

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and State Bank of Pakistan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the SBP Banking Services Corporation (the Corporation), which comprise the balance sheet as at June 30, 2025, and the profit and loss account, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at June 30, 2025, and of its financial performance and its 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 Financial Statements section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with 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.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is 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 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 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Other Matter

The financial statements of the Corporation for the year ended June 30, 2024 were audited by BDO Ebrahim & Co. and A. F. Ferguson & Co. who had expressed an unmodified opinion thereon vide their report dated September 13, 2024.

The engagement partners on the audit resulting in this independent auditor's report are **Zulfikar Ali Causer** (BDO Ebrahim & Co., Chartered Accountants) and **Muhammad Taufiq** (KPMG Taseer Hadi & Co., Chartered Accountants).



BDO Ebrahim & Co.
Chartered Accountants
Dated: August 28, 2025
Karachi
UDIN: AR202510067R1sDvwAMu



KPMG Taseer Hadi & Co.
Chartered Accountants
Dated: August 28, 2025
Karachi
UDIN: AR202510106AWverMIh6

SBP BANKING SERVICES CORPORATION
BALANCE SHEET
AS AT JUNE 30, 2025

	Note	2025 (Rupees in '000)	2024
ASSETS			
Deposit account with the State Bank of Pakistan		418,048	200,523
Current account with the State Bank of Pakistan		1,443,515	374,385
Investments	5	80,162,670	72,128,978
Employee loans	6	20,957,390	19,877,367
Advances, deposits and prepayments	7	215,317	139,748
Medical and stationery consumables	8	243,773	209,284
Property and equipment	9	2,842,180	3,161,003
Total assets		106,282,893	96,091,288
LIABILITIES			
Deposits and other liabilities	10	7,535,118	6,220,509
Deferred liabilities - unfunded staff retirement benefits	11	94,745,626	86,984,633
Total liabilities		102,280,744	93,205,142
NET ASSETS		4,002,149	2,886,146
REPRESENTED BY:			
Share capital	12.1	1,000,000	1,000,000
Reserves	12.2	1,886,146	861,875
Unappropriated profit		1,116,003	1,024,271
		4,002,149	2,886,146
Contingencies and commitments	13		

The annexed notes from 1 to 25 form an integral part of these financial statements.


Maraj Mahmood
 Managing Director

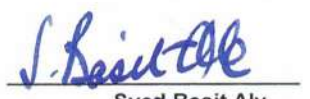

Syed Basit Aly
 Deputy Managing Director

SBP BANKING SERVICES CORPORATION
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2025

	Note	2025 (Rupees in '000)	2024
Discount and interest earned	14	12,375,617	13,043,630
Operating expenses	15	(24,678,988)	(29,119,068)
Reimbursable from the State Bank of Pakistan	15.1	13,202,582	16,989,941
		(11,476,406)	(12,129,127)
Operating profit		899,211	914,503
Gain on disposal of property and equipment		10,872	5,812
Other income	16	205,920	103,956
Profit for the year		1,116,003	1,024,271

The annexed notes from 1 to 25 form an integral part of these financial statements.


Maraj Mahmood
 Managing Director


Syed Basit Aly
 Deputy Managing Director

SBP BANKING SERVICES CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2025

	Note	2025 (Rupees in '000)	2024
Profit for the year		1,116,003	1,024,271
Other comprehensive income			
Items that will not be reclassified subsequently to the profit and loss account:			
(Loss) / gain on remeasurement of defined benefit plans - net	15.4.4.1	(4,977,323)	1,224,210
Reimbursable from / (to) the State Bank of Pakistan	15.1	4,977,323	(1,224,210)
Total comprehensive income for the year		1,116,003	1,024,271

The annexed notes from 1 to 25 form an integral part of these financial statements.


Maraj Mahmood
Managing Director


Syed Basit Aly
Deputy Managing Director

SBP BANKING SERVICES CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2025

	Share capital	Fixed asset replacement reserve	General reserve	Unappropriated profit	Total
(Rupees in '000)					
Balance as at July 1, 2023	1,000,000	142,845	142,845	576,185	1,861,875
Appropriations during the year	-	288,092	288,093	(576,185)	-
Profit for the year	-	-	-	1,024,271	1,024,271
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	1,024,271	1,024,271
Balance as at June 30, 2024	<u>1,000,000</u>	<u>430,937</u>	<u>430,938</u>	<u>1,024,271</u>	<u>2,886,146</u>
Balance as at July 01, 2024	1,000,000	430,937	430,938	1,024,271	2,886,146
Appropriations during the year	-	512,136	512,135	(1,024,271)	-
Profit for the year	-	-	-	1,116,003	1,116,003
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	1,116,003	1,116,003
Balance as at June 30, 2025	<u>1,000,000</u>	<u>943,073</u>	<u>943,073</u>	<u>1,116,003</u>	<u>4,002,149</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.



Maraj Mahmood
Managing Director



Syed Basit Aly
Deputy Managing Director

SBP BANKING SERVICES CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025

	Note	2025 (Rupees in '000)	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit after adjustment of non-cash items	17	1,638,116	1,514,892
Decrease / (increase) in assets			
Current account with the State Bank of Pakistan - excluding depreciation, expense in respect of staff retirement benefits and compensated absences		1,907,407	10,005,840
Medical and stationery consumables		(34,489)	(14,170)
Employee loans		(1,080,023)	(5,164,851)
Advances, deposits and prepayments		(75,569)	77,072
		717,326	4,903,891
Increase / (decrease) in liabilities			
Deposits and other liabilities		4,890	589,625
Payments on account of staff retirement benefits		(6,139,901)	(8,568,600)
Net cash used in operating activities		(3,779,569)	(1,560,192)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments - net		4,742,357	(56,990,010)
Capital expenditure		(376,866)	(401,510)
Proceeds from disposal of property and equipment		32,494	32,127
Net cash generated from / (used in) investing activities		4,397,985	(57,359,393)
Net increase / (decrease) in cash and cash equivalents		618,416	(58,919,585)
Cash and cash equivalents at beginning of the year		200,523	59,120,108
Cash and cash equivalents at the end of the year	18	818,939	200,523

The annexed notes from 1 to 25 form an integral part of these financial statements.



