PAIR INVESTMENT COMPANY LIMITED

Financial Statements
for the Year Ended
December 31, 2023

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PAÏR

PAÏR INVESTMENT COMPANY LIMITED
CHAIRMAN's REVIEW FOR THE FINANCIAL YEAR 2023

It is my pleasure to share with you the Financial Statements of PAÏR Investment Company Limited ("the Company") for the year ended December 31, 2023.

With the patronage from both the shareholders, growth of the Company continues in a steday manner and seems fairly positive in the foreseeable future. The whole management team and the Board is fully geared towards increasing the profitability and strengthening the Company in the years ahead.

It is indeed a moment of pride while I share exceptionally good financial performance of the Company for the year ended December 31,2023. The Company continued its streak of outstanding performance, both in terms of the volumetric growth in the total assets size as well as in terms of profitability. The profit before tax increased by 69% and crossed the billion mark for the first time in the history of the company while,profit after tax came to72% at PKR 768.751million. The total asset of the Company continued to grow organically to PKR 36.441 billion which was anincrease of 11% over the last year. While the number of borrowers and depositors increased, the Company is continuously improving its systems and processes, the acquisition and implementation of new software is a key initiative in this respect. Towards the end of 2023 the credit management system has been successfully automated whereas, treasury module is in advance stage of compeltion.

While there were some additions to the list of non-performing loans however, the Board and management of the Company are proactively monitoring the overall portfolio as well as each of the borrower to ensure efficient management of the Portfolio. Effective from January 2023 Company adopted IFRS- 9 Financial Instruments which requires the calculation of Expected Credit Loss against all the financial assets in a certain way. This has significantly improved the Coverage ratios. All out efforts are being made to recover the non-performing assets. Court settlement cases are being vigorously pursued and many of them have been finalized during 2023. Overall positive impact on financial statements is expected. Investment portfolio composition was made keeping in view the change in the interest rates scenario.

Asset and Liability Committee continues to oversee the asset profile and keeps aligning the asset booking and fund generation keeping in view economic constraints. Efforts are being made to diversify the funding sources and increase in the customer base. Many new companies have been added during last year and more will be added to the portfolio during the coming year.

This was only possible because of the hardwok by highly motivated team of PAIR and cooperation from our partners and well wishers. I would therefore like to thank all partners and patrons including Iran Foreign Investments Company, Ministry of Finance- Government of Pakistan, State Bank of Pakistan and Securities & Exchange Commission of Pakistan for their guidance, cooperation and unwavering support to PAIR. I would also like to appreciate team members of PAIR, especially Mr. Abbas Daneshvar, CEO/MD, for their commitment and hardwork. Last but not least, I would like to thank my fellow Board members including Dr. Seyed Mohammad Hadi Sobhanian and Mr. Amir Mehmood for their ideas and support to enhance the performance of PAIR for the benefit of both Iran and Pakistan.

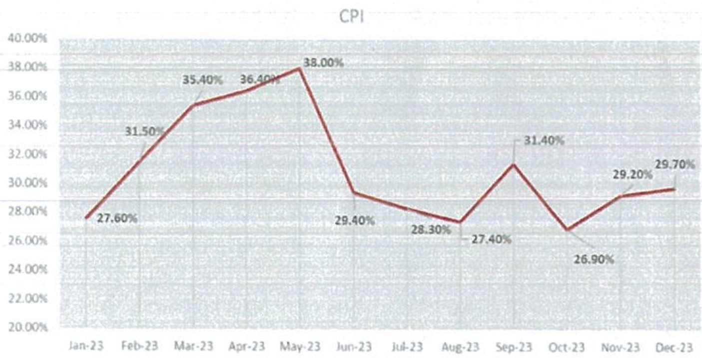
Zulfiqar Younas
Acting Chairman of the Board of Directors
February 22nd 2024
Pakistan

PAÏR INVESTMENT COMPANY LIMITED
DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2023

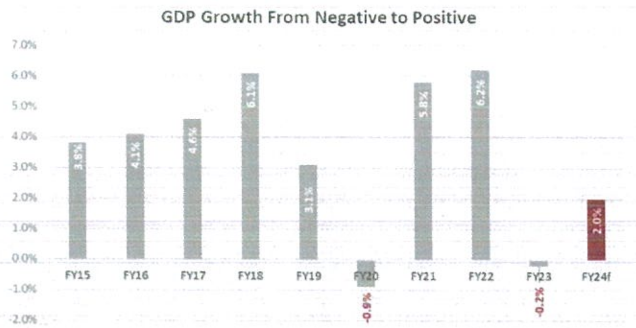
On behalf of the Board of Directors, I am pleased to present the Financial Statements of PAÏR Investment Company Limited (PAÏR) for the year ended December 31, 2023. These Financial Statements have been prepared in compliance with the requirements of BPRD Circular No. 10 dated November 27, 2018, and BPRD Circular No. 2 dated February 09, 2023.

Economic Overview:

Macro-economic environment of the country remained challenging while political uncertainty associated with the election kept the business sentiments and confidence swinging. The country grappled with an acute balance of payments crisis, marked by significantly low foreign exchange reserves of around USD 5.6 billion at start of the year, compounded further by elevated loan repayments. Inflation averaged at 31% in CY23, driven by currency adjustments and supply side constraints amidst devastating floods and import rationing. The country was able to secure a Stand-by Arrangement of USD 3 billion from IMF for 9 months towards the end of the first half of 2023. Which gave respite to some extent and restored some economic stability. A lot of economic indicators have improved thereafter. For the country to be eligible for the next IMF program the continuation of gradual improvement going forward is a must.



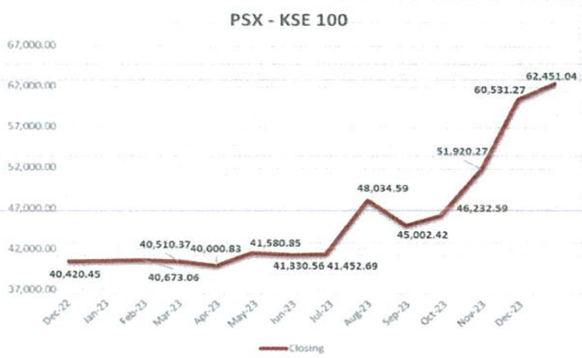
In terms of GDP growth, the economic activity remained lackluster. As per State Bank of Pakistan ("SBP") The real GDP growth decelerated considerably to 0.3 percent in FY23, from around 6 percent during the previous two years. It was the third lowest growth recorded in the history of Pakistan. Both the structural weaknesses, amplified by domestic and global shocks, and policy-induced slowdown in domestic demand severely constrained the post pandemic momentum in growth. GDP growth is expected to be maintained between 2% to 3 % for the fiscal year 2024 as per the latest Monetary Policy Statement ("MPS).



While inflation averaged 31% in CY2023, it is expected to start cooling off and fall in the range of 20-22% owing to high base effect. We believe that the run-rate of monthly price increments will slow down since bulk of the price increases in various items have already been implemented by the government. In the past monetary policy meetings from July 2023 till January CY2024, the central bank has held the rates unchanged, but expectations are building in the market that the first rate-cut may take place in March CY2024. During CY24, market analyst expects a 4 - 6% reduction in the policy rate. Creating room for the positive credit off take which remained negative for the first three quarter before turning positive in the last quarter of CY2023.

Date	Action	Rate
23-Jan-23	Rate increased by 100bps	17.00%
02-Mar-23	Rate increased by 300bps	20.00%
04-Apr-23	Rate increased by 100bps	21.00%
12-Jun-23	Unchanged	21.00%
26-Jun-23	Rate increased by 100bps	22.00%
31-Jul-23	Unchanged	22.00%
14-Sep-23	Unchanged	22.00%
30-Oct-23	Unchanged	22.00%
12-Dec-23	Unchanged	22.00%
29-Jan-24	Unchanged	22.00%

The stock market showcased robust rater phenomenal performance in CY 2023. The KSE-100 Index soared by a remarkable 22,031 points, reflecting a solid return of 54.5%. Investor sentiment turned to buoyancy with IMF SLA in November and other loan agreements & disbursements from Multilateral Development Banks, with significant funds from the Asian Development Bank (ADB), World Bank, and Asian Infrastructure Investment Bank (AIIB). Increased in foreign participation in the market as well as positive movement in the forex reserves and the CAD. Looking ahead, equities have substantial potential. Robust corporate earnings growth, attractive Price-to-Earnings multiples, and potential liquidity from institutional inflows, especially from foreigners, present positive indicators. Having said that, the political stability remains the key underling factor for the smooth functioning of the stock market.



Financial Highlights

Total assets Increased by PKR 3.7 billion and closed at PKR 36.4 billion as against PKR 32.7 billion as of December 31, 2022. Net Investment increased approximately by PKR 1.6 billion whereas net advances increased by PKR 1.2 billion when compared to the December 31, 2022. Increase in Investment comes to 7% while advances increased by 13%. The focus was to maintain the better averages from the start of the year which translated very well into the profit and loss numbers. Keeping expected change in the interest rate cycle the portfolio shift has been started from fourth quarter to build the fixed income investments. The rally in the stock market towards the later part of the half year went to the favour of the company and healthy gains were earned however to capitalize these gains portfolio size was reduced. The management is of the view that the replenishments should be done during the periods when the market takes corrections and not immediately.

Company continues to improve the balance sheet footings consistently. In increasing the balance sheet size there was no compromise on the quality of assets albeit the disproportionate increase in cost of doing the business has created such a pushback on some of the clients that we had to see some new classification in the nonperforming loans. Management is in active liaison with these borrowers and is positive for the full recovery of the classified loans. The gross advances as at close of 2023 are PKR 12.86 billion versus PKR 11.30 billion as at the close of 2022. New names were added along with deepening of the existing relationship. As the portfolio is growing the volumes are increasing in terms of disbursements too. The challenges in the wake of tough economic conditions are known to the management, hence each and every client in the portfolio is being evaluated and reassessed on a continuing basis. Team expansion and increasing the reach out remains in sight and ensured. The management will continue to grow the portfolio organically with caution. Debt securities comprising of the government securities and other than government securities have performed very well for the Company. The exposure in floater government bonds is not being increased rather additions are being made to the portfolio in form of the fixed income bonds, keeping in view the market and interest rate changes.

Profit and loss account continues its strong performance with a streak of upward movement. From the earnings stand point, FY-2023 was yet another good year for PAIR. PKR 5.87 billion were earned in the markup income as opposed to PKR 3.24 billion last year which is an increase of 81% while the Net Revenue from Fund increased by 53% to PKR 1.70 billion. Other income was more than doubled itself with last year capital market losses turning to positive while dividend income improved itself. Total non-markup income earned was PKR 223.52 million while the same was PKR 109.60 million. With the scarcity of funding, management is making all out efforts for exploring and venturing into the nonfunded avenues.

Effective January 01, 2023 the Company adopted the IFRS-9 therefore the credit losses against the assets are determined as accordingly. During the year specific charge of PKR 163.95 million while PKR 70.64 million in terms of general provision was taken against the non-performing loans. PKR 20.88 million were reversed from the stock of specific provision while general provisions were adjusted by PKR 55.37 million there were no write off during the year.

Administrative expenses grew in the wake of increase in fuel, electricity and other ancillary charges for office running. Management remained focused on modernizing the information technology infrastructure as such major work on the credit management system and treasury modules is completed. Effective beginning of 2024 the credit proposals are being processed through the newly implemented software solution. PAIR remains committed to align processes and upgrade the systems to deliver the financial solutions its customer require.

Credit Rating

Pakistan Credit Rating Agency Limited (PACRA) has reaffirmed entity rating long-Term Entity Rating 'AA '(Double A) and a short-term Entity Rating of 'A1+' (A-One Plus). These ratings indicate a very low expectation of credit risk emanating a very strong capacity for timely payment of financial commitments. The ratings of PAIR primarily reflect the joint sovereign ownership of Pakistan and Iran.

Statement of Internal Controls

The Board is pleased to endorse the statement made by management relating to internal controls including management's evaluation of ICFR. The Management's Statement on Internal Controls is included in the Annual Report.

Corporate and Financial Reporting Framework

The Board of Directors of PAÏR, for the purpose of establishing a framework of good corporate governance, has implemented the relevant provisions of the Code of Corporate Governance for the year ended December 31, 2023. Review report on the Statement of Compliance with the Code of Corporate Governance from the external auditors is annexed with this report. As required under the Code of Corporate Governance, the Board of Directors states that:

- The financial statements prepared by the management of PAÏR present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of the financial statements and any departure therefrom has been adequately disclosed.
- As a continuous process, efforts have been made to effectively implement the internal control system. An effective and sound system of internal control is in place in accordance with the requirements of the regulatory authorities.
- There is no doubt regarding PAÏR's ability to continue as a going concern.
- There has been no material departure from the best practices of the Code of Corporate Governance.
- Key operating and financial data for the years 2014-2023 in a summarized form is included in the annual report.
- The tax outstanding amount and reason thereon are properly disclosed in the attached financial statements.

Risk Management Framework

Taking cognizance of various types of business risks, an effective risk management framework is embedded in PAIR`s strategy and organization structure. An independent Credit and Risk Management Department ("CRMD") is working as a core function to strengthen Company-wide Risk Management activities by adopting Basel II/III Framework. PAÏR is fully compliant with the Capital Adequacy Requirements of the State Bank of Pakistan under the Standardized Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk.

The prevailing economic situation has led the company to set its focus towards the deployment of stringent risk management policies to assess, mitigate and monitor major risks associated with business operations of the company. Accordingly, the Company has established a set of activities and creates core functions to administer, manage and report in order to complement its core business objectives and to remain abreast with the latest developments & challenges to safeguard shareholders' interests & enhance Shareholder's wealth.

The Company has implemented a robust Internal Capital Adequacy Assessment Process (ICAAP) to establish more Risk Sensitive Assessment, Capital planning, formalization of Company-wide Risk Appetite, and to remain abreast of the internal and external risks that may impact future operations of the company. The deployment of this process allowed adequate management of capital as the Capital Adequacy Ratio stood at 36.41% against the regulatory requirement of 11.50% including Capital Conservation Buffer (CCB) of 1.5%. This contributed to the development of risk appetite and concentration levels with respect to the transaction level risk profiling as well as integrated portfolio management.

PAIR also periodically evaluates the organic strength of business by conducting Stress Testing of overall risk exposure. It helps to ensure the smooth operations of the business under hypothetically stressed circumstances. For this, CRMD applies shocks on different risk factors including interest rate, credit, equity price, and liquidity. Results of the latest stress testing exercise depict the solid and resilient financial position of the Company. The stress testing methodology implemented by PAIR is in adherence to SBP guidelines.

The Credit & Risk Management Department is also involved in the development of entity-wide policies, procedures, systems, and reporting mechanisms to achieve and maintain entity-wide best rating status and adaption of risk management principals in true letter and spirit. Further, the Board Risk Management Committee and Board of Directors of the Company, oversee the strategy related to risk management. In addition, the Internal Audit department conducts independent, risk-based review and verification of major functions throughout the year for evaluation of control systems supplemented by Internal Control and Compliance Divisions.

Events after the Date of Statement of Financial Position

There have not been any material events that occurred subsequent to the date of the statement of the financial position that requires adjustments to the enclosed financial statements, except those which have already been made or disclosed.

Corporate Social Responsibility

PAÏR Investment Company Limited is strongly committed to its corporate social responsibility. It is deeply ingrained in our work culture. We firmly believe that our responsibilities extend far beyond mere profitability, encompassing our dedication to our employees, society, and the environment.

For the employees we are delighted to share that PAÏR Investment Company Ltd. proudly sponsors one staff member each year to perform the Hajj. To ensure fairness, we employ a transparent balloting process during the selection. To encourage female participation in the progress of economy we aim at providing the enable environment for our female team members. In designing the new head office premises, emphasis was given to have a designated day care space where children can be brought in during the working hours to facilitate the working mothers. We feel even happier to report that the facility has been a helping hand to our male team members too from time to time. During the year we celebrated women's day too, to acknowledge the contributions our colleagues are making to the development of the organization. We aim to foster goodwill and strengthen our collective bond as a team.

We are privileged to highlight our ongoing philanthropic donations to various institutions. It's important to note that all directors, executives, and their spouses have no vested interests in these charitable endeavors. This transparency reinforces our commitment to making a positive impact on the communities we serve.

Being a joint venture between the two brotherly countries, inclusion of the charitable organizations or the projects of Iranian origin are also be ensured within the permissible rules and regulations.

During the year the Company paid donations to the following institutions where none of the directors, executives or their spouses had any interest in the done (Donation/Charity):

Name of the Institution	PKR '000
Iranian School managed locally	1,028
The Kidney Centre	600
Sindh Institute of Urology and Transplantation	1,372
Patient Aid Foundation	600
Layton Rahmatullah Benevolent Trust	600
The Citizen Foundation	800

Board of Directors

Five (5) Board Meetings were held during the year 2023. The director(s) who were not able to attend any of the meeting(s) were duly granted a leave of absence by the Board. The directors of the company attended the meetings, as under:

Name of Director	Category	Representing	Meetings Attended
Zahoor Ahmed - Director	*Non-executive Director*	MOF-Pakistan	2
Aamer Mahmood Hussain - Director	*Non-executive Director*	MOF-Pakistan	5
Zulfiqar Younas – Director**	*Non-executive Director*	MOF-Pakistan	3
Gholamreza Khalil Arjmandi - Director	*Non-executive Director*	IFIC -Iran	1
Masoud Mirzaei – Director***	*Non-executive Director*	IFIC -Iran	1
Seyed Mohammad Hadi Sobhanian****	*Non-executive Director*	IFIC -Iran	3
Abbas Daneshvar Hakimi Meibodi – MD/CEO	*Executive Director*	IFIC -Iran	5

**Mr. Arif Ahmed Khan appointed as chairman of the Board, resigned from the board on 25 March 2019. Thereafter the meetings are presided by acting chairman of the board with the unanimous consensus of the board members.*

The remuneration paid to Directors for participation in Board and Committee Meetings is disclosed in note 37.2 to the financial statements.

***Mr. Zulfiqar Younas was appointed as new Pakistani Board Member in place of Mr. Zahoor Ahmed on 29 August, 2023.*

****Mr. Masoud Mirzaei was appointed as new Iranian Board Member in place of Mr. Gholamreza Khalil Arjmandi on 16 March, 2023.*

*****Mr. Seyed Mohammad Hadi Sobhanian was appointed as new Iranian Board Member in place of Mr. Masoud Mirzaei on 13 September, 2023.*

Board Committees

Four (4) meetings of Board Audit Committee (BAC), Four (4) meetings of Board Risk Management Committee (BRMC), Three (3) meetings of Board Human Resource Committee (BHRCC) and Three (2) meeting of Board Strategic Investment Committee (BSIC) were held during 2023.

The member(s) who were not able to attend any of the meeting(s) were duly granted leave of absence by the committee. The details of the meetings attended by each committee member are as under:

<table>
<tr><th rowspan="2">Name of Director</th><th rowspan="2">Representing</th><th rowspan="2">Designation and name of committee</th><th colspan="4">No. of Meetings Attended</th></tr>
<tr><th>BAC</th><th>BRMC</th><th>BHRCC</th><th>BSIC</th></tr>
<tr><td rowspan="2">Zahoor Ahmed</td><td rowspan="2">MOF-Pakistan</td><td>Chairman - BSIC</td><td></td><td></td><td></td><td>1</td></tr>
<tr><td>Chairman - BHRC</td><td></td><td></td><td>2</td><td></td></tr>
<tr><td rowspan="3">Aamer Mahmood Hussain</td><td rowspan="3">MOF-Pakistan</td><td>Chairman - BAC</td><td>4</td><td></td><td></td><td></td></tr>
<tr><td>Member - BHRC</td><td></td><td></td><td>3</td><td></td></tr>
<tr><td>Chairman - BRMC</td><td></td><td>4</td><td></td><td></td></tr>
<tr><td rowspan="2">Zulfiqar Younas</td><td rowspan="2">MOF-Pakistan</td><td>Chairman - BSIC</td><td></td><td></td><td></td><td>2</td></tr>
<tr><td>Chairman - BHRC</td><td></td><td></td><td>1</td><td></td></tr>
<tr><td rowspan="3">Gholamreza Khalil Arjmandi</td><td rowspan="3">IFIC -Iran</td><td>Member - BAC</td><td>1</td><td></td><td></td><td></td></tr>
<tr><td>Member - BHRC</td><td></td><td></td><td>1</td><td></td></tr>
<tr><td>Member - BRMC</td><td></td><td>1</td><td></td><td></td></tr>
<tr><td rowspan="3">Masoud Mirzaei</td><td rowspan="3">IFIC -Iran</td><td>Member - BAC</td><td>1</td><td></td><td></td><td></td></tr>
<tr><td>Member - BRMC</td><td></td><td>1</td><td></td><td></td></tr>
<tr><td>Member - BSIC</td><td></td><td></td><td></td><td>1</td></tr>
<tr><td rowspan="4">Seyed Mohammad Hadi Sobhanian</td><td rowspan="4">IFIC -Iran</td><td>Member - BAC</td><td>2</td><td></td><td></td><td></td></tr>
<tr><td>Member - BHRC</td><td></td><td></td><td>1</td><td></td></tr>
<tr><td>Member - BRMC</td><td></td><td>2</td><td></td><td></td></tr>
<tr><td>Member - BSIC</td><td></td><td></td><td></td><td>2</td></tr>
<tr><td rowspan="3">Abbas Daneshvar Hakimi Meibodi – MD/CEO</td><td rowspan="3">IFIC -Iran</td><td>Member - BHRC</td><td></td><td></td><td>3</td><td></td></tr>
<tr><td>Member - BSIC</td><td></td><td></td><td></td><td>3</td></tr>
<tr><td>Member - BRMC</td><td></td><td>4</td><td></td><td></td></tr>
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Staff End of Service Benefits

The Bank operates two post-retirement funds, Provident Fund & Gratuity Fund. The carrying value of investments and bank balance respective funds as at December 31, 2023, were:

Value of the Investments and Bank Balances	Provident Fund	Gratuity Fund
	------------PKR '000------------	
2023 – Audited	76,490	140,381
2022 – Audited	64,655	108,507

Earnings Per Share

Basic and Diluted earnings per share have been disclosed in note 33 of the financial statements.

