Deposit Protection Corporation

A subsidiary of State Bank of Pakistan

Safeguarding Depositors' Trust

ANNUAL REPORT
2022-23


DPC's
Core Values
Integrity
Courage
Excellence
Result Oriented
Accountability
Teamwork

Mission

To protect depositors' funds in order to maintain public confidence in the banking system and support financial stability

- 100% Increase in the Guaran-tee Amount
- Awareness Initiatives for General public
- Protection to 98% of Total Depositors
- Development of Deposit Protection Mechanism for Islamic Banks
- Development of Deposit Protection Mechanism for Conventional Banks
- Commencement of Operations - 2018

To be an effective provider of deposit protection in line with international standards

Vision

TABLE OF CONTENTS

DPC
ANNUAL REPORT
2022-23

Chairman's Note

It is a matter of great honor for me to have been entrusted with the responsibility of Chairmanship of the Board of Directors of the Deposit Protection Corporation (DPC).

As I reflect on the five-year performance of the Corporation since its establishment, it is encouraging to note that DPC enhanced its coverage amount by 100 percent within a short span of three years from the commencement of its operations. It has managed to build a credible Deposit Protection Fund (DPF), which, as of June 2023, has surpassed PKR 100 billion mark. Notably, the Corporation has aptly fulfilled its primary mandate recently by reimbursing majority of the eligible depositors of SME Bank Limited, which was declared a failed institution by the State Bank of Pakistan (SBP) under the DPC Act in May 2023.

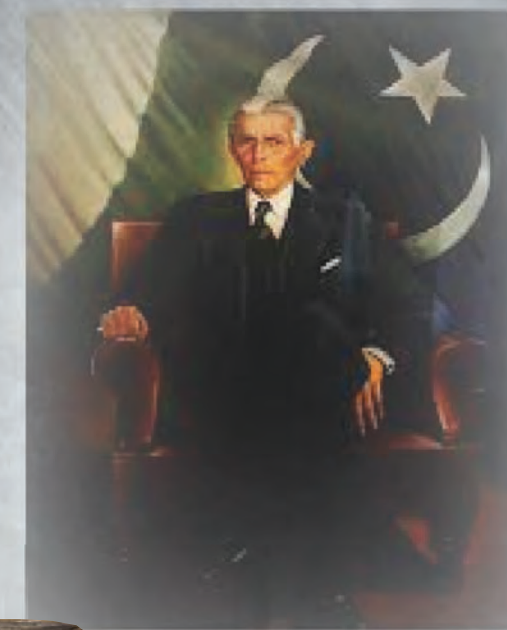
Moreover, the financial position of the Corporation also reflects an appreciable progress. Continuing the trend of the preceding years, the year 2022-23 has also seen a significant increase in the income from a prudently managed investment portfolio, propelling net assets beyond PKR 100 billion.

94 percent of the depositors are entitled to a full reimbursement in the unlikely event of a bank's failure.

The global economic and financial system has witnessed emergence and confluence of daunting challenges over the recent years. The COIVD-19 pandemic and lockdowns, which brought the global economic activity to a halt, were followed by commodity super-cycle, geo-political conflicts and inflationary pressures. The consequent tightening of monetary policy by major economies, in turn, significantly tightened the macro-financial conditions, presenting challenges to stability of financial systems across the world, and Pakistan was no exception. However, SBP's prudent regulatory and supervisory framework and bespoke response to contemporary challenges helped the banking industry sail smoothly through the turbulent conditions. The banking sector maintains its resilience and has emerged as one of the profitable sectors of the economy.

To maintain stability of the banking system, it is critical that both banking supervision and deposit insurance – which are the two critical features of the financial safety net – are effective and dynamic to cope with the emerging challenges. Therefore, SBP regularly reviews and update its supervisory framework to address the dynamics of markets and adopt the emerging best practices and standards. On this front, SBP introduced an ongoing risk-based supervisory framework for all banks in Pakistan and took various measures to enhance its capacity for dealing with problem banks. Apart from SBP's numerous policy responses to improve the effectiveness of its supervisory framework, the DPC, on its part, also further enhanced its operational capacity and increased the protected amount for eligible depositors from PKR 250,000 to PKR 500,000 on the basis of 'per depositor per bank principle' under its deposit protection scheme. Moreover, as a part of SBP's initiatives to improve the bank resolution regime, significant amendments have also been proposed in the DPC Act 2016. These amendments would enhance the role of the DPC in the resolution options for a distressed bank and the provision of financial support with due safeguards; thus giving wider options and possibilities for smooth resolution of the bank.

It is comforting to note that all scheduled banks operating in the country are members of DPC. As of June 2023, out of PKR 25.6 trillion deposits of the member banks, around PKR 14 trillion, or 55 percent of the total deposits in terms of value are eligible for protection under deposit protection scheme of the DPC. In terms of number of depositors, out of total 73 million depositors of DPC member banks, more than 98 percent have been covered under this scheme. I am also pleased to highlight that with the protected deposit amount prescribed by the Corporation, around 94 percent of the depositors are entitled to a full reimbursement in the unlikely event of a bank's failure.



As Chairman of the Board of Directors, I would like to highlight that the Board has been actively discharging its responsibility of oversight and setting strategic direction of the Corporation. In this perspective, five meetings of the Board were held during FY 2022-23. Besides discharging its regular oversight functions, the Board approved some of the key initiatives for the operational effectiveness and policy-level efficacy of the DPC. These initiatives include a framework for reimbursement to protected depositors, Strategic Plan for next five years, and above all, draft amendments to the DPC Act, 2016.

In the wake of evolving economic challenges and uncertainties at both global and domestic front, our resolve to protect financially unsophisticated depositors remains steadfast. Let me assure the stakeholders of my commitment to uphold the Corporation's mission of safeguarding eligible deposits and contributing towards SBP's objective of maintaining financial stability.

Finally, I would also like to thank our safety net partners, stakeholders, management of DPC and our dedicated team of professionals for their continued support and confidence in our efforts.

Dr.Inayat Hussain
Chairman, Board of Directors
Deposit Protection Corporation

Message from **Managing Director**

I am pleased to present the third annual report of the Deposit Protection Corporation (DPC). It is our fifth year of journey towards the paramount mission of protecting depositors' funds, maintaining public confidence in the banking system and contributing towards financial stability. The DPC has emerged as a deposit insurer that offers, for the first time, a formal and explicit protection to more than 70 million depositors of banking system in Pakistan and thus strives to prevent systemic risk and ensure financial stability.

It is important to highlight that the DPC continues to muster its financial robustness with a healthy deposit protection fund. Our financial statements show consistent and sustainable profitability over the years. The Corporation has been prudently managing its premium receipts, ensuring availability of optimum resources needed to fulfill its core mandate of compensating depositors in case of failure of any member bank.

DPC has crossed the PKR 100 billion mark of investment portfolio.

In terms of risk management, DPC has implemented rigorous risk assessment and mitigation processes. It continuously monitors the exposure to various economic and financial risks, including market volatility and credit risk. Our diversified investment portfolio and stringent risk management practices have contributed to our financial soundness. I am delighted to share that by the end of June 2023, DPC has crossed the PKR 100 billion mark of investment portfolio. Compared to the last year, there has been a strong improvement in the financial position. For instance, total investments increased by 47 percent, the income from investments was up by 148 percent while the net profit for the year surged by 44 percent. As a result, the net assets swelled to PKR 100.1 billion in 2023 from PKR 67.8 billion in the previous year.

While the failure of any deposit taking institution may be distressing for its depositors in general, its ripple effects could extend far beyond its immediate stakeholders. In such failures, the hardest hit are the small and financially unsophisticated depositors, who usually remain unaware of the risks involved in maintaining accounts with such banks. During these stressed circumstances, the DPC serves as an immediate relief to the depositors by compensating them in an unlikely event of their bank being declared as a failed institution. To assure the public of the safety of their bank deposits in such rare situations and the DPC's capacity to honor its obligations under the law, it will be encouraging to note that the Corporation has until now paid more than 90 percent of the protected deposits of the SME Bank which has been wound down with the approval of Government of Pakistan and declared failed by the SBP in terms of Section 21 of the DPC Act.

The Corporation also aims to ensure that the deposit protection scheme remains in line with international best practices. Since it became a full-fledged member of the International Association of Deposit Insurers (IADI), the DPC has sought Peer Assistance in collaboration with IADI from different deposit protection agencies to improve the knowledge base and capacity of its officials. This year, the Corporation has also initiated a self-assessment exercise to gauge the level of compliance with the IADI's Core Principles for Effective Deposit Insurance Systems. Incidentally, these principles relate to key features of deposit insurance systems such as deposit coverage, funding and governance, prompt payout, and crisis preparedness and management. The assessment is still in progress. Once completed, the outcome would be shared with the stakeholders

Moreover, the DPC has achieved a variety of noteworthy policy-related and operational milestones during this year. One of the significant developments was formulation of the Strategic Plan of the Corporation for FY 2023-28. The Plan identifies six strategic goals including strengthening the deposit protection framework, strategizing developments to enhance Corporation's efficiency and effectiveness, strengthening inter-agency cooperation with other safety-net participants, securing adequate financing sources, enhancing the mandate and powers of DPC to boost its role in ensuring financial stability and to enhance public awareness on an ongoing basis.

It is also important to note that DPC not only protects eligible deposits but also ensure that the public remains well-informed about the safeguards in place. Towards depositors' education, the DPC is committed to providing accessible and easy-to-understand information about deposit protection. We have developed informative brochures, frequently asked questions, and digital content that explains in plain language the design and working of the deposit protection framework. This informative material is accessible through websites of the DPC and all commercial banks, besides, brochures are available in the bank branches. Keeping in view the significance of public awareness, the DPC has also set a strategic goal in its Strategic Plan 2023-28 to expand its presence and outreach through various information channels for educating the general public on the matters relating to deposit protection. In addition to regular face-to-face awareness sessions with bankers, which are being carried out in every region of the country, the DPC also plans to engage academia for conducting awareness sessions for the young generation to understand the concept of deposit protection.

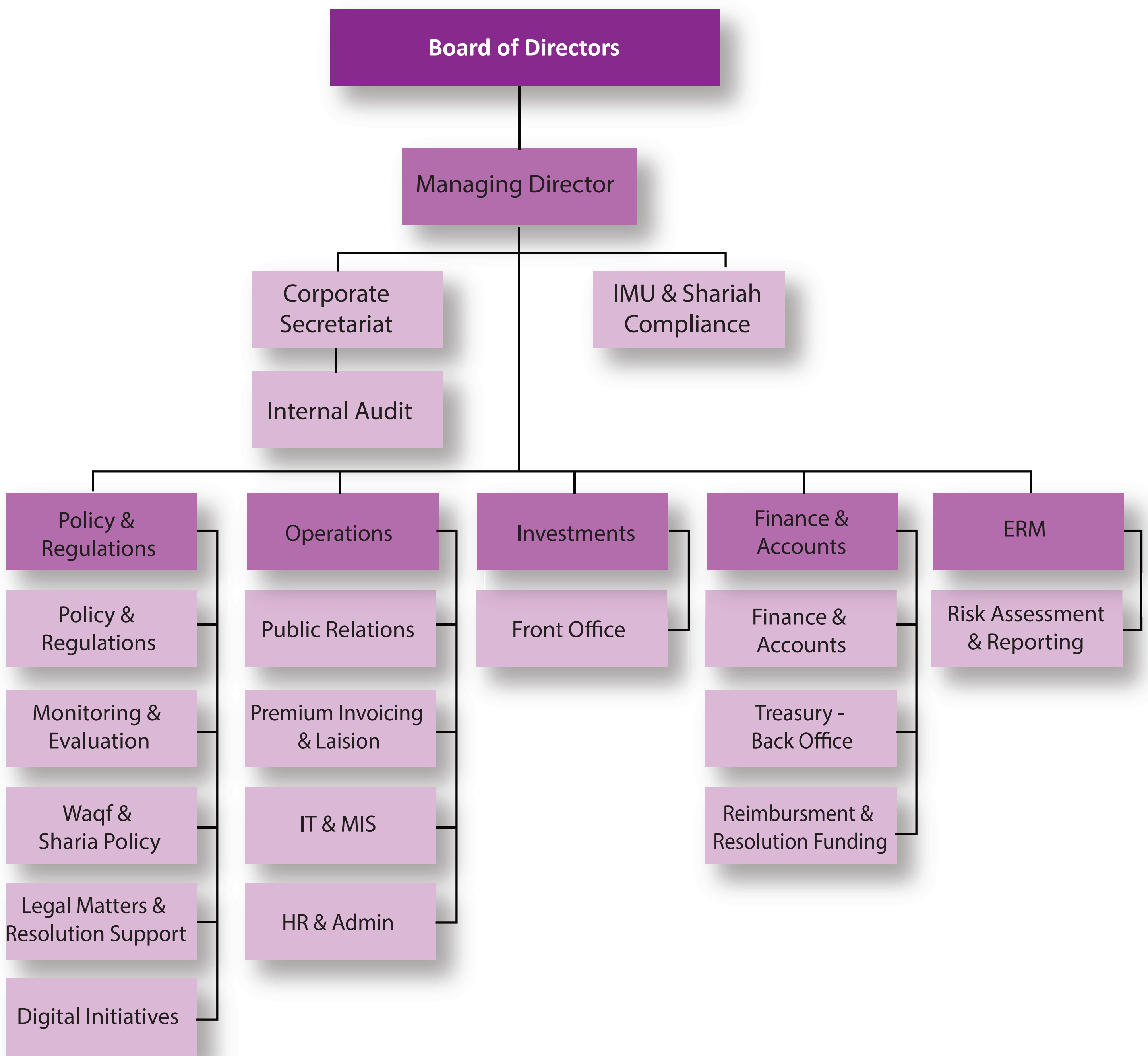
Internally, the DPC, for the first time, prepared and issued a Code of Ethics (CoE) for its employees in compliance with the IADI's guiding Core Principles for Effective Deposit Insurance Systems. Incidentally, the CoE is a compact set of instructions that provides guidance on the standards of professional ethics for the staff and officials of the DPC. The purpose of this Code is to uphold high standards of integrity, accountability, transparency, confidentiality, and impartiality among employees of the Corporation.

I would like to emphasize that the DPC remains financially robust and committed to its mission of safeguarding depositors' funds. With this note, I would like to extend my thanks to the Governor, State Bank of Pakistan, for his unremitting patronage, and to DPC's Board and *Shariah Advisory Committee* for their strategic direction to the Corporation. I would especially like to express my gratitude to Ms. Sima Kamil, Ex-Chairperson of the Board, who has completed her term just before the issuance of this report. I would also like to extend my heartfelt welcome to Dr. Inayat Hussain, the new Chairman of the Board, whose experience and vision will undoubtedly lead us to achieve further excellence and discharge statutory functions in an efficient manner. While concluding, let me pay my sincere thanks to all key stakeholders and, of course, to the DPC team.

