

**Industrial and Commercial
Bank of China - Pakistan
Branches**

Financial Statements
for the year ended
December 31, 2021

INDEPENDENT AUDITOR'S REPORT

To the members of Industrial and Commercial Bank of China - Pakistan Branches

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Industrial and Commercial Bank of China – Pakistan Branches ('the Branches'), which comprise the statement of financial position as at December 31, 2021, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, the statement of comprehensive income, 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 Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Branches' affairs as at December 31, 2021 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

In connection with our audit of the financial statements of the Branches, we have been advised by management that there is no other information that is attached by them along with the financial statements and our auditor's report thereon, therefore, we have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, 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 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 Branches' 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 Branches or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Branches' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branches' 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 Branches' 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 Branches 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 those charged with governance 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 those charged with governance 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.

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 Branches as required by the Companies Act, 2017 (XIX of 2017);
 - b) the 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 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;
 - c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Branches and the transactions of the Branches which have come to our notice have been within the powers of the Branches; and

- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Branches 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 Branches.

Other Matter

The financial statements of the Branches as at and for the year ended December 31, 2020 were audited by another firm of Chartered Accountants, who had expressed an unmodified opinion on those statements vide their report dated March 29, 2021.

The engagement partner on the audit resulting in this independent auditor's report is Nadeem Yousuf Adil.

**Chartered Accountants****Place:** Karachi**Dated:** March 30, 2022**UDIN:** AR202110091LWEswMzc1

Industrial and Commercial Bank of China Limited - Pakistan Branches

Statement of Financial Position

As at December 31, 2021

	Note	31 December 2021	31 December 2020
ASSETS			
----- (Rupees in '000) -----			
Cash and balances with treasury banks	6	37,703,444	31,226,025
Balances with other banks	7	23,331,975	2,497,170
Lendings to financial institutions	8	44,289,040	187,430,652
Investments	9	445,777,512	252,704,902
Advances	10	49,212,164	33,423,105
Fixed assets	11	602,096	704,761
Intangible assets	12	9,455	2,459
Deferred tax assets - net	13	867,391	300,496
Other assets	14	8,754,924	6,815,787
		610,548,001	515,105,357
LIABILITIES			
Bills payable	15	1,458,127	2,425,126
Borrowings	16	390,977,403	325,902,342
Deposits and other accounts	17	155,302,046	119,301,294
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities - net	13	-	-
Other liabilities	18	8,849,150	19,162,748
		556,586,726	466,791,510
NET ASSETS		53,961,275	48,313,847
REPRESENTED BY			
Head office capital account	19	26,477,025	23,975,160
Deficit on revaluation of assets - net of tax	20	(1,651,302)	(603,210)
Unremitted profit		29,135,552	24,941,897
		53,961,275	48,313,847
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes 1 to 45 form an integral part of these financial statements.

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Chief Executive Officer



Head of Finance

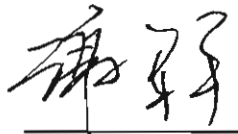
Industrial and Commercial Bank of China Limited - Pakistan Branches
Profit and Loss Account
For the year ended December 31, 2021

	Note	2021 ----- (Rupees in '000) -----	2020 -----
Mark-up / return / interest earned	22	37,188,805	50,601,065
Mark-up / return / interest expensed	23	30,882,139	34,999,460
Net mark-up / interest income		6,306,666	15,601,605
NON MARK-UP / INTEREST INCOME			
Fee and commission income	24	1,414,576	1,061,607
Dividend income		-	-
Foreign exchange income		2,266,402	1,936,527
Income / (loss) from derivatives		-	-
Loss on securities	25	(115)	-
Other income	26	13,756	3,634
Total non-markup / interest income		3,694,619	3,001,768
Total income		10,001,285	18,603,373
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	27	2,144,455	1,424,419
Workers Welfare Fund	28	151,082	336,151
Other charges	29	14,854	-
Total non-markup / interest expenses		2,310,391	1,760,570
Profit before provisions		7,690,894	16,842,803
Provisions and write offs - net	30	157,950	43,041
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		7,532,944	16,799,762
Taxation	31	3,338,831	6,791,857
PROFIT AFTER TAXATION		4,194,113	10,007,905

The annexed notes 1 to 45 form an integral part of these financial statements.

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Chief Executive Officer


Head of Finance

Industrial and Commercial Bank of China Limited - Pakistan Branches

Statement of Comprehensive Income

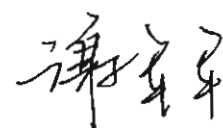
For the year ended December 31, 2021

	2021	2020
	----- (Rupees in '000) -----	
Profit after taxation for the year	4,194,113	10,007,905
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods		
Movement in deficit on revaluation of investments - net of tax	(1,048,092)	(728,185)
Items that will not be reclassified to profit and loss account in subsequent periods		
Remeasurement (loss) / gain on defined benefit plan - net of tax	(458)	754
	(1,048,550)	(727,431)
Total comprehensive income	3,145,563	9,280,474

The annexed notes 1 to 45 form an integral part of these financial statements.

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Chief Executive Officer


Head of Finance

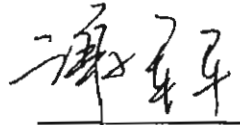
Industrial and Commercial Bank of China Limited - Pakistan Branches
Statement of Changes in Equity
For the year ended December 31, 2021

	Head office capital account	(Deficit) / Surplus on revaluation of investments	Unremitted profit	Total
	(Rupees in '000)			
Balance as at January 1, 2020	23,227,140	124,975	14,933,238	38,285,353
Profit after taxation for the year ended December 31, 2020	-	-	10,007,905	10,007,905
Other comprehensive (loss) / income - net of tax	-	(728,185)	754	(727,431)
	-	(728,185)	10,008,659	9,280,474
Transactions with owners, recorded directly in equity				
Translation gain on revaluation of capital	748,020	-	-	748,020
Balance as at December 31, 2020	23,975,160	(603,210)	24,941,897	48,313,847
Profit after taxation for the year ended December 31, 2021	-	-	4,194,113	4,194,113
Other comprehensive (loss) / income - net of tax	-	(1,048,092)	(458)	(1,048,550)
	-	(1,048,092)	4,193,655	3,145,563
Transactions with owners, recorded directly in equity				
Translation gain on revaluation of capital	2,501,865	-	-	2,501,865
Balance as at December 31, 2021	26,477,025	(1,651,302)	29,135,552	53,961,275

The annexed notes 1 to 45 form an integral part of these financial statements.

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Chief Executive Officer


Head of Finance

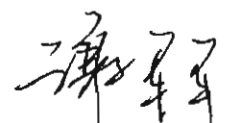
Industrial and Commercial Bank of China Limited - Pakistan Branches
Cash Flow Statement
For the year ended December 31, 2021

	Note	2021	2020
----- (Rupees in '000) -----			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		7,532,944	16,799,762
Adjustments			
Depreciation	11	129,298	105,976
Amortisation	12	1,937	4,363
Gain on disposal of fixed assets	26	(237)	(209)
Finance cost against lease liability	23	6,927	7,205
Charge for defined benefit plan	35.8.1	5,073	5,530
Other income		-	(130)
Provisions and write offs - net	30	157,950	43,041
		<u>7,833,892</u>	<u>16,965,538</u>
<i>Decrease / (Increase) in operating assets</i>			
Lendings to financial institutions		143,141,612	27,072,896
Advances		(15,947,009)	(4,303,862)
Other assets		(1,936,669)	(2,499,332)
		<u>125,257,934</u>	<u>20,269,702</u>
<i>Increase / (Decrease) in operating liabilities</i>			
Bills payable		(966,999)	(1,700,208)
Borrowings from financial institutions		65,075,061	(25,339,716)
Deposits		36,000,752	24,835,360
Other liabilities		(9,782,670)	1,981,881
		<u>90,326,144</u>	<u>(222,683)</u>
		<u>223,417,970</u>	<u>37,012,557</u>
Contributions made to defined benefit plan	35.7	(8,246)	(7,942)
Income tax paid		(3,841,495)	(6,835,503)
Net cash flow generated from operating activities		<u>219,568,229</u>	<u>30,169,112</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in held to maturity securities		21,274,444	(1,149,758)
Net investments in available for sale securities		(215,959,504)	(41,514,740)
Investments in fixed assets		(35,567)	(26,696)
Proceeds from sale of fixed assets		238	209
Net cash flow used in investing activities		<u>(194,720,389)</u>	<u>(42,690,985)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Lease rental payments		(37,481)	(127,710)
Translation gain on revaluation of capital		2,501,865	748,020
Net cash flow generated from financing activities		<u>2,464,384</u>	<u>620,310</u>
Increase / (decrease) in cash and cash equivalents		<u>27,312,224</u>	<u>(11,901,563)</u>
Cash and cash equivalents at beginning of the year		33,723,195	45,624,758
Cash and cash equivalents at end of the year	32	<u>61,035,419</u>	<u>33,723,195</u>

The annexed notes 1 to 45 form an integral part of these financial statements.

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Chief Executive Officer


Head of Finance

Industrial and Commercial Bank of China Limited - Pakistan Branches

Notes to the Financial Statements

For the year ended December 31, 2021

1. STATUS AND NATURE OF BUSINESS

The Pakistan branches of Industrial and Commercial Bank of China Limited ("the Branches") have commenced their operations in Pakistan with effect from August 18, 2011. Industrial and Commercial Bank of China Limited ('Head office') is incorporated in the People's Republic of China.

The Branches presently operate through three branches (December 31, 2020: three branches) in Pakistan and are engaged in banking activities permissible under the Banking Companies Ordinance, 1962. The registered office of the Branches is located at 15th Floor, Ocean Tower, Block 9, Clifton, Karachi. The credit rating of the Head office is disclosed in note 33 to these financial statements.

2. BASIS OF PRESENTATION

These financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 2, dated January 25, 2018.

3. STATEMENT OF COMPLIANCE

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

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

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 in Pakistan through 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' through 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 financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

3.2 New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 31, 2021

The following standards, amendments and interpretations are effective for the year ended December 31, 2021. These standards, amendments and interpretations are either not relevant to the Branches' operations or are not expected to have significant impact on the Branches' financial statements other than certain additional disclosures:

- Amendments to IFRS 16 'Leases' - Covid-19 related to rent concessions. Effective from accounting period beginning on or after June 01, 2020.

- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). Effective from accounting period beginning on or after January 01, 2021.

Certain annual improvements have also been made to a number of IFRSs.

3.3 New accounting standards, amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Branches' operations or are not expected to have significant impact on the Branches' financial statements other than certain additional disclosures:

	Effective from accounting period beginning on or after
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts	January 01, 2022
International Financial Reporting Standard - 9 "Financial Instruments"	January 01, 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023
Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

There are certain new and amended standards and interpretations that are mandatory for the Branches' accounting periods beginning on or after January 1, 2021 but are considered not to be relevant or do not have any significant effect on the Branches' operations and are therefore not detailed in these financial statements.

As per SBP's BPRD Circular Letter no. 24 of 2021, IFRS 9 'Financial Instruments' is applicable to banks in Pakistan effective from January 1, 2022. The aforementioned circular letter required banks to submit IFRS 9 compatible pro forma financial statements for the year ended December 31, 2021 and perform parallel run of IFRS 9 on quarterly basis. Further, it was stated that final instructions will be issued subsequently based on the results of parallel reporting of banks.