Maraj Mahmood
Managing Director



Syed Basit Aly
Deputy Managing Director

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SBP BANKING SERVICES CORPORATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

1 STATUS AND NATURE OF OPERATIONS

1.1 SBP Banking Services Corporation (the Corporation) was constituted under the SBP Banking Services Corporation Ordinance, 2001 (the Ordinance) as a wholly owned subsidiary of the State Bank of Pakistan (the SBP) and commenced its operations with effect from January 2, 2002. The Corporation is responsible for carrying out certain statutory and administrative functions and activities on behalf of the SBP, as transferred or delegated by the SBP under the provisions of the Ordinance and mainly include:

- disbursing of loans and advances to the governments, banks, financial institutions and local authorities and facilitating in inter-bank settlement system;
- collecting revenue and making payments for and on behalf of, and maintaining accounts of the Governments, local bodies, authorities, companies, banks and other financial institutions;
- receipt, supply and exchange of bank notes and coins;
- dealing in prize bonds and other instruments of Federal Government (the Government); and
- operational work relating to the management of debt and foreign exchange.

Any assets, liabilities, income and expenditure directly relating to the above activities are accounted for in the books of the SBP while the cost incurred by the Corporation in carrying out the above activities are reimbursed from the SBP as disclosed in these financial statements.

1.2 The Head office of the Corporation is situated at I.I. Chundrigar Road, Karachi, in the province of Sindh, Pakistan.

2 STATEMENT OF COMPLIANCE

These 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 financial statements have been prepared under the historical cost convention, except that certain staff retirement benefits and provision for employees' compensated absences have been carried at present value of defined benefit obligations.

3.2 These financial statements are presented in Pakistani Rupees which is the Corporation's functional and presentation currency and rounded to the nearest thousand rupees.

3.3 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRSs) 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, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are 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 International Financial Reporting Standards (IFRSs) and estimates that have a significant risk of material adjustment to the carrying amounts of assets and liabilities are as follows:

3.3.1 Retirement benefits

The key actuarial assumptions relating to the valuation of defined benefit plans and sources of estimation are disclosed in note 15.4.2 to these financial statements.

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3.3.2 Useful life and residual value of property and equipment

Estimates of useful life and residual value of property and equipment are based on the management's best estimate. Rate of depreciation is disclosed in note 9.1 to these financial statements.

3.3.3 Provision against obsolete medical and stationery consumables

The Corporation exercises judgment and makes provision for obsolete items based on their future usability. Management believes that changes in outcome of estimates will not have a material effect on the financial statements.

3.3.4 Expected credit losses

The Expected Credit Losses (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 4.1.9.1. The Corporation's policies for determining if there has been a significant increase in credit risk is set out in note 20.1.4.

3.3.5 Provisions

The Corporation exercises judgement to record provision as disclosed in note 4.11 to these financial statements. These provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

3.3.6 Contingencies

Management discloses contingencies when the Corporation has possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not within the control of the Corporation as disclosed in note 4.11 to these financial statements.

3.4 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2025

The following standards, amendments and interpretations are effective for the year ended June 30, 2025. These standards, amendments and interpretations are either not relevant to the Corporation's operations or did not have significant impact on the financial statements other than certain additional disclosures.

Standards	Effective date (annual periods beginning on or after)
- Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements	January 01, 2024
- Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
- Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
- Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
- Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024

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

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

**Effective date
(annual periods
beginning on or
after)**

- Amendments to IFRS 7 'Financial Instruments: Disclosures' - Amendments regarding the classification and measurement of financial instruments January 01, 2026
- Amendments to IFRS 9 'Financial Instruments' - Amendments regarding the classification and measurement of financial instruments January 01, 2026
- Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Lack of Exchangeability January 01, 2025
- Amendments to IFRS 7 'Financial Instruments: Disclosures' - Amendments regarding nature-dependent electricity contracts that are often structured as Power Purchase Agreements (PPAs) January 01, 2026
- Amendments to IFRS 9 'Financial Instruments' - Amendments regarding nature-dependent electricity contracts that are often structured as Power Purchase Agreements (PPAs) January 01, 2026

4 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in the preparation of these financial statements are set out below. These policies are consistently applied from year to year unless otherwise stated.

4.1 Financial assets and financial liabilities

4.1.1 Financial instruments – initial recognition

All financial assets are initially recognised on the trade date, i.e. the date at which the Corporation becomes a party to the contractual provisions of the instruments. This includes purchase 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 profit and loss account.

4.1.2 Classification and subsequent measurement of financial assets and liabilities

The Corporation classifies all of its financial assets other than equity instruments based on two criteria: a) the Corporation'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 4.1.3;
- fair value through other comprehensive income (FVOCI), as explained in note 4.1.4 & 4.1.5; or
- fair value through profit or loss (FVPL), as explained in note 4.1.6.

a) Business model assessment

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

The Corporation'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 Corporation'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 sale which also form important aspects of the Corporation'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 Corporation's original expectations, the Corporation 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 Corporation 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 Corporation 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.

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 4.1.6 and 4.1.7.

4.1.3 Financial assets at amortised cost

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

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

After initial measurement, these financial instruments are subsequently measured at amortised cost using the effective interest rate (EIR), less impairment in accordance with note 4.1.9 below.

4.1.4 Debt instruments at FVOCI

The Corporation 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 profit and loss account in the same manner as for financial assets measured at amortised cost as explained in note 4.1.3.

The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the 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 other comprehensive income. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

4.1.5 Equity instruments at FVOCI

At initial recognition, the Corporation 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.

FVOCI equity instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income (OCI), cumulative gains and losses previously recognised in OCI can never be recycled to the profit and loss account. Dividends are recognised in profit and loss account as other operating income when the right of the payment has been established, (except when the Corporation 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.

4.1.6 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. Corporation only designates an instrument at FVPL upon initial recognition when one of the following criteria is 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 is 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 balance sheet at fair value. Changes in fair value are recorded in the 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.

4.1.7 Financial liabilities at amortised cost

All financial liabilities are recognised at the time when the Corporation becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially measured at cost, which is the fair value of the consideration given. Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective interest rate.

