



Annual Report | 2023-24





Deposit Protection Corporation
Safeguarding Depositors' Trust







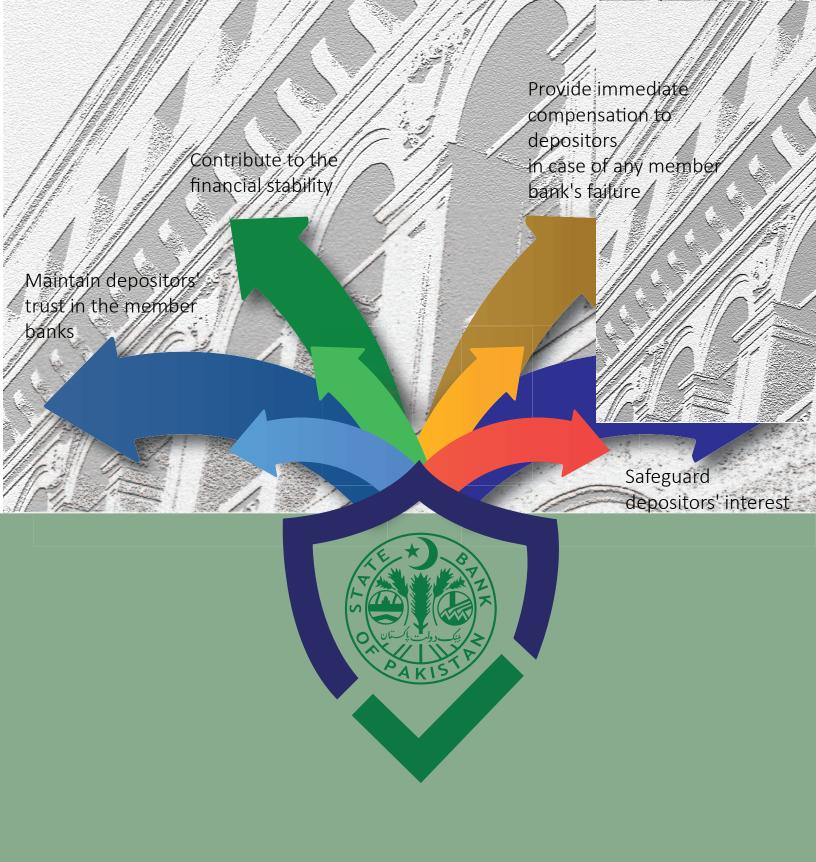
Deposit Protection Corporation Safeguarding Depositors' Trust

Vision

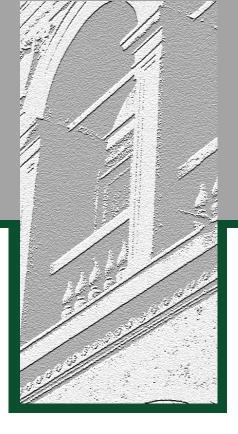
To be an effective provider of deposit protection in line with international standards

Mission

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



DEPOSIT PROTECTION CORPORATION



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Chairman's Note

t is my distinct honor to present the fourth Annual Report for FY 2023-24 of the Deposit Protection Corporation (DPC). This has been a remarkable year of significant financial growth for the Corporation, solidifying the importance of explicit deposit protection within the banking system.

The fiscal year 2023-24, particularly the first half, was shaped by a challenging macroeconomic environment. The elevated interest rates amid subdued economic activity led to a significant increase in the bank deposits. In a high-return environment, the domestic deposits in scheduled banks of Pakistan have surpassed an unprecedented mark of PKR 31 trillion. As a result, the premium receipts for FY 2023-24 from member banks witnessed an increase of nearly 16 percent while income from investments recorded a growth of 88 percent compared to the previous year. Consequently, the Corporation generated a total income of PKR 48 billion during FY 2023-24.

I am pleased to share that Corporation's prudent risk management strategy and strong equity position have fortified its capacity to provide reliable insurance coverage, thus reinforcing public confidence in the banking system. Notably, the Deposit Protection Fund has also increased significantly this year, reaching PKR 148 billion. This growth has strengthened our preparedness and capacity to swiftly compensate depositors in the event of a bank failure.

It is also important to acknowledge the State Bank of Pakistan's (SBP) ongoing efforts to ensure the soundness of banking sector through its regulatory and supervisory framework, which is consistent with the international standards and best practices. This framework provides the first line of safety net and has successfully ensured soundness of banking sector over the years. To further strengthen the financial safety nets, SBP is proactively reviewing the emerging best practices and making necessary improvements. Besides, the Corporation plays an important role by providing an additional layer of protection to the depositors.

Towards achieving the objective of maintaining financial stability, State Bank's bank-resolution

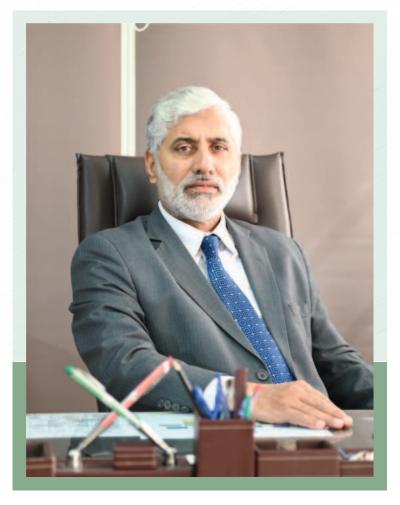
framework has effectively handled distressed banks in the past, certain improvements in the framework are being made in the light of emerging best practices. I am optimistic that these improvements will soon be brought about, which include some amendments in the relevant laws, including the DPC Act, 2016. The proposed amendments that are currently under active legislative process will, inter alia, expand the Corporation's mandate from a 'pay box' to 'pay box plus', whereby it will assume an enhanced role in the resolution of member banks by providing financial support to the distressed institution subject to certain safe guards.

Looking ahead, I am confident of achieving our strategic goals ascribed in the Corporation's Strategic Plan 2023-28. The financial landscape is constantly

evolving, presenting both challenges and opportunities. We remain committed to being agile and proactive, leveraging on our strengths to smoothly navigate through any unforeseen stress events.

Lastly, I would like to express my deepest gratitude to all stakeholders, including the Governor-SBP for his patronage, our esteemed board members, the member banks, and management of the Corporation for their valuable contributions. Together, we will continue to strengthen the foundation of our financial system, ensuring the safety of depositors' funds.

Dr. Inayat HussainChairman, Board of Directors



Message from the Managing Director

am pleased to present the Annual Report 2023-24 of the Deposit Protection Corporation (DPC). As I reflect on the past year, the foremost milestone that the Corporation has achieved is the significant investment portfolio of PKR 148 billion by the year ended June 2024 – a remarkable 48 percent growth over the previous year. This underscores the robust financial health of the Corporation. Notably, during 2023-24, our total income has also enhanced by a substantial amount of PKR 48 billion, which includes PKR 26 billion, earned through a prudently managed investment portfolio, and PKR 22 billion, collected through premium receipts from member banks. As a result, the Corporation's protection fund has reached a total PKR 148 billion streak, which reflects upon our effective resource management and prudent investment decisions.

As one of the key pillars of financial safety net, the Corporation plays a vital role in safeguarding depositors' interests and maintaining public confidence in the banking sector. In any unfortunate event of a bank failure, the Corporation steps in to provide an

immediate relief to affected depositors. A case in point is the Corporation's payout to the eligible depositors of SME Bank , which was wound down with the approval of the Government of Pakistan and declared as failed by the State Bank of Pakistan under Section 21 of the Deposit Protection Corporation Act, 2016. By the end of June'24, more than 92 percent of SME Banks' protected deposits have been paid out.

As of June 30, 2024, there were 79.2 million depositors of the member banks. This includes 64.8 million depositors of conventional banking system and 14.4 million of Islamic banking system. Of these depositors, 78.3 million or 98.9 percent were eligible for deposit protection. A segment-wise analysis reveals that 98.9 percent of conventional banking depositors and 98.6 percent of Islamic banking depositors were covered by the current deposit protection mechanism of the Corporation.

I am glad to share that this high percentage of eligible depositors aligns with the principle that the deposit protection schemes should cover majority of depositors and leave a small number of depositors in the upper tail of the distribution be exposed to market discipline. This approach also aligns with the Corporation's objective of protecting primarily small and financially unsophisticated depositors, which is consistent with international best practices.

A cornerstone of our efforts during the year has been the automation of the collection and compilation of total and eligible deposits data from the Corporation's member banks. By automating this process, the Corporation would be able to conduct sophisticated data analysis and reporting, identify potential issues, and make informed decisions.

In line with our strategic objectives, we have also prioritized public awareness and education. This year, the Corporation conducted face-to-face awareness sessions for commercial banks in four additional regions: Faisalabad, Sialkot, Gujranwala, and Rawalpindi. These sessions have played a pivotal role in strengthening the understanding of deposit protection mechanism among the respective banks' staff, ensuring that they are equipped to effectively communicate this vital information to the depositors.

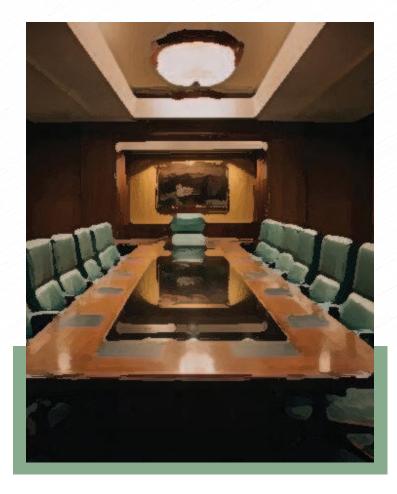
Our commitment to enhance the financial sector stability and crisis preparedness was further demon-

strated through the DPC team's active participation in the World Bank's Technical Assistance sessions. These sessions covered critical areas such as operational payout approaches, crisis coordination, backup funding arrangements, and target fund size policies. As a result, we have prepared several key policy documents in consultation with World Bank's team which will help us to ensure our preparedness to handle any potential challenges.

As we move forward, the Corporation remains steadfast in its mission to protect depositors and enhance financial stability in Pakistan. I would like to extend my sincere gratitude to the State Bank of Pakistan, our member institutions, and the entire DPC team for their unwavering support and collaboration for achieving our objectives.

Together, we will continue to ensure that the Corporation remains a trusted guardian of depositors' interests and a pillar of stability within the financial system.

Muhammad Akmal Managing Director



Corporate Governance

Corporate governance in the financial sector refers to a set of principles, policies, and procedures that govern how financial institutions are directed and controlled. It involves a framework which sets the objectives of an institution, the means of attaining those objectives, and the systems of monitoring performance. Corporate governance in the Deposit Protection Corporation (DPC) is anchored in a robust framework designed to ensure transparency, accountability, and effective oversight.

Deposit Protection Act, 2016

The DPC has been established under the DPC Act of 2016 (the Act). It operates with a clear mandate to protect depositors and maintain depositors/public confidence in Pakistan's banking system. The Act provides a legal framework for the DPC's operations, ensuring that its powers, duties, and responsibilities are explicitly defined. This minimizes ambiguities and offers a robust legal foundation for governance practices.