The impact of the application of IFRS 9 in Pakistan on the Branches' financial statements is being assessed and final implementation guidelines are awaited.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

Except for the implementation of IFRS 9 in Pakistan, The Branches expects that adoption of the amendments to existing accounting and reporting standards will not affect its financial statements in the period of initial application.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention except available for sale investments and forward foreign exchange contracts which have been measured at fair value and obligations in respect of gratuity scheme which are measured at present value of defined benefit obligations less fair value of plan assets and lease liabilities which are measured at their present value.

4.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that effect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

- depreciation and amortisation rates for fixed assets (note 5.7)
- classification and provisioning against non-performing loans and advances (note 5.6)
- defined benefit plan (note 5.10)
- contingencies and commitments (note 21)

4.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Branches' functional and presentation currency. The amounts are rounded off to the nearest thousand rupees except as stated otherwise.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 The principal accounting policies adopted in the preparation of these financial statements are set out below and are consistent with those of the previous financial year.

5.2 Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise of cash and balances with treasury banks, balances with other banks and overdrawn nostros.

5.3 Lendings to / borrowings from financial institutions

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

Sale of securities under repurchase agreement

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counterparty liability is included in borrowings. The difference between the sale and contracted repurchase price is recognised on time proportion basis over the period of the contract and recorded as an expense.

Purchase of securities under resale agreements

Securities purchased under agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counterparty is included in lendings to financial institutions. The difference between the purchase and contracted resale price is recognised on time proportion basis over the period of the contract and recorded as income.

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

5.4 Investments

5.4.1 Classification

The Branches classify investments as follows:

a) Held for trading

These are investments, which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements and dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists. These are carried at market value.

b) Held to maturity

These are investments with fixed or determinable payments and fixed maturities and are held with the intent and ability to hold them till maturity. These are carried at amortised cost.

c) Available for sale

These are investments which do not fall under 'held for trading' or 'held to maturity' categories and are carried at market value. The surplus / deficit arising as a result of revaluation at market value is included in equity. Market value of investments in Government securities is determined based on the relevant PKRV rates.

Investments are initially recognized 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.

All 'regular way' purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognized at settlement date, which is the date at which the Branches agree to settle the purchase or sale of investments.

5.4.2 Impairment

Provision for diminution in the value of debt securities is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus / (deficit) on revaluation of securities on the statement of financial position is removed therefrom and recognised in the profit and loss account.

5.5 Acceptances

Acceptances comprise of undertakings by the Branches to pay bills of exchange drawn on customers. The Branches expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as on-balance sheet transactions.

5.6 Advances

Advances are stated net of provisions against non-performing advances. Specific and general provisions are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is adjusted against advances. Advances are written off when there are no realistic prospects of recovery. The amount so written off is a book entry and does not necessarily prejudice the Branches' right of recovery against the customer.

The Branches determine write-offs in accordance with the criteria prescribed by the SBP vide BPRD Circular No. 6 dated June 5, 2007.

5.7 Operating fixed assets

5.7.1 Capital work-in-progress

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

5.7.2 Property and equipment and depreciation

Operating fixed assets are stated 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.

Depreciation is charged to profit and loss account by applying the straight-line method using the rates specified in note 11 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The depreciation method, residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date. Depreciation on additions is charged from the date in which the assets become available for use while no depreciation is charged for the month in which the asset is disposed off.

Costs of maintenance and normal repairs are charged to profit and loss account as and when incurred. Subsequent costs are included in the assets' 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 Branches and the cost of the item can be measured reliably.

Gains and losses on disposal of operating fixed assets are taken to the profit and loss account in the period to which it relates.

5.7.3 Leases

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Branches mainly lease properties for its operations. The Branches recognize a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of right-of-use asset or end of the lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Branches' incremental borrowing rate. The lease liability is subsequently increased by the finance cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Branches have elected not to recognize right-of-use assets and lease liabilities for short term and low value assets. The lease payments associated with these leases are recognized as an expense on a straight line basis over the lease term. The right-of-use assets are presented in the same line items as it presents underlying assets of the same nature that it owns.

5.7.4 Intangible assets and amortisation

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method over their estimated useful life as specified in note 12 to the financial statements. The useful lives and amortisation method are reviewed and adjusted, if appropriate at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost, less accumulated impairment losses, if any.

5.8 Impairment of non-financial assets

The carrying amounts of the Branches' non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated pre-tax future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

5.9 Borrowings / deposits and their cost

- a) Borrowings / deposits are initially recorded at the amount of proceeds received.
- b) Costs of borrowings / deposits are recognized as an expense in the period in which these are incurred using effective mark-up / interest rate method to the extent that they are not directly attributable to the acquisition of or construction of qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) are capitalized as part of the cost of that asset.

5.10 Staff retirement benefits

Defined benefit plan

The Branches operate an approved funded gratuity scheme covering eligible employees (excluding expatriates) whose period of employment with the Branches is five years or more. Contributions to the fund are made on the basis of actuarial recommendations. The Projected Unit Credit Method is used for the actuarial valuation. Actuarial gains and losses are recognised in other comprehensive income with no subsequent recycling through profit and loss account. Gratuity is payable to staff on completion of the prescribed qualifying period of service under the scheme.

Defined contribution plan

The Branches operate an approved Provident Fund for all of its permanent employees (excluding expatriates) in respect of which contributions are made to discharge liability under the respective rules of the schemes. Equal monthly contributions are made by both the Branches and its employees to the fund at the rate of 10% of the basic salary in accordance with the terms of the scheme. The Branches have no further payment obligation once the contributions have been paid. The contributions are recognized as an expense when the obligation to make payments to the fund has been established. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future contributions.

5.11 Financial instruments

5.11.1 Financial assets and liabilities

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

5.11.2 Derivative financial instruments

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

5.11.3 Off-setting

Financial assets and financial liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognized amount and the Branches intend either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

5.12 Foreign currency translation

Transactions and balances

Transactions in foreign currencies are translated into Pakistan Rupees at the exchange rates prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Pakistan Rupees at the exchange rates prevailing at the reporting 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 recognized in profit and loss account.

Non-monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the date of initial recognition of the non-monetary assets / liabilities.

Forward contracts are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract.

Forward contracts other than contracts with the State Bank of Pakistan relating to foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract.

Forward purchase contracts with the State Bank of Pakistan relating to foreign currency deposits are valued at the spot rate prevailing on the reporting date. The forward cover fee payable on such contracts is amortised over the term of the contracts.

Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed 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 exchange rate prevailing at the reporting date.

5.13 Revenue recognition

Mark-up / return on advances and investments are recognised on an accrual basis using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

Mark-up recoverable on classified loans, advances and investments is recognised on receipt basis in accordance with the requirements of Prudential Regulations issued by the State Bank of Pakistan. Mark-up on rescheduled / restructured loans, advances and investments is also recognised in accordance with the requirements of these Prudential Regulations.

Where debt securities are purchased at a premium or discount, those premiums / discounts are amortised through profit and loss account over the remaining maturity, using the effective interest method.

Fee and commission income is recognised upon performance of obligations. Fees for ongoing account management are charged to the customer's account on monthly basis. Transaction based fees are charged to the customer's account when the transaction takes place.

Dividend income is recognised when the right to receive income is established.

5.14 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in profit and loss account except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

5.14.1 Current tax

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws and at the prevailing rates for taxation on income earned by the Branches. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any.

5.14.2 Deferred tax

Deferred tax is recognized using the balance sheet method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided reflects the expected manner of realization or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

5.15 Provisions

5.15.1 Provision for guarantee claims and other off balance sheet obligations is recognised when intimated and reasonable certainty exists for the Branches to settle the obligation. Expected recoveries are recognised from the customer's account. Charge to profit and loss account is stated net of expected recoveries.

5.15.2 Other provisions are recognised when the Branches have a present obligation, legal or constructive, 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 reporting date and are adjusted to reflect the current best estimate.

5.15.3 Contingent assets are not recognised and are also not disclosed unless an inflow of economic benefits is probable. Contingent liabilities are not recognised but disclosed unless the probability of an outflow of resources embodying economic benefits are remote.

5.16 Segment reporting

A segment is a distinguishable component of the Branches that is engaged either in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Branches' primary format of reporting is based on business segments. The details are as follows:

5.16.1 Business segments

a) Treasury

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

b) Branch Banking

It includes deposits and banking services to private individuals and businesses.

c) Corporate finance

This represents the banking services (on and off balance sheet finance and guarantees) including treasury and International trade activities to large corporate customers, multinational companies, Government and semi-Government departments and institutions and SMEs treated as corporate under Prudential Regulations.

5.16.2 There are no geographical segments as the Branches only operate in Pakistan.

6 CASH AND BALANCES WITH TREASURY BANKS

Note	2021	2020
	(Rupees in '000)	
In hand		
Local currency	246,775	124,190
Foreign currencies	86,116	161,990
	332,891	286,180
With State Bank of Pakistan in		
Local currency current accounts	6.1 & 6.2 10,207,981	6,249,861
Foreign currency current account	127,972	115,880
Foreign currency deposit accounts	6.3 27,034,600	24,574,104
	37,370,553	30,939,845
	<u>37,703,444</u>	<u>31,226,025</u>

- 6.1 This includes statutory liquidity reserve maintained with the State Bank of Pakistan (SBP) under Section 22 of the Banking Companies Ordinance, 1962. This section requires branches to maintain a reserve in the current account opened with the SBP at a sum not less than such percentage of its demand and time liabilities in Pakistan as may be prescribed by the SBP.
- 6.2 As per BSD Circular No. 20 dated November 13, 2021, cash reserve of 6% is required to be maintained with the State Bank of Pakistan.
- 6.3 This includes special cash reserve of 10% required to be maintained with the SBP on FE-25 deposits as specified in BSD Circular No. 08 dated April 20, 2020. Profit rates on these deposits are fixed by SBP on a monthly basis. These carry mark-up at rate of 0.00% (2020: 0.0% to 0.76%). It also includes capital maintained with SBP in accordance with the requirements of Section 13 of Banking Companies Ordinance, 1962 amounting to USD 150 million (December 31, 2020: USD 150 million).

7 BALANCES WITH OTHER BANKS

Note	2021	2020
	(Rupees in '000)	
In Pakistan		
In current account	3	1
Outside Pakistan		
In current account	7.1 596,653	472,024
In deposit accounts	22,735,319	2,025,145
	23,331,972	2,497,169
	<u>23,331,975</u>	<u>2,497,170</u>

- 7.1 This represents balances with other ICBC branches outside Pakistan at interest rates ranging from 0.07% to 1% per annum (December 31, 2020: 0% to 0.85% per annum).

8 LENDINGS TO FINANCIAL INSTITUTIONS

Note	2021	2020
	(Rupees in '000)	
Repurchase agreement lendings (Reverse Repo)	8.1 44,289,040	187,430,652

- 8.1 These represent repurchase agreement lendings with various local banks at a mark-up rates ranging from 9.75% to 10.7% (December 31, 2020: 6.00% to 7.02% per annum) and are due to mature in January 2022 (December 31, 2020: January 2021).

8.2 Particulars of lending

	2021	2020
	(Rupees in '000)	
In local currency	<u>44,289,040</u>	<u>187,430,652</u>

8.3 Securities held as collateral against lendings to financial institutions

2021			2020		
Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
(Rupees in '000)					
Market Treasury Bills	-	44,289,040	187,430,652	-	187,430,652
Total	-	44,289,040	187,430,652	-	187,430,652

8.4 The market value of securities held as collateral against lendings to financial institutions amounted to Rs.44,349 million.