4.1.8 Reclassification of financial assets and liabilities

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

4.1.9 Impairment of financial instruments

4.1.9.1 Overview of the ECL principles

The Corporation has been 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 impairment under IFRS 9.

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). The Corporation's policies for determining if there has been a significant increase in credit risk is set out in note 20.1.4 to these financial statements.

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

Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Corporation 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.

Based on the above process, the Corporation groups its loans and other financial assets into stage 1, stage 2 and stage 3 as described below:

- stage 1: when financial instruments are first recognised, the Corporation recognises an allowance based on 12mECL. Stage 1 financial instruments also include facilities where the credit risk has improved and the loan has been reclassified from stage 2.
- stage 2: when a financial instrument has shown a significant increase in credit risk since origination, the Corporation records an allowance for the LTECL. Stage 2 financial instruments also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- stage 3: financial assets considered credit-impaired (as outlined in the 20.1.1). The Corporation records an allowance for the LTECL.

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

4.1.9.2 Calculation of ECL

The Corporation calculates ECL based on a 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 the Corporation in accordance with the contract and the cash flows that the Corporation expects to receive.

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

- PD 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.
- EAD 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. EAD is further explained in note 20.1.2.
- LGD 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 Corporation would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of EAD. LGD is further explained in note 20.1.3.

When estimating the ECL, the Corporation considers three scenarios (a base case, a best case and a worst case). Each of these is associated with different PDs as set out as above. 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 from selling the asset.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument.

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 possible within the 12 months after the reporting date. The Corporation 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 Corporation records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- stage 3: for financial instruments considered credit-impaired, the Corporation recognises the lifetime expected credit losses for these financial instruments. The method is similar to that for stage 2 assets, with PD set at 100%.
- financial guarantee contracts: the Corporation's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the profit and loss account, and the ECL provision. For this purpose, the Corporation 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.

4.1.9.3 Forward looking information

The Corporation 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 variables.

4.1.10 Derecognition of financial assets and financial liabilities

a) Financial assets

The Corporation 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. 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 Corporation 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 Corporation 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 profit and loss account unless the modification does not result in a significant difference between the carrying amount of the original liability and the present value of revised future cash outflows discounted by the original EIR. If such difference is insignificant, the original liability is not derecognised and gain / loss on modification is recognised in the profit and loss account on such modification.

4.1.11 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 Corporation establishes fair value using valuation techniques. These include the use of recent arms length transactions, discounted cash flow analysis and other revaluation techniques commonly used by market participants.

4.1.12 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

4.2 Employee loans

These are initially recognised at fair value and subsequently carried at amortised cost less estimates made for any impairment loss measured in accordance with note 4.1.9 above.

4.3 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.

4.4 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any, except capital work-in-progress which is stated at cost less accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation on property and equipment is charged to the profit and loss account by applying the straight-line method at the rates specified in note 9.1 to the financial statements, whereby the depreciable amount of an asset is written off over its estimated useful life. Depreciation on additions is charged to the profit and loss account from the month in which the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

Estimates of useful life and residual value of property 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.

Gains and losses on disposal of property and equipment are recognised in the profit and loss account in the year in which it arises.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

4.5 Capital work-in-progress

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

4.6 Impairment of non-financial assets

The carrying amounts of the Corporation'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 any such indication exists, the recoverable amount of such asset 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, estimated future cash flows 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 profit and loss account whenever the carrying amount of an asset or a group of assets exceeds its recoverable amount.

4.7 Compensated absences

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

4.8 Staff retirement benefits

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 is contributory and 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;
 - six months post retirement benefit facility; and
 - an income continuation plan.
- d) 18.A(2): An employee up to OG-7 under New Contributory Provident Fund Scheme (NCPFS), may apply for separation under Regulation 18-A (1), only if he/she has:
 - Attained the age of forty-five (45) years but has not attained fifty-five (55) years of age; and
 - Served in the current grade for ten (10) years or more.

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

Annual provisions are made by the Corporation to cover the obligations arising under defined benefits scheme 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, 2025. The amount arising as a result of remeasurements are recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the period in which they occur. The amount arising as a result of remeasurement is allocated to the State Bank of Pakistan, however, the liability is retained in the balance sheet of the Corporation.

The key actuarial assumptions concerning the valuation of defined benefit plans and the sources of estimation are disclosed in note 15.4.2 to these financial statements.

4.9 Revenue recognition

- Discount, interest / mark-up and / or return on loans and investments are recorded on a effective interest rate that takes into account the effective yield on the asset.
- All other revenues are recognised on a time proportion basis.

4.10 Taxation

The income of the Corporation is exempt from tax under section 25 of the SBP Banking Services Corporation Ordinance, 2001 and clause 66 (XIII) of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001.

4.11 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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 Corporation. 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 Corporation; 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.

4.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at amortized cost. For the purpose of statement of cash flows, cash and cash equivalents comprise deposit balance with the State Bank of Pakistan and only those short term investments which are highly liquid and maturing within three months from the date of acquisition, which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

4.13 Foreign currency transactions and translation

Transactions denominated in foreign currencies are translated to local currency 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 profit and loss account.

5	INVESTMENTS	Note	2025	2024
			(Rupees in '000)	
	At amortised cost			
	Pakistan investment bonds	5.1	77,066,996	66,387,392
	Market treasury bills	5.2	3,095,674	5,741,586
			<u>80,162,670</u>	<u>72,128,978</u>
5.1	The effective yield on these Pakistan investment bonds is 12.51% to 17.64% per annum (2024: 17.34%) and having maturity latest by July 4, 2026 (2024: July 4, 2026). The market value of these securities classified at amortised cost as at June 30, 2025 amounted to Rs. 76,533.653 million (2024: Rs. 62,409.880 million).			
5.2	The effective yield on these Market treasury bills ranges from 11.11% to 13.6% per annum (2024: 20.79% to 22.07% per annum) and having maturity latest by July 10, 2025 (2024: October 19, 2024). The market value of these securities classified at amortised cost as at June 30, 2025 amounted to Rs. 3,105.043 million (2024: Rs. 5,769.550 million).			
6	EMPLOYEE LOANS	Note	2025	2024
			(Rupees in '000)	
	Employee loans	6.1	20,965,789	19,884,622
	Credit loss allowance	6.2	(8,399)	(7,255)
			<u>20,957,390</u>	<u>19,877,367</u>

- 6.1 These include loans amounting to Rs. 12.537 million (2024: Rs. 12.683 million) that carry mark up at 10% per annum on 62.5% of the loan amount. Maximum maturity of these loans is upto year 2037 (2024: upto year 2037).