The governance structure of the Corporation includes well-defined role for its Board of Directors, internal audit mechanisms, and external audit practices, all of which contribute to the Corporation's integrity and credibility. The Corporation also adopts international best practices and core principles as set by the International Association of Deposit Insurers (IADI).

In terms of IADI's Core Principles for Effective Deposit Insurance System (DIS), a deposit insurance organization should maintain operational independence to ensure that it operates without influence from other entities. The governance structure should include a Board of Directors, responsible for overseeing DIS's activities. Additionally, it must have a robust risk management framework in place to identify, assess, monitor, and manage risks that could impact its operational activities and the broader financial system.

The governance structure of the Corporation is also designed to ensure that it operates with transparency, remains accountable, and acts in the best inter-

ests of depositors. The governance framework is centered around the Board of Directors, which holds the responsibility for the general superintendence, direction, and overall policy making.

The Board of Directors

The Board of Directors consists of seven directors, the composition of which is as follows:

- The Chairman: The Deputy Governor of the State Bank of Pakistan (SBP) acts as the Chairman of the Board. Having the Deputy Governor serve as the Chairman, ensures that the Corporation's operations are closely aligned with SBP's regulatory objectives, and that its policies and actions complement the central bank's goals.
- **Directors:** The four directors are appointed by the Federal Government in consultation with the SBP; these individuals are chosen for their expertise in banking, commerce, industry, economics, finance, or law. Importantly, they must not be officers of the Federal or Provincial Government or employees or directors or shareholders of any member institution(s) to avoid potential conflict of interest. This separation allows the Corporation to operate autonomously, making decisions that are in the best interest of depositors.
- One Ex-Officio member from the Ministry of Finance: One director is appointed on the recommendation of the Federal Government, representing the interest of the Government.
- Managing Director: The Managing Director, also acts as a director of the Board, is appointed by SBP, serves as the Chief Executive Officer, responsible for the affairs of the Corporation.

Roles and Responsibilities of the Board

The empowerment of the Board to make decisions, from policy-making to the execution of its mandate,

is closely aligned with the principles of good corporate governance practices. The Board's responsibilities encompass several key areas essential for effective functioning of the Corporation. These include policy development, where the Board sets the overall strategic direction and policies to ensure Corporation fulfills its mandate.

In terms of risk management, the Board is tasked with ensuring that robust processes are in place to protect depositors' funds and manage the Corporation's exposure to potential financial risks. Financial oversight is another critical responsibility vested in the Board whereby it ensures the financial integrity of the Corporation by approving budgets, financial statements, and ensuring that the accounts are audited by qualified chartered accountants.

Additionally, the Board is responsible for ensuring compliance with legal and regulatory requirements, including those specified in the Act. The Board meets quarterly to review the Corporation's performance, assess risks, and make critical decisions on policy matters.

To preserve the integrity of the Corporation, stringent rules are in place regarding the eligibility and conduct of its directors and employees. These rules mandate disclosure of any commercial, financial, or business interests that could potentially conflict with the Corporation's activities. Additionally, the eligibility criteria prohibit individuals holding political office or those affiliated with member institutions from serving in these roles, ensuring that the Corporation's operations remain impartial and free from potential conflict of interest.

Internal Control & Risk Management

It refers to a set of processes, procedures, and policies designed to ensure the integrity and reliability of the Corporation's financial reporting, compliance with laws and regulations, and the efficient and effective operation of its activities. These controls help safeguard assets, prevent and detect fraud, and ensure that the Corporation's objectives are met in a

systematic and controlled manner. Similarly, regular internal audit helps to evaluate the effectiveness of internal controls through reviews and assessments to identify areas for improvement.

The Corporation is required to prepare and publish annual statements of accounts, including profit and loss accounts and statements of financial position, to provide a clear view of its financial health prepared in strict compliance with the accounting and reporting standards applicable to entities in Pakistan. These standards include International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and the specific provisions and directives issued by SBP.

The financial statements include disclosures such as related party transactions, sensitivity analysis of variable instruments, and compensation details for key management personnel. By maintaining transparency in its operations, the Corporation builds trust with its stakeholders and reinforces its role as a key pillar in Pakistan's financial safety net.

The internal audit function complements the internal control framework by providing independent validation of the risk management processes. By acting as a third line of defense, internal audit ensures that the Corporation's risk management strategies are effective and that the Corporation remains resilient in the face of potential threats. The Internal Audit & Compliance Department of SBP, which is independent of the Corporation's operational management, conducts the internal audit.

External Audit

External audit is conducted annually to provide an independent assessment of the Corporation's financial statements and compliance with relevant laws and regulations. The audit is carried out by independent chartered accountants, ensuring that the financial statements present a true and fair view of the Corporation's financial position. The external audit process is integral to the corporate governance in the Corporation, as it enhances transparency, accountability, and the overall integrity of the Corporation.

By complying with IFRS and directives issued by SBP, the Corporation ensures that its financial reporting meets the highest standards of accuracy and reliability. The findings of the external auditors are reported to the Board, facilitating informed decision-making and continuous improvement in financial management practices.



Board of Directors-Profile



Dr. Inayat Hussain Chairman

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

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

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



Mr. Muhammad Akmal Managing Director

Mr. Muhammad Akmal, the current Managing Director of the Deposit Protection Corporation, boasts a wealth of experience as a central banker with a remarkable three-decade-long career in the banking sector. He embarked on his professional journey at the State Bank of Pakistan (SBP) back in 1991. Prior to his present role, Mr. Akmal held various pivotal positions at SBP, primarily focusing on foreign exchange regulation, banking regulation, conduct and supervision. His impressive skill set encompasses a wide array of competencies, including expertise in banking inspection, formulation and execution of Foreign Exchange Policy, Consumer Protection & Banking Conduct, formulation

and implementation of Strategic and Business Plans.

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

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



Ms. Amna Shabbir Director-BoD

Ms. Amna Shabbir is a Civil Servant currently serving as Deputy Secretary (Banking) to the Government of Pakistan. She is an Alumnus of Kinnaird College for Women, Ecole National De Administration (ENA) Paris, France and ITC, ILO Turin Italy. Before posting in Finance Division, some other portfolios that she held include Deputy Secretary, Ministry of Overseas Pakistanis & HRD, Director HQs BISP, Director NCHD, Cabinet Division and the National School of Public Policy. Recently she has been awarded 'Employee of the Year' for outstanding professional performance in Financial Year 2022-23 in the Finance Division.

Team DPC

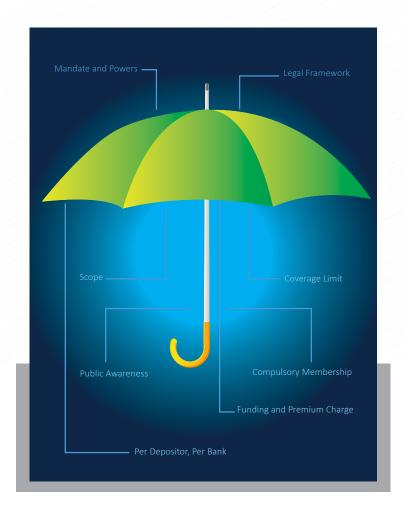


Sitting from left to right:

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

Standing from left to right:

Mr. Abdul Tawab Ayub (Deputy Director), Mr. Zeeshan Suleman (Joint Director), Syed Ali Zubair Manzar (Joint Director), Mr. Shafqat Hameed (Joint Director), Mr. Afaaq Alam (Deputy Director), Mr. Shahbaz Minhas (Joint Director), Mr. Muhammad Khan Khoso (Joint Director)



Key Features of Deposit Protection Scheme in Pakistan



Deposit Protection Corporation, Act, 2016 Deposit Protection Rules, 2020



Objectives

The objective of the Deposit Protection Corporation (DPC) as specified in the DPC Act, 2016 is to compensate depositors for losses incurred by them, to the extent of protected deposits, in the event of failure of a member bank.

In addition, the preamble of DPC Act, 2016 states that the Corporation has been established to protect small depositors in order to ensure financial stability, maintain public trust and other ancillary matters.

The public policy objective of the DPC complies with the International Association of Deposit Insurers (IADI)'s Core Principle 01 related to clarity in the public policy objectives of the deposit insurers.



Mandate and Powers

The stipulations of various Sections of the DPC Act, 2016 provide for the mandate of the Deposit Protection Corporation (DPC) as "pay-box only". The primary responsibility of the Corporation is to pay to the depositors of a member bank if it is declared as failed by the State Bank of Pakistan. DPC Act, 2016 grants necessary powers to the Corporation for fulfilling its specified mandate and achieving its public policy objective.

This feature of the scheme is also aligned with the Core Principle 02 of IADI on the mandate and powers of the authority responsible for deposit protection.

Membership of DPC is compulsory for all banks scheduled under sub-section (2) of section 37 of the State Bank of Pakistan Act, 1956, unless exempted or excluded by Board of DPC.



Compulsory Membership

In terms of Section 7 of the DPC Act, 2016, the Corporation determines coverage limit or protected deposits from time to time. Currently, this limit has been set to cover up to PKR 500,000/- (PKR Five Hundred Thousand)¹ or outstanding deposit balance, whichever is lower.



All categories of deposits are eligible for protection except those specified in Section 8 of DPC Act 2016. The deposits of Government entities, Member institutions, Companies defined under the Companies law, Persons granted preferential interest rates, Directors, auditors and senior executives of banks and their lineal ascendants and descendants, Unclaimed deposits², Convicted Offender of Money Laundering³, Corporations, Modarabas, Mutual Funds, Diplomatic missions, International Organizations⁴, Autonomous bodies etc. are excluded from the protection.

¹ The guarantee amount has been enhanced from PKR 500,000/- (Five Hundred Thousand) to PKR 1 Million w.e.f. October 01, 2024 vide DPC Circular Letter No.03 of 2024 dated October 01, 2024.

²Amounts reported under unclaimed deposits by a member bank in compliance of section 31 of Banking Companies Ordinance, 1962.

³ Deposits arising out of or related to transactions or actions constituting 'money laundering within the meaning of the Anti-Money Laundering Act, 2010, if the offender has been convicted of such offence.

⁴ Entities like United Nations, World Bank, IFC, and ADB etc.



Per Depositor, Per Bank



Protection of FCY Deposits



Protection of Joint / Mandate Deposits



Funding and Premium Charge

The principle of 'per depositor per bank' is used to determine the coverage provided to a depositor. This means that in case of failure of bank, all deposits of an eligible depositor in that bank and any returns becoming due on those deposits shall be aggregated and the Corporation shall pay the depositor up to the 'coverage limit/protected deposit' determined by DPC or the full deposit if it is lesser than the coverage limit/protected limit.

Foreign currency deposits are not widely used in Pakistan, but despite its small proportion, FCY deposits are protected up to the prescribed limit after conversion into PKR equivalent at the exchange rate declared by the State Bank on the day of the notification under section 21(1) of the DPC Act, 2016.

As per section 20(2) of DPC Act, 2016, each eligible depositor of a joint account will be provided separate protection by DPC. This means that each joint account holder of a deposit shall be treated as a separate depositor and such deposit shall be equally divided among all the joint account holders and protected deposits shall be applied to their share of deposits separately. However, any pre-defined share or proportionate share of each depositor in a joint account shall add up to his/her other deposit balances in the same bank for the purpose of calculating the protected amount for reimbursement to that depositor.