Pattern of Shareholding

Shareholders	Shareholding
Government of Pakistan through the Ministry of Finance	**50%**
Government of Iran through Iran Foreign Investment Company	**50%**
Total	**100%**

Appointment of Auditors

The present auditors M/s. Yousuf Adil & Co, Chartered Accountants, retired and being eligible offer themselves for re-appointment in the forthcoming Annual General Meeting. Therefore, on the suggestion of the Audit Committee, the Board of Directors recommends the shareholders to appoint M/s. Yousuf Adil & Co Chartered Accountants as the statutory auditor of the company for the financial year ending December 31, 2024.

Future Outlook

The global economy seems to be on the mend as Central Banks across the globe are seeking for much more controlled approach in terms of rate cuts for achieving their inflation targets. This will allow for enhanced demand and strong consumer confidence among global consumers. However, on the flip side the Russia/Ukraine conflict along with the Palestinian Conflict could keep sustained pressures on world markets and if they escalate it may cause supply route disruptions causing increment increases in global commodity prices thus creating a negative scenario locally and globally.

We expect the economy to rebound and show a good growth from second half of 2024. Elections will provide a framework for stronger policy implementation moving forward. Looking at the things as they are, long term IMF program is needed in order for sustainable growth rate and improve economical structure while the new government would be willing to agree to the IMF conditions. This will also have a positive impact on the investor confidence thus enhancing foreign investments amid much needed FX reserves. Further the inflation is also expected to start ease out in 2024 enabling the central bank to reduce the policy rate.

We foresee 2024 will provide will provide the much-needed clarity and sense of direction to the business community while we will work on the expanding the loan book it would be strictly monitored and reviewed for any signs of weaknesses in the venerable clients having faced a long spell of economic and sustainability challenges for the last few years including the COVID time period. While onboarding will be done where the assessment and judgement can be made with sufficient reliability. Investments in debt securities will continue to provide the much need earnings support while challenges internal to the company will be managed through alternative solutions. Management will be continued to look for the avenues for the non-funded income. Seemingly an agile and continuous alignment of the internal polices would be required hence active asset and liabilities management is planned for 2024 by the management of the Company.

Appreciation and Acknowledgement

We take this opportunity to express our gratitude to our customers and business partners for entrusting their confidence in us in these turbulent times and assure them that we remain committed to maintaining high service standards and a strong culture of good corporate governance and compliance in all our endeavors. We offer sincere appreciation to the Iran Foreign Investment Company, Ministry of Finance - Government of Pakistan, State Bank of Pakistan, and Securities & Exchange Commission of Pakistan for their guidance and cooperation extended to us. Finally, we are also thankful to our associates, staff, and colleagues for all their continued dedication, enthusiasm, and loyalty towards the growth of PAÏR.

Zulfiqar Younas	~~Abbas Daneshvar~~ Hakimi Meibodi
Acting Chairman of the Board of Directors	Managing Director/ Chief Executive Office

February 20th, 2023
Islamabad, Pakistan

YOUSUF ADIL

Yousuf Adil
Chartered Accountants

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KCHSU, Shahrah-e-Faisal
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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PAIR INVESTMENT COMPANY LIMITED

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the best practices of The Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **PAIR Investment Company Limited** (the Company) for the year ended December 31, 2023, in accordance with the requirements of the Regulations to the extent as adopted by the Company.

The responsibility for voluntary compliance with the Regulations (as adopted) is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations (as adopted) and report if it does not and to highlight any non-compliance with the requirements of the Regulations (as adopted). A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations (as adopted).

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations (as adopted) require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of Section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as adopted by the Company for the year ended December 31, 2023. We draw attention to the following matters described in the enclosed Statement:

- The Regulations are not applicable on Development Financial Institutions (DFIs) vide BPRD Circular No. 14 dated October 20, 2016 issued by the State Bank of Pakistan. However, the Company has voluntarily adopted certain provisions of the Regulations as mentioned in the enclosed statement.

The engagement partner on the review resulting in this independent auditor's review report is **Hena Sadiq**

Yousuf adil
Chartered Accountants

Place: Karachi
Date: March 1, 2024
UDIN: CR202310057MXbgy9qFQ

Statement of Compliance with best practice of the Code of Corporate Governance

PAIR Investment Company Limited
Year ended December 31, 2023

SBP vide BPRD Circular no.14 dated October 20, 2016 has advised that the requirement in terms of Prudential Regulation G-1 with regards to the applicability of Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan (SECP) shall not be applicable on DFIs. However, it is expected that all DFIs will continue to follow the best practices of Corporate Governance. Accordingly, the Company, has adopted certain provisions of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the 'Regulations'), as applicable.

Accordingly, the Statement of Compliance prescribed by SECP as given below has been adjusted to the extent the same has been adopted by the Company.

The Company has complied with the requirements of the Regulations in the following manner:

1. As per the joint venture arrangement between Government of Pakistan and Government of Iran, the Company's Board of Directors comprises of six directors and all directors are nominated by both the shareholders. The Company encourages representation of non-executive directors on its Board of Directors (the Board). At present the Board includes following four Directors:

Category	Names
Executive Director	Mr. Abbas Daneshvar Hakimi Meibodi
Non-Executive Directors	Mr. Zulfiqar Younas Mr. Aamer Mahmood Hussain Dr. Seyed Mohammad Hadi Sobhanian

2. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

3. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

4. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the Company.

5. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board as empowered by the relevant provisions of the Act and these Regulations (as adopted).

6. The Board has a formal policy and transparent procedure for remuneration of directors in accordance with the directives issued by the State Bank of Pakistan and the Regulations.

7. There was no change of Chief Financial Officer, Head of Internal Audit and Company Secretary. The Board has approved the remuneration of CFO, Head of Internal Audit Department and Company Secretary;

8. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

9. Chief financial officer and the Chief Executive Officer duly endorsed the financial statements before approval of the Board;

10. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

11. The Company has complied with all the corporate and financial reporting requirements of the CCG.

12. The Board has formed committees comprising of members given below:

a) **Board Audit Committee (BAC):**

Name of Director	Category
Mr. Aamer Mahmood Hussain	Non-executive / Chairman
Dr. Seyed Mohammad Hadi Sobhanian	Non-executive / Member

b) **Board HR Compensation Committee (BHRCC):**

Name of Director	Category
Mr. Zulfiqar Younas	Non-executive / Chairman
Mr. Aamer Mahmood Hussain	Non-executive / Member
Mr. Abbas Daneshvar Hakimi Meibodi	Executive Director / Member
Dr. Seyed Mohammad Hadi Sobhanian	Non-executive / Member

c) **Board Risk Management Committee (BRMC):**

Name of Director	Category
Mr. Aamer Mahmood Hussain	Non-executive / Chairman
Mr. Abbas Daneshvar Hakimi Meibodi	Executive Director / Member

PAÏR

d) Board Strategic Investment Committee (BSIC):

Name of Director	Category
Mr. Zulfiqar Younas	Non-executive / Chairman
Dr. Seyed Mohammad Hadi Sobhanian	Non-executive / Member
Mr. Abbas Daneshvar Hakimi Meibodi	Executive Director / Member

13. The frequency of Board & Committee meetings were as per following:

(a) Board of Directors Meeting: Minimum quarterly meetings of the BOD were held, the details of which are as under:

Sr. No.	Particulars of Meeting	Date of Meetings
1	70th BOD Meeting	**18-Feb-23**
2	71st BOD Meeting	**28-Apr-23**
3	72nd BOD Meeting	**23-Sep-23**
4	73rd BOD Meeting	**27-Oct-23**
5	74th BOD Meeting	**16-Dec-23**

(b) Audit Committee: Minimum quarterly meetings of the Audit Committee were held, the details of which are as under:

Sr. No.	Particulars of Meeting	Date of Meetings
1	61st BAC Meeting	**18-Feb-23**
2	62nd BAC Meeting	**28-Apr-23**
3	63rd BAC Meeting	**23-Sep-23**
4	64th BAC Meeting	**27-Oct-23**

(c) Board Human Resource and Compensation Committee: The Board HRCC Committee met two times during the year, the details of which are as under:

Sr. No.	Particulars of Meeting	Date of Meetings
1	39th BHRCC Meeting	**18-Feb-23**
2	40th BHRCC Meeting	**28-Apr-23**
3	41st BHRCC Meeting	**16-Dec-23**

(d) Board Risk Management Committee (BRMC): The BRMC met quarterly during the year, the details of which are as under:

Sr. No.	Particulars of Meeting	Date of Meetings
1	46th BRMC Meeting	**18-Feb-23**
2	47th BRMC Meeting	**28-Apr-23**
3	48th BRMC Meeting	**23-Sep-23**
4	49th BRMC Meeting	**27-Oct-23**

(e) Board Strategic Investment Committee (BSIC): The BSIC met on following dates during the year, details of which are as under:

Sr. No.	Particulars of Meeting	Date of Meetings
1	22nd BSIC Meeting	**28-Apr-23**
2	23rd BSIC Meeting	**27-Oct-23**
3	24th BSIC Meeting	**16-Dec-23**

14. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

15. The Board has set up an effective internal audit function, which is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, chief internal auditor, company secretary or director of the company.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard; and

18. We confirm that all requirements of regulations 3, 8, 32, 33 and 36 of the Regulations have been complied with.

Daneshvar

Abbas Daneshvar Hakimi Meibodi
MD / CEO

26/2/24

Zulfiqar Younas
Acting Chairman

PAÏR Investment Company Limited
Statement Of Internal Controls
Year ended December 31, 2023

PAÏR

This statement is being issued in compliance with the Guidelines on Internal Controls, issued by the State Bank of Pakistan (SBP) vide BSD Circular No. 7 dated May 27, 2004. Paragraph 7a of the SBP guidelines on Internal Controls requires all Banks and DFIs to assess their internal controls and their effectiveness.

Evaluation of Internal Control Systems by Management

The management of the PAIR Investment is responsible for (i) preparing the DFI's annual financial statements in accordance with the approved accounting standards as applicable in Pakistan, and (ii) establishing and maintaining an adequate internal control structure and procedures for financial reporting.

The management of PAIR Investment maintains an effective organization structure and instituting appropriate control procedures and monitors the adequacy/effectiveness of internal control systems. The Board of Directors is ultimately responsible for ensuring that an adequate and effective System of Internal Controls is established and efforts are made to implement sound control procedures and to maintain a suitable control environment.

The management of PAIR Investment has adopted internationally accepted COSO Integrated Framework, in accordance with the guidelines on Internal Controls from the State Bank of Pakistan and has completed all stages of Internal Control over Financial Reporting (ICFR). In addition, DFI has formulated comprehensive guidelines for adherence to COSO framework on continuing basis.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any evaluation of effectiveness of future periods are subject to the risk that controls may become inadequate because of changes, or that the degree of compliance with the policies and procedures may deteriorate.

At management level, the Internal Control Monitoring Committee (ICMC) is responsible for monitoring the adequacy and effectiveness of the internal control system including ICFR, by periodically reviewing the internal control systems and implementation of the internal control gaps /deficiencies identified by the respective departments as a result of self-assessment, internal auditors, external auditors and regulators reviews. The gap / recommendation report is then submitted to ICMC which decide on priority and implementation initiatives required taking into account nature and size of the business and cost benefit analysis of the proposed controls.

Furthermore, it also oversees the implementation of the internal controls framework and monitors the progress. Significant findings of testing are presented to the Audit Committee of the Board.

As required by the SBP, Long Form report (LFR) on the assessment of DFI's ICFR for the year 2022 was issued by the statutory auditors. None of the deficiencies identified are expected to have a material impact on Financial Reporting. Respective departments have carried out testing of the effectiveness of ICFR prevalent throughout the DFI for the year 2023. Statutory auditors were engaged to prepare a Long Form Report on ICFR as of December 31, 2023.

The DFI is continuously making efforts to ensure that an effective and efficient Internal Control System remains active & implemented through consistent & continuous monitoring that would help in further improving the overall control environment.

Based upon the results achieved from reviews and audits conducted during the year, management considers that the existing Internal Control System is adequate and has been effectively implemented and monitored, though room for improvement always exists.

Managing Director/ Chief Executive Office	**Chief Financial Officer**	**Chief Internal Auditor**

Date: 17 February 2024

YOUSUF ADIL

Yousuf Adil
Chartered Accountants

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KCHSU, Shahrah-e-Faisal
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INDEPENDENT AUDITOR'S REPORT

To the members of PAIR Investment Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **PAIR Investment Company Limited ("the Company")**, which comprise the statement of financial position as at December 31, 2023, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, along with notes to the financial statements, including a summary of material accounting policy information 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 the best of our information and according to the explanations given to us, the statement of financial position, the profit or loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Companies Act, 2017(XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2023 and of the profit, the comprehensive income the changes in equity and its cash flow for the year then ended.

Basis for Opinion

We conducted our audit in accordance with 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 Company 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

Management is responsible for the other information. The other information comprises the information included in the Director's report for the year ended December 31, 2023, 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 will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 concluded that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of the Companies Act, 2017 (XIX of 2017) 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company 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 the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Hena Sadiq**

Yousuf Adil
Chartered Accountants

Place: Karachi
Date: March 1, 2024
UDIN: AR202310057OiYfB1LVb

PAIR Investment Company Limited
Statement of Financial Position
As at December 31, 2023

	Note	December 31, 2023	December 31, 2022
		---------- (Rupees in '000) ----------	
ASSETS			
Cash and balances with treasury banks	5	158,668	154,022
Balances with other banks	6	296,119	41,997
Lendings to financial institutions		-	-
Investments	7	22,650,509	21,089,015
Advances	8	10,651,883	9,441,731
Property and equipment	9	486,364	472,102
Right-of-use assets		-	-
Intangible assets	10	9,223	5,202
Deferred tax asset	11	441,163	458,493
Other assets	12	1,747,961	1,078,493
		36,441,890	32,741,055
LIABILITIES			
Bills payable		-	-
Borrowings	13	21,789,218	20,336,117
Deposits and other accounts	14	2,724,472	1,771,610
Lease liabilities		-	-
Subordinated loans		-	-
Deferred tax liabilities		-	-
Other liabilities	15	1,347,042	860,269
		25,860,732	22,967,996
NET ASSETS		10,581,158	9,773,059
REPRESENTED BY			
Share capital	16	6,000,000	6,000,000
Reserves	17	1,247,496	1,093,746
Surplus / (deficit) on revaluation of assets	18	187,928	(268,497)
Unappropriated profit		3,145,734	2,947,810
		10,581,158	9,773,059
CONTINGENCIES AND COMMITMENTS	19		

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Financial Officer	Chief Executive and Managing Director	Chairman	Director	Director

PAIR Investment Company Limited
Profit and Loss Account
For the year ended December 31, 2023

	Note	December 31, 2023	December 31, 2022
		---------- (Rupees in '000) ----------	
Mark-up / return / interest earned	22	5,868,479	3,243,562
Mark-up / return / interest expensed	23	4,167,770	2,131,696
Net mark-up / interest income		1,700,709	1,111,866
NON MARK-UP / INTEREST INCOME			
Fee and Commission income	24	17,487	22,589
Dividend income		161,176	149,369
Foreign Exchange income / (loss)		2,173	3,466
Income / (loss) from derivatives		-	-
Gain / (loss) on securities	25	42,669	(72,785)
Net gains / (losses) on derecognition of financial assets measured at amortised cost		-	-
Other income	26	16	6,960
Total non mark-up / interest income		223,521	109,599
Total Income		1,924,230	1,221,465
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	27	625,797	457,101
Workers Welfare Fund		21,455	12,713
Other charges	28	-	-
Total non mark-up / interest expenses		647,252	469,814
Profit before credit loss allowance		1,276,978	751,651
Credit loss allowance and write offs - net	29	170,882	97,285
PROFIT BEFORE TAXATION		1,106,096	654,366
Taxation	30	337,345	208,389
PROFIT AFTER TAXATION		768,751	445,977
Basic and diluted earnings per share	31	1.28	0.74

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Financial Officer	Chief Executive and Managing Director	Chairman	Director	Director

PAIR Investment Company Limited
Statement of Comprehensive Income
For the year ended December 31, 2023

	December 31, 2023	December 31, 2022
	---------- (Rupees in '000) ----------	
Profit after taxation for the year	768,751	445,977
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus / (deficit) on revaluation of investments in equity investments - net of tax	-	(126,452)
Movement in surplus / (deficit) on revaluation of debt investments through fair value other comprehensive income - net of tax	51,278	(100,165)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement loss / (gain) on defined benefit obligations - net of tax	10,546	(9,699)
Movement in surplus / (deficit) on revaluation of investments in equity investments - net of tax	405,147	-
Movement in surplus on revaluation of non-banking assets - net of tax	-	58,256
Realised gain on sale of securities classified as fair value other comprehensive income	101,487	-
Total comprehensive income	1,337,209	267,917

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Financial Officer	Chief Executive and Managing Director	Chairman	Director	Director

PAIR Investment Company Limited
Statement of Changes in Equity
For the year ended December 31, 2023

	Note	Share capital	Statutory reserve	Surplus / (deficit) on revaluation of Investments	Surplus / (deficit) on revaluation of Non-Banking asset	Unappropriated profit	Total
		-----------------------------	-------------------	(Rupees in '000)	-------------------	-------------------	-----------------------------
Balance as at 01 January 2022		6,000,000	1,004,551	(41,880)	31,218	2,661,253	9,655,142
Total comprehensive income for the year							
Profit for the year ended 31 December 2022		-	-	-	-	445,977	445,977
Other comprehensive income							
Movement in deficit on revaluation of investments in equity investments - net of tax		-	-	(126,452)	-	-	(126,452)
Movement in deficit on revaluation of investments in debt instruments - net of tax		-	-	(100,165)	-	-	(100,165)
Remeasurement loss on defined benefit obligations - net of tax		-	-	-	-	(9,699)	(9,699)
Transferred to accumulated profit in respect of incremental depreciation for the year		-	-	-	(1,855)	1,855	-
Movement in surplus on revaluation of non-banking assets '- net of tax		-	-	-	58,256	-	58,256
Transfer of Surplus to Unappropriated Profit - net of tax		-	-	-	(87,619)	87,619	-
Total comprehensive income for the year ended 31 December 2022		-	-	(226,617)	(31,218)	525,752	267,917
Transfer to statutory reserve	17	-	89,195	-	-	(89,195)	-
Final cash dividend - 31 December 2021 declared subsequent to the year end		-	-	-	-	(150,000)	(150,000)
Balance as at 31 December 2022		6,000,000	1,093,746	(268,497)	-	2,947,810	9,773,059
Impact of first time adoption of IFRS-9	4.2.11					(179,110)	(179,110)
Total comprehensive income							
Profit for the year ended 31 December 2023		-	-	-	-	768,751	768,751
Other comprehensive income							
Movement in surplus on revaluation of investments in equity investments - net of tax		-	-	405,147	-	-	405,147
Movement in surplus on revaluation of investments in debt instruments - net of tax		-	-	51,278	-	-	51,278
Realised gain on sale of securities classified as FVOCI						101,487	101,487
Remeasurement gain / (loss) on defined benefit obligations - net of tax		-	-	-	-	10,546	10,546
Transferred to accumulated profit in respect of incremental depreciation for the year		-	-	-	-	-	-
Movement in surplus on revaluation of non-banking assets '- net of tax		-	-	-	-	-	-
Transfer of Surplus to Unappriated Profit - net of tax		-	-	-	-	-	-
Total comprehensive income for the year ended 31 December 2023		-	-	456,425	-	880,784	1,337,209
Transfer to statutory reserve	17	-	153,750	-	-	(153,750)	-
Transactions with owners recorded directly in equity							
Final cash dividend - 31 December 2022 declared subsequent to the year end in 2022		-	-	-	-	(350,000)	(350,000)
Balance as at 31 December 2023		6,000,000	1,247,496	187,928	-	3,145,734	10,581,158

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Financial Officer | **Chief Executive and Managing Director** | **Chairman** | **Director** | **Director**

PAIR Investment Company Limited
Cash Flow Statement
For the year ended December 31, 2023

	Note	December 31, 2023	December 31, 2022
		---------- (Rupees in '000) ----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,106,096	654,366
Less: Dividend income		(161,176)	(149,369)
		944,920	504,997
Adjustments:			
Depreciation on owned fixed assets		28,683	22,112
Amortisation		162	118
Depreciation on right-of-use assets		-	8,153
Mark-up / return / profit / interest expensed on lease liability against right-of-use assets		-	3,068
Impairment of assets		12,406	32,469
Credit loss allowance and write-offs		158,342	64,816
Gain on disposal of property and equipment		(16)	(6,960)
Charge for defined benefit plan		16,329	12,330
Unrealised gain / (loss) on revaluation of equity investments classified as FVPL		166	740
		216,072	136,846
		1,160,992	641,843
Decrease in operating assets			
Lendings to financial institutions		-	-
Securities classified as FVPL		(16,696)	(4,169)
Advances		(1,033,701)	(2,989,983)
Others assets (excluding advance taxation)		(352,047)	(448,090)
		(1,402,444)	(3,442,242)
Increase in operating liabilities			
Borrowings from financial institutions		1,453,101	6,677,761
Deposits		952,862	639,363
Other liabilities (excluding current taxation)		494,602	290,829
		2,900,565	7,607,953
		2,659,113	4,807,554
Income tax paid		(647,584)	(383,879)
Defined benefits paid		(28,958)	(12,329)
Net cash flows from operating activities		1,982,571	4,411,346
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Investments in securities classified as FVOCI		(1,603,610)	(4,456,513)
Net Investments in amortized cost securities		115,741	72,974
Dividend income received		161,176	149,369
Investments in property and equipment		(47,209)	(68,967)
Disposal of property and equipment		99	7,163
Net cash flows used in investing activities		(1,373,803)	(4,295,974)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(350,000)	(150,000)
Payment of lease liability against right-of-use assets		-	(7,790)
Net cash flows from financing activities		(350,000)	(157,790)
Increase / '(Decrease) in cash and cash equivalents		258,768	(42,418)
Cash and cash equivalents at beginning of the year	32	196,019	238,437
Cash and cash equivalents at end of the year		454,787	196,019

The annexed notes 1 to 44 form an integral part of these financial statements.