These loans have been given in respect of:

- Housing loans - secured against equitable mortgage of the property;
- Motor vehicle loans - secured against hypothecation of the vehicle; and
- Computer and personal loans, given on personal guarantee of two employees of the Corporation.

	Note	2025 (Rupees in '000)	2024
6.2 Credit loss allowance			
Opening balance		7,255	7,062
Charge for the year		1,144	193
Closing balance		<u>8,399</u>	<u>7,255</u>

7 ADVANCES, DEPOSITS AND PREPAYMENTS

Prepayments		51,242	48,524
Advances and deposits	7.1	68,596	34,407
Other receivables	7.2	<u>105,042</u>	<u>66,380</u>
		224,880	149,311
Provision against other receivables	7.3	<u>(9,563)</u>	<u>(9,563)</u>
		<u>215,317</u>	<u>139,748</u>

- 7.1 This includes an amount of Rs 39.093 million (2024: 5.617 million) against advance payment for Capital assets.

- 7.2 This includes an amount of Rs 4.263 million (2024: 11.125 million) receivable from Pakistan Security Printing Corporation.

	Note	2025 (Rupees in '000)	2024
7.3 Provision against other receivables			
Opening balance		9,563	9,563
Charge for the year		-	-
Closing balance		<u>9,563</u>	<u>9,563</u>

8 MEDICAL AND STATIONERY CONSUMABLES

Medicines		5	1,505
Stationery		29,143	33,068
Engineering		136,367	99,120
Others		<u>81,998</u>	<u>78,736</u>
		247,513	212,429
Provision against slow moving items	8.1	<u>(3,740)</u>	<u>(3,145)</u>
		<u>243,773</u>	<u>209,284</u>

8.1 Provision against slow moving items

Opening balance		3,145	-
Charge for the year		595	3,145
Closing balance		<u>3,740</u>	<u>3,145</u>

9 PROPERTY AND EQUIPMENT

Operating fixed assets	9.1	<u>2,842,180</u>	<u>3,161,003</u>
		<u>2,842,180</u>	<u>3,161,003</u>

9.1 Operating fixed assets

The following is a statement of operating fixed assets:

		2025				
		Furniture and fixtures	Office equipment and machinery	Electronic data and processing equipment	Motor vehicles	Total
Note		(Rupees in '000)				
As at July 01, 2024						
Cost		188,195	5,822,246	741,621	442,692	7,194,754
Accumulated depreciation		(112,069)	(3,076,905)	(557,039)	(287,738)	(4,033,751)
Net book value		76,126	2,745,341	184,582	154,954	3,161,003
Year ended June 30, 2025						
Opening net book value		76,126	2,745,341	184,582	154,954	3,161,003
Additions		11,842	264,640	47,229	50,520	374,231
Transfers from SBP						
Cost		-	-	762	10,518	11,280
Accumulated Depreciation		-	-	(312)	(8,142)	(8,454)
		-	-	450	2,376	2,826
Disposals						
Cost		-	(50,850)	(85,169)	(51,622)	(187,641)
Accumulated depreciation		-	50,850	85,169	30,000	166,019
		-	-	-	(21,622)	(21,622)
Transferred to SBP						
Cost		-	(31,180)	-	-	(31,180)
Accumulated Depreciation		-	30,989	-	-	30,989
		-	(191)	-	-	(191)
Depreciation charge		(14,085)	(516,599)	(92,315)	(51,068)	(674,067)
Net book value		73,883	2,493,191	139,946	135,160	2,842,180
As at June 30, 2025						
Cost	9.2	200,037	6,004,856	704,443	452,108	7,361,444
Accumulated depreciation		(126,154)	(3,511,665)	(564,497)	(316,948)	(4,519,264)
Net book value		73,883	2,493,191	139,946	135,160	2,842,180
Annual rate of depreciation		10%	10% - 20%	33.33%	20%	
		2024				
		Furniture and fixtures	Office equipment and machinery	Electronic data and processing equipment	Motor vehicles	Total
Note		(Rupees in '000)				
As at July 01, 2023						
Cost		177,857	5,752,070	578,517	425,254	6,933,698
Accumulated depreciation		(98,711)	(2,594,239)	(523,265)	(279,508)	(3,495,723)
Net book value		79,146	3,157,831	55,252	145,746	3,437,975
Year ended June 30, 2024						
Opening net book value		79,146	3,157,831	55,252	145,746	3,437,975
Additions		10,853	86,655	212,753	91,739	402,000
Disposals						
Cost		(515)	(12,772)	(49,649)	(74,301)	(137,237)
Accumulated depreciation		172	12,772	49,081	48,897	110,922
		(343)	-	(568)	(25,404)	(26,315)
Transferred from SBP						
Cost		-	(3,707)	-	-	(3,707)
Accumulated Depreciation		-	3,218	-	-	3,218
		-	(489)	-	-	(489)
Depreciation charge		(13,530)	(498,656)	(82,855)	(57,127)	(652,168)
Net book value		76,126	2,745,341	184,582	154,954	3,161,003
As at June 30, 2024						
Cost	9.2	188,195	5,822,246	741,621	442,692	7,194,754
Accumulated depreciation		(112,069)	(3,076,905)	(557,039)	(287,738)	(4,033,751)
Net book value		76,126	2,745,341	184,582	154,954	3,161,003
Annual rate of depreciation		10%	10% - 20%	33.33%	20%	

9.2 This includes fully depreciated assets amounting to Rs. 2,036.887 million (2024: Rs. 1,994.340 million) which is still in use by the Corporation.

