

EXPORT-IMPORT BANK OF PAKISTAN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 13 FEBRUARY 2023
TO 31 DECEMBER 2023



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Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the members of Export-Import Bank of Pakistan

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Export-Import Bank of Pakistan** ("the Bank"), which comprise the statement of financial position as at 31 December 2023, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the period then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the 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 directives issued by the State Bank of Pakistan 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, the comprehensive income, the changes in equity and its cash flows for the period then ended.

Basis for Opinion

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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



KPMG Taseer Hadi & Co.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Mr. Fahad Bin Waheed.

Lahore

Date: 21 November 2024

UDIN: AR202310089q3AYQ1bX7

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

**EXPORT-IMPORT BANK OF PAKISTAN
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023**

		December 31, 2023 Rupees in '000
ASSETS	Note	
Cash and balances with treasury banks	7	58,653
Balance with other banks	8	12,270
Investments	9	13,509,755
Advances	10	40,535
Fixed assets	11	104,551
Intangible assets	12	8,490
Deferred tax assets		-
Other assets	13	292,347
Total assets		14,026,601
LIABILITIES		
Bills payable		-
Borrowings		-
Deposits and other accounts		-
Liabilities against assets subject to finance lease		-
Subordinated debt		-
Deferred tax liabilities		-
Other liabilities	14	248,977
Total liabilities		248,977
NET ASSETS		13,777,624
REPRESENTED BY		
Share Capital	15	10,000,000
Reserves		2,390,500
Unappropriated profit		1,387,124
		13,777,624
CONTINGENCIES AND COMMITMENTS	16	

The annexed notes from 1 to 33 form an integral part of these financial statements.

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President and Chief Executive

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Chief Financial Officer

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Director

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Director

Director

EXPORT-IMPORT BANK OF PAKISTAN
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD FROM 13 FEBRUARY 2023 TO 31 DECEMBER 2023

		February 13 to December 31, 2023 Rupees in '000
	Note	
Mark-up / return / interest earned	17	2,294,609
Mark-up / return / interest expensed	18	2,233
Net mark-up / interest income		<u>2,292,376</u>
NON MARK-UP / INTEREST INCOME		
Fee and commission income		-
Dividend income		-
Foreign exchange income		-
Income from derivatives		-
Loss on securities		(160)
Other income	19	-
Total non-markup / interest income		<u>(160)</u>
Total income		<u>2,292,216</u>
NON MARK-UP / INTEREST EXPENSES		
Operating expenses	20	281,618
Workers' Welfare Fund		-
Other charges		-
Total non mark-up / interest expenses		<u>281,618</u>
Profit before provisions		<u>2,010,598</u>
Provisions and write offs - net		-
Extraordinary / unusual items		-
PROFIT BEFORE TAXATION		<u>2,010,598</u>
Taxation	21	276,693
PROFIT AFTER TAXATION		<u><u>1,733,905</u></u>
		----- Rupee -----
Basic and diluted earnings per share	22	1.73

The annexed notes from 1 to 33 form an integral part of these financial statements.



President and Chief Executive



Chief Financial Officer



Director



Director



Director

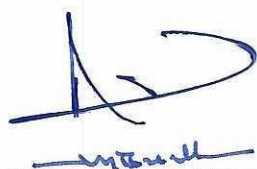
EXPORT-IMPORT BANK OF PAKISTAN
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 13 FEBRUARY 2023 TO 31 DECEMBER 2023

February 13 to
December 31,
2023
Rupees in '000

Profit after taxation for the year	1,733,905
Other comprehensive income	-
Total comprehensive income	<u>1,733,905</u>

The annexed notes from 1 to 33 form an integral part of these financial statements.

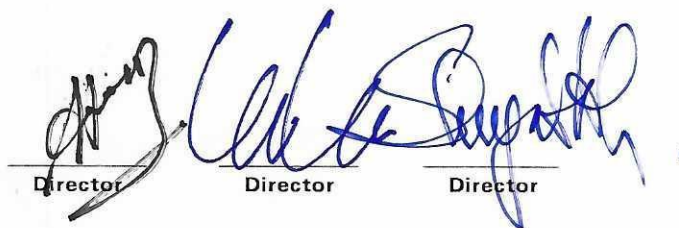
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President and Chief Executive



Chief Financial Officer



Director

Director

Director

EXPORT-IMPORT BANK OF PAKISTAN
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 13 FEBRUARY 2023 TO 31 DECEMBER 2023

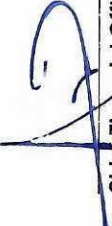
	Capital Reserve		Revenue Reserves			Total
	Share capital	Statutory reserve	Restructuring Reserve *	General Reserve	Unappropriated / unremitted profit	
			Rupees in '000			
Balance as at February 12, 2023	-	-	-	-	-	-
Equity Transferred on February 13, 2023	10,000,000	-	3,043,719	-	-	13,043,719
Appropriation of restructuring reserve	-	608,744	(3,043,719)	2,434,975	-	-
Profit after taxation	-	-	-	-	1,733,905	1,733,905
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	1,733,905	1,733,905
Transfer to statutory reserve	-	346,781	-	-	(346,781)	-
Transaction with owners:						
Appropriation against receivable from GoP	-	-	-	(1,000,000)	-	(1,000,000)
Balance as at December 31, 2023	10,000,000	955,525	-	1,434,975	1,387,124	13,777,624

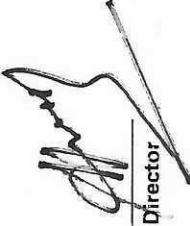
The annexed notes from 1 to 33 form an integral part of these financial statements.

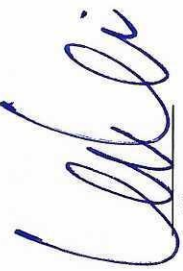
*Restructuring reserve had been created to represent the reserves transferred under the common control transaction, as explained in note 1.