Daneshwar

Chief Financial Officer	Chief Executive and Managing Director	Chairman	Director	Director

1. STATUS AND NATURE OF BUSINESS

PAÏR Investment Company Limited (the Company) is an unlisted Public Limited Company incorporated in Pakistan on 15 January 2007 under the Companies Act, 2017 (repealed Companies Ordinance, 1984). The Company has been notified as a Development Financial Institution (DFI) 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 interalia 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 PRESENTATION

2.1 These financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 02 of 2023 dated February 09, 2023 effective from the accounting year ending December 31, 2023.

These financial statements have been presented in Pakistan Rupees, which is the Company's functional and presentation currency.

2.2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting and reporting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the provisions of and directives issued under the Banking Companies Ordinance (BCO), 1962, 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 BCO, 1962, Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail. The accounting and reporting standards 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 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 the IFRS or IFAS, requirements of the Companies Act, 2017 and the said directives shall prevail.

The SBP through its BSD Circular letter No. 11 dated September 11, 2002 has deferred the implementation of IAS 40 'Investment Property' for Non-Banking Financial Institutions (NBFIs) in Pakistan. Further, SECP has deferred the implementation of IFRS 7 'Financial Instruments: Disclosures' through SRO 411(1)/2008.

2.3 Standards, interpretation and amendments to publish accounting and reporting standards that are effective:

The following amendments are effective for the year ended December 31, 2023. These amendments and improvements are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

- Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies

- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates.

- Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.

- Amendments to IAS 12 ' Income taxes' - International Tax Reform — Pillar Two Model Rules.

2.4 Standards, interpretation and amendments to publish accounting and reporting standards that are not yet effective:

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

	Effective from Accounting period beginning on or after
- Amendments to IFRS 16 ' Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
- Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with Convents along with Classification of liabilities as current or non-current	January 01, 2024
- Amendments to IAS 7 'Statement of Cash Flows' and 'IFRS 7 'Financial instruments disclosures' - Supplier Finance Arrangements	January 01, 2024
- Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Clarification on how entity accounts when there is long term lack of Exchangeability	January 01, 2025
- IFRS 17 – Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)	January 01, 2026

Other than the aforesaid amendments, the International Accounting Standards Board (IASB) has also issued the following standard which has not been adopted locally by the Securities and Exchange Commission of Pakistan:

- - IFRS 1 – First Time Adoption of International Financial Reporting Standards

2.5 Critical accounting estimates and judgements

The preparation of financial statements in conformity with accounting standards as applicable in Pakistan requires management to make judgements, estimates and associated assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The judgements, estimates and associated assumptions are based on historical experiences, current trends and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods. The estimates and judgments that have a significant effect on the financial statements are in respect of the following:

- Classification and valuation of investments and impairment
- Provision against non-performing advances including net investment in finance lease
- Provision against off - balance sheet obligations
- Non-banking asset acquired in satisfaction of claims
- Useful life of fixed and intangible assets, depreciation and amortisation
- Current and deferred taxation
- Accounting for defined benefit plan
- Contingencies and commitments

3. BASIS OF MEASUREMENT & FUNCTIONAL AND PRESENTATION CURRENCY

3.1 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain investments and defined benefit plan, which are revalued as referred to in notes 8 and 36.

3.2 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except for those mentioned in note no 4.1.1.

4.1 Material accounting policy and financial risk management

4.1.1 Adoption of new forms for the preparation of condensed interim financial statements

During the period, the SBP, vide its BPRD Circular No. 02 dated February 09, 2023, issued the revised forms for the preparation of financial statements of the Banks / DFIs which are applicable for the periods beginning on or after January 01, 2023 which was subsequently deferred to January 1, 2024. However, since the Company has early adopted IFRS 9, it has early adopted the new format of the financial statements. The implementation of the revised forms has resulted in certain changes to the presentation and disclosures of various elements of the financial statements. Right of use assets and corresponding lease liability are now presented separately on the face of the Statement of financial position. Previously these were presented under property and equipment (previously titled fixed assets) and other liabilities respectively. There is no impact of this change on the financial statements.

The Company has adopted the above changes in the presentation and made additional disclosures to the extent applicable to its operations and corresponding figures have been rearranged / reclassified to correspond to the current period presentation.

4.2 IFRS 9 - 'Financial Instruments'

IFRS 9 brings fundamental changes to the accounting for financial assets and to certain aspects of accounting for financial liabilities. To determine appropriate classification and measurement category, IFRS 9 requires all financial assets, except equity instruments to be assessed based on combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The adoption of IFRS 9 has also fundamentally changed the impairment method of financial assets with a forward-looking Expected Credit Losses (ECL) approach.

4.2.1 Classification

Under IFRS 9, existing categories of financial assets: Held for trading (HFT), Available for sale (AFS) and Held to maturity (HTM) have been replaced by:

- *Financial assets at fair value through profit or loss account (FVTPL)*
- *Financial assets at fair value through other comprehensive income (FVOCI)*
- *Financial assets at amortised cost*

Under IFRS 9, the accounting for financial liabilities remains largely the same as before adoption of IFRS 9 and thus all financial liabilities are being carried at amortised cost. Financial liabilities can also be designated at FVTPL where gains or losses arising from entity's own credit rating risk relating to are required to be presented in other comprehensive income with no reclassification to the profit or loss account. The Company did not have any financial liability measured at FVTPL.

4.2.2 Business model assessment

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

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

- The objectives for the portfolio, in particular, whether the management's strategy focuses on earning contractual revenue, maintaining a particular yield profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the company's key management personnel;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and

- The expected frequency, value and timing of sales are also important aspects of the Company's assessment. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

Eventually, the financial assets fall under either of the following three business models:

i) **Hold to Collect (HTC) Business Model:** Holding assets in order to collect contractual cash flows

ii) **Hold to Collect and Sell (HTC&S) Business Model:** Collecting contractual cash flows and selling financial assets

iii) **Other Business Models:** Resulting in classification of financial assets as FVTPL

4.2.3 Assessments whether contractual cash flows are solely payments of principal and profit (SPPI)

As a second step of its classification process the Company assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). The most significant elements of profit within a financing arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set. In contrast, contractual terms that introduce a more than de minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic financing arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

4.2.4 Application to the Company's financial assets

Debt based financial assets

Debt based financial assets held by the Company (including; advances, lending to financial institutions, investment in federal government securities, term finance certificates, other private sukuk, cash and balances with treasury Banks, balances with other Banks, and other financial assets) are measured at amortised cost if they meet both of the following conditions and is not designated as at FVTPL:

- the assets are held within a business model whose objective is to hold assets to collect contractual cash flows; and

- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

The Company's business model for these financial assets can still be HTC even when sales of these financial assets occur. However, if more than an infrequent number of sales or sale(s) of significant value are/is made, the Company assess whether and how the sales are consistent with the HTC objective. This assessment include the reason(s) for the sales, the expected frequency of sales, and whether the assets that are sold are held for an extended period of time relative to their contractual maturities.

The aforementioned financial assets are measured at FVOCI only if these meet both of the following conditions and are not designated as at FVTPL:

- the asset are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

The aforementioned financial assets if held for trading purposes are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The application of these policies also resulted in reclassifications and consequent remeasurements of certain amount of investments in PIBs and T-bills held under available for sale portfolio as of December 31, 2022 based on the business model embodied in the Company's pool management practices. Moreover, the Company's investment in sukuk / TFC under available for sale portfolio as of December 31, 2022 have been reclassified as FVOCI since they do not pass the SPPI criteria due to equity conversion features embedded in the terms of these sukuk / TFC. The following table reconciles their carrying amounts as reported on December 31, 2022 to the carrying amounts under IFRS 9 on transition to IFRS 9 on January 01, 2023:

	Balances as of December 31, 2022 (Audited)	IFRS 9 Classification	Balances as of December 31, 2022	Remeasure-ments	Balances as of January 01, 2023 - before ECL
	--------------------	----------	(PKR '000)	----------	--------------------
- Federal Government Securities - AI	13,735,102	FVOCI	13,735,102	-	13,735,102
- Non Government Sukuk - AFS	6,160,728	FVOCI	6,160,728	-	6,160,728

Equity based financial assets

An equity instrument held by the Company for trading purposes is classified as measured at FVTPL. On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. The Company has decided to classify its available for sale equity investment portfolio as of December 31, 2022 as FVOCI on irrevocable basis.

IFRS 9 has eliminated impairment assessment requirements for investments in equity instruments. However, unlisted equity instruments are required to be measured at lower of cost or breakup value till December 31, 2023 under the SBP's instructions. Accordingly the Company has reversed impairment of Rs. 73.460 million on listed equity investment held as at December 31, 2022 and the same has been transferred to deficit on revaluation of investments through remeasurements.

The measurement category and carrying amount of financial assets in accordance with the accounting and reporting standards as applicable in Pakistan before and after adoption of IFRS 9 as at January 1, 2023 are compared as follows:

	Before adoption of IFRS 9			
Financial assets	**Measurement category**	**Carrying amount**	**Measurement category**	**Carrying amount (before ECL)**
		PKR '000		**PKR '000**
Cash and balances with treasury banks	Loans and receivables	154,022	amortised cost	154,022
Balances with other banks	Loans and receivables	41,997	amortised cost	41,997
Lendings to financial institutions	Loans and receivables	-	amortised cost	-
Investments	Held for trading	65,697	Fair value through profit or loss	65,697
	Available for sale	20,907,577	Fair value through other comprehensive income	20,907,577
	Held to maturity	115,741	amortised cost	115,741
Advances	Loans and receivables	9,441,731	amortised cost	9,441,731
Other assets (financial assets only)	Loans and receivables		amortised cost	-
		30,726,765		**30,726,765**

4.2.5 Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade date, the date on which the Company purchase or sell the asset. Other financial assets and liabilities like advances, lending to financial institutions, deposits etc. are recognized when funds are transferred to the customers' account or financial institutions. However, for cases, where funds are transferred on deferred payment basis, recognition is done when underlying asset is purchased. The Company will recognise due to customer and financial institution balances when these funds reach the Company.

Amortised cost

Financial assets and liabilities under amortised cost category are initially recognised at fair value adjusted for directly attributable transaction cost. These are subsequently measured at amortised cost. An expected credit loss allowance (ECL) is recognised for financial assets in the profit or loss. Interest income / expense on these assets / liabilities are recognised in the profit or loss account. On derecognition of these financial assets and liabilities, capital gain / loss will be recognised in the profit or loss account.

Fair value through other comprehensive income

Financial assets under FVOCI category are initially recognised at fair value adjusted for directly attributable transaction cost. These assets are subsequently measured at fair value with changes recorded in OCI. An expected credit loss allowance (ECL) is recognised for these financial assets in the profit or loss account. Interest / dividend income on these assets are recognised in the profit or loss account. On derecognition of these financial assets, capital gain / loss is recognised in the other comprehensive income.

Fair value through profit or loss

Financial assets under FVTPL category are initially recognised at fair value. Transaction costs are directly recorded in the profit or loss. These assets are subsequently measured at fair value with changes recorded in the profit or loss account. Interest / dividend income on these assets are recognised in the profit or loss account. On derecognition of these financial assets, capital gain / loss is recognised in the profit or loss account. An expected credit loss allowance (ECL) is not recognised for these financial assets.

The Company's revenue recognition policy is consistent with the annual financial statements for the year ended December 31, 2022.

4.2.6 Derecognition

Financial assets

The Company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- *the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.*

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the profit or loss account.

4.2.7 Modification

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of financing to its customers. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with IFRS 9, the Company recalculate the gross carrying amount of the financial asset and shall recognise a modification gain or loss in the profit or loss account. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective profit rate (or credit-adjusted effective profit rate for purchased or originated credit-impaired financial assets). Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

4.2.8 Off setting

Financial assets and financial liabilities are only offset and the net amount is reported in the financial statements when there is a legally enforceable right to set-off the recognised amount and the Company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

4.2.9 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specific in the contract discharge, cancel or expire. Any gain or loss on derecognition of the financial asset and liability is recognised in the profit or loss account of the current year.

4.2.10 Derivative financial instruments

Derivative financial instruments are initially recognised at their fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as asset when fair value is positive and liabilities when fair value is negative. Any change in the value of derivative financial instruments is taken to the profit and loss account.

4.2.11 Overview of the ECL principles

The Company assesses on a forward-looking basis the expected credit losses ('ECL') associated with all advances and other debt financial assets not held at FVTPL, together with letter of credit, guarantees and unutilized financing commitments hereinafter referred to as "Financial Instruments". The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined below.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated at individual customer level.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Company considers an exposure to have significantly increased in credit risk when there is considerable deterioration in the internal rating grade for subject customer. The Company also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer / facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, generally, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. However, for certain portfolios, the Company may rebut 30 DPD presumption based on behavioral analysis of its borrowers. When estimating ECLs on a collective basis for a group of similar assets, the Company applies the similar principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Based on the above process, the Company groups its financial instruments into Stage 1, Stage 2, Stage 3 and purchased or originated credit impaired (POCI), as described below:

Stage 1: When financial instruments are first recognised, the Company recognises an allowance based on 12mECLs. Stage 1 financial instruments also include facilities where the credit risk has improved and they have been reclassified from Stage 2. The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for all the scenarios.

Stage 2: When a financial instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 also includes facilities, where the credit risk has improved and the instrument has been reclassified from Stage 3. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs are applied over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For financial instruments considered credit-impaired, the Company recognises the lifetime expected credit losses for these instruments. The Company uses a PD of 100% and LGD as computed for each portfolio or as prescribed by the SBP under the prudential regulations which ever is higher.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and profit / rental is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

Undrawn financing: When estimating LTECLs for undrawn financings commitments, the Company estimates the expected portion of the financings commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the financings is drawn down, based on a probability-weighting of the three scenarios. For revolving facilities that include both a financings and an undrawn commitment, ECLs are calculated and presented within other liabilities.

Guarantee and letters of credit contracts: The Company estimates ECLs based on the BASEL driven credit conversion factor (CCF) for Guarantee and letter of credit contracts. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to guarantee and letter of credit contracts are recognised within other liability.

Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liabilities to the gross carrying amount of a financial asset or to the amortised cost of a financial liability

The calculation of ECLs

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

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

PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. PD is estimated based on statistical technique such as the Pluto and Tasche Model of default, particularly for low default portfolios which are based on the Company's internal risk ratings (i.e. from 1 to 12). PDs for Non advances portfolio, the Company has used PDs prescribed by Standard and Poor's (S&Ps) against each risk rating. PDs are then adjusted using Vasicek Model for IFRS 9 ECL calculations to incorporate forward looking information.

EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Company has the legal right to call it earlier. The Company's product offering includes a variety of corporate facilities, in which the Company has the right to cancel and / or reduce the facilities with one day notice. However, in case of revolving facilities, the Company does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Company's expectations of the customer behaviour, its likelihood of default and the Company's future risk mitigation procedures, which could include reducing or cancelling the facilities.

LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The discount rate used to discount the ECLs is based on the effective profit rate that is expected to be charged over the expected period of exposure to the facilities. In the absence of computation of the effective profit rate (at reporting date), the Company uses an approximation e.g. contractual rate (at reporting date).

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The Company considers only those collaterals as eligible collaterals in the EAD calculation which have the following characteristics:

- History of legal certainty and enforceability
- History of enforceability and recovery;

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

Forward looking information

In its ECL models, the Company relies on a range of forward looking information as economic inputs, such as:

- GDP growth
- Consumer price index
- Unemployment rate

4.2.12 Definition of default

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, when it meets one or more of the following criteria:

- The customer is more than 90 days past due on its contractual payments.

Further the following criteria has been determined for assessment of default:

- The Company makes a charge-off or account-specific provision resulting from a perceived decline in credit quality subsequent to the Company taking on the exposure,
- The Company sells the credit obligation at a material credit-related economic loss,
- The Company consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or (where relevant) fees,
- The Company has filed for the obligor's bankruptcy or a similar order in respect of the obligor's credit obligation to the industry group, and
- The obligor has sought or has been placed in Bankruptcy or similar protection where this would avoid or delay repayment of the credit obligation to the industry group.

4.2.12 Write-offs

The Company's accounting policy under IFRS 9 remains the same as it was under SBP regulations.