Muhammad Akmal
Managing Director
Deposit Protection Corporation

Governance Structure

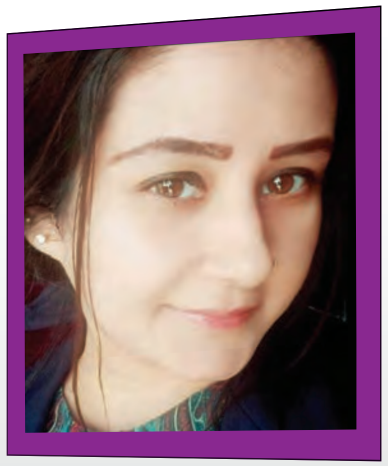
Organogram of Deposit Protection Corporation



DPC's Board of Directors

Ms. Amna Shabbir (Director- BoD), Dr. Inayat Hussain (Chairman), Mr. Muhammad Akmal (Managing Director)

Board of Directors



Ms. Amna Shabbir
Director- BoD

Dr. Inayat Hussain
Chairman

Mr. Muhammad Akmal
Managing Director

Dr. Inayat Hussain

Chairman

Dr. Inayat Hussain has been appointed as the Chairman of the Board of Deposit Protection Corporation (DPC) on September 14, 2023 by State Bank of Pakistan (SBP) under Section 11 of DPC Act 2016. He is also serving as the Deputy Governor of SBP since November 2021.

Dr. Hussain has diversified experience that spanned over two decades in Central Banking including Banking Policy, Banking Supervision, Financial Markets & Reserve Management and Islamic Finance. He is a member of the Monetary Policy Committee of SBP and Policy Board of Securities & Exchange Commission of Pakistan. He also serves as a member on the Council of Institute of Bankers Pakistan (IBP) and as a director on the board of National Institute of Banking & Finance (NIBAF).

Dr. Hussain holds a doctorate degree in Economics and Finance from Curtin University, Australia. He is a member of CFA Institute, a fellow member of Institute of Cost and Management Accountants in Pakistan and IBP. He also holds FRM designation and an MBA degree in Finance.

Mr. Muhammad Akmal

Managing Director

Mr. Muhammad Akmal, the current Managing Director of the Deposit Protection Corporation, boasts a wealth of experience as a central banker with a remarkable three-decade-long career in the banking sector. He embarked on his professional journey at the State Bank of Pakistan (SBP) back in 1991.

Prior to his present role, Mr. Akmal held various pivotal positions at SBP, primarily focusing on foreign exchange regulation, banking regulation, conduct and supervision.

His impressive skill set encompasses a wide array of competencies, including expertise in banking inspection, formulation and execution of Foreign Exchange Policy, Consumer Protection & Banking Conduct, formulation and implementation of Strategic and Business Plans.

Beyond his banking career, Mr. Akmal's influence extends into broader financial spheres. He has served as the Co-Chairman of the National Financial Inclusion Strategy (NFIS) Technical Committee, particularly in the domain of 'Financial Literacy & Consumer Protection'. Additionally, he has acted as the Business Continuity Planning (BCP) Coordinator for SBP and its subsidiaries. He has also represented Pakistan as the Country Coordinator for the Asian Clearing Union, focusing specifically on import & export matters. He has further contributed his expertise as a member of the Grievance Redressal Committee under PPRA, as well as various committees within SBP.

Mr. Akmal's unwavering dedication to professional growth is evident through his active participation in numerous local and international training and attachment programs organized by central banks, the IMF, and the World Bank. He has also displayed a strong commitment to capacity building by conducting a variety of training programs, both for SBP and the broader banking industry. Notably, he has served as a resource person, imparting his knowledge and expertise in training programs at esteemed institutions such as the Foreign Services Academy, Government of Pakistan, National Accountability Bureau (NAB), Federal Investigation Agency (FIA), trade bodies/chambers, and the National Institute of Banking & Finance (NIBAF). He also shares his experience in the vital discussions on current issues, trends and challenges for central bankers on the global platform of The Central Banking

Ms. Amna Shabbir

Director- BoD

A BS 19 officer CSS 37th batch. Currently serving as Deputy Secretary 'Banking which is one of the most pivotal positions In Ministry of Finance. Her name is recorded on the Honor Board of Finance Division for Outstanding Performance.

She is a gold medalist in communication studies from the prestigeous Kinnaird College and an Alumnus of Ecole National De Administration Paris France.

She topped her mid career management course. She is invited to top notch training institutes of the Govt to mentor officers under training. Till date she has trained more than 3000 govt officers with outstanding feedback.

Team DPC

Sitting from left to right:

Ms. Noreela Atta (Assistant Director), Mr. Khurram Iftikhar (Head, Finance & Accounts), Mr. Muhammad Akmal (Managing Director), Mr. Mansoor Zaidi, (Head, Policy & Regulations), Mr. Sohail Dilawar (Head, Operations) and Ms. Rubana Rashid (Assistant Director)

Standing from left to right:

Mr. Shahid Abbas (Joint Director), Syed Ali Zubair Manzar (Joint Director), Mr. Shafqat Hameed (Joint Director), Mr. Abdul Tawab Ayub (Assistant Director), Mr. Afaaq Alam (Deputy Director), Mr. Muhammad Khan Khoso (Joint Director), Mr. Zeeshan Suleman (Joint Director), Syed Turab Ali (Joint Director), Ms. Khudija Syed (Assistant Director)

Promoting Financial Stability through Deposit Insurance – Mandate and Objectives of DPC

Banks play a leading role in the intermediation process in any economy; as they mobilize savings of their depositors and provide credit to different agents for undertaking various economic activities. Therefore, in this inherently risky business, the protection of common depositors and preservation of general public's confidence in the banking system are crucial for the financial stability and sustainable economic growth.

Usually, a large number of bank depositors lack financial sophistication, have little motivation to assess banks' risks due to the small-ticket size of their deposits and often place their deposits based on convenience and trust. On the other hand, the large depositors such as institutions and high net-worth individuals, though much smaller in number, hold big-ticket deposits that usually make up the larger chunk in the total deposit mix of banks[1] . These depositors have the capacity to assess the risks in their investment ventures and are thus considered more responsible for their financial decisions.

A Deposit Insurance Scheme (DIS), inherently, seeks to provide limited scope and coverage rather than a blanket guarantee to all the depositors, as these limitations tend to diminish the risks of moral hazard, promote market discipline and instill more considerate decision making in depositors. The theme of limited coverage and scope of deposit insurance is to provide coverage to a large majority of depositors, but leaves a substantial part of deposits unprotected or partially protected.

The ultimate protection of the depositors' interest is linked to a robust and well-functioning financial system which is ensured by a series of interlinked arrangements by the financial supervisors and central banks in their respective jurisdictions. A DIS is not the first and only resort to safeguard depositors' interests; in fact, it is the final remedy in the series of Financial Safety Net (FSN) arrangements. These arrangements, which act as the first line of defense against the failure of a bank include prudential regulations, capital and liquidity requirements to build adequate financial cushions [CAR and Leverage Ratio], cash and liquidity reserve requirements [CRR and SLR] and Liquidity Coverage Ratio (LCR). Besides, a comprehensive supervisory framework is put in place to proactively monitor both idiosyncratic and systemic risks faced by the banks and to take timely corrective actions for redressing any supervisory concerns. In order to assist the banks to weather any interim financial strains, Emergency Liquidity Assistance (ELA) or the Lender of the Last Resort (LoLR) facilities are provided to banks. Even beyond these arrangements, if the failure of a bank becomes unavoidable, then the resolution tools can also be used for orderly resolution of distressed bank in such a manner that ensures best possible protection to depositors as well as overall financial stability.

Based on the above concepts, the responsibility to provide deposit insurance in Pakistan has been entrusted to the Deposit Protection Corporation (DPC). Under the DPC Act 2016, the Corporation is mandated to operate as 'Pay-Box Only' [2], signifying its responsibility to compensate the protected depositors in case a bank is declared as a 'failed institution' by the State Bank of Pakistan.[3] The core responsibility of the Corporation is to make the funds available to the depositors at a very short notice, so that they do not face financial distress due to failure of their bank and the trust of the general public and the depositors in the financial system remains intact.

The framework for reimbursement to the depositors is based on the following significant pillars:

1. Sufficiency of Funds: The Corporation collects the premium and maintains separate pools of funds for Islamic and Conventional banking depositors. In addition to that, the Corporation has legal options to generate additional funds for meeting any funding needs in case there is any shortfall of funds to carry out payout process.

2. Coverage of Deposits: Under the current deposit protection mechanism, 98 percent of all the depositors of member banks are eligible for coverage by the Corporation. The coverage provided to such depositors was PKR 250,000 per depositor per bank at the time of inception of the Corporation (Jun-2018), which was increased to PKR 500,000 in Sep-2021. This amount is sufficient to fully cover 94 percent of total depositors; while the remaining 4 percent will be partially covered by DPC; however, their additional balances may also be protected through other measures such as resolution or liquidation proceeds.

3. Depositors' Information: In order to ensure prompt payout to the depositors, it is imperative that a comprehensive and reliable depositors' database should be at hand. On the advice of the Corporation, this information setup has been developed by all the member banks of the Corporation.

4. Public Information: The Corporation endeavors to maximize its outreach to the depositors to educate them about the concept of deposit insurance and give them the confidence in the financial system.

This year, the Corporation has completed its five years of operations and achieved many milestones; however, much more remains to be done. The Corporation is looking forward to enhance its mandate by taking up the role of 'Pay-Box Plus' and assist the resolution authority in effectively implementing its resolution scheme in case a bank becomes unviable. Thus, the role of the Corporation would be enhanced as a critical financial safety net participant.

---

[1] Case in point – In our banking system, around 94% of total depositors carry deposits up to Rs. 500,000, while the rest, only 6% go beyond that figure. Further, around 83% of total depositors carry deposits up to Rs. 50,000 in their accounts.

[2] There are four types of mandates under which DIS operate around the globe; 'Pay-Box only' being the basic one is the first step. The 'Pay-Box Plus' is the next step with added functions to provide financial support in the resolution of a bank or FIs. Under the 'Loss Minimizer' mandate, the DIS operates as a Resolution Authority in addition to first two mandates. Finally, the 'Risk Minimizer' mandate gives power to the DIS to operate with risk assessment and some supervisory powers added to all three functionalities mentioned earlier.

[3] The Corporation's mandate is to payout to depositors only in case SBP declares a bank as a failed bank, any losses to depositors due to theft, fraud or any other kind of scam are not covered by DPC. In such case depositors are advised to contact the relevant forum.

Reimbursement to the Eligible Depositors of SME Bank

In the business of financial intermediation, the trust of depositors is vital that hinges upon the stability of the banking sector. Therefore, one of the primary objectives of any banking supervisor and other financial safety net partners is to keep depositors' faith in the banking system intact.

Recently, owing to insufficient capital and liquidity, the Federal Government approved a winding down plan for the SME Bank as proposed by the State Bank of Pakistan (SBP) to ensure that no depositor is adversely affected by the closure of the bank. In terms of SBP's proposed plan, payout to all the depositors of SME Bank was initiated on priority basis in order to maintain depositors' confidence in the banking system. The SBP also issued a notification in this regard on May 10th, 2023 declaring SME Bank as a failed institution in accordance with Section 21(1) (a) of the Deposit Protection Corporation Act, 2016, effective from March 27, 2023. Consequently, the DPC also made a public announcement informing eligible depositors of SME Bank to approach the bank for receiving their due balances.

Thereafter, DPC commenced periodic reimbursements to SME Bank against its payouts to the eligible depositors up to the protected amount in accordance with the Single Depositor View (SDV) database provided by SME Bank. The SDV database played a crucial role in determining eligibility and payment of the total liability of the SME Bank toward its depositors. Due to availability of SDV database, the turn-around-time for reimbursing eligible depositors has been shortened. The payouts are made on the basis of claims received from SME Bank i.e. as and when a customer approaches the bank for withdrawal, the outstanding balance in his/her account is paid out by SME Bank and the protected deposit amount i.e., up to PKR 500,000, is claimed from DPC which is subsequently reimbursed to SME Bank after due verification.

While the failure of a small bank can be distressing for its depositors, the presence of an efficient and well-functioning deposit insurance serves as a financial safety net. A meticulous planning, quick action, and timely and clear communication by stakeholders, including DPC, play a pivotal role in ensuring the stability and integrity of the banking system. Nonetheless, there are challenges in the process that require ongoing adaptation, especially in a world of ever-evolving financial products and economic conditions.

The efficient payment and reimbursement to protected depositors of SME Bank can be quoted as a test case in safeguarding both the interests of the individual depositor and the broader financial system.

Expanding the Scope of Coverage to Digital & Microfinance Banks under DPC's Safety Net

The banking industry is going through a revolution with the technological innovations in financial services. The use of latest information and digital technologies has the potential to become a remarkable tool for broadening the financial inclusion, facilitating the transaction flow and reducing the excessive dependency on hard cash. The usage of technology can transform the very nature of how the business of financial services will be carried out in future. Considering these dynamics, the State Bank of Pakistan (SBP) has taken timely measures to enhance the digital technology footprint in the financial sector by issuing various enabling regulations and putting in place infrastructure that facilitate the tech-based financial services.

In the same spirit, SBP has lately issued Licensing and Regulatory Framework for Digital Banks. The objective of the Framework is to provide a conducive regulatory environment for digital banks with a strong value proposition, robust technological infrastructure, sufficient financial strength, technical expertise, and an effective risk management culture.

As the digital banks are expected to promote financial inclusion by providing affordable financial services to unserved and underserved segments of society- alongside fostering a new set of customer experience- it is crucial that the digital banks be included in the ambit of deposit protection mechanism. Digital banks, once operational, shall become members of the DPC as per the relevant laws. Accordingly, the potential depositors of the digital banks would also fall under the umbrella of DPC's Deposit Protection Scheme.

Although a relatively small segment, the Micro-Finance Banks (MFBs) also play a pivotal role in promoting financial inclusion and poverty alleviation, particularly in the developing economies. These institutions promote financial inclusion by providing various financial services including credit, savings, and payment systems to underserved and marginalized population who are often excluded from traditional banking services.

Eleven MFBs are currently serving 98.2 million depositors with a deposit base of around PKR 520 billion as of Jun-2023. Considering the fact that these institutions cater to majority of financially unsophisticated segment of society, a failure of any of these institutions may create considerable ripples and disrupt socio-economic fabric of wider population. Therefore, an explicit and limited protection is needed for these depositors.

Although, a deposit protection mechanism already exists under the MFI Ordinance 2001, whereby each MFB is required to create its own depositor protection fund from its annual profits, however, there is a need to provide a better and more reliable safeguard mechanism for the depositors of MFBs. The DPC may provide an independent, credible and robust mechanism as a crucial safeguard for depositors of MFBs that would not rely on the profitability of the institutions. By extending DPC's coverage, the financial security of these marginalized groups can be fortified, ensuring that their hard-earned funds are safe from potential risks. The Corporation has proposed appropriate changes in its statute that would enhance its scope and require MFBs to become compulsory members of DPC, enabling it to provide coverage to their depositors. The coverage arrangement for depositors of MFBs will go a long way in making our financial system more robust and will further enhance the public's trust on the stability of the domestic financial system.

