329,595,476 ordinary shares, or such other number as may be agreed to in consultation with SBP.

17.4

During the year, the Bank exercised the call option of Term Finance Certificates - second issue in accordance with the trust deed and terms and conditions of the TFC issue, after completing the regulatory requirements. Accordingly, the said TFCs were redeemed in full on August 04, 2023.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

18. DEFERRED TAX LIABILITIES

		2023			
		Balance as at January 01, 2023	Recognised in profit and loss account	Recognised in OCI	Balance as at December 31, 2023
		----- Rupees in '000 -----			
Deductible Temporary Differences on:					
		(70,212)	(9,797)	-	(80,009)
		(277,487)	(457,382)	-	(734,869)
		(130,747)	100,310	-	(30,437)
		(478,446)	(366,869)	-	(845,315)
Taxable Temporary Differences on:					
		187,808	514,387	-	702,195
		629,358	87,818	-	717,176
	21	327,796	(18,185)	23,890	333,501
	21	(346,859)	-	732,777	385,918
	21	343	(16)	22,306	22,633
		798,446	584,004	778,973	2,161,423
		320,000	217,135	778,973	1,316,108

		2022			
		Balance as at January 01, 2022	Recognised in profit and loss account	Recognised in OCI	Balance as at December 31, 2022
		----- Rupees in '000 -----			
Deductible Temporary Differences on:					
		(63,680)	(6,532)	-	(70,212)
		(346,052)	68,565	-	(277,487)
		-	(130,747)	-	(130,747)
	21	732,770	-	(1,079,629)	(346,859)
		323,038	(68,714)	(1,079,629)	(825,305)
Taxable Temporary Differences on:					
		178,767	9,041	-	187,808
		570,813	58,545	-	629,358
	21	312,070	(16,281)	32,007	327,796
	21	960	(715)	98	343
		1,062,610	50,590	32,105	1,145,305
		1,385,648	(18,124)	(1,047,524)	320,000

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

19. OTHER LIABILITIES	Note	2023	2022
		---- Rupees in '000 ----	
Mark-up / return / interest payable in local currency		5,971,062	4,857,150
Mark-up / return / interest payable in foreign currencies		446,941	45,769
Unearned income on guarantees		398,300	368,800
Accrued expenses		1,550,139	584,968
Current taxation (payments less provision)		34,325	-
Acceptances		2,622,716	6,586,244
Unclaimed dividends		4,214	4,214
Mark to market loss on derivative instruments		-	13,588
Mark to market loss on forward foreign exchange contracts		1,609,783	529,887
Defined benefit obligation - net		133,191	-
Withholding taxes payable		1,085,992	639,608
Donation payable		169,813	26,475
Security deposits against leases, lockers and others		1,640,270	2,468,743
Workers' Welfare Fund	30	371,352	201,040
Payable in respect of home remittance		35,659	435,629
Retention money payable		58,836	-
Lease liability against right-of-use assets	19.1	2,234,115	2,545,780
Insurance payable		249,979	209,834
Payable to vendors against SBS goods		282,322	380,040
Debit card settlement		473,999	269,365
Clearing and settlement accounts		499,770	49,938
Others		249,759	293,721
		<u>20,122,537</u>	<u>20,510,793</u>

19.1 Lease liability against right-of-use assets

The carrying amounts of lease liabilities and the movements during the year is as below:

Opening balance		2,545,780	3,129,904
Additional impact arised during the year - net		1,147,815	852,268
Termination impact arised during the year - net		(226,861)	(476,475)
Markup on lease liability against right-of-use assets	25	300,981	355,571
Payments		(1,551,908)	(1,322,720)
Exchange rate adjustments		5,516	7,232
Other adjustments		12,792	-
Closing balance		<u>2,234,115</u>	<u>2,545,780</u>

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

20. SHARE CAPITAL

20.1 Authorised capital

20.1.1 Ordinary shares

2023	2022		2023	2022
----- Number of shares -----			----- Rupees in '000 -----	
<u>3,850,000,000</u>	<u>3,850,000,000</u>	Ordinary shares of Rs.10 each	<u>38,500,000</u>	<u>38,500,000</u>

20.1.2 Preference shares

<u>150,000,000</u>	<u>150,000,000</u>	Convertible preference shares of Rs.10 each	<u>1,500,000</u>	<u>1,500,000</u>
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20.2 Issued, subscribed and paid-up capital

		Ordinary shares		
984,127,890	763,558,965	Fully paid in cash	9,841,279	7,635,590
<u>1,066,534,646</u>	<u>533,905,297</u>	Issued for consideration other than cash	<u>10,665,346</u>	<u>5,339,053</u>
<u>2,050,662,536</u>	<u>1,297,464,262</u>		<u>20,506,625</u>	<u>12,974,643</u>
-	-	Less: Discount on issue of shares	-	(2,855,401)
<u>2,050,662,536</u>	<u>1,297,464,262</u>		<u>20,506,625</u>	<u>10,119,242</u>

20.3 As at December 31, 2023, Jahangir Siddiqui & Co. Ltd. (the parent company) held 1,460,232,712 (2022: 973,307,324) ordinary shares of Rs.10 each i.e. 71.21% holding (2022: 75.02%).

20.4 During the year, the Bank has transferred discount on issue of shares to share premium account in accordance with section 81 of the Companies Act, 2017.

21. SURPLUS ON REVALUATION OF ASSETS

Surplus / (deficit) on revaluation of:

	Note	2023	2022
		----- Rupees in '000 -----	
Available-for-sale securities	21.1	<u>787,583</u>	(806,650)
Fixed assets	21.2	<u>1,393,824</u>	1,475,525
Non-banking assets acquired in satisfaction of claims	21.3	<u>520,513</u>	107,426
		<u>2,701,920</u>	776,301

Deferred tax on surplus / (deficit) on revaluation of:

Available-for-sale securities	<u>(385,918)</u>	346,859
Fixed assets	<u>(333,501)</u>	(327,796)
Non-banking assets acquired in satisfaction of claims	<u>(22,633)</u>	(343)
	<u>(742,052)</u>	18,720
	<u>1,959,868</u>	<u>795,021</u>

21.1 Available-for-sale securities

Pakistan:

- Equity securities	<u>1,268,044</u>	1,941,804
- Open end mutual funds	-	2,298
- Debt securities	<u>(148,990)</u>	(1,826,120)
	<u>1,119,054</u>	117,982

Bahrain:

- Equity securities	<u>(14,258)</u>	(28,705)
- Debt securities	<u>(317,213)</u>	(895,927)
	<u>(331,471)</u>	(924,632)

	<u>787,583</u>	(806,650)
Related deferred tax liability	<u>(385,918)</u>	346,859
	<u>401,665</u>	<u>(459,791)</u>

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

	2023	2022
	----- Rupees in '000 -----	
21.2 Surplus on revaluation of fixed assets		
Surplus on revaluation as at January 01,	1,475,525	1,513,386
Derecognised during the year	(44,568)	-
	1,430,957	1,513,386
Transferred to unappropriated profit		
Incremental depreciation during the year	(18,938)	(21,580)
Related deferred tax liability	(18,195)	(16,281)
	(37,133)	(37,861)
Surplus on revaluation as at December 31,	1,393,824	1,475,525
Less: Related deferred tax liability on		
- Surplus on revaluation as at January 01,	(327,796)	(312,070)
- Effect of change in tax rate	(45,739)	(32,007)
- Recognised / transferred during the year	21,839	-
- Incremental depreciation charged during the year	18,195	16,281
	(333,501)	(327,796)
	1,060,323	1,147,729
21.3 Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
Surplus on revaluation as at January 01,	107,426	120,674
Recognised / (derecognised) during the year	413,119	(13,178)
	520,545	107,496
Transferred to unappropriated profit		
Incremental depreciation during the year	(16)	(40)
Related deferred tax liability	(16)	(30)
	(32)	(70)
Surplus on revaluation as at December 31,	520,513	107,426
Less: Related deferred tax liability on		
- Surplus on revaluation as at January 01,	(343)	(960)
- Effect of change in tax rate	(15)	(98)
- Incremental depreciation charged during the year	16	30
- (Recognised) / derecognised during the year	(22,291)	685
	(22,633)	(343)
	497,880	107,083
22. CONTINGENCIES AND COMMITMENTS		
Guarantees	22.1 72,956,594	83,175,591
Commitments	22.2 162,815,632	93,959,209
Other contingencies	22.3 736,214	646,479
	236,508,440	177,781,279

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

	Note	2023 ----- Rupees in '000 -----	2022
22.1 Guarantees:			
Financial guarantees		8,425,132	3,668,949
Performance guarantees		33,842,832	34,702,865
Other guarantees		30,688,630	44,803,777
		<u>72,956,594</u>	<u>83,175,591</u>
22.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- Letters of credit		42,357,815	22,381,092
Commitments in respect of:			
- Forward foreign exchange contracts	22.2.1	120,272,393	68,486,603
- Derivative instruments	22.2.2	-	2,344,191
- Forward lending	22.2.3	10,000	284,067
Commitments for acquisition of:			
- Fixed assets	22.2.4	175,424	463,256
		<u>162,815,632</u>	<u>93,959,209</u>
22.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		71,216,019	41,239,463
Sale		49,056,374	27,247,140
		<u>120,272,393</u>	<u>68,486,603</u>
22.2.1.1	The Bank utilises foreign exchange instruments to meet the needs of its customers and as part of its asset and liability management activity to hedge its own exposure to currency risk. At year end, all foreign exchange contracts have a remaining maturity of less than one year.		
22.2.2 Commitments in respect of derivative instruments			
Purchase		-	2,109,891
Sale		-	234,300
		<u>-</u>	<u>2,344,191</u>
Cross currency swaps			
Purchase		-	234,300
Sale		-	234,300
		<u>-</u>	<u>468,600</u>
Commitments in respect of forward securities			
Purchase		-	1,875,591
		<u>-</u>	<u>1,875,591</u>
22.2.3 Commitments in respect of forward lending			
Undrawn formal standby facilities, credit lines and other commitments to lend	22.2.3.1	10,000	284,067
22.2.3.1	This represents commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense. Further, the Bank makes commitments to extend credit in the normal course of business but these being revocable commitments do not attract any significant penalty or expense if the facilities are unilaterally withdrawn.		

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

22.2.4 This represents commitments related to purchase of leasehold improvements, furniture and fixtures, hardware & network equipments and electrical equipment and computer software.

22.3 Other contingencies	Note	2023	2022
		----- Rupees in '000 -----	
22.3.1 Claims against the Bank not acknowledged as debts	22.3.1.1	<u>736,214</u>	<u>646,479</u>

22.3.1.1 These mainly represent counter claims filed by borrowers for damages, claims by former employees of the Bank and other claims relating to banking transactions.

Based on legal advice and / or internal assessments, management is confident that the matters will be decided in the Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these unconsolidated financial statements.

22.3.2 Tax related contingencies are disclosed in notes 33.2 to 33.5.

23. DERIVATIVE INSTRUMENTS

Derivative instruments, such as Forward Exchange Contracts, Cross Currency Swaps and Options, are forward transactions that provide market making opportunities / hedge against the adverse movement of interest and exchange rates. Derivatives business also provides risk solutions for the existing and potential customers of the Bank.

The Bank has entered into a Cross Currency Swap transaction with its customer on back-to-back basis with an Authorized Derivative Dealer (ADD) without carrying any open position in its books. Specific approvals for the transactions have been granted by State Bank of Pakistan (SBP). Policies in line with SBP instructions have been formulated and are operative.

The Bank has also entered into Foreign Currency & Commodity Options from its Wholesale Banking Branch Bahrain for market making activities.

These transactions cover the aspects of both market making and hedging. The risk management related to derivative is disclosed in note 46.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

		2023					
		Cross Currency Swaps		Options and Accumulators		Forward securities	
		Notional principal	Mark to Market	Notional principal	Mark to Market	Notional principal	Mark to Market
23.1 Product analysis		----- Rupees in '000 -----					
With Banks for							
	Hedging	-	-	-	-	-	-
	Market making	-	-	-	-	-	-
With FIs other than banks							
	Hedging	-	-	-	-	-	-
	Market making	-	-	-	-	-	-
Total							
	Hedging	-	-	-	-	-	-
	Market making	-	-	-	-	-	-
		----- Rupees in '000 -----					
		Cross Currency Swaps		Options and Accumulators		Forward securities	
		Notional principal	Mark to market	Notional principal	Mark to Market	Notional principal	Mark to Market
With Banks for							
	Hedging	468,600	710	-	-	-	-
	Market making	-	-	-	-	-	-
		468,600	710	-	-	-	-
With FIs other than banks							
	Hedging	-	-	-	-	1,875,591	576
	Market making	-	-	-	-	-	-
		-	-	-	-	1,875,591	576
Total							
	Hedging	468,600	710	-	-	1,875,591	576
	Market making	-	-	-	-	-	-
		468,600	710	-	-	1,875,591	576

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

23.2 Maturity analysis	2023					
	Remaining maturity of Contracts	Number of contracts	Notional principal	Mark to market		
				Positive	Negative	Net
----- Rupees in '000 -----						
Upto 1 month	-	-	-	-	-	
1 to 3 months	-	-	-	-	-	
3 to 6 months	-	-	-	-	-	
6 months to 1 year	-	-	-	-	-	
1 to 2 years	-	-	-	-	-	
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	

Remaining maturity of Contracts	2022				
	Number of contracts	Notional principal	Mark to market		
			Positive	Negative	Net
----- Rupees in '000 -----					
Upto 1 month	4	468,600	14,298	(13,588)	710
1 to 3 months	-	-	-	-	-
3 to 6 months	1	1,875,591	576	-	576
6 months to 1 year	-	-	-	-	-
1 to 2 years	-	-	-	-	-
	<u>5</u>	<u>2,344,191</u>	<u>14,874</u>	<u>(13,588)</u>	<u>1,286</u>

24. MARK-UP / RETURN / INTEREST EARNED	Note	2023	2022
		----- Rupees in '000 -----	
On:			
Loans and advances		38,977,096	30,398,499
Investments		49,688,549	40,179,681
Lendings to financial institutions		247,370	60,133
Securities purchased under resale agreements		2,868,858	1,329,472
Balances with banks		305,339	79,420
		<u>92,087,212</u>	<u>72,047,205</u>

25. MARK-UP / RETURN / INTEREST EXPENSED		2023	2022
		----- Rupees in '000 -----	
On:			
Deposits		53,704,765	38,911,825
Borrowings		12,445,885	16,278,576
Subordinated debts		1,781,945	1,063,831
Cost of foreign currency swaps against foreign currency deposits / borrowings		1,444,598	581,400
Lease liability against right-of-use assets	19.1	300,981	355,571
		<u>69,678,174</u>	<u>57,191,203</u>

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

26. FEE AND COMMISSION INCOME	Note	2023 ----- Rupees in '000 -----	2022
Branch banking customer fees		107,900	106,452
Finance related fees		467,131	507,382
Card related fees (debit and credit cards)		653,014	307,013
Investment banking fees		81,031	22,173
Commission on trade		1,175,300	903,056
Commission on guarantees		663,006	583,036
Commission on cash management		39,085	21,748
Commission on remittances including home remittances		125,199	94,210
Commission on bancassurance		80,884	90,635
Commission on distribution of mutual funds		2,214	847
Commission on online services		242,821	294,526
Postage & courier income		18,470	15,394
Rebate income		477,226	266,943
		<u>4,133,281</u>	<u>3,213,415</u>
27. GAIN / (LOSS) ON SECURITIES			
Realised	27.1	113,895	(306,728)
Unrealised - held for trading		(49)	(107)
		<u>113,846</u>	<u>(306,835)</u>
27.1 Realised gain / (loss) on:			
Federal government securities			
Market treasury bills		(595,413)	(394,126)
Pakistan investment bonds		573,596	275,329
Ijara sukuk certificates		18,319	38,820
		<u>(3,498)</u>	<u>(79,977)</u>
Shares			
Listed companies		108,169	(149,871)
Non Government Debt Securities			
Term finance certificates		-	(1,045)
Commercial paper certificates		-	51
		-	(994)
Mutual fund units		5,996	69,296
Foreign currency bonds		3,228	(145,182)
		<u>113,895</u>	<u>(306,728)</u>
28. OTHER INCOME			
Rent income		21,169	17,748
Gain / (loss) on sale of fixed assets - net		43,461	(16,622)
Gain on termination of leases - net		49,351	172,937
Gain on reclassification of AFS equity shares	28.1	332,658	-
Others		1,016	3,385
		<u>447,655</u>	<u>177,448</u>

Notes to the Unconsolidated Financial Statements

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- 28.1** The Bank opted for 'Fair value as deemed cost' approach as per International Accounting Standard (IAS) 27 'Separate Financial Statements' to measure the initial interest in BIPL investment i.e 7.79% as investment in subsidiary at the acquisition date in these unconsolidated financial statements. The revaluation surplus related to the said interest was transferred to profit and loss account at the acquisition date.

	Note	2023 ----- Rupees in '000 -----	2022
29. OPERATING EXPENSES			
Total compensation expense	29.1	8,150,566	6,863,342
Property expense			
Rent and taxes		45,963	27,219
Insurance		-	5,057
Utilities cost		769,553	579,498
Security (including guards)		352,213	334,512
Repair and maintenance (including janitorial charges)		353,399	286,600
Depreciation		304,648	249,121
Depreciation on right-of-use assets	11.3	1,126,808	1,056,517
Depreciation on non-banking assets	13.1.1	33,222	21,488
		2,985,806	2,560,012
Information technology expenses			
Software maintenance		1,636,639	842,668
Hardware maintenance		345,577	298,137
Depreciation		472,034	307,868
Amortisation		279,575	167,361
Network charges		262,748	255,267
		2,996,573	1,871,301
Other operating expenses			
Directors' fees and allowances		13,450	16,450
Legal and professional charges		316,904	268,108
Insurance		306,593	374,945
Outsourced services costs	29.4	317,485	230,432
Travelling and conveyance		235,816	190,826
NIFT clearing charges		55,657	48,571
Depreciation		360,935	328,212
Training and development		76,227	73,331
Postage and courier charges		104,207	104,260
Communication		404,577	178,888
Stationery and printing		384,346	230,250
Marketing, advertisement and publicity		2,420,006	1,160,319
Donations	29.2	170,313	42,625
Auditors' remuneration	29.3	32,000	19,412
Staff auto fuel and maintenance		625,844	436,817
Bank charges		93,365	62,570
Stamp duty		87,465	66,144
Online verification charges		136,242	71,850
Brokerage, fee and commission		143,955	46,450
Card related fees (debit and credit cards)		1,303,495	513,355
CDC and other charges		33,755	4,101
Consultancy fee		102,889	5,106
Deposit protection premium		189,394	180,849
Entertainment expenses		202,339	126,590
Repair and maintenance		75,609	75,750
Cash handling charges		256,090	201,807
Fee and subscription		149,785	165,604
Employees social security		10,068	7,841
Generator fuel and maintenance		214,110	170,427
Others		85,689	52,423
		8,908,610	5,454,313
		23,041,555	16,748,968

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

		2023	2022
		----- Rupees in '000 -----	
29.1	Total compensation expense		
		Note	
	Fees and Allowances etc.	187,435	166,754
	Managerial Remuneration		
	i) Fixed	5,226,025	4,555,484
	ii) Variable		
	of which;		
	a) Cash Bonus / Awards etc.	845,019	484,808
	b) Commission	325,506	256,102
	Charge for defined benefit plan	37.5 111,970	93,228
	Contribution to defined contribution plan	38 312,365	263,085
	Leaving indemnity	14,075	10,064
	Medical	495,670	441,496
	Conveyance	553,698	481,993
	Insurance staff	78,803	110,328
		8,150,566	6,863,342
29.2	Mr. Hasan Shahid, Company Secretary and Head of Legal of the Bank, is the Trustee and Treasurer of Future Trust.		
29.3	Auditors' remuneration		
		Note	
	Audit fee - Pakistan	6,625	5,550
	Audit fee - Bahrain	3,787	2,721
	Half - yearly review	1,500	1,200
	Fee for audit of employees funds	143	143
	Fee for other statutory certifications	2,534	1,370
	Special certification and sundry advisory services	14,488	6,339
	Out of pocket expenses and sales tax on services	2,923	2,089
		29.3.1 32,000	19,412
29.3.1	Geographical analysis		
	Pakistan	25,963	15,052
	Bahrain	6,037	4,360
		32,000	19,412
29.4	The material outsourcing arrangements along with nature of services are as follows:		
		2023	2022
		----- Rupees in '000 -----	
	Name of Service Provider		
	Type of services		
	Mustang HRMs (Pvt.) Ltd.	Human Resource Management Services	192,541
	Dagia Innovative Warehousing	Record Management Services	9,101
	Constellation Printing Company (Pvt.) Ltd.	Cheque book Printing Services	48,740
	Security Organization System (Pvt.) Ltd.	Cash Sorting Services	39,150
			289,532
			229,113

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

30. WORKERS' WELFARE FUND

The Bank has made provision for Workers' Welfare Fund (WWF) based on profit for the respective years.

	Note	2023 ----- Rupees in '000 -----	2022
31. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		<u>79,275</u>	<u>134,413</u>
32. PROVISIONS AND WRITE OFFS - NET			
Provisions / (reversals) for diminution in value of investments	9.3	14,674	(80,299)
Provisions against loans & advances - specific	10.4	2,504,454	861,164
Provisions against loans & advances - general	10.4	176,836	112,827
Provisions under IFRS 9	32.1	97,999	63,917
Intangible assets written off		-	132,999
Other provisions and write offs		13,330	8,180
		<u>2,807,293</u>	<u>1,098,788</u>
32.1 Provisions / (reversals) under IFRS 9			
Balances with other banks		29	37
Investments	9.3	90,432	82,695
Advances	10.4	7,538	(18,815)
		<u>97,999</u>	<u>63,917</u>
33. TAXATION			
Current		4,030,309	1,179,189
Prior years		(67,188)	5,397
Deferred		217,135	(18,124)
		<u>4,180,256</u>	<u>1,166,462</u>
33.1 Relationship between income tax expense and accounting profit			
Profit before taxation		<u>8,515,174</u>	<u>2,131,240</u>
Tax on income @ 49% (2022: 49%)		4,172,435	1,044,308
Effect of change in tax rates		(45,754)	(17,731)
Effect of permanent differences		(38,845)	132,430
Others		92,420	7,455
Tax charge for the year		<u>4,180,256</u>	<u>1,166,462</u>
33.2 Income Tax			

The Bank has filed income tax returns under Section 114 of the Income Tax Ordinance, 2001 (the Ordinance) for the tax years 2007 through 2023. The returns so filed considered as deemed assessment order under Section 120(1) of the Income Tax Ordinance, 2001 (the Ordinance). Later, the return of income for tax years 2008 to 2020 and 2022 were amended by the tax authorities of Inland Revenue (OIR) by taking recourse of tax audit or alternatively through amendment the assessment contending that certain matters in the deemed assessments under subsection 122 (5A) of the Ordinance were allegedly not conforming to the law and prejudiced the interest of revenue.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

The Bank contested the disallowances before the Commissioner Inland Revenue Appeals [CIR(A)] and the Appellate Tribunal Inland Revenue [ATIR].

For tax year 2008, both the CIR(A) and ATIR annulled tax authority's action of amending the assessment for tax year 2008 being barred by time limitation following the judgments of Honourable Supreme Court of Pakistan.

For tax years 2009 to 2017, the appeals were decided by ATIR through combined Appellate Order dated 31-01-2022. Though the tax authorities, except for the levy of surcharge under section 4A, minimum tax under section 113 and deduction of Sindh WWF all of the issues involved in the appeal either decided in Bank's favor (including the issue of goodwill, amortization of which was claimed over the period of 10 years) or set-aside for re-examination by the ATIR.

The Bank as well as the tax department have filed Income Tax Reference Applications before Sindh High Court against above-mentioned order of ATIR, which are pending for various tax years.

Bank's appeal for tax years 2018 to 2020 and 2022 are pending for adjudication before ATIR.

In respect of WWF, the Supreme Court of Pakistan has held in Judgement, PLD 2017 SC 28, that the amendments made in the WWF Ordinance through Finance Act, 2006 and 2008 were illegal and without lawful authority i.e. the banks do not fall into definition of Industrial Undertaking and thus, not liable to pay WWF. Based on that, the Appellate Tribunal through combined Appellate order dated January 31, 2022 has also annulled the tax authorities action of levying WWF on Bank under Worker's Welfare Fund Ordinance, 1971 in tax years 2009, 2012 and 2013.

As a consequence of the 18th amendment to the Constitution, levy for the WWF was introduced by the Government of Sindh, Punjab and Balochistan through the Sindh WWF Act, 2014 (the Act), the Punjab Workers Welfare Fund Act, 2019 and the Balochistan Workers Welfare Fund Act, 2022, respectively. As per these Acts, the Bank is liable to pay WWF in these provinces. However, in this respect:

- the Bank has challenged the issue of jurisdiction claimed by Sindh Revenue Board before the Honorable High Court of Sindh (SHC) on grounds that banking companies cannot be considered as industrial establishment and that the Act cannot be applied to trans-provincial entities. The Court has restrained the Sindh Revenue Board to collect / recover Sindh WWF. For tax years 2018 to 2022 the Court granted stay from recovery of Sindh WWF upon submission of Bank Guarantee to Nazir of Court.
- the Bank has also received notices regarding the recovery of Balochistan WWF for which the Bank is in discussion with legal counsel to challenge in the court of law on same grounds as in case of Sindh WWF.

In 2018, based on decision of the Supreme Court of Pakistan, the Bank had reassessed the provision of WWF which was previously held on the entire operating results of the Bank (including all provinces, part of Pakistan, AJK and Bahrain Operations) and maintained WWF only to the extent of its operations within Sindh Province till 2019. In 2020 after promulgation of Punjab WWF, the Bank has again decided prudently to maintain provision on the entire results of the Bank.

The Sindh High Court has dismissed the Bank's petitions for tax years 2016 through 2022 wherein the Bank along with other taxpayers challenged the levy of super tax on under section 4B of the Ordinance on constitutional grounds. Based on the opinion of legal counsel, the Bank has file appeal before the Supreme Court against the decision of the Sindh High Court. The Supreme Court has allowed interim relief to the taxpayers subject to the payment of 50% of the super tax liability. However, the Bank has adjusted full amount of super tax liability for tax year 2016 and 2019 against the available tax refunds. Further, the bank has obtained stay from the Sindh High Court on other technical grounds regarding the levy of Super Tax for tax years 2017 and 2018.

Through Finance Act 2023, Super tax on high earning persons was levied under section 4C of the Ordinance. The Bank has challenged the levy of Super tax for tax year 2023 through the legal counsel before the Islamabad High Court wherein interim stay was granted.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

The Bank through its legal counsel has challenged the vires of the tax levied under section 99D read with SRO 1588(I)/2023 by filing a C.P. No. 5790 of 2023 in the High Court of Sindh. The High Court has suspended the operation of the aforementioned SRO through an interim order dated December 7, 2023. Further, the operation of the SRO has also been suspended by the interim orders of the Islamabad High Court and Lahore High Court in other similar petitions. Bank has not provided the levy in books, as based on advice of its legal counsel dealing with the case, the management is confident that the Bank has a good chance to succeed on the basis of various grounds taken in the petition and no immediate liability or payment for Windfall Tax is foreseen as of now.

33.3 Withholding tax monitoring

Withholding tax monitoring was initiated against the Bank for tax years 2014 to 2020. Orders in respect of tax years 2014, 2015, 2016, 2018 and 2020 have been passed against which appeals have been filed before the CIR(A). CIR(A) has remanded back the matters for rectification in respect of tax years 2014 and 2015 against which rectified orders have been passed and demands have been reduced. The ATIR through order dated February 07, 2022 refused Department's appeal and maintained CIR(A)'s order for tax year 2014. Tax demands for tax years 2016, 2018 and 2020 were also set-aside by CIR(A).

33.4 Sales tax

The Bank as a registered person under Sindh Sales Tax on Services Act, 2011 has been issued a Sales Tax Order from the Sindh Revenue Board (SRB) creating a demand of Rs.193.44 million (besides Rs. 7.2 million is charged as penalty) against the Bank for alleged non-payment of Sindh sales tax on certain 'presumed non-taxable services / incomes' (i.e. Bancassurance, Home Remittances under Pakistan Remittance Initiative Scheme, SBP rebates on Government securities, Rebates from foreign correspondent Banks, and FX gain on remittance by Western Union)' for the tax periods July 2011 to December 2013, 2015 to 2017 and 2019 to 2020. Bank has filed appeals before Commissioner (Appeals) Sindh Revenue Board (CA-SRB) against the order of AC-SRB, which are pending. After year ended December 31, 2023, Punjab Revenue Authority (PRA) passed an Order for tax periods January to December 2017 raising tax demand of Rs. 157.4 million on alleged short withholding of Punjab Sales Tax. Being aggrieved, the Bank has filed an appeal alongwith application for stay against tax demand before Commissioner Appeal, which is pending.

After year ended December 31, 2023, Punjab Revenue Authority (PRA) passed an Order for tax periods January to December 2017 raising tax demand of Rs. 157.4 million on alleged short withholding of Punjab Sales Tax. Being aggrieved, the Bank has filed an appeal alongwith application for stay against tax demand before Commissioner Appeal, which is pending.

33.5 Azad Jammu & Kashmir Operations

The Bank has commenced operations in Azad Jammu & Kashmir from tax year 2009 and has filed returns for the tax years 2009 to 2022 with the tax authorities of AJK region. The amendment proceedings and appeals are at various levels before AJK Tax authorities for the tax year 2011 to 2017 and 2019 to 2022.

The management of the Bank is confident that the appeals filed in respect of the above matters for various tax years will be decided in the Bank's favor and accordingly no demand for payment would arise.

Notes to the Unconsolidated Financial Statements

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	Note	2023 ----- Rupees in '000 -----	2022 ----- Rupees in '000 -----
34. BASIC AND DILUTED EARNINGS PER SHARE			
Profit after taxation for the year - attributable to ordinary equity holders of the Bank		<u>4,334,918</u>	<u>964,778</u>
		----- Numbers -----	
Weighted average number of outstanding ordinary shares during the year		<u>1,577,857,341</u>	<u>1,297,464,262</u>
		----- Rupees -----	
Basic and diluted earnings per share	34.1	<u>2.75</u>	<u>0.74</u>
34.1	There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2023 and December 31, 2022, therefore diluted earning per share has not been presented separately.		
35. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	<u>40,895,031</u>	24,764,967
Balances with other banks - Gross	7	<u>3,727,564</u>	1,800,471
Overdrawn nostro accounts	15	<u>(549,483)</u>	(1,291,766)
		<u>44,073,112</u>	<u>25,273,672</u>
		----- Rupees -----	
36. STAFF STRENGTH			
		----- Number -----	
Permanent		<u>3,956</u>	3,803
On Bank's contract		<u>530</u>	503
Bank's own staff strength		<u>4,486</u>	4,306
Outsourced	36.2	<u>454</u>	433
Total		<u>4,940</u>	<u>4,739</u>
36.1 Geographical segment analysis			
Pakistan		<u>4,933</u>	4,731
Bahrain		<u>7</u>	8
		<u>4,940</u>	<u>4,739</u>
36.2	This excludes employees of outsourced services companies assigned to the Bank to perform services of security guards and janitorial staff.		
37. DEFINED BENEFIT PLAN			
37.1 General description			
The Bank operates a recognised gratuity fund for all employees who opted for this scheme introduced by the management with effect from January 01, 2007.			

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

The defined benefit is administered by a separate fund that is legally separate from the Bank. The plan is governed by the trust deed dated September 01, 2007. The trustees of the gratuity fund are composed of representatives from employers. The trustees of the gratuity fund are required by the trust deed to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees and employers. The trustees of the gratuity fund are responsible for the investment policy with regard to the assets of the fund.

37.2 The plan in Pakistan typically exposes the Bank to actuarial risks such as: salary risk, discount rate risk, mortality risk and investment risk defined as follow:

- **Salary increase risk**

The risk that the final salary at the time of cessation of services is greater than 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.

- **Discount rate risk**

The discount rate is based on the yield on government bonds. If the market yield of bonds varies, the discount rate would vary in the same manner and would affect the present value of obligation and fair value of assets.

- **Demographic risks**

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.

Longevity risk

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.

- **Investment risk**

This is the risk that the assets are under-performing and are not sufficient to meet the liabilities.

37.3 Number of employees under the schemes

The number of employees covered under the gratuity scheme are 4,010 (2022: 3,740).

37.4 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2023, using Projected Unit Credit Method. The following significant assumptions were used for the valuation:

		2023	2022
Discount rate	per annum	16.00%	14.50%
Expected rate of return on plan assets	per annum	9.75%	11.75%
Expected rate of salary increase	per annum	11.75%	10.00%
The average duration of the defined benefit obligation	years	7	8

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For the year ended December 31, 2023

37.5 Movement in defined benefit obligations, fair value of plan assets and their components

	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability / (asset)	
	2023	2022	2023	2022	2023	2022
	----- Rupees in '000 -----					
Balance as at January 01	831,155	811,689	950,678	1,130,008	(119,523)	(318,319)
Included in profit or loss						
Current service cost	129,984	130,631	-	-	129,984	130,631
Interest expense / income	114,375	90,497	132,389	127,900	(18,014)	(37,403)
	244,359	221,128	132,389	127,900	111,970	93,228
Included in other comprehensive (loss) / income						
Actuarial gains / losses arising from:						
- financial assumptions	(5,116)	5,131	-	-	(5,116)	5,131
- demographic assumptions	-	(34,057)	-	-	-	(34,057)
- experience adjustments	(44,446)	(89,734)	-	-	(44,446)	(89,734)
Return on plan assets	-	-	(190,306)	(224,228)	190,306	224,228
	(49,562)	(118,660)	(190,306)	(224,228)	140,744	105,568
Other movements						
Benefits due but not paid	(9,421)	-	(9,421)	-	-	-
Benefits paid during the year	(75,300)	(83,002)	(75,300)	(83,002)	-	-
	(84,721)	(83,002)	(84,721)	(83,002)	-	-
Balance as at December 31	941,231	831,155	808,040	950,678	133,191	(119,523)

37.6 The composition of the plan assets at the end of the reporting year for each category, are as follows:

	Cost		Fair value of plan assets		Composition	
	2023	2022	2023	2022	2023	2022
	----- Rupees in '000 -----				---- Percentage ----	
Cash at Bank	46,862	28,395	46,862	28,395	5.8%	3.0%
Pakistan Investment Bonds	-	59,537	-	59,568	0.0%	6.3%
Market treasury bills	-	69,178	-	70,805	0.0%	7.4%
Term finance certificates	-	183,442	-	184,040	0.0%	19.4%
Ordinary shares of listed companies	1,049,827	805,636	761,177	607,870	94.2%	63.9%
	1,096,689	1,146,188	808,039	950,678	100%	100%

37.7 Maturity profile

37.7.1 Expected maturity analysis of undiscounted defined benefit obligation for the gratuity fund is as follows:

	Up to one year	Over 1 to 2 years	Over 2 to 5 years	Over 5 to 10 years	Over 10 years	Total
	----- Rupees in '000 -----					
Balance as at December 31, 2023	59,970	176,820	490,049	1,395,093	19,092,746	21,214,678
Balance as at December 31, 2022	53,572	153,934	435,294	1,124,640	13,268,198	15,035,638

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

37.8 Sensitivity analysis

37.8.1 Significant actuarial assumptions for the determination of the defined obligation are discount rate, and expected rate of salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

Particulars	Present value of defined benefit obligation	Change
	----- Rupees in '000 -----	
1% increase in discount rate	876,137	(65,094)
1% decrease in discount rate	1,014,373	73,142
1% increase in expected rate of salary increase	1,007,153	65,922
1% decrease in expected rate of salary increase	881,275	(59,956)
10% increase in withdrawal rate	927,868	(13,363)
10% decrease in withdrawal rate	955,580	14,349
1 year Mortality age set back	941,435	204
1 year Mortality age set forward	940,990	(241)

Furthermore in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as applied in calculating the defined benefit obligation liability recognised in this unconsolidated statement of financial position.

37.9 Experience Adjustments

The re-measurement gains / losses arise due to actual experience varying from the actuarial assumptions for the year.

Particulars	2023	2022
	----- Rupees in '000 -----	
Re-measurement gain on obligation	(49,562)	(118,660)
Re-measurement loss on plan assets	190,306	224,228
Other comprehensive income	140,744	105,568

37.10 Based on actuarial advice and management estimates, profit and loss account charge in respect of defined benefit obligation for the next one year works out to be Rs. 168.649 million.

38. DEFINED CONTRIBUTION PLAN

The Bank operates a contributory provident fund for all permanent employees. The employer and employee both contribute 7.1% of the basic salaries (2022: 7.1% of the basic salaries) to the funded scheme every month. Number of employees covered under this plan are 3,231 (2022: 3,013). During the year, the Bank has made a contribution of Rs. 312.365 million (2022: Rs. 263.085 million) to the fund. The employees have also made a contribution of equal amount to the fund.

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For the year ended December 31, 2023

39. COMPENSATION OF DIRECTORS AND EXECUTIVES

39.1 The aggregate amount charged in the financial statements for the year in respect of the remuneration and benefits to the President and Chief Executive Officer, Directors and Executives are as follows:

Items	2023				
	Directors		President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non-Executives			
	----- Rupees in '000 -----				
Fees and Allowances etc.	1,950	11,500	-	-	-
Managerial Remuneration					
i) Fixed	-	-	49,706	362,159	613,256
ii) Total Variable - Cash Bonus / Awards	-	-	8,202	27,167	43,807
Charge for defined benefit plan	-	-	1,439	7,916	16,450
Contribution to defined contribution plan	-	-	3,630	19,733	40,768
Medical	-	-	4,971	29,562	58,026
Conveyance	-	-	1,248	30,850	113,856
Car allowance	-	-	-	41,479	117,403
Others	-	-	243	8,347	13,426
Total	1,950	11,500	69,439	527,213	1,016,992
Number of persons	1	5	1	28	127

Items	2022				
	Directors		President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non-Executives			
	----- Rupees in '000 -----				
Fees and Allowances etc.	2,500	13,950	-	-	-
Managerial Remuneration					
i) Fixed	-	-	42,605	319,439	392,658
ii) Total Variable - Cash Bonus / Awards	-	-	-	6,620	12,180
Charge for defined benefit plan	-	-	2,517	15,091	21,408
Contribution to defined contribution plan	-	-	3,025	18,222	25,873
Medical	-	-	4,261	27,087	36,870
Conveyance	-	-	196	21,409	50,717
Car allowance	-	-	-	30,760	63,994
Others	-	-	386	6,543	9,410
Total	2,500	13,950	52,990	445,171	613,110
Number of persons	1	11	1	32	78

Notes to the Unconsolidated Financial Statements

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- 39.1.1** The CEO and COO are provided with free use of Bank maintained cars in accordance with their entitlement.
- 39.1.2** Managerial remuneration includes joining related payments made to certain Executives in line with their terms of employment.
- 39.1.3** The SBP, vide its BPRD Circular No. 01 dated January 25, 2017, issued Guidelines on Remuneration Practices, where the Bank is required to defer a certain portion of variable compensation of the Material Risk Takers (MRTs) and Material Risk Controllers (MRCs) subject to mandatory deferrals for a defined period. In this respect, deferral amount shall be withheld for a period of three years whereas remaining portion of the variable compensation shall be paid upfront to the MRTs and MRCs. The deferred remuneration shall vest proportionately over the deferral period following the year of variable remuneration award. The deferred portion of the variable remuneration shall be paid to the MRTs and MRCs on vesting, proportionally through yearly instalments, during the deferred period, in case no malus triggers are applicable. Details of MRTs and MRCs are given below:

Employees Covered under:	2023	2022
	----- Numbers -----	
Material Risk Takers (MRTs)	78	66
Material Risk Controllers (MRCs)	52	43
	130	109

Movement of deferred remuneration		
Opening	35,392	43,829
Deferred during the year	21,379	10,024
Paid during the year	(22,613)	(18,461)
Closing	34,158	35,392

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

		2023					
		Meeting Fees and Allowances Paid					
		Board Committees					
Sr. No.	Name of Director	For Board Meetings	Board Audit Committee (BAC)	Board Human Resource, Remuneration & Nomination Committee (BHRRNC)	Board Risk Management Committee (BRMC)	Board IT Committee (BITC)	Total Amount Paid
----- Rupees in '000 -----							
1	Mr. Adil Matcheswala	1,500	-	450	-	-	1,950
2	Mr. Sadiq Ali	1,500	600	-	600	-	2,700
3	Ms. Nargis Ghaloo	1,500	600	-	-	750	2,850
4	Syed Mumtaz Ali Shah	1,500	-	600	600	-	2,700
5	Mr. Shahnawaz Haider Nawabi *	250	-	-	150	-	400
6	Mr. Usman Yousaf Mobin	1,500	-	600	-	750	2,850
	Total amount paid	7,750	1,200	1,650	1,350	1,500	13,450

* Mr. Shahnawaz Haider Nawabi resigned with effect from October 12, 2023

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For the year ended December 31, 2023

		2022					
		Meeting Fees and Allowances Paid					
		Board Committees					
Sr. No.	Name of Director	For Board Meetings	Board Audit Committee (BAC)	Board Human Resource, Remuneration & Nomination Committee (BHRRNC)	Board Risk Management Committee (BRMC)	Board IT Committee (BITC)	Total Amount Paid
		Rupees in '000					
1	Mr. Adil Matcheswala	1,750	150	600	-	-	2,500
2	Mr. Hassan Afzal	250	-	-	-	300	550
3	Mr. Sadiq Ali	1,000	300	-	300	-	1,600
4	Ms. Nargis Ghaloo	2,000	450	-	150	300	2,900
5	Syed Mumtaz Ali Shah	1,000	-	450	300	-	1,750
6	Mr. Shahnawaz Haider Nawabi	750	150	-	300	-	1,200
7	Mr. Usman Yousaf Mobin	1,000	-	450	-	300	1,750
8	Mr. Ashraf Nawabi	-	-	-	-	-	-
9	Mr. G.M Sikander	750	150	150	-	-	1,050
10	Mr. Munawar Alam Siddiqui	750	150	-	150	-	1,050
11	Mr. Kalim-ur-Rahman	750	-	150	-	150	1,050
12	Mr. Sohail Aman	750	-	150	-	150	1,050
Total amount paid		10,750	1,350	1,950	1,200	1,200	16,450

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

International Financial Reporting Standard (IFRS) 13, 'Fair Value Measurement' defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of quoted securities other than those classified as held-to-maturity, is based on quoted market price. Quoted securities classified as held-to-maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements. Fair value of unquoted debt securities, fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments.

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

Fair value hierarchy

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

- Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2:** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3:** Fair value measurements using unobservable inputs for the asset or liability.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

40.1 Valuation techniques used in determination of fair values within level

Item	Valuation approach and input used
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Financial instruments - Level 1

Shares of listed companies	Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange / Bloomberg.
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Financial instruments - Level 2

Units of mutual funds	Fair values of investments in units of mutual funds are determined based on redemption prices disclosed at the Mutual Funds Association of Pakistan (MUFAP) as at the close of the business days.
Market Treasury Bills (MTB), Pakistan Investment Bonds (PIB) and GoP Sukuks	Fair values of Pakistan Investment Bonds, Market Treasury Bills and GoP Sukuks are derived using PKRV, PKFRV and PKISRV rates.
Debt Securities (TFCs) and Sukuk other than Government	Investments in debt securities (comprising of Term Finance Certificates, Bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP.
Overseas Government Sukuks, Overseas and Euro Bonds	The fair value of Overseas Government Sukuks, and Overseas Bonds are valued on the basis of price available on Bloomberg.
Forward foreign exchange contracts	The valuation has been determined by interpolating the foreign exchange revaluation rates announced by the State Bank of Pakistan.
Derivatives	The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currencies involved, interest rates, yield curves, volatilities, contracts duration, etc.

Financial instruments - Level 3

Currently, no financial instruments are classified in level 3.
The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

Non - financial assets - Level 3

Fixed assets - Land and building	Fixed assets and Non-banking assets under satisfaction of claims are carried at revalued amounts determined by professional valuers based on their assessment of the market values as disclosed in note 11 and 13 of these annual unconsolidated financial statements. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan. The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these unconsolidated financial statements.
Non-banking assets acquired in satisfaction of claims	

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

Notes to the Unconsolidated Financial Statements

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40.3 The following table provides an analysis of financial assets that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

	2023			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	----- Rupees in '000 -----			
Financial assets - measured at fair value				
Held-for-trading securities				
Investments				
Federal Government Securities	-	47,925	-	47,925
Available-for-sale securities				
Investments				
Federal Government Securities	-	140,379,243	-	140,379,243
Shares	3,444,798	-	-	3,444,798
Non Government Debt Securities	-	424,118	-	424,118
Foreign Securities	77,773	18,644,141	-	18,721,914
Open end mutual funds	-	-	-	-
	3,522,571	159,447,502	-	162,970,073
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	100,310,906	-	100,310,906
	3,522,571	259,806,333	-	263,328,904
Non-Financial assets - measured at fair value				
Revalued fixed assets	-	-	4,200,345	4,200,345
Non-banking assets acquired in satisfaction of claims	-	-	5,296,256	5,296,256
	-	-	9,496,601	9,496,601
Off balance sheet financial instruments				
Commitments in respect of:				
Forward foreign exchange contracts				
Purchase	-	69,922,737	-	69,922,737
Sale	-	47,730,717	-	47,730,717

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	2022			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	----- Rupees in '000 -----			
Financial assets - measured at fair value				
Held-for-trading securities				
Investments				
Federal Government Securities	-	33,431	-	33,431
Available-for-sale securities				
Investments				
Federal Government Securities	-	143,386,012	-	143,386,012
Shares	5,132,677	-	-	5,132,677
Non Government Debt Securities	-	494,174	-	494,174
Foreign Securities	306,438	807,635	-	1,114,073
Open end mutual funds	-	502,298	-	502,298
	5,439,115	145,190,119	-	150,629,234
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	147,022,393	-	147,022,393
	5,439,115	292,245,943	-	297,685,058
Non-Financial assets - measured at fair value				
Revalued fixed assets	-	-	3,748,375	3,748,375
Non-banking assets acquired in satisfaction of claims	-	-	3,772,225	3,772,225
	-	-	7,520,600	7,520,600
Off balance sheet financial instruments				
Commitments in respect of:				
Forward foreign exchange contracts				
Purchase	-	40,275,960	-	40,275,960
Sale	-	26,862,267	-	26,862,267
Derivative instruments				
Cross currency swaps				
Purchase	-	247,888	-	247,888
Sale	-	248,598	-	248,598
Forward Securities				
Purchase	-	187,617	-	187,617

Notes to the Unconsolidated Financial Statements

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41. SEGMENT INFORMATION

41.1 Segment details with respect to business activities:

	2023						
	Retail Banking	Corporate / Commercial Banking	Treasury	Investment, International & Institutional Banking	Zindigi	Others	Total
	----- Rupees in '000 -----						
Profit and loss							
Net mark-up / return / interest / (expense)	(18,147,969)	1,366,455	40,772,877	40,981	(41,042)	(1,582,264)	22,409,038
Inter segment revenue - net	39,060,261	5,351,630	(43,356,182)	2,239,041	370,085	(3,664,835)	-
Non mark-up / return / income	2,157,752	1,769,765	5,031,291	1,204,117	221,674	1,819,973	12,204,572
Total income / (loss)	23,070,044	8,487,850	2,447,986	3,484,139	550,717	(3,427,126)	34,613,610
Segment direct expenses	10,773,253	709,529	204,588	1,210,569	3,844,032	6,549,172	23,291,143
Inter segment expense allocation	4,366,111	748,367	216,912	168,461	527,087	(6,026,938)	-
Total expenses	15,139,364	1,457,896	421,500	1,379,030	4,371,119	522,234	23,291,143
Provisions and write offs - net	586,806	2,088,308	-	121,568	-	10,611	2,807,293
Profit / (loss) before tax	7,343,874	4,941,646	2,026,486	1,983,541	(3,820,402)	(3,959,971)	8,515,174

	2022						
	Retail Banking	Corporate / Commercial Banking	Treasury	Investment, International & Institutional Banking	Zindigi	Others	Total
	----- Rupees in '000 -----						
Profit and loss							
Net mark-up / return / interest / (expense)	(7,783,106)	(771,400)	25,444,706	(849,625)	(27,846)	(1,156,727)	14,856,002
Inter segment revenue - net	21,431,299	4,599,762	(29,145,431)	2,235,374	248,679	630,317	-
Non mark-up / return / income	1,362,323	1,394,562	1,922,541	379,548	254,167	(13,109)	5,300,032
Total income / (loss)	15,010,516	5,222,924	(1,778,184)	1,765,297	475,000	(539,519)	20,156,034
Segment direct expenses	8,689,874	701,063	182,946	613,574	1,720,424	5,018,125	16,926,006
Inter segment expense allocation	3,367,501	716,718	177,440	136,106	488,862	(4,886,627)	-
Total expenses	12,057,375	1,417,781	360,386	749,680	2,209,286	131,498	16,926,006
Provisions and write offs - net	488,632	470,398	-	121,568	-	18,190	1,098,788
Profit / (loss) before tax	2,464,509	3,334,745	(2,138,570)	894,049	(1,734,286)	(689,207)	2,131,240

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	2023						
	Retail Banking	Corporate / Commercial Banking	Treasury	Investment, International & Institutional Banking	Zindigi	Others	Total
----- Rupees in '000 -----							
Statement of financial position							
Cash and bank balances	6,601,476	3,633	29,255,325	1,673,716	1,072,267	6,016,104	44,622,521
Lendings to financial institutions	-	-	-	-	-	-	-
Investments	-	-	241,068,907	22,083,318	-	24,326,630	287,478,855
<i>Net inter segment lending</i>	237,203,038	41,050,823	-	7,114,783	2,745,472	-	288,114,116
Advances - performing	73,093,100	112,007,279	-	7,267,979	-	5,233,978	197,602,336
Advances - non-performing	6,589,395	9,526,666	-	27,685	-	40,704	16,184,450
Advances - provisions - net	(2,932,017)	(7,065,190)	-	(21,976)	-	(40,703)	(10,059,886)
	76,750,478	114,468,755	-	7,273,688	-	5,233,979	203,726,900
Others	-	-	-	-	-	53,604,182	53,604,182
Total Assets	320,554,992	155,523,211	270,324,232	38,145,505	3,817,739	89,180,895	877,546,574
Borrowings	7,749,336	17,572,794	1,900,349	-	-	-	27,222,479
Deposits and other accounts	305,980,179	137,568,824	-	38,098,734	3,817,739	817,302	486,282,778
Subordinated debt	-	-	-	-	-	8,497,767	8,497,767
<i>Net inter segment borrowing</i>	-	-	268,423,883	-	-	19,690,233	288,114,116
Others	6,825,477	381,593	-	46,771	-	19,853,525	27,107,366
Total liabilities	320,554,992	155,523,211	270,324,232	38,145,505	3,817,739	48,858,827	837,224,506
Equity	-	-	-	-	-	40,322,068	40,322,068
Total Equity and liabilities	320,554,992	155,523,211	270,324,232	38,145,505	3,817,739	89,180,895	877,546,574
Contingencies and Commitments	77,650,720	37,673,689	120,272,393	-	-	911,638	236,508,440

	2022						
	Retail Banking	Corporate / Commercial Banking	Treasury	Investment, International & Institutional Banking	Zindigi	Others	Total
----- Rupees in '000 -----							
Statement of financial position							
Cash and bank balances	8,312,648	29,020	17,775,749	444,034	3,952	-	26,565,403
Lendings to financial institutions	-	-	11,351,162	-	-	-	11,351,162
Investments	-	1,786,820	297,472,425	2,064,697	-	2,140,921	303,464,863
<i>Net inter segment lending</i>	206,405,581	59,911,095	-	-	2,878,830	-	269,195,506
Advances - performing	75,221,124	141,415,256	-	-	407	5,575,996	222,212,783
Advances - non-performing	6,699,317	9,528,889	-	-	-	83,681	16,311,887
Advances - provisions - net	(3,269,248)	(4,141,732)	-	-	-	(11,874)	(7,422,854)
	78,651,193	146,802,413	-	-	407	5,647,803	231,101,816
Others	-	-	-	-	-	44,232,249	44,232,249
Total Assets	293,369,422	208,529,348	326,599,336	2,508,731	2,883,189	52,020,973	885,910,999
Borrowings	8,350,957	24,594,549	64,862,710	-	-	-	97,808,216
Deposits and other accounts	277,923,067	183,325,314	-	350	2,883,189	-	464,131,920
Subordinated debt	-	-	-	-	-	6,995,000	6,995,000
<i>Net inter segment borrowing</i>	-	-	261,736,626	2,508,381	-	4,950,499	269,195,506
Others	7,095,398	609,485	-	-	-	18,528,855	26,233,738
Total liabilities	293,369,422	208,529,348	326,599,336	2,508,731	2,883,189	30,474,354	864,364,380
Equity	-	-	-	-	-	21,546,619	21,546,619
Total Equity and liabilities	293,369,422	208,529,348	326,599,336	2,508,731	2,883,189	52,020,973	885,910,999
Contingencies and Commitments	63,653,775	25,780,043	86,645,804	-	-	1,701,657	177,781,279

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For the year ended December 31, 2023

41.2 Segment details with respect to geographical locations

	2023		
	Pakistan	Bahrain	Total
	----- Rupees in '000 -----		
Profit and loss			
Net mark-up / return / interest / (expense)	21,683,961	725,077	22,409,038
<i>Inter segment revenue - net</i>	(272,747)	272,747	-
Non mark-up / return / interest income	11,952,679	251,893	12,204,572
Total income	33,363,893	1,249,717	34,613,610
Segment direct expenses	22,936,072	355,071	23,291,143
<i>Inter segment expense allocation</i>	(55,701)	55,701	-
Total expenses	22,880,371	410,772	23,291,143
Provisions and write offs - net	2,707,532	99,761	2,807,293
Profit before tax	7,775,990	739,184	8,515,174
Statement of financial position			
Cash and bank balances	43,077,212	1,545,309	44,622,521
Lendings to financial institutions	-	-	-
Investments	267,258,915	20,219,940	287,478,855
<i>Net inter segment lending</i>	288,114,116		288,114,116
Advances - performing	194,292,037	3,310,299	197,602,336
Advances - non-performing	16,184,450	-	16,184,450
Advances - provisions - net	(10,037,992)	(21,894)	(10,059,886)
	200,438,495	3,288,405	203,726,900
Others	53,595,036	9,146	53,604,182
Total Assets	852,483,774	25,062,800	877,546,574
Borrowings	27,222,479	-	27,222,479
Deposits and other accounts	463,280,458	23,002,320	486,282,778
Subordinated debts	8,497,767	-	8,497,767
<i>Net inter segment borrowing</i>	288,114,116	-	288,114,116
Others	26,936,798	170,568	27,107,366
Total liabilities	814,051,618	23,172,888	837,224,506
Equity	38,432,156	1,889,912	40,322,068
Total Equity and liabilities	852,483,774	25,062,800	877,546,574
Contingencies and Commitments	224,139,056	12,369,384	236,508,440

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

	2022		
	Pakistan	Bahrain	Total
	----- Rupees in '000 -----		
Profit and loss			
Net mark-up / return / interest / (expense)	14,525,553	330,449	14,856,002
<i>Inter segment revenue - net</i>	11,864	(11,864)	-
Non mark-up / return / interest income	5,350,069	(50,037)	5,300,032
Total income	19,887,486	268,548	20,156,034
Segment direct expenses	16,703,401	222,605	16,926,006
<i>Inter segment expense allocation</i>	(45,239)	45,239	-
Total expenses	16,658,162	267,844	16,926,006
Provisions and write offs - net	1,034,871	63,917	1,098,788
Profit / (loss) before tax	2,194,453	(63,213)	2,131,240
Statement of financial position			
Cash and bank balances	24,053,284	2,512,119	26,565,403
Lendings to financial institutions	11,351,162	-	11,351,162
Investments	301,678,033	1,786,830	303,464,863
<i>Net inter segment lending</i>	248,915,202	2,060,521	250,975,723
Advances - performing	216,662,671	5,550,112	222,212,783
Advances - non-performing	16,311,887	-	16,311,887
Advances - provisions - net	(7,411,354)	(11,500)	(7,422,854)
	225,563,204	5,538,612	231,101,816
Others	44,125,801	106,448	44,232,249
Total Assets	855,686,686	12,004,530	867,691,216
Borrowings	97,808,216	-	97,808,216
Deposits & other accounts	454,722,388	9,409,532	464,131,920
Subordinated debts	6,995,000	-	6,995,000
<i>Net inter segment borrowing</i>	248,915,202	2,060,521	250,975,723
Others	26,122,029	111,709	26,233,738
Total liabilities	834,562,835	11,581,762	846,144,597
Equity	21,123,851	422,768	21,546,619
Total Equity and liabilities	855,686,686	12,004,530	867,691,216
Contingencies and Commitments	175,239,540	2,541,739	177,781,279

Notes to the Unconsolidated Financial Statements

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42. TRUST ACTIVITIES

The Bank undertakes Trustee and other fiduciary activities that result in the holding or placing of assets on behalf of individuals and other organisations. These are not assets of the Bank and, therefore, are not included as such in these unconsolidated financial statements. Assets held under trust are shown in the table below:

Category	2023				Total
	No. of IPS Accounts	Securities Held (Face Value)			
		Market Treasury Bills	Pakistan Investment Bonds	Government Ijara Sukuk	
----- Rupees in '000 -----					
Charitable Institutions	7	1,927,200	508,000	168,000	2,603,200
Companies	16	3,947,350	1,881,300	-	5,828,650
Employees Funds	45	19,141,120	20,399,700	1,596,840	41,137,660
Individuals	125	7,026,695	420,600	27,600	7,474,895
Insurance Companies	9	132,870,725	71,372,000	24,131,500	228,374,225
Others	8	6,479,975	2,627,100	20,000	9,127,075
Total	210	171,393,065	97,208,700	25,943,940	294,545,705

Category	2022				Total
	No. of IPS Accounts	Securities Held (Face Value)			
		Market Treasury Bills	Pakistan Investment Bonds	Government Ijara Sukuk	
----- Rupees in '000 -----					
Charitable Institutions	19	1,076,100	313,000	168,000	1,557,100
Companies	53	30,672,525	7,904,000	-	38,576,525
Employees Funds	191	12,679,225	11,565,000	1,298,340	25,542,565
Individuals	175	2,354,150	316,400	18,500	2,689,050
Insurance Companies	96	70,726,200	97,163,500	15,275,500	183,165,200
Others	31	3,177,175	3,491,600	-	6,668,775
Total	565	120,685,375	120,753,500	16,760,340	258,199,215

43. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, directors, key management personnel, subsidiaries, associates and other related parties.

