

# 9 Consolidated Financial Statements of SBP

---

**A. F. FERGUSON & CO.**  
Chartered Accountants  
State Life Building No. 1-C  
I.I Chundrigar Road  
P.O. Box 4716  
Karachi - 74000

**KPMG TASEER HADI & CO.**  
Chartered Accountants  
Sheikh Sultan Trust Building  
No. 2, Beaumont Road  
Karachi-75530

## **INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors of the State Bank of Pakistan**

**Report on the Audit of the Consolidated Financial Statements**

### **Opinion**

We have audited the consolidated financial statements of the State Bank of Pakistan (the Bank) and its subsidiaries, SBP Banking Services Corporation, National Institute of Banking and Finance (Guarantee) Limited and Pakistan Security Printing Corporation (Private) Limited (together 'the Group'), which comprise the consolidated balance sheet as at June 30, 2021, and the consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Opinion**

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

### **Key Audit Matters**

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

**A. F. FERGUSON & CO.**  
Chartered Accountants

**KPMG TASEER HADI & CO.**  
Chartered Accountants

Key Audit Matter	How the matter was addressed in our audit
<p><b>1 Foreign currency accounts and investments</b> (Refer note 9 of the annexed consolidated financial statements)</p> <p>The Group maintained certain foreign currency accounts and investments which aggregated to Rs 2,859 billion as at June 30, 2021. This includes balances aggregating to Rs 207.081 billion which were placed through appointed fund managers by the Group under the supervision of a custodian.</p> <p>The existence and valuation of these were assessed by us as a significant risk area and therefore we considered this as a key audit matter.</p>	<p>Our audit procedures, among others, included the following:</p> <ul style="list-style-type: none"> <li>▪ We obtained understanding of the processes, assessed the design and implementation and tested operating effectiveness of key controls throughout the year over recognition, derecognition and valuation of investments and related revenue;</li> <li>▪ We sent direct confirmations to counterparties to confirm the balances of investment holdings; and</li> <li>▪ We compared the prices to independent sources on a sample basis where quoted market prices were used.</li> </ul> <p>Further, in respect of the investment made through fund managers:</p> <ul style="list-style-type: none"> <li>▪ We obtained Type-2 report from Custodian and Fund Managers to assess that controls were suitably designed by the Fund Managers and the Custodian and operated effectively in respect of their activities;</li> <li>▪ We obtained the monthly statement of changes in net assets provided by the Custodian used by management for recognising income in respect of foreign currency securities and reconciled them with the accounting records of the Group to assess that they are accurately recorded; and</li> <li>▪ We performed substantive audit procedures on year-end balance of portfolio including evaluation of Custodian's statements, and re-performance of valuations on a test basis on the basis of observable data at the year end.</li> </ul> <p>We also evaluated the adequacy of the overall disclosures in the consolidated financial statements in respect of the investment portfolio in accordance with the requirements of applicable financial reporting framework.</p>
<p><b>2 Fair value adjustment on loans given in response to COVID-19 pandemic</b> (Refer note 16.6 of the annexed consolidated financial statements)</p> <p>During the year, the Group in response to COVID-19 pandemic has extended new</p>	<p>Our audit procedures, among others, included the following:</p>

**A. F. FERGUSON & CO.**  
Chartered Accountants

**KPMG TASEER HADI & CO.**  
Chartered Accountants

Key Audit Matter	How the matter was addressed in our audit
<p>financing facility schemes and disbursed Rs 299.540 billion. These facilities have been recorded at their fair value resulting in a net fair valuation adjustment of Rs 58.419 billion.</p> <p>The disbursement of these loans was a significant event for the Group during the year. Further, the measurement at the fair value involved management judgement with respect to the use of market rate. Accordingly, this was considered as a key audit matter.</p>	<ul style="list-style-type: none"> <li>▪ Obtained understanding, evaluated the design and tested the operating effectiveness of controls related to process for disbursements of these loans;</li> <li>▪ Sent direct confirmations, on a sample basis, to the counterparties to confirm the balances of loans so disbursed;</li> <li>▪ With respect to the fair valuation of these loans, evaluated the appropriateness of the valuation methodology used and assessed the reasonableness of the assumptions and inputs used to determine the fair value; and</li> <li>▪ Evaluated the adequacy of the disclosures in the financial statements in respect of the impact of fair valuation adjustment and related balances of these loans.</li> </ul>

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

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

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

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

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

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

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

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

**A. F. FERGUSON & CO.**  
Chartered Accountants

**KPMG TASEER HADI & CO.**  
Chartered Accountants

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

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

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

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

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

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

**A. F. FERGUSON & CO.**  
Chartered Accountants

**KPMG TASEER HADI & CO.**  
Chartered Accountants

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

The engagement partners on the audit resulting in this independent auditor's report are **Salman Hussain** (A. F. Ferguson & Co.) and **Muhammad Taufiq** (KPMG Taseer Hadi & Co.).

---

**A. F. FERGUSON & CO.**  
Chartered Accountants

---

**KPMG TASEER HADI & CO.**  
Chartered Accountants

**Dated: October 29, 2021**

**Karachi**

**STATE BANK OF PAKISTAN  
CONSOLIDATED BALANCE SHEET  
AS AT JUNE 30, 2021**

	Note	2021	2020
----- (Rupees in '000) -----			
<b>ASSETS</b>			
Cash and bank balances	6	501,584	212,825
Gold reserves held by the Bank	7	577,356,238	617,495,037
Local currency - coins	8	417,574	1,028,584
Foreign currency accounts and investments	9	2,858,844,812	2,206,986,255
Earmarked foreign currency balances	10	20,707,900	62,010,317
Special drawing rights of the International Monetary Fund	11	60,771,006	29,537,127
Reserve tranche with the International Monetary Fund under quota arrangements	12	26,727	27,555
Securities purchased under agreement to resell	13	1,792,952,119	917,539,647
Current accounts of governments	25.2	33,793,930	30,157,106
Investments - local	14	6,857,412,223	7,412,323,127
Investment in associates	15	7,383,736	6,488,078
Loans, advances and bills of exchange	16	1,190,995,127	804,752,686
Taxation - net		914,578	1,045,957
Assets held with the Reserve Bank of India	17	11,268,449	11,943,164
Balances due from the Governments of India and Bangladesh	18	14,087,874	13,141,164
Property, plant and equipment	19	138,347,329	137,165,046
Investment property	20	983,847	978,608
Intangible assets	21	98,187	106,344
Other assets	23	36,275,434	20,105,088
<b>Total assets</b>		<b>13,603,138,674</b>	<b>12,273,043,715</b>
<b>LIABILITIES</b>			
Banknotes in circulation	24	7,278,860,019	6,458,763,106
Bills payable		2,051,417	1,726,348
Current accounts of governments	25.1	1,295,486,434	748,790,102
Payable to Islamic banking institutions against Bai Muajjal transactions	26	-	19,512,958
Payable under bilateral currency swap agreement	27	748,494,053	476,722,596
Deposits of banks and financial institutions	28	1,327,668,392	1,171,103,559
Other deposits and accounts	29	629,029,916	1,093,994,030
Payable to the International Monetary Fund	30	845,358,651	1,045,944,378
Securities sold under agreement to repurchase	31	135,051,390	-
Other liabilities	32	82,443,362	105,218,885
Deferred liability - staff retirement benefits	33	100,980,115	96,370,511
Deferred taxation	22	954,804	560,356
Endowment fund		128,771	120,984
<b>Total liabilities</b>		<b>12,446,507,324</b>	<b>11,218,827,813</b>
<b>Net assets</b>		<b>1,156,631,350</b>	<b>1,054,215,902</b>
<b>REPRESENTED BY</b>			
Share capital	34	100,000	100,000
Reserves	35	217,737,753	124,134,119
Unappropriated profit		173,303,751	159,739,454
Unrealised appreciation on gold reserves held by the Bank	36	572,779,945	613,003,558
Unrealised appreciation on remeasurement of investments - local	14.7	96,888,099	61,416,969
Surplus on revaluation of property, plant and equipment		95,821,802	95,821,802
<b>Total equity</b>		<b>1,156,631,350</b>	<b>1,054,215,902</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	37		

Pursuant to the requirements of section 26 (1) of the SBP Act, 1956, the assets of the Group specifically earmarked against the liabilities of the Issue department have been detailed in note 25.1 to these consolidated financial statements.

The annexed notes from 1 to 59 form an integral part of these consolidated financial statements.

Dr. Reza Baqir  
Governor

Murtaza Syed  
Deputy Governor

Saleemullah  
Executive Director

**STATE BANK OF PAKISTAN  
CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2021**

	Note	2021	2020
------(Rupees in '000)-----			
Discount, interest / mark-up and / or profit earned on financial assets measured at;			
- amortised cost	38	755,587,586	1,208,621,301
- fair value through profit or loss	38	12,790,878	10,058,650
Less: interest / mark-up expense	39	(52,695,370)	(73,346,285)
		<u>715,683,094</u>	<u>1,145,333,666</u>
Fair valuation adjustment on COVID loans	16.6	(45,731,983)	(4,193,815)
Commission income	40	5,244,753	4,647,788
Exchange gain - net	41	135,327,773	66,402,530
Dividend income		520,498	460,688
Share of profit from associates	42	1,337,861	579,908
Other operating income - net	43	3,671,854	8,603,985
Other income - net	44	395,522	1,424,801
		<u>816,449,372</u>	<u>1,223,259,551</u>
Less: operating expenses			
- banknotes' and prize bonds printing charges	45	15,762,129	13,325,213
- agency commission	46	9,280,641	10,668,548
- general administrative and other expenses	47	29,320,541	35,168,241
(Reversal of provision against) / provision for:			
- other doubtful assets	32.3.1.1	(24,621)	(42,143)
- others		1,111	117
		(23,510)	(42,026)
Reversal of credit loss allowance on financial instruments - net	48	(63,953)	(30,875)
		<u>54,275,848</u>	<u>59,089,101</u>
<b>Profit before taxation</b>		<u>762,173,524</u>	<u>1,164,170,450</u>
<b>Taxation</b>	49	1,314,724	737,860
<b>Profit after taxation</b>		<u><u>760,858,800</u></u>	<u><u>1,163,432,590</u></u>

The annexed notes from 1 to 59 form an integral part of these consolidated financial statements.

Dr. Reza Baqir  
Governor

Murtaza Syed  
Deputy Governor

Saleemullah  
Executive Director

**STATE BANK OF PAKISTAN  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2021**

	Note	2021 ------(Rupees in '000)-----	2020
Profit after taxation		<b>760,858,800</b>	1,163,432,590
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to the consolidated profit and loss account:</b>			
Unrealised (diminution) / appreciation on gold reserves held by the Bank	7	<b>(40,223,613)</b> <b>(40,223,613)</b>	148,822,917 148,822,917
<b>Items that will not be reclassified subsequently to the consolidated profit and loss account:</b>			
Unrealised appreciation / (diminution) on remeasurement of investments - local	14.7	<b>35,471,130</b>	(7,073,637)
Impact of reclassification of property, plant and equipment to investment property - net of deferred tax		-	(946,293)
Impact of adjustment in remeasurement of property, plant and equipment of associate - net of deferred tax		-	3,310,469
Impact of adjustment surplus of property, plant and equipment relating to deferred tax		-	(232,933)
Remeasurements of staff retirement defined benefit plans	47.3.3.1 & 47.4.7	<b>(3,139,359)</b>	(10,740,799)
		<b>32,331,771</b>	(15,683,193)
<b>Total comprehensive income for the year</b>		<b><u>752,966,958</u></b>	<b><u>1,296,572,314</u></b>

The annexed notes from 1 to 59 form an integral part of these consolidated financial statements.

\_\_\_\_\_  
**Dr. Reza Baqir**  
Governor

\_\_\_\_\_  
**Murtaza Syed**  
Deputy Governor

\_\_\_\_\_  
**Saleemullah**  
Executive Director

**STATE BANK OF PAKISTAN**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Reserves										Unrealised appreciation on gold reserves held by the Bank (note 36)	Unrealised appreciation (diminution) on re-measurement of investments - local (note 14.7)	Surplus on revaluation of property and equipment	Total		
	Share capital	Reserve fund (note 35.1)	Reserve for building up share capital	Reserve for acquisition of PSPC (note 35.2)	Rural credit fund	Industrial credit fund	Export credit fund	Loans guarantee fund	Housing credit fund	Subtotal					Unappropriated profit	
	(Rupees in '000)															
Balance as at July 1, 2019	100,000	33,966,563	-	65,464,000	2,600,000	1,600,000	1,500,000	900,000	4,700,000	(41,279,353)	69,451,210	10,259,308	464,180,641	68,490,606	93,690,559	706,172,324
Profit after taxation	-	-	-	-	-	-	-	-	-	-	-	1,163,432,590	-	-	-	1,163,432,590
<b>Other comprehensive income</b>																
Unrealised diminution on remeasurement of investments - local (note 14.7)	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,073,637)	-	(7,073,637)
Impact of reclassification of property, plant and equipment to investment property - net of deferred tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(946,293)	(946,293)
Impact of adjustment in remeasurement of property, plant and equipment of associate - net of deferred tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,310,469	3,310,469
Impact of adjustment of property, plant and equipment of associate - net of deferred tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(232,933)	(232,933)
Unrealised appreciation on gold reserves held by the Bank (note 36)	-	-	-	-	-	-	-	-	-	-	-	-	148,822,917	-	-	148,822,917
Remeasurements of staff retirement defined benefit plans (note 47.3.3.1 & 47.4.7)	-	-	-	-	-	-	-	-	-	-	-	(10,740,799)	-	-	-	(10,740,799)
	-	-	-	-	-	-	-	-	-	-	-	(10,740,799)	148,822,917	(7,073,637)	2,131,243	133,139,724
<b>Total comprehensive income for the year</b>	-	-	-	-	-	-	-	-	-	-	-	1,152,691,791	148,822,917	(7,073,637)	2,131,243	1,296,572,314
<b>Appropriations</b>																
Transfer to the reserve fund (note 35.1)	-	9,566	67,673,343	-	-	-	-	-	-	-	67,682,909	(67,682,909)	-	-	-	-
Transfer to unappropriated profit against IDBL loan	-	(13,000,000)	-	-	-	-	-	-	-	-	(13,000,000)	13,000,000	-	-	-	-
Adjustment to recover loan of IDBL	-	-	-	-	-	-	-	-	-	-	-	(13,000,000)	-	-	-	(13,000,000)
	-	(12,990,434)	67,673,343	-	-	-	-	-	-	-	54,682,909	(67,682,909)	-	-	-	(13,000,000)
<b>Transactions with owners</b>																
Dividend	-	-	-	-	-	-	-	-	-	-	-	(10,000)	-	-	-	(10,000)
Profit transferred to the Government of Pakistan	-	-	-	-	-	-	-	-	-	-	-	(935,518,736)	-	-	-	(935,518,736)
	-	-	-	-	-	-	-	-	-	-	-	(935,528,736)	-	-	-	(935,528,736)
Balance as at June 30, 2020	100,000	20,976,129	67,673,343	65,464,000	2,600,000	1,600,000	1,500,000	900,000	4,700,000	(41,279,353)	124,134,119	159,739,454	613,003,558	61,416,969	95,821,802	1,054,215,902
Profit after taxation	-	-	-	-	-	-	-	-	-	-	-	760,858,800	-	-	-	760,858,800
<b>Other comprehensive income</b>																
Unrealised appreciation on remeasurement of investments - local (note 14.7)	-	-	-	-	-	-	-	-	-	-	-	-	-	35,471,130	-	35,471,130
Unrealised diminution on gold reserves held by the Bank (note 36)	-	-	-	-	-	-	-	-	-	-	-	-	(40,223,613)	-	-	(40,223,613)
Remeasurements of staff retirement defined benefit plans (note 47.3.3.1 & 47.4.7)	-	-	-	-	-	-	-	-	-	-	-	(3,139,359)	-	-	-	(3,139,359)
	-	-	-	-	-	-	-	-	-	-	-	(3,139,359)	(40,223,613)	35,471,130	-	(7,891,842)
<b>Total comprehensive income for the year</b>	-	-	-	-	-	-	-	-	-	-	-	757,719,441	(40,223,613)	35,471,130	-	752,966,958
<b>Appropriations</b>																
Transfer to the reserve fund (note 35.1)	-	93,603,634	-	-	-	-	-	-	-	-	93,603,634	(93,603,634)	-	-	-	-
<b>Transactions with owners</b>																
Dividend	-	-	-	-	-	-	-	-	-	-	-	(10,000)	-	-	-	(10,000)
Profit transferred to the Government of Pakistan	-	-	-	-	-	-	-	-	-	-	-	(650,541,510)	-	-	-	(650,541,510)
	-	-	-	-	-	-	-	-	-	-	-	(650,551,510)	-	-	-	(650,551,510)
Balance as at June 30, 2021	100,000	114,579,763	67,673,343	65,464,000	2,600,000	1,600,000	1,500,000	900,000	4,700,000	(41,279,353)	217,737,753	173,303,751	572,779,945	96,888,099	95,821,802	1,156,631,350

The annexed notes from 1 to 59 form an integral part of these consolidated financial statements.

Dr. Reza Baqir  
Governor

Murtaza Syed  
Deputy Governor

Saleemullah  
Executive Director

**STATE BANK OF PAKISTAN  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021**

	Note	2021 ----- (Rupees in '000) -----	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year after non-cash and other items	50	637,422,712	1,043,589,818
Taxes (paid) / refunded		(869,349)	192,178
(Increase) / decrease in assets:			
Foreign currency accounts and investments		(146,643,836)	(287,009,962)
Gold reserves held by the Bank		(84,814)	(47,118)
Securities purchased under agreement to resell		(875,412,452)	(134,621,472)
Investments - local		591,886,340	484,849,258
Loans, advances and bills of exchange		(431,933,474)	(211,449,885)
Other assets		268,555	(5,900,031)
		<b>(861,919,681)</b>	<b>(154,179,210)</b>
		<b>(225,366,318)</b>	<b>889,602,786</b>
Increase / (decrease) in liabilities:			
Banknotes issued - net		820,096,913	1,173,737,602
Bills payable		325,069	579,688
Current accounts of Governments		543,059,508	(354,680,529)
Payable to Islamic Banking Institutions against Bai Muajjal transactions		(19,512,958)	(104,897,274)
Payable under bilateral currency swap agreement		271,771,457	(1,766,789)
Deposits of banks and financial institutions		156,564,833	(75,135,211)
Payment of retirement benefits and employees' compensated absences		(10,185,520)	1,640,105
Other deposits and accounts		(464,964,114)	(22,330,454)
Securities sold under agreement to repurchase		135,051,390	-
Other liabilities		(17,331,478)	(76,683,055)
Endowment fund		7,787	11,384
		<b>1,414,882,887</b>	<b>540,475,467</b>
Net cash generated from operating activities		<b>1,189,516,569</b>	<b>1,430,078,253</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividend received		946,929	1,913,514
Capital expenditure		(3,727,434)	(1,320,024)
Proceeds from sale of short term investments		3,317,599	522,000
Proceeds from disposal of property, plant and equipment		28,177	57,057
Contribution of initial capital in Deposit Protection Corporation		-	-
Net cash (used in) / generated from investing activities		<b>565,271</b>	<b>1,172,547</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Profit paid to the Federal Government of Pakistan		(650,541,510)	(935,518,736)
Net change in balances pertaining to IMF		(179,248,811)	(114,594,748)
Dividend paid		(10,000)	(10,000)
Net cash used in financing activities		<b>(829,800,321)</b>	<b>(1,050,123,484)</b>
Increase in cash and cash equivalents during the year		<b>360,281,519</b>	<b>381,127,316</b>
Cash and cash equivalents at the beginning of the year		<b>1,936,187,120</b>	<b>1,504,301,033</b>
Effect of exchange gain / (loss) on cash and cash equivalents		<b>42,032,683</b>	<b>50,758,771</b>
Cash and cash equivalents at the end of the year	51	<b>2,338,501,322</b>	<b>1,936,187,120</b>

The annexed notes from 1 to 59 form an integral part of these consolidated financial statements.

**Dr. Reza Baqir**  
Governor

**Murtaza Syed**  
Deputy Governor

**Saleemullah**  
Executive Director

**STATE BANK OF PAKISTAN**  
**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**1 STATUS AND NATURE OF OPERATIONS**

1.1 The Group comprises of State Bank of Pakistan (the Bank) as the parent entity and following subsidiaries:

- SBP Banking Services Corporation (BSC);
- National Institute of Banking and Finance (Guarantee) Limited (NIBAF); and
- Pakistan Security Printing Corporation (Private) Limited (PSPC).

1.1.1 State Bank of Pakistan is the central bank of Pakistan and is incorporated under the State Bank of Pakistan Act, 1956. The Bank is primarily responsible for monitoring of credit and foreign exchange, management of currency and also acts as the banker to the Government. The activities of the Bank include:

- formulating and implementing the monetary policy;
- facilitating free competition and stability in the financial system;
- licensing and supervision of banks including micro finance banks, development financial institutions and exchange companies;
- organising and managing the inter-bank settlement system and promoting smooth functioning of payment systems;
- providing of loans and advances to governments, banks, financial institutions and local authorities under various facilities;
- purchasing, holding and selling of shares of banks and financial institutions on the directives of the Federal Government; and
- acting as a depository of governments under specific arrangements between governments and certain institutions.

1.1.2 The head office of the Bank is situated at I. I. Chundrigar Road, Karachi, in the province of Sindh, Pakistan.

1.1.3 The subsidiaries and associates of the Bank and the nature of their respective activities are as follows:

**a) SBP Banking Services Corporation - wholly owned subsidiary:**

SBP Banking Services Corporation was established in Pakistan under the SBP Banking Services Corporation Ordinance, 2001 (the Ordinance) and commenced its operations with effect from January 2, 2002. It is responsible for carrying out certain statutory and administrative functions and activities on behalf of the Bank, as transferred or delegated by the Bank under the provisions of the Ordinance.

The head office of the corporation is situated at I. I. Chundrigar Road, Karachi, in the province of Sindh, Pakistan.

**b) National Institute of Banking and Finance (Guarantee) Limited - wholly owned subsidiary:**

National Institute of Banking and Finance (Guarantee) Limited was incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) as a company limited by guarantee having share capital. It is engaged in providing education and training in the field of banking, finance and allied areas.

The head office is situated at NIBAF Building, Street 4, Pitras Bukhari Road, H-8/1, Islamabad, Pakistan.

**c) Pakistan Security Printing Corporation (Private) Limited - wholly owned subsidiary**

Pakistan Security Printing Corporation (Private) Limited was incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is a wholly owned subsidiary of the Bank. PSPC is principally engaged in the printing of currency notes and national prize bonds on behalf of the Bank.

The registered office and the factory of the PSPC are located at Jinnah Avenue, Malir Halt Karachi, in the province of Sindh, Pakistan.

**d) SICPA Inks Pakistan (Private) Limited (SICPA) - associate**

SICPA is a joint venture of SICPA SA, Switzerland and PSPC, incorporated in 1995. The company operates a facility in Karachi for manufacturing security inks for printing of all denominations of currency notes and other value documents, such as, passports, postage stamps and stamp papers, etc.

**e) Security Papers Limited (SPL) - associate**

SPL is an associated company of PSPC. It was established in 1965. It became a joint venture company of Iran, Turkey and Pakistan in 1967, under the protocol of regional PSPC of development (now economic PSPC organisation) in 1967. SPL is engaged in manufacturing of paper required by PSPC for printing banknotes, prize bonds, non-judicial stamp paper, share certificates and watermarked certificate / degree papers for various educational institutions of Pakistan.

**2 STATEMENT OF COMPLIANCE**

These consolidated financial statements have been prepared in accordance with the requirements of the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

**3 BASIS OF MEASUREMENT**

**3.1** These consolidated financial statements have been prepared under the historical cost convention, except that gold reserves, certain foreign currency accounts and investments, certain local investments, investment property and certain items of property, plant and equipment as referred to in their respective notes have been included at revalued amounts and certain staff retirement benefits and provision for employees' compensated absences have been carried at present value of defined benefit obligations.

**3.2** These consolidated financial statements are presented in Pakistani Rupees (PKR), which is the Group's functional and presentation currency.

**3.3 Standards, interpretations of and amendments to the IFRSs that are effective in the current year**

**3.3.1** There are certain new and amended standards and interpretations that became effective during the current year, but are considered not to be relevant or did not have any significant effect on the Group's operations and are, therefore, not detailed in these consolidated financial statements.