9 INVESTMENTS

2021				2020			
Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)							
Available for sale securities							
Federal Government Securities	444,412,696	-	(2,540,465)	441,872,131	-	(928,015)	227,525,177
	444,412,696	-	(2,540,465)	441,872,131	-	(928,015)	227,525,177
Held to maturity securities							
Federal Government Securities	3,905,281	-	-	3,905,281	-	-	25,179,725
	3,905,281	-	-	3,905,281	-	-	25,179,725
Total investments	448,317,977	-	(2,540,465)	445,777,512	-	(928,015)	252,704,902

9.2 Investments by segments

2021				2020			
Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)							
Federal Government Securities							
Market Treasury Bills	378,353,683	-	(855,352)	377,498,331	-	(177,598)	117,956,867
Pakistan Investment Bonds	69,964,294	-	(1,685,113)	68,279,181	-	(750,419)	134,748,035
	448,317,977	-	(2,540,465)	445,777,512	-	(928,015)	252,704,902
Total investments	448,317,977	-	(2,540,465)	445,777,512	-	(928,015)	252,704,902

9.3 Quality of Available for sale securities

Details regarding quality of Available for sale (AFS) securities are as follows:

Federal Government Securities - Government guaranteed
Market Treasury Bills
Pakistan Investment Bonds

2021	2020
Cost	
(Rupees in '000)	
378,353,683	118,134,463
68,069,013	110,318,729
444,412,696	228,453,192

9.4 Particulars relating to Held to maturity securities are as follows

Federal Government Securities - Government guaranteed
Pakistan Investment Bonds

3,905,281	25,179,725
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9.5 The market value of securities classified as held to maturity as at December 31, 2021 amounted to Rs. 3,938 million (December 31, 2020: Rs. 26,076 million).

9.6 Investments include certain approved / Government securities which are held by the Branches to comply with the Statutory Liquidity Requirement determined on the basis of the Branches' demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.

10 ADVANCES

Note	Performing		Non Performing		Total	
	2021	2020	2021	2020	2021	2020
(Rupees in '000)						
Loans, cash credits, running finances, etc.	45,410,138	32,523,937	-	-	45,410,138	32,523,937
Bills discounted and purchased	4,297,583	1,236,775	-	-	4,297,583	1,236,775
Advances - gross	49,707,721	33,760,712	-	-	49,707,721	33,760,712
Provision against advances						
- Specific	-	-	-	-	-	-
- General	(495,557)	(337,607)	-	-	(495,557)	(337,607)
Advances - net of provision	49,212,164	33,423,105	-	-	49,212,164	33,423,105

10.1 Particulars of advances (Gross)

Particulars of advances (Gross)	2021	2020
	(Rupees in '000)	(Rupees in '000)
In local currency	49,707,721	33,760,712
In foreign currency	-	-
	49,707,721	33,760,712

10.2 No advances have been placed under non-performing status as at December 31, 2021 (December 31, 2020: Nil).

10.3 Particulars of provision against advances

2021			2020		
Specific	General	Total	Specific	General	Total
(Rupees in '000)					
Opening balance	-	337,607	-	294,566	294,566
Charge for the year	-	157,950	-	43,041	43,041
Closing balance	-	495,557	-	337,607	337,607

10.3.1 In line with prudent policies, general provision against advances represents provision maintained at an amount up to 1% of the performing portfolio for which approval has been obtained from the SBP.

10.3.2 Particulars of provision against advances

2021			2020		
Specific	General	Total	Specific	General	Total
(Rupees in '000)					
In local currency	-	495,557	-	337,607	337,607
In foreign currency	-	-	-	-	-
	-	495,557	-	337,607	337,607

11 FIXED ASSETS

	2021	2020
	(Rupees in '000)	
Property and equipment	490,439	531,517
Right-of-use assets	111,657	173,244
	<u>602,096</u>	<u>704,761</u>

	2021					
	Buildings	Leasehold improvements	Furniture and fixtures	Vehicles	Electrical, office and computer equipments	Right-of-use assets
	(Rupees in '000)					
At January 1, 2021						
Cost	443,100	280,939	111,867	64,101	127,947	216,930
Accumulated depreciation	(73,877)	(204,997)	(78,922)	(33,789)	(104,852)	(43,686)
Net book value	<u>369,223</u>	<u>75,942</u>	<u>32,945</u>	<u>30,312</u>	<u>23,095</u>	<u>173,244</u>
Year ended December 2021						
Opening net book value	369,223	75,942	32,945	30,312	23,095	173,244
Additions	-	-	7,848	-	18,785	-
Disposals - cost	-	-	(1,366)	-	(7,588)	-
Disposals - accumulated depreciation	-	-	1,366	-	7,588	-
Depreciation charge	(14,759)	(14,898)	(11,487)	(8,801)	(17,766)	(61,587)
Other adjustments / transfers	-	-	-	-	-	-
Closing net book value	<u>354,464</u>	<u>61,044</u>	<u>29,306</u>	<u>21,511</u>	<u>24,114</u>	<u>111,657</u>
At December 31, 2021						
Cost	443,100	280,939	118,349	64,101	139,144	216,930
Accumulated depreciation	(88,636)	(219,895)	(89,043)	(42,590)	(115,030)	(105,273)
Net book value	<u>354,464</u>	<u>61,044</u>	<u>29,306</u>	<u>21,511</u>	<u>24,114</u>	<u>111,657</u>
Rate of depreciation (percentage)	3.33	10-33	20	16.70	33	

	2020					
	Buildings	Leasehold improvements	Furniture and fixtures	Vehicles	Electrical, office and computer equipments	Right-of-use assets
	(Rupees in '000)					
At January 1, 2020						
Cost	443,100	280,939	96,133	64,101	119,944	60,097
Accumulated depreciation	(59,077)	(190,058)	(64,461)	(23,696)	(86,244)	(11,800)
Net book value	<u>384,023</u>	<u>90,881</u>	<u>31,672</u>	<u>40,405</u>	<u>33,700</u>	<u>48,297</u>
Year ended December 2020						
Opening net book value	384,023	90,881	31,672	40,405	33,700	48,297
Additions	-	-	15,734	-	8,003	156,833
Disposals - cost	-	-	-	-	-	-
Disposals - accumulated depreciation	-	-	-	-	-	-
Depreciation charge	(14,800)	(14,939)	(14,461)	(10,093)	(18,608)	(33,075)
Other adjustments / transfers	-	-	-	-	-	1,189
Closing net book value	<u>369,223</u>	<u>75,942</u>	<u>32,945</u>	<u>30,312</u>	<u>23,095</u>	<u>173,244</u>
At December 31, 2020						
Cost	443,100	280,939	111,867	64,101	127,947	216,930
Accumulated depreciation	(73,877)	(204,997)	(78,922)	(33,789)	(104,852)	(43,686)
Net book value	<u>369,223</u>	<u>75,942</u>	<u>32,945</u>	<u>30,312</u>	<u>23,095</u>	<u>173,244</u>
Rate of depreciation (percentage)	3.33	10-33	20	16.70	33	

11.1 The gross carrying amount of fully depreciated assets still in use are as follows:

	2021	2020
	(Rupees in '000)	
Leasehold improvements	131,926	131,926
Electrical, office and computer equipments	77,632	77,427
Furniture and fixtures	<u>60,772</u>	<u>59,728</u>
	<u>270,330</u>	<u>269,081</u>

12 INTANGIBLE ASSETS

	2021	2020
	(Rupees in '000)	
At January 1		
Cost	9,996	7,037
Accumulated amortisation	(7,537)	(3,174)
Net book value	2,459	3,863
Year ended December		
Opening net book value	2,459	3,863
Additions:		
- directly purchased	8,933	2,959
Amortisation charge	(1,937)	(4,363)
Closing net book value	9,455	2,459
At December 31		
Cost	12.1 18,929	9,996
Accumulated amortisation	(9,474)	(7,537)
Net book value	9,455	2,459
Rate of amortisation (percentage)	20-33	20-33
Useful life	3-5 years	3-5 years

12.1 Included in cost of intangible assets are fully amortised items still in use having cost of Rs. 3.82 million as at December 31, 2021 (December 31, 2020: Rs. 3.82 million).

13 DEFERRED TAX ASSETS / (LIABILITIES)

	2021			
	At January 1, 2021	Recognised in profit and loss	Recognised in OCI	At December 31, 2021
	(Rupees in '000)			
Deductible Temporary Differences on				
- Deficit / (surplus) on revaluation of investments	324,805	-	564,358	889,163
- Post retirement employee benefits	775	-	247	1,022
	325,580	-	564,605	890,185
Taxable Temporary Differences on				
- Accelerated tax depreciation	(25,084)	2,290	-	(22,794)
	300,496	2,290	564,605	867,391
	2020			
	At January 1, 2020	Recognised in profit and loss	Recognised in OCI	At December 31, 2020
	(Rupees in '000)			
Deductible Temporary Differences on				
-(Surplus) / deficit on revaluation of investments	(67,294)	-	392,099	324,805
- Post retirement employee benefits	1,181	-	(406)	775
	(66,113)	-	391,693	325,580
Taxable Temporary Differences on				
- Accelerated tax depreciation	(27,795)	2,711	-	(25,084)
	(93,908)	2,711	391,693	300,496

14 OTHER ASSETS

	Note	2021	2020
		(Rupees in '000)	
Income / mark-up accrued in local currency		2,971,778	5,042,580
Income / mark-up accrued in foreign currency		-	-
Advances, deposits, advance rent and other prepayments		74,672	93,602
Acceptances		446,674	585,969
Mark to market gain on forward foreign exchange contracts		5,251,268	1,087,604
Local clearing account		341	59
Receivable from defined benefit plan	35.7	4,971	2,503
Others		5,220	3,470
		8,754,924	6,815,787

15 BILLS PAYABLE

		2021	2020
		(Rupees in '000)	
In Pakistan		1,458,127	2,425,126
Outside Pakistan		-	-
		1,458,127	2,425,126

16 BORROWINGS

		2021	2020
		(Rupees in '000)	
Unsecured			
Call borrowings	16.1	390,977,403	325,902,342

16.1 This represents borrowings from ICBC branches outside Pakistan and financial institutions at mark-up rates ranging from 0.257% to 0.7% per annum (December 31, 2020: 0.68% to 0.95% per annum) maturing upto June 2022 (December 31, 2020: upto September 2021).

16.2 Particulars of borrowings with respect to currencies

2021	2020
(Rupees in '000)	
In foreign currencies	390,977,403 325,902,342

17 DEPOSITS AND OTHER ACCOUNTS

	2021			2020		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
(Rupees in '000)						
Customers						
Current deposits	12,159,395	20,753,643	32,913,038	7,527,820	25,852,528	33,380,348
Savings deposits	82,331,536	1,035,215	83,366,751	50,680,333	4,332,027	55,012,360
Term deposits	36,056,208	-	36,056,208	29,685,683	-	29,685,683
	130,547,139	21,788,858	152,335,997	87,893,836	30,184,555	118,078,391
Financial Institutions						
Current deposits	20,745	2,942,322	2,963,067	34,046	1,185,535	1,219,581
Savings deposits	2,982	-	2,982	3,322	-	3,322
	23,727	2,942,322	2,966,049	37,368	1,185,535	1,222,903
	130,570,866	24,731,180	155,302,046	87,931,204	31,370,090	119,301,294

17.1 Composition of deposits

Note	2021	2020
	(Rupees in '000)	
- Individuals	963,866	1,084,075
- Public Sector Entities	544,297	661,824
- Banking Companies	2,951,484	1,208,538
- Private Sector	150,842,399	116,346,857
17.2	155,302,046	119,301,294

17.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 751 million (December 31, 2020: Rs. 690 million).

