

PAIR Investment Company Limited
Condensed Interim Statement of Financial Position
As at 30 September 2023



		30 September 2023	31 December 2022
		(Un-audited)	(Audited)
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks	6	187,020	154,022
Balances with other banks	7	210,468	41,997
Lendings to financial institutions		-	-
Investments	8	22,589,918	21,089,015
Advances	9	9,976,842	9,441,731
Property and equipments	10	458,580	472,102
Right-of-use assets		-	-
Intangible assets	11	9,283	5,202
Deferred tax assets	12	527,808	458,493
Other assets	13	1,968,222	1,078,493
		35,928,141	32,741,055
LIABILITIES			
Bills payable		-	-
Borrowings	14	22,080,246	20,336,117
Deposits and other accounts	15	2,677,760	1,771,610
Lease liabilities		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	16	1,421,196	860,269
		26,179,202	22,967,996
NET ASSETS			
		9,748,939	9,773,059
REPRESENTED BY			
Share capital	17	6,000,000	6,000,000
Reserves	18	1,193,060	1,093,746
Deficit on revaluation of assets	19	(260,465)	(268,497)
Unappropriated profit		2,816,344	2,947,810
		9,748,939	9,773,059
CONTINGENCIES AND COMMITMENTS			
	20		

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.

Sd/-	Sd/-	Sd/-	Sd/-	Sd/-
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Managing Director / Chief Executive Officer	Chief Financial Officer	Chairman	Director	Director

PAIR Investment Company Limited
Condensed Interim Statement of Profit and Loss Account (Un-audited)
For the nine month period ended 30 September 2023



	Note	Quarter ended		Nine month period ended	
		July - September 2023	July - September 2022	January - September 2023	January - September 2022
----- (Rupees in '000) -----					
Mark-up / return / interest earned	23	1,567,943	948,206	4,160,959	2,180,218
Mark-up / return / interest expensed	24	1,137,426	630,501	3,003,364	1,381,780
Net mark-up / interest income		430,517	317,705	1,157,595	798,438
NON MARK-UP / INTEREST INCOME					
Fee and commission income	25	2,630	4,775	12,913	18,707
Dividend income		28,275	25,200	95,636	74,503
Foreign exchange income		(2,752)	2,601	-	4,483
Income / (loss) from derivatives		-	-	-	-
Gain on sale of securities	26	17,610	(27,399)	19,298	(25,662)
Other income		2,751	6,878	2,769	6,927
Total non mark-up / interest income		48,514	12,055	130,616	78,958
Total Income		479,031	329,760	1,288,211	877,396
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	27	124,160	107,244	403,864	327,109
Workers Welfare Fund		3,496	3,178	10,488	9,535
Other charges		-	-	-	-
Total non mark-up / interest expenses		127,656	110,422	414,352	336,644
PROFIT BEFORE CREDIT LOSS ALLOWANCE		351,375	219,338	873,859	540,752
Credit loss allowance and write offs - net	28	154,473	26,769	177,877	69,282
PROFIT BEFORE TAXATION		196,902	192,569	695,982	471,470
Taxation	29	61,960	55,000	199,413	142,916
PROFIT AFTER TAXATION		134,942	137,569	496,569	328,554
Basic and diluted earnings per share - (Rupees)	30	0.22	0.23	0.83	0.55

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.

Sd/-	Sd/-	Sd/-	Sd/-	Sd/-
_____ Managing Director / Chief Executive Officer	_____ Chief Financial Officer	_____ Chairman	_____ Director	_____ Director

PAIR Investment Company Limited
Condensed Interim Statement of Comprehensive Income (Un-audited)
For the nine month period ended 30 September 2023



	Quarter ended		Nine month period ended	
	July - September 2023	July - September 2022	January - September 2023	January - September 2022
	----- Rupees in '000 -----			
Profit after taxation for the period	134,942	137,569	496,569	328,554
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of debt investments FVTOCI - net of tax	(26,202)	(116,837)	(146,974)	(120,716)
Items that will not be reclassified to profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of equity investments - net of tax	158,328		155,006	
Loss on securities classified as FVOCI- realised	7,864	-	(2,270)	
Movement in surplus on revaluation of non-banking asset - net of tax	-	(1,027)	-	(1,106)
Total comprehensive income / (loss)	274,932	19,705	502,331	206,732

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.

Sd/-	Sd/-	Sd/-	Sd/-	Sd/-
_____ Managing Director / Chief Executive Officer	_____ Chief Financial Officer	_____ Chairman	_____ Director	_____ Director

PAIR Investment Company Limited
Condensed Interim Cash Flow Statement (Un-audited)
For the nine month period ended 30 September 2023



	30 September 2023	30 September 2022
Note	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	695,982	471,470
Less: Dividend income	(95,636)	(74,503)
	600,346	396,967
Adjustments:		
Depreciation	20,139	22,206
Amortisation	102	91
Impairment of assets	14,495	14,189
Credit loss allowance and write offs	163,382	55,093
Gain / (loss) on sale of property and equipment	(16)	(6,878)
Charge for defined benefit plan	12,247	9,247
Unrealised loss on revaluation of securities classified as FVPL	(886)	7,345
	209,463	101,293
	809,809	498,260
(Increase) / decrease in operating assets		
Securities classified as FVPL	(66,268)	(129,271)
Advances	(874,974)	(2,156,294)
Others assets (excluding advance taxation)	(708,706)	(399,819)
	(1,649,948)	(2,685,384)
Increase in operating liabilities		
Borrowings from financial institutions	1,744,129	6,696,565
Deposits	906,150	361,391
Other liabilities (excluding current taxation)	560,429	355,658
	3,210,708	7,413,614
	2,370,569	5,226,490
Income tax paid	(385,725)	(198,938)
Defined benefits paid	(11,749)	(9,247)
Net cash flows generated from operating activities	1,973,095	5,018,305
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investments in securities classified as FVOCI - Debt	(1,254,081)	(4,851,455)
Net Investments in securities classified as FVOCI - Equity	(252,397)	(59,070)
Dividends received	95,636	74,155
Investments in operating fixed assets	(10,883)	(62,546)
Proceeds from sale of property and equipment	99	7,117
Net cash flows used in investing activities	(1,421,626)	(4,891,799)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(350,000)	(150,000)
Net cash flows used in financing activities	(350,000)	(150,000)
Net increase in cash and cash equivalents	201,469	(23,494)
Cash and cash equivalents at beginning of the period	196,019	238,437
Cash and cash equivalents at end of the period	397,488	214,943

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.

Sd/-	Sd/-	Sd/-	Sd/-	Sd/-
_____ Managing Director / Chief Executive Officer	_____ Chief Financial Officer	_____ Chairman	_____ Director	_____ Director

PAIR Investment Company Limited
Condensed Interim Statement of Changes in Equity (Un-audited)
For the nine month period ended 30 September 2023