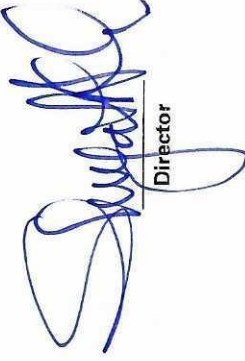
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President and Chief Executive


Chief Financial Officer


Director

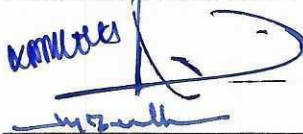

Director



Director

EXPORT-IMPORT BANK OF PAKISTAN
CASH FLOW STATEMENT
FOR THE PERIOD FROM 13 FEBRUARY 2023 TO 31 DECEMBER 2023

	Note	February 13 to December 31, 2023 Rupees in '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation		2,010,598
Less: Dividend income		-
		<u>2,010,598</u>
Adjustments:		
Depreciation - Operating Fixed Asset		25,111
Depreciation on right of use assets		16,562
Amortization		802
Interest expense on lease liability		2,233
		<u>44,708</u>
		<u>2,055,306</u>
<u>Increase in operating assets</u>		
Lendings to financial institutions		-
Advances		(2,567)
Others assets (excluding advance taxation)		(218,736)
		<u>(221,303)</u>
<u>Increase in operating liabilities</u>		
Other liabilities (excluding current taxation)		77,550
		<u>77,550</u>
Income tax paid		(199,214)
Net cash flow generated from operating activities		<u>1,712,339</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in held-to-maturity securities		(1,588,889)
Investments in operating fixed assets and intangible assets		(32,697)
Net cash flow used in investing activities		<u>(1,621,586)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liability against right of use assets		(30,090)
Net cash flow used in financing activities		<u>(30,090)</u>
Increase in cash and cash equivalents		<u>60,663</u>
Cash and cash equivalents at beginning of the period		10,260
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	23	<u><u>70,923</u></u>

The annexed notes from 1 to 33 form an integral part of these financial statements.


President and Chief Executive


Chief Financial Officer


Director


Director


Director

EXPORT-IMPORT BANK OF PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 13 FEBRUARY 2023 TO 31 DECEMBER 2023

1 STATUS AND NATURE OF BUSINESS

The Export-Import Bank of Pakistan ('the Bank') was established on October 14, 2022 when the The "Export-Import Bank of Pakistan Act 2022" (the Act) received the assent of the President of Islamic Republic of Pakistan.

The Act was passed by National Assembly and Senate in June 2022 and September 2022, respectively and after receiving assent of the 'President' on October 14, 2022 came into force at once and was notified in the Official Gazette on October 19, 2022.

The Bank was declared as a financial institution under section 3A of the Banking Companies Ordinance 1962 (LVII of 1962) by the Federal Government on February 13, 2023 by notification (No.F.4. IF/2016-199) in the official Gazette, in accordance with the provisions of section 4 of the Export-Import Bank of Pakistan Act, 2022.

The principal objective of the Bank is to promote expansion and diversification of exports of Pakistan in terms of commodities, services and regions by providing credit facilities, guarantees, insurance and other necessary services and to provide short-term pre-shipment export credit to meet capital needs of exporters and to provide long-term credit for technological development and modernization of export-oriented industry. The head office of the Bank is situated at 5th floor, Evacuee Trust Complex, Islamabad.

Transfer of assets to the Bank under the Act

On 13 February 2023, the Federal Government through an order in the official Gazette transferred the whole of the undertaking of EXIM Bank Pakistan Limited ('EXIM Bank') (a company registered under the provisions of Companies Act, 2017) under section 5 of the Act and as of that date the EXIM Bank ceased to exist. The Federal Government is the sole shareholder of the Bank and that of the EXIM Bank previously. The transaction has been accounted for under the Accounting Standard "Accounting for Common Control Transactions" (AS ACCT), issued by the Institute of Chartered Accountants of Pakistan (ICAP).

As of 13 February 2023 - the date of common control transaction, the Bank - being the receiving entity recognised the assets transferred and liabilities assumed of the EXIM Bank - the transferred entity. No consideration has been transferred by the Bank to the previously EXIM bank. The assets and liabilities received from EXIM Bank were measured by the Bank, at their carrying amount at the date of common control transaction. There have been no fair value adjustments to the assets and liabilities transferred.

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The carrying amounts of assets and liabilities transferred on the date of common control transaction is as follows:

Rupees in 000

Assets

Cash and balances with treasury banks	10,250
Balance with other banks	10
Investments	11,920,866
Advances	37,968
Fixed Assets	122,819
Other Assets	1,091,534
	13,183,447

Liabilities

Other liabilities	139,728
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Net Assets

13,043,719

Amount recognised in Equity

Share Capital	10,000,000
Restructuring Reserve	3,043,719
	13,043,719

2 BASIS OF PRESENTATION

These financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan's BPRD Circular No.2 dated January 25, 2018 with suitable modifications in line with its nature of business in accordance with the format prescribed under above referred circular.

2.1 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Pakistan Rupee (PKR), which is the Bank's functional currency. All financial information presented in PKR has been rounded off to the nearest thousand PKR, unless otherwise stated.

3 STATEMENT OF COMPLIANCE

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

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

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

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The State Bank of Pakistan (SBP), vide its Banking Supervision Department (BSD) Circular Letter no. 11 dated September 11, 2002 has deferred the applicability of International Accounting Standards (IAS) 40, Investment Property, for banking companies and DFIs till further instructions. Further, the SECP, through S. R.O. 411 (1) / 2008 dated April 28, 2008, has deferred the applicability of IFRS 7, Financial Instruments: Disclosures, to banks and DFIs. Additionally, the SBP vide Banking Policy and Regulations Department (BPRD) Circular Letter No.07 dated April 13, 2023 has deferred the applicability of IFRS-9 for banks and DFIs to accounting periods beginning on or after January 1, 2024. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

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

There are certain amendments and interpretations that are effective from 01 January 2023, however these do not have any significant impact on the financial statements of the Bank.