Know
the deposit protection scheme
Endeavors towards Public Awareness

In terms of the Deposit Protection Act 2016, one of the core functions of Deposit Protection Corporation (DPC) is to create awareness among general public and the depositors about the deposit protection scheme. To perform this function, all internal & external stakeholders, particularly the general public, depositors, member institutions (banks) should be kept informed about the explicit deposit protection scheme of DPC on an ongoing basis.

Keeping in view the significance of public awareness, DPC has reset a paramount strategic goal in its Strategic Plan 2023-28 to put in concerted efforts in order to expand its presence and outreach through all available information channels to educate general public on the matters relating to deposit protection. This strategic goal is to ensure that the general public has a clear understanding of the concept of deposit protection system and the role of the DPC in protecting their deposits. This would help build their confidence in the financial system and promote stability by reassuring depositors regarding safety of their deposits to the extent of a protected limit. Some of the key approaches that DPC has harnessed upon to expand awareness under this strategic goal are engaging with member institutions, targeting specific groups and promoting transparencyand accessibility.

Engaging with Member Institutions: Considering the fact that commercial banks' branch network and regions are the first line of communication with general public and depositors, DPC continues to engage with all member banks by means of online and face to face awareness sessions at all regions in the country. This has significantly improved the awareness about deposit protection among the regional and branch staff of the banks and ultimately their customers.

This year alone, DPC has held face to face sessions at three regions namely Bahawalpur, Multan and Hyderabad.

To disseminate information to all eligible depositors about deposit protection, collaborative efforts with member institutions have been undertaken to ensure regular and consistent messaging to depositors via SMS and emails, incorporating deposit insurance information in banks' customer communications.

To further inform the public on deposit protection mechanism, the DPC has also prescribed information brochure / flyer to all commercial banks to make these available in their offices and branches.

Targeting specific groups: The DPC has identified specific groups, such as university students, who may have limited knowledge about bank accounts and deposit protection but are potentially great source of onward public awareness and confidence. A special outreach program is being developed to ensure that these groups receive adequate information and remain aware of the deposit protection available to them and the deposits of their families and communities.

Promoting transparency and accessibility: The DPC aims to enhance transparency by making information about its operations and financial health and reimbursement framework easily accessible to the public. This would help foster trust and confidence among depositors and general public. To attain this objective, DPC has made its website easily accessible entailing maximum information for public.

This is Corporation's third report for the year 2022-23. DPC's first and second annual reports were well received. In addition to dissemination of these reports through all available modes of communication, Corporation arranged to distribute nearly a thousand hard copies of the reports to all the banks and to the business institutes, including all the universities and libraries across the country, to ensure its wider readership with a view to enhancing awareness of different groups on deposit protection mechanism.

Deposit Protection MECHANISM in PAKISTAN

1 Guarantee Amount

A protected amount of up to PKR 500,000/- per depositor per bank has been determined by DPC for the protection of eligible depositors.

2 Covered Accounts

-All current and saving accounts
-All branchless banking accounts
-Call deposits receipts / accounts, security
-Deposit reciepts / security deposit reciepts
-Deposit kept as cash margin / cash collateral under lien
-Foreign currency accounts
-Profit accrued on all of the above accounts

3 Member Banks

All scheduled banks operating in Pakistan are members of DPC

4 Islamic & Conventional Protection

Eligible depositors of both Islamic and conventional banks are protected.

5 Prompt Reimbursement

Payment to the depositors within 7 to 30 working days.

Know the deposit protection scheme

Endeavors towards Public Awareness

What is Deposit Protection?

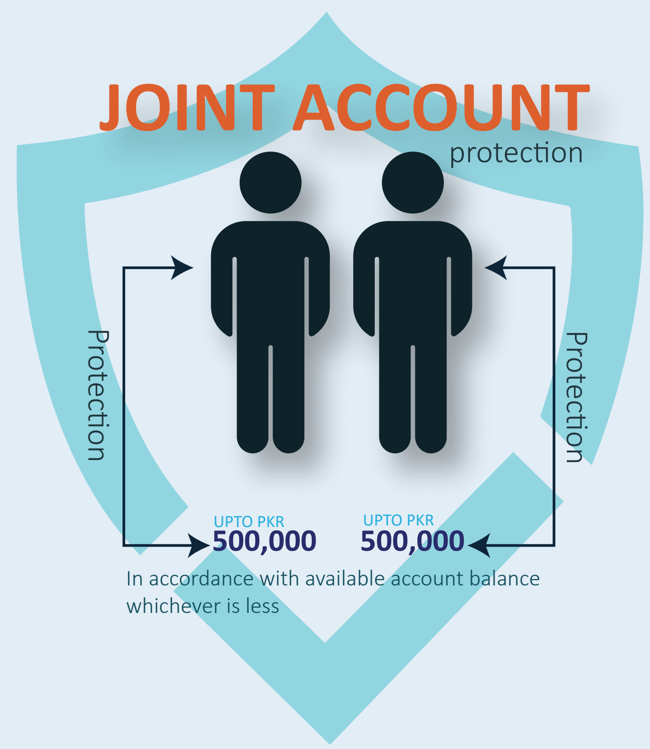
Deposit Protection is a system established to protect the deposits of eligible depositors up to a specified limit in the event of a bank being declared as a failed bank by State Bank of Pakistan (SBP).

What is the protected amount determined by DPC for the protection of eligible depositors?

Presently, a protected amount of up to PKR 500,000/- per depositor per bank has been determined by DPC for the protection of eligible depositors.

How do I know if my bank is a member bank of DPC or Not?

Presently all scheduled banks operating in Pakistan are members of DPC. This list is also available at DPC's website: http://www.dpc.org.pk/Circulars/2020/CL1-Annex-A.pdf



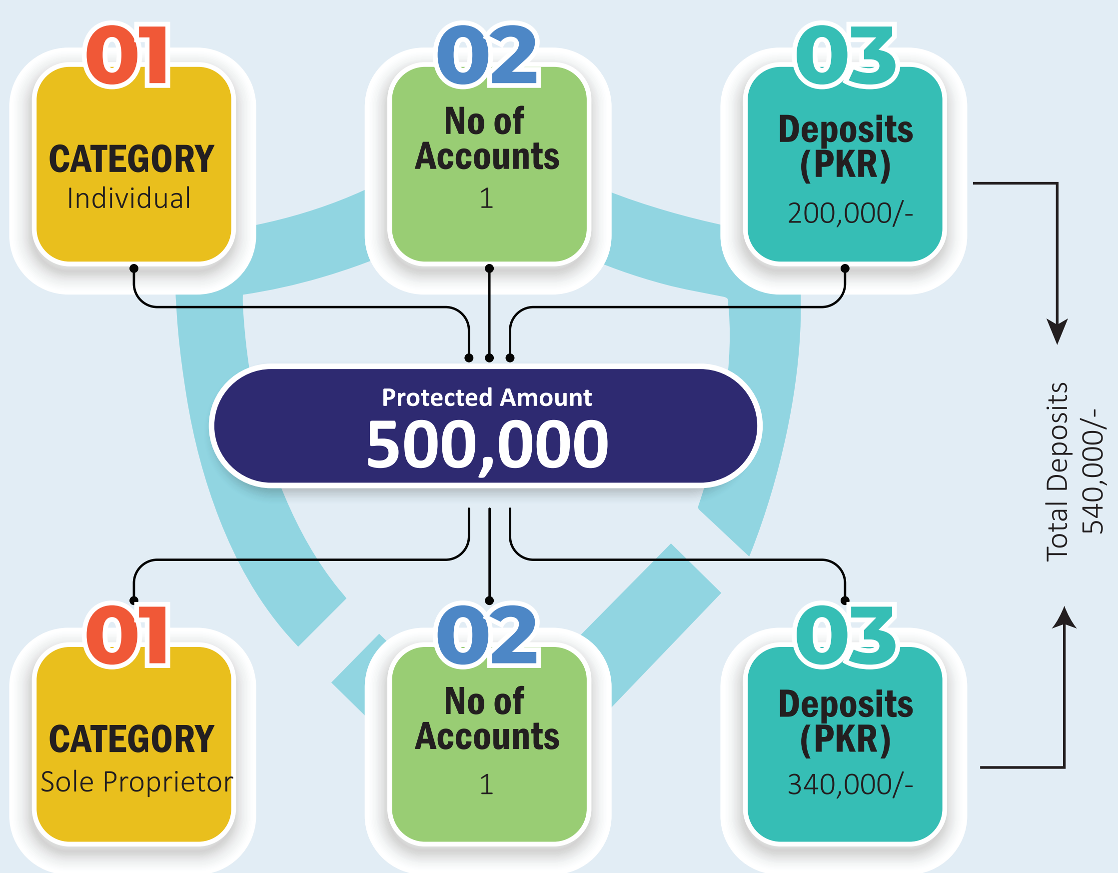
I have a joint account with my partner in a bank. Does each of us enjoy separate deposit protection by DPC in case of bank failure?

Yes, each eligible depositor of a joint account enjoys separate protection by DPC. However, any pre-defined share or proportionate share of each depositor in a joint account shall add up to his/ her other deposit balances in the same bank for the purpose of calculating the protected amount for reimbursement to that depositor.

Calculation of Protected Amount - Two accounts in the same bank

I have two accounts in the same bank, one as an individual and other as a Sole Proprietor. Does DPC provide separate protection to both accounts at the time of bank failure?

DPC does not provide separate protection to persons having accounts as an individual and a Sole Proprietor in the same bank. The calculation of protected amount for such depositors is depicted below:



How DPC would assess the protected amount for different categories of eligible depositors?

The protected amount would be assessed against all deposits of a single depositor held with a failed bank on the date of notification by the State Bank of Pakistan.

The following table clarifies the process of evaluating guaranteed amount for different categories of depositors:

Depositors	Category	No of Acounts in same bank	Total Deposits (PKR)	Protected Amount (PKR)
Mr. XYZ Khan	Individual & Sole Proprietor	3	600,000	500,000
Ms. ABC Bibi	Individual	1	300,000	300,000
Mr. RAZ	Sole Proprietor	4	1,000,000	500,000
ABC Consultancy Ltd	Partnership Firm	2	700,000	500,000
WBC Builders	Partnership Firm	3	1,500,000	500,000
MNP Fitness Club	Sole Proprietor	6	1,000,000	500,000
SINCOS Foundation	Trust	1	200,000	200,000
TANG-ONN	Other (Adventure Club)	1	100,000	100,000

Capacity Building

Crisis Simulation Exercises

The bank resolution regime in Pakistan is being further strengthened by inclusion of additional triggers, powers, and tools, making it crucial for SBP and DPC to equip their teams with the necessary skills to confidently navigate through any financial crisis. In this regard, SBP has undertaken a proactive approach to establish policies that aim to identify and mitigate various crisis scenarios. However, these policies and procedures need to be tested to assess their relevance and effectiveness through simulation exercises replicating the crises. These exercises serve as a litmus test for crisis management capabilities, enabling recalibration and refinement based on outcomes.

Simulating financial crises involves a comprehensive assessment of preparedness and robustness of the financial safety net in the face of potential crises, particularly the institutions with systemic implications.

In pursuit of this objective, SBP conducted a couple of simulation exercises during the year to assess the efficacy of its crisis management plans and procedures that are currently in place. As a financial safety net partner, team DPC also participated actively in these simulation exercises, which also provided a valuable platform to learn and contribute to the planning and execution of crisis management strategies. These exercises not only tested the relevance and efficacy of the various design features of its deposit protection mechanism but also highlighted the significance of the evolving role of DPC in supporting bank resolution, in addition to reimbursing the depositors of failed member institutions.

The initial exercise, facilitated by the Toronto Centre, unfolded in two distinct phases: the capacity-building stage, in which participants were briefed with the theoretical underpinnings of resolution and bank failure management practices, followed by well-designed hypothetical crisis scenarios. Teams from SBP and DPC were required to respond to stress scenarios involving macroeconomic challenges and various small and systemic bank failures.

The second simulation exercise was conducted by the World Bank, to assess the practical readiness of the established bank resolution mechanisms. This simulation enlisted the collaborative efforts of the SBP, DPC, and SBP-BSC teams in addressing a systemic crisis scenario.

a) Course on Financial Crisis Management from Toronto Centre

Teams from SBP and DPC participated in the crisis simulation exercise facilitated by the Toronto Centre (TC), scheduled from 29th November to 8th December 2022. It was an extensive 8-day demonstration; comprising presentations, group activities, panel discussions, and simulation exercises. The TC provided a standardized simulation exercise covering the roles of the Supervisory Authority, Resolution Authority, Central Bank, Deposit Insurance Agency, and cross-border linkages.

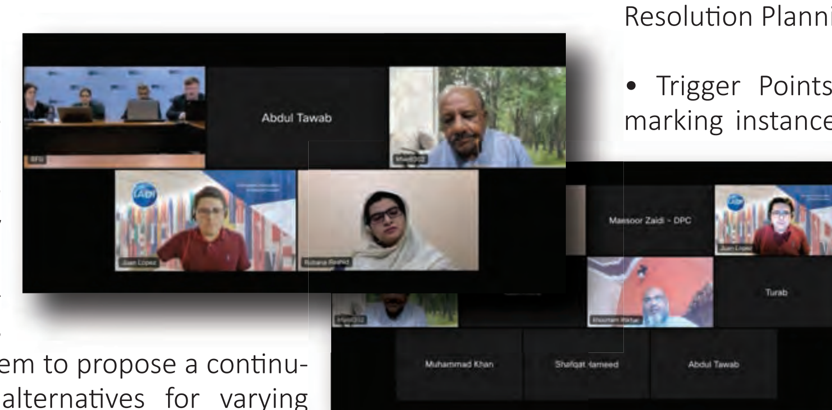
The simulation was designed around the scenario of successive bank failures in a very short span. In this hypothetical setting the responsible authorities were tasked to grant Emergency Liquidity Assistance (ELA), use Deposit Insurance Fund (DIF), conduct systemic assessments, and engage in cross-border arrangements.

The participants were required to propose workable resolution options for small, systemic, and banks with cross-border linkages. For the simulation exercise, participants were divided into two groups, and each group was further bifurcated into a central bank and supervisory teams. The central bank teams within both groups had the responsibility to conduct comprehensive assessments of the systemic impact emanating from the failing member institutions and enacting decisions of the allocation of central bank instruments, based on the systemic assessments of member institutions. On the other hand, the supervisory teams of each group carried out supervisory evaluations of the member institutions, made critical resolution decisions about the failing member institutions, cross-border coordination on resolution decision-making and managed deposit insurance arrangements.

b) Custom-built Crisis Simulation Exercise by the World Bank

The State Bank of Pakistan conducted another financial Crisis Simulation Exercise [CSE] under the guidance of the World Bank in March 2023. This exercise was based on customized scenarios relevant to the dynamics and regulatory framework of Pakistan's existing banking industry. The exercise was a full-day event and involved participants from SBP and DPC. At its core, the CSE was aimed to assess the decision-making, coordination, and seamless communication amongst the supervisory and resolution authorities and deposit insurer in a rapidly escalating crisis in the context of systemic bank failure.