	Share capital	Statutory reserve	(Deficit) / surplus on revaluation of		Unappropriated profit	Total
			Investments	Non Banking assets		
Note	(Rupees in '000)					
Opening Balance as at 01 January, 2022	6,000,000	1,004,551	(41,880)	31,218	2,661,253	9,655,142
Profit after tax for the period ended 30 September, 2022	-	-	-	-	328,554	328,554
Other comprehensive income - net of tax	-	-	(120,716)	(1,106)	-	(121,822)
	-	-	(120,716)	(1,106)	328,554	206,732
Transfer to statutory reserve	-	65,711	-	-	(65,711)	-
Transactions with owners recognised directly in equity						
Final cash dividend - 31 December, 2021 declared subsequent to the year end					(150,000)	(150,000)
Opening Balance as at 01 October, 2022	6,000,000	1,070,262	(162,596)	30,112	2,774,096	9,711,874
Profit after tax for the period ended 31 December, 2022	-	-	-	-	117,423	117,423
Other comprehensive income						
Movement in (deficit) / surplus on revaluation of investments - net of tax	-	-	(105,901)	-	-	(105,901)
Remeasurement gain / (loss) on defined benefit obligations - net of tax	-	-	-	-	(9,699)	(9,699)
Transferred to accumulated profit in respect of incremental depreciation for the year	-	-	-	(749)	1,855	1,106
Surplus on revaluation of non-banking assets	-	-	-	58,256	-	58,256
Transfer of Surplus to Unappropriated Profit - net of tax	-	-	-	(87,619)	87,619	-
Total comprehensive income for the period ended 31 December, 2022	-	-	(105,901)	(30,112)	197,198	61,185
Transfer to statutory reserve	18	23,484	-	-	(23,484)	-
Opening Balance as at 01 January, 2023	6,000,000	1,093,746	(268,497)	-	2,947,810	9,773,059
IFRS-9 implementation adjustments						
Impact of first time adoption of IFRS-9					(176,451)	(176,451)
Profit after tax for the period ended 30 Sep 2023	-	-	-	-	496,569	496,569
Other comprehensive income						
Movement in (deficit) / surplus on revaluation of investments - net of tax	-	-	8,032	-	-	8,032
Gain / (Loss) on securities classified as FVOCI	-	-	-	-	(2,270)	(2,270)
	-	-	8,032	-	494,299	502,331
Transfer to statutory reserve	18	99,314	-	-	(99,314)	-
Transactions with owners recognised directly in equity						
Final cash dividend - 31 December 2022 declared subsequent to the year end					(350,000)	(350,000)
	6,000,000	1,193,060	(260,465)	-	2,816,344	9,748,939

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.

Sd/-	Sd/-	Sd/-	Sd/-	Sd/-
Managing Director / Chief Executive Officer	Chief Financial Officer	Chairman	Director	Director

PAIR Investment Company Limited
Notes to the Condensed Interim Financial Statements (Un-audited)
For the nine month period ended 30 September 2023

1. STATUS AND NATURE OF BUSINESS

PAIR Investment Company Limited, "the Company" is an unlisted Public Limited Company incorporated in Pakistan on January 15, 2007 under the Companies Ordinance, 1984. The Company has been notified as a Development Financial Institution by the Ministry of Finance, Government of Pakistan.

The Company is a Joint Venture (50:50) between Government of Pakistan and Iran Foreign Investment Company which is owned by the Government of Iran. The Company's objectives inter alia includes financing for industrial and commercial projects, capital and money market operations and other investment banking activities. Its registered and principal office is situated at 17th Floor Ocean Tower, Clifton, Karachi. The other regional office is situated at Mezzanine Floor, PACE Tower T-27-H Gulberg 2, Lahore.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Companies Act, 2017 and the said directives shall prevail.

- 2.2** As per BPRD Circular Letter No. 07 of 2023 dated April 13, 2023, the State Bank of Pakistan has extended the implementation date of IFRS-9 from January 01, 2023 to January 01, 2024 with permission of early adoption of the Standard. However, the Company has implemented "Financial Instruments" (IFRS-9) from January 01, 2023 as mentioned in note 3.2 of these condensed interim financial statements. and as per the SBP's BPRD Circular No. 02 of 2023 dated February 09, 2023, format of interim financial statements been made revised and these financial statements are prepared as per the revised format.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited annual financial statements of the Company for the year ended December 31, 2022. except that the classification, recognitions, measurement and impairment of financial instruments are now accounted for under IFRS 9 Financial Instruments as disclosed in note 3.2.

3.1 Amendments to existing accounting and reporting standards that have become effective in the current period

There are certain other amendments to existing accounting and reporting standards as applicable in Pakistan that have become applicable to the Company for accounting periods beginning on or after 1 January 2023 but are not considered to be relevant or do not have any significant effect on the Company's operations and therefore are not detailed in these condensed interim financial statements.

3.2 Impact of Adoption of IFRS 9

On 1 January 2023, the Company adopted IFRS 9 "Financial Instruments". IFRS 9 introduces new requirements for: the classification and measurement of financial instruments; the recognition and measurement of credit impairment provisions.

As permitted by transitional provisions of IFRS 9, the Company has not restated comparative information. Any adjustment to carrying amount of the financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period.

The IFRS-9 primarily impacts provisioning of financial assets which is determined on an expected credit loss basis under IFRS 9, however the provisioning is recorded higher of amount determined under IFRS 9 and the prudential regulations requirements of SBP.

The Company has recorded net expected credit loss of Rs 102.99 million which was adjusted against unappropriated profit. The new IFRS 9 accounting policies are stated in the note 3.3 and Impairment in note 3.4.

The adoption of IFRS-9 resulted in following :

Financial Asset	Original classification on as at December 31, 2022	New classification on as per IFRS 9	Carrying amount as on December 31, 2022	Carrying amount as on January 01, 2023	Effect on January 01, 2023 on Retained Earnings
----- (Rupees in '000) -----					
Financial Assets :					
Cash and balances with treasury banks	LR	AC	154,022	154,022	-
Balances with other banks	LR	AC	41,997	41,997	-
Advances (Refer note 9.4)	LR	AC	9,441,731	9,265,280	(176,451)
Listed equity securities	HFT	FVTPL	65,697	65,697	-
Listed equity securities (Refer note 8.3)	AFS	FVOCI	1,011,747	1,011,747	-
Federal Government Securities	AFS	FVOCI	13,735,102	13,735,102	-
Non Government Securities	AFS	FVOCI	6,160,728	6,160,728	-
Commercial papers	HTM	AC	115,741	115,741	-
Other assets	LR	AC	1,078,493	1,078,493	-
Financial Liabilities :					
Borrowings	AC	AC	20,336,117	20,336,117	-
Deposits and other accounts	AC	AC	1,771,610	1,771,610	-
Other liabilities	OFL	AC	860,269	860,269	-
					(176,451)

- "LR" is loans and receivables

- "AC" is amortised cost

- "HFT" is held for trading

- "FVTPL" is fair value through profit or loss

- "OFL" is other financial liabilities

- "HTM" is Hold to Maturity

3.3 FINANCIAL INSTRUMENTS

IFRS 9 contains three principal classification categories for financial assets :

Financial asset at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL.

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

Financial asset held at fair value through other comprehensive income

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL

- 1) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial asset held at fair value through profit or loss

All other financial assets are classified as measured at FVTPL (for example: equity held for trading and debt securities not classified either as AC or FVOCI).

Financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the statement of profit and loss.

Initial recognition

The Company classifies its financial assets into the above categories: amortised cost; fair value through other comprehensive income; and fair value through profit or loss. Financial liabilities are classified as amortised cost. Management determines the classification of its financial assets and liabilities at initial recognition of the instrument or, where applicable, at the time of reclassification.

Whether financial assets are held at amortised cost or at FVOCI depend on the objectives of the business models under which the assets are held. A business model refers to how the Company manages financial assets to generate cash flows.

The Company makes an assessment of the objective of a business model in which an asset is held at the individual product business line, and where applicable within business lines depending on the way the business is managed.

Financial assets which have SPPI characteristics and that are held within a business model whose objective is to hold financial assets to collect contractual cash flows (hold to collect) are recorded at amortised cost. Conversely, financial assets which have SPPI characteristics but are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (Hold to collect and sell) are classified as held at FVOCI.

Financial assets which are not held at amortised cost or that are not held at fair value through other comprehensive income are held at fair value through profit or loss

Subsequent measurement

Financial assets and financial liabilities held at amortised cost

Financial assets and financial liabilities held at amortised cost are subsequently carried at amortised cost using the effective interest method.

Financial assets held at held at fair value through other comprehensive income

Debt instruments held at FVOCI are subsequently carried at fair value, with all unrealised gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in a separate component of equity. Changes in expected credit losses are recognised in the profit or loss and are accumulated in equity. On derecognition, the cumulative fair value gains or losses, net of the cumulative expected credit loss reserve, are transferred to the profit or loss. Equity instruments held at FVOCI are subsequently carried at fair value, with all unrealised gains and losses arising from changes in fair value recognised in other comprehensive income. On derecognition, the cumulative fair value gains or losses, can not be transferred to the profit or loss.

Equity instrument designated at FVOCI are subsequently carried at fair value with all unrealised gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in a separate component of equity. On derecognition, the cumulative reserve is transferred to retained earnings and is not recycled to profit or loss.