3.2 Standards, Interpretations and amendments to the accounting and reporting standards

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

- Classification of liabilities as current or non-current (Amendments to IAS 1 in January 2020) apply retrospectively for the annual periods beginning on or after 01 January 2024 (as deferred vide amendments to IAS 1 in October 2022) with earlier application permitted.

These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified as 'current'. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Non-current Liabilities with Covenants (amendment to IAS 1 in October 2022) aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions. The amendment is also intended to address concerns about classifying such a liability as current or non-current. Only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date.

However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments apply retrospectively for annual reporting periods beginning on or after 01 January 2024, with earlier application permitted. These amendments also specify the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments to IAS 1 (as referred above).

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- Lease Liability in a Sale and Leaseback (amendment to IFRS 16 in September 2022) adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements to be accounted for as a sale. The amendment confirms that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after 01 January 2024 with earlier application permitted.

Under IAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16 and will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments. If an entity (a seller-lessee) applies the amendments arising from Lease Liability in a Sale and Leaseback for an earlier period, the entity shall disclose that fact.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) amend accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.
- Supplier Finance Arrangements (amendments to IAS 7 and IFRS 7) introduce two new disclosure objectives for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk. Under the amendments, companies also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement. The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in IFRS 7 on factors a company might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities. The amendments are effective for periods beginning on or after 01 January 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available.
- Lack of Exchangeability (amendments to IAS 21) clarify:
 - when a currency is exchangeable into another currency; and
 - how a company estimates a spot rate when a currency lacks exchangeability.

Further, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. These disclosures might include:

- the nature and financial impacts of the currency not being exchangeable;
- the spot exchange rate used;
- the estimation process; and
- risks to the company because the currency is not exchangeable.

The above amendments are not likely to have an impact on Bank's financial statements.

- Pursuant to the requirements of State Bank of Pakistan (SBP)'s BPRD circular letter no. 07 of 2023, Banks are required to implement IFRS 9 'Financial Instruments' from 01 January 2024.

Amended

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments, which replaces current accounting and reporting standards which are relevant for financial instruments, is effective for periods beginning on or after 01 January 2024 as endorsed by State Bank of Pakistan (SBP) in July 2022 via BPRD Circular no 3 of 2022. SBP via same circular has finalized the instructions on IFRS 9 (Application Instructions) for ensuring smooth and consistent implementation of the standard in the banks. IFRS 9, in particular the impairment requirements, will lead to significant changes in the accounting for financial instruments. Wherever the requirements of the application instructions issued by SBP differ with the requirements of IFRS, the requirements of the said application instructions have been followed.

The Bank will adopt IFRS 9 in its entirety effective 01 January 2024 with modified retrospective approach for restatement. In accordance with IFRS 9, the Bank will not restate comparative information with respect to impairment changes. Any differences in the carrying amounts of financial assets and financial liabilities consequent to the adoption of IFRS 9 will be recognised in retained earnings and reserves as at 01 January 2024.

The actual impact of adopting IFRS 9 on the Bank's financial statements in the year 2024 may not be accurately estimated at 31 December 2023 because it will be dependent on the financial instruments that the Bank would hold during 2024 and economic conditions at that time as well as accounting elections and judgements that it will make in future. The Bank has not performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its balance sheet as at 31 December 2023. However, the impact of IFRS 9 is not expected to be significant, since as per the application instructions issued by SBP, the credit exposure in local currency that has been guaranteed by the Government and Government Securities are exempted from the application of ECL framework.

4 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for certain investments which are carried at fair value in accordance with directives of the SBP.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements is in conformity with approved accounting standards requires the use of certain critical accounting estimates and judgments. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. There were no areas where assumptions, estimates and judgements executed in application of accounting policies were significant to the Bank's financial statements.

6 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

6.1 Cash and cash equivalents

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

6.2 Advances

Loans and advances are stated net of general and specific provisions. Specific provision against loans is determined in accordance with the requirements of the Prudential Regulations and other directives issued by SBP and charged to the Profit and Loss Account. General provision is maintained in accordance with the requirements of Prudential Regulations issued by SBP.

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The provision and reversal is charged to the Profit and Loss Account. Advances are written off when there are no realistic prospects of recovery.

6.3 Investments

All purchases and sales of investments are recognized using settlement date accounting. The settlement date is the date on which investments are delivered to Export-Import Bank of Pakistan. All investments are derecognized when the right to receive economic benefits from the investments has expired or has been transferred and Export-Import Bank of Pakistan has transferred substantially all the risks and rewards of ownership.

All investments are made in accordance with the investment policy of Export-Import Bank of Pakistan and where required, classified in accordance with the prudential regulations. Investments are classified as follows:

6.3.1 Held for trading

These investments are held for a maximum period of 90 days and acquired principally for the purpose of generating profit from short-term fluctuations in price or dealer's margin. These are marked to market based on quoted market prices and the surplus / (deficit) arising from changes in the fair value of securities classified as 'held for trading' is taken to profit and loss account. Unquoted securities are valued at cost less impairment, if any.

6.3.2 Held to maturity

Investments with a fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as 'held to maturity'. Subsequent to initial recognition at cost, these investments are measured at amortized cost, less provision for impairment in value, if any. Amortized cost is calculated using the effective interest rate method. Profit on 'held to maturity' investments is recognized on a time proportion basis taking into account the effective yield on the investments.

Premium or discount on acquisition of 'held to maturity' investments are amortized through the profit and loss account over the remaining period till maturity.