DPC maintains an "ex-ante" deposit protection fund, by charging a flat premium on member banks at 0.16% of their total eligible deposits.

Moreover, in case of shortage of resources, the DPC Act, 2016 also allows for different funding arrangements, that include options like increasing the premium rate on member banks, collection of advance premium, drawing of loans and allocations from federal government.



Reimbursement

Under the Deposit Protection Scheme, the Corporation shall start the process of reimbursement to the eligible depositors as early as possible. The corporation shall ensure that payments to most of the protected depositors are made or tendered within seven working days and all payments are made or tendered within thirty working days at the latest, if there is no dispute as to the entitlement to, or ownership of the deposit.



Set-off or Netting

Where an eligible deposit is encumbered or is kept as a collateral by the bank, the Corporation (DPC) shall reimburse only after off-setting such deposits against any outstanding liabilities.



Shariah Compliant Mechanism

The Corporation provides a separate Shariah Compliant Deposit Protection mechanism⁵ for eligible depositors of Islamic Banking Institutions as required under Section 7(3) of DPC Act, 2016. DPC collects separate premiums based on the size of Islamic and conventional deposits.



Power to call Information

The Corporation has legal authority to call any record or information from any member institution as it deems necessary to discharge its functions as per the section 34 of the DPC Act, 2016.

⁵ Conventional and Islamic Deposit Protection Funds (DPFs) are maintained separately and separate disclosure and reporting systems are in place for both the conventional and Waqf funds under the consolidated DPC funds.



Public Awareness

The communication strategy of DPC aims to promote public awareness on deposit protection mechanism in a manner that create public confidence and trust in financial system. The Corporation makes all efforts to enhance the awareness among depositors and general public about the deposit protection scheme. In addition to different modes of communications, the Corporation has also been disseminating information on deposit protection system in Pakistan through its website, annual reports and through face-to-face awareness sessions.



Statistics at a Glance

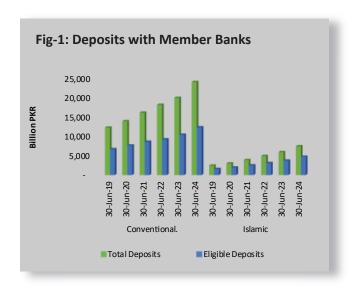
Deposits with DPC Member Banks

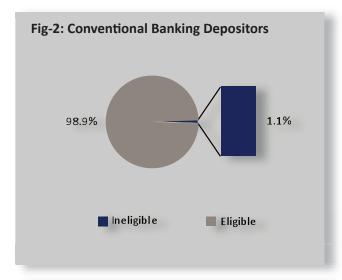
As of June 30, 2024, domestic deposits held by member banks of the Corporation surpassed PKR 31 trillion. Breakup of these deposits revealed that conventional banking deposits stood at PKR 23.8 trillion, while Islamic banking deposits reached at PKR 7.4 trillion. On a year-on-year (YoY) basis, total deposits experienced a robust growth of 22 percent during the fiscal year 2023-24, compared to 12 percent growth in the previous fiscal year.

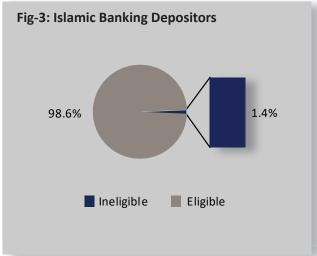
This surge in deposits directly impacted the volume of eligible deposits, which climbed to PKR 16.9 trillion by the end of June 2024, up from PKR 14 trillion in June 2023, reflecting a 20 percent YoY rise. The breakup of eligible deposits shows that PKR 12.2 trillion is held in conventional banking, while PKR 4.7 trillion in Islamic accounts. **Fig-1** illustrates the position of total domestic deposits and the deposits eligible for DPC's protection.

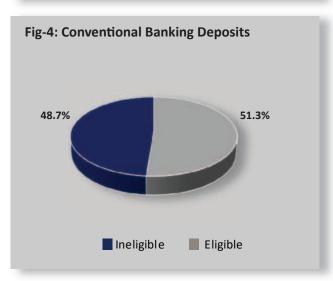
This significant growth in deposits is indicative of increasing public trust in the banking sector, leading to a robust banking system in the country.

There are several factors that have contributed to the remarkable growth in deposits during FY 2023-24. A key driver was the tight monetary policy stance during FY 2023-24, which kept interest rates at elevated levels to bring inflation down. This incentivized saver to deposit more funds in banks to take









advantage of higher returns. Additionally, efforts to enhance financial inclusion, such as expanding branch network and initiatives targeting unbanked populations, also helped bring more people into the formal banking sector.

Technological innovations have also played a significant role. The proliferation of mobile banking applications and online banking platforms have made managing deposits more convenient, attracting a larger customer base. Furthermore, the increase in foreign remittances from the Pakistani diaspora during FY 2023-24 has also contributed significantly to the deposits growth, as these inflows were channeled through the banking sector.

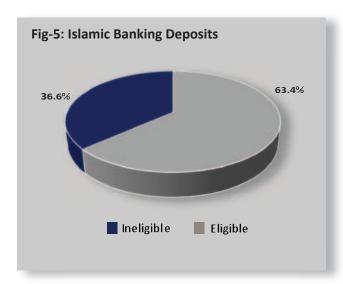
Eligible and Protected Deposits

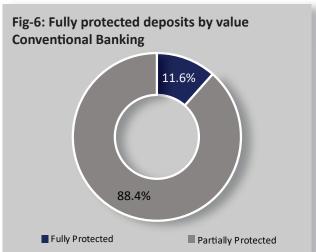
As of June 30, 2024, there were 79.2 million depositors of member banks. These include 64.8 million depositors of conventional banking system and 14.4 million of Islamic banking system. Of these depositors, 78.3 million, equivalent to 98.9 percent, were eligible for deposit protection. A segment-wise analysis reveals that 98.9 percent of conventional banking depositors and 98.6 percent of Islamic banking depositors were covered by the current deposit protection mechanism of the Corporation. (Fig-2 and Fig-3)

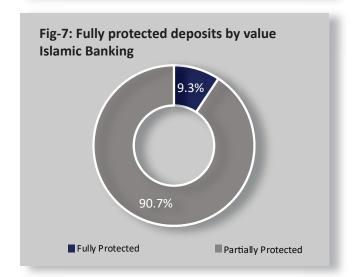
In terms of value, 51.3 percent of total conventional banking deposits and 63.4 percent of Islamic banking deposits are eligible for deposit protection in the unlikely event of a bank failure. (**Fig-4 and Fig-5**).

In terms of International Association of Deposit Insurers (IADI)'s Core Principles for Effective Deposit Insurance Systems, the guarantee amount or the coverage should be limited, credible and cover the majority of depositors having substantial amount of deposits exposed to market discipline.

The percentage of eligible depositors in both conventional and Islamic banking institutions of Pakistan complies with this principle where majority of depositors are being covered under existing deposit protection mechanism while a small number of





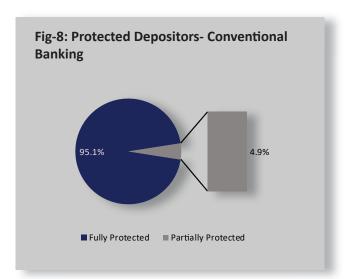


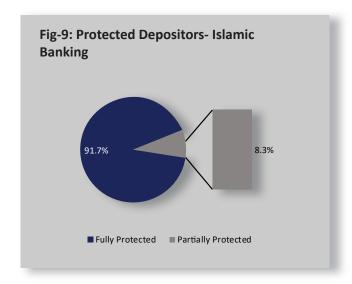
depositors having large value of deposits are exposed to market discipline. This also confirms the standing of the Corporation with its objective of protecting small or financially unsophisticated depositors.

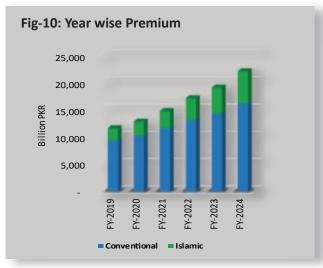
As of June 30, 2024, the segment wise analysis shows that 9.3 percent and 11.6 percent of conventional and Islamic banking deposits, respectively, are fully protected (**Fig-6 and Fig-7**).

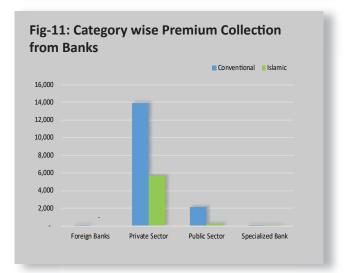
In terms of numbers, 95.1 percent of conventional banking eligible depositors are fully protected while 91.7 percent of Islamic banking eligible depositors are fully protected (**Fig-8 and Fig-9**).

Fully protected depositors are those with balances below or equal to the coverage limit of PKR 500,000, therefore, the aforementioned statistics implies that in the event of a bank failure, fully protected depositors would be reimbursed in full. For those with balances exceeding PKR 500,000, the coverage limit applies, with the excess amount of the deposits recoverable through a regulatory assisted process. It is pertinent to highlight that the current deposit protection mechanism in Pakistan fully protects 93.4 percent of total domestic depositors of scheduled banks by the end June 2024.









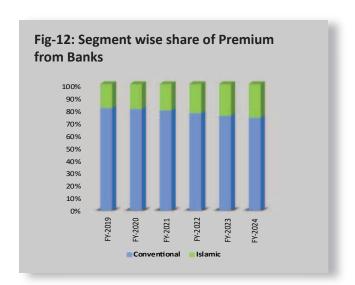
Premium Collection from Member Banks

The primary source of income for the Corporation is the premiums collected from member banks. These premiums are based on the eligible deposits disclosed in the annual audited financial statements and AGM-approved accounts of DPC's member banks. Due to the higher proportion of eligible deposits in conventional banks compared to Islamic banks, the premium collection from conventional banks remained dominant. (**Fig-10**)

In FY 2023-24, private sector scheduled banks contributed significantly to the premium pool, followed by the public sector banks. Private sector banks contributed PKR 19.6 billion, while public sector banks contributed PKR 2.4 billion (**Fig-11**).

A segment-wise analysis reveals that premium collection from Islamic Banking Institutions has been on an upward trend, outpacing that of conventional banks since the inception of the Corporation. (**Fig -12**).

In conclusion, the growth in deposits and premiums reflects the increased confidence in both conventional and Islamic banking segments, underpinned by a strong deposit protection mechanism.

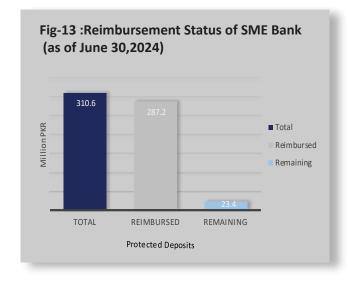




DPC Continues to Compensate Eligible Depositors of SME Bank Ltd.