4.2.13 The Company has adopted IFRS 9 effective from January 01, 2023 with modified retrospective approach for restatement permitted under IFRS 9. The cumulative impact of initial application of IFRS-9 is Rs. 179.110 million has been recorded as an adjustment to equity at the beginning of the current accounting period. The details of the impacts of initial application are tabulated below:

	Balances as of December 31, 2022	Impact due to: Recognition of expected credit losses (ECL)	Impact due to: Adoption of revised classifications under IFRS 9	Impact due to: Reclassifications due to business model and SPPI assessments	Impact due to: Remeasurements	Impact due to: Reversal of provisions held	Total impact - gross of tax	Taxation (current and deferred)	Total impact - net of tax	Balances as of January 01, 2023	IFRS 9 Category
	PKR '000										
ASSETS											
Cash and balances with treasury banks	154,022	-	-	-	-	-	-	-	-	154,022	Amortised cost
Balances with other banks	41,997	(18)	-	-	-	-	(18)	-	(18)	41,979	Amortised cost
Lendings to financial institutions	-									-	Amortised cost
Investments											
Previously;											
- *Classified as* ***held for trading***	65,697	-	(65,697)	-	-	-	(65,697)	-	(65,697)	-	FVTPL
- *Classified as* ***available for sale***	20,907,577	-	(20,907,577)	-	-	-	(20,907,577)	-	(20,907,577)	-	FVOCI
- *Classified as* ***held to maturity***	115,741	-	(115,741)	-	-	-	(115,741)	-	(115,741)	-	Amortised cost
As per IFRS 9;	-	-	-	-	-	-	-	-	-	-	
- *Classified as* ***fair value through profit or loss***	-	-	65,697	-	-	-	65,697	-	65,697	65,697	FVTPL
- *Classified as* ***fair value through other comprehensive income***	-	(2,641)	20,907,577	-	-	-	20,904,936	-	20,904,936	20,904,936	FVOCI
- *Classified as* ***amortised cost***	-	-	115,741	-	-	-	115,741	-	115,741	115,741	Amortised cost
	21,089,015	(2,641)	-	-	-	-	(2,641)	-	(2,641)	21,086,374	
Advances											
- *Gross*	11,320,229	-	-	-	-	-	-	-	-	11,320,229	
- *Provisions*	(1,878,498)	(176,451)	-	-	-	-	(176,451)	-	(176,451)	(2,054,949)	
	9,441,731	(176,451)	-	-	-	-	(176,451)	-	(176,451)	9,265,280	Amortised cost
Property and equipment	472,102	-	-	-	-	-	-	-	-	472,102	Non-financial asset
Right-of-use assets	-	-	-	-	-	-	-	-	-	-	Non-financial asset
Intangible assets	5,202	-	-	-	-	-	-	-	-	5,202	Non-financial asset
Deferred tax asset	458,493	-	-	-	-	-	-	-	-	458,493	Non-financial asset
Other assets - financial assets	1,078,493	-	-	-	-	-	-	-	-	1,078,493	Amortised cost
Other assets - non financial assets	-	-	-	-	-	-	-	-	-	-	Non-financial asset
	32,741,055	(179,110)	-	-	-	-	(179,110)	-	(179,110)	32,561,945	
LIABILITIES											
Bills payable	-	-	-	-	-	-	-	-	-	-	Amortised cost
Borrowings	20,336,117	-	-	-	-	-	-	-	-	20,336,117	Amortised cost
Deposits and other accounts	1,771,610	-	-	-	-	-	-	-	-	1,771,610	Amortised cost
Lease liabilities	-	-	-	-	-	-	-	-	-	-	Amortised cost
Subordinated loans	-	-	-	-	-	-	-	-	-	-	Amortised cost
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	Outside the scope of IFRS-9
Other liabilities - financial assets	860,269	-	-	-	-	-	-	-	-	860,269	Amortised cost
Other liabilities - non financial assets	-	-	-	-	-	-	-	-	-	-	Outside the scope of IFRS-9
	22,967,996	-	-	-	-	-	-	-	-	22,967,996	
NET ASSETS	9,773,059	(179,110)	-	-	-	-	(179,110)	-	(179,110)	9,593,949	
REPRESENTED BY											
Share capital	6,000,000	-	-	-	-	-	-	-	-	6,000,000	Outside the scope of IFRS-9
Reserves	1,093,746	-	-	-	-	-	-	-	-	1,093,746	Outside the scope of IFRS-9
Surplus / (Deficit) on revaluation of assets	(268,497)	-	-	-	-	(73,460)	(73,460)	-	(73,460)	(341,957)	Outside the scope of IFRS-9
Unappropriated profit	2,947,810	(179,110)	-	-	-	73,460	(105,650)	-	(105,650)	2,842,160	Outside the scope of IFRS-9
	9,773,059	(179,110)	-	-	-	-	(179,110)	-	(179,110)	9,593,949	

4.3 Cash and cash equivalents

For the preparation of cash flow statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks excluding any term deposit with original terms of greater than three months.

4.4 Repurchase / resale agreements

The Company enters into repurchase / resale agreements at contracted rates for a specified period of time. These are recorded as under:

Sale under repurchase obligations

Securities sold with a simultaneous commitment to repurchase at a specified future date (repo) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is amortised as expense over the term of the repurchase agreement.

Purchase under resale obligation

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognised as investments in the statement of financial position. Amounts paid under these arrangements are included in repurchase agreement lendings. The difference between purchase and resale price is accrued as income over the term of the resale agreement.

4.5 Fixed Assets

Capital work in progress

Capital work in progress are stated at cost less impairment, if any. These are transferred to specific assets as and when assets become available for use.

Property and equipment - owned

Operating fixed assets except capital work in progress, are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to profit and loss account on straight line basis so as to write-off the assets over their expected economic lives at the rates specified in note 10.1 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Full month depreciation is charged in the month the assets are available for use and no depreciation is charged in the month of disposal.

Operating fixed assets transferred from non-Banking assets are recognized at fair value as at the date of transfer which is deemed to be the cost of that asset. Any surplus available on the date of transfer is reclassified to unappropriated profits through equity on the transfer date.

Normal repairs and maintenance are charged to profit and loss account as and when incurred. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in operating fixed assets.

Gains and losses on disposal of assets are included in profit and loss account. The Company reviews the rate of depreciation / useful life, residual values and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of operating fixed assets with a corresponding effect on depreciation charge and impairment.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised from the month when these are available for use, using the straight line method, whereby the cost of an intangible asset is amortised over the period which takes into account the economic benefits that will be available to the Company. The residual value, useful life and amortisation method is reviewed and adjusted, if appropriate, at each reporting date.

4.6 Non-banking assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims are initially measured at settlement amount and upon revaluation, are carried at revalued amounts less accumulated depreciation and impairment, if any. These assets are revalued as per SBP's requirement by independent professionally qualified valuers to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of fixed assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title of property is charged to profit and loss account and not capitalised.

4.7 Borrowings and deposits

Borrowings and deposits are recorded at the amount of proceeds received. Mark-up on borrowings and deposits are charged to profit and loss account on a time proportion basis.

4.8 Staff retirement benefit

Defined benefit plan

The Company operates an approved funded gratuity scheme for all its permanent employees who have completed the qualifying period under the scheme. The scheme is administered by a Board of Trustees and contributions therein are made in accordance with the actuarial recommendations. The valuation in this regard is carried out at each reporting date, using the Projected Unit Credit Method for the valuation of the scheme.

Gratuity is payable to staff on completion of two years of service.

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. The Company recognises past service cost as an expense at the earlier of the following dates:

a) when the plan amendment or curtailment occurs; or
b) and when the Company recognises related restructuring costs or termination benefits.

The Company has adopted certain actuarial assumptions as disclosed in the note 34.3 for valuation of defined benefit obligation and fair value of plan assets, based on actuarial advice.

Defined contribution plan

The Company operates a recognised provident fund scheme for its employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% of the basic salary.

4.9 Employees' compensated absences

Employees' entitlement to annual leave is recognised when they accrue to employees. A provision is made for estimated liability for annual leave as a result of services rendered by the employee against un-availed leaves upto the reporting date.

4.10 Foreign currencies

Transaction and balances in foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the exchange rates prevailing at the reporting date. Foreign currency transactions during the year are recorded at the rates prevailing on the date of transaction.

Translation gains and losses

Exchange gains and losses are included in profit and loss account.

4.11 Revenue recognition

Mark-up / return / interest income is recognised on accrual basis taking into account effective yield on the asset, except where recovery is considered doubtful, the income is recognised on receipt basis. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the Prudential Regulations issued by the SBP.

A gain / loss on sale of securities is recognised in profit and loss account at the time of sale of relevant securities.

The surplus / deficit arising on revaluation of the Company's FVTPL investment portfolio is taken to the profit and loss account.

Premium or discount on acquisition of investments is capitalised and amortised through the profit and loss account over the remaining period through effective interest method.

Dividend income is recognised when the Company's right to receive the dividend is established.

Fee, commission and brokerage income is recognised as the services are rendered.

4.12 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss account except to the extent that it relates to the items recognised directly in equity or surplus on revaluation of assets, in which case it is recognised in equity or surplus on revaluation of assets.

Current

Provision for current taxation is based on the taxable income at the current rates of taxation after taking into account available tax credit and rebates, if any. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments /developments made during the year. The charge for current tax is calculated using prevailing tax rates enacted at the reporting date and, any adjustments to tax payable relating to prior years.

In making the estimates for income taxes currently payable by the Company, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provisions for deferred taxes, estimates of the Company's future taxable profits are also taken into account.

Deferred

Deferred tax is recognised using the liability method on all temporary differences between the amounts attributed to the assets and liabilities for financial reporting purposes and amounts used for taxation purpose. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits would be available against which it can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is not probable that related tax benefits will be realised.

4.13 Other provisions

Other provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

4.14 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specific in the contract discharge, cancel or expire. Any gain or loss on derecognition of the financial asset and liability is recognised in the profit or loss account of the current year.

4.15 Derivative financial instruments

Derivative financial instruments are initially recognised at their fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as asset when fair value is positive and liabilities when fair value is negative. Any change in the value of derivative financial instruments is taken to the profit and loss account.

4.16 Dividend distribution

Dividend and appropriation to reserves, except appropriation which is required by the law after the reporting date, is recognised as liability in the Company's financial statements in the period in which these are approved.

4.17 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

4.18 Segment reporting

A segment is distinguishable component of the Company that is engaged in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format of reporting is based on business segments.

4.20 Business segments

Following are the main segments of the Company:

Corporate finance and commercial banking	It includes loans, advances, leases and other transactions with corporate customers. Further, it undertakes advisory services including mergers and acquisitions, listed debt syndication, trustee activities and other investment banking activities.
Trading & Sales (other than Capital Market)	Undertakes Company's fund management activities through leveraging and investing in liquid assets such as short term placements, government securities and reverse repo activities. It carries out spread based activities in the inter bank market and manages the interest rate risk exposure of the Company.
Capital Market	Includes trading in listed securities with a view to trade and earn the benefit of market fluctuations and to hold securities for dividend income and capital gains.

4.20.1 Geographical segments

The Company operates only in Pakistan.

4.21 Statutory reserve

Every Bank / DFI incorporated in Pakistan is required to transfer 20% of its profit to a statutory reserve until the reserve equ
thereafter 5% of the profit of the DFI is to be transferred to this reserve.

5. CASH AND BALANCES WITH TREASURY BANKS

	Note	2023	2022
		---------- (Rupees in '000) ----------	
In hand			
Local currency		-	50
Foreign currencies		6,138	4,779
		6,138	4,829
With State Bank of Pakistan in			
Local currency current account	5.1	151,715	148,457
With National Bank of Pakistan in			
Local currency current account		17	17
Local currency deposit account	5.2	798	719
		815	736
		158,668	154,022
Less: Credit loss allowance held against cash and balances with treasury banks		-	-
Cash and balances with treasury banks - net of credit loss allowance		158,668	154,022

5.1 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.

5.2 This carries mark-up at the rate 20.50% per annum (2022: 14.50%).

6. BALANCES WITH OTHER BANKS

	Note	2023	2022
		---------- (Rupees in '000) ----------	
In Pakistan			
In current accounts		119,259	20,847
In deposit accounts	6.1	176,994	21,150
		296,253	41,997
Less: Credit loss allowance held against balances with other banks		(134)	-
Balances with other banks - net of credit loss allowance		296,119	41,997

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

7 INVESTMENTS

7.1 Investments by type:

	Note	2023 Cost / amortised cost	2023 Credit loss allowance	2023 Surplus / (deficit)	2023 Carrying value	2022 Cost / amortised cost	2022 Provision for diminution	2022 Surplus / (deficit)	2022 Carrying value
		(Rupees in '000)							
- Debt Instruments									
Classified / Measured at FVOCI									
'(Previously AFS)									
Federal Government securities	7.4.1	15,917,301	-	14,496	15,931,797	13,769,162	-	(34,060)	13,735,102
Non Government Debt Securities	7.4.3	5,922,710	(51,717)	11,332	5,882,325	6,187,665	(39,311)	12,374	6,160,728
		21,840,011	(51,717)	25,828	21,814,122	19,956,827	(39,311)	(21,686)	19,895,830
Classified / Measured at amortised cost									
(Previously HTM)									
Commercial papers	7.5	-	-	-	-	115,741	-	-	115,741
- Equity instruments									
Classified / Measured at FVOCI									
'(Previously AFS)									
Shares - listed	7.4.2	580,261	-	177,858	758,119	1,334,728	(73,460)	(249,521)	1,011,747
Classified / Measured at FVPL									
(Previously HFT)									
Shares - listed		74,143	-	4,125	78,268	66,437	-	(740)	65,697
Total investments		22,494,415	(51,717)	207,811	22,650,509	21,473,733	(112,771)	(271,947)	21,089,015

7.2 Investments by segments

	Note	2023 Cost / amortised cost	2023 Credit loss allowance	2023 Surplus / (deficit)	2023 Carrying value	2022 Cost / amortised cost	2022 Provision for diminution	2022 Surplus / (deficit)	2022 Carrying value
		(Rupees in '000)							
Federal Government securities									
- Market treasury bills	7.6	1,705,579	-	5,393	1,710,972	1,438,782	-	(5,891)	1,432,891
- Pakistan Investment Bonds	7.7	14,211,722	-	9,103	14,220,825	12,330,380	-	(28,169)	12,302,211
		15,917,301	-	14,496	15,931,797	13,769,162	-	(34,060)	13,735,102
Shares - listed	7.4.2								
- Ordinary shares of listed companies		626,795	-	176,737	803,532	1,373,556	(73,460)	(257,053)	1,043,043
- Preference shares of a listed company		27,609	-	5,246	32,855	27,609	-	6,792	34,401
		654,404	-	181,983	836,387	1,401,165	(73,460)	(250,261)	1,077,444
Non Government Debt Securities	7.4.3								
- Term finance certificate - listed		2,159,676	(12,591)	(6,358)	2,140,727	2,235,802	(11,245)	3,038	2,227,595
- Term finance certificate - unlisted		2,029,841	(6,746)	17,019	2,040,114	2,448,863	-	8,400	2,457,263
- Sukuk certificates - listed		372,750	(395)	671	373,026	468,750	-	(1,108)	467,642
- Sukuk certificates - unlisted		1,360,443	(31,985)	-	1,328,458	1,034,250	(28,066)	2,044	1,008,228
		5,922,710	(51,717)	11,332	5,882,325	6,187,665	(39,311)	12,374	6,160,728
Commercial papers	7.5	-	-	-	-	115,741	-	-	115,741
Total investments		22,494,415	(51,717)	207,811	22,650,509	21,473,733	(112,771)	(271,947)	21,089,015

		2023	2022
		---------- (Rupees in '000) ----------	
7.2.1	**Investments given as collateral**		
	Market Treasury Bills		
	Carrying value - before revaluation	**116,362**	358,059
	Deficit	**44**	(1,370)
		116,406	356,689
	Pakistan Investment Bonds		
	Carrying value - before revaluation	**10,197,913**	7,188,905
	Deficit	**(15,291)**	(28,525)
		10,182,622	7,160,380
	Shares		
	Carrying value - before revaluation	**85,670**	86,777
	Impairment	**-**	(23,110)
	Deficit	**13,867**	(3,251)
		99,537	60,416

Above debt securities are pledged against the repurchase borrowings, while shares are pledged with National Clearing Company Pakistan Limited (NCCPL) against ready market exposure.

		2023	2022
		---------- (Rupees in '000) ----------	
7.2.2	**Credit loss allowance for diminution in value of investments**		
	Opening balance	**39,311**	37,322
	Impact of Adoption of IFRS 9	**2,641**	
	Charge / reversals		
	Charge for the year	**11,927**	1,989
	Reversals for the year	**-**	-
	Reversal on disposals	**(2,162)**	-
		9,765	32,469
	Closing Balance	**51,717**	39,311

7.3 Particlurs of credit loss allowance

7.3.1 Investments - exposure

	2023 Stage 1	2023 Stage 2	2023 Stage 3	2022 Stage 1	2022 Stage 2	2022 Stage 3
	---------- (Rupees in '000) ----------			---------- (Rupees in '000) ----------		
Opening balance	21,430,443	-	43,290	-	-	-
New investments	11,872,492	-	-	-	-	-
Investments derecognised or repaid	(10,776,178)	-	(2,167)	-	-	-
Transfer to stage 1	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-
	1,096,314	-	(2,167)	-	-	-
Amounts written off / charged Off	(73,465)	-	-	-	-	-
Other changes (to be specific)		-	-	-	-	-
Closing balance	22,453,292	-	41,123	21,430,443	-	43,290

7.3.2 Investments - Credit loss allowance

	2023 Stage 1	2023 Stage 2	2023 Stage 3	2022 Stage 1	2022 Stage 2	2022 Stage 3
	Rupees in '000			Rupees in '000		
Gross carrying amount - Current year	-	-	39,311	-	-	37,322
Impact of Adoption of IFRS 9	2,641	-	-	-	-	-
New investments	47	-		-	-	1,989
Investments derecognised or repaid	-	-	(2,162)	-	-	-
Transfer to stage 1	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-
	47	-	(2,162)	-	-	1,989
Amounts written off / charged off	-	-	-	-	-	-
Changes in risk parameters (PDs/LGDs/EADs)	11,880	-	-	-	-	-
Closing balance - Current year	14,568	-	37,149	-	-	39,311

7.3.3 Particulars of credit loss allowance against debt securities

		2023 Outstanding amount	2023 Credit loss allowance held	2022 Outstanding amount	2022 Credit loss allowance held
		------Rupees in '000------			
Domestic					
Performing	Stage 1	21,798,888	10,594	20,029,278	-
Underperforming	Stage 2				
Non-Performing	Stage 3				
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		41,123	41,123	43,290	39,311
		41,123	41,123	43,290	39,311
Total		21,840,011	51,717	20,072,568	39,311
Overseas					
Performing	Stage 1	-	-	-	-
Underperforming	Stage 2				
Non-Performing	Stage 3				
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		-	-	-	-
		-	-	-	-
Total		-	-	-	-

7.3.4 Particulars of provision against non-performing investments (NPI) - debt securities

Category of classification	2023 NPI	2023 Provision	2022 NPI	2022 Provision
	---------------------- (Rupees in '000)			----------------------
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	41,123	41,123	43,290	39,311
	41,123	41,123	43,290	39,311

7.4 Quality of securities

Details regarding quality of securities held under "Held to Collect and Sell" model

	Note	Cost 2023	Cost 2022
		---------- (Rupees in '000)	----------
7.4.1 Federal Government Securities - Government guaranteed			
Market Treasury Bills	7.6	1,705,579	1,438,782
Pakistan Investment Bonds	7.7	14,211,722	12,330,380
		15,917,301	13,769,162

7.4.2 Shares

	2023	2022
Listed Companies		
- Commercial Banks	296,236	456,798
- Textile Composite	44,866	156,320
- Power Generation and Distribution	31,854	167,499
- Oil and Gas Exploration Companies	90,786	139,398
- Fertilizer	3,738	97,251
- Oil and Gas Marketing Companies	26,445	119,945
- Fixed Line Telecommunication	36,181	35,051
- Insurance	25,351	31,220
- Miscellaneous	5,370	30,418
- Refinery	5,700	29,242
- Chemicals	27,609	27,609
- Automobile Parts and Accessories	3,873	21,934
- Engineering	10,310	20,156
- Automobile Assembler	3,150	16,211
- Household Goods	-	13,998
- Pharmacuticals	8,257	13,680
- Industrial Transportation	-	6,072
- Food Producers	-	5,041
- Industrial Metals and Mining	-	4,399
- Cement	34,678	5,957
- Financial Services	-	2,966
	654,404	1,401,165

7.4.3 Non Government Debt Securities

7.4.3.1 Listed Term Finance Certificates (TFC) and Sukkuk Certificates

	Cost 2023	Cost 2022
	---------- (Rupees in '000) ----------	
AAA	-	-
AA+, AA, AA-	**1,132,627**	1,133,113
A+, A, A-	**1,388,554**	1,560,194
BBB+, BBB, BBB-	-	-
BB+, BB, BB-	-	-
B+, B, B-	-	-
CCC and below	-	-
Unrated	**11,245**	11,245
	2,532,426	2,704,552

7.4.3.2 Unlisted Term Finance Certificates (TFC) and Sukkuk Certificates

	Cost 2023	Cost 2022
AAA	**299,400**	299,520
AA+, AA, AA-	**1,273,332**	1,443,960
A+, A, A-	**1,297,461**	1,197,194
BBB+, BBB, BBB-	**90,000**	110,000
BB+, BB, BB-	**400,214**	400,396
B+, B, B-	-	-
CCC and below	-	-
Unrated	**29,877**	32,043
	3,390,284	3,483,113

7.5 Particulars relating to securities classified Under "Held to Collect" model:

Non Government Debt Securities - Unlisted - Commercial papers

		Cost 2023	Cost 2022
		---------- (Rupees in '000) ----------	
A-1	7.5.1	-	115,741
A-2		-	-
A-2		-	-
		-	115,741

7.5.1 The market value of securities classified as held-to-Collect as at 31 December 2023 amounted to Nil (2022: PKR 115.741 million). These carry profit rate of Nil (2022: 18.97% per annum) and are due for maturity on Nil (2022: 06 June 2023).

7.6 Market treasury bills carry yield ranging from 21.43% to 22.99% (2022: 12.70% to 15.74%) per annum with maturities upto 12 December 2024 (2022: 21 April 2023).

7.7 The investments in Pakistan Investment Bonds are maturing upto 22 October 2030 (2022: 22 October 2030) and the effective yield ranges from 7.33% to 23.90% (2022: 7.33% to 16.83%) per annum.