Financial assets and liabilities held at fair value through profit or loss

Financial assets and liabilities held at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the profit or loss. The company keeps portfolio of listed shares in FVTPL.

Derecognition of financial instruments

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss except for equity instruments elected FVOCI.

Financial liabilities are derecognised when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expires

3.4 Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets from Prudential Regulations issued by SBP with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to record an allowance for ECL for all financial assets other than debt instruments classified as FVTPL and equity instruments classified as FVTPL or FVOCI.

Expected credit losses

Expected credit losses are determined for all financial debt instruments except government securities, that are classified at amortised cost or fair value through other comprehensive income, undrawn commitments and financial guarantees.

An expected credit loss represents the present value of expected cash shortfalls over the residual term of a financial asset, undrawn commitment or financial guarantee.

A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that the Company expects to receive over the contractual life of the instrument.

Measurement

Expected credit losses are computed as unbiased, probability weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering all reasonable and supportable information that is forward looking. The estimate of expected cash shortfalls is determined by multiplying the probability of default (PD) with the loss given default (LGD) with the expected exposure at the time of default (EAD).

Staging of financial instruments

Financial instruments that are not already credit-impaired are originated into stage 1 and a 12-month expected credit loss provision is recognized.

Instruments will remain in stage 1 until they are repaid, unless they experience significant credit deterioration (stage 2) or they become credit-impaired (stage 3).

Instruments will transfer to stage 2 and a lifetime expected credit loss provision recognised when there has been a significant change in the credit risk compared with what was expected at origination.

Forward-looking economic assumptions are incorporated where relevant and where they influence credit risk, such as GDP growth rates, interest rates, Consumer price Index among others. These forecasts are determined using all reasonable and supportable information, which includes both internally developed forecasts and those available externally.

Probability of default (PD)

The probability at a point in time that a counterparty will default, calibrated over up to 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating the impact of forward-looking economic assumptions. The PD is estimated at a point in time that means it will fluctuate in line with the economic cycle. The term structure of the PD is based on statistical models, calibrated using historical data and adjusted to incorporate forward-looking economic assumptions.

Loss given default (LGD)

The loss that is expected to arise on default, incorporating the impact of forward-looking economic assumptions where relevant, which represents the difference between the contractual cash flows due and those that the Company expects to receive.

Exposure at default (EAD)

Exposure at Default (EAD) represents the amount of potential exposure that is at risk. EAD input will be forward-looking as well as based on the time-period when the default is likely to occur. It includes all outstanding exposure and off-balance sheet exposures after adjustment with contractual cash flows to reflect the exposure expected when default occurs. For revolving products (such as overdrafts, running finance and credit cards) the estimation of EAD shall consider any expected changes in the exposure after the assessment date, including expected drawdowns on committed facilities through the application of a credit conversion factor (CCF).

Recognition 12 months expected credit losses (Stage 1)

Expected credit losses are recognised at the time of initial recognition of a financial instrument and represent the lifetime cash shortfalls arising from possible default events up to 12 months into the future from the reporting date. Expected credit losses continue to be determined on this basis until there is either a significant increase in the credit risk of an instrument or the instrument becomes credit impaired.

Significant increase in credit risk (Stage 2)

If a financial asset experiences a significant increase in credit risk (SICR) since initial recognition, an expected credit loss provision is recognised for default events that may occur over the lifetime of the asset.

The Company considers an exposure to have significantly increased in credit risk when there is considerable deterioration in the internal rating grade for subject borrower. An assessment of SICR shall incorporate all relevant, reasonable, and supportable information, including forward-looking information, that is available without undue cost or effort. Such information might include both qualitative and quantitative factors

Credit impaired (or defaulted) exposures (Stage 3)

Financial assets which have objective evidence of impairment at the reporting date are considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The Company uses a PD of 100% and LGD is used as per SBP instructions. Therefore, the stage 3 provision is aligned with regulatory requirements.

Restructured Loan

All non-performing restructured exposure shall be subject to a cooling-off period of 6 months from the first date of becoming regular in payment. The status of such loans shall be first upgraded to Stage 2 following the same cooling-off period of 6 months before upgrading to Stage 1.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended 31 December 2022 except for estimates required under IFRS-9 i.e. provision of ECI against financial assets and classification of investments.

5. FINANCIAL RISK MANAGEMENT

- 5.1** The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the financial statements of the Company for the year ended 31 December 2022.

		30 September 2023 (Un-audited)	31 December 2022 (Audited)
	Note	----- (Rupees in '000) -----	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		73	50
Foreign currencies		10,798	4,779
		10,871	4,829
With State Bank of Pakistan in			
Local currency current account	6.1	175,334	148,457
With National Bank of Pakistan in			
Local currency current account		17	17
Local currency deposit account	6.2	798	719
		815	736
		187,020	154,022

6.1 This represents current account maintained for minimum cash reserve required to be maintained with the State Bank of Pakistan in accordance with its requirements of BSD Circular No. 04 dated May 22, 2004.

6.2 This amount represents deposits in National Income daily account, carry average mark up of 20.50% per annum (31 December, 2022: 14.5% per annum).

		30 September 2023 (Un-audited)	31 December 2022 (Audited)
	Note	----- (Rupees in '000) -----	
7. BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		42,850	20,847
In deposit accounts	7.1	167,618	21,150
		210,468	41,997

7.1 These deposit accounts carry annual mark-up rate of 6.75% to 20.50% (31 December 2022: 6.75% to 14.50%).

8. INVESTMENTS

8.1 Investments by type

	30 September 2023				31 December 2022			
	(Un-audited)				(Audited)			
	Cost / amortised cost	Credit loss allowance	(Deficit) / Surplus	Carrying Value	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	----- (Rupees in '000) -----							
Fair Value through Profit & Loss (FVTPL)								
(previously HFT)								
Shares -Llsted	132,705	-	(1,626)	131,079	66,437	-	(740)	65,697
	132,705	-	(1,626)	131,079	66,437	-	(740)	65,697
Fair Value through Other Comprehensive Income (FVOCI)								
(Previously AFS)								
Shares -Llsted	1,405,274	-	(141,130)	1,264,144	1,334,728	(73,460)	(249,521)	1,011,747
Federal Government securities	15,218,470	-	(166,050)	15,052,420	13,769,162	-	(34,060)	13,735,102
Non Government Debt Securities	6,215,946	(53,806)	(19,865)	6,142,275	6,187,665	(39,311)	12,374	6,160,728
	22,839,690	(53,806)	(327,045)	22,458,839	21,291,555	(112,771)	(271,207)	20,907,577
Amortised Cost								
(Previously HTM)								
Commercial Papers	-	-	-	-	115,741	-	-	115,741
	-	-	-	-	115,741	-	-	115,741
Total investments	22,972,395	(53,806)	(328,671)	22,589,918	21,473,733	(112,771)	(271,947)	21,089,015

8.2	Investments given as collateral	Note	30 September	31 December
			2023	2022
			(Un-audited)	(Audited)
			----- (Rupees in '000) -----	
	Market treasury bills			
	Carrying Value - before revaluation		276,214	358,059
	Deficit		(512)	(1,370)
			<u>275,702</u>	<u>356,689</u>
	Pakistan Investment Bonds			
	Carrying Value - before revaluation		10,876,787	7,188,905
	Deficit		(99,117)	(28,525)
			<u>10,777,670</u>	<u>7,160,380</u>
	Shares			
	Carrying Value		87,167	86,777
	Impairment		-	(23,110)
	Deficit		(6,447)	(3,251)
			<u>80,720</u>	<u>60,416</u>
8.3	Credit loss allowance for diminution in value of investments			
	Opening balance		112,771	80,302
	Impact of Adoption of IFRS 9	3.2	-	-
	Charge / (reversals)			
	Charge for the period / year		14,495	41,129
	Reversals for the period / year		-	-
	Reversal on disposals		-	(8,660)
			14,495	32,469
	Amounts transferred to Market Value		(73,460)	-
	Closing Balance		<u>53,806</u>	<u>112,771</u>