**3.4 Standards, interpretations of and amendments to the IFRSs that are not yet effective**

**3.4.1** The following standards, interpretations and amendments of the IFRSs would be effective from the dates mentioned below against the respective standards or interpretations:

<b>Standards</b>	<b>Effective date (annual periods beginning on or after)</b>
- IAS 1, 'Presentation of financial statements' (amendments)	January 1, 2023
- IAS 8, 'Accounting policies, changes in accounting estimates and errors' (amendments)	January 1, 2023
- IAS 16, 'Property, plant and equipment' (amendments)	January 1, 2022
- IAS 37, 'Provisions, contingent liabilities and contingent assets' (amendments)	January 1, 2022
- IFRS 9, 'Financial instruments' (amendments)	January 1, 2022
- IFRS 7, 'Financial instruments - disclosures' (amendments)	January 1, 2021
- IFRS 3, 'Business combinations' (amendments)	January 1, 2022

The management is in the process of assessing the impact of the above amendments on the consolidated financial statements.

**3.4.2** There are certain other new or amended standards and interpretations that are mandatory for the accounting period beginning on or after July 1, 2021, but are considered not to be relevant or will not have any significant effect on the Group's operations and are, therefore, not detailed in these consolidated financial statements.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES**

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies are consistently applied from year to year, except as stated otherwise.

#### 4.1 Basis of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to effect these returns through its power over the investee. The separate financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

The consolidated financial statements include collectively the separate financial statements of the Bank and its subsidiaries. Financial statements of the subsidiaries have been consolidated on a line-by-line basis. All intra-group assets and liabilities, equity, income, expenses and cashflow relating to transaction between members of the group are eliminated on consolidation.

#### 4.2 Banknotes in circulation and local currency coins

The liability of the Group towards banknotes issued as a legal tender under the State Bank of Pakistan Act, 1956, is stated at face value and is represented by the specified assets of the Issue department of the Bank as per the requirements stipulated in the State Bank of Pakistan Act, 1956. The cost of printing of notes is charged to the consolidated profit and loss account as and when incurred. Any un-issued fresh banknotes lying with the Bank and previously issued notes held by the Bank are not reflected in the consolidated balance sheet.

The Group also issues coins of various denominations on behalf of the Government of Pakistan (GoP). These coins are purchased from the GoP at their respective face values. The coins held by the Bank form part of the assets of the Issue department.

#### Financial assets and financial liabilities

4.3 Financial instruments carried on the consolidated balance sheet include cash and bank balances held by subsidiaries, local currency - coins, foreign currency accounts and investments, earmarked foreign currency balances, investments - local, loans, advances and bills of exchange, assets held with Reserve Bank of India (other than gold held by Reserve Bank of India), balances due from the governments of India and Bangladesh, certain other assets, banknotes in circulation, bills payable, deposits of banks and financial institutions, balances and securities under repurchase and reverse repurchase transactions, payable to Islamic banking Institutions against Bai Muajjal transactions, current accounts of governments, balances with the International Monetary Fund (IMF), amount payable under bilateral currency swap agreement, other deposits and accounts and certain other liabilities. The particular recognition and measurement methods adopted are disclosed in the individual policy statements associated with each financial instrument.

#### Financial instruments – initial recognition

4.3.1 All financial assets are initially recognised on the trade date, i.e. the date at which the Group becomes a party to the contractual provisions of the instruments. This includes purchases or sale of financial assets that require delivery of asset within the time frame generally established by regulations in market conventions.

All financial assets and financial liabilities are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss where transaction cost is taken directly to the consolidated profit and loss account.

#### 4.3.2 Classification and subsequent measurement of financial assets and liabilities

The Group classifies all of its financial assets other than equity instruments based on two criteria: a) the Group's business model for managing the assets; and b) whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI test'). The financial assets are measured at either:

- amortised cost, as explained in note 4.3.3;
- fair value through other comprehensive income (FVOCI), as explained in notes 4.3.4 and 4.3.5; or
- fair value through profit or loss (FVPL), as explained in note 4.3.6.

#### a) Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's board / board committees;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- the expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

#### **b) The SPPI test**

As a second step of its classification process, the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. The most significant elements of 'interest' within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

The Group classifies and measures its derivative and trading portfolio at FVPL as explained in note 4.3.8. The Group may designate financial instruments at FVPL, if doing so eliminates or significantly reduces measurement or recognition inconsistencies, as explained in note 4.3.6.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied, as explained in notes 4.3.6 and 4.3.7.

#### **4.3.3 Financial assets at amortised cost**

The Group classifies its financial assets at amortised cost only if both of the following conditions are met:

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding; and
- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

After initial measurement, these financial instruments are subsequently measured at amortised cost using the effective interest rate (EIR), less impairment (if any).

#### **4.3.4 Debt instruments at FVOCI**

The Group classifies its financial instruments at FVOCI when both of the following conditions are met:

- the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income (OCI). Interest income and foreign exchange gains and losses are recognised in the consolidated profit and loss account in the same manner as for financial assets measured at amortised cost as explained in note 4.3.3.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the consolidated balance sheet, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to consolidated comprehensive income. The accumulated loss recognised in OCI is recycled to the consolidated profit and loss account upon derecognition of the assets.

On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to consolidated profit and loss account.

#### **4.3.5 Equity instruments at FVOCI**

At initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of 'equity' under IAS 32 'financial instruments: presentation' and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to the consolidated profit and loss account. Dividends are recognised in consolidated profit and loss account as other operating income when the right of the payment has been established, (except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI). Equity instruments at FVOCI are not subject to an impairment assessment.

#### **4.3.6 Financial assets and financial liabilities at fair value through profit or loss**

Financial assets and financial liabilities in this category are those that are held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- the designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis, or
- the liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- the liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Changes in fair value are recorded in the consolidated profit and loss account. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount / premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate.

#### **4.3.7 Financial liabilities at amortised cost**

Financial liabilities with a fixed maturity are measured at amortised cost using the effective interest rate. These include deposits of banks and financial institutions, other deposits and accounts, securities sold under agreement to repurchase, payable under bilateral currency swap agreement, current accounts of governments, payable to Islamic banking institutions against Bai Muajjal transactions, payable to the IMF, banknotes in circulation, bills payable and certain other liabilities.

#### **4.3.8 Derivative financial instruments**

The Group uses derivative financial instruments which include forwards, futures and swaps. Derivatives are initially recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Derivatives are re-measured to fair value on subsequent reporting dates. The resultant gains or losses from derivatives are included in the consolidated profit and loss account. Forwards, futures and swaps are shown under commitments in note 37.2.

#### **4.3.9 Reclassification of financial assets and liabilities**

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

#### **4.3.10 Derecognition of financial asset and financial liabilities**

##### **a) Financial assets**

The Group derecognises a financial asset, such as a loan, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit impaired. If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

##### **b) Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of new liability, and the difference in the respective carrying amount is recognised in the consolidated profit and loss account.

#### **4.3.11 Impairment of financial assets**

##### **4.3.11.1 Overview of the expected credit losses (ECL) principles**

The Group is recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to ECL.

The ECL allowance is based on the credit losses expected to arise over the life of the asset, [the lifetime expected credit loss (LTECL)], unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in note 4.3.11.2. The Group's policies for determining if there has been a significant increase in credit risk are set out in note 53.1.7.

The 12mECL is the portion of LTECL that represent the ECL that result from default events on a financial instrument that are probable within the 12 months after the reporting date.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in note 53.1.7.

Based on the above process, the loans are grouped into stage 1, stage 2 and stage 3 as described below:

- stage 1: when loans are first recognised, the Group recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from stage
- stage 2: when a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from stage 3.
- stage 3: loans considered credit-impaired (as outlined in Note 53.1.3). The Group records an allowance for the LTECL.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

##### **4.3.11.2 The calculation of ECL**

The Group calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- EAD The *Exposure at default (EAD)* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in note 53.1.5.
- PD The *Probability of default (PD)* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in note 53.1.4.
- LGD The *Loss given default (LGD)* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in note 53.1.6.

When estimating the ECL, the Group considers three scenarios (a base case, a best case and a worst case). Each of these is associated with different PD. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

The mechanics of the ECL method are summarised below:

- stage 1: the 12mECL is calculated as the portion of LTECL that represent the ECL that result from default events on a financial instrument that are probable within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.
- stage 2: when a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- stage 3: for loans considered credit-impaired (as defined in note 53.1.3), the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for stage 2 assets, with the PD set at 100%.
- financial guarantee contracts: the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated profit and loss account, and the ECL provision. For this purpose, the Group estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios.

#### 4.3.11.3 Forward looking information

The Group formulates a base case view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios and consideration of a variety of external actual and forecast information. This process involves developing three different economic scenarios, which represent a range of scenarios linked to various macro-economic factors.

#### 4.3.11.4 Credit enhancements: collateral valuation and financial guarantees

To mitigate its credit risks on financial assets, the Group seeks to use collateral. The collateral comes in various forms, such as cash, securities, letters of credit / guarantees and demand promissory notes. To the extent possible, the Group uses active market data for valuing financial assets held as collateral.

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

A financial asset and a financial liability are offset and the net amount is reported in the consolidated financial statements when the Group currently has a legally enforceable right to set off the recognised amount and it intends either to settle on a net basis or to realise the asset and to settle the liability simultaneously.

#### **4.4 Collateralised borrowings / lending**

##### **4.4.1 Repurchase and reverse repurchase agreements**

Securities sold subject to a commitment to repurchase them at a pre-determined price, are retained on the consolidated balance sheet and a liability is recorded in respect of the consideration received as securities sold under agreement to repurchase. Conversely, securities purchased under analogous commitment to resell are not recognised on the consolidated balance sheet and an asset is recorded in respect of the consideration paid as securities purchased under agreement to resell. The difference between the sale and repurchase price in the repurchase transaction and the purchase price and resell price in reverse repurchase transaction represents expense and income respectively, and is recognised in the consolidated profit and loss account on time proportion basis. Both repurchase and reverse repurchase transactions are reported at transaction value inclusive of any accrued expense / income.

##### **4.4.2 Payable under bilateral currency swap agreement**

Bilateral currency swap agreements with counterpart central banks involve the purchase / sale and subsequent resale / repurchase of local currencies of counterpart central banks against PKR at the applicable exchange rate (determined in accordance with the terms of the agreement). The actual use of facility by the Group / counterpart central bank in the agreement is recorded as borrowing / lending in books of the Group and interest is charged / earned at agreed rates to the consolidated profit and loss account on a time proportion basis from the date of actual use. Any unutilised limit of the counterpart's drawing is reported as commitments in note 37.2.7.

##### **4.4.3 Payable to Islamic banking institutions against Bai Muajjal transactions**

The Group purchases Government of Pakistan (GoP) Ijara sukuks on deferred payment basis (Bai Muajjal) from Islamic banks. The deferred price is agreed at the time of purchase and such proceeds are paid to the Islamic banks at the end of the agreed period. The difference between the fair value and deferred price represents financing cost and is recognised in the consolidated profit and loss account on a time proportion basis as mark-up expense. Amount payable to Islamic banking institutions under deferred payment basis on purchase of sukuks is reported at transaction value plus profit payable thereon (i.e. at amortised cost).

#### **4.5 Gold reserves held by the Bank**

Gold is recorded at cost, which is the prevailing market rate, at initial recognition. Subsequent to initial measurement, it is revalued at the closing market rate fixed by the London Bullion Market Association on the last working day of the year which is also the requirement of State Bank of Pakistan Act, 1956 and State Bank of Pakistan General Regulation No.42(vi). Appreciation or diminution, if any, on revaluation is taken to equity under the head "unrealised appreciation on gold reserves". Appreciation / diminution realised on disposal of gold is taken to the consolidated profit and loss account. Unrealised appreciation / diminution on gold reserves held with the Reserve Bank of India is not recognised in the consolidated statement of changes in equity pending transfer of these assets to the Group subject to final settlement between the Governments of Pakistan and India. Instead it is shown in other liabilities as provision for other doubtful assets.

#### **4.6 Fair value measurement principles**

The fair value of financial instruments traded in active markets at the reporting date is based on their quoted market prices or dealer price quotation without any deduction for transaction costs. If there is no active market for a financial asset, the Group establishes fair value using valuation techniques. These include the use of recent arms length transaction, discounted cash flow analysis and other revaluation techniques commonly used by market participants. Investments in securities for which the fair value cannot be determined reliably are carried at cost.

#### **4.7 Cash and cash equivalents**

Cash and cash equivalents include cash and bank balances of subsidiaries, foreign currency accounts and investments (other than deposit held with IMF), local currency coins, earmarked foreign currency balances, SDRs, balances in the current and deposit accounts and securities that are realisable in known amounts of cash within three months from the date of original investments and which are subject to insignificant changes in value.

#### 4.8 Property, plant and equipment

Property, plant and equipment except land, buildings and capital work-in-progress (CWIP) are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at revalued amount. Leasehold land and buildings are stated at revalued amount less accumulated depreciation and accumulated impairment losses, if any. CWIP is stated at cost less accumulated impairment losses, if any and consists of expenditure incurred and advances made in respect of fixed assets in the course of their acquisition, construction and installation. CWIP assets are capitalised to relevant asset category as and when work is completed.

Depreciation on property, plant and equipment is charged to the consolidated profit and loss account using the straight-line method whereby the cost / revalued amount of an asset is written off over its estimated useful life at the rates specified in note 19.1 to these consolidated financial statements. The useful life of assets is reviewed and adjusted, if appropriate, at each reporting date.

Estimates of useful life and residual value of property, plant and equipment are based on the management's best estimate. The assets' residual value, depreciation method and useful life are reviewed, and adjusted, if appropriate, at each reporting date.

Increase in carrying amount arising on revaluation of land and buildings is recognised in other comprehensive income and credited to surplus on revaluation of property, plant and equipment. Decreases that offset previous increases of the same assets are charged against surplus on revaluation of property, plant and equipment in equity, while all other decreases are charged to the consolidated profit and loss account. The surplus on revaluation realised on sale of property, plant and equipment is transferred to un-appropriated profit to the extent reflected in the surplus on revaluation of property, plant and equipment account. The amount of sale proceeds exceeding the balance in surplus on revaluation of property, plant and equipment account is taken to the consolidated profit and loss account.

##### 4.8.1 Leasing arrangements

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

The lease liability is initially measured at the present value of the lease payments over the period of lease term and that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate.

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

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payment.

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

When there is a change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions, the same is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increases the scope of lease by adding the right to use one or more underlying assets and the consideration for lease increases by an amount that commensurate with the standalone price for the increase in scope adjusted to reflect the circumstances of the particular contract, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right of use asset.

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

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

#### **4.9 Investment property**

Investment property is the property which is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in the consolidated profit and loss account.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs, if any.

Where an entity determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value of the property to be reliably measurable when construction is complete, it shall measure that investment property under construction at cost until either its fair value becomes reliably measurable or construction is completed (whichever is earlier).

The fair value of investment property, at each year end, is determined by external, independent property valuer having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

A gain or loss arising from a change in the fair value of investment property shall be recognised in the consolidated profit and loss account for the period in which it arises.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

The Group assesses at each reporting date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in consolidated profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The gain or loss on disposal of investment property, represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as income or expense in the consolidated profit and loss account.

#### **4.10 Intangible assets**

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets are amortised using the straight-line method over the period of three years. Where the carrying amount of an asset exceeds its estimated recoverable amount, it is written down immediately to its recoverable

#### **4.11 Impairment of non-financial assets**

The carrying amounts of the Group's assets are reviewed at each reporting 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 recognised in the consolidated profit and 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.

**4.12 Stores and spares**

Stores and spares held by the Group are valued at the lower of cost determined on weighted average method and net realisable value. Stores and spares in transit are valued at cost incurred up to the reporting date. Local purchases of engineering stores are charged to the consolidated profit and loss account at the time of purchase.

The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form.

**4.13 Stock-in-trade**

Raw materials are valued at lower of cost determined on weighted average basis and net realisable value except for items in transit which are stated at cost incurred up to the reporting date.

Work-in-process and finished goods are valued at lower of cost determined on weighted average basis and net realisable value. Cost in relation to work-in-process and finished goods represents direct cost of materials, direct wages and an appropriate portion of production overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and the costs necessary to be incurred to make the sale.

**4.14 Stock of stationery and consumables**

Stock of stationery and consumables are valued at the lower of cost and net realizable value. Cost comprises cost of purchases and other directly attributable costs incurred in bringing the items to their present location and condition. Replacement cost of the items is used to measure the net realisable value. The valuation is done on moving average basis. Provision is made for stocks which are not used for a considerable period of time or stocks which are not expected to be used in future.

**4.15 Medical and stationery consumables**

Medical and stationery consumables are valued at weighted average cost. Provision for obsolete items is determined based on the management's assessment regarding their future usability. Net realisable value represents estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

**4.16 Provisions, contingent liabilities and contingent assets**

Provisions are recognised when the Group 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 adjusted to reflect the current best estimates.

Contingent assets are disclosed when there is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognised until their realisation become virtually certain.

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

**4.17 Transactions and balances with the International Monetary Fund**

Transactions and balances with the International Monetary Fund (IMF) are recorded on following basis:

- the Government's contribution for quota with the IMF is recorded by the Group as depository of the Government. Exchange differences arising on these balances are transferred to the Government of Pakistan account.
- exchange gains or losses arising on revaluation of borrowings from the IMF are recognised in the consolidated profit and loss account.

- the cumulative allocation of Special Drawing Rights (SDRs) by the IMF is recorded as a liability and is translated at closing exchange rate for SDRs prevailing at the balance sheet date. Exchange differences on translation of SDRs is recognised in the consolidated profit and loss account.
- service charge is recognised in the consolidated profit and loss account at the time of receipt of the IMF tranches.

All other income or charges pertaining to balances with the IMF are taken to the consolidated profit and loss account, including the following:

- charges on borrowings under credit schemes and fund facilities;
- charges on net cumulative allocation of SDRs;
- exchange gain or loss; and
- return on holdings of SDRs.

#### **4.18 Staff retirement benefits**

##### **4.18.1** The Bank operates:

- a) an unfunded contributory provident fund (old scheme) for those employees who joined the Bank between July 1, 2005 to May 31, 2007 and opted to remain under the old scheme. Under this scheme, contribution is made both by the Bank and employee at the rate of 6% of the monetised salary. The Bank provided an option to employees covered under old scheme to join the Employer Contributory Provident Fund Scheme - ECPF (new scheme) effective from June 1, 2007. Employees joining the Bank service after June 1, 2007 are covered under the new scheme. Under ECPF (new scheme), contribution is made both by the Bank and employee at the rate of 6% of the monetised salary.
- b) an unfunded General Provident Fund (GPF) scheme for all those employees who joined the Bank between May 1, 1977 to June 30, 2005 and opted to remain under this scheme after introduction of the new scheme (ECPF). Under GPF contribution is made by the employee only at the rate of 5% of the monetised salary.
- c) following are other staff retirement benefit schemes:
  - an unfunded gratuity scheme (old scheme) for those employees who joined the Bank between July 1, 2005 to May 31, 2007 and opted to remain under the old scheme.
  - a funded Employees Gratuity Fund (EGF) was introduced by the Bank effective from June 1, 2007 for all its employees other than those who opted to remain in pension scheme or unfunded gratuity scheme (old)
  - an unfunded pension scheme for those employees who joined the Bank between May 1, 1977 to June 30, 2005 and opted to remain under this scheme after introduction of the new scheme (NCBS);
  - an unfunded benevolent fund scheme;
  - an unfunded post retirement medical benefit scheme; and
  - six months post retirement benefit facility.

Obligations for contributions to defined contribution provident plans are recognised as an expense in the consolidated profit and loss account as and when incurred.

Annual provisions are made by the Bank to cover the obligations arising under defined benefit schemes based on actuarial recommendations. The actuarial valuations are carried out under the projected unit credit method. The amount arising as a result of remeasurements are recognised in the consolidated balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

The above staff retirement benefits are payable on completion of prescribed qualifying period of service.

##### **4.18.2** The BSC operates the following staff retirement benefit schemes for employees:

The Corporation operates the following staff retirement benefit schemes for employees transferred from SBP (transferred employees) and other employees:

- a) an un-funded contributory provident fund (the old scheme) for transferred employees who joined the SBP prior to 1975 and opted to remain under the old scheme. The Corporation provided an option to employees covered under the old scheme to join the funded new contributory provident fund scheme - NCPF (new scheme) effective from July 1, 2010. Under this scheme, contribution is made by both the employer and employee at the rate of 6% of the monetised salary. Moreover, employees joining the Corporation service after July 1, 2010 are covered under the new scheme.

- b) an un-funded general contributory provident fund (new scheme) for transferred employees who joined SBP after 1975 or who had joined the SBP prior to 1975 but have opted for this new scheme. Under this scheme, contribution is made only by the employee at the rate of 5% of the monetised salary.
- c) the following other staff retirement benefit schemes:
- an un-funded gratuity scheme (old scheme) for all employees other than the employees who opted for the new general contributory provident fund scheme or transferred employees who joined SBP after 1975 and are entitled only to pension scheme benefits;
  - a funded New Gratuity Fund (NGF) which was introduced by the Corporation effective from July 1, 2010 for all its employees other than those who opted for pension scheme or unfunded gratuity scheme (old scheme);
  - an un-funded pension scheme for those employees who joined the SBP after 1975 and before the introduction of NGF which is effective from July 1, 2010;
  - an un-funded contributory benevolent fund scheme;
  - an un-funded post retirement medical benefit scheme; and
  - six months post retirement benefit facility.

Obligations for contributions to defined contribution provident fund plans are recognised as an expense in the consolidated profit and loss account as and when incurred.

Annual provisions are made by the Corporation to cover the obligations arising under defined benefits schemes based on actuarial recommendations. The actuarial valuations are carried out under the "Projected unit credit method". The most recent valuation in this regard has been carried out as at June 30, 2021. The amount arising as a result of remeasurements are recognised in the consolidated balance sheet immediately, with a charge or credit to other comprehensive income in the period in which they occur.

**4.18.3 The PSPC operates following staff retirement benefits scheme for employees:**

The Corporation operates an approved defined benefit funded pension scheme for all its permanent employees under the Pakistan Security Printing Corporation (Private) Limited - Employees (Pension and Gratuity) Regulations, 1993 (the Regulations). During the year ended June 30, 2017, as a result of business reorganisation, employees relating to National Security Printing Company (Private) Limited (NSPC) were transferred to NSPC and as per the business transfer agreement dated May 19, 2017, the costs of gratuity or pension are to be borne by transferee company i.e. NSPC, accordingly, the pension fund has become a multi-employer fund. Contribution to the pension fund is made based on the actuarial valuation carried out on an annual basis using Projected Unit Credit method. All actuarial gains and losses are recognised in other comprehensive income as they occur. Under the scheme, the employees who have completed the prescribed qualifying period of more than ten years of service and opt for the scheme are entitled to post retirement pension benefit.

**4.18.4** Obligations for contributions to defined contribution provident plans are recognised as an expense in the consolidated profit and loss account as and when incurred.

**4.18.5** Annual provisions are made by the Group to cover the obligations arising under defined benefit schemes based on actuarial recommendations. The actuarial valuations are carried out under the "Projected Unit Credit Method". The most recent valuation in this regard was carried out as at June 30, 2021. The amount arising as a result of remeasurements are recognised in the consolidated balance sheet immediately, with a charge or credit to the consolidated other comprehensive income in the periods in which they occur.

**4.18.6** The above staff retirement benefits are payable on completion of prescribed qualifying period of service.

**4.19 Compensated absences**

The Group makes annual provision in respect of liability for employees' compensated absences based on actuarial estimates. The liability is estimated using the projected unit credit method.

**4.20 Endowment Fund - deferred grant**

The Group has established an Endowment fund under NIBAF effective from July 1, 2011 for utilisation of the amount received. The terms of references / rules and regulations of the Endowment fund have been formulated. The aims and objective of NIBAF Endowment Fund are as under:

- a) Capacity building of the Group as well as other banking professionals in realms of Rural Finance, Microfinance, Agriculture and SMEs etc.

- b) To encourage, promote, support and undertake academic and scientific investigations, innovative research, inventions and developments in various Banking and Finance related areas.
- c) To provide assistance in such activities as field surveys, experiments, collection and dissemination of information, seminars, conferences and trainings etc. aimed at increasing awareness, introducing improvements and enhancing efficiency in areas related to Banking and Finance in general and Rural Finance in particular.
- d) To conduct research and trainings to increase awareness of commercial banks regarding possibilities, prospects and risks, to develop demand driven products and services, instituting enhanced portfolio management capability and installing systems and procedures for reducing costs etc.
- e) To promote gathering of information on rural finance by collecting and analysing data, conducting survey thereby working as a main training hub.
- f) To create linkages with national and international organisations for the strengthening of Rural finance related
- g) For any other purpose which the NIBAF's Board of Directors may consider fit for the overall benefit of the NIBAF and its stakeholders.