The Bank enters into transactions with related parties in the ordinary course of business and substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Notes to the Unconsolidated Financial Statements

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

	2023					
	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	----- Rupees in '000 -----					
Statement of Financial Position						
Lendings to financial institutions						
Opening balance	-	-	-	-	-	-
Addition during the year	-	-	-	45,459,800	-	116,405,200
Repaid during the year	-	-	-	(45,459,800)	-	(116,405,200)
Transfer in / (out) - net	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-
Investments						
Opening balance	-	-	-	1,919,121	269,800	5,067,465
Investment made during the year	-	-	-	17,814,959	-	1,290,000
Investment redeemed / disposed off during the year	-	-	-	-	-	(1,790,000)
Deficit on investments	-	-	-	-	-	(777,060)
Transfer in / (out) - net	-	-	-	1,153,195	-	(1,153,195)
Closing balance	-	-	-	20,887,275	269,800	2,637,210
Provision for diminution in value of investments	-	-	-	-	70,871	-
Advances						
Opening balance	-	-	498,310	-	232,166	1,342,159
Addition during the year	-	1,997	174,782	-	-	8,810,838
Repaid during the year	-	(2,240)	(170,324)	-	(46,433)	(8,243,696)
Transfer in / (out) - net	-	490	(20,739)	-	-	13,628
Closing balance	-	247	482,029	-	185,733	1,922,929
Provision held against advances	-	-	-	-	-	-
Other Assets						
Mark-up / return / interest accrued	-	-	426	-	12,869	32,471
Receivable against bancassurance / bancatakaful	-	-	-	-	-	15,358
Prepaid insurance	-	-	-	-	-	587
Advance against investment in securities	-	-	-	-	-	1,178,306
Provision against other assets	-	-	-	-	-	-
Borrowings						
Opening balance	-	-	-	-	-	-
Borrowings during the year	-	-	-	-	-	-
Settled during the year	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-
Deposits and other accounts						
Opening balance	130,430	290	47,853	1,374,281	2,621	12,800,727
Received during the year	20,697,001	2,406	946,674	258,359,484	2,167,505	181,116,923
Withdrawn during the year	(20,746,742)	(2,327)	(946,477)	(258,729,557)	(2,158,470)	(187,829,237)
Transfer in / (out) - net	-	-	(6,116)	-	5,239	(219,483)
Closing balance	80,689	369	41,934	1,004,208	16,895	5,868,930
Subordinated debt						
Opening balance	-	-	-	-	-	124,714
Issued during the year	-	-	-	-	-	20,000
Redeemed during the year	-	-	-	-	-	(124,714)
Transfer in / (out) - net	-	-	-	-	-	-
Closing balance	-	-	-	-	-	20,000
Other Liabilities						
Mark-up / return / interest payable on deposits	-	-	-	-	-	16,403
Mark-up / return / interest payable on subordinated debt	-	-	-	-	-	13
Payable to defined benefit plan	-	-	-	-	-	133,191
Donation payable	-	-	-	-	-	169,813
Others payable	400	-	-	-	-	-
Contingencies and Commitments						
Letter of guarantee	-	-	-	-	-	15,141
Letter of credit	-	-	-	-	-	516,329

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	2022					
	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	----- Rupees in '000 -----					
Statement of Financial Position						
Lendings to financial institutions						
Opening balance	-	-	-	-	-	-
Addition during the year	-	-	-	-	-	96,591,372
Repaid during the year	-	-	-	-	-	(96,591,372)
Transfer in / (out) - net	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-
Investments						
Opening balance	-	-	-	1,919,121	269,800	4,734,303
Investment made during the year	-	-	-	-	-	4,245,951
Investment redeemed / disposed off during the year	-	-	-	-	-	(3,550,000)
Deficit on investments	-	-	-	-	-	(362,789)
Transfer in / (out) - net	-	-	-	-	-	-
Closing balance	-	-	-	1,919,121	269,800	5,067,465
Provision for diminution in value of investments	-	-	-	-	48,000	-
Advances						
Opening balance	-	125,769	458,181	96,775	442,315	3,929,319
Addition during the year	-	-	367,341	7,411	26,550	4,769,450
Repaid during the year	-	-	(121,474)	(104,186)	(236,699)	(6,716,615)
Transfer in / (out) - net	-	(125,769)	(205,738)	-	-	(639,995)
Closing balance	-	-	498,310	-	232,166	1,342,159
Provision held against advances	-	-	-	-	-	-
Other Assets						
Mark-up / return / interest accrued	-	-	697	-	8,010	19,745
Receivable against bancassurance / bancatakaful	-	-	-	-	-	17,498
Prepaid insurance	-	-	-	-	-	34,933
Net defined benefit plan	-	-	-	-	-	119,523
Advance against investment in securities	-	-	-	-	-	1,178,306
Other receivable	-	-	-	-	-	14,249
Provision against other assets	-	-	-	-	-	379
Borrowings						
Opening balance	-	-	-	-	-	-
Borrowings during the year	-	-	-	-	-	312,787,717
Settled during the year	-	-	-	-	-	(312,787,717)
Transfer in / (out) - net	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-
Deposits and other accounts						
Opening balance	912,327	214,211	42,227	1,354,967	41,310	14,572,975
Received during the year	15,376,414	62,632	823,876	353,446,011	1,494,000	191,456,450
Withdrawn during the year	(16,158,311)	(62,805)	(802,683)	(353,426,148)	(1,532,689)	(192,234,920)
Transfer in / (out) - net	-	(213,748)	(15,567)	(549)	-	(993,778)
Closing balance	130,430	290	47,853	1,374,281	2,621	12,800,727
Subordinated debt						
Opening balance	-	-	-	-	-	639,776
Issued during the year	-	-	-	-	-	-
Redeemed during the year	-	-	-	-	-	(79)
Transfer in / (out) - net	-	-	-	-	-	(514,983)
Closing balance	-	-	-	-	-	124,714
Other Liabilities						
Mark-up / return / interest payable on deposits	-	-	-	-	-	536,091
Mark-up / return / interest payable on subordinated debt	-	-	-	-	-	143
Donation payable	-	-	-	-	-	26,475
Contingencies and Commitments						
Letter of guarantee	-	-	-	-	-	20,398
Letter of credit	-	-	-	-	-	65,585

Notes to the Unconsolidated Financial Statements

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	2023					
	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
----- Rupees in '000 -----						
Profit and loss account						
Income						
Mark-up / return / interest earned	-	-	23,863	53,081	46,918	371,065
Fee and commission income	-	106	1,106	790	10	90,338
Dividend income	-	-	-	1,457,421	-	158,718
Gain on sale of securities - net	-	-	-	-	-	5,997
Other income	-	-	-	332,658	-	-
Provisions and write offs - net						
Provision for diminution in value of Investments - net	-	-	-	-	22,871	-
Expense						
Mark-up / return / interest paid	52,143	-	3,366	412,867	5,954	1,009,748
Commission / charges paid	-	-	-	3,705	-	-
Remuneration paid	-	-	596,652	-	-	-
Non-executive directors' fee	-	13,450	-	-	-	-
Net charge for defined contribution plans	-	-	-	-	-	312,365
Net charge for defined benefit plans	-	-	-	-	-	111,970
Insurance expense	-	-	-	-	-	136,765
Donation	-	-	-	-	-	170,313
Advisory fee	-	-	-	-	-	10,917
Consultancy charges	-	-	-	-	-	56,922
Other expenses	1,200	-	150	-	-	-
Payments made during the year						
Insurance premium paid	-	-	-	-	-	91,908
Insurance claims settled	-	-	-	-	-	7,874
Other Transactions						
Sale of Government Securities	-	-	175,594	-	-	222,995,909
Purchase of Government Securities	-	-	309,485	12,298	-	22,146,983
Sale of Foreign Currencies	-	-	-	12,519,965	-	36,568,435
Purchase of Foreign Currencies	-	-	-	21,555,423	-	25,422,778
Purchase of Shares of Subsidiary	5,444,290	-	-	-	-	3,130,507

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	2022					
	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	----- Rupees in '000 -----					
Profit and loss account						
Income						
Mark-up / return / interest earned	-	-	24,842	1,265	44,745	289,928
Fee and commission income	-	14	221	4	1,291	94,752
Dividend income	-	-	-	-	-	72,401
Gain on sale of securities - net	-	-	-	-	-	14,346
Provisions and write offs - net						
Provision for diminution in value of Investments - net	-	-	-	-	-	62,151
Expense						
Mark-up / return / interest paid	78,710	-	2,237	191,128	2,015	1,839,975
Commission / charges paid	-	-	-	1,572	-	-
Remuneration paid	-	-	498,160	-	-	-
Non-executive directors' fee	-	16,450	-	-	-	-
Net charge for defined contribution plans	-	-	-	-	-	263,085
Net charge for defined benefit plans	-	-	-	-	-	93,228
Insurance expense	-	-	-	-	-	318,775
Donation	-	-	-	-	-	40,978
Advisory fee	-	-	-	-	-	6,751
Consultancy charges	-	-	-	-	-	7,000
Other expenses	-	-	357	-	-	713
Payments made during the year						
Insurance premium paid	-	-	-	-	-	309,934
Insurance claims settled	-	-	-	-	-	6,749
Other Transactions						
Sale of Government Securities	3,884,797	-	-	121,297	-	149,487,966
Purchase of Government Securities	-	-	-	5,153	-	84,652,759
Purchase of Non - Government Securities	-	-	-	-	-	206,041
Sale of Foreign Currencies	-	-	-	-	-	84,401,283
Purchase of Foreign Currencies	-	-	-	-	-	77,076,713

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44. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS	2023	2022
	----- Rupees in '000 -----	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>20,506,625</u>	<u>10,119,242</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>17,247,260</u>	18,161,246
Eligible Additional Tier 1 (ADT 1) Capital	<u>2,500,000</u>	2,500,000
Total Eligible Tier 1 Capital	<u>19,747,260</u>	20,661,246
Eligible Tier 2 Capital	<u>5,907,060</u>	4,097,720
Total Eligible Capital (Tier 1 + Tier 2)	<u>25,654,320</u>	<u>24,758,966</u>
Risk Weighted Assets (RWAs):		
Credit Risk	<u>158,394,680</u>	153,443,431
Market Risk	<u>1,788,170</u>	970,174
Operational Risk	<u>44,504,940</u>	32,322,263
Total	<u>204,687,790</u>	<u>186,735,868</u>
<p>The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for banks to be raised to Rs.10,000 million by the year ending December 31, 2013. The paid-up capital of the Bank as at December 31, 2023 stood at Rs. 20,506.525 million (2022: Rs. 10,119.242 million) and is in compliance with SBP requirements.</p> <p>The Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10.0% plus capital conservation buffer of 1.5% of the risk weighted exposures of the Bank. Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 7.5% and 9.0%, respectively (inclusive of Capital Conservation Buffer). As at December 31, 2023 the Bank is fully compliant with prescribed ratios, as the Bank's CAR is 12.53% whereas CET 1 and Tier 1 ratios stood at 8.43% and 9.65% respectively. The Bank has complied with all capital requirements throughout the year.</p> <p>Under the current capital adequacy regulations, credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach. Credit risk mitigants are also applied against the Bank's exposures based on eligible collateral under comprehensive approach.</p>		
	2023	2022
	----- Rupees in '000 -----	
Common Equity Tier 1 Capital Adequacy ratio	<u>8.43%</u>	<u>9.73%</u>
Tier 1 Capital Adequacy Ratio	<u>9.65%</u>	<u>11.06%</u>
Total Capital Adequacy Ratio	<u>12.53%</u>	<u>13.26%</u>
Leverage Ratio (LR):		
Eligible Tier 1 Capital	<u>19,747,260</u>	20,661,246
Total Exposures	<u>646,271,336</u>	683,834,651
Leverage Ratio	<u>3.06%</u>	<u>3.02%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	<u>156,090,413</u>	141,619,653
Total Net Cash Outflow	<u>80,778,281</u>	74,673,572
Liquidity Coverage Ratio	<u>193.23%</u>	<u>189.65%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	<u>443,311,118</u>	369,449,898
Total Required Stable Funding	<u>302,819,828</u>	294,199,283
Net Stable Funding Ratio	<u>146.39%</u>	<u>125.58%</u>

44.1 The link to the full disclosure is available at <https://jsbl.com/knowledge-centre/investor-information/>

Notes to the Unconsolidated Financial Statements

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45. RISK MANAGEMENT

Risk Management is a discipline at the core of every financial institution and encompasses all the activities that affect its risk profile. At the Bank, it involves identification, measurement, monitoring and controlling risks to ensure that:

- a) The individuals who take or manage risks clearly understand it;
- b) The Bank's Risk exposure is within the limits established by Board of Directors (BoD);
- c) Risk taking decisions are in line with the business strategy and objectives set by BoD;
- d) The expected payoffs compensate for the risks taken;
- e) Risk taking decisions are explicit and clear;
- f) Sufficient capital as a buffer is available to take risk; and
- g) Risk management function is independent of risk taking unit.

The Bank has a comprehensive set of Risk Management policies, practices and procedures which enable the Bank to take into consideration, in an appropriate manner, all major kinds of risks mainly credit, market, liquidity, operational and IT security risks. Keeping in view the dynamics of internal and external environment, Bank regularly review and updates its Risk Management policies and procedures in accordance with regulatory environment and international standards.

Risk Management activities remain at the forefront of all activities of the Bank which places the highest priority on conducting its business in a prudent manner in line with the relevant laws and regulatory requirements.

Risk management framework of the Bank includes:

- a) Clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control;
- b) Well constituted organizational structure, defining clearly roles and responsibilities of individuals involved in risk taking as well as managing it. The Bank, in addition to risk management functions for various risk categories, has instituted an Integrated Risk Management Committee (IRMC), Portfolio Management Committee (PMC), Operational Risk Management Committee (ORMC), Remedial Management Committee (RMC) as well as Central Credit Committee (CCC). IRMC oversees the overall risk management at the Bank and provides guidance in setting strategic targets as well as concentration limits and monitor progress related to earnings growth, keeping in view the capital constraints and also adheres to the concentration limits. The IRMC monitors the strategic target and aggregate limits at the Business Group level and concentration limits (by industry, geography, size, tenor) so that one category of assets or dimension of risk cannot materially harm the performance of the Bank. PMC monitors the advances portfolio, concentrations limits, aggregate limits at business level and various house keeping elements under Credit Administration. ORMC oversees the effectiveness of operational risk management for maintenance and implementation of operational risk management framework. It also monitors the Business Continuity Planning and reviews findings of any other management or board's sub committee. Remedial Management Committee (RMC) oversees the progress of non performing loans and cases under litigation along with the recommendation of transferring of any NPL to Corporate Restructuring Company (CRC). Whereas, Central Credit Committee (CCC) is entrusted with the responsibility of monitoring lending risk profile of the Bank. CCC meets regularly to actively supervise credit risk across its lending portfolio;
- c) An effective management information system that ensures flow of information from operational level to top management and a system to address any exceptions observed; and
- d) A mechanism to ensure an ongoing review of systems, policies and procedures for risk management and procedures to adopt changes.

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While the overall responsibility of risk management rests with the BoD, it is the duty of Senior Management to devise risk management strategy by setting up well defined policies and procedures for mitigating / controlling risks, duly approved by the Board.

Giving due consideration to the above, the Bank has put in place the following hierarchy of Risk Management:

- Board Risk Management Committee (BRMC);
- Integrated Risk Management Committee (IRMC) comprises of the President / Chief Executive Officer (CEO), Chief Risk Officer, Chief Operating Officer, Chief Credit Officer, Chief Financial Officer, Chief Compliance Officer, Group Head Operations, Group Head Retail Banking, and Head of Human Resources;
- Asset - Liability Committee (ALCO) comprises of the President / CEO, Treasurer, Chief Risk Officer, Chief Credit Officer, Group Head Investment, International and Institutional Banking, Chief Financial Officer and attended by Other Business Heads;
- Central Credit Committee (CCC) comprising of the President / CEO, Chief Operating Officer, Chief Credit Officer, Head Corporate Banking, Head Commercial Banking, Group Head Emerging Corporate, and Head of Environmental Risk (for environmental risk only);
- Portfolio Management Committee (PMC) comprises of President / CEO, Chief Operating Officer, Chief Risk Officer, Chief Credit Officer, Head Corporate Banking, Head Commercial Banking, Group Head Retail Banking, Heads of Credit Risk, Head CAD, Head of Consumer Risk, and Head Enterprise Risk Management;
- Operational Risk Management Committee (ORMC) comprises of the President / CEO, Chief Operating Officer, Chief of Staff, Chief Risk Officer, Chief Compliance Officer, Chief Information Officer, Group Head Operations, Head of Human Resources, Chief Digital Officer, Group Head Retail Banking, Head Customer Experience, Head Branch Banking Operations and Head Enterprise Risk Management;
- Remedial Management Committee (RMC) comprises of President / CEO, Chief Risk Officer, Chief Credit Officer, Chief of Staff, Chief Operating Officer, Chief Financial Officer, Head of SAM, Head of CAD, Credit Risk Heads and Head of Legal;
- IT Steering Committee (ITSC) comprises of President / CEO, Chief Operating Officer, Chief Risk Officer, Group Head Operations, Chief Information Officer, Chief Information Security Officer, Chief Officer-Zindigi, Chief Digital Officer, Chief Compliance Officer, and Head of SPIU;
- Risk Management Group (RMG), a dedicated and independent set-up headed by Chief Risk Officer (CRO) and comprises of Heads of Market & Liquidity Risks, Operational Risk & BCP and Treasury Middle Office, Consumer & Program Lending Risk, Information Security, Agricultural Credit Risk, Digital Risk & Strategic Projects & Quantitative Analysis, Credit Administration (CAD), Special Assets Management (SAM), and Enterprise Risk Management;
- Credit Risk Group (CRG) is also an independent function to business and is headed by Chief Credit Officer (CCO). Credit Risk Heads dealing in corporate, emerging corporate, middle market, small & medium enterprises, financial institutions and international operations are reporting into CCO.

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Risk Matrix / Categories

The Bank, in common with other banks, generates its revenues by accepting Country, Credit, Liquidity, Interest Rate Risk in the Banking Book, Market, Operational and other risks. Effective management of these risks is the decisive factor in the Bank's profitability.

Risk Appetite

The Bank's risk appetite is reflected in its endeavours to maintain a favourable credit rating and encompasses the following:

- The business strategy
- The expectations of stakeholders at different time horizons
- The characteristics of the risk-bearing entities
- The nature and characteristics of the risks undertaken
- The possible spread of risk situations across organizational units, assets-at-risk, and future time horizons.

Risk appetite drives business activity. It combines anticipations in risk and profitability with management preferences to control capital and resource allocation, as well as the distribution of exposure across activities and portfolios.

The Bank's hedging strategy is embedded in its risk management practices for addressing material categories of risk.

45.1 Credit Risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Credit risk is managed in terms of credit policies, approved by the BoD and regulations issued by the SBP. The Bank is exposed to credit risk on loans and advances, fund placements with financial institutions and certain investments.

Credit risk management is an ongoing process. The overall credit policy and the credit risk instructions are issued by the BoD. In this regards, a Central Credit Committee (CCC) is entrusted with the responsibility of monitoring lending risk profile of the bank. In order to maintain healthy growth of the credit portfolio, the Bank's Credit Risk Management processes are consistently upgraded and improved to meet future challenges.

The Bank's strategy is to minimize credit risk through product, geography, industry and customer diversification. Credit limits are established for all counter-parties after a careful assessment of their credit worthiness. An effective credit granting procedure, which requires pre-sanction evaluation of credit proposal, adequacy of security and pre-disbursement examination of charge documents is in place and managed by Credit Risk Group (CRG), Risk Management Group (RMG) & Credit Administration Department (CAD). The Bank maintains a sound portfolio diversified in nature to counter the risk of credit concentration and further confines risk through diversification of its assets by geographical and industrial sector. For managing impaired assets in the portfolio, the Bank follows the Prudential Regulations and Risk Management guidelines issued by SBP and the Remedial Management Policy approved by the Board.

45.1.1 Credit risk: Standardised Approach

The Bank has adopted the Standardised Approach of Basel II for risk weighing its Credit Risk Exposures.

The following table illustrates the approved External Credit Assessment Institutions (ECAIs) whose ratings are being utilised by the Bank with respect to material categories of exposures:

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Exposures	VIS	PACRA	MOODY'S	FITCH	S&P
Corporate	✓	✓	-	-	-
Banks	✓	✓	✓	✓	✓
SME's (retail exposures)	✓	✓	-	-	-
Sovereigns	✓	✓	✓	✓	✓
Securitisations	N/A	N/A	N/A	N/A	N/A
Others (specify)	N/A	N/A	N/A	N/A	N/A

The Bank has used Issue Specific Ratings for rating / risk weighing Issue Specific Exposures and Entity Ratings for rating / risk weighing claims against specific counterparties. Both short and long term ratings have been used to rate corresponding short and long term exposures. For this purpose, Mapping Grid provided by SBP as given below:

Long - Term Ratings Grades Mapping

SBP Rating Grade	PACRA	JCR-VIS	Fitch	Moody's	S&P	ECA Scores
1	AAA AA+ AA AA-	AAA AA+ AA AA-	AAA AA+ AA AA-	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-	1
2	A+ A A-	A+ A A-	A+ A A-	A1 A2 A3	A+ A A-	2
3	BBB+ BBB BBB-	BBB+ BBB BBB-	BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-	3
4	BB+ BB BB-	BB+ BB BB-	BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-	4
5	B+ B B-	B+ B B-	B+ B B-	B1 B2 B3	B+ B B-	5, 6
6	CCC+ and below	CCC+ and below	CCC+ and below	Caa1 and below	CCC+ and below	7

Short - Term Ratings Grades Mapping

SBP Rating Grade	PACRA	JCR-VIS	Fitch	Moody's	S&P
S1	A-1	A-1	F1	P-1	A-1+, A-1
S2	A-2	A-2	F2	P-2	A-2
S3	A-3	A-3	F3	P-3	A-3
S4	Others	Others	Others	Others	Others

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45.1.2 Policies and processes for collateral valuation and management as regards Basel II;

For Credit Risk Mitigation purposes the Bank uses only the eligible collaterals under Comprehensive Approach of Credit Risk Mitigation under Standardised Approach as prescribed by SBP under Circular No. 08 dated June 27, 2006, which includes Cash and Cash Equivalent Securities including Government Securities like Cash Margins, Lien on Bank Accounts, Foreign Deposit Receipts, Term Deposit Receipts, Pledge of Defense Saving Certificates, Regular Income Certificates, Special Saving Certificates, Market Treasury Bills and Pakistan Investment Bonds etc. and Shares, Term Finance Certificates (TFCs) and Mutual Funds Listed on the Main Index.

Under the Bank's policy all collaterals are subject to periodic valuations to monitor the adequacy of margins held. Shares / Marketable securities are valued by the Bank on daily basis to calculate the Drawing Power (DP). In case of any shortfall in the requisite margins, the DP is adjusted to the appropriate level and the business units are informed to take appropriate action as per the agreement with the customer.

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

	Gross lendings		Non-performing lendings		Provision held	
	2023	2022	2023	2022	2023	2022
45.1.3 Lendings to financial institutions	----- Rupees in '000 -----					
Credit risk by public / private sector						
Public / Government	-	-	-	-	-	-
Private	-	11,351,162	-	-	-	-
	<u>-</u>	<u>11,351,162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Gross investments		Non-performing investments		Provision held	
	2023	2022	2023	2022	2023	2022
45.1.4 Investment in debt securities	----- Rupees in '000 -----					
Credit risk by industry sector						
Financial	262,071,655	296,336,581	-	-	313,800	178,659
Hotel and tourism	1,136,886	1,198,506	27,733	27,733	27,733	27,733
Telecommunication	593,446	143,446	143,446	143,446	143,446	143,446
Fertilizer	131,928	140,133	131,928	140,133	131,928	140,133
Oil and gas	-	44,083	-	-	-	-
Chemical and pharmaceuticals	8,331	41,667	-	-	-	-
Others	-	679,632	-	-	-	394
	<u>263,942,246</u>	<u>298,584,048</u>	<u>303,107</u>	<u>311,312</u>	<u>616,907</u>	<u>490,365</u>
Credit risk by public / private sector						
Public / Government	243,045,809	295,853,043	-	-	124,556	49,083
Private	20,896,437	2,731,005	303,107	311,312	492,351	441,282
	<u>263,942,246</u>	<u>298,584,048</u>	<u>303,107</u>	<u>311,312</u>	<u>616,907</u>	<u>490,365</u>

Notes to the Unconsolidated Financial Statements

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45.1.5	Advances	Gross Advances		Non-performing Advances		Provision held	
		2023	2022	2023	2022	2023	2022
----- Rupees in '000 -----							
Credit risk by industry sector							
	Individuals	49,522,983	50,198,482	2,329,709	1,985,198	1,078,344	1,070,151
	Food, tobacco and beverages	29,842,122	31,424,819	1,789,276	1,835,668	1,227,313	1,060,549
	Textile	23,708,886	26,878,066	1,228,860	646,582	746,854	485,444
	Airlines	18,570,899	23,586,879	-	-	-	-
	Power and water	685,592	14,955,253	145,066	145,681	133,671	101,868
	Wholesale and retail trade	9,065,892	13,382,430	1,477,017	649,156	279,096	257,643
	Metal and allied	8,503,935	8,580,249	2,314,918	2,325,896	1,680,036	1,485,597
	Real estate	10,425,150	7,950,018	1,339,063	3,740,876	1,300,000	130,339
	Agriculture	6,334,303	6,958,389	1,437,164	1,035,400	556,153	285,861
	Chemical and pharmaceuticals	5,076,736	5,277,368	253,556	258,188	192,282	73,065
	Engineering	5,081,056	4,757,477	158,636	377,201	102,362	104,008
	Automobile and transportation equipment	4,098,764	4,499,321	31,323	26,919	15,667	10,041
	Oil and gas	4,540,734	4,331,312	303,437	126,321	105,644	62,192
	Brokerage	3,136,231	4,271,431	-	-	-	-
	Construction	3,882,152	3,867,084	178,926	179,788	26,693	33,968
	Fertilizer	3,469,199	3,747,973	1,376,105	1,358,476	1,299,405	1,322,289
	Transportation	1,651,317	2,947,512	285,037	239,912	148,629	141,497
	Telecommunication	4,163,838	2,503,839	-	-	-	-
	Polyester and fiber	2,215,094	2,501,120	689,410	649,381	351,022	214,033
	Education and medical	1,782,314	2,349,125	117,788	104,872	50,418	12,605
	Paper and allied	2,395,248	2,209,570	64,782	64,782	44,051	33,685
	Cement	958,558	1,001,777	-	-	-	-
	Sugar	531,253	746,569	200,000	200,000	200,000	200,000
	Electronics and electrical appliances	712,682	744,401	-	-	-	-
	Leather	454,052	667,908	5,211	-	-	-
	Hotel and tourism	297,417	474,056	5,638	17,195	5,638	17,195
	Financial	3,324,883	204,064	-	-	-	-
	Others	9,355,496	7,508,178	453,528	344,395	117,264	108,710
		<u>213,786,786</u>	<u>238,524,670</u>	<u>16,184,450</u>	<u>16,311,887</u>	<u>9,660,542</u>	<u>7,210,740</u>
Credit risk by public / private sector							
	Public / Government	18,570,899	36,403,545	-	-	-	-
	Private	195,215,887	202,121,125	16,184,450	16,311,887	9,660,542	7,210,740
		<u>213,786,786</u>	<u>238,524,670</u>	<u>16,184,450</u>	<u>16,311,887</u>	<u>9,660,542</u>	<u>7,210,740</u>

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	Contingencies and Commitments	
	2023	2022
	----- Rupees in '000 -----	
45.1.6 Credit risk by industry sector		
Agriculture	356,463	1,053,809
Automobile and transportation equipment	2,243,831	3,612,313
Brokerage	5,094,317	993,967
Cement	892,004	849,037
Chemical and pharmaceuticals	2,130,231	1,717,039
Construction	32,336,220	38,538,026
Electronics and electrical appliances	3,959,006	894,836
Engineering	6,583,932	4,388,224
Education and medical	104,839	387,990
Fertilizer	6,620,791	3,083,738
Financial	116,965,630	58,792,708
Food, tobacco and beverages	8,170,638	6,875,357
Hotel and tourism	551,246	331,635
Individuals	2,039,580	267,351
Metal and allied	2,129,149	4,973,353
Oil and gas	3,431,455	4,757,440
Paper and allied	499,728	449,955
Polyester and fiber	1,739,175	2,536,066
Power and water	2,580,604	3,724,962
Real estate	4,551,937	8,682,120
Telecommunication	6,494,377	2,865,240
Textile	8,198,320	11,553,487
Wholesale and retail trade	7,978,712	3,822,320
Others	10,856,255	12,630,306
	236,508,440	177,781,279
Credit risk by public / private sector		
Public / Government	113,051,623	67,548,849
Private	123,456,817	110,232,430
	236,508,440	177,781,279

45.1.7 Concentration of Advances

The Bank's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 68,633.79 million (2022: Rs. 84,182.30 million) are as following:

		2023	2022
	Note	----- Rupees in '000 -----	
Funded	45.1.7.1	36,721,558	46,517,846
Non Funded	45.1.7.2	31,912,228	37,664,454
Total Exposure		68,633,786	84,182,300

45.1.7.1 None of the exposure against these top 10 exposures is classified.

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45.1.7.2 The sanctioned limits against these top 10 exposures aggregated to Rs. 70,850.56 million (2022: Rs. 89,837.68 million).

45.1.8 Advances - Province / Region-wise Disbursement & Utilization

Province / Region	2023							
	Disbursements	Utilization						
		Punjab	Sindh	KPK & FATA	Balochistan	Islamabad	AJK & Gilgit-Baltistan	Bahrain
	----- Rupees in '000 -----							
Punjab	90,898,651	90,898,651	-	-	-	-	-	-
Sindh	150,753,568	-	150,753,568	-	-	-	-	-
KPK & FATA	3,706,138	-	-	3,706,138	-	-	-	-
Balochistan	990,579	-	-	-	990,579	-	-	-
Islamabad	40,955,191	-	-	-	-	40,955,191	-	-
AJK & Gilgit-Baltistan	906,809	-	-	-	-	-	906,809	-
Bahrain	13,859,548	-	-	-	-	-	-	13,859,548
Total	302,070,484	90,898,651	150,753,568	3,706,138	990,579	40,955,191	906,809	13,859,548
	----- Rupees in '000 -----							
Province / Region	2022							
	Disbursements	Utilization						
		Punjab	Sindh	KPK & FATA	Balochistan	Islamabad	AJK & Gilgit-Baltistan	Bahrain
	----- Rupees in '000 -----							
Punjab	85,029,676	85,029,676	-	-	-	-	-	-
Sindh	105,629,687	-	105,629,687	-	-	-	-	-
KPK & FATA	3,857,200	-	-	3,857,200	-	-	-	-
Balochistan	204,124	-	-	-	204,124	-	-	-
Islamabad	18,287,516	-	-	-	-	18,287,516	-	-
AJK & Gilgit-Baltistan	958,974	-	-	-	-	-	958,974	-
Bahrain	7,820,824	-	-	-	-	-	-	7,820,824
Total	221,788,001	85,029,676	105,629,687	3,857,200	204,124	18,287,516	958,974	7,820,824

45.2 Market Risk

Market risk is the risk of loss due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. From the perspective of the Bank, market risk comprises of interest rate risk, foreign exchange risk and equity position risk, which the Bank is exposed to in its trading book.

The Bank has an approved market risk policy wherein the governance structure for managing market risk, measurement tools used and the market risk exposure limits have been addressed. The Bank's strategy for managing market risk is to relate the level of risk exposures to their risk appetite and the capital at hand.

The Board of Directors (BoD) and the Asset and Liability Committee (ALCO) are responsible for addressing market risk from a strategic perspective and are assisted by the market risk function in meeting these objectives.

The Market Risk Unit reports directly to Head ERM and is responsible for ensuring the implementation of market risk policy in line with the Bank's strategy.

Risk reporting undertaken by the market risk function includes:

- Portfolio Reports
- Limit monitoring reports
- Sensitivity analysis; and
- Stress testing of the portfolio

Currently, the Bank is using the market risk standardised approach for the purpose of computing regulatory capital, the details of which are set out above.

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45.2.1 Balance sheet split by trading and banking books

	2023			2022		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	----- Rupees in '000 -----					
Cash and balances						
with treasury banks	40,895,031	-	40,895,031	24,764,967	-	24,764,967
Balances with other banks	3,727,490	-	3,727,490	1,800,436	-	1,800,436
Lendings to financial institutions	-	-	-	11,351,162	-	11,351,162
Investments	287,430,930	47,925	287,478,855	303,431,432	33,431	303,464,863
Advances	203,726,900	-	203,726,900	231,101,816	-	231,101,816
Fixed assets	10,766,680	-	10,766,680	10,004,318	-	10,004,318
Intangible assets	4,872,907	-	4,872,907	3,832,137	-	3,832,137
Deferred tax assets	-	-	-	-	-	-
Other assets	37,964,595	-	37,964,595	30,395,794	-	30,395,794
	589,384,533	47,925	589,432,458	616,682,062	33,431	616,715,493

45.2.2 Foreign Exchange Risk

Main objective of foreign exchange risk management is to ensure that the foreign exchange exposure of the Bank lies within the defined appetite of the Bank.

Daily reports are generated to monitor the internal and regulatory limits with respect to the overall foreign currency exposures. The overall net open position, whether short or long has the potential to negatively impact the profit and loss depending upon the direction of movement in foreign exchange rates.

Foreign exchange open and mismatched positions are marked to market on a daily basis.

Currency risk arises where the value of financial instruments changes due to changes in foreign exchange rates. In order to manage currency risk exposure, the bank enters into ready / spot, forward and swap transactions with the State Bank of Pakistan (SBP) and in the inter bank market. The Bank's foreign exchange exposure comprises of forward contracts, foreign currencies cash in hand, balances with banks abroad, foreign placement with SBP and foreign currencies assets and liabilities. The net open position is managed within the statutory limits, as fixed by SBP. Counter parties' limits are also fixed to limit risk concentration. Appropriate segregation of duties exists between the front and back-office functions while compliance with the net open position limit is independently monitored on an ongoing basis.

	2023			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- Rupees in '000 -----			
United States Dollar	42,286,252	61,141,671	19,394,396	538,977
Great Britain Pound	493,995	4,249,965	3,879,420	123,450
Euro	1,645,515	752,604	(855,979)	36,932
Other currencies	360,472	808,157	-	(447,685)
	44,786,234	66,952,397	22,417,837	251,674

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	2022			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- Rupees in '000 -----			
United States Dollar	16,143,727	27,140,401	11,144,504	147,830
Great Britain Pound	163,730	3,340,449	3,232,663	55,944
Euro	948,874	976,259	(150,691)	(178,076)
Other currencies	68,550	401,900	248,822	(84,528)
	<u>17,324,881</u>	<u>31,859,009</u>	<u>14,475,298</u>	<u>(58,830)</u>

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	-	2,517	-	(588)
- Other comprehensive income	-	-	-	-

45.2.3 Equity position Risk

Equity positions in the banking book includes investment in equities that are available-for-sale or held for strategic investment purposes. These investments are generally regarded as riskier relative to fixed income securities owing to the inherent volatility of stock market prices. The Bank mitigates these risks through diversification and capping maximum exposures in a single company, compliance with regulatory requirement, and following the guidelines laid down in the Bank's Investment Policy as set by the Board of Directors (BoD). The Bank follows a delivery versus payment settlement system thereby minimizing risk available in relation to settlement risk.

Equity price risk is managed by applying trading limit and scrip-wise and portfolio wise nominal limits.

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
Impact of 5% change in equity prices on				
- Profit and loss account	-	-	-	-
- Other comprehensive income	172,240	-	270,895	-

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

Yield / Interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on settlement date. This also refers to the non-trading market risk. The gap analysis between the market rate sensitive assets and liabilities is given below:

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
Impact of 1% change in interest rates on				
- Profit and loss account	174,963	-	503,670	-
- Other comprehensive income	(548,320)	(2)	(811,534)	(115)

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45.3 Mismatch of interest rate sensitive assets and liabilities

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

	2023											
	Effective yield interest rate (%)	Exposed to yield / interest rate risk							Non-interest bearing financial instrument			
		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	
Assets												
Cash and balances with treasury banks	40,895,031	4,614,459	-	-	-	-	-	-	-	-	-	36,280,572
Balances with other banks	3,727,490	-	-	-	-	-	-	-	-	-	-	3,727,490
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
Investments	18.10%	116,283,934	303,001	2,342,971	54,510,248	12,733,082	202,851	58,595,713	17,887,292	-	-	24,619,763
Advances	18.38%	203,726,900	132,206,172	21,103,025	10,169,510	9,538,214	10,627,879	5,730,070	2,482,326	3,441,235	-	-
Other assets	-	32,668,339	-	-	-	-	-	-	-	-	-	32,668,339
		568,496,615	253,104,565	21,406,026	12,512,481	64,048,482	21,161,551	64,325,783	20,369,618	3,441,235	-	97,296,164
Liabilities												
Bills payable	-	5,668,721	-	-	-	-	-	-	-	-	-	5,668,721
Borrowings	15.00%	27,222,479	784,673	14,788,250	3,308,234	173,587	518,069	2,074,696	4,044,403	-	-	-
Deposits and other accounts	11.90%	486,282,778	195,841,094	18,380,943	35,290,009	75,096,979	385,844	70,450	-	-	-	160,545,776
Subordinated debt	22.50%	8,497,767	4,988,000	3,499,767	-	-	-	-	-	-	-	-
Other liabilities	-	11,655,785	-	-	-	-	-	-	-	-	-	11,655,785
		539,327,530	201,623,767	36,668,960	38,598,243	75,270,566	903,913	2,145,146	4,044,403	-	-	177,870,282
On-balance sheet financial instruments		29,169,085	51,480,798	(15,262,934)	(26,085,762)	(11,222,104)	20,257,638	62,180,637	16,325,215	3,441,235	-	(80,574,118)
Commitments in respect of forward purchase, currency swaps, options and commitments to extent credits		69,933,110	15,454,152	176,353	36,206,713	18,095,892	-	-	-	-	-	-
Commitments in respect of forward sale, currency swaps and options contacts		(47,740,107)	(20,666,733)	-	(21,105,467)	(5,947,907)	-	-	-	-	-	-
Off-balance sheet gap		22,193,003	(5,232,581)	176,353	15,101,246	12,147,985	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		46,248,217	(15,086,581)	925,881	(10,984,516)	925,881	20,257,638	8,628,480	62,180,637	16,325,215	3,441,235	(80,574,118)
Cumulative yield / interest risk sensitivity gap		46,248,217	31,161,636	20,177,120	21,103,001	41,360,639	49,989,119	112,169,756	128,494,971	131,936,206		

Rupees in '000

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

45.4 Liquidity risk

Liquidity risk is the risk that the Bank will not be able to raise funds to meet its commitments. The Bank's Asset and Liability Committee (ALCO) manages the liquidity position on a continuous basis.

The Bank's policy for liquidity management is to maintain adequate liquidity at all times and in all currencies under both normal and stress conditions, to meet its contractual and potential payment obligations without incurring additional and unacceptable cost to the business.

Treasury is responsible for managing liquidity risk under the guidance of ALCO. The Bank's liquidity risk management approach starts at the intraday level (operational liquidity) managing the daily payments queue and factoring in our access to the qualifying securities of State Bank of Pakistan. It then covers tactical liquidity risk management dealing with the access to unsecured funding sources and the liquidity characteristics of our asset inventory (asset liquidity). Finally, the strategic perspective comprises the maturity profile of all assets and liabilities on our statement of financial position.

For monitoring and controlling liquidity risk, the Bank generates a scenario sensitive maturity statement of financial position, and run controlled mismatches that are monitored and discussed by ALCO members regularly. The Bank prepares various types of reports and analysis for assisting ALCO in taking necessary strategic actions for managing liquidity risk in the Bank. These include liquidity ratios, concentration analysis, gap reports, stress testing, Liquidity Coverage Ratio & Net Stable Funding Ratio analysis etc.

The Bank calculates Liquidity Coverage Ratio (LCR) on a monthly basis. Based on December 31, 2023 numbers LCR is 237% against SBP minimum requirement of 100%, with Total Stock of High-Quality Liquid Assets (HQLA) of Rs. 201,203.715 million and Net Cash Outflows of Rs. 84,843.319 million. On monthly basis during the year, LCR has remained well over the minimum threshold ranging from 126% to 275% during the year.

Furthermore, Based on December 31, 2023 numbers the Net Stable Funding Ratio (NSFR) is 146.39% against SBP minimum requirement of 100%, with Total Available Stable Funding of Rs. 443,311 million and Total Required Stable Funding of Rs. 302,819.828 million.

The Bank strategically emphasizes diversification and stability in its funding approach. Its funding base is varied, encompassing stable sources like equity, subordinated loans, retail and small business deposits, and less stable forms such as deposits from larger entities. It is fully compliant with Basel III LCR and NSFR, ensuring an ample supply of high-quality liquidity assets relative to liabilities.

The Bank employs stress testing to assess its balance sheet's vulnerability to hypothetical stress events. Liquidity risk factors undergo significant shocks, and their impact on the balance sheet is quantified. Stress testing encompasses scenarios defined by both regulatory standards and internally identified risks. Results are communicated to senior management, the Board of Directors, and regulators.

A Contingency Funding Plan (CFP) is in place to address liquidity challenges during crises. CFP identifies stress scenarios and corresponding funding plans, incorporating early warning indicators. Three Contingency Levels are defined in CFP with varying action plans for each.

The Liquidity Coverage Ratio's (LCR) key drivers include High-Quality Liquid Assets (HQLA) and Net Cash Outflow, determined by asset liquidity quality and liability profile volatility. The composition of HQLA as of December 31, 2023, is detailed as below:

Level 1 Assets: Rs. 199,305 billion

Level 2 Assets: Rs. 1,898 billion

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

45.4.1 Maturities of Assets and Liabilities - based on contractual maturities

		2023												
		Rupees in '000												
	Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 months to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
Assets														
Cash and balances with treasury banks	40,895,031	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	3,727,490	-	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	287,478,865	17,460,462	137,978	1,37,978	302,104	886	1,818,864	24,610,144	29,900,102	40,925,887	28,657,661	67,166,834	76,211,761	
Advances	203,726,900	94,080,337	4,016,194	5,783,924	12,084,003	7,586,443	11,703,137	1,529,901	977,212	7,303,368	21,877,833	13,313,412	19,679,304	
Fixed assets	10,766,680	38,164	44,893	109,158	176,913	190,399	707,988	474,603	439,486	1,489,073	978,075	1,215,919	4,863,291	
Intangible assets	4,872,907	834	5,640	14,183	23,358	25,638	1,239,455	76,097	75,934	295,115	287,637	536,411	2,287,199	
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other assets	37,964,535	16,753,833	188,792	5,173,049	1,160,768	192,794	8,230,694	14,240	1,322,646	-	-	4,859,422	65	
	569,432,466	155,782,971	4,255,609	11,218,282	13,747,146	7,996,370	23,700,138	26,704,985	32,715,380	50,013,133	51,801,196	87,980,998	103,041,620	
Liabilities														
Bills payable	5,668,721	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	27,222,479	24,482	62,676	408,379	7,344,381	3,923,636	3,364,384	112,312	2,116,448	781,544	1,126,141	2,510,940	4,897,652	
Deposits and other accounts	486,282,778	305,213,954	6,062,268	38,246,231	10,108,201	8,272,748	35,230,013	46,892,607	23,212,113	5,378,105	670,683	71,450	-	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subordinated debt	8,497,767	-	-	-	233	(47,400)	733	233	733	1,933	1,933	3,867	8,488,100	
Deferred tax liabilities - net	1,316,108	-	-	3,493	(88,366)	(47,400)	(77,305)	(77,305)	(141,448)	(81,199)	61,101	162,823	1,601,714	
Other liabilities	20,122,537	6,346	188,792	833,215	1,160,473	15,760,351	389,595	14,240	1,719,233	-	-	-	-	
	549,110,390	311,440,525	6,155,052	39,491,318	18,524,922	27,909,335	38,947,420	46,942,087	26,507,079	6,080,383	1,859,858	2,749,080	14,987,466	
Net assets	40,322,068	(155,657,654)	15,209,168	(28,273,026)	(4,777,776)	(19,912,966)	(15,247,282)	(20,237,102)	5,608,301	43,933,050	49,941,338	84,341,918	88,054,154	
Share capital	20,506,625	-	-	-	-	-	-	-	-	-	-	-	-	
Reserves	6,563,243	-	-	-	-	-	-	-	-	-	-	-	-	
Surplus on revaluation of assets - net of tax	1,959,888	-	-	-	-	-	-	-	-	-	-	-	-	
Unappropriated profit	11,292,532	-	-	-	-	-	-	-	-	-	-	-	-	
	40,322,068	-	-	-	-	-	-	-	-	-	-	-	-	

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

		2022												
		Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
		Rupees in '000												
Assets														
Cash and balances with treasury banks	24,764,967	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,800,436	11,040,192	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	11,351,162	-	5,771	1,083,116	310,970	-	-	-	-	-	-	-	-	-
Investments	303,464,863	2,529,433	2,057,039	5,108,029	9,873,476	11,170,926	12,386,867	12,423,325	945,915	3,559,535	12,988,033	18,216,911	36,514,908	41,790,089
Advances	231,101,816	88,749,019	35,829	-	-	9,345	20,738	158,698	167,072	882,827	931,015	752,055	7,028,351	7,028,351
Fixed assets	10,004,318	40,864	-	-	-	-	347	29	1,403	14,424	49,897	170,846	3,595,143	3,595,143
Intangible assets	3,832,137	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	30,385,794	72,125	-	26,272,540	3,089,720	18,385	898,489	44,535	-	-	-	-	-	-
	616,715,493	115,355,286	13,569,625	2,170,764	32,784,655	64,372,371	21,072,132	25,729,766	18,508,979	77,514,457	76,779,377	49,093,222	45,403,689	74,861,160
Liabilities														
Bills payable	5,402,945	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	97,808,216	85,700	365,700	488,478	4,279,208	4,279,208	5,770,672	46,986	99,330	2,383,971	1,083,197	2,626,340	2,626,340	5,573,991
Deposits and other accounts	464,131,920	14,986,654	3,982,108	25,436,075	22,615,922	22,615,922	37,779,184	29,559,081	17,547,656	23,042,988	437,094	163,180	163,180	4,999,000
Subordinated debt	6,985,000	-	-	-	-	-	-	-	-	1,986,000	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	320,000	-	-	405	(2,373)	(2,373)	(11,215)	(11,215)	(3,183)	32,261	50,826	46,258	46,258	239,694
Other liabilities	20,510,793	-	-	219,666	160,392	160,392	282,270	-	353,056	488,890	441,461	461,573	461,573	18,504
	595,168,874	286,510,418	15,082,354	4,347,808	26,145,624	100,481,971	43,820,911	29,594,852	17,996,859	27,364,110	2,082,278	3,297,351	42,106,348	10,851,189
	21,546,619	(171,155,120)	(1,512,729)	(2,177,044)	6,639,031	(5,981,017)	(18,091,145)	(11,086,673)	59,517,598	48,525,267	47,040,944	47,040,944	42,106,348	63,829,971
Share capital - net	10,119,242	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	2,787,201	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	795,021	-	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	7,845,155	-	-	-	-	-	-	-	-	-	-	-	-	-
	21,546,619	-	-	-	-	-	-	-	-	-	-	-	-	-

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

45.4.2 Maturity of assets and liabilities - Based on working prepared by the Asset and Liability Committee (ALCO) of the Bank

		2023								
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Rupees in '000										
Assets										
Cash and balances with treasury banks	40,895,031	40,895,031	-	-	-	-	-	-	-	-
Balances with other banks	3,727,490	3,727,490	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	287,478,855	17,885,622	1,818,864	54,510,246	40,925,887	28,469,691	67,353,793	33,605,594	42,606,368	
Advances	203,726,900	33,018,960	19,472,462	66,297,024	14,060,819	16,724,981	10,290,471	4,762,761	12,986,182	
Fixed assets	10,766,680	230,927	707,986	914,089	1,489,103	978,075	1,215,918	1,711,163	3,152,128	
Intangible assets	4,872,907	25,862	75,530	1,315,957	295,115	287,637	536,411	823,575	1,463,624	
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Other assets	37,964,595	22,890,491	8,230,694	1,336,885	-	-	4,152,982	-	-	-
	589,432,458	118,674,383	30,305,536	124,374,201	56,770,924	48,460,384	83,549,555	40,902,883	60,218,302	
Liabilities										
Bills payable	5,688,721	5,688,721	-	-	-	-	-	-	-	-
Borrowings	27,222,479	1,045,040	3,364,384	2,228,760	781,544	1,126,141	2,510,940	4,897,653	-	-
Deposits and other accounts	486,282,778	64,855,259	44,214,449	79,029,156	23,226,979	24,469,181	35,769,197	187,413,172	2,500,000	
Subordinated debt	8,497,767	-	733	967	1,933	1,933	3,867	5,988,100	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	1,316,108	3,493	(77,305)	(218,753)	(81,199)	61,101	162,823	1,601,714	-	-
Other liabilities	20,122,537	1,098,646	369,595	1,710,010	-	-	-	-	-	-
	549,110,390	72,671,159	47,871,856	82,750,140	23,929,257	25,658,356	38,446,827	199,900,639	2,500,000	
Net assets	40,322,068	46,003,224	(17,566,320)	41,624,061	32,841,667	20,802,028	45,102,728	(158,997,746)	57,718,302	
Share capital - net	20,506,625									
Reserves	6,563,243									
Surplus on revaluation of assets - net of tax	1,959,868									
Unappropriated profit	11,292,332									
	40,322,068									

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2023

	2022									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Rupees in '000										
Assets										
Cash and balances with treasury banks	24,764,967	-	-	-	-	-	-	-	-	-
Balances with other banks	1,800,436	-	-	-	-	-	-	-	-	-
Lending to financial institutions	11,351,162	-	-	-	-	-	-	-	-	-
Investments	303,464,863	1,597,114	57,155,426	12,386,867	136,276,285	22,484,454	30,450,355	8,210,611	32,751,230	2,151,921
Advances	231,101,816	29,754,140	33,246,491	23,195,617	72,789,723	21,610,324	15,813,126	21,161,488	7,863,874	5,667,033
Fixed assets	10,004,318	77,024	16,639	20,738	852,827	325,671	831,015	752,055	2,879,458	4,148,891
Intangible assets	3,832,137	-	48	347	14,424	1,433	49,897	170,846	2,131,517	1,463,625
Deferred tax assets - net	30,395,794	26,226,715	3,226,054	884,903	58,122	-	-	-	-	-
Other assets	616,715,493	95,571,558	93,644,638	36,488,472	203,991,381	44,421,882	47,244,993	30,295,000	45,626,079	13,431,470
Liabilities										
Bills payable	5,402,945	5,402,945	-	-	1,751,902	2,621,121	959,079	3,914,893	-	-
Borrowings	97,808,216	3,085,767	76,373,744	5,774,783	82,406,332	15,804,148	19,126,009	213,231,558	3,326,927	-
Deposits and other accounts	464,131,920	48,438,871	39,030,619	46,093,783	2,500,401	1,936,600	1,000	2,001	2,494,998	-
Subordinated debt	6,995,000	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	320,000	405	(23,533)	(11,216)	(14,400)	32,262	50,527	46,259	239,696	-
Other liabilities	20,510,793	233,254	18,235,367	268,686	353,056	498,890	441,461	461,574	18,505	-
Net assets	595,168,874	57,161,242	133,616,197	52,126,036	86,937,891	20,353,021	20,578,076	217,656,285	6,080,126	-
	21,546,619	38,410,316	(39,971,539)	(15,637,564)	122,993,490	23,468,861	26,666,917	(187,361,285)	39,545,953	13,431,470
Share capital - net	10,119,242									
Reserves	2,787,201									
Surplus on revaluation of assets - net of tax	795,021									
Unappropriated profit	7,845,155									
	21,546,619									

45.4.3 To identify the behavioural maturities of non-contractual assets and liabilities, the Bank has used the following methodology:

For determining the core portion of non contractual liabilities (non-volatile portion), the Bank has used the average method whereby average balance maintained over past five year has been classified as core and has been placed in 'over 3 to 5 years' maturity bucket. Non contractual assets and remaining volatile portions of non contractual liabilities have been stratified in relevant maturity bucket using bucket wise percentages determined by using average volatility in respective period / bucket.

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45.5 OPERATIONAL RISK

The Bank currently uses Basic Indicator Approach to Operational Risk for regulatory capital calculations. A comprehensive ORM Framework approved by the Board of Directors is in place which addresses all significant aspects of ORM. Operational Risk identification and assessment tools used by the Bank include Risk and Control Self Assessments (RCSAs), Key Risk Indicators (KRIs) and Incident Management and Data Collection. Operational Risk Champions have been nominated from all departments of the Bank and are responsible for implementation of the Framework in coordination with the ORM department. An Operational Risk Management Committee (ORMC) monitors and oversees operational risk issues.

To inculcate the operational risk management culture at the Bank, Operational Risk Management function imparts operational risk awareness to all the new employees of the Bank as part of the induction training along with the mandatory training for all employees of the Bank via the Bank's online learning portal.

The Business Continuity Management (BCM) framework is in place and the plans are regularly tested to provide assurance that key functions of the Bank are able to continue their operations from alternate processing site(s) in case the primary site(s) are not accessible or available.

46. DERIVATIVE RISK

The policy guidelines for taking derivative exposures are approved by the BoD. Bank's Asset and Liability Committee (ALCO) is responsible for reviewing and managing associated risks of the transactions.

The nature, scope and purpose of derivatives business, for trading purposes or hedging purpose and the types of derivative in which they deal.

The overall responsibility for offering derivative products and sustaining profitability lies with the Treasurer and in his absence with his delegate. The Market Risk Unit / Treasury Middle Office of the Bank is responsible for measurement and monitoring of the market risk exposures, analysis of present and potential risk factors.

The Market Risk Unit also monitors associated Credit, Market and Liquidity Risk in line with BoD approved limit framework. The unit coordinates with the business regarding approvals for derivatives risk limits and produces various reports / analysis for ALCO / BRMC on periodic basis. These reports provide details of outstanding un-hedged positions, profitability and status of compliance with limits. Treasury Operations records derivatives activity in the Bank's books and is responsible for reporting to the SBP.

The derivative transaction such as Cross Currency Swaps carries credit risk which is the risk that a party to a derivative contract will fail to perform its obligation. There are two types of credit risk associated with derivative transactions: 1) settlement, and 2) pre-settlement risk. Bank's Central Credit Committee is responsible for reviewing and managing associated Counterparty Credit Risks of the transaction.

The Bank also enters into Foreign Currency & Commodity Options from its Wholesale Banking Branch Bahrain for market making activities. The Bank can hedge its risk by taking on and off-balance sheet position in interbank market, where available.

47. GENERAL

47.1 Corresponding figures have been re-arranged / re-classified, wherever necessary, to facilitate comparison in the presentation in the current year. However, there are no material re-arrangements / re-classifications to report.

47.2 The figures in these unconsolidated financial statements have been rounded off to the nearest thousand.

48. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on February 29, 2024.