8.4 Particulars of credit loss allowance against debt securities

		30 September 2023		31 December 2022	
		Outstanding amount	Credit loss allowance Held	Outstanding amount	General provision
		----- (Rupees in '000) -----			
Domestic					
Performing	Stage 1	6,172,656	10,518	6,144,375	-
Underperforming	Stage 2	-	-	-	-
		6,172,656	10,518	6,144,375	-
Non-performing	Stage 3				
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		43,290	43,290	43,290	39,311
		43,290	43,290	43,290	39,311
Total		<u>6,215,946</u>	<u>53,808</u>	<u>6,187,665</u>	<u>39,311</u>
Overseas					
Performing	Stage 1	-	-	-	-
Underperforming	Stage 2	-	-	-	-
Non-performing	Stage 3				
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		-	-	-	-
		-	-	-	-
Total		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

9 **ADVANCES**

30 September 2023 (Un-audited)			
	Performing	Non Performing	Total
Note	----- (Rupees in '000) -----		
Loans, cash credits, running finances, etc.	9,795,145	2,238,670	12,033,815
Islamic financing and related assets	-	161,358	161,358
Bills discounted and purchased	-	-	-
Advances - gross	9,795,145	2,400,028	12,195,173
Credit loss allowance against advances			
-Stage 1	(164,918)	-	(164,918)
-Stage 2	(17,213)	-	(17,213)
-Stage 3	-	(2,036,200)	(2,036,200)
	(182,131)	(2,036,200)	(2,218,331)
Advances - net of credit loss allowance	9,613,014	363,828	9,976,842

31 December 2022 (Audited)			
	Performing	Non Performing	Total
	----- (Rupees in '000) -----		
Loans, cash credits, running finances, etc.	9,272,440	1,880,464	11,152,904
Islamic financing and related assets	-	167,325	167,325
Bills discounted and purchased	-	-	-
Advances - gross	9,272,440	2,047,789	11,320,229
Provision against advances			
- Specific (Stage 3)	-	(1,878,498)	(1,878,498)
- General	-	-	-
	-	(1,878,498)	(1,878,498)
Advances - net of provision	9,272,440	169,291	9,441,731

9.1 These include personal loans and house loans of Rs. 116.966 million (31 December, 2022 : Rs. 126.089 million) advanced to employees in accordance with their terms of employment. These personal loans and house loans carry mark-up at the rates of 3% and 5% (31 December, 2022 : 3% and 5%) respectively.

	30 September 2023 (Un-audited)	31 December 2022
	----- (Rupees in '000) -----	
9.2 Particulars of advances (Gross)		
In local currency	12,195,173	11,320,229
In foreign currencies	-	-
	12,195,173	11,320,229

- 9.3 Advances include Rs. 2,400 million (31 December 2022: Rs. 2,048 million) which have been placed under non-performing / Stage 3 status as detailed below:-

Category of Classification	30 September 2023 (Un-		31 December 2022	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	----- (Rupees in '000) -----			
Domestic				
OAEM	161,358		167,325	-
Substandard	370,618	166,778	-	-
Doubtful	-	-	-	-
Loss	1,868,052	1,869,422	1,880,464	1,878,498
	2,400,028	2,036,200	2,047,789	1,878,498

9.4 Particulars of credit loss allowance against advances

Note	30 September 2023 (Un-audited)			
	Stage 3	Stage 2	Stage 1	Total
	----- (Rupees in '000) -----			
Opening balance	1,878,498	-	-	1,878,498
Provision due to adoption of IFRS-9 charged to opening retained earnings	1,203	23,442	151,836	176,481
Exchange adjustments				
Charge for the period / year	156,527	-	13,083	169,610
Reversals	-	(6,228)	-	(6,228)
	156,527	(6,228)	13,083	163,382
Closing balance	2,036,228	17,214	164,919	2,218,361

	31 December 2022 (Audited)		
	Specific	General	Total
	----- (Rupees in '000) -----		
Opening balance	1,813,682	-	1,813,682
Charge for the year	69,156	-	69,156
Reversals	(4,340)	-	(4,340)
	64,816	-	64,816
Amounts written off	-	-	
Closing balance	1,878,498	-	1,878,498

9.5 Advances - Particlurs of credit loss allowance

	30 September 2023 (Un-audited)		
	Stage 3	Stage 2	Stage 1
	(Rupees in '000)		
Opening balance	1,878,498		
Impact of Adoption of IFRS 9	1,203	23,442	151,836
New Advances	-	-	13,083
Advances derecognised or repaid	(10,250)	(8,564)	-
Transfer to stage 1	-	-	-
Transfer to stage 2	-	2,336	-
Transfer to stage 3	166,778	-	-
	156,528	(6,228)	13,083
Amounts written off / charged off	-	-	-
Changes in risk parameters	-	-	-
Other changes (to be specific)	-	-	-
Closing balance	2,036,229	17,214	164,919

9.6 Advances - Category of classification

		30 September 2023 (Un-audited)	
		Outstanding amount	Credit loss allowance Held
		(Rupees in '000)	
Domestic			
Performing	Stage 1	9,157,544	(164,918)
Underperforming	Stage 2	798,959	(17,213)
Non-Performing	Stage 3		
Substandard		370,618	(166,778)
Doubtful		-	-
Loss		1,868,052	(1,869,422)
		2,238,670	(2,036,200)
		12,195,173	(2,218,331)

Comparative disclosures of note 9.5 and note 9.6 under IFRS-9 have not been presented in these condensed interim financial statements , as they are impracticable.

	Note	30 September 2023	31 December 2022
		(Un-audited)	(Audited)
		(Rupees in '000)	
10. Property and equipment			
Property and equipment		458,580	472,102

	30 September 2023	31 December 2022
	(Un-audited)	(Audited)
Note	----- (Rupees in '000) -----	

10.1 Additions to property and equipment

The following additions have been made to property and equipment during the period/year :

Property and equipment

Buildings	-	199,500
Leasehold improvements	-	77,393
Furniture and fixtures	169	-
Electrical office and computer equipment	6,529	12,037
	6,698	288,930

10.2 Disposal of property and equipment

The net book value of property and equipment disposed off during the period is as follows:

	30 September 2023	31 December 2022
	(Un-audited)	(Audited)
Note	----- (Rupees in '000) -----	

Property and equipment

Furniture and fixtures	-	165
Electrical office and computer equipment	83	70
	83	235

11. INTANGIBLE ASSETS

Computer softwares and licenses		525	230
Capital work in progress	11.1	8,758	4,972
		9,283	5,202

11.1 The amount represents payment made to the software vendor for the software being implemented, by the Company.

12. DEFERRED TAX ASSETS

30 September 2023 (Un-audited)			
At 01 January 2023	Recognised in profit and loss account	Recognised in other comprehensive income	At 30 June 2023
----- (Rupees in '000) -----			
Deductible Temporary Differences on			
- Provision against advances, off balance sheet, etc.	513,833	(138,587)	375,246
- Post retirement employee benefits	1,142	-	1,142
- Deficit on revaluation of investments - net	2,710	63,870	66,580
- Others	81	624	705
	517,766	(137,963)	443,673
Taxable Temporary Differences on			
- Post retirement employee benefits	-		-
- Loss on Sale of Shares	-		-
- Accelerated tax depreciation	(49,367)	33,408	(15,959)
- Lease assets	(9,906)	110,000	100,094
	(59,273)	143,408	84,135
	458,493	5,445	527,808

12.1 Deferred tax asset of Rs. 157.9 million (31 December 2022: Rs. 30.9 million) on deductible temporary difference has not been recorded which pertains to provision for non-performing loans & loss on sale of shares due to uncertainty of timing of reversal of these temporary differences. The deferred tax is recorded at 29% in the financial statements.