#### **4.21 Trade and other payables**

Liabilities for trade and other amounts payable are carried at amortised cost, which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed.

#### **4.22 Mark-up bearing borrowings and borrowing costs**

Borrowing costs relating to the acquisition, construction or production of a qualifying asset are recognised as part of the cost of that asset. All other borrowing costs are recognised as an expense in the period in which these are

Mark-up bearing borrowings are recognised initially at fair value, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognised in consolidated profit and loss account over the period of borrowings on an effective interest method basis.

Borrowing costs are recognised as an expense in the period in which these are incurred, except to the extent that they are directly attributable to the acquisition or construction of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) in which case these are capitalised as part of cost of that asset.

#### **4.23 Deferred income - Grant**

Grants received on account of capital expenditure are recorded as deferred income and are amortised over the useful life of the relevant asset. The grants received on account of revenue expenditures are recorded as and when the expenditure is incurred.

#### **4.24 Revenue recognition**

- Discount, interest / mark-up and / or return on loans and advances and investments are recorded on time proportion basis that takes into account the effective yield on the asset. However, income on balances with Bangladesh (former East Pakistan), doubtful loans and advances and overdue return on investments are recognised as income on receipt basis.
- Revenue from sale of goods is recognised when or as performance obligations are satisfied by transferring control (i.e. at the time of transfer of physical possession) of promised goods, and control either transfers over time or at a point in time. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates and government levies.
- Commission income is recognised when related services are rendered.
- Dividend income is recognised when the Group's right to receive dividend is established.
- Gains / losses on disposal of securities are recognised in the consolidated profit and loss account at trade date.
- Unrealised gains and losses arising on revaluation of securities designated at fair value through profit or loss are included in consolidated profit and loss account in the period in which they arise.
- Unrealised gains and losses arising on revaluation of securities classified as fair value through other comprehensive income are included in consolidated other comprehensive income in the period in which they arise.

- Fee from training, education and hostel services are recognised on accrual basis.
- Rental income from property is accrued on time proportion basis at agreed rates.
- Return on Group's deposits are recognised on accrual basis taking into account the effective yield.
- Scrap sales and miscellaneous income are recognised on receipt basis.
- All other revenues are recognised on a time proportion basis.

#### **4.25 Finances under profit and loss sharing arrangements**

The Group provides various finances to financial institutions under profit and loss sharing arrangements. Share of profit / loss under these arrangements is recognised on an accrual basis.

#### **4.26 Foreign currency translation**

Transactions denominated in foreign currencies are translated to Pak Rupees at the foreign exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the closing rate of exchange prevailing at the reporting date.

Exchange gains and losses are taken to the consolidated profit and loss account except for certain exchange differences on balances with the International Monetary Fund, referred to in note 4.17, which are transferred to the Government of Pakistan account.

Commitments for outstanding foreign exchange forward and swap contracts disclosed in note 37.2 to these consolidated financial statements are translated at forward rates applicable to their respective maturities. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in PKR terms at the closing rate of exchange prevailing at the reporting date.

#### **4.27 Investment in associates**

Entities in which the Group has significant influence but not control and which are neither its subsidiaries nor joint ventures are classified as associates and are accounted for by using the equity method of accounting.

These investments are initially recognised at cost, thereafter the carrying amount is increased or decreased to recognise the Group share of profit and loss of associates. Share of post acquisition profit and loss of associates is accounted for in the consolidated profit and loss account. Distribution received from investee reduces the carrying amount of investment. The Group's share of associates' other comprehensive income is recognised in consolidated other comprehensive income of the Group.

The carrying amount of the investment is tested for impairment, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount and loss, if any is recognised in the consolidated profit and loss account.

Unrealised gains / losses arising from transactions with associated companies are eliminated against the investment in the associates to the extent of Group's interest in the associates. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

The Group accounts for its share of comprehensive income from associates as at year end on the basis of latest available financial statement of associates but not older than three months.

#### **4.28 Taxation**

The income of the Bank and the SBP Banking Services Corporation is exempt from tax under section 49 of the State Bank of Pakistan Act, 1956 and clause 66(xx) of Part I of second schedule to the Income Tax Ordinance, 2001. However, in case of NIBAF, NIBAF is claiming hundred percent (100%) tax credit for the tax year 2015 and onwards under clause (d) of sub-section 2 of section 100C of the Income Tax Ordinance, 2001, introduced under the Finance Act, 2015. The income of PSPC is subject to tax at applicable rates.

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in the consolidated profit and loss account or consolidated statement of comprehensive income to which it relates.

#### **4.28.1 Current**

The charge for current taxation is based on expected taxable income for the year at the current rates of taxation, after taking into consideration available tax credits, rebates, tax losses, etc. The charge for current tax also includes adjustments to tax payable in respect of previous years including those arising from assessments finalised during the year and are separately disclosed.

#### **4.28.2 Deferred**

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

### **5 USE OF ESTIMATES AND JUDGMENTS**

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses 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 and liabilities and income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. Judgments made by the management in the application of IFRS and estimates that have a significant risk of material adjustment to the carrying amounts of assets and liabilities are as follows:

#### **5.1 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 and financial liabilities recorded in the consolidated balance sheet 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. For further details about determination of fair value please see note 4.6 to these consolidated financial statements.

#### **5.2 Effective interest rate (EIR) method**

The Group's EIR methodology recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of financial instruments. This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well as clubbing of and other determinable fee income / expense to the cost of acquisition of financial instruments that are integral parts of the instrument.

#### **5.3 Impairment losses on financial assets**

The measurement of impairment losses across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. Assumptions regarding the impairment of financial assets are presented in the note 53.1.2 to these consolidated financial statements.

**5.4 Retirement benefits**

The key actuarial assumptions concerning the valuation of defined benefit plans and the sources of estimation are disclosed in notes 47.3.1 and 47.4.1 to these consolidated financial statements.

**5.5 Useful life and residual value of property, plant and equipment**

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

	Note	2021 ------(Rupees in '000)-----	2020
<b>6 CASH AND BANK BALANCES</b>			
With banks in current accounts	6.1	465,891	200,285
Cash in hand		35,693	12,540
		<u>501,584</u>	<u>212,825</u>

6.1 This includes remunerative accounts carrying mark-up ranging from 3.71% to 6.90% (2020: 3.74% to 7.08%) per annum

	Note	2021 Net content in troy ounces	2020	2021 ------(Rupees in '000)-----	2020
<b>7 GOLD RESERVES HELD BY THE BANK</b>					
Opening balance		2,078,197	2,078,037	617,495,037	468,625,002
Additions during the year		320	160	84,814	47,118
(Diminution) / appreciation for the year due to revaluation	36	-	-	(40,223,613)	148,822,917
	24.1	<u>2,078,517</u>	<u>2,078,197</u>	<u>577,356,238</u>	<u>617,495,037</u>

7.1 During the year the Bank has recognised a diminution / appreciation of Rs. 40,223 million (2020: Rs. 148,822 million) based on the closing market rate (USD 1768.10) of the fine gold content fixed by the London Bullion Market

	Note	2021 ------(Rupees in '000)-----	2020
<b>8 LOCAL CURRENCY - COINS</b>			
Banknotes held by the Banking department		149,598	172,707
Coins held as an asset of the Issue department	8.1 & 24.1	417,574	1,028,584
		<u>567,172</u>	<u>1,201,291</u>
Less: banknotes held by the Banking department	24	(149,598)	(172,707)
		<u>417,574</u>	<u>1,028,584</u>

8.1 As mentioned in note 4.2, the Bank is responsible for issuing coins of various denominations on behalf of the GoP. This balance represents the face value of coins held by the Bank at the year end.

**9 FOREIGN CURRENCY ACCOUNTS AND INVESTMENTS**

These essentially represent foreign currency reserves held by the Group, the details of which are as follows:

	Note	2021 ------(Rupees in '000)-----	2020
<b>At fair value through profit and loss:</b>			
- investments	9.3	1,024,175,981	500,826,405
- unrealised gain on derivative financial instruments		536,285	499,147
- unrealised (loss) on derivative financial instruments		(113,124)	(149,270)
	9.4	<u>423,161</u>	<u>349,877</u>
		<u>1,024,599,142</u>	<u>501,176,282</u>
<b>At amortised cost:</b>			
- deposit accounts		375,065,876	594,390,455
- current accounts		1,296,989	1,338,337
- securities purchased under agreement to resell	9.5	423,792,553	891,609,264
- money market placements	9.6	1,034,106,813	218,472,005
		<u>1,834,262,231</u>	<u>1,705,810,061</u>
Less: credit loss allowance	9.2	(16,561)	(88)
		<u>2,858,844,812</u>	<u>2,206,986,255</u>

	Note	2021	2020
------(Rupees in '000)-----			
The above foreign currency accounts and investments are held as follows:			
Issue department	24.1	1,034,070,392	218,465,780
Banking department		1,824,774,420	1,988,520,475
		<u>2,858,844,812</u>	<u>2,206,986,255</u>

- 9.1 The following table sets out information about the credit quality of foreign currency accounts and investments of the Group measured at amortised cost and maximum exposure to credit risk as at reporting date. Details of the Group's internal grading system are explained in note 53.1.4.

	Note	Stage 1	2021	2020
------(Rupees in '000)-----				
<b>Deposit accounts</b>				
High rating		375,065,876	375,065,876	594,390,455
		<u>375,065,876</u>	<u>375,065,876</u>	<u>594,390,455</u>
<b>Current accounts</b>				
High rating		1,296,948	1,296,948	1,329,030
Standard rating		41	41	9,307
		<u>1,296,989</u>	<u>1,296,989</u>	<u>1,338,337</u>
<b>Securities purchased under agreement to resell</b>				
High rating	9.5	423,792,553	423,792,553	891,609,264
		<u>423,792,553</u>	<u>423,792,553</u>	<u>891,609,264</u>
<b>Money market placements</b>				
High rating	9.6	1,034,106,813	1,034,106,813	218,472,005
		<u>1,034,106,813</u>	<u>1,034,106,813</u>	<u>218,472,005</u>
		<u>1,834,262,231</u>	<u>1,834,262,231</u>	<u>1,705,810,061</u>

- 9.2 An analysis of changes in the ECL in relation to foreign currency accounts and investments of the Group measured at amortised cost is as follows:

2021			
	Nostros	Money market placements	Total
------(Rupees in '000)-----			
<b>Stage 1</b>			
Opening balance as of June 30, 2020	88	-	88
Charge of allowance	2,693	13,780	16,473
<b>Balance as of June 30, 2021</b>	<u>2,781</u>	<u>13,780</u>	<u>16,561</u>
2020			
	Nostros	Money market placements	Total
------(Rupees in '000)-----			
<b>Stage 1</b>			
Opening balance as of June 30, 2019	32	12,963	12,995
Charge / (reversal) of allowance	56	(12,963)	(12,907)
<b>Balance as of June 30, 2020</b>	<u>88</u>	<u>-</u>	<u>88</u>

- 9.3 This includes investments made by the Group in international markets and balances maintained, on behalf of the Group, through reputable fund managers. The activities of these fund managers are being monitored through a custodian. The market value of the investments as on June 30, 2021 amounts to Rs. 207,081 million (USD 1314.5 million [2020: Rs. 173,698 million (USD 1033.60 million)]. These carry interest ranging from 0.13% to 3.75% per annum in USD (2020: 0.175% to 0.5% per annum) and 2.12% to 2.48% per annum in CNY (2020: 0% to 3.56% per annum).

- 9.4 This represents unrealised gain / (loss) on foreign currency swaps, futures and forward contracts (including transactions executed by the fund managers on behalf of the Group) entered into with various counterparties.

- 9.5 These represent lending under repurchase agreements which carry mark-up in USD at the rate of 0.05% per annum (2020: 0.00% per annum) and these are due to mature on July 1, 2021 (2020: July 01, 2020).

**9.6** These represent money market placements carrying interest ranging from 0.10% to 0.16% per annum in USD and 3.28% per annum in CNY (2020: 0.10% to 0.16% per annum in USD and Nil in CNY) having maturities ranging from July 3, 2021 to August 7, 2021 in USD and July 2, 2021 in CNY (2020: July 3, 2020 to August 7, 2020 and Nil in CNY).

**10 EARMARKED FOREIGN CURRENCY BALANCES**

This represents foreign currency cash balances translated at the exchange rate prevailing at the reporting date, held by the Group to meet foreign currency commitments of the Group.

**11 SPECIAL DRAWING RIGHTS OF THE INTERNATIONAL MONETARY FUND**

Special drawing rights (SDRs) are the foreign reserve assets which are allocated by the International Monetary Fund (IMF) to its member countries in proportion to their quota in the IMF. In addition, the member countries can purchase the SDRs from the IMF and other member countries in order to settle their obligations. The figures given below represent the rupee value of the SDRs held by the Group as at the reporting date. Interest is credited by the IMF on the SDR holding of the Group at weekly interest rates on daily products of SDRs held during each quarter.

	Note	2021	2020
------(Rupees in '000)-----			
SDRs are held as follows:			
- by the Issue department	24.1	-	11,601,465
- by the Banking department		<u>60,771,006</u>	<u>17,935,662</u>
		<u><u>60,771,006</u></u>	<u><u>29,537,127</u></u>

**12 RESERVE TRANCHE WITH THE INTERNATIONAL MONETARY FUND UNDER QUOTA ARRANGEMENTS**

Quota allocated by the International Monetary Fund	<b>455,738,808</b>	469,862,627
Liability under quota arrangements	<b>(455,712,081)</b>	(469,835,072)
	<u><u>26,727</u></u>	<u><u>27,555</u></u>

**13 SECURITIES PURCHASED UNDER AGREEMENT TO RESELL**

This represents collateralised lending made to various financial institutions under resell arrangement carrying mark-up ranging from 7.06% to 7.10% per annum (2020: 7.03% to 12.33% per annum) and are due to mature on July 2, 2021 (2020: July 3, 2020). The fair value of securities collateralised as on June 30, 2021 amounted to Rs. 1,852,618 million (2020: Rs. 1,001,208 million). The collaterals held by the Group consist of Pakistan investment bonds and market treasury bills.

**13.1** The following table sets out information about the credit quality of securities purchased under agreement to resell of the Bank measured at amortised cost:

	Stage 1	2021	Stage 1	2020
------(Rupees in '000)-----				
High rating	<b>1,792,952,125</b>	<b>1,792,952,125</b>	917,539,654	917,539,654
Standard rating	-	-	-	-
Less: credit loss allowance	<b>(6)</b>	<b>(6)</b>	<b>(7)</b>	<b>(7)</b>
	<u><u>1,792,952,119</u></u>	<u><u>1,792,952,119</u></u>	<u><u>917,539,647</u></u>	<u><u>917,539,647</u></u>

**13.2** An analysis of changes in the ECL in relation to securities purchased under agreement to resell of the Group measured at amortised cost is, as follows:

	Stage 1	2021	Stage 1	2020
------(Rupees in '000)-----				
Opening balance	<b>7</b>	<b>7</b>	27	27
Reversal during the year	<b>(1)</b>	<b>(1)</b>	(20)	(20)
Closing balance	<u><u>6</u></u>	<u><u>6</u></u>	<u><u>7</u></u>	<u><u>7</u></u>

	Note	2021	2020
----- (Rupees in '000) -----			
<b>14 INVESTMENTS - LOCAL</b>			
<b>At amortised cost</b>			
<b>Government securities</b>			
Pakistan investment bonds (PIBs)		6,676,448,550	7,270,563,969
Federal government scrips		2,740,000	2,740,000
Market Treasury Bills		6,220,788	2,869,963
	14.2	6,685,409,338	7,276,173,932
Term Deposit Receipts	14.3	1,200,000	1,072,000
Zarai Taraqati Bank Limited (ZTBL) preference shares - unlisted	14.4	54,679,114	54,539,302
Term finance certificates		28,243	56,483
Certificates of deposits		11,235	22,470
		39,478	78,953
Less: credit loss allowance	14.5	(39,478)	(78,953)
		6,741,288,452	7,331,785,234
<b>At fair value through other comprehensive income</b>			
<b>Investments in banks and other financial institutions</b>			
Ordinary shares			
- Listed		58,506,359	44,235,735
- Unlisted		56,302,176	35,101,670
	14.6	114,808,535	79,337,405
<b>At fair value through profit or loss</b>			
Units of open ended mutual funds	14.8	1,315,236	1,200,488
		6,857,412,223	7,412,323,127
The above investments are held as follows:			
Issue department	24.1	5,655,896,964	5,598,401,783
Banking department / subsidiaries		1,201,515,259	1,813,921,344
		6,857,412,223	7,412,323,127

14.1 The following table sets out information about the credit quality of local investments of the Group measured at amortised cost as at June 30, 2021.

	2021			
	Stage 1	Stage 2	Stage 3	Total
----- (Rupees in '000) -----				
High rating	6,741,288,452	-	-	6,741,288,452
Rating below standard	-	-	39,478	39,478
	6,741,288,452	-	39,478	6,741,327,930
Less: credit loss allowance	-	-	(39,478)	(39,478)
	6,741,288,452	-	-	6,741,288,452
	2020			
	Stage 1	Stage 2	Stage 3	Total
----- (Rupees in '000) -----				
High rating	7,331,785,234	-	-	7,331,785,234
Rating below standard	-	-	78,953	78,953
	7,331,785,234	-	78,953	7,331,864,187
Less: credit loss allowance	-	-	(78,953)	(78,953)
	7,331,785,234	-	-	7,331,785,234

14.2 These represent investments guaranteed / issued by the Government. The profile of return on securities is as follows:

	2021 % per annum	2020
Pakistan investment bonds	7.92 to 13.88	8.23 to 14.02
Federal Government scrips	3	3
Market Treasury Bills	7.29 to 7.65	7.48 to 12.82

PIBs are created for one to ten years under the instructions of the Federal Government while Federal Government scrips are of perpetual nature.

The Federal Government issued PIBs on June 30, 2019 with maturity of one year to ten years amounting to Rs. 7,187,000 million. During the year, PIB's having face value of Rs. 569,000 million have been matured.

Market Treasury Bills have maturities ranging from September 09, 2021 to December 16, 2021 (2020: September 25, 2020 to March 11, 2021).

14.3 These represent Term Deposit Receipts maturing upto 12 months with various banks bearing mark-up ranging from 6.50% to 14.00% (2020: 5.35% to 14.00%) per annum. Term Deposit Receipt of Rs. 22 million (2020: Rs. 22 million) with Faysal Bank Limited is marked under lien against bank guarantee (note 37.2.6).

14.4 This represents 5,446.153 million preference shares of Rs. 10 each carrying mark-up at the rate of 7.5% per annum payable semi-annually, issued by Zarai Taraqiati Bank Limited. These preference shares are redeemable on March 7, 2027.

	2021 ----- (Rupees in '000) -----	2020
14.5 <b>Credit loss allowance</b>		
Opening balance	78,953	78,953
Charge for the year	-	-
Reversal of credit loss allowance during the year	(39,475)	-
Closing balance	<u>39,478</u>	<u>78,953</u>

14.6 **Investments in banks and other financial institutions**

Note	2021			
	Percentage holding %	Cost	Unrealised appreciation / (diminution) (Note 14.7) (Rupees in '000)	Total
<b>Listed</b>				
- National Bank of Pakistan	75.20	1,100,805	57,405,554	58,506,359
<b>Unlisted</b>				
<i>More than 50% Shareholding</i>				
- Zarai Taraqiati Bank Limited	76.23	10,199,621	(4,125,100)	6,074,521
- House Building Finance Company Limited	90.31	1,482,304	506,693	1,988,997
- Deposit Protection Corporation 14.6.2	100	500,000	(500,000)	-
<i>Less than or equal to 50% Shareholding</i>				
Other investments		4,637,706	43,600,952	48,238,658
		16,819,631	39,482,545	56,302,176
		<u>17,920,436</u>	<u>96,888,099</u>	<u>114,808,535</u>

	Note	2020			
		Percentage holding	Cost	Unrealised appreciation / (diminution) (Note 14.7)	Total
		%	(Rupees in '000)		
<b>Listed</b>					
- National Bank of Pakistan		75.20	1,100,805	43,134,930	44,235,735
<b>Unlisted</b>					
<b>More than 50% Shareholding</b>					
- Zarai Taraqati Bank Limited		76.23	10,199,621	(3,082,178)	7,117,443
- House Building Finance Company Limited		90.31	1,482,304	606,150	2,088,454
- Deposit Protection Corporation	14.6.2	100	500,000	(500,000)	-
<b>Less than or equal to 50% Shareholding</b>					
Other investments			4,637,706	21,258,067	25,895,773
			16,819,631	18,282,039	35,101,670
			<b>17,920,436</b>	<b>61,416,969</b>	<b>79,337,405</b>

**14.6.1** Investments in above entities have been made under the specific directives of the Government of Pakistan in accordance with the provisions of the State Bank of Pakistan Act, 1956 and other relevant statutes. The Group neither exercises significant influence nor has control over these entities except for any regulatory purposes or control arising as a consequence of any statute which applies to the entire sector to which these entities belong. Accordingly, these entities have not been consolidated as subsidiaries or accounted for as investments in associates or joint ventures.

**14.6.2** During the year 2018-19, in accordance with section 9 of the Deposit Protection Corporation Act, 2016 (DPC Act), the Group made an initial capital contribution of Rs. 500 million in Deposit Protection Corporation (DPC). This represents 100% of the paid-up portion of the capital of DPC, which was established for the protection of small depositors in order to ensure the financial stability of and maintain public interest in, the financial system, and for matters connected therewith or ancillary thereto. The shareholders of DPC are not entitled to receive any dividend in terms of section 9(5) of DPC Act. The Group is not exposed, or has rights, to variable returns from its involvement with the DPC and does not have the ability to affect its returns. Consequently, DPC is not treated as a subsidiary in these consolidated financial statements. Considering the substance of this transaction, the capital injection in the DPC was fully provided.

	2021	2020
	(Rupees in '000)	
<b>14.7 Unrealised appreciation / (diminution) on remeasurement of investments</b>		
Opening balance	61,416,969	68,490,606
Appreciation / (diminution) during the year - net	35,471,130	(7,073,637)
Closing balance	<b>96,888,099</b>	<b>61,416,969</b>

**14.8** Investments in mutual funds designated at fair value through profit or loss:

2021	2020	Name of investee	2021	2020
Number of units			(Rupees in '000)	
2,242,821	2,242,821	Al Hamra Islamic Stock Fund	25,321	19,445
875,093	827,202	MCB Cash Management Optimizer	88,349	83,407
7,065,637	7,065,637	Meezan Islamic Fund	447,792	329,869
857,780	812,392	MCB DCF Income Fund	91,827	86,897
6,246,615	6,175,498	ABL Islamic Stock Fund	101,348	75,344
151,618	143,453	Atlas Money Market Fund	76,700	72,480
7,902,935	7,902,935	NAFA Islamic Asset Allocation Fund	-	112,104
17,924,451	17,735,243	NAFA Islamic Stock Fund	228,268	167,834
1,810	1,716	NAFA Money Market Fund	18	17
421,152	421,152	Al-Ameen Shariah Stock Fund	-	50,353
2,752,499	2,752,499	Meezan Strategic Allocation Fund - Plan I	128,298	101,491
2,752,039	2,752,039	Meezan Strategic Allocation Fund - Plan II	127,315	101,247
<b>49,194,450</b>	<b>48,832,587</b>		<b>1,315,236</b>	<b>1,200,488</b>

15	INVESTMENTS IN ASSOCIATES	Note	2021 Percentage holding %	2020 %	2021 ----- (Rupees in '000) -----	2020
	<b>Investments in associates under equity method of accounting:</b>					
	Security Papers Limited (SPL)	15.1	40.03	40.03	6,387,246	5,996,873
	SICPA Inks Pakistan (Private) Limited (SICPA)	15.2	47	47	996,490	491,205
					<u>7,383,736</u>	<u>6,488,078</u>
				<b>Note</b>	<b>2021</b>	<b>2020</b>
15.1	<b>Security Papers Limited - SPL</b>				----- (Rupees in '000) -----	
	Cost				1,613,357	1,613,357
	Share of post acquisition after tax profits			15.1.1	1,732,523	1,131,012
	Effect of first time application of IFRS 9 on after tax profits				(100,561)	(100,561)
	Share in other comprehensive income			15.1.2	(64,553)	(66,912)
	Effect of restatement due revaluation of land and Building of SPL				3,894,669	3,894,669
	Effect of first time application of IFRS 9 on other comprehensive income				100,561	100,561
	Dividend received				(788,750)	(575,253)
					<u>6,387,246</u>	<u>5,996,873</u>
15.1.1	The movement in share of post acquisition after tax profit for SPL is as follows:					
	Opening balance				1,131,012	648,961
	Share of after tax profit from associate for the year ended June 30			15.1.2	583,816	510,882
	Depreciation on revaluation of building				(996)	(996)
	Effect of restatement on after tax profits				-	(2,099)
	Unrealised gain / (loss) on transactions			15.1.3	18,691	(25,736)
					<u>601,511</u>	482,051
	Closing balance				<u>1,732,523</u>	<u>1,131,012</u>
15.1.2	These amounts are based on audited annual financial statements of SPL as at and for the year ended June 30, 2021.					
15.1.3	This represents the effect of elimination of unrealised gain / loss on transactions between the associate to the extent of its interest in the associate (40.03%).					
				<b>Note</b>	<b>2021</b>	<b>2020</b>
15.2	<b>SICPA Inks Pakistan (Private) Limited - (SICPA)</b>				----- (Rupees in '000) -----	
	Cost				497,655	497,655
	Share of post acquisition after tax profits			15.2.1	1,604,481	868,131
	Effect of first time application of IFRS 9 on after tax profits				3,554	3,554
	Share in other comprehensive income			15.2.2	5,359	2,992
	Effect of first time application of IFRS 9 on other comprehensive income				(3,554)	(3,554)
	Dividend received				(1,111,005)	(877,573)
					<u>996,490</u>	<u>491,205</u>
15.2.1	The movement in share of post acquisition after tax profit for SICPA is as follows:					
	Opening balance				868,131	770,274
	Share of after tax profit from associate for the year ended June 30			15.2.2	613,556	419,080
	Effect of restatement on after tax profits				-	(139,339)
	Effect of restatement on other comprehensive income				-	3,181
	Unrealised gain / (loss) on transactions				122,794	(185,065)
					<u>736,350</u>	97,857
	Closing balance				<u>1,604,481</u>	<u>868,131</u>

15.2.2 These amounts are based on annual audited financial statements of SICPA as at and for the year ended December 31, 2020 which have been adjusted using the unaudited interim financial statements for the half year ended June 30, 2020 and June 30, 2021.