6.3.3 Available-for-sale

These are investments which do not fall under the 'held for trading' and 'held to maturity' categories. Such investments are initially recognized at cost and subsequently measured at market value. The surplus arising on revaluation is kept in a separate account titled 'Surplus on Revaluation of assets' through statement of comprehensive income, which is taken to profit and loss account when realized upon disposal. Impairment in the value of these investments is provided by charging it to the profit and loss account.

6.4 Lendings to financial institutions

The Bank enters into transactions of borrowing (re-purchase) from and lending (reverse re-purchase) to financial institutions, at contracted rates for a specified period of time. These are recorded as under:

Purchase under resale agreements

Securities purchased under agreement to resell (reverse re-purchase) are included in lendings to financial institutions. The differential between the contracted price and resale price is accrued on pro rata basis over the period of the contract and recorded as mark-up income.

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6.5 Fixed assets

Property and equipment, except capital work-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is computed over the estimated useful lives of the related assets at the applicable rates as specified in note 11.1 to the financial statements. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each statement of financial position date.

Depreciation on additions is charged from the date when the assets are available for use, while depreciation ceases from the date the assets are disposed off.

Gain / Losses, if any, on disposal of fixed assets are charged to statement of profit and loss account during the period.

Subsequent costs are included in the asset's carrying amount or are recognized 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. All other repairs and maintenance are charged to the profit and loss account.

6.6 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the date when these assets are available for use, using the straight line method, whereby the costs of the intangible assets are amortized over its useful life over which economic benefits are expected to flow to the Bank. The useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date.

6.7 Lease liability and right-of-use assets

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 costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or the site on which it is located.

Right-of-use assets are subsequently stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenure.

Right-of-use assets are depreciated over their expected useful lives using the straight-line method. Depreciation on additions (new leases) is charged from the month in which leases are entered into. No depreciation is charged in month in which the leases mature or are terminated.

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Bank's incremental borrowing rate.

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The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also measured to reflect any remeasurement or change in lease terms. These remeasurement of lease liabilities are recognised as an adjustment to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the profit and loss account as financial charges over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

6.8 Taxation

Profits and gains are exempt from tax as per clause 66 of part 1 of second schedule of the Income Tax Ordinance, 2001. The Bank got exemption through Finance Act 2023 after 30 June 2023. Therefore, the provision of income tax on profits for the period till 30 June 2023 is recorded.

6.9 Revenue recognition

Revenue is recognized to the extent that the economic benefits will flow to the Bank and the revenue can be reliably measured. These are recognised as follows:

Advances and investments

Mark-up, return on regular loans and advances and investments is recognized on a time proportion basis. Where debt securities are purchased at premium or discount, the same is amortized through the Profit and Loss Account using the effective interest rate method.

Interest or mark-up recoverable on classified loans, advances and investments is recognized on receipt basis. Interest, return or mark-up on classified, rescheduled or restructured loans and advances and investments is recognized as permitted by the regulations of the State Bank of Pakistan.

Gains or losses on sale of investments are recognized in the Profit and Loss Account.

6.10 Impairment of non financial asset

The carrying values of non-financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indication exists, the recoverable value of the asset is estimated. An impairment loss is recognised through the profit and loss account whenever the recoverable value of an asset is lower than its carrying value.

6.11 Provisions

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

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6.12 Foreign currency transactions

The financial statements are presented in Pakistan Rupee, which is Export-Import of Bank of Pakistan's functional currency. Transactions in foreign currencies are translated into Pakistan Rupee at the exchange rate prevailing on the date of the transaction. All monetary assets and liabilities in foreign currencies are translated into Pakistan Rupee at the rate of exchange approximating those ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss account.

6.13 Financial instruments

6.13.1 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Bank becomes a 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 specific in the contract is extinguished. Any gain or loss on de-recognition of the financial asset and liability is recognised in the Profit and Loss Account of the current period. The particular recognition and subsequent measurement methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

6.14 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate 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.

6.15 Off setting

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

6.16 Statutory reserve

The Bank has created a reserve by considering the requirements of the SBP's BPRD circular letter no. 15 dated May 31, 2004, whereby, an appropriation equivalent to 20% of the profit after tax is required to be made till such time the reserve fund equals the paid-up capital of the Company. However, thereafter, the contribution is required to be made equivalent to 5% of the profit after tax.

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6.17 Common control transactions

On the date of common control transaction, the Bank - being the receiving entity recognises the assets transferred and liabilities assumed. The Bank recognises as part of applying the predecessor method only the consideration transferred for the transferred entity and the assets acquired and liabilities assumed in the exchange. The Bank measures the assets and liabilities received from the transferred/ transferring entity at their carrying amounts as reflected in the financial statements of the transferred / transferring entity, at the date of common control transaction except for any adjustment(s) to correct any accounting error in the relevant item of assets and liabilities received from the transferred entity. There is no fair-value adjustments to the assets and liabilities of the transferred / transferring entity or recognition of new assets or liabilities for the transferred / transferring entity.

The Bank recognises within its 'equity' the difference between the consideration transferred and net of carrying amount of the assets and liabilities received from the transferred /transferring entity. Where no consideration is transferred by the Bank to the owners of the transferred entity, the Bank records within equity, an amount equal to net carrying amount of the net assets of transferred entity.

6.18 Earnings per share

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

December 31,
2023
Rupees in '000

7 Cash and balances with treasury banks

In hand

-

With National Bank of Pakistan in

Local currency current account

58,653

58,653

8 Balance with other banks

In Pakistan:

In current accounts

12,270

In deposit accounts

-

12,270

Provision for doubtful placement with the bank

-

12,270

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9 Investments

December 31, 2023			
Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value

9.1 Investments by type:

Note Rupees in '000

Held-to-maturity securities

- Market Treasury Bills (MTBs)	9.1.1	8,197,783	-	-	8,197,783
- Pakistan Investment Bonds (PIBs)	9.1.2	5,311,972	-	-	5,311,972

Total investments

13,509,755	-	-	13,509,755
------------	---	---	------------

9.1.1 These represent securities with original maturity period of 3 to 12 months carrying markup at the rates ranging between 20.80%-22.89% per annum.