31 December 2022 (Audited)			
At 01 January 2022	Recognised in profit and loss account	Recognised in other comprehensive income	At 31 December 2022
----- (Rupees in '000) -----			
Deductible Temporary Differences on			
- Provision against advances, off balance sheet, etc.	506,578	7,255	513,833
- Lease liability against right-of-use assets	1,369	(1,369)	-
- Post retirement employee benefits	-	1,142	1,142
- Deficit on revaluation of investments - net	-	2,710	2,710
- Others	1,631	(1,550)	81
	509,578	4,336	517,766
Taxable Temporary Differences on			
- Surplus on revaluation of investments - net	(11,594)	-	11,594
- Post retirement employee benefits	(1,679)	-	1,679
- Surplus on revaluation of non-banking asset	(12,893)	-	12,893
- Right-of-use assets - net	(2,364)	2,364	-
- Accelerated tax depreciation	(8,583)	(6,075)	(49,367)
- Lease assets	(10,993)	1,087	(9,906)
	(48,106)	(2,624)	(59,273)
	461,472	1,712	458,493

		30 September 2023 (Un-audited)	31 December 2022 (Audited)
	Note	----- (Rupees in '000) -----	
13. OTHER ASSETS			
Income / Mark-up accrued in local currency - net of provision	13.1	1,417,811	636,487
Advances, deposits and prepayments		33,213	105,831
Advance taxation (payments less provisions)		515,309	334,442
Dividend receivable		306	150
Security deposits		1,583	1,583
		<u>1,968,222</u>	<u>1,078,493</u>
Less: Provision held against other assets		-	-
		<u>1,968,222</u>	<u>1,078,493</u>

13.1 Provision held against other assets

Mark-up suspended amounting to PKR 2,080.746 million (2022: PKR 1,769.26 million) included in provision against other asset, has been netted off against the markup receivable amount.

		30 September 2023 (Un-audited)	31 December 2022 (Audited)
	Note	----- (Rupees in '000) -----	
14. BORROWINGS			
In Pakistan (local currency)	14.1	<u>22,080,246</u>	<u>20,336,117</u>
14.1 Details of borrowings secured / unsecured			
Secured			
Borrowings from State Bank of Pakistan- Under financing facility for:			
- Imported & Locally Manufactured Plant & Machinery (LTFF)	14.2	1,611,270	1,825,320
- Renewable Energy Facility (REF)	14.3	598,085	641,196
- Temporary Economic Refinance Facility (TERF)	14.4	1,225,023	1,138,983
- Financing Facility for Storage of Agriculture Produce (FFSAP)	14.5	160,001	174,168
		<u>3,594,379</u>	3,779,667
Borrowings from State Bank of Pakistan - open market operation	14.6	<u>10,700,000</u>	7,300,000
Total Borrowings from State Bank of Pakistan		<u>14,294,379</u>	11,079,667
Repurchase agreement borrowings	14.7	658,089	356,450
Term borrowings	14.8	<u>4,127,778</u>	4,900,000
Total Secured		<u>19,080,246</u>	16,336,117
Unsecured			
Call borrowings		<u>3,000,000</u>	4,000,000
Total Unsecured		<u>3,000,000</u>	4,000,000
		<u>22,080,246</u>	<u>20,336,117</u>

14.2 The Company has obtained funds from the SBP for extending Long Term Financing Facility (LTFF) for Imported & Locally Manufactured Plant & Machinery. These borrowings carry mark-up rate of 1.0% to 15.0% per annum (31 December, 2022: 2.0% to 7.0%). These borrowings will mature by 2033 (31 December, 2022 : 2032).

14.3 The Company has obtained funds from the SBP for extending financing Facility for renewable energy facility (REF). These borrowings carry mark-up rate of 2.0% to 3.0% per annum (31 December, 2022: 2.0% to 3.0%). These borrowings will mature by 2034 (31 December, 2022: 2034).

- 14.4** The Company has obtained funds from the SBP for extending Temporary Economic Refinance Facility (TERF) for economic relief. These borrowings carry mark-up rate of 1.0% per annum (31 December, 2022: 1.0%). These borrowings will mature by 2032 (31 December, 2022: 2032).
- 14.5** The Company has obtained funds from the SBP for extending Financing Facility for Storage of Agricultural Produce (FFSAP) for economic relief. These borrowings carry mark-up rate of 2.0% per annum (31 December, 2022: 2.0%). These borrowings will mature by 2029 (31 December, 2022: 2029).
- 14.6** These carry mark-up at the rates ranging from 22.18% to 22.32% per annum (31 December, 2022: 15.25% to 16.25% per annum) and are secured against government securities having carrying amount of Rs 10,476.787 million (31 December, 2022: Rs 7,188.905 million). These borrowings will mature up to November 2023 (31 December, 2022: March 2023).
- 14.7** These carry mark-up at the rates ranging from 22.10% to 22.70% per annum (31 December, 2022: 16.2% per annum) and are secured against government securities having carrying amount of Rs. 676.214 million (31 December, 2022: Rs. 358.059 million). These borrowings will mature up to October 2023 (31 December, 2022: January 2023).
- 14.8** These represent finances obtained from Allied Bank Limited to finance regular business operations of the Company. These finances are secured against pledge of all present and future movable assets (excluding investments). It carries mark up at the rate of 6 months KIBOR +0.10 to 0.25% per annum. These are repayable in semi annual installments and shall be repaid by 2027.

	Note	30 September 2023 (Un-audited)	31 December 2022 (Audited)
----- (Rupees in '000) -----			
15. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Term deposits - In Local Currency	15.2	1,400,655	791,213
Financial Institutions			
Term deposits - In Local Currency	15.3	1,277,105	980,397
		<u>2,677,760</u>	<u>1,771,610</u>
15.1 Composition of deposits			
- Individuals	15.4	508,663	331,491
- Public Sector Entities		-	-
- Non-Banking Financial Institutions	15.5	1,277,105	980,397
- Private Sector	15.6	891,992	459,722
		<u>2,677,760</u>	<u>1,771,610</u>

- 15.2** The mark-up rates on these certificate of investments (COI) range between 15.50% to 22.50% per annum (31 December, 2022: 11.75% to 16.50% per annum). These COIs will mature up to September 2024 (31 December, 2022: December 2023).
- 15.3** The mark-up rates on these certificate of investments (COI) is 22.35% per annum (2022:15.35% to 16.35% per annum). These COIs will mature up to Dec 2023 (31 December, 2022: March 2023).
- 15.4** These includes both interest bearing and non-interest bearing certificate of investments (COI) issued to the employees of the Company maturing up to till Jan 2026 (31 December, 2022: July 2025). The interest bearing deposits carry interest rates ranging between 21.50% to 22.50% per annum (31 December, 2022: 14.55% to 16.50% per annum).
- 15.5** This includes dividend and mark-up earned thereon not remitted to Iran Foreign Investment Company (IFIC) due to foreign exchange remittance restrictions, that had been invested on IFIC's instructions in the Company's certificates of investment.
- 15.6** This represents interest bearing certificate of investments (COI) issued to the private companies maturing up to June 2024 (31 December, 2022 : November 2023).The interest bearing COIs carry interest rates ranging between 15.50% to 22.50% per annum (31 December, 2022: 11.75% to 16.35% per annum).

			30 September 2023	31 December 2022
			(Un-audited)	(Audited)
		Note	----- (Rupees in '000) -----	
16. OTHER LIABILITIES				
Mark-up / return / interest payable in local currency			581,338	280,997
Accrued expenses			41,030	24,582
Payable to defined benefit plan			8,372	7,874
Payable to an associated undertaking			12,632	10,721
Government levies payable			-	2,531
Provision for audit fee			1,407	1,469
Advance insurance premium on lease			753	613
Security deposits against finance lease			642,615	393,191
Provision for staff rewards			20,871	33,391
Provision for Worker's Welfare Fund			115,388	104,900
			1,421,196	860,269
17. SHARE CAPITAL				
17.1 Authorised capital				
	30 September 2023	31 December 2022		
	(Un-audited)	(Audited)		
	(Number of shares)		30 September 2023	31 December 2022
			(Un-audited)	(Audited)
		Note	----- (Rupees in '000) -----	
	1,000,000,000	1,000,000,000	10,000,000	10,000,000
		Ordinary shares of Rs. 10 each		
17.2 Issued, subscribed and paid-up share capital				
	600,000,000	600,000,000	6,000,000	6,000,000
		Ordinary shares of Rs. 10 each		
	600,000,000	600,000,000	6,000,000	6,000,000
		Fully paid in cash		
17.3 Major shareholders (holding more than 5% of total paid-up capital)				
			30 September 2023	31 December 2022
			(Un-audited)	(Audited)
Name of shareholder	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Government of Pakistan	300,000,000	50%	300,000,000	50%
Iran Foreign Investment Company	300,000,000	50%	300,000,000	50%
	600,000,000	100%	600,000,000	100%
			30 September 2023	31 December 2022
			(Un-audited)	(Audited)
18. RESERVES			----- (Rupees in '000) -----	
Statutory reserve				
Opening balance			1,093,746	1,004,551
Transfer during the period / year			99,314	89,195
Closing balance			1,193,060	1,093,746

18.1 According to BPD Circular No. 15 dated 31 May 2004 issued by SBP, an amount not less than 20% of the after tax profits shall be transferred to create a reserve fund till such time the reserve fund equals the amount of the paid-up capital and after that a sum not less than 5% of profit after tax shall be credited to the statutory reserve.