This exercise was designed to test primarily the effects of coordination framework on decision-making, mechanism of information sharing amongst the players, assessment of systemic risks and above all managing external communication and handle the press. Throughout the simulation exercise, participants were exposed to variety of challenges and immersed into complex decisions making, enabling them to propose a continuum of resolution alternatives for varying types of banks, encompassing small institutions, systemic banks, and those interconnected across borders.



This simulation exercise marked a significant attempt at improving preparedness and refining the crisis management framework for both teams from SBP & DPC. It dipped participants in a dynamic environment, fostering collaboration between central bank and supervisory teams and equipping them to adeptly steer multifaceted crisis scenarios.

Peer Assistance Sessions with Bankowy Fundusz Gwarancyjny (BFG) - Poland

In view of the enhancement of the Corporation's mandate from "pay-box" only to "pay-box plus", DPC engaged in online Peer Assistance (PA) sessions with the Bank Guarantee Fund (BFG), Poland. The collaborative sessions were carried out in November 2022 and were facilitated by the Training and Capacity Building Unit (TCBU) of the International Association of Deposit Insurers (IADI).

The sessions delved into fundamental areas of acquainting participants with the concepts and the dynamics of interaction with the resolution authority in the backdrop of bank resolution. Team BFG provided comprehensive insights into their resolution planning strategies, fund allocation, and arrangement in bank resolution.

The areas covered under this assistance program were:

- Legal Framework and General understanding of Resolution Planning
- Trigger Points for Bank Resolution, marking instances when the resolution authority intervenes to resolve a failing member institution;
- The set of tools available for bank resolution and challenges in resolving a non-viable institution;
- The Role of Deposit Guarantee Fund in Depositor Reimbursement and Bank Resolution;
- The prerequisites and conditions governing the utilization of the resolution fund.

These insightful PA sessions not only expanded the understanding of DPC team members of the critical aspects of bank resolution but also contributed to traversing towards the enhanced mandate of the Corporation.

Technical Assistance Session on Bank Resolution Framework with Instituto para la Protección al Ahorro Bancario (IPAB) - Mexico

With the proposed enhancements, the role and responsibilities of SBP as a resolution authority is expected to significantly change in accordance with the structural amendments proposed in the Banking Companies Ordinance, 1962, and Deposit Protection Corporation Act, 2016. These enhancements encompass a broader array of resolution tools and expanded powers for the SBP.

To further strengthen the SBP team's understanding and utilization of resolution tools, DPC arranged a learning session with IPAB-Mexico. The primary objective of this session was to benefit from the experience of IPAB-Mexico – which operates as a loss minimizer' in their jurisdiction – and delve into the details of resolution plans, including their contents, the frequency of development, and the criteria used for selecting banks for such plans.

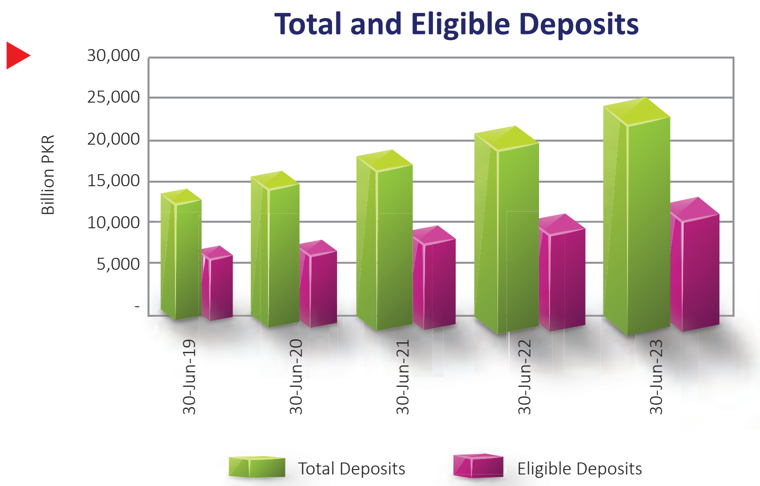
During the session, participants from the SBP and DPC teams, and IPAB representatives engaged in in-depth discussions about essential aspects of policy formulation, resolution planning, and execution of resolution actions. Given IPAB's extensive experience in dealing with numerous bank failures over the years, the SBP and DPC team was keen on acquiring practical insights into resolution planning and the implementation of various resolution tools.

Deposits, Premium & Coverage

Deposits with DPC Member Banks

Deposits with DPC's member banks continued to grow in FY 2023 and jumped to an all-time high of PKR 25.6 trillion by the end of June 2023. Correspondingly, the volume of eligible deposits recorded a net increase of PKR 1.8 trillion during the same period and stood at PKR 14 trillion by the end of June 2023. However, the YoY trend revealed a slowdown in the pace of deposits mobilization during FY 2023 as compared to FY 2022. The growth of deposits decelerated to 12 percent during FY 2023 from 15 percent witnessed during the previous year.

Figure 1



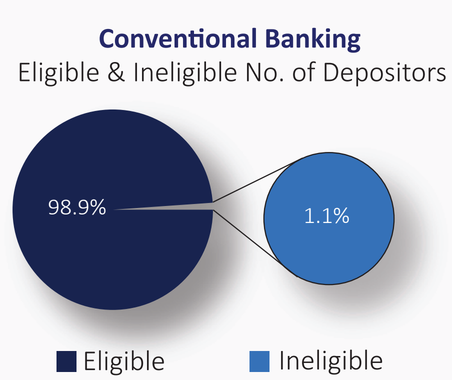
The increase in total deposits can be attributed to factors such as the higher rate of return offered in the wake of a tighter monetary policy stance and the expansion of banks' branch network. While the deceleration of deposit mobilization may be accredited to macroeconomic uncertainty, including inflationary pressures, a slowdown in the inflow of foreign remittances by Pakistani diaspora could be another factor for the deposit deceleration.

Figure 1 reflects the trend of Total and Eligible deposits with DPC member banks.

Eligible and Protected Deposits

As of June 30, 2023, 98.9 percent of total depositors of conventional banking and 98.7 percent of total depositors of Islamic banking are eligible for deposit protection in case of a bank failure (**Figure 2 and 3**). While in terms of value, 52 percent of conventional banking and 63 percent of Islamic banking deposits are eligible for deposit protection (**Figure 4 and 5**).

Figure 2



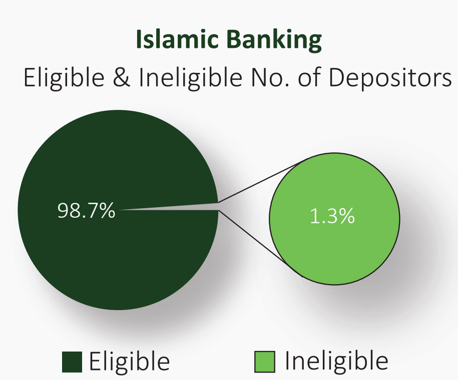


Figure 3

The percentage of eligible depositors in both conventional and Islamic banking institutions shows distribution of deposits in Pakistan's banking industry, where large amounts of deposits are being held by fewer depositors. Moreover, the number of eligible depositors considered together with the value of eligible deposits reflects our standing with the accepted principle for deposit insurance that call for providing protection to the majority of depositor while leaving a significant amount of deposits exposed to market discipline. This also exhibits the fact that the coverage of our deposit protection mechanism is more centered towards smaller and financially unsophisticated depositors.

Of the eligible deposits, based on data as of June 30, 2023, 13 percent and 10 percent of conventional and Islamic banking deposits, respectively are fully protected. Such depositors have outstanding balances less than or equal to the coverage amount of up to PKR 500,000 and maybe reimbursed their full deposits from DPC in case of bank failure.

In terms of numbers, 95.5 percent of conventional banking eligible depositors are fully protected while 91.9 percent of Islamic banking eligible depositors are fully protected. The rest of the depositors are also covered up to PKR 500,000, but their outstanding balances are more than PKR 500,000 (**Figure 6 and Figure 7**).

Figure 4

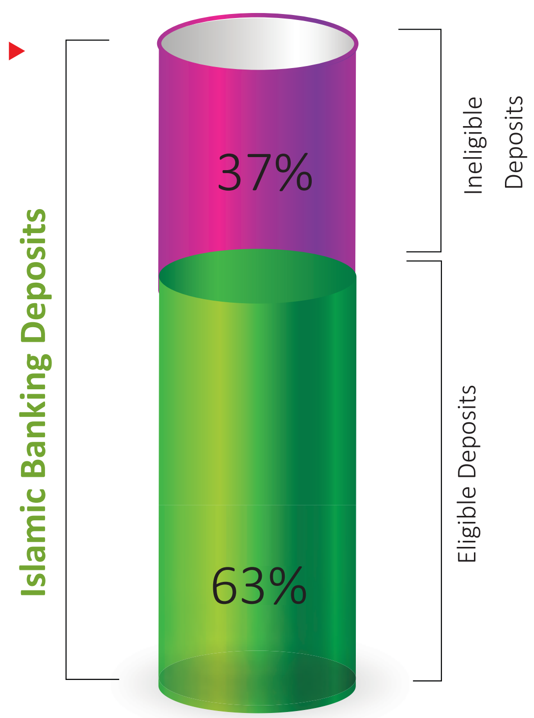
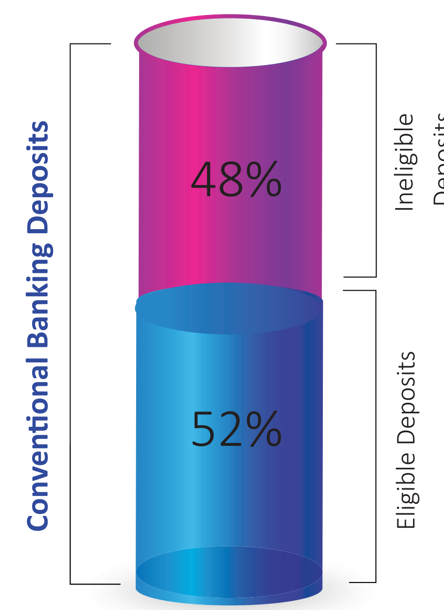


Figure 5



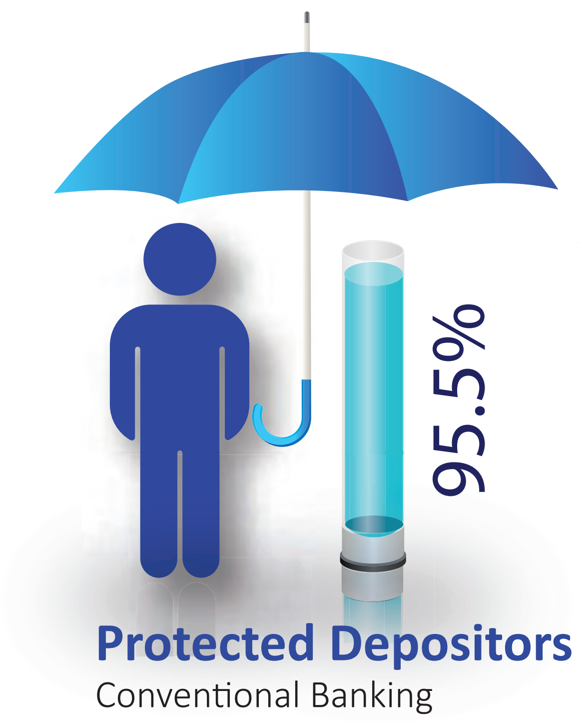


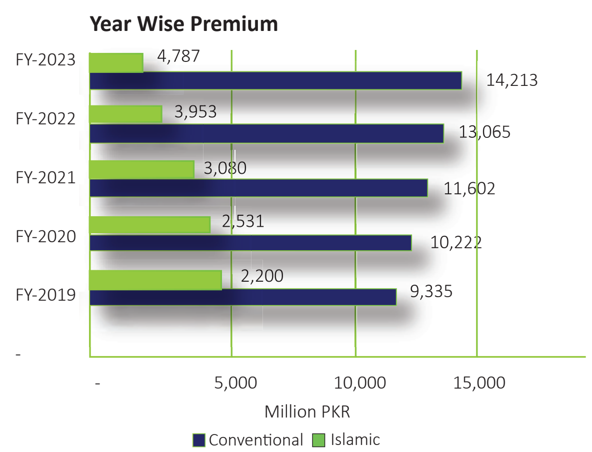
Figure 6

Figure 7

Premium Collection from Member Banks

As the premium charged to banks by DPC is linked to their total eligible deposits, the increase in premium collection directly corresponds to the increase in such deposits at the member banks. Further, as the conventional banking has a lion's share in the overall deposits, their proportional contribution to the premium is much larger than those of Islamic Banking Institutions (IBIs). However, as the growth in Islamic banking is at a higher pace than conventional banking, the premium collection from IBIs witnessed higher corresponding increase than the premium collection from conventional banks (**Figure 8**).

Figure 8



Strategic Plan of DPC

"Deposit Protection Corporation: Safeguarding Depositors' Trust"

Being an important constituent of financial safety net for the depositors of banking sector, the Deposit Protection Corporation recognizes that its strategic direction is fundamental to navigate its way towards its mission.

During the year, the Corporation has adopted a five-year Strategic Plan, spanning over 2023 to 2028. The Plan sets a roadmap that guides Corporation's actions and strategies over the period of five years to better set priorities, commit energy and resources and to direct all employees' orientation towards common goals.

An appealing tagline, 'Safeguarding Depositors' Trust', has been adopted through this Strategic Plan to truly reflect the intent and mandate of the Corporation. It would repose more confidence amongst all stakeholders and would utter our core mandate in one solid line.

Tagline

- "Safeguarding Depositors' Trust"

In terms of this plan, DPC requires reliable payment plans for efficient compensation to the protected depositors, availability of required IT and human resources, effective inter-agency cooperation with other safety net participants and adequate financial resources.

The enhancement of the mandate of the Corporation from "pay box" to "pay box plus" is also under consideration through appropriate amendments in its statute. The enhanced mandate would require to setup a framework for resolution support along-with development of ancillary policies. Further, the Corporation also endeavors to leverage technological and digital advancements to communicate with depositors, payout compensation to them at the time of bank failure(s) and transform critical business processes to produce more efficacy. The Corporation also desires to become a robust safety-net participant in order to instill confidence in depositors and general public on the country's banking system.

All these actions are intrinsic to DPC's Strategic Plan 2023-28 that are anchored on six strategic goals and supported by tactical objectives and numerous action plans and initiatives.

The Board and Management of the Corporation are committed and keen to implement the Strategic Plan within specified timelines to achieve the envisioned strategic outcomes.