8 ADVANCES

	Note	Performing 2023	Performing 2022	Non performing 2023	Non performing 2022	Total 2023	Total 2022
		(Rupees in '000)					
Loans, cash credits, running finances, etc.	8.1 & 8.2	**10,458,989**	9,272,440	**2,244,827**	1,880,464	**12,703,816**	11,152,904
Islamic financing and related assets		-	-	**161,358**	167,325	**161,358**	167,325
Bills discounted and purchased		-	-	-	-	-	-
Advances - gross	8.3	**10,458,989**	9,272,440	**2,406,185**	2,047,789	**12,865,174**	11,320,229
Credit loss allowance against advances							
-Stage 1	8.4 & 8.5	**(172,335)**	-	-	-	**(172,335)**	-
-Stage 2		**(18,218)**	-	-	-	**(18,218)**	-
-Stage 3		-	-	**(2,022,738)**	(1,878,498)	**(2,022,738)**	(1,878,498)
		(190,553)	-	**(2,022,738)**	(1,878,498)	**(2,213,291)**	(1,878,498)
Advances - net of provision		**10,268,436**	9,272,440	**383,447**	169,291	**10,651,883**	9,441,731

These include personal loans and house loans of Rs. 101.495 million (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% (2022: 3% and 5%) respectively.

8.1 Includes net investment in finance lease as disclosed below:

	2023 Not later than one year	2023 Later than one and less than five years	2023 Total	2022 Not later than one year	2022 Later than one and less than five years	2022 Total
	(Rupees in '000)					
Lease rentals receivable	**625,194**	**1,287,885**	**1,913,079**	547,500	911,164	1,458,664
Residual value	**202,393**	**440,222**	**642,615**	152,816	240,375	393,191
Minimum lease payments	**827,587**	**1,728,107**	**2,555,694**	700,316	1,151,539	1,851,855
Financial charges for future periods	**(154,841)**	**(275,356)**	**(430,197)**	(111,006)	(130,363)	(241,369)
Present value of minimum lease payments	**672,746**	**1,452,751**	**2,125,497**	589,310	1,021,176	1,610,486

The Company's implicit rate of return on leases ranges between 11.68% and 28.60% (2022: 11.68% and 21.55%) per annum. These are secured against leased assets and security deposits generally unto 50% (2022: 50%) of the cost of leased assets. Further, the carrying amount of Rs. 383.447 million pertaining to non-performing loan represent security deposit against lease assets placed by the customer with the Company therefore no provision is recorded in accordance with prudential regulations and IFRS 9.

8.2 Particulars of advances (Gross)

	2023	2022
	(Rupees in '000)	
In local currency	**12,865,174**	11,320,229
In foreign currencies	-	-
	12,865,174	11,320,229

Advances include Rs. 2,406 million (2022: Rs. 2,048 million) which has been placed under non-performing status as detailed below:

8.3 Particulars of credit loss allowance

8.3.1 Advances - Exposure

	Note	2023 Stage 1	2023 Stage 2	2023 Stage 3	2022 Stage 1	2022 Stage 2	2022 Stage 3
		'Rupees in '000			'Rupees in '000		
Gross carrying amount - opening		**8,820,929**	**597,160**	**1,902,140**			
New advances		6,632,110	-	-	-	-	-
Advances derecognised or repaid		(4,962,005)	(103,460)	(21,700)	-	-	-
Transfer to stage 1		-	-	-	-	-	-
Transfer to stage 2		(190,319)	190,319	-	-	-	-
Transfer to stage 3		(212,943)	(151,444)	364,387	-	-	-
		1,266,843	**(64,585)**	**342,687**	-	-	-
Amounts written off / charged off	8.6	-	-	-	-	-	-
Closing balance - Current year		**10,087,772**	**532,575**	**2,244,827**	8,820,929	597,160	1,902,140

8.3.2 Advances - Credit loss allowance

	Note	2023 Stage 1	2023 Stage 2	2023 Stage 3	2022 Stage 1	2022 Stage 2	2022 Stage 3
		'Rupees in '000			'Rupees in '000		
Opening balance		-	-	**1,878,498**	-	-	1,878,498
Impact of Adoption of IFRS 9		151,836	23,442	1,173	-	-	-
New Advances		66,131	-	-	-	-	-
Advances derecognised or repaid		(40,872)	(5,700)	(20,878)	-	-	-
Transfer to stage 1		-	-	-	-	-	-
Transfer to stage 2		(499)	4,512	-	-	-	-
Transfer to stage 3		(4,261)	(4,036)	163,945	-	-	-
		20,499	**(5,224)**	**143,067**	-	-	-
Amounts written off / charged off	8.6	-	-	-	-	-	-
Changes in risk parameters (PDs/LGDs/EADs)		-	-	-	-	-	-
		-					
Closing balance		**172,335**	**18,218**	**2,022,738**	-	-	1,878,498

8.3.3 Advances - Credit loss allowance details
Internal / External rating / stage classification

	2023 Stage 1	2023 Stage 2	2023 Stage 3	2022 Stage 1	2022 Stage 2	2022 Stage 3
	---'Rupees in '000---			---'Rupees in '000---		
Outstanding gross exposure						
Performing - Stage 1	10,087,772	-	-	8,820,929	-	-
Under Performing - Stage 2	-	532,575	-	-	597,160	167,325
Non-performing - Stage 3						
Substandard	-	-	-	-	-	-
Doubtful	-	-	364,387	-	-	-
Loss	-	-	1,880,440	-	-	1,880,464
	-	-	2,244,827	-	-	1,880,464
Total	10,087,772	532,575	2,244,827	8,820,929	597,160	2,047,789
Corresponding ECL						
Stage 1 and stage 2	172,335	18,218	-	-	-	-
Stage 3	-	-	2,022,738	-	-	1,878,498
	172,335	18,218	2,022,738	-	-	1,878,498

8.4 Category of classification in stage 3

	2023 Non performing loans	2023 Provision	2022 Non performing loans	2022 Provision
	---(Rupees in '000)---			
Domestic				
Other Assets Especially Mentioned	161,358	9,422	167,325	-
Substandard	-	-	-	-
Doubtful	364,387	163,974	-	-
Loss	1,880,440	1,858,764	1,880,464	1,878,498
	2,406,185	2,032,160	2,047,789	1,878,498

8.5 Particulars of Credit loss allowance against advances

	2023 Specific	2023 General	2023 Total	2022 Specific	2022 General	2022 Total
	---'Rupees in '000---			---'Rupees in '000---		
Opening balance	1,878,498	-	1,878,498	1,813,682	-	1,813,682
Impact of Adoption of IFRS 9	1,173	175,278	176,451			
Charge for the year	163,945	70,643	234,588	69,156	-	69,156
Reversals	(20,878)	(55,368)	(76,246)	(4,340)	-	(4,340)
	143,067	15,275	158,342	64,816	-	64,816
Amounts written off	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Closing balance	2,022,738	190,553	2,213,291	1,878,498	-	1,878,498

8.5.1 Particulars of provision against advances

	2023 Specific	2023 General	2023 Total	2022 Specific	2022 General	2022 Total
	'Rupees in '000			'Rupees in '000		
In local currency	2,022,738	190,553	2,213,291	1,878,498	-	1,878,498
In foreign currencies	-	-	-	-	-	-
	2,022,738	190,553	2,213,291	1,878,498	-	1,878,498

9. FIXED ASSETS

	Note	2023	2022
		(Rupees in '000)	
Property and equipment	9.1	486,364	472,102
Capital Work in Progress		-	-
		486,364	472,102

9.1 Property and Equipment

	Buildings	Leasehold Improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	2023 (Rupees in '000)					
At 01 January 2023						
Cost	382,593	77,393	13,816	44,408	17,116	535,326
Accumulated depreciation	(9,571)	(645)	(13,344)	(28,785)	(10,879)	(63,224)
Net book value	373,022	76,748	472	15,623	6,237	472,102
Year ended 31 December 2023						
Opening net book value	373,022	76,748	472	15,623	6,237	472,102
Additions	-	35,831	169	7,026	-	43,026
Transfer from CWIP						
Disposals						
Cost	-	-	-	776	-	776
Accumulated Depreciation	-	-	-	(693)	-	(693)
				83		83
Depreciation charge	(9,565)	(7,739)	(180)	(7,587)	(3,610)	(28,681)
Closing net book value	363,457	104,840	461	14,979	2,627	486,364
At 31 December 2023						
Cost	382,593	113,224	13,985	50,658	17,116	577,576
Accumulated depreciation	(19,136)	(8,384)	(13,524)	(35,679)	(14,489)	(91,212)
Net book value	363,457	104,840	461	14,979	2,627	486,364
Rate of depreciation (percentage)	2.50%	10%	20%	25%-50%	25%	

	2022					
	Buildings	Leasehold Improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	(Rupees in '000)					
At 01 January 2022						
Cost	183,093	-	36,770	45,322	17,116	282,301
Accumulated depreciation	(4,577)	-	(35,884)	(35,695)	(7,269)	(83,425)
Net book value	178,516	-	886	9,627	9,847	198,876
Year ended 31 December 2022						
Opening net book value	178,516		886	9,627	9,847	198,876
Additions	199,500	77,393	-	12,037	-	288,930
Transfer from capital Work in progress	-		-	-	-	-
Disposals						
Cost	-		22,954	12,951	-	35,905
Accumulated Depreciation	-		(22,789)	(12,881)	-	(35,670)
	-		165	70	-	235
Depreciation charge	(4,994)	(645)	(249)	(5,971)	(3,610)	(15,469)
Closing net book value	373,022	76,748	472	15,623	6,237	472,102
At 31 December 2022						
Cost	382,593	77,393	13,816	44,408	17,116	535,326
Accumulated depreciation	(9,571)	(645)	(13,344)	(28,785)	(10,879)	(63,224)
Net book value	373,022	76,748	472	15,623	6,237	472,102
Rate of depreciation (percentage)	2.50%	10.00%	20%	25%-50%	25%	

9.2 The gross cost of fully depreciated assets still in use is as follows:

	2023	2022
	(Rupees in '000)	
Furniture and fixture	12,968	14,846
Electrical, office and computer equipment	21,670	18,361
Vehicles	2,675	2,675
	37,313	35,882

9.3 The gross cost and sale proceeds of disposals / write-offs:

Asset	Cost	Book value	Sale price	Purchaser
	------------	(Rupees)	------------	
Equipment				
Mobile Phone (Samsung A-31)	35,000	-	-	Mr. Fahad Zakaullah - Employee
Mobile Phone (Samsung A-31)	35,000	-	-	Mr. Muhammad Asad - Employee
Mobile Phone (Samsung A-12)	35,000	-	-	Mr. Wasim Raja - Employee
Mobile Phone (Red Mi Note 10 Pro)	45,000	-	-	Mr. Zeeshan Rauf - Employee
Mobile Phone (Samsung A-32)	35,000	-	-	Mr. Tahir Habib - Employee
Mobile Phone (Samsung A-32)	35,000	-	-	Mr. Tariq Memon - Employee
Mobile Phone (Samsung A-72)	50,000	18,750	18,750	Mr. Habib Ameer Ali - Employee
Mobile Phone (Iphone 11 128gb)	55,000	16,042	16,042	Mr. Salman Raza - Employee
Mobile Phone (Iphone XR)	55,000	-	-	Mr. Khurram Faiziab - Employee
Mobile Phone (Iphone 13)	55,000	-	-	Mr. Ahmed Bilal Darr - Employee
Mobile Phone (Redmi Note 11)	35,000	20,417	18,958	Mr. Zeeshan ur Rahman - Employee
Mobile Phone (Redmi Note 11)	35,000	27,708	32,083	Ms. Aisha Mansoor - Employee
Laptop (Dell Latitude 5580)	106,914	-	5,346	Mr. Habib Ameer Ali - Employee
Laptop (Dell Latitude 5590)	164,000	-	8,200	Mr. Salman Raza - Employee
	775,914	82,917	99,379	

10. INTANGIBLE ASSETS

	Note	Computer software 2023	Computer software 2022
		---------- (Rupees in '000)	----------
Computer softwares and licenses	10.2	465	230
Capital work in progress	10.1	8,758	4,972
		9,223	5,202

10.1 The amount represents payments being made to a software company for the software being implemented by the Company.

10.2 Computer Softwares and Licenses

	2023	2022
At 01 January		
Cost	19,860	19,540
Less: Accumulated amortisation	(19,630)	(19,512)
Net book value	230	28
Year ended 31 December		
Opening net book value	230	28
Additions - Directly purchased	397	320
Disposals	-	-
Less: Amortisation charge	(162)	(118)
Closing net book value	465	230
At 31 December		
Cost	20,257	19,860
Less: Accumulated amortisation	(19,792)	(19,630)
Net book value	465	230
Rate of amortisation (percentage)	33%	33%

10.3 The gross cost of fully amortised assets still in use is as follows;

	2023	2022
	---------- (Rupees in '000)	----------
Software Licenses	19,588	19,588

The amount represents fully depreciated sofwares being used by the Company i.e. IPAMS, HCM, GL-SHMA, FA-SHMA.

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

11. DEFERRED TAX ASSETS

	2023	2022
Deferred tax asset - net	441,163	458,493

11.1 Deferred tax asset

	2023			
	At 01 January 2023	Recognised in profit and loss account	Recognised in other comprehensive income	At 31 December 2023
	---------- (Rupees in 000) ----------			
Deductible Temporary Differences on				
- Provision against advances, off balance sheet, etc.	513,833	(106,351)	-	407,482
- Lease liability against right-of-use assets	-	-	-	-
- Lease assets	(9,906)	61,207	-	51,301
- Deficit on revaluation of investments - net	2,710	-	(2,710)	-
- Others	81	2,734	-	2,815
	506,718	(42,410)	(2,710)	461,598
Taxable Temporary Differences on				
- Surplus on revaluation of investments - net	-	-	(16,279)	(16,279)
- Post retirement employee benefits	1,142	-	(3,786)	(2,644)
- Surplus on revaluation of non-banking asset	-	-	-	-
- Right-of-use assets - net	-	-	-	-
- Transfer of surplus on Non-Banking Assets to Fixed Assets	-	-	-	-
- Accelerated tax depreciation	(49,367)	47,855	-	(1,512)
	-	-	-	-
	(48,225)	47,855	(20,065)	(20,435)
	458,493	5,445	(22,775)	441,163

11.2 Deferred tax asset of Rs. 249.3 million has not been recorded, which pertains to provision for non-performing loans & impariment provision, due to uncertainty of reversal of provision to recover the benefit. Further, the company has charged deferred tax at the rate of 29% instead of 39% due to its realisibillity that deferred tax would be recovered in future.

	2022			
	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	3,852	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	-	-
- Transfer of surplus on Non-Banking Assets to Fixed Assets	-	-	-	-
- Accelerated tax depreciation	(8,583)	(6,075)	(34,709)	(49,367)
- Lease assets	(10,993)	1,087	-	(9,906)
	(48,106)	(2,624)	(8,543)	(59,273)
	461,472	1,712	(4,691)	458,493

12. OTHER ASSETS

	Note	2023	2022
		---------- (Rupees in '000) ----------	
Income / mark-up accrued in local currency - net of provision	12.3	**1,063,613**	636,487
Advances, advance rent and other prepayments		**30,752**	105,831
Advance taxation (payments less provisions)		**639,234**	334,442
Non-banking asset acquired in satisfaction of claims	12.1 & 12.2	**-**	-
Receivable from defined benefits plan	34.4	**12,629**	-
Dividend receivable		**150**	150
Security deposits		**1,583**	1,583
		1,747,961	1,078,493
Less: Provision held against other assets		**-**	-
Other assets (net of provision)		**1,747,961**	1,078,493
Surplus on revaluation of non-banking asset acquired in satisfaction of claims		**-**	-
Other Assets - total		**1,747,961**	1,078,493

12.1 Market value of non-banking asset acquired in satisfaction of claims	-	199,500

Non-banking asset acquired in satisfaction of claims was revalued by independent professional valuer as of January 18, 2023 (full scope). The revaluation was carried out by M/s K.G. Traders (Private) Limited on the basis of an assessment of present market values. The assets has been transferred to the Operating Fixed Assets at revalued amount to be carried at the Cost Model.

12.2 Non-banking asset acquired in satisfaction of claim

	2023	2022
	---------- (Rupees in '000) ----------	
Opening balance	-	124,582
Revaluation during the year	-	81,561
Less: Depreciation for the year	-	(6,643)
Less: Transfered to Fixed Assets	-	(199,500)
Closing balance	-	-

12.3 Provision held against other assets

Mark-up suspended amounting to Rs. 2,191.9 million (2022: Rs. 1,769.26 million) included in provision against other asset, has been netted off against the markup receivable amount.

13. BORROWINGS

Details of borrowings secured / unsecured	Note	2023	2022
		---------- (Rupees in '000) ----------	
Secured			
Borrowings from State Bank of Pakistan- Under financing facility			
'-Imported & Locally Manufactured Plant & Machinery (LTFF)	13.1	**1,527,954**	1,825,320
'-Renewable Energy Facility (REF)	13.2	**581,999**	641,196
'-Temporary Economic Refinance Facility (TERF)	13.3	**1,201,748**	1,138,983
'-Financing Facility for Storage of Agriculture Produce (FFSAP)	13.4	**427,302**	174,168
		3,739,003	3,779,667
Borrowings from State Bank of Pakistan - open market operation	13.5	**8,900,000**	7,300,000
Total Borrowings from State Bank of Pakistan		**12,639,003**	11,079,667
Repurchase agreement borrowings	13.5	**1,572,437**	356,450
Term borrowings	13.6	**3,577,778**	4,900,000
Total Secured		**17,789,218**	16,336,117
Unsecured		**-**	-
Call borrowings	13.7	**4,000,000**	4,000,000
Total Unsecured		**4,000,000**	4,000,000
		21,789,218	20,336,117

13.1 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 2.0% to 15% per annum (2022: 2.0% to 7.0%). These borrowings will mature by 2033 (2022: 2032).

13.2 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% per annum (2022: 2.0% to 3.0%). These borrowings will mature by 2034 (2022: 2034).

13.3 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 (2022: 1%). These borrowings will mature by 2032 (2022: 2032).

13.4 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% to 2.50% per annum (2022: 2.0%). These borrowings will mature by 2030 (2022: 2029).

13.5 These carry mark-up at the rates ranging from 22.10% to 22.30% per annum (2022: 15.25% to 16.25% per annum) and are secured against government securities having carrying amount of Rs. 10.314 billion & market value of Rs. 10.299 billion (2022: carrying value Rs. 7.547 billion & market value of Rs. 7.517 billion). These borrowings will mature up to January 2024 (2022: March 2023).

13.6 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. Total available facility is Rs. 6 billion.

13.7 These represent clean finances obtained by the Company, These carry mark up at the rates of 22.10% (2022: 16.20% to 16.25% per annum. These borrowings will mature up to January 2024 (2022: January 2023).

	2023	2022
	(Rupees in '000)	
13.8 Particulars of borrowings with respect to Currencies		
In local	**21,789,218**	20,336,117
In foreign currencies	-	-
	21,789,218	20,336,117

14. DEPOSITS AND OTHER ACCOUNTS

	Note	2023			2022		
		In local currency	**In foreign currencies**	**Total**	In local currency	In foreign currencies	Total
		(Rupees in '000)					
Customers							
Term deposits	14.2	**1,383,726**	-	**1,383,726**	791,213	-	791,213
Financial Institutions							
Term deposits	14.3	**1,340,746**	-	**1,340,746**	980,397	-	980,397
		2,724,472	-	**2,724,472**	1,771,610	-	1,771,610

	Note	2023	2022
14.1 Composition of deposits		(Rupees in '000)	
- Individuals	14.4	**535,704**	331,491
- Public Sector Entities		-	-
- Non-Banking Financial Institution (related party)		**1,340,746**	980,397
- Private Sector		**848,022**	459,722
		2,724,472	1,771,610

14.2 The mark-up rates on these certificate of investments (COI) range between 20.00% to 22.50% per annum (2022: 11.75% to 16.50% per annum). These COIs will mature up to December 2024 (2022: December 2023).

14.3 The mark-up rates on these certificate of investments (COI) is 21.30% to 22.35% per annum (2022:15.35% to 16.35% per annum). These COIs will mature up to March 2024 (2022: March 2023).

14.4 These includes both interest bearing and non-interest bearing certificate of investments (COI) issued to the employees of the Company maturing up to November 2026 (2022: July 2025). The interest bearing deposits carry interest rates ranging between 20.0% to 22.50% per annum (2022: 14.55% to 16.50% per annum).

15. OTHER LIABILITIES

	Note	2023	2022
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		**442,759**	280,997
Accrued expenses		**63,971**	24,582
Payable to defined benefit plan	34.4	**-**	7,874
Provision for compensated absences		**4,804**	-
Payable to an associated undertaking		**12,713**	10,721
Government levies payable		**53,074**	107,431
Provision for audit fee		**2,019**	1,469
Advance insurance premium on lease		**758**	613
Security deposits against finance lease		**642,615**	393,191
Payable Brokerage / NCCPL		**3,873**	-
Provision for staff rewards		**120,456**	33,391
Lease liability against right-of-use assets		**-**	-
		1,347,042	860,269

16. SHARE CAPITAL

16.1 Authorised capital

2023	2022		2023	2,022
(Number of shares)			(Rupees in '000)	
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	**10,000,000**	10,000,000

16.2 Issued, subscribed and paid-up share capital

2023	2022		2023	2022
600,000,000	600,000,000	Ordinary shares of Rs.10 each and fully paid in cash	**6,000,000**	6,000,000

16.3 Major shareholders (holding more than 5% of total paid-up capital)

	2023		2022	
Name of shareholder	Number of shares held	Percentage of	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%

* This includes nominal shares allotted to the nominee Directors of the Company nominated by Government of Pakistan and Iran Foreign Investment Company.