18 OTHER LIABILITIES

	2021	2020
	(Rupees in '000)	
Mark-up / Return / Interest payable in local currency	2,423,744	1,782,994
Mark-up / Return / Interest payable in foreign currencies	250,292	813,618
Performance bonus payable	743,125	600,000
Commission received in advance against unfunded exposure	238,807	266,301
Current taxation (provisions less payments)	908,345	1,419,683
Acceptances	446,674	585,969
Mark to market loss on forward foreign exchange contracts	1,060,316	11,744,236
Lease liability against right-of-use assets	56,387	86,941
Workers' Welfare Fund payable	1,153,393	1,002,311
Withholding tax payable	18,222	7,258
Clearing and settlement account	1,515,571	819,546
Others	34,274	33,891
	8,849,150	19,162,748

19 HEAD OFFICE CAPITAL ACCOUNT

Capital held as:

	2021	2020
	(Rupees in '000)	
Interest free deposit in approved foreign exchange		
i) Remitted from Head Office (USD 150 million)	23,975,160	23,227,140
ii) Revaluation surplus allowed by the State Bank of Pakistan	2,501,865	748,020
	<u>26,477,025</u>	<u>23,975,160</u>

19.1 Interest free deposit in approved foreign exchange capital account amounts to USD 150 million as at December 31, 2021 (December 31, 2020: USD 150 million).

20 (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS

Note

	2021	2020
	(Rupees in '000)	
Deficit on revaluation of available-for-sale securities	(2,540,465)	(928,015)
Deferred tax on deficit on revaluation of available-for-sale securities	889,163	324,805
	<u>(1,651,302)</u>	<u>(603,210)</u>

21 CONTINGENCIES AND COMMITMENTS

Guarantees
Commitments
Other contingent liabilities

21.1	360,092,095	300,843,002
21.2	1,003,342,210	1,001,196,413
	-	-
	<u>1,363,434,305</u>	<u>1,302,039,415</u>

21.1 Guarantees

Financial guarantees
Performance guarantees
Other guarantees

563,251	563,251
193,257,173	161,788,210
166,271,671	138,491,541
360,092,095	300,843,002

21.2 Commitments

Documentary credits and short-term trade-related transactions
- letters of credit

Commitments in respect of:

- forward foreign exchange contracts

Commitments in respect of Government securities transactions - sale

21.2.1	21,776,130	19,389,007
21.2.1	937,216,516	794,023,239
21.2.2	44,349,564	187,784,167
	1,003,342,210	1,001,196,413

21.2.1 Commitments in respect of forward foreign exchange contracts

Purchase
Sale

466,244,897	387,483,841
470,971,619	406,539,398
937,216,516	794,023,239

The maturities of the above are spread over a period of one year.

21.2.2 Commitments in respect of Government securities transactions - sale

44,349,564	187,784,167
------------	-------------

21.3 For contingencies relating to taxation, refer note 31.3.

22	MARK-UP / RETURN / INTEREST EARNED	Note	2021 ----- (Rupees in '000) -----	2020
	On:			
	Loans and advances		3,011,172	2,961,166
	Investments		29,346,691	32,231,089
	Lendings to financial institutions		4,807,571	15,374,365
	Balances with banks		23,371	34,445
			<u>37,188,805</u>	<u>50,601,065</u>
23	MARK-UP / RETURN / INTEREST EXPENSED			
	Deposits		6,536,072	6,189,766
	Borrowings		1,716,386	5,656,609
	Costs of foreign currency swaps against foreign currency deposits / borrowings		22,622,754	23,145,880
	Finance cost against lease liability		6,927	7,205
			<u>30,882,139</u>	<u>34,999,460</u>
24	FEE AND COMMISSION INCOME			
	Branch banking customer fees		8,793	7,200
	Card related fees (debit cards)		57	328
	Investment banking fees		343,891	216,514
	Commission on trade		204,424	127,417
	Commission on guarantees		739,907	614,978
	Commission on remittances including home remittances		113,305	84,887
	Others		4,199	10,283
			<u>1,414,576</u>	<u>1,061,607</u>
25	LOSS ON SECURITIES			
	Realised	25.1	<u>(115)</u>	<u>-</u>
25.1	Loss on securities - realised			
	On:			
	Federal Government Securities - Market Treasury Bills		<u>(115)</u>	<u>-</u>
26	OTHER INCOME			
	Gain on disposal of fixed assets		237	209
	Liabilities no longer required written back		10,259	2,070
	Charges recovered		1,169	1,355
	Refunds		2,091	-
			<u>13,756</u>	<u>3,634</u>
27	OPERATING EXPENSES			
	Total compensation expense	27.1	1,764,760	1,049,219
	Property expense			
	Rent & taxes		2,091	27,612
	Insurance		7,469	7,257
	Utilities cost		23,015	21,709
	Security (including guards)		20,771	19,959
	Repair & maintenance (including janitorial charges)		6,988	1,805
	Depreciation		29,658	29,739
	Depreciation - Right-of-use assets		56,081	27,622
	Property Management fee		18,074	18,074
			164,147	153,777

		Note	2021	2020
			(Rupees in '000)	
Information technology expenses				
Software maintenance			2,418	2,446
Hardware maintenance			2,562	2,122
Depreciation			17,766	18,608
Amortisation			1,937	4,363
Network charges			60,047	45,172
			84,730	72,711
Other operating expenses				
Legal & professional charges			17,379	20,717
Outsourced services costs	27.2		31,226	30,278
Travelling & conveyance			16,813	11,362
NIFT clearing charges			793	719
Entertainment expense			5,418	5,224
Depreciation			20,288	24,554
Depreciation - Right-of-use assets			5,505	5,453
Training & development			1,886	1,634
Postage & courier charges			1,806	1,757
Communication			2,822	3,002
Stationery & printing			4,436	10,619
Marketing, advertisement & publicity			6,399	18,924
Donations	27.3		300	500
Commission expense			4,288	4,131
Auditors Remuneration	27.4		2,604	2,588
Others			8,855	7,250
			130,818	148,712
			2,144,455	1,424,419
27.1 Total compensation expense				
Managerial Remuneration				
i) Fixed			967,449	886,381
ii) Variable				
of which:				
a) Cash bonus / awards etc.			644,459	-
Charge for defined benefit plan			5,073	5,529
Contribution to defined contribution plan			3,940	3,552
Rent & house maintenance			58,323	64,121
Utilities			21,046	25,306
Medical			6,137	4,250
Conveyance			12,027	5,164
Others				
a) Staff group benefits			33,290	23,479
b) Travelling			-	15,463
c) Education			-	2,424
d) Covid-19 prevention			4,836	7,518
e) Health & Life Insurance			8,180	6,032
			1,764,760	1,049,219
27.2 Total cost for the year relating to outsourcing activities included in other operating activities is Rs. 31.23 million (2020: Rs. 30.28 million) being paid to companies incorporated in Pakistan. The material outsourcing arrangements along with their nature of service are as follows:				
Name of Company	Nature of Business		2021	2020
			(Rupees in '000)	
Phoenix Armour	Cash transit service		1,988	2,784
27.3 Donations above Rs. 0.5 million				
Pakistan - China Institute			300	-
Prime Minister's Pandemic Relief Fund 2020			-	500
			300	500
27.3.1 Donations were not made to any donee in which key management personnel or their spouse had any interest.				

27.4 Auditors' remuneration

	2021	2020
	(Rupees in '000)	
Audit fee	1,575	1,387
Fee for audit of employee funds	200	57
Special certifications and sundry advisory services	662	970
Out-of-pocket expenses	167	174
	<u>2,604</u>	<u>2,588</u>

28 WORKERS' WELFARE FUND

Through Finance Act 2008, the Federal Government introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged and conflicting judgments were rendered by various courts. Appeals against these orders were filed in the Supreme Court of Pakistan.

The Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of WWF were not lawful. The Federal Board of Revenue has filed review petitions against the above judgment. These petitions are currently pending with the Supreme Court of Pakistan.

A legal advice has been obtained by the Pakistan Banks Association which highlights that consequent to filing of these review petitions, a risk has arisen and the judgment is not conclusive until the review petition is decided. Accordingly, the amount charged for WWF since 2013 has not been reversed. On prudent basis, the Branches have further charged WWF provision amounting to Rs. 151.08 million for the year 2021 (2020: Rs. 336.15 million).

Further, as a consequence of passage of 18th Amendment to the Constitution, levy for Workers' Welfare Fund was also introduced by the Government of Sindh (Sindh WWF) which was effective from January 1, 2014. The definition of industrial undertakings under the aforesaid Sindh WWF law includes banks and financial institutions as well. The Bank along with the other banks has challenged applicability of the said law on Banks before the Sindh High Court.

	Note	2021	2020
		(Rupees in '000)	
29 OTHER CHARGES			
penalty imposed by the State Bank of Pakistan		<u>14,854</u>	<u>-</u>
30 PROVISIONS & WRITE OFFS - NET			
Provisions against loans & advances	10.3	<u>157,950</u>	<u>43,041</u>
		<u>157,950</u>	<u>43,041</u>
31 TAXATION			
Current		3,341,121	6,794,568
Deferred		(2,290)	(2,711)
		<u>3,338,831</u>	<u>6,791,857</u>
31.1 Relationship between tax expense and accounting profit			
Profit before taxation		<u>7,532,944</u>	<u>16,799,762</u>
Tax at the applicable rate of 35% (December 31, 2020: 35%)		2,636,530	5,879,917
Effect of:			
- Super tax		301,318	685,748
- Effect of WWF		58,922	117,652
- Additional tax on government securities		336,197	108,521
- Penalties imposed by the State Bank of Pakistan		5,793	-
- Others		71	19
		<u>3,338,831</u>	<u>6,791,857</u>
31.2 The returns of income tax have been filed up to and including tax year 2021. Except for tax years mentioned below, all other assessment years are deemed to be assessed under section 120 of Income Tax Ordinance, 2001. The return for the year 2021 (tax year 2022) is due for filing by September 30, 2022.			
31.3 The tax authorities have passed assessment orders for the tax year 2012 to 2014 and raised additional demand of Rs. 45 million on account of minimum tax under section 113 of Income Tax Ordinance, 2001. The Branches have filed appeal before appellate forum against these amendments and has paid full amount under protest to obtain stay on recovery of the receiving demand till the decision of Commissioner Inland Revenue (Appeals). The management is confident that the appeal will be decided in favour of the Branches, therefore, no provision is recognised in these financial statements.			