Strategic Goals	Tactical Objectives
Strengthen the Framework for Protection of Depositors	■ Assessment of existing deposit protection framework in line with Core Principles of IADI. ■ Evaluate the fixed rate premium calculation methodology vis a vis risk based differ ential premium rate method. ■ Assessment of the ability to respond to the risk of actual bank failures . ■ Determination of Target fund size and its periodicity of review. ■ Develop roadmap and arrangement of required resources for efficient reimbursement. ■ Development of reliable payment plans for the efficient compensation to the protected depositors of failed member institution(s) .
To Strategize developments for the Corporation in order to make it more effective and efficient	■ Develop Technological Advancements for the bank's depositors pertaining to their protected amount information and submission of claims. ■ Transform the critical business processes of the Corporation to produce more efficacy. ■ Implement Enterprise Risk Management Framework in the Corporation more effectively.
Strengthen the interagency cooperation with other safety-net participants	■ Development of a framework for coordination of activities like information sharing, crises management and resource sharing.
Protected Depositors are Protected from losses by ensuring adequate financing sources	■ To ensure sufficiency in Corporation's resources during payout to depositors.
Enhancement of DPC's Mandate and Powers to boost its role in ensuring financial stability	■ Enhancement of the Corporation's mandate to pay-box plus and broadening its scope for ensuring financial stability (TO-1)
Promoting Deposit Protection Corporation as a well-known safety-net participant among Depositors and General Public)	■ To educate the public about deposit protection in order to instill confidence on banking system

RISK
Governance and Management

Deposit Protection Corporation (DPC) acknowledges that establishing a strong enterprise risk management function is essential to keep pace with evolving dynamics. A proficient risk management program and a sound system of internal controls play pivotal role in day-to-day operations and strategic decision making process. Risk Management drives the identification and implementation of strategic and annual business planning exercises. The Board and Management ensure that Enterprise Risk Management (ERM) framework is embedded into DPC's culture, processes and structures.

The ERM Framework implemented at DPC is aligned with the risk management framework of its parent entity, i.e. State Bank of Pakistan (SBP). The Corporation's spectrum of risk is organized according to the classification outlines in the risk library. These risks are ranked based on their severity and probability, and the findings are communicated to both the Management and Board Committees on Enterprise Risk Management of SBP. Additionally, the DPC's Board is kept abreast of the risk evaluation outcomes as well as any suggestions from SBP regarding risk reduction strategies. The risk universe filtered on the basis of residual risk score, risk appetite level, risk response and overall risk category is presented to DPC's Board through visualization tools like risk heat map. During the year, the DPC's Board reviewed the risk inventory and approved the risk mitigation plans along-with timelines.

The mandate of the Corporation is limited to the 'Pay-box' under which the Corporation is only responsible for the reimbursement of protected deposits (i.e. up to PKR 500,000/- per depositor per bank) in the event of failure of a member institution as notified by SBP. At DPC, the Enterprise Risk Management Department (ERMD), under the guidance of Risk Management Committees, is responsible for designing the risk assessment policies, processes and procedures in a way that can identify all those risks stemming from its activities that can influence the organizational capacity in fulfilling its mandate. Some of the key risk areas includes following;

- Timely availability of sufficient funds,
- Ensuring zero tolerance level in accuracy of Single Depositor View Database,
- Effective coordination arrangement with the banking supervisor; and
- Implementing most efficient procedures for reimbursement to the protected depositors, keeping in view the statutory timelines.

To promote effective risk management, all departments of the Corporation are involved in the risk identification and assessment process as per the assigned responsibilities and tasks. A particular exercise with special focus on the strategic risk identification and assessment is carried at the management level on periodic basis. Thus, it is ensured that risks are catered using both bottom-up and top-down approaches. Three lines of defense model is the control system adopted by DPC to ensure that risks are managed effectively as depicted below;

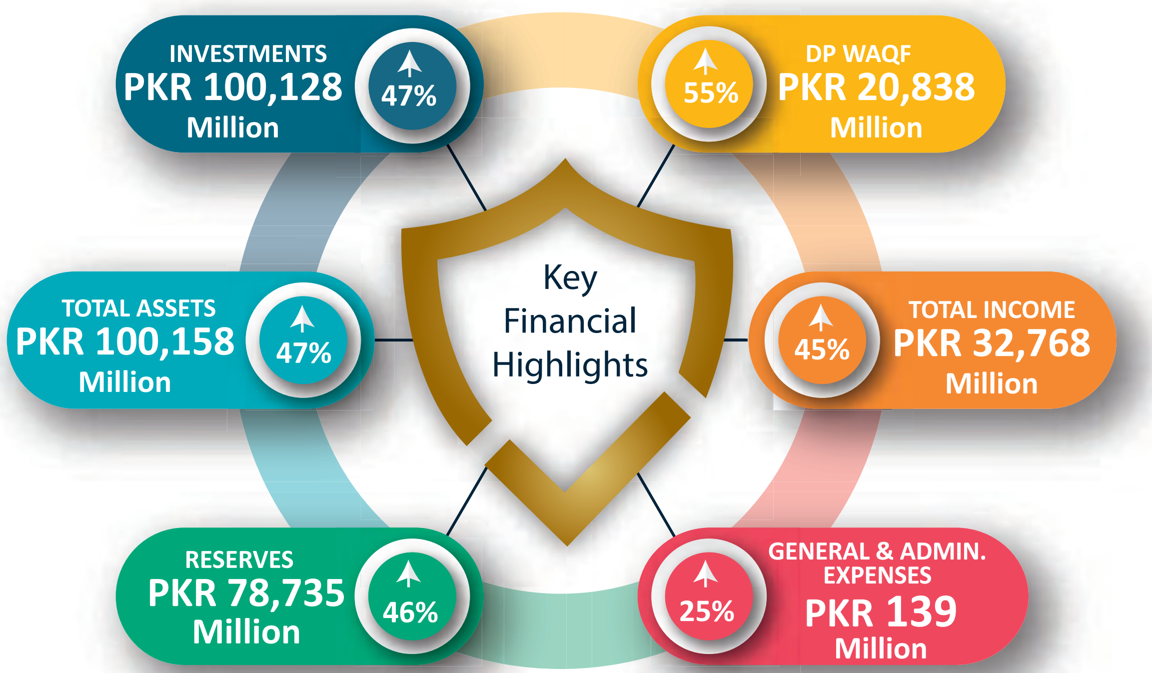
Each department has the main duty of finding and evaluating the risks that affect them, while ERMD supports them as a second line of defense and ensures that risk management is done properly and consistently across the Corporation. By using the 'Risk Control Self-Assessment' techniques and working with ERMD, departments can identify their risks and implement suitable controls. These controls are reviewed and agreed upon regularly. Risk controls are used to reduce the quantum of risks that exceed the Corporation's risk appetite based on the risk thresholds levels established in its risk management framework. Among risks in the risk library under the ERM framework, one of the classifications is for the financial risks that mainly includes those pertaining to liquidity, market and credit exposures. The financial risk management policy seeks to ensure that the Corporation has adequate financial resources available for running its operations and to meet its commitments in case of any possible payout event. DPC manages the investment portfolio under the investment policy and within guidelines that are approved by the Board and Management Investment Committee, respectively. One of the objectives of the investment policy is to manage the available funds in a prudent manner while maintaining an equilibrium between returns, liquidity and risks in order to maximize the fund size. To ensure that DPC takes into account any material exposure concentrations wherever they might arise, limits are set at a number of levels, such as individual transaction, investment instrument(s), tenor, counterparty, liquidity in the market and so on. The Corporation's investment policy stipulates to mainly invest in securities that the Government issues or guarantees for its Conventional and Islamic funds, so there is zero default risk and investments are highly liquid.

The financial risk at granular level also stems from the changes in interest rates that expose the Corporation to interest rate risk. The Corporation's main source of interest rate risk is its investment in Pakistan Investment Bonds and *Shariah Based Ijara Sukuks*. The management estimates indicate that for a 100 basis points rise/fall in the interest rate, assuming all other factors remains constant, the Corporation's revaluation account would fall/rise by PKR 628 million.

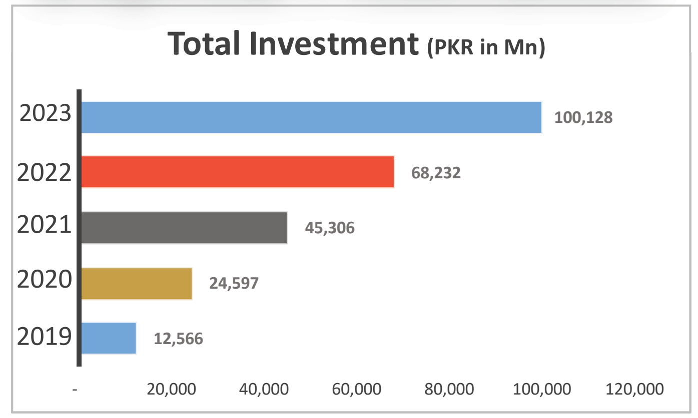
Internal Audit at DPC

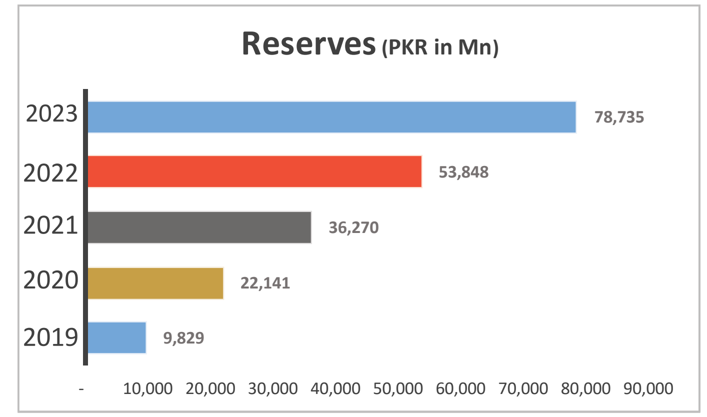
The Internal Audit is an independent and reliable function that acts as the third line of defense for the Corporation and supports its overall risk management structure. The Internal Audit & Compliance Department of SBP, which has no managerial duties for the activities it audits and directly reports to the Corporation's Board and SBP's Board of Directors, currently conducts the Corporation's internal audit. The purpose of internal audit is to evaluate and validate the adequacy, effectiveness and proper functioning of the Corporation's risk management, control and governance systems. It also assesses the implementation and efficacy of deposit protection framework, risk management practices and risk analysis methods across various operations and functions within the Corporation.