President and
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman

Annexure - I

Statement showing written-off advances or any other financial relief of Five Hundred Thousand Rupees or above provided during the year ended December 31, 2023

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's name	Outstanding Liabilities at beginning of year				Principal written-off	Interest / Mark-up written-off / waived	Other financial relief provided	Total
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total				
----- Rupees in '000 -----											
1	PETROTEC INTL 311 A MARGALA ROAD F 10 3 ISLAMABAD	MUHAMMAD KHALID 61101-2772459-9 BUSHRA IMTIAZ 61101-2099611-2 KHURRAM IMTIAZ 61101-2688004-9	IMTIAZ MOHAMMAD RIAZ UL HAQ	40,000	3,340	4,501	47,841	-	3,841	-	3,841
2	SUN STAR PESTICIDES PULL DOT MOHSIN TOWN D G KHAN	ABDUL REHMAN 32102-9101322-7 ASRAR ALI 35102-1313822-3	NASEER AHMED KHAN INTIZAR ALI	14,281	237	2,669	17,186	-	1,686	-	1,686
3	SHAH & CO UNIT NO 6 ZARAK PLAZA MAIN UNIVERSITY ROAD PESHAWAR	MUSANIF SHAH 17102-9401057-9 MUSLIM KHAN 17102-1974606-3 HALEEM SHAH 17102-3754402-1	UMAR ZADA UMAR ZADA UMAR ZADA	36,104	6,477	472	43,053	-	2,581	472	3,053
4	TECHNOVISION (PVT) LTD. 22-KM MULTAN ROAD MOHLANWAL 1ST FLOOR FARHAN PLAZA ALLAMA IQBAL TOWN LAHORE	TAHIR QADEER SIDDIQUI 35202-9903806-3 SAFAWAT ULLAH 34101-6029086-1	ABDUL QADEER SIDDIQUI KAFYATULLAH	615	2,031	-	2,646	-	2,031	-	2,031
5	MASOOD GUL DEH SADRETH TAPPO SA DRETH TEHSIL DISTRICT SANGHAR	MASOOD GUL 44203-0602962-3	ALAF GUL	1,000	650	20	1,670	-	550	20	570
6	WAQAS BROTHERS PLOT NO 9 GATE NO 15 FRUIT MARKET SECTOR I-11-4 ISLAMABAD	WAJID ALI KHAN ABBASI 61101-7228835-1	MUHAMMAD ALMAS	-	2,187	243	2,429	-	2,187	243	2,429
7	REHMAT ALI KHUSH HAL PURA POS SATTAR SHAH TEHSIL F SHEIKHUPURA MURIDKE	REHMAT ALI 35401-3630953-7	NAZEER AHMED KHAN	800	606	10	1,416	-	562	10	572
8	ZEESHAN ALI HYDERI MUHALLA SHIKARPUR SHIKARPUR PK	ZEESHAN ALI 43304-5814710-9	ABDUL RAUF	305	384	1	690	305	384	1	690
9	NAVEED ALI SOOMRO HOUSE NO 7 489 A SHEEDKI KHOHI SIDIQUE MORI SHIKARPUR	NAVEED ALI SOOMRO 43304-0591723-9	ATTA MUHAMMAD SOOMRO	500	575	1	1,076	500	516	1	1,016
10	DARYA KHAN THENDA PO HABIB KOT TALUKA LAKHI DISTRICT SHIKARPUR PAKISTAN	DARYA KHAN 43303-6134142-9	GUL SHER	200	327	1	527	200	327	1	527

Annexure - I

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
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total				
----- Rupees in '000 -----											
11	SHAHZAD AHMAD H 858 D 8 ALI PARK E XTENSION NADARABAD NEAR MASJAD E HASSAN LAHORE CANTT	SHAHZAD AHMAD 35202-4628892-5	ABDUL GHAFAR	347	167	-	514	347	167	-	514
12	ALI IMRAN HS NO 185 REWAZ GARDEN LAHORE	ALI IMRAN 35404-2562263-7	NISAR ALI	500	253	-	753	500	253	-	753
13	FAIAZ AHMAD POST OFFICE BADDOMAL HI GHEEGAY WALI TEHSIL AND DISTRICT NAROWAL	FAIAZ AHMAD 34501-1371939-7	MUHAMMAD ASHRAF	3,798	2,402	129	6,330	-	1,000	-	1,000
14	NAGINA MILL STORE REHMAN GALI NO2 BRANDRETH ROAD LAHORE	MUHAMMAD SALEEM 35202-3634672-3	HAJI MUHAMMAD SHARIF	29,348	12,389	-	41,737	-	1,918	-	1,918
15	GHULAM FARED STREET NO 3 MOHALLA MUGHAL PURA DHANOT TEH KEHROR PAKKA LODHRAN	GHULAM FARED 36202-3031393-7	PEER BUKASH	2,083	1,275	44	3,402	-	1,275	44	1,319
16	BILAL TRAVELS AND TOURS H NO 100 BLOCK A EME DHA 12 KM MULTAN ROAD LAHORE	AMJAD ALI 35202-3494353-5	MUHAMMAD TUFAL	11,557	1,399	-	12,956	-	-	1,723	1,723
17	LEGEND INTERNATIONAL (PVT) LTD. OFFICE NO A11 13 KORANGI FISH HARBOR KORANGI KARACHI	SAEED AHMED FAREED 36302-7712980-7 NAVEED AHMED 36302-4654156-1 NADIA JAMSHAD 31202-9363370-4 KHAWAR FAREED 36302-7048586-7	GHULAM FAREED GHULAM FAREED SAAD AHMED FAREED GHULAM FAREED	19,782	10,867	7,605	38,254	-	10,649	7,605	18,254
18	MALIK MUHAMMAD AHMAD PO HUJRA SHAH MUQEEM JANDOWAL TEHSIL DEPALPUR DISTRICT OKARA	MALIK MUHAMMAD AHMAD 35301-4859903-9	MALIK NOOR HASSAN	3,000	1,136	-	4,136	-	636	-	636
19	NAEEM ULLAH KHAN BASTI GORAI PO MUHAM MAD PUR DEWAN TEHSIL JAMPUR DI STRICT RAJANPUR	NAEEM ULLAH KHAN 32102-3307649-3	ABDUL AZIZ	1,000	238	-	1,238	-	530	-	530
20	USMAN MUNAWAR H NO 97 C MUHALLAH NEW MUSLIM TOWN LHR	USMAN MUNAWAR 35202-5243158-1	MIAN MUHAMMAD MUNAWAR	736	198	-	934	453	198	-	651
21	MIAN MASROOR HOUSE 116D SGS DHA PHASE V LHR NEAR COLONY MOSQUE LHR	MIAN MASROOR 35202-6406637-9	MIAN MEHMOOD UL HASSAN	453	116	-	568	436	116	-	551
22	QAZI WAQAR UL HAQ OPP TEHSIL A C OFFICE TEHSIL ROAD NOUSHERA	QAZI WAQAR UL HAQ 17201-8768065-9	QAZI MUNIR UL HAQ	587	111	-	698	587	111	-	698

Annexure - I

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
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total				
----- Rupees in '000 -----											
23	MUHAMMAD AZEEM 22-KM MULTAN ROAD MOHLANWAL 1ST FLOOR FARHAN PLAZA ALLAMA IQBAL TOWN LAHORE	MUHAMMAD AZEEM 35201-4947987-7	MIRAJ DIN	995	269	-	1,264	995	269	-	1,264
24	RAO IMRAN H NO H47 CANTT BAZAR AREA MALIR CANTT NEAR AL FURQAN MOSQUE	RAO IMRAN 42201-3668772-3	RAO SARWAR	628	6	-	634	616	17	-	633
25	SHAHZAD NAWAZ H 34 BLOCK J VALANCIA TOWN LAHORE	SHAHZAD NAWAZ 35202-5767902-1	MUHAMMAD NAWAZ	663	99	-	762	653	108	-	761
26	MUHAMMAD FAYYAZ KHAN HOUSE A4 MUMTAZ STREES HABIB ULLAH ROAD GARHI SHAHI LAHORE NEAR DARBAR BAGGY SHAH LHR	MUHAMMAD FAYYAZ KHAN 35202-3529983-7	ILAM DIN KHAN	909	6	-	914	874	190	-	1,065
27	UMER SABIR 157 D FAISAL TOWN LHR	UMER SABIR 35202-9686860-3	MUHAMMAD SABIR	482	19	-	502	480	126	-	606
			TOTAL:	170,673	47,765	15,693	234,131	6,947	32,228	10,117	49,292

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

Annexure - II

Details of disposal of fixed assets to related parties for the year ended December 31, 2023

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain	Mode of disposal	Particulars of Buyer
	Rupees in '000						
Electrical, office and computer equipment							
Communication Equipment	709	309	400	438	38	Insurance	EFU General Insurance Limited
Office Machines and Equipments	16,583	9,720	6,863	5,833	(1,030)	Insurance	EFU General Insurance Limited
Computer	1,069	864	205	654	449	Insurance	EFU General Insurance Limited
	18,361	10,893	7,468	6,925	(543)		
Vehicle	103	103	-	70	70	Insurance	EFU General Insurance Limited
Leasehold improvements	760	473	287	492	205	Insurance	EFU General Insurance Limited
Furniture and fixture	402	310	92	260	168	Insurance	EFU General Insurance Limited
Total	19,523	11,676	7,847	7,677	(170)		

Denmark

WE'VE GOT YOUR BACK!

In Denmark and other Nordic countries, people enjoy a strong support system from the government, which leads to a more relaxed living. While financial success is still important, there's less pressure to accumulate wealth.





Consolidated Financial Statements

Directors' Report on Consolidated Financial Statement

For the year ended December 31, 2023

On behalf of the Board of Directors, we are pleased to present the Annual Report on the audited consolidated financial statements of JS Bank Limited (the 'Bank) and its subsidiaries and the auditors' report thereon for the year ended December 31, 2023.

Consolidated financial highlights

	2023	2022
	(PKR Million)	
Profit before taxation	18,331	1,090
Taxation	7,946	(1,218)
Profit after taxation	10,385	1,090
Profit attributable to non-controlling interest	936	9
Profit attributable to equity holders of the Bank	9,449	1,090
(Profit per share - Basic (Rupees	5.99	0.83
Investments – net	582,645	303,368
Total assets	1,230,001	620,530
Deposits	1,007,819	462,758
Shareholders' equity	59,988	23,256

Pattern of Shareholding

The pattern of shareholding as of December 31, 2023, is included in the Annual Report.

Subsidiary Companies

BankIslami Pakistan Limited

Bank Islami Pakistan Limited (BIPL) is a full-service Islamic Bank in Pakistan. It operates in compliance with the principles of Islamic Shariah. As an Islamic bank, BankIslami places a significant emphasis on ensuring that its operations and financial products adhere to Shariah principles. In August 2023, JS Bank acquired majority of shares making BIPL its subsidiary with 75.12% shareholding.

Summarized results of the Company are set out below:

PKR Million

Particulars	December 31, 2023(Audited)	December 31, 2022 (Audited)
Profit before tax	20,523	8,228
Profit after tax	11,045	4,439
EPS (Rupees)	9.96	4.00

JS Global Capital Limited

JS Global Capital Limited is one of the largest securities brokerage and investment banking firms in Pakistan with a leadership position in the domestic capital markets. It is in the business of equity, fixed

income, currencies and commodities brokerage and investment banking. It was incorporated in Pakistan on June 28, 2000 and is the successor to the securities business of Jahangir Siddiqui & Co. Ltd. and Bear Stearns Jahangir Siddiqui Limited. JS Bank has 92.90% ownership of the company.

JS Global has a paid-up capital of PKR 275 million and shareholder equity of PKR 2,452 million as of December 31, 2023. It is listed on the Pakistan Stock Exchange.

PACRA has assigned long-term and short-term entity ratings to JS Global of “AA” (Double A) and “A1+” (A One plus), respectively. The ratings denote a very low expectation of credit risk emanating from very strong capacity for timely payment of financial commitments.

Summarized results of the company are set out below:

PKR Million

Particulars	December 31, 2023 (Audited)	December 31, 2022 (Audited)
Profit Before Tax	259	120
Profit After Tax	187	76
EPS (Rupees)	6.82	2.77

JS Investments Limited

JS Investments Limited (JSIL) has a paid-up capital of PKR 618 million and shareholder equity of PKR 1,665 million as of December 31, 2023. It is listed on the Pakistan Stock Exchange. JS Bank has 84.56% ownership of the company.

The company is a licensed Investment Adviser and Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In addition, JSIL also has a license for Pension Fund Manager under the Voluntary Pension System Rules 2005 and a Private Equity & Venture Capital Fund Management Services license from the Securities and Exchange Commission of Pakistan.

Summarized results of the Company are set out below:

PKR Million

Particulars	December 31, 2023(Audited)	December 31, 2022 (Audited)
Profit / (loss) before tax	254	(141)
Profit / (loss) after tax	310	(148)
EPS (Rupees)	5.02	(2.41)

For and on behalf of the Board,

Basir Shamsie

President & CEO

February 29, 2024

Adil Matcheswala

Chairman

2.77	6.82	فی حصص آمدنی (روپے)
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جے ایس انویسٹمنٹ لمیٹڈ

31 دسمبر 2023 تک جے ایس انویسٹمنٹ لمیٹڈ (جے ایس آئی ایل) کا ادا شدہ سرمایہ 618 ملین روپے جبکہ حصص یافتگان کا سرمایہ 1,665 ملین روپے ہے۔ یہ پاکستان اسٹاک ایکسچینج میں درج ہے۔ جے ایس بینک کمپنی کی 84.56 فیصد کی ملکیت رکھتی ہے۔

جے ایس انویسٹمنٹ لائسنس یافتہ انویسٹمنٹ ایڈوائزر اور ایسیٹ مینجمنٹ کمپنی ہے جو نان بینکنگ فنانس کمپنیز (اسٹیبلشمنٹ اینڈ ریگولیشنز) قواعد 2003 (این بی ایف سی قواعد) اور نان بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ اینٹی ٹریڈ ریگولیشنز 2008 (این بی ایف سی ریگولیشنز) کے تحت کام کرتی ہے۔ اس کے علاوہ جے ایس آئی ایل کے پاس والٹری پنشن فنڈ کے تحت پنشن فنڈ مینجر اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان سے پرائیویٹ ایکویٹی اینڈ وینچر کیپیٹل فنڈ مینجمنٹ سروسز کا بھی لائسنس ہے۔

روپے ملین میں

تفصیلات	31 دسمبر 2023 (پڑتال شدہ)	31 دسمبر 2022 (پڑتال شدہ)
قبل از ٹیکس منافع	254	(141)
بعد از ٹیکس منافع	310	(148)
ای پی ایس (روپے)	5.02	(2.41)

از طرف بورڈ

عادل ماچس والا
چیرمین

باصر ششی
صدر اینڈ سی ای او
29 فروری 2024ء

پروڈکٹس شرعی اصولوں کے مطابق ہوں۔ اگست 2023 میں، بے ایس بینک نے 75.12 فیصد شیئر ہولڈنگ کے ساتھ بی آئی پی ایل کو اپنا ذیلی ادارہ بناتے ہوئے حصص کی اکثریت حاصل کی۔

کمپنی کے نتائج کا خلاصہ درج ذیل ہے:

تفصیلات	31 دسمبر 2023 (آڈٹ شدہ)	31 دسمبر 2022 (آڈٹ شدہ)
قبل از ٹیکس منافع	20,523	8,228
بعد از ٹیکس منافع	11,045	4,439
فی حصص آمدنی (روپے)	9.96	4.00

بے ایس گلوبل کمپنیل لمیٹڈ:

بے ایس گلوبل کمپنیل لمیٹڈ مقامی کمپنیل مارکیٹ میں قائدانہ پوزیشن کے ساتھ پاکستان کی سب سے بڑی سیکورٹیز بروکرز اور انویسٹمنٹ فرموں میں سے ایک فرم ہے جو ایکویٹی، فیکسڈ آمدن، کرنسیوں اور کموڈٹیز بروکرز اور انویسٹمنٹ بینکنگ کے کاروبار سے منسلک ہے۔ بے ایس گلوبل کمپنیل لمیٹڈ 28 جون 2000 کو پاکستان میں قائم کی گئی اور یہ جہانگیر صدیقی اینڈ کمپنی لمیٹڈ اور بیئر اسٹریٹز جہانگیر صدیقی لمیٹڈ کے سیکورٹیز کاروبار کا جانشین ہے۔ بے ایس بینک کے پاس کمپنی کے 92.90 فیصد کی ملکیت ہے۔

بے ایس گلوبل کے پاس 31 دسمبر 2022 تک ادا شدہ سرمایہ 275 ملین روپے ہے اور شیئر ہولڈر سرمایہ 2,452 ملین روپے ہے۔ یہ پاکستان اسٹاک ایکسچینج میں درج ہے۔

پاکستان کریڈٹ ریٹنگ ایجنسی (پی اے سی آر اے) نے بینک کی طویل مدتی ایٹینیٹی ریٹنگ-AA (ڈبل اے مائنس) اور مختصر مدتی کریڈٹ ریٹنگ A1+ (اے ون پلس) تفویض کی ہے۔ یہ درجہ بندی مالیاتی وعدوں کی بروقت ادائیگی کیلئے انتہائی مضبوط صلاحیت سے پیدا ہونے والے کریڈٹ رسک کی بہت کم توقع کی نشاندہی کرتی ہے۔

کمپنی کے نتائج کا خلاصہ درج ذیل ہے:

روپے بلین میں

تفصیلات	31 دسمبر 2023 (پڑتال شدہ)	31 دسمبر 2022 (پڑتال شدہ)
قبل از ٹیکس منافع	259	120
بعد از ٹیکس منافع	187	76

حتمی مالیاتی نتائج پر ڈائریکٹرز رپورٹ
برائے سالِ مختتمہ 31 دسمبر 2023ء

بورڈ آف ڈائریکٹرز کی جانب سے ہم 31 دسمبر 2023ء کو اختتام پذیر ہونے والے سال کیلئے جے ایس بینک لمیٹڈ (دی بینک) اور اس کی ذیلی کمپنیوں کے پڑتال شدہ حتمی مالیاتی نتائج اور آڈیٹرز رپورٹ پیش کرنے میں مسرت محسوس کرتے ہیں۔

حتمی مالیاتی نتائج کا خلاصہ:

2022	2023	
	(پاکستانی روپے بلین میں)	
1,090	18,331	قبل از ٹیکس منافع / (خسارہ)
(1,218)	7,946	ٹیکس کی ادائیگی
1,090	10,385	بعد از ٹیکس منافع / (خسارہ)
9	936	نان کنٹروولنگ انٹریسٹ سے منسوب منافع / (خسارہ)
1,090	9,449	بینک کے ایکویٹی ہولڈرز سے منسوب منافع / (خسارہ)
0.83	5.99	فی حصص منافع / (خسارہ)۔ بنیادی (روپے)
303,368	582,645	سرمایہ کاریاں۔ صافی
620,530	1,230,001	کل اثاثے
462,758	1,007,819	ڈپازٹس
23,256	59,988	شیئر ہولڈرز ایکویٹی

شیئر ہولڈنگ کا پیٹرن:

31 دسمبر 2023 تک شیئر ہولڈنگ کا پیٹرن سالانہ رپورٹ میں شامل ہے۔

ذیلی کمپنیاں:

بینک اسلامی پاکستان لمیٹڈ:

بینک اسلامی پاکستان لمیٹڈ (بی آئی پی ایل) پاکستان میں ایک مکمل سروس فراہم کنندہ اسلامی بینک ہے۔ یہ اسلامی شریعت کے اصولوں کے مطابق آپریٹ کرتا ہے۔ بطور ایک اسلامی بینک، بینک اسلامی اس بات کو یقینی بنانے پر خاص زور دیتا ہے کہ اس کے آپریٹرز اور مالیاتی

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KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 37131900, Fax +92 (21) 35685095

INDEPENDENT AUDITOR'S REPORT

To the members of JS Bank Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of **JS Bank Limited** (the Bank) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



KPMG Taseer Hadi & Co.

Following are the Key Audit Matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	<p>Provision against advances</p> <p>(Refer note 10.5 to the consolidated financial statements)</p> <p>The Group's Advances portfolio includes fund-based and non-funded financing facilities. The portfolio includes corporate financing to several public sector entities and large to small size businesses operating in the private sector, as well as consumer financing to individuals.</p> <p>As per the Group's accounting policy (refer note 4.7.1 to the consolidated financial statements), the Group determines provisions against non-performing financing exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan (SBP) and also maintains general provision against corporate and consumer financing in respect of potential credit losses in the portfolio.</p> <p>The Prudential Regulations require specific provisioning against loan losses on the basis of time-based criteria which should be supplemented by a subjective evaluation of Group's credit portfolio. The determination of provision against advances, therefore, involve use of management's judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers' repayment behaviors and realizability of collateral held by the Group.</p> <p>In view of the significance of this area in terms of its impact on the consolidated</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> • Assessing the design, implementation and operating effectiveness of key controls established by the Group to identify loss events and for determining the extent of provisioning required against non-performing loans. • In accordance with the regulatory requirement, we sampled and tested at least sixty percent of the total advances portfolio and performed the following substantive procedures for sample loan accounts: <ul style="list-style-type: none"> - verifying repayments of loan/ mark-up installments and checking that non-performing loans have been correctly classified and categorized based on the number of days overdue; and - examining watch list accounts and, based on review of the individual facts and circumstances, discussions with management and our assessment of financial conditions of the borrowers, formed a judgement as to whether classification of these accounts as performing was appropriate. • Checking the accuracy of specific provision made against non-performing advances and of general provision made



KPMG Taseer Hadi & Co.

S. No.	Key Audit Matters	How the matter was addressed in our audit
	<p>financial statements and the level of involvement of management's judgment, we identified provision as a significant area of audit judgment and a key audit matter.</p>	<p>against consumer finance by recomputing the provision amount after considering the benefit of forced sales value, if any, in accordance with the criteria prescribed under the PRs.</p> <ul style="list-style-type: none"> • Where the management has not identified indicators displaying impairment, reviewing the credit history, account movement, financial ratios, report on security maintained and challenged the management's assessment based on our view of the credit from the review of credit file.
2	<p>Valuation of investments</p> <p>(Refer note 9 to the consolidated financial statements)</p> <p>The carrying value of investments held by the Group amounted to Rs. 582,645.128 million, which constitutes 47.4% of the Bank's total assets as at 31 December 2023.</p> <p>The significant portion of the investments comprise of Federal government securities including Federal government shariah complaint securities, Term finance certificates, sukuks and equity securities.</p> <p>Investments are carried at amortized cost or fair value in accordance with the Group's accounting policy relating to their recognition. Provision against investments is made based on impairment policy of the Group which includes both objective and subjective factors.</p>	<p>Our audit procedures to verify valuation of investments, amongst others, included the following:</p> <ul style="list-style-type: none"> • Assessing the design, implementation and operating effectiveness of key controls established by the Group to determine valuation of investments; • Checking the valuation of investments in the portfolio, as recorded in the general ledger, to supporting documents, externally quoted market prices and break-up values including the significant and prolonged decline in fair value of listed equity investments for impairment; • Checking that the valuation of unquoted securities are in accordance with criteria prescribed under the Prudential Regulations;



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S. No.	Key Audit Matters	How the matter was addressed in our audit
	<p>We identified assessing the carrying value of the investment as a key audit matter because of its significance to the consolidated financial statements.</p>	<ul style="list-style-type: none"> • Involving our internal valuation specialists to review and evaluate the valuation of unquoted debt securities; • Obtaining independent confirmations for verifying the existence of the investment portfolio as at 31 December 2023 and reconciling it with the books and records of the Group. Where such confirmations were not available, alternate procedures were performed; and • Assessing the appropriateness and adequacy of the disclosure made in the consolidated financial statement.
3	<p>Impairment testing of goodwill</p> <p>(Refer Note 12.3 to the consolidated financial statements)</p> <p>As at 31 December 2023, intangible assets include goodwill amounting to Rs. 4,407.92 million acquired as a result of scheme of amalgamation as disclosed in note 12.3 to the consolidated financial statements.</p> <p>Goodwill is required to be annually assessed for impairment under IAS-36 "Impairment of Assets". Accordingly, Management has performed an impairment test of the goodwill which is subjective in nature due to assumptions made about future performance.</p> <p>As disclosed in note 12.3, the Group uses a discounted cash flow model to determine value in use, on the basis of the certain key assumptions.</p> <p>Due to the significance and impact of the assumptions and judgements involved,</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> • Evaluating the model used in determining the value in use as well as assessing the discount rate used; • Comparing the cash flow forecasts to approved budgets and other relevant market and economic information, as well as testing the underlying calculations; • Involving our internal valuation specialists to review and evaluate management's key assumptions used in impairment calculations; • Performing sensitivity analyses around the key assumptions used in the models. • Assessing the adequacy of the related disclosures in the consolidated financial



KPMG Taseer Hadi & Co.

S. No.	Key Audit Matters	How the matter was addressed in our audit
	the impairment testing of goodwill is considered to be a key audit matter.	statements in accordance with the applicable financial reporting framework.
4.	<p data-bbox="380 747 873 772">Acquisition of BankIslami Pakistan Limited</p> <p data-bbox="380 800 1003 825">(Refer Note 1.4.3 to the consolidated financial statements)</p> <p data-bbox="380 852 812 1087">During the year, the Bank acquired majority control in BankIslami Pakistan Limited (BIPL) through Share Purchase Agreement (SPA) and Public Offer. The Bank currently holds 75.12% of the total equity interest in BIPL. For the determination of share price used for SPA, the Bank was assisted by an independent valuation expert.</p> <p data-bbox="380 1115 812 1192">Considering the significance of this acquisition to the financial statements we have identified it as a key audit matter.</p>	<p data-bbox="846 852 1260 907">Our audit procedures, amongst others, included the following:</p> <ul data-bbox="846 934 1341 1730" style="list-style-type: none"> <li data-bbox="846 934 1317 1035">• Examining the relevant minutes of the meetings of Board of Directors and Shareholders along with all the requisite approvals from all the regulatory bodies; <li data-bbox="846 1062 1341 1140">• Examining the necessary documents to ensure that all the regulatory requirements have been complied with; <li data-bbox="846 1167 1317 1245">• Examining the share purchase agreements to understand the key terms and conditions; <li data-bbox="846 1272 1341 1373">• Evaluating the competence, capabilities and objectivity of the Management Expert and evaluating the appropriateness of the work performed; <li data-bbox="846 1400 1317 1501">• Obtaining the valuation report and conducted inquiries with Management's Expert to understand the valuation methodology; <li data-bbox="846 1528 1284 1646">• Engaging our valuation specialist in assessing the appropriateness of the valuation methodology and key assumptions applied in the valuation; <li data-bbox="846 1673 1308 1730">• Assessing the appropriateness of the bargain purchase gain on acquisition of



KPMG Taseer Hadi & Co.

S. No.	Key Audit Matters	How the matter was addressed in our audit
		<p>BIPL and is in line with the guidance of IFRS 3 "Business Combination";</p> <ul style="list-style-type: none"> • Evaluating the transaction is recorded in line with the requirements of accounting and reporting standards as applicable in Pakistan; and • Assessing the appropriateness and adequacy of the disclosure made in the consolidated financial statement.

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

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

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

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

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

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



KPMG Taseer Hadi & Co.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



KPMG Taseer Hadi & Co.

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

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

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

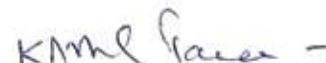
From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Date: 07 March 2024

Karachi

UDIN: AR20231010627H9g4IAp


KPMG Taseer Hadi & Co.
Chartered Accountants

Consolidated Statement of Financial Position

As at December 31, 2023

2023	2022		2023	2022	
----- USD in '000 -----			----- Rupees in '000 -----		
ASSETS					
291,571	87,863	Cash and balances with treasury banks	6	82,182,460	24,765,248
18,811	6,598	Balances with other banks	7	5,302,080	1,859,792
58,547	40,272	Lendings to financial institutions	8	16,502,138	11,351,162
2,067,139	1,076,306	Investments	9	582,645,128	303,368,466
1,541,376	821,536	Advances	10	434,453,374	231,558,755
99,659	39,859	Fixed assets	11	28,089,881	11,234,696
30,160	13,638	Intangible assets	12	8,501,048	3,843,994
-	-	Deferred tax assets		-	-
256,598	115,477	Other assets	13	72,324,972	32,547,846
4,363,861	2,201,549			1,230,001,081	620,529,959
LIABILITIES					
38,295	19,169	Bills payable	14	10,793,898	5,402,945
312,323	349,574	Borrowings	15	88,031,534	98,531,096
3,575,594	1,641,796	Deposits and other accounts	16	1,007,819,494	462,757,638
-	-	Liabilities against assets subject to finance lease		-	-
40,249	24,817	Subordinated debt	17	11,344,671	6,995,000
3,158	753	Deferred tax liabilities	18	890,194	212,327
181,413	82,929	Other liabilities	19	51,133,169	23,374,566
4,151,032	2,119,038			1,170,012,960	597,273,572
212,829	82,511	NET ASSETS		59,988,121	23,256,387
REPRESENTED BY					
72,754	35,902	Share capital - net	20	20,506,625	10,119,242
25,922	9,889	Reserves		7,306,299	2,787,201
17,314	4,764	Surplus on revaluation of assets	21	4,880,072	1,342,708
63,182	30,667	Unappropriated profit		17,808,561	8,643,962
179,172	81,222			50,501,557	22,893,113
33,657	1,289	Non-controlling interest		9,486,564	363,274
212,829	82,511			59,988,121	23,256,387
CONTINGENCIES AND COMMITMENTS					
			22		

The annexed notes from 1 to 49 and Annexure II form an integral part of these consolidated financial statements.

President and
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman

Consolidated Profit and Loss Account

For the year ended December 31, 2023

2023	2022		Note	2023	2022
----- USD in '000 -----				----- Rupees in '000 -----	
468,351	256,242	Mark-up / return / interest / profit earned	24	132,009,866	72,224,453
328,159	203,150	Mark-up / return / interest / profit expensed	25	92,495,085	57,260,122
140,192	53,092	Net mark-up / interest income		39,514,781	14,964,331
Non mark-up / interest income					
21,030	13,717	Fee, commission and brokerage income	26	5,927,547	3,866,223
1,737	806	Dividend income		489,582	227,197
20,833	7,672	Foreign exchange income		5,872,014	2,162,423
(58)	(304)	Loss from derivatives		(16,426)	(85,635)
1,365	(81)	Gain / (loss) on securities	27	384,782	(22,802)
(215)	(46)	Share of loss of associates		(60,643)	(12,979)
2,146	1,020	Other income	28	605,011	287,496
46,838	22,784	Total non mark-up / interest income		13,201,867	6,421,923
187,030	75,876	Total Income		52,716,648	21,386,254
Non mark-up / interest expenses					
109,635	63,150	Operating expenses	29	30,901,857	17,799,407
1,173	160	Workers' Welfare Fund	30	330,730	45,082
289	477	Other charges	31	81,477	134,413
111,097	63,787	Total non-mark-up / interest expenses		31,314,064	17,978,902
75,933	12,089	Profit before provisions		21,402,584	3,407,352
23,587	3,898	Provisions and write offs - net	32	6,648,201	1,098,788
12,689	-	Extraordinary / unusual items	1.4.3	3,576,591	-
65,035	8,191	Profit before taxation		18,330,974	2,308,564
28,190	4,322	Taxation	33	7,945,714	1,218,268
36,845	3,869	Profit after taxation		10,385,260	1,090,296
Attributable to:					
33,523	3,838	Equity holders of the Bank		9,448,830	1,081,766
3,322	31	Non-controlling interest		936,430	8,530
36,845	3,869			10,385,260	1,090,296
----- US Dollar -----					
0.021	0.003	Earnings per share - basic and diluted	34	5.99	0.83

The annexed notes from 1 to 49 and Annexure II form an integral part of these consolidated financial statements.

President and
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2023

2023		2022			
----- USD in '000 -----				----- Rupees in '000 -----	
36,845	3,869	Profit after taxation for the year		10,385,260	1,090,296
Other comprehensive income / (loss)					
Items that may be reclassified to profit and loss account in subsequent periods					
		Effect of translation of net investment in foreign branch			
780	934			219,841	263,175
13,356	(4,759)	Movement in surplus on revaluation of investments - net of tax (Pakistan operations)		3,764,669	(1,341,442)
1,238	(1,671)	Movement in surplus of debt investments at FVOCI - net of tax (Bahrain Operations)		348,900	(471,057)
14,594	(6,430)			4,113,569	(1,812,499)
Items that will not be reclassified to profit and loss account in subsequent periods					
		Remeasurement loss on defined benefit obligations - net of tax			
(373)	(191)			(105,239)	(53,839)
(162)	(114)	Movement in surplus on revaluation of fixed assets - net of tax		(45,739)	(32,007)
1,388	-	Movement in surplus on revaluation of non-banking assets - net of tax		391,277	(98)
65	(110)	Movement in surplus of equity investments at FVOCI - net of tax (Bahrain operations)		18,429	(31,048)
918	(415)			258,728	(116,992)
53,137	(2,042)	Total comprehensive income / (loss)		14,977,398	(576,020)
Attributable to:					
47,048	(1,955)	Equity holders of the Bank		13,260,887	(550,967)
6,089	(87)	Non-controlling interest		1,716,511	(25,053)
53,137	(2,042)			14,977,398	(576,020)

The annexed notes from 1 to 49 and Annexure II form an integral part of these consolidated financial statements.

President and
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman

Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

	Attributable to shareholders of the Bank								Non-controlling interest	Total	
	Share capital	Reserves		Statutory reserve	Surplus / (deficit) on revaluation of			Unappropriated profit			Sub-total
		Share premium	Exchange translation reserve		Investments	Fixed assets	Non-banking assets				
	Rupees in '000										
Balance as at January 01, 2022	10,119,242	-	194,012	2,137,057	1,357,656	1,751,559	119,714	7,764,840	23,444,080	388,327	23,832,407
Total comprehensive loss for the year ended December 31, 2022											
Profit after taxation	-	-	-	-	-	-	-	1,081,766	1,081,766	8,530	1,090,296
Other comprehensive (loss) / income - net of tax	-	-	263,175	-	(1,809,964)	(32,007)	(98)	(53,839)	(1,632,733)	(33,583)	(1,666,316)
	-	-	263,175	-	(1,809,964)	(32,007)	(98)	1,027,927	(550,967)	(25,053)	(576,020)
Transfer to statutory reserve	-	-	-	192,957	-	-	-	(192,957)	-	-	-
Transfer from surplus on revaluation of assets - net of tax	-	-	-	-	-	(45,173)	(12,533)	57,706	-	-	-
Loss on disposal of equity investments at FVOCI transferred to unappropriated profit	-	-	-	-	13,554	-	-	(13,554)	-	-	-
Balance as at December 31, 2022	10,119,242	-	457,187	2,330,014	(438,754)	1,674,379	107,083	8,643,962	22,893,113	363,274	23,256,387
Non-controlling interest on acquisition of subsidiaries (note 1.4.3)	-	-	-	-	-	-	-	-	-	15,779,178	15,779,178
Total comprehensive income for the year ended December 31, 2023											
Profit after taxation	-	-	-	-	-	-	-	9,448,830	9,448,830	936,430	10,385,260
Other comprehensive income / (loss) - net of tax	-	-	219,841	-	3,343,706	(45,739)	391,162	(96,913)	3,812,057	780,081	4,592,138
	-	-	219,841	-	3,343,706	(45,739)	391,162	9,351,917	13,260,887	1,716,511	14,977,398
Transfer to statutory reserve	-	-	-	1,610,040	-	-	-	(1,610,040)	-	-	-
Transfer from surplus on revaluation of assets - net of tax	-	-	-	-	-	(142,360)	(66)	142,426	-	-	-
Gain on disposal of equity investments at FVOCI transferred to unappropriated profit	-	-	-	-	(9,339)	-	-	9,339	-	-	-
Transactions with owners, recorded directly in equity											
Issue of share capital (right shares)	2,205,689	-	-	-	-	-	-	-	2,205,689	-	2,205,689
Issue of share capital (further issue of shares)	5,326,293	5,544,618	-	-	-	-	-	-	10,870,911	-	10,870,911
Transfer of share discount to share premium	2,855,401	(2,855,401)	-	-	-	-	-	-	-	-	-
Sale of shares by non-controlling interest	-	-	-	-	-	-	-	1,270,957	1,270,957	(7,889,589)	(6,618,632)
Interim cash dividend to NCI by subsidiary @ Rs. 1.75 per share	-	-	-	-	-	-	-	-	-	(482,810)	(482,810)
Balance as at December 31, 2023	20,506,625	2,689,217	677,028	3,940,054	2,895,613	1,486,280	498,179	17,808,561	50,501,557	9,486,564	59,988,121

The annexed notes from 1 to 49 and Annexure II form an integral part of these consolidated financial statements.

President and
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman

Consolidated Cash Flow Statement

For the year ended December 31, 2023

2023	2022		2023	2022
----- USD in '000 -----			----- Rupees in '000 -----	
65,035	8,191	CASH FLOWS FROM OPERATING ACTIVITIES	18,330,974	2,308,564
		Profit before taxation		
(1,737)	(806)	Less:	(489,582)	(227,197)
215	46	Dividend income	60,643	12,979
63,513	7,431	Share of loss of associates	17,902,035	2,094,346
		Adjustments:		
5,721	3,491	Depreciation on fixed assets	1,612,490	983,993
121	76	Depreciation on non-banking assets	34,074	21,488
5,035	3,892	Depreciation on right-of-use assets	1,419,084	1,097,098
1,227	612	Amortisation	345,774	172,389
3,384	1,365	Interest expense on lease liability against right-of-use assets	953,739	384,801
674	331	Charge for defined benefit plan	190,007	93,228
		Unrealised gain on revaluation of investments classified as held-for-trading - net	(84,334)	(13,183)
(299)	(47)	Provisions and write offs - net	6,648,201	1,098,788
23,587	3,898	Provision for workers' welfare fund	330,730	45,082
1,173	160	Gain on sale of fixed assets - net	(86,241)	(54,593)
(306)	(194)	Gain on termination of leases - net	(64,479)	(172,937)
(229)	(614)	Gain on reclassification of AFS equity shares	(332,658)	-
(1,180)	-	Bargain purchase	(3,576,591)	-
(12,689)	-		7,389,796	3,656,154
26,219	12,970		25,291,831	5,750,500
89,732	20,401	Decrease / (increase) in operating assets		
		Lendings to financial institutions	24,287,125	20,587,882
86,167	73,043	Held-for-trading securities	(361,107)	1,564,947
(1,281)	5,552	Advances	(1,599,520)	22,052,141
(5,675)	78,238	Other assets (excluding advance taxation)	(11,408,632)	(12,209,589)
(40,476)	(43,318)		10,917,866	31,995,381
38,735	113,515	Increase / (decrease) in operating liabilities		
		Bills payable	1,164,008	(1,635,941)
4,130	(5,804)	Borrowings	(80,756,875)	26,482,492
(286,513)	93,956	Deposits and other accounts	108,099,762	3,407,591
383,522	12,090	Other liabilities	6,500,806	5,070,309
23,064	17,989		35,007,701	33,324,451
124,203	118,231	Contributions to defined benefit plan	71,217,398	71,070,332
252,670	252,147	Income tax paid	(150,000)	-
(532)	-	Net cash flows generated from operating activities	(7,709,677)	(1,482,307)
(27,353)	(5,259)		63,357,721	69,588,025
224,785	246,888	CASH FLOW FROM INVESTING ACTIVITIES		
		Net investment in available-for-sale securities	(68,576,271)	14,943,156
(243,298)	53,016	Net investment in held-to-maturity securities	47,291,663	(91,293,894)
167,784	(323,897)	Dividends received	484,030	227,197
1,717	806	Investment in fixed assets	(3,659,276)	(1,540,021)
(12,983)	(5,464)	Investment in intangible assets	(1,566,708)	(864,282)
(5,558)	(3,066)	Proceeds from sale of fixed assets	729,191	212,219
2,587	753	Investment in subsidiary net of cash acquired	22,380,002	-
79,401	-	Effect of translation of net investment in foreign branch	219,841	263,175
780	934	Net cash flows used in investing activities	(2,697,528)	(78,052,450)
(9,570)	(276,918)	CASH FLOW FROM FINANCING ACTIVITIES		
		Payment of lease liability against right-of-use assets	(2,280,921)	(1,388,606)
(8,092)	(4,927)	Issue of share capital (Right shares)	2,205,689	-
7,825	-	Issuance of subordinated debt	3,500,000	-
12,417	-	Repayment of subordinated debt	(2,000,329)	(1,800)
(7,097)	(6)	Dividend paid to NCI	(482,810)	-
(1,713)	-	Net cash flows generated from / (used in) financing activities	941,629	(1,390,406)
3,340	(4,933)			
		Increase / (decrease) in cash and cash equivalents	61,601,822	(9,854,831)
218,555	(34,963)	Cash and cash equivalents at beginning of the year	25,333,309	35,188,140
89,879	124,842	Cash and cash equivalents at end of the year	86,935,131	25,333,309
308,434	89,879			

The annexed notes from 1 to 49 and Annexure II form an integral part of these consolidated financial statements.

President and
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

1. STATUS AND NATURE OF BUSINESS

1.1 The Group consists of:

Holding Company: JS Bank Limited

JS Bank Limited (the Bank) is a banking company incorporated in Pakistan as a public limited company on March 15, 2006. The Bank is a subsidiary company of Jahangir Siddiqui & Co. Ltd. (JSCL) and its shares are listed on Pakistan Stock Exchange Limited (PSX). The Bank commenced its banking operations on December 30, 2006 and its registered office is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi.

The Bank is a scheduled bank, engaged in commercial banking and related services as described in the Banking Companies Ordinance, 1962 and is operating through 291 (2022: 281) branches / sub-branches in Pakistan and one wholesale banking branch in Bahrain (2022: one). The Pakistan Credit Rating Agency Limited (PACRA) has assigned the long-term entity rating of the Bank to AA- (Double A Minus) whereas short-term rating is maintained at 'A1+' (A One Plus), which is the highest possible short-term rating. The ratings denote a very low expectation of credit risk and indicate very strong capacity for timely payment of financial commitments.

Jahangir Siddiqui Investment Bank Limited (JSIBL), formerly Citicorp Investment Bank Limited, was acquired by Jahangir Siddiqui & Co. Ltd. (JSCL) on February 01, 1999. JSIBL's holding company JSCL, entered into a Framework Agreement with American Express Bank Limited, New York (AMEX) on November 10, 2005 for acquisition of its American Express Bank Limited - Pakistan Branches, (AEBL). Consequently, a new banking company, JS Bank Limited (JSBL) was incorporated on March 15, 2006 and a restricted Banking License was issued by the State Bank of Pakistan (SBP) on May 23, 2006.

A Transfer Agreement was executed on June 24, 2006 between JSIBL and JSBL for transfer of the entire business and undertakings of JSIBL to JSBL and a separate Transfer Agreement was also executed on June 24, 2006, between AMEX and JSBL for the transfer of AEBL's commercial banking business in Pakistan with all assets and liabilities (other than certain excluded assets and liabilities) (AEBL business). The shareholders of JSIBL and JSBL, in their respective extra-ordinary general meetings held on July 31, 2006, approved a Scheme of Amalgamation (the Scheme) under Section 48 of the Banking Companies Ordinance, 1962. The Scheme was initially approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter No. SC/NBFC(J)-R/JSIBL/2006/517 dated September 28, 2006. Subsequently, the Scheme was sanctioned by the SBP vide its order dated December 02, 2006 and, in accordance therewith, the effective date of amalgamation was fixed at December 30, 2006.

The ultimate parent of the Group is Jahangir Siddiqui & Co. Ltd. which holds 71.21% (2022: 75.02%) shares of the Bank.

1.2 Composition of the Group

Subsidiaries

	Effective Holding	
	2023	2022
JS Global Capital Limited	92.90%	92.90%
JS Investments Limited	84.56%	84.56%
BankIslami Pakistan Limited	75.12%	7.79%
My Solutions Corporation Limited	75.12%	0.00%

1.3 Composition of the Associated Companies

Associates of the Bank

Omar Jibran Engineering Industries Limited	9.60%	9.60%
Veda Transit Solutions (Private) Limited	3.92%	3.92%
Intercity Touring Company (Private) Limited	9.12%	9.12%

Associates of BIPL

Shakarganj Food Products Limited	27.33%	-
KASB Funds Limited	32.97%	-
KASB Capital Limited	16.36%	-

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

1.4 Subsidiary Companies

1.4.1 JS Global Capital Limited (JSGCL)

JSGCL is principally owned by the Bank, holding 92.9% of its equity interest. The Bank acquired effective controlling interest in JSGCL on December 21, 2011, April 15, 2016, October 01, 2019 and June 02, 2021 of 51.05%, 16.11%, 16.37% and 9.37% respectively. The ownership interest has increased by 41.85%, without any change in the cost of investment, due to the fact that JSGCL has bought back its 11,993,000 shares on April 15, 2016, 7,450,000 shares on October 02, 2019 and 27,477,297 share on June 02, 2021. JSGCL is a public listed company incorporated in Pakistan under the repealed Companies Ordinance, 1984. The shares of JSGCL are listed on Pakistan Stock Exchange (PSX). Further, JSGCL is a corporate member of PSX and member of Pakistan Mercantile Exchange. The principal business of JSGCL is to carry out share brokerage, money market, forex and commodity brokerage, advisory and consultancy services. Other activities include investment in a mix of listed and unlisted equity and debt securities and reverse repurchase transactions. The registered office of JSGCL is situated at 17th Floor, The Centre, Plot No. 28, SB-5, Abdullah Haroon Road, Saddar, Karachi, Pakistan. JSGCL has eight branches (2022: eight) in seven cities of Pakistan.

1.4.2 JS Investments Limited (JSIL)

JSIL is principally owned by the Bank, holding 84.56% of its equity interest. The Bank acquired effective controlling interest in JSIL on November 01, 2012, December 22, 2015 and August 31, 2019 of 52.24%, 12.92% and 19.40% respectively. The ownership interest has increased by 32.32% without any change in the cost of investment, due to the fact that JSIL has bought back its 38,225,744 ordinary shares out of its 100 million ordinary shares. JSIL is a public listed company incorporated in Pakistan on February 22, 1995 under the repealed Companies Ordinance, 1984. The shares of JSIL are listed on the Pakistan Stock Exchange (PSX), formerly since April 24, 2007. The registered office of JSIL is situated at The Centre, 19th Floor, Plot No. 28, SB-5, Abdullah Haroon Road, Saddar, Karachi.

JSIL has obtained the license of an “Investment Advisor” and “Asset Management Company” (AMC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In addition, JSIL has also obtained registration to act as Pension Fund Manager under the Voluntary Pension System Rules, 2005.

JSIL is an asset management company of the following funds:

Open-end mutual funds:

- JS Growth Fund
- Unit Trust of Pakistan
- JS Income Fund
- JS Islamic Fund
- JS Fund of Funds
- JS Islamic Income Fund
- JS Cash Fund
- JS Large Cap Fund
- JS Money Market Fund
- JS Fixed Term Munafa Fund
- JS Islamic Dedicated Equity Fund
- JS Islamic Daily Dividend Fund
- JS Momentum Factor Exchange Traded Fund
- JS Microfinance Sector Fund
- JS Islamic Hybrid Fund of Funds
- JS Islamic Premium Fund
- JS Government Securities Fund

Closed-end mutual funds:

- JS Rental REIT Fund

Private Equity and Venture Capital fund:

- JS Motion Picture Fund

Pension funds:

- JS Pension Savings Fund
- JS Islamic Pension Savings Fund
- JS KPK Pension Fund
- JS KPK Islamic Pension Fund

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

1.4.3 BankIslami Pakistan Limited (BIPL)

The shareholders of the Bank in their meeting held on March 30, 2022 approved to acquire, as per the requirements of section 199 of the Companies Act, 2017, 86,316,954 ordinary shares of BankIslami Pakistan Limited (BIPL) (an associated company of JSCL), constituting 7.79% of the paid-up capital of BIPL, from Emirates NBD Bank PJSC at a price of upto Rs. 13.24 per share making the aggregate consideration upto Rs. 1,142 million.

During the year, pursuant to the approvals of the shareholders of the Bank at their General Meetings held on March 29, 2023 and May 19, 2023 and after obtaining all the requisite corporate and regulatory approvals and compliance with all the applicable laws and regulations, the Bank had acquired:

- 42.45%, i.e., on August 18, 2023, 470,603,772 ordinary voting shares and control of BankIslami Pakistan Limited (BIPL), from sponsors and other shareholders of BIPL (including but not limited to, Jahangir Siddiqui & Co. Ltd., the holding company of the Bank) through agreements against the issuance of 532,629,349 new shares of the Bank by way of other than rights and other than cash consideration, i.e., 1.1318 ordinary shares of the Bank issued as consideration for every 1 ordinary share of BIPL. Accordingly on August 18, 2023, BIPL became a subsidiary of the Bank with 50.24% shareholding.
- 24.88%, i.e., on August 25, 2023, 275,891,276 ordinary shares of BIPL by way of public offer (published in newspapers on June 28, 2023) made to all public shareholders as required under the Takeover Regulations in cash at the rate of Rs. 23.99 per share. To partly finance the public offer, the Bank, with the approval of the Board of Directors, had issued 220,568,925 ordinary shares by way of 17% Right Shares, i.e., 17 right shares for every 100 shares held, at par value of Rs. 10/- each.

Post-acquisition, the shareholding of the Bank in BIPL had increased to 75.12%.

1.4.3.1 The Bank acquired the control over BIPL through following phases:

	2023		
	Date of acquisition	Number of shares acquired	Proportion of voting equity interest acquired
Acquired through Cash from Emirates ENBD	November 11, 2022	86,316,954	7.79%
Acquired through Share SWAP Agreement	August 18, 2023	470,603,772	42.45%
Acquired through Cash from Public Offer	August 25, 2023	275,891,276	24.88%
		832,812,002	75.12%

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

1.4.3.2 The detail of net assets acquired and Bargain purchase gain as at acquisition date i.e., August 18, 2023 is as follows:

	Carrying Amounts	Fair value adjustments	Fair values
	----- Rupees in '000 -----		
Cash and balances with treasury banks	27,815,593	-	27,815,593
Balances with other banks	1,183,041	-	1,183,041
Due from financial institutions - net	29,438,101	-	29,438,101
Investments - net	251,768,739	-	251,768,739
Islamic financing, related assets and advances - net	206,990,695	-	206,990,695
Fixed assets	13,791,652	291,788	14,083,440
Intangible assets	3,435,083	-	3,435,083
Deferred tax assets	2,917,107	(143,447)	2,773,660
Other assets - net	29,801,249	962	29,802,211
Non-current assets held for sale	447,523	-	447,523
Total Assets	567,588,783	149,303	567,738,086
Bills payable	4,226,945	-	4,226,945
Due to financial institutions	70,999,596	-	70,999,596
Deposits and other accounts	436,962,094	-	436,962,094
Subordinated sukuk	2,850,000	-	2,850,000
Other liabilities	20,994,161	-	20,994,161
Total Liabilities	536,032,796	-	536,032,796
Net Assets	31,555,987	149,303	31,705,290

1.4.3.3 Bargain purchase gain on acquisition

Rupees in '000

Consideration transferred	10,870,912
Non controlling interest (proportionate share in the net assets of BIPL)	15,779,178
Fair Value of previously held interest	1,478,609
	<u>28,128,699</u>
Less: Fair value of net identifiable assets acquired as at acquisition date	31,705,290
Bargain purchase gain	<u>3,576,591</u>

1.4.3.4 BankIslami Pakistan Limited (BIPL) was incorporated in Pakistan on October 18, 2004 as a public limited company to carry out the business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah. BIPL is principally engaged in corporate, commercial, consumer, retail banking and investment activities.

BIPL is operating through 440 branches including 60 sub-branches as at December 31, 2023 (2022: 380 branches including 80 sub-branches). The registered office of the Bank is situated at 11th Floor, Dolmen City Executive Tower, Marine Drive, Block-4, Clifton, Karachi. The shares of the Bank are quoted on the Pakistan Stock Exchange Limited.

1.4.3.5 BIPL at the time of acquisition by the Bank had the following investments in subsidiary and associates which by virtue of acquisition have now become subsidiary and associates of the Group:

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

Name of Companies	Percentage of Holding	Relationship
My Solutions Corporation Limited	100%	Subsidiary
Shakarganj Food Products Limited	30.48%	Associate
KASB Capital Limited	21.78%	Associate
KASB Funds Limited	43.89%	Associate

1.4.3.6 My Solutions Corporation Limited (MSCL)

MSCL was incorporated as a private limited company on November 05, 1995 and was converted into a public limited company on March 24, 2003. The Company is currently dormant. Its registered office is situated at the 9th floor, Trade Centre, I.I Chundrigar Road, Karachi. MSCL is a wholly owned subsidiary of BIPL and therefore an indirect subsidiary of the Group.

1.5 Associated Companies

Omar Jibran Engineering Industries Limited (OJEIL)

The Bank has invested in the shares of OJEIL, a public unlisted company. The Bank has classified the investment as an associate on account of its significant influence over the investee company. OJEIL was incorporated on June 25, 1987 in Pakistan as an unquoted public limited company under the repealed Companies Ordinance, 1984. The registered office of OJEIL is situated at DSU-10, Pakistan Steel Industries Estate Bin Qasim, Karachi. OJEIL is mainly engaged in the manufacture and sale of automotive parts and armouring of vehicles.

Veda Transit Solutions (Private) Limited (VEDA)

The Bank has invested in the shares of VEDA, a private limited company. The Bank has classified the investment as an associate on account of its significant influence over the investee company. VEDA was incorporated on June 10, 2016 in Pakistan as private limited company under the repealed Companies Ordinance, 1984. The registered office of VEDA is situated at Raaziq Logistics Centre 16 KM, Multan Road, Near Dina Nath Stop, Lahore. VEDA is mainly engaged in the rural / urban, intracity / intercity transportation of passenger and goods.

Intercity Touring Company (Private) Limited (ITC)

The Bank has invested in the shares of ITC, a private limited company. The Bank has classified the investment as an associate on account of its significant influence over the investee company. ITC was incorporated on April 25, 2014 in Pakistan as private limited company under the repealed Companies Ordinance, 1984. The registered office of ITC is situated at 147-P Gulberg III, Lahore. ITC is mainly engaged in the transportation, touring and logistics related services.

Shakarganj Food Products Limited (SFPL)

SFPL was incorporated in Pakistan initially as a private limited company on April 03, 2001 under the repealed Companies Ordinance, 1984. The name of SFPL was changed from A.M. Fruit Products (Private) Limited to Shakarganj Food Products Limited along with change of its status from private to public limited on January 03, 2006. The principal activity of SFPL is manufacturing, processing and sale of food products (dairy, fruit pulps and concentrate juices). SFPL is an associate of BIPL and is therefore an associate of the Group.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

KASB Capital Limited (KCL)

KCL is a limited liability company incorporated on June 24, 2008 and domiciled in Mauritius. The address of its registered office is C/o Consilex Limited, 4th floor, Les Jamalacs Building, Vieux Conseil Street, Port Louis, Republic of Mauritius. KCL holds a category 1 Global Business licence issued by the Financial Services Commission and is involved in investment holding activities and investment dealer (full service dealer, excluding underwriting). KCL is an associate of BIPL and is therefore an associate of the Group.

KASB Funds Limited (KFL)

KFL was incorporated in Pakistan on January 24, 2005 under the repealed Companies Ordinance 1984 as an unlisted public company. The registered office of KFL is situated at 9th Floor, Trade Centre, I.I. Chundrigar Road, Karachi. KFL is licensed to carry out Asset Management and Investment Advisory Services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). The principal activity of KFL is to float and manage open-end and closed-end mutual funds and to provide investment advisory services. KFL is an associate of BIPL and is therefore an associate of the Group.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BSD Circular No. 02, dated January 25, 2018.

These consolidated financial statements include financial statements of JS Bank Limited and its subsidiary companies, (the Group) and share of the profit / reserves of associates.

These consolidated financial statements have been presented in Pakistan Rupees (PKR), which is the currency of the primary economic environment in which the Group operates and functional currency of the Group. The amounts are rounded off to the nearest thousand rupees except as stated otherwise.

The US Dollar amounts shown on the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information solely for the convenience of readers and have not been subject to audit by the external auditors. For the purpose of conversion to US Dollars, the rate of Rs. 281.8607 to 1 US Dollar has been used for 2022 and 2023 as it was the prevalent rate as on December 31, 2023.

2.1 Statement of Compliance

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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

The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies vide BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks vide its notification S.R.O 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

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

Further, as per SBP's BPRD Circular No. 07 dated April 13, 2023, IFRS 9 'Financial Instruments' is applicable for all Banks effective from January 01, 2024. However, an option of early adoption of the standard had been made permissible.

2.2 Basis of Consolidation

2.2.1 Subsidiary

- The consolidated financial statements include the financial statements of the Bank and its subsidiary companies together - the Group.
- Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its investment with investee and has the ability to effect those return through its power over the investee except investment in mutual funds established under trust structure where IFRS 10 is not applicable in case of investment by companies in mutual funds established under Trust structure.
- These consolidated financial statements incorporate the financial statements of subsidiaries from the date that control commences until the date that control ceases.
- The financial statements of the subsidiary companies are prepared for the same reporting year as the Bank for the purpose of consolidation, using consistent accounting policies.
- The assets, liabilities, income and expenses of subsidiary companies have been consolidated on a line by line basis.
- Non-controlling interests are that part of the net results of operations and of net assets of subsidiaries attributable to interest which are not owned by the Bank.
- Material intra-group balances and transactions are eliminated.

2.2.2 Associate

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

2.2.3 Acquisition Accounting

Acquisitions of businesses not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the bank, liabilities incurred by the bank to the former owners of the acquiree and the equity interests issued by the Bank in exchange for control of the acquiree. Acquisition-related costs are recognised in profit and loss account as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill on acquisition is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Group's net assets in the event of liquidation is measured at proportionate share of net assets of the acquiree at the date of the acquisition.

2.3 Standards, interpretations of and amendments to approved accounting standards that are effective in the current period

The Group has adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from January 01, 2023. These amendments neither resulted in any changes to the accounting policies nor impacted the accounting policies' information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

The information disclosed in Note 4 'Material Accounting Policies' has been assessed to be in line with the amendments.

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

2.4 Standards, interpretations of and amendments to approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 01, 2024:

	Effective date (annual periods beginning on or after)
Classification of Liabilities as Current or Non-current and application of materiality to disclosure of accounting policies - Amendments to IAS 1	January 01, 2024
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	January 01, 2024

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

	Effective date (annual periods beginning on or after)
Lease liability in a sale and leaseback - Amendments to IFRS 16	January 01, 2024
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	January 01, 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Not yet finalized
Amendments to IAS 21- Lack of Exchangeability	January 01, 2025

2.5 Critical accounting estimates and key sources of estimation uncertainty

The preparation of these consolidated financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in the application of its accounting policies. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis.