32 CASH AND CASH EQUIVALENTS

Cash and balance with treasury banks
Balance with other banks

	2021 (Rupees in '000)	2020 (Rupees in '000)
Cash and balance with treasury banks	37,703,444	31,228,025
Balance with other banks	23,331,975	2,497,170
	<u>61,035,419</u>	<u>33,723,195</u>

32.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2021 (Rupees in '000)								Total
	Bills payable	Borrowings	Deposits and other accounts	Deferred tax liabilities - net	Other liabilities	Head office Capital account	Equity (Deficit) / Surplus on revaluation of assets	Unremitted profit	
Balance as at January 1, 2021	2,425,126	325,902,342	119,301,294	-	19,162,748	23,975,160	(603,210)	24,941,897	515,105,357
Changes from financing cash flows									
Remittances of unremitted profit	-	-	-	-	-	-	-	-	-
Liability related changes									
Changes in bills payable	(966,999)	-	-	-	-	-	-	-	(966,999)
Changes in borrowings	-	65,075,061	-	-	-	-	-	-	65,075,061
Changes in deposits and other accounts	-	-	36,000,752	-	-	-	-	-	36,000,752
Changes in other liabilities	-	-	-	-	(9,813,224)	-	-	-	(9,813,224)
Charge for defined benefit plan	-	-	-	-	-	-	-	-	-
Non-cash based - actuarial loss on re-measurements of defined benefit plan - net of tax	-	-	-	-	-	-	-	(458)	(458)
Effect of tax movement	-	-	-	-	(500,374)	-	-	-	(500,374)
Translation gain on revaluation of capital	-	-	-	-	-	2,501,865	-	-	2,501,865
Transfer of profit to reserve	-	-	-	-	-	-	-	4,194,113	4,194,113
Changes in surplus on revaluation of assets	-	-	-	-	-	-	(1,048,092)	-	(1,048,092)
	(966,999)	65,075,061	36,000,752	-	(10,313,598)	2,501,865	(1,048,092)	4,193,655	95,442,644
Balance as at December 31, 2021	<u>1,458,127</u>	<u>390,977,403</u>	<u>155,302,046</u>	<u>-</u>	<u>8,849,150</u>	<u>26,477,025</u>	<u>(1,651,302)</u>	<u>29,135,552</u>	<u>610,548,001</u>

	2020 (Rupees in '000)								Total
	Bills payable	Borrowings	Deposits and other accounts	Deferred tax liabilities - net	Other liabilities	Head office Capital account	Equity (Deficit) / Surplus on revaluation of assets	Unremitted profit	
Balance as at January 1, 2020	4,125,334	351,242,058	94,465,934	93,908	17,185,484	23,227,140	124,975	14,933,238	505,398,071
Changes from financing cash flows									
Remittances of unremitted profit	-	-	-	-	-	-	-	-	-
Liability related changes									
Changes in bills payable	(1,700,208)	-	-	-	-	-	-	-	(1,700,208)
Changes in borrowing	-	(25,339,716)	-	-	-	-	-	-	(25,339,716)
Changes in deposits and other accounts	-	-	24,835,360	-	-	-	-	-	24,835,360
Changes in other liabilities	-	-	-	-	2,019,288	-	-	-	2,019,288
Charge for defined benefit plan	-	-	-	-	(1,069)	-	-	-	(1,069)
Non-cash based - actuarial loss on re-measurements of defined benefit plan - net of tax	-	-	-	-	-	-	-	754	754
Effect of tax movement	-	-	-	(93,908)	(40,935)	-	-	-	(134,843)
Translation gain on revaluation of capital	-	-	-	-	-	748,020	-	-	748,020
Transfer of profit to reserve	-	-	-	-	-	-	-	10,007,905	10,007,905
Changes in surplus on revaluation of assets	-	-	-	-	-	-	(728,185)	-	(728,185)
	(1,700,208)	(25,339,716)	24,835,360	(93,908)	1,977,264	748,020	(728,185)	10,008,659	9,707,286
Balance as at December 31, 2020	<u>2,425,126</u>	<u>325,902,342</u>	<u>119,301,294</u>	<u>-</u>	<u>19,162,748</u>	<u>23,975,160</u>	<u>(603,210)</u>	<u>24,941,897</u>	<u>515,105,357</u>

33 CREDIT RATING

Moody's Investor Services Inc. has assigned a long term credit rating of A1 and a short term credit rating of P-1 to the Head office of the Branches as at November 24, 2020 (June 28, 2018 : A2 for long term and P-1 for short term).

34 STAFF STRENGTH

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

	2021 (Number)	2020 (Number)
Permanent	95	96
On Branches' contract	2	3
Branches' own staff strength at the end of the year	<u>97</u>	<u>99</u>

34.1 In addition to the above, 12 employees (December 2020: 11 employees) of outsourcing services companies were assigned to the Branches as at the end of the year to perform services other than guarding and janitorial services.

35 DEFINED BENEFIT PLAN

35.1 General description

The Branches operate an approved gratuity fund registered in October 2013 w.e.f. July 2013 for all its local permanent employees who have completed the qualifying period as defined in the scheme. In the current year, the branches have carried out an actuarial valuation as at December 31, 2021 using Projected Unit Credit Method and recorded the obligation accordingly.

35.2 Number of Employees under the scheme

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

- Gratuity fund

	2021 (Number)	2020 (Number)
Gratuity fund	<u>55</u>	<u>54</u>

35.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2021 using the following significant assumptions:

		2021	2020
		(Per annum)	
	Discount rate	11.50%	9.25%
	Expected rate of salary increase	9.50%	8.75%
	Mortality rates	EFU (61-66) table	
35.4	Reconciliation of (receivable from) / payable to defined benefit plans	Note	2021 2020 (Rupees in '000)
	Present value of defined benefit obligations	35.5	31,325 25,024
	Fair value of plan assets	35.6	(36,296) (27,527)
	Receivable from defined benefit plan		(4,971) (2,503)
35.5	Movement in defined benefit obligations		
	Obligations at the beginning of the year		25,024 22,261
	Current service costs		5,686 5,885
	Interest cost		2,248 2,446
	Benefits paid		(1,440) (4,591)
	Re-measurement gain	35.8.2	(193) (977)
	Obligations at the end of the year		31,325 25,024
35.6	Movement in fair value of plan assets		
	Fair value at the beginning of the year		27,527 21,192
	Interest income on plan assets		2,861 2,801
	Contribution by the Branches		8,246 7,942
	Benefits paid		(1,440) (4,591)
	Re-measurements: Actuarial (loss) / gain on plan assets	35.8.2	(898) 183
	Fair value at the end of the year	35.9	36,296 27,527
35.7	Movement in (receivable from) / payable to under defined benefit plan		
	Opening balance		(2,503) 1,069
	Charge for the year	35.8.1	5,073 5,530
	Contribution by the Branches		(8,246) (7,942)
	Re-measurement loss / (gain) recognised in OCI during the year	35.8.2	705 (1,160)
	Closing balance		(4,971) (2,503)
35.8	Charge for defined benefit plans		
35.8.1	Cost recognised in profit and loss		
	Current service costs		5,686 5,885
	Net interest expense on defined benefit asset / liability		(613) (355)
			5,073 5,530
35.8.2	Re-measurements recognised in OCI during the year		
	(Gain) / loss on obligation		
	- Experience adjustment		(193) (977)
	Return on plan assets over interest income		898 (183)
	Total re-measurements recognised in OCI		705 (1,160)

35.9 Components of plan assets

	2021	2020
	(Rupees in '000)	
Cash and cash equivalents	36,296	27,527

35.10 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the employee benefit scheme. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarised below:

	Gratuity fund (Rupees in '000)
1% increase in discount rate	(1,043,715)
1% decrease in discount rate	1,138,711
1 % increase in expected rate of salary increase	1,133,291
1 % decrease in expected rate of salary increase	(1,057,621)

35.11 Expected contributions to be paid to the fund in the next financial year 6,129,050

35.12 Expected charge for the next financial year 5,588,962

35.13 Maturity profile

The weighted average duration of the obligation (in years) 4.7

35.14 Funding Policy

The Branches endeavour to ensure that liabilities under the employee benefit scheme are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

35.15 The significant risks associated with the staff retirement benefit scheme include:

Asset Volatility

The fund is exposed to asset volatility risk to the extent of change in bond yields.

Changes in Bond Yields

The valuation of the defined benefit liability is discounted with reference to the Government bond yields. So, any increase in bond yields will lower the defined benefit liability, but, it will also lower the plan asset values and vice versa.

Inflation Risk

The salary inflation (especially the final salary risk) is the major risk that the Gratuity liability carries. In a general economic sense and in a longer view, there is a case that if bond yields increase, the ensuing change in salary inflation generally offsets the gains from the decrease in discounted gratuity. But viewed with the fact that, for gratuity, asset values will also decrease; the salary inflation does, as an overall effect, increase the net liability of the Branches.

Life Expectancy / Withdrawal Rate

The Gratuity is paid off at the maximum of age 60. The life expectancy is in almost minimal range and is quite predictable in the ages when the employee is in the accredited employment of the Branches for the purpose of the Gratuity. Thus, the risk of life expectancy is almost negligible.

The withdrawal risk is dependent upon the benefit structure, age and retention profile of the staff, the valuation methodology, and long-term valuation assumptions. In this case, it is not a significant downside risk as higher withdrawals, although troublesome for the Branches, will give rise to a release in the liability as retirement benefits for unvested due to earlier withdrawals.

36 DEFINED CONTRIBUTION PLAN

The Branches operate an approved Provident Fund scheme for all of its local permanent employees to which both Branches and employees contribute at the rate of 10% of basic salary in equal monthly contributions. During the year, the Branches contributed an amount of Rs. 3.94 million (2020: Rs. 3.55 million) to the recognized Provident Fund.

37 COMPENSATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Executives	
	2021	2020	2021	2020
	(Rupees in '000)		(Rupees in '000)	
Managerial remuneration & bonus	92,260	57,859	537,135	321,165
Charge for defined benefit plan	-	-	471	450
Contribution to defined contribution plan	-	-	248	238
Rent and house maintenance	2,497	2,125	26,410	25,221
Utilities	-	-	248	238
Medical	145	-	371	279
Conveyance	612	-	2,262	6,118
Others	86	56	1,118	3,142
	<u>95,600</u>	<u>59,840</u>	<u>568,263</u>	<u>356,851</u>
Number of persons	<u>1</u>	<u>1</u>	<u>14</u>	<u>14</u>

37.1 The chief executive and certain executives are also provided with drivers, security arrangements, accommodation and payment of travel bills in accordance with their terms of employment.

38 FAIR VALUE MEASUREMENTS

38.1 Fair value of financial assets

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

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

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

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

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 these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

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:

	Carrying / Notional value	2021 Fair value			Total
		Level 1	Level 2	Level 3	
		(Rupees in '000)			
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	441,872,231	-	441,872,231	-	441,872,231
Financial assets - disclosed but not measured at fair value					
Investments					
Federal Government Securities	3,905,281	-	3,936,483	-	3,936,483
Off-balance sheet financial instruments - measured at fair value					
Forward purchase and sale of foreign exchange contracts	937,216,516	-	4,190,952	-	4,190,952
	Carrying / Notional value	2020 Fair value			Total
		Level 1	Level 2	Level 3	
		(Rupees in '000)			
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	227,525,177	-	227,525,177	-	227,525,177
Financial assets - disclosed but not measured at fair value					
Investments					
Federal Government Securities	25,179,725	-	26,075,782	-	26,075,782
Off-balance sheet financial instruments - measured at fair value					
Forward purchase and sale of foreign exchange contracts	794,023,239	-	(10,656,632)	-	(10,656,632)

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

(a) Financial instruments in level 2

Financial instruments included in level 2 comprise of Market Treasury Bills, Pakistan Investment Bonds and forward foreign exchange contracts.

Item	Valuation approach and input used
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Treasury Bills are derived using PKRV rates.
Forward Foreign Exchange Contracts	The valuation has been determined by interpolating the FX revaluation rates announced by State Bank of Pakistan.

(b) Financial Instruments in level 3

Currently, no financial instruments are classified in level 3.