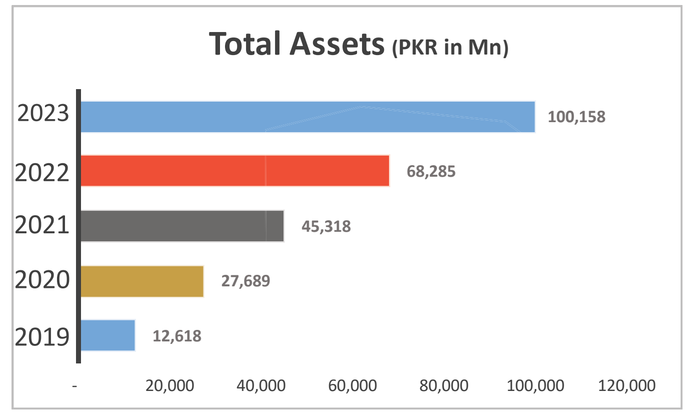
Key Financial Highlights

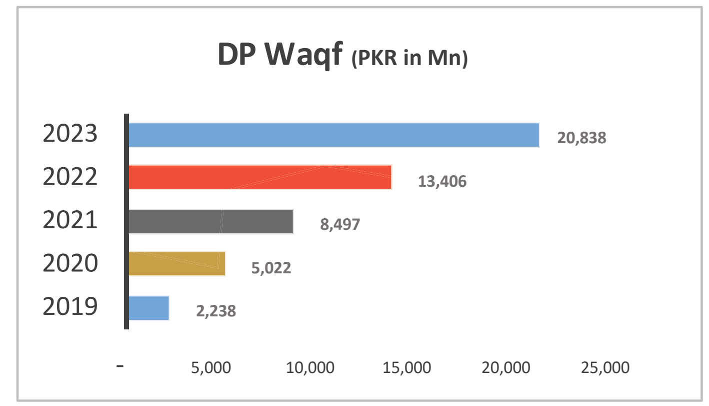


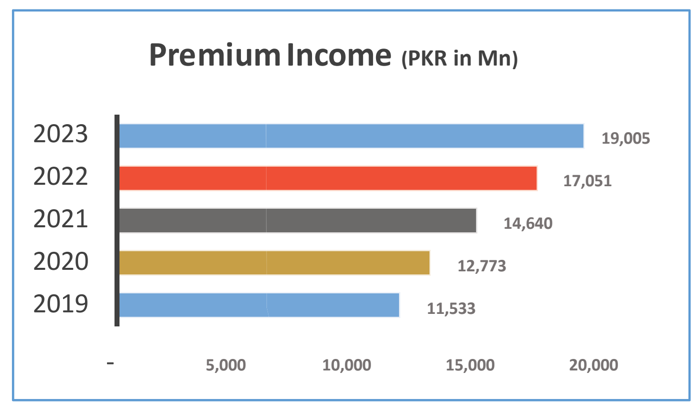
Graphical Presentation

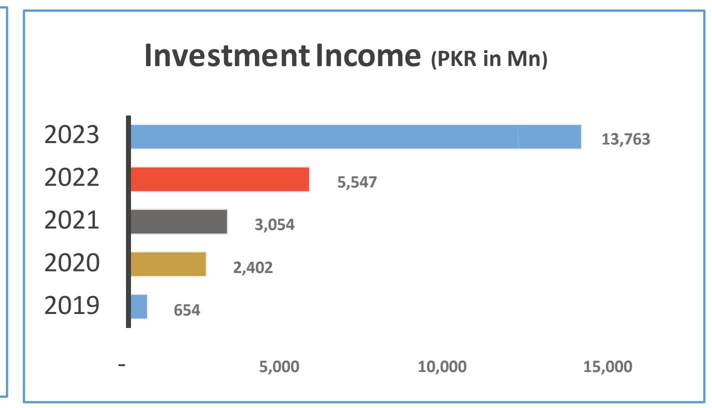


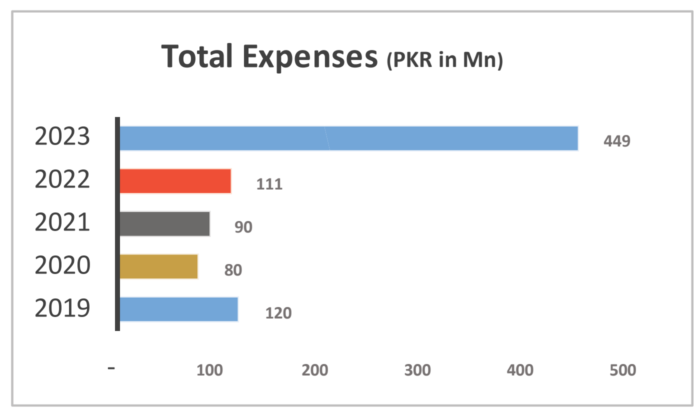


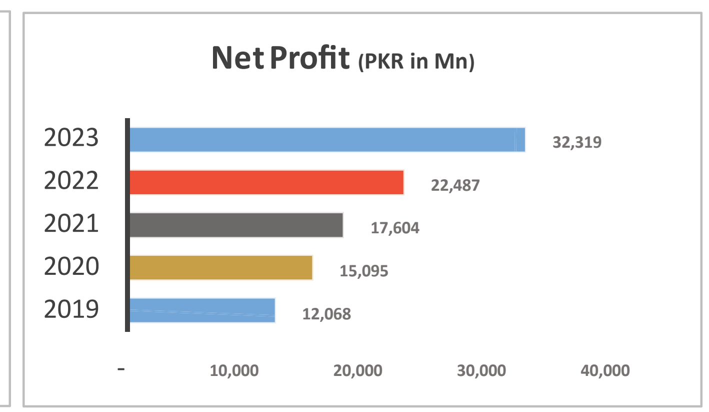












Five Years' Vertical Analysis

Statement of Financial Position

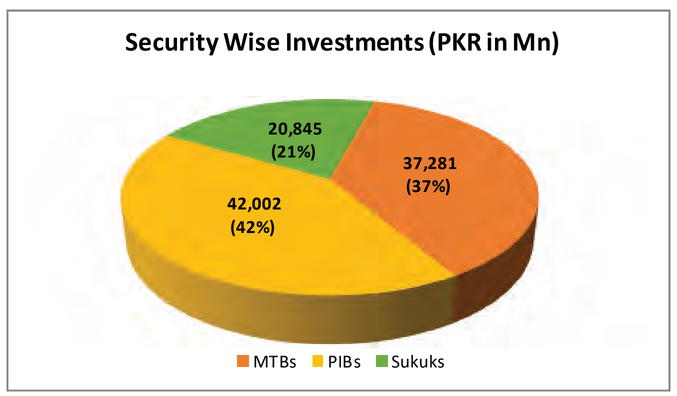
Amount in PKR Million

Assets	2023		2022		2021		2020		2019	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Cash and cash equivalents	6	0.01%	3	0.00%	3	0.01%	3,066	11.07%	48	0.38%
Investment securities	100,128	99.97%	68,232	99.92%	45,306	99.97%	24,597	88.84%	12,566	99.59%
Fixed assets	6	0.01%	7	0.01%	5	0.01%	3	0.01%	4	0.03%
Prepayments and other receivables	18	0.01%	44	0.07%	4	0.01%	23	0.08%	0	0.00%
Total Assets	**100,158**	**100.00%**	**68,286**	**100.00%**	**45,318**	**100.00%**	**27,689**	**100.00%**	**12,618**	**100.00%**
Liabilities										
Payable to SBP	40	0.04%	45	0.07%	26	0.06%	24	0.09%	47	0.37%
Payable to Protected Depositors	41	0.04%	-	-	-	-	-	-	-	-
Other liabilities	4	0.00%	487	0.71%	25	0.05%	2	0.00%	3	0.02%
Total Liabilities	85	0.08%	532	0.78%	51	0.11%	26	0.09%	50	0.39%
Net Assets	**100,073**	**99.92%**	**67,754**	**99.22%**	**45,267**	**99.89%**	**27,663**	**99.91%**	**12,568**	**99.61%**
Represented By:										
Share capital	500	0.50%	500	0.73%	500	1.10%	500	1.81%	500	3.98%
Reserves	78,735	78.61%	53,848	78.86%	36,270	80.03%	22,141	79.96%	9,830	78.21%
DP Waqf	20,838	20.81%	13,406	19.63%	8,497	18.75%	5,022	18.14%	2,238	17.81%
Total Equity	**100,073**	**99.92%**	**67,754**	**99.22%**	**45,267**	**99.89%**	**27,663**	**99.91%**	**12,568**	**99.61%**

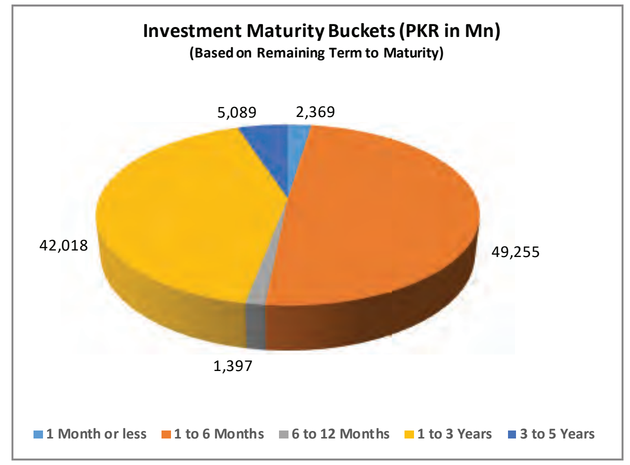
Note: For Vertical Analysis, percentages have been calculated based on total assets.

The total assets of the Corporation witnessed a remarkable growth over the last five years and stood at PKR 100,158 million as of June 30, 2023. The investments, a major asset of the Corporation, recorded a manifold growth over five years and closed at PKR 100,128 million from PKR 12,566 million in 2019. This can be attributed to a number of factors, including steady increase in premium income, resulting from increase in deposits of the banking industry, prudent and efficient management of funds and favourable yields on the government securities due to tighter monetary policy stance.

The highly liquid investment portfolio comprises of treasury securities of various tenors: short-term, i.e.



MTBs to the tune of PKR 37,281 million, while medium and long term segments, viz., Pakistan Investment Bonds (PIBs) of PKR 42,002 million and Sukuk of PKR



20,845 million. These amounts also include accrued returns thereon.

The predominant current liability on the Corporation's balance sheet is the outstanding obligation towards protected depositors of SME Bank, amounting to PKR 41 million. The bank was declared as a failed institution on May 10, 2023 by the State Bank of Pakistan. A sum of PKR 40 million represents the outstanding payment owed to the State Bank of Pakistan in respect of reimbursement against various expenses.

Net assets of the Corporation, at the close of fiscal year 2023 stood at PKR 100,073 million compared to PKR 67,754 million last year, depicting an increase of 48 percent due to steady increase in premium collections and significant increase in income on investments.

The equity includes PKR 500.0 million of paid-up capital from the State Bank of Pakistan (SBP), PKR 78,735 million accumulated profits from conventional banking operations, and PKR 20,838 million accumulated funds under DP Waqf.

Statement of Profit and Loss

Amount in PKR Million

Head of Account	2023		2022		2021		2020		2019	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Income from premium contribution	19,005	58.00%	17,051	75.45%	14,640	82.74%	12,773	84.17%	11,533	94.63%
Investment income and profit on deposits	13,763	42.00%	5,547	24.55%	3,054	17.26%	2,402	15.83%	654	5.37%
Total income	**32,768**	**100.00%**	**22,598**	**100.00%**	**17,694**	**100.00%**	**15,175**	**100.00%**	**12,187**	**100.00%**
General & Administrative Expenses	(139)	(0.42%)	(111)	(0.49%)	(90)	(0.51%)	(80)	(0.53%)	(120)	(0.98%)
Provision against reimbursement claims	(310)	(0.95%)	-	-	-	-	-	-	-	-
Total Expenses	**(449)**	**(1.37%)**	**(111)**	**(0.49%)**	**(90)**	**(0.51%)**	**(80)**	**(0.53%)**	**(120)**	**(0.98%)**
Net Profit	**32,319**	**98.63%**	**22,487**	**99.51%**	**17,604**	**99.49%**	**15,095**	**99.47%**	**12,067**	**99.02%**

Note: For Vertical Analysis, percentages have been calculated based on total income which is the sum of income from premium contribution, investment income and profit on deposits.

Over the past five-year period, income from premium contribution has progressively increased. Starting at PKR 11,533 million in 2019, it grew to PKR 19,005 million in 2023. On year on year basis, the income from premium contribution increased by 11%.

Investment income and profit on deposits have also shown significant growth during the five-year period. In 2023, the income from this source reached PKR 13,763 million, marking 148 percent increase from the previous year. This substantial growth indicates active management of investment in the government securities as per approved investment policy and likely favorable market conditions that contributed to the financial strength of the Corporation.

The total expenditure of the Corporation in 2023 is PKR 449 million. This represents a growth of over 305 percent from 2022. This significant increase in expenditures emanated from an extraordinary outlay of PKR 310 million for the provision against reimbursement of claims from SME Bank. Over the years, the general and administrative expenses have been relatively low depicting an overall operational efficiency of the Corporation.

The net profits have consistently increased over the five-year period. Starting at PKR 12,067 million in 2019, it reached PKR 32,319 million in 2023 showing a YoY increase of 44 percent in 2023. This reflects a positive growth trend, with significant increases in both premium contributions and income on investments. These trends demonstrate the Corporation's effective management and its commitment to accumulate credible pool of funds to fulfill its crucial mandate of protecting depositors' money and contributing to the stability of the banking system.

DEPOSIT PROTECTION CORPORATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Independent Auditor's Report
To the Board of Directors of Deposit Protection Corporation
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Deposit Protection Corporation (the Corporation), which comprise the statement of financial position as at June 30, 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and fund, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at June 30, 2023 and of its financial performance and its cash flows for the year then ended in accordance with approved accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with the 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 Corporation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor’s Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is 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 the 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 Corporation’s internal control.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness on the management’s use of 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 Corporation’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Corporation 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.

Crowe Hussain Chaudhury & Co.
Chartered Accountants

Engagement Partner: Najeeb Moochhala

Karachi

UDIN: AR202310207w2HzuavcS

DEPOSIT PROTECTION CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	Note	2023	2022
		------------(Rupees in '000)------------	
Assets			
Cash and cash equivalents	5	**6,049**	2,866
Investment in securities	6	**100,128,011**	68,231,599
Fixed assets	7	**5,906**	6,640
Prepayments and other receivables	8	**17,699**	44,465
Total assets		**100,157,665**	68,285,570
Liabilities			
Payable to State Bank of Pakistan	9	**39,625**	45,048
Payable to Protected Depositors	10	**41,320**	-
Other liabilities	11	**4,134**	486,810
		85,079	531,858
Net assets		**100,072,586**	67,753,712
Equity and Fund			
Share capital	12	**500,000**	500,000
Reserves	13	**78,735,116**	53,847,626
		79,235,116	54,347,626
DP Waqf	14	**20,837,470**	13,406,086
Total		**100,072,586**	67,753,712
Contingencies and commitments	15		

The annexed notes from 1 to 26 form an integral part of these financial statements.

Dr. Inayat Hussain
Board Chairman

Muhammad Akmal
Managing Director

DEPOSIT PROTECTION CORPORATION

STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023	2022
		------------(Rupees in '000)------------	
Income from premium contribution	*16*	**19,005,538**	17,050,683
Investment income and profit on deposits	*17*	**13,762,780**	5,547,142
Total income		**32,768,318**	22,597,825
General and administrative expenses	*18*	**(138,882)**	(110,918)
Provision against reimbursement claims	*19*	**(310,562)**	-
Total Expenses		**(449,444)**	**(110,918)**
Net profit for the year		**32,318,874**	22,486,907
Other comprehensive income		**-**	-
Total comprehensive income for the year		**32,318,874**	22,486,907

The annexed notes from 1 to 26 form an integral part of these financial statements.

Dr. Inayat Hussain
Board Chairman

Muhammad Akmal
Managing Director

DEPOSIT PROTECTION CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023	2022
		------------(Rupees in '000)------------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		**32,318,874**	22,486,907
Adjustments for:			
Depreciation	*7*	1,856	1,594
Fixed Assets and others		-	582
Profit for the year after non-cash and other items		32,320,730	22,489,083
(Increase) / decrease in assets:			
Pre-payments and other receivables	*8*	**26,766**	(40,671)
Increase / (decrease) in liabilities:			
Payable to State Bank of Pakistan		**(5,423)**	18,949
Payable to Protected Depositors	*10*	**41,320**	-
Other liabilities		**(482,676)**	462,023
Net cash generated from operating activities		**31,900,717**	22,929,384
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Investments made during the year		**(31,896,412)**	(22,925,306)
Additions to fixed assets		**(1,122)**	(3,895)
Net cash used in investing activities		**(31,897,534)**	(22,929,201)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from State Bank of Pakistan		**-**	-
Net cash flow from financing activities		**-**	-
Increase/(decrease) in cash and cash equivalents during the year		**3,183**	183
Cash and cash equivalents at beginning of the year		**2,866**	2,683
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	*5*	**6,049**	2,866

The annexed notes from 1 to 26 form an integral part of these financial statements.

Dr. Inayat Hussain
Board Chairman

Muhammad Akmal
Managing Director

DEPOSIT PROTECTION CORPORATION
STATEMENT OF CHANGES IN EQUITY AND FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Note	Share Capital	Reserves	Sub-Total	DP Waqf	Total
		------------- (Rupees in '000) -------------				
Balance as at July 1, 2021	12	500,000	36,269,712	36,769,712	8,497,093	45,266,805
Net profit for the year	13 & 14	-	17,577,914	17,577,914	4,908,993	22,486,907
Other comprehensive income		-	-	-	-	-
		-	17,577,914	17,577,914	4,908,993	22,486,907
Balance as at June 30, 2022		**500,000**	**53,847,626**	**54,347,626**	**13,406,086**	**67,753,712**
Net profit for the year	13 & 14	-	**24,887,490**	**24,887,490**	**7,431,384**	**32,318,874**
Other comprehensive income		-	-	-	-	-
		-	**24,887,490**	**24,887,490**	**7,431,384**	**32,318,874**
Balance as at June 30, 2023		**500,000**	**78,735,116**	**79,235,116**	**20,837,470**	**100,072,586**

The annexed notes from 1 to 26 form an integral part of these financial statements.

Dr. Inayat Hussain
Board Chairman

Muhammad Akmal
Managing Director

DEPOSIT PROTECTION CORPORATION
Notes to the Financial Statements

FOR THE YEAR ENDED ON JUNE 30, 2023

1 STATUS AND NATURE OF OPERATIONS

Deposit Protection Corporation (the Corporation) was established in 2016 through an Act of Parliament named Deposit Protection Corporation Act, 2016 (the Act) for protection of small depositors in order to ensure financial stability of, and to maintain public trust in, the financial system of Pakistan. The objective of the Corporation under the Act is to compensate the small depositors for losses incurred by them to the extent of protected deposits, up to the prescribed amount i.e. Rs 500,000, on per depositor per bank basis, in the event of failure of a member institution as and when notified by the State Bank of Pakistan (SBP) under section 21(1) of the Act. The Corporation was established as a subsidiary of SBP and pursuant to section 9 of the Act, initial capital contribution of Rs. 500 million was made by SBP upon which no dividend is payable.

The Corporation is incorporated and domiciled in Pakistan and commenced its business with effect from June 01, 2018 having perpetual succession. The head office of the Corporation is located at State Bank of Pakistan Building, Bolton Market, M.A. Jinnah Road, Karachi, in the province of Sindh, Pakistan.