As On May 10, 2023, SME Bank Limited was declared as a failed institution by the State Bank of Pakistan, effective from March 27, 2023, in accordance with Section 21 of the DPC Act, 2016. In response, the DPC initiated the reimbursement process by publishing a public announcement regarding the failure of SME Bank, notifying eligible depositors to approach

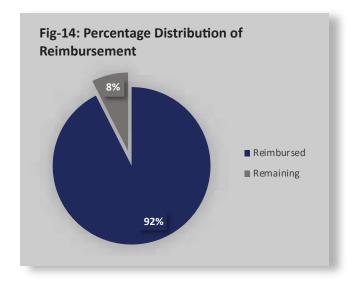
relevant branch(es) of SME Bank for withdrawal of their funds. Consequently, an amount of PKR 310.6 million was also recorded in DPC's Financial Statements of 2022-23 - representing the balances payable to eligible depositors up to their protected deposit limits, as per the Single Depositor View Database (SDV) provided by the SME Bank.



The payout scheme for SME Bank's eligible depositors was developed on a reimbursement basis for SME Bank. Therefore, when a customer approaches the bank for withdrawal, the outstanding balance in his/her account is paid out by SME Bank and the protected deposit amount (up to PKR 500,000) is subsequently claimed by the bank from DPC. After completing the necessary scrutiny and verification process, this amount is reimbursed to SME Bank.

As of June 30, 2024, DPC has disbursed a total of PKR 287.2 million to the eligible depositors of SME Bank as illustrated in **Fig-13**.

Additionally, **Fig-14** indicates that approximately 92



percent of the protected deposits have been reimbursed to the eligible depositors.

The reimbursement process for SME Bank has shown substantial progress so far, reflecting DPC efforts to compensate the majority of the protected deposits and mitigating the impact of bank failure on the eligible depositors.

This process will continue to focus on reimbursing the remaining depositors of SME Bank efficiently and in a timely manner.



Automation of Data Reporting from Member Banks

Data automation is pivotal in modernizing workflows and improving the quality and speed of data-driven decisions in an organization. For a deposit insurer, data automation involves using technology to streamline and manage data-related tasks, reducing the need for manual human intervention. By automating processes such as data collection, processing, and analysis, a deposit insurer can achieve significant efficiencies and accuracy. Furthermore, automation minimizes human errors, ensures consistency, and provides timely insights, which are crucial for decision-making. Overall, data automation supports a deposit insurer's mission to protect depositors and maintain financial stability efficiently and effectively.

The Corporation collects the quarterly data of deposits from its member banks as per the formats provided through Circular Letter No. 02, 2023, dated February 02, 2023. So far, the data collection was not automated and involved manual interventions during its collection and compilation. In order to improve the efficiency of data collection and subsequent compilation, the Corporation has now initiated quarterly

data collection from its member banks through the Data Acquisition Portal (DAP) of State Bank of Pakistan (SBP). All member banks have been advised vide DPC circular letter No. 01, 2024, dated July 25, 2024, to initiate submission of online data through DAP.

Implementation of data acquisition via portal marks a significant milestone in the data automation efforts of the Corporation. Henceforth, automated collection and compilation of quarterly data will become possible by speeding up the online collection, processing, and analysis of data, reducing manual workload and potential errors. Automation of data would also benefit the Corporation by reducing manual data handling, thus lowering the operational cost and allowing the resources to be allocated more efficiently and effectively. On the data analysis front, automation would enable the Corporation to conduct sophisticated data analysis and reporting, improving the ability to forecast trends, identify potential issues, and make informed decisions.



Enhancing Public Awareness

Under the Deposit Protection Act of 2016, creating awareness among general public and depositors about the deposit protection mechanism is one of the core functions of DPC. This objective is integral to ensuring that all stakeholders—including the public, depositors, member institutions (banks), and other financial safety net partners—remain well-informed about DPC's deposit protection framework.

Recognizing the importance of public awareness, the DPC has prioritized this objective in its Strategic Plan for 2023-28. The plan focuses on expanding the Corporation's outreach and presence through all available information channels to effectively educate the public on matters related to deposit protection. By fostering this understanding, the DPC aims to build confidence in the financial system, promote stability, and reassure depositors that their funds are secured up to the protected limit.

To enhance public awareness, DPC employs several approaches including active engagement with member institutions, outreach to targeted groups,

and a commitment to promoting transparency and accessibility in its communications.

Given that commercial banks serve as the primary touchpoint for the public, DPC continues to engage directly with all the member banks through a combination of online and in-person awareness sessions across various regions of the country. These efforts have substantially improved awareness about deposit protection among bank staff at the regional and branch levels, which in turn benefits their customers. As part of the ongoing efforts to enhance public understanding of the deposit protection mechanism, DPC conducted awareness sessions in four key regions during FY2023-24: Faisalabad, Sialkot, Gujranwala, and Rawalpindi.

The primary objectives of these awareness sessions were:

 To enhance the understanding of the deposit protection scheme among bank staff: By increasing the knowledge of regional and branch-level staff about the DPC's mandate, the Corporation aimed to ensure that bank employees can confidently explain the protection scheme to their customers.

- To foster collaboration between DPC and member banks: The sessions provided a platform for direct engagement between DPC and member banks, fostering stronger relationships and encouraging the consistent dissemination of information on deposit protection.
- To standardize communication across all regions: By reaching out to multiple regions, the DPC aimed to ensure a uniform understanding of the deposit protection scheme across the country, thereby promoting consistency in how the scheme is communicated to the public.

Regional Sessions' Overview

Faisalabad Region

The awareness session in Faisalabad was well-attended, with representatives from various commercial banks in participation. The DPC team provided a comprehensive overview of the deposit protection scheme, focusing on its objectives, scope, and the importance of deposit insurance in maintaining public confidence in the financial system. The session included a detailed explanation of the coverage limits, the claim process, and the role of banks in providing information to their customers. Participants engaged in a lively Q&A session, which helped clarify various aspects of the deposit protection mechanism.

Sialkot Region

In Sialkot, the session was marked by a strong turnout. The DPC emphasized the importance of transparency and accuracy in conveying information about deposit protection to depositors. The session included illustrative explanation of deposit protection mechanism which helped participants to better understand the practical implications. The session also highlighted

the responsibilities in ensuring that are well-informed and reassured about the safety of their deposits.

Gujranwala Region

The awareness session in Gujranwala focused on the operational aspects of the deposit protection mechanism. DPC representatives provided detailed guidance on Single Deposit View Database and its signifisions and sharing their experiences related to deposit protection. The DPC team provided insights into the legal framework governing deposit protection and explained the safeguards in place to protect depositors' interests. The session also included a segment on crisis communication, emphasizing the role of bank staff in providing clear and accurate information to depositors during periods of financial uncertainty. The high level of participation and



cance in the event of a bank failure, including the steps involved in processing deposit protection claims.

The session also addressed the importance of maintaining up-to-date records of depositors and their accounts, as this information is crucial for the efficient administration of the deposit protection mechanism. Feedback from participants indicated a strong interest in further training and resources to help bank staff fulfill their role in the deposit protection process.

Rawalpindi Region

The Rawalpindi session was one of the most interactive, with participants actively engaging in discusengagement demonstrated the value of these sessions in building a knowledgeable and confident workforce within the banking sector.

The awareness sessions conducted in Faisalabad, Sialkot, Gujranwala, and Rawalpindi represent a significant step forward in the DPC's mission to awareness among the banking community about the deposit protection mechanism. By providing the requisite knowledge and tools, the DPC is reinforcing the stability of the financial system and ensuring that depositors across the country are well-informed and confident in the protection of their deposits. Moving forward, the DPC will continue to build on these efforts and will expand its outreach in other regions of the country.



Capacity Building

DPC and International Association of Deposit Insurers (IADI)

The IADI is the global standard-setter for deposit insurance systems and the principal forum where deposit insurers from around the world meet to share knowledge and expertise. The DPC also aims to ensure that its deposit protection mechanism remains in line with international best practices. Since it became full-fledged member of IADI, DPC has sought Peer Assistance (PAs) in collaboration with IADI from different deposit protection agencies to improve the knowledge base and build capacity of its officials.

The Managing Director of DPC represents DPC Pakistan, at the IADI's Asia Pacific Regional Committee (APRC), as well as several other Council Committees. Additionally, he attended the APRC Annual Meeting and International Conference held in April 2024.

World Bank Technical Assistance for Strengthening Pakistan's Financial Sector Stability

To bolster financial sector stability and enhance crisis

preparedness in Pakistan, DPC and SBP requested the World Bank to provide Technical Assistance (TA). This TA was aimed at supporting the country's authorities by providing expert advisory on various subjects related to deposit protection, banking supervision, development of resolution regime and crisis management. In addition to the development of SBP's resolution regime, this assistance focused on reinforcing the operational and financial capabilities necessary for the readiness for an orderly payout to the depositors of DPC member banks and on developing procedures for the proposed role of the Corporation in a bank's resolution. The TA has gone through three iterations so far and continues as the policy development process moves toward finalization, in collaboration with both the World Bank and SBP teams.

The DPC, along with the SBP, has actively engaged in this ongoing technical assistance, which began in June 2023. Key areas of focus include:

 Enhancing the DPC Payout Framework: Improving operational approaches to ensure efficient payouts.

- SBP-DPC Coordination Mechanism: Strengthening the coordination between SBP and DPC to better achieve financial stability, and deal with any potential crisis.
- DPC Back-up Funding Arrangements: Providing insights on the back-up funding support from the central bank and the federal government to support payouts.

IADI Self-Assessment Workshop

As part of its ongoing evaluation of the Deposit Protection Framework in alignment with the IADI's Core Principles for Effective Deposit Insurance Systems, the DPC acquired virtual peer assistance sessions from the IADI Secretariat.

The sessions were led by IADI Self-Assessment expert, and were attended by members of the DPC's Self-Assessment team. The primary focus of the workshop was on the planning and development phases of the self-assessment process.

Key topics covered in the sessions included:

- Overview of the IADI Core Principles: Providing context and understanding of the core principles that guide effective deposit insurance systems.
- Purpose of the Self-Assessment Exercise: Outlining the importance and objectives of conducting a self-assessment.
- Planning and Preparation Stage: Guidance on managing resources and other critical elements necessary for effectively planning a self-assessment exercise.

Stages of the Self-Assessment Process:

- Stage 1: Initial development and evaluation of measures to analyze the operating environment.
- Stage 2: Methodology Development: Shaping a methodology for conducting the self-assessment, in accordance with

- IADI's policy on assessing a jurisdiction's compliance with the core principles.
- Action Plan Development: Discussing the process of assigning assessment ratings and formulating an action plan for the self-assessment exercise.

These workshops provided valuable insights and updates on conducting a comprehensive self-assessment in line with IADI's standards.

FDIC Course on Setting a Deposit Insurance Target Fund Size and FinSAC - World Bank Discussion

While developing a policy for the Target Fund Size (TFS), DPC team members participated in FDIC's course from October 24 to 26, 2023. The course focused on setting a deposit insurance TFS and was led by experts including Alex Ufier, Chief of Quantitative Risk Analysis at the Center for Financial Research, and Bob Vanderbilt, Senior Policy Analyst at the International Affairs Branch, FDIC.

This intensive three-day course was designed to provide practical insights and methodologies for jurisdictions with limited access to historical bank failure data. It featured a comprehensive demonstration of a quantitative modeling approach for determining a deposit insurance target fund ratio, aligned with international best practices.