	Note	2025 (Rupees in '000)	2024
10 DEPOSITS AND OTHER LIABILITIES			
Provision for employees' compensated absences	15.4.10	5,951,279	4,641,560
Deposits		124,693	96,397
Others		1,459,146	1,482,552
		<u>7,535,118</u>	<u>6,220,509</u>
11 DEFERRED LIABILITIES - UNFUNDED STAFF RETIREMENT BENEFITS			
Gratuity		-	19,996
Pension		47,442,245	44,137,835
Benevolent fund scheme		620,181	625,640
Post retirement medical benefits		42,242,057	40,800,876
Six months post retirement benefits		1,420,893	254,686
Income continuation plan		2,706,418	807,208
	15.4.4	<u>94,431,794</u>	<u>86,646,241</u>
Provident fund scheme		313,832	338,392
		<u>94,745,626</u>	<u>86,984,633</u>

12 REPRESENTED BY:

12.1 SHARE CAPITAL

2025 (Number of Shares)	2024	2025 (Rupees in '000)	2024
<u>1,000</u>	<u>1,000</u>		
Authorised share capital			
Ordinary shares of Rs. 1,000,000 each		<u>1,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid-up share capital			
Fully paid-up ordinary shares of Rs. 1,000,000 each			
509	509	509,000	509,000
491	491	491,000	491,000
<u>1,000</u>	<u>1,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

12.2 RESERVES

	2025 (Rupees in '000)			2024		
	Fixed asset replacement reserve	General reserve	Total	Fixed asset replacement reserve	General reserve	Total
Balance at the beginning of the year	430,937	430,938	861,875	142,845	142,845	285,690
Appropriations during the year	512,136	512,135	1,024,271	288,092	288,093	576,185
Balance at the end of the year	<u>943,073</u>	<u>943,073</u>	<u>1,886,146</u>	<u>430,937</u>	<u>430,938</u>	<u>861,875</u>

	Note	2025 (Rupees in '000)	2024
13 CONTINGENCIES AND COMMITMENTS			
13.1 Contingencies			
Claims against the Corporation not acknowledged as debts	13.1.1	<u>3,107</u>	<u>3,972</u>
13.1.1 These mainly represent various cases filed by ex-employees of the Corporation on account of computational differences in settlement of their retirement benefit amounts. Based on advice of legal advisor, the management believes that these cases will be decided in favour of the Corporation and hence no provision has been recognised in these financial statements.			

		2025	2024
	Note	(Rupees in '000)	
13.2	Commitments		
	Capital commitments	13.2.1	116,770 279,600

13.2.1 This represents amounts committed by the Corporation to purchase assets from successful bidders.

		2025	2024
	Note	(Rupees in '000)	
14	DISCOUNT AND INTEREST EARNED		
	Interest income on investments	12,375,158	13,043,200
	Interest on employee loans	459	430
		12,375,617	13,043,630

15 OPERATING EXPENSES

Reimbursable from the State Bank of Pakistan			
Salaries, wages and other benefits		9,346,583	8,432,361
Retirement benefits and employees' compensated absences	15.4.1	10,746,877	16,384,138
Rent and taxes		88,298	66,877
Insurance		45,611	49,093
Electricity, gas and water		1,024,550	934,030
Repair and maintenance		584,729	499,260
Auditors' remuneration	15.2	17,612	16,833
Legal and professional		34,190	17,436
Travelling		25,615	38,098
Daily expenses		63,856	57,919
Fuel		10,445	14,956
Conveyance		45,982	29,758
Postages and telephone		15,347	16,282
Training		90,779	385,605
Remittance of treasure		568,340	544,303
Stationery		18,675	19,142
Books and newspapers		2,103	3,877
Advertisement		11,403	10,207
Bank guards charges		301,562	283,331
Uniforms		64,257	28,395
Depreciation	9.1	674,067	652,168
Other expenses	15.3	898,107	634,999
Net operating expenses		24,678,988	29,119,068

15.1 Net reimbursable from the State Bank of Pakistan

Net operating expenses	15	24,678,988	29,119,068
Loss / (gain) on remeasurement of defined benefit plans	15.4.4.1	4,977,323	(1,224,210)
Total reimbursable from State Bank of Pakistan		29,656,311	27,894,858
Less: Limitation on reimbursement of expenses	15.1.1	(11,476,406)	(12,129,127)
Net reimbursable from State Bank of Pakistan		18,179,905	15,765,731
Reimbursable from / (to) relating to statement of comprehensive Income		4,977,323	(1,224,210)
Reimbursable relating to profit and loss account		13,202,582	16,989,941
		18,179,905	15,765,731

15.1.1 Limitation on reimbursement of expenses

Interest income from investments funding the deferred liabilities (a)	11,476,406	12,129,127
Interest cost related to defined benefit plans (b)	12,908,143	13,539,633
Lower of (a) or (b)	11,476,406	12,129,127

15.2 Auditors' remuneration

2025			2024		
KPMG Taseer Hadi & Co.	BDO Ebrahim & Co.	Total	A. F. Ferguson & Co.	BDO Ebrahim & Co.	Total
(Rupees in '000)					
Audit fee (including out of pocket expenses)	8,381	7,927	16,308	8,381	7,206
Sindh sales tax on services	670	634	1,304	670	576
	9,051	8,561	17,612	9,051	7,782
					15,587
					1,246
					16,833

15.3 This includes charge of credit loss amounting to Rs. 1.144 million (2024: Rs. 0.193 million).

15.4 Staff retirement benefits

15.4.1 This includes an amount relating to defined contribution plan aggregating Rs. 458.774 million (2024: Rs. 325.716 million) and employee compensated absences amounting to Rs. 1,657.436 million (2024: Rs. 734.108 million).

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

	2025	2024
- Discount rate for year end obligation	12.50%	14.75%
- Salary increase rate (where applicable)	FY 2025: 9.70% p.a. 0% additional on alternate years from July 2025 onwards	FY 2024: 12.75% p.a. with a 12% additional on alternate years from July 2024 onwards
- Pension increase rate (where applicable)	12.00%	13.50%
- Medical cost increase rate (where applicable)	12.50%	14.75%
- Normal retirement age	60 years	60 years

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

15.4.3 Through its defined benefit plan, the Corporation 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 / lower 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.