The Corporation provides separate Deposit Protection Mechanism (DPM) for Conventional and Islamic Banking Institutions (IBIs). Shariah compliant DPM for IBIs is approved by SBP's Shariah Advisory Committee and Corporation's Board. The statement of financial position, statement of profit or loss and statement of cash flows of Islamic operations of the Corporation are separately presented in Note 20”.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB); and

- Provisions of and directives issued by SBP.

Where provisions of and directives issued under the IFRSs differ from the provisions of and directives issued by SBP, the provisions of and directives issued by SBP have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except as disclosed otherwise.

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees (PKR), which is the Corporation's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.4 Uses of estimates and judgment

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets, liabilities, 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 recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. Judgments made by the management in the application of IFRSs and estimates that have a significant risk of material adjustment to the carrying amounts of assets and are as follows:

2.4.1 Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates may include items like considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

2.4.2 Expected credit loss allowance on financial asset

The measurement of the Expected Credit Loss allowance (ECL) for financial assets measured at amortized cost and Fair Value through Other Comprehensive Income (FVOCI) is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

2.4.3 Useful life and residual value of fixed assets

Estimates of useful life and residual value of fixed assets are based on the management's best estimate.

2.4.4 Provision against protected deposits

Estimates of the provisions or obligation arising in the event of failure of member institution(s) are accounted for in accordance with SBP's Instructions as described in note 4.7.

3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

3.1 Standards, amendments to approved accounting standards effective in current year

There were certain amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 01,2022. However, these are considered not to be relevant or to have any significant effect on the Corporation's financial reporting and operations and, therefore, have not been disclosed in these financial statements.

3.2 Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Corporation

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IAS 1 - Classification of Liabilities as Current or Non-current (Amendments)	January 1, 2024
IAS 1 - Disclosure of Accounting Policies (Amendments)	January 1, 2023
IAS 8 - Definition of Accounting Estimates (Amendments)	January 1, 2023
IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)	January 1, 2023

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Corporation and therefore, have not been presented here.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in preparation of these financial statements are set out below.

4.1 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with subsidiary of SBP which is SBP Banking Services Corporation i.e. (SBP-BSC) and Islamic Banking Institutions (IBIs). Cash equivalents are carried at amortized cost in the statement of financial position, which approximates fair value due to their short term nature.

4.2 IFRS 9 - Financial Instruments

4.2.1 Financial assets

4.2.1.1 Classification

The Corporation classifies its financial assets in the following categories: financial assets at amortized cost, financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI). The classification depends on the business model in which the financial asset is managed and its contractual cash flows. The management determines the appropriate classification of its financial assets at initial recognition and it evaluates this classification on a regular basis.

The assessment by the management is based on the facts and circumstances that existed at the date of initial application about the determination of business model within which a financial asset is held and the designation and revocation of previous designation of certain financial assets as measured at FVTPL.

The financial assets are categorized as follows:

Financial asset at amortized cost

Financial asset is held within a business model whose objective is to collect the contractual cash flows, and the contractual terms give rise to cash flows that are solely payments of principal and interest (SPPI) are classified as financial asset at amortized cost.

Financial asset at fair value through Other Comprehensive Income

Debt investment

Debt investment where the contractual cash flows are SPPI and the objective of the business model includes both by collecting contractual cash flows and selling financial assets are classified as financial asset at fair value through other comprehensive income.

Financial asset at fair value through profit or loss

Debt investment

Debt investments that do not qualify for measurement at either amortized cost or FVOCI are classified as financial asset at fair value through profit or loss.

4.2.1.2 Trade date accounting

All purchases and sales of investments that require delivery within the time frame established by the regulations or market conventions are recognized on the trade date. Trade date is the date on which the Corporation commits to purchase or sell the investments.

4.2.1.3 Initial recognition and measurement

Financial assets are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value while the related transaction costs are expensed out in profit or loss.

4.2.1.4 Subsequent measurement

Financial asset at amortized cost

Subsequent to initial recognition, financial assets classified as amortized cost are carried at amortized cost using the effective interest rate / profit method.

Gains or losses are also recognized in the statement of profit or loss when financial assets carried at amortized cost are derecognized or impaired.

Financial asset at fair value through other comprehensive income

Subsequent to initial recognition, financial assets classified as fair value through other comprehensive income are carried at fair value.

Net gains and losses arising from changes in the fair value and on sale of financial assets at fair value through other comprehensive income are taken to the statement of other comprehensive income.

Financial asset at fair value through profit or loss

Subsequent to initial recognition, financial assets classified as fair value through profit or loss are carried at fair value.

Net gains and losses arising from changes in the fair value and on sale of financial assets at fair value through profit or loss are taken to the statement of profit or loss.

4.2.1.5 Derecognition

Financial assets are derecognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Any gain or loss on derecognition of the financial assets is taken to statement of profit or loss currently.

4.2.2 Financial Liability

4.2.2.1 Classification

Financial liability at amortized cost

Financial liabilities, other than fair value through profit or loss are measured at amortized cost using the effective interest rate/ profit method.

Financial liability at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in statement of profit or loss.

4.2.2.2 Initial recognition and measurement

Financial liabilities are initially recognized at fair value less transaction cost except for financial liabilities carried at fair value through profit or loss. Financial liabilities carried at fair value through profit or loss are initially recognized at fair value while the related transaction cost are expensed out in statement of profit or loss. Financial liabilities are not recognized unless one of the parties has performed its part of the contract or the contract is a derivative product.

4.2.2.3 Subsequent measurement

Financial liability at amortized cost

All financial liabilities are subsequently measured at amortized cost, except for those measured at fair value through profit or loss.

Gains or losses are also recognized in the statement of profit or loss when financial liabilities carried at amortized cost are derecognized.

Financial liability at fair value through profit or loss

Subsequent to initial recognition, financial liabilities classified as fair value through profit or loss are carried at fair value using market rate of interest.

Net gains and losses arising from changes in the fair value due to change in credit risk are taken to other comprehensive income and other change in fair value and on sale of financial liabilities at fair value through profit or loss are taken to the statement of profit or loss.

4.2.2.4 Derecognition

Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of the financial liabilities is taken to statement of profit or loss currently.

4.3 Impairment of financial assets

The Corporation assesses its financial assets measured at amortized cost and debt instruments at FVOCI for ‘Expected Credit Loss’ (ECL). The Corporation recognizes the 12 month expected credit losses (the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition (stage 1), and lifetime expected credit losses for financial assets for which the credit risk has increased significantly since initial recognition (stage 2) or which are credit impaired (stage 3). The Corporation has adopted following policy for migration of financial assets from stage 1 to stage 2 and stage 3.

Stage 1: includes financial instruments that do not have a significant increase in credit risk since initial recognition or that has low credit risk at the reporting date. For these assets, 12-month expected credit losses (‘ECL’) are recognized and interest revenue is calculated on the gross carrying amount of the asset (i.e. without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date.

Thus, the Corporation considers financial assets at Stage 1 and do not conduct assessments for significant increase in credit risk as long as the minimum credit rating of such assets remains investment grade.

The Corporation classifies financial assets held under Market Treasury Bills, Pakistan Investment Bonds and GoP Ijara sukuks as Stage 1 assets since the assets held under these portfolios deemed to have low credit risk.

Stage 2: includes financial instruments that have a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognized, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

The Corporation will classify financial assets as Stage 2 assets if the minimum credit rating of financial assets fall below investment grade credit rating i.e. BBB-.

Exposures move back to stage 1 once they no longer meet the criteria for a significant increase in credit risk as specified above.

Stage 3: includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized and interest revenue is calculated on the net carrying amount (i.e. net of credit allowance).

4.4 Premium receivable

As of June 30, 2023, premium contributions receivable comprise of premium due but not received from respective member institution(s). Premium receivable is carried at amortized cost in the statement of financial position.

4.5 Impairment of non-financial assets

The carrying amounts of the Corporation's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such assets is estimated. The recoverable amount is higher of an asset's fair value less cost to sell and value in use. In assessing the value in use, future cash flows are estimated which are discounted to present value using a discount rate that reflects the current market assessments of the time value of money and the risk specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. An impairment loss is recognized in the profit or loss account whenever the carrying amount of an asset or a group of assets exceeds its recoverable amount. Impairment loss on revalued assets is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

4.6 Fixed Assets

4.6.1 Recognition and measurement

Fixed assets are measured at cost less accumulated depreciation and any impairment losses. Cost includes all expenditures that are directly attributable to the acquisition of the asset. Any gain or loss on disposal of an item of fixed asset (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized within other income in profit or loss.

4.6.2 Subsequent costs

A subsequent expenditure is capitalized only when it is probable that the future economic benefits from the expenditure will flow to the Corporation. Ongoing repairs and maintenance are expensed as incurred.

4.6.3 Depreciation

Depreciation is calculated to write off the cost of items of fixed assets less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is recognized in profit or loss.

The estimated useful lives for the current and comparative periods of significant items of fixed assets are as follows:

- Furniture and Fixtures - 10 Years
- Office Equipment - 5 Years
- Motor Vehicles - 5 Years
- EDP Equipment - 3 Years

4.7 Provision against protected deposits

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic 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 adjustable to reflect the current best estimates.

In line with SBP's directive, the Corporation shall start accruing its provision against protected deposits and related liabilities only on and from the date on which SBP issues a notification under section 21(1) of the Act declaring a member as a failed institution on the occurrence of specified statutory events.

4.8 Revenue recognition

4.8.1 Premium contribution

Premium revenue is recognized at the fair value of the consideration received against deposit protection services and reported as income proportionately over the fiscal year. Premiums are legislated by the DPC Act and are determined annually based on the amount of eligible deposits held by member institutions as at December 31st of the preceding calendar year, and they are payable quarterly in four equal installments.

4.8.2 Interest income / profit earned

Interest income / profit earned is recognized in the statement of profit or loss using the effective interest rate / profit method. The effective interest / profit rate is the rate that exactly discounts the estimated future cash receipts and payments through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective interest / profit rate, the Corporation estimates future cash flows considering all contractual terms of the financial instrument.

The calculation of the effective interest / profit rate includes all transaction costs and fees paid or received that are an integral part of the transaction. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset.

4.9 Expenses

Expenses are recognized on actual as well as on accrual basis.

4.10 Share capital

Share capital comprise the contribution paid by the State Bank of Pakistan in accordance with Section 9 of the Act.

4.11 Reserves

Reserves reflects the accumulated surplus from conventional operations of the Corporation.

4.12 DP Waqf

DP Waqf has been presented separately to disclose the results of Islamic operations under Shariah Compliant Deposit Protection Mechanism for Islamic Banking Institutions (IBIs) as stated under Section 7(3) of the Act.

Each member IBI contributes premium contribution into a separately maintained Islamic bank account of the Corporation. The Corporation opens and maintains separate Shariah Compliant accounts for managing resources of the Corporation related to Islamic operations with prior approval of its Board.

The DP Waqf of Corporation consist of the following:

(i) Periodic premium contribution received from member IBIs net of expenses allocated to Islamic operations.

(ii) Return on Shariah compliant investments.

4.13 Taxation

The income of the Corporation is exempt from tax under section 31 of the Act, and clause 66(xxviii) of Part I of the second Schedule to the Income Tax Ordinance, 2001.

5 CASH AND CASH EQUIVALENTS

	2023		
	Conventional	**Islamic**	**Total**
	---------------- (Rupees in '000) ----------------		
Current accounts with SBP - BSC	**5,324**	**501**	**5,825**
Cash in hand	**51**	-	**51**
Balance with Islamic Banking Institutions (IBIs)	**-**	**173**	**173**
	5,375	**674**	**6,049**

	2022		
	Conventional	**Islamic**	**Total**
	---------------- (Rupees in '000) ----------------		
Current accounts with SBP - BSC	2,057	618	2,675
Cash in hand	26	-	26
Balance with Islamic Banking Institutions (IBIs)	-	165	165
	2,083	783	2,866

	2023	2022
	-------------% per annum-------------	
Profit on balance with IBIs (%)	**4.35 - 10.03**	2.46 - 6.62

6 INVESTMENT IN SECURITIES

		2023		
	Note	**Conventional**	**Islamic**	**Total**
		---------------- (Rupees in '000) ----------------		
Government securities - at amortized cost				
Market Treasury Bills - MTBs	*6.1*	**37,281,565**	**-**	**37,281,565**
Pakistan Investment Bonds-PIBs	*6.2*	**42,001,800**	**-**	**42,001,800**
Government of Pakistan (GoP) Ijara Sukuks	*6.3*	**-**	**20,844,646**	**20,844,646**
		79,283,365	**20,844,646**	**100,128,011**

	2022		
	Conventional	**Islamic**	**Total**
	---------------- (Rupees in '000) ----------------		
Government securities - at amortized cost			
Market Treasury Bills - MTBs	34,120,376	-	34,120,376
Pakistan Investment Bonds-PIBs	20,681,567	-	20,681,567
Government of Pakistan (GoP) Ijara Sukuks	-	13,429,656	13,429,656
	54,801,943	13,429,656	68,231,599

6.1 It represents investments in Government securities of Market Treasury Bills (MTBs) held at amortized cost with original maturities of twelve months or less.