In addition to the FDIC's course, the DPC team attended a briefing session organized by the World Bank's FinSAC group on November 21, 2023. This session provided valuable insights into the development of TFS policies, emphasizing the role of deposit insurance in bank resolution and liquidation processes. A significant portion of the presentation was dedicated to stress testing and its application in predicting bank failure scenarios, which serves as a crucial benchmark for assessing bank vulnerability.

These sessions were instrumental in enhancing the DPC team's understanding of global practices in the determination of TFS and aligning their policy development with global standards.

PIDM Peer Assistance on Implementing the Differential Premium System (DPS) in Malaysia, supported by IADI TCBU

As part of enhancing the understanding on various global practices of deposit insurance, the DPC staff requested the IADI's TCBU to arrange a peer assistance session with PIDM Malaysia on design and implementation of a DPS. This session provided valuable insights into PIDM's experience with the DPS.

Key aspects covered in the session were:

- Strategic Overview of PIDM's 16-Year DPS Journey: An in-depth understanding at how PIDM has evolved its DPS over the past 16 years.
- Transition from Flat Rate to Differential Premium System: Assessment of PIDM's shift from a flat rate premium system to a differential one, including a review of its earlier risk assessment models.
- Strategic Design and Risk Assessment Model Development: Detailed discussion on the design features of the DPS, emphasizing the alignment with PIDM's mandate and the technical considerations required to adapt to the operating environment.
- Challenges in Implementing DPS and Design Enhancements: An analysis of the steps taken during the implementation of the differential premium system and the continuous improvements made to enhance its effectiveness.

This peer assistance session equipped the DPC team with practical knowledge and strategic insights that are essential for the implementation of differential premium mechanism.

BIS-IMF Bank Resolution Online Course (BROC) 2024

DPC team members participated in and successfully completed the latest iteration of the Bank Resolution

Online Course (BROC) organized by the BIS, IMF, and IADI. This detailed course covered several key topics about the bank resolution, including:

- Resolution Frameworks: Recent lessons learned and their significance in the current global landscape.
- Transfer Transactions and Tools: Different transfer tools available and their practical application within policy frameworks for bank resolution.
- Home-Host Coordination in Resolution: The importance of effective collaboration between home and host authorities during resolution processes.
- Role of Deposit Insurers in Resolution: Insights into the role of deposit insurers in safeguarding depositors and key takeaways from recent experiences.
- Operational Aspects of Resolution: Focusing on making resolution operational, including discussions on the TLAC (Total Loss Absorbing Capacity) standard, resolution funding strategies, and sources of liquidity to support bank resolution.
- Public Communication Strategies: Examination
 of communication mechanisms and strategies
 during the resolution process providing DPC
 team members with a comprehensive understanding of the latest developments and practical
 approaches to bank resolution.

The event also featured an international conference titled "Challenges of New Financial Crisis Forms Facing the Safety Net". This conference addressed emerging threats and challenges in the financial sector, offering a global perspective on how Deposit Insurance Systems can adapt to new forms of financial crises.















<u>Five Years` Vertical Analysis</u> <u>Statement of Financial Position</u>

PKR in million

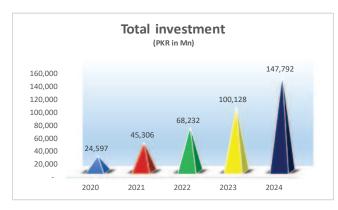
	2024		2023			2022			20)21		20	20	
	PKR	Percent	PKR		Percent		PKR	Percent		PKR	Percent		PKR	Percent
Assets						,			,					
Cash and cash equivalents	181	0.13		6	0.01		3	0.00		3	0.01		3,066	11.07
Investment securities	147,792	99.87	100,1	28	99.97		68,232	99.92		45,306	99.97		24,597	88.83
Fixed assets	4	0.00		6	0.01		7	0.01		5	0.01		3	0.01
Prepayments and other receivables	4	0.00		18	0.02		44	0.06		4	0.01		23	0.08
Total Assets	147,981	100.00	100,1	58	100.00		68,286	100.00		45,318	100.00		27,689	100.00
Liabilities														
Payable to State Bank of Pakistan	59	0.04		40	0.04		45	0.07		26	0.06		24	0.09
Payable to Protected Depositors	23	0.02		41	0.04		-			-	-		-	-
Other liabilities	180	0.12		4	0.00		487	0.71		25	0.06		2	0.01
Total Liabilities	262	0.18		85	0.08		532	0.78		51	0.11		26	0.09
Net Assets	147,719	99.82	100,0	73	99.92		67,754	99.22		45,267	99.89		27,663	99.91
Equity and Fund														
Share capital	500	0.34	5	00	0.50		500	0.73		500	1.10		500	1.81
Reserves	115,176	77.83	78,7	35	78.61		53,848	78.86		36,270	80.03		22,141	79.96
DP Waqf	32,043	21.65	20,8	38	20.81		13,406	19.63		8,497	18.75		5,022	18.14
Total Equity	147,719	99.82	100,0	73	99.92		67,754	99.22		45,267	99.89		27,663	99.91

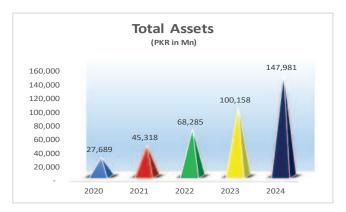
Profit and Loss Account

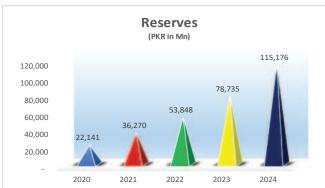
Income from premium contribution	21,973	45.95	19,005	58.00	17,051	75.45	14,640	82.74	12,773	84.17
Investment income and profit on deposits	25,850	54.05	13,763	42.00	5,547	24.55	3,054	17.26	2,402	15.83
Total income	47,823	100	32,768	100	22,598	100	17,694	100	15,175	100
General and administrative expenses	(176)	-0.37	(139)	-0.42	(111)	-0.49	-90	-0.51	(80)	-0.53
Provision against reimbursement claims	-	-	(310)	-0.95	-	-	-	-	-	-
Total Expenses	(176)	-0.37	(449)	-1.37	(111)	-0.49	(90)	-0.51	(80)	-0.53
Net surplus	47,647	99.63	32,319	98.63	22,487	99.51	17,604	99.49	15,095	99.47

Note: For Vertical Analysis of Statement of Financial Position, the percentages have been calculated based on total assets. Similarly, for vertical analysis of Statement of Profit or Loss, these are calculated based on total income which is the sum of income from premium contribution and investment income.

Graphical Representation of Financials

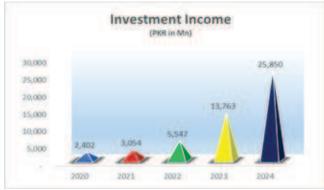
















Statement of Financial Position

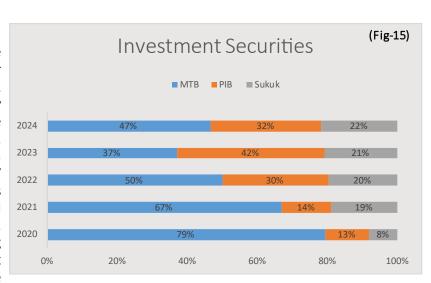
The Corporation's total assets have experienced a significant growth over past five years, reaching PKR 147,981 million as of June 30, 2024. The primary contributor to this growth remained the Corporation's investment portfolio, which surged from PKR 24,597 million in FY 2019-20 to PKR 147,792 million in FY 2023-24 - a six-fold increase. This remarkable increase is largely attributed to a steady rise in premium income, driven by consistent growth in banking deposits in an era of elevated interest rates. Over the past five years, the

investment composition has been diversified across Market Treasury Bills (MTBs), Pakistan Investment Bonds (PIBs), and Sukuks, with asset allocation strategically managed to maximize returns while adhering to the Corporation's investment guidelines and risk management framework. The investment portfolio of PKR 147,792 million comprises of PKR 69,014 million in MTBs, PKR 46,723 million in PIBs, and PKR 32,055 million in Sukuks, including accrued returns. The composition of the investment portfolio over the past five years is as follows in the **Fig-15**:

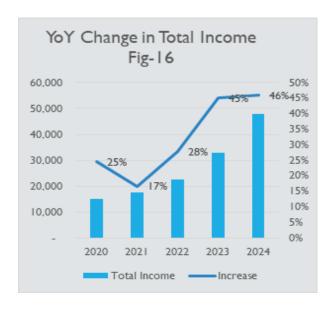
At the end of the FY 2023-24, the Corporation's net assets reached PKR 147,719 million, a substantial rise from PKR 27,663 million in FY 2019-20. This growth was primarily driven by a consistent increase in premium collections and a significant boost from investment income. As on June 30, 2024, the total equity stands PKR 147,719 million comprised of PKR 500 million of paid-up capital from the State Bank of Pakistan (SBP), PKR 115,176 million accumulated profits from conventional banking operations, and PKR 32,043 million accumulate funds under Islamic operations i.e. DP Wagf.

Profit and Loss Account

Over past five years, the total income has steadily increased, rising from PKR 15,175 million in FY 2019-20 to PKR 47,823 million in FY 2023-24. The total income is comprised of income from premium



contribution and income from investment and profits on deposits. Taking the FY 2019-20 as the base year, the year to year percentage change in total income is as below in the **Fig-16**:



Similarly, the net profit has also increased consistently: from PKR 15,095 million in FY 2019-20 to PKR 47,647 million in FY 2023-24. This impressive growth reflects the Corporation's active management of its investments in government securities in line with the approved investment policy and the minimal general and administrative expenses.



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

Opinion

We have audited the financial statements of Deposit Protection Corporation (the Corporation), which comprise the statement of financial position as at June 30, 2024, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and fund, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion, and to best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and fund and statement of cash flows together with notes forming part thereof conform with accounting and reporting standards as applicable in Pakistan and respectively give a true and fair view of the state of the Corporation's affairs as at June 30, 2024, and of the profit or loss and other comprehensive income, the changes in equity and fund and its cash flows for the year then ended.