17. RESERVES

	2023	2022
	(Rupees in '000)	
Statutory reserve		
Opening balance	**1,093,746**	1,004,551
Transfer during the year	**153,750**	89,195
Closing balance	**1,247,496**	1,093,746

17.1 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.

18. SURPLUS ON REVALUATION OF ASSETS

	Note	2023	2022
		(Rupees in '000)	
Surplus / (deficit) on revaluation of			
- Securities measured at FVOCI - Debt	7.1	**25,828**	(21,686)
- Securities measured at FVOCI - Equity		**177,858**	(249,521)
		203,686	(271,207)
Deferred tax on surplus / (deficit) on revaluation of:			
- Securities measured at FVOCI - Debt		**6,474**	2,710
- Securities measured at FVOCI - Equity		**(22,232)**	-
		(15,758)	2,710
Incremental depreciation charged during the year		**-**	-
		187,928	(268,497)

18.1 Surplus on revaluation of a non-banking asset acquired in satisfaction of claim

	2023	2022
Surplus on revaluation as of 01 January	-	48,064
Revaluation during the year	-	81,561
Realised on transfer during the year	-	(129,625)
	-	-
Less: related deferred tax liability on:		
- revaluation as at January 1	-	(16,846)
- revaluation recognised during the year	-	(19,352)
- surplus realised on disposal during the year	-	42,006
- Incremental depreciation as of December 31	-	(5,808)
	-	-
	-	-

19. CONTINGENCIES AND COMMITMENTS

	Note	2023	2022
-Commitments	19.1 - 19.4	**11,157,437**	8,214,853
-Other contingent liabilities	19.5	**245,280**	245,280
		11,402,717	8,460,133

19.1 Commitments in respect of repo transactions

	2023	2022
Repurchase agreement borrowings	**10,472,437**	7,656,450

19.2 Direct credit substitutes

	2023	2022
Direct credit substitutes	**985,000**	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.

19.3 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.

19.4 Capital commitments

At the year end capital commitments amounted to Rs. 685 million (2022: 558.40 million).

19.5 Other contingent liabilities

19.5.1 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.

19.5.2 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.

19.5.3 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 departemnt 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.

19.5.4 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.

19.5.5 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.

20. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Off balance sheet financial instruments includes 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's exposure in these instruments represents equity futures. 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.

21. 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 buys and sells derivative instruments such as equity futures.

21.1 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 uses 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. There is no outstanding future contract as at December 31, 2023

	Note	2023	2022
		---------- (Rupees in '000)	----------
22. MARK-UP / RETURN / INTEREST EARNED			
Loans and advances		1,427,362	699,883
Investments		4,436,887	2,537,275
Lendings to financial instruments		: 538	895
Balances with banks		3,692	5,509
		5,868,479	3,243,562
23. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		498,081	182,651
Securities sold under repurchase agreements		227,068	288,457
On borrowing from State Bank of Pakistan- Under financing facility			
- Imported & Locally Manufactured Plant & Machinery (LTFF)		41,626	37,524
- Temporary Economic Refinance Facility (TERF)		12,025	7,859
- Renewable Energy (REF)		17,727	17,249
- Financing Facility for Storage of Agriculture Produce (FFSAP)		4,354	924
Borrowings from State Bank of Pakistan - open market operation		1,899,618	505,015
Unwinding cost of liability against the right-of-use assets		-	3,068
Term borrowing		898,171	629,246
Clean borrowing		569,100	459,703
		4,167,770	2,131,696
24. FEE & COMMISSION INCOME			
Credit related fees		16,140	19,359
Investment banking fees		-	-
Commission on guarantees		1,347	3,230
		17,487	22,589
25. GAIN / (LOSS) ON SECURITIES - NET			
Realised	25.1	38,544	(72,045)
Unrealised - Measured at FVPL	7.1	4,125	(740)
		42,669	(72,785)

		Note	2023	2022
			---------- (Rupees in '000) ----------	
25.1	**Realised**			
	Shares		38,544	(72,045)
	Federal Government Securities		-	-
	Units of mutual funds		-	-
			38,544	(72,045)

		Note	2023	2022
26.	**OTHER INCOME**			
	Gain on sale of fixed assets		14	6,928
	Misc. Income / Reversal of excess provisions		2	32
			16	6,960

		Note	2023	2022
27.	**OPERATING EXPENSES**			
A	**Total compensation expense**	27.1	474,406	321,733
B	**Property expense**			
i	Rent & taxes		973	484
ii	Insurance		6,387	4,078
iii	Utilities cost		5,722	11,031
iv	Security		1,583	953
v	Repair & maintenance		14,860	13,596
	Depreciation on owned operating fixed assets		21,094	9,499
	Depreciation on owned OREO assets		-	6,643
vi	Depreciation on right-of-use assets		-	8,153
			50,619	54,437
C	**Information technology expenses**			
i	Software maintenance		5,709	4,337
ii	Hardware maintenance		-	-
iii	Depreciation		7,587	5,970
iv	Amortisation		162	118
v	Network charges		6,765	4,977
vi	Others		563	1,103
			20,786	16,505
D	**Other operating expenses**			
i	Directors' fees and allowances	36.2	13,750	14,250
iii	Legal & professional charges		8,991	14,884
v	Travelling & conveyance		30,403	14,382
vii	Depreciation		-	-
viii	Training & development		961	477
ix	Postage & courier charges		238	194
x	Communication		1,683	1,700
xiii	Stationary & printing		1,957	2,028
xiv	Marketing, advertisement & publicity		1,370	2,336
xv	Charity & Donations	27.3	5,000	2,700
xvi	Auditors' Remuneration	27.2	2,303	2,003
xvii	Commission and brokerage		2,623	3,948
xviii	Bank charges and miscellaneous expenses		10,707	5,524
			79,986	64,426
			625,797	457,101

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

27.1 Total compensation expense

i	Fees and Allowances, etc	-	-
ii	Employees' Remuneration		
	i) Fixed	182,531	158,349
	ii) Variable	-	-
	of which;		
	a) Cash Bonus / Awards etc.	147,488	39,509
	b) Bonus & Awards in Shares etc.	-	-
iii	Charge for defined benefit plan	16,329	12,330
iv	Contribution to defined contribution plan	14,013	12,101
v	Rent & house maintenance	43,833	39,874
vi	Utilities	10,794	9,374
vii	Medical	12,216	11,469
viii	Conveyance	47,202	38,727
	Total	474,406	321,733

27.2 Auditors' remuneration

Audit fee	835	726
Half yearly review	330	287
Special certifications and sundry advisory services	929	808
Out of pocket expenses	209	182
	2,303	2,003

27.3 Donations and charity

None of the directors, executives or their spouses had any interest in the donee. Detail of donations made during the year is as follows:

	2023	2022
	---------- (Rupees in '000) ----------	
Consulate General of Iran (School being run by the Consulate Office)	1,028	1,000
Saylani Welfare Trust	-	1,000
The Kidney Centre	600	500
Sindh Institute of Urology and Transplantation	1,372	-
Patient Aid Foundation	600	200
Layton Rahmatullah Benevolent Trust	600	-
The Citizen Foundation	800	-
	5,000	2,700

28. OTHER CHARGES

Penalties imposed by State Bank of Pakistan	-	-

29. CREDIT LOSS ALLOWANCE & WRITE OFFS - NET

	Note	2023	2022
		---------- (Rupees in '000) ----------	
Credit loss allowance held against balances with other banks		134	-
Provisions against lending to financial institutions		-	-
Credit loss allowance for diminution in value of investments		12,406	32,469
Credit loss allowance against loans & advances	8.5	158,342	64,816
		170,882	97,285

30. TAXATION

	2023	2022
Current	342,790	188,593
Prior year	-	21,508
Deferred	(5,445)	(1,712)
	337,345	208,389

30.1 Relationship between tax expense and accounting profit

	2023	2022
Profit before taxation	1,106,096	654,366
Tax on income @ 29% (2022: 29%)	320,768	189,766
Net tax effect on income taxed at reduced rates	(42,763)	-
Net tax effect on income subject to FTR	(26,449)	(21,100)
Super tax liability	103,138	-
Tax effect of expenses that are not deductible in determining taxable profit	(16,012)	(1,712)
Permanent difference	-	19,294
Others	(1,337)	633
Tax charge	337,345	208,389

31. BASIC AND DILUTED EARNINGS PER SHARE

	2023	2022
Profit for the year	768,751	445,977
	(Number of shares in '000)	
Weighted average number of ordinary shares	600,000	600,000
	(Rupees per share)	
Basic and diluted earnings per share	1.28	0.74

There are no instruments that may have a dilutive effect on earnings per share.

32. CASH AND CASH EQUIVALENTS

	Note	2023	2022
		---------- (Rupees in '000) ----------	
Cash and balances with treasury banks	5	158,668	154,022
Balances with other banks	6	296,119	41,997
		454,787	196,019

32.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2023						
	Liabilities			Equity			Total
	Borrowings	Deposits and other accounts	Other liabilities	Share capital	Reserves	Unappropriated profit	
	(Rupees in '000)						
Balance as at 01 January 2023	20,336,117	1,771,610	860,269	6,000,000	1,093,746	2,947,810	33,009,552
Changes from financing cash flows							
Payment of lease liability against right-of-use assets	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	(350,000)	(350,000)
Total changes from financing cash flows	-	-	-	-	-	(350,000)	(350,000)
Other changes						(179,110)	(179,110)
Liability - related							
Changes in borrowings	1,453,101	-	-	-	-	-	1,453,101
Changes in deposits and other accounts	-	952,862	-	-	-	-	952,862
Changes in other liabilities							
- Cash based	-	-	494,602	-	-	-	494,602
- Non - cash based - Actuarial loss on remeasurements of defined benefit plan	-	-	10,546	-	-	10,546	21,092
Transfer of profit to reserve	-	-	-	-	153,750	(153,750)	-
Profit for the year	-	-	-	-	-	768,751	768,751
Other adjustments	-	-	(18,375)	-	-	101,487	83,112
Exchange differences on translation of net investment in foreign branches	-	-	-	-	-	-	-
	1,453,101	952,862	486,773	-	153,750	727,034	3,773,520
Balance as at 31 December 2023	21,789,218	2,724,472	1,347,042	6,000,000	1,247,496	3,145,734	36,253,962

	2022						
	Liabilities			Equity			Total
	Borrowings	Deposits and other accounts	Other liabilities	Share capital	Reserves	Unappropriated profit	
	(Rupees in '000)						
Balance as at 01 January 2022	13,658,356	1,132,247	568,117	6,000,000	1,004,551	2,661,253	25,024,524
Changes from financing cash flows							
Payment of lease liability against right-of-use assets	-	-	(7,790)	-	-	-	(7,790)
Dividend paid	-	-	-	-	-	(150,000)	(150,000)
Total changes from financing cash flows	-	-	(7,790)	-	-	(150,000)	(157,790)
Other changes							
Liability - related							
Changes in borrowings	6,677,761		-	-	-	-	6,677,761
Changes in deposits and other accounts	-	639,363	-	-	-	-	639,363
Changes in other liabilities							-
- Cash based	-	-	290,829	-	-	-	290,829
- Non - cash based - Actuarial loss on							-
remeasurements of defined benefit plan	-	-	(9,699)	-	-	(9,699)	(19,398)
Transfer of profit to reserve	-	-	-	-	89,195	(89,195)	-
Profit for the year	-	-	-	-	-	447,832	447,832
Other adjustments	-	-	18,812	-	-	87,619	106,431
	6,677,761	639,363	299,942	-	89,195	436,557	8,142,818
Balance as at 31 December 2022	20,336,117	1,771,610	860,269	6,000,000	1,093,746	2,947,810	33,009,552

33. STAFF STRENGTH

	2023	2022
	(Number of employees)	
Permanent	44	47
Temporary / on contractual basis	7	7
Company's own staff at end of the year	51	54
Outsourced	-	-
Total staff strength	51	54

34. DEFINED BENEFIT PLAN

34.1 General description

As mentioned in note 4.8, the Company operates an approved funded gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn salary for each year of eligible service or part thereof, subject to a minimum of two years of service.

34.2 Number of employees under the scheme

The number of employees covered under the defined benefit schemes are 44 (2022: 48)

34.3 Principal actuarial assumptions

The actuarial valuation was carried out as at December 31, 2023 using the "Projected Unit Credit Actuarial Cost Method". The information provided in notes 34.3 to 34.15 has been obtained from the actuarial valuation carried out as at December 31, 2023.

	2023	2022
	-------- (Per annum) --------	
Discount rate	**15.50%**	14.50%
Expected rate of return on plan assets	**15.50%**	14.50%
Expected rate of salary increase	**15.50%**	14.50%
Mortality rates (for death in service)	**SLIC(2001-05)-1**	SLIC(2001-05)-1
Rates of employee turnover	**Moderate**	Moderate

34.4 Reconciliation of (receivable from) / payable to defined benefit plans

	Note	2023	2022
		---------- (Rupees in '000) ----------	
Present value of obligations	34.5	**127,667**	115,683
Fair value of plan assets	36.6 & 36.9	**(140,296)**	(107,809)
(Receivable) / payable		**(12,629)**	7,874

34.5 Movement in defined benefit obligations

	2023	2022
Obligations at the beginning of the year	**115,683**	91,211
Current service cost	**15,188**	12,973
Interest cost	**17,492**	11,230
Benefits paid during the year	**(14,131)**	(3,847)
Re-measurement loss / (gain)	**(6,565)**	4,116
Obligations at the end of the year	**127,667**	115,683

34.6 Movement in fair value of plan assets

	Note	2023	2022
Fair value at the beginning of the year		**107,809**	96,999
Interest income on plan assets		**16,351**	11,873
Contribution by the Company - net		**21,979**	12,330
Actual benefits paid from the fund during the year		**(14,131)**	(3,847)
Re-measurements gain / (loss) on plan assets		**8,288**	(9,546)
Fair value at the end of the year	34.9	**140,296**	107,809

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

34.7 Movement in payable under defined benefit schemes

	Note	2023	2022
Opening balance		7,874	(5,788)
Charge for the year	34.8.1	16,329	12,331
Contribution by the Company - net		(21,979)	(12,330)
Re-measurement Loss / (Gain) recognised in other comprehensive income during the year	34.8.2	(14,853)	13,661
Closing balance		(12,629)	7,874

34.8 Charge for defined benefit plans

34.8.1 Cost recognised in profit and loss

	2023	2022
Current service cost	15,188	12,973
Net interest on defined benefit liability / (asset)	1,141	(643)
	16,329	12,330

34.8.2 Re-measurements recognised in OCI during the year

	2023	2022
Loss / (gain) on obligation		
- Demographic assumptions	-	-
- Financial assumptions	(1,403)	3,268
- Experience adjustment	(5,162)	847
Actuarial loss on plan assets	(8,288)	9,546
Total re-measurements recognised in OCI	(14,853)	13,661

34.9 Components of plan assets

	2023	2022
Cash and cash equivalents	2,676	9,595
Government Securities (Defence Saving Certificates)	-	-
Non-Government Debt Securities (Certificate of Investments)	137,620	98,214
	140,296	107,809

34.10 Sensitivity analysis

The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarised below:

	2023	2022
	---------- (Rupees in '000) ----------	
0.5% increase in discount rate	122,897	111,177
0.5% decrease in discount rate	132,725	120,467
0.5% increase in expected rate of salary increase	132,417	120,183
0.5% decrease in expected rate of salary increase	123,144	111,401

	2024 (Rupees in '000)
34.11 Expected charge / (reversal) for the next financial year	14,597

34.12 **Maturity profile**

The weighted average duration of the obligation is 7.69 years.

Distribution of timing of benefit payments (time in years)	2024 (Rupees in '000)
1	**5,121**
2	**5,379**
3	**14,841**
4	**6,894**
5	**8,139**
6-10	**267,055**

34.13 **Funding Policy**

An implicit, though not formally expressed, objective is that the liabilities under the scheme in respect of members in service on the valuation date on a going concern basis and having regard to projected future salary increases, should be covered by the Fund on the valuation date, the total book reserve as of the valuation date, future contributions to the Fund, future additions to the book reserve and future projected investment income of the Fund.

As far as possible, there is an implicit objective that the contribution to the Fund should remain reasonably stable as a percentage of salaries, under the Actuarial Cost Method employed.

34.14 The significant risk associated with the staff retirement benefit plan may include:

Mortality Risk

The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.

Investment Risk

The risk of the investment underperforming and not being sufficient to meet the liabilities.

Final salary risks

The risk that the final salary at the time of cessation of service is higher than what we assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Withdrawal risk

The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

35. DEFINED CONTRIBUTION PLAN

The general description of the note is included in note 4.8.

Contributions made during the year:	**2023**	2022
	---------- (Rupees in '000)	**----------**
Employer's contribution	**14,013**	12,101
Employees' contribution	**14,013**	12,101

The number of employees covered under the defined contribution plan are 53 (2022: 48).

36. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

36.1 Total Compensation Expense

Items	2023						
	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non-Executives				
	(Rupees)						
Fees and Allowances etc.	4,500	-	9,250	-	-	-	-
Managerial Remuneration							
i) Fixed	-	-	-	-	42,174	64,574	20,256
ii) Total Variable of which:							
a) Cash Bonus / Awards	-	-	-	-	33,896	19,807	4,468
b) Bonus & Awards in Shares							
Charge for defined benefit plan							
Contribution to defined contribution plan	-	-	-	-	3,552	4,373	1,560
Rent & house maintenance	-	-	-	-	3,678	19,556	6,242
Utilities	-	-	-	-	1,193	4,889	1,560
Medical	-	-	-	-	-	6,111	1,950
Conveyance	-	-	-	-	3,214	15,887	8,668
Others	-	-	-	-	-	2,860	366
Total	4,500	-	9,250	-	87,707	138,057	45,070
Number of Persons	*2	-	3	-	1	10	6

Items	2022						
	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non-Executives				
	(Rupees)						
Fees and Allowances etc.	4,500	-	10,875	-	-	-	-
Managerial Remuneration							
i) Fixed	-	-	-	-	34,750	55,439	17,017
ii) Total Variable of which:							
a) Cash Bonus / Awards	-	-	-	-	11,736	6,618	1,464
b) Bonus & Awards in Shares							
Charge for defined benefit plan							
Contribution to defined contribution plan	-	-	-	-	3,172	4,573	1,389
Rent & house maintenance	-	-	-	-	3,513	18,293	5,559
Utilities	-	-	-	-	1,255	4,573	1,390
Medical	-	-	-	-	222	5,717	1,737
Conveyance	-	-	-	-	1,306	14,683	6,966
Others	-	-	-	-	-	708	343
Total	4,500	-	10,875	-	55,954	110,604	35,865
Number of Persons	1	-	3	-	1	10	7

* This includes outgoing BOD Chairman during the year.

The term "Key Management Personnel" means the following functional responsibilities:

(a) Any executive or key executive, acting as second to CEO, by whatever name called, and including the Chief Operating Officer (COO) and Deputy Managing Director.
(b) Any executive or key executive reporting directly to the CEO / President or the person mentioned in (a) above.

The terms Directors/ Executive Directors/ Non-Executive Directors, CEO and Key Executives have same meaning as defined in Prudential Regulations (PRs) for Corporate and Commercial Banking. For the purpose of these disclosures Key Executive will also include Executives who have direct reporting line to the President/CEO or BoD or its Committees.

36.2 Remuneration paid to Directors for participation in Board and Committee Meetings

Sr. No.	Name of Director	2023					
		Meeting Fees and Allowances Paid					
		For Board Meetings	For Board Committees				
			Board Audit Committee	Boark Risk Management Committee	Board Human Resource Compensation Committee	Board Strategic Investment Committee	Total Amount Paid
		(Rupees in '000)					
1	Mr. Zahoor Ahmed	1,500	-	125	125	125	1,875
2	Mr. Aamer Mahmood	3,125	500	500	375	-	4,500
3	Mr. Gholamreza Khalik	625	125	125	125	-	1,000
	Mr. Masoud Mirzaei	625	125	125	-	125	1,000
	Mr. Zulfiqar Younus	2,250	-	-	125	250	2,625
4	IFIC - (Mr Syed Muhammad Hadi Sobhanian)	1,875	250	250	125	250	2,750
	Total amount paid	10,000	1,000	1,125	875	750	13,750

Sr. No.	Name of Director	2022					
		Meeting Fees and Allowances Paid					
		For Board Meetings	For Board Committees				
			Board Audit Committee	Board Risk Management Committee	Board Human Resource Compensation Committee	Board Strategic Investment Committee	Total Amount Paid
		(Rupees in '000)					
1	Mr. Aamer Mahmood	3,000	500	375	500	-	4,375
2	Mr. Zahoor Ahmed	3,750	-	-	500	250	4,500
3	Mr. Gholamreza Khalik	2,500	375.	125	250	375	3,625
4	Mr. Hamidreza Raufi	1,000	250	125	125	250	1,750
	Total amount paid	11,375	1,125	625	1,375	875	14,250

37. FAIR VALUE MEASUREMENTS

37.1 Fair value of financial assets

The fair value of financial assets and liabilities not carried at fair value are not significantly different from their carrying values since assets and liabilities are either short term in nature or in case of loan are frequently repriced.