9.1.2 These represent securities with original maturity period of 2 to 5 years carrying markup at the rates ranging between 22.08%-24.77% per annum.

December 31, 2023			
Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value

9.2 Investments by segments:

..... Rupees in '000

Federal government securities

- Market Treasury Bills (MTBs)	8,197,783	-	-	8,197,783
- Pakistan Investment Bonds (PIBs)	5,311,972	-	-	5,311,972

Total investments

13,509,755	-	-	13,509,755
------------	---	---	------------

December 31
2023

9.3 Particulars relating to Held-to-maturity securities are as follows:

Rupees 000's

Federal Government Securities - Government guaranteed

Market Treasury Bills (MTBs)	8,197,783
Pakistan Investment Bonds (PIBs)	5,311,972
	13,509,755

The market value of securities classified as held-to-maturity as at December 31, 2023 amounted to Rs.13,543 million.

Performing	Non-performing	Total
December 31, 2023	December 31, 2023	December 31, 2023

10 Advances

Note

..... Rupees in '000

Loans, cash credits, running finances, etc.
Advances - gross

10.1

40,535	-	40,535
40,535	-	40,535

Provision against advances

- Specific
- General

-	-	-
-	-	-

Advances - net of provision

40,535	-	40,535
--------	---	--------

December 31,
2023

10.1 Particulars of advances (gross)

Note

Rupees in '000

In local currency	10.2	40,535
In foreign currencies		-
		40,535

10.2 Advances represent staff loans given to employees at concessional financing of 5% per annum.

11 Fixed assets

Property and equipment	11.1	92,209
Right-of-use assets	11.2	12,342
		104,551

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11.1 Property and equipment

December 31, 2023

	Furniture and fixtures	Electrical and office equipments	Vehicles	Computer and networking equipments	Leasehold improvements	Total
Cost	11,870	53,012	8,151	12,413	35,529	120,975
Accumulated depreciation	(1,860)	(8,753)	(3,766)	(4,198)	(8,484)	(27,060)
Net book value	10,010	44,259	4,385	8,215	27,045	93,915

Rupees in '000

As at February 13, 2023

Period ended December 31, 2023

Opening net book value	10,010	44,259	4,385	8,215	27,045	93,915
Additions	787	574	-	22,419	57	23,837
Net disposal (book value)	-	-	-	(108)	-	(108)
Reclassification-cost	372	338	-	(278)	(432)	-
Adjustment in cost	-	(323)	-	-	-	(323)
Depreciation charge	(3,068)	(9,522)	(938)	(5,899)	(5,684)	(25,111)
Closing net book value	8,101	35,326	3,447	24,349	20,986	92,209

At December 31, 2023

Cost	13,029	53,601	8,151	34,330	35,154	144,265
Accumulated depreciation	(4,928)	(18,275)	(4,704)	(9,981)	(14,168)	(52,056)
Net book value	8,101	35,326	3,447	24,349	20,986	92,209

Rate of depreciation (%)

20%	20%	20%	33%	20%		
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corrected

	Note	December 31, 2023 Rupees in '000
11.2 Right-of-use assets		
As at 13 February 2023		28,904
Depreciation charged for the year		(16,562)
Net book value at the end		<u>12,342</u>

12 Intangible assets

Capital work-in-progress		3,393
Intangible assets	12.1	<u>5,097</u>
		<u>8,490</u>

		<u>December 31, 2023</u>
		<u>Computer software</u>
		<u>Rupees in '000</u>

12.1 Intangible Assets

Period ended December 31, 2023

Opening net book value	-
Additions:	
Directly purchased	5,899
Amortization charge	(802)
Closing net book value	<u>5,097</u>

At December 31, 2023

Cost	5,899
Accumulated amortization and impairment	(802)
Net book value	<u>5,097</u>
Rate of amortization (percentage)	<u>33.00%</u>

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	Note	December 31, 2023 Rupees in '000
13 Other assets		
Income / mark-up accrued in local currency net of provision		279,679
Advances, deposits, advance rent and other prepayments		11,583
Others		1,085
		<u>292,347</u>
Less: Provision held against other assets		-
		<u>292,347</u>

14 Other liabilities

Payable to State Bank of Pakistan and Banking Services Corporation (BSC)		5,190
Audit fee payable		2,422
Accrued expenses		89,278
EOBI payable		314
Staff Provident Fund payable		51,110
Staff Gratuity Fund payable		13,206
Profit on Staff Provident Fund payable		10,853
Lease liabilities against Right-of-use-assets	14.1	12,481
Income Tax Payable - net		59,557
Income Tax Withholding payable		4,567
		<u>248,977</u>

14.1 Lease liabilities against Right-of-use-assets

As at February 13, 2023	40,338
Additions during the year	-
Lease finance charges	2,233
Lease rentals paid	(30,090)
Balance at end of the period	<u>12,481</u>

15 SHARE CAPITAL

15.1 Authorized capital

	December 31, 2023 Number of shares	December 31, 2023 Rupees in '000
Ordinary shares of Rs. 10 each.	<u>10,000,000,000</u>	<u>100,000,000</u>

15.2 Issued, subscribed and paid up

Ordinary shares of Rs. 10 each

Issued, subscribed and paid up	1,000,000,000	10,000,000
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		December 31, 2023
	Note	Rupees in '000
16 CONTINGENCIES AND COMMITMENTS		
16.1 Commitments		
-Fixed assets	16.2	80,968
-Intangible assets	16.3	276,870
		<u>357,838</u>

16.2 This represents contract amount entered into for the renovation of Regional Office Karachi. It also includes amount for network infrastructure.