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

- i) classification and valuation of investments (notes 4.4 and 9).
- ii) provision against non-performing advances (notes 4.7 and 10.5).
- iii) income taxes (notes 4.15 and 33).
- iv) defined benefit plans (notes 4.17 and 37).
- v) fair value of derivatives (note 4.5.2 and 23).
- vi) valuation and depreciation of fixed assets (notes 4.8 and 11).
- vii) impairment of goodwill (notes 4.21 and 12.3)
- viii) valuation of right-of-use assets and their related lease liability (notes 4.9, 11.3 and 19.1).
- ix) valuation of non-banking assets acquired in satisfaction of claims (note 4.11 and 13.1).

3. BASIS OF MEASUREMENT

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

- Certain classes of fixed assets and non-banking assets acquired in satisfaction of claims which are stated at revalued amounts less accumulated depreciation.
- Investments classified as held-for-trading and available-for-sale and derivative financial instruments, which are measured at fair value.
- Net obligations in respect of defined benefit schemes which are carried at their present values.

4. MATERIAL ACCOUNTING POLICY INFORMATION

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

4.1 Cash and cash equivalents

Cash and cash equivalents represent cash and balances with treasury banks and balances with other banks net of any overdrawn nostro accounts.

4.2 Lendings to / borrowings from financial institutions

The Group enters into transactions of lendings to / borrowings from financial institutions at contracted rates for a specified period of time. These are recorded as under:

(a) Sale under repurchase obligation

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and liability to counter party is included in borrowings. The difference in sale and repurchase value is accrued over the period of the contract and recorded as an expense using effective interest rate method.

(b) Purchase under resale obligation

Securities purchased under agreement to resell (reverse repo) are not included in statement of financial position as the Group does not obtain control over the securities. Amount paid under these agreements is included in lendings to financial institutions or advances as appropriate. The difference between the contracted price and resale price is amortised over the period of the contract and recorded as income using effective interest method.

(c) Other borrowings

Other borrowings include borrowings from the SBP and unsecured call borrowings which are recorded at the proceeds received. Mark-up paid on such borrowings is charged to the profit and loss account over the period of borrowings on time proportionate basis using effective interest method.

4.3 Due to / from financial and other institutions

4.3.1 Bai Muajjal

In Bai Muajjal transactions, the Group sells sukuk on deferred payment basis to financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period. The difference between the deferred payment amount receivable and the carrying value at the time of sale is accrued and recorded as income over the credit period.

4.3.2 Musharakah

In Musharakah, the Group invests / accepts in the Shariah compliant business pools of / from the financial institutions at the agreed profit and loss sharing ratio (PSR).

4.3.3 Musharakah from State Bank of Pakistan under Islamic Export Refinance Scheme (IERS)

Under IERS, the Group accepts funds from the SBP under Shirkat-ul-Aqd to constitute a pool for investment in export refinance portfolio of the Group under the Shariah guidelines issued by the SBP. The profit of the pool is shared as per the agreed PSR between the partners.

4.3.4 Acceptances from State Bank of Pakistan for financial assistance

The Group has recorded Acceptances from State Bank of Pakistan for financial assistance at its fair value which is amortised over its agreed term.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

4.3.5 Commodity Murabaha

In Commodity Murabaha, the Group sells commodities on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

4.3.6 Wakalah

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

4.4 Investments

Investments of the Group are classified into following categories:

Held-for-trading

These are securities which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealer's margin or are securities included in a portfolio in which a pattern of short-term profit taking exists. These securities are carried at fair value with any related gain or loss being recognised in profit and loss account.

Available-for-sale

These are investments that do not fall under the held-for-trading or held-to-maturity categories. These are initially recognised at cost, being the fair value of the consideration given including the acquisition cost. These securities are carried at fair value with any related surplus or deficit on revaluation recognised in other comprehensive income.

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturities that are held with the intention and ability to hold till maturity. Investments classified as held-to-maturity are carried at amortised cost.

Associates

Associates are all entities over which the Group has significant influence but not control. These are accounted for using the equity method of accounting.

Under the equity method, the investment in associates are initially recognised at cost and the carrying amount of investment is increased or decreased to recognise the investor's share of the post acquisition profits or losses, share of other comprehensive income or loss and share of the post acquisition movement in other reserves. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. However, in case where associates are considered as fully impaired and financial statements are not available these investments are stated at cost less provision.

4.4.1 Initial measurement

All 'regular way' purchases and sales of financial assets are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Group. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

Investments are initially recognised at fair value which, in the case of investments other than held for trading, includes transaction costs associated with the investments. Transaction costs on investments held for trading are expensed as incurred.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

Premium or discount on acquisition of investments is capitalised and amortised through the profit and loss account using effective yield over the remaining period of the investment.

4.4.2 Subsequent measurement

Held-for-trading

These are securities measured at subsequent reporting dates at fair value. Gains and losses on re-measurement are included in the profit and loss account.

Available-for-sale

Quoted securities classified as available-for-sale investments are measured at subsequent reporting dates at fair value. Any surplus or deficit arising thereon is kept in a separate account shown in the statement of financial position as part of the equity and is taken to the profit and loss account when realised 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. Investments in other unquoted securities are valued at cost less impairment, if any.

Held-to-maturity

These are securities measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

4.4.3 Impairment / diminution in the value of securities

Impairment loss in respect of quoted equity securities classified as available-for-sale and held-to-maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below average cost. A decline to be considered as:

- Significant if the fair value is below the weighted average cost by more than 30 percent.
- Prolonged if the fair value is below the weighted average cost for a period of more than one year.

Available-for-sale

If an available-for-sale equity security is impaired, the cumulative loss that had been recognised in equity, shall be reclassified from equity to profit and loss as a reclassification adjustment even though the financial asset has not been derecognised, any further decline in the fair value at subsequent reporting dates is recognised as impairment. Therefore, at each reporting period, for an equity security that was determined to be impaired, additional impairments is recognised for the difference between the fair value and the original cost basis, less any previously recognised impairment.

If, in subsequent period, the value of an available-for-sale equity security increases resulting in revaluation surplus, any impairment losses recognised in profit and loss account shall not be reversed except in case of derecognition.

Notes to the Consolidated Financial Statements

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Held-to-maturity

Impairment losses are incurred if, and only if, there is objective evidence of impairment after initial recognition of the investment. The impairment loss is recognised in the profit and loss account. If, in a subsequent period, any indication that an impairment loss recognised in prior periods no longer exist or may have decreased, the impairment loss shall be reversed, with the amount of the reversal recognised in profit and loss account.

Debt Securities

Participation Term Certificates (PTCs), Term Finance Certificates (TFCs), Sukuk certificates and other debt securities will be classified on the valuation date on the basis of default in their repayment in line with the criteria prescribed for classification of short, medium and long-term facilities in accordance with the requirements of the Prudential Regulations issued by the SBP.

4.5 Financial instruments

4.5.1 Financial assets and financial liabilities

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

4.5.2 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

4.6 Off-setting 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 Group intends to either settle the assets and liabilities on a net basis or to realise the assets and to settle the liabilities simultaneously. Income and expenses arising from such assets and liabilities are accordingly offset.

4.7 Advances

4.7.1 Loan and advances

Advances are stated net of general and specific provisions. General and specific provisions against funded loans are determined in accordance with the requirements of the Prudential Regulations issued by the SBP and charged to the profit and loss account. Advances are written off when there are no realistic prospects of recovery.

4.7.2 Finance lease

Leases, where the Group transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognised at an amount equal to the present value of the lease payment including any guaranteed residual value, if any. Net investment in finance lease is included in loans and advances to customers.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

4.7.3 Islamic financing, related assets and advances

Islamic financing and related assets are financial products originated by the Group and principally comprise of Murabaha, Istisna, Ijarah, Salam, Muswammah, Diminishing Musharakah, Running Musharakah (Shirkat-ul-Aqd) and other Islamic modes of financing and the related assets.

As a general rule, funds disbursed under financing arrangements for purchase of goods / assets are recorded as advance. On culmination, financings are recorded at the deferred sale price net of profit. Goods purchased but remaining unsold at the reporting date are recorded as inventories.

4.7.4 Ijarah Financing {Ijarah contracts where the Bank acts as Mujir (lessor)}

Ijarah financing executed on or before December 31, 2008 have been accounted for under finance method, thereafter all Ijarah financing are accounted for under IFAS-2.

- Under finance method, the present value of minimum Ijarah payments have been recognised and shown under Islamic financing and related assets. The unearned income (the excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility) is deferred and then amortised over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognised as income on a receipt basis. Income on Ijarah is recognised from the date of delivery of the respective assets to the Mustajir (lessee).
- Under IFAS-2 method, assets underlying Ijarah financing have been carried at cost less accumulated depreciation and impairment, if any, and are shown under Islamic financing and related assets. Rentals accrued from Ijarah financing net of depreciation charge are recognised to the profit and loss account. Depreciation on Ijarah assets is charged by applying the straight line method over the Ijarah period which is from the date of delivery of respective assets to Mustajir up to the date of maturity / termination of Ijarah agreement.

4.7.5 Murabaha

Murabaha is a sale transaction with the purchase ordered wherein the first party sells to the client / customer Shariah compliant assets / goods for cost plus a pre-agreed profit after getting title and possession of the same. In principle, on the basis of an undertaking (Promise-to-Purchase) from the client (the purchase ordered), the Group purchases the assets / goods subject of the Murabaha from a third party and takes the possession thereof. However, the Group can appoint the client as its agent to purchase and take possession of the assets / goods on its behalf. Thereafter, it sells it to the client at cost plus the profit agreed upon in the promise.

4.7.6 Istisna

Istisna is a contract where the buyer orders the client (seller / manufacturer) to manufacture and deliver specified goods at an agreed contract price upon completion. Istisna is used with Wakalah agreement to provide financing mainly to manufacturers. Thus the transaction consists of two stages:

- Bai Istisna whereby the Group purchases goods from the client; and
- Wakalah whereby the Group after receipt / possession of goods, appoints the client its agent to sell the goods in the market.

4.7.7 Diminishing Musharakah

Diminishing Musharakah represents an asset in joint ownership whereby a partner promises to buy the equity share of the other partner until the ownership of the asset is totally transferred to him. The partner using the asset pays the proportionate rental of such asset to the other partner (the Group).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

4.7.8 Import Murabaha

Import Murabaha is a product, used to finance a commercial transaction which consists of purchase by the Group (generally through an undisclosed agent) the goods from the foreign supplier and selling them to the client after getting the title and possession of the goods. Murabaha financing is extended to all types of trade transactions i.e., under Documentary Credits (LCs), Documentary Collections and Open Accounts.

4.7.9 Salam

Salam is a sale transaction where the seller undertakes to supply some specific goods to the buyer at a future date against an advance price fully paid on spot. In Salam financing, the transaction consists of two stages:

- (i) Bai Salam whereby the Group purchases goods from the client; and
- (ii) Wakalah whereby the Group after receipt / possession of goods, appoints the client its agent to sell the goods in the market.

4.7.10 Musawamah / Tijarah

Under this product the Group purchases identified goods from client at an agreed purchase price on the basis of Musawamah / Tijarah. The Group then sells the goods in the market through an agent (Client) at a higher price to earn its desired profit.

4.7.11 Musharakah

Musharakah are different types of partnerships in business with distribution of profit in agreed ratio and distribution of loss in the ratio of capital invested.

4.7.12 Wakalah-tul-Istismar (Investment Agency Wakalah)

Wakalah-tul-Istismar means appointing another person to invest and grow one's wealth, with or without a fee. It covers contract for acquisition of services of a person or institution (Wakeel) for making investments of Wakalah Funds, and accomplishment of certain task on behalf of another person or institution (Muwakkil).

4.7.13 Running Musharakah

In Running Musharakah financing, the Group enters into financing with the customer based on Shirkat-ul-Aqd (Business Partnership) in customer's operating business. Under this mechanism the customer can withdraw and return funds to the Group subject to its Running Musharakah Financing limit during the Musharakah period. At the end of each quarter / half year the customer pays the provisional profit as per the desired profit rate which is subject to final settlement based on the relevant quarterly / half yearly / annual accounts of the customer.

4.7.14 Ijarah

Ijarah is a contract where the owner of an asset transfers its usufruct (i.e. the usage right) to another person for an agreed period, at an agreed consideration. The rentals received / receivable on Ijarah are recorded as income / revenue. Depreciation on Ijarah assets is charged by applying the straight line method over the Ijarah period which is from the date of delivery of respective assets to Mustajir up to the date of maturity / termination of Ijarah agreement.

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4.8 Fixed assets

4.8.1 Property and equipment

Fixed assets except office premises are shown at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Leasehold land and buildings on leasehold land are stated at revalued amount less accumulated depreciation and impairment loss, if any.

Depreciation is calculated and charged to profit and loss account using the straight-line method so as to write down the cost of the assets to their residual values over their estimated useful lives at the rates given in note 11.2. A full month's depreciation is charged from the month in which assets are brought into use and no depreciation is charged for the month in which the disposal is made. The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, annually.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is recognised in the profit and loss account in the year the asset is derecognised.

4.8.2 Surplus / deficit on revaluation of fixed assets

The surplus arising on revaluation is credited to other comprehensive income. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit and loss account.

The deficit arising on a particular property as a result of a revaluation is recognised in profit and loss account as an impairment. However, the decrease to be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Depreciation on buildings which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets Account" to unappropriated profit through Statement of Changes in Equity to record realisation of surplus to the extent of the incremental depreciation charge for the year.

Gains or losses on disposal of assets are included in the profit and loss account, except for the related surplus on revaluation of fixed assets (net of deferred tax) which is transferred directly to equity.

4.8.3 Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any. These are transferred to specified assets as and when assets are available for use.

4.9 Lease liability and right-of-use asset

The Group enters into leasing arrangements for its office premises, branches, ATMs and warehouses. Rental contracts are typically for a fixed period and may have extension options as described below. At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not be terminated).

The lease liability is initially measured at the present value of the lease payments to be made over the lease term, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments include fixed payments less any lease incentive receivable, variable lease payment that are based on an index or a rate which are initially measured using the index or rate as at the commencement date, amounts expected to be payable by the Group under residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option and payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option. The extension and termination options are incorporated in determination of lease term only when the Group is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or lease modification.

The lease liability is remeasured when the Group reassesses the reasonable certainty of exercise of extension or termination option upon occurrence of either a significant event or a significant change in circumstance, or when there is a change in assessment of an option to purchase underlying asset, or when there is a change in amount expected to be payable under a residual value guarantee, or when there is a change in future lease payments resulting from a change in an index or rate used to determine those payment. The corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit and loss if the carrying amount of right-to-use asset has been reduced to zero.

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently measured at cost model. The right of use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

4.10 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment, if any. Intangible assets are amortised from the month when the assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Group. The useful life and amortisation method are reviewed and adjusted, if appropriate, annually.

Intangible assets having an indefinite useful life are carried at cost less any impairment in value and are not amortised. However these are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

4.11 Non-banking assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims under Debt Property Swap (DPS) transactions, against the loans in category of loss, are initially carried at cost and subsequently at revalued amounts at each year-end date of the statement of financial position, being the fair value at the date of revaluation less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. The valuation of properties acquired is conducted regularly, so as to ensure that their net carrying value does not materially differ from their fair value.

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All direct cost including legal fees, valuation and transfer costs of acquiring title to property shall be expensed when incurred through profit and loss account.

Subsequent costs are included in the asset's carrying amounts only when it is probable that future benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other subsequent costs including repair and maintenance are charged to the profit and loss account as and when incurred.

Depreciation on assets acquired in satisfaction of claims is charged to the profit and loss account in line with the depreciation charged on fixed assets.

Any reductions in non-performing loans and corresponding reductions in provisions held against non-performing loans, as a result of the recognition of such assets, are disclosed separately in the notes to these consolidated financial statements.

These assets are generally intended for sale. Gains and losses realised on the sale of such assets are disclosed separately from gains and losses realised on the sale of fixed assets in the notes to these consolidated financial statements. If such asset is subsequently used by the Group for its own operations, the asset, along with any related surplus, is transferred to fixed assets.

4.11.1 Surplus / deficit on revaluation of non-banking assets

Revaluation of non-banking assets acquired in satisfaction of claims under Debt Property Swap (DPS) transactions are carried out under criteria given in regulations for DPS issued by the State Bank of Pakistan (SBP) vide BPRD Circular No. 01 dated January 01, 2016 i.e. valuation of property shall be done on individual property basis and not on portfolio basis, whereas accounting treatment of revaluation is accounted for in accordance with applicable financial reporting standards i.e. International Accounting Standard (IAS) 16 as referred in note 4.7.2.

Furthermore, revaluation surplus on such assets shall not be admissible for calculating the Group's Capital Adequacy Ratio and exposure limits under the Prudential Regulations. However, the surplus can be adjusted upon realisation of sale proceeds.

4.12 Impairment other than investments and deferred tax

At each balance sheet date, the Group reviews the carrying amounts of its assets (other than investment and deferred tax asset) to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of net selling price (being fair value less cost to sell) and value-in-use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit and loss account immediately.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognised as income in the profit and loss account.

4.13 Borrowings / deposits and their cost

Borrowings / deposits are initially recorded at the amount of proceeds received. Costs of borrowings / deposits are recognised separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

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4.14 Subordinated debt

Subordinated debts are initially recorded at the amount of proceeds received. Mark-up accrued on subordinated debts is recognised separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

4.15 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemptions available, if any, or minimum tax on turnover, whichever is higher. The charge for current tax also includes adjustments, where considered necessary, relating to prior years arising from assessments made during the year.

Deferred

Deferred tax is recognised using the balance sheet approach on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts appearing in these consolidated financial statements. Deferred tax liability is recognised on taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax is calculated at the rates that are expected to apply to the period wherein the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the profit and loss account.

Deferred tax, if any, on revaluation of investments is recognised as an adjustment to surplus / (deficit) arising on revaluation in accordance with the requirements of International Accounting Standard (IAS) 12, 'Income Taxes'.

4.16 Provisions

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

Provision against identified non-funded losses is recognised when intimated and reasonable certainty exists for the Group to settle the obligation. The loss is charged to profit and loss account net of expected recovery.

4.17 Staff retirement benefits

4.17.1 Defined contribution plan - the Group

The Group has established a provident fund scheme for all its permanent employees effective from January 01, 2007 in accordance with the trust deed and rules made there under. Equal monthly contributions are made, both by the Group and the employees, to the fund at the rate defined below of basic salary. Contribution by the Group is charged to profit and loss account.

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	Contribution basic salary
- JS Bank Limited (the Bank)	7.10%
- JS Global Capital Limited (Subsidiary)	7.33%
- JS Investment Limited (Subsidiary)	7.33%
- BankIslami Pakistan Limited (Subsidiary)	10.00%

4.17.2 Defined benefit plan

JS Bank Limited (the Bank)

The Bank operates an approved funded gratuity scheme covering all its eligible employees who have completed minimum qualifying period. An actuarial valuation of defined benefit scheme is conducted at the end of every year or on occurrence of any significant change. The most recent valuation in this regard was carried out as at December 31, 2023, using the projected unit credit actuarial valuation method. Under this method cost of providing for gratuity is charged to profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. Past-service costs are recognised immediately in profit and loss account and actuarial gains and losses are recognised immediately in other comprehensive income.

BankIslami Pakistan Limited (BIPL)

BIPL operates an approved funded gratuity scheme for its permanent employees. The liability recognised in the consolidated statement of financial position in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation at the consolidated statement of financial position date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations. The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method. The last valuation was conducted as on December 31, 2023.

Amounts arising as a result of remeasurements, representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are recognised in the consolidated statement of financial position immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

4.18 Revenue recognition

Revenue is recognised to the extent that economic benefits will flow to the Group and the revenue can be reliably measured. These are recognised as follows:

- Mark-up income / interest on performing advances and returns on debt securities are recognised on a time proportion basis using the effective interest method except returns on debt securities in held-to-maturity portfolio which is recognised on a straight line basis.
- Mark-up income / interest / profit on non-performing advances and debt securities is recognised on a receipt basis, in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan.
- Where debt securities are purchased at premium or discount, such premium / discount is amortised through the profit and loss account over the remaining period of maturity.
- Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gains / losses on termination of lease contracts, documentation charges, front-end fees and other lease income are recognised as income when these are realised.

Notes to the Consolidated Financial Statements

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- Fee, brokerage and commission income is recognised on an accrual basis.
- Dividend income is recognised when the Group's right to receive dividend is established.
- Gain / loss on sale of investments is credited / charged to profit and loss account.
- Profit on Murabaha and Commodity Murabaha is recognised over the financing stage of Murabaha on an accrual basis. Profit on Murabaha transactions for the period from the date of disbursement to the date of culmination of Murabaha is recognised immediately on the culmination date.
- Profit from Istisna, Salam and Muswammah / Tijarah are recorded on an accrual basis commencing from the time of sale of goods till the realisation of proceeds by the Group. Profit from Diminishing Musharakah are recognised on a time proportionate basis in the form of rentals.
- Financing method is used in accounting for income from Ijarah contracts written up to December 31, 2008. Under this method, the unearned income (excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility) is deferred and then amortised over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognised as income when they are realised. Income on Ijarah is recognised from the date of delivery of the respective assets to the Mustajir (lessee).
- Rental from Ijarah contracts entered on or after January 01, 2009 is recognised in the profit and loss account over the term of the contract net of depreciation expense relating to the Ijarah assets.
- Provisional profit of Musharakah financing is recognised on an accrual basis. Actual profit / loss on Musharakah financing is adjusted after declaration of profit by Musharakah partner or on liquidation of Musharakah.
- Profit on Wakalah-tul-Istismar financings is recognised on an accrual basis and is adjusted upon declaration of profit by the Wakeel.
- Profit on Running Musharakah financings is recognised on an accrual basis and is adjusted upon declaration of profit by Musharakah partners.
- Profit on classified financing is recognised on a receipt basis.
- Profit on Sukuks is recognised on an accrual basis. Where Sukuks (excluding held-for-trading securities) are purchased at a premium or discount, the premiums / discounts are amortised through the profit and loss account over the remaining life of Sukuk, using the effective yield method.
- Brokerage, consultancy, advisory fee, underwriting, book running fee, commission on foreign exchange dealings and debt securities etc. are recognised as and when such services are provided.
- Income from reverse repurchase transactions, debt securities and bank deposits is recognised at effective yield on time proportionate basis.
- Remuneration for management services is recognised on an accrual basis by applying pre-defined remuneration percentage on daily net average value of the fund. The fee so charged does not exceed the limit prescribed in the NBFC Regulations / Voluntary Pension System Rules, 2005.
- Gains / losses arising on revaluation of derivatives to fair value are taken to statement of profit or loss under other income / other expense in the period in which they arise.
- Commission income from open end funds is recognised at the time of sale of units.

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- Commission income and share of profit from management of discretionary and non discretionary client portfolios is recognised as services are rendered.

4.19 Dividend and appropriation to reserves

Dividend and appropriation to reserves, except for statutory reserves, are recognised in the consolidated financial statements in the periods in which these are approved. The revaluation surplus related to fixed assets and non-banking assets is not available for distribution of dividend.

4.20 Foreign currencies

4.20.1 Functional and presentation currency

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

4.20.2 Transactions and balances

Transactions in foreign currencies are translated into Pakistani rupees at the exchange rates prevailing on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Forward contracts relating to foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract. The forward cover received / paid on forward purchase / sale contracts relating to foreign currency deposits are realised / charged directly to profit and loss account.

4.20.3 Foreign operations

Assets and liabilities of foreign operations are translated into rupees at the exchange rate prevailing at the reporting date. The results of foreign operations are translated at average rate of exchange for the year.

4.20.4 Translation gains and losses

Translation gains and losses arising on revaluations of net investment in foreign operations are taken to Exchange Translation Reserve in the statement of comprehensive income. These are recognised in the profit and loss account on disposal.

4.20.5 Commitments

Commitments for outstanding forward foreign exchange contracts disclosed in these consolidated financial statements are translated at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date.

4.21 Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those units or groups of units.

4.22 Earnings per share

The Group presents basic and diluted earnings per share (EPS). Basis EPS is calculated by dividing the profit or loss attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

4.23 Segment reporting

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

Segment information is presented as per the Group's functional structure and the guidance given under International Financial Reporting Standard (IFRS) 8. For management purposes, the Group has been organised into nine operating segments based on products and services, as follows:

4.23.1 Business segments

Retail Banking

Retail banking includes branch banking, small and medium enterprises, direct sales, private banking, product management, branch distribution network and tele sales.

Corporate / Commercial Banking

This includes corporate banking, commercial banking and institutional sales related loans, deposits and other transactions.

Treasury

This segment is responsible for asset / liability management and includes all treasury related products such as fixed income money market, FX and derivatives.

Investment, International & Institutional Banking

This segment includes international branch, financial institutions business, home remittances, cash management, employee banking, venture capital and green banking.

Zindigi

It is a digital platform catering branchless banking customers.

Islamic Banking

This segment includes Islamic Banking operations of the Group.

Notes to the Consolidated Financial Statements

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Brokerage

This includes brokerage commission earned on transactions in capital, money, foreign exchange and commodity markets.

Asset management

This includes fee for services rendered in connection with advisory and management of mutual funds.

Others

This includes the head office related activities and other functions which cannot be classified in any of the above segments.

4.23.2 Geographical segment

The Group operates in two geographic regions being:

- Pakistan
- Bahrain

4.24 Pool Management

The Islamic Banking Subsidiary of the Group - BankIslami Pakistan Limited (BIPL) operates general and specific pools for deposits and inter-bank funds accepted / acquired under Mudarabah, Musharakah and Wakalah modes.

Under the general deposit pools, BIPL accepts funds on Mudarabah basis from depositors (Rab-ul-Maal) where BIPL acts as Manager (Mudarib) and invests the funds in the Shariah compliant modes of financings, investments and placements. When utilizing investing funds, BIPL prioritizes the funds received from depositors over the funds generated from own sources after meeting the regulatory requirement relating to such deposits.

Specific pools are operated for funds acquired / accepted from the State Bank of Pakistan, high net worth customers and other banks for Islamic Export Refinance Scheme to BIPL's customers and liquidity management respectively under the Musharakah / Mudarabah modes. The profit of each deposit pool is calculated on all the remunerative assets booked by utilizing the funds from the pool after deduction of expenses directly incurred in earning the income of such pool. The directly related costs comprise of depreciation on ijarah assets and takaful premium. No expense of general or administrative nature of expense is charged to the pools. No provisions against any non-performing asset of the pool is passed on to the pool except on the actual loss / write-off of such non-performing asset. The profit of the pool is shared between equity and other members of the pool on the basis of Musharakah at gross level (before charging of mudarib share) as per the investment ratio of the equity. The profit of the pool is shared among the members of the pool on pre-defined mechanism based on the weightages announced before the profit calculation period after charging of mudarib share.

The risk characteristic of each pool mainly depends on the asset and liability profile of each pool. As per BIPL's policy, relatively low risk / secured financing transactions and assets are allocated to general depositors' pool of PKR, USD, GBP and Euro. BIPL maintains General Pools, FI Pools, IERS pool and Equity pool. The general pools are exposed to general credit risk, asset ownership risk and profit rate risk of the underlying assets involved.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

4.24.1 General Pool

For General Pools, BIPL allocates PKR financing to Corporate, SME and Consumer Finance customers in diversified sectors and avenues of the economy / business. Investments in Sovereign Guarantee Sukuk, Bai Muajjal with State Bank of Pakistan and Bai Muajjal with Government of Pakistan and other financial institutions are also done through General Pools. All remunerative deposits are tagged to these general pools and their funds generated from the depositors are invested on priority basis. Due to limited investment options in USD, GBP and Euro pools, funds from FCY pools are invested in available International Sukuk, Shariah Complaint Nostro accounts and remaining funds are taken out and invested in PKR general pool as part of equity. In such cases return from PKR General Pool is given back to FCY pools, so that returns can be passed on to FCY pool customers accordingly.

4.24.2 Special Mudarabah Pool

Special Mudarabah Pools are created to manage returns of High Net Worth depositors and Government institutions. The funds received against these deposits are invested in various Shariah compliant assets.

4.24.3 Specific Musharakah Pool

Islamic Export Refinance Scheme (IERS) Pool

The IERS pool assets comprise of Sovereign Guarantee Sukuks, and financings to / Sukuks of blue chip companies and exporters as allowed under the applicable laws and regulations, and are exposed to lower credit risk. The Musharakah with SBP under IERS is tagged to the IERS pool.

Other Specific Musharakah Pool

The Other Specific Musharakah Pool assets comprise of consumer housing finance portfolio, Sukuk and the related liability of the pool comprises of Musharakah Acceptance from a financial institution. This pool is created to fund the housing finance portfolio.

Financial Institution (FI) Pools

The FI pools assets generally comprise of Sovereign Guarantee Sukuks only and the related liability of the FI pools comprise of Musharakah / Mudarabah / Wakalah Acceptance from other banks and financial institutions. These pools are created to meet the liquidity requirements of BIPL.

5. Application of IFRS 9, 'Financial Instruments'

As directed by SBP via BPRD Circular No. 07 dated April 13, 2023, IFRS 9, 'Financial Instruments' is effective for periods beginning on or after January 01, 2024, for all banks.

SBP via its BPRD Circular No. 03 dated July 05, 2022 has provided detailed instructions on implementation of IFRS 9 (the Application Instructions) for ensuring smooth and consistent implementation of the standard across banks.

IFRS 9 replaces the existing guidance in IAS 39, 'Financial Instruments: Recognition and Measurement'. The standard includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

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For the year ended December 31, 2023

The Group will adopt IFRS 9 in its entirety effective January 01, 2024, with modified retrospective approach for restatement. During the year, the management of the Group continued to perform parallel run assessments for IFRS 9, taking into account the SBP's IFRS 9 application instructions. The assessments were based on available information that existed at respective parallel run reporting cut offs and were subject to changes that could arise from further reasonable and supportable information being made available to the Group at the time of finalizing the impact for initial application of IFRS 9. Banks expect an increase in the loss allowance resulting in a negative impact on equity. In addition, Banks will implement changes in classification of certain financial instruments. These changes and impacts for the Group are discussed below.

5.1 Classification and measurement

Under the new standard, classification and measurement of financial assets depends on how these are managed (the Group's business model) and their contractual cash flow characteristics. Financial assets that do not meet the Solely Payment of Principal and Interest (SPPI) criteria are required to be measured at fair value through profit or loss regardless of the business model in which they are held. The Group's business model in which financial assets are held will determine whether the financial assets are to be measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The Group has analysed the impact of initial application of IFRS 9 on its financial assets as follows.

Equity Securities

Equity instruments are generally measured as FVTPL unless the Group elects for FVOCI at initial recognition.

For equity shares held as available-for-sale (AFS) with surplus / deficit recorded in OCI, the Group may elect these equity shares as FVOCI. However, in accordance with IFRS 9 requirements, fair value gains or losses recognised in OCI will not be recycled to profit and loss account on derecognition of these securities.

For those equity shares currently held as AFS with gains and losses recorded in OCI for which FVOCI election is not made, will be measured at FVTPL, with marked to market impacts recorded in profit and loss account for future periods. The surplus / deficit related to these securities currently presented in equity, will be reclassified to retained earnings, with no impact on overall equity with respect to such classification.

Unquoted equity securities are required to be measured at fair value under IFRS 9, however, SBP has allowed relaxation till December 31, 2023, to carry these investments under the current PR regime.

Debt securities and Islamic financing and related assets

Those debt securities that are currently classified as AFS and pass the SPPI test, are expected to be measured at FVOCI under IFRS 9 as the Group's business model is to hold the assets to collect contractual cash flows and sell those investment. Debt securities currently classified as HTM and Islamic financing assets which pass the SPPI test are expected to be measured at amortised cost under IFRS 9 as the Group's business model is to hold the assets to collect contractual cash flows.

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

For certain debt securities which are currently classified as AFS and incase the Group decides to designate the same under the Held to Collect Business Model with the intention to collect the future cash flows on initial recognition as permitted under IFRS 9, the mark to market gain / loss pertaining to these securities will be reversed from the surplus / deficit and adjusted against the book value of securities at initial recognition. This will have an impact on the overall retained earnings which will be consolidated in the opening retained earnings adjustment under IAS 8 (modified retrospective application criteria) in addition to the ECL impact.

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5.2 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, a provision is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL).

Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is 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 should be unbiased and probability-weighted and would 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 would take into account the time value of money.

Based on the requirements of IFRS 9 and SBP's IFRS 9 application instructions, the Group has performed an ECL assessment considering the key elements such as assessment of Significant Increase in Credit Risk (SICR), Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). These elements are described below:

- PD: The probability that a counterparty will default, calibrated over the 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating forward looking information.
- LGD: It is an estimate of magnitude of loss sustained on any facility upon default by a customer. It is expressed as a percentage of the exposure outstanding on the date of classification of an obligor. It is the difference between contractual cash flows due and those that the Group expects to receive, including any form of collateral.
- EAD: the expected balance sheet exposure at the time of default, incorporating expectations on drawdowns, amortisation, pre-payments and forward-looking information where relevant.

For the purpose of calculation of ECL, the Group has used 5 years data till December 31, 2023, and going forward, one more year's data shall be included until the Group has at least 10 years data.

5.3 Significant increase in credit risk (SICR)

A SICR is assessed in the context of an increase in the risk of a default occurring over the life of the financial instrument when compared to that expected at the time of initial recognition. It is not assessed in the context of an increase in the ECL. The Group uses a number of qualitative and quantitative measures in assessing SICR. Quantitative measures relate to deterioration of Obligor Risk Ratings (ORR) or where principal and / or interest / profit payments are 60 days or more past due. Qualitative factors include unavailability of financial information and pending litigations.

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

As required by the Application Instructions, financial assets may be reclassified out of stage 3 if they meet the requirements of Prudential Regulations (PR) issued by SBP. Financial assets in stage 2 may be reclassified to stage 1 if the conditions that led to a SICR no longer apply. However, a minimum period of 6 months from initial downgrade is required before any facility is moved back to stage 1 from stage 2. For a facility to move back from stage 3 to stage 2, it should meet the criteria defined under the respective Prudential Regulations for de-classification of account / facility. An exposure cannot be upgraded from stage 3 to stage 1 directly and should be upgraded to stage 2 initially.

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5.4 Presentation and disclosure

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

The SBP vide BPRD Circular No. 03 dated February 09, 2023, has issued revised formats for annual as well as interim financial statements of banks for the accounting periods starting from January 01, 2024, which include the presentation and disclosures of adoption of IFRS 9 as applicable in Pakistan.

5.5 Islamic financing related fee

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

5.6 Additional requirements and exceptions introduced by SBP Instructions

SBP has enforced the application of IFRS 9 in its entirety except for some exceptions and additional requirements. A high-level comparison of such exceptions that are relevant to the Group is as follows:

(i) Use of Fair Value Option for financial assets

IFRS 9 allows entities to irrevocably designate, at initial recognition, a financial asset as measured at FVTPL if doing so eliminates or significantly reduces any 'accounting mismatch' that would otherwise arise from measuring assets or liabilities or recognising gains and losses on them on different bases. SBP instructions state that banks may apply the fair value option if, in addition to the IFRS 9 criterion, (a) it is consistent with a documented risk management strategy, and (b) fair values are reliable at inception and throughout life of the instrument. Nonetheless, banks should avoid this option for financial instruments that are categorised as Level 3 in terms of the IFRS 13 hierarchy.

(ii) Unquoted equity securities

SBP has advised banks to measure investment in unquoted equity securities at lower of cost or breakup value till December 31, 2023.

In case where the breakup value of such securities is less than the cost, the difference of the cost and the breakup value will be classified as loss and provided for by charging it to the profit and loss account.

(iii) Rebuttable presumptions about default and SICR

IFRS 9 includes a rebuttable presumption that a default does not occur later than 90 days past due and it also presumes that there is SICR if credit exposure is more than 30 days past due. In order to bring consistency, SBP has allowed the backstop to the rebuttable presumption of days past due of credit portfolio against a specific credit facility and its stage allocation under IFRS 9 as mentioned in Annexure-C of BPRD Circular No. 03 dated July 05, 2022. However, banks are free to choose more stringent days past due criteria.

(iii) Income recognition on impaired assets

The banks are advised to recognise income on impaired assets (loans classified under PRs i.e., OAEM and stage 3 loans) on a receipt basis in accordance with the requirements of Prudential Regulations issued by SBP.

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For the year ended December 31, 2023

(iii) Impact of Provisions on Regulatory Capital

The banks are allowed to include provisions for stage 1 and stage 2 in Tier 2 capital up to a limit of 1.25% of total credit risk-weighted assets. In order to mitigate the impact of ECL provisioning on capital, a transitional arrangement is allowed to the banks to absorb the impact on regulatory capital. Accordingly, banks, which choose to apply transitional arrangement, may implement this arrangement in accordance with SBP's Guideline for absorption of ECL for CAR purposes as mentioned in Annexure-C of BPRD Circular No. 03 dated July 05, 2022.

5.7 Impact of adoption of IFRS 9

The Group will adopt IFRS 9 in its entirety effective January 01, 2024, with modified retrospective approach for restatement. The actual impact of adopting IFRS 9 on the Group's financial statements in the year 2023 may not be accurately estimated because it will be dependent on the financial instruments that the Group would hold during next year and economic conditions at that time as well as accounting elections and judgements that it will make in future. Nevertheless, the Group has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at December 31, 2023.

The total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Group's equity at January 01, 2024, is given below:

- a decrease of approximately Rs. 1,246.515 million in the Group's equity related to additional provision requirements as per IFRS 9; and
- an increase of approximately Rs. 610.792 million in the Group's equity related to deferred tax impacts.

5.8 Impact on regulatory capital

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

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

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

	As per adopted IFRS 9	As per current Standards
Common Equity Tier 1 Capital Adequacy ratio	11.07%	9.97%
Tier 1 Capital Adequacy Ratio	12.47%	11.27%
Total Capital Adequacy Ratio	16.46%	13.70%

5.9 Governance, ownership and responsibilities

The Group has adopted a governance framework requiring the Risk, Finance, Operations, Internal Audit and IT functions to effectively work together to ensure input from all business lines. IFRS 9 requires robust credit risk models that can predict Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

Notes to the Consolidated Financial Statements

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6.	CASH AND BALANCES WITH TREASURY BANKS	Note	2023 ----- Rupees in '000 -----	2022
	In hand:			
	Local currency		19,834,818	7,824,569
	Foreign currencies		3,479,237	488,360
			23,314,055	8,312,929
	With State Bank of Pakistan in:			
	Local currency current accounts	6.1	41,887,252	15,207,132
	Foreign currency current accounts	6.2	2,071,676	815,151
	Foreign currency deposit accounts	6.3	4,614,459	364,657
	Cash reserve account	6.4	969,037	-
	Special cash reserve account	6.4	1,206,364	-
	US dollar clearing account		38,902	-
			50,787,690	16,386,940
	With National Bank of Pakistan in local currency current accounts		8,059,788	58,322
	National Prize Bonds		20,927	7,057
			82,182,460	24,765,248

- 6.1** This represents local currency current accounts maintained under the Cash Reserve Requirement of the SBP.
- 6.2** This represents cash reserve account maintained with SBP at an amount equivalent to at least 5% per annum (2022: 5% per annum) of the Bank's foreign currency deposits mobilised under FE-25 scheme.
- 6.3** This represent a foreign currency deposit account maintained under the Special Cash Reserve Requirement (SCRR) of the SBP Profit rates on these deposits are fixed by SBP on a monthly basis. It also includes a foreign currency settlement account maintained with the SBP which carries mark-up at a rate of 4.34% per annum (2022: 3.14% per annum).
- 6.4** As per BSD Circular No. 15 dated June 21, 2008, cash reserve of 5% and Special cash reserve of 6% are required to be maintained with the State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits). These accounts are non-remunerative in nature.

7.	BALANCES WITH OTHER BANKS	Note	2023 ----- Rupees in '000 -----	2022
	In Pakistan			
	In current accounts		40,691	260,350
	In deposit accounts		165,785	54,108
			206,476	314,458
	Outside Pakistan			
	In current accounts	7.1	4,908,757	1,545,369
	In deposit accounts	7.2	186,921	-
			5,302,154	1,859,827
	Less: Provision under IFRS 9	7.3	(74)	(35)
	Balances with other banks - net of provision		5,302,080	1,859,792

- 7.1** This includes amount held in Automated Investment Plans. The Group is entitled to earn interest from the foreign correspondent banks at agreed upon rates when the balance exceeds a specified amount which comes upto 4.83% per annum (2022: 3.83% per annum).

Notes to the Consolidated Financial Statements

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7.2 This includes deposit placement outside Pakistan with an Islamic banking division of a foreign bank under Wakalah arrangement. The profit rate on these arrangements is 2.25% to 3.00% per annum.

7.3 This represents provision held under IFRS 9 by Bahrain branch of the Bank.

8.	LENDINGS TO FINANCIAL INSTITUTIONS	Note	2023	2022
			----- Rupees in '000 -----	
	Repurchase agreement lendings (Reverse Repo)		-	11,351,162
	Unsecured			
	Bai Muajjal receivable	8.2	16,502,138	-
	Other placements		17,820	-
			<u>16,519,958</u>	11,351,162
	Less: provision held against lendings	8.4	(17,820)	-
			<u>16,502,138</u>	<u>11,351,162</u>

8.1 Particulars of lendings - gross

In local currency	16,519,958	11,351,162
In foreign currencies	-	-
	<u>16,519,958</u>	<u>11,351,162</u>

8.2 The average return on this product ranges between 22.05% to 22.35% per annum. The balances have maturities ranging between 6 days to 110 days.

8.3 Securities held as collateral against repurchase agreement lendings (reverse repo)

	2023			2022		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	----- Rupees in '000 -----					
Market Treasury Bills	-	-	-	11,053,559	-	11,053,559
Pakistan Investment Bonds	-	-	-	307,459	-	307,459
	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,361,018</u>	<u>-</u>	<u>11,361,018</u>

8.4	Category of classification	2023		2022	
		Classified lendings	Provision	Classified lendings	Provision
		----- Rupees in '000 -----			
		<u>17,820</u>	<u>17,820</u>	<u>-</u>	<u>-</u>

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9. INVESTMENTS

	2023				2022			
	Cost / Amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / Amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
9.1 Investments by type	Notes ----- Rupees in '000 -----							
Held-for-trading securities								
<i>Federal Government Securities</i>								
Market Treasury Bills	47,974	-	(49)	47,925	33,538	-	(107)	33,431
<i>Non Government Debt Securities</i>								
Listed								
Term Finance Certificates	126,688	-	-	126,688	-	-	-	-
Shares								
Listed Companies								
Ordinary shares	550,760	-	17,974	568,734	559,170	-	11,528	570,698
Open End Mutual Funds	703,597	-	66,409	770,006	546,355	-	1,762	548,117
	1,429,019	-	84,334	1,513,353	1,139,063	-	13,183	1,152,246
Available-for-sale securities								
<i>Federal Government Securities</i>								
Market Treasury Bills	427,432	-	25	427,457	40,317,081	-	(395,161)	39,921,920
Pakistan Investment Bonds - Fixed	28,540,271	-	(1,124,212)	27,416,059	34,811,083	-	(1,399,722)	33,411,361
Pakistan Investment Bonds - Floater	110,030,211	-	1,001,079	111,031,290	69,406,348	-	(31,328)	69,375,020
Government of Pakistan Eurobonds	1,853,745	(124,556)	(224,752)	1,504,437	1,470,530	(49,083)	(743,736)	677,711
Government of Pakistan Ijarah Sukuks	272,237,369	-	5,630,029	277,867,398	-	-	-	-
Shares								
Listed Companies								
Ordinary shares	2,545,088	-	1,614,519	4,159,607	3,213,934	-	1,936,543	5,150,477
Preference shares	136,589	(136,589)	-	-	136,589	(136,589)	-	-
Unlisted Companies								
Ordinary shares	602,944	(591,680)	-	11,264	11,000	-	-	11,000
<i>Non Government Debt Securities</i>								
Listed								
Term Finance Certificates	468,053	(218,053)	(15,412)	234,588	523,541	(143,446)	28	380,123
Sukuk Certificates	30,737,251	-	303,558	31,040,809	263,884	-	92	263,976
Unlisted								
Term Finance Certificates	683,150	(583,150)	-	100,000	466,589	(466,589)	-	-
Sukuk Certificates	5,823,697	(35,880)	(4,537)	5,783,280	1,212,440	-	-	1,212,440
Preference shares	27,733	(27,733)	-	-	27,733	(27,733)	-	-
<i>Foreign Securities</i>								
Government Debt Securities	18,554,551	(189,192)	(95,171)	18,270,188	410,164	(129,576)	(146,817)	133,771
Non Government Debt Securities	371,295	(52)	2,710	373,953	679,632	(394)	(5,374)	673,864
Ordinary shares	1,254,201	(1,155,350)	(14,258)	84,593	335,143	-	(28,705)	306,438
Open End Mutual Funds	153,920	-	310,750	464,670	951,370	-	32,261	983,631
	474,447,500	(3,062,235)	7,384,328	478,769,593	154,237,061	(953,410)	(781,919)	152,501,732
Held-to-maturity securities								
<i>Federal Government Securities</i>								
Market Treasury Bills	29,887,607	-	-	29,887,607	105,615,196	-	-	105,615,196
Pakistan Investment Bonds - Fixed	10,461,059	-	-	10,461,059	10,136,487	-	-	10,136,487
Pakistan Investment Bonds - Floater	61,797,508	-	-	61,797,508	33,686,154	-	-	33,686,154
<i>Non Government Debt Securities</i>								
Unlisted								
Term Finance Certificates	92,145	(92,145)	-	-	-	-	-	-
	102,238,319	(92,145)	-	102,146,174	149,437,837	-	-	149,437,837
Associates								
	1,318,119	(1,102,111)	-	216,008	276,651	-	-	276,651
Subsidiaries								
	104,771	(104,771)	-	-	-	-	-	-
Total Investments	579,537,728	(4,361,262)	7,468,662	582,645,128	305,090,612	(953,410)	(768,736)	303,368,466

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

9.1.1 Investments include certain approved / government securities which are held by the Bank to comply with the Statutory Liquidity Requirement determined on the basis of the Bank's demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.

	2023				2022			
	Cost / Amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / Amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
9.2 Investments by segments	----- Rupees in '000 -----							
Federal Government Securities:								
Market Treasury Bills	30,363,013	-	(24)	30,362,989	145,965,815	-	(395,268)	145,570,547
Pakistan Investment Bonds - Fixed	39,001,330	-	(1,124,212)	37,877,118	44,947,570	-	(1,399,722)	43,547,848
Pakistan Investment Bonds - Floaters	171,827,719	-	1,001,079	172,828,798	103,092,502	-	(31,328)	103,061,174
Government of Pakistan Eurobonds	1,853,745	(124,556)	(224,752)	1,504,437	1,470,530	(49,083)	(743,736)	677,711
Government of Pakistan Ijarah Sukuks	272,237,369	-	5,630,029	277,867,398	-	-	-	-
	515,283,176	(124,556)	5,282,120	520,440,740	295,476,417	(49,083)	(2,570,054)	292,857,280
Shares								
Listed Companies	3,232,437	(136,589)	1,632,493	4,728,341	3,909,693	(136,589)	1,948,071	5,721,175
Unlisted Companies	602,944	(591,680)	-	11,264	11,000	-	-	11,000
	3,835,381	(728,269)	1,632,493	4,739,605	3,920,693	(136,589)	1,948,071	5,732,175
Mutual Funds	857,517	-	377,159	1,234,676	1,497,725	-	34,023	1,531,748
Non Government Debt Securities								
Listed Companies	31,331,992	(218,053)	288,146	31,402,085	787,425	(143,446)	120	644,099
Unlisted Companies	6,626,725	(738,908)	(4,537)	5,883,280	1,706,762	(494,322)	-	1,212,440
	37,958,717	(956,961)	283,609	37,285,365	2,494,187	(637,768)	120	1,856,539
Foreign Securities								
Government Debt Securities	18,554,551	(189,192)	(95,171)	18,270,188	410,164	(129,576)	(146,817)	133,771
Non Government Debt Securities	371,295	(52)	2,710	373,953	679,632	(394)	(5,374)	673,864
Ordinary shares	1,254,201	(1,155,350)	(14,258)	84,593	335,143	-	(28,705)	306,438
	20,180,047	(1,344,594)	(106,719)	18,728,734	1,424,939	(129,970)	(180,896)	1,114,073
Associates								
Omar Jibran Engineering Industries Limited	204,619	-	-	204,619	236,194	-	-	236,194
Veda Transit Solutions (Private) Limited	11,389	-	-	11,389	40,457	-	-	40,457
Shakarganj Food Products Limited	627,942	(627,942)	-	-	-	-	-	-
KASB Capital Limited	41,867	(41,867)	-	-	-	-	-	-
KASB Funds Limited	432,302	(432,302)	-	-	-	-	-	-
	1,318,119	(1,102,111)	-	216,008	276,651	-	-	276,651
Subsidiary								
My Solutions Corporation Limited	104,771	(104,771)	-	-	-	-	-	-
Total Investments	579,537,728	(4,361,262)	7,468,662	582,645,128	305,090,612	(953,410)	(768,736)	303,368,466

	2023		2022	
	Cost	Market value	Cost	Market value
9.2.1 Investments given as collateral	----- Rupees in '000 -----			
Federal Government Securities:				
Government of Pakistan Ijarah Sukuks	35,314,000	36,278,840	-	-
Non Government Debt Securities	-	-	62,800,000	62,198,080
	35,314,000	36,278,840	62,800,000	62,198,080

	Note	2023	2022
		----- Rupees in '000 -----	
9.3 Provision for diminution in value of investments			
Opening balance		953,410	922,888
Additional impact upon acquisition of Subsidiary		2,678,462	-
Exchange adjustment		44,314	28,126
Charge for the year		627,943	24,570
Reversals for the year		(33,299)	(104,869)
	32	594,644	(80,299)
Impairment under IFRS 9 in Bahrain branch			
Charge during the year	32.1	90,432	82,695
Closing balance		4,361,262	953,410

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

9.3.1 The Bank has recognised provision (expected credit loss) under IFRS 9 of Rs. 313,800 million (2022: Rs. 179,053 million) held on foreign debt securities by Bahrain branch of the Bank.

9.3.2 Particulars of provision against debt securities

Category of classification	2023		2022	
	Non-performing Investments	Provision	Non-performing Investments	Provision
----- Rupees in '000 -----				
Domestic				
Loss	1,233,212	956,961	637,768	637,768

9.4 Quality of Available-for-sale Securities

Details regarding quality of Available-for-sale securities are as follows:

	Cost	
	2023	2022
----- Rupees in '000 -----		
9.4.1 Federal Government Securities - Government guaranteed		
Market Treasury Bills	427,432	40,317,081
Pakistan Investment Bonds - Fixed	28,540,271	34,811,083
Pakistan Investment Bonds - Floater	110,030,211	69,406,348
Government of Pakistan Eurobonds	1,853,745	1,470,530
Government of Pakistan Ijarah Sukuks	272,237,369	-
	413,089,028	146,005,042

9.4.2 Shares

Listed Companies

Packaging	25,053	25,053
Oil and gas	399,824	399,824
Financial	329,813	1,169,012
Technology & Communication	575,475	692,637
Insurance	897,864	897,864
Fertilizer	287,377	-
Pharmaceutical	29,682	29,544
	2,545,088	3,213,934

Foreign companies

Automobile and transportation equipment	-	261,403
Financial	85,625	68,786
	85,625	85,625

Unlisted Companies	2023		2022	
	Cost	Breakup value	Cost	Breakup value
----- Rupees in '000 -----				
ISE Towers REIT Management Limited	11,000	22,404	11,000	21,534
Pakistan Export Finance Guarantee Agency Limited	5,680	-	-	-
Riverstone Consultancy Private Limited	28,000	32,567	-	-
Mutual Funds Association of Pakistan	264	-	-	-
New Horizon Exploration and Production Limited	558,000	464,751	-	-
	602,944	519,722	11,000	21,534

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

	2023		2022	
	Cost	Breakup value	Cost	Breakup value
	----- Rupees in '000 -----			
Foreign securities				
Society for Worldwide Interbank Financial Telecommunication (SWIFT) Evolence Capital Limited	13,226 <u>1,155,350</u> <u>1,168,576</u>	16,978 <u>1,532,420</u> <u>1,549,398</u>	4,954 - 4,954	8,052 - 8,052
	Cost			
	2023		2022	
	----- Rupees in '000 -----			
9.4.3 Non Government Debt Securities				
Listed				
AAA			-	44,249
AA+, AA, AA-	450,000			130,000
A+, A, A-	-			469,730
Unrated	30,755,304			143,446
	<u>31,205,304</u>			<u>787,425</u>
Unlisted				
AAA	2,408,996			-
AA+, AA, AA-	160,500			-
A+, A, A-	595,000			1,212,440
BB	1,109,153			-
Unrated	2,260,931			494,322
	<u>6,534,580</u>			<u>1,706,762</u>
	<u>37,739,884</u>			<u>2,494,187</u>
	2023		2022	
	Cost	Rating	Cost	Rating
	----- Rupees in '000 -----			
9.4.4 Foreign Securities				
Government debt securities				
Republic of Srilanka	563,721	C	410,164	SD
US Treasury bills	17,990,830	AA+	-	
	<u>18,554,551</u>		<u>410,164</u>	
Non Government debt securities				
Kuwait Projects	-	-	679,632	-
Qatar Islamic Bank	140,999	A-	-	-
Mamoura Diversified Global Holding	230,296	AA	-	-
	<u>371,295</u>		<u>679,632</u>	
9.5 Quality of Held-to-maturity Securities				
Details regarding quality of Held-to-maturity securities are as follows:				
	2023		2022	
	----- Rupees in '000 -----			
9.5.1 Federal Government Securities - Government guaranteed				
Market Treasury Bills	29,887,607		105,615,196	
Pakistan Investment Bonds - Fixed	10,461,059		10,136,487	
Pakistan Investment Bonds - Floater	61,797,508		33,686,154	
	<u>102,146,174</u>		<u>149,437,837</u>	
9.6	The market value of securities classified as held-to-maturity as at December 31, 2023 amounted to Rs. 100,310.906 million (2022: Rs. 147,022.393 million).			

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

9.7 Investment in associates

9.7.1 Movement of investment in associates

		2023						
Country of incorporation	Holding	Investment at the beginning of the year	Investment / (redemption) during the year	Share of loss	Dividend received	Share of other comprehensive income	Investment at the end of the year	
----- Rupees in '000 -----								
Omar Jibran Engineering Industries Limited	Pakistan	9.60%	236,194	-	(31,575)	-	204,619	
Veda Transit Solutions Private Limited	Pakistan	3.92%	40,457	-	(29,068)	-	11,389	
			<u>276,651</u>	<u>-</u>	<u>(60,643)</u>	<u>-</u>	<u>216,008</u>	
		2022						
Country of incorporation	Holding	Investment at the beginning of the year	Investment / (redemption) during the year	Share of loss	Dividend received	Share of other comprehensive income	Investment at the end of the year	
----- Rupees in '000 -----								
Omar Jibran Engineering Industries Limited	Pakistan	9.60%	237,192	-	(998)	-	236,194	
Veda Transit Solutions Private Limited	Pakistan	3.92%	52,438	-	(11,981)	-	40,457	
			<u>276,651</u>	<u>-</u>	<u>(60,643)</u>	<u>-</u>	<u>216,008</u>	

9.7.2 The investments classified as associate on account of it's significant influence over the investee companies.

9.7.3 Summary of financial position and performance of associates

		2023				2022			
As at		Assets	Liabilities	Revenue	Profit / (loss)	Assets	Liabilities	Revenue	Profit / (loss)
----- Rupees in '000 -----									
Omar Jibran Engineering Industries Limited	Jun 30, 2023	5,372,772	2,430,640	2,345,882	(145,624)	5,022,767	2,308,053	3,458,393	145,018
Veda Transit Solutions Private Limited	Jun 30, 2022	4,242,630	3,236,774	2,468,979	(80,262)	4,242,630	3,236,774	2,468,979	(80,262)
Shakarganj Food Products Limited	Sep 30, 2023	10,335,484	6,782,556	15,068,704	166,682	-	-	-	-
KASB Funds Limited	Dec 31, 2015	46,465	32,465	23,640	(66,241)	-	-	-	-
KASB Capital Limited*	Dec 31, 2016	\$652,864	\$135,428	-	\$(34,084)	-	-	-	-

*This represents the full USD amount as the company is incorporated in Mauritius.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

10.	ADVANCES	Note	Performing		Non-Performing		Total	
			2023	2022	2023	2022	2023	2022
			Rupees in '000					
	Loans, cash credits, running finances, etc.	10.1	187,280,380	212,648,027	21,170,983	16,311,887	208,451,363	228,959,914
	Bills discounted and purchased		11,025,154	10,021,695	684,295	-	11,709,449	10,021,695
	Islamic financing and related assets	10.2	230,973,261	-	17,219,814	-	248,193,075	-
	Advances - gross		429,278,795	222,669,722	39,075,092	16,311,887	468,353,887	238,981,609
	Provision against advances							
	- Specific		-	-	(29,109,710)	(7,210,740)	(29,109,710)	(7,210,740)
	- General		(4,768,909)	(200,614)	-	-	(4,768,909)	(200,614)
	- Provision under IFRS-9	10.5.5	(21,894)	(11,500)	-	-	(21,894)	(11,500)
		10.5	(4,790,803)	(212,114)	(29,109,710)	(7,210,740)	(33,900,513)	(7,422,854)
	Advances - net of provision		424,487,992	222,457,608	9,965,382	9,101,147	434,453,374	231,558,755

10.1 Particulars of net investment in finance lease

	2023				2022			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000							
Lease rentals receivable	2,817,529	1,935,201	17,321	4,770,051	3,045,170	2,774,814	39,047	5,859,031
Guaranteed residual value	650,172	993,678	17,305	1,661,155	1,001,802	1,401,925	18,504	2,422,231
Minimum lease payments	3,467,701	2,928,879	34,626	6,431,206	4,046,972	4,176,739	57,551	8,281,262
Finance charges for future periods	(536,150)	(487,044)	(3,926)	(1,027,120)	(591,410)	(552,753)	(4,258)	(1,148,421)
Present value of minimum lease payments	2,931,551	2,441,835	30,700	5,404,086	3,455,562	3,623,986	53,293	7,132,841

10.2	Islamic financing and related assets	Performing		Non-Performing		Total	
		2023	2022	2023	2022	2023	2022
		Rupees in '000					
	Running Musharakah	100,625,553	-	1,444,955	-	102,070,508	-
	Diminishing Musharakah financing and related assets - others	45,889,901	-	3,529,814	-	49,419,715	-
	Diminishing Musharakah - Housing	23,553,066	-	2,019,821	-	25,572,887	-
	Istisna financing and related assets	20,455,759	-	3,630,366	-	24,086,125	-
	Diminishing Musharakah financing and related assets - Auto	16,380,932	-	538,620	-	16,919,552	-
	Murabahah financing and related assets	16,073,181	-	397,002	-	16,470,183	-
	Musawamah financing and related assets / Tijarah	3,781,236	-	5,024,205	-	8,805,441	-
	Investment Agency Wakalah	2,730,590	-	-	-	2,730,590	-
	Murabahah against Bills	671,556	-	192,048	-	863,604	-
	Ijarah financing under IFAS 2 and related assets	288,755	-	161,958	-	450,713	-
	Financing against Bills	209,100	-	-	-	209,100	-
	Qardh-e-Hasana	48,226	-	121,025	-	169,251	-
	Musharakah financing	-	-	160,000	-	160,000	-
	Past Due Acceptance	155,972	-	-	-	155,972	-
	Net investment in Ijarah financing in Pakistan	85,343	-	-	-	85,343	-
	Housing finance portfolio - others	24,091	-	-	-	24,091	-
	Islamic financing and related assets - gross	230,973,261	-	17,219,814	-	248,193,075	-
	Provision against islamic financing and related assets						
	- Specific	-	-	(13,837,297)	-	(13,837,297)	-
	- General	(4,391,404)	-	-	-	(4,391,404)	-
		(4,391,404)	-	(13,837,297)	-	(18,228,701)	-
	Islamic financing and related assets - net of provision	226,581,857	-	3,382,517	-	229,964,374	-

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

10.3	Particulars of advances (gross)	2023	2022
		----- Rupees in '000 -----	
	In local currency	454,582,565	229,793,447
	In foreign currencies	13,771,322	9,188,162
		468,353,887	238,981,609

10.4 Advances include Rs. 39,075.092 million (2022: Rs. 16,311.887 million) which have been placed under non-performing status as detailed below:

Category of classification	2023		2022	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
	----- Rupees in '000 -----			
Domestic				
Other Assets Especially Mentioned *	757,584	2,154	413,839	252
Substandard	2,345,892	352,882	1,300,581	171,165
Doubtful	4,680,410	1,092,320	1,808,030	462,049
Loss	31,291,206	27,662,354	12,789,437	6,577,274
Total	39,075,092	29,109,710	16,311,887	7,210,740

* The Other Assets Especially Mentioned category pertains to agriculture, housing and small enterprises financing.