Basis for Opinion

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

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

Crowe Hussain Chaudhury & Co. **Chartered Accountants**

Engagement Partner: Imran Shaikh

Karachi

UDIN: AR202410207sxaVi0v4h

DEPOSIT PROTECTION CORPORATION STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2024

	Note	2024 (Rupees in	2023 n '000)
Assets			
Cash and cash equivalents	5	181,444	6,049
Investment in securities	6	147,792,408	100,128,011
Fixed assets	7	3,952	5,906
Prepayments and other receivables	8	3,787	17,699
Total assets	_	147,981,591	100,157,665
Liabilities			
Payable to State Bank of Pakistan	9	58,517	39,625
Payable to Protected Depositors	10	23,368	41,320
Other liabilities	11	180,295	4,134
		262,180	85,079
Net assets	=	147,719,411	100,072,586
Equity and Fund			
Share capital	12	500,000	500,000
Reserves	13	115,176,169	78,735,116
	_	115,676,169	79,235,116
DP Waqf	14	32,043,242	20,837,470
Total	- =	147,719,411	100,072,586
Contingencies and commitments	15		

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

Dr. Inayat Hussain Board Chairman

DEPOSIT PROTECTION CORPORATION STATEMENT OF PROFIT OR LOSS

AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED ON JUNE 30, 2024

	Note	2024 (Rupees in	2023 '000)
Income from premium contribution	16	21,973,201	19,005,538
Investment income and profit on deposits	17	25,849,918	13,762,780
Total income	-	47,823,119	32,768,318
General and administrative expenses	18	(176,294)	(449,444)
Net profit for the year	_	47,646,825	32,318,874
Other comprehensive income		-	-
Total comprehensive income for the year	_ _	47,646,825	32,318,874

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

Dr. Inayat Hussain Board Chairman

DEPOSIT PROTECTION CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	Note -	2024 (Rupees i	2023 in '000)
		47 646 92 5	22 210 97/
Net profit for the year		47,646,825	32,318,874
Adjustments for: Depreciation	7	2,027	1,856
Fixed Assets and others	·	2,021	1,630
Profit for the year after non-cash and other items	-	47,648,852	32,320,730
Tront for the year after horr-cash and other items		47,040,032	32,320,730
(Increase) / decrease in assets:			
Pre-payments and other receivables	8	13,912	26,766
Increase / (decrease) in liabilities:			
Payable to State Bank of Pakistan		18,892	(5,423)
Payable to Protected Depositors	10	(17,952)	41,320
Other liabilities		176,161	(482,676)
Net cash generated from operating activities	_	47,839,865	31,900,717
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Investments made during the year		(47,664,397)	(31,896,412)
Additions to fixed assets		(73)	(1,122)
Net cash used in investing activities	_	(47,664,470)	(31,897,534)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from State Bank of Pakistan		_	_
Net cash flow from financing activities	-	-	-
Increase/(decrease) in cash and cash equivalents during the year	-	175,395	3,183
Cash and cash equivalents at beginning of the year		6,049	2,866
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	5	181,444	6,049
ONG. THE PERIOD OF THE PERIOD	-	101,	0,0 10

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

Dr. Inayat Hussain Board Chairman

DEPOSIT PROTECTION CORPORATION

STATEMENT OF CHANGES IN EQUITY AND FUND

FOR THE YEAR ENDED JUNE 30, 2024

		Share Capital	Reserves	Sub-Total	DP Waqf	Total
	Note			- (Rupees in '000) -		
Balance as at July 1, 2022	12	500,000	53,847,626	54,347,626	13,406,086	67,753,712
Net profit for the year Other comprehensive income	13 & 14	- -	24,887,490 - 24,887,490	24,887,490 - 24,887,490	7,431,384	32,318,874 - 32,318,874
Balance as at June 30, 2023		500,000	78,735,116	79,235,116	20,837,470	100,072,586
Net profit for the year Other comprehensive income	13 & 14	-	36,441,053	36,441,053	11,205,772	47,646,825
Balance as at June 30, 2024		500,000	36,441,053 115,176,169	36,441,053 115,676,169	11,205,772 32,043,242	47,646,825 147,719,411

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

Dr. Inayat Hussain **Board Chairman**

DEPOSIT PROTECTION CORPORATION

Notes to the Financial Statements FOR THE YEAR ENDED ON JUNE 30, 2024

1 STATUS AND NATURE OF OPERATIONS

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

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB); and
- Provisions of and directives issued by SBP.

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Uses of estimates and judgment

The preparation of financial statements in conformity with IFRSs requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

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

2.4.1 Fair value of financial instruments

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

2.4.2 Expected credit loss allowance on financial asset

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

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

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

2.4.3 Useful life and residual value of fixed assets

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

2.4.4 Provision against protected deposits

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

3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

3.1 New standards and amendments to approved accounting standards effective in current year

There were certain amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 01,2023. However, these are considered not to be relevant or to have any significant effect on the Corporation's financial reporting and operations and, therefore, have not been disclosed in these financial statements.

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

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

Effective Date

January 1, 2026

January 1, 2026

Standard or Interpretation	(Annual periods beginning on or after)
IAS 1 - Presentation of Financial Statements (Amendments)	January 1, 2024
IAS 1 - Statement of Cash Flows (Amendments)	January 1, 2024

IFRS 9 - Financial Instruments - Classification and Measurement

IFRS 7 - Financial Instruments: Disclosures (Amendments)

of Financial Instruments (Amendments)

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

SUMMARY OF MATERIAL ACCOUNTING POLICIES 4

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

4.1 Cash and cash equivalents

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

4.2 IFRS 9 - Financial Instruments

4.2.1 **Financial assets**

4.2.1.1 Classification

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

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

The financial assets are categorized as follows:

Financial asset at amortized cost

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

Financial asset at fair value through Other Comprehensive Income

Debt investment

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

Financial asset at fair value through profit or loss

Debt investment

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

4.2.1.2 Trade date accounting

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

4.2.1.3 Initial recognition and measurement

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

4.2.1.4 Subsequent measurement

Financial asset at amortized cost

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

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

Financial asset at fair value through other comprehensive income

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

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

Financial asset at fair value through profit or loss

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

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

4.2.1.5 Derecognition

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

4.2.2 **Financial Liability**

4.2.2.1 Classification

Financial liability at amortized cost

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

Financial liability at fair value through profit or loss

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

4.2.2.2 Initial recognition and measurement

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

4.2.2.3 Subsequent measurement

Financial liability at amortized cost

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

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

Financial liability at fair value through profit or loss

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

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

4.2.2.4 Derecognition

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

4.3 Impairment of financial assets

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

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

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

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

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

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

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

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

4.4 Premium receivable

As of June 30, 2024, premium contributions receivable comprise of premium due but not received from respective member institution(s). Premium receivable is carried at amortized cost in the statement of financial position.

4.5 Impairment of non-financial assets

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

4.6 Fixed Assets

4.6.1 Recognition and measurement

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

4.6.2 Subsequent costs

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

4.6.3 Depreciation

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

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

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

4.7 Provision against protected deposits

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

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

4.8 Revenue recognition

4.8.1 **Premium contribution**

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

4.8.2 Interest income / profit earned

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

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

4.9 **Expenses**

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

4.10 Share capital

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

4.11 Reserves

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

4.12 DP Waqf

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

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

The DP Waqf of Corporation consist of the following:

- (i) Periodic premium contribution received from member IBIs net of expenses allocated to Islamic operations.
- (ii) Return on Shariah compliant investments.

4.13 Taxation

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

5 CASH AND CASH EQUIVALENTS

6

			2024	
	•	Conventional	Islamic	Total
		(Rupees in '000)	
Current accounts with SBP - BSC		156,012	25,196	181,208
Cash in hand		50	, -	50
Balance with Islamic Banking Institutions (IBIs	s)	-	186	186
Ç ,	,	156,062	25,382	181,444
			2023	
	•	Conventional	Islamic	Total
		(Rupees in '000)	
Current accounts with SBP - BSC		5,324	501	5,825
Cash in hand		51	-	51
Balance with Islamic Banking Institutions (IBIs	s)	-	173	173
		5,375	674	6,049
	'			
			2024	2023
		-	% per a	
Profit on balance with IBIs (%)			7.50-14.10	4.35 - 10.03
INVESTMENT IN SECURITIES				
			2024	
	Note	Conventional	Islamic	Total
		(Rupees in '000)	
Government securities - at amortized				
cost				
Market Treasury Bills - MTBs	6.1	69,014,296	-	69,014,296
Pakistan Investment Bonds-PIBs	6.2	46,723,037	-	46,723,037
Government of Pakistan (GoP) Ijara				
Sukuks	6.3	-	32,055,075	32,055,075
	·	115,737,333	32,055,075	147,792,408

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

- **6.1** It represents investments in Government securities of Market Treasury Bills (MTBs) held at amortized cost with original maturities of twelve months or less.
- **6.2** It represents investments in Pakistan Investment Bonds issued by GOP having stated maturity of 5 years or less.
- **6.3** It represents investments in GOP Ijara Sukuks having stated maturity of 5 years or less.
- **6.4** The above investments issued by the Government are held at amortized cost. The profile of return on these securities are as follows:

	2024	2023	
	% per annum		
	·		
Mark-up on MTBs	18.49-22.71%	15.69 - 21.99	
Mark-up on PIBs	12.00-21.35%	21.96 - 21.98	
Government of Pakistan (GoP) Ijara Sukuks	11.40-22.49%	17.65 - 22.68	

7 FIXED ASSETS

FIXED ASSETS			2024		
	Furniture	Office	EDP	Motor	Total
	and fixtures	equipment	equipment	vehicles	Total
			Rupees in '000		
As at July 1, 2023					
Cost	1,589	1,309	3,057	6,772	12,727
Accumulated Depreciation	868	1,159	2,025	2,769	6,821
Net book value	721	150	1,032	4,003	5,906
				-,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
Additions during the year	-	73	-	-	73
As at Jun 30, 2024	721	223	1,032	4,003	5,979
Depreciation charge during the year	(159)	(140)	(374)	(1,354)	(2,027)
As at Jun 30, 2024	(159)	(140)	(374)	(1,354)	(2,027)
Carrying amounts					
As at Jun 30, 2024	562	83	658	2,648	3,952
Rate of Depreciation	10%	20%	33%	20%	
rate of Depresiation	1070				
	Furniture	Office	2023 EDP	Motor	Total
	Furniture and fixtures	Office equipment	EDP	Motor vehicles	Total
	Furniture and fixtures	equipment	EDP equipment	Motor vehicles	Total
As at July 1, 2022		equipment	EDP		Total
As at July 1, 2022 Cost	and fixtures	equipment F	EDP equipment Rupees in '000	vehicles	
Cost		equipment	EDP equipment Rupees in '000	vehicles 6,772	11,606
• •	and fixtures1,589	equipment	EDP equipment Rupees in '000	vehicles	
Cost Accumulated Depreciation	1,589 709	equipment 1,309 933	EDP equipment Rupees in '000 1,936 1,910	6,772 1,414	11,606 4,966
Cost Accumulated Depreciation	1,589 709	equipment 1,309 933	EDP equipment Rupees in '000 1,936 1,910	6,772 1,414	11,606 4,966
Cost Accumulated Depreciation Net book value	1,589 709	equipment 1,309 933 376	EDP equipment Rupees in '000 1,936 1,910 26	6,772 1,414	11,606 4,966 6,640
Cost Accumulated Depreciation Net book value Additions during the year	1,589 709 880	equipment 1,309 933 376	EDP equipment Rupees in '000 1,936 1,910 26	6,772 1,414 5,358	11,606 4,966 6,640 1,122
Cost Accumulated Depreciation Net book value Additions during the year As at June 30, 2023	1,589 709 880	equipment 1,309 933 376	EDP equipment Rupees in '000 1,936 1,910 26 1,122 1,148	6,772 1,414 5,358	11,606 4,966 6,640 1,122 7,762
Cost Accumulated Depreciation Net book value Additions during the year	1,589 709 880	1,309 933 376	EDP equipment Rupees in '000 1,936 1,910 26	6,772 1,414 5,358	11,606 4,966 6,640 1,122
Cost Accumulated Depreciation Net book value Additions during the year As at June 30, 2023 Depreciation charge during the year As at June 30, 2023	1,589 709 880 - 880 (159)	1,309 933 376 - 376 (226)	EDP equipment Rupees in '000 1,936 1,910 26 1,122 1,148 (116)	6,772 1,414 5,358 5,358	11,606 4,966 6,640 1,122 7,762 (1,856)
Cost Accumulated Depreciation Net book value Additions during the year As at June 30, 2023 Depreciation charge during the year	1,589 709 880 - 880 (159)	1,309 933 376 - 376 (226)	EDP equipment Rupees in '000 1,936 1,910 26 1,122 1,148 (116)	6,772 1,414 5,358 5,358	11,606 4,966 6,640 1,122 7,762 (1,856)
Cost Accumulated Depreciation Net book value Additions during the year As at June 30, 2023 Depreciation charge during the year As at June 30, 2023 Carrying amounts	1,589 709 880 - 880 (159) (159)	1,309 933 376 - 376 (226) (226)	EDP equipment Rupees in '000 1,936 1,910 26 1,122 1,148 (116) (116)	6,772 1,414 5,358 5,358 (1,355) (1,355)	11,606 4,966 6,640 1,122 7,762 (1,856) (1,856)