16.3 This represents license's payments to different suppliers on account of trade credit insurance software, network infrastructure and compliance software.

		February 13 to December 31, 2023
	Note	Rupees in '000
17 Mark-up / return / interest earned		
On:		
Loan and advances		1,749
Investments		2,268,686
Lendings to financial institutions		24,174
		<u>2,294,609</u>

18 Mark-up / return / interest expensed

On:		
Interest expense on lease liability		2,233
		<u>2,233</u>

19 OTHER INCOME

Grant received from Islamic Development Bank	19.1	977
Amortization of grant during the year		(977)
		<u>-</u>

19.1 The Islamic Republic of Pakistan (Ministry of Finance) entered into an agreement of technical assistance with Islamic Development Bank (IsDB) to support operationalization of Exim Bank of Pakistan Limited (the Company) in 2019. Activities defined under the agreement to provide technical assistance include adaption of Islamic Trade Finance, Takaful and Guarantee Products and Services, Capacity Building of the Company officials in Islamic Finance Products and Services, Underwriting Processes and Risk Management as well as develop and implement marketing and communication strategies for promotion of these products and services. The amount of total assistance to be provided under this agreement amounts to USD 307,130.

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February 13 to
December 31,
2023
Rupees in '000

20 Operating expenses

Total compensation expense

Note

20.1

190,036

Property expense

Rent
Insurance
Security
Utilities cost
Repairs and maintenance (including janitorial charges)
Depreciation on right of use assets
Depreciation on property and equipment

7,175
1,167
1,384
3,619
3,234
16,562
8,752
41,893

Information technology expenses

Software maintenance
Hardware maintenance
Depreciation
Amortization
Network charges

7,535
287
5,899
802
726
15,249

Other operating expenses

Directors' fees and allowances
Legal and professional charges
Consultancy, custodial and rating services
Outsourced services costs
Travelling and conveyance
Entertainment
Insurance
Training and development
Depreciation
Postage and courier charges
Stationery and printing
Marketing, advertisement and publicity
Auditors' remuneration

20.2

2,304
4,967
700
7,062
4,395
432
1,360
131
10,460
15
1,248
90
1,276
34,440
281,618

20.1 Total compensation expense

Servant salary
i) Fixed
ii) Variable
of which;
a) Cash Bonus / Awards etc.
b) Bonus & Awards in Shares etc.
Charge for defined benefit plan
Contribution to defined contribution Plan
EOBI
Rent & house maintenance
Utilities
Medical
Conveyance
Leave fare assistance

3,982
84,072
-
16,000
-
2,025
16,723
414
32,995
6,619
5,615
17,142
4,449
190,036

20.2 This represent amount charged by State Bank of Pakistan (SBP) under "Agreement for facilitation or Reimbursement Basis" for use of SBP facilities by the Company.

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21 TAXATION

Current	284,778
Prior periods	(8,085)
	<u>276,693</u>

21.1 Tax rate reconciliation

Profit Before Tax	<u>2,010,598</u>
Applicable tax rate	<u>29%</u>
Income tax at applicable rate	583,073
Tax impact of income taxable at lower rates	(366,833)
Super tax	74,566
Prior year adjustment	(8,085)
Other	(6,028)
	<u>276,693</u>

22 BASIC EARNING PER SHARE

Profit for the year	<u>1,733,905</u>
Weighted average number of ordinary shares (in 000)	<u>1,000,000</u>
Basic earning per share	<u>1.73</u>

There is no dilutive effect on the basic earnings per share of the Company.

23 CASH AND CASH EQUIVALENTS

Cash and Balance with Treasury Banks	58,653
Balance with other banks	12,270
	<u>70,923</u>

24 STAFF STRENGTH

	<u>2023</u>
	Number
Permanent	21
On Bank's contract	1
Bank's own staff strength at the end of the year	<u>22</u>

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25 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

25.1 Total Compensation Expense

Items	2023					
	Directors			President/ CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non-Executives Independent			
	Rupees in '000					
Fees and Allowances etc.	624	-	1,680	-	-	-
Managerial Remuneration	-	-	-	-	-	-
i) Fixed	-	-	-	36,256	27,243	-
ii) Total Variable	-	-	-	-	-	-
of which						
a) Cash Bonus / Awards	-	-	-	-	-	-
b) Bonus & Awards in Shares	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	2,025	-	-
Contribution to defined contribution plan	-	-	-	5,356	2,343	-
Compensated absences	-	-	-	-	-	-
Leave fare assistance	-	-	-	4,132	-	-
Exgratia	-	-	-	-	-	-
Rent & house maintenance	-	-	-	12,736	10,524	-
Utilities	-	-	-	1,364	2,631	-
Medical	-	-	-	953	2,631	-
Conveyance	-	-	-	1,158	9,863	-
Others	-	-	-	2,416	-	-
Total	624	-	1,680	66,397	55,235	-
Number of Persons	1	-	4	1	6	-

In addition to above, the President/CEO of the Bank is provided with Bank maintained vehicle in accordance with the terms of employment.

Signature

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

2023

Sr.No.	Name of Directors	Board Meetings	Audit Committee	Risk Management Committee	Finance & Procurement Committee	HR & IT Committee	Total Amount Paid
1	Mr. Naeem Iqbal	384	-	-	240	-	624
2	Mr. Shujat Ali	320	96	80	-	-	496
3	Mr. Qumar Sarwar Abbasi	320	80	96	288	-	784
4	Mr. Sualeh Ahmed Faruqui	240	-	-	-	-	240
5	Ms. Sarah Saeed*	80	80	-	-	-	160
	Total Amount Paid	1,344	256	176	528	-	2,304

-----Rupees in '000-----

* Ms. Sarah Saeed is appointed as an alternate director to attend meetings in the absence of Mr. Sualeh Ahmed Faruqui.