39 SEGMENT INFORMATION

39.1 Segment Details with respect to Business Activities

	2021				
	Corporate finance	Treasury	Branch Banking	Others	Total
	(Rupees in '000)				
Profit and Loss					
Net mark-up / return / profit	3,011,172	9,815,122	(6,512,701)	(6,927)	6,306,666
Inter segment revenue - net	-	-	-	-	-
Non mark-up / return / interest income	1,288,107	2,266,402	126,354	13,756	3,694,619
Total Income	4,299,279	12,081,524	(6,386,347)	6,829	10,001,285
Segment direct expenses	195,694	2,092,711	16,107	5,879	2,310,391
Inter segment expense allocation	-	-	-	-	-
Total expenses	195,694	2,092,711	16,107	5,879	2,310,391
Provisions	(157,950)	-	-	-	(157,950)
Profit before taxation	3,945,635	9,988,813	(6,402,454)	950	7,532,944
Balance Sheet					
Cash & Bank balances	-	60,702,528	332,891	-	61,035,419
Investments	-	445,777,512	-	-	445,777,512
Net inter segment lending	-	-	-	-	-
Lendings to financial institutions	-	44,289,040	-	-	44,289,040
Advances - performing	49,212,164	-	-	-	49,212,164
Others	2,836,841	5,832,879	341	1,563,805	10,233,866
Total Assets	52,049,005	556,601,959	333,232	1,563,805	610,548,001
Borrowings	-	390,977,403	-	-	390,977,403
Deposits & other accounts	-	-	155,302,046	-	155,302,046
Net inter segment borrowing	-	-	-	-	-
Others	685,482	3,721,348	2,986,701	2,913,746	10,307,277
Total Liabilities	685,482	394,698,751	158,288,747	2,913,746	556,586,726
Equity	51,363,523	161,903,208	(157,955,515)	(1,349,941)	53,961,275
Total Equity and Liabilities	52,049,005	556,601,959	333,232	1,563,805	610,548,001
Contingencies and Commitments	381,868,225	981,566,080	-	-	1,363,434,305
	2020				
	Corporate finance	Treasury	Branch Banking	Others	Total
	(Rupees in '000)				
Profit and Loss					
Net mark-up / return / profit	2,961,166	18,802,965	(6,155,321)	(7,205)	15,601,605
Inter segment revenue - net	-	-	-	-	-
Non mark-up / return / interest income	937,929	1,936,527	123,678	3,634	3,001,768
Total Income	3,899,095	20,739,492	(6,031,643)	(3,571)	18,603,373
Segment direct expenses	117,853	1,637,954	978	3,785	1,760,570
Inter segment expense allocation	-	-	-	-	-
Total expenses	117,853	1,637,954	978	3,785	1,760,570
Provisions	(43,041)	-	-	-	(43,041)
Profit before taxation	3,738,201	19,101,538	(6,032,621)	(7,356)	16,799,762
Balance Sheet					
Cash & Bank balances	-	33,437,015	286,180	-	33,723,195
Investments	-	252,704,902	-	-	252,704,902
Net inter segment lending	-	-	-	-	-
Lendings to financial institutions	-	187,430,652	-	-	187,430,652
Advances - performing	33,423,105	-	-	-	33,423,105
Others	1,058,060	5,658,093	59	1,107,291	7,823,503
Total Assets	34,481,165	479,230,662	286,239	1,107,291	515,105,357
Borrowings	-	325,902,342	-	-	325,902,342
Deposits & other accounts	-	-	119,301,294	-	119,301,294
Net inter segment borrowing	-	-	-	-	-
Others	852,270	12,555,790	5,029,730	3,150,084	21,587,874
Total Liabilities	852,270	338,458,132	124,331,024	3,150,084	466,791,510
Equity	33,628,895	140,772,530	(124,044,785)	(2,042,793)	48,313,847
Total Equity and Liabilities	34,481,165	479,230,662	286,239	1,107,291	515,105,357
Contingencies and Commitments	320,232,009	981,807,406	-	-	1,302,039,415

40 RELATED PARTY TRANSACTIONS

The Branches have related party transactions with its Head Office, other ICBC Branches, employee benefit plans and Key management personnel.

The Branches enter into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with persons of similar standing. Contributions to and accruals in respect of staff retirement benefits 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 the transactions with related parties during the year and balances with them as at year end are as follows:

	2021				2020			
	Key management personnel	Head office	Overseas branches	Other related parties	Key management personnel	Head office	Overseas branches	Other related parties
(Rupees in '000)								
Balances with other banks								
In deposit accounts	-	19,950,822	2,784,497	-	-	1,924,326	100,820	-
In current accounts	-	-	596,653	-	-	-	472,024	-
	-	19,950,822	3,381,150	-	-	1,924,326	572,844	-
Lendings to financial institutions								
Opening balance	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	-	-	-	-	-
Repaid during the year	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-
Advances								
Opening balance	768	-	-	-	-	-	-	-
Addition during the year	-	-	-	-	885	-	-	-
Repaid during the year	(287)	-	-	-	(117)	-	-	-
Closing balance	481	-	-	-	768	-	-	-
Other Assets								
Interest / mark-up receivable	1	-	-	-	-	-	-	-
Defined benefit asset	-	-	-	4,971	-	-	-	2,503
Forward exchange contract	-	-	673,251	-	-	-	1,037,547	-
Closing balance	1	-	673,251	4,971	-	-	1,037,547	2,503
Borrowings								
Opening balance	-	-	325,902,341	-	-	30,969,520	320,272,538	-
Borrowings during the year	-	817,257,505	1,246,908,246	-	-	71,925,480	1,626,899,135	-
Settled during the year	-	(591,320,225)	(1,407,770,465)	-	-	(102,895,000)	(1,621,089,332)	-
Closing balance	-	225,937,280	165,040,122	-	-	-	325,902,341	-
Deposits and other accounts								
Opening balance	4,737	-	-	-	3,044	-	-	-
Received during the year	457,379	-	-	-	327,872	-	-	-
Withdrawn during the year	(453,000)	-	-	-	(326,179)	-	-	-
Closing balance	9,116	-	-	-	4,737	-	-	-
Other Liabilities								
Interest / mark-up payable	95	180,273	68,090	-	45	-	-	-
Payable to staff retirement fund	-	-	-	-	-	-	-	-
Forward exchange contracts	-	-	25,723	-	-	-	-	-
Commission received in advance against unfunded exposure	-	81,962	3,354	-	-	95,107	1,612	-
Closing balance	95	262,235	97,167	-	45	95,107	1,612	-
Contingencies and Commitments								
Guarantees	-	177,099,897	-	-	-	175,872,291	73,775	-
Forward exchange contract sale	-	34,687,323	-	-	-	-	14,054,215	-
Forward exchange contract purchase	-	35,592,840	-	-	-	-	15,271,637	-
	2021				2020			
	Key management personnel	Head office	Overseas branches	Other related parties	Key management personnel	Head office	Overseas branches	Other related parties
(Rupees in '000)								
Income								
Mark-up / return / interest earned	-	14,023	9,347	-	14	25,952	7,811	-
Fee and commission income	-	387,374	43,988	-	-	336,285	11,356	-
Expense								
Mark-up / return / interest paid	125	414,588	1,295,643	-	114	443,243	5,194,213	-
Compensation expense	663,863	-	-	-	416,691	-	-	-
Contribution to Provident Fund	-	-	-	3,940	-	-	-	3,552
Contribution to Gratuity Fund	-	-	-	8,246	-	-	-	5,151

41 TRUST ACTIVITIES

The Branches are not engaged in any significant trust activities.

----- (Rupees in '000) -----

Minimum Capital Requirement (MCR)

Paid-up capital (net of losses)

26,477,025

23,975,160

Capital Adequacy Ratio (CAR)

Eligible Common Equity Tier 1 (CET 1) Capital

53,951,820

48,311,388

Eligible Additional Tier 1 (ADT 1) Capital

-

-

Total Eligible Tier 1 Capital

53,951,820

48,311,388

Eligible Tier 2 Capital

495,557

337,607

Total Eligible Capital (Tier 1 + Tier 2)

54,447,377

48,648,995

Risk Weighted Assets (RWAs)

Credit Risk

140,088,044

101,088,255

Market Risk

27,985,947

32,365,182

Operational Risk

29,530,784

30,145,591

Total

197,604,775

163,599,028

Common Equity Tier 1 Capital Adequacy ratio

27.30%

29.53%

Tier 1 Capital Adequacy Ratio

27.30%

29.53%

Total Capital Adequacy Ratio

27.55%

29.74%

The SBP, through BPRD circular 12, dated March 26, 2020 has provided the following relaxations to banks to enable them to continue providing credit to the real economy:

- The Capital Conservation Buffer (CCB) has been reduced from 2.50% to 1.50%. This has resulted in a 1.00% decline in capital adequacy requirements for all tiers.

2021

2020

Minimum capital requirements prescribed by the SBP

CET1 minimum ratio (%)

9.00%

9.00%

Tier 1 minimum ratio (%)

10.50%

10.50%

Total capital minimum ratio (%)

13.00%

13.00%

For capital adequacy calculation, Branches have adopted Simple Approach for Credit & Market Risk related exposures and Basic Indicator Approach for operational risk.

----- (Rupees in '000) -----

Leverage Ratio (LR)

Eligible Tier-1 Capital

53,951,820

48,311,388

Total Exposures

985,405,095

909,524,168

Leverage Ratio

5.48%

5.31%

Minimum Requirement (%)

3.00%

3.00%

Liquidity Coverage Ratio (LCR)

Total High Quality Liquid Assets

450,477,354

454,299,448

Total Net Cash Outflow

193,332,867

180,436,844

Liquidity Coverage Ratio

233%

252%

Minimum Requirement (%)

100.00%

100.00%

Net Stable Funding Ratio (NSFR)

Total Available Stable Funding

181,613,851

185,376,723

Total Required Stable Funding

74,898,370

86,485,584

Net Stable Funding Ratio

242%

214%

Minimum Requirement (%)

100.00%

100.00%

- 42.1 The full disclosures on the Capital adequacy, leverage ratio & Liquidity ratio requirements as per SBP instructions issued from time to time are placed on the website. The link to the full disclosure is available at <http://karachi.icbc.com.cn/ICBC/%E6%B5%B7%E5%A4%96%E5%88%86%E8%A1%8C/%E5%8D%A1%E6%8B%89%E5%A5%87%E7%BD%91%E7%AB%99/en/CustomerService1/Downloads/>.

43 RISK MANAGEMENT

The primary objective of the Risk Management System is to safeguard the Branches' capital, their financial resources and profitability from various risks. The Branches' risk management policies are designed to identify and analyse all risks, to set appropriate risk limits and controls, to measure and monitor the same through reliable Management Information Systems.

This section presents information about the Branches' exposure to, and its management and control of risks, in particular the primary risks associated with its use of financial instruments. Most of the functions specified below are performed at Head office level.

43.1 Credit risk

Credit Risk Management processes encompass identification, assessment, measurement, monitoring and control of the credit exposures. In the Branches' experience, the key to effective credit risk management is a well thought out business strategy. The Branches' focus over the coming years is to further enhance risk models, processes and systems infrastructure, in line with its ambition to bring maximum sophistication to the risk management function.

The Head office has delegated responsibility for the management of credit risk to the credit committee which is responsible for the oversight of the Branches' credit risk in respect of:

- Formulating credit policies
- Establishing the authorization structure
- Reviewing and assessing credit risk
- Limiting concentration of exposure to counterparties
- Developing and maintaining the Branches' risk grading
- Reviewing compliance of business units
- Providing advice, guidance and specialist skills to promote best practice in the management of credit risk.