10.5 Particulars of provision against advances

Note	2023				2022			
	Specific	General	Provision under IFRS 9	Total	Specific	General	Provision under IFRS 9	Total
	----- Rupees in '000 -----							
Opening balance	7,210,740	200,614	11,500	7,422,854	6,569,829	87,787	25,193	6,682,809
Additional impact upon acquisition of subsidiary	17,593,812	3,242,903	-	20,836,715	-	-	-	-
Exchange adjustments	-	-	2,856	2,856	-	-	5,122	5,122
Charge for the year	5,189,705	1,376,836	7,538	6,574,079	1,731,847	112,827	-	1,844,674
Reversals for the year	(829,895)	(51,444)	-	(881,339)	(870,683)	-	(18,815)	(889,498)
	4,359,810	1,325,392	7,538	5,692,740	861,164	112,827	(18,815)	955,176
Amount written off	(54,652)	-	-	(54,652)	(220,253)	-	-	(220,253)
Closing Balance	29,109,710	4,768,909	21,894	33,900,513	7,210,740	200,614	11,500	7,422,854

10.5.1 Particulars of provision against non-performing advances

Note	2023				2022			
	Specific	General	Provision under IFRS 9	Total	Specific	General	Provision under IFRS 9	Total
	----- Rupees in '000 -----							
In local currency	29,109,710	4,768,909	-	33,878,619	7,210,740	200,614	-	7,411,354
In foreign currency	-	-	21,894	21,894	-	-	11,500	11,500
	29,109,710	4,768,909	21,894	33,900,513	7,210,740	200,614	11,500	7,422,854

Notes to the Consolidated Financial Statements

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10.5.2 This includes reversal of provision of Nil (2022: Rs. 104.477 million) against reduction in non-performing loans of Rs. 2,977.400 million (2022: Rs. 542.248 million) of certain borrowers under 'Debt Property Swap' transactions.

10.5.3 The State Bank of Pakistan through various circulars has allowed benefit of the forced sale value (FSV) of Plant and Machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against non-performing loans (NPLs) for a maximum of five years from the date of classification. As at December 31, 2023, the Bank has availed cumulative FSV benefit under the directives of the State Bank of Pakistan (SBP) of Rs. 4,551.312 million (2022: Rs. 6,820.087 million).

The additional profit arising from availing the FSV benefit - net of tax amounts to Rs. 1,968.675 million (2022: Rs 3,478.244 million). The additional impact on profitability arising from availing the benefit of FSV shall not be available for payment of cash or stock dividend to shareholders or bonus to employees under the requirement of Regulation R-8 of Corporate / Commercial Banking of the SBP.

10.5.4 The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of a certain Public Sector Entity (PSE) which is fully guaranteed by the Government of Pakistan. No provision is required against these loans as per SBP letter; however, mark-up overdue by 90 days and above is being suspended.

10.5.5 This represents provision held under IFRS 9 by Bahrain branch of the Bank.

10.5.6 Advances - deferred & restructured / rescheduled

The SBP vide BPRD Circular No. 13 dated March 26, 2020, has relaxed certain classification criteria of SBP Prudential Regulation R-8 (Classification and Provisioning of Assets). Accordingly, certain exposures of the Group as at December 31, 2023 relating to facilities of customers have not been classified as non-performing on account of such relaxation.

	2023	2022
	----- Rupees in '000 -----	
10.6 Particulars of write offs:		
10.6.1 Against provisions	54,652	220,253
Directly charged to profit and loss account	-	-
	<u>54,652</u>	<u>220,253</u>
10.6.2 Write offs of Rs.500,000 and above	6,947	4,167
Write offs of below Rs.500,000	47,705	216,086
	<u>54,652</u>	<u>220,253</u>

10.7 Details of loan write off of Rs. 500,000 and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand and above allowed to a person(s) during the year ended is given in Annexure-I to the unconsolidated financial statements. However, these write-offs do not affect the Bank's right to recover debts from these customers.

		2023	2022
		---- Rupees in '000 ----	
11. FIXED ASSETS	Note		
Capital work-in-progress	11.1	1,990,955	883,380
Property and equipment	11.2	20,250,646	7,894,072
Right-of-use assets	11.3	5,848,280	2,457,244
		<u>28,089,881</u>	<u>11,234,696</u>
11.1 Capital work-in-progress			
Civil works		1,517,359	197,727
Advances to supplier		311,448	290
Equipment		162,148	685,363
		<u>1,990,955</u>	<u>883,380</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

11.2 Property and equipment

		2023						
		Leasehold land	Building on leasehold land	Leasehold improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
Note		Rupees in '000						
At January 01, 2023								
	Cost / Revalued amount	1,728,122	3,305,685	2,351,631	1,114,238	4,717,951	209,883	13,427,510
	Accumulated depreciation	-	(563,092)	(1,041,611)	(568,942)	(3,241,736)	(118,057)	(5,533,438)
	Net book value	<u>1,728,122</u>	<u>2,742,593</u>	<u>1,310,020</u>	<u>545,296</u>	<u>1,476,215</u>	<u>91,826</u>	<u>7,894,072</u>
Year ended December 2023								
	Opening net book value	1,728,122	2,742,593	1,310,020	545,296	1,476,215	91,826	7,894,072
	Additional impact upon acquisition of subsidiary	3,278,500	4,056,191	-	1,540,376	1,271,011	50,058	10,196,136
11.2.1	Additions	-	617,158	278,036	1,160,625	2,097,362	257,983	4,411,164
	Movement in surplus on assets revalued during the year	-	-	-	-	-	-	-
	Disposals	(405,000)	(103,688)	(11,384)	(76,743)	(27,869)	(18,266)	(642,950)
29	Depreciation charge	-	(149,255)	(235,297)	(216,189)	(976,402)	(35,347)	(1,612,490)
	Exchange rate adjustments	-	-	3,352	625	507	677	5,161
	Other adjustments / transfers	-	524	180,895	(181,516)	(329)	(21)	(447)
	Closing net book value	<u>4,601,622</u>	<u>7,163,523</u>	<u>1,525,622</u>	<u>2,772,474</u>	<u>3,840,495</u>	<u>346,910</u>	<u>20,250,646</u>
At December 31, 2023								
	Cost / Revalued amount	4,601,622	8,273,484	2,727,159	5,601,098	11,373,193	502,680	33,079,236
	Accumulated depreciation	-	(1,109,961)	(1,201,537)	(2,828,624)	(7,532,698)	(155,770)	(12,828,590)
	Net book value	<u>4,601,622</u>	<u>7,163,523</u>	<u>1,525,622</u>	<u>2,772,474</u>	<u>3,840,495</u>	<u>346,910</u>	<u>20,250,646</u>
	Rate of depreciation (%)	-	1.01 - 4.78	10	5 - 12.5	12.5 - 33.3	20	
		2022						
		Leasehold land	Building on leasehold land	Leasehold improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
		Rupees in '000						
At January 01, 2022								
	Cost / Revalued amount	1,728,122	3,165,956	1,613,059	986,316	4,203,821	232,981	11,930,255
	Accumulated depreciation	-	(455,364)	(861,858)	(520,749)	(2,816,914)	(139,903)	(4,794,788)
	Net book value	<u>1,728,122</u>	<u>2,710,592</u>	<u>751,201</u>	<u>465,567</u>	<u>1,386,907</u>	<u>93,078</u>	<u>7,135,467</u>
Year ended December 2022								
	Opening net book value	1,728,122	2,710,592	751,201	465,567	1,386,907	93,078	7,135,467
	Additions	-	213,947	771,722	159,405	707,859	43,318	1,896,251
	Movement in surplus on assets revalued during the year	-	-	-	-	-	-	-
	Disposals	-	(70,939)	(21,826)	(6,469)	(32,293)	(26,099)	(157,626)
	Depreciation charge	-	(110,567)	(193,109)	(73,891)	(587,343)	(19,083)	(983,993)
	Exchange rate adjustments	-	-	3,542	767	634	609	5,552
	Other adjustments / transfers	-	(440)	(1,510)	(83)	451	3	(1,579)
	Closing net book value	<u>1,728,122</u>	<u>2,742,593</u>	<u>1,310,020</u>	<u>545,296</u>	<u>1,476,215</u>	<u>91,826</u>	<u>7,894,072</u>
At December 31, 2022								
	Cost / Revalued amount	1,728,122	3,305,685	2,351,631	1,114,238	4,717,951	209,883	13,427,510
	Accumulated depreciation	-	(563,092)	(1,041,611)	(568,942)	(3,241,736)	(118,057)	(5,533,438)
	Net book value	<u>1,728,122</u>	<u>2,742,593</u>	<u>1,310,020</u>	<u>545,296</u>	<u>1,476,215</u>	<u>91,826</u>	<u>7,894,072</u>
	Rate of depreciation (%)	-	1.01 - 4.78	10	12.5	12.5 - 33.3	20	

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

11.2.1 This includes transfer from capital work in progress during the year of Rs. 1,217.585 million (2022: Rs. 1,313.014 million).

	2023	2022
	----- Rupees in '000 -----	
11.2.2 The cost of fully depreciated property and equipment still in use		
Leasehold improvements	1,125,105	310,451
Furniture and fixtures	408,714	206,457
Electrical, office and computer equipment	4,793,779	1,784,560
Vehicles	39,951	29,343
	<u>6,367,549</u>	<u>2,330,811</u>

11.2.3 The details of disposals of assets to related parties are given in Annexure-II to the consolidated financial statements.

11.2.4 The properties of the Bank were revalued by independent professional valuers as at December 31, 2021. The revaluation was carried out by M/s. Luckyhiya Associates Private Limited on the basis of professional assessment of present market values which resulted in increase in surplus by Rs. 347.037 million.

The total surplus against revaluation of fixed assets as at December 31, 2023 amounts to Rs. 1,695.623 million.

Had there been no revaluation, the carrying amount of revalued assets of the Group at December 31, would have been as follows:

	2023	2022
	----- Rupees in '000 -----	
Leasehold land	3,888,412	1,014,912
Building on leasehold land	6,181,110	1,980,278
	<u>10,069,522</u>	<u>2,995,190</u>

11.3 The carrying amounts of right-of-use assets

Opening balance		2,457,244	3,052,072
Additional impact upon acquisition of subsidiary		2,449,059	-
Additions		2,554,992	837,677
Termination of leases		(203,293)	(303,538)
Depreciation	29	(1,419,084)	(1,097,098)
Exchange rate adjustments		5,685	6,266
Other adjustments		3,677	(38,135)
Closing balance		<u>5,848,280</u>	<u>2,457,244</u>

12. INTANGIBLE ASSETS

Capital work-in-progress - Computer software		815,848	776,089
Computer software	12.1	3,213,292	1,599,281
Goodwill	12.1 & 12.3	4,407,921	1,463,624
Others		63,987	5,000
		<u>8,501,048</u>	<u>3,843,994</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

		2023			
		Computer software	Goodwill (note 12.3 & 12.4)	Others	Total
12.1	Intangible Assets				
	At January 01, 2023				
	Cost	2,530,575	1,463,624	8,227	4,002,426
	Accumulated amortisation	(931,294)	-	(3,227)	(934,521)
	Net book value	<u>1,599,281</u>	<u>1,463,624</u>	<u>5,000</u>	<u>3,067,905</u>
	Year ended December 2023				
	Opening net book value	1,599,281	1,463,624	5,000	3,067,905
	Additional impact upon acquisition of subsidiary	429,399	2,944,297	61,387	3,435,083
	Additions - directly purchased	1,529,174	-	(151)	1,529,023
	Disposals	-	-	-	-
	Amortisation charge	(343,525)	-	(2,249)	(345,774)
	Exchange rate adjustments	866	-	-	866
	Other adjustments / transfers	(1,903)	-	-	(1,903)
	Closing net book value	<u>3,213,292</u>	<u>4,407,921</u>	<u>63,987</u>	<u>7,685,200</u>
	At December 31, 2023				
	Cost	5,227,415	4,407,921	94,851	9,730,187
	Accumulated amortisation	(2,014,123)	-	(30,864)	(2,044,987)
	Net book value	<u>3,213,292</u>	<u>4,407,921</u>	<u>63,987</u>	<u>7,685,200</u>
	Rate of amortisation (%)	<u>10</u>			
	Useful life (years)	<u>10</u>			
		2022			
		Computer software	Goodwill	Others	Total
----- Rupees in '000 -----					
	At January 01, 2022				
	Cost	1,728,889	1,463,624	8,227	3,200,740
	Accumulated amortisation	(757,495)	-	(3,227)	(760,722)
	Net book value	<u>971,394</u>	<u>1,463,624</u>	<u>5,000</u>	<u>2,440,018</u>
	Year ended December 2022				
	Opening net book value	971,394	1,463,624	5,000	2,440,018
	Additions - directly purchased	799,385	-	-	799,385
	Disposals	-	-	-	-
	Amortisation charge	(172,389)	-	-	(172,389)
	Exchange rate adjustments	914	-	-	914
	Other adjustments / transfers	(23)	-	-	(23)
	Closing net book value	1,599,281	1,463,624	5,000	3,067,905
	Closing net book value	<u>3,213,292</u>	<u>4,407,921</u>	<u>63,987</u>	<u>7,685,200</u>
	At December 31, 2022				
	Cost	2,530,575	1,463,624	8,227	4,002,426
	Accumulated amortisation	(931,294)	-	(3,227)	(934,521)
	Net book value	<u>1,599,281</u>	<u>1,463,624</u>	<u>5,000</u>	<u>3,067,905</u>
	Rate of amortisation (%)	<u>10</u>			
	Useful life (years)	<u>10</u>			

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

- 12.1.1** This includes transfer from capital work in progress during the year of Rs. 1,163.641 million (2022: Rs. 799.385 million)
- 12.2** The cost of fully amortised intangible assets that are still in the Group's use amounted to Rs. 887.323 million (2022: Rs. 206.579 million)
- 12.3** Goodwill is recorded by the Bank upon the event fully disclosed in note 1.1. For impairment testing, goodwill has been allocated to 'Treasury' Segment as a Cash Generating Unit (CGU), which is also a reportable segment.

Key assumptions used in calculation of value-in-use

The recoverable amount of the CGU has been determined based on value-in-use calculation, using cash flow projections based on business plan approved by the Board of Directors of the Bank covering a five year period. The discount rates applied to cash flows beyond five years are extrapolated using a terminal growth rate. The following rates are used by the Bank.

	2023	2022
	----- Percentages -----	
- Discount rate	18.04	17.17
- Terminal growth rate	15.00	13.00

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

a) Interest margin

Interest margin is based on prevailing industry trends and anticipated market conditions.

b) Discount rates

Discount rate reflect management estimates of the rate of return required for each business and is calculated after taking into account the prevailing risk free rate, industry risk and business risk. Discount rate is calculated by using cost of equity of the Bank.

c) Key business assumptions

The assumptions are important as they represent management assessment of how the unit's position might change over the projected period. Based on the expansion plans, management expects aggressive growth in advances, investments and deposits during the projected periods and thereafter stabilisation in line with industry trends.

Management believes that any significant change in key assumptions, on which CGU's recoverable amount is based, may impact the carrying amount to further exceed its recoverable amount. Value-in-use calculation of the CGU are sensitive to changes in assumptions for interest rate spreads, Non Funded Income (NFI), long term growth rates and discount rates.

d) Sensitivity to changes in assumption

The estimated recoverable amount of the 'Treasury' CGU exceeds its carrying amount by approximately Rs. 15,841 million (2022: Rs. 5,245 million). Management has identified two key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The following table shows the amount that these two assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount.

	Changes required for carrying amount to equal recoverable amount	
	2023	2022
	----- Percentages -----	
- Discount rate	-0.72	1.28
- Terminal growth rate	0.87	-1.58

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

- 12.4** This includes goodwill recognised upon acquisition of defunct KASB Bank Limited Undertakings by BankIslami Pakistan Limited (BIPL) based on fair values of assets and liabilities. BIPL carried out Goodwill impairment testing as at December 31, 2023.

Key assumptions used in calculation of value-in-use

The recoverable amount of Goodwill has been determined based on value-in-use calculation, using cash flow projections based on financial projections approved by the management of BIPL covering a five year period. The discount rates applied to cash flows beyond five years are extrapolated using a terminal growth rate. The following rates are used by BIPL.

	2023	2022
	----- Percentages -----	
- Discount rate	20.66	19.30
- Terminal growth rate	5.00	5.00

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

a) Profit margins

Profit margins are based on prevailing industry trends and anticipated market conditions.

b) Discount rates

Discount rates reflect management estimates of the rate of return required for each business and are calculated after taking into account the prevailing risk free rate, industry risk and business risk. Discount rates are calculated by using cost of equity of BIPL.

c) Key business assumptions

The assumptions are important as they represent management assessment of how BIPL's financial position might change over the projected period. Based on the expansion plans, management expects aggressive growth in financing, investments and deposits during the projected periods and thereafter stabilization in line with industry trends.

Management believes that any significant change in key assumptions, on which Goodwill's recoverable amount is based, may impact the carrying amount to further exceed its recoverable amount. Value-in-use calculation of Goodwill are sensitive to changes in assumptions for profit rate spreads, Non-Funded Income (NFI), long term growth rates and discount rates.

d) Sensitivity to changes in assumption

The estimated recoverable amount of Goodwill exceeds its carrying amount by approximately Rs. 8,490.196 million. Management has identified two key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The following table shows the amount that these two assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount.

	Changes required for carrying amount to equal recoverable amount	
	2023	2022
	----- Percentages -----	
- Discount rate	5.18	1.28
- Terminal growth rate	-11.79	-1.58

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

13. OTHER ASSETS	Note	2023 ----- Rupees in '000 -----	2022
Income / mark-up accrued in local currency		45,926,699	12,324,859
Income / mark-up accrued in foreign currencies		163,513	33,276
Advances, deposits, advance rent and other prepayments		5,224,714	1,995,577
Acceptances		6,589,632	6,586,244
Dividend receivable		5,552	-
Receivable against bancassurance / bancatakaful		332,672	17,498
Advance taxation (payments less provision)		-	1,113,186
Defined benefit plan assets - net	37.5	-	119,523
Stationery and stamps on hand		21,290	17,729
Receivable in respect of home remittance		30,805	22,004
Due from State Bank of Pakistan		807,190	978,503
Non-banking assets acquired in satisfaction of claims	13.1	6,228,532	3,664,799
Mark to market gain on derivative instruments	23.2	-	14,874
Mark to market gain on forward foreign exchange contracts		1,642,158	1,108,517
Advance against investments in securities		1,178,306	1,178,306
Branchless banking fund settlement		202,425	326,775
Inter bank fund transfer settlement		1,079,395	1,164,134
Credit card settlement		498,755	338,269
Insurance claims receivable		27,302	27,437
Trade receivable from brokerage and advisory business - net		1,817,314	1,085,671
Balances due from funds under management		125,531	124,679
Others		1,197,153	629,129
		<u>73,098,938</u>	<u>32,870,989</u>
Less: Provision held against other assets	13.2	<u>(1,362,792)</u>	<u>(430,569)</u>
Other assets - net of provisions		<u>71,736,146</u>	<u>32,440,420</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	21.3	<u>588,826</u>	<u>107,426</u>
		<u>72,324,972</u>	<u>32,547,846</u>
13.1 Non-banking assets acquired in satisfaction of claims			
Market value of non-banking assets acquired in satisfaction of claims		<u>6,511,596</u>	<u>3,772,225</u>
13.1.1 Movement in non-banking assets acquired in satisfaction of claims at market value			
Opening balance		3,772,225	2,658,537
Additional impact upon acquisition of subsidiary		1,215,414	-
Additions	13.1.2	1,795,415	1,160,009
Disposal		(34,123)	(24,833)
Revaluation		414,025	-
Transfer to property and equipment		(617,158)	-
Depreciation	29	(34,074)	(21,488)
Incremental depreciation		(128)	-
		<u>6,511,596</u>	<u>3,772,225</u>
13.1.2			
During the year, the Bank has acquired properties of Rs. 1,795.415 million (2022: Rs. 1,160.009 million) against debt property swap transactions with borrowers resulting in reversal of provision of Nil (2022: Rs.104.477 million) against reduction in non-performing loans of Rs. 2,997.401 million (2022: Rs. 542.248 million).			

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

13.1.3 Non-banking assets acquired in satisfaction of claims of the Bank have been revalued by independent professional valuers as at December 31, 2023. The revaluation was carried out by M/s Pakistan Inspection Co. Private Limited. on the basis of professional assessment of present market values. The revaluation resulted in increase in revaluation surplus by Rs. 413.119 million.

Non-banking assets acquired in satisfaction of claims of BIPL have been revalued by independent professional valuers as at December 31, 2023. The revaluation was carried out by Gandhara Consultants Private Limited and Harvester Services Private Limited on the basis of professional assessment of present market values which resulted in an increase in surplus by Rs. 0.906 million.

	2023	2022
	----- Rupees in '000 -----	
13.2 Provision held against other assets		
Advances, deposits, advance rent and other prepayments	64,555	10,184
Trade receivable from brokerage and advisory business - net	430,225	419,328
Non-banking assets acquired in satisfaction of claims	305,762	-
Others	562,250	1,057
	<u>1,362,792</u>	<u>430,569</u>
13.2.1 Movement in provision held against other assets		
Opening balance	430,569	430,569
Additional impact upon acquisition of subsidiary	768,745	-
Charge for the year	163,478	13,870
Reversal for the year	-	(13,870)
	163,478	-
Closing balance	<u>1,362,792</u>	<u>430,569</u>
14. BILLS PAYABLE		
In Pakistan	10,394,456	5,083,176
Outside Pakistan	399,442	319,769
	<u>10,793,898</u>	<u>5,402,945</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

15. BORROWINGS	Note	2023 ----- Rupees in '000 -----	2022
Secured			
Borrowings from State Bank of Pakistan under:			
Export refinancing scheme	15.2	13,554,172	20,288,522
Long-term finance facility	15.3	2,972,509	2,337,963
Financing facility for storage of agricultural produce		176,993	133,097
Financing facility for renewable energy projects	15.4	1,797,675	1,078,480
Refinance for women entrepreneurs	15.5	179,462	82,127
Refinance scheme for payment of wages & salaries		-	7,179
Refinance facility for modernization of Small and Medium Enterprises (SMEs)	15.6	218,239	70,911
Refinance facility for combating COVID-19	15.7	232,749	230,090
Temporary economic refinance facility	15.8	12,461,501	4,832,742
Small enterprise financing and credit guarantee scheme for special persons		1,978	3,039
Refinance facility for working capital of SMEs		193,750	385
Refinance facility for SME Asaan Finance (SAAF) scheme		1,438,299	1,607,471
Acceptances from SBP under Mudaraba	15.9	30,694,154	-
Islamic Export Finance Scheme - Rupee based discounting	15.10	4,600,946	-
Acceptances under Islamic Export Refinance Scheme	15.11	3,554,100	-
Acceptances for financial assistance	15.12	4,413,497	-
Repurchase agreement borrowings		-	62,800,000
		76,490,024	93,472,006
Borrowing from financial institutions:			
Musharakah	15.13	2,649,999	3,675,329
Refinancing facility for mortgage loans	15.14	2,987,901	91,995
Refinance facility for Islamic mortgage	15.15	3,354,127	-
		8,992,027	3,767,324
Total secured		85,482,051	97,239,330
Unsecured			
Overdrawn nostro accounts		549,483	1,291,766
Wakalah	15.13	2,000,000	-
Total unsecured		2,549,483	1,291,766
		88,031,534	98,531,096
15.1 Particulars of borrowings			
In local currency		87,482,051	97,239,330
In foreign currencies		549,483	1,291,766
		88,031,534	98,531,096
15.2	The Bank has entered into agreement with the SBP for extending export finance to customers. These borrowings are repayable on a quarterly basis and have maturities upto June 2024. These carry mark-up rates ranging from 1.00% to 18.00% (2022: 2.00% to 10.00%) per annum.		
15.3	These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings have maturities upto February 2033. These carry mark-up rates ranging from 2.00% to 11.00% (2022: 2.00% to 8.00%) per annum.		

Notes to the Consolidated Financial Statements

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- 15.4** These borrowings have been obtained from the SBP for providing financing facilities to address challenges of energy shortage and climate change through promotion of renewable energy. These carry mark-up at 2.00% (2022: 2.00%) per annum and have maturities upto December 2031.
- 15.5** These borrowings have been obtained from the SBP under a scheme to provide refinance for women entrepreneurs in the underserved areas of the country. These carry mark-up at 0.00% (2022: 0.00%) per annum and have maturities upto November 2028.
- 15.6** These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises by providing financing facilities for setting up new units, purchase of new plant and machinery for Balancing, Modernization and Replacement (BMR) of existing units and financing for import / local purchase of new generators up to a maximum capacity of 500 KVA. These carry mark-up at rates of 0.00% (2022: 2.00%) per annum and have maturities upto June 2026.
- 15.7** These borrowings have been obtained from the SBP under a scheme to provide the emergency refinance facility to hospitals & medical centre to develop capacity for the treatment of COVID-19 patients. These carry mark-up at 0.00% (2022: 0.00%) per annum and have maturities upto July 2026.
- 15.8** These borrowings have been obtained from the SBP under a scheme to provide concessionary refinance for setting up of new industrial units in the backdrop of challenges being faced by industries post pandemic scenario. These carry mark-up at 1.00% (2022: 1.00%) per annum and have maturities upto August 2032.
- 15.9** This represents acceptance of funds by the Group on Mudarabah basis which has been invested in special pools of the Group and are secured against lien of the Group's investment in Federal Government securities. The expected average return is 22.14% per annum.
- 15.10** These acceptances are on a profit and loss sharing basis and are secured against demand promissory notes executed in favor of SBP. A limit of Rs. 5,234 million was allocated to the Group by the SBP under Islamic Export Refinance Scheme - Rupee Based Discounting for the financial year ended December 31, 2023.
- 15.11** These acceptances are on a profit and loss sharing basis and are secured against demand promissory notes executed in favor of SBP. A limit of Rs. 3,952 million was allocated to the Group by the SBP under Islamic Export Refinance Scheme for the financial year ended December 31, 2023.
- 15.12** This represents amortised cost of a 10 year financing facility of Rs. 5,000 million extended by SBP. The facility is secured against Federal Government securities. The 10 year facility was provided on the basis of Mudarabah to be remunerated at profit sharing ratio declared by the Group on its remunerative current accounts on monthly basis. Accordingly, the profit amortisation rate applied by the Group in this respect is 0.04% per annum.
- 15.13** The expected profit rate on these agreements are 21.25% to 21.75% per annum and has maturity of 2 to 4 Days.
- 15.14** The Bank has entered into agreement with the Pakistan Mortgage Refinance Company Limited (PMRC) for extending housing finance facilities to the Bank's customers on the agreed terms and conditions. The borrowing carries mark-up rates ranging from 6.50% to 11.67% (2022: 6.50% to 11.67%) and have maturities upto June 2031.
- 15.15** The agreements are on a profit and loss sharing basis and are secured against housing finance portfolio. The profit rate on these agreements is ranging from 8.50% to 13.97% per annum.

Notes to the Consolidated Financial Statements

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16. DEPOSITS AND OTHER ACCOUNTS

	2023			2022		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
----- Rupees in '000 -----						
Customers						
Current deposits	301,477,172	19,188,611	320,665,783	118,168,325	9,299,899	127,468,224
Savings deposits	239,067,032	10,197,248	249,264,280	115,689,127	6,410,101	122,099,228
Term deposits	328,171,818	53,754,279	381,926,097	169,651,265	10,755,327	180,406,592
Margin deposits	32,213,341	677,539	32,890,880	13,179,090	289	13,179,379
	<u>900,929,363</u>	<u>83,817,677</u>	<u>984,747,040</u>	<u>416,687,807</u>	<u>26,465,616</u>	<u>443,153,423</u>
Financial Institutions						
Current deposits	1,692,578	294,647	1,987,225	1,373,845	710,695	2,084,540
Savings deposits	16,619,049	525	16,619,574	9,346,187	1,279	9,347,466
Term deposits	4,465,509	-	4,465,509	8,172,209	-	8,172,209
Margin deposits	146	-	146	-	-	-
	<u>22,777,282</u>	<u>295,172</u>	<u>23,072,454</u>	<u>18,892,241</u>	<u>711,974</u>	<u>19,604,215</u>
	<u>923,706,645</u>	<u>84,112,849</u>	<u>1,007,819,494</u>	<u>435,580,048</u>	<u>27,177,590</u>	<u>462,757,638</u>

16.1 Composition of deposits	2023	2022
	----- Rupees in '000 -----	
- Individuals	311,214,372	145,880,014
- Government (Federal and Provincial)	92,443,660	100,466,489
- Public Sector Entities	51,089,647	20,994,167
- Banking Companies	2,452,622	1,781,231
- Non-Banking Financial Institutions	20,619,832	17,822,984
- Private Sector	529,999,361	175,812,753
	<u>1,007,819,494</u>	<u>462,757,638</u>

16.2. Deposits include eligible deposits of Rs. 332,595.277 million (2022: Rs. 118,371.513 million) protected under Depositors Protection Mechanism introduced by State Bank of Pakistan.

17. SUB-ORDINATED DEBT	Note	2023	2022
		----- Rupees in '000 -----	
Term Finance Certificates - Fifth Issue	17.1	3,499,767	-
Term Finance Certificates - Fourth Issue	17.2	2,498,000	2,499,000
Term Finance Certificates - Third Issue	17.3	2,500,000	2,500,000
ADT-1 Sukuk Issue I	17.4	1,998,904	-
Advance subscription against ADT-1 Sukuk Issue II	17.5	848,000	-
Term Finance Certificates - Second Issue	17.6	-	1,996,000
		<u>11,344,671</u>	<u>6,995,000</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

- 17.1** During the year, the Bank has issued Rs. 3.5 billion of rated, privately placed and listed (in process), unsecured and subordinated term finance certificates (TFCs or the Issue) as an instrument of redeemable capital under Section 66 of the Companies Act, 2017 and as outlined by State Bank of Pakistan (SBP) under the BPRD Circular No. 06 dated August 15, 2013 and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose:	To contribute towards the Bank's Tier II Capital for complying with the capital adequacy requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.
Issue date:	August 30, 2023
Tenure:	Up to ten years from the issue date.
Maturity date:	August 30, 2033
Rating:	A+ (Single A Plus)
Profit rate:	Floating rate of return at Base Rate + 2 percent per annum; Base Rate is defined as the average three months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the issue date and subsequently on the immediately preceding business day before the start of each three monthly period.
Profit payment:	Quarterly
Redemption:	The instrument is structured to redeem 0.24% of the Issue amount during the first nine years after the issue date and the remaining Issue amount of 99.76% in four equal quarterly installments of 24.94% each in the last year.
Security:	The Issue is unsecured
Subordination:	The Issue is subordinated all other indebtedness of the Bank including depositors, however, senior to the claims of investors in instruments eligible for inclusion in Tier I Capital
Call option:	Exercisable in part or in full on or after five years from the issue date, subject to SBP's approval.
Lock-in-clause:	Principal and profit will be payable subject to compliance with MCR or CAR or Leverage Ratio set by SBP.
Loss absorbency clause:	Upon the occurrence of a Point of Non-Viability (PONV) event as defined under SBP BPRD Circular No. 06 dated August 15, 2013, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and / or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFCs' divided by market value per share of the Bank's common share on the date of trigger of PONV as declared by SBP, subject to a cap of 924,772,179 shares.

- 17.2** In 2021, the Bank had issued Rs. 2.5 billion of rated, privately placed and listed, unsecured and subordinated term finance certificates (TFCs or the Issue) as an instrument of redeemable capital under Section 66 of the Companies Act, 2017 and as outlined by State Bank of Pakistan (SBP) under the BPRD Circular No. 06 dated August 15, 2013 and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose:	To contribute towards the Bank's Tier II Capital for complying with the capital adequacy requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.
Issue date:	December 28, 2021
Tenure:	Up to Seven years from the issue date.
Maturity date:	December 28, 2028
Rating:	A + (Single A Plus)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

Profit rate:	Floating rate of return at Base Rate + 2 percent per annum; Base Rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the issue date and subsequently on the immediately preceding business day before the start of each six monthly period.
Profit payment:	Semi-annual
Redemption:	The instrument is structured to redeem 0.24% of the Issue amount during the first six years after the issue date and the remaining Issue amount of 99.76% in two equal semi-annual installments of 49.88% each in the last year.
Security:	The Issue is unsecured
Subordination:	The Issue is subordinated all other indebtedness of the Bank including depositors, however, senior to the claims of investors in instruments eligible for inclusion in Tier I Capital
Call option:	Exercisable in part or in full on or after the 10th redemption, subject to SBP's approval.
Lock-in-clause:	Payment of profit will be made from current year's earning and subject to compliance with MCR and / or CAR or LR set by SBP.
Loss absorbency clause:	Upon the occurrence of a Point of Non-Viability (PONV) event as defined under SBP BPRD Circular No. 06 dated August 15, 2013, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and/or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFCs' divided by market value per share of the Bank's common share on the date of trigger of PONV as declared by SBP, subject to a cap of 400,647,739 shares.

17.3

In 2018, the Bank had issued Rs. 2.5 billion of rated, privately placed, unsecured, subordinated, perpetual and non-cumulative term finance certificates (TFCs or the Issue) as an instrument of redeemable capital under Section 66(1) of the Companies Act, 2017 and as outlined by the State Bank of Pakistan (SBP) under the BPRD Circular No. 06 dated August 15, 2013 and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose:	To contribute towards the Bank's Tier I Capital for complying with the capital adequacy requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.
Issue date:	December 31, 2018
Maturity date:	Perpetual
Rating:	A (Single A)
Profit rate:	Floating rate of return at Base Rate + 2.25 percent per annum; Base Rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the issue date and subsequently on the immediately preceding business day before the start of each six monthly period.
Profit payment:	Semi-annually on a non-cumulative basis
Redemption:	Not applicable
Security:	The Issue is unsecured
Subordination:	The Issue is subordinated as to payment of principal and profit to all other claims except common shares.
Call option:	Exercisable in part or in full at a par value on or after five years from the issue date, with prior approval of SBP. The Bank shall not exercise the call option unless the called instrument is replaced with capital of same or better quality.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

Lock-in-clause:	Payment of profit will be made from current year's earning and subject to compliance with MCR and / or CAR or LR set by SBP.
Loss absorbency clause:	
Pre-Specified Trigger (PST)	<p>Upon the occurrence of a PST as defined under SBP BPRD Circular No. 06 dated August 15, 2013 which stipulates that if an issuer's Common Equity Tier 1 (CET 1) ratio falls to or below 6.625% of Risk Weighted Assets (RWAs), the issuer will have full discretion to determine the amount of TFCs to be permanently converted into common shares or written off, subject to SBP regulations / instructions, and the cap specified below. The Bank will be able to exercise this discretion subject to:</p> <ul style="list-style-type: none"> - If and when Bank's CET 1 reaches the loss absorption trigger point, the aggregate amount of Additional Tier-1 capital to be converted must at least be the amount sufficient to immediately return the CET 1 ratio to above 6.625% of total RWAs (if possible); - The converted amount should not exceed the amount needed to bring the CET 1 ratio to 8.5% of RWAs (i.e. minimum CET 1 of 6.0% plus capital conservation buffer of 2.5%); and - In case, conversion of Additional Tier-1 capital Instrument is not possible following the trigger event, the amount of the Instrument must be written off in the accounts resulting in increase in CET 1 of the Issuer.
Point of Non-Viability (PONV)	<p>Upon the occurrence of a PONV event as defined under SBP BPRD Circular No. 06 dated August 15, 2013, which stipulates that SBP may, at its option, fully and permanently convert the TFCs into common shares of the Bank and / or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Value of the TFCs' divided by market value per share of the Bank's common / ordinary share on the date of the PONV trigger event as declared by SBP, subject to the cap specified below:</p> <p>The PONV trigger event is the earlier of:</p> <ul style="list-style-type: none"> - A decision made by SBP that a conversion or temporary / permanent write-off is necessary without which the Issuer would become non-viable; - The decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined by SBP. - The maximum number of shares to be issued to TFC holders at the PST and / or PONV (or otherwise as directed by SBP) will be subject to a specified cap of 329,595,476 ordinary shares, or such other number as may be agreed to in consultation with SBP.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

- 17.4** The Group has issued fully paid up, rated, listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments (the Issue) in the nature of Sukuks under Section 66 of the Companies Act, 2017 which qualify as Additional Tier I (ADT-1) Capital as outlined by State Bank of Pakistan (SBP) under the BPRD Circular No. 06 dated August 15, 2013.

Amount:	Rs. 2,000 million.
Issue date:	April 21, 2020
Tenure:	Perpetual (i.e. no fixed or final redemption date)
Maturity date:	August 30, 2033
Rating:	PACRA has rated this Sukuk at 'A'
Profit rate:	The Sukuk carries a profit at the rate of 3 Months KIBOR + 2.75%. The Mudaraba Profit is computed under General Pool on the basis of profit sharing ratio and monthly weightages announced by the Group inline with SBP's guidelines of pool management.
Profit payment:	Profit shall be payable monthly in arrears, on a non-cumulative basis.
Redemption:	The instrument is structured to redeem 0.24% of the Issue amount during the first nine years after the issue date and the remaining Issue amount of 99.76% in four equal quarterly installments of 24.94% each in the last year.
Security:	The Issue is unsecured
Subordination:	The Issue is subordinated all other indebtedness of the Group including depositors, however, senior to the claims of investors in instruments eligible for inclusion in Tier I Capital.
Call option:	The Group may, at its sole discretion, call the Sukuks, at any time after five years from the issue date subject to the prior approval of the SBP.
Lock-in-clause:	In the event where payment of profit results in breach of regulatory MCR / CAR requirements or SBP determines a bar on profit distribution, the monthly profit weightage of the Sukuk holders will be reduced to a minimum level e.g. 0.005, till the month in which such condition is withdrawn by SBP.
Loss absorbency clause:	The Sukuks shall, at the discretion of the SBP, be permanently converted into ordinary shares pursuant to the loss absorbency clause as stipulated in the "Instructions for Basel-III Implementation in Pakistan" issued vide BPRD Circular No. 06 dated August 15, 2013.

- 17.5** The Group is in the process of issuing fully paid up, rated, listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments in the nature of Sukuks under Section 66 of the Companies Act, 2017 which qualify as Additional Tier I (ADT-1) Capital as outlined by State Bank of Pakistan (SBP) under the BPRD Circular No. 06 dated August 15, 2013. The total size of ADT-1 Sukuk Issue II is Rs. 1,000 million.

The Pre-IPO (Initial Public Offer) phase of ADT-I Sukuk issue II has been achieved through which subscription amounting to Rs. 850 million was received. Further, the Bank is in process of conducting the IPO of ADT-1 Sukuk issue II, subject to regulatory approvals, amounting to Rs. 150 million.

The SBP also allowed the Group to consider the advance subscription money of Rs. 850 million received against the issuance of ADT-1 Sukuk issue II (Pre-IPO) for Capital Adequacy Ratio subject to following conditions:

- The pre-IPO subscription money shall not be withdrawn without prior approval of SBP.
- The pre-IPO subscription money shall only be used for the issuance of ADT-I eligible Sukuks of BIPL and will not be refunded.
- The terms of SBP's In-principle approval and final approval will remain applicable on the pre-IPO subscription money received against the proposed Sukuks.

Investment in Sukuk by group companies have been eliminated in intragroup transactions.

- 17.6** During the year, the Bank exercised the call option of Term Finance Certificates - second issue in accordance with the trust deed and terms and conditions of the TFC issue, after completing the regulatory requirements. Accordingly, the said TFCs were redeemed in full on August 04, 2023.

Notes to the Consolidated Financial Statements

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18. DEFERRED TAX LIABILITIES

		2023				
		Balance as at January 01, 2023	Additional impact upon acquisition of subsidiary	Recognised in profit and loss account	Recognised in OCI	Balance as at December 31, 2023
Note		----- Rupees in '000 -----				
Deductible Temporary Differences on:						
	Provision against investments	(70,212)	(193,571)	22,020	-	(241,763)
	Provision against advances	(396,175)	(4,646,755)	(1,227,625)	-	(6,270,555)
	Other assets	(244,327)	153,509	44,655	(32,049)	(78,212)
	Accumulated tax losses	-	-	(45,805)	-	(45,805)
		(710,714)	(4,686,817)	(1,206,755)	(32,049)	(6,636,335)
Taxable Temporary Differences on:						
	Accelerated tax depreciation	182,284	(130,704)	1,181,756	-	1,233,336
	Goodwill	629,358	-	87,818	-	717,176
	Fair value adjustment on amalgamation	-	366,562	(29,502)	-	337,060
21	Surplus on revaluation of fixed assets	327,796	1,463,860	(116,801)	23,890	1,698,745
21	Surplus on revaluation of non-banking assets acquired in satisfaction of claims	343	33,092	(78)	22,749	56,106
	Surplus on revaluation of investments classified as held-for-trading	130,722	-	(155,035)	41,952	17,639
21	Surplus on revaluation of investments classified as available-for-sale	(347,462)	180,347	-	3,633,582	3,466,467
		923,041	1,913,157	968,158	3,722,173	7,526,529
		<u>212,327</u>	<u>(2,773,660)</u>	<u>(238,597)</u>	<u>3,690,124</u>	<u>890,194</u>

		2022				
		Balance as at January 01, 2022	Additional impact upon acquisition of subsidiary	Recognised in profit and loss account	Recognised in OCI	Balance as at December 31, 2022
Note		----- Rupees in '000 -----				
Deductible Temporary Differences on:						
	Provision against investments	(63,680)	-	(6,532)	-	(70,212)
	Provision against advances	(464,740)	-	68,565	-	(396,175)
	Government Grant	550	-	(550)	-	-
	Other assets	27,813	-	(272,140)	-	(244,327)
21	Surplus on revaluation of investments classified as available-for-sale	732,710	-	-	(1,080,172)	(347,462)
		232,653	-	(210,657)	(1,080,172)	(1,058,176)
Taxable Temporary Differences on:						
	Accelerated tax depreciation	189,419	-	(7,135)	-	182,284
	Goodwill	570,813	-	58,545	-	629,358
21	Surplus on revaluation of fixed assets	312,070	-	(16,281)	32,007	327,796
21	Surplus on revaluation of non-banking assets acquired in satisfaction of claims	960	-	(715)	98	343
	Surplus on revaluation of investments classified as held-for-trading	(28,846)	-	159,568	-	130,722
		1,044,416	-	193,982	32,105	1,270,503
		<u>1,277,069</u>	<u>-</u>	<u>(16,675)</u>	<u>(1,048,067)</u>	<u>212,327</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

19. OTHER LIABILITIES

	Note	2023	2022
		----- Rupees in '000 -----	
Mark-up / return / interest payable in local currency		14,380,731	5,044,455
Mark-up / return / interest payable in foreign currencies		718,389	45,769
Unearned income on guarantees		398,300	368,800
Accrued expenses		3,913,117	730,263
Current taxation (payments less provision)		2,448,848	-
Acceptances		6,589,632	6,586,244
Unclaimed dividends		7,576	7,576
Mark to market loss on derivative instruments		16,437	22,710
Mark to market loss on forward foreign exchange contracts		1,923,277	529,887
Defined benefit obligation - net	37.5	562,132	-
Payable to defined contribution plan		44,798	-
Withholding taxes payable		1,199,621	760,601
Donation payable	29.2	209,514	27,720
Security deposits against leases, lockers and others		2,061,856	2,468,743
Workers' Welfare Fund	30	1,210,355	260,796
Payable in respect of home remittance		35,659	435,629
Retention money payable		121,883	-
Lease liability against right-of-use assets	19.1	6,686,639	2,795,197
Insurance payable		249,979	209,834
Payable to vendors against SBS goods		282,322	380,040
Debit card settlement		473,999	269,365
Clearing and settlement accounts		539,857	49,938
Trade payable from brokerage and advisory business - net		2,899,893	2,001,608
Dividend payable		206,472	4,922
Deferred Murabahah income financing and IERS		1,111,958	-
Sundry Creditors		1,595,515	-
Others		1,244,410	374,469
		51,133,169	23,374,566

19.1 Lease liability against right-of-use assets

The carrying amounts of lease liabilities and the movements during the year is as below:

	Note	2023	2022
		----- Rupees in '000 -----	
Opening balance		2,795,197	3,415,585
Additional impact upon acquisition of subsidiary		2,917,378	-
Additional impact arised during the year - net		2,554,992	856,381
Termination impact arised during the year - net		(267,772)	(480,195)
Markup on lease liability against right-of-use assets	25	953,739	384,801
Payments		(2,280,921)	(1,388,606)
Exchange rate adjustments		5,516	7,231
Other adjustments		8,510	-
Closing balance		6,686,639	2,795,197

Notes to the Consolidated Financial Statements

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20. SHARE CAPITAL

20.1 Authorised capital

20.1.1 Ordinary shares

2023	2022		2023	2022
----- Number of shares -----			----- Rupees in '000 -----	
<u>3,850,000,000</u>	3,850,000,000	Ordinary shares of Rs.10 each	<u>38,500,000</u>	38,500,000

20.1.2 Preference shares

<u>150,000,000</u>	150,000,000	Convertible preference shares of Rs.10 each	<u>1,500,000</u>	1,500,000
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20.2 Issued, subscribed and paid-up capital

		Ordinary shares		
984,127,890	763,558,965	Fully paid in cash	9,841,279	7,635,590
<u>1,066,534,646</u>	533,905,297	Issued for consideration other than cash	<u>10,665,346</u>	5,339,053
<u>2,050,662,536</u>	1,297,464,262		<u>20,506,625</u>	12,974,643
-	-	Less: Discount on issue of shares	-	(2,855,401)
<u>2,050,662,536</u>	1,297,464,262		<u>20,506,625</u>	10,119,242

20.3 As at December 31, 2023, Jahangir Siddiqui & Co. Ltd. (the parent company) held 1,460,232,712 (2022: 973,307,324) ordinary shares of Rs.10 each i.e. 71.21% holding (2022: 75.02%).

21. SURPLUS ON REVALUATION OF ASSETS

	Note	2023			2022		
		Attributable to			Attributable to		
		Equity Holders	Non - Controlling Interest	Total	Equity Holders	Non - Controlling Interest	Total
----- Rupees in '000 -----							
Surplus / (deficit) on revaluation of:							
- Available for sale securities	9.2 & 21.1	5,495,518	1,520,755	7,016,273	(786,173)	4,254	(781,919)
- Fixed assets	21.2	1,745,704	(50,081)	1,695,623	2,002,175	-	2,002,175
- Non-banking assets acquired in satisfaction of claims	21.3	521,097	193	521,290	107,426	-	107,426
		<u>7,762,319</u>	<u>1,470,867</u>	<u>9,233,186</u>	1,323,428	4,254	1,327,682
Deferred tax on surplus / (deficit) on revaluation of:							
- Available for sale securities		(2,599,905)	(728,167)	(3,328,072)	347,419	43	347,462
- Fixed assets		(259,424)	24,540	(234,884)	(327,796)	-	(327,796)
- Non-banking assets acquired in satisfaction of claims		(22,918)	(97)	(23,015)	(343)	-	(343)
		<u>(2,882,247)</u>	<u>(703,724)</u>	<u>(3,585,971)</u>	19,280	43	19,323
		<u>4,880,072</u>	<u>767,143</u>	<u>5,647,215</u>	1,342,708	4,297	1,347,005

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

	2023	2022
	----- Rupees in '000 -----	
21.1 Available-for-sale securities		
Pakistan:		
- Equity securities	1,405,550	1,936,543
- Open end mutual funds	310,750	32,261
- Debt securities	<u>5,631,444</u>	<u>(1,826,091)</u>
	<u>7,347,744</u>	142,713
Bahrain:		
- Equity securities	<u>(14,258)</u>	(28,705)
- Debt securities	<u>(317,213)</u>	(895,927)
	<u>(331,471)</u>	(924,632)
	<u>7,016,273</u>	(781,919)
Related deferred tax liability	<u>(3,328,072)</u>	347,462
	<u>3,688,201</u>	<u>(434,457)</u>
21.2 Surplus on revaluation of fixed assets		
Surplus on revaluation as at January 01,	<u>2,002,175</u>	2,063,629
Derecognised during the year - net	<u>(107,428)</u>	-
	<u>1,894,747</u>	2,063,629
Transferred to unappropriated profit		
Incremental depreciation during the year	<u>(113,114)</u>	(45,173)
Related deferred tax liability	<u>(86,010)</u>	(16,281)
	<u>(199,124)</u>	(61,454)
Surplus on revaluation as at December 31,	<u>1,695,623</u>	2,002,175
Less: Related deferred tax liability on		
- Surplus on revaluation as at January 01,	<u>(327,796)</u>	(312,070)
- Effect of change in tax rate	<u>(45,739)</u>	(32,007)
- Derecognised during the year	<u>52,641</u>	-
- Incremental depreciation charged during the year	<u>86,010</u>	16,281
	<u>(234,884)</u>	(327,796)
	<u>1,460,739</u>	<u>1,674,379</u>
21.3 Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
Surplus on revaluation as at January 01,	<u>107,426</u>	120,674
Recognised / (derecognised) during the year	<u>414,025</u>	(13,178)
	<u>521,451</u>	107,496
Transferred to unappropriated profit		
Incremental depreciation during the year	<u>(83)</u>	(40)
Related deferred tax liability	<u>(78)</u>	(30)
	<u>(161)</u>	(70)
Surplus on revaluation as at December 31,	<u>521,290</u>	107,426
Less: Related deferred tax liability on		
- Surplus on revaluation as at January 01,	<u>(343)</u>	(960)
- Effect of change in tax rate	<u>(15)</u>	(98)
- Incremental depreciation charged during the year	<u>78</u>	30
- (Recognised) / derecognised during the year	<u>(22,735)</u>	685
	<u>(23,015)</u>	(343)
	<u>498,275</u>	<u>107,083</u>

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22. CONTINGENCIES AND COMMITMENTS		Note	2023 ----- Rupees in '000 -----	2022
Guarantees		22.1	78,331,902	83,175,591
Commitments		22.2	415,060,508	94,526,372
Other contingencies		22.3	1,456,807	646,479
			<u>494,849,217</u>	<u>178,348,442</u>
22.1 Guarantees:				
Financial guarantees			8,425,132	3,668,949
Performance guarantees			37,928,885	34,702,865
Other guarantees			31,977,885	44,803,777
			<u>78,331,902</u>	<u>83,175,591</u>
22.2 Commitments:				
Documentary credits and short-term trade-related transactions				
- letters of credit			66,757,307	22,381,092
Commitments in respect of:				
- Forward foreign exchange contracts		22.2.1	221,244,084	68,486,603
- Derivative instruments		22.2.2	735,596	2,911,354
- Forward lending		22.2.3	124,976,341	284,067
Commitments for acquisition of:				
- Fixed assets		22.2.4	1,347,180	463,256
			<u>415,060,508</u>	<u>94,526,372</u>
22.2.1 Commitments in respect of forward foreign exchange contracts				
Purchase			125,569,086	41,239,463
Sale			95,674,998	27,247,140
			<u>221,244,084</u>	<u>68,486,603</u>
22.2.2.1 The Bank utilises foreign exchange instruments to meet the needs of its customers and as part of its asset and liability management activity to hedge its own exposure to currency risk. At year ended, all foreign exchange contracts have a remaining maturity of less than one year.				
			2023 ----- Rupees in '000 -----	2022
22.2.2 Commitments in respect of derivative instruments				
Cross currency swaps			-	234,300
Purchase			-	234,300
Sale			-	468,600
Commitments in respect of forward securities				
Purchase			-	1,875,591
Sale			735,596	567,163
			<u>735,596</u>	<u>2,442,754</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

		2023	2022
	Note	----- Rupees in '000 -----	
22.2.3	Commitments in respect of forward lending		
	Undrawn formal standby facilities, credit lines and other commitments to lend	22.2.3.1 124,976,341	<u>284,067</u>

22.2.3.1 This includes commitments that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expense.

This includes commitments to extend shariah compliant islamic financing in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

22.2.4 This represents commitments related to purchase of leasehold improvements, furniture and fixtures, hardware & network equipments and electrical equipments and computer software.

		2023	2022
	Note	----- Rupees in '000 -----	
22.3	Other contingencies		
	Claims against the Group not acknowledged as debts	22.3.1 738,018	646,479
	Other contingencies	718,789	-
		<u>1,456,807</u>	<u>646,479</u>

22.3.1 These mainly represent counter claims filed by borrowers for damages, claims by former employees of the Group and other claims relating to banking transactions.

Based on legal advice and / or internal assessments, management is confident that the matters will be decided in the Group's favour and the possibility of any outcome against the Group is remote and accordingly no provision has been made in these consolidated financial statements.

22.3.2 Tax related contingencies are disclosed in notes 33.2 to 33.4.

23. DERIVATIVE INSTRUMENTS

Derivative instruments, such as Forward Exchange Contracts, Cross Currency Swaps and Options, are forward transactions that provide market making opportunities / hedge against the adverse movement of interest and exchange rates. Derivatives business also provides risk solutions for the existing and potential customers of the Group.

The Group has entered into a Cross Currency Swap transaction with its customer on back-to-back basis with an Authorized Derivative Dealer (ADD) without carrying any open position in its books. Specific approvals for the transactions have been granted by State Bank of Pakistan (SBP). Policies in line with SBP instructions have been formulated and are operative.

The Bank has also entered into Foreign Currency & Commodity Options from its Wholesale Banking Branch Bahrain for market making activities.