Mortality risk

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

Withdrawal risk

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

Pension increase risk

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

15.4.4 Change in present value of defined benefit obligation

Present value of defined benefit obligation
as on July 1, 2024

Current service cost

Past service cost

Interest cost on defined benefit obligation

Benefits paid

Remeasurements:

Actuarial losses from changes
in financial assumptions

Present value of defined benefit obligation
as on June 30, 2025

2025						
Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility	Income continuation plan	Total
(Rupees in '000)						
44,137,835	19,996	40,800,876	625,640	254,686	807,208	86,646,241
902,411		1,226,652	3,750	41,155	-	2,173,968
(1,775,119)	-	(5,058,565)	6,545	1,004,428	-	(6,822,711)
6,120,504		5,907,736	79,774	32,999	108,144	12,249,167
5,247,796	-	2,075,823	90,069	1,078,582	108,144	8,600,414
(3,895,749)	(19,996)	(1,496,857)	(169,603)	(61,929)	(148,050)	(5,792,184)
						-
1,952,363	-	862,215	74,075	149,554	1,939,116	4,977,323
						-
47,442,245	-	42,242,067	620,181	1,420,893	2,706,418	94,431,794

Present value of defined benefit obligation
as on July 1, 2023

Current service cost

Interest cost on defined benefit obligation

Benefits paid

Remeasurements:

Actuarial losses / (gains) from changes
in financial assumptions

Present value of defined benefit obligation
as on June 30, 2024

2024						
Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility	Income continuation plan	Total
(Rupees in '000)						
40,881,814	17,016	38,101,338	693,297	244,046	514,530	80,452,041
813,871	1,319	1,545,869	1,720	16,721	-	2,379,500
6,536,208	2,765	6,091,268	101,029	36,292	74,954	12,842,516
7,350,079	4,084	7,637,137	102,749	53,013	74,954	15,222,016
(6,279,249)	-	(1,233,238)	(143,154)	(41,422)	(106,543)	(7,803,606)
						-
2,185,191	(1,104)	(3,704,361)	(27,252)	(951)	324,267	(1,224,210)
						-
44,137,835	19,996	40,800,876	625,640	254,686	807,208	86,646,241

15.4.4.1 Amount recognised in other comprehensive income

- Actuarial losses from changes in
financial assumptions

2025						
Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility	Income continuation plan	Total
(Rupees in '000)						
1,952,363	-	862,215	74,075	149,554	1,939,116	4,977,323

- Actuarial losses / (gain) from changes in
financial assumptions

2024						
Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility	Income continuation plan	Total
(Rupees in '000)						
2,185,191	(1,104)	(3,704,361)	(27,252)	(951)	324,267	(1,224,210)

15.4.5 Amount recognised in the profit and loss account

2025							
Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility	Income continuation plan	Total	
(Rupees in '000)							
Current service cost	902,411	-	1,226,652	3,750	41,155	-	2,173,968
Past service cost	(1,775,119)	-	(5,058,565)	6,545	1,004,428	-	(5,822,711)
Interest cost on defined benefit obligation	6,120,504	-	5,907,736	79,774	32,999	108,144	12,249,157
	5,247,796	-	2,075,823	90,069	1,078,582	108,144	8,600,414

2024							
Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility	Income continuation plan	Total	
(Rupees in '000)							
Current service cost	813,871	1,319	1,545,869	1,720	16,721	-	2,379,500
Interest cost on defined benefit obligation	6,536,208	2,765	6,091,268	101,029	36,292	74,954	12,842,516
	7,350,079	4,084	7,637,137	102,749	53,013	74,954	15,222,016

15.4.6 Movement of present value of defined benefit obligation

	2025						
	Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility	Income continuation plan	Total
	(Rupees in '000)						
Net recognised liabilities at July 1, 2024	44,137,835	19,996	40,800,876	625,640	254,686	807,208	86,646,241
Amount recognised in the profit and loss account	5,247,796	-	2,075,823	90,069	1,078,582	108,144	8,600,414
Remeasurements	1,952,363	-	862,215	74,075	149,554	1,939,116	4,977,323
Benefits paid during the year	(3,895,749)	(19,996)	(1,496,857)	(169,603)	(61,929)	(148,050)	(5,792,184)
Net recognised liabilities at June 30, 2025	47,442,245	-	42,242,057	620,181	1,420,893	2,706,418	94,431,794

	2024						
	Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility	Income continuation plan	Total
	(Rupees in '000)						
Net recognised liabilities at July 1, 2023	40,881,814	17,016	38,101,338	693,297	244,046	514,530	80,452,041
Amount recognised in the profit and loss account	7,350,079	4,084	7,637,137	102,749	53,013	74,954	15,222,016
Remeasurements	2,185,191	(1,104)	(3,704,361)	(27,252)	(951)	324,267	(1,224,210)
Benefits paid during the year	(6,279,249)	-	(1,233,238)	(143,154)	(41,422)	(106,543)	(7,803,606)
Net recognised liabilities at June 30, 2024	44,137,835	19,996	40,800,876	625,640	254,686	807,208	86,646,241

15.4.7 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)	
Pension			
Discount rate	1	(3,588,849)	4,207,956
Salary increase rate	1	548,998	(521,150)
Pension increase rate	1	3,580,664	(3,071,143)
Post retirement medical benefits			
Discount rate	1	(5,327,034)	6,743,165
Medical cost increase rate	1	6,629,885	(5,303,884)
Benevolent fund scheme			
Discount rate	1	(25,948)	28,875
Six months post retirement facility			
Discount rate	1	(1,021,170)	(945,538)
Salary increase rate	1	(946,172)	(1,021,402)
Income Continuation Plan			
Discount rate	1	(351,468)	424,149
Salary increase rate	1	355,736	(305,669)

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 balance sheet.