The Branches have built up and maintained a sound loan portfolio in terms of well defined Credit Policy. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. As part of prudent practices, the management conducts pre-fact validation of major cases from integrated risk point of view. The Branches manage its portfolio of loan assets with a view to limit concentrations in terms of risk quality, geography, industry, maturity and large exposure.

Credit Risk - General Disclosures Basel II Specific

The Branches are using 'The Standardized Approach' (TSA) of SBP Basel II accord for the purpose of estimating Credit Risk Weighted Assets. Under TSA, Branches are allowed to take into consideration external rating(s) of counter-party(ies) for the purpose of calculating Risk Weighted Assets.

External

SBP Basel II guidelines require banks to use ratings assigned by specified External Credit Assessment Institutions (ECAIs) namely PACRA, JCR-VIS, Moody's, Fitch and Standard & Poors.

The Branches use external ratings for the purposes of computing the risk weights as per the Basel II framework. For exposures with a contractual maturity of less than or equal to one year, short-term rating given by approved ECAIs is used, whereas for long-term exposure with maturity of greater than one year, long-term ratings are used.

Disclosures with respect to Credit Risk Mitigation for The Standardized Approach - Basel II specific

Credit risk mitigation policy

The Branches define collateral as the assets or rights provided to the Branches by the borrower or a third party in order to secure a credit facility. The Branches would have the rights of secured creditor in respect of the assets or rights offered as security for the obligations of the borrower / obligor.

Collateral valuation and management

As stipulated in the SBP Basel II guidelines, the Branches have a policy to use the simplified approach for collateral valuation. Under this approach, the Branches reduce its credit exposure to a counterparty when calculating its capital requirements to the extent of credit risk mitigation provided by the eligible financial collateral as specified in the Basel II guidelines. In line with Basel II guidelines, the Branches make adjustments in eligible collaterals received for possible future fluctuations in the value of the collateral. These adjustments, also referred to as 'haircuts', are made to produce volatility-adjusted amounts for collateral. These are reduced from the exposure to compute the capital charge based on the applicable risk weights. At December 31, 2021, there are no non-performing advances.

Types of collateral taken by the Branches

The Branches determine the appropriate collateral for each facility based on the type of product and counterparty. In case of corporate and small and medium enterprises financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance usually backed by mortgage or hypothecation. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally obtained. Additional security such as pledge of shares, cash collateral, TDRs, SSC/DSCs, charge on receivables may also be taken. Moreover, in order to cover the entire exposure Personal Guarantees of directors of borrowers are also obtained by the Branches.

The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the approved credit approval authorization policy. Collaterals on facilities are in line with the policy.

Types of eligible financial collateral

For credit risk mitigation purposes, the Branches consider all types of financial collaterals that are eligible under SBP Basel II instructions. These include cash / TDRs, gold, securities issued by Government of Pakistan such as T-Bills and PIBs, National Savings Certificates, certain debt securities rated by a recognized credit rating agencies, mutual fund units where daily Net Asset Value (NAV) is available in public domain and guarantees from certain specified entities. In general, for Capital calculation purposes, the Branches only recognise eligible collaterals as mentioned in the SBP Basel II instructions.

Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz. industry, geography, and single / group borrower. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single borrower and group borrowers. The Branches are compliant with the aforementioned limits.

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

43.1.1 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Public / Government	-	-	-	-	-	-
Private	44,289,040	187,430,652	-	-	-	-
	44,289,040	187,430,652	-	-	-	-

43.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					

Financial

	445,777,512	252,704,902	-	-	-	-
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Credit risk by public / private sector

Public / Government	445,777,512	252,704,902	-	-	-	-
Private	-	-	-	-	-	-
	445,777,512	252,704,902	-	-	-	-

43.1.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					

Textile	11,207,242	6,383,917	-	-	-	-
Chemical and Pharmaceuticals	5,440,183	900,000	-	-	-	-
Cement	900,000	3,079,200	-	-	-	-
Construction	173,333	-	-	-	-	-
Automobile and transportation equipment	-	-	-	-	-	-
Electronics and electrical appliances	4,681,993	1,723,330	-	-	-	-
Power (electricity), gas, water, sanitary	14,671,835	9,896,375	-	-	-	-
Wholesale and Retail Trade	-	400,000	-	-	-	-
Services	2,199,400	2,383,279	-	-	-	-
Individuals	66,867	39,221	-	-	-	-
Others	10,366,868	8,955,390	-	-	-	-
	49,707,721	33,760,712	-	-	-	-

Credit risk by public / private sector

Public / Government	-	-	-	-	-	-
Private	49,707,721	33,760,712	-	-	-	-
	49,707,721	33,760,712	-	-	-	-

43.1.4 Contingencies and Commitments

Credit risk by industry sector

	2021	2020
	(Rupees in '000)	
Automobile and transportation equipment	463,218	-
Electronics and electrical appliances	1,463,121	77,352,544
Construction	221,173,118	144,646,315
Power (electricity), gas, water, sanitary	31,520,132	33,865,717
Transport, storage and communications	1,305,202	-
Financial	15,980,212	10,258,273
Others	109,963,222	54,109,160
	381,868,225	320,232,009

Credit risk by public / private sector

Public / Government	-	-
Private	381,868,225	320,232,009
	381,868,225	320,232,009

43.1.5 Concentration of Advances

The Branches' top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 36,899 million (2020: Rs. 24,336 million) are as follows:

	2021	2020
	(Rupees in '000)	
Funded	26,448,025	20,922,485
Non Funded	10,451,789	3,413,233
Total Exposure	36,899,814	24,335,718

The sanctioned limits against these top 10 exposures aggregated to Rs. 40,672million (December 31, 2020: Rs. 30,725 million).

43.1.6 Advances - Province / Region-wise
Disbursement & Utilization

Province/Region	2021					
	Disbursements			Utilization		
	Punjab	Sindh	KPK	Balochistan	Islamabad	AJK Including Gilgit-Baltistan
(Rupees in '000)						
Punjab	45,958,037	45,958,037	-	-	-	-
Sindh	38,503,311	1,154,866	28,745,062	1,797,658	6,805,725	-
Islamabad	2,473,333	1,200,000	650,000	-	623,333	-
Total	86,934,681	48,312,903	29,395,062	1,797,658	6,805,725	623,333

Province/Region	2020					
	Disbursements			Utilization		
	Punjab	Sindh	KPK	Balochistan	Islamabad	AJK Including Gilgit-Baltistan
(Rupees in '000)						
Punjab	20,013,432	20,013,432	-	-	-	-
Sindh	30,190,202	499,544	20,472,151	830,000	8,388,507	-
Islamabad	4,152,717	2,900,001	744,416	-	508,300	-
Total	54,356,351	23,412,977	21,216,567	830,000	8,388,507	508,300

43.2 Market Risk

Market risk is the risk of loss arising from movement in market variables including observable variables such as interest rates, exchange rates and equity indices, and others which may be only indirectly observable such as volatilities and correlations. The Branches' policy is that all market risk taking activity is undertaken within approved market risk limits, and that the Branches' standards / guiding principles are upheld at all times.

Market Risk Management is an independent control function with clear segregation of duties and reporting lines. Its main responsibility is to ensure that the risk-taking units manage the Branches' market risk exposure within a robust market risk framework and within the Branches' risk appetite. The Branches' standard systems are used to furnish senior trading and market risk staff with risk exposures. All trading activities and any business proposal that commit or may commit the Branch (legally or morally) to deliver risk sensitive products require approval by independent authorized risk professionals or committees, prior to commitment.

43.2.1 Balance sheet split by trading and banking books

	2021			2020		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	37,703,444	-	37,703,444	31,226,025	-	31,226,025
Balances with other banks	23,331,975	-	23,331,975	2,497,170	-	2,497,170
Lendings to financial institutions	44,289,040	-	44,289,040	187,430,652	-	187,430,652
Investments	445,777,512	-	445,777,512	252,704,902	-	252,704,902
Advances	49,212,164	-	49,212,164	33,423,105	-	33,423,105
Fixed assets	602,096	-	602,096	704,761	-	704,761
Intangible assets	9,455	-	9,455	2,459	-	2,459
Deferred tax assets	867,391	-	867,391	300,496	-	300,496
Other assets	3,503,656	5,251,268	8,754,924	5,728,183	1,087,604	6,815,787
	605,296,733	5,251,268	610,548,001	514,017,753	1,087,604	515,105,357

43.2.2 Foreign Exchange Risk

Foreign exchange risk (FX risk) arises from the fluctuation in the value of financial instruments consequent to the changes in foreign exchange rates. The Branches manage this risk by setting and monitoring dealer, currency and counterparty limits for on and off-balance sheet financial instruments.

FX risk is mainly managed through matched positions. Unmatched positions are covered substantially through derivative instruments such as forwards and swaps.

The currency risk is regulated and monitored against the regulatory/statutory limits enforced by the SBP. The foreign exchange exposure limits in respective currencies are managed against the prescribed limits.

The analysis below represents the concentration of the Branches' foreign currency risk for on and off balance sheet financial instruments:

	2021				2020			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)				(Rupees in '000)			
United States Dollar	45,810,418	440,420,151	393,534,055	(1,075,678)	26,387,290	383,701,756	357,594,805	280,339
Great Britain Pound Sterling	3,702	-	-	3,702	6,639	-	-	6,639
Euro	43,940	-	-	43,940	186,629	-	-	186,629
Japanese Yen	785	-	-	785	795	-	-	795
Chinese Yuan	4,719,957	2,942,322	(1,461,666)	315,969	766,100	1,187,747	440,199	18,552
Hong Kong Dollar	1,858	-	-	1,858	1,692	-	-	1,692
	50,580,660	443,362,473	392,072,389	(709,424)	27,349,145	384,889,503	358,035,004	494,646

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	10,757	-	4,946	-

The interest rate risk arises from the fluctuation in the value of financial instruments consequent to changes in market interest rates. The Branches are exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or are re-priced in a given period. In order to ensure that this risk is managed within acceptable limits, the Branches' Asset and Liability Management Committee (ALCO) monitors various gap limits and re-pricing of the assets and liabilities on a regular basis.