15.3 The following is the summarised financial information of the associates as at June 30, 2021 and June 30, 2020 based on their financial information prepared in accordance with the accounting and reporting standards as applicable in Pakistan.

	Security Papers		SICPA Inks Pakistan	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
----- (Rupees in '000) -----				
<b>Assets</b>	<b>8,137,349</b>	6,983,974	<b>4,264,067</b>	3,244,399
<b>Liabilities</b>	<b>1,416,649</b>	1,194,308	<b>1,450,428</b>	1,244,567
----- (Rupees in '000) -----				
	Year ended June 30, 2021	Year ended June 30, 2020	Year ended June 30, 2021	Year ended March 31, 2020
----- (Rupees in '000) -----				
Revenue	<b>5,001,692</b>	4,901,284	<b>7,322,367</b>	6,383,381
Profit after tax	<b>1,458,730</b>	1,209,469	<b>1,305,436</b>	667,501
Other comprehensive income	<b>5,893</b>	4,926	<b>2,367</b>	3,966

15.4 The market value of SPL as at June 30, 2021 is Rs 144.57 per share (2020: Rs 141.95 per share) i.e. an aggregate amount of Rs 3,429.452 million (2020: Rs. 3,367.301 million). The breakup value based on net assets of SICPA as per latest unaudited financial statements as on June 30, 2021 is Rs 493.62 per share (June 30, 2020: Rs 350.84 per share) i.e. an aggregate amount of Rs 1,322.410 million (June 30, 2020: Rs 939.921 million).

16	LOANS, ADVANCES AND BILLS OF EXCHANGE	Note	2021	2020
			----- (Rupees in '000) -----	
	Government owned / controlled financial institutions	16.3	<b>122,531,854</b>	85,114,788
	Private sector financial institutions	16.4	<b>1,045,642,491</b>	700,781,998
			<b>1,168,174,345</b>	785,896,786
	Employees		<b>24,972,693</b>	21,048,761
			<b>1,193,147,038</b>	806,945,547
	Less: credit loss allowance	16.7	<b>(2,151,911)</b>	(2,192,861)
			<b>1,190,995,127</b>	804,752,686

16.1 The following table sets out information about the credit quality of loans, advances and bills of exchange of the Group measured at amortised cost:

	2021			
	Stage 1	Stage 2	Stage 3	Total
----- (Rupees in '000) -----				
<b>Government owned / controlled financial institutions</b>				
High rating	104,636,530	-	-	<b>104,636,530</b>
Rating below standard	-	-	1,780,301	<b>1,780,301</b>
	<b>104,636,530</b>	-	<b>1,780,301</b>	<b>106,416,831</b>
<b>Private sector financial institutions</b>				
High rating	1,053,613,043	-	-	<b>1,053,613,043</b>
Standard rating	7,077,274	-	-	<b>7,077,274</b>
Rating below standard	-	-	1,067,197	<b>1,067,197</b>
	<b>1,060,690,317</b>	-	<b>1,067,197</b>	<b>1,061,757,514</b>
<b>Employees</b>				
Performing loans	24,965,931	-	-	<b>24,965,931</b>
Non performing loans	-	-	6,762	<b>6,762</b>
	<b>24,965,931</b>	-	<b>6,762</b>	<b>24,972,693</b>
	<b>1,190,292,778</b>	-	<b>2,854,260</b>	<b>1,193,147,038</b>
Less: credit loss allowance	<b>(14,942)</b>	-	<b>(2,136,969)</b>	<b>(2,151,911)</b>
	<b>1,190,277,836</b>	-	<b>717,291</b>	<b>1,190,995,127</b>

2020				
Stage 1	Stage 2	Stage 3	Total	
----- (Rupees in '000) -----				
Government owned / controlled financial institutions				
High rating	83,334,487	-	-	83,334,487
Rating below standard	-	-	1,780,301	1,780,301
	83,334,487	-	1,780,301	85,114,788
Private sector financial institutions				
High rating	690,302,476	-	-	690,302,476
Standard rating	141,068	-	-	141,068
Rating below standard	9,271,257	-	1,067,197	10,338,454
	699,714,801	-	1,067,197	700,781,998
Employees				
Performing loans	21,041,999	-	-	21,041,999
Non performing loans	-	-	6,762	6,762
	21,041,999	-	6,762	21,048,761
	804,091,287	-	2,854,260	806,945,547
Less: credit loss allowance	(55,892)	-	(2,136,969)	(2,192,861)
	804,035,395	-	717,291	804,752,686

- 16.2 An analysis of changes in the ECL in relation to loans and advances of the Group measured at amortised cost is as follows:

2021				
Government owned / controlled financial institutions	Private sector financial institutions	Employees	Total	
----- (Rupees in '000) -----				
<b>Stage 1</b>				
Opening balance as of July 01, 2020	46,061	9,095	736	55,892
Reversal of allowance	(42,345)	942	453	(40,950)
Balance as of June 30, 2021	3,716	10,037	1,189	14,942
<b>Stage 3</b>				
Opening balance as of July 01, 2020	1,066,606	1,063,630	6,733	2,136,969
Charge / (reversal) of allowance	-	-	-	-
Balance as of June 30, 2021	1,066,606	1,063,630	6,733	2,136,969
	1,070,322	1,073,667	7,922	2,151,911
----- (Rupees in '000) -----				
2020				
Government owned / controlled financial institutions	Private sector financial institutions	Employees	Total	
----- (Rupees in '000) -----				
<b>Stage 1</b>				
Opening balance as of July 01, 2019	46,061	26,987	763	73,811
Charge / (reversal) of allowance	-	(17,892)	(27)	(17,919)
Balance as of June 30, 2020	46,061	9,095	736	55,892
<b>Stage 3</b>				
Opening balance as of July 01, 2019	1,066,606	1,063,630	6,762	2,136,998
Adjustments on initial recognition of IFRS 9	-	-	(29)	(29)
Balance as of June 30, 2020	1,066,606	1,063,630	6,733	2,136,969
	1,112,667	1,072,725	7,469	2,192,861

**16.3 Loans and advances to government owned / controlled financial institutions**

Note	Scheduled banks		Other financial institutions		Total	
	2021	2020	2021	2020	2021	2020
(Rupees in '000)						
Agricultural sector	917,643	435,707	-	-	917,643	435,707
Industrial sector	42,448,747	28,071,472	-	-	42,448,747	28,071,472
Export sector	62,589,078	54,060,479	-	-	62,589,078	54,060,479
Housing sector	-	-	10,456	-	10,456	-
Others	15,777,412	1,748,668	788,518	798,462	16,565,930	2,547,130
	<b>121,732,880</b>	<b>84,316,326</b>	<b>798,974</b>	<b>798,462</b>	<b>122,531,854</b>	<b>85,114,788</b>

**16.3.1** This includes exposure to Industrial Development Bank Limited (IDBL) under locally manufactured machinery (LMM) credit line amounting to Rs. 1,054 million (2020: Rs. 1,054 million). Furthermore, loans and advances also include loans amounting to Rs. 340.78 million (2020: Rs 340.78 million) to IDBL which are secured by government securities. The Federal Government vide its vesting order dated November 13, 2012 had transferred and vested all assets and liabilities of Industrial Development Bank of Pakistan (IDBP) into the IDBL with effect from November 13, 2012. The Cabinet Committee on Privatisation, in its meeting held on May 07, 2016 approved the inclusion of IDBL in the 'privatisation program for early implementation'. Further, the Cabinet Committee on Privatisation in its meeting held on October 31, 2018 approved to delist IDBL from privatization programme. The Federal Cabinet also ratified the decision of the Cabinet Committee on Privatization. Accordingly, the process of winding up of IDBL is under process.

**16.3.2** These balances include Rs. 327.949 million (2020: Rs. 327.949 million) which are recoverable from various financial institutions operating in Bangladesh (former East Pakistan). The realisability of these balances is subject to final settlement between the Governments of Pakistan and Bangladesh.

**16.4 Loans and advances to private sector financial institutions**

Note	Scheduled banks		Other financial institutions		Total	
	2021	2020	2021	2020	2021	2020
(Rupees in '000)						
Agricultural sector	2,962,701	1,548,967	241,635	214,819	3,204,336	1,763,786
Industrial sector	331,950,497	185,912,309	20,688,134	14,477,862	352,638,631	200,390,171
Export sector	526,048,365	452,884,058	-	-	526,048,365	452,884,058
Others	155,962,278	36,581,037	7,788,881	9,162,946	163,751,159	45,743,983
	<b>1,016,923,841</b>	<b>676,926,371</b>	<b>28,718,650</b>	<b>23,855,627</b>	<b>1,045,642,491</b>	<b>700,781,998</b>

**16.4.1** Export sector loans of scheduled banks are fully secured against demand promissory notes.

**16.4.2** In the year 2015, the Group in continuation of a scheme of amalgamation of two commercial banks duly sanctioned by the Federal Government under section 47 of the Banking Companies Ordinance, 1962 and under section 17 of the State Bank of Pakistan Act, 1956, extended a 10 year financing facility of Rs.5,000 million with a bullet payment of mark-up and principal at maturity to an Islamic commercial bank (ICB) which is secured against Government of Pakistan Ijara Sukuk. The 10 year facility was provided on the basis of Modaraba to be remunerated at profit sharing ratio declared by the ICB on its remunerative current accounts on monthly basis (the last declared rate in this respect is 0.01% per annum). In accordance with the requirements of accounting framework of the Group, the 10 year financing facility had been recognised at fair value on initial recognition. The amortised cost as of June 30, 2021 is Rs. 3,523 million (2020: Rs. 3,222 million).

**16.4.3** Loans to other financial institutions include advances made to microfinance banks under financial inclusion and infrastructure project (FIIP). These loans are fully secured against demand promissory notes.

**16.5** The interest / mark-up rate profile of the interest / mark-up bearing loans and advances is as follows:

Note	2021	2020
	(% per annum)	
Government owned / controlled and private sector financial institutions	0 to 9.7	0 to 14.49
Employees loans (where applicable)	0 to 10.00	0 to 10.00
<b>16.6 Fair valuation adjustment on COVID loans - net</b>	(Rupees in '000)	
Unwinding of income in respect of fair valuation adjustment on COVID-19 loans	12,686,574	-
Fair valuation loss adjustment on COVID-19 loans on initial recognition	(58,418,557)	(4,193,815)
	<b>(45,731,983)</b>	<b>(4,193,815)</b>

The Group in response to the COVID-19 pandemic has launched several new financing facility schemes in line with its mission to maintain financial and monetary stability. The following facilities were introduced via IH&SMEFD circular no. 01 and 03 of 2020 dated March 17, 2020 and IH&SMEFD circular no. 06 of 2020 dated April 10, 2020:

- i) temporary economic refinance facility;
- ii) refinance facility for combating COVID-19 (RFCC); and
- iii) refinance scheme for payments of wages and salaries to workers and employees of business concerns

Facilities disbursed to banks under the above mentioned schemes aggregated to Rs.299,540 million (2020: Rs.38,244 million) and were interest free or at lower rates. These facilities have been recorded at fair value and a net loss for fair valuation amounting to Rs.45,732 million (2020: Rs.4,194 million) has been recorded in the consolidated profit and loss account.

	Note	2021 ----- (Rupees in '000) -----	2020
<b>16.7 Credit loss allowance</b>			
Opening balance		2,192,861	2,210,809
Reversal of charge during the year		(40,950)	(17,948)
Closing balance		<u>2,151,911</u>	<u>2,192,861</u>
<b>17 ASSETS HELD WITH THE RESERVE BANK OF INDIA</b>			
Gold reserves			
- opening balance		9,978,954	7,573,743
- (diminution) / appreciation for the year due to revaluation	32.3.1.1	(650,097)	2,405,211
		<u>9,328,857</u>	<u>9,978,954</u>
Sterling securities		720,349	682,421
Government of India securities		302,599	318,125
Rupee coins		6,159	6,464
	17.1	<u>10,357,964</u>	10,985,964
Indian notes representing assets receivable from the Reserve Bank of India			
	17.2	910,485	957,200
	24.1	<u>11,268,449</u>	<u>11,943,164</u>
<b>17.1</b>	These assets were allocated to the Government of Pakistan as its share of the assets of the Reserve Bank of India under the provisions of Pakistan (Monetary System and Reserve Bank) Order, 1947. The transfer of these assets to the Group is subject to final settlement between the Governments of Pakistan and India (also refer note 32.3.1).		
<b>17.2</b>	These represent Pak Rupee equivalent of Indian rupee notes which were in circulation in Pakistan until retirement from circulation under the Pakistan (Monetary System and Reserve Bank) Order, 1947. Realisability of these assets is subject to final settlement between the Governments of Pakistan and India (also refer note 32.3.1).		
<b>18 BALANCES DUE FROM THE GOVERNMENTS OF INDIA AND BANGLADESH</b>	Note	2021 ----- (Rupees in '000) -----	2020
<b>India</b>			
Advance against printing of notes		39,616	39,616
Receivable from the Reserve Bank of India		837	837
		<u>40,453</u>	40,453
<b>Bangladesh</b>			
Inter office balances		819,924	819,924
Loans, advances and commercial papers	18.1	<u>13,227,497</u>	12,280,787
		<u>14,047,421</u>	13,100,711
	18.2	<u>14,087,874</u>	13,141,164
<b>18.1</b>	These represent interest bearing loans and advances (including commercial papers) provided to the Government of Bangladesh.		
<b>18.2</b>	The realisability of the above balances is subject to final settlement between the Government of Pakistan and Governments of Bangladesh and India (also refer notes 32.1 and 32.3.1).		
<b>19 PROPERTY, PLANT AND EQUIPMENT</b>	Note	2021 ----- (Rupees in '000) -----	2020
Operating fixed assets	19.1	136,621,502	135,278,631
Capital work-in-progress	19.4	1,725,827	1,886,415
		<u>138,347,329</u>	<u>137,165,046</u>

19.1 Operating fixed assets

2021											
Freehold land*	Leasehold land*	Buildings on freehold land*	Buildings on leasehold land*	Plant and Machinery	Furniture and fixtures	Office equipment	Electronic data processing equipment	Motor vehicles	Right-of-use assets	Total	
(Rupees in '000)											
<b>As at July 01, 2020</b>											
Cost / revalued amount	68,540,532	55,717,637	2,830,021	5,108,055	10,217,595	273,369	2,694,535	2,942,064	1,023,352	56,813	149,403,973
Accumulated depreciation	-	954,871	160,845	288,740	7,451,162	166,198	1,879,847	2,628,670	553,922	41,087	14,125,342
Net book value	68,540,532	54,762,766	2,669,176	4,819,315	2,766,433	107,171	814,688	313,394	469,430	15,726	135,278,631
<b>Year ended June 30, 2021</b>											
Opening net book value	68,540,532	54,762,766	2,669,176	4,819,315	2,766,433	107,171	814,688	313,394	469,430	15,726	135,278,631
Additions	115,551	-	9,160	-	53,329	24,229	193,126	247,591	229,611	-	872,597
Transfers from capital work in progress	-	-	21,018	56,584	1,039,390	-	1,814,357	-	-	-	2,931,349
	115,551	-	30,178	56,584	1,092,719	24,229	2,007,483	247,591	229,611	-	3,803,946
<b>Disposals</b>											
Cost	-	-	-	-	-	(654)	(32,216)	(54,337)	(118,550)	-	(205,757)
Accumulated depreciation	-	-	-	-	-	560	32,216	50,926	99,475	-	183,177
	-	-	-	-	-	(94)	-	(3,411)	(19,075)	-	(22,580)
Adjustments **	-	-	-	-	-	-	-	-	873	(873)	-
Depreciation charge	-	945,252	161,339	293,290	329,723	19,985	311,716	200,916	169,630	6,644	2,438,495
<b>Net book value</b>	<b>68,656,083</b>	<b>53,817,514</b>	<b>2,538,015</b>	<b>4,582,609</b>	<b>3,529,429</b>	<b>111,321</b>	<b>2,510,455</b>	<b>356,658</b>	<b>511,209</b>	<b>8,209</b>	<b>136,621,502</b>
<b>As at June 30, 2021</b>											
Cost / revalued amount	68,656,083	55,717,637	2,860,199	5,164,639	11,310,314	296,944	4,669,802	3,135,318	1,135,286	55,940	153,002,162
Accumulated depreciation	-	1,900,123	322,184	582,030	7,780,885	185,623	2,159,347	2,778,660	624,077	47,731	16,380,660
<b>Net book value</b>	<b>68,656,083</b>	<b>53,817,514</b>	<b>2,538,015</b>	<b>4,582,609</b>	<b>3,529,429</b>	<b>111,321</b>	<b>2,510,455</b>	<b>356,658</b>	<b>511,209</b>	<b>8,209</b>	<b>136,621,502</b>
Useful life / rate of depreciation	-	90-99 years	20 years	20 years	10%-20%	10%-20%	10%-33%	33.33%	20%	20%	
2020											
Freehold land*	Leasehold land*	Buildings on freehold land*	Buildings on leasehold land*	Plant and Machinery	Furniture and fixtures	Office equipment	Electronic data processing equipment	Motor vehicles	Right-of-use assets	Total	
(Rupees in '000)											
<b>As at July 01, 2019</b>											
Cost / revalued amount	71,154,434	54,121,144	3,070,398	4,620,726	8,792,692	244,162	2,424,128	2,682,786	992,379	56,769	148,159,618
Accumulated depreciation	-	-	-	-	7,231,776	148,042	1,741,394	2,470,747	589,300	31,272	12,212,531
Net book value	71,154,434	54,121,144	3,070,398	4,620,726	1,560,916	96,120	682,734	212,039	403,079	25,497	135,947,087
<b>Year ended June 30, 2020</b>											
Opening net book value	71,154,434	54,121,144	3,070,398	4,620,726	1,560,916	96,120	682,734	212,039	403,079	25,497	135,947,087
Transfer to right-of-use assets	-	-	-	-	-	-	-	-	(25,497)	-	(25,497)
Additions	606	-	17,486	-	13,956	31,132	136,039	332,702	266,059	44	798,024
Transfers from capital work in progress	-	8,593	16,833	133,041	1,478,233	-	201,685	-	-	-	1,838,385
	606	8,593	34,319	133,041	1,492,189	31,132	337,724	332,702	266,059	44	2,636,409
<b>Disposals</b>											
Cost	-	-	(723)	-	(67,286)	(1,925)	(67,316)	(73,423)	(179,484)	-	(390,157)
Accumulated depreciation	-	-	-	-	52,039	923	62,989	52,858	167,002	-	335,811
	-	-	(723)	-	(15,247)	(1,002)	(4,327)	(20,565)	(12,482)	-	(54,346)
Reversal on reclassification of freehold land to investment property	(946,293)	-	-	-	-	-	-	-	-	-	(946,293)
Adjustments **	(1,668,215)	1,587,900	(273,973)	354,288	-	-	-	-	-	-	-
Depreciation charge	-	954,871	160,845	288,740	271,425	19,079	201,443	210,782	161,729	9,815	2,278,729
<b>Net book value</b>	<b>68,540,532</b>	<b>54,762,766</b>	<b>2,669,176</b>	<b>4,819,315</b>	<b>2,766,433</b>	<b>107,171</b>	<b>814,688</b>	<b>313,394</b>	<b>469,430</b>	<b>15,726</b>	<b>135,278,631</b>
<b>As at June 30, 2020</b>											
Cost / revalued amount	68,540,532	55,717,637	2,830,021	5,108,055	10,217,595	273,369	2,694,536	2,942,065	1,053,457	56,813	149,434,080
Accumulated depreciation	-	954,871	160,845	288,740	7,451,162	166,198	1,879,848	2,628,671	584,027	41,087	14,155,449
<b>Net book value</b>	<b>68,540,532</b>	<b>54,762,766</b>	<b>2,669,176</b>	<b>4,819,315</b>	<b>2,766,433</b>	<b>107,171</b>	<b>814,688</b>	<b>313,394</b>	<b>469,429</b>	<b>15,726</b>	<b>135,278,631</b>
Useful life / rate of depreciation	-	90-99 years	20 years	20 years	10%-20%	10%-20%	10%-33%	33.33%	20%	20%	

\* These represents revalued assets

\*\* Adjustments include reclassification within different categories of assets

**19.2** Land and buildings of the Group are carried at revalued amount. The latest revaluation was carried out on June 30, 2019 by an external expert which resulted in a surplus of Rs. 25,407 million. The revaluation was carried out based on the market value assessment being the fair value of the land and buildings. Had there been no revaluation, the carrying value of the revalued assets would have been as follows:

	Note	2021 ----- (Rupees in '000)	2020 -----
Freehold land		42,446	42,446
Leasehold land		176,058	179,380
Buildings on freehold land		491,359	408,076
Buildings on leasehold land		752,976	736,022
		<u>1,462,839</u>	<u>1,365,924</u>

**19.3 Depreciation charge for the year has been allocated as follows:**

	Note	2021	2020
General administrative and other expenses	47	2,162,158	2,069,415
Banknotes' and prize bonds printing charges	45	264,180	197,596
Charged to NSPC		12,157	11,718
		<u>2,438,495</u>	<u>2,278,729</u>

**19.4 Capital work-in-progress**

Buildings on freehold land	252,684	46,029
Buildings on leasehold land	581,866	447,044
Office equipment	342,909	321,299
Electronic data processing equipment	195	195
Plant and machinery	548,173	1,071,848
	<u>1,725,827</u>	<u>1,886,415</u>

**20 INVESTMENT PROPERTY**

Balance as at 1 July	978,608	-
Fair value gain recognised during the year	5,239	978,608
Balance as at 30 June	<u>983,847</u>	<u>978,608</u>

**21 INTANGIBLE ASSETS**

Software	21.1	69,873	103,280
Capital work-in-progress		28,314	3,064
		<u>98,187</u>	<u>106,344</u>

**21.1 Intangible assets**

		Cost at July 1	Additions during the year	Cost at June 30	Accumulated amortisation at July 1	Amortisation for the year	Accumulated amortisation at June 30	Net book value at June 30	Annual rate of amortisation %
----- (Rupees in '000) -----									
Software	2021	<u>1,018,108</u>	<u>58,826</u>	<u>1,076,934</u>	<u>914,828</u>	<u>92,233</u>	<u>1,007,061</u>	<u>69,873</u>	20 - 33.33
Software	2020	<u>995,000</u>	<u>23,108</u>	<u>1,018,108</u>	<u>796,242</u>	<u>118,586</u>	<u>914,828</u>	<u>103,280</u>	20 - 33.33