8	PREPAYMENTS AND OTHER RECEIVABLES	Note	2024 (Rupees in	2023 '000)
	Premium Receivable - Conventional Premium Receivable - Islamic		-	13,912
	Withholding Tax Receivable		3,787	- 3,787
	Claims against Reimbursement to Protected Depositors	8.1		-
			3,787	17,699
8.1	Claims against Reimbursement to Protected Depositors	8.3	310,562	310,562
	Provision against payments of reimbursement claims	8.4	(310,562)	(310,562)
				-

- 8.2 On May 10, 2023, SME Bank Limited was notified as a failed institution by State Bank of Pakistan in terms of section 21(1)(a) of the DPC Act,2016 effective from March 27, 2023. Consequently, a liability of Rs. 310.6 million was recorded representing the balances payable to eligible depositors of SME Bank upto their protected deposits on the effective date in accordance with Single Depositor View database as submitted by SME Bank. As directed by SBP, DPC initiated the process of reimbursement against payments made by SME Bank to the eligible depositors and a sum of Rs. 287.2 million was paid till June 30, 2024.
- 8.3 Section 22 of the Act stipulates that 'the claim of DPC against the failed institution to the extent of protected deposits paid or to be paid and any arrears of outstanding premium shall have priority over all other claims'. In this context, the claim of DPC against the reimbursement to SME Bank has been treated as a receivable amount.
- **8.4** The amount has been fully provided in the FY 2022-23 as recovery of the same cannot be ascertained as of reporting date.

9	PAYABLE TO STATE BANK OF PAKISTAN	Note	2024 (Rupees	2023 in '000)
	Payable to State Bank of Pakistan	9.1	58,517	39,625

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

10	PAYABLE TO PROTECTED DEPOSTORS	Note	2024 (Rupees ir	2023 1 '000)
	Total Balance Payable to Protected Depositors		310,562	310,562
	Less: Reimbursement against payment to protected depositors	8.2	(287,194)	(269,242)
	Net Payable to Protected Depositors		23,368	41,320

11	OTHER LIABILITIES		2024 (Rupees i	2023 n '000)
	Payable to auditors and other Advance premiums - Conven Advance premiums - Islamic	ntional Institution(s)	1,770 154,088 24,437 180,295	4,118 16 - 4,134
12	SHARE CAPITAL			
	2024 2023(Number of shares)		2024 (Rupees i	2023 n '000) -
	Authorized Share Capital			
	1,000 1,000	Ordinary shares of Rs. 1,000,000 each	1,000,000	1,000,000
	Issued, subscribed and pai	d-up capital		
	500 500 F	Fully paid-up ordinary shares of Rs. 1,000,000 each	500,000	500,000
	share capital in the statemen	million was paid by the State Bank of Pakistan on July 03, 2 t of financial position. The Corporation has allocated Rs. 1 r ompliant deposit protection mechanism of Islamic Banking I	million from paid u	
13	RESERVES		2024 (Rupees i	2023 n '000)
	Opening Net profit for the year	<u>-</u>	78,735,116 36,441,053	53,847,626 24,887,490
	Accumulated surplus	=	115,176,169	78,735,116
14	DP Waqf			
	Opening		20,837,470	13,406,086
	Net profit for the year Accumulated surplus	-	11,205,772 32,043,242	7,431,384 20,837,470

15 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as on June 30, 2024 (June 30, 2023: Nil)

16 **INCOME FROM PREMIUM CONTRIBUTION** 2024 -----(Rupees in '000)-----

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

Premium contribution income on eligible deposits from Member Institutions

- Conventional	16,085,158	14,218,581
- Islamic	5,888,043	4,786,957
	21,973,201	19,005,538

2023

16.2 For the year ended on June 30, 2024, the Corporation recorded income of annual premium contribution from 33 member institutions, starting from July 2023. The amount of annual premium payable to the Corporation by the member banks under Section 5(2) of the Act has been calculated by multiplying 0.16% (sixteen hundredths of one percent) with their respective eligible deposits, as appearing in the last audited accounts of respective member institutions.

INVESTMENT INCOME AND PROFIT ON DEPOSITS	Note	2024	2023
		(Rupees	in '000)
Interest income - Conventional securities	17.1	20,486,883	11,084,085
Profit earned - Islamic securities	17.2	5,363,019	2,678,684
Profit earned - Balances with IBIs	17.3	16	11
		25,849,918	13,762,780
	Interest income - Conventional securities Profit earned - Islamic securities	Interest income - Conventional securities 17.1 Profit earned - Islamic securities 17.2	Interest income - Conventional securities 17.1 20,486,883 Profit earned - Islamic securities 17.2 5,363,019 Profit earned - Balances with IBIs 17.3 16

- 17.1 Interest Income includes income on Market Treasury Bills (MTBs) and Pakistan Investment Bonds (PIBs) carried at amortized cost.
- 17.2 Profit earned includes income on Government of Pakistan (GoP) Ijara Sukuks carried at amortized cost.
- 17.3 Profit earned consist of the amount held as deposit with various Islamic Banking Institutions (IBIs)
- 17.4 The amounts reported above include interest income / profit earned during the year and calculated using effective interest / profit method.

	2024	2023
	% per a	annum
Interest / profit profile are as under:		
Interest rate on MTBs	18.49 to 22.07	10.65 to 21.99
latera et auto en DID-	45 40 4- 00 77	7.07 1 . 00.45
Interest rate on PIBs	15.49 to 23.77	7.37 to 23.15
Profit rate on GoP Ijara Sukuks	16.05 to 22.49	15.27 to 22.54
Front fate on Gor ijara Gukuks	10.03 to 22.43	13.27 to 22.34

18 GENERAL AND ADMINISTRATIVE EXPENSES

			2024	
	Note	Conventional	Islamic	Total
		(Rupees in '000)	
Salaries and other benefits	18.1	112,421	38,883	151,304
Travelling expenses		114	39	153
Electricity, gas and water		4	2	6
Depreciation		1,506	521	2,027
Rent		5,672	1,962	7,634
Repairs & maintenance		1,562	540	2,102
Training		886	307	1,193
Books and newspapers		38	13	51
Postages, telegram / telex and telephone		68	23	91
Legal and professional		361	125	486
Auditors' remuneration	18.2	600	208	808
Annual membership fee		4,082	1,412	5,494
Stationery & Publication		133	46	179
Others		3,541	1,225	4,766
		130,988	45,306	176,294

GENERAL AND ADMINISTRATIVE EXPENSES

	-		2023	
	Note	Conventional	Islamic	Total
		(Rupees in '000) -	
Salaries and other benefits	18.1	86,637	28,379	115,016
Travelling expenses		395	129	524
Electricity, gas and water		52	17	69
Depreciation		1,398	458	1,856
Rent		4,596	1,506	6,102
Repairs & maintenance		932	305	1,237
Training		1,980	649	2,629
Books and newspapers		43	14	58
Postages, telegram / telex and telephone		65	21	87
Legal and professional		88	29	117
Auditors' remuneration	18.2	490	161	651
Annual membership fee		5,893	1,930	7,824
Stationery & Publication		107	35	143
Provision against Reimbursement Claims	19	310,562	-	310,562
Others		1,937	634	2,571
		415,176	34,268	449,444

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

18.2	Auditor's Remuneration	2024	2023
		(Rupees	in '000)
	Audit fee	773	625
	Out of pocket expenses	35	26
		808	651

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

19	PROVISION AGAINST REIMBURSEMENT CLAIMS		2024	2023
			(Rupees	in '000)
	Provision against reimbursement claims	8.3 & 8.4	310,562	310,562

20 ISLAMIC OPERATIONS

The statement of financial position and statement of profit or loss account of Islamic operations of the Corporation as on June 30, 2024 and for the period from July 1, 2023 to June 30, 2024 are as follows:

2024

2022

20.1 Statement of financial position as at June 30, 2024

		2024	2023
		(Rupees in '000)	
Assets			
Cash and cash equivalents		25,382	674
Investment Securities	6.3	32,055,075	20,844,646
Premium from Islamic Member Institutions and other Rec	eivables	3,787	3,787
Total assets		32,084,244	20,849,107
Liabilities			
Other liabilities	20.1.1	40,001	10,637
		40,001	10,637
Net assets		32,044,243	20,838,470
DP Waqf			
Seed Money (allocated from paid up capital)		1,000	1,000
Accumulated surplus		32,043,242	20,837,470
Total		32,044,242	20,838,470

20.1.1 This includes balance amounting to Rs. 15.6 million payable by DP Waqf with respect to allocated expenses in accordance with a mechanism as approved by SBP's Shariah Advisory Committee and DPC's Board.