		30 September 2023 (Un-audited)	31 December 2022 (Audited)
		----- (Rupees in '000) -----	
19.	(DEFICIT) / SURPLUS ON REVALUATION OF ASSETS		
	(Deficit) / surplus on revaluation of		
	- Securities measured at FVOCI-Debt	8.1	(185,915)
	- Securities measured at FVOCI-Equity		(21,686)
		(141,130)	(249,521)
		(327,045)	(271,207)
	Deferred tax on surplus / (deficit) on revaluation of:		
	- Securities measured at FVOCI-Debt		19,965
	- Securities measured at FVOCI-Equity	19.1	46,615
			2,710
			-
		66,580	2,710
		(260,465)	(268,497)

19.1 Deferred tax asset of Rs 18.43 million on deductible temporary differences has not been recorded, pertaining to loss on sale of shares.

		30 September 2023 (Un-audited)	31 December 2022 (Audited)
		----- (Rupees in '000) -----	
20.	CONTINGENCIES AND COMMITMENTS		
	-Commitments	20.1-20.3	12,085,536
	-Other contingent liabilities	20.4	8,214,853
			245,280
		12,330,816	8,460,133
20.1	Commitments in respect of repo transactions		
	Repurchase agreement borrowings		11,358,089
			7,656,450
20.2	Direct credit substitutes		224,445
			224,565

The amount represents Standby Letter of Credit and Letter of Comfort facilities issued to the Company's clients in its normal course of business.

20.3 Commitments to extend credit

The Company makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

20.4 Other contingent liabilities

20.4.1 With respect to tax year 2009, 2011, 2012 & 2013 ADCIR amended assessment under Section 122(5A) of the Ordinance. The ACIR passed order under Section 122(5A) raising demand amounting to Rs. 23.3 million, Rs. 57.6 million, Rs. 32.152 million & Rs. 45.219 million respectively. The Company filed appeals against the order before the CIR(A). The CIR(A) upheld the order of ACIR. The Company, then filed appeals before the Appellate Tribunal Inland Revenue (ATIR) in respect of the orders passed by the CIR(A). The appeal is pending before ATIR. The Company, in consultation with its tax advisor, is confident of a favourable outcome.

- 20.4.2** The Additional Commissioner Inland Revenue (ADCIR) amended the assessments for tax year 2015 and raised demand of Rs. 80.433 million which was later revised to Rs. 87.014 million. The demand was challenged by the Company by filing an appeal with the CIR(A). However, on confirmation of the demand order by CIR(A) the Company filed an appeal before the ATIR and made payment of Rs. 17.5 million under protest. The ATIR through its order dated 24 November 2016 deleted the demand and directed the department to work out the liability of WWF in the light of Supreme Court's order. Consequently, the tax department filed a reference in High Court, dated 16 February 2017, which is yet to be admitted for hearing. Moreover, certain issues were remanded back by the ATIR under the aforementioned order against which relief has been allowed by the CIR(A) however, appeal effect order is pending. The company in consultation with its tax advisor, is confident of a favorable outcome.
- 20.4.3** With respect to tax year 2016, ADCIR amended the assessment and demand amounting to Rs. 52.049 million was created. The Company admitted tax imposed on commission income amounting to Rs. 1.031 million, which was paid and on other issues filed appeal to CIR(A) against ADCIR order. The CIR(A) passed order and decided the appeal and allowed partial relief. Order to the extent of apportionment of Finance Cost was confirmed by CIR(A). An appeal effect order under section 124 of the Ordinance is required to be passed for the relief allowed by CIR(A). The company and the department has filed appeals before the Appellate Tribunal Inland Revenue (ATIR) on the issue decided against it. The demand of Rs. 52.049 million was created which was paid by the company under protest. The company in consultation with its tax advisor, is confident of a favorable outcome.
- 20.4.4** With respect to tax year 2017, ADCIR amended the assessment and demand amounting to Rs. 46.351 million was created. The Company paid the demand / adjusted the refund under protest and filed appeal against order before CIR(A). The CIR(A) passed order and has decided the appeal and allowed partial relief and accepted contention except on apportionment of markup expenses. An appeal effect order under Section 124 of the Ordinance is required to be passed for the relief allowed by CIR(A). Moreover, both the Company and the department have filed appeals before the ATIR on the issues decided against them. The appeal is awaited to be heard. The issue is pending before ATIR. The company in consultation with its tax advisor, is confident of a favorable outcome.
- 20.4.5** With respect to tax year 2018, ADCIR amended the assessment under Section 122(5A) of the Ordinance. The ACIR has passed order under Section 122(5A) reducing the refund amounting to Rs. 17.962 million. The Company filed an appeal against the order before the CIR(A). The CIR(A) passed order and has decided the appeal and allowed partial relief and accepted our contention except on apportionment of markup expenses. An appeal effect order under Section 124 of the Ordinance is required to be passed for the relief allowed by CIR(A). The company has filed an appeal before ATIR. The appeal is pending for hearing. The company in consultation with its tax advisor, is confident of a favorable outcome.

21. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Off balance sheet financial instruments referred to as derivatives, contracts the characteristics of which are derived from those of underlying assets. These include forwards and swaps in money and foreign exchange markets. The Company also enters into repo transactions against government securities carrying fixed interest rates and having fixed contractual maturities. The credit risk associated with repo transactions is secured through underlying government securities.

22. DERIVATIVE INSTRUMENTS

The Company at present does not offer structured derivative products such as interest rate swaps, forward rate swaps, forward rate agreements or forward exchange options. However, the Company treasury and investment group buy and sell derivative instruments such as equity futures from time to time.

22.1 Equity futures

An equity futures contract is a standardized contract, traded on a futures counter of the stock exchange, to buy or sell a certain underlying scrip at a certain date in the future, at a specified price.

The Company may use equity futures as a hedging instrument to hedge its equity portfolio against equity price risk. Only selected shares are allowed to be traded on futures exchange. Equity futures give flexibility to the Company either to take delivery on the future settlement date or to settle it by adjusting the notional value of the contract based on the current market rates.

Maximum exposure limit to the equity futures is 10% of tier 1 capital of the Company, based on prevailing SBP regulations.