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

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26 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

December 31, 2023									
Carrying Value							Fair Value		
Held to Maturity	Held for Trading	Available for Sale	Financing and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3 Total
(Rupees in '000)									
On-Balance sheet Financial Instruments									
Financial assets - not measured at fair value									

2023/01/01

The Government of Islamic Republic of Pakistan is the sole shareholder of the Bank. Therefore, all entities owned by and controlled by the Government are related parties of the Bank. Other related parties comprise of entities over which the directors are able to exercise significant influence (associated undertakings), major shareholders, directors, key management personnel and employees' funds. The Bank in normal course of business pays for electricity, gas and telephone to entities controlled by Government of Pakistan. The Bank has not extended any financing facilities to entities owned by the Governments of Islamic Republic of Pakistan and State Bank of Pakistan.

There are no transactions with key management personnel other than those carried out as per their terms of employment. All other transactions between the Bank and its related parties are carried out under normal course of business except employee staff loans that are as per terms of employment.

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

	December 31, 2023			
	Directors	Key management personnel	Subsidiaries	Associates Other related parties
			(Rupees in '000)	
Advances				
Opening balance	-	19,709	-	-
Addition during the year	-	3,896	-	-
Repaid during the year	-	(5,494)	-	-
Closing balance	-	18,111	-	-
Other assets				
	-	-	-	-
	-	18,111	-	-

	December 31, 2023			
	Directors	Key management personnel	Subsidiaries	Associates Other related parties
			(Rupees in '000)	
Income				
Mark-up / return / interest earned	-	924	-	-
Expense				
Mark-up / return / interest expensed	-	-	-	-
Operating expenses	2,304	121,631	-	-

December 31,
2023
Rupees in '000

**28 CAPITAL ADEQUACY, LEVERAGE RATIO &
LIQUIDITY REQUIREMENTS**

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)	<u>10,000,000</u>
---------------------------------	-------------------

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	13,777,624
Eligible Additional Tier 1 (ADT 1) Capital	-
Total Eligible Tier 1 Capital	<u>13,777,624</u>
Eligible Tier 2 Capital	-
Total Eligible Capital (Tier 1 + Tier 2)	<u>13,777,624</u>

Risk Weighted Assets (RWAs):

Credit Risk	419,575
Market Risk	-
Operational Risk	<u>4,302,392</u>
Total	<u>4,721,967</u>

Common Equity Tier 1 Capital Adequacy ratio	<u>291.78%</u>
Tier 1 Capital Adequacy Ratio	<u>291.78%</u>
Total Capital Adequacy Ratio	<u>291.78%</u>

Rupees in '000

Leverage Ratio (LR):

Eligible Tier-1 Capital	13,777,624
Total Exposures	<u>14,384,440</u>
Leverage Ratio	<u>95.78%</u>

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	13,860,356
Total Net Cash Outflow	<u>594,148</u>
Liquidity Coverage Ratio	<u>2333%</u>

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	13,777,624
Total Required Stable Funding	<u>445,923</u>
Net Stable Funding Ratio	<u>3089.69%</u>

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29 RISK MANAGEMENT

Risk is an integral part of business and the Bank aims at delivering superior shareholder value, by achieving an appropriate trade-off between risk and returns. Risk Management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. The primary objective of risk management is to ensure that the process of achieving an appropriate balance between risks the Bank wishes to accept (at a price that is commensurate to that risk) and risks the Bank wishes to mitigate, or whenever capital is put at risk, is done in an objective, documented and transparent fashion and also to ensure that these risks are taken within predefined and pre-approved tolerance limits/ levels.

The ultimate responsibility for risk management and setting of the risk management policy rests with the Board of Directors.

Categories of Risk

Credit risk	Credit risk is the potential for financial loss arising from borrower's or counterparty's inability to meet its obligations under a contract.
Market Risk	The risk that the value of on and off-balance sheet positions of the Bank will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates, equity prices, credit spreads and / or commodity prices, resulting in a loss to earnings and capital.
Liquidity Risk	The risk that the Bank is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn without incurring unacceptable cost or losses.
Operational Risk	Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events. The definition includes legal risk but excludes strategic risk and reputational risk.
Reputational Risk	The Reputational risk arises from the negative perception on the part of stakeholders that can adversely affect a bank's ability to maintain existing, or establish new, business relationships and continued access to sources of funding.
Information Security & Governance Risk	Information Security Governance Risk Management involves the identification of an organization's information assets and the development, documentation, and implementation of policies, standards, procedures and controls that ensure confidentiality, integrity and availability of the information.
Strategic Risk	Risk of an adverse impact on strategic goals. Strategic risk mainly arises from strategic decisions, improper implementation of those decisions, or lack of responsiveness of Bank to industry, economic or technological changes.
Foreign exchange risk	Foreign exchange risk arises in case of financial transaction that occurs in foreign currency, when there is adverse exchange rate movement. The Bank is not exposed to any foreign exchange risk.
Equity risk	Equity price risk is the risk to the earnings or capital resulting from an adverse change in the value/price of equity. The Bank is not exposed to any equity price risk.

29.1.1 Credit Risk

Credit risk, the potential default of one or more debtors, is a major source of risk for the Bank. The Bank is exposed to credit risk through its investment activities. The functions operate within an integrated framework of credit policies, guidelines and processes. The credit risk management activities are governed by the Credit Policy of the Bank that defines the respective roles and responsibilities, the credit risk management principles and the Bank's credit risk strategy.

Sovereign Credit Risk

When the Bank lends to public sector borrowers, it prefers obtaining a full sovereign guarantee or the equivalent from the Government of Pakistan (GOP). However, certain public sector enterprises have a well defined cash flow stream and appropriate business model, based on which the lending is secured through collaterals other than GOP guarantee.