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in interest rates on				
- Profit and loss account				
- 1 % Upward change in interest rates	(23,428)	-	(1,008,418)	-
- 1 % Downward change in interest rates	23,428	-	1,008,418	-
- Other comprehensive income				
- 1 % Upward change in interest rates	(7,524)	-	(17,557)	-
- 1 % Down change in interest rates	7,565	-	17,664	-

	2021								
	Total	Exposed to Yield / Interest risk					Non-interest bearing financial instruments		
Effective Yield / Interest rate		Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
On-balance sheet financial instruments	(Rupees In '000)	Upto 1 Month							

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2020

Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk								Non-interest bearing financial instruments
		(Rupees in '000)								
		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	
On-balance sheet financial instruments										
Assets										
Cash and balances with treasury banks	31,226,025	598,944	-	-	-	-	-	-	-	30,627,081
Balances with other banks	2,497,170	2,025,145	-	-	-	-	-	-	-	472,025
Lending to financial institutions	187,430,652	187,430,652	-	-	-	-	-	-	-	-
Investments	252,704,902	994,630	24,597,850	7,010,829	149,263,448	70,838,145	-	-	-	-
Advances	33,423,105	15,815,561	6,915,761	9,018,982	1,633,973	-	-	-	-	38,828
Other assets	6,815,787	-	-	-	-	-	-	-	-	6,815,787
	514,097,641	206,864,932	31,513,611	16,029,811	150,897,421	70,838,145	-	-	-	37,953,721
Liabilities										
Bills payable	2,425,126	-	-	-	-	-	-	-	-	2,425,126
Borrowings	325,902,342	-	113,322,590	128,666,692	83,913,060	-	-	-	-	-
Deposits and other accounts	119,301,294	70,259,182	13,724,800	600,000	117,383	-	-	-	-	34,599,929
Other liabilities	19,162,748	-	-	-	-	-	-	-	-	19,162,748
	466,791,510	70,259,182	127,047,390	129,266,692	84,030,443	-	-	-	-	56,187,803
On-balance sheet gap	47,306,131	136,605,750	(95,533,779)	(113,236,881)	66,866,978	70,838,145	-	-	-	(18,234,082)
Off-balance sheet financial instruments										
Commitments in respect of:										
- forward foreign Exchange contracts forward purchases	387,483,841	69,937,051	89,734,188	117,464,279	110,348,323	-	-	-	-	-
- forward foreign Exchange contracts forward sales	(406,539,398)	(74,692,051)	(96,216,764)	(121,071,636)	(114,558,947)	-	-	-	-	-
- Government securities transactions - sales	(187,784,167)	(187,784,167)	-	-	-	-	-	-	-	-
Off-balance sheet gap	(206,839,724)	(192,539,167)	(6,482,576)	(3,607,357)	(4,210,624)	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap										
		(55,933,417)	(102,016,355)	(116,844,238)	62,656,354	70,838,145	-	-	-	(18,234,082)
Cumulative Yield / Interest Risk Sensitivity Gap										
		(55,933,417)	(157,949,772)	(274,784,010)	(212,137,656)	(141,299,511)	(141,299,511)	(141,299,511)	(141,299,511)	(159,533,593)

43.3

Operational Risk

The Branches' operational risk is related to possible losses which may be incurred as a result of failures occurring in the Branches' day to day operations, such as breakdown in electronic and telecommunication, routines or other systems. Additional factors being insufficient levels of professional skills or human errors. In order to keep the Branches' operational risk to a minimum level, various suites of risk tools are used to manage operational risk using a common categorization of risk.

Branches' approach to operational risk is not designed to eliminate risk, rather, to contain it within the acceptable levels, as determined by senior management, and to ensure that the Branches have used sufficient information to make informed decisions about additional controls, adjustments to controls, or other risk responses.

43.3.1 **Operational Risk-Disclosures Basel II Specific**

The Branches use Basic Indicator Approach to calculate capital charge for operational risk as per Basel II regulatory framework.

This approach is considered to be most suitable in view of the business model of the Branches.

43.4

Liquidity Risk

Liquidity risk is the risk that the Branches will be unable to meet their net funding requirements. Liquidity risk can be caused by market destruction of credit downgrades, which may cause certain sources of funding to become unavailable. To guard against this risk the Branches' assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

The table below summarizes the maturity profile of the branches assets and liabilities. The contractual maturities of assets and liabilities at the year end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by the branches deposit retention history and the availability of liquid funds. Assets and liabilities not having a contractual maturity are assumed to mature on the expected date on which the assets / liabilities will be realized / settled.

Moreover, the Branches are fully compliant with Basel III LCR and NSFR, which ensure sufficient stock of High Quality Liquidity Assets in relation to its liability profile.

43.4.1 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Branches

2021													
Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
(Rupees in '000)													
Assets													
Cash and balances with treasury banks	37,703,444	374,214	2,245,284	2,619,498	5,387,423	-	-	-	-	-	-	-	28,477,025
Balances with other banks	23,331,975	777,712	4,666,394	5,444,127	12,443,722	-	-	-	-	-	-	-	-
Lending to financial institutions	44,289,040	-	44,289,040	-	-	-	-	-	-	-	-	-	-
Investments	445,777,512	-	-	186,132,750	27,592,536	88,532,360	75,040,686	68,279,180	-	-	-	-	-
Advances	49,212,164	-	178,470	1,881,058	3,966,120	3,428,092	2,445,229	9,015,100	8,402,383	2,080,402	2,550,765	2,137,329	4,315,197
Fixed assets	602,096	4,759	-	-	363	8,765	3	14,583	8,938	35,792	54,807	103,062	357,875
Intangible assets	9,455	42	-	-	-	84	-	126	126	20	-	-	8,931
Deferred tax assets - net	867,391	28,913	173,478	202,391	462,609	-	-	391,102	19,846	-	-	-	-
Other assets	8,754,924	-	641,319	66,997	1,248,895	847,055	3,361,768	77,700,091	8,431,294	2,116,214	2,605,572	2,240,391	31,159,028
	610,548,001	1,185,660	52,193,985	196,346,821	51,801,668	92,916,356	80,847,686	11,003,235	8,431,294	2,116,214	2,605,572	2,240,391	31,159,028
Liabilities													
Bills payable	1,458,127	48,604	291,625	340,230	777,668	-	-	-	-	-	-	-	-
Borrowings	390,977,403	-	-	-	2,647,703	58,249,455	175,630,933	154,449,312	-	-	-	-	-
Deposits and other accounts	155,302,046	3,974,861	36,852,768	38,632,029	66,837,005	913,000	7,575,000	40,000	77,383	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	8,849,150	908	52,673	1,944,176	2,819,025	347,998	214,577	846,543	259,930	588,414	576,471	462,203	168,355
	556,586,726	4,024,373	37,197,066	40,916,435	73,081,401	59,510,453	183,420,510	155,695,855	607,877	588,414	576,471	462,203	168,355
Net assets	53,961,275	(2,838,713)	14,996,919	155,430,386	(21,278,733)	33,405,903	(102,572,824)	77,092,214	8,093,981	1,527,800	2,025,101	1,778,188	30,990,673
Head office capital account													
Unappropriated / Unremitted profit	26,477,025	-	-	-	-	-	-	-	-	-	-	-	-
Deficit on revaluation of assets	29,135,552	-	-	-	-	-	-	-	-	-	-	-	-
	(1,651,302)	-	-	-	-	-	-	-	-	-	-	-	-
	53,961,275	-	-	-	-	-	-	-	-	-	-	-	-
2020													
Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
(Rupees in '000)													
Assets													
Cash and balances with treasury banks	31,226,025	241,896	1,450,173	1,581,869	3,867,128	-	-	-	-	-	-	-	23,975,159
Balances with other banks	2,497,170	83,239	499,434	582,673	1,331,824	-	-	-	-	-	-	-	-
Lending to financial institutions	187,430,652	-	99,020,703	58,749,879	29,660,070	-	-	-	-	-	-	-	-
Investments	252,704,902	-	-	-	994,630	24,597,850	7,010,829	149,263,448	2,953,732	70,838,145	-	-	-
Advances	33,423,105	-	247,500	-	96,505	5,158,168	8,236,223	7,352,003	1,063	2,379,854	1,593,678	4,050,686	-
Fixed assets	704,761	5,513	-	-	53	10,256	15,454	17,611	15,568	62,491	41,919	90,711	445,164
Intangible assets	2,458	309	-	-	-	620	684	191	132	-	20	-	-
Deferred tax assets - net	300,496	10,017	60,099	70,116	160,264	-	-	-	-	-	-	-	-
Other assets	6,815,787	-	551,240	2,070,636	1,287,273	168,457	612,331	863,200	41,545	-	-	-	-
	515,105,357	340,774	101,829,149	63,165,173	37,379,747	5,337,501	15,875,521	157,496,453	3,010,977	70,902,202	2,421,793	1,684,389	28,471,009
Liabilities													
Bills payable	2,425,126	80,838	485,025	565,863	1,293,400	-	-	-	-	-	-	-	-
Borrowings	325,902,342	-	-	-	-	80,077,034	128,666,692	83,913,061	-	-	-	-	-
Deposits and other accounts	119,301,294	2,987,187	18,986,622	20,910,309	62,002,993	10,808,000	600,000	40,000	77,383	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	19,162,748	1,874	981,306	2,203,878	5,551,072	4,463,768	1,448,621	1,511,573	357,629	447,153	310,126	294,931	148,796
	466,791,510	3,068,899	20,424,953	23,680,050	68,847,465	95,348,802	130,708,713	85,464,634	435,012	447,153	310,126	294,931	148,796
Net assets	48,313,847	(2,729,125)	81,404,196	39,485,123	(31,467,718)	(90,011,301)	(114,833,192)	72,031,819	2,575,965	70,455,049	2,111,667	1,389,458	28,322,213
Head office capital account													
Unappropriated / Unremitted profit	23,975,160	-	-	-	-	-	-	-	-	-	-	-	-
Deficit on revaluation of assets	24,941,897	-	-	-	-	-	-	-	-	-	-	-	-
	(603,210)	-	-	-	-	-	-	-	-	-	-	-	-
	48,313,847	-	-	-	-	-	-	-	-	-	-	-	-

43.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Branches

		2021									
		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
Total		(Rupees in '000)									
Assets											
Cash and balances with treasury banks											
		37,703,444	134,030	258,514	315,084	1,325,336	1,716,578	2,613,922	3,726,669	-	27,613,311
Balances with other banks											
		23,331,975	4,182,037	6,273,390	4,839,649	8,036,899	-	-	-	-	-
Lending to financial institutions											
		44,289,040	-	-	-	-	-	-	-	-	-
Investments											
		44,577,512	213,825,286	163,673,046	-	68,279,180	-	-	-	-	-
Advances											
		49,212,164	6,025,649	5,873,320	8,812,019	17,417,482	2,080,402	2,550,765	2,137,329	4,269,767	45,431
Fixed assets											
		602,096	5,122	8,769	13,148	23,522	35,792	54,807	103,062	3,410	354,464
Intangible assets											
		9,455	42	84	126	252	20	-	-	4,466	4,465
Deferred tax assets - net											
		867,391	-	-	-	-	-	-	-	-	-
Other assets											
		8,754,924	1,957,211	4,208,823	2,177,942	410,948	-	-	-	-	-
		610,548,001	271,285,808	180,295,946	16,157,968	95,493,619	3,832,792	5,219,494	5,967,060	4,277,643	28,017,671
Liabilities											
Bills payable											
		1,458,127	1,458,127	-	-	-	-	-	-	-	-
Borrowings											
		390,977,403	2,647,703	233,880,388	154,449,312	-	-	-	-	-	-
Deposits and other accounts											
		155,302,046	28,032,909	11,657,278	4,928,568	19,238,771	25,945,982	28,630,426	27,267,012	4,800,499	4,800,501
Deferred tax liabilities - net											
		8,849,150	-	-	-	827,807	-	-	-	-	-
Other liabilities											
		556,586,726	36,955,521	246,100,241	846,543	20,066,578	588,414	576,471	462,203	84,176	84,179
					160,224,523	29,206,897	27,729,215	4,884,675	4,884,680		
Net assets											
		83,961,275	234,330,287	(65,804,295)	(144,066,555)	75,427,041	(22,701,604)	(23,987,403)	(21,762,155)	(607,032)	23,132,991

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44 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on 30 MAR 2022 by the Chief Executive Officer and Head of Finance of the Branches.

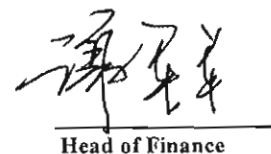
45 GENERAL

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison.

YH



Chief Executive Officer



Head of Finance