		30 September 2023 (Un-audited)	30 Sep 2022 (Un-audited)
	Note	----- (Rupees in '000) -----	
23. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances		978,345	474,568
On investments		3,179,466	1,702,754
On deposits with financial institutions		2,898	2,069
On lendings to financial institutions		250	827
		<u>4,160,959</u>	<u>2,180,218</u>
23.1 Interest income (calculated using effective interest rate method) recognised on:			
Financial assets measured at amortised cost;		981,493	2,180,218
Financial assets measured at fair value through OCI.		3,179,466	-
		<u>4,160,959</u>	<u>2,180,218</u>
24. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		345,050	118,380
Securities sold under repurchase agreements		138,480	268,360
On borrowing from State Bank of Pakistan- Under financing facility			
- Imported & Locally Manufactured Plant & Machinery (LTFF)		31,513	28,276
- Temporary Economic Refinance Facility (TERF)		8,980	12,647
- Renewable Energy (REF)		13,416	5,507
- Financing Facility for Storage of Agriculture Produce (FFSAP)		2,440	86
Borrowings from State Bank of Pakistan - open market operation		1,409,142	259,516
Term Borrowing		664,693	399,880
Unwinding cost of liability against the right-of-use assets		-	611
Clean Borrowing		389,650	288,517
		<u>3,003,364</u>	<u>1,381,780</u>
25. FEE & COMMISSION INCOME			
Credit related fees		11,903	17,099
Commission on trade		-	-
Commission on guarantees		1,010	1,608
		<u>12,913</u>	<u>18,707</u>
26. GAIN / (LOSS) ON SALE OF SECURITIES			
Realised gain / (loss)	26.1	20,184	(18,317)
Unrealised loss on financial assets at FVPL		(886)	(7,345)
	26.2	<u>19,298</u>	<u>(25,662)</u>
26.1 Realised gain / (loss) on:			
Shares		<u>20,184</u>	<u>(18,317)</u>

	30 September 2023 (Un-audited) ----- (Rupees in '000) -----	30 Sep 2022 (Un-audited)
26.2 Net gain / loss on financial assets / liabilities measured at FVPL:		
Designated upon initial recognition	-	-
Mandatorily measured at FVPL	20,184	-
	20,184	-
Net gain / (loss) on financial assets / liabilities measured at amortised cost	-	-
Net gain / (loss) on financial assets measured at FVOCI	-	-
Net gain / (loss) on investments in equity instruments designated at FVOCI	(2,270)	-
	(2,270)	-
	17,914	-
	17,914	-
27. OPERATING EXPENSES		
Total compensation expense	296,272	235,112
Property expense		
Property taxes	626	-
Insurance	4,696	2,926
Utilities cost	4,213	6,652
Security (including guards)	1,199	398
Repair & maintenance (including janitorial charges)	13,137	10,694
Depreciation on right-of-use assets	-	8,312
Depreciation on owned assets	11,596	6,695
	35,467	35,677
Information technology expenses		
Software maintenance	2,506	3,321
Hardware maintenance	1,782	-
Depreciation	5,703	4,282
Amortisation	102	91
Network charges	7,639	4,314
Others	415	829
	18,147	12,837
Other operating expenses		
Directors' fees and allowances	8,375	10,000
Legal & professional charges	6,128	7,085
Travelling & conveyance	24,368	8,518
Depreciation	2,840	2,917
Training & development	849	344
Postage & courier charges	209	123
Communication	1,290	1,288
Stationery & printing	1,506	1,493
Marketing, advertisement & publicity	825	1,468
Donations	-	2,000
Auditors Remuneration	2,178	2,396
Commission and brokerage	2,082	3,378
Others	3,328	2,473
	53,978	43,483
	403,864	327,109

		30 September 2023 (Un-audited)	30 Sep 2022 (Un-audited)
	Note	----- (Rupees in '000) -----	
27.1 Total compensation expense			
i Fees and Allowances etc		-	-
ii Employees Remuneration			
i) Fixed		138,025	117,609
ii) Variable			
of which;			
a) Cash Bonus / Awards etc.		49,364	25,510
b) Bonus & Awards in Shares etc.		-	-
iii Charge for defined benefit plan		12,247	9,247
iv Contribution to defined contribution Plan		10,325	9,058
v Rent & house maintenance		32,294	30,070
vi Utilities		8,167	6,828
vii Medical		9,336	8,709
viii Conveyance		36,514	28,081
Total		<u>296,272</u>	<u>235,112</u>
28. CREDIT LOSS ALLOWANCE & WRITE OFFS - NET			
Credit loss allowance against lending to financial institutions		-	-
Credit loss allowance for diminution in value of investments	8.3	14,495	14,189
Credit loss allowance against loans & advances	9.5	163,382	55,093
		<u>177,877</u>	<u>69,282</u>
29. TAXATION			
Current		204,858	133,593
Prior period		-	21,508
Deferred		(5,445)	(12,185)
		<u>199,413</u>	<u>142,916</u>
30. BASIC & DILUTED EARNINGS PER SHARE			
Profit for the period		<u>496,569</u>	<u>328,554</u>
		(Number of Shares in '000)	
Weighted average number of ordinary shares		<u>600,000</u>	<u>600,000</u>
Basic & diluted earnings per share		<u>0.83</u>	<u>0.55</u>

31. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

31.1 Fair value of financial assets

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

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

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

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

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. Fair value of financial instruments is based on:

Government securities	PKRV / PKFRV rates (MUFAP rates)
Term finance certificates and sukuk bonds (other than government)	MUFAP rates
Listed securities	PSX rates

In the opinion of the management, the fair value of the remaining financial assets and liabilities is not significantly different from their carrying values.

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31.2 The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measured is categorised.

On balance sheet financial instruments	30 September 2023 (Un-audited)			
	Fair value			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in 000) -----			
Financial				
Federal Government Securities	15,052,420	-	-	15,052,420
Units of mutual funds	-	-	-	-
Shares in listed companies	1,264,144	-	-	1,264,144
Non Government Debt Securities	2,511,626	3,631,418	-	6,143,044
	18,828,190	3,631,418	-	22,459,608

	31 December 2022			
	Fair value (Audited)			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in 000) -----			
Financial				
Federal Government Securities	13,735,102	-	-	13,735,102
Units of mutual funds	-	-	-	-
Shares in listed companies	1,077,444	-	-	1,077,444
Non Government Debt Securities	2,695,237	3,465,491	-	6,160,728
	17,507,783	3,465,491	-	20,973,274

32. RELATED PARTY TRANSACTIONS

Related parties of the Company comprise retirement benefit plan, major shareholders, directors, key management personnel and their close family members.

The Company enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	30 September 2023 (Un-audited)			31 December 2022 (Audited)		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
	----- (Rupees in '000) -----					
Advances	-	79,776	-	-	77,032	-
Addition during the period / year	-	5,827	-	-	18,395	-
Repaid during the period / year	-	(21,957)	-	-	(15,651)	-
Closing balance		63,646	-	-	79,776	-
Other Assets						
Other receivable	-	-	18,688	-	-	15,184
Receivable from defined contribution plan			415			
Deposits and other accounts						
Opening balance	-	89,441	1,132,110	-	34,127	852,782
Received during the period / year	-	780,406	3,970,170	-	642,003	4,111,777
Withdrawn during the period / year	-	(785,868)	(3,647,216)	-	(586,689)	(3,832,449)
Closing balance	-	83,979	1,455,064	-	89,441	1,132,110
Other Liabilities						
Interest / mark-up payable	-	1,019	67,657	-	884	37,679
- bonus payable to MD/CEO	-	10,241	-	-	2,965	-
- bonus payable to Key Executives	-	675	-	-	-	-
- payable to Iran Foreign Investment Company - associate	-	-	13,332	-	-	10,721
- director fee payable	-	-	-	700	-	-
Payable to defined benefit plan	-	-	8,372	-	-	-
	-	11,935	89,361	700	3,849	48,400
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
	30 September 2023 (Un-audited)			30 Sep 2022 (Un-audited)		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties *
RELATED PARTY TRANSACTIONS	----- (Rupees in '000) -----					
Income						
Mark-up / return / interest earned	-	2,613	-	-	3,151	-
Expense						
Mark-up / return / interest paid	-	14,147	196,470	-	1,062	42,377
Operating expenses						
Fees for Board & Committee Meeting	8,375	-	-	11,250	-	-
Allowance for Board & Committee Meeting	-	-	-	-	-	-
Managerial Remuneration	-	133,702	-	-	75,031	-
Contribution to defined contribution plan	-	6,259	-	-	5,200	-
Rent & house maintenance	-	17,250	-	-	13,092	-
Utilities	-	4,748	-	-	3,510	-
Medical	-	4,493	-	-	3,864	-
Conveyance	-	14,357	-	-	9,011	-
Others	-	481	-	-	525	-
Contribution to the defined contribution plan *	-	-	10,325	-	-	9,058
Payment to the defined benefit plan *	-	-	12,247	-	-	9,247
Charge for defined benefit plan *	-	-	12,247	-	-	9,247

* An associate and retirement benefit plans.