These transactions cover the aspects of both market making and hedging. The risk management related to derivative is disclosed in note 47.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

		2023							
		Cross currency swaps		Options and Accumulators		Forward securities		Total	
		Notional principal	Mark to market	Notional principal	Mark to market	Notional principal	Mark to market	Notional principal	Mark to market
23.1	Product Analysis	----- Rupees in '000 -----							
	With Banks for								
	Hedging	-	-	-	-	-	-	-	-
	Market making	-	-	-	-	735,596	(16,437)	735,596	(16,437)
		-	-	-	-	735,596	(16,437)	735,596	(16,437)
	With FIs other than banks								
	Hedging	-	-	-	-	-	-	-	-
	Market making	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
	Total								
	Hedging	-	-	-	-	-	-	-	-
	Market making	-	-	-	-	735,596	(16,437)	735,596	(16,437)
		-	-	-	-	735,596	(16,437)	735,596	(16,437)
		----- Rupees in '000 -----							
		2022							
		Cross currency swaps		Options and Accumulators		Forward securities		Total	
		Notional principal	Mark to market	Notional principal	Mark to market	Notional principal	Mark to market	Notional principal	Mark to market
		----- Rupees in '000 -----							
	With Banks for								
	Hedging	468,600	710	-	-	-	-	468,600	710
	Market making	-	-	-	-	567,163	(9,122)	567,163	(9,122)
		468,600	710	-	-	567,163	(9,122)	1,035,763	(8,412)
	With FIs other than banks								
	Hedging	-	-	-	-	1,875,591	576	1,875,591	576
	Market making	-	-	-	-	-	-	-	-
		-	-	-	-	1,875,591	576	1,875,591	576
	Total								
	Hedging	468,600	710	-	-	1,875,591	576	2,344,191	1,286
	Market making	-	-	-	-	567,163	(9,122)	567,163	(9,122)
		468,600	710	-	-	2,442,754	(8,546)	2,911,354	(7,836)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

23.2 Maturity Analysis

Remaining maturity of contracts	2023				
	Number of contracts	Notional principal	Mark to market		
			Positive	Negative	Net
----- Rupees in '000 -----					
Upto 1 month	1	735,596	-	(16,437)	(16,437)
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 months to 1 year	-	-	-	-	-
1 to 2 years	-	-	-	-	-
	1	735,596	-	(16,437)	(16,437)

Remaining maturity of contracts	2022				
	Number of contracts	Notional principal	Mark to market		
			Positive	Negative	Net
----- Rupees in '000 -----					
Upto 1 month	5	1,035,763	14,298	(22,710)	(8,412)
1 to 3 months	-	-	-	-	-
3 to 6 months	1	1,875,591	576	-	576
6 months to 1 year	-	-	-	-	-
1 to 2 years	-	-	-	-	-
	6	2,911,354	14,874	(22,710)	(7,836)

24. MARK-UP / RETURN / INTEREST / PROFIT EARNED	Note	2023	2022
		----- Rupees in '000 -----	
On:			
Loans and advances		55,043,314	30,534,896
Investments		72,233,626	40,202,050
Lendings to financial institutions		1,413,772	60,133
Securities purchased under resale agreements		2,868,858	1,329,472
Balances with banks		450,296	97,902
		132,009,866	72,224,453

25. MARK-UP / RETURN / INTEREST / PROFIT EXPENSED

On:			
Deposits		72,022,709	38,810,710
Borrowings		15,537,680	16,419,380
Subordinated debt		2,049,005	1,063,831
Cost of foreign currency swaps against foreign currency deposits / borrowings		1,931,952	581,400
Lease liability against right-of-use assets	19.1	953,739	384,801
		92,495,085	57,260,122

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

26. FEE, COMMISSION AND BROKERAGE INCOME	Note	2023 ----- Rupees in '000 -----	2022
Branch banking customer fees		152,606	106,452
Finance related fees		525,566	507,332
Card related fees (debit and credit cards)		979,726	307,013
Investment banking fees		138,916	31,742
Commission on trade		1,413,438	903,056
Commission on guarantees		683,184	583,036
Commission on cash management		48,597	21,748
Commission on remittances including home remittances		136,637	94,210
Commission on bancassurance		91,953	90,635
Commission on distribution of mutual funds		2,214	393
Commission on online services		242,821	294,526
Postage and courier income		18,470	15,394
Rebate income		477,226	266,943
Brokerage income		737,847	465,656
Management fee		278,346	178,087
		<u>5,927,547</u>	<u>3,866,223</u>
27. GAIN / (LOSS) ON SECURITIES - NET			
Realised	27.1	300,448	(35,985)
Unrealised - held for trading		84,334	13,183
		<u>384,782</u>	<u>(22,802)</u>
27.1 Realised gain / (loss) on:			
Federal government securities			
Market treasury bills		(595,187)	(393,711)
Pakistan investment bonds		605,214	277,749
Ijara sukuk certificates		178,557	38,820
		<u>188,584</u>	<u>(77,142)</u>
Shares			
Listed companies		122,200	(106,175)
Non Government Debt Securities			
Term finance certificates		9,636	24,209
Commercial paper certificates		-	51
		<u>9,636</u>	<u>24,260</u>
Mutual fund units		(23,200)	268,254
Foreign currency bonds		3,228	(145,182)
		<u>300,448</u>	<u>(35,985)</u>
28. OTHER INCOME			
Rent income		27,648	17,748
Gain on sale of fixed assets - net		86,241	54,593
Gain on termination of leases - net		64,479	172,937
Gain on termination of islamic financing		72,487	-
Gain on reclassification of AFS equity shares		332,658	-
Others		21,498	42,218
		<u>605,011</u>	<u>287,496</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

	Note	2023 ----- Rupees in '000 -----	2022
29. OPERATING EXPENSES			
Total compensation expense	29.1	12,034,055	7,407,992
Property expense			
Rent and taxes		97,558	28,650
Insurance		1,553	6,642
Utilities cost		1,230,693	610,801
Security (including guards)		655,860	335,923
Repair and maintenance (including janitorial charges)		529,414	312,726
Depreciation		496,019	320,452
Depreciation on right-of-use assets		1,419,084	1,097,098
Depreciation on non-banking assets		34,074	21,488
		4,464,255	2,733,780
Information technology expenses			
Software maintenance		1,961,838	855,935
Hardware maintenance		417,243	318,715
Depreciation		608,161	317,191
Amortisation		343,525	172,389
Network charges		382,830	271,346
		3,713,597	1,935,576
Other operating expenses			
Directors' fees and allowances		13,450	16,450
Legal and professional charges		433,892	286,786
Insurance		417,253	383,655
Outsourced services costs	29.6	331,337	236,268
Travelling and conveyance		388,931	283,561
NIFT clearing charges		72,744	48,571
Depreciation		508,310	346,350
Amortisation		2,249	-
Training and development		89,345	73,958
Postage and courier charges		127,658	104,873
Communication		541,092	188,145
Stationery and printing		610,129	236,399
Marketing, advertisement and publicity		2,526,444	1,187,512
Donations	29.2	180,742	42,625
Auditors' remuneration	29.3	49,900	24,253
Staff auto fuel and maintenance		626,363	438,682
Bank charges		93,886	62,697
Stamp duty		112,087	66,229
Online verification charges		136,242	71,850
Brokerage, fee and commission		163,651	45,928
Card related fees (debit and credit cards)		1,303,495	513,355
CDC and other charges		73,301	29,470
Consultancy fee		108,589	10,806
Deposit protection premium		189,394	180,849
Entertainment expenses		247,142	131,492
Repair and maintenance		356,548	75,750
Cash handling charges		256,090	201,807
Fee and subscription		500,596	225,450
Employees social security		11,601	8,488
Generator fuel and maintenance		214,148	170,469
Fee and allowances to Shariah Board		11,148	152
Royalty	29.4	35,000	35,000
Others		136,107	55,299
		10,868,864	5,783,179
		31,080,771	17,860,527
Less: Reimbursement of selling and distribution expenses	29.5	(178,914)	(61,120)
		30,901,857	17,799,407

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

		2023	2022
	Note	----- Rupees in '000 -----	
29.1 Total compensation expense			
Fees and Allowances etc.		241,493	201,613
Managerial Remuneration:			
i) Fixed		6,693,580	4,944,272
ii) Variable of which;			
a) Cash Bonus / Awards etc.		1,710,300	511,808
b) Commission		464,941	297,455
Charge for defined benefit plan		190,007	93,228
Contribution to defined contribution plan		418,068	289,679
Rent & house maintenance allowance		524,340	-
Utilities allowance		116,524	-
Leaving indemnity		14,075	10,064
Medical		615,935	442,604
Conveyance		752,522	492,360
Insurance Staff		147,702	121,607
Others		144,568	3,302
		<u>12,034,055</u>	<u>7,407,992</u>
29.2 Donations			
Future Trust	29.2.1	<u>180,742</u>	<u>42,625</u>
		<u>180,742</u>	<u>42,625</u>
29.2.1	This represents donation to a related party, wherein below mentioned persons are trustees.		
- Mr. Hasan Shahid	Company secretary and Head of Legal of the Bank.		
- Mr. Fahad Muslim	Chief Finance Officer (CFO) of JS Global Capital Limited (JSGCL).		
29.3 Auditors' remuneration			
	Note	2023	2022
		----- Rupees in '000 -----	
Audit fee - Pakistan		7,935	10,389
Audit fee - Bahrain		3,787	2,721
Half-yearly review		3,190	1,200
Fee for audit of employees funds		143	143
Fee for other statutory certifications		4,936	1,370
Special certification and sundry advisory services		23,933	6,339
Out of pocket expenses and sales tax on services		5,976	2,091
	29.3.1	<u>49,900</u>	<u>24,253</u>
29.3.1 Geographical analysis			
Pakistan		43,863	19,893
Bahrain		6,037	4,360
		<u>49,900</u>	<u>24,253</u>
29.4	Royalty represents amounts payable to Mr. Jahangir Siddiqui on account of use of name in the subsidiary of the Bank.		

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

29.5 As per circular 11/2019 dated July 05, 2019 of SECP, that superseded Circular No. 40 of 2016, Circular No. 05, of 2017 and Circular No. 05, of 2018. In this circular, selling and marketing expenses are allowed to be charged on all categories of open ended mutual funds managed by the asset management company except for Fund of Funds.

29.6 The material outsourcing arrangements along with nature of services are as follows:

Name of Service Provider	Type of services	2023	2022
		----- Rupees in '000 -----	
Mustang HRMs (Pvt.) Ltd.	Human Resource Management Services	192,541	154,283
Dagia Innovative Warehousing	Record Management Services	9,101	10,197
Constellation Printing Company (Pvt.) Ltd.	Cheque book Printing Services	48,740	37,731
Security Organization System (Pvt.) Ltd.	Cash Sorting Services	39,150	26,902
		<u>289,532</u>	<u>229,113</u>

30. WORKERS' WELFARE FUND

The Bank has made provision for Workers' Welfare Fund (WWF) based on profit for the respective years.

31. OTHER CHARGES	Note	2023	2022
		----- Rupees in '000 -----	
Penalties imposed by State Bank of Pakistan		<u>81,477</u>	<u>134,413</u>

32. PROVISIONS AND WRITE OFFS - NET

Provision / (reversals) for diminution in value of investments	9.3	594,643	(80,299)
Provisions against loans & advances - specific	10.5	4,359,810	861,164
Provisions against loans & advances - general	10.5	1,325,392	112,827
Fair value adjustment on loans & advances		90,988	-
Provisions / (reversals) under IFRS 9	32.1	97,999	63,917
Intangible assets written off		-	132,999
Reversal of provision against lendings to FI		(1,620)	-
Other provisions and write offs		180,989	8,180
		<u>6,648,201</u>	<u>1,098,788</u>

32.1 Provisions / (reversals) under IFRS 9

Balances with other banks		29	37
Investments	9.3	90,432	82,695
Advances	10.5	7,538	(18,815)
		<u>97,999</u>	<u>63,917</u>

33. TAXATION

Current		8,262,250	1,221,557
Prior years		(77,939)	13,386
Deferred		(238,597)	(16,675)
		<u>7,945,714</u>	<u>1,218,268</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

	2023	2022
	----- Rupees in '000 -----	
33.1 Relationship between income tax expense and accounting profit		
Profit before taxation	<u>18,330,974</u>	<u>2,308,564</u>
Tax at applicable rates in the Group	7,997,729	1,086,762
Effect of change in tax rates	64,396	(16,548)
Effect of permanent differences	(89,190)	132,430
Others	(27,221)	15,624
Tax charge for the year	<u>7,945,714</u>	<u>1,218,268</u>

33.2 JS Bank Limited (the Bank)

33.2.1 Income Tax

The Bank has filed income tax returns under Section 114 of the Income Tax Ordinance, 2001 for the tax years 2007 through 2023. The returns so filed considered as deemed assessment order under Section 120(1) of the Income Tax Ordinance, 2001 (the Ordinance). Later, the return of income for tax years 2008 to 2020 and 2022 were amended by the Officers of Inland Revenue (OIR) by taking recourse of tax audit or alternatively through amendment the assessment contending that certain matters in the deemed assessments were allegedly not conforming to the law and prejudiced the interest of revenue.

The Bank contested the disallowances before the Commissioner Inland Revenue Appeals [CIR(A)] and the Appellate Tribunal Inland Revenue [ATIR].

For tax year 2008, both the CIR(A) and ATIR annulled the OIR's action of amending the assessment being barred by time limitation following the judgments of Honourable Supreme Court of Pakistan.

For tax years 2009 to 2017, the appeals were decided by ATIR through combined Appellate Order dated 31-01-2022. Though the AO, except for the levy of surcharge under section 4A, minimum tax under section 113 and deduction of Sindh WWF all of the issues involved in the appeal either decided in Bank's favor (including the issue of goodwill, amortisation of which was claimed over the period of 10 years) or set-aside for re-examination by the ATIR.

The Bank as well as the tax department have filed Income Tax Reference Applications before Sindh High Court against above-mentioned order of ATIR, which are pending.

Bank's appeal for tax years 2018 to 2020 and 2022 are pending for adjudication before ATIR.

In respect of WWF, the Supreme Court of Pakistan has held in Judgement, PLD 2017 SC 28, that the amendments made in the WWF Ordinance through Finance Act, 2006 and 2008 were illegal and without lawful authority i.e. the banks do not fall into definition of Industrial Undertaking and thus, not liable to pay WWF. Based on that, the Appellate Tribunal through combined Appellate order dated January 31, 2022 has also annulled the OIR's action of levying WWF on Bank under Worker's Welfare Fund Ordinance, 1971 in tax years 2009, 2012 and 2013.

As a consequence of the 18th amendment to the Constitution, levy for the WWF was introduced by the Government of Sindh, Punjab and Balochistan through the Sindh WWF Act, 2014 (the Act), the Punjab Workers Welfare Fund Act, 2019 and the Balochistan Workers Welfare Fund Act, 2022, respectively. As per these Acts, the Bank is liable to pay WWF in these provinces. However, in this respect:

- the Bank has challenged the issue of jurisdiction claimed by Sindh Revenue Board before the Honorable High Court of Sindh (SHC) on grounds that banking companies cannot be considered as industrial establishment and that the Act cannot be applied to trans-provincial entities. The Court has restrained the Sindh Revenue Board to collect / recover Sindh WWF. For TY 2018 to TY 2022 the Court granted stay from recovery of Sindh WWF upon submission of Bank Guarantee to Nazir of Court.
- the Bank has also received notices regarding the recovery of Balochistan WWF for which the Bank is in discussion with legal counsel to challenge in the court of law on same grounds as in case of Sindh WWF.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

In 2018, Based on decision of the Supreme Court of Pakistan, the Bank had reassessed the provision of WWF which was previously held on the entire operating results of the Bank (including all provinces, part of Pakistan, AJK and Bahrain Operations) and maintained WWF only to the extent of its operations within Sindh Province till 2019. In 2020 after promulgation of Punjab WWF, the Bank has again decided prudently to maintain provision on the entire results of the Bank.

The Sindh High Court has dismissed the Bank's petitions for tax years 2016 through 2022 wherein the Bank along with other taxpayers challenged the levy of super tax on constitutional grounds. Based on the opinion of legal counsel, the Bank has file appeal before the Supreme Court against the decision of the Sindh High Court. The Supreme Court has allowed interim relief to the taxpayers subject to the payment of 50% of the super tax liability. However, the Bank has adjusted full amount of super tax liability for Tax year 2016 and 2019 against the available tax refunds. Further, the bank has obtained stay from the Sindh High Court on other technical grounds regarding the levy of Super Tax for tax years 2017 and 2018.

Through Finance Act 2023, Super tax on high earning persons was levied under section 4C. The Bank has challenged the levy of Super tax for tax year 2023 through the legal counsel before the Islamabad High Court wherein interim stay was granted.

The Bank through its legal counsel has challenged the vires of the tax levied under section 99D read with SRO 1588(I)/2023 by filing a C.P. No. 5790 of 2023 in the High Court of Sindh. The High Court has suspended the operation of the aforementioned SRO through an interim order dated December 7, 2023. Further, the operation of the SRO has also been suspended by the interim orders of the Islamabad High Court and Lahore High Court in other similar petitions. Bank has not provided the levy in books, as based on advice of its legal counsel dealing with the case, the management is confident that the Bank has a good chance to succeed on the basis of various grounds taken in the petition and no immediate liability or payment for Windfall Tax is foreseen as of now.

33.2.2 Withholding tax monitoring

Withholding tax monitoring was initiated against the Bank for tax years 2014 to 2020. Orders in respect of tax years 2014, 2015, 2016, 2018 and 2020 have been passed against which appeals have been filed before the CIR(A). CIR(A) has remanded back the matters for rectification in respect of tax years 2014 and 2015 against which rectified orders have been passed and demands have been reduced. The ATIR through order dated February 07, 2022 refused Department's appeal and maintained CIR(A)'s order for tax year 2014. Tax demands for tax years 2016, 2018 and 2020 were also set-aside by CIR(A).

33.2.3 Sales tax

The Bank as a registered person under Sindh Sales Tax on Services Act, 2011 has been issued a Sales Tax Order from the Sindh Revenue Board (SRB) creating a demand of Rs.193.44 million (besides Rs. 7.2 million is charged as penalty) against the Bank for alleged non-payment of Sindh sales tax on certain 'presumed non-taxable services / incomes'(i.e. Bancassurance, Home Remittances under Pakistan Remittance Initiative Scheme, SBP rebates on Government securities, Rebates from foreign correspondent Banks, and FX gain on remittance by Western Union)' for the tax periods July 2011 to December 2013, 2015 to 2017 and 2019 to 2020. Bank has filed appeals before Commissioner (Appeals) Sindh Revenue Board (CA-SRB) against the order of AC-SRB, which is pending.

After year ended December 31, 2023, Punjab Revenue Authority (PRA) passed an Order for tax periods January to December 2017 raising tax demand of Rs. 157.4 million on alleged short withholding of Punjab Sales Tax. Being aggrieved, the Bank has filed an appeal alongwith application for stay against tax demand before Commissioner Appeal, which is pending.

33.2.4 Azad Jammu & Kashmir Operations

The Bank has commenced operations in Azad Jammu & Kashmir from tax year 2009 and has filed returns for the tax years 2009 to 2022 with the tax authorities of AJK region. The amendment proceedings and appeals are at various levels before AJK Tax authorities for the tax year 2011 to 2017 and 2019 to 2022.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

The management of the Bank is confident that the appeals filed in respect of the above tax years will be decided in the Bank's favor and accordingly no demand for payment would arise.

33.3 JS Global Capital Limited (JSGCL)

33.3.1 Income tax

Except for tax year 2009, 2014, 2015, 2016, 2017, 2018, 2020 - and 2021 - income tax assessments have been filed and are deemed to have been assessed under the Income Tax Ordinance, 2001 (the Ordinance) unless selected by taxation authorities for audit purposes.

For tax year 2009, an ITRA no. 07/2013 was filed by the Commissioner, Inland Revenue against an order passed by the Learned Appellate Tribunal Inland Revenue (ATIR) in ITA no. 923/KB/2011 dated August 28, 2012, which was related to the apportionment of expenses, allowability of expenses and claiming of tax deducted at source aggregating to Rs. 61.16 million. However, the same is pending for decision before the Sindh High Court (SHC).

For tax year 2015, an order dated November 23, 2016, was passed under section 4B of the Ordinance by the Deputy Commissioner Inland Revenue (DCIR). Through said order, an income of Rs.810.584 million was computed under section 4B of the Ordinance and resultant demand for super tax of Rs. 24.318 million was raised. An appeal was filed against the above order before CIR-A on December 01, 2016, identifying various errors/details not considered. The CIR-A has confirmed DCIR's order vide his order dated May 30, 2017. In pursuance of the order of CIR-A, the Company has filed an appeal before ATIR along with an application for a stay against recovery of demand. The appeal before ATIR has been heard and the order is reserved whilst ATIR vide order dated July 18, 2017, has granted a stay for 60 days and subsequently, the said stay was further extended vide various orders by ATIR. Subsequently, recovery of aforesaid tax demand was previously stayed by the Honorable Sindh High Court (SHC) through C.P No 4915 of 2018 vide order dated June 28, 2018, with direction to the Department not to enforce recovery of tax demand till the decision of ATIR. However, based on its order dated July 21, 2020, the SHC has dismissed the aforementioned C.P and has declared the super tax for TY 2015 to be constitutionally vires. The Company has however filed an Income Tax Reference Application (ITRA) No. 52 of 2020 before SHC which is pending adjudication.

For tax year 2016 and 2017, notices dated December 27, 2016 and January 3, 2018 were issued under section 4B of the Ordinance by the DCIR. In the said notices, the DCIR has contended that JSGCL is liable to pay Super Tax amounting to Rs. 24.483 million and Rs. 19.490 million on 'income' of Rs. 816.122 million and Rs. 649.676 million for Tax Years 2016 and 2017 respectively. JSGCL has challenged both notices through writ petition before SHC on constitutional grounds wherein the SHC has, vide its orders dated January 16, 2017 and January 11, 2018 for Tax Years 2016 and 2017 respectively, has stated that no coercive action shall be taken against JSGCL. The DCIR passed the orders under section 4B vide order dated April 23, 2018 and May 4, 2018 for tax years 2016 and 2017 respectively to levy Super tax of above-mentioned amounts under the view that SHC has not restrained the department from passing the orders. In pursuance of the said orders, JSGCL filed appeals which CIR-A rejected vide its order dated October 12, 2018 for both years. As a result, JSGCL has filed appeals before the Appellant Tribunal Inland Revenue (ATIR) against the orders of CIR-A. Meanwhile, JSGCL paid 50% of tax demand of both tax years to maintain the above suits in light of the judgment of Hon'ble Supreme Court of Pakistan (Civil Appeals No. 1171/2017 and other connected appeals) wherein, the pending suits are declared to be entertained on the condition that a minimum of 50% of tax demand is deposited with tax authorities during the pendency of the appeal. During the year the appeal has been heard before ATIR and is reserved in order. JSGCL has, however, filed an Income Tax Reference Application (ITRA) No. 53 and 54 of 2020 before SHC which is pending adjudication.

For tax year 2018, a notice under section 4B of the Ordinance by the DCIR dated December 7, 2018, was issued, contending that JSGCL is liable to pay Super Tax amounting to Rs. 45.211 million in 'income' of Rs. 1,507.039 million. JSGCL had challenged the notice on constitutional grounds before SHC through C.P. No. 8670 of 2018. The SHC, vide its order dated December 14, 2018, had stated that no coercive action shall be taken against JSGCL. However, the SHC based on its order issued in September 2020 has dismissed the aforementioned C.P. JSGCL is hence awaiting the conclusion of ATIR on the above matter before it files a reference application for TY 2018. To date, no order has been passed by the Department, consequently, no outstanding tax demand exists to date.

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For tax year 2016, an amended assessment order has been passed under section 122(5A) of the Ordinance by the Additional Commissioner Inland Revenue (ACIR). Through the said order, the ACIR raised demand amounting to Rs. 241.217 million. Upon appeal filed, CIR-A confirmed the ACIR's order vide its order dated December 12, 2017. In pursuance of the order of CIR-A, JSGCL had filed an appeal before ATIR. During last year ATIR vide its order dated March 29, 2019, had annulled CIRA's action on confirming disallowances made in the order passed by ACIR dated November 02, 2017, with directions to CIRA to pass speaking and reasoned order after providing due opportunity of being heard. As a result, the likely assessment position after the appeal effect of ATIR's order under section 124 of the Ordinance is that only tax demand on account of undistributed reserves is outstanding, which has also been stayed by SHC vide interim order in CP No. 0-2343 of 2019 dated April 09, 2019. Furthermore, during last year, a rectification application was filed for erroneously considered share premium reserves while computing excess reserves under section 5A of the Ordinance by the ACIR, in its order dated November 2, 2017. As a result, tax demand under section 5A would be reduced to Rs. 7.523 million. The Hon'ble Sindh High Court vide an interim order dated May 21, 2021, granted relief against the said notice.

JSGCL has been selected for an income tax audit under section 214C. as per the amendment order passed on June 28, 2023, via letter AT 238 dated July 17, 2023 a reduction in the refund amount has been imposed due to certain expense adjustments. However, the organization has duly filed an appeal with CIRA and is currently awaiting a decision.

33.3.2 Sales Tax

In 2013, JSGCL received a show cause notice from the Sindh Revenue Board (SRB) under section 47 of the Sindh Sales Tax on Services Act, 2011. Subsequently, an order was passed reducing the demand to Rs. 9.86 million along with the default surcharge. JSGCL filed an appeal before the CIR-A and after being decided against JSGCL, it subsequently filed an appeal before Appellate Tribunal SRB. During the year 2014, JSGCL paid an amount of Rs. 7.15 million in respect of the abovementioned liability before June 25, 2014, under the notification SRB 3-4/8/2014 to avail the exemption from application of penalty and 75% of default surcharge. Appellate Tribunal SRB vide order dated November 29, 2017 decided the Sindh Sales Tax (SST) issue in favor of JSGCL. However, the issue of SST on advisory and consultancy services and commission earned on purchase/sale of mutual funds have been remanded back whilst the issue relating to SST on commission on foreign exchange dealing, services rendered outside Sindh and levy of default surcharge and penalty have been decided against JSGCL. JSGCL has filed a reference application before SHC in respect of the issues decided against JSGCL and remanded back.

During 2014, JSGCL also received another show cause notice from SRB under section 47 of the Sindh Sales Tax on Services Act, 2011. Subsequently, an order was passed raising a tax demand amounting to Rs. 10.77 million. JSGCL has filed an appeal against the order with CIR-A which is pending. Further, in respect of the same, a rectification application has also been filed with the department. JSGCL and other stock brokers have also filed a petition with the SHC and have been granted an interim stay against recovery of demand. However, JSGCL has paid an amount of Rs. 9.24 million before June 25, 2014, under the notification SRB 3-4/8/2014 to avail the exemption of penalty and 75% of default surcharge.

Furthermore, for fiscal year 2014 and 2015, SRB alleged short payment of SST vide Notice dated February 02, 2017. JSGCL has submitted all the required details in response to the notice and no order in this respect has been passed.

SRB has also issued an order in another proceeding for tax periods January 2014 to December 2016, which were confronted, vide notice dated August 15, 2017, levying sales tax on certain services and disallowance of input tax of Rs. 35,877,012. In pursuance of the said order, JSGCL filed an appeal before the Commissioner (Appeals), SRB which has been partly heard. However, the recovery of the aforesaid tax demand has been stayed by the Hon'able SHC in Suit no 767 of 2018 vide order dated April 13, 2018.

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33.3.3 Federal Excise Duty (FED)

The tax department issued a show cause notice dated June 08, 2015, confronting (alleged) non-payment of Federal Excise Duty (FED) on JSGCL's services under the Federal Excise Act, 2005 and subsequently issued an order raising a demand amounting to Rs.78.003 million for the tax year 2010 for the tax year 2013. JSGCL filed a rectification appeal, in addition, to filing an appeal to the SHC, through the Stockbroker Association (of which JSGCL is also the member) against the aforementioned order because after the 18th amendment to the Constitution, the services that were previously subjected to FED under the federal laws are now subject to the provincial sales tax and JSGCL has accordingly discharged its tax obligation. The SHC initially, stayed Federal Board of Revenue from demanding sales tax on services from stockbrokers and subsequently, disposed of the order in JSGCL's favor. However, CIR-A on the matter of appeal filed by JSGCL issued an order in favor of the department vide its order dated January 31, 2017. In pursuance of the order of CIR-A JSGCL had filed an appeal before Appellate Tribunal SRB along with an application for stay of demand, which was granted initially for 30 days and was subsequently extended vide various orders. Appellate Tribunal SRB has decided the matter vide order dated December 20, 2017, received by JSGCL on April 09, 2018, whereby ATIR decided that the FED is applicable only on the commission earned from trading of shares and no other type of commission comes under the ambit of FED. With this opinion, ATIR has remanded back the issue related to the amendment era. For the amendment era, ATIR has relied upon the decision of SHC (stated above) and declared the charge of FED after July 01, 2011, null and void.

33.4 JS Investments Limited (JSIL)

33.4.1 Income tax

In respect of the appeals filed by JSIL before Commissioner Inland Revenue (Appeals) [CIR (Appeals)] against orders passed for tax years 2006 and 2009 against demand of Rs. 162 million and Rs. 66 million respectively, the CIR (Appeals) had not accepted the basis of additions by tax authorities and set aside both the orders in respect of allocation of expenses between various sources of income for fresh proceedings with the directions to apportion the common expenditure according to actual incurrence of expenditure to the various sources of income.

In respect of the above said order of CIR (Appeals) for tax years 2006 and 2009, JSIL filed second appeal before the Appellate Tribunal Inland Revenue (ATIR) in respect of apportionment of expenses. The ATIR vide order dated April 20, 2017 deleted the additions on proration of expenses for tax year 2006 however, confirmed the CIR(A)'s order whereby CIR(A) remanded back / set-aside the issue of apportionment of expenses.

The Appellate Tribunal Inland Revenue vide order dated May 21, 2016 deleted the additions of tax amortisation of management rights and remanded back the issues of disallowed provisions and advertisement expenses for the tax year 2009.

The tax authorities issued orders giving effect (hereinafter referred collectively as 'appeal effect orders') to the order of CIR (Appeals) for both tax years 2006 and 2009 whereby demands for these tax years were reduced to Rs. 77.33 million and Rs. 59.93 million respectively. As the allocation of expenditure in the said appeal effect orders was not made according to actual incurrence of expenditure to the various sources of income, therefore, JSIL again filed appeals before the CIR (Appeals) against the said orders.

In respect of second round of appeal filed by JSIL before CIR (Appeals) against appeal effect orders for tax years 2006 and 2009, the CIR (Appeals) for tax year 2006 confirmed apportionment of expenditure made by the tax authorities in appeal effect order, however, adjustment of allowable expenses were set aside. For the tax year 2009, CIR (Appeals) had set aside the appeal effect order in entirety for fresh assessment, which is yet to be made by tax authorities.

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The CIR (Appeals) also rectified the order passed by his predecessor for the tax year 2006, whereby the addition regarding the portion of capital gain included in dividend received from mutual funds was held deleted. Resulted appeal effect order reflects refund of Rs.29 million. The tax authorities have filed an appeal before ATIR against said order of CIR (Appeals) in respect of deletion of addition regarding the portion of capital gain included in dividend. The ATIR vide order dated December 07, 2016 set-aside with the direction that the ACIR should examine the issue in the light of FBR Circular letter dated September 10, 2002.

In respect of tax year 2006, management contends, based on views of its tax advisor, that amendment of assessment for such tax year by tax authorities is time barred. Accordingly, JSIL has filed an appeal before the Appellate Tribunal Inland Revenue. The ATIR is of the view that the amendment of assessment is not time bared however, the ATIR deleted the addition of tax amortisation of management right vide order dated February 10, 2017.

Order under section 122(1)/(5) dated December 30, 2017 for the tax year 2015 passed by the DCIR created demand of Rs.40 million against which JSIL has filed an appeal before the CIR(A). The DCIR considered our request for rectification and passed order under section 221 dated February 27, 2017 as a result of the above order the demand reduced to Rs.36.904 million. The CIR(A) vide order dated May 6, 2019 partly considered our submissions put before him. The DCIR passed appeal effect order dated February 17, 2020 determined refund of Rs 30.66 million. JSIL submitted appeal before the CIR (Appeal) against the appeal effect order. JSIL also submitted appeal before the ATIR against the order of the CIR(A).

The DCIR passed order under section 122(1)/(5) of the Income Tax Ordinance, 2001 dated June 23, 2014 and reduced the refund claim of Rs.8.499 million to Rs.3.102 million for the tax year 2012. The learned CIR (Appeal) vide order dated May 06, 2019 confirmed the ACIR's order and held that the appeal was not entertainable being barred by time limitation for the tax year 2012. JSIL submitted appeal before the ATIR against the order of the CIR(A).

33.4.2 Federal Excise Duty (FED)

This represents amount payable against Federal Excise Duty (FED) on management fees received / receivable from the Funds under management. The amount is being held for payment to Federal Board of Revenue on the basis of stay order of the Honorable High Court of Sindh dated September 04, 2013. The stay order was granted as a result of petition filed by asset management companies on the forum of MUFAP against the amendment in Finance Act, 2013 which levied FED on the fees received by asset management companies from funds under management.

The Honorable Sindh High Court in its decision dated July 16, 2016 maintained the previous order passed against other constitutional petition whereby levy of FED is declared to be 'Ultra Vires' the Constitution. On September 23, 2016, the Federal Government has filed an appeal against the said order in the Honorable Supreme Court of Pakistan (SCP) and thus, the previous balance of FED has not been reversed.

Further, the Federal Government vide Finance Act, 2016 has excluded asset management companies and other non-banking finance companies from charge of FED on their services. Accordingly, no provision for FED is made from July 01, 2016 onwards.

33.5 BankIslami Pakistan Limited (BIPL)

33.5.1 Income Tax

The income tax returns of BIPL have been filed up to tax year 2023 whereas the tax assessments have been made by the tax authorities up to tax year 2022. The returns filed for the tax year 2014 to tax year 2023 are treated to be deemed assessed under section 120 of the Income Tax Ordinance, 2001.

During the year 2014 (relating to defunct KASB Bank Limited), appellate order passed by the Commissioner Inland Revenue Authority (CIRA) [in respect of Income tax assessments of International Housing Finance Limited, amalgamated into the defunct KASB Bank Limited during the year ended 31 December 2007] for tax year 2005 maintained the order of the Taxation Officer to the extent of disallowances relating to income from carry over transactions and gain on sale of property having an aggregate tax impact of Rs. 12.997 million. The defunct KASB Bank Limited has preferred appeals before the Appellate Tribunal Inland Revenue (ATIR) for tax year 2005 which are pending finalization.

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For tax years 2003 (relating to defunct KASB Bank Limited), the CIRA has passed appellate orders on account of certain disallowances in respect of income from carry over transactions, provision against non performing advances, bad debts and certain other items having an aggregate tax impact of Rs. 33.748 million. The defunct KASB Bank Limited had preferred an appeal before the ATIR against the above referred orders of the CIRA. No development has taken place during the current year.

For tax years 2010 (relating to defunct KASB Bank Limited), the ACIR had passed an order under section 122 creating as demand of Rs 51.636 million the order was subsequently upheld by the CIRA. The defunct KASB Bank Limited had preferred an appeal before the ATIR against the above referred order of the CIRA which is pending adjudication.

During the year, in respect of Tax Year 2019 and 2020, the ACIR under section 122(5A) of the Income Tax Ordinance, 2001 amended the return submitted by BIPL by adding / disallowing certain expenses thereby creating a Tax demand of Rs 1.247 billion. BIPL filed appeal against the orders before Commissioner Appeal. The Commissioner Appeal while passing order for Tax Year 2019 and Tax Year 2020 has remanded back / deleted significant amount of disallowances and confirmed disallowance amounting to Rs. 191.420 million. BIPL is in the process of filing Appeal against the confirmed disallowances before the Appellate Tribunal (ATIR).

During the year, in respect of Tax Year 2022 the ACIR under section 122(5A) of the Income Tax Ordinance, 2001 amended the return submitted by BIPL by adding / disallowing certain expenses thereby creating a Tax demand of Rs 522.794 million. BIPL has filed appeal against the orders before Commissioner Appeal which is pending adjudication.

In pursuance of SRO 1588(I)/2023 dated November 21, 2023, banking companies have been designated to be the 'sector' for the purpose of section 99D of the Income Tax Ordinance 2001, for the tax years 2022 and 2023. Tax authorities issued a recovery notice to BIPL thereby creating a demand to the extent of Rs. 594 million. BIPL through its legal counsel has challenged the levy, and the High Court of Sindh, has suspended the operation of aforementioned SRO and granted stay to BIPL. Further, the Islamabad High Court and Lahore High Court has suspended the operation in other similar petitions. The matter remains pending, and the stay order still holds the field.

	2023	2022
	----- Rupees in '000 -----	----- Rupees in '000 -----
34. EARNINGS PER SHARE - BASIC AND DILUTED	Note	Note
Profit after taxation for the year - attributable to ordinary equity holders of the Bank	<u>9,448,830</u>	<u>1,081,766</u>
	----- Numbers -----	----- Numbers -----
Weighted average number of basic outstanding ordinary shares during the year	<u>1,577,857,341</u>	<u>1,297,464,262</u>
	----- Rupees -----	----- Rupees -----
Earnings per share - basic and diluted	<u>5.99</u>	<u>0.83</u>
35. CASH AND CASH EQUIVALENTS	2023	2022
	----- Rupees in '000 -----	----- Rupees in '000 -----
Cash and balances with treasury banks	6 <u>82,182,460</u>	24,765,248
Balances with other banks - Gross	7 <u>5,302,154</u>	1,859,827
Overdrawn nostro accounts	15 <u>(549,483)</u>	(1,291,766)
	<u>86,935,131</u>	<u>25,333,309</u>

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36.	STAFF STRENGTH	Note	2023	2022
			----- Numbers -----	-----
	Permanent		7,944	4,060
	On Group's contract		2,694	503
	Group's own staff strength		10,638	4,563
	Outsourced	36.2	454	433
	Total		11,092	4,996
36.1	Geographical segment analysis			
	Pakistan		11,085	4,988
	Bahrain		7	8
			11,092	4,996

36.2 This excludes employees of outsourced services companies assigned to the Group to perform services of security guards and janitorial staff.

37. DEFINED BENEFIT PLAN

37.1 General description

The Bank operates a recognised gratuity fund for all employees who opted for this scheme introduced by the management with effect from January 01, 2007.

The defined benefit is administered by a separate fund that is legally separate from the Bank. The plan is governed by the trust deed dated September 01, 2007. The trustees of the gratuity fund are composed of representatives from employers. The trustees of the gratuity fund are required by the trust deed to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees and employers. The trustees of the gratuity fund are responsible for the investment policy with regard to the assets of the fund.

37.2 The plan in Pakistan typically exposes the Bank to actuarial risks such as: salary risk, discount rate risk, mortality risk and investment risk defined as follow:

- **Salary increase risk:**

The risk that the final salary at the time of cessation of services is greater than 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.

- **Discount rate risk**

The discount rate is based on the yield on government bonds. If the market yield of bonds varies, the discount rate would vary in the same manner and would affect the present value of obligation and fair value of assets.

- **Demographic risks**

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.

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Longevity Risk

This is the risk that the assets are under-performing and are not sufficient to meet the liabilities.

- Investment risk

This is the risk that the assets are under-performing and are not sufficient to meet the liabilities.

37.3 Number of employees under the schemes

The number of employees covered under the gratuity scheme are 4,010 (2022: 3,740).

37.4 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2023, using Projected Unit Credit Method. The following significant assumptions were used for the valuation:

		2023	2022
Discount rate	per annum	16.00%	14.50%
Expected rate of return on plan assets	per annum	14.50%	11.75%
Expected rate of salary increase	per annum	16.00%	14.50%
The average duration of the defined benefit obligation	years	7	8

37.5 Movement in defined benefit obligations, fair value of plan assets and their components

	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability (asset)	
	2023	2022	2023	2022	2023	2022
	----- Rupees in '000 -----					
Balance as at January 01,	831,155	811,689	950,678	1,130,008	(119,523)	(318,319)
Included in profit or loss						
Current service cost	129,984	130,631	-	-	129,984	130,631
Past service cost	-	-	-	-	-	-
Interest expense / income	114,375	90,497	132,389	127,900	(18,014)	(37,403)
	244,359	221,128	132,389	127,900	111,970	93,228
Included in other comprehensive income / (loss)						
Actuarial gains / losses arising from:						
- financial assumptions	(5,116)	5,131	-	-	(5,116)	5,131
- demographic assumptions	-	(34,057)	-	-	-	(34,057)
- experience adjustments	(44,447)	(89,734)	-	-	(44,447)	(89,734)
Return on plan assets	-	-	(190,307)	(224,228)	190,307	224,228
	(49,563)	(118,660)	(190,307)	(224,228)	140,744	105,568
Other movements						
Contribution made during the year	-	-	-	-	-	-
Benefits due but not paid	(9,421)	-	(9,421)	-	-	-
Benefits paid during the year	(75,300)	(83,002)	(75,300)	(83,002)	-	-
	(84,721)	(83,002)	(84,721)	(83,002)	-	-
Balance as at December 31,	941,230	831,155	808,039	950,678	133,191	(119,523)

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37.6 The composition of the plan assets at the end of the reporting period for each category, are as follows:

	Cost		Fair value of plan assets		Composition	
	2023	2022	2023	2022	2023	2022
	----- Rupees in '000 -----				----- Percentage -----	
Cash at Bank	46,862	28,395	46,862	28,395	5.8%	3.0%
Pakistan Investment Bonds	-	59,537	-	59,568	0.0%	6.3%
Market treasury bills	-	69,178	-	70,805	0.0%	7.4%
Term finance certificates	-	183,442	-	184,040	0.0%	19.4%
Ordinary Shares of listed companies	1,049,827	805,636	761,177	607,871	94.2%	64.0%
	<u>1,096,689</u>	<u>1,146,188</u>	<u>808,039</u>	<u>950,679</u>	<u>100%</u>	<u>100%</u>

37.7 Maturity profile

37.7.1 Expected maturity analysis of undiscounted defined benefit obligation (benefit payments) for the gratuity fund is as follows:

	Up to one year	Over 1 to 2 years	Over 2 to 5 years	Over 6 to 10 years	Over 10 years	Total
	----- Rupees in '000 -----					
Balance as at December 31, 2023	<u>59,970</u>	<u>176,820</u>	<u>490,049</u>	<u>1,395,093</u>	<u>19,092,746</u>	<u>21,214,678</u>
Balance as at December 31, 2022	<u>53,572</u>	<u>153,934</u>	<u>435,294</u>	<u>1,124,640</u>	<u>13,268,198</u>	<u>15,035,638</u>

37.8 Sensitivity analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate, and expected rate of salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

Particulars	Present value of defined benefit obligation	Change
	----- Rupees in '000 -----	
1% increase in discount rate	876,137	(65,093)
1% decrease in discount rate	1,014,373	73,143
1% increase in expected rate of salary increase	1,007,153	65,923
1% decrease in expected rate of salary increase	881,275	(59,955)
10% increase in withdrawal rate	927,868	(13,362)
10% decrease in withdrawal rate	955,580	14,350
1 year Mortality age set back	941,435	205
1 year Mortality age set forward	940,990	(240)

Furthermore in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as applied in calculating the defined benefit obligation liability recognised in this consolidated statement of financial position.

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37.9 Maturity profile

The weighted average duration of the defined benefit obligation works out to 08 years.

37.10 Experience Adjustments

The re-measurement gains / losses arise due to actual experience varying from the actuarial assumptions for the year.

Particulars	2023	2022
	----- Rupees in '000 -----	
Defined benefit obligation	941,230	831,155
Fair value of plan assets	(808,039)	(950,678)
Net defined benefit liability	<u>133,191</u>	<u>(119,523)</u>
Re-measurement loss on obligation	(49,563)	(118,660)
Re-measurement loss on plan assets	190,307	224,228
Other comprehensive income	<u>140,744</u>	<u>105,568</u>

37.11 Based on actuarial advice and management estimates, profit and loss account charge in respect of defined benefit obligation for the next one year works out to be Rs. 168.649 million.

38. DEFINED BENEFIT PLAN OF SUBSIDIARY

38.1 BankIslami Pakistan Limited (BIPL)

BIPL operates a gratuity fund for its employees (members of the fund). The fund entitles the members to lump sum payment at the time of retirement, resignation or death. Permanent staff are eligible for such benefits after three years of service.

The number of eligible employees covered under the defined scheme are 3,727.

39. DEFINED CONTRIBUTION PLAN

The Group operates a contributory provident fund scheme for all permanent employees. The employer and employee both make a contribution of equal amount to the fund as follows:

	Contribution basic salary	Number of employees		Contribution made during the year	
		2023	2022	2023	2022
	Percentages	----- Numbers -----		----- Rupees in '000 -----	
Bank					
- JS Bank Limited	7.1%	3,231	3,013	312,365	263,085
Subsidiary companies					
- JS Global Capital Limited	7.33%	177	173	17,061	17,613
- JS Investments Limited	7.33%	84	84	11,198	8,981
- Bank Islami Pakistan Limited	10.0%	3,727	-	208,559	-

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40. COMPENSATION OF DIRECTORS AND EXECUTIVES

40.1 The aggregate amount charged in the financial statements for the year in respect of the remuneration and benefits to the President and Chief Executive Officer, Directors and Executives are as follows:

Items	2023				
	Directors		President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non-Executives			
	Rupees in '000				
Fees and Allowances etc.	1,950	11,500	-	-	-
Managerial Remuneration					
i) Fixed	-	-	49,706	553,885	719,449
ii) Total Variable - Cash Bonus / Awards	-	-	8,202	170,131	84,824
Charge for defined benefit plan	-	-	1,439	7,916	16,450
Contribution to defined contribution plan	-	-	3,630	19,733	40,768
Medical	-	-	4,971	49,219	68,645
Utilities	-	-	-	11,409	10,619
House rent allowance	-	-	-	21,072	47,787
Conveyance	-	-	1,248	51,922	136,038
Car allowance	-	-	-	41,479	117,403
Others	-	-	243	34,896	18,350
Total	1,950	11,500	69,438	961,662	1,260,333
Number of persons	1	5	1	46	150
	2022				
Items	Directors		President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non-Executives			
	Rupees in '000				
Fees and Allowances etc.	2,500	13,950	-	-	-
Managerial Remuneration					
i) Fixed	-	-	42,605	363,219	392,658
ii) Total Variable - Cash Bonus / Awards	-	-	-	9,620	12,180
Charge for defined benefit plan	-	-	2,517	15,091	21,408
Contribution to defined contribution plan	-	-	3,025	18,222	25,873
Medical	-	-	4,261	30,401	36,870
Utilities	-	-	-	164	-
House rent allowance	-	-	-	1,473	-
Conveyance	-	-	196	21,409	50,717
Car allowance	-	-	-	33,021	63,994
Others	-	-	386	10,536	9,410
Total	2,500	13,950	52,990	503,156	613,110
Number of persons	1	11	1	35	78

Notes to the Consolidated Financial Statements

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- 40.1.1** The CEO and COO are provided with free use of Bank maintained cars in accordance with their entitlement.
- 40.1.2** Managerial remuneration includes joining related payments made to certain Executives in line with their terms of employment.
- 40.1.3** All Executives, including the CEO of the Bank, are also entitled to certain short term employee benefits which are disclosed in note 39.1 to these unconsolidated financial statements.
- 40.1.4** The SBP, vide its BPRD Circular No. 01 dated January 25, 2017, issued Guidelines on Remuneration Practices, where the Bank is required to defer a certain portion of variable compensation of the Material Risk Takers (MRTs) and Material Risk Controllers (MRCs) subject to mandatory deferrals for a defined period. In this respect, deferral amount shall be withheld for a period of three years whereas remaining portion of the variable compensation shall be paid upfront to the MRTs and MRCs. The deferred remuneration shall vest proportionately over the deferral period following the year of variable remuneration award. The deferred portion of the variable remuneration shall be paid to the MRTs and MRCs on vesting, proportionally through yearly instalments, during the deferred period, in case no malus triggers are applicable. Details of MRTs and MRCs are given below:

	2023	2022
	----- Numbers -----	
Employees Covered under:		
Material Risk Takers (MRTs)	77	65
Material Risk Controllers (MRCs)	52	43
	<u>129</u>	<u>108</u>

	2023	2022
	----- Rupees '000 -----	
Movement of deferred remuneration		
Opening	35,392	43,829
Deferred during the year	21,379	10,024
Paid during the year	(22,613)	(18,461)
Malus during the year	-	-
Closing	<u>34,158</u>	<u>35,392</u>

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

		2023					
		Meeting Fees and Allowances Paid					
		Board Committees					
Sr. No.	Name of Director	For Board Meetings	Board Audit Committee (BAC)	Board Human Resource, Remuneration & Nomination Committee (BHRRNC)	Board Risk Management Committee (BRMC)	Board IT Committee (BITC)	Total Amount Paid
		----- Rupees in '000 -----					
1	Mr. Adil Matcheswala	1,500	-	450	-	-	1,950
2	Mr. Sadiq Ali	1,500	600	-	600	-	2,700
3	Ms. Nargis Ghaloo	1,500	600	-	-	750	2,850
4	Syed Mumtaz Ali Shah	1,500	-	600	600	-	2,700
5	Mr. Shahnawaz Haider Nawabi *	250	-	-	150	-	400
6	Mr. Usman Yousaf Mobin	1,500	-	600	-	750	2,850
	Total amount paid	<u>7,750</u>	<u>1,200</u>	<u>1,650</u>	<u>1,350</u>	<u>1,500</u>	<u>13,450</u>

* Mr. Shahnawaz Haider Nawabi resigned with effect from October 12, 2023

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		2023					
		Meeting Fees and Allowances Paid					
		Board Committees					
Sr. No.	Name of Director	For Board Meetings	Board Audit Committee (BAC)	Board Human Resource, Remuneration & Nomination Committee (BHRRNC)	Board Risk Management Committee (BRMC)	Board IT Committee (BITC)	Total Amount Paid
----- Rupees in '000 -----							
1	Mr. Adil Matcheswala	1,750	150	600	-	-	2,500
2	Mr. Hassan Afzal	250	-	-	-	300	550
3	Mr. Sadiq Ali	1,000	300	-	300	-	1,600
4	Ms. Nargis Ghaloo	2,000	450	-	150	300	2,900
5	Syed Mumtaz Ali Shah	1,000	-	450	300	-	1,750
6	Mr. Shahnawaz Haider Nawabi	750	150	-	300	-	1,200
7	Mr. Usman Yousaf Mobin	1,000	-	450	-	300	1,750
8	Mr. Ashraf Nawabi	-	-	-	-	-	-
9	Mr. G.M Sikander	750	150	150	-	-	1,050
10	Mr. Munawar Alam Siddiqui	750	150	-	150	-	1,050
11	Mr. Kalim-ur-Rahman	750	-	150	-	150	1,050
12	Mr. Sohail Aman	750	-	150	-	150	1,050
Total amount paid		10,750	1,350	1,950	1,200	1,200	16,450

41. FAIR VALUE OF FINANCIAL INSTRUMENTS

International Financial Reporting Standard (IFRS) 13, 'Fair Value Measurement' defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of quoted securities other than those classified as held-to-maturity, is based on quoted market price. Quoted securities classified as held-to-maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements. Fair value of unquoted debt securities, fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments.

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

Fair value hierarchy

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

- Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2:** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3:** Fair value measurements using unobservable inputs for the asset or liability.

Notes to the Consolidated Financial Statements

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41.1 Valuation techniques used in determination of fair values within level

Item	Valuation approach and input used
Financial Instruments - Level 1	
Shares of listed companies	Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange / Bloomberg.

Financial instruments - Level 2	
Units of mutual funds	Fair values of investments in units of mutual funds are determined based on redemption prices disclosed at the Mutual Funds Association of Pakistan (MUFAP) as at the close of the business days.
Market Treasury Bills (MTB), Pakistan Investment Bonds (PIB) and GoP Sukuks	Fair values of Pakistan Investment Bonds, Market Treasury Bills and GoP Sukuks are derived using PKRV, PKFRV and PKISRV rates.
Debt Securities (TFCs) and Sukuk other than Government	Investments in debt securities (comprising of Term Finance Certificates, Bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP.
Overseas Government Sukuks, Overseas and Euro Bonds	The fair value of Overseas Government Sukuks, and Overseas Bonds are valued on the basis of price available on Bloomberg.
Forward foreign exchange contracts	The valuation has been determined by interpolating the foreign exchange revaluation rates announced by the State Bank of Pakistan.
Derivatives	The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currencies involved, interest rates, yield curves, volatilities, contracts duration, etc.