15.4.8 Duration of defined benefit obligation

	Pension	Leave Encashment	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility	Income continuation plan
Weighted average duration of the defined benefit obligation	8.22 years	10.83 years	14.29 years	4.42 years	13.55 years	14.33 years

15.4.9 Estimated expenses to be charged to the profit and loss account for the year ending June 30, 2026

Based on the actuarial advice, the management estimates that charge in respect of defined benefit plans for the year ending June 30, 2025 would be as follows:

	Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility	Income continuation plan	Total
(Rupees in '000)							
Current service cost	510,310	-	447,948	3,588	134,046	-	1,095,892
Interest cost on defined benefit obligation	5,595,943	-	5,178,505	71,110	169,867	333,166	11,348,591
Amount chargeable to the profit and loss account	6,106,253	-	5,626,453	74,698	303,913	333,166	12,444,483

15.4.10 Employees' compensated absences

The Corporation's liability for employees' compensated absences determined through an actuarial valuation carried out under the Projected Unit Credit Method amounted to Rs. 5,951.279 million (2024: Rs. 4,641.560 million). An amount of Rs. 1,657.436 million (2024: Rs. 734.108 million) has been charged to the profit and loss account in the current year based on the actuarial advice. Expected charge in respect of the scheme for the year ending June 30, 2026 would be Rs. 955.854 million. The benefits paid during the year amounted to Rs. 347.717 million (2024: Rs. 764.995 million). In case of 1% increase / decrease in discount rate, the net charge for the year would decrease / increase by Rs. 588.882 million and Rs. 711.983 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. 694.306 million and Rs. 589.008 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 10.93 years.

	Note	2025 (Rupees in '000)	2024
16 OTHER INCOME			
Liabilities and provision written back		107,520	40,870
Penalties and others		-	196
Miscellaneous income		98,400	62,890
		<u>205,920</u>	<u>103,956</u>
17 PROFIT AFTER ADJUSTMENT OF NON-CASH ITEMS			
Profit for the year		1,116,003	1,024,271
Adjustments for:			
Interest income on investments	14	(12,375,158)	(13,043,200)
Interest cost on retirement benefits	15.1.1	12,908,143	13,539,633
Gain on disposal of property and equipment		(10,872)	(5,812)
		<u>522,113</u>	<u>490,621</u>
		<u>1,638,116</u>	<u>1,514,892</u>
18 CASH AND CASH EQUIVALENTS			
Deposit account with the State Bank of Pakistan		418,048	200,523
Market Treasury Bills having original maturity of up to three months		400,891	-
		<u>818,939</u>	<u>200,523</u>

19 RELATED PARTY TRANSACTIONS

The Corporation is a wholly owned subsidiary of the State Bank of Pakistan (SBP), therefore all subsidiaries and associated undertakings of the parent entity are related parties of the Corporation. Other related parties comprise of key management personnel of the Corporation which include members of the Board of Directors, Managing Director and other executives of the Corporation who have responsibilities for planning, directing and controlling the activities of the Corporation.

The transactions and balances with related parties are as follows:

	2025 (Rupees in '000)	2024
Associated undertaking - National Institute of Banking and Finance Pakistan - subsidiary of the parent entity		
-Transactions during the year - reimbursable from the State Bank of Pakistan		
Training expense charged during the year	48,638	-

**Associated undertaking - National Institute of Banking and Finance
(Guarantee) Limited - subsidiary of the parent entity**

**-Transactions during the year - reimbursable from the
State Bank of Pakistan**

Training grant charged during the year	-	289,113
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**Associated undertaking - Pakistan Securities Printing Corporation
(Private) Limited - subsidiary of the parent entity**

-Balance at the year end

Receivable / (Payable)	4,263	(649)
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The balances and transactions with the State Bank of Pakistan (SBP) are fully disclosed within the financial statement line items and the relevant notes to these financial statements.

20 RISK MANAGEMENT POLICIES

The Corporation is primarily subject to interest / mark-up rate and credit risks. The policies and procedures for managing these risks are outlined in notes 20.1 to 20.6 to these financial statements. The Corporation has designed and implemented a framework of controls to identify, monitor and manage these risks. The senior management is responsible for advising the Managing Director on the monitoring and management of these risks.

20.1 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. The management of the Corporation believes that it is not exposed to any significant level of credit risk. Loans to employees are secured by deposit of title documents with the Corporation and by insurance policies covering any loss arising from the death of the employees. Advances to employees are made in the normal course of business for various business expenses and security deposit held with entities for ensuring future services and there is a low chance of default on suspension of services. The remaining balances are recorded as current and deposit account with SBP and accordingly are not subject to any significant level of credit risk. Investment in government securities and related profit receivable, however, are not exposed to credit risk as these are guaranteed by the Government of Pakistan.

20.1.1 Definition of default

The Corporation 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 Corporation.

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.

20.1.2 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 counter party's ability to increase its exposure while approaching default and potential early repayments too. To calculate EAD for stage 1 financial instruments, the Corporation assesses the possible default events within 12 months for the calculation of the 12 month ECL. For stage 2 and stage 3, the exposure at default is considered for events over the lifetime of the instrument. The Corporation determines EADs 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 Corporation's models.

20.1.3 Loss given default

Loss given default (LGD) represents the Corporation'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.

20.1.4 Significant increase in credit risk

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

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

20.2 Concentration 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 affected by changes in economic, political or other conditions. The Corporation's significant concentration arising from financial instruments at the reporting date without taking any collateral held or other credit enhancements is shown below:

20.2.1 Geographical analysis

All the financial instruments of the Corporation at the reporting date are geographically located in Pakistan only.

20.2.2 Industrial analysis

Financial assets

Deposit account with the State Bank of Pakistan
Current account with the State Bank of Pakistan
Investments
Employee loans
Advances, deposits and prepayments

2025		
Sovereign (20.2.3.1)	Others	Grand total
(Rupees in '000)		
418,048	-	418,048
1,443,515	-	1,443,515
80,162,670	-	80,162,670
-	20,957,390	20,957,390
-	117,161	117,161
82,024,233	21,074,551	103,098,784

Financial assets

Deposit account with the State Bank of Pakistan
Current account with the State Bank of Pakistan
Investments
Employee loans
Advances, deposits and prepayments

2024		
Sovereign (20.2.3.1)	Others	Grand total
(Rupees in '000)		
200,523	-	200,523
374,385	-	374,385
72,128,978	-	72,128,978
-	19,877,367	19,877,367
-	77,444	77,444
72,703,886	19,954,811	92,658,697

20.2.3 Credit exposure by credit rating:

Financial assets of the Corporation essentially represent amounts due from the State Bank of Pakistan (Central Bank of the country), sovereign investments and amounts due from the Corporation's own employees as detailed below:

2025		
Sovereign	Unrated	Grand total
(Rupees in '000)		

Financial assets

Deposit account with the State Bank of Pakistan	418,048	-	418,048
Current account with the State Bank of Pakistan	1,443,515	-	1,443,515
Investments	80,162,670	-	80,162,670
Employee loans	-	20,957,390	20,957,390
Advances, deposits and prepayments	-	117,161	117,161
	82,024,233	21,074,551	103,098,784

2024		
Sovereign	Unrated	Grand total
(Rupees in '000)		

Financial assets

Deposit account with the State Bank of Pakistan	200,523	-	200,523
Current account with the State Bank of Pakistan	374,385	-	374,385
Investments	72,128,978	-	72,128,978
Employee loans	-	19,877,367	19,877,367
Advances, deposits and prepayments	-	77,444	77,444
	72,703,886	19,954,811	92,658,697

20.2.3.1 Government securities and balances are rated as sovereign. The international credit rating of Pakistan is CCC+ (2024: CCC+) as per Standards and Poor's.

20.3 Details of financial assets impaired and provisions recorded there against:

Gross amount		Impairment / provision	
2025	2024	2025	2024
(Rupees in '000)			

Employee loans	20,965,789	19,884,622	8,399	7,255
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20.4 Liquidity analysis with interest rate risk

Interest rate risk is the risk that the value of a financial instrument or its cash flow will fluctuate due to changes in the market interest rates. The Corporation has adopted appropriate policies to minimise its exposure to this risk.

2025							
Interest / markup rate	Interest / mark-up bearing			Non interest / mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
	(Rupees in '000)						
Financial assets							
Deposit account with the State Bank of Pakistan		-	-	418,048	-	418,048	418,048
Current account with the State Bank of Pakistan		-	-	1,443,515	-	1,443,515	1,443,515
Investments	11.11% - 17.64%	2,885,677	68,999,486	71,885,163	8,277,507	8,277,507	80,162,670
Employee loans	10%	2,087	11,719	13,806	1,952,122	18,999,861	20,965,789
Advances and deposits		-	-	105,042	12,119	117,161	117,161
		2,887,764	69,011,205	71,898,969	12,196,234	19,011,980	31,208,214
Financial liabilities							
Deposits and other liabilities		-	-	-	(1,459,146)	(124,693)	(1,583,839)
On balance sheet gap		2,887,764	69,011,205	71,898,969	10,737,088	18,887,287	101,523,344
Off balance sheet gap		-	-	-	-	-	-
Total yield / interest risk sensitivity gap		2,887,764	69,011,205	71,898,969	10,737,088	18,887,287	29,624,375
Cumulative yield / interest risk sensitivity gap		2,887,764		71,898,969			

2024							
Interest / markup rate	Interest / mark-up bearing			Non interest / mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
(Rupees in '000)							
Financial assets							
Deposit account with the State Bank of Pakistan		-	-	-	200,523	-	200,523
Current account with the State Bank of Pakistan		-	-	-	374,385	-	374,385
Investments	17.34% - 22.07%	5,741,586	66,387,392	72,128,978	-	-	72,128,978
Employee loans	10%	1,026	11,657	12,683	1,913,168	17,951,516	19,864,684
Advances and deposits		-	-	-	15,446	61,998	77,444
		5,742,612	66,399,049	72,141,661	2,503,522	18,013,514	20,517,036
Financial liabilities							
Deposits and other liabilities		-	-	-	(1,578,949)	-	(1,578,949)
On balance sheet gap		5,742,612	66,399,049	72,141,661	924,573	18,013,514	18,938,087
Off balance sheet gap		-	-	-	-	-	-
Total yield / interest risk sensitivity gap		5,742,612	66,399,049	72,141,661	924,573	18,013,514	18,938,087
Cumulative yield / interest risk sensitivity gap		5,742,612		72,141,661			

20.5 Currency risk management

Currency risk is the risk that the value of a financial asset or liability will fluctuate due to changes in foreign currency rates. Foreign exchange risk arises mainly where balances exist due to transactions in foreign currencies. Currently, the Corporation has no foreign currency exposure.

20.6 Liquidity risk management

Liquidity risk is the risk that the Corporation will encounter difficulties in raising funds to meet commitments associated with the financial liabilities. To guard against the risk, the Corporation maintains balance in Deposit Account with State Bank Pakistan and has availability of funding by State Bank of Pakistan. The maturity profile of the Corporation's financial assets and financial liabilities are given in note 20.4 to these financial statements.

21 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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. Consequently, differences can arise between carrying value and the fair value estimates.

Underlying the definition of fair value is the presumption that the Corporation is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

As per the requirements of IFRS 13, 'Fair Value Measurement', the Corporation shall classify fair value instruments using a fair value hierarchy that reflects the significance of inputs in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices within level 1 that are observable for the asset or liabilities, whether directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The carrying amounts of all the financial assets and financial liabilities are considered to be reasonable approximation of their fair values.

22 CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial assets

Deposit account with the State Bank of Pakistan
Current account with the State Bank of Pakistan
Investments
Employee loans
Advances, deposits and prepayments

2025	
Amortised cost	Total
(Rupees in '000)	

418,048	418,048
1,443,515	1,443,515
80,162,670	80,162,670
20,957,390	20,957,390
117,161	117,161
<u>103,098,784</u>	<u>103,098,784</u>

Financial assets

Deposit account with the State Bank of Pakistan
Current account with the State Bank of Pakistan
Investments
Employee loans
Advances, deposits and prepayments

2024	
Amortised cost	Total
(Rupees in '000)	

200,523	200,523
374,385	374,385
72,128,978	72,128,978
19,877,367	19,877,367
77,444	77,444
<u>92,658,697</u>	<u>92,658,697</u>

Financial liabilities - at amortised cost

Deposits and other liabilities

2025	2024
(Rupees in '000)	
<u>1,583,839</u>	<u>1,578,949</u>

23 CORRESPONDING FIGURES

Corresponding figures have been reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison and better presentation.

24 GENERAL

Figures in these financial statements have been rounded off to the nearest thousand rupees.

These financial statements were authorised for issue on 28 AUG 2025 by the Board of Directors of the Corporation.



Maraj Mahmood
Managing Director



Syed Basit Aly
Deputy Managing Director