	30 September 2023 (Un-audited)	31 December 2022 (Audited)
	----- (Rupees in '000) -----	
33. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>6,000,000</u>	<u>6,000,000</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>5,312,091</u>	<u>4,775,875</u>
Eligible Additional Tier 1 (ADT 1) Capital	<u>-</u>	<u>-</u>
Total Eligible Tier 1 Capital	<u>5,312,091</u>	<u>4,775,875</u>
Eligible Tier 2 Capital	<u>-</u>	<u>-</u>
Total Eligible Capital (Tier 1 + Tier 2)	<u>5,312,091</u>	<u>4,775,875</u>
Risk Weighted Assets (RWAs):		
Credit Risk	<u>11,999,388</u>	<u>10,647,074</u>
Market Risk	<u>2,790,447</u>	<u>1,609,085</u>
Operational Risk	<u>2,017,508</u>	<u>2,017,508</u>
Total	<u>16,807,343</u>	<u>14,273,667</u>

	30 September 2023 (Un-audited)		31 December 2022	
	Required	Actual	Required	Actual
Common Equity Tier 1 Capital Adequacy ratio (%)	<u>6.00%</u>	<u>31.61%</u>	<u>6.00%</u>	<u>33.46%</u>
Tier 1 Capital Adequacy Ratio (%)	<u>7.50%</u>	<u>31.61%</u>	<u>7.50%</u>	<u>33.46%</u>
Total Capital Adequacy Ratio (%)	<u>11.5%*</u>	<u>31.61%</u>	<u>11.50%</u>	<u>33.46%</u>

Standardized Approach of Basel III is used for calculating Capital Adequacy for Credit and Market Risk while Basic indicator Approach is used for calculating Capital Adequacy for Operational Risk.

	30 September 2023 (Un-audited)	31 December 2022 (Audited)
	----- (Rupees in '000) -----	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	<u>5,312,091</u>	<u>4,775,875</u>
Total Exposures	<u>36,060,230</u>	<u>29,390,454</u>
Leverage Ratio	<u>14.73%</u>	<u>16.25%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	<u>4,837,219</u>	<u>5,917,500</u>
Total Net Cash Outflow	<u>3,021,841</u>	<u>3,758,333</u>
Liquidity Coverage Ratio (%)	<u>1.60</u>	<u>1.57</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	<u>17,632,869</u>	<u>18,297,577</u>
Total Required Stable Funding	<u>16,071,826</u>	<u>14,610,898</u>
Net Stable Funding Ratio (%)	<u>110%</u>	<u>125%</u>

33.1 State Bank of Pakistan issued Green Banking Guidelines vide IH&SMEFD Circular No. 08 of 2017 with a view to safeguarding against environmental risks emerging from banks and DFIs' businesses and operations. In order to align the DFI with regulatory expectations, PICL has put in place a Green Banking Framework focusing on following three areas:

1) Environmental Risk Management

For increasing financial stability through management and mitigation of environmental Risks of Lending portfolio, PICL has in place integration of environmental risk considerations into the credit risk assessment by introducing an Environmental Risk Rating, which is part of the Credit Risk Assessment.

2) Business Facilitation

The DFI is pursuing a green portfolio through soliciting clients for Renewable Energy related Lending by offering the SBP's Renewable Energy Refinance Scheme.

3) Own Impact Reduction

In order to reduce its own impact on environment, the DFI has set targets to lower its energy consumption, paper and waste reduction, bring energy efficient equipments, and plantation of greenery in surroundings.

30 September 2023 (Un-audited)

Segment Details with respect to Business Activities

	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	Total
----- (Rupees in '000) -----					
Profit & Loss					
Net mark-up/return/profit	1,006,217	241,185	-	(89,807)	1,157,595
Inter segment revenue - net	-	-	-	-	-
Non mark-up / return / interest income	12,913	-	114,934	2,769	130,616
Total Income	1,019,130	241,185	114,934	(87,038)	1,288,211
Segment direct expenses	42,931	23,726	16,319	331,376	414,352
Inter segment expense allocation	-	-	-	-	-
Total expenses	42,931	23,726	16,319	331,376	414,352
Provisions	175,044	2,800	-	33	177,877
Profit before tax	801,155	214,659	98,615	(418,447)	695,982

30 September 2023 (Un-audited)

	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	Total
----- (Rupees in '000) -----					
Balance Sheet					
Cash & Bank balances	-	-	-	397,488	397,488
Investments	4,679,198	16,557,021	1,353,699	-	22,589,918
Net inter segment lending	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-
Advances - performing	9,678,178	-	-	116,966	9,795,144
Advances - non-performing	181,698	-	-	-	181,698
Others	452,442	965,375	306	1,545,770	2,963,893
Total Assets	14,991,516	17,522,396	1,354,005	2,060,224	35,928,141
Borrowings	6,413,642	15,249,594	417,010	-	22,080,246
Subordinated debt	-	-	-	-	-
Deposits & other accounts	1,828,904	578,334	270,522	-	2,677,760
Net inter segment borrowing	-	-	-	-	-
Others	160,255	421,084	-	839,857	1,421,196
Total liabilities	8,402,801	16,249,012	687,532	839,857	26,179,202
Equity	6,588,715	1,273,384	666,472	1,220,368	9,748,939
Total Equity & liabilities	14,991,516	17,522,396	1,354,004	2,060,225	35,928,141
Contingencies & Commitments	245,280	11,358,089	-	727,447	12,330,816

30 Sep 2022 (Un-audited)

	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	Total
	----- (Rupees in '000) -----				
Profit & Loss					
Net mark-up/return/profit	645,981	194,681	-	(42,224)	798,438
Inter segment revenue - net	-	-	-	-	-
Non mark-up / return / interest income	18,707	-	48,841	11,410	78,958
Total Income	664,688	194,681	48,841	(30,814)	877,396
Segment direct expenses	34,477	12,883	15,032	274,252	336,644
Inter segment expense allocation	-	-	-	-	-
Total expenses	34,477	12,883	15,032	274,252	336,644
Provisions	57,082	-	12,200	-	69,282
Profit before tax	573,129	181,798	21,609	(305,066)	471,470

31 December 2022 (Audited)

	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	Total
	----- (Rupees in '000) -----				
Balance Sheet					
Cash & Bank balances	-	-	-	196,019	196,019
Investments	4,632,624	15,433,848	1,022,543	-	21,089,015
Net inter segment lending	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-
Advances - performing	9,146,351	-	-	126,089	9,272,440
Advances - non-performing	169,291	-	-	-	169,291
Others	275,982	373,023	150	1,365,135	2,014,290
Total Assets	14,224,248	15,806,871	1,022,693	1,687,243	32,741,055
Borrowings	6,759,441	13,112,998	463,678	-	20,336,117
Subordinated debt	-	-	-	-	-
Deposits & other accounts	1,077,347	526,620	167,643	-	1,771,610
Net inter segment borrowing	-	-	-	-	-
Others	98,036	182,957	-	579,276	860,269
Total liabilities	7,934,824	13,822,575	631,321	579,276	22,967,996
Equity	6,289,424	1,984,296	391,372	1,107,967	9,773,059
Total Equity & liabilities	14,224,248	15,806,871	1,022,693	1,687,243	32,741,055
Contingencies & Commitments	224,565	7,656,450	-	-	7,881,015

35 GENERAL

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

35.2 The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long term entity rating to AA (Double A) and the short term rating at A1+ (A one plus) of the Company dated June 23, 2023.

35.3 Corresponding figures

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

36 EVENTS AFTER THE REPORTING DATE

There are no events after the reporting date which could have material effect on these condensed interim financial statements.

37 DATE OF AUTHORISATION

These condensed interim financial statements were authorized for issue on _____ by the Board of Directors of the Company.

Sd/-	Sd/-	Sd/-	Sd/-	Sd/-
_____	_____	_____	_____	_____
Managing Director / Chief Executive Officer	Chief Financial Officer	Chairman	Director	Director