6.2 It represents investments in Pakistan Investment Bonds issued by GOP having stated maturity of 5 years or less.

6.3 It represents investments in GOP Ijara Sukuks having stated maturity of 5 years or less.

6.4 The above investments issued by the Government are held at amortized cost. The profile of return on these securities are as follows:

	2023	2022
	-------------% per annum-------------	
Mark-up on MTBs	**15.69 - 21.99**	10.65 - 15.08
Mark-up on PIBs	**21.96 - 21.98**	9.00 - 15.40
Government of Pakistan (GoP) Ijara Sukuks	**17.65 - 22.68**	10.45 - 14.85

7 FIXED ASSETS

	2023				
	Furniture and fixtures	**Office equipment**	**EDP equipment**	**Motor vehicles**	**Total**
	Rupees in '000				
As at July 1, 2022					
Cost	1,589	1,309	1,936	6,772	11,606
Accumulated Depreciation	709	933	1,910	1,414	4,966
Net book value	880	376	26	5,358	6,640
Additions during the year	-	-	1,122	-	1,122
As at June 30, 2023	**880**	**376**	**1,148**	**5,358**	**7,762**
Adjustments					
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
	-	**-**	**-**	**-**	**-**
Depreciation charge during the year	**(159)**	**(226)**	**(116)**	**(1,355)**	**(1,856)**
As at June 30, 2023	**(159)**	**(226)**	**(116)**	**(1,355)**	**(1,856)**
Carrying amounts					
As at June 30, 2023	**721**	**150**	**1,032**	**4,003**	**5,906**
Rate of Depreciation	**10%**	**20%**	**33%**	**20%**	

	2022				
	Furniture and fixtures	**Office equipment**	**EDP equipment**	**Motor vehicles**	**Total**
	Rupees in '000				
As at July 1, 2021					
Cost	2,495	1,499	1,988	2,877	8,859
Accumulated Depreciation	837	808	1,909	384	3,938
Net book value	1,658	691	79	2,493	4,921
Additions during the year	-	-	-	3,895	3,895
As at June 30, 2022	1,658	691	79	6,388	8,816
Adjustments					
Cost	(906)	(190)	(52)	-	(1,148)
Accumulated depreciation	355	165	46	-	566
	(551)	**(25)**	**(6)**	**-**	**(582)**
Depreciation charge during the year	(227)	(290)	(47)	(1,030)	(1,594)
As at June 30, 2022	(227)	(290)	(47)	(1,030)	(1,594)
Carrying amounts					
As at June 30, 2022	880	376	26	5,358	6,640
Rate of Depreciation	10%	20%	33%	20%	

8 PREPAYMENTS AND OTHER RECIEVABLES

	Note	**2023**	2022
		-------(Rupees in '000)-------	
Premium Receivable - Conventional		**13,912**	34,575
Premium Receivable - Islamic		**-**	6,103
Withholding Tax Receivable		**3,787**	3,787
Claims against Reimbursement to Protected Depositors	*8.1*	**-**	-
		17,699	**44,465**

		Note	2023	2022
			-------(Rupees in '000)-------	
8.1	Claims against Reimbursement to Protected Depositors	*8.3*	**310,562**	-
	Provision against payments of reimbursement claims	*8.4*	**(310,562)**	-
			-	-

8.2 On May 10, 2023, SME Bank Limited was notified as a failed institution by State Bank of Pakistan in terms of Clause (a) of Sub-Section (1) of Section 21 of the Act effective from March 27, 2023. Consequently, a liability of Rs. 310.6 million was recorded representing the balances payable to eligible depositors of SME Bank upto their protected deposits on the effective date in accordance with Single Depositor View database as submitted by SME Bank. As directed by SBP, DPC initiated the process of reimbursement against payments made by SME Bank to the eligible depositors and a sum of Rs. 269.2 million was paid till June 30, 2023.

8.3 Section 22 of the Act stipulates that 'the claim of DPC against the failed institution to the extent of protected deposits paid or to be paid and any arrears of outstanding premium shall have priority to all other claims'. In this context, the claim of DPC against the reimbursement to SME Bank has been treated as a receivable amount.

8.4 The amount has been fully provided as recovery of the same cannot be ascertained as of reporting date.

9 PAYABLE TO STATE BANK OF PAKISTAN

	Note	2023	2022
		-------(Rupees in '000)-------	
Payable to State Bank of Pakistan	*9.1*	**39,625**	45,048

9.1 This represents the amount payable to State Bank of Pakistan (SBP) in respect of financial arrangements made to facilitate the operations of the Corporation. As per understanding with SBP, no interest is payable on this financial arrangement.

10 PAYABLE TO PROTECTED DEPOSTORS

	2023	2022
	-------(Rupees in '000)-------	
Total Balance Payable to Protected Depositors	**310,562**	-
Less: Reimbursement against payments to protected depositors	**(269,242)**	
Net Payable to Protected Depositors	**41,320**	-

11 OTHER LIABILITIES

	2023	2022
	-------(Rupees in '000)-------	
Payable to auditors and others	**4,118**	1,981
Advance premiums - Conventional Institution(s)	**16**	461,183
Advance premiums - Islamic Institution(s)	**-**	23,646
	4,134	486,810

12 SHARE CAPITAL

2023	2022		2023	2022
-------(Number of shares)-------			-------(Rupees in '000)-------	
Authorized Share Capital				
1,000	**1,000**	Ordinary shares of Rs. 1,000,000 each	**1,000,000**	1,000,000
Issued, subscribed and paid-up capital				
500	**500**	Fully paid-up ordinary shares of Rs. 1,000,000 each	500,000	500,000

Initial contribution of Rs. 500 million was paid by the State Bank of Pakistan on July 03, 2018 and recognized as share capital in the statement of financial position. The Corporation has allocated Rs. 1 million from paid up capital as seed money for Shariah compliant deposit protection mechanism of Islamic Banking Institutions.

		Note	2023	2022
13	**RESERVES**		-------(Rupees in '000)-------	
	Opening		**53,847,626**	36,269,712
	Net profit for the year		**24,887,490**	17,577,914
	Accumulated surplus		**78,735,116**	53,847,626

14 DP Waqf

Opening		**13,406,086**	8,497,093
Net profit for the year		**7,431,384**	4,908,993
Accumulated surplus		**20,837,470**	13,406,086

15 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2023 (June 30, 2022: Nil)

16 INCOME FROM PREMIUM CONTRIBUTION

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

16.1 Premium contribution income for the current year consists of the following:

Premium contribution income on eligible deposits from Member Institutions

	2023	2022
- Conventional	**14,218,581**	13,073,883
- Islamic	**4,786,957**	3,976,800
	19,005,538	17,050,683

16.2 For the year ended June 30, 2023, the Corporation recorded income of annual premium contribution from 33 member institutions, starting from July 2022. The amount of annual premium payable to the Corporation by the member banks under Section 5(2) of the Act has been calculated by multiplying 0.16% (sixteen hundredths of one percent) with their respective eligible deposits, as appearing in the last audited accounts of respective member institutions.

17	**INVESTMENT INCOME AND PROFIT ON DEPOSITS**	Note	2023	2022
			-------(Rupees in '000)-------	
	Interest income - Conventional securities	*17.1*	**11,084,085**	4,590,863
	Profit earned - Islamic securities	*17.2*	**2,678,684**	955,607
	Profit earned - Balances with IBIs	*17.3*	**11**	672
			13,762,780	5,547,142

17.1 Interest Income includes income on Market Treasury Bills (MTBs) and Pakistan Investment Bonds (PIBs) carried at amortized cost.

17.2 Profit earned includes income on Government of Pakistan (GoP) Ijara Sukuks carried at amortized cost.

17.3 Profit earned consist of the amount held as deposit with various Islamic Banking Institutions (IBIs)

17.4 The amounts reported above include interest income / profit earned during the year and calculated using effective interest / profit method.

	2023	2022
	---------------% per annum---------------	
Interest / profit profile are as under:		
Interest rate on MTBs	10.65 to 21.99	7.10 to 15.08
Interest rate on PIBs	7.37 to 23.15	7.46 to 12.13
Profit rate on GoP Ijara Sukuk	15.27 to 22.54	8.23 to 14.50

18 GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2023		
		Conventional	Islamic	Total
		---------------- (Rupees in '000) ----------------		
Salaries and other benefits	*18.1*	**86,637**	**28,379**	**115,016**
Travelling expenses		**395**	**129**	**524**
Electricity, gas and water		**52**	**17**	**69**
Depreciation		**1,398**	**458**	**1,856**
Repairs & maintenance		**5,528**	**1,811**	**7,339**
Training		**1,980**	**649**	**2,629**
Books and newspapers		**43**	**14**	**57**
Postages, telegram / telex and telephone		**66**	**21**	**87**
Legal and professional		**88**	**29**	**117**
Auditors' remuneration	*18.2*	**490**	**161**	**651**
Annual membership fee		**5,893**	**1,931**	**7,824**
Stationery & Publication		**107**	**35**	**142**
Others		**1,937**	**634**	**2,571**
		104,614	**34,268**	**138,882**

GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2022		
		Conventional	Islamic	Total
		---------------- (Rupees in '000) ----------------		
Salaries and other benefits	*18.1*	68,475	18,992	87,467
Travelling expenses		70	20	90
Electricity, gas and water		38	11	49
Depreciation		1,248	346	1,594
Repairs & maintenance		10,263	2,846	13,109
Training		1,037	288	1,325
Books and newspapers		51	14	65
Postages, telegram / telex and telephone		66	18	84
Legal and professional		311	86	397
Auditors' remuneration	*18.2*	435	121	556
Annual membership fee		3,707	1,028	4,735
Stationery & Publication		141	39	180
Others		990	277	1,267
		86,832	24,086	110,918

18.1 Salaries and other benefits to the Corporation's employees are paid through SBP. The retirement benefits of the Corporation's employees are accounted for in the books of SBP.

18.2 Auditor's Remuneration

	2023	2022
	-------(Rupees in '000)-------	
Audit fee	**625**	538
Out of pocket expenses	**26**	18
	651	556

18.3 In accordance with a mechanism as approved by SBP's Shariah Advisory Committee and DPC's Board, general and administrative expenses have been allocated between Conventional and Islamic operations on the basis of eligible deposits of Conventional and Islamic member institutions.

19 PROVISION AGAINST REIMBURSEMENT CLAIMS

		2023	2022
		-------(Rupees in '000)-------	
Provision against reimbursement claims	*8.3 & 8.4*	**310,562**	-

20 ISLAMIC OPERATIONS

The statement of financial position, statement of profit or loss account and cash flow statement of Islamic operations of the Corporation as at June 30, 2023 and for the year from July 1, 2022 to June 30, 2023 are as follows:

20.1 Statement of financial position as at June 30, 2023

		2023	2022
		-------(Rupees in '000)-------	
Assets			
Cash and cash equivalents		**674**	783
Investment Securities	*6.3*	**20,844,646**	13,429,656
Premium from Islamic Member Institution and other Receivables		**3,787**	9,890
Total assets		**20,849,107**	13,440,329
Liabilities			
Other liabilities	*20.1.1*	**10,637**	33,243
		10,637	33,243
Net assets		**20,838,470**	13,407,086
DP Waqf			
Seed Money (allocated from paid up capital)		**1,000**	1,000
Accumulated surplus		**20,837,470**	13,406,086
Total		**20,838,470**	13,407,086

20.1.1 This includes balance amounting to Rs. 10.6 million payable by DP Waqf with respect to allocated expenses in accordance with a mechanism as approved by SBP's Shariah Advisory Committee and DPC's Board.

20.2 Statement of profit or loss account and other comprehensive income

	2023	2022
	-------(Rupees in '000)-------	
Income from premium contribution	**4,786,957**	3,976,800
Investment income on Islamic securities	**2,678,684**	955,607
Profit earned on deposits with IBIs	**11**	672
Total income	**7,465,652**	4,933,079
General and administrative expenses	**(34,268)**	(24,086)
Net profit for the year	**7,431,384**	4,908,993
Other comprehensive income	**-**	-
Total comprehensive income for the year	**7,431,384**	**4,908,993**

20.3 Statement of Cash flows

Cash flows from operating activities		
Net profit for the year	**7,431,384**	4,908,993
Adjustments for non-cash and other items	**-**	-
Profit for the year after non-cash and other items	**7,431,384**	4,908,993
(Increase) / decrease in assets:		
Other assets	**6,103**	(6,103)
Increase / (decrease) in liabilities:		
Other liabilities (includes amount allocated to Islamic operations)	**(22,606)**	4,149
Net cash generated from operating activities	**7,414,881**	4,907,039
Cash flows from investing activities		
Investments made during the year in Islamic Securities	**(7,414,990)**	(4,906,928)
Additions to equipment		-
Net cash used in investing activities	**(7,414,990)**	(4,906,928)
Cash flows from financing activities		
Seed Money	**-**	-
Net cash flow from financing activities	**-**	-
Increase/(decrease) in cash and cash equivalents during the year	**(109)**	111
Cash and cash equivalents at beginning of the year	**783**	672
Cash and cash equivalents at end of the year	**674**	783

21 FINANCIAL INSTRUMENTS

21.1 Classification of financial instruments

The table below sets out the carrying amounts of the Corporation's financial assets and financial liabilities, all of which are measured at amortized cost in accordance with IFRS 9.

	2023	2022
	-------(Rupees in '000)-------	
Financial assets		
Cash and cash equivalents	**6,049**	2,866
Investment securities	**100,128,011**	68,231,599
Premium and other receivables	**17,699**	44,465
	100,151,759	68,278,930
Financial liabilities		
Payable to State Bank of Pakistan	**39,625**	45,048
Payable to Protected Depositors	**41,320**	-
Other liabilities	**4,118**	1,981
	85,063	47,029

21.2 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction and is usually determined by the quoted market price.

The Corporation's policy is to recognize transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer occurred.

Carrying amount of all financial assets and liabilities approximates their fair values.

22 FINANCIAL RISK MANAGEMENT

The Corporation's financial risk management policy seeks to ensure that adequate financial resources are available for the Corporation's activities whilst managing interest rate and rate of return, liquidity, market and credit risks. The Corporation operates within guidelines that are approved by the Board of Directors and the Corporation's Investment Policy prescribes to only invest in Government issued or guaranteed securities.

Financial risks that arise from transacting and holding financial instruments include credit, liquidity and market risks.

22.1 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Corporation's portfolio of financial instruments is held in Government securities or securities backed by the Government which are not subject to credit risk as these represent claims against the Government.

22.2 Interest Rate Risk

Yield / interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

a) Sensitivity analysis of variable rate instruments

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in interest rates. The Corporation's exposure to the risk of changes in interest rates relates primarily to the Corporation's investment in Ijarah Sukuks and Pakistan Investment Bonds.

Management of the Corporation estimates that increase / decrease of 100 basis points in the interest rate with all other factors remaining constant, would increase / decrease the Corporation's surplus by Rs. 628 million (2022: Rs. 309 million).

b) Sensitivity analysis of fixed rate instruments

Fixed rate instruments comprise of Market Treasury Bills measured at amortized cost. Therefore, the Corporation's income from these investments is substantially independent of changes in market interest rates.

22.3 Liquidity risk

Liquidity risk is defined as the risk that funds will not be available to the Corporation to honour its cash obligations, whether on- or off-balance sheet, as they arise. As at June 30, 2023, the Corporation is not exposed to any liquidity risk.

22.4 Price Risk

Price risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in 'market prices' (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market. The Corporation is not exposed to any price risk.

23 CAPITAL RISK MANAGEMENT

The Corporation is not subject to any externally imposed capital requirements. Premium received from members institutions are available and are sufficient to continue the Corporation's operations.

24 RELATED PARTY TRANSACTIONS

24.1 Transactions with related parties

The Corporation enters into transactions with related parties in its normal course of business. Related parties include key management personnel of the Corporation and State Bank of Pakistan.

Transactions with related parties during the year and the balances outstanding with related parties as at June 30, 2023 are disclosed in the relevant notes to the financial statements.

24.2 Key Management Personnel

Key management personnel of the Corporation include members of the Board , Managing Director who have responsibility for planning, directing and controlling the activities of the Corporation.

Compensation of key management personnel is as follows;

	2023	2022
	----- (Rupees in '000) -----	
Short term benefits	**30,476**	36,938
Post-employment benefits	**2,623**	3,336
Total remuneration of key management personnel	**33,099**	**40,274**

The remuneration of key management personnel includes the remuneration of the Managing Director of the Corporation.

25 POST BALANCE SHEET EVENTS

No adjusting event occurred at the date of authorization of these financial statements by the Board of Directors which may have impact on these financial statements.

26 DATE OF AUTHORISATION

These financial statements were authorized for issue on October 27, 2023 by the Board of Directors.

Dr. Inayat Hussain
Board Chairman

Muhammad Akmal
Managing Director