Income from premium contribution 5,888,043 4,786,957 Investment income on Islamic securities 5,363,019 2,678,684 Profit earned on deposits with IBIS 16 11 Total income 11,251,078 7,465,652 General and administrative expenses (45,306) (34,268) Net profit for the year 11,205,772 7,431,384 Other comprehensive income Total comprehensive income for the year 11,205,772 7,431,384 Total comprehensive	20.2	Statement of profit or loss account and other	2024	2023	
Investment income on Islamic securities 7,363,019 11 11 11 12 10 16 11 11 11 11 11 11		comprehensive income	(Rupees i	(Rupees in '000)	
Profit earned on deposits with IBIs 16 11 Total income 11,251,078 7,465,652 General and administrative expenses (45,306) (34,268) Net profit for the year 11,205,772 7,431,384 Other comprehensive income - - - Total comprehensive income for the year 11,205,772 7,431,384 20.3 Statement of Cash flows Cash flows from operating activities Net profit for the year 11,205,772 7,431,384 Adjustments for non-cash and other items - - - Profit for the year after non-cash and other items 11,205,772 7,431,384 (Increase) / decrease in assets: - 6,103 Other assets - 6,103 Increase / (decrease) in liabilities: - 6,103 Other liabilities (includes amount allocated to Islamic operations) 29,364 (22,605) Net cash generated from operating activities 11,235,136 7,414,881 Cash flows from investing activities (11,210,429) (7,414,990) Net cash flow from finan		Income from premium contribution	5,888,043	4,786,957	
Total income		Investment income on Islamic securities	5,363,019	2,678,684	
General and administrative expenses Net profit for the year Other comprehensive income Total comprehensive income 111,205,772 7,431,384 20.3 Statement of Cash flows Cash flows from operating activities Net profit for the year 11,205,772 7,431,384 Adjustments for non-cash and other items 11,205,772 7,431,384 (Increase) / decrease in assets: Other assets 11,205,772 7,431,384 (Increase) / decrease in assets: Other liabilities (includes amount allocated to Islamic operations) Net cash generated from operating activities Investments made during the year in Islamic Securities Investments made during the year in Islamic Securities Investments made during the year in Islamic Securities Increase / (decrease) in cash and cash equivalents during the year 24,707 (109) Cash and cash equivalents at beginning of the year 674 783		Profit earned on deposits with IBIs	16	11	
Net profit for the year Other comprehensive income Total comprehensive income for the year 20.3 Statement of Cash flows Cash flows from operating activities Net profit for the year after non-cash and other items for the year in assets: Other assets Other assets Other liabilities (includes amount allocated to Islamic operations) for the year for the year in Islamic Securities for the year in Islamic Securities for the year in Islamic Securities for the year for the year in Islamic Securities for the year		Total income	11,251,078	7,465,652	
Other comprehensive income Total comprehensive income for the year 20.3 Statement of Cash flows Cash flows from operating activities Net profit for the year Adjustments for non-cash and other items Profit for the year after non-cash and other items (Increase) / decrease in assets: Other assets Other liabilities (includes amount allocated to Islamic operations) Net cash generated from operating activities Investments made during the year in Islamic Securities Investments made during the year in Islamic Securities Net cash flow from financing activities Net cash flow from financing activities Net cash flow from financing activities Increase/(decrease) in cash and cash equivalents during the year Cash and cash equivalents at beginning of the year 11,205,772 7,431,384 7,431		General and administrative expenses	(45,306)	(34,268)	
Total comprehensive income for the year 11,205,772 7,431,384 20.3 Statement of Cash flows Cash flows from operating activities Net profit for the year 11,205,772 7,431,384 Adjustments for non-cash and other items		Net profit for the year	11,205,772	7,431,384	
Cash flows from operating activities Net profit for the year Adjustments for non-cash and other items Profit for the year after non-cash and other items (Increase) / decrease in assets: Other assets Other liabilities (includes amount allocated to Islamic operations) Net cash generated from operating activities Investments made during the year in Islamic Securities Investments made during the year in Islamic Securities Net cash flow from financing activities Net cash flow from financing activities Increase / (decrease) in cash and cash equivalents during the year Increase/(decrease) in cash and cash equivalents during the year Cash and cash equivalents at beginning of the year Cash and cash equivalents at beginning of the year Cash and cash equivalents at beginning of the year Cash and cash equivalents at beginning of the year Cash and cash equivalents at beginning of the year Cash and cash equivalents at beginning of the year		Other comprehensive income		-	
Cash flows from operating activities Net profit for the year 11,205,772 7,431,384 Adjustments for non-cash and other items		Total comprehensive income for the year	11,205,772	7,431,384	
Net profit for the year Adjustments for non-cash and other items Profit for the year after non-cash and other items Increase / decrease in assets: Other assets Other liabilities (includes amount allocated to Islamic operations) Net cash generated from operating activities Investments made during the year in Islamic Securities Investments made during the year in Islamic Securities Net cash flow from financing activities Increase / (decrease) in cash and cash equivalents during the year Increase / (decrease) in cash and cash equivalents during the year Cash and cash equivalents at beginning of the year 11,205,772 7,431,384 11,205,772 7,414,981 11,205,772 7,414,981 11,205,772 7,414,981 11,205,772 7,414,981 11,205,772 7,414,981	20.3	Statement of Cash flows			
Adjustments for non-cash and other items Profit for the year after non-cash and other items 11,205,772 7,431,384 (Increase) / decrease in assets: Other assets Other liabilities: Other liabilities (includes amount allocated to Islamic operations) Net cash generated from operating activities Investments made during the year in Islamic Securities Investments made during activities Investments made during the year in Islamic Securities Increase/(decrease) in cash and cash equivalents during the year Increase/(decrease) in cash and cash equivalents during the year Cash and cash equivalents at beginning of the year 11,205,772 7,431,384 - 6,103 129,364 (22,605) 11,235,136 7,414,881 (7,414,990) (7,414,990) (7,414,990) (7,414,990) (7,414,990)		Cash flows from operating activities			
Profit for the year after non-cash and other items (Increase) / decrease in assets: Other assets Increase / (decrease) in liabilities: Other liabilities (includes amount allocated to Islamic operations) Net cash generated from operating activities Investments made during the year in Islamic Securities Investments made during the year in Islamic Securities Investments made during activities Investments made during the year in Islamic Securities Interease Investing activities Increase Investing activities Increase Investments made during the year in Islamic Securities Increase Investments made during the year in Islamic Securities Increase Investments made during the year in Islamic Securities Increase Investments Investing activities Increase Investments Increase In		Net profit for the year	11,205,772	7,431,384	
(Increase) / decrease in assets: Other assets Increase / (decrease) in liabilities: Other liabilities (includes amount allocated to Islamic operations) Net cash generated from operating activities Investments made during the year in Islamic Securities Investments made during the year in Islamic Securities Investments made during activities Investments made during activities Investments made during the year in Islamic Securities Investments made during the year in Islamic Securities Interest (11,210,429) Increase (decrease) in cash and cash equivalents during the year Increase (decrease) in cash and cash equivalents during the year Cash and cash equivalents at beginning of the year Increase (decrease) Increase (decr		Adjustments for non-cash and other items	-	-	
Other assets Increase / (decrease) in liabilities: Other liabilities (includes amount allocated to Islamic operations) Net cash generated from operating activities Investments made during the year in Islamic Securities Investments made during activities Investments made in investing activities Net cash used in investing activities Increase/(decrease) in cash and cash equivalents during the year Increase/(decrease) in cash and cash equivalents during the year Cash and cash equivalents at beginning of the year 6,103 6,103 11,235,136 7,414,881 7,414,881 (11,210,429) (7,414,990) (7,414,990) 11,210,429) (7,414,990) 11,210,429) (7,414,990) 11,210,429) (7,414,990) 11,210,429) 1		Profit for the year after non-cash and other items	11,205,772	7,431,384	
Increase / (decrease) in liabilities: Other liabilities (includes amount allocated to Islamic operations) Net cash generated from operating activities Cash flows from investing activities Investments made during the year in Islamic Securities Net cash used in investing activities Net cash flow from financing activities Increase/(decrease) in cash and cash equivalents during the year Cash and cash equivalents at beginning of the year Other liabilities: 29,364 (22,605) 7,414,881 (11,210,429) (7,414,990) (7,414,990) (7,414,990) (7,414,990) (7,414,990) (7,414,990) (7,414,990) (7,414,990)		(Increase) / decrease in assets:			
Other liabilities (includes amount allocated to Islamic operations) Net cash generated from operating activities Cash flows from investing activities Investments made during the year in Islamic Securities Net cash used in investing activities Net cash flow from financing activities Increase/(decrease) in cash and cash equivalents during the year Cash and cash equivalents at beginning of the year 11,210,429) (7,414,990) (7,414,990) (7,414,990) (7,414,990) (7,414,990)		Other assets	-	6,103	
Net cash generated from operating activities Cash flows from investing activities Investments made during the year in Islamic Securities Net cash used in investing activities Net cash flow from financing activities Increase/(decrease) in cash and cash equivalents during the year Cash and cash equivalents at beginning of the year 7,414,881 (7,414,990) (7,414,990) (7,414,990) (7,414,990) (7,414,990) (7,414,990)		Increase / (decrease) in liabilities:			
Cash flows from investing activities Investments made during the year in Islamic Securities Net cash used in investing activities Net cash flow from financing activities Increase/(decrease) in cash and cash equivalents during the year Cash and cash equivalents at beginning of the year Cash and cash equivalents at beginning of the year Cash and cash equivalents at beginning of the year Cash and cash equivalents at beginning of the year Cash and cash equivalents at beginning of the year Cash and cash equivalents at beginning of the year		Other liabilities (includes amount allocated to Islamic operations)	29,364	(22,605)	
Investments made during the year in Islamic Securities Net cash used in investing activities (11,210,429) (7,414,990) Net cash flow from financing activities - Increase/(decrease) in cash and cash equivalents during the year Cash and cash equivalents at beginning of the year 674 (109)		Net cash generated from operating activities	11,235,136	7,414,881	
Net cash used in investing activities (11,210,429) Net cash flow from financing activities Increase/(decrease) in cash and cash equivalents during the year Cash and cash equivalents at beginning of the year (11,210,429) (7,414,990) (109)		Cash flows from investing activities			
Net cash flow from financing activities - Increase/(decrease) in cash and cash equivalents during the year Cash and cash equivalents at beginning of the year 674 783		Investments made during the year in Islamic Securities	(11,210,429)	(7,414,990)	
Increase/(decrease) in cash and cash equivalents during the year 24,707 Cash and cash equivalents at beginning of the year 674 783		Net cash used in investing activities	(11,210,429)	(7,414,990)	
Cash and cash equivalents at beginning of the year 674 783		Net cash flow from financing activities		-	
		Increase/(decrease) in cash and cash equivalents during the year	24,707	(109)	
Cash and cash equivalents at end of the year 25,381 674		Cash and cash equivalents at beginning of the year	674	783	
		Cash and cash equivalents at end of the year	25,381	674	

21 FINANCIAL INSTRUMENTS

21.1 Classification of financial instruments

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

	2024 (Rupees	2023 in '000)
Financial assets		·
Cash and cash equivalents	181,444	6,050
Investment securities	147,792,408	100,128,011
Premium and other receivables	3,787	17,699
	147,977,639	100,151,760
Financial liabilities		
Payable to State Bank of Pakistan	58,517	39,625
Payable to Protected Depositors	23,368	41,320
Other liabilities	180,295	4,134
	262,180	85,079

21.2 Fair value of financial instruments

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

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

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

22 FINANCIAL RISK MANAGEMENT

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

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

22.1 Credit risk and concentration of credit risk

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

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

22.2 Interest Rate Risk

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

a) Sensitivity analysis of variable rate instruments

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

The management of the Corporation estimates that increase / decrease of 100 basis points in the interest rate with all other factors remaining constant, would increase / decrease the Corporation's surplus by Rs. 625 million (2023: Rs. 628 million).

b) Sensitivity analysis of fixed rate instruments

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

22.3 Liquidity risk

Liquidity risk is defined as the risk that funds will not be available to the Corporation to honour its cash obligations, whether on- or off-balance sheet, as they arise. As at June 30, 2024, the Corporation is not exposed to any liquidity risk.

22.4 **Price Risk**

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

23 CAPITAL RISK MANAGEMENT

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

24 RELATED PARTY TRANSACTIONS

24.1 Transactions with related parties

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

Transactions with related parties during the year and the balances outstanding with related parties as at June 30, 2024 are disclosed in the relevant notes to the financial statements.

24.2 Key Management Personnel

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

Compensation of key management personnel is as follows;

	2024	2023	
	(Rupees in '000)		
Short term benefits	22,111	30,476	
Post-employment benefits	3	2,623	
Total remuneration of key management personnel	22,114	33,099	

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

25 POST BALANCE SHEET EVENTS

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

26 DATE OF AUTHORISATION

These financial statements were authorized for issue on November 08, 2024 by the Board of Directors.

Dr. Inayat Hussain Board Chairman