Counter Party Credit Risk on Interbank Limits

In the normal course of its business, the Bank's Treasury utilizes products such as Reverse REPO and call lending to meet the needs of interbank borrowers and manage its exposure to fluctuations in market, interest and currency rates. Further, these products are also used to temporarily invest Bank's liquidity prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty in the transaction may be unable to meet its obligation to the Bank.

Reflecting a preference for minimizing exposure to counterparty credit risk, the Bank maintains eligibility criteria that link the exposure limits to counterparty credit ratings by external rating agencies.

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	Gross investments	Non- performing investments	Provision held
	December 31, 2023	December 31, 2023	December 31, 2023
29.1.2 Investment in debt securities	----- Rupees in '000 -----		
Credit risk by industry sector			
Government	13,509,755	-	-
	13,509,755	-	-
Credit risk by public and private sector			
Public and Government	13,509,755	-	-
Private	-	-	-
	13,509,755	-	-
	Gross advances	Non- performing advances	Provision held
	December 31, 2023	December 31, 2023	December 31, 2023
29.1.3 Advances	----- Rupees in '000 -----		
Credit risk by industry sector			
Individuals	40,535	-	-
	40,535	-	-
Credit risk by public and private sector			
Public and Government	-	-	-
Private	40,535	-	-
	40,535	-	-
29.1.4 Contingencies and Commitments			
			December 31, 2023
<u>Credit risk by industry sector</u>			Rupees in '000
Others			357,839
			357,839
Credit risk by public and private sector			
Public and Government			-
Private			357,839
			357,839
29.1.5 Concentration of Advances			
Funded			40,535
Non Funded			-
Total Exposure			40,535

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Effective Yield/ Interest rate	Total	December 31, 2023								
		Exposed to Yield/ Interest risk								
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years

Rupees in '000

On-balance sheet financial instruments

Assets

Cash and balances with treasury banks	58,653	58,653	-	-	-	-	-	-	-	-
Balances with other banks	12,270	12,270	-	-	-	-	-	-	-	-
Investments	13,509,755	-	2,003,511	-	8,160,360	-	977,162	2,368,722	-	-
Advances	40,535	346	772	1,171	2,386	4,900	4,542	4,046	22,372	-
Other assets	292,347	2,911	281,998	183	4,557	-	2,688	10	-	-
	13,913,560	74,180	2,286,281	1,354	8,167,303	4,900	984,392	2,372,778	22,372	-

Liabilities

Other liabilities	248,977	70,412	110,061	1,549	60,828	6,127	-	-	-	-
	248,977	70,412	110,061	1,549	60,828	6,127	-	-	-	-
On-balance sheet gap	13,664,583	3,768	2,176,220	(195)	8,106,475	(1,227)	984,392	2,372,778	22,372	-



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

December 31, 2023

Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
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Rupees in '000

Assets

Cash and balances with treasury banks

Balances with other banks

Investments - net

Advances - net

Fixed assets

Intangible assets

Deferred tax assets

Other assets - net

58,653	58,653	-	-	-	-	-	-	-	-
12,270	12,270	-	-	-	-	-	-	-	-
13,509,755	-	2,003,511	-	8,160,360	-	977,162	2,368,722	-	-
40,535	346	772	1,171	2,386	4,900	4,542	4,046	22,372	-
104,551	3,254	6,476	9,711	19,422	34,224	24,988	6,476	-	-
8,490	1,950	6,540	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
292,347	2,911	281,998	183	4,557	-	2,688	10	-	-
14,026,601	79,384	2,299,297	11,065	8,186,725	39,124	1,009,380	2,379,254	22,372	-

Liabilities

Other liabilities

248,977	70,412	110,061	1,549	60,828	6,127	-	-	-	-
248,977	70,412	110,061	1,549	60,828	6,127	-	-	-	-

Net assets

13,777,624	8,972	2,189,236	9,516	8,125,897	32,997	1,009,380	2,379,254	22,372	-
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Share capital

Reserves

Unappropriated profit

10,000,000
2,390,500
1,387,124
13,777,624

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32 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

2023

Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
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Rupees in '000

Assets

Cash and balances with treasury banks

Balances with other banks

Investments

Loan and Advances

Fixed assets

Intangible Assets

Other assets

Liabilities

Other liabilities*

Share Capital

Reserves

Unappropriated profit

Net assets

10,000,000

2,390,500

1,387,124

13,777,624

* These contain maturity analysis of lease liabilities based on contractual maturities which is shown below:

2023

Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
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Rupees in '000

Liabilities

Lease liabilities

12,481

1,703

1,549

6,127

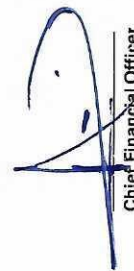
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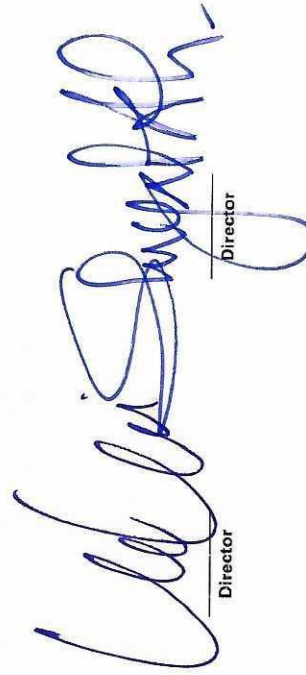
33 DATE OF AUTHORISATION FOR ISSUE

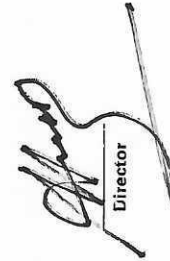
5-Nov-2024

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


President and Chief Executive


Chief Financial Officer


Director


Director