	Note	2021 ----- (Rupees in '000) -----	2020
<b>21.2 Amortisation charge for the year has been allocated to:</b>			
General, administrative and other expenses	47	<u>92,233</u>	<u>118,586</u>
<b>22 DEFERRED TAXATION</b>			
<b>Deductible temporary differences</b>			
Stores and spares		(20,335)	(19,139)
Stock-in-trade		(15,444)	(15,514)
Loans and advances		(1,611)	(1,611)
Investments- local		-	(34,700)
Other receivables		(24,394)	(8,552)
Lease liabilities		(3,277)	(826)
Deferred liabilities - pension payable		<u>(625,651)</u>	<u>(743,863)</u>
		<u>(690,712)</u>	<u>(824,205)</u>
<b>Taxable temporary differences</b>			
Property, plant and equipment		300,195	205,875
Investment in associates		1,102,786	978,718
Investments - local		52,814	-
Surplus on revaluation of property, plant and equipment		189,721	199,968
		1,645,516	1,384,561
<b>Deferred tax liability</b>		<u>954,804</u>	<u>560,356</u>
<b>23 OTHER ASSETS</b>			
Commission receivable and others		4,678,483	4,420,266
Stock-in-trade		4,328,214	4,102,386
Unrealised gain on local currency derivatives		16,438,901	467,045
Advances, deposits and prepayments		9,537,000	9,900,893
Stores and spares		976,883	903,257
Medical, stationery consumables and stamps on hand		315,953	311,241
		<u>36,275,434</u>	<u>20,105,088</u>
<b>24 BANKNOTES IN CIRCULATION</b>			
Total banknotes issued	24.1	7,279,009,617	6,458,935,813
Banknotes held with the Banking department	8	(149,598)	(172,707)
Notes in circulation		<u>7,278,860,019</u>	<u>6,458,763,106</u>
<b>24.1</b> The liability for banknotes issued by the Issue department is recorded at its face value in the consolidated balance sheet. In accordance with section 26 (1) of the SBP Act 1956, this liability is supported by the following assets of the Issue department.			
	Note	2021 ----- (Rupees in '000) -----	2020
Gold reserves held by the Bank	7	577,356,238	617,495,037
Local currency - coins	8	417,574	1,028,584
Foreign currency accounts and investments	9	1,034,070,392	218,465,780
Special drawing rights of the International Monetary Fund	11	-	11,601,465
Investments - local	14	5,655,896,964	5,598,401,783
Assets held with the Reserve Bank of India	17	11,268,449	11,943,164
		<u>7,279,009,617</u>	<u>6,458,935,813</u>

	Note	2021	2020	
		----- (Rupees in '000) -----		
<b>25</b>	<b>CURRENT ACCOUNTS OF GOVERNMENTS</b>			
<b>25.1</b>	<b>Current accounts of governments - payable balances</b>			
	Federal Government	25.3	909,557,319	530,892,360
	Provincial governments			
	- Punjab	25.4	207,526,221	81,724,341
	- Sindh	25.5	74,033,535	65,497,762
	- Khyber Pakhtunkhwa	25.6	31,830,135	11,159,840
	- Baluchistan	25.7	39,604,640	40,926,370
	Government of Azad Jammu and Kashmir	25.8	12,368,089	5,046,863
	Gilgit - Baltistan Administration Authority	25.9	20,566,495	13,542,566
			<u>385,929,115</u>	<u>217,897,742</u>
			<u>1,295,486,434</u>	<u>748,790,102</u>
<b>25.2</b>	<b>Current accounts of governments - receivable balance</b>			
	Railways account	25.10	33,793,930	30,157,106
<b>25.3</b>	<b>Federal Government</b>			
	Non-food account		888,797,230	508,391,267
	Zakat fund accounts		6,190,294	7,929,167
	Other accounts		14,569,795	14,571,926
			<u>909,557,319</u>	<u>530,892,360</u>
<b>25.4</b>	<b>Provincial Government - Punjab</b>			
	Non-food account		197,273,388	76,274,341
	Zakat fund account		422,545	154,335
	Other accounts		9,830,288	5,295,665
			<u>207,526,221</u>	<u>81,724,341</u>
<b>25.5</b>	<b>Provincial Government - Sindh</b>			
	Non-food account		68,353,578	59,101,115
	Zakat fund account		3,134,220	1,757,082
	Other accounts		2,545,737	4,639,565
			<u>74,033,535</u>	<u>65,497,762</u>
<b>25.6</b>	<b>Provincial Government - Khyber Pakhtunkhwa</b>			
	Non-food account		23,431,227	97,619
	Zakat fund account		8,109,074	8,223,742
	Other accounts		289,834	2,838,479
			<u>31,830,135</u>	<u>11,159,840</u>
<b>25.7</b>	<b>Provincial Government - Baluchistan</b>			
	Non-food account		36,886,295	38,330,273
	Zakat fund account		2,297,977	1,821,076
	Other accounts		420,368	775,021
			<u>39,604,640</u>	<u>40,926,370</u>
<b>25.8</b>	<b>Government of Azad Jammu and Kashmir</b>		<u>12,368,089</u>	<u>5,046,863</u>
<b>25.9</b>	<b>Gilgit - Baltistan Administration Authority</b>		<u>20,566,495</u>	<u>13,542,566</u>
<b>25.10</b>	These balances carry mark-up from 6.95% to 7.63% per annum (2020: 8.41% to 13.80% per annum).			

**26 PAYABLE TO ISLAMIC BANKING INSTITUTIONS AGAINST BAI MUAJJAL TRANSACTIONS**

This represents amount payable to various Islamic Banking Institutions against purchases of Government of Pakistan (GoP) Ijara Sukuks by the Bank on Bai Muajjal basis (deferred payment basis). During the year, all such instruments have been matured.

**27 PAYABLE UNDER BILATERAL CURRENCY SWAP AGREEMENT**

**27.1 Payable under bilateral currency swap agreement with the People's Bank of China (PBoC)**

A bilateral currency swap agreement (CSA) was entered between the Bank and the PBoC on December 2011 in order to promote bilateral trade, finance direct investment, provide short term liquidity support and for any other purpose mutually agreed between the two central banks. The original agreement was renewed on December 23, 2014 for a period of three years with overall limit of CNY 10,000 million and equivalent PKR. The bilateral CSA has been further extended on 2018 for a period of three years, with amount increased from CNY 10,000 million to CNY 20,000 million and equivalent PKR. The Bank had purchased and utilised CNY 20,000 million against PKR during the year ended June 30, 2020, with the maturity buckets of three months to 1 year. During the year, the overall limit of CNY 20,000 million has been further extended to CNY 30,000 million for a period of three years against PKR with the maturity buckets of three months to 1 year. These purchases have been fully utilised as at June 30, 2021. Interest is charged on outstanding balance at agreed rates.

<b>28 DEPOSITS OF BANKS AND FINANCIAL INSTITUTIONS</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
----- (Rupees in '000) -----			
<b>Foreign currency</b>			
Scheduled banks		<b>37,511,130</b>	39,655,440
Held under cash reserve requirement	28.1	<b>197,280,327</b>	197,323,325
		<b>234,791,457</b>	236,978,765
<b>Local currency</b>			
Scheduled banks	28.1	<b>1,073,141,877</b>	919,385,365
Financial institutions		<b>19,503,643</b>	14,653,730
Others		<b>231,415</b>	85,699
		<b>1,092,876,935</b>	934,124,794
		<b>1,327,668,392</b>	1,171,103,559

**28.1** This includes cash deposited with the Bank by scheduled banks under regulatory requirements.

<b>29 OTHER DEPOSITS AND ACCOUNTS</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
----- (Rupees in '000) -----			
<b>Foreign currency</b>			
Foreign central banks		<b>70,925,695</b>	75,676,791
International organisations		<b>357,838,470</b>	382,488,753
Foreign government		-	512,412,169
Others		<b>13,384,118</b>	13,029,732
	29.1 & 29.2	<b>442,148,283</b>	983,607,445
<b>Local currency</b>			
Special debt repayment	29.3	<b>24,243,841</b>	24,243,841
Government	29.4	<b>17,850,348</b>	17,850,348
Foreign central banks		<b>1,725</b>	2,226
International organisations		<b>6,006,609</b>	6,343,946
Others		<b>138,779,110</b>	61,946,224
		<b>186,881,633</b>	110,386,585
		<b>629,029,916</b>	1,093,994,030

**29.1** This includes FCY deposits equivalent to Rs. 630,174 million (based on exchange rate as of June 30, 2021) (2020: Rs. 504,152 million (based on exchange rate as of June 30, 2020)), carrying interest at twelve month LIBOR + 1.00% (2020: LIBOR + 1.00%), payable semi-annually. These deposits have been set off against the Rupee counterpart receivable from the Federal Government and have been covered under Ministry of Finance (MoF) Guarantee whereby the MoF has agreed to assume all liabilities and risks arising from these deposits.

		2021	2020
<b>29.2</b>	The interest rate profile of the interest bearing deposits is as follows:	<b>(% per annum)</b>	
	Foreign central banks	<b>0.32 to 0.55</b>	0.51 to 2.61
	International organisations	<b>1.96 to 3.00</b>	3.00 to 4.53
	Foreign government	-	3
	Others	-	0.17 to 2.40
<b>29.3</b>	These are interest free and represent amounts kept in separate special accounts to meet forthcoming foreign currency debt repayment obligations of the Government of Pakistan.		
<b>29.4</b>	These represent rupee counterpart of the foreign currency loan disbursements received from various international financial institutions on behalf of the Government and credited to separate deposit accounts in accordance with the instructions of the GoP.		
<b>30</b>	<b>PAYABLE TO THE INTERNATIONAL MONETARY FUND</b>	<b>Note</b>	<b>2021</b>
			<b>2020</b>
			<b>----- (Rupees in '000) -----</b>
	Borrowings under:		
	- fund facilities	30.1 & 30.3	<b>622,012,301</b>
	- allocation of SDRs	30.2	<b>223,346,298</b>
			<b>845,358,599</b>
	Current account for administrative charges		<b>52</b>
			<b>52</b>
			<b>845,358,651</b>
			<b>1,045,944,378</b>
<b>30.1</b>	The IMF provides financing to its member countries from general resources account (GRA) held in its general department. GRA credit is normally governed by the IMF's general lending policies (also known as credit tranche policies), which provide financing for balance of payments (BoP) and budgetary support needs.		
	Under GRA financing, the IMF granted Extended fund facility (EFF) amounting to SDR 4,393 million in FY 2013-14, having repayment period of 4½ – 10 years, with repayments in twelve equal semi-annual instalments. A total amount of SDR 4,393 million has been disbursed under twelve tranches of EFF. The repayment under this facility started from March 2018 and will continue till September 2026. Repayments made during the year amounted to SDR 756 million (2020: SDR 540 million) in 24 different tranches (2020: 16 tranches).		
<b>30.2</b>	This represents amount payable against allocation of SDRs. A charge is levied by the IMF on SDR allocation of the Bank at weekly interest rate applicable on daily product of SDR.		
<b>30.3</b>	Interest profile of amount payable to the IMF is as under:	<b>Note</b>	<b>2021</b>
			<b>2020</b>
			<b>(% per annum)</b>
	Fund facilities	30.3.1	<b>1.05 to 1.13</b>
			1.05 to 2.03
<b>30.3.1</b>	The IMF levies a basic rate of interest (charges) on loans based on SDR interest rate and imposes surcharges depending on the amount and maturity of the loan and the level of credit outstanding. Interest rates are determined by the IMF on weekly basis. Charges are, however, payable on quarterly basis.		
<b>31</b>	<b>SECURITIES SOLD UNDER AGREEMENT TO REPURCHASE</b>		
	This represents collateralised borrowing made from a financial institution under repurchase arrangement carrying a mark-up of 6.95% per annum (2020: Nil) and is due to mature on July 2, 2021 (2020: Nil).		
<b>32</b>	<b>OTHER LIABILITIES</b>	<b>Note</b>	<b>2021</b>
			<b>2020</b>
			<b>----- (Rupees in '000) -----</b>
	Provision against overdue mark-up	32.1	<b>12,833,396</b>
	Special reserve provision under FIIP		<b>10,794,159</b>
	Remittance clearance account		<b>2,251,010</b>
	Exchange loss payable under exchange risk coverage scheme		<b>437,703</b>
	Dividend payable	32.2	<b>10,000</b>
	Unrealised loss on derivative financial instruments - net		<b>4,007,806</b>
	Other accruals and provisions	32.3	<b>42,485,821</b>
	Others	32.4	<b>9,623,467</b>
			<b>82,443,362</b>
			<b>105,218,885</b>

**32.1** This represents suspended mark-up which is recoverable from the Government of Bangladesh (former East Pakistan) subject to the final settlement between the governments of Pakistan and Bangladesh.

**32.2** This represent dividend payable on shares held by the Government of Pakistan and government controlled entities amounting to Rs. 10 million (2020: Rs. 10 million).

	Note	2021 ----- (Rupees in '000) -----	2020
<b>32.3 Other accruals and provisions</b>			
Agency commission		13,971,245	15,505,814
Provision for employees' compensated absences	47.3.9	10,287,632	9,862,249
Provision for other doubtful assets	32.3.1	12,850,914	13,525,632
Trade and other payables		941,320	3,215,376
Other provisions	32.3.2	2,862,034	2,845,378
Others		1,572,676	2,534,838
		<u>42,485,821</u>	<u>47,489,287</u>

**32.3.1 Provision for other doubtful assets**

Provision against assets held with / receivable from the Government of India and the Reserve Bank of India

- Issue department	11,268,457	11,943,175
- Banking department	40,483	40,483
	<u>11,308,940</u>	<u>11,983,658</u>

Provision against assets receivable from the Government of Bangladesh

- Issue department	-	-
- Banking department	1,541,974	1,541,974
	<u>1,541,974</u>	<u>1,541,974</u>

32.3.1.1 12,850,914 13,525,632

**32.3.1.1 Movement of provisions for other doubtful assets**

Opening balance	13,525,632	11,162,564
Reversal of credit loss allowance	(24,621)	(42,143)
Appreciation relating to gold reserves held by the Reserve Bank of India	(650,097)	2,405,211
Closing balance	<u>12,850,914</u>	<u>13,525,632</u>

**32.3.2** This represent provision against home remittance amounting to Rs. 260.363 million (2020: Rs. 260.363 million), specific claims pertaining to provision made against claims under arbitration amounting to Rs. 1,600 million (2020: Rs. 1,600 million) and other provisions made in respect of various litigations and claims against the Bank amounting to Rs. 1,001.67 million (2020: Rs. 985.02 million).

**32.4** This includes liability maintained against balances due from the Government of Bangladesh amounting to Rs. 778.399 million (2020: Rs. 778.399 million).

	Note	2021 ----- (Rupees in '000) -----	2020
<b>33 DEFERRED LIABILITY - STAFF RETIREMENT BENEFITS</b>			
<b>Unfunded staff retirement benefits</b>			
Pension		61,250,137	58,584,132
Gratuity scheme		140,720	97,912
Post retirement medical benefits		31,731,805	29,879,378
Benevolent fund scheme		1,183,375	1,273,383
Six months post retirement facility		952,536	821,779
	47.3.3	<u>95,258,573</u>	<u>90,656,584</u>
Provident fund scheme		694,328	738,111
		<u>95,952,901</u>	<u>91,394,695</u>
<b>Funded staff retirement benefits</b>			
Pension	47.4.3	5,027,214	4,975,816
		<u>100,980,115</u>	<u>96,370,511</u>

**34 SHARE CAPITAL**

2021	2020		2021	2020
--- (Number of shares) ---			----- (Rupees in '000) -----	
<b>Issued, subscribed and paid-up capital</b>				
<u>1,000,000</u>	<u>1,000,000</u>	Fully paid-up ordinary shares of Rs. 100 each	<u>100,000</u>	<u>100,000</u>
<b>Authorised share capital</b>				
<u>1,000,000</u>	<u>1,000,000</u>	Ordinary shares of Rs. 100 each	<u>100,000</u>	<u>100,000</u>

The shares of the Bank are held by the Government of Pakistan and certain Government controlled entities except for 200 shares held by the Central Bank of India (held by Deputy Custodian Enemy Property, Banking Policy and Regulations Department, State Bank of Pakistan) and 500 shares held by the State of Hyderabad.

**35 RESERVES****35.1 Reserve fund**

This represents appropriations made out of the annual profits of the State Bank of Pakistan in accordance with the provisions of the State Bank of Pakistan Act, 1956. During the year, the Board of Directors has approved appropriation of Rs. 93.6 billion to reserve fund.

**35.2 The reserves for acquisition of PSPC**

This represents reserves against the Group's exposure in PSPC.

**35.3 Other funds**

These represent appropriations made out of the surplus profits of the State Bank of Pakistan for certain specified purposes in accordance with the provisions of the State Bank of Pakistan Act, 1956.

	Note	2021	2020
		----- (Rupees in '000) -----	
<b>36 UNREALISED (DIMINUTION) / APPRECIATION ON GOLD RESERVES HELD BY THE BANK</b>			
Opening balance		613,003,558	464,180,641
(Diminution) / appreciation for the year due to revaluation	7	<u>(40,223,613)</u>	<u>148,822,917</u>
		<u>572,779,945</u>	<u>613,003,558</u>

**37 CONTINGENCIES AND COMMITMENTS****37.1 Contingencies****37.1.1 State Bank of Pakistan ( the Bank)**

a) Contingent liability in respect of guarantees given on behalf of:			
Federal Government	37.1.1.1	9,424,007	13,459,912
Federal Government owned / controlled bodies and authorities		<u>6,308,328</u>	<u>8,150,080</u>
		<u>15,732,335</u>	<u>21,609,992</u>
b) Other claims against the Bank not acknowledged as debts	37.1.1.2	<u>15,363</u>	<u>181,583</u>
c) In addition to the above claims, there are several other lawsuits / investigation filed by various parties as a result of the regulatory actions / investigations taken by the Bank in its capacity as regulator and banker to the government, which the Bank is currently contesting in various courts of laws / forum. The management of the Bank believes that the Bank has reasonable position in respect of these litigations and accordingly no provision for any liability may be needed in these consolidated financial statements.			

**37.1.1.1** Above guarantees are secured by counter guarantees from the Government of Pakistan.

**37.1.1.2** These represent various claims filed against the Bank's role as a regulator and certain other cases.

**37.1.2 National Institute of Banking and Finance (Guarantee) Limited (NIBAF)**

**37.1.2.1** During the year 2016, NIBAF received a notice from the tax department dated January 20, 2016 claiming that the services provided by NIBAF fall within the purview of serial numbers 13, 19 and 38 of schedule to the ICTO and accordingly the NIBAF should get itself registered for sales tax, obtain Sales Tax Registration number (STRN), file returns for six months from July 2015 to December 2015 and settle the outstanding liability in respect of sales tax for those six months. The management believes that NIBAF does not fall under the purview of serial numbers 13, 19 and 38 of schedule to the ICTO mainly on the ground that NIBAF is a training institution and is not liable to be registered under sales tax on training services. A reply was sent from the NIBAF's management to the Assistant Commissioner Inland Revenue (ACIR) justifying the non-applicability of serial numbers 13, 19 and 38 of schedule to the ICTO to the NIBAF. However, the ACIR maintained the tax department's view and ordered the compulsory registration of NIBAF with immediate effect through its order dated February 19, 2016.

Moreover, NIBAF received a show cause notice on March 10, 2016 for filing the tax returns for the period from July 2015 to December 2015 and payment of the due amount of sales tax on services. Subsequently, the department passed the following order on April 11, 2016, with following details:

- a) Imposition of sales tax amounting to Rs.13,675,649; and
- b) Imposition of a penalty under section 33(1) of the Sales Tax Act, 1990 for non-filing amounting to Rs. 35,000 along with default surcharge and penalty under section 33(5) of the Sales Tax Act, 1990.

During the year 2017, NIBAF filed an appeal before the Commissioner Inland Revenue Appeals II (CIRA) challenging the compulsory registration of the NIBAF done by the department vide its order dated February 19, 2016. This appeal was disposed off by the CIRA on February 9, 2017 because it was not maintainable under the law (as it was outside its jurisdiction) and the case could now be taken to the Honourable Islamabad High Court. Consequently, NIBAF filed writ petition against the above orders before the Honourable Islamabad High Court (IHC).

IHC passed an order dated January 29, 2018 and directed CIRA to decide the representation of NIBAF expeditiously (preferably within 7 days) after affording an opportunity of being heard. NIBAF filed applications to CIRA for compliance with IHC order. On March 12, 2018, representatives of NIBAF attended a hearing before the tax department and made oral and written submission. On April 02, 2018, Deputy commissioner Inland Revenue passed an order rejecting NIBAF's application for de-registration and passed an order for compulsory registration of NIBAF.

On June 06, 2020, NIBAF received notice from "Office of the Commissioner Inland Revenue, Zone-III, Corporate Regional Tax office, Karachi " for payment of penalty for non / late filing of monthly sales tax returns. NIBAF submitted its response on June 26, 2020 in which the suspension of NIBAF without any legal notice and imposition of penalty was contested; thus citing non-filing of returns beyond the reasonable control of NIBAF. Further, it was requested for activation of NIBAF's account with taxation authorities for submission of sales tax returns.

NIBAF is also in contact with tax authorities on above matter through the Bank, and no further notices have been received in this regard from tax authorities. Therefore, no provision has been recognised in these consolidated financial statements.

NIBAF, based on the advice of its legal counsel, is of the view that the NIBAF has valid grounds and there are fair chances of success before the Honourable Islamabad High Court. Accordingly, no provision has been recognised in these consolidated financial statements.

**37.1.2.2** In year 2018, NIBAF received a show cause notice for Rs. 8 million from the tax authorities against alleged non-deduction of tax on various payments relating to tax year 2017. NIBAF has submitted the necessary information and thereafter, tax authorities have not proceeded to pass any order. The management is confident of favourable outcome and accordingly no provision has been recognised in these consolidated financial statements.

**37.1.2.3** During the year, NIBAF received notice under section 177(1) of the Income Tax Ordinance, 2001 for provision of information / documentation relating to tax year 2017 for the purposes of the tax audit of the said year under section 214(C) of the Income Tax Ordinance, 2001. NIBAF submitted its response and no further notice and / or assessment / order to this effect has been received so far from the taxation authorities.

**37.1.3 Pakistan Security Printing Corporation (Private) Limited- (PSPC)**

- a) PSPC is defending certain cases filed by its ex-employees on account of their reinstatement in the PSPC and compensation for loss of their jobs. Management considers that the probability of any significant liability arising from such cases is remote.
- b) In the previous years, certain income tax demands were raised for amount of Rs 34.9 million. PSPC, having paid the aforesaid demand of Rs 34.9 million, had filed appeals before the Commissioner of Inland Revenue (Appeals) [CIR(A)] which were decided against PSPC. PSPC further filed appeal before the Appellate Tribunal Inland Revenue [ATIR] which vide order dated June 29, 2015 partially upheld the action of the Additional Commissioner Inland Revenue [ACIR] for amending the aforesaid assessments. PSPC, being aggrieved of the matters decided in favour of the tax authorities, filed miscellaneous application before ATIR, which were dismissed by the ATIR. A reference before the High Court of Sindh has been filed by PSPC, the adjudication of which is pending to date.

The management is continuing with its view that the demand will eventually be revoked and the amount paid will be refunded / adjusted in favour of PSPC. Therefore no provision has been made in these consolidated financial statements.

- c) In the previous year, the tax demands aggregating Rs 515.487 million relating to PSPC's tax years 2013 to 2018 were raised. In relation to the tax year 2017 a rectification application was filed as a result of which the aggregate tax demand was reduced to Rs 343.240 million. Simultaneously, appeals before the CIR(A) were filed which were partially decided in favour of PSPC vide orders dated January 28, 2019 (for tax years 2013 to 2017) and August 6, 2019 (for tax year 2018) thus further reducing the tax demand to Rs 206.772 million mainly on account of apportionment of expenses and disallowance of credit claimed on sales.

Being aggrieved, PSPC has filed appeals before the ATIR for tax years 2013 to 2017 which are pending for adjudication, while appeal for tax year 2018 shall be filed in due course. PSPC has also filed application to the Deputy Commissioner Inland Revenue (DCIR) for giving appeal effect of the aforementioned CIR(A) order.

The management, based on the advice of tax experts, expects a favourable outcome of the aforementioned matters and therefore no provision has been made in these consolidated financial statements.

**37.1.4 Contingencies of the associate - Security Papers Limited**

There is aggregate tax contingencies as at June 30, 2021 amounting to Rs 8.903 million in respect of various matters of sales tax and income tax whereby SPL is contesting before various authorities and associated company, expects a favourable outcome of the matters and therefore no provision has been made in these consolidated financial statements.