Financial instruments in level 3

Currently, no financial instruments are classified in level 3.
The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

Non- financial assets - Level 3

Fixed assets - Land and building	Fixed assets and Non-banking assets under satisfaction of claims are carried at revalued amounts determined by professional valuers based on their assessment of the market values as disclosed in note 11 and 13 of these annual consolidated financial statements. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan. The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these consolidated financial statements.
Non-banking assets acquired in satisfaction of claims	

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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

41.3 The following table provides an analysis of financial assets that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

	2023			Total
	Level 1	Level 2	Level 3	
----- Rupees in '000 -----				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Held-for-trading securities				
Investments				
Federal Government Securities	-	47,925	-	47,925
Shares	568,734	-	-	568,734
Non Government Debt Securities	-	126,688	-	126,688
Open end mutual funds	-	770,006	-	770,006
	568,734	944,619	-	1,513,353
Available-for-sale securities				
Investments				
Federal Government Securities	-	418,246,641	-	418,246,641
Shares	4,159,607	-	-	4,159,607
Non Government Debt Securities	-	37,158,677	-	37,158,677
Foreign Securities	71,367	18,644,141	-	18,715,508
Open end mutual funds	-	464,670	-	464,670
	4,230,974	474,514,129	-	478,745,103
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	100,310,906	-	100,310,906
	4,799,708	575,769,654	-	580,569,362
Non-Financial assets - measured at fair value				
Revalued fixed assets	-	-	11,765,145	11,765,145
Non-banking assets acquired in satisfaction of claims	-	-	6,511,596	6,511,596
	-	-	18,276,741	18,276,741
Off balance sheet financial instruments				
Commitments in respect of:				
Forward foreign exchange contracts				
Purchase	-	127,211,243	-	127,211,243
Sale	-	93,751,722	-	93,751,722
Derivative instruments				
Forward securities contract				
Purchase	-	-	-	-
Sale	-	719,159	-	719,159

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	2022			Total
	Level 1	Level 2	Level 3	
	Rupees in '000			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Held-for-trading securities				
Investments				
Federal Government Securities	-	33,431	-	33,431
Shares	570,698	-	-	570,698
Open end mutual funds	-	548,117	-	548,117
	570,698	581,548	-	1,152,246
Available-for-sale securities				
Investments				
Federal Government Securities	-	143,386,012	-	143,386,012
Shares	5,150,477	-	-	5,150,477
Non Government Debt Securities	-	1,856,539	-	1,856,539
Foreign Securities	301,484	807,635	-	1,109,119
Open end mutual funds	-	983,631	-	983,631
	5,451,961	147,033,817	-	152,485,778
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	147,022,393	-	147,022,393
	6,022,659	294,637,758	-	300,660,417
Non-Financial assets - measured at fair value				
Revalued fixed assets	-	-	4,470,715	4,470,715
Non-banking assets acquired in satisfaction of claims	-	-	3,772,225	3,772,225
	-	-	8,242,940	8,242,940
Off balance sheet financial instruments				
Commitments in respect of:				
Forward foreign exchange contracts				
Purchase	-	42,202,966	-	42,202,966
Sale	-	26,862,267	-	26,862,267
Derivative instruments				
Cross currency swaps				
Purchase	-	247,888	-	247,888
Sale	-	248,598	-	248,598
Forward securities contract				
Purchase	-	1,876,168	-	1,876,168
Sale	-	530,864	-	530,864

Notes to the Consolidated Financial Statements

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41. SEGMENT INFORMATION

41.1. Segment Details with respect to Business Activities:

	2023									
	Retail Banking	Corporate / Commercial Banking	Treasury	Investment, International & Institutional Banking	Zindigi	Islamic Banking	Brokerage	Asset Management	Others	Total
	----- Rupees in '000 -----									
Profit and loss										
Net mark-up / return /										
interest / profit / (expense)	(18,105,926)	1,366,455	40,772,877	40,981	(41,042)	16,885,221	176,928	1,551	(1,582,264)	39,514,781
Inter segment revenue - net	39,060,261	5,351,630	(43,356,182)	2,239,041	370,085	-	-	-	(3,664,835)	-
Non mark-up / return /										
income / (loss)	2,157,752	1,768,975	5,031,291	1,204,117	221,674	1,182,216	981,537	352,396	301,909	13,201,867
Total income / (loss)	23,112,087	8,487,060	2,447,986	3,484,139	550,717	18,067,437	1,158,465	353,947	(4,945,190)	52,716,648
Segment direct expenses	10,773,253	707,134	204,588	1,210,569	3,844,032	6,741,148	912,274	371,894	6,549,172	31,314,064
Inter segment expense allocation	4,366,111	748,367	216,912	168,461	527,087	-	-	-	(6,026,938)	-
Total expenses	15,139,364	1,455,501	421,500	1,379,030	4,371,119	6,741,148	912,274	371,894	522,234	31,314,064
Provisions and write offs - net	586,806	2,088,308	-	98,690	-	3,877,579	(13,793)	-	10,611	6,648,201
Extraordinary / unusual items	-	-	-	-	-	-	-	-	3,576,591	3,576,591
Profit / (loss) before tax	7,385,917	4,943,251	2,026,486	2,006,419	(3,820,402)	7,448,710	259,984	(17,947)	(1,901,444)	18,330,974
	----- Rupees in '000 -----									
Profit and loss										
Net mark-up / return /										
interest / (expense)	(7,783,106)	(771,400)	25,444,706	(849,625)	(27,846)	-	16,531	(8,062)	(1,056,867)	14,964,331
Inter segment revenue - net	21,431,299	4,599,762	(29,145,431)	2,235,374	248,679	-	-	-	630,317.00	-
Non mark-up / return /										
income / (loss)	1,362,323	1,394,562	1,922,541	379,548	254,167	-	702,506	432,868	(26,592)	6,421,923
Total income / (loss)	15,010,516	5,222,924	(1,778,184)	1,765,297	475,000	-	719,037	424,806	(453,142)	21,386,254
Segment direct expenses	8,689,874	701,063	182,946	613,574	1,798,055	-	714,404	343,795	4,935,191	17,978,902
Inter segment expense allocation	3,367,501	717	177,440	136,106	1,134,202	-	-	-	(4,815,966)	-
Total expenses	12,057,375	701,780	360,386	749,680	2,932,257	-	714,404	343,795	119,225	17,978,902
Provisions and write offs - net	488,632	470,398	-	121,568	-	-	-	-	18,190	1,098,788
Profit / (loss) before tax	2,464,509	4,050,746	(2,138,570)	894,049	(2,457,257)	-	4,633	81,011	(590,557)	2,308,564

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2023										
	Retail Banking	Corporate / Commercial Banking	Treasury	Investment, International & Institutional Banking	Zindigi	Islamic Banking	Brokerage	Asset Management	Others	Total
----- Rupees in '000 -----										
Statement of financial position										
Cash and bank balances	6,601,476	3,633	29,255,325	1,673,716	1,072,267	42,661,045	143,038	57,936	6,016,104	87,484,540
Lendings to financial institutions	-	-	-	-	-	16,502,138	-	-	-	16,502,138
Investments	-	-	241,068,907	22,083,318	-	314,083,872	590,962	1,361,628	3,456,441	582,645,128
<i>Net inter segment lending</i>	237,203,038	41,050,823	-	7,114,783	2,745,472	-	-	-	40,532,368	328,646,484
Advances - performing	73,093,100	112,007,279	-	7,267,979	-	230,978,830	694,457	3,172	5,233,978	429,278,795
Advances - non-performing	6,589,395	9,526,666	-	27,685	-	22,890,642	-	-	40,704	39,075,092
Advances - provisions - net	(2,932,017)	(7,065,190)	-	(21,976)	-	(23,840,627)	-	-	(40,703)	(33,900,513)
	76,750,478	114,468,755	-	7,273,688	-	230,028,845	694,457	3,172	5,233,979	434,453,374
Others	-	-	-	-	-	51,184,552	3,610,904	516,263	53,604,182	108,915,901
Total Assets	320,554,992	155,523,211	270,324,232	38,145,505	3,817,739	654,460,452	5,039,361	1,938,999	108,843,074	1,558,647,565
Borrowings	7,749,336	17,572,794	1,900,349	-	-	60,659,056	149,999	-	-	88,031,534
Deposits and other accounts	304,975,970	137,568,824	-	38,098,734	3,817,739	522,540,925	-	-	817,302	1,007,819,494
Subordinated debt	-	-	-	-	-	2,846,904	-	-	8,497,767	11,344,671
<i>Net inter segment borrowing</i>	1,004,209	-	268,423,883	-	-	36,299,104	1,616,726	1,612,329	19,690,233	328,646,484
Others	6,825,477	381,593	-	46,771	-	32,114,463	3,272,636	326,670	19,849,651	62,817,261
Total Liabilities	320,554,992	155,523,211	270,324,232	38,145,505	3,817,739	654,460,452	5,039,361	1,938,999	48,854,953	1,498,659,444
Equity	-	-	-	-	-	-	-	-	50,501,557	50,501,557
Non-controlling interest	-	-	-	-	-	-	-	-	9,486,564	9,486,564
Total Equity and Liabilities	320,554,992	155,523,211	270,324,232	38,145,505	3,817,739	654,460,452	5,039,361	1,938,999	108,843,074	1,558,647,565
Contingencies and Commitments	77,650,720	37,673,689	120,272,393	-	-	257,605,181	735,596	-	911,638	494,849,217
----- Rupees in '000 -----										
2022										
	Retail Banking	Corporate / Commercial Banking	Treasury	Investment, International & Institutional Banking	Zindigi	Islamic Banking	Brokerage	Asset Management	Others	Total
----- Rupees in '000 -----										
Statement of financial position										
Cash and bank balances	8,312,648	29,020	17,775,749	444,034	3,952	-	57,364	2,273	-	26,625,040
Lendings to financial institutions	-	-	11,351,162	-	-	-	-	-	-	11,351,162
Investments	-	1,786,820	295,608,155	2,064,697	-	-	613,423	1,154,450	2,140,921	303,368,466
<i>Net inter segment lending</i>	206,405,581	58,536,813	1,864,270	-	2,878,830	-	1,362,934	14,902	1,706,220	272,769,550
Advances - performing	75,221,124	141,415,256	-	-	407	-	453,896	3,043	5,575,996	222,669,722
Advances - non-performing	6,699,317	9,528,889	-	-	-	-	-	-	83,681	16,311,887
Advances - provisions - net	(3,269,248)	(4,141,732)	-	-	-	-	-	-	(11,874)	(7,422,854)
	78,651,193	146,802,413	-	-	407	-	453,896	3,043	5,647,803	231,558,755
Others	-	-	-	-	-	-	2,797,049	597,245	44,232,242	47,626,536
Total Assets	293,369,422	207,155,066	326,599,336	2,508,731	2,883,189	-	5,284,666	1,771,913	53,727,186	893,299,509
Borrowings	8,350,957	24,594,549	64,862,710	-	-	-	722,880	-	-	98,531,096
Deposits and other accounts	277,923,067	181,951,032	-	350	2,883,189	-	-	-	-	462,757,638
Subordinated debt	-	-	-	-	-	-	-	-	6,995,000	6,995,000
<i>Net inter segment borrowing</i>	-	-	261,736,626	2,508,381	-	-	2,255,938	1,318,106	4,950,499	272,769,550
Others	7,095,398	609,485	-	-	-	-	2,305,848	453,807	18,525,300	28,989,838
Total Liabilities	293,369,422	207,155,066	326,599,336	2,508,731	2,883,189	-	5,284,666	1,771,913	30,470,799	870,043,122
Equity	-	-	-	-	-	-	-	-	22,893,113	22,893,113
Non-controlling interest	-	-	-	-	-	-	-	-	363,274	363,274
Total Equity and Liabilities	293,369,422	207,155,066	326,599,336	2,508,731	2,883,189	-	5,284,666	1,771,913	53,727,186	893,299,509
Contingencies and Commitments	63,653,775	25,780,043	86,645,804	-	-	-	567,163	-	1,701,657	178,348,442

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42.2 Segment details with respect to geographical locations

	2023		
	Pakistan	Bahrain	Total
	----- Rupees in '000 -----		
Profit and loss			
Net mark-up / return / interest / profit / (expense)	38,789,704	725,077	39,514,781
<i>Inter segment revenue - net</i>	-	-	-
Non mark-up / return / income	12,949,974	251,893	13,201,867
Total income	51,739,678	976,970	52,716,648
Segment direct expenses	30,958,993	355,071	31,314,064
<i>Inter segment expense allocation</i>	(55,701)	55,701	-
Total expenses	30,903,292	410,772	31,314,064
Provisions and write offs - net	6,548,440	99,761	6,648,201
Extraordinary / unusual items	3,576,591	-	3,576,591
Profit before tax	17,864,537	466,437	18,330,974
Statement of financial position			
Cash and bank balances	85,939,231	1,545,309	87,484,540
Lendings to financial institutions	16,502,138	-	16,502,138
Investments	562,425,188	20,219,940	582,645,128
<i>Net inter segment lending</i>	328,646,484	-	328,646,484
Advances - performing	425,968,496	3,310,299	429,278,795
Advances - non-performing	39,075,092	-	39,075,092
Advances - provisions - net	(33,878,619)	(21,894)	(33,900,513)
	431,164,969	3,288,405	434,453,374
Others	108,906,755	9,146	108,915,901
Total Assets	1,533,584,765	25,062,800	1,558,647,565
Borrowings	88,031,534	-	88,031,534
Deposits and other accounts	984,817,174	23,002,320	1,007,819,494
Subordinated debt	11,344,671	-	11,344,671
<i>Net inter segment borrowing</i>	328,646,484	-	328,646,484
Others	62,646,693	170,568	62,817,261
Total Liabilities	1,475,486,556	23,172,888	1,498,659,444
Equity	48,611,645	1,889,912	50,501,557
Non-controlling interest	9,486,564	-	9,486,564
Total Equity and Liabilities	1,533,584,765	25,062,800	1,558,647,565
Contingencies and Commitments	482,479,833	12,369,384	494,849,217

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For the year ended December 31, 2023

	2022		
	Pakistan	Bahrain	Total
	----- Rupees in '000 -----		
Profit and loss			
Net mark-up / return / interest / (expense)	14,633,882	330,449	14,964,331
<i>Inter segment revenue - net</i>	11,864	(11,864)	-
Non mark-up / return / income	6,471,960	(50,037)	6,421,923
Total income	21,117,706	268,548	21,386,254
Segment direct expenses	17,756,297	222,605	17,978,902
<i>Inter segment expense allocation</i>	(45,239)	45,239	-
Total expenses	17,711,058	267,844	17,978,902
Provisions and write offs - net	1,034,871	63,917	1,098,788
Profit / (loss) before tax	2,371,777	(63,213)	2,308,564
Statement of financial position			
Cash and bank balances	24,112,921	2,512,119	26,625,040
Lendings to financial institutions	11,351,162	-	11,351,162
Investments	301,581,636	1,786,830	303,368,466
<i>Net inter segment lending</i>	270,709,029	2,060,521	272,769,550
Advances - performing	217,119,610	5,550,112	222,669,722
Advances - non-performing	16,311,887	-	16,311,887
Advances - provisions - net	(7,411,354)	(11,500)	(7,422,854)
	226,020,143	5,538,612	231,558,755
Others	47,520,088	106,448	47,626,536
Total Assets	881,294,979	12,004,530	893,299,509
Borrowings	98,531,096	-	98,531,096
Deposits and other accounts	453,348,106	9,409,532	462,757,638
Subordinated debt	6,995,000	-	6,995,000
<i>Net inter segment borrowing</i>	270,709,029	2,060,521	272,769,550
Others	28,878,129	111,709	28,989,838
Total Liabilities	858,461,360	11,581,762	870,043,122
Equity	22,470,345	422,768	22,893,113
Non-controlling interest	363,274	-	363,274
Total Equity and Liabilities	881,294,979	12,004,530	893,299,509
Contingencies and Commitments	175,806,703	2,541,739	178,348,442

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43. TRUST ACTIVITIES

The Group undertakes Trustee and other fiduciary activities that result in the holding or placing of assets on behalf of individuals and other organisations. These are not assets of the Group and, therefore, are not included as such in these consolidated financial statements. Assets held under trust are shown in the table below:

Category	2023				Total
	Securities Held (Face Value)				
	No. of IPS Accounts	Market Treasury Bills	Pakistan Investment Bonds	Government Ijara Sukuk	
	----- (Rupees in '000) -----				
Charitable Institutions	7	1,927,200	508,000	168,000	2,603,200
Companies	58	3,947,350	1,881,300	2,569,530	8,398,180
Employees Funds	48	19,141,120	20,399,700	1,650,640	41,191,460
Individuals	130	7,026,695	420,600	144,270	7,591,565
Insurance Companies	14	132,870,725	71,372,000	24,311,500	228,554,225
Others	25	6,479,975	2,627,100	1,885,000	10,992,075
Total	282	171,393,065	97,208,700	30,728,940	299,330,705

Category	2022				Total
	Securities Held (Face Value)				
	No. of IPS Accounts	Market Treasury Bills	Pakistan Investment Bonds	Government Ijara Sukuk	
	----- (Rupees in '000) -----				
Charitable Institutions	19	1,076,100	313,000	168,000	1,557,100
Companies	53	30,672,525	7,904,000	-	38,576,525
Employees Funds	191	12,679,225	11,565,000	1,298,340	25,542,565
Individuals	175	2,354,150	316,400	18,500	2,689,050
Insurance Companies	96	70,726,200	97,163,500	15,275,500	183,165,200
Others	31	3,177,175	3,491,600	-	6,668,775
Total	565	120,685,375	120,753,500	16,760,340	258,199,215

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

44. RELATED PARTY TRANSACTIONS

The Group has related party transactions with its parent, directors, key management personnel, associates and other related parties.

The Group enters into transactions with related parties in the ordinary course of business and substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

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

	2023				
	Parent	Directors	Key management personnel	Associates	Other related parties
Statement of financial position	----- Rupees in '000 -----				
Lendings to financial institutions					
Opening balance	-	-	-	-	-
Addition during the period	-	-	-	-	116,405,200
Repaid during the period	-	-	-	-	(116,405,200)
Transfer in / (out) - net	-	-	-	-	-
Closing balance	-	-	-	-	-
Investments					
Opening balance	7,595	-	-	269,800	11,290,639
Investment made during the period	-	-	-	-	1,290,203
Investment redeemed / disposed off during the period	-	-	-	-	(4,141,720)
Deficit on investments	-	-	-	-	(777,060)
Transfer in / (out) - net	-	-	-	1,102,111	(1,153,195)
Closing balance	7,595	-	-	1,371,911	6,508,867
Provision for diminution in value of investments	-	-	-	1,102,111	388,607
Advances					
Opening balance	-	-	524,061	232,166	1,340,315
Addition during the period	-	1,997	414,637	903,910	13,272,798
Repaid during the period	-	(2,240)	(238,056)	(950,343)	(12,232,769)
Transfer in / (out) - net	-	490	219,284	480,187	(373,979)
Closing balance	-	247	919,926	665,920	2,006,365
Other assets					
Mark-up / return / interest accrued	-	-	869	20,758	33,338
Receivable against bancassurance / bancatakaful	-	-	-	-	15,358
Prepaid insurance	-	-	-	-	587
Trade receivable	-	-	511	-	169,423
Rent receivable	-	-	-	-	16,338
Other receivable	-	-	-	-	3,650
Provision against other assets	-	-	-	-	-

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For the year ended December 31, 2023

	2023				
	Parent	Directors	Key management personnel	Associates	Other related parties
	----- Rupees in '000 -----				
Borrowings					
Opening balance	-	-	-	-	320,785
Borrowings during the period	-	-	-	-	-
Settled during the period	-	-	-	-	(320,785)
Transfer in / (out) - net	-	-	-	-	-
Closing balance	-	-	-	-	-
Deposits and other accounts					
Opening balance	130,430	174,485	47,853	2,621	12,626,532
Received during the period	20,697,001	2,406	1,800,295	4,325,135	203,709,787
Withdrawn during the period	(20,746,742)	(2,327)	(1,785,562)	(4,298,767)	(209,905,961)
Transfer in / (out) - net	-	(174,195)	25,951	17,409	1,733,846
Closing balance	80,689	369	88,537	46,398	8,164,204
Subordinated debt					
Opening balance	2,500	-	-	-	124,714
Issued during the period	-	-	-	-	20,000
Redeemed during the period	-	-	-	-	(124,715)
Transfer in / (out) - net	-	-	485	-	1,120
Closing balance	2,500	-	485	-	21,119
Other liabilities					
Mark-up / return / interest payable on deposits	-	-	333	13	82,686
Mark-up / return / interest payable on borrowings	-	-	-	-	-
Mark-up / return / interest payable on subordinated debt	-	-	-	-	13
Dividend payable	-	-	-	-	169,317
Trade payable	5,989	-	1,154	-	21,868
Donation payable	-	-	-	-	209,514
Defined benefit obligation - net	-	-	-	-	133,191
Others payable	400	-	10	-	4,950
Contingencies and commitments					
Letter of guarantee	-	-	-	-	15,141
Letter of credit	-	-	-	-	516,329
Forward lending	-	-	-	-	-

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

	2022				
	Parent	Directors	Key management personnel	Associates	Other related parties
	----- Rupees in '000 -----				
Statement of financial position					
Lendings to financial institutions					
Opening balance	-	-	-	-	-
Addition during the year	-	-	-	-	96,591,372
Repaid during the year	-	-	-	-	(96,591,372)
Transfer in / (out) - net	-	-	-	-	-
Closing balance	-	-	-	-	-
Investments					
Opening balance	9,866	-	-	269,800	4,438,648
Investment made during the year	2,595	-	-	-	10,764,769
Investment redeemed / disposed off during the year	(4,866)	-	-	-	(3,550,000)
Deficit on investments	-	-	-	-	(362,778)
Closing balance	7,595	-	-	269,800	11,290,639
Provision for diminution in value of investments	-	-	-	-	326,456
Advances					
Opening balance	-	125,769	483,696	442,315	3,929,319
Addition during the year	-	-	368,857	26,550	4,778,045
Repaid during the year	-	-	(122,754)	(236,699)	(6,727,054)
Transfer in / (out) - net	-	(125,769)	(205,738)	-	(639,995)
Closing balance	-	-	524,061	232,166	1,340,315
Other assets					
Mark-up / return / interest accrued	514	-	697	8,010	19,745
Receivable against bancassurance / bancatakaful	-	-	-	-	17,498
Prepaid insurance	-	-	-	-	34,933
Net defined benefit plan	-	-	-	-	119,523
Trade receivable	-	-	68	-	168,341
Rent receivable	-	-	-	-	16,521
Other receivable	285	-	-	-	19,746
Provision against other assets	-	-	-	-	326,456
Borrowings					
Opening balance	-	-	-	-	474,283
Borrowings during the year	-	-	-	-	312,777,617
Settled during the year	-	-	-	-	(312,931,115)
Transfer in / (out) - net	-	-	-	-	-
Closing balance	-	-	-	-	320,785

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

	2022				
	Parent	Directors	Key management personnel	Associates	Other related parties
	----- Rupees in '000 -----				
Deposits and other accounts					
Opening balance	912,327	388,406	42,227	41,310	14,398,780
Received during the year	15,376,414	62,632	823,876	1,494,000	191,456,450
Withdrawn during the year	(16,158,311)	(62,805)	(802,683)	(1,532,689)	(192,234,920)
Transfer in / (out) - net	-	(213,748)	(15,567)	-	(993,778)
Closing balance	130,430	174,485	47,853	2,621	12,626,532
Subordinated debt					
Opening balance	2,500	-	-	-	639,776
Issued during the year	-	-	-	-	-
Redeemed during the year	-	-	-	-	(79)
Transfer in / (out) - net	-	-	-	-	(514,983)
Closing balance	2,500	-	-	-	124,714
Other liabilities					
Mark-up / return / interest payable on deposits	-	-	-	-	536,091
Mark-up / return / interest payable on borrowings	-	-	-	-	6,120
Mark-up / return / interest payable on subordinated debt	-	-	-	-	143
Trade payable	138,090	-	12,386	-	173,267
Donation payable	-	-	-	-	27,720
Other payable	-	-	-	-	2,487
Contingencies and commitments					
Letter of guarantee	-	-	-	-	20,398
Letter of credit	-	-	-	-	65,585
Forward lending	-	-	-	5924	-

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

	2023				
	Parent	Directors	Key management personnel	Associates	Other related parties
Profit and loss account	----- Rupees in '000 -----				
Income					
Mark-up / return / interest earned	431	-	41,536	107,624	479,860
Fee, commission and brokerage income	1,908	106	5,152	10	365,972
Dividend income	-	-	-	-	173,843
Gain on sale of securities - net	-	-	-	-	23,126
Provisions and write offs - net					
Provision for diminution in value of Investments - net	-	-	-	-	-
Expense					
Mark-up / return / interest paid	52,143	-	5,375	6,053	1,361,144
Remuneration paid	-	-	961,662	-	-
Non-executive directors' fee	-	13,450	-	-	31,590
Contribution to defined contribution plan	-	-	-	-	418,068
Net charge for defined benefit plans	-	-	-	-	190,007
Insurance expense	-	-	-	-	164,437
Donation	-	-	-	-	180,742
Rental expense	1,787	-	-	-	14,375
Advisory fee	15,000	-	-	-	10,917
Consultancy charges	-	-	-	-	56,922
Royalty	-	-	-	-	26,250
Other expenses	1,200	-	25,626	261	104,394
Payments made during the period					
Insurance premium paid	-	-	-	-	96,440
Insurance claims settled	-	-	-	-	7,874
Other Transactions					
Sale of Government Securities	-	-	175,594	-	222,995,909
Purchase of Government Securities	-	-	309,485	-	22,146,983
Purchase of Shares of Subsidiary	5,444,290	-	-	-	5,482,227
Sale of non-Government Securities	-	-	-	-	2,351,720
Purchase of non-Government Securities	-	-	-	-	50,456
Sale of Foreign Currencies	-	-	-	-	36,568,435
Purchase of Foreign Currencies	-	-	-	-	25,422,778

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	2022				
	Parent	Directors	Key management personnel	Associates	Other related parties
Profit and loss account	----- Rupees in '000 -----				
Income					
Mark-up / return / interest earned	916	-	24,842	44,745	292,199
Fee, commission and brokerage income	5,505	14	1,634	1,291	115,039
Dividend income	-	-	-	-	80,747
Gain on sale of securities - net	-	-	-	-	31,894
Rental income	-	-	-	-	183,745
Provisions and write offs - net					
Provision for diminution in value of Investments - net	-	-	-	-	62,151
Expense					
Mark-up / return / interest paid	78,710	-	2,237	2,015	1,847,017
Remuneration paid	-	-	503,156	-	-
Non-executive directors' fee	-	16,450	-	-	1,975
Contribution to defined contribution plan	-	-	-	-	289,679
Net charge for defined benefit plans	-	-	-	-	93,228
Insurance expense	-	-	-	-	340,979
Donation	-	-	-	-	41,989
Rental expense	150	-	-	-	34,459
Advisory fee	15,000	-	-	-	10,501
Consultancy charges	-	-	-	-	7,000
Royalty	-	-	-	-	22,500
Other expenses	-	-	357	-	18,490
Payments made during the period					
Insurance premium paid	-	-	-	-	332,138
Insurance claims settled	-	-	-	-	6,749
Other transactions					
Sale of Government Securities	3,884,797	-	-	-	149,487,966
Purchase of Government Securities	-	-	-	-	84,652,759
Purchase of non-Government Securities	-	-	-	-	3,604,120
Sale of non-Government Securities	-	-	-	-	407,845
Sale of Foreign Currencies	-	-	-	-	84,401,283
Purchase of Foreign Currencies	-	-	-	-	77,076,713

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45. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

2023 2022
----- Rupees in '000 -----

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)	<u>20,506,625</u>	<u>10,119,242</u>
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	<u>42,774,020</u>	19,151,560
Eligible Additional Tier 1 (ADT 1) Capital	<u>5,358,441</u>	2,500,000
Total Eligible Tier 1 Capital	<u>48,132,461</u>	21,651,560
Eligible Tier 2 Capital	<u>15,440,920</u>	4,652,597
Total Eligible Capital (Tier 1 + Tier 2)	<u>63,573,381</u>	<u>26,304,157</u>

Risk Weighted Assets (RWAs):

Credit Risk	<u>279,081,514</u>	154,878,265
Market Risk	<u>6,158,393</u>	2,147,110
Operational Risk	<u>95,774,177</u>	34,339,921
Total	<u>381,014,084</u>	<u>191,365,296</u>

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for banks to be raised to Rs.10,000 million by the year ending December 31, 2013. The paid-up capital of the Bank as at December 31, 2023 stood at Rs. 20,506.525 million (2022: Rs. 10,119.242 million) and is in compliance with SBP requirements.

The Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10.0% plus capital conservation buffer of 1.5% of the risk weighted exposures of the Group. Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 7.5% and 9.0%, respectively (inclusive of Capital Conservation Buffer). As at December 31, 2023 the Group is fully compliant with prescribed ratios, as the Group's CAR is 16.69% whereas CET 1 and Tier 1 ratios stood at 11.23% and 12.63% respectively. The Group has complied with all capital requirements throughout the year.

Under the current capital adequacy regulations, credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach. Credit risk mitigants are also applied against the Group's exposures based on eligible collateral under comprehensive approach.

2023 2022
----- Rupees in '000 -----

Common Equity Tier 1 Capital Adequacy ratio	<u>11.23%</u>	10.01%
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Tier 1 Capital Adequacy Ratio	<u>12.63%</u>	11.31%
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Total Capital Adequacy Ratio	<u>16.69%</u>	13.75%
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Leverage Ratio (LR):

Eligible Tier-1 Capital	<u>48,132,461</u>	21,651,560
Total Exposures	<u>1,363,431,140</u>	675,826,471
Leverage Ratio	<u>3.53%</u>	3.20%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	<u>518,459,296</u>	107,591,422
Total Net Cash Outflow	<u>182,046,259</u>	58,746,523
Liquidity Coverage Ratio	<u>284.80%</u>	183.15%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	<u>958,135,272</u>	369,818,259
Total Required Stable Funding	<u>457,577,597</u>	298,016,768
Net Stable Funding Ratio	<u>209.39%</u>	124.09%

45.1 The link to the full disclosure is available at <https://jsbl.com/knowledge-centre/investor-information/>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

46. RISK MANAGEMENT

Risk Management is a discipline at the core of every financial institution and encompasses all the activities that affect its risk profile. At the Bank, it involves identification, measurement, monitoring and controlling risks to ensure that:

- a) The individuals who take or manage risks clearly understand it;
- b) The Bank's Risk exposure is within the limits established by Board of Directors (BoD);
- c) Risk taking decisions are in line with the business strategy and objectives set by BoD;
- d) The expected payoffs compensate for the risks taken;
- e) Risk taking decisions are explicit and clear;
- f) Sufficient capital as a buffer is available to take risk; and
- g) Risk management function is independent of risk taking unit.

The Bank has a comprehensive set of Risk Management Policies, practices and procedures which enables the Bank to take into consideration, in an appropriate manner, all major kinds of risks mainly credit, market, liquidity, operational and IT security risks. Keeping in view the dynamics of internal and external environment, we regularly review and update our Risk Management policies and procedures in accordance with regulatory environment and international standards.

Risk Management activities remain at the forefront of all activities of the Bank which places the highest priority on conducting its business in a prudent manner in line with the relevant laws and regulatory requirements.

Risk management framework of the Bank includes:

- a) Clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control;
- b) Well constituted organizational structure, defining clearly roles and responsibilities of individuals involved in risk taking as well as managing it. The Bank, in addition to risk management functions for various risk categories, has instituted an Integrated Risk Management Committee (IRMC), Portfolio Management Committee (PMC), Operational Risk Management Committee (ORMC), Remedial Management Committee (RMC) as well as Central Credit Committee (CCC). IRMC oversees the overall risk management at the Bank and provides guidance in setting strategic targets as well as concentration limits and monitor progress related to earnings growth, keeping in view the capital constraints and also adheres to the concentration limits. The IRMC monitors the strategic target and aggregate limits at the Business Group level and concentration limits (by industry, geography, size, tenor) so that one category of assets or dimension of risk cannot materially harm the performance of the Bank. PMC monitors the advances portfolio, concentrations limits, aggregate limits at business level and various house keeping elements under Credit Administration. ORMC oversees the effectiveness of operational risk management for maintenance and implementation of operational risk management framework. It also monitors the Business Continuity Planning and reviews findings of any other management or board's sub committee. Remedial Management Committee (RMC) oversees the progress of non performing loans and cases under litigation along with the recommendation of transferring of any NPL to Corporate Restructuring Company (CRC). Whereas, Central Credit Committee (CCC) is entrusted with the responsibility of monitoring lending risk profile of the Bank. CCC meets regularly to actively supervise credit risk across its lending portfolio;
- c) An effective management information system that ensures flow of information from operational level to top management and a system to address any exceptions observed; and
- d) A mechanism to ensure an ongoing review of systems, policies and procedures for risk management and procedures to adopt changes.

While the overall responsibility of risk management rests with the BoD, it is the duty of Senior Management to devise risk management strategy by setting up well defined policies and procedures for mitigating / controlling risks, duly approved by the Board.

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Giving due consideration to the above, the Bank has put in place the following hierarchy of Risk Management:

- Board Risk Management Committee (BRMC);
- Integrated Risk Management Committee (IRMC) comprises of the President / Chief Executive Officer (CEO), Chief Risk Officer, Chief Operating Officer, Chief Credit Officer, Chief Financial Officer, Chief Compliance Officer, Group Head Corporate & Public Sector Government, Group Head Operations, Chief of Staff, Group Head Retail Banking, Head of Human Resources, and Chief Product & Marketing Officer.
- Asset - Liability Committee (ALCO) comprises of the President / Chief Executive Officer (CEO), Treasurer, Chief Risk Officer, Chief Credit Officer, Group Head Investment Banking, Chief Financial Officer and attended by Other Business Heads.
- Central Credit Committee (CCC) comprising of the President / CEO, Chief Operating Officer, Chief Credit Officer, Group Head Corporate & Public Sector Government, Group Head Emerging Corporate (South), Group Head Emerging Corporate (Central & North) and Head of Environmental Risk (for environmental risk only).
- Portfolio Management Committee (PMC) comprises of President / CEO, Chief Risk Officer, Chief Credit Officer, Group Head Corporate & Public Sector Government, Group Head Retail Banking, Heads of Credit Risk, Head CAD, Head of Consumer Risk, and Head Enterprise Risk Management.
- Operational Risk Management Committee (ORMC) comprises of the Chief of Staff, Chief Risk Officer, Chief Compliance Officer, Chief Information Officer, Group Head Operations, Head of Human Resources, Chief Product & Marketing Officer, Group Head Retail Banking, Group Head Customer Experience and Head Enterprise Risk Management .
- Remedial Management Committee (RMC) comprises of President / CEO, Chief Risk Officer, Chief Credit Officer, Chief of Staff, Chief Operating Officer, Chief Financial Officer, Head of SAM, CAD Head, Credit Risk Heads and Head of Legal.
- IT Steering Committee (ITSC) comprises of President / CEO, Deputy CEO, Chief Risk Officer, Chief Financial Officer, Group Head Operations & Technology, Chief Information Officer, Chief Information Security Officer, Chief of Staff, Group Head Investment Banking & Emerging Business, Chief Digital Officer, Country Head Branch Banking Operations and Head Product Development & Consumer Business.
- Risk Management Group (RMG), a dedicated and independent set-up headed by Chief Risk Officer (CRO) and comprises of Heads of Market & Liquidity Risks, Operational Risk and Treasury Middle Office, Consumer & Program Lending Risk, Information Security, Agricultural Credit Risk, Strategic Projects & Quantitative Analysis and Enterprise Risk Management.
- Credit Risk Group (CRG) is also an independent function to business and is headed by Chief Credit Officer (CCO). Credit Risk Heads dealing in corporate, emerging corporate, middle market, small & medium enterprises, financial institutions and international operations are reporting into CCO. Special Assets Management (SAM) and Credit Administration (CAD) also report into CCO.

Risk Matrix / Categories

The Bank, in common with other banks, generates its revenues by accepting Country, Credit, Liquidity, Interest Rate Risk in the Banking Book, Market, Operational and other risks. Effective management of these risks is the decisive factor in the Bank's profitability.

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Risk Appetite

The Group's risk appetite is reflected in its endeavours to maintain a favourable credit rating and encompasses the following:

- The business strategy;
- The expectations of stakeholders at different time horizons;
- The characteristics of the risk-bearing entities;
- The nature and characteristics of the risks undertaken; and
- The possible spread of risk situations across organizational units, assets-at-risk, and future time horizons.

Risk appetite drives business activity. It combines anticipations in risk and profitability with management preferences to control capital and resource allocation, as well as the distribution of exposure across activities and portfolios.

The Bank's hedging strategy is embedded in its risk management practices for addressing material categories of risk.

46.1 Credit Risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Credit risk is managed in terms of credit policies, approved by the BoD and regulations issued by the SBP. The Group is exposed to credit risk on loans and advances, fund placements with financial institutions and certain investments.

Credit risk management is an ongoing process. The overall credit policy and the credit risk instructions are issued by the Board of Directors. In this regards, a Central Credit Committee (CCC) is entrusted with the responsibility of monitoring lending risk profile of the bank. In order to maintain healthy growth of the credit portfolio, the Bank's Credit Risk Management processes are consistently upgraded and improved to meet future challenges.

The Bank's strategy is to minimize credit risk through product, geography, industry and customer diversification. Credit limits are established for all counter-parties after a careful assessment of their credit worthiness. An effective credit granting procedure, which requires pre-sanction evaluation of credit proposal, adequacy of security and pre-disbursement examination of charge documents is in place and managed by Credit Risk Group (CRG), Risk Management Group (RMG) & Credit Administration Department (CAD). The Bank maintains a sound portfolio diversified in nature to counter the risk of credit concentration and further confines risk through diversification of its assets by geographical and industrial sector. For managing impaired assets in the portfolio, the Bank follows the Prudential Regulations and Risk Management guidelines issued by SBP and the Remedial Management Policy approved by the Board.

46.1.1 Credit risk: Standardised Approach

The Bank has adopted the Standardised Approach of Basel II for risk weighing its Credit Risk Exposures.

The following table illustrates the approved External Credit Assessment Institutions (ECAIs) whose ratings are being utilised by the Bank with respect to material categories of exposures:

Exposures	VIS	PACRA	MOODY'S	FITCH	S&P
Corporate	✓	✓	-	-	-
Banks	✓	✓	✓	✓	✓
SME's (retail exposures)	✓	✓	-	-	-
Sovereigns	✓	✓	✓	✓	✓
Securitisations	N/A	N/A	N/A	N/A	N/A
Others (specify)	N/A	N/A	N/A	N/A	N/A

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The Bank has used Issue Specific Ratings for rating / risk weighing Issue Specific Exposures and Entity Ratings for rating / risk weighing claims against specific counterparties. Both short and long term ratings have been used to rate corresponding short and long term exposures. For this purpose, Mapping Grid has been provided by SBP as given below:

Long - Term Ratings Grades Mapping

SBP Rating Grade	PACRA	JCR-VIS	Fitch	Moody's	S&P	ECA Scores
1	AAA AA+ AA AA-	AAA AA+ AA AA-	AAA AA+ AA AA-	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-	1
2	A+ A A-	A+ A A-	A+ A A-	A1 A2 A3	A+ A A-	2
3	BBB+ BBB BBB-	BBB+ BBB BBB-	BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-	3
4	BB+ BB BB-	BB+ BB BB-	BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-	4
5	B+ B B-	B+ B B-	B+ B B-	B1 B2 B3	B+ B B-	5, 6
6	CCC+ and below	CCC+ and below	CCC+ and below	Caa1 and below	CCC+ and below	7

Short - Term Ratings Grades Mapping

SBP Rating Grade	PACRA	JCR-VIS	Fitch	Moody's	S&P
S1	A-1	A-1	F1	P-1	A-1+, A-1
S2	A-2	A-2	F2	P-2	A-2
S3	A-3	A-3	F3	P-3	A-3
S4	Others	Others	Others	Others	Others

46.1.2 Policies and processes for collateral valuation and management as regards Basel II;

For Credit Risk Mitigation purposes the Bank uses only the eligible collaterals under Comprehensive Approach of Credit Risk Mitigation under Standardised Approach as prescribed by SBP under Circular No. 08 dated June 27, 2006, which includes Cash and Cash Equivalent Securities including Government Securities like Cash Margins, Lien on Bank Accounts, Foreign Deposit Receipts, Term Deposit Receipts, Pledge of Defense Saving Certificates, Regular Income Certificates, Special Saving Certificates, Market Treasury Bills and Pakistan Investment Bonds etc. and Shares, Term Finance Certificates (TFCs) and Mutual Funds Listed on the Main Index.

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Under the Bank's policy all collaterals are subject to periodic valuations to monitor the adequacy of margins held. Shares / Marketable securities are valued by the Bank on daily basis to calculate the Drawing Power (DP). In case of any shortfall in the requisite margins, the DP is adjusted to the appropriate level and the business units are informed to take appropriate action as per the agreement with the customer.

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

	Gross lendings		Non-performing lendings		Provision held	
	2023	2022	2023	2022	2023	2022
----- Rupees in '000 -----						
46.1.3 Lendings to financial institutions						
Credit risk by public / private sector						
Public / Government	-	-	-	-	-	-
Private	16,519,958	11,351,162	17,820	-	17,820	-
	<u>16,519,958</u>	<u>11,351,162</u>	<u>17,820</u>	<u>-</u>	<u>17,820</u>	<u>-</u>
----- Rupees in '000 -----						
46.1.4 Investment in debt securities						
Credit risk by industry sector						
Financial	534,826,783	296,812,933	21,071	326,456	334,871	505,509
Power and water	32,956,748	-	-	-	-	-
Hotel and tourism	1,136,886	1,198,506	27,733	27,733	27,733	27,733
Airlines	947,917	-	-	-	-	-
Telecommunication	825,062	143,446	200,062	143,446	200,062	143,446
Electronics and electrical appliances	395,000	-	55,001	-	-	-
Fertilizer	373,933	140,133	373,933	140,133	373,933	140,133
Textile	522,612	-	522,612	-	301,362	-
Chemical and Pharmaceuticals	99,998	41,667	-	-	-	-
Construction	82,800	-	32,800	-	32,800	-
Oil and gas	-	44,083	-	-	-	-
Others	-	679,632	-	-	-	-
	<u>572,167,739</u>	<u>299,060,400</u>	<u>1,233,212</u>	<u>637,768</u>	<u>1,270,761</u>	<u>816,821</u>
Credit risk by public / private sector						
Public / Government	545,820,429	295,886,581	-	-	124,556	-
Private	26,347,310	3,173,819	1,233,212	637,768	1,146,205	816,821
	<u>572,167,739</u>	<u>299,060,400</u>	<u>1,233,212</u>	<u>637,768</u>	<u>1,270,761</u>	<u>816,821</u>

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46.1.5 Advances	Gross Advances		Non-performing Advances		Provision held	
	2023	2022	2023	2022	2023	2022
	----- Rupees in '000 -----					
Credit risk by industry sector						
Individuals	93,634,802	50,655,421	6,355,166	1,985,198	3,479,021	1,070,151
Food, tobacco and beverages	70,092,181	31,424,819	3,999,258	1,835,668	2,977,441	1,060,549
Textile	67,770,372	26,878,066	7,068,959	646,582	6,479,559	485,444
Services	38,119,011	-	59,676	-	28,810	-
Airlines	18,570,899	23,586,879	-	-	-	-
Power and water	16,215,534	14,955,253	786,442	145,681	695,124	101,868
Agriculture	15,546,291	6,958,389	2,362,819	1,035,400	1,167,823	285,861
Metal and allied	13,295,279	8,580,249	2,895,373	2,325,896	2,259,133	1,485,597
Wholesale and retail trade	11,606,164	13,382,430	1,860,743	649,156	623,832	257,643
Chemical and pharmaceuticals	10,790,160	5,277,368	817,276	258,188	752,839	73,065
Real estate	10,425,150	7,950,018	1,339,063	3,740,876	1,300,000	130,339
Sugar	10,094,809	746,569	1,223,108	200,000	1,015,608	200,000
Transportation	7,941,875	2,947,512	1,293,580	239,912	1,131,311	141,497
Paper and allied	6,658,274	2,209,570	182,873	64,782	83,809	33,685
Construction	5,930,837	3,867,084	811,013	179,788	645,732	33,968
Electronics and electrical appliances	5,844,183	744,401	1,416,018	-	1,334,884	-
Financial	5,380,111	204,064	241,890	-	240,562	-
Engineering	5,081,056	4,757,477	158,636	377,201	102,362	104,008
Oil and gas	4,540,734	4,331,312	303,437	126,321	105,644	62,192
Cement	4,314,084	1,001,777	500,000	-	500,000	-
Automobile and transportation equipment	4,176,245	4,499,321	31,323	26,919	15,667	10,041
Telecommunication	4,163,838	2,503,839	-	-	-	-
Education and medical	4,119,141	2,349,125	117,788	104,872	50,418	12,605
Fertilizer	3,469,199	3,747,973	1,376,105	1,358,476	1,299,405	1,322,289
Brokerage	3,136,231	4,271,431	-	-	-	-
Polyester and fiber	2,215,094	2,501,120	689,410	649,381	351,022	214,033
Leather	1,766,269	667,908	7,670	-	2,459	-
Hotel and tourism	297,417	474,056	5,638	17,195	5,638	17,195
Others	23,158,647	7,508,178	3,171,828	344,395	2,461,607	108,710
	468,353,887	238,981,609	39,075,092	16,311,887	29,109,710	7,210,740
Credit risk by public / private sector						
Public / Government	102,434,915	36,403,545	-	-	-	-
Private	365,918,972	202,578,064	39,075,092	16,311,887	29,109,710	7,210,740
	468,353,887	238,981,609	39,075,092	16,311,887	29,109,710	7,210,740

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	Contingencies and Commitments	
	2023	2022
	----- Rupees in '000 -----	
46.1.6 Credit risk by industry sector		
Financial	219,086,376	59,359,871
Textile	53,508,023	11,553,487
Construction	34,139,842	38,538,026
Power and water	23,863,629	3,724,962
Wholesale and retail trade	23,836,860	3,822,320
Chemical and pharmaceuticals	17,672,916	1,717,039
Food, tobacco and beverages	11,032,746	6,875,357
Manufacturing	10,765,092	-
Automobile and transportation equipment	8,197,783	3,612,313
Services	7,583,989	-
Agriculture	7,226,894	1,053,809
Fertilizer	6,620,791	3,083,738
Engineering	6,583,932	4,388,224
Telecommunication	6,494,377	2,865,240
Electronics and electrical appliances	5,481,008	894,836
Brokerage	5,094,317	993,967
Real estate	4,551,937	8,682,120
Sugar	3,647,371	-
Oil and gas	3,431,455	4,757,440
Individuals	2,979,200	267,351
Metal and allied	2,129,149	4,973,353
Polyester and fiber	1,739,175	2,536,066
Paper and allied	1,581,666	449,955
Education and medical	1,365,528	387,990
Cement	1,288,939	849,037
Hotel and tourism	551,246	331,635
Others	24,394,976	12,630,306
	<u>494,849,217</u>	<u>178,348,442</u>
Credit risk by public / private sector		
Public / Government	113,051,623	67,548,849
Private	381,797,594	110,799,593
	<u>494,849,217</u>	<u>178,348,442</u>

46.1.7 Concentration of Advances

The Bank's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 68,633.79 million (2022: Rs. 84,182.30 million) are as following:

		2023	2022
	Note	----- Rupees in '000 -----	
Funded	46.1.7.1	36,721,558	46,517,846
Non Funded	46.1.7.2	31,912,228	37,664,454
Total Exposure		<u>68,633,786</u>	<u>84,182,300</u>

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46.1.7.1 None of the exposure against these are classified.

46.1.7.2 The sanctioned limits against these top 10 exposures aggregated to Rs. 70,850.56 million (2022: Rs. 89,837.68 million).

46.1.8 Advances - Province / Region-wise Disbursement & Utilisation

Province / Region	2023							
	Disbursements	Utilisation						
		Punjab	Sindh	KPK & FATA	Balochistan	Islamabad	AJK & Gilgit - Baltistan	Bahrain
	----- Rupees in '000 -----							
Punjab	161,912,121	161,912,121	-	-	-	-	-	-
Sindh	279,761,868	-	279,761,868	-	-	-	-	-
KPK including FATA	3,961,331	-	-	3,961,331	-	-	-	-
Balochistan	1,019,746	-	-	-	1,019,746	-	-	-
Islamabad	52,787,279	-	-	-	-	52,787,279	-	-
AJK including								
Gilgit-Baltistan	920,752	-	-	-	-	-	920,752	-
Bahrain	13,859,548	-	-	-	-	-	-	13,859,548
Total	<u>514,222,645</u>	<u>161,912,121</u>	<u>279,761,868</u>	<u>3,961,331</u>	<u>1,019,746</u>	<u>52,787,279</u>	<u>920,752</u>	<u>13,859,548</u>
	----- Rupees in '000 -----							
	2022							
Province / Region	Disbursements	Utilisation						
		Punjab	Sindh	KPK & FATA	Balochistan	Islamabad	AJK & Gilgit - Baltistan	Bahrain
	----- Rupees in '000 -----							
Punjab	85,029,676	85,029,676	-	-	-	-	-	-
Sindh	105,629,687	-	105,629,687	-	-	-	-	-
KPK including FATA	3,857,200	-	-	3,857,200	-	-	-	-
Balochistan	204,124	-	-	-	204,124	-	-	-
Islamabad	18,287,516	-	-	-	-	18,287,516	-	-
AJK including								
Gilgit-Baltistan	958,974	-	-	-	-	-	958,974	-
Bahrain	7,820,824	-	-	-	-	-	-	7,820,824
Total	<u>221,788,001</u>	<u>85,029,676</u>	<u>105,629,687</u>	<u>3,857,200</u>	<u>204,124</u>	<u>18,287,516</u>	<u>958,974</u>	<u>7,820,824</u>

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46.2 Market Risk

Market risk is the risk of loss due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. From the perspective of the Group, market risk comprises of interest rate risk, foreign exchange risk and equity position risk, which the Group is exposed to in its trading book.

The Group has an approved market risk policy wherein the governance structure for managing market risk, measurement tools used and the market risk exposure limits have been addressed. The Group's strategy for managing market risk is to relate the level of risk exposures to their risk appetite and the capital at hand.

The Board of Directors (BoD) and the Asset and Liability Committee (ALCO) are responsible for addressing market risk from a strategic perspective and are assisted by the market risk function in meeting these objectives.

The Market Risk Unit reports directly to Head ERM and is responsible for ensuring the implementation of market risk policy in line with the Group's strategy.

Risk reporting undertaken by the market risk function includes:

- a) Portfolio Reports;
- b) Limit monitoring reports;
- c) Sensitivity analysis; and
- d) Stress testing of the portfolio.

Currently, the Group is using the market risk standardised approach for the purpose of computing regulatory capital, the details of which are set out above.

46.2.1 Balance sheet split by trading and banking books

	2023			2022		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	----- Rupees in '000 -----					
Cash and balances						
with treasury banks	82,182,460	-	82,182,460	24,765,248	-	24,765,248
Balances with other banks	5,302,080	-	5,302,080	1,859,792	-	1,859,792
Lendings to financial institutions	16,502,138	-	16,502,138	11,351,162	-	11,351,162
Investments	581,131,775	1,513,353	582,645,128	302,216,220	1,152,246	303,368,466
Advances	434,453,374	-	434,453,374	231,558,755	-	231,558,755
Fixed assets	28,089,881	-	28,089,881	11,234,696	-	11,234,696
Intangible assets	8,501,048	-	8,501,048	3,843,994	-	3,843,994
Deferred tax assets	-	-	-	-	-	-
Other assets	72,324,972	-	72,324,972	32,547,846	-	32,547,846
	<u>1,228,487,728</u>	<u>1,513,353</u>	<u>1,230,001,081</u>	<u>619,377,713</u>	<u>1,152,246</u>	<u>620,529,959</u>

46.2.2 Foreign Exchange Risk

Main objective of foreign exchange risk management is to ensure that the foreign exchange exposure of the Group lies within the defined appetite of the Group.

Daily reports are generated to monitor the internal and regulatory limits with respect to the overall foreign currency exposures. The overall net open position, whether short or long has the potential to negatively impact the profit and loss depending upon the direction of movement in foreign exchange rates.

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Foreign exchange open and mismatched positions are marked to market on a daily basis.

Currency risk arises where the value of financial instruments changes due to changes in foreign exchange rates. In order to manage currency risk exposure the bank enters into ready / spot, forward and swap transactions with the State Bank of Pakistan (SBP) and in the interbank market. The Group's foreign exchange exposure comprises of forward contracts, foreign currencies cash in hand, balances with banks abroad, foreign placement with SBP and foreign currencies assets and liabilities. The net open position is managed within the statutory limits, as fixed by SBP. Counter parties limit are also fixed to limit risk concentration. Appropriate segregation of duties exists between the front and back office functions while compliance with the net open position limit is independently monitored on an ongoing basis.

	2023			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- Rupees in '000 -----			
United States Dollar	46,164,754	79,134,003	23,194,925	(9,774,324)
Great Britain Pound	833,163	5,320,209	3,950,482	(536,564)
Euro	2,101,929	2,160,752	(855,979)	(914,802)
Other currencies	614,280	872,673	92,264	(166,129)
	<u>49,714,126</u>	<u>87,487,637</u>	<u>26,381,692</u>	<u>(11,391,819)</u>

	2022			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- Rupees in '000 -----			
United States Dollar	16,143,727	27,140,401	11,144,504	147,830
Great Britain Pound	163,730	3,340,449	3,232,663	55,944
Euro	948,874	976,259	(150,691)	(178,076)
Other currencies	68,550	401,900	248,822	(84,528)
	<u>17,324,881</u>	<u>31,859,009</u>	<u>14,475,298</u>	<u>(58,830)</u>

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
Impact of 1% change in foreign exchange rate on				
- Profit and loss account	116,435	7,143	-	2,957
- Other comprehensive income	-	-	-	-

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46.2.3 Equity position Risk

Equity positions in the banking book include Investment in equities that are available-for-sale or held for strategic investment purposes. These investments are generally regarded as riskier relative to fixed income securities owing to the inherent volatility of stock market prices. The Group mitigates these risks through diversification and capping maximum exposures in a single company, compliance with regulatory requirement, and following the guidelines laid down in the Group's Investment Policy as set by the Board of Directors (BoD). The Bank follows a delivery versus payment settlement system thereby minimizing risk available in relation to settlement risk.

Equity price risk is managed by applying trading limit and scrip-wise and portfolio wise nominal limits.

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
Impact of 5% change in equity prices on				
- Profit and loss account	-	-	-	-
- Other comprehensive income	211,099	-	301,381	-

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

Yield/ Interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date. This also refers to the non-trading market risk. The gap analysis between the market rate sensitive assets and liabilities is given below:

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
Impact of 1% change in interest rates on				
- Profit and loss account	576,800	-	503,670	-
- Other comprehensive income	(548,320)	(2)	(811,534)	(115)

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46.3 Mismatch of interest rate sensitive assets and liabilities

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

Effective yield / interest / profit rate	Exposed to yield / interest rate risk							Non-interest / profit bearing financial instrument			
	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 in '000											
Assets											
-	82,182,460	4,614,459	-	-	-	-	-	-	-	-	77,568,001
-	5,302,080	187,063	-	-	-	-	-	-	-	-	5,115,017
22.28%	16,502,138	7,957,069	8,545,069	-	-	-	-	-	-	-	-
22.66%	582,645,128	161,924,060	239,531,154	239,531,154	54,510,248	12,733,082	202,851	58,595,713	17,887,292	3,462,179	4,445,857
18.80%	434,453,374	170,303,064	25,168,437	31,851,882	152,607,255	8,428,469	13,215,115	5,730,070	2,485,033	-	21,201,870
-	59,064,457	-	-	-	-	-	-	-	-	-	59,064,457
-	1,180,149,637	344,985,715	57,983,308	279,928,105	207,117,503	21,161,551	13,417,966	64,325,783	20,372,325	3,462,179	167,395,202
Liabilities											
-	10,793,898	-	-	-	-	-	-	-	-	-	10,793,898
21.02%	88,031,534	37,852,225	17,220,931	7,377,416	673,587	1,332,245	6,306,335	3,978,383	13,082,383	207,479	-
11.90%	1,007,819,494	522,379,552	18,380,943	35,290,009	75,096,979	385,844	671,683	70,450	-	-	355,544,034
25.17%	11,344,671	5,848,000	5,496,671	-	-	-	-	-	-	-	-
-	45,758,552	-	-	-	-	-	-	-	-	-	45,758,552
-	1,163,748,149	566,079,777	41,098,545	42,667,425	75,770,566	1,718,089	6,978,018	4,049,383	13,082,383	207,479	412,096,484
-	16,401,488	(221,094,062)	16,884,763	237,260,680	131,346,937	19,443,462	6,439,948	60,276,400	7,289,942	3,254,700	(244,701,282)
On-balance sheet financial instruments											
-	219,731,638	195,752,527	8,579,181	15,222,070	177,860	-	-	-	-	-	-
-	199,498,112	71,918,642	61,950,256	27,657,570	19,915,582	6,867,701	4,201,336	1,311,383	5,685,642	-	-
-	419,229,750	267,671,169	70,529,437	42,879,640	20,093,442	6,867,701	4,201,336	1,311,383	5,685,642	-	-
Off-balance sheet gap											
-	46,577,107	46,577,107	87,414,200	280,140,320	151,440,379	26,301,163	10,641,284	61,587,783	12,975,584	3,254,700	(244,701,282)
Total yield / interest risk sensitivity gap											
-	46,577,107	133,991,307	414,131,627	565,572,006	591,873,169	602,514,453	664,102,236	677,077,820	680,332,520	-	-
Cumulative yield / interest risk sensitivity gap											

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Effective yield / interest / profit rate	2022										Non-interest / profit bearing financial instrument		
	Exposed to yield / interest rate risk												
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years			
	Rupees in '000												
Assets													
Cash and balances with treasury banks	24,765,248	364,657	-	-	-	-	-	-	-	-	-	24,400,591	
Balances with other banks	1,859,792	-	-	-	-	-	-	-	-	-	-	1,859,792	
Lendings to financial institutions	11,351,162	11,351,162	-	-	-	-	-	-	-	-	-	-	
Investments	303,368,466	67,597,135	90,398,355	18,228,289	90,537,393	15,136,792	11,596,077	2,272,811	10,598	-	-	7,591,036	
Advances	231,558,755	160,691,142	24,039,496	14,147,719	2,907,518	4,194,612	3,305,015	4,031,322	2,898,074	8,131,273	-	7,212,564	
Other assets	26,133,186	-	-	-	-	-	-	-	-	-	-	26,133,186	
	599,036,609	240,004,096	114,437,851	32,375,988	93,444,911	19,331,404	14,901,092	6,304,133	2,908,672	8,131,273	-	67,197,189	
Liabilities													
Bills payable	5,402,945	-	-	-	-	-	-	-	-	-	-	5,402,945	
Borrowings	98,631,096	3,085,767	67,742,034	5,774,783	2,474,782	2,621,121	9,590,789	3,914,893	3,326,927	-	-	-	
Deposits and other accounts	462,757,638	182,689,385	42,817,912	40,605,974	49,767,948	3,491,097	537,657	115,522	-	-	-	142,732,143	
Subordinated debt	6,995,000	-	-	6,995,000	-	-	-	-	-	-	-	-	
Other liabilities	22,234,538	-	-	-	-	-	-	-	-	-	-	22,234,538	
	595,921,217	185,775,152	110,559,946	53,375,757	52,242,730	6,112,218	10,128,446	4,030,415	3,326,927	8,131,273	-	170,369,626	
	3,115,392	54,228,944	3,877,905	(20,999,769)	(41,202,181)	(13,219,186)	(4,772,646)	(2,273,718)	(418,255)	-	-	(103,172,437)	
On-balance sheet financial instruments													
Commitments in respect of forward purchase, cross currency swaps and commitments to extend credits	12,022,558	3,522,403	3,630,985	4,869,170	-	-	-	-	-	-	-	-	
Commitments in respect of forward sale, cross currency swaps and options	(6,550,813)	(2,316,513)	(1,800,123)	(2,434,177)	-	-	-	-	-	-	-	-	
	5,471,745	1,205,890	1,830,862	2,434,993	-	-	-	-	-	-	-	-	
Off-balance sheet gap													
Total yield / interest risk sensitivity gap													
	55,434,834	55,434,834	5,708,767	(18,584,776)	41,202,181	13,219,186	4,772,646	2,273,718	(418,255)	8,131,273	-	(103,172,437)	
Cumulative yield / interest risk sensitivity gap													
	55,434,834	61,143,601	42,579,825	83,781,006	97,000,192	101,772,838	104,046,556	103,628,301	111,759,574	-	-	-	
Reconciliation of Assets and Liabilities exposed to yield / interest rate risk with Total Assets and Liabilities													
	2023	2022										2023	2022
	Rupees in '000												
Total financial assets as per note 45.3	1,180,149,637	599,036,609										1,163,748,149	595,921,217
Add: Non financial assets													
Fixed assets	28,089,881	11,234,686										890,194	212,327
Intangible assets	8,501,048	3,843,994										5,374,617	1,140,028
Deferred tax assets - net	-	-										-	-
Other assets	13,260,515	6,414,660										-	-
Total assets as per statement of financial position	1,230,001,081	620,529,969										1,170,012,960	597,273,572

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46.4

Liquidity risk

Liquidity risks is the risk that the Group will not be able to raise funds to meet its commitments. The Bank's Asset and Liability Committee (ALCO) manages the liquidity position on a continuous basis.

The Group's policy for liquidity management is to maintain adequate liquidity at all times and in all currencies under both normal and stress conditions, to meet its contractual and potential payment obligations without incurring additional and unacceptable cost to the business. Treasury is responsible for the managing liquidity risk under the guidance of Asset-Liability Committee of the Group. The Group's liquidity risk management approach starts at the intraday level (operational liquidity) managing the daily payments queue and factoring in our access to the qualifying securities of State Bank of Pakistan. It then covers tactical liquidity risk management dealing with the access to unsecured funding sources and the liquidity characteristics of our asset inventory (asset liquidity). Finally, the strategic perspective compresses the maturity profile of all assets and liabilities on our statement of financial position.

For monitoring and controlling liquidity risk, the Group generates a scenario sensitive maturity statement of financial position, and run controller mismatches that are monitored and discussed by ALCO members regularly. The Group prepares various types of reports and analysis for assisting ALCO in taking necessary strategic actions for managing liquidity risk in the Group. These include liquidity ratios, Concentration analysis, Gap reports, Stress testing, Liquidity Coverage ratio & Net Stable Funding Ratio analysis etc.

Based on December 31, 2023 numbers Consolidated LOR is 284.8%, with Total Stock of High-Quality Liquid Assets (HQLA) of Rs. 518,459 million and Net Cash Outflows of Rs. 182,042 million.

Furthermore, based on December 31, 2023, numbers the Consolidated NSFR is 209.37%, with Total Available Stable Funding of Rs. 955,027 million and Total Required Stable Funding of Rs. 457,377 million.

The Group strategically emphasizes diversification and stability in its funding approach. Its funding base is varied, encompassing stable sources like equity subordinated loans, retail and small business deposits, and less stable forms such as deposits from larger entities. It is fully compliant with Basel III Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), ensuring an ample supply of high-quality liquidity assets relative to liabilities.