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair values' estimates.

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).

37.2 The table below analyses the investments 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	**2023**			
	Fair value			
	Level 1	**Level 2**	**Level 3**	**Total**
	(Rupees in '000)			
Financial assets measured				
Investments - other than commercial papers				
Federal Government securities	**12,956,862**	**2,974,935**	**-**	**15,931,797**
Shares in listed companies	**836,387**	**-**	**-**	**836,387**
Non Government Debt Securities	**5,882,325**	**-**	**-**	**5,882,325**
	19,675,574	**2,974,935**	**-**	**22,650,509**

On balance sheet financial instruments	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Financial assets measured				
Investments - other than commercial papers				
Federal Government securities	12,302,211	1,432,891	-	13,735,102
Shares in listed companies	1,077,444	-	-	1,077,444
Non Government Debt Securities	6,160,728	-	-	6,160,728
	19,540,383	1,432,891	-	20,973,274

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

37.3 Fair value of other financial assets and liabilities are for short term or repriced frequently. Therefore, their carrying values are reasonable approximations of their fair values.

38. SEGMENT INFORMATION

38.1 Segment Details with respect to Business Activities

	2023				
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	Total
	(Rupees in '000)				
Profit & Loss					
Net mark-up / return / profit	1,440,605	378,016	-	(117,912)	1,700,709
Inter segment revenue - net	-	-	-	-	-
Non mark-up / return / interest income	24,671	-	196,661	2,189	223,521
Total Income	1,465,276	378,016	196,661	(115,723)	1,924,230
Segment direct expenses	62,991	26,502	22,090	535,669	647,252
Inter segment expense allocation	-	-	-	-	-
Total expenses	62,991	26,502	22,090	535,669	647,252
Provisions / (reversals)	167,875	2,872	-	135	170,882
Profit before tax	1,234,410	348,642	174,571	(651,527)	1,106,096
Balance Sheet					
Cash & Bank balances	-	-	-	454,787	454,787
Investments	4,428,346	17,418,753	803,410	-	22,650,509
Net inter segment lending	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-
Advances - performing	10,166,941	-	-	101,495	10,268,436
Advances - non-performing	383,447	-	-	-	383,447
Others	421,110	640,636	147	1,622,818	2,684,711
Total Assets	15,399,844	18,059,389	803,557	2,179,100	36,441,890
Borrowings	6,052,634	15,560,416	176,168	-	21,789,218
Subordinated debt	-	-	-	-	-
Deposits & other accounts	1,761,827	828,494	134,151	-	2,724,472
Net inter segment borrowing	-	-	-	-	-
Others	142,129	300,628	-	904,285	1,347,042
Total liabilities	7,956,590	16,689,538	310,319	904,285	25,860,732
Equity	7,443,254	1,369,851	493,238	1,274,815	10,581,158
Total Equity & liabilities	15,399,844	18,059,389	803,557	2,179,100	36,441,890
Contingencies & Commitments	985,000	10,472,437	-	-	11,457,437

	2022				
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	Total
	(Rupees in '000)				
Profit & Loss					
Net mark-up / return / profit	841,207	336,214	-	(65,555)	1,111,866
Inter segment revenue - net	-	-	-	-	-
Non mark-up / return / interest income	22,589	-	76,584	10,426	109,599
Total Income	863,796	336,214	76,584	(55,129)	1,221,465
Segment direct expenses	34,477	12,883	15,032	407,422	469,814
Inter segment expense allocation	-	-	-	-	-
Total expenses	34,477	12,883	15,032	407,422	469,814
Provisions	66,805	-	30,480	-	97,285
Profit before tax	762,514	323,331	31,072	(462,551)	654,366
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

39. RELATED PARTY TRANSACTIONS

The Company has related party transactions with its associates, employee benefit plans and its directors and Key Management Personnel.

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 of the key management personnel is determined in accordance with the terms of their appointment. Other transactions are at agreed rates.

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

	2023			2022		
	Directors	Key management personnel	Other related parties*	Directors	Key management personnel	Other related parties*
	(Rupees in '000)					
Advances						
Opening balance	-	79,776	-	-	77,032	-
Addition during the year	-	6,827	-	-	18,395	-
Repaid during the year	-	(38,612)	-	-	(15,651)	-
Closing balance	-	47,991	-	-	79,776	-
Other assets						
Other receivable (associated)	-	-	18,298	-	-	15,184
Deposits and other accounts						
Opening balance	-	89,441	1,132,111	-	34,127	852,782
Received during the year	-	1,028,340	5,521,882	-	642,003	4,111,777
Withdrawn during the year	-	(1,042,447)	(5,102,281)	-	(586,689)	(3,832,448)
Closing balance	-	75,334	1,551,712	-	89,441	1,132,111
Other Liabilities						
Interest / mark-up payable	-	758	61,819	-	884	37,679
Other liabilities	-	-	-			
- bonus payable to MD/CEO	-	10,241	-	-	2,965	-
- payable to Iran Foreign Investment	-					
Company - associate	-	-	12,713	-	-	10,721
- director fee payable	1,500	-		700	-	-
Receivable from / (payable) to	-	-	-			
defined benefit plan				-	-	-

RELATED PARTY TRANSACTIONS	2023			2022		
	Directors	Key management personnel	Other related parties*	Directors	Key management personnel	Other related parties*
	(Rupees in '000)					
Income						
Mark-up / return / interest earned	-	3,231	-	-	4,047	-
Expense						
Mark-up / return / interest paid	-	18,774	281,310	-	7,244	129,759
Operating expenses						
Fees for Board & Committee Meeting	13,750	-	-	15,375	-	-
Allowances for Board & Committee Meeting	-	-	-	-	-	-
Managerial Remuneration	-	106,748	-	-	90,189	-
Cash Bonus / Awards	-	53,703	-	-	18,354	-
Contribution to defined contribution plan	-	7,925	-	-	7,745	-
Rent & house maintenance	-	23,235	-	-	21,806	-
Utilities	-	6,082	-	-	5,828	-
Medical	-	6,111	-	-	5,939	-
Conveyance	-	19,102	-	-	15,989	-
Others	-	2,860	-	-	708	-
Contribution to the defined contribution plan	-	-	14,013			12,101
Payment to the defined benefit plan	-	-	16,329			12,330
Charge for defined benefit plan	-		21,979			12,330

* An associate and retirement benefits plans.

40. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Capital adequacy

As per requirements of SBP, the Bank is required to comply with the capital adequacy framework which comprises the following capital standards:

i) Minimum Capital Requirement (MCR):

The MCR standard sets the paid - up capital that the Company is required to hold at all times.

As of the statement of financial position date, the Company's paid - up capital stands at Rs. 6 billion as against the required MCR of Rs. 6 billion.

ii) Capital Adequacy Ratio:

The Capital Adequacy Ratio (CAR) assesses the capital requirement based on the risks faced by the banks/DFIs. The banks/DFIs are required to comply with the CAR as specified by SBP on standalone as well as consolidated basis.
During the year 2013, SBP issued revised instructions on the computation of CAR based on Basel III Capital Reform as published by the Basel Committee on Banking Supervision. These instructions also specify the transitional arrangements from 2013 to 2019 which have now fully implemented from 31 December 2019.

Accordingly, the Bank has assessed and reported its Capital Adequacy Ratio in the financial statements on the basis of Basel III requirements as prescribed by SBP.

	2023	2022
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	**6,000,000**	6,000,000
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	**6,137,654**	4,775,875
Eligible Additional Tier 1 (ADT 1) Capital	**-**	-
Total Eligible Tier 1 Capital	**6,137,654**	4,775,875
Eligible Tier 2 Capital	**-**	-
Total Eligible Capital (Tier 1 + Tier 2)	**6,137,654**	4,775,875
Risk Weighted Assets (RWAs):		
Credit Risk	**12,543,324**	10,647,074
Market Risk	**1,672,774**	1,609,085
Operational Risk	**2,558,700**	2,017,508
Total	**16,774,798**	14,273,667

	2023		2022	
	Required	Actual	Required	Actual
Common Equity Tier 1 Capital Adequacy ratio	**6.00%**	**36.59%**	6.00%	33.46%
Tier 1 Capital Adequacy Ratio	**7.50%**	**36.59%**	7.50%	33.46%
Total Capital Adequacy Ratio	**11.50%**	**36.59%**	11.50%	33.46%

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.

	2023	2022
	(Rupees in '000)	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	6,137,654	4,775,875
Total Exposures	36,821,894	29,390,454
Leverage Ratio	16.67%	16.25%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	4,721,000	5,917,500
Total Net Cash Outflow	2,488,417	3,758,333
Liquidity Coverage Ratio	1.90	1.57
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	18,129,032	18,297,577
Total Required Stable Funding	15,611,204	14,610,898
Net Stable Funding Ratio	116%	125%

40.1 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.

40.2 The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time have been placed on the website. The link to the full disclosure is available at http://www.pairinvestment.com.

41. RISK MANAGEMENT

The primary risks associated with the Company's exposure are:

Credit Risk: the risk of loss resulting from client or counterparty default.

Market Risk: the exposure to market variables such as interest rates and equity prices.

Operational Risk: the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and therefore includes legal risk.

The Company manages risk through a sound framework based on risk principles which includes an optimal organizational structure, risk assessment and monitoring processes. Credit & Risk Management function (CRMD) is mandated to implement this framework as a function independent of business segments working under the guidance of Board's Risk Management Committee (BRMC).

The Company's Credit & Risk Management Department has BASEL Compliant, Credit, Market, Liquidity and Operational Risk functions. Furthermore, Environmental Risk Management mechanism, through Green Banking Framework, has been defined and is currently in implementation phase.

The Company's portfolio and exposures are governed through relevant policies, procedures and various risk measurement techniques by adopting Internal Capital Adequacy Assessment Process (ICAAP) and Stress Testing with a purpose to achieve efficiency, effectiveness and compliance. Internal Risk Rating mechanism and transaction level risk analytics are in place to have ongoing risk sensitive assessment and reporting. The Company is more focused towards implementing system based risk assessment in order to have more efficiency in overall risk management processes.

41.1 Credit risk

Credit risk is the risk of loss to the Company as a result of failure by a client or counterparty to meet its contractual obligations. It is inherent in loans, commitments to lend, traded products, repurchase agreements (reverse repos), placements and other lending transactions. The role of Credit Risk Management particularly includes:

- Participation in portfolio planning and management.
- Establishment of credit policies and standards that conform to regulatory requirements and the Company's overall objectives.
- Working with Business Units in keeping aggregate credit risk exposure within the Company's risk appetite.
- Organizing portfolio reviews focusing on quality assessment, risk profiles, industry concentrations.
- Setting systems to identify significant portfolio indicators, problem credits and level of provisioning required.

The Company has designed an Internal Risk Rating Models and methodology to gauge credit risk elements in the banking book of the Company.

The credit products mainly comprise of Fund based & Non-Fund based, including short term and long term financing, project finance, term lending, reverse repurchase, bridge finance, investment in TFCs , sukuk bonds and placements with financials institutions, etc. Exposures are collateralized by cash equivalents, fixed assets, and current assets including property plant and equipment, land and building, hypothecation, pledge on stocks and receivables as the case may be. The Company manages limits and controls concentrations of credit risk as identified, in particular to individual counterparties and groups, and to industries, where appropriate.

Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographic region or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. The Company sets limits on its credit exposure to counterparty, to groups, and to industry, which are in line with SBP standards.

Stress testing on credit portfolio is being carried out on regular basis to assess the impact of defaults on Company's earning and capital adequacy. Credit concentration, rating migration, default shocks and risk aggregation of large exposures are few of the main shocks used to gauge the strength of Credit risk standing of the Company.

41.1.1 Credit Risk – General Disclosures Basel II/ III specific

The Company is more focused on the intent of Basel II/ III rather than just treating it as a regulatory requirement. Therefore, in addition to the adoption of Standardized approach and reporting to SBP, the Company has already adopted the practice of ongoing assessment as required under the advanced approaches of Basel II .The Company has adopted Pillar II ICAAP requirements duly approved by the Board of Directors.

41.1.2 Credit Risk: Disclosure for portfolio subject to the Standardized Approach

For the calculation of Risk Weighted Assets under Standardized Approach, external credit ratings have been used for all exposures, where available, against banks lending, corporate lending and debt instruments. The external ratings are further mapped with SBP ratings scale to arrive at risk weights of each transaction.

41.1.3 Types of exposures and ECAI's used

Exposures	VIS	PACRA
Banks	✓	✓
Corporate	✓	✓

Credit exposures subject to standardised approach

Exposures

	Rating Category	Amount Outstanding	Deduction	Net amount
		(Rupees in '000)		
Corporate	1	1,464,983	-	1,464,983
	2	6,782,245	-	6,782,245
	3,4	1,285,790	-	1,285,790
	5,6	-	-	-
	Unrated 1	1,617,807	-	1,617,807
	Unrated 2	759,657	-	759,657
Banks		296,119	-	296,119
Sovereigns		15,931,797	-	15,931,797
Retail Portfolio		14,260	-	14,260
Residential Mortgage Finance		87,234	-	87,234
Past Due Loans		365,198	-	365,198
Listed Equity investments		287,732	-	287,732
Unlisted Equity investments		126,496	-	126,496
Cash and Cash Equivalents		158,668	-	158,668
Others		2,675,488	-	2,675,488
		31,853,474	-	31,853,474

41.1.4 Credit Risk: Disclosure with respect to Credit Risk Mitigation for Standardized approach - Basel II specific

The credit policy of the Company covers credit risk mitigation process and requirements for all secured transactions. Key elements include:

- Collateral type;
- Collateral quality and ranking;
- Collateral valuation process, and
- Margin requirements

Equitable Mortgage, Token Registered Mortgage, Hypothecation Charge Over Fixed Assets, Current Assets, Pledge of Shares, Lending against Government Securities (for repo style transaction), GOP Guarantee and Pledge of stocks are the main type of collaterals taken against the exposure.

41.1.5 *Lendings to financial institutions*

Credit risk by public / private sector	Gross lendings		Non-performing lendings		Credit loss allowance held					
					Stage 1		Stage 2		Stage 3	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	(Rupees in '000)									
Public/ Government	-	-	-	-	-	-	-	-	-	-
Private	-	-	-	-	-					
	-	-	-	-	-	-	-	-	-	-

41.1.6 *Investment in debt securities*

Credit risk by industry sector	Gross Investments		Non-performing		Credit loss allowance held					
					Stage 1		Stage 2		Stage 3	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	(Rupees in '000)									
Textile	50,000	75,000	-	-	59	-	-	-	-	-
Chemical and pharmaceuticals	460,197	42,365	10,197	12,365	474	-	-	-	10,197	12,365
Steel	372,750	468,750	-	-	395	-	-	-	-	-
Construction	111,347	119,658	19,680	19,680	-	-	-	-	19,680	19,680
Power (electricity), gas, water, sanitary	203,125	250,000	-	-	78	-	-	-	-	-
Transport, storage and communication	295,774	312,206	-	-	989	-	-	-	-	-
Financial	4,339,517	4,772,186	11,245	11,245	8,339	-	-	-	11,245	7,266
Food & Beverages	90,000	110,000	-	-	261	-	-	-	-	-
Others	-	37,500	-	-	-	-	-	-	-	-
	5,922,710	6,187,665	41,122	43,290	10,595	-	-	-	41,122	39,311

Credit risk by public / private sector	Gross Investments		Non-performing		Credit loss allowance held					
					Stage 1		Stage 2		Stage 3	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	(Rupees in '000)									
Public / Government	-	-	-	-	-	-	-	-	-	-
Private	5,922,710	6,187,665	41,122	43,290	10,595	-	-	-	41,122	-
	5,922,710	6,187,665	41,122	43,290	10,595	-	-	-	41,122	-

41.1.7 *Advances*

Credit risk by industry sector	Gross Advances		Non-performing Advances		Credit loss allowance held					
					Stage 1		Stage 2		Stage 3	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	(Rupees in '000)									
Textile	3,062,894	3,200,965	500,000	500,000	44,768	-	-	-	500,000	500,000
Chemical and pharmaceuticals	766,882	443,998	-	-	12,402	-	4,284	-	-	-
Cement	232,156	180,256	75,000	75,000	2,467	-	-	-	75,000	75,000
Sugar	1,456,349	1,281,900	70,000	70,000	25,412	-	455	-	70,000	70,000
Steel	960,685	877,612	670,899	670,899	3,050	-	-	-	670,899	670,899
Automobile and transportation equipme	308,547	366,074	-	-	-	-	-	-	-	-
Electronics and electrical appliances	525,000	740,000	-	-	9,378	-	4,013	-	-	-
Construction	461,969	523,260	277,165	284,860	2,826	-	-	-	277,165	284,860
Power (electricity), gas, water, sanitary	2,052,490	1,375,363	406,923	412,890	30,617	-	9,422	-	245,565	245,565
Wholesale and retail trade	212,943	221,000	212,944	-	-	-	-	-	95,824	-
Transport, storage and communication	641,396	264,564	19,072	13,848	15,250	-	-	-	13,847	14,062
Services	228,820	299,568	10,136	9,090	2,208	-	-	-	5,136	7,918
Individuals	101,495	126,093	-	-	-	-	-	-	-	-
Education	214,072	302,876	-	-	861	-	-	-	-	-
Food & Beverages	1,223,756	982,085	132,000	-	21,546	-	-	-	59,400	-
Others	415,720	134,615	32,046	11,202	1,550	-	44	-	9,902	10,194
	12,865,174	11,320,229	2,406,185	2,047,789	172,335	-	18,218	-	2,022,738	1,878,498

Credit risk by public / private sector	Gross Advances		Non-performing Advances		Credit loss allowance held					
					Stage 1		Stage 2		Stage 3	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	(Rupees in '000)									
Public/ Government	-	-	-	-	-	-	-	-	-	-
Private	12,865,174	11,320,229	2,406,185	2,047,789	172,335	-	18,218	-	2,022,738	1,878,498
	12,865,174	11,320,229	2,406,185	2,047,789	172,335	-	18,218	-	2,022,738	1,878,498

41.1.8 *Contingencies and Commitments*

Credit risk by industry sector	2023	2022
	------- (Rupees in '000) -------	
Power (electricity), gas, water, sanitary	**300,000**	224,445
Chemical and pharmaceuticals	**285,000**	120
Textile	**200,000**	-
Sugar	**200,000**	-
	985,000	224,565
Credit risk by public / private sector		
Public/ Government	-	-
Private	**985,000**	224,565
	985,000	224,565

41.1.9 Concentration of Advances

The Company's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 5.29 billion (2022: 4.86 billion) are as following:

	2023	2022
	------- (Rupees in '000) -------	
Funded	**5,292,714**	4,856,826
Non Funded	-	-
Total Exposure	**5,292,714**	4,856,826

The sanctioned limits against these top 10 exposures aggregated to Rs. 6.87 billion (2022: Rs. 5.72 billion).

Total Funded Classified therein	2023		2022	
	Amount	**Provision held**	Amount	Provision held
	---------- (Rupees in '000) ----------			
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	670,899	670,899	1,020,899	1,020,899
Total	**670,899**	**670,899**	1,020,899	1,020,899

41.1.10 Advances - Province/Region-wise Disbursement & Utilization

	2023				2022			
	Disbursements *	**Utilization ****			Disbursements *	Utilization **		
Province / region		**Punjab**	**Sindh**	**Federal Capital Territory - Islamabad**		Punjab	Sindh	Federal Capital Territory - Islamabad
	---- (Rupees in '000) ----				---- (Rupees in '000) ----			
Sindh	**6,634,889**	**2,022,831**	**4,612,058**	-	5,441,114	3,090,137	2,350,977	-
Total	**6,634,889**	**2,022,831**	**4,612,058**	-	5,441,114	3,090,137	2,350,977	-

* "Disbursements of Province/Region wise" refers to the place from where the funds are being issued by the banks to the borrowe

** "Utilization of Province/Region wise" refers to the place where the funds are being utilized by borrower.

41.2 **Market Risk**

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. After recovery of economy after COVID-19, the State Bank of Pakistan have also taken various fiscal and regulatory measures and reforms to stablize the same. The major step taken by SBP was to increase the policy rate by 275 bps to sustain economic activities.