	Note	2021 ----- (Rupees in '000) -----	2020
<b>37.2 Commitments</b>			
<b>37.2.1</b> Foreign currency forward and swap contracts - sale		<u>865,057,133</u>	<u>1,134,906,714</u>
<b>37.2.2</b> Foreign currency forward and swap contracts - purchase		<u>98,341,540</u>	<u>177,598,187</u>
<b>37.2.3</b> Futures - sale		<u>14,096,256</u>	<u>9,323,533</u>
<b>37.2.4</b> Futures - purchase		<u>13,678,234</u>	<u>9,056,126</u>
<b>37.2.5</b> Capital commitments	37.2.5.1	<u>2,694,087</u>	<u>2,685,478</u>
<b>37.2.5.1</b> This represent amounts committed by the Group to purchase assets from successful bidders.			
<b>37.2.6</b> Letter of guarantee / credit		<u>527,596</u>	<u>465,549</u>
<b>37.2.7</b> The Bank has a commitment to extend equivalent PKR of CNY 30,000 million (Rs. 731,730 million) (2020: PKR of CNY 20,000 million (Rs. 475,138 million)) to Peoples Bank of China under bilateral currency swap agreement as disclosed in note 27.1 to these consolidated financial statements.			

**37.2.8** The Bank has made commitments to extend advance under ways and means limits to the Government of Azad Jammu and Kashmir and Gilgit-Baltistan Administration Authority in the normal course of its operations. The unutilised limits as on June 30, 2021 amounted to Rs. 7,500 million (2020: Rs. 7,500 million).

Effective from June 29, 2020, the extension of direct credit by the Bank to provincial governments has been taken over by the Federal Government and the Bank's commitment to provide ways and means advance to provincial governments is withdrawn.

In case the Government of Azad Jammu and Kashmir and Gilgit-Baltistan Administration Authority exceed their respective ways and means limits, the Bank charges a penal rate of 4% over and above the normal rate of return on the amount exceeding the ways and means limit.

**37.2.9 Commitment of the associate - Security Papers Limited**

The SPL has car ijarah facility from the Meezan Bank Limited amounting to Rs. 50 million (2020: Rs. 50 million) out of which Rs. 2.472 million (2020: Rs. 1.131 million) were utilised. The ownership of the cars are with Meezan Bank Limited during the tenor of the facility of each vehicle.

**37.2.10 Import letter of credit (sight / usance)**

The SPL has facilities from the National Bank of Pakistan relating to import letters of credit (sight/ usance) amounting to Rs. 100 million (2020: Rs. 100 million). The arrangement from National Bank of Pakistan is secured by lien on documents of title of goods drawn under letter of credit. The SPL has utilised Rs. Nil as at June 30, 2021.

The SPL has facilities from the Bank Al Habib Limited (BAHL) relating to import letters of credit (sight /usance) amounting to Rs. 100 million (2020: Rs. 100 million). Besides, Rs 100 million (2020: Rs. Nil) may also be used for import letter of credit as sub limit of running finance facility. The arrangement from BAHL is secured by lien over T-Bills and PIBs of Rs. 400 million, import documents consigned in favour of BAHL and counter guarantees. Associate has utilised Rs. 39.743 million as at June 30, 2021.

The Musharka facility from Meezan Bank Limited is available which can also be used for import letter of credit (sight / usance) amounting to Rs. 200 million. This arrangement is secured by lien over import documents. The associate has utilised Rs.34.536 million as at June 30, 2021.

**37.2.11 Letter of Guarantee Facility**

As at June 30, 2021, the associate has facilities from commercial banks amounting to Rs. 120 million out of which Rs. 55.82 million was utilised by the associate relating to letters of guarantee.

	Note	2021	2020
		----- (Rupees in '000) -----	
<b>38 DISCOUNT, INTEREST / MARK-UP AND / OR PROFIT EARNED ON FINANCIAL ASSETS</b>			
<b><i>At amortised cost</i></b>			
Discount, interest / mark-up on government transactions:			
- Government securities	38.1	637,110,146	1,048,156,785
- Federal Government scrips		82,200	82,200
- Loans and advances to and current accounts of governments	38.2	160,968	534,618
Securities purchased under agreement to resale		90,251,465	128,764,269
Interest income on preference shares		4,224,427	4,224,784
Return on loans and advances to financial institutions		17,891,910	12,837,164
Foreign currency deposits		5,520,016	13,603,153
Profit on Sukuks purchased under Bai Muajjal agreement		-	14,398
Others		346,454	403,930
		<u>755,587,586</u>	<u>1,208,621,301</u>
<b><i>Fair value through profit or loss</i></b>			
Foreign currency securities		<u>12,790,878</u>	<u>10,058,650</u>

**38.1** This represents income earned on Market Treasury Bills and Pakistan Investment Bonds.



	Note	2021	2020
		----- (Rupees in '000) -----	
<b>44 OTHER INCOME - NET</b>			
Gain / loss on disposal of property, plant and equipment		5,596	2,711
Liabilities and provisions written back - net		31,269	208,967
Grant income under foreign assistance program		58,870	173,726
Fair value gain on investment property	20	5,239	978,607
Others	44.1	294,548	60,790
		<u>395,522</u>	<u>1,424,801</u>

44.1 These include service charges at the rate of 0.12% of the total value of re-issuable cash deposited by various banks with BSC field offices and National Bank of Pakistan's chest branches.

	Note	2021	2020
		----- (Rupees in '000) -----	
<b>45 BANKNOTES' AND PRIZE BOND PRINTING CHARGES</b>			
<b>Raw material</b>			
Opening stock		1,548,374	660,010
Purchases including in transit		13,193,548	11,705,655
Closing stock		(1,249,825)	(1,548,374)
		<u>13,492,097</u>	<u>10,817,291</u>
Salaries, wages and other benefits		795,566	820,376
Pension		304,228	419,733
Outsourced services		326,030	287,835
Training		317	1,395
Stores and spares		827,271	752,325
Fuel and power		142,302	135,611
Insurance		28,943	20,799
Rent, rates and taxes		-	40,511
Depreciation	19.3	264,180	197,596
Provision for obsolete stores and spares - net		4,128	29,062
Provision for slow moving and obsolete stock-in-trade - net		-	2,269
Amortisation of packing boxes		33,984	35,635
Repairs and maintenance		62,050	26,263
Others		5,168	3,571
		<u>2,794,167</u>	<u>2,772,981</u>
Manufacturing cost		<u>16,286,264</u>	<u>13,590,272</u>
Opening work-in-process		2,604,545	2,328,955
Closing work-in-process		(2,391,605)	(2,604,545)
		<u>212,940</u>	<u>(275,590)</u>
Cost of goods manufactured		<u>16,499,204</u>	<u>13,314,682</u>
Opening stock of finished goods		2,963	13,494
Closing stock of finished goods		(740,038)	(2,963)
		<u>(737,075)</u>	<u>10,531</u>
		<u>15,762,129</u>	<u>13,325,213</u>

**46 AGENCY COMMISSION**

Agency commission is mainly payable to National Bank of Pakistan (NBP) under an agreement for providing banking services to Federal and Provincial Governments as an agent of the Group. Furthermore, certain portion of the agency commission also pertains to Bank of Punjab (BOP), which was appointed as agent of the Group in March 2016, to collect Government of Punjab's taxes and receipts.

47	GENERAL ADMINISTRATIVE AND OTHER EXPENSES	Note	2021	2020
			----- (Rupees in '000) -----	
	Salaries and other benefits		11,277,110	11,447,819
	Retirement benefits and employees' compensated absences	47.1	11,217,594	16,938,583
	Contribution to Employee Staff Welfare Fund		11,254	177,970
	Rent and taxes		115,174	98,559
	Insurance		89,722	83,646
	Electricity, gas and water		520,802	510,507
	Depreciation	19.3	2,162,158	2,069,415
	Amortisation	21.2	92,233	118,586
	Repairs and maintenance		946,077	851,679
	Directors' fee		4,252	2,141
	Auditors' remuneration	47.2	25,441	23,408
	Legal and professional		73,567	239,616
	Fund managers / custodian expenses		310,172	298,246
	Travelling expenses		81,031	157,137
	Daily expenses		59,689	99,845
	Fuel		48,113	44,634
	Conveyance		311,440	337,346
	Postages, telegram / telex and telephone		258,907	262,914
	Training		2,331	82,851
	Stationery		61,867	41,928
	Remittance of treasure		216,223	180,119
	Books and newspapers		45,330	45,317
	Advertisement		21,673	25,134
	Uniforms		32,626	35,086
	Board / Board committee expenses		8,944	11,541
	Recruitment charges		11,589	4,924
	Others		1,315,222	979,290
			<u>29,320,541</u>	<u>35,168,241</u>

47.1 This includes an amount relating to defined contribution plan aggregating Rs. 698.378 million (2020: Rs. 542.112 million) and employee compensated absences amounting to Rs. 1,224.003 million (2020: Rs. 4,986.563 million).

#### 47.2 Auditors' remuneration

	2021			2020		
	KPMG	A. F. Ferguson	Total	KPMG	A. F. Ferguson	Total
	----- (Rupees in '000) -----					
<b>State Bank of Pakistan</b>						
Audit fee	4,649	4,649	9,298	4,285	4,285	8,570
Out of pocket expenses	776	776	1,552	715	715	1,430
Sindh Sales Tax on services	434	434	868	400	400	800
	<u>5,859</u>	<u>5,859</u>	<u>11,718</u>	5,400	5,400	10,800
<b>SBP Banking Services Corporation</b>						
Audit fee	3,873	3,873	7,746	3,570	3,570	7,140
Out of pocket expenses	1,552	1,552	3,104	1,430	1,430	2,860
Sindh Sales Tax on services	434	434	868	400	400	800
	<u>5,859</u>	<u>5,859</u>	<u>11,718</u>	5,400	5,400	10,800
<b>National Institute of Banking and Finance</b>						
Audit fee	431	-	431	431	-	431
Out of pocket expenses	46	-	46	46	-	46
ICT Sales Tax on services	38	-	38	38	-	38
	<u>515</u>	-	<u>515</u>	515	-	515
<b>Pakistan Security Printing Corporation</b>						
Audit fee	1,148	-	1,148	980	-	980
Out of pocket expenses	232	-	232	217	-	217
Sindh Sales Tax on services	110	-	110	96	-	96
	<u>1,490</u>	-	<u>1,490</u>	1,293	-	1,293
	<u>13,723</u>	<u>11,718</u>	<u>25,441</u>	<u>12,608</u>	<u>10,800</u>	<u>23,408</u>

### 47.3 Staff retirement benefits-unfunded (Bank and BSC)

47.3.1 During the year the actuarial valuations of the defined benefit obligations were carried out under the projected unit credit method using the following significant assumptions:

	2021	2020
- discount rate for year end obligation	10.00% p.a	9.25% p.a
- salary increase rate (where applicable)	14.75% p.a	14.00% p.a
- pension indexation rate (where applicable)	8.00% p.a	7.25% p.a
- medical cost increase rate	10.00% p.a	9.25% p.a
- petrol price increase rate (where applicable)	14.75% p.a	14.00% p.a
- personnel turnover		
SBP	4.36% p.a	6.51% p.a
SBP-BSC	6.99% p.a	6.81 p.a
- normal retirement age	60 Years	60 Years

Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the adjusted SLIC 2001 - 2005 mortality tables with 1 year setback.

47.3.2 Through its unfunded defined benefit plan, the Group is exposed to a number of risks, the most significant of which are detailed below:

#### Discount rate risk

The risk of changes in discount rate, since discount rate is based on corporate / government bonds, any decrease in bond yields will increase plan liabilities.

#### Salary increase / inflation risk

The risk that the actual salary increase is higher than the expected salary increase, where benefits are linked with final salary at the time of cessation of service, is likely to have an impact on liability.

#### Pension Increase

The risk that the actual pension increase is higher than the expected, where benefits are being paid in form of monthly pension, is likely to have an impact on liability.

#### Mortality risk

The risk that the actual mortality experience is lower than that of expected i.e. the actual life expectancy is longer from assumed.

#### Withdrawal risk

The risk of actual withdrawals experience may differ from that assumed in the circulation.

### 47.3.3 Change in present value of defined benefit obligation

	2021					Total
	Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility	
	(Rupees in '000)					
Present value of defined benefit obligation July 01, 2020	58,584,132	107,503	29,879,378	1,273,383	821,779	90,666,175
Current service cost	843,186	13,835	585,838	7,461	56,515	1,506,835
Interest cost on defined benefit obligation	5,102,687	9,046	2,701,999	113,560	72,365	7,999,657
	5,945,873	22,881	3,287,837	121,021	128,880	9,506,492
Benefits paid	(6,839,888)	(232)	(1,337,163)	(91,406)	(78,906)	(8,347,595)
Remeasurements:						
actuarial (gains) / losses from changes in financial assumptions	-	-	-	-	-	-
experience adjustments	3,560,020	10,568	(98,247)	(119,623)	80,783	3,433,501
	3,560,020	10,568	(98,247)	(119,623)	80,783	3,433,501
Present value of defined benefit obligation as on June 30, 2021	61,250,137	140,720	31,731,805	1,183,375	952,536	95,258,573

2020					
Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility	Total

(Rupees in '000)

Present value of defined benefit obligation July 01, 2019	49,924,084	65,700	27,152,937	1,030,938	678,200	78,851,859
Current service cost	842,543	9,137	633,542	3,037	48,373	1,536,632
Interest cost on defined benefit obligation	6,445,351	9,136	3,779,496	136,744	89,829	10,460,556
	7,287,894	18,273	4,413,038	139,781	138,202	11,997,188
Benefits paid	(9,387,103)	(3,168)	(1,260,328)	(142,656)	(95,637)	(10,888,892)
Remeasurements:						
actuarial (gains) / losses from changes in financial assumptions	-	-	-	-	-	-
experience adjustments	10,759,257	17,107	(426,269)	245,320	101,014	10,696,429
	10,759,257	17,107	(426,269)	245,320	101,014	10,696,429
Present value of defined benefit obligation as on June 30, 2020	58,584,132	97,912	29,879,378	1,273,383	821,779	90,656,584

47.3.3.1 The break-up of remeasurements recognised during the year in the other comprehensive income are as follows:

#### Remeasurements recognised in the other comprehensive income

2021					
Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility	Total

(Rupees in '000)

- Actuarial gains / (losses) from changes in financial assumptions
- Experience adjustments

	-	-	-	-	-
	3,560,020	10,568	(98,247)	(119,623)	80,783
	3,560,020	10,568	(98,247)	(119,623)	80,783

2020					
Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement benefits	Total

(Rupees in '000)

- Actuarial gains / (losses) from changes in financial assumptions
- Experience adjustments

	-	-	-	-	-
	10,759,257	17,107	(426,269)	245,320	101,014
	10,759,257	17,107	(426,269)	245,320	101,014

#### 47.3.4 Amount recognised in the consolidated profit and loss account

2021					
Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility	Total

(Rupees in '000)

- Current service cost
- Interest cost on defined benefit obligation

	843,186	13,835	585,838	7,461	56,515
	5,102,687	9,046	2,701,999	113,560	72,365
	5,945,873	22,881	3,287,837	121,021	128,880

2020					
Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility	Total

(Rupees in '000)

- Current service cost
- Interest cost on defined benefit obligation

	842,543	9,137	633,542	3,037	48,373
	6,445,351	9,136	3,779,496	136,744	89,829
	7,287,894	18,273	4,413,038	139,781	138,202

**47.3.5 Movement of present value of defined benefit obligation**

	2021					Total
	Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility	
	------(Rupees in '000)-----					
Net recognised liabilities at July 1, 2020	58,584,132	107,503	29,879,378	1,273,383	821,779	90,666,175
Amount recognised in the consolidated profit and loss account	5,945,873	22,881	3,287,837	121,021	128,880	9,506,492
Remeasurements	3,560,020	10,568	(98,247)	(119,623)	80,783	3,433,501
Benefits paid during the year	(6,839,888)	(232)	(1,337,163)	(91,406)	(78,906)	(8,347,595)
Net recognised liabilities at June 30, 2021	61,250,137	140,720	31,731,805	1,183,375	952,536	95,258,573

  

	2020					Total
	Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility	
	------(Rupees in '000)-----					
Net recognised liabilities at July 1, 2019	49,924,084	65,700	27,152,937	1,030,938	678,200	78,851,859
Amount recognised in the consolidated profit and loss account	7,287,894	18,273	4,413,038	139,781	138,202	11,997,188
Remeasurements	10,759,257	17,107	(426,269)	245,320	101,014	10,696,429
Benefits paid during the year	(9,387,103)	(3,168)	(1,260,328)	(142,656)	(95,637)	(10,888,892)
Net recognised liabilities at June 30, 2020	58,584,132	97,912	29,879,378	1,273,383	821,779	90,656,584

**47.3.6 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:**

	Impact on defined benefit obligation - increase / (decrease)		
	Change in assumption	Increase in assumption	Decrease in assumption
	------(Rupees in '000)-----		
<b>Pension</b>			
Discount rate	1%	(4,284,008)	4,957,887
Future salary increase	1%	1,369,908	(1,280,198)
Future pension increase	1%	3,538,807	(3,054,094)
Expected mortality rates	1 Year	1,628,265	(1,477,449)
<b>Gratuity</b>			
Discount rate	1%	(9,709)	10,993
Future salary increase	1%	10,983	(9,891)
<b>Post retirement medical benefit scheme</b>			
Discount rate	1%	(3,505,915)	4,319,637
Future post-retirement medical cost increase	1%	4,259,093	(3,490,009)
Expected mortality rates	1 Year	1,258,226	(1,130,489)
<b>Benevolent</b>			
Discount rate	1%	(50,321)	55,775
<b>Six months post retirement facility</b>			
Discount rate	1%	(60,337)	67,382
Future salary increase	1%	68,100	(62,186)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability of all schemes recognised within the consolidated balance sheet.

**47.3.7 Duration of defined benefit obligation**

	Pension	Gratuity scheme	Post retirement medical benefit	Benevolent fund scheme	Six months post retirement facility
Weighted average duration of the defined benefit obligation	<u>7 Years</u>	<u>1-8 Years</u>	<u>12-13 Years</u>	<u>4-6 Years</u>	<u>4-7 Years</u>

**47.3.8 Estimated expenses to be charged to the consolidated profit and loss account for the year ending June 30, 2022**

Based on the actuarial advice, the management estimates that charge in respect of defined benefit plans for the year ending June 30, 2022 would be as follows:

	Pension	Gratuity scheme	Post retirement medical benefit	Benevolent fund scheme	Six months post retirement facility	Total
	(Rupees in '000)					
Current service cost	908,426	25,985	617,445	7,200	59,057	1,618,113
Interest cost on defined benefit obligation	4,553,107	24,102	1,681,557	116,368	90,750	6,465,884
Amount chargeable to the consolidated profit and loss account	<u>5,461,533</u>	<u>50,087</u>	<u>2,299,002</u>	<u>123,568</u>	<u>149,807</u>	<u>8,083,997</u>

**47.3.9 Employees' compensated absences**

The Group's liability for employees' compensated absences determined through an actuarial valuation carried out under the Projected unit credit method amounted to Rs. 10,287.632 million (2020: Rs. 9,862.249 million). An amount of Rs. 1,224.003 million (2020: Rs. 4,339.457 million) has been charged to the consolidated profit and loss account in the current period based on the actuarial advice. Expected charge in respect of the scheme for the year ending June 30, 2022 would be Rs 1,630.235 million. The benefits paid during the year amounted to Rs. 798.62 million (2020: Rs 1,423.58 million). In case of 1% increase / decrease in discount rate the net charge for the year would decrease / increase by Rs. 503.528 million and Rs. 559.505 million respectively and the net liability would also be affected by the same amount. In case of 1% increase / decrease in salary rate the net charge for the year would increase / decrease by Rs. 576.601 million and Rs. 529.760 million respectively and the net liability would also be affected by the same amount. The weighted average duration for the liability against employee's compensated absences is 4-6 years.

**47.4 Staff retirement benefits-funded (PSPC)**

**47.4.1** During the year, the actuarial valuations of the defined benefit obligations were carried out under the Projected Unit Credit Method using the following significant assumptions:

	2021	2020
- Discount rate	10.25% p.a	9.25% p.a
- Salary increase rate	9.25% p.a	8.25% p.a
- Pension increase rate	4.75% p.a	4.75% p.a

Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the adjusted SLIC 2001 - 2005 mortality tables with 1 year setback.

**47.4.2** Through its funded defined benefit plan, the Group is exposed to a number of risks, the most significant of which are detailed below:

**Asset volatility**

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The fund believes that due to long-term nature of the plan liabilities and the strength of the PSPC's support, the current investment strategy manages this risk adequately.

**Inflation risk**

The majority of the plan's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities. However, the fund manages plan assets to off set inflationary impacts.

**Life expectancy / withdrawal rate**

The majority of the plan's obligations are to provide benefits on severance with the PSPC or on achieving retirement. Any change in life expectancy / withdrawal rate would impact plan liabilities.

	2021	2020
<b>47.4.3 Amounts recognised in the consolidated balance sheet are determined as follows:</b>	----- <b>(Rupees in '000)</b> -----	
Present value of defined benefit obligation	<b>6,270,768</b>	6,262,360
Fair value of plan assets	<b>(1,243,554)</b>	(1,286,544)
	<b><u>5,027,214</u></b>	<b><u>4,975,816</u></b>

**47.4.4 Movement of present value of defined benefit obligation and fair value of plan assets**

**Movement in defined benefit obligation**

Present value at reporting date	<b>6,262,360</b>	5,785,717
Current service cost	<b>56,393</b>	56,393
Interest cost of defined benefit obligation	<b>565,526</b>	816,214
Benefits paid during the year	<b>(297,140)</b>	(313,314)
Past service cost	<b>13,937</b>	-
Actuarial remeasurement loss	<b>(330,308)</b>	(82,650)
Present value as at June 30, 2021	<b><u>6,270,768</u></b>	<b><u>6,262,360</u></b>

**Movement in fair value of plan assets**

Fair value as reporting date	<b>1,286,544</b>	1,473,873
Expected return on plan assets	<b>108,426</b>	196,778
Contribution made by employer	<b>68,404</b>	79,753
Benefits paid during the year	<b>(297,140)</b>	(313,314)
Actuarial remeasurement gain / (loss)	<b>77,320</b>	(150,546)
Fair value as reporting date	<b><u>1,243,554</u></b>	<b><u>1,286,544</u></b>

<b>47.4.5 Plan assets consist of the following:</b>	2021		2020	
	(Rupees in '000)	%	(Rupees in '000)	%
Equity instruments	<b>583,718</b>	<b>36.17</b>	73,853	4.41
Debt instruments	<b>979,853</b>	<b>60.70</b>	1,144,487	68.41
Cash and cash equivalent	<b>50,453</b>	<b>3.13</b>	454,666	27.18
	<b><u>1,614,024</u></b>	<b><u>100.00</u></b>	<b><u>1,673,006</u></b>	<b><u>100.00</u></b>
Less: Pertaining to NSPC (being the multi employer fund)	<b>(370,470)</b>		(386,462)	
	<b><u>1,243,554</u></b>		<b><u>1,286,544</u></b>	

	2021	2020
<b>47.4.6 Amount recognised in the consolidated profit and loss account</b>	----- <b>(Rupees in '000)</b> -----	
Current service cost	<b>56,393</b>	56,393
Past service cost	<b>13,937</b>	-
Net interest cost on defined benefit obligation	<b>457,100</b>	619,436
	<b><u>527,430</u></b>	<b><u>675,829</u></b>

**47.4.7 Amount recognised in "other comprehensive income"**

**Remeasurement gain on obligation**

Actuarial gains from changes in financial assumptions	<b>(330,308)</b>	(82,650)
---	------------------	----------

**Remeasurement (gain) / loss on plan assets**

Actual net (gain) / loss on plan assets	<b>(77,320)</b>	150,546
	<b><u>(407,628)</u></b>	<b><u>67,896</u></b>

**Share of other comprehensive income of associate**

	<b><u>(4,726)</u></b>	<b><u>(3,836)</u></b>
--	-----------------------	-----------------------

**47.4.8 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:**

	Impact on defined benefit obligation - increase / (decrease)		
	Change in assumption	Increase in assumption	Decrease in assumption
	------(Rupees in '000)-----		
<b>Pension</b>			
Discount rate	1%	(585,941)	700,544
Salary growth rate	1%	167,535	(155,266)
Pension indexation rate	1%	561,268	(482,032)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability of all schemes recognised within the consolidated

**47.4.9 Duration of defined benefit obligation****Pension**

Weighted average duration of defined benefit obligation

**11 Years****47.4.10 Estimated expenses to be charged to consolidated profit and loss account for the year ending June 30, 2022**

Based on the actuarial advice, the management estimates that charge in respect of defined benefit plans for the year ending June 30, 2022 would be Rs. 571.028 million.