The Group employs stress testing to assess its balance sheet's vulnerability to hypothetical stress events. Liquidity risk factors undergo significant shocks, and their impact on the balance sheet is quantified. Stress testing encompasses scenarios defined by both regulatory standards and internally identified risks. Results are communicated to senior management, the Board of Directors, and regulators.

A Contingency Funding Plan (CFP) is in place to address liquidity challenges during crises. CFP identifying stress scenarios and corresponding funding plans, incorporating early warning indicators. Three Contingency Levels are defined in CFP with varying action plans for each.

The Liquidity Coverage Ratio's (LCR) key drivers include High-Quality Liquid Assets (HQLA) and Net Cash Outflow, determined by asset liquidity, quality and liability profile volatility. The composition of HQLA as of December 31, 2023, is detailed as below:

Level 1 Assets: Rs. 513,252 billion
Level 2 Assets: Rs. 3,475 billion

Maturities of Assets and Liabilities - based on contractual maturities

	2023												
	Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
Assets													
Cash and balances with treasury banks	82,182,460	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	5,302,080	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	16,502,138	-	2,005,752	-	-	-	-	-	-	-	-	-	-
Investments	592,645,128	287,182	17,460,462	137,978	302,104	211,570	8,545,069	38,008,244	29,900,102	93,709,037	68,981,155	241,683,217	89,395,217
Advances	494,453,374	177,507,990	4,515,531	35,096,608	13,735,305	9,997,318	13,294,256	2,248,603	1,810,906	14,459,553	40,149,196	40,131,977	64,599,917
Fixed assets	28,089,881	38,164	38,608	44,893	304,530	617,945	2,251,850	1,075,375	736,219	2,544,480	1,965,875	5,959,537	12,278,519
Intangible assets	8,501,048	834	5,006	29,690	38,840	40,782	1,284,291	120,514	119,692	459,320	441,819	687,934	5,256,486
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	72,324,972	19,105,693	2,390,826	6,610,940	1,551,293	753,166	8,657,584	240,657	1,458,125	935,177	2,817,052	10,488,329	14,875,873
	1,230,001,081	284,424,403	26,416,185	42,113,002	15,932,072	10,620,781	36,821,910	41,689,393	34,021,044	112,107,557	114,335,097	289,960,994	186,406,012
Liabilities													
Bills payable	10,793,888	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	88,031,534	-	23,010,842	12,830,726	7,903,950	5,796,748	7,283,587	612,312	2,765,181	5,557,312	1,126,141	4,415,177	14,458,554
Deposits and other accounts	1,007,819,494	306,746,760	25,779,042	92,313,240	27,136,469	41,395,808	71,550,171	64,879,650	56,481,943	25,553,622	30,792,786	50,024,102	162,897,722
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	11,344,671	-	-	-	233	-	733	233	733	1,933	1,933	3,867	11,335,004
Deferred tax liabilities - net	890,194	-	-	2,004	(50,696)	(27,194)	(44,350)	(44,350)	53,978	(46,594)	35,054	93,412	918,920
Other liabilities	51,133,169	1,892,578	3,812,952	3,098,832	3,166,432	18,372,423	803,948	920,826	4,750,917	2,575,976	1,396,519	2,305,255	5,547,030
	1,170,012,960	319,982,740	52,692,836	97,135,196	38,176,408	65,537,785	79,594,069	66,388,671	64,052,762	33,642,289	33,822,433	56,841,813	195,257,230
	59,988,121	(35,558,337)	(26,186,651)	(41,320,145)	(22,244,336)	(54,917,004)	(42,772,169)	(24,675,278)	(30,031,708)	78,465,308	80,982,664	242,119,181	(8,851,218)
Net assets													
Share capital - net	20,506,625	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	7,505,299	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	4,880,072	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	17,806,561	-	-	-	-	-	-	-	-	-	-	-	-
Non-controlling interest	9,486,564	-	-	-	-	-	-	-	-	-	-	-	-
	59,988,121	-	-	-	-	-	-	-	-	-	-	-	-

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For the year ended December 31, 2023

	2022													
	Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
Assets														
Cash and balances with treasury banks	24,765,248	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,859,792	1,859,792	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	11,351,102	-	11,040,192	-	310,970	-	-	-	-	-	-	-	-	-
Investments	303,388,466	-	-	5,771	1,093,116	45,386,363	-	-	17,359,902	73,786,447	62,624,033	29,895,399	7,965,890	41,663,692
Advances	231,558,755	92,486,590	2,527,121	2,055,780	5,106,880	15,885,745	9,868,950	12,413,474	935,745	3,553,760	9,772,402	17,570,865	36,912,689	22,168,744
Fixed assets	11,234,696	40,864	-	35,829	7,624	48	9,345	20,738	158,598	167,072	852,827	931,015	1,982,433	7,028,351
Intangible assets	3,843,904	-	-	-	-	48	-	347	29	1,403	14,424	49,897	170,846	3,607,000
Deferred tax assets - net	-	-	-	-	26,272,540	3,089,720	-	-	44,535	2,152,052	-	-	-	-
Other assets	32,547,846	-	72,125	-	-	18,385	18,385	898,489	-	-	-	-	-	-
	620,529,959	119,132,494	13,567,313	2,169,505	32,783,516	64,368,500	21,067,606	25,719,915	18,498,809	79,680,734	73,263,746	48,747,176	47,031,858	74,497,787
Liabilities														
Bills payable	5,402,945	180,098	1,260,697	2,521,374	1,440,786	-	-	-	-	-	-	-	-	-
Borrowings	98,531,096	1,319,067	85,700	365,700	489,478	73,704,576	4,279,208	5,770,672	46,986	99,330	3,106,851	1,063,197	2,626,340	5,573,991
Deposits and other accounts	462,757,638	278,414,124	14,996,654	3,982,108	25,436,075	8,723,572	22,615,922	37,779,184	29,559,081	17,547,656	23,042,988	497,094	163,180	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	6,985,000	-	-	-	-	-	-	-	-	-	1,996,000	-	-	4,999,000
Deferred tax liabilities - net	212,327	-	-	405	405	(21,138)	(2,373)	(11,215)	(11,215)	(3,183)	32,261	50,526	46,258	132,021
Other liabilities	23,374,586	-	-	-	219,666	18,074,982	160,392	282,270	-	3,216,828	498,890	441,461	461,573	18,504
	597,273,572	279,913,289	16,345,041	6,863,182	27,586,410	100,461,972	27,063,149	43,820,911	29,594,852	20,860,631	28,676,990	2,052,278	3,297,351	10,723,516
Net assets	23,256,387	(160,780,795)	(2,757,728)	(4,699,671)	5,197,106	(36,112,472)	(5,995,543)	(15,100,996)	(11,096,043)	58,800,103	44,586,756	46,694,898	43,734,507	63,774,271
Share capital - net	10,119,242	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	2,787,201	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	1,342,708	-	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	8,643,982	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-controlling interest	383,274	-	-	-	-	-	-	-	-	-	-	-	-	-
	23,256,387	-	-	-	-	-	-	-	-	-	-	-	-	-

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46.4.2 Maturity of assets and liabilities - Based on working prepared by the Asset and Liability Committee (ALCO) of the Bank

	2023									
	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	Over 10 years
Rupees in '000										
Assets										
Cash and balances with treasury banks	82,182,460	82,182,460	-	-	-	-	-	-	-	-
Balances with other banks	5,302,080	5,302,080	-	-	-	-	-	-	-	-
Lendings to financial institutions	16,502,138	7,957,089	-	8,545,069	-	-	-	-	-	-
Investments	582,645,128	17,885,622	513,674	2,588,860	67,908,346	93,709,037	68,773,195	241,871,176	61,072,673	28,322,545
Advances	434,453,374	160,373,007	29,165,417	21,063,579	67,849,421	21,217,014	34,996,344	37,806,665	26,631,073	35,350,854
Fixed assets	28,089,881	359,551	922,475	2,251,850	1,807,594	2,544,480	1,965,875	5,959,537	3,081,991	9,196,528
Intangible assets	8,501,048	41,370	79,622	1,284,291	240,206	459,320	441,819	697,934	3,792,862	1,463,624
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Other assets	72,324,972	31,085,612	2,304,460	8,857,585	1,698,781	935,178	2,817,052	9,750,499	9,134,538	5,741,267
	1,230,001,081	305,186,771	32,985,648	44,591,234	139,504,348	118,865,029	108,994,285	286,085,811	103,713,137	80,074,818
Liabilities										
Bills payable	10,793,898	10,793,898	-	-	-	-	-	-	-	-
Borrowings	88,031,534	38,112,591	13,700,698	7,283,567	2,563,317	1,595,720	5,901,909	4,415,177	14,251,076	207,479
Deposits and other accounts	1,007,819,494	186,479,831	77,456,713	80,474,607	130,286,029	43,402,496	54,591,284	85,721,849	349,406,685	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	11,344,671	-	233	733	967	1,933	1,933	3,867	5,988,100	5,346,904
Deferred tax liabilities - net	890,194	2,004	(77,890)	(44,350)	9,628	(46,584)	35,054	93,412	918,920	-
Other liabilities	51,133,169	11,273,821	21,584,246	803,948	5,646,374	2,575,976	1,396,519	2,305,256	5,547,029	-
	1,170,012,960	246,662,145	112,664,000	88,516,505	138,506,315	47,529,541	61,926,689	92,539,561	376,111,810	5,554,383
Net assets	59,988,121	58,524,626	(79,678,352)	(43,927,271)	998,033	71,335,488	47,067,586	203,546,250	(272,398,673)	74,520,435
Share capital - net	20,506,625									
Reserves	7,306,239									
Surplus on revaluation of assets - net of tax	4,880,072									
Unappropriated profit	17,808,561									
Non-controlling interest	9,486,564									
	59,988,121									

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		2022							
		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
----- Rupees in '000 -----									
Assets									
Cash and balances with treasury banks	24,765,248	-	-	-	-	-	-	-	-
Balances with other banks	1,859,792	-	-	-	-	-	-	-	-
Lending to financial institutions	11,351,162	-	-	-	-	-	-	-	-
Investments	303,368,466	57,155,426	12,386,867	136,179,888	22,484,454	30,450,955	8,210,611	32,751,230	2,151,921
Advances	231,558,755	29,754,140	23,195,617	73,246,662	21,610,324	15,813,126	21,161,488	7,863,874	5,667,033
Fixed assets	11,234,696	77,024	20,738	852,827	325,671	931,015	752,055	2,879,458	5,379,269
Intangible assets	3,843,994	-	48	14,424	1,433	49,897	170,846	2,131,517	1,475,482
Deferred tax assets - net	-	-	-	-	-	-	-	-	-
Other assets	32,547,846	28,378,767	884,903	58,122	-	-	-	-	-
	620,529,959	97,783,247	36,488,472	210,351,923	44,421,882	47,244,993	30,295,000	45,626,079	14,673,705
Liabilities									
Bills payable	5,402,945	5,402,945	-	-	-	-	-	-	-
Borrowings	98,531,096	3,085,767	5,774,783	2,474,782	2,621,121	959,079	3,914,893	3,326,927	-
Deposits and other accounts	462,757,638	48,438,871	46,093,783	82,406,932	15,804,148	19,126,009	211,857,276	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Subordinated debt	6,995,000	-	-	2,500,401	1,996,600	1,000	2,001	2,494,998	-
Deferred tax liabilities - net	212,327	405	(11,216)	(14,400)	32,262	50,527	46,259	132,023	-
Other liabilities	23,374,566	233,254	263,686	353,056	498,890	441,461	461,574	18,505	-
	597,273,572	57,161,242	52,126,086	87,720,771	20,953,021	20,578,076	216,282,003	5,972,453	-
Net assets	23,256,387	40,622,005	(15,637,564)	122,631,152	23,468,861	26,666,917	(185,987,003)	39,653,626	14,673,705
Share capital - net	10,119,242	-	-	-	-	-	-	-	-
Reserves	2,787,201	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	1,342,708	-	-	-	-	-	-	-	-
Unappropriated profit	8,643,962	-	-	-	-	-	-	-	-
Non-controlling interest	363,274	-	-	-	-	-	-	-	-
	23,256,387	40,622,005	(15,637,564)	122,631,152	23,468,861	26,666,917	(185,987,003)	39,653,626	14,673,705

46.4.3 To identify the behavioural maturities of non-contractual assets and liabilities, the Group has used the following methodology:

For determining the core portion of non contractual liabilities (non-volatile portion), the Group has used the average method whereby average balance maintained over past five years has been classified as core and has been placed in 'over 3 to 5 years' maturity bucket. Non contractual assets and remaining volatile portion of non contractual liabilities have been stratified in relevant maturity bucket using bucket wise percentages determined by using average volatility in respective period / bucket.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

46.5 OPERATIONAL RISK

The Group currently uses Basic Indicator Approach to Operational Risk for regulatory capital calculations. The Group defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. With the evolution of Operational Risk Management into a separate distinct discipline, the Group's strategy is to further strengthen its risk management system along new industry standards. Accordingly, the Group has set up a separate Operational Risk Management (ORM) Unit. ORM Unit resides within Risk Management Group (RMG). Its responsibility is to implement Operational Risk management tools across the Group for effective measurement and monitoring of operational risk faced by different areas of the Group.

The Group's operational risk management process involves a structured and uniform approach across the bank. It includes risk identification and assessments, the monitoring of Key Risk Indicators (KRIs) and Risk Control Self-Assessment (RCSA) activities for key operational risks. In order to build a robust operational risk monitoring mechanism, an Operational Risk Steering Committee (ORSC) has been constituted to effectively address operational risk issues.

The Group has implemented a comprehensive "Operational Risk Management Framework" which has also been approved by the Board of Directors. The purpose of bank-wide Operational Risk Management Framework is aimed at laying out clearly defined roles and responsibilities of individuals / units across different functions of the Group that are involved in performing various operational risk management tasks. Operational risk is much more pervasive in a financial institution and every operating unit is exposed to operational risk, regardless of whether it is a business or a support function. This framework has been devised to explain the various building blocks of the operational risk management processes, and their inter-relationships. The framework also captures both qualitative and quantitative guidelines for managing and quantifying operational risks across the Group.

The ORM Unit conducts operational risk profiling for all major operational areas of the Group and assists various functions of the bank in developing KRIs which are monitored against predefined thresholds. Findings from KRIs are used as predictive indicators of potential operational risks.

Operational risk incidents and loss data collection is governed by Group's Operational Risk Management Policy and process documents which have been developed and implemented to collate operational losses and near misses in a systematic and organized way.

The Group's Business Continuity (BCP) Policy includes risk management strategies to mitigate inherent risks and prevent interruption of mission critical services caused by disaster events. The resilience of BCP is tested and rehearsed on an annual basis by the Group.

47. DERIVATIVE RISK

The policy guidelines for taking derivative exposures are approved by the Board of Directors (BOD). The Bank's Asset & Liability Committee (ALCO) is responsible for reviewing and managing associated risks of the transactions.

The nature, scope and purpose of derivatives business, for trading purposes or hedging purpose and the types of derivative in which they deal.

The overall responsibility for offering derivative products and sustaining profitability lies with the Treasurer and in his absence with his delegate. The Market Risk / Treasury Middle Office of the Bank is responsible for measurement & monitoring of the market risk exposures, analysis of present and potential risk factors.

The Market Risk Unit also monitors associated Credit, Market and Liquidity Risk in line with Board of Directors approved limit framework. The unit coordinates with the business regarding approvals for derivatives risk limits and produces various reports / analysis for ALCO / BRMC on periodic basis. These reports provide details of outstanding un-hedged positions, profitability and status of compliance with limits. Treasury Operations records derivatives activity in the Bank's books and is responsible for reporting to the SBP.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

The derivative transaction such as Cross Currency Swaps carries credit risk which is the risk that a party to a derivative contract will fail to perform its obligation. There are two types of credit risk associated with derivative transactions; 1) settlement, and 2) pre-settlement risk. The Bank's Central Credit Committee is responsible for reviewing and managing associated Counterparty Credit Risks of the transaction.

The Bank has also entered into Foreign Currency & Commodity Options from its Wholesale Banking Branch Bahrain for market making activities. The Bank can hedge its risk by taking on & off-balance sheet position in interbank market, where available.

48. GENERAL

48.1 Corresponding figures have been re-arranged / re-classified, wherever necessary, to facilitate comparison in the presentation in the current period. However, there are no material re-arrangements / re-classifications to report.

48.2 The figures in these consolidated financial statements have been rounded off to the nearest thousand unless otherwise stated.

49. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on February 29, 2024.

President and
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman

Annexure - II

Details of disposal of fixed assets to related parties for the year ended December 31, 2023

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain	Mode of disposal	Particulars of Buyer
	Rupees in '000						
Electrical, office and computer equipment							
Communication Equipment	709	309	400	438	38	Insurance	EFU General Insurance Limited
Office Machines and Equipments	16,583	9,720	6,863	5,833	(1,030)	Insurance	EFU General Insurance Limited
Computer	1,069	864	205	654	449	Insurance	EFU General Insurance Limited
	18,361	10,893	7,468	6,925	(543)		
	103	103	-	70	70	Insurance	EFU General Insurance Limited
	16,409	16,409	-	-	-	As per policy	Syed Amir Ali (Former CEO)
	6,493	6,493	-	-	-	As per policy	Syed Amir Ali (Former CEO)
Vehicle	23,005	23,005	-	70	70		
Leasehold improvements	760	473	287	492	205	Insurance	EFU General Insurance Limited
Furniture and fixture	402	310	92	260	168	Insurance	EFU General Insurance Limited
Total	42,528	34,681	7,847	7,747	(100)		

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BRANCH NETWORK

Sr. No.	Branch Name	Contact Number
1	Boat Basin Branch	021-35177903-4
2	Shaheen Complex Karachi	021-111572265/ 021-38907700
3	North Nazimabad Karachi	021-36721010-7
4	North Karachi Ind Area Karachi	021-36962912-11-15
5	Nazimabad Karachi	021-36612325 /36612236 /36612336
6	New Sabzi Mandi Karachi	0345-8211641-43
7	Gulshan-E-Iqbal Karachi	021-34829055-60-61
8	Gulistan-E-Jauhar Karachi	021-34662002-4-6
9	Safoora Goth Karachi	021-34661805
10	Gulshan Chowrangi Karachi	021-34833293-5
11	Ibrahim Hyderi Karachi	0346-1012283
12	Fisheries Karachi	021-32384011-14
13	Soldier Bazar Karachi	021-32244531-32-33
14	Garden East Karachi	021-32244281-82-83
15	Hawksbay Road Karachi	021-32373030-31
16	Gulshan-E-Hadeed Karachi	021-34715201-3
17	Korangi Rd Dha Phase I Karachi	021-35803541-46
18	Kh-E-Ittehad Dha Phase II Ext Karachi	021-35313811-4
19	Bahria Town Karachi	021-32630208
20	Lucky Star Karachi	021-35622436-38
21	Electronic Market Karachi	021-32700431-32-36-37
22	New Challi Karachi	021-32602100-01-02
23	Cloth Market Karachi	021-32464042-48
24	Teen Talwar Karachi	021-35836974-35835867
25	Korangi Industrial Area Karachi	021-35055826-7 / 021-35052773-5
26	Chase Store Jail Chowrangi Karachi	021-34370270-71
27	Khadda Market Dha Phase V Karachi	021-35242401-4
28	Progressive Centre Sh-E-Faisal Karachi	021-34324682-5
29	Shahrah-E-Faisal Karachi	021-34373240
30	Kh-E-Shahbaz Dha Phase VI Karachi	021-35243416-18
31	Dha Phase VIII Karachi	021-35171731-33
32	Shah Faisal Colony Karachi	021-34686191-95

33	Bahadarabad Karachi	021-34922802-05
34	Jheel Park Karachi	021-34544831-35
35	26Th Street Dha Phase V Karachi	021-35304685
36	Zamzama Karachi	021-35295221-22-23
37	Jodia Bazar Karachi	021-32463456-60
38	Site Karachi	021-32550081-84
39	Timber Market Karachi	021-32763054/ 32763079 / 32763047
40	North Napier Road Karachi	021-32467791-94
41	Park Towers Clifton Karachi	021-35832011
42	Karachi Stock Exchange	021-32462851-55
43	Ocean Tower	021-35166601-6
44	Badin	0297-861203
45	Site Hyderabad	022-3885192-93
46	Cloth Market Hyderabad	022-2618271-73
47	Saddar Hyderabad	022-2730925-26
48	Anaj Mandi Hyderabad	022-2638802
49	Citizen Colony Hyderabad	022-2100893-95
50	Qasimabad Hyderabad	022-2652190-91
51	DHA Hyderabad	022-2108078
52	Latifabad Hyderabad	022-3817971-84-86
53	Latifabad Unit No VI Hyderabad	022-3422521-6
54	Kohsar, Hyderabad	022-3400914
55	Jamshoro	022-3878103-04 -09
56	Kot Ghulam Muhammad	0233-866242-4
57	Kunri	023-8558163-66
58	Maatli	029-7841514
59	Mirpur Khas	023-3876001-4
60	Sultanabad Branch	022-3404106-7
61	Tando Allah Yaar	022-3892001-04
62	Thatta	029-8550934
63	Digri	0233-870245/ 0233-870305-306-307
64	Ghotki	0723-600480-81-84
65	Kashmore Kandhkot	072-2577701-07

66	Khairpur	0243-715318-19
67	Larkana	074-4058603
68	Mehar	025-4730307-08-09
69	Mirpur Mathelo Ghotki	0723-663313-15
70	Kandhkot	072-2573048
71	Mithi	0232-261650
72	Moro	0242-413200-03
73	Naushahro Feroze	0242-448415
74	Nawabshah	024-4330561-64
75	Pano Aqil	071-5809304-06
76	Sheikh Bhirkio	0345-8211923-24
77	Shikarpur	072-6540374-75
78	Society Branch Sukkur	071-5815209
79	Military Road Sukkur	071-5630825-32
80	Tando Jam	022-2765612-14
81	Tando Mohammad Khan	022-3340594 / - 022-3340617-18
82	Umer Kot	023-8570157-59
83	Khanewal	065-2557491-93
84	Shadman Lahore	042-37503712-20
85	Dha Y-Block Lahore	0423-5898010-11
86	Dha Phase VI Lahore	042-37180745
87	Airport Road Dha Lahore	042-35700081-85
88	Dha T-Block Lahore	042-35707651-56
89	Upper Mall Lahore	042-111572265 / 042-35776515-18 / 042-35776530
90	Bhiria City Halani	0242-432131-35
91	Sanghar	023-5800162-63
92	Chambar	022-3897033-35-36
93	Sehwan Shareef	025-4620305-07
94	Daharki Dist Ghotki	0723-641290
95	Shahdadkot	074-4013178-31
96	Zarar Shaheed Road Lahore	042-36639902-05
97	Shahdadpur	0235-843174-75
98	Gulshan RaVI Lahore	042-35464541-43
99	The Mall Lahore	042-36285673-75
100	Allama Iqbal Town Lahore	042-37805026-28

101	Model Town Lahore	042-35915614-48
102	New Garden Town Lahore	042-35940463-67
103	Peco Road Lahore	042-35203014
104	College Road Township Lahore	042-35117491-94
105	Wapda Town Lahore	042-35182874-75-77
106	Bahria Town Lahore	042-35976212-14
107	Raiwind Road Lahore	042-35291247-70
108	Johar Town Lahore	042-35241084-90
109	Sunder Industrial Estate Lahore	0311-0013425-26
110	Circular Road Lahore	042-37667922-25
111	Badami Bagh Lahore	042-37946853-54
112	Daroughawala Lahore	042-36530316
113	Mcleod Road Lahore	042-36311176
114	Shah Alam Market Lahore	042-37375734-37
115	Urdu Bazar Lahore	042-37115915-7
116	Azam Cloth Market Lahore	042-37671195-96
117	MM Alam Road Lahore	042-35761527
118	Cavalry Lahore	042-36610282-90
119	Chowburji Lahore	042-37362981-8
120	Ferozepur Road Lahore	042-35402151-53
121	Rahimyar Khan	068-5879511-14
122	Shiekhupura	056-3810273-6
123	GULBERG	042-35771036-38
124	Bhakkar	0453-510407-9
125	Burewala	067-3770363-65
126	Ludan Road Burewala	067-3351441
127	Chakwal	054-3665688
128	Chichawatni	040-5481792-95
129	Chiniot	047-6332713-14 / 047-6332592-93-94
130	Chishtian	0345-8233957 / 063-2500161
131	Daska	052-6610461-63
132	Depalpur	044-4542246-49
133	DG Khan	064-2470952-56
134	Dahranwala Chishtian	063-2441147
135	Dinga	053-7401368
136	Shahdara Lahore	042-37931903-5

137	Shadbagh Lahore	042-37604549-51
138	Brandreth Road Lahore	042-3630307-9
139	Baghbanpura Lahore	042-36858873-74
140	Mughalpura Lahore	042-36533818
141	Arifwala	0457-835478-81
142	Attock	057-2610500 / 057-2610480 / 057-2610780
143	Bahawalnagar	063-2279435-38
144	Dha Phase II Islamabad	051-5161525
145	Bahawalpur	062-2889176-78
146	Ghakkhar Mandi	055-3882556-59 / 055-3882561
147	Gohadpur	052-4265498-99
148	Gojra	046-3513637-40
149	GT Road Gujrat	053-3729474-5
150	Kacheri Chowk Gujrat	053-3600584-85-86
151	Gulyana	053-7588459
152	Hafizabad	054-7526407-10
153	Haroonabad	063-2250615
154	Hasilpur	062-2441302-8
155	Bara Kahu Islamabad	051-2165032-7
156	F-10 Markaz Islamabad	051-2112960/61
157	F-11 Markaz Islamabad	051-2103404-6
158	F-7 Markaz Islamabad	051-2653901-04 / 051-2608404-05
159	F-8 Markaz Islamabad	051-2818296-97-98
160	G-11 Markaz Islamabad	051-2363475-77
161	G-15 Markaz Islamabad	051-2160240-41
162	G-8 Islamabad Branch	051-2340537
163	Gulberg Green Islamabad	0310-5998931
164	I-8 Markaz Islamabad	051-4862471-2
165	I-9 Markaz Islamabad	051-4431296-8
166	Islamabad Stock Exchange	051-2894407-09
167	NPF O-9 Pwd Road Islamabad	051-5170584-5
168	Wah Cantt Islamabad	051-4624015-16-17
169	Blue Area Islamabad	051-111572265/ 051-2810121-4
170	Serena Busines Complex	051-4478006-07
171	Tarlai	051-2241863-4 / 66

172	Jehlum	054-4611840-3
173	Kamoki	055-6810282-83-85
174	Kasur	049-2761581-82-84
175	Mouza Kachi Jamal Khanpur	068-5577193-95
176	Kharian	0537-602784-85
177	Mouza Parhar Sharqi Kot Addu	066-2240146-49
178	Lala Musa	0537-519656-8
179	Layyah	0606-415045-47
180	Lodhran	0608-361892-93-96
181	Mandi Bahauddin	0546-509452-53-55
182	Mian Chunnoo	065-2661282-85
183	Muridke	042-37166455-7
184	Okara	044-2528728-30
185	Pak Pattan	045-7352591-93-94
186	Qaboola Dist Pak Pattan	0457-851248-51
187	Pattoki Kasur	049-4424053/4
188	Rabwa	047-6214042-44
189	Mouza Chak 72 Rahim Yar Khan	068-5708069-74
190	Sadiqabad	068-5803933/38
191	Sahiwal	040-4222733/35
192	Chak 89 Dist Sahiwal	040-4550409-10-11-16
193	Sambrial	052-6524106-07
194	Sargodha	048-3768123-24-25
195	Taunsa Sharif DG Khan	064-2601155
196	Hunza	0581-3455563
197	Toba Tek Singh	046-2512052-55
198	Ugoki	052-3513953-54
199	Vehari	067-3360715/18
200	Wazirabad	055-6605841-4
201	Wapda Town Gujranwala	055-4285573-75
202	Bank Square Gujranwala	055-4234401-3
203	GT Road Gujranwala	055-3257363/ 055-3254407 / 055-3257365
204	Abdali Road Multan	061-4574363/ 061-4574496-97
205	Bosan Road Multan	061-6223416-17
206	Vehari Road Multan	061-6241101-2-4

207	GHQ Rawalpindi	051-5202344
208	Gawadar	086-4210246
209	Khuzdar Balochistan	0848-550334-336
210	Loralai, Baluchistan	0824-410104
211	Cantt Sialkot Branch	052-4272351-53
212	Paris Road Sialkot	052-4269535-6
213	Shahabpura Ind Est Sialkot	052-3242681-84
214	Pasroor Road Nekapura Sialkot	052-3543582-4
215	Kashmir Road Sialkot	052-4272702-3-4
216	Wapda Town Phase I Multan	061-6524733-38
217	Liaquat Road Faisalabad	041-2541284-86
218	Grain Market Faisalabad	041-2633382-84
219	Gulistan Colony Faisalabad	041-8785791-5
220	Karkhana Bazar Faisalabad	041-2624501-3
221	Ghulam Mohammad Abad Faisalabad	041-2692192-94
222	Jaranwala Faisalabad	041-4313032-35
223	Muzaffargarh	066-2424691-92
224	Air Port Cop Housing Society (AECHS)	051-5497012-15
225	Bahria Town Phase Iv Rawalpindi	051-5731351-4
226	Bahria Town Phase VII Rawalpindi	051-5154891-4
227	Bank Road Rawalpindi	051-5120731-3
228	Chaklala Scheme 3, Rawalpindi	051-5766277-78-79
229	Chakri Road Rawalpindi	051-5129024
230	Jinnah Road Rawalpindi	051-5778560-63
231	Peshawar Road Rawalpindi	051-5492873-75
232	Range Road Rawalpindi Cant	051-5128871/ 051-5128875
233	Saidpur Road Rawalpindi	051-5768049/51/53
234	Satellite Town Rawalpindi	051-4842984/86
235	Muslim Bagh BRANCH	082-3669335/36
236	Ormara Balochistan	086-3310140 / 144 / 143 / 142 / 147
237	Pasni (Quetta Cantt)	0312-6869884
238	MA Jinnah Road Quetta	081-2865507-04
239	Zarghoon Road Quetta	081-2472981-82
240	Turbat Branch	0852-414201
241	Zhob Balochistan	0822-412027028
242	Abbottabad	099-416110/112/114

243	Bannu	0928-6601673
244	Chakdarah Lower Dir	094-5703336-337
245	Charsadda Branch KPK	091-6512051
246	Chitral	0943-413027-29
247	Darra Adam Khel - Fr Kohat	092-22810187
248	Di Khan	0966-733216/19
249	Gallanai Branch	0345-9068830
250	Haripur	0995-627370
251	Mansehra	0997-301882-84
252	Mardan	0937 -873445 / 0937- 873452
253	Mingora	0946-711740/43
254	Nowshera	092-3612004
255	Parachinar	0926-311777
256	Namak Mandi Peshwar (Dabgari Garden)	091-2591425-7
257	Fakhr-E-Alam Road Peshawar	091-5279981/4
258	Naz Cinema Peshawar	091-2211026/24
259	University Road Peshawar	091-5711572/75
260	Wazir Colony Ring Road Peshawar	0310-5998901-3 / 091-6512051
261	Nowshera Saleh Khana Branch	0923-651113/17
262	Shaidu (NWFP), Nowshera	0923-510013-14
263	Topi	0938-272003/4
264	Gilgit	05811-450610/7
265	Skardu	0581-5457306
266	Bagh Ajk	0582-3445338
267	Chaksawari Ak	05827-454791-94
268	Charroi Ak	05826-415474/76
269	Dadyal Ak	0582-7465668/69
270	Jatlan Ak	05827-404389/91
271	Khui Ratta Ak	0582-6414907
272	Kotli Ak	05826-448229/31
273	Mirpur Ak	05827-448867273
274	Muzaffarabad Ak	05822-923251-2
275	Sehensa Ak	05826-422779 / 05826-422300
276	Seri Ajk	05826-432731/4
277	Shakas Khyber Agency	091-5602382/83/85
278	Timergara	0945-821921

279	Naar AK	05826-420784 / 85
280	Valancia Society Lahore	042-35226045/46/47
281	Orangi Town Karachi	021-36697925 / 31
282	Choharmal, Quetta	081-2582813
283	DHA Phase VIII Lahore	0300-8430569
284	Top City Islamabad	0334-9678202 / 0302-6084176
285	Kh-e-Shujat Phase VI, Karachi	021-35160545
286	Gambat	0301-3867463 / 0314-7139788
287	Samundri	0300-7993218
288	Gujar Khan	0321-5887037
289	Bahawalpur II	0345-58729553
290	Mianwali	0308-8365546
291	Hala	0318-324938
292	Bahrain Manama (International)	00973-17104603

PATTERN OF SHAREHOLDING

As on December 31, 2023

S. No.	No. of Shareholders	Shareholdings From			Total Shares Held
			To		
1	607	1	To	100	7,596
2	526	101	To	500	208,409
3	508	501	To	1000	474,877
4	1002	1001	To	5000	2,842,185
5	322	5001	To	10000	2,544,173
6	463	10001	To	50000	10,850,576
7	65	50001	To	100000	5,116,109
8	77	100001	To	500000	16,866,553
9	53	500001	To	10000000	146,044,849
10	10	10000001	To	2050662536	1,865,707,209
Total	3633			Percentage: 100%	2,050,662,536

PATTERN OF SHAREHOLDING

As on December 31, 2023

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their spouse(s) and minor children		
Mr. Adil Matcheswala	264,000	0.01
Mr. Khalilullah Shaikh	500	0.00
Mr. Usman Yousaf Mobin	1	0.00
Mr. Sadiq Ali	1	0.00
MS. Nargis Ali Akber Ghaloo	1	0.00
Syed Mumtaz Ali Shah	1	0.00
Mr. Basir Shamsie	1	0.00
Mrs. Hafsa Shamsie	1,132,320	0.06
Associated companies, undertakings and related parties		
Jahangir Siddiqui & Co. Limited	1,460,232,712	71.21
Mr. Shabir Ahmed Randeree	144,831,051	7.06
Mr. Ahmed Goolam Mahomed Randeree	99,559,050	4.85
Mr. Jahangir Siddiqui	2,248,519	0.11
NIT & ICP	972	0.00
Banks, development finance institutions, non-banking finance companies	172,451	0.01
Insurance Companies	5,000	0.00
Modarabas and Mutual Funds	11,147,643	0.54
General Public		
a. Local	166,487,130	8.12
b. Foreign	6,073,554	0.30
Foreign Companies	5,104	0.00
Others	158,502,525	7.73
Totals	2,050,662,536	100.00

NOTICE OF 18TH ANNUAL GENERAL MEETING

Notice is hereby given that the Eighteenth (18th) Annual General Meeting (“AGM”) of the shareholders of JS Bank Limited (the “Bank”) will be held on Friday, March 29, 2024, at 10:00 a.m. at 15th Floor, The Centre, Saddar, Karachi to transact the following business:

ORDINARY BUSINESS

- i. To receive, consider, and adopt the Annual Audited Standalone and Consolidated Financial Statements of the Bank for the financial year ended on December 31, 2023, together with the Directors’ and Auditors’ Reports thereon.
- ii. To appoint the Bank’s Auditors for the financial year ending on December 31, 2024, and fix their remuneration. The Audit Committee and the Board of Directors have both recommended the appointment of the retiring auditors, Messrs KPMG Taseer Hadi & Co., Chartered Accountants, who being eligible have offered themselves for re-appointment.

SPECIAL BUSINESS

To consider and if thought fit, approve the conversion of Term Finance Certificates (“TFCs”), rated, privately placed/listed, unsecured, and subordinated TFCs of PKR 3,500 Million (TFC-V; issued on August 31, 2023) of JS Bank Limited (the “Bank”) into common shares if (i) directed by the State Bank of Pakistan (“SBP”) on the occurrence of a point of non-viability as determined by SBP, under the ‘Instructions for Basel III Implementation in Pakistan’ issued by the SBP, subject to a maximum of 924,772,179 in respect of TFC-V additional ordinary shares to be issued, and which ordinary shares shall be issued other than by way of rights under Section 83(1)(b) of the Companies Act, 2017.

The resolutions to be passed by the shareholders as Special Resolutions are as under:

“RESOLVED THAT with respect to the Tier-II capital raised by JS Bank Limited (the “Bank”) in the amount of up to PKR 3,500,000,000/- (Pak Rupees Three Billion Five Hundred Million) in the form of rated, privately placed/listed and unsecured, subordinated, Term Finance Certificates (“TFC-V”) as approved by the Board of Directors on March 8, 2023, and in accordance with the ‘Instructions for Basel III Implementation in Pakistan’ (“Basel III Regulations”) issued by the State Bank of Pakistan (“SBP”) under BPRD Circular No. 06 dated August 15, 2013, as amended from time to time, regarding loss absorbency, in the event SBP exercises its

option to convert the TFC-V into ordinary shares of the Bank upon the occurrence of a Point of Non-Viability (“PONV”), such ordinary shares shall be issued, subject to the approval of the Securities and Exchange Commission of Pakistan (“SECP”), other than by way of rights in accordance with Section 83(1)(b) of the Companies Act, 2017 (the “Act”), subject to a maximum of 924,772,179 shares, or such other number as may be agreed to in consultation with the SBP (“TFC-V Additional Shares”).”

“FURTHER RESOLVED that any two of the President & Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Company Secretary of the Bank be and are hereby authorized to take all steps necessary, ancillary, and incidental to the above-mentioned resolution, as and when required, and are further authorized to sign, execute, and deliver all necessary documents, agreements, and letters on behalf of the Bank, as may be deemed appropriate and as may be required for the purposes above-mentioned.”

(Attached to this Notice is a Statement of Material Facts covering the above-mentioned Special Business, as required under Section 134(3) of the Companies Act, 2017).

Karachi: March 08, 2024,

By Order of the Board
Syed Muhammad Talib Raza
Company Secretary and Head of Legal

Notes

- a) Share transfer books of the Bank will remain closed from March 23, 2024, to March 29, 2024 (both days inclusive). Transfers received in order at Bank’s Independent Share Registrar, CDC Share Registrar Services Limited, CDC House, Shahra-e-Faisal, Karachi at the close of business on March 22, 2024, will be treated in time to attend and vote at the Meeting.
- b) A member of the Bank entitled to attend, and vote may appoint another member as his/her proxy to attend and vote instead of him/her.
- c) Proxies must be received at the Registered Office of the Bank not later than 48 hours before the time of the Meeting.

- d) Beneficial owners of the shares registered in the name of CDC Share Registrar Services Limited (CDCSRSL) and/or their proxies will have to follow the following guidelines as laid down by the Securities and Exchange Commission of Pakistan.
- e) Shareholders are requested to notify immediately of any change in their address to the Bank's share registrar

For Attending the Meeting

- In light of the clarification issued by the Securities and Exchange Commission of Pakistan for ensuring participation of members in general meeting through electronic means as a regular feature, the Bank has also provided the facility for attending the meeting via video-link to its shareholders. The members are encouraged to participate in the meeting online for following the below guidelines.
- The members who wish to attend the Annual General Meeting through video link are requested to get themselves registered by sending the particulars prescribed in the table below at the following email address AGM@jsbl.com by the close of business hours (5:00 pm) on March 26, 2024.

Name of member	Authorized Representative (in case of corporate member)	CNIC No. /NTN No.	CDC Participant ID / Folio No.	Cell phone #	Email address

- The Video Conference Link would be emailed to the registered members or their proxies who have provided all the requested information.
- The Members who intend to attend and participate physically in the AGM of the Bank will be allowed to participate keeping in view the COVID-19 related SOP's issued by the Provincial and/or the Federal Government. The Bank will follow the best practices and comply with the instructions of the Government and SECP to ensure protective measures are in place for well-being of its Members.
- In the case of Individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall

authenticate his/her identity by showing his/her original CNIC or original Passport along with Participant ID number and the account number at the time of attending the Meeting.

- In the case of a corporate entity, the Board's resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting

For Appointing Proxies

- In the case of individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations shall submit the proxy form as per the above requirements.
- The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
- Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
- The proxy shall produce his original CNIC or original passport at the time of the Meeting.
- In the case of the corporate entity, the Board's resolution/power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with a proxy form to the Bank.

Procedure for E-Voting

- In accordance with the Companies (Postal Ballot) Regulations 2018, for the purpose of approval of any special agenda item at the AGM, members will be allowed to exercise their vote through postal ballot i.e., by post or e-voting, in the manner and subject to conditions contained in the Companies (Postal Ballot) Regulations, 2018.
- Details of the e-voting facility will be shared through an e-mail with those members of the Bank who have their valid CNIC numbers, cell numbers, and e-mail addresses available in the register of members of the Bank by the close of business on March 22, 2024.

- The web address, login details, and password, will be communicated to members via email. The security codes will be communicated to members through SMS from the web portal of CDC Share Registrar Services Limited (being the e-voting service provider).
- Identity of the Members intending to cast vote through e-voting shall be authenticated through electronic signature or authentication for login.
- Members shall cast vote online at any time from March 24, 2024, 9:00 am to March 28, 2024. Voting shall close on March 28, 2024, at 5:00 pm. Once the vote on the resolution is cast by a Member, he/she shall not be allowed to change it subsequently.

Procedure for Voting Through Postal Ballot

- Pursuant to Companies (Postal Ballot) Regulations 2018, for the purpose of election of directors and for any other agenda item subject to the requirements of Section 143 and 144 of the Companies Act, 2017, members will be allowed to exercise their right of vote through postal ballot, that is voting by post, in accordance with the requirements and procedure contained in the aforesaid Regulations.
- The members shall ensure that the duly filled and signed ballot paper, along with a copy of the Computerized National Identity Card (CNIC) should reach the Chairman of the meeting through the post at the Bank's registered address, 1st Floor Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi, or email at chairman@jsbl.com one day before the AGM on March 28, 2024, during working hours. The signature on the Ballot Paper shall match with signature on the CNIC.

Notice to Shareholders who have not provided CNIC

The Companies (Distribution of Dividends) Regulations, 2017 requires that the dividend warrants should bear the Identification Number which includes: (i) in the case of a registered shareholder or an authorized person, the Computerized National Identity Card Numbers (CNIC); (ii) in the case of a minor, child registration number or juvenile card number; and (iii) in the case of corporate shareholders registration number or national tax number. The Identification Number of the shareholders is, therefore, mandatory for the

issuance of dividend warrants, and in the absence of such information, payment of dividends may be withheld in terms of the Companies (Distribution of Dividends) Regulations, 2017. Therefore, the shareholders who have not yet provided their Identification Numbers are advised to provide their Identification Numbers (if not already provided) directly to our Independent Share Registrar at the address given herein above without any further delay.

Placement and Electronic Transmission of Financial Statements & Notices

The Bank has placed the annual Audited Financial Statements for the financial year ended on December 31, 2023, along with the Auditors and Directors' Reports on its website: <https://jsbl.com/knowledge-center/financial-reports/> as required under Section 223(7) of the Companies Act, 2017.

Further, in compliance with section 223(6) of the Act, the Bank has electronically transmitted the Annual Report 2023 through email to Shareholders whose email addresses are available with the Bank's Share Registrar, M/s. CDC Share Registrar Services Limited. In those cases, where email addresses are not available with the Bank's Share Registrar, printed notices of AGM along with the weblink and QR enabled code to download the said Annual Report have been dispatched. However, the Bank will provide hard copies of the Annual Report to any member on their demand, at their registered address, free of cost, within one week of receiving such request. Further, Shareholders are requested to kindly provide their valid email address (along with a copy of valid CNIC) to the Bank's Share Registrar, M/s. CDC Share Registrar Services Limited if the Member holds shares in physical form or, to the Member's respective Participant/Investor Account Services, if shares are held in the book entry form.

Mandate for E-DIVIDENDS for shareholders

Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into the bank account designated by the entitled shareholders. In order to receive dividends directly into their bank account, shareholders are requested to fill in the Electronic Credit Mandate Form available on Bank's website and send it duly signed along with a copy of CNIC to the Registrar of the Bank M/s. CDC Share Registrar Services Limited, CDC House, Shakra-e-Faisal, Karachi in case of physical shares. In case shares are held in CDC then Electronic Credit Mandate Form must be submitted directly to the shareholder's broker/participant/CDC account services.

Deduction of Income Tax from Dividend at Revised Rates

Pursuant to the provisions of the Finance Act deduction of income tax from dividend payments shall be made on the basis of filers and non-filers as follows:

S.No	Nature of Shareholders	Rate of deduction
1	Filers of Income Tax Return	15%
2	Non-Filers of Income Tax Return	30%

Income Tax will be deducted based on the Active Tax Payers List posted on the Federal Board of Revenue website.

Members seeking exemption from deduction of income tax or are eligible for deduction at a reduced rate are requested to submit a valid tax certificate or necessary documentary evidence, as the case may be.

STATEMENT OF SPECIAL BUSINESS UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

This statement sets out the material facts about the special business to be transacted at the Annual General Meeting of JS Bank Limited (the “Bank”) to be held on March 29, 2024.

Conversion of Tier –II Term Finance Certificates of PKR 3,500 million (TFC-V) into common shares.

The Bank on August 30, 2023 issued rated, privately placed/listed, unsecured, subordinated, Term Finance Certificates (“TFCs”) of PKR 3,500 million (TFC-V), as Tier-II Capital. The State Bank of Pakistan (“SBP”), through Banking Policy and Regulation Department Circular No. 06 dated August 15, 2013 (“SBP Circular”), prescribes a “loss absorbency” feature for it to be qualified as Tier-II capital instruments, under which the TFCs will be converted into ordinary shares of the Bank at the Point of Non-Viability (“PONV”) trigger event as defined in the Basel III regulations. Following the requirements of the SBP Circular, the Bank has agreed with the SBP for the issuance of common shares against TFC-V in case of the occurrence of a conversion event as per the terms of the TFCs and SBP Circular (“Conversion Events”).

The relevant portion of the SBP Circular relating to “loss absorbency” is reproduced below:

“A-5-3 Loss Absorbency of Non-Equity Capital Instruments at the Point of Non-Viability

- i. The terms and conditions of all non-CET1 and Tier 2 instruments issued by banks must have a provision in their contractual terms and conditions that the instruments, at the option of the SBP, will either be fully and permanently converted into common share or immediately written off upon the occurrence of a non-viability trigger event called the Point of Non-Viability (PONV) as described below;
- ii. The PONV trigger event is the earlier off;
 - a. A decision made by SBP that a conversion or temporary/ permanent write-off is necessary without which the bank would become non-viable.
 - b. The decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non-viable, as determined by SBP.
- iii. The issuance of any new shares as a result of the trigger event must occur prior to any public sector injection of capital so that the capital provided by the public sector is not diluted.
- iv. The amount of non-equity capital to be converted/written off will be determined by the SBP.
- v. Where an Additional Tier-1 capital instrument or Tier-2 capital instrument provides for conversion into ordinary shares, the terms of the instruments should include a provision that upon a trigger event the investors holding 5% or more of paid-up shares (ordinary or preferred) will have to fulfill fit and proper criteria (FPT) of SBP.
- vi. The conversion terms of the instruments must contain pricing formula linked to the market value of common equity on or before the date of trigger event. However, to quantify the maximum dilution and to ensure that prior shareholder/ regulatory approvals for any future issue of the required number of shares is held, the conversion method must also include a cap on the maximum number of shares to be issued upon a trigger event.
- vii. The conversion method should describe and take into account the order (hierarchy of claims) in which the instruments will absorb losses in liquidation/ gone concern basis. These terms must be clearly stated in the offer documents.

- i. However, such hierarchy should not impede the ability of the capital instrument to be immediately converted or to be written off.
- ii. There should be no impediments (legal or other) to the conversion i.e. the bank should have all prior authorizations (sufficient room in authorized capital etc.) including regulatory approvals to issue the common shares upon conversion.
- iii. The contractual terms of all Additional Tier 1 and Tier 2 capital instruments must state that SBP will have full discretion in deciding/ declaring a bank as a non-viable bank. SBP will, however, form its opinion based on financial and other difficulties by which the bank may no longer remain a going concern on its own unless appropriate measures are taken to revive its operations and thus, enable it to continue as a going concern. The difficulties faced by a bank should be such that these are likely to result in financial losses and raising the CET1/ MCR of the bank should be considered as the most appropriate way to prevent the bank from turning non-viable. Such measures will include complete write-off/ conversion of non-equity regulatory capital into common shares in combination with or without other measures as considered appropriate by

the SBP.”

As per the loss absorbency conditions, upon the occurrence of a “Point of Non-Viability” event (“PONV”), SBP may at its option, fully and permanently convert the TFCs into common shares of the issuer, i.e. the Bank and/or have them immediately written off (either partially or in full).

In light of the above contemplated PONV events, the Bank is required to obtain all approvals for the issuance of such additional shares, which additional shares shall be issued based on the market value of the shares of the Bank, on the date of trigger of PONV as declared by the SBP, and shall be subject to a cap of 924,772,179 for TFC-V additional ordinary shares being issued, or such other number as may be agreed to in consultation with the SBP. It may be noted that issuance of such additional shares shall further be subject to the approval of the Securities and Exchange Commission of Pakistan (“SECP”) under the proviso under Section 83(1)(b) of the Companies Act, 2017.

The information required to be annexed to the notice is set out below:

The shares issued will rank pari passu in all respects with the existing ordinary shares of the Bank. The issue of shares other than by way of rights is subject to approval from the SECP.

Name and brief profile of the banks/financial institutions to whom such shares are proposed to be issued	The shares will be issued to the holders of TFC-I and/or TFC-II (at that time) under the directions of SBP at the time of the trigger of PONV.
The price at which the proposed shares will be issued	The price of the shares shall be issued at the market value of the shares of the Bank,
Purpose of the issue of shares other than right, utilization of the proceeds of the issue, and benefits to the Bank and its shareholders with necessary details	To convert the outstanding TFC-I and/or TFC-II (in whole or part) into shares of the Bank, as per the directions of the SBP.
Existing shareholding of the banks / financial institutions to whom the proposed shares will be issued	Not Applicable
Total shareholding of the banks / financial institutions after the proposed issue of shares	Not Applicable

Whether the banks/financial institutions have provided written consent for purchase of such shares	The terms of the Trust Deeds for the TFC-I issue and TFC-II issue contain the details regarding such conversion.
Justification as to why proposed shares are to be issued otherwise than rights and not as rights shares	This is in accordance with the requirements of the SBP vide its Circular No. 6 of Banking Policy and Regulation Department dated August 15, 2013 and further directions of SBP in this matter
Justification, with details of the latest available market price and break-up value per share, if such price differs from par value	Not Applicable
Details of the average market price during the last 3 (three) months and 6 (six) months preceding the board announcement as well as the latest available market price	Not Applicable

The directors of the Bank, whether directly or indirectly, have no personal interest in the resolutions except in their capacity as shareholders of the Bank, to the extent of their respective shareholdings in the Bank.

The Bank in its Annual General Meetings held on March 29, 2023, had approved long-term equity investments of up to 75.12% shares of BankIslami Pakistan Limited, a subsidiary company of the Bank:

Statement under Regulation 4 (2) of the Companies (Investment in Associated Companies or Associated Undertaking) Regulations, 2017

The Investment in BIPL as of December 31, 2023 stands completed.

S.No	Name of Company	Total Investment approved up to PKR	Amount of Investment till Dec. 31, 2023 PKR	Reasons for not making complete investment in the specified time	Material change in Financial Statement of Associated Company
2	BankIslami Pakistan Ltd.	PKR Million 18,968.1	PKR Million 18,968.1	Not Applicable	Not Applicable

Form of Proxy

18th Annual General Meeting

The Company Secretary
JS Bank Limited
Shaheen Commercial Complex
Dr. Ziauddin Ahmed Road
P.O. Box 4847 Karachi 74200 Pakistan

I/We _____ of _____ being member(s) of JS Bank Limited holding _____ Ordinary shares as per Register Folio No./CDC/A/c No. _____ hereby appoint _____ of _____ or failing him _____ of _____ as my / our proxy to attend, act and vote for me / us and on my / our behalf at the 18th Annual General Meeting of the Bank to be held on March 29, 2024 and / or any adjournment thereof.

As witness my / our hand / seal this ____ day of _____ 2024 signed by _____ in the presence of (name & address)

Witness:

1. Name: _____

Address _____

CNIC or _____

Passport No. _____

Signature _____

Signature on Rs. 5/-
Revenue Stamp

The signature should
agree with the specimen
registered with the Bank

Witness:

2. Name: _____

Address _____

CNIC or _____

Passport No. _____

Signature _____

Important Note

1. A member of the Bank entitled to attend and vote may appoint another member as his / her proxy to attend and vote instead of him/her.
2. The proxy form, duly completed and signed, must be received at the Office of the Bank situated at Shaheen Commercial Complex Dr. Ziauddin Ahmed Road, Karachi 74200 not less than 48 hours before the time of holding the meeting.
3. No person shall act as proxy unless he/she himself is a member of the Bank, except that a corporation may appoint a person who is not a member.
4. If a member appoints more than one proxy and/or more than one instrument of proxy is deposited by a member with the Bank, all such instruments of proxy shall be rendered invalid.
5. The Beneficial Owner of the physical shares and the shares registered in the name of CDC Share Registrar Services Limited (CDCSRSL) and/or their proxies are required to produce their original Computerized National Identity Card (CNIC) or Passport for identification purposes at the time of attending the meeting. The Form of proxy must be submitted with the Bank within the stipulated time, duly witnessed by two persons whose names, addresses and CNIC numbers must be mentioned on the form, along with attested copies of CNIC or the Passport of the beneficial owner and the proxy. In the case of a corporate entity, the Board of Directors' Resolution / Power of Attorney along with the specimen signature shall be submitted (unless it has been provided earlier along with the proxy form to the Bank).

پراکسی فارم
اٹھارواں سالانہ اجلاس عام

کمپنی سیکریٹری
جے ایس بینک لمیٹڈ
شاہین کمرشل کمپلیکس
ڈاکٹر ضیاء الدین احمد روڈ
پی او باکس نمبر 4847، کراچی 74200 پاکستان

میں/ہم _____ جے ایس بینک لمیٹڈ کے ممبران اور بمطابق رجسٹرڈ فوئیو نمبر/سی ڈی سی/اکاؤنٹ نمبر _____
عمومی حصص کے مالکان ہیں، جناب _____ یا ان کی عدم دستیابی کی صورت میں جناب _____
کو بینک کے سترہویں سالانہ اجلاس عام منعقدہ 29 مارچ 2024 یا کسی ملتوی شدہ تاریخ پر اپنی جانب سے حاضر ہونے، حصہ لینے اور ووٹ دینے کے
لئے عوضی (Proxy) مقرر کرتا ہوں/کرتے ہیں۔

گواہان (نام اور پتے) کی موجودگی میں آج بروز _____ 2024 کو میں نے ذاتی طور پر دستخط کئے/مہر ثبت کی۔

گواہ:

1-

نام:

دستخط:

پتہ:

کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر: _____

گواہ:

2-

نام:

دستخط:

پتہ:

کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر: _____

5 روپے کی ریونیو اسٹیپ پر دستخط

کئے جائیں

دستخط بینک میں موجود نمونے کے

دستخط کے مطابق ہونا چاہئیں

اہم نوٹ:

- 1- بینک کا کوئی ممبر کسی دوسرے ممبر کو اپنی جگہ اجلاس میں حاضر ہونے، حصہ لینے اور ووٹ دینے کے لیے عوضی مقرر کر سکتا ہے۔
- 2- باقاعدہ مکمل اور دستخط شدہ پراکسی فارم اجلاس عام کے انعقاد سے کم از کم 48 گھنٹے قبل بینک کے دفتر بمقام شاہین کمرشل کمپلیکس، ڈاکٹر ضیاء الدین احمد روڈ، پی او باکس نمبر 4847، کراچی 74200 پاکستان پر موصول ہو جانا چاہئیں۔
- 3- ایسا کوئی شخص بطور عوضی اجلاس میں شریک نہیں ہو سکتا جو بینک کا/کی ممبر نہ ہو، سوائے کوئی کارپوریشن جو کسی غیر ممبر کو اپنا عوضی مقرر کر سکتی ہے۔
- 4- اگر کوئی ممبر ایک سے زائد عوضی مقرر کرتا ہے اور ایک سے زائد عوضی فارم بینک کو موصول ہوتے ہیں تو ایسے تمام فارم منسوخ تصور کیے جائیں گے۔
- 5- فزیکل حصص کے بینیفیشل مالکان اور سی ڈی سی شیئرز رجسٹرار سروس لمیٹڈ (سی ڈی سی ایس آر ایس ایل) میں رجسٹرڈ حصص کے مالکان اور/یا ان کے عوضی اجلاس میں شرکت کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا پاسپورٹ شناختی مقاصد کے لیے پیش کرنا ہوگا۔ باقاعدہ مکمل اور دستخط شدہ پراکسی فارم بینک میں مقررہ وقت پر جمع کروادیا جائے، جس پر دو گواہوں کے دستخط، نام، پتہ، کمپیوٹرائزڈ قومی شناختی کارڈ نمبر یا پاسپورٹ نمبر درج ہو۔ اس کے ہمراہ بینیفیشل مالک اور پراکسی کے کمپیوٹرائزڈ قومی شناختی کارڈ نمبر یا پاسپورٹ کی تصدیق شدہ نقل بھی منسلک ہونا ضروری ہے۔ کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی بمعہ نمونے کے دستخط جمع کروائی جائے (اگر پہلے سے پراکسی فارم کے ہمراہ جمع نہیں کروائی گئی)۔



Registered office

JS Bank Limited, Shaheen Commercial Complex,
Dr. Zia Uddin Ahmed Road, P.O. Box 4847,
Karachi-74200 Sindh, Pakistan.

UAN: (021-051)111-654-321