**48 REVERSAL OF CREDIT LOSS ALLOWANCE ON FINANCIAL INSTRUMENTS - NET**

The following table reconciles the expected credit losses allowance for the year ended June 30, 2021 by classes of financial instruments:

	2021					
	Foreign currency accounts and investments	Investments - local	Loans, advances and bills of exchange	Current accounts of governments	Securities purchased under agreement to resell	Total
	------(Rupees in '000)-----					
<b>As at June 30, 2020</b>	88	78,953	2,192,861	-	7	2,271,909
(Reversal) / charge during the year	16,473	(39,475)	(40,950)	-	(1)	(63,953)
<b>As at June 30, 2021</b>	<b>16,561</b>	<b>39,478</b>	<b>2,151,911</b>	<b>-</b>	<b>6</b>	<b>2,207,956</b>
	2020					
	Foreign currency accounts and investments	Investments - Local	Loans, advances and bills of exchange	Current accounts of governments	Securities purchased under agreement to resell	Total
	------(Rupees in '000)-----					
As at June 30, 2019	12,995	78,953	2,210,809	-	27	2,302,784
Reversals during the year	(12,907)	-	(17,948)	-	(20)	(30,875)
As at June 30, 2020	88	78,953	2,192,861	-	7	2,271,909

**49 TAXATION**

	2021	2020
	------(Rupees in '000)-----	
Current - for the year	994,193	653,406
Current - prior year	56,446	(42,794)
Deferred	264,085	127,248
	<b>1,314,724</b>	<b>737,860</b>

50	<b>PROFIT FOR THE YEAR AFTER NON-CASH ITEMS AND OTHER ITEMS</b>	Note	2021	2020
			----- (Rupees in '000) -----	
	Profit before taxation		<b>762,173,524</b>	1,164,170,450
	Adjustments for:			
	Depreciation	19.3	<b>2,438,495</b>	2,278,729
	Amortisation	21.2	<b>92,233</b>	118,586
	Reversal of charge of credit loss on financial instruments		<b>(24,497)</b>	(30,875)
	Provision / (reversal) for / write-off:			
	- retirement benefits and employees' compensated absences		<b>11,217,594</b>	16,938,583
	- other doubtful assets	32.3.1.1	<b>(24,621)</b>	(42,143)
	- others		<b>1,111</b>	-
	Gain on disposal of property, plant and equipment	44	<b>(5,596)</b>	(2,711)
	Gain on disposal of financial assets	43	<b>(1,259,399)</b>	(920,288)
	(Loss) / gain on remeasurement of securities		<b>2,195,821</b>	(1,234,440)
	Dividend income		<b>(520,498)</b>	(460,688)
	Effect of exchange gain on assets and liabilities		<b>(137,523,594)</b>	(136,645,477)
	Profit from associate and other non-cash adjustments		<b>(1,337,861)</b>	(579,908)
			<b>637,422,712</b>	1,043,589,818
			<b>637,422,712</b>	1,043,589,818
<b>51</b>	<b>CASH AND CASH EQUIVALENTS</b>			
	Cash and bank balances	6	<b>501,584</b>	212,825
	Local currency - coins	8	<b>417,574</b>	1,028,584
	Foreign currency accounts and investments having maturity of less than 3 months	9	<b>2,256,103,258</b>	1,843,398,267
	Earmarked foreign currency balances	10	<b>20,707,900</b>	62,010,317
	Special Drawing Rights of the International Monetary Fund	11	<b>60,771,006</b>	29,537,127
			<b>2,338,501,322</b>	1,936,187,120
			<b>2,338,501,322</b>	1,936,187,120
<b>52</b>	<b>RELATED PARTY TRANSACTIONS</b>			

The Group enters into transactions with related parties in its normal course of business. Related parties include the Federal Government as major shareholder of the Group, Provincial Governments, Government of Azad Jammu and Kashmir, Gilgit-Baltistan Administration Authority, government controlled enterprises / entities, other related entities, retirement benefit plans, directors and key management personnel of the Group.

#### 52.1 Governments and related entities

The Bank is acting as an agent of the Federal Government and is responsible for functions conferred upon as disclosed in note 1 to these consolidated financial statements. Balances outstanding from and transactions with the Federal and Provincial Governments and related entities not disclosed elsewhere in the consolidated financial statements are given below:

<i>Transactions during the year</i>	2021	2020
----- Rupees in '000 -----		
- Retirement of PIBs	<b>569,000,000</b>	-
- Retirement / rollover of MRTBs	-	569,000,000
- Commission income from sale of Market Treasury Bills, issuance of prize bonds, National Saving Certificates and management of public debt (refer note 40.1)		

#### 52.2 Remuneration to key management personnel

Key management personnel of the Group include members of the Board of Directors of the Bank, Governor of the Bank, Deputy Governors of the Group and other executives of the Group who have responsibility for planning, directing and controlling the activities of the Bank. Fee of the non-executive members of the Board of Directors is determined by the Board. According to section 10 of the State Bank of Pakistan Act, 1956, the remuneration of the Governor is determined by the President of Pakistan. Deputy governors are appointed and their salaries are fixed by the Federal Government. Details of remuneration of key management personnel of the Group are as follows:

	2021	2020
	----- (Rupees in '000) -----	
Short-term employee benefit	1,185,106	1,259,810
Post-employment benefit	199,451	108,307
Loans disbursed during the year	74,768	44,174
Loans repaid during the year	115,298	120,645
Disposal of vehicle during the year	1,699	-
Directors' fees	13,417	13,857
Number of key management personnel*	122	104

\* This includes 95 (2020: 84) key management personnel pertaining to subsidiaries of the Group.

Short-term benefits include salary and benefits, medical benefits and free use of the Group maintained cars in accordance with their entitlements. Post employment benefits include gratuity, pension, benevolent fund, post retirement medical benefits, six months post retirement facility and contributory provident funds.

### 52.3 Associated undertakings of the Group

#### 52.3.1 SICPA Inks Pakistan (Private) Limited (SICPA) - associated undertaking

SICPA is a joint venture of SICPA SA, Switzerland and PSPC, incorporated in 1995. The company operates a facility in Karachi for manufacturing security inks for printing of all denominations of currency notes and other value documents, such as, passports, postage stamps and stamp papers, etc.

#### 52.3.2 Security Papers Limited (SPL) - associated undertaking

SPL is an associated company of PSPC. It was established in 1965. It became a joint venture company of Iran, Turkey and Pakistan in 1967, under the protocol of regional PSPC of development (now economic PSPC organisation) in 1967. SPL is engaged in manufacturing of paper required by PSPC for printing banknotes, prize bonds, non-judicial stamp paper, share certificates and watermarked certificate / degree papers for various educational institutions of Pakistan.

## 53 RISK MANAGEMENT POLICIES

The Group is primarily subject to interest / mark-up rate, credit, currency and liquidity risks. The policies and procedures for managing these risks are outlined in notes 53.1 to 53.9 to these consolidated financial statements. The Group has designed and implemented a framework of controls to identify, monitor and manage these risks. The senior management is responsible for advising the Governor on the monitoring and management of these risks.

### 53.1 Credit risk management

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. Credit risk in the Group's portfolio is monitored, reviewed and analysed by the appropriate officials and the exposure is controlled through counterparty and credit limits. Counterparties are allocated to a particular class based mainly on their credit rating. Foreign currency placements are made in approved currencies and government securities. Loans and advances to scheduled banks and financial institutions are usually secured either by government guarantees or by demand promissory notes. Equity exposure based on their nature are not exposed to credit risk. Geographical exposures are controlled by country limits and are updated as and when necessary with all limits formally reviewed on a periodic basis. The Group's exposure to credit risk associated with foreign investments is managed by monitoring compliance with investment limits for counterparties. The Group's credit risk mainly lies with exposure towards government sector and financial institutions.

#### 53.1.1 Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded on the consolidated balance sheet.

#### 53.1.2 Impairment assessment

The references below show where the Group's impairment assessment and measurement approach is set out in these consolidated financial statements. It should be read in conjunction with the summary of significant accounting policies.

#### 53.1.3 Definition of default

The Group defines a financial instrument as in default when the financial asset is credit - impaired and meets one or more of the following criteria:

*Quantitative criteria*

The borrower is more than 90 days past due on its contractual payments are considered default by the Group.

*Qualitative criteria*

- a breach of contract, such as default or past due event;
- the lenders of the counterparty have granted a concession to the counterparty for economic or contractual reasons;
- relating to the counterparty's financial difficulty that the lender would not otherwise consider;
- the likelihood or probability that the counterparty will enter bankruptcy or other financial reorganisation; or
- the dissolution of an active market for that financial asset due to financial difficulties.

**53.1.4 Credit rating and PD estimation process**

The Group PD estimation process is based on the probability of default assigned to each counterparty according to their external credit ratings and the related historical credit losses experience, adjusted for forward-looking information.

Internal rating	2021	2020	External Rating
	12 month PD	12 month PD	
<b>Performing</b>			
High grade	0.0000%	0.0000%	Sovereign
High grade	0.0000%-0.0318%	0.0000%-0.0318%	AAA
High grade	0.0318%-0.0751%	0.0318%-0.0751%	AA+ to AA-
High grade	0.0751%-0.2334%	0.0751%-0.2334%	A+ to A-
Standard grade	0.2334%-0.5574%	0.2334%-0.5574%	BBB+ to BBB-
Standard grade	0.5574%-1.3393%	0.5574%-1.3393%	BB+ to BB-
Standard grade	1.3393%-3.3597%	1.3393%-3.3597%	B+ to B-
Rating below standard	3.3597%-9.6562%	3.3597%-9.6562%	CCC+ to CCC-
Rating below standard	9.6562%-100%	9.6562%-100%	CC
<b>Non performing</b>			
Individually impaired	100%	100%	

**53.1.5 Exposure at default**

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a stage 1 financial instruments, the Group assesses the possible default events within 12 months for the calculation of the 12mECL. For stage 2 and stage 3 the exposure at default is considered for events over the lifetime of the instruments. The Group determines EAD by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. PDs are then assigned to each economic scenario based on the outcome of the Group's models.

**53.1.6 Loss given default**

Loss given default represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

**53.1.7 Significant increase in credit risk**

The Group considers a financial asset to have experienced a significant increase in credit risk when:

- credit rating falls below investment grade in case of investments made in financial assets, or
- the contractual payments are 30 days past due.

**53.1.8 Collateral and other credit enhancements**

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit / guarantees and demand promissory notes. The collaterals held against financials assets of the Group have been disclosed in their respective notes, where applicable.

### 53.2 Concentrations of risk

Concentration risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly effected by changes in economic, political or other conditions. The Group's significant concentrations arising from financial instruments at the reporting date without taking any collateral held or other credit enhancements is shown below:

#### 53.2.1 Geographical analysis

	2021						
	Pakistan	Asia (other than Pakistan)	America	Europe	Australia	Others	Grand total
(Rupees in '000)							
<b>Financial assets</b>							
Cash and bank balances	501,584	-	-	-	-	-	501,584
Local currency - coins	417,574	-	-	-	-	-	417,574
Foreign currency accounts and investments	-	1,481,590,684	530,135,244	847,112,678	6,206	-	2,858,844,812
Earmarked foreign currency balance	20,707,900	-	-	-	-	-	20,707,900
Special drawing rights of International Monetary Fund	-	-	60,771,006	-	-	-	60,771,006
Reserve tranche with the International Monetary Fund under quota arrangements	-	-	26,727	-	-	-	26,727
Securities purchased under agreement to resell	1,792,952,119	-	-	-	-	-	1,792,952,119
Current accounts of governments	33,793,930	-	-	-	-	-	33,793,930
Investments - local	6,857,412,223	-	-	-	-	-	6,857,412,223
Loans, advances and bills of exchange	1,190,157,295	837,832	-	-	-	-	1,190,995,127
Assets held with the Reserve Bank of India	-	1,939,592	-	-	-	-	1,939,592
Balances due from the Governments of India and Bangladesh	-	14,087,874	-	-	-	-	14,087,874
Other assets	20,983,757	9,115,950	5,122	-	-	-	30,104,829
<b>Total financial assets</b>	<b>9,916,926,382</b>	<b>1,507,571,932</b>	<b>590,938,099</b>	<b>847,112,678</b>	<b>6,206</b>	<b>-</b>	<b>12,862,555,297</b>

	2020						
	Pakistan	Asia (other than Pakistan)	America	Europe	Australia	Others	Grand total
(Rupees in '000)							
<b>Financial assets</b>							
Cash and bank balances held by subsidiaries	212,825	-	-	-	-	-	212,825
Local currency - coins	1,028,584	-	-	-	-	-	1,028,584
Foreign currency accounts and investments	-	771,653,490	991,293,185	420,350,082	9,994,287	13,695,211	2,206,986,255
Earmarked foreign currency balance	62,010,317	-	-	-	-	-	62,010,317
Special drawing rights of International Monetary Fund	-	-	29,537,127	-	-	-	29,537,127
Reserve tranche with the International Monetary Fund under quota arrangements	-	-	27,555	-	-	-	27,555
Securities purchased under agreement to resell	917,539,647	-	-	-	-	-	917,539,647
Current accounts of governments	30,157,106	-	-	-	-	-	30,157,106
Investments - local	7,412,323,127	-	-	-	-	-	7,412,323,127
Loans, advances and bills of exchange	804,424,737	327,949	-	-	-	-	804,752,686
Assets held with the Reserve Bank of India	-	1,964,210	-	-	-	-	1,964,210
Balances due from the Governments of India and Bangladesh	-	13,141,164	-	-	-	-	13,141,164
Other assets	7,231,994	7,283,358	3,305	-	-	-	14,518,657
<b>Total financial assets</b>	<b>9,234,928,337</b>	<b>794,370,171</b>	<b>1,020,861,172</b>	<b>420,350,082</b>	<b>9,994,287</b>	<b>13,695,211</b>	<b>11,494,199,260</b>

The geographical analysis is based on composition of financial assets in the specific continents other than for Pakistan which has been disclosed separately. All continents having significant composition have been presented separately while the remaining have been clubbed under "Others".

## 53.2.2 Industrial analysis

	2021						
	Sovereign	Supra-national	Public sector entities	Corporate	Banks & financial institutions	Others	Grand total
	(Rupees in '000)						
<b>Financial assets</b>							
Cash and bank balances held by subsidiaries	35,693	-	-	-	465,891	-	501,584
Local currency - coins	417,574	-	-	-	-	-	417,574
Foreign currency accounts and investments	1,241,132,015	1,039,686,758	-	-	578,026,039	-	2,858,844,812
Earmarked foreign currency balance	20,707,900	-	-	-	-	-	20,707,900
Special drawing rights of International Monetary Fund	-	60,771,006	-	-	-	-	60,771,006
Reserve tranche with the International Monetary Fund under quota arrangements	-	26,727	-	-	-	-	26,727
Securities purchased under agreement to resell	-	-	-	-	1,792,952,119	-	1,792,952,119
Current accounts of governments	33,793,930	-	-	-	-	-	33,793,930
Investments - local	6,685,409,338	-	130,487,113	-	41,515,772	-	6,857,412,223
Loans, advances and bills of exchange	837,832	-	104,524,714	-	1,060,667,763	24,964,818	1,190,995,127
Assets held with the Reserve Bank of India	1,939,592	-	-	-	-	-	1,939,592
Balances due from the Governments of India and Bangladesh	14,087,874	-	-	-	-	-	14,087,874
Other assets	11,732,516	5,122	66,745	-	17,486,469	813,977	30,104,829
<b>Total financial assets</b>	<b>8,010,094,264</b>	<b>1,100,489,613</b>	<b>235,078,572</b>	<b>-</b>	<b>3,491,114,053</b>	<b>25,778,795</b>	<b>12,862,555,297</b>

	2020						
	Sovereign	Supra-national	Public sector entities	Corporate	Banks & financial institutions	Others	Grand total
	(Rupees in '000)						
<b>Financial assets</b>							
Cash and bank balances held by subsidiaries	12,540	-	-	-	200,285	-	212,825
Local currency - coins	1,028,584	-	-	-	-	-	1,028,584
Foreign currency accounts and investments	1,269,465,668	385,876,467	-	-	551,644,120	-	2,206,986,255
Earmarked foreign currency balance	62,010,317	-	-	-	-	-	62,010,317
Special drawing rights of International Monetary Fund	-	29,537,127	-	-	-	-	29,537,127
Reserve tranche with the International Monetary Fund under quota arrangements	-	27,555	-	-	-	-	27,555
Securities purchased under agreement to resell	-	-	-	-	917,539,647	-	917,539,647
Current accounts of governments	30,157,106	-	-	-	-	-	30,157,106
Investments - local	7,276,173,932	-	107,980,934	-	28,168,261	-	7,412,323,127
Loans, advances and bills of exchange	327,949	-	85,686,655	-	697,696,790	21,041,292	804,752,686
Assets held with the Reserve Bank of India	1,964,210	-	-	-	-	-	1,964,210
Balances due from the Governments of India and Bangladesh	13,141,164	-	-	-	-	-	13,141,164
Other assets	11,471,931	9,531	53,625	-	1,035,583	1,947,987	14,518,657
<b>Total financial assets</b>	<b>8,665,753,401</b>	<b>415,450,680</b>	<b>193,721,214</b>	<b>-</b>	<b>2,196,284,686</b>	<b>22,989,279</b>	<b>11,494,199,260</b>

## 53.3 CREDIT EXPOSURE BY CREDIT RATING

The credit quality of financial assets is managed by the Group using external credit ratings. The table below shows the credit quality by class of assets for all financial assets that are neither past due nor impaired as at the reporting date and are exposed to credit risk, based on the rating of external rating agencies. The Group uses lower of the credit rating of Moody's, Standard & Poor's and Fitch to categorise its financial assets in foreign currency accounts and investments. For domestic financial assets credit rating of VIS and PACRA are used.

	2021							Grand Total
	Sovereign (52.3.1)	AAA	AA	A	BBB	Lower than BBB	Unrated	
(Rupees in 000)								
<b>Financial assets</b>								
Cash and bank balances	-	-	-	-	-	-	501,584	501,584
Local currency - coins	417,574	-	-	-	-	-	-	417,574
Foreign currency accounts and investments	817,417,290	711,324,703	534,009,055	794,972,705	40	-	1,121,019	2,858,844,812
Earmarked foreign currency balance	20,707,900	-	-	-	-	-	-	20,707,900
Special drawing rights of International Monetary Fund	-	-	-	-	-	-	60,771,006	60,771,006
Reserve tranche with the International Monetary Fund under quota arrangements	-	-	-	-	-	-	26,727	26,727
Securities purchased under agreement to resell	-	458,638,765	1,173,120,210	158,354,424	-	-	2,838,720	1,792,952,119
Current accounts of governments	33,793,930	-	-	-	-	-	-	33,793,930
Investments - local	6,679,188,550	162,581,159	4,912,797	10,729,717	-	-	-	6,857,412,223
Loans, advances and bills of exchange	-	335,813,959	807,975,738	13,160,083	-	-	34,045,347	1,190,995,127
Assets held with the Reserve Bank of India	-	-	-	-	1,939,592	-	-	1,939,592
Balances due from the Governments of India and Bangladesh	-	-	-	-	40,453	14,047,421	-	14,087,874
Other assets	11,756,023	678,144	6,596,198	9,161,106	-	-	1,913,358	30,104,829
<b>Total financial assets</b>	<b>7,563,281,267</b>	<b>1,669,036,730</b>	<b>2,526,613,998</b>	<b>986,378,035</b>	<b>1,980,085</b>	<b>14,047,421</b>	<b>101,217,761</b>	<b>12,862,555,297</b>

	2020							Grand Total
	Sovereign (52.3.1)	AAA	AA	A	BBB	Lower than BBB	Unrated	
(Rupees in 000)								
<b>Financial assets</b>								
Cash and bank balances held by subsidiary	-	-	-	-	-	-	212,825	212,825
Local currency - coins	1,028,584	-	-	-	-	-	-	1,028,584
Foreign currency accounts and investments	1,269,406,931	398,541,244	108,447,702	425,450,285	5,140,093	-	-	2,206,986,255
Earmarked foreign currency balance	62,010,317	-	-	-	-	-	-	62,010,317
Special drawing rights of International Monetary Fund	-	-	-	-	-	-	29,537,127	29,537,127
Reserve tranche with the International Monetary Fund under quota arrangements	-	-	-	-	-	-	27,555	27,555
Securities purchased under agreement to resell	-	244,674,800	464,483,712	199,225,964	6,846,463	2,308,708	-	917,539,647
Current accounts of governments	30,157,106	-	-	-	-	-	-	30,157,106
Investments - local	7,332,985,723	68,120,503	9,128,446	2,088,455	-	-	-	7,412,323,127
Loans, advances and bills of exchange	274,836	310,103,108	431,490,408	31,988,290	141,068	115,223	30,639,753	804,752,686
Assets held with the Reserve Bank of India	-	-	-	-	1,964,210	-	-	1,964,210
Balances due from the Governments of India and Bangladesh	-	-	-	-	40,453	13,100,711	-	13,141,164
Other assets	12,392,461	-	460,820	-	-	-	1,665,376	14,518,657
<b>Total financial assets</b>	<b>8,708,255,958</b>	<b>1,021,439,655</b>	<b>1,014,011,088</b>	<b>658,752,994</b>	<b>14,132,287</b>	<b>15,524,642</b>	<b>62,082,636</b>	<b>114,941,992,60</b>

**53.3.1** Government securities and balances, pertaining to Pakistan, are rated as sovereign. The international rating of Pakistan is B- (as per Standards & Poor's).

**53.3.2** The collateral held as security against financial assets to cover the credit risk are disclosed in the respective notes.

### 53.4 LIQUIDITY ANALYSIS WITH INTEREST / MARK-UP RATE RISK

53.4.1 Interest / mark-up rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. The Group has adopted appropriate policies to minimise its exposure to this risk.

	2021						Grand total
	Interest / mark-up bearing			Non interest / mark-up bearing			
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
(Rupees in '000)							
<b>Financial assets</b>							
<b>Non-derivative assets:</b>							
Cash and bank balances	-	-	-	501,584	-	501,584	501,584
Local currency - coins	-	-	-	417,574	-	417,574	417,574
Foreign currency accounts and investments	1,733,758,096	125,159,778	1,858,917,874	999,223,627	280,150	999,503,777	2,858,421,651
Earmarked foreign currency balance	-	-	-	20,707,900	-	20,707,900	20,707,900
Special drawing rights of International Monetary Fund	60,771,006	-	60,771,006	-	-	-	60,771,006
Reserve tranche with the International Monetary Fund under quota arrangements	-	-	-	26,727	-	26,727	26,727
Securities purchased under agreement to resell	1,790,871,426	-	1,790,871,426	2,080,693	-	2,080,693	1,792,952,119
Current accounts of governments	33,793,930	-	33,793,930	-	-	-	33,793,930
Investments - local	590,911,683	6,150,376,769	6,741,288,452	-	116,123,771	116,123,771	6,857,412,223
Loans, advances and bills of exchange	500,406,454	334,842,005	835,248,459	264,883,857	90,862,811	355,746,668	1,190,995,127
Assets held with the Reserve Bank of India	-	-	-	1,939,592	-	1,939,592	1,939,592
Balances due from the Governments of India and Bangladesh	-	-	-	14,087,874	-	14,087,874	14,087,874
Other assets	-	-	-	13,646,875	19,054	13,665,929	13,665,929
	4,710,512,595	6,610,378,552	11,320,891,147	1,317,516,303	207,285,786	1,524,802,089	12,845,693,236
<b>Derivative assets</b>							
Foreign currency accounts and investments	-	-	-	423,161	-	423,161	423,161
Other assets	-	-	-	16,438,900	-	16,438,900	16,438,900
	-	-	-	16,862,061	-	16,862,061	16,862,061
<b>Grand total</b>	<b>4,710,512,595</b>	<b>6,610,378,552</b>	<b>11,320,891,147</b>	<b>1,334,378,364</b>	<b>207,285,786</b>	<b>1,541,664,150</b>	<b>12,862,555,297</b>
<b>Financial liabilities</b>							
Banknotes in circulation	-	-	-	7,278,860,019	-	7,278,860,019	7,278,860,019
Bills payable	-	-	-	2,051,417	-	2,051,417	2,051,417
Current accounts of the governments*	-	-	-	1,295,486,434	-	1,295,486,434	1,295,486,434
Payable to Islamic banking institutions against Bai Muajjal transactions	-	-	-	-	-	-	-
Payable under bilateral currency swaps agreements	731,730,000	-	731,730,000	16,764,053	-	16,764,053	748,494,053
Deposits of banks and financial institutions	121,524,435	-	121,524,435	1,206,143,957	-	1,206,143,957	1,327,668,392
Other deposits and accounts	425,367,990	-	425,367,990	203,661,926	-	203,661,926	629,029,916
Payable to the International Monetary Fund	157,560,118	686,639,654	844,199,772	1,158,879	-	1,158,879	845,358,651
Securities sold under agreement to repurchase	135,000,000	-	135,000,000	51,390	-	51,390	135,051,390
Other liabilities	-	10,794,160	10,794,160	34,813,381	-	34,813,381	45,607,541
Endowment Fund	-	-	-	-	128,771	128,771	128,771
	1,571,182,543	697,433,814	2,268,616,357	10,038,991,456	128,771	10,039,120,227	12,307,736,584
<b>Derivative liabilities</b>							
Other liabilities	-	-	-	4,007,806	-	4,007,806	4,007,806
	1,571,182,543	697,433,814	2,268,616,357	10,042,999,262	128,771	10,043,128,033	12,311,744,390
<b>On balance sheet gap (a)</b>	<b>3,139,330,052</b>	<b>5,912,944,738</b>	<b>9,052,274,790</b>	<b>(8,708,620,898)</b>	<b>207,157,015</b>	<b>(8,501,463,883)</b>	<b>550,810,907</b>
Foreign currency forward and swap contracts - sale	-	-	-	865,057,133	-	865,057,133	865,057,133
Foreign currency forward and swap contracts - purchase	-	-	-	98,341,540	-	98,341,540	98,341,540
Futures - sale	-	-	-	14,096,256	-	14,096,256	14,096,256
Futures - purchase	-	-	-	13,678,234	-	13,678,234	13,678,234
Capital commitments	-	-	-	2,694,087	-	2,694,087	2,694,087
Contingent liabilities in respect of guarantees given	-	-	-	-	527,596	527,596	527,596
Off balance sheet gap (b)	-	-	-	993,867,250	527,596	994,394,846	994,394,846
<b>Total yield / interest risk sensitivity gap (a+b)</b>	<b>3,139,330,052</b>	<b>5,912,944,738</b>	<b>9,052,274,790</b>	<b>(9,702,488,148)</b>	<b>206,629,419</b>	<b>(9,495,858,729)</b>	<b>(443,583,939)</b>
<b>Cumulative yield / interest risk sensitivity gap</b>	<b>3,139,330,052</b>	<b>9,052,274,790</b>	<b>18,104,549,580</b>				

(a) On-balance sheet gap represents the net amounts of on-balance sheet items.

\* The Group has the contractual right and intention to offset these balances against their respective non-interest bearing deposit balances. Mark-up on these balances is charged only when these balances are in debit.

	2020						Grand total
	Interest / mark-up bearing			Non interest / mark-up bearing			
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	(Rupees in '000)						
<b>Financial assets</b>							
<b>Non-derivatives assets:</b>							
Cash and bank balances held by subsidiaries	-	-	-	212,825	-	212,825	212,825
Local currency - coins	-	-	-	1,028,584	-	1,028,584	1,028,584
Foreign currency accounts and investments	1,509,080,333	130,627,178	1,639,707,511	566,621,706	307,161	566,928,867	2,206,636,378
Earmarked foreign currency balance	-	-	-	62,010,317	-	62,010,317	62,010,317
Special drawing rights of International Monetary Fund	29,537,127	-	29,537,127	-	-	-	29,537,127
Reserve tranche with the International Monetary Fund under quota arrangements	-	-	-	27,555	-	27,555	27,555
Securities purchased under agreement to resell	916,654,476	-	916,654,476	885,171	-	885,171	917,539,647
Current accounts of Governments	3,574,338	-	3,574,338	26,582,768	-	26,582,768	30,157,106
Investments - local	5,999,580,653	1,331,043,759	7,330,624,412	32,002,965	49,695,750	81,698,715	7,412,323,127
Loans, advances and bills of exchange	544,693,616	200,078,470	744,772,086	19,920,863	40,059,737	59,980,600	804,752,686
Assets held with the Reserve Bank of India	-	-	-	1,964,210	-	1,964,210	1,964,210
Balances due from the Governments of India and Bangladesh	-	-	-	13,141,164	-	13,141,164	13,141,164
Other assets	-	-	-	14,056,808	1,029	14,057,837	14,057,837
	<b>9,003,120,543</b>	<b>1,661,749,407</b>	<b>10,664,869,950</b>	<b>738,454,936</b>	<b>90,063,677</b>	<b>828,518,613</b>	<b>11,493,388,563</b>
<b>Derivatives assets</b>							
Foreign currency accounts and investments	-	-	-	362,728	(12,851)	349,877	349,877
Other assets	-	-	-	467,045	-	3,630,968	3,630,968
<b>Grand total</b>	<b>9,003,120,543</b>	<b>1,661,749,407</b>	<b>10,664,869,950</b>	<b>738,817,664</b>	<b>90,050,826</b>	<b>828,868,490</b>	<b>11,493,738,440</b>
<b>Financial liabilities</b>							
Banknotes in circulation	-	-	-	6,458,763,106	-	6,458,763,106	6,458,763,106
Bills payable	-	-	-	1,726,348	-	1,726,348	1,726,348
Current accounts of the Governments*	-	-	-	748,790,102	-	748,790,102	748,790,102
Payable to Islamic banking institutions against Bai Muajjal transactions	18,533,398	-	18,533,398	979,560	-	979,560	19,512,958
Payable under bilateral currency swaps agreements	475,138,000	-	475,138,000	1,584,596	-	1,584,596	476,722,596
Deposits of banks and financial institutions	125,055,961	-	125,055,961	1,046,047,598	-	1,046,047,598	1,171,103,559
Other deposits and accounts	957,888,420	-	957,888,420	136,105,610	-	136,105,610	1,093,994,030
Payable to International Monetary Fund	229,375,871	815,030,053	1,044,405,924	1,538,454	-	1,538,454	1,045,944,378
Other liabilities	-	10,245,290	10,245,290	28,105,496	-	28,105,496	38,350,786
Endowment Fund	-	-	-	-	120,984	120,984	120,984
	<b>1,805,991,650</b>	<b>825,275,343</b>	<b>2,631,266,993</b>	<b>8,423,640,870</b>	<b>120,984</b>	<b>8,423,761,854</b>	<b>11,055,028,847</b>
<b>Derivative liabilities</b>							
Other liabilities	-	-	-	22,298,736	-	22,298,736	22,298,736
	<b>1,805,991,650</b>	<b>825,275,343</b>	<b>2,631,266,993</b>	<b>8,445,939,606</b>	<b>120,984</b>	<b>8,446,060,590</b>	<b>11,077,327,583</b>
On balance sheet gap (a)	<b>7,197,128,893</b>	<b>836,474,064</b>	<b>8,033,602,957</b>	<b>(7,707,121,942)</b>	<b>89,929,842</b>	<b>(7,617,192,100)</b>	<b>416,410,857</b>
Foreign currency forward and swap contracts - sale	-	-	-	1,134,906,714	-	1,134,906,714	1,134,906,714
Foreign currency forward and swap contracts - purchase	-	-	-	177,598,187	-	177,598,187	177,598,187
Futures - sale	-	-	-	9,323,533	-	9,323,533	9,323,533
Futures - purchase	-	-	-	9,056,126	-	9,056,126	9,056,126
Capital commitments	-	-	-	2,685,478	-	2,685,478	2,685,478
Contingent liabilities in respect of guarantees given	-	-	-	-	465,549	465,549	465,549
Off balance sheet gap (b)	-	-	-	1,333,570,038	465,549	1,334,035,587	1,334,035,587
Total yield / interest risk sensitivity gap (a+b)	<b>7,197,128,893</b>	<b>836,474,064</b>	<b>8,033,602,957</b>	<b>(9,040,691,980)</b>	<b>89,464,293</b>	<b>(8,951,227,687)</b>	<b>(917,624,730)</b>
Cumulative yield / interest risk sensitivity gap	<b>7,197,128,893</b>	<b>8,033,602,957</b>	<b>16,067,205,914</b>				

(a) On-balance sheet gap represents the net amounts of on-balance sheet items.

\* The Group has the contractual right and intention to offset these balances against their respective non-interest bearing deposit balances. Mark-up on these balances is charged only when these balances are in debit

**53.4.2** The effective interest / mark-up rate for the monetary financial assets and liabilities are mentioned in their respective notes to the consolidated financial statements.

## 53.5 Interest rate risk

### 53.5.1 Cash flow interest rate risk

Cash flow interest rate risk is the risk of loss arising from changes in variable interest rates. The sensitivity analysis below have been determined based on the exposure to interest rates for floating rate assets and liabilities. The analysis is prepared assuming the amount of average assets and liabilities outstanding at the balance sheet date was outstanding for the whole year.

If interest rates had been 10 basis points higher / lower and all other variables were held constant, the Group's profit for the year ended June 30, 2021 would increase / decrease by Rs 3,796 million (2020: Rs. 3,344.02 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate instruments.

### 53.5.2 Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to fair value interest rate risk on its fixed income securities, classified as financial assets at fair value through profit or loss and financial asset at fair value through other comprehensive income. To manage its fair value interest rate risk arising from investments in these securities, the management adopts practices mentioned in note 53.9 to these consolidated financial statements.

As at June 30, 2021, a 10 basis points shift in market value, mainly as a result of change in interest rates with all other variables held constant, would result in profit for the year to increase by Rs 1,024.176 million (2020: Rs 500.826 million) or decrease by Rs 1,024.176 million (2020: Rs 500.826 million) mainly as a result of a increase or decrease in the fair value of fixed rate financial assets classified as financial asset at fair value through profit or loss.

## 53.6 Currency risk management

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency activities result mainly from the Group's holding of foreign currency assets under its foreign reserves management function and the overall level of these assets is determined based on the prevailing extent of credit and liquidity risks. In order to avoid losses arising from adverse changes in the rates of exchange, the Group's compliance with the limits established for foreign currency positions is being regularly monitored by the management.

The Group also holds from time to time, foreign currency assets and liabilities that arise from the implementation of domestic monetary policies. Any foreign currency exposure relating to these implementation activities are hedged through the use of foreign currency forwards, swaps and other transactions.

The Group also enters into forward foreign exchange contracts with the commercial banks and financial institutions to hedge against the currency risk on foreign currency transactions.

The sensitivity analysis calculates the effect of reasonably possible movement of the currency rate against Pak Rupee, with all other variables held constant, on the consolidated profit and loss account and equity. If the Rupee had weakened / strengthened 1 percent against the principal currencies to which the Group had significant exposure as at June 30, 2021 with all other variables constant profit for the year would have been Rs. 691,370 million higher / lower (2020: Rs. 436,061 million). Net foreign currency exposure of the Group is as follows:

	2021	2020
	----- (Rupees in '000) -----	
US Dollar	779,444,523	(295,354,414)
Pound Sterling	(67,777,983)	(77,327,599)
Chinese Yuan	298,159,124	279,547,027
Euro	(260,716,491)	(306,242,263)
Japanese Yen	(58,202,274)	(37,738,016)
United Arab Emirates Dirham	90,450	709,707
Australian Dollar	6,607	10,799
Canadian Dollar	5,418	1,805
Others	360,221	332,068
	<b>691,369,595</b>	<b>(436,060,886)</b>

Net exposure in Special Drawing Rights (SDR) is allocated to its five basket currencies i.e. the US dollar, the Euro, the Chinese Yuan, the Japanese Yen and the British pound sterling in the ratio of their percentage allocated by IMF for SDR basket.

The composition of the Group's financial instruments and the correlation thereof to different variables is expected to change over time. Accordingly, the sensitivity analyses in note 53.6 and 53.7 prepared as of the reporting date are not necessarily indicative of the effects on the Group's consolidated profit and loss of future movements in different

#### **53.7 Price Risk**

Price risk is the risk that the fair value or 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 Group is exposed to equity securities price risk because of investment in listed equity securities and mutual fund units by the Group classified as at fair value through other comprehensive income and fair value through profit or loss respectively. The investments in equity securities are held as per the specific directives of the Government of Pakistan in accordance with the provisions of the State Bank of Pakistan Act, 1956 and other relevant statutes. Accordingly, price risk on listed equity securities cannot be managed by the Group.

In case of 5% increase or decrease in KSE 100 index on June 30, 2021, total comprehensive income would increase or decrease by Rs. 5,805 million (2020: Rs. 4,027 million) and equity of the Group would increase or decrease by the same amount as a result of gains / (losses).

The analysis is based on the assumption that the equity index would increase or decrease by 5% with all other variables held constant and all the Group's equity instruments move according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index. The composition of the Group's investment portfolio and the correlation thereof to the KSE index is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2021 is not necessarily indicative of the effect on the Group's equity instruments of future movements in the level of KSE 100 index.

#### **53.8 Liquidity risk management**

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with the financial instruments. In order to reduce the level of liquidity risk arising out of the local currency activities, the Group manages the daily liquidity position of the banking system including advancing and withdrawal of funds from the system for smoothening out daily peaks and troughs.

The risk arising out of the Group's obligations for foreign currency balances or deposits is managed through available reserves generated mainly from borrowings and open market operations. The maturity profile of Group's financial assets and financial liabilities is given in note 53.4.1 to these consolidated financial statements.

#### **53.9 Portfolio risk management**

The Group has appointed external managers to invest a part of the foreign exchange reserves in international fixed income securities. The external managers are selected after conducting a thorough due diligence by the Group and externally hired investment consultants and appointed after the approval of the Board. The mandates awarded to the managers require them to outperform the benchmarks which are based on fixed income global aggregate indices. The benchmarks are customised to exclude certain securities, currencies and maturities to bring it to an acceptable level of risk and within the Group's approved risk appetite. Managers are provided investment guidelines within which they have to generate excess returns over the benchmark. Safe custody of the portfolio is provided through carefully selected global custodian who is independent of the portfolio managers. The custodian also provides valuation, compliance, corporate actions and recovery and other value added services which are typically provided by such custodian. The valuations provided by the custodian are reconciled with the portfolio managers and recorded accordingly.

### **54**

#### **FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following tables summarises the carrying amounts and fair values of financial assets and liabilities:

	Carrying value		Fair value	
	2021	2020	2021	2020
(Rupees in '000)				
<b>Financial assets</b>				
Cash and bank balances held by subsidiaries	501,584	212,825	501,584	212,825
Local currency - coins	417,574	1,028,584	417,574	1,028,584
Foreign currency accounts and investments	2,858,844,812	2,206,980,030	2,858,844,812	2,206,980,030
Earmarked foreign currency balances	20,707,900	62,010,317	20,707,900	62,010,317
Special drawing rights of the International Monetary Fund	60,771,006	29,537,127	60,771,006	29,537,127
Reserve tranche with the International Monetary Fund under quota arrangements	26,727	27,555	26,727	27,555
Securities purchased under agreement to resell	1,792,952,119	917,539,647	1,792,952,119	917,539,647
Current accounts of governments	33,793,930	30,157,106	33,793,930	30,157,106
Investments - local	6,857,412,223	7,412,323,127	6,922,869,323	7,557,938,734
Loans, advances and bills of exchange	1,190,995,127	804,752,686	1,190,995,127	804,752,686
Assets held with the Reserve Bank of India	1,939,592	1,964,210	1,939,592	1,964,210
Balances due from the Governments of India and Bangladesh	14,087,874	13,141,164	14,087,874	13,141,164
Other assets	30,104,829	14,524,882	30,104,829	14,524,882
<b>Financial liabilities</b>				
Banknotes in circulation	7,278,860,019	6,458,763,106	7,278,860,019	6,458,763,106
Bills payable	2,051,417	1,726,348	2,051,417	1,726,348
Current accounts of Governments	1,295,486,434	748,790,102	1,295,486,434	748,790,102
Payable to Islamic banking institutions against Bai Muajjal transactions	-	19,512,958	-	19,512,958
Payable under bilateral currency swap agreement	748,494,053	476,722,596	748,494,053	476,722,596
Deposits of banks and financial institutions	1,327,668,392	1,171,103,559	1,327,668,392	1,171,103,559
Other deposits and accounts	629,029,916	1,093,994,030	629,029,916	1,093,994,030
Payable to the International Monetary Fund	845,358,651	1,045,944,378	845,358,651	1,045,944,378
Securities sold under agreement to repurchase	135,051,390	-	135,051,390	-
Other liabilities	49,615,347	60,649,522	49,615,347	60,649,522
Endowment Fund	128,771	120,984	128,771	120,984

54.1 The table below analyses financial and non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future cash flows) (Level 3).

	2021			
	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
<b>Recurring fair value measurements</b>				
<b>On balance sheet financial assets</b>				
Foreign currency accounts and investments	-	1,024,599,142	-	1,024,599,142
Investments - local	58,506,359	1,315,236	56,302,176	116,123,771
Unrealised gain on local currency derivatives	-	16,438,901	-	16,438,901
<b>Non - recurring fair value measurements</b>				
<b>On balance sheet non-financial assets</b>				
Operating fixed assets (land and buildings)	-	-	129,594,221	129,594,221
Investment property	-	-	983,847	983,847
Gold reserves held by the Bank	577,356,238	-	-	577,356,238
	<b>635,862,597</b>	<b>1,042,353,279</b>	<b>186,880,244</b>	<b>1,865,096,120</b>
<b>Recurring fair value measurements</b>				
<b>Off balance sheet financial asset and liabilities</b>				
Foreign currency forward and swap contracts - sale	-	877,406,718	-	877,406,718
Foreign currency forward and swap contracts - purchase	-	97,744,919	-	97,744,919
Futures - sale	14,182,045	-	-	14,182,045
Futures - purchase	13,671,650	-	-	13,671,650

	2020			
	Level 1	Level 2	Level 3	Total
------(Rupees in '000)-----				
<b>Recurring fair value measurements</b>				
<b>On balance sheet financial assets</b>				
Foreign currency accounts and investments -	-	501,176,282	-	501,176,282
Investments - local	44,235,735	1,200,488	35,101,670	80,537,893
Unrealised gain on local currency derivatives	-	467,045	-	467,045
<b>Non - recurring fair value measurements</b>				
<b>On balance sheet non-financial assets</b>				
Operating fixed assets (land and buildings)	-	-	130,791,789	130,791,789
Investment property	-	-	978,608	978,608
Gold reserves held by the Bank	617,495,037	-	-	617,495,037
	<u>661,730,772</u>	<u>1,667,533</u>	<u>166,872,067</u>	<u>1,331,446,654</u>

**Recurring fair value measurements****Off balance sheet financial asset and liabilities**

Foreign currency forward and swap contracts - sale	-	1,156,814,337	-	1,156,814,337
Foreign currency forward and swap contracts - purchase	-	1,135,377,863	-	1,135,377,863
Futures - sale	9,374,673	-	-	9,374,673
Futures - purchase	9,061,924	-	-	9,061,924

The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date when the event or change in circumstances require the Group to exercise such transfers.

All financial assets and liabilities except the items disclosed above, have fair value equal to the carrying amount.

There were no transfers between levels 1 and 2 during the year.

**54.2 Valuation techniques used in determination of fair values within level 2 and level 3**

Item	Valuation approach and input used
Forward foreign exchange contract	The valuation has been determined by interpolating the mid rates announced by Bank.
Operating fixed assets (land and building)	The fair value of land and building are derived using the sale comparison approach. The sales value is determined by physically analysing the condition of land and building and by ascertaining the current market value of similar land, which is selling in near vicinity. Moreover, for buildings, the valuer has also considered prevailing current cost of construction for relevant type of civil work carried out thereon, where ever required. Please refer note 19.1 highlighting the
Foreign currency debt securities	These are measured at fair value using the rates published by the valuation expert portals, such as, Bloomberg, S&P , Reuters etc.
Unquoted equity securities	The value of unquoted equity securities are determined by using the market adjusted price to book ratio of the comparable quoted
Investment Property	These are measured at revalued amount based on the highest and best use concept.

The valuations, mentioned above, are conducted by the valuation experts appointed by the Group which are also on the panel of the Pakistan Banks' Association (PBA). The valuation experts use a market based approach to arrive at the fair value of the Group's properties. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a quantitative disclosure of sensitivity has not been presented in these consolidated financial statements.

## 55 CLASSIFICATION OF FINANCIAL INSTRUMENTS

2021				
At fair value through profit or loss	Amortised cost	At fair value through other comprehensive income	Total	
(Rupees in '000)				
<b>Financial assets</b>				
Cash and bank balances held by subsidiaries	-	501,584	-	501,584
Local currency - coins	-	417,574	-	417,574
Foreign currency accounts and investments	1,024,599,142	1,834,245,670	-	2,858,844,812
Earmarked foreign currency balances	-	20,707,900	-	20,707,900
Special drawing rights of the International Monetary Fund	-	60,771,006	-	60,771,006
Reserve tranche with the International Monetary Fund under quota arrangements	-	26,727	-	26,727
Securities purchased under agreement to resell	-	1,792,952,119	-	1,792,952,119
Current accounts of governments	-	33,793,930	-	33,793,930
Investments - local	1,315,236	6,741,288,452	114,808,535	6,857,412,223
Loans, advances and bills of exchange	-	1,190,995,127	-	1,190,995,127
Assets held with the Reserve Bank of India	-	1,939,592	-	1,939,592
Balances due from the Governments of India and Bangladesh	-	14,087,874	-	14,087,874
Other assets	-	30,104,829	-	30,104,829

2020				
At fair value through profit or loss	Amortised cost	At fair value through other comprehensive income	Total	
(Rupees in '000)				
<b>Financial assets</b>				
Cash and bank balances held by subsidiaries	-	212,825	-	212,825
Local currency - coins	-	1,028,584	-	1,028,584
Foreign currency accounts and investments	501,176,282	1,705,809,973	-	2,206,986,255
Earmarked foreign currency balances	-	62,010,317	-	62,010,317
Special drawing rights of the International Monetary Fund	-	29,537,127	-	29,537,127
Reserve tranche with the International Monetary Fund under quota arrangements	-	27,555	-	27,555
Securities purchased under agreement to resell	-	917,539,647	-	917,539,647
Current accounts of governments	-	30,157,106	-	30,157,106
Investments - local	1,200,488	7,331,785,234	79,337,405	7,412,323,127
Loans, advances and bills of exchange	-	804,752,686	-	804,752,686
Assets held with the Reserve Bank of India	-	1,964,210	-	1,964,210
Balances due from the Governments of India and Bangladesh	-	13,141,164	-	13,141,164
Other assets	-	14,518,657	-	14,518,657

2021			
Amortised cost	At fair value through profit or loss	Total	
(Rupees in '000)			
<b>Financial liabilities</b>			
Banknotes in circulation	7,278,860,019	-	7,278,860,019
Bills payable	2,051,417	-	2,051,417
Current accounts of governments	1,295,486,434	-	1,295,486,434
Payable to Islamic banking institutions against Bai Muajjal transactions	-	-	-
Payable under bilateral currency swap agreement	748,494,053	-	748,494,053
Deposits of banks and financial institutions	1,327,668,392	-	1,327,668,392
Other deposits and accounts	629,029,916	-	629,029,916
Payable to the International Monetary Fund	845,358,651	-	845,358,651
Securities sold under agreement to repurchase	135,051,390	-	135,051,390
Other liabilities	45,607,541	4,007,806	49,615,347
Endowment Fund	128,771	-	128,771

	2020		
	Amortised cost	At fair value through profit or loss	Total
	------(Rupees in '000)-----		
<b>Financial liabilities</b>			
Banknotes in circulation	6,458,763,106	-	6,458,763,106
Bills payable	1,726,348	-	1,726,348
Current accounts of Governments	748,790,102	-	748,790,102
Payable to Islamic banking institutions against Bai Muajjal transactions	19,512,958	-	19,512,958
Payable under bilateral currency swap agreement	476,722,596	-	476,722,596
Deposits of banks and financial institutions	1,171,103,559	-	1,171,103,559
Other deposits and accounts	1,093,994,030	-	1,093,994,030
Payable to the International Monetary Fund	1,045,944,378	-	1,045,944,378
Other liabilities	38,350,786	22,298,736	60,649,522
Endowment Fund	120,984	-	120,984

**56 NON-ADJUSTING EVENT**

The Board of Directors of the Bank in their meeting held on October 26, 2021 have appropriated an amount of Rs NIL million to "Revenue Reserve". The balance of profit after allocation of such appropriation will be transferred to the Government of Pakistan. The consolidated financial statements of the Group for the year ended June 30, 2021 do not include the effect of above appropriation and transfer of balance profit to the Government of Pakistan, which will be accounted for in the consolidated financial statements of the Group for the year ending June 30, 2022.

**57 DATE OF AUTHORISATION**

These consolidated financial statements were authorised for issue on October 26, 2021 by the Board of Directors.

**58 CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation. No significant rearrangements or reclassifications have been made in these consolidated financial statements during the current year.

**59 GENERAL**

Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

**Dr. Reza Baqir**  
Governor

**Murtaza Syed**  
Deputy Governor

**Saleemullah**  
Executive Director