Trading activities are executed in the Treasury & Investment Unit (T&IU). Major equity holdings are held to earn capital gain and dividend to support the Company's business activities while some of the investment positions of equity holding are made for revenue generation as part of strategic initiatives. The Company is active in the Money Market, Fixed Income and Equity market that carry interest rate and equity price risk on both trading and banking book respectively. Management level Market Risk Committee has been invoked to ensure specific & general risk assessment of all Market related products on timely basis.

Controls are also applied to prevent any undue risk concentrations in trading books, taking into account variations in price volatility and market depth and liquidity. They include controls on exposure to individual market risk variables, such as individual interest or equity price ('risk factors'), and on positions in the securities of individual issuers.

Market risk measures and controls are applied at the portfolio level, and concentration limits and other controls are applied where necessary to individual risk types, to particular books and to specific exposures. Portfolio risk measures are common to all market risks, but concentration limits and other controls are tailored to the nature of the activities and the risks they create.

The Company has developed Market Risk Policy, which covers the techniques to gauge, monitor and report the impact of interest rate and price risk implications.

Details of Market Risk Weighted Assets subject to Basel III Capital Adequacy Calculation are given below:

Market Risk Weighted Assets

	Assets	**Capital charge**
	(Rupees in '000)	
Interest Rate Risk Exposure	-	-
Equity Exposure	**832,262**	**133,162**

41.2.1 **Balance sheet split by trading and banking books**

	2023			2022		
	Banking book	**Trading book**	**Total**	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	**158,668**	**-**	**158,668**	154,022	-	154,022
Balances with other banks	**296,119**	**-**	**296,119**	41,997	-	41,997
Lendings to financial institutions	**-**	**-**	**-**	-	-	-
Investments	**21,892,390**	**758,119**	**22,650,509**	20,011,571	1,077,444	21,089,015
Advances	**10,651,883**	**-**	**10,651,883**	9,441,731	-	9,441,731
Property and equipment	**486,364**	**-**	**486,364**	472,102	-	472,102
Right-of-use assets	**-**	**-**	**-**	-	-	-
Intangible assets	**9,223**	**-**	**9,223**	5,202	-	5,202
Deferred tax asset	**441,163**		**441,163**	458,493		458,493
Other assets	**1,747,961**	**-**	**1,747,961**	1,078,493	-	1,078,493
	35,683,771	**758,119**	**36,441,890**	31,663,611	1,077,444	32,741,055

41.2.2 Foreign Exchange Risk

Foreign Exchange Risk is the risk of loss resulting from changes in exchange rates. The Company does not carry any product specific Foreign Exchange Risk.

	2023				2022			
	Foreign Currency Asset	**Foreign Currency Liabilities**	**Off-balance sheet items**	**Net foreign currency exposure**	Foreign Currency Asset	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)							
Pakistan Rupees	**36,417,454**	**25,848,019**	**985,000**	**11,554,435**	32,721,182	22,957,275	224,565	9,988,472
United States Dollar	**24,436**	**-**	**-**	**24,436**	19,873	-	-	19,873
Euro	**-**	**12,713**	**-**	**(12,713)**	-	10,721	-	(10,721)
	36,441,890	**25,860,732**	**985,000**	**11,566,158**	32,741,055	22,967,996	224,565	9,997,624

	2023		2022	
	Banking book	**Trading book**	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	**(752)**	**-**	45	-
- Other comprehensive income	**-**	**-**	-	-

41.2.3 Equity position risk

Equity price risk arises due to adverse movements in equity prices. The Company as a policy does not enter into any kind of proprietary equity trades. The investment in equities is also managed within the statutory limits as prescribed by the State Bank of Pakistan.

	2023		2022	
	Banking book	**Trading book**	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices on				
- Profit and loss account	**-**	**3,913**	-	3,285
- Other comprehensive income	**1,090,706**	**37,906**	1,000,579	50,587

41.2.4 *Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific*

The Company's Banking Book consists of significant amount of Interest Rate sensitive assets. The investment portfolio comprises of floating interest rate TFCs and Sukuks that are mainly linked to six month KIBOR. Therefore, the overall frequency of banking book interest rate is around six months. Interest rate position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date, the instrument's repayment nature varies from monthly payments to bullet maturity.

Capital Adequacy Stress test exercise has been conducted by using duration method for measuring the upward and downward shocks of interest rate. This provides the Company risk taking and absorption capacity and its implication on capital adequacy in the worst case scenarios.

	2023		2022	
	Banking book	**Trading book**	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in interest rates on				
- Profit and loss account	**364,419**		313,634	-
- Other comprehensive income			-	-

41.2.5 ***Mismatch of Interest Rate Sensitive Assets and Liabilities***

	Effective Yield/ Interest rate	Total	2023 Exposed to Yield/ Interest risk: Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-interest bearing financial instruments
On-balance sheet financial instruments		(Rupees in '000)										
Assets												
Cash and balances with treasury banks	0.06%	158,668	798									157,870
Balances with other banks	6.33%	296,119	177,057									119,062
Lending to financial institutions	0.00%	-	-	-	-	-						-
Investments	17.02%	22,650,509	6,279,200	3,902,630	8,643,765	1,720,999	-	-	1,267,526	-	-	836,389
Advances	11.64%	10,651,883	2,465,381	4,594,514	138,343	792,685	530,410	497,329	1,086,923	476,052	50,928	19,318
Other assets		2,684,711										2,684,711
		36,441,890	8,922,436	8,497,144	8,782,108	2,513,684	530,410	497,329	2,354,449	476,052	50,928	3,817,350
Liabilities												
Borrowings	13.38%	21,789,218	14,534,086	1,818,702	1,697,243	540,457	593,051	549,485	991,283	1,060,004	4,907	-
Deposits and other accounts	15.65%	2,724,472	1,862,143	445,260	102,542	314,288	-	-	-	-	-	239
Liabilities against assets subject to finance lease		-										-
Subordinated debt		-										-
Other liabilities		1,347,042										1,347,042
		25,860,732	16,396,229	2,263,962	1,799,785	854,745	593,051	549,485	991,283	1,060,004	4,907	1,347,281
On-balance sheet gap		10,581,158	(7,473,793)	6,233,182	6,982,323	1,658,939	(62,641)	(52,156)	1,363,166	(583,952)	46,021	2,470,069

	Effective Yield/ Interest rate	Total	2023: Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-interest bearing financial instruments
Off-balance sheet financial instruments		(Rupees in '000)										
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap		10,581,158	(7,473,793)	6,233,182	6,982,323	1,658,939	(62,641)	(52,156)	1,363,166	(583,952)	46,021	2,470,069
Cumulative Yield / Interest Risk Sensitivity Gap		10,581,158	(7,473,793)	(1,240,611)	5,741,712	7,400,651	7,338,010	7,285,854	8,649,020	8,065,068	8,111,089	10,581,158

	Effective Yield/ Interest rate	Total	2022 Exposed to Yield/ Interest risk: Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-interest bearing financial instruments
On-balance sheet financial instruments		(Rupees in '000)										
Assets												
Cash and balances with treasury banks	0.06%	154,022	699									153,323
Balances with other banks	6.33%	41,997	21,159									20,838
Lending to financial institutions	0.00%	-	-	-	-	-						
Investments	17.02%	21,089,015	7,175,705	4,106,629	8,752,549	-	-	-	-	-	-	1,054,132
Advances	11.64%	9,441,731	2,517,252	2,715,982	138,937	982,059	557,699	525,827	949,059	964,402	66,872	23,642
Other assets		2,014,290										2,014,290
		32,741,055	9,714,815	6,822,611	8,891,486	982,059	557,699	525,827	949,059	964,402	66,872	3,266,225
Liabilities												
Borrowings	13.38%	20,336,117	6,378,618	5,333,634	2,996,805	2,238,517	526,669	536,181	944,460	1,362,938	18,295	
Deposits and other accounts	15.65%	1,771,610	1,121,376	568,869	34,365	46,740	-	-	-	-	-	260
Liabilities against assets subject to finance lease		-										
Subordinated debt		-										
Other liabilities		860,269										860,269
		22,967,996	7,499,994	5,902,503	3,031,170	2,285,257	526,669	536,181	944,460	1,362,938	18,295	860,529
On-balance sheet gap		9,773,059	2,214,821	920,108	5,860,316	(1,303,198)	31,030	(10,354)	4,599	(398,536)	48,577	2,405,696
Off-balance sheet financial instruments												
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap		9,773,059	2,214,821	920,108	5,860,316	(1,303,198)	31,030	(10,354)	4,599	(398,536)	48,577	2,405,696
Cumulative Yield / Interest Risk Sensitivity Gap		9,773,059	2,214,821	3,134,929	8,995,245	7,692,047	7,723,077	7,712,723	7,717,322	7,318,786	7,367,363	9,773,059

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

41.2.5.1 Reconciliation of financial assets and liabilities

	2023	2022
Assets as per Statement of financial position	36,441,890	32,741,055
Less: Fixed assets	486,364	472,102
Less: Intangible assets	9,223	5,202
Less: Deferred tax assets	441,163	458,493
Less:		
Advances, deposits, advance rent and other prepayments	30,752	105,831
Non-refundable deposits	1,583	1,583
Non-banking asset acquired against claims	-	-
Advance Taxation (payments less provisions)	639,234	334,442
	671,569	441,856
Interest Rate Sensitive Assets	34,833,571	31,363,402
Liabilities as per Statement of financial position	25,860,732	22,967,996
Deferred tax liabilities	-	-
Less:		
Provision for compensated absences	4,804	-
Branch Adjustment accounts	-	-
Government levies payable	53,074	104,900
Provisions against off balance sheet obligations	-	-
Unearned commission LG	-	-
	57,878	104,900
Other liabilities - yield	25,802,854	22,863,096

41.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. PAIR Investment Company, in the light of SBP guidelines on Operational Risk Framework via BPRD Circular# 04-2014 dated May 20, 2014, developed Operational Risk Management Framework considering the regulatory guidelines and best practices in the market. PAIR Investment Company is adequately monitoring & reporting the operational risk data as per regulatory guidelines and BoD approved Operational Risk policy. With the implementation of Operational Risk Framework, the Company is being able to manage operational risks in a more systematic way that includes analyzing current systems for data collection, migration, validation and retention for current and historical reference and calculation.

The Company maintains a system of internal controls designed to keep operational risk at appropriate levels. Various techniques/tools used by the company for management of Operational Risk includes RCSAs (Risk Control Self Assessment), KRIs (Key Risk Indicators) and Loss data management. The Company also has in place a business continuity plan for all critical functional areas for smooth functioning of operations.

Basel III Basic Indicator Approach is used for calculating the Capital Adequacy for Operational Risk.

41.3.1 Operational risk disclosure - Basel II/III specific

Basic Indicator approach of Basel II/ III has been used to calculate Operational Risk charge of the Company.

41.4 Liquidity risk

Liquidity risk is the risk of loss to the Company arising from its inability to meet obligations as they fall due or to fund growth in assets, without incurring unacceptable cost or losses.

The Company's approach to liquidity management is to ensure, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions without incurring unacceptable losses or risking sustained damage.

Liquidity risk policy has been designed that entails careful monitoring and control of the daily liquidity position, and regular liquidity stress tests under a variety of scenarios. Scenarios encompass both normal and stressed market conditions, including general market crises and the possibility that access to markets could be impacted by a stress event affecting some part of the Company's business.

The Company has developed Liquidity Risk Policy, which covers the techniques to gauge, monitor and report the impact of potential liquidity risk indicators and its implications. Moreover, PAIR Investment maintain strict adherence to SBP prescribed Liquidity Measures ensuring smooth liquidity i.e.: CRR, SLR, LCR and NSFR.

41.4.1 Liquidity Coverage Ratio

SBP issued BPRD Circular No. 8 dated June 23, 2016 advising implementation of Basel III liquidity standards that constitute two ratios, i.e., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and five monitoring tools.

LCR is the measure of conversion capability of the Company's High Quality Liquid Assets (HQLAs) into cash to meet immediate liquidity requirements over a 30 days horizon.

The Company calculates Liquidity Coverage Ratio (LCR) on monthly basis as per the guidelines given in the above mentioned circular. The objective of LCR is to ensure the short-term resilience of the liquidity risk profile which requires the Company to maintain sufficient High Quality Liquid Assets (HQLAs) to meet stressed cash outflows over a prospective 30 calendar - days period. As of 31 December 2021, the PAIR's LCR stood at 825% .

41.4.2 Governance of Liquidity Risk Management

Liquidity risk is managed through the liquidity risk policy approved by the Board. The Company has "zero tolerance" for liquidity risk and will continue to maintain a comfortable margin of excess liquidity in the form of cash and readily marketable assets to meet its funding requirements at any time.

Management of liquidity risk is accomplished through a formal structure which includes:

- Board of Directors (BOD)
- Risk Management Committee
- Asset Liability Management Committee (ALCO)
- Treasury Division
- Risk Management Division & Middle Office
- Finance Division
- Information Technology Division

The Board of Directors approves the liquidity risk policy and ensures, through quarterly reviews by the Risk Management Committee of the Board, that the Company's liquidity risk is being managed prudently. Risk Management Committee of the Board provides overall guidance in managing the Company's liquidity risk. Liquidity position is monitored daily by the Treasury Division and the Middle Office and reviewed regularly by ALCO.

41.4.3 Funding Strategy

The Comapny's prime source of liquidity is it's own Capital and funding from other Financial Institutions. The Company also have sizable Deposits Base in the form of Certificate of Investments. The Company is endeavouring to diversify its funding sources and enhance its Long-Term funding options so as to minimize the Liquidity Risk

41.4.4 **Liquidity Risk Mitigation Techniques**

Various tools and techniques are used to measure and monitor the possible liquidity risk. These include monitoring of different liquidity ratios like Liquid Assets to Total Assets, advances to deposits, liquid assets to Clean Borrowing & COIs, Net Advances to Total Asset Ratio etc, which are monitored on regular basis against limits. Further, the DFI also prepares the maturity profile of assets and liabilities to monitor the liquidity gaps over different time bands. The DFI also ensures that statutory cash and liquidity requirements are maintained at all times.

In addition, LCR, NSFR & Monitoring Tools of Basel III framework further strengthen liquidity risk management of the company.

41.4.5 **Liquidity Stress Testing**

As per SBP BSD Circular No. 1 of 2012, Liquidity stress testing is being conducted under stress scenario. Shock include the withdrawals of interbank and wholesale deposits. The Company's liquidity risk management addresses the goal of protecting solvency and the ability to withstand stressful events in the market place. Stress testing for liquidity as prescribed in the liquidity risk policy is carried out regularly to estimate the impact of decline in liquidity.

41.4.6 **Contingency Funding Plan**

Contingency Funding Plan (CFP) is a part of liquidity risk policy of the Company which identifies the trigger events that could cause a liquidity contingency and describes the actions to be taken to manage it. The contingency funding plan highlights liquidity management actions that needs to be taken to deal with the contingency. CFP highlights possible funding sources, in case of a liquidity contingency.

41.4.7 **Main Components of LCR**

Main components of LCR are High Quality Liquid Assets and Net Cash Outflows. Outflows are mainly deposit outflows net of cash inflows which consist of inflows from financing and money market placements up to 1 month. The inputs for calculation of LCR are based on SBP BPRD circular no. 08 dated 23 June 2016.

41.4.8 **Composition of HQLAs**

High Quality Liquid Assets consist of Level 1 Assets which are included in the stock of liquid assets at 100% weightage of their market value i.e., Cash & Treasury balances, Conventional Government Securities, GOP Ijarah Sukuks, Foreign Currency Sukuks & Bonds issued by sovereigns. While Level 2 Assets comprise all equity shares (excluding shares of Financial Institutions) listed on PSX 100.

41.4.9 **Concentration of Funding Sources**

Almost half of the the Company's Balance sheet is funded by its own equity, while Borrowing from Financial Institutions remain key source of funding. In order to diversify its funding sources, the Company has sizable Deposits Base in the form of Certificate of Investment while Term Borrowings from the Central Bank and other Financial Institutions are also tapped.

41.4.10 **Currency Mismatch in the LCR**

About 99% of the Company's assets and liabilities are in local currency. Currency mismatch in other currencies is regularly monitored.

41.4.11 **Centralisation of Liquidity Management**

Overall liquidity management of PAIR is centralised in Treasury & Investment Unit. While ALCO periodically monitors the Liquidity Management of the Company.

41.4.12 **Other Inflows & Outflows**

Benefit of pledged deposits (deposits under lien) are not accounted for in calculation of LCR.

41.4.13 **Net Stable Funding Ratio (NSFR)**

NSFR is the ratio of the amount of Available Stable Funding (ASF) - source of funds, capital and liabilities relative to the amount of Required Stable Funding (RSF) - use of funds, assets and off - balance sheet exposures.

The objective of NSFR is to ensure the availability of stable funds that a company must hold to enable it to build and maintain its assets, investments and off balance sheet portfolio on an ongoing basis for longer term, i.e., over a one year horizon. NSFR reduces maturity mismatches between the asset and liability items on the balance sheet and thereby reduces funding and roll - over risk. The Bank's NSFR stood at 116% as on 31 December 2023.

41.4.14 **Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Company**

	2023													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	158,668	158,668	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	296,119	296,119	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	22,650,509	-	-	29,860	1,532,438	-	19,573	194,561	529,497	1,953,438	7,040,032	3,794,534	4,069,475	3,487,101
Advances	10,651,883	31,709	35,552	29,392	1,394,850	613,516	109,174	1,016,949	403,745	932,192	1,410,984	1,521,020	2,104,070	1,048,730
Property and equipment	486,364	-	-	-	-	-	-	-	-	-	-	-	-	486,364
Right-of-use assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	9,223	-	-	-	-	-	-	-	-	-	-	-	-	9,223
Deferred tax asset	441,163	-	-	-	-	-	-	-	-	-	-	-	-	441,163
Other assets	1,747,961	14,818	20,246	11,410	719,372	33,956	295,139	600,152	10,342	-	4,697	-	-	37,829
	36,441,890	501,314	55,798	70,662	3,646,660	647,472	423,886	1,811,662	943,584	2,885,630	8,455,713	5,315,554	6,173,545	5,510,410
Liabilities														
Borrowings	21,789,218	27,015	6,584,834	5,505,632	2,416,605	235,975	27,171	509,743	422,006	478,173	1,687,496	1,393,929	1,435,728	1,064,911
Deposits and other accounts	2,724,472	-	1,023,730	351,651	486,762	323,269	121,992	102,542	23,539	290,829	120	38	-	-
Other liabilities	1,347,042	-	-	-	15,876	-	1,120,791	88,117	-	12,713	52,927	-	-	56,618
	25,860,732	27,015	7,608,564	5,857,283	2,919,243	559,244	1,269,954	700,402	445,545	781,715	1,740,543	1,393,967	1,435,728	1,121,529
Net assets	10,581,158	474,299	(7,552,766)	(5,786,621)	727,417	88,228	(846,068)	1,111,260	498,039	2,103,915	6,715,170	3,921,587	4,737,817	4,388,881
Share capital	6,000,000													
Reserves	1,247,496													
Surplus on revaluation of assets	187,928													
Unappropriated profit	3,145,734													
	10,581,158													

	2022													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	154,022	154,022	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	41,997	41,997	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	21,089,015	103,023	-	35,975	258,370	7,586	538,390	2,332,185	450,197	329,082	1,190,531	7,075,746	4,005,464	4,762,466
Advances	9,441,731	9,656	31,347	23,324	364,363	110,696	482,449	833,925	804,993	989,150	1,403,424	1,274,543	1,663,385	1,450,476
Property and equipment	472,102	-	-	-	-	-	-	-	-	-	-	-	-	472,102
Right-of-use assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	5,202	-	-	-	-	-	-	-	-	-	-	-	-	5,202
Deferred tax asset	458,493	-	-	-	-	-	-	-	-	-	-	-	-	458,493
Other assets	1,078,493	94,481	17,456	10,232	388,684	34,368	123,613	396,146	13,513	-	-	-	-	-
	32,741,055	403,179	48,803	69,531	1,011,417	152,650	1,144,452	3,562,256	1,268,703	1,318,232	2,593,955	8,350,289	5,668,849	7,148,739
Liabilities														
Borrowings	20,336,117	5,790	4,365,267	2,005,632	1,929	4,812,765	520,869	646,805	324,566	686,173	1,721,114	1,630,625	2,233,349	1,381,232
Deposits and other accounts	1,771,610	-	759,947	200,279	161,170	367,913	200,956	34,385	-	46,720	100	140	-	-
Other liabilities	860,269	-	-	-	10,372	-	657,991	43,958	-	10,721	111,550	-	-	-
	22,967,996	5,790	5,125,214	2,205,911	173,471	5,180,678	1,379,816	725,148	324,566	743,614	1,832,764	1,630,765	2,233,349	1,381,232
Net assets	9,773,059	397,389	(5,076,411)	(2,136,380)	837,946	(5,028,028)	(235,364)	2,837,108	944,137	574,618	761,191	6,719,524	3,435,500	5,767,507
Share capital	6,000,000													
Reserves	1,093,746													
Surplus on revaluation of assets	(268,497)													
Unappropriated profit	2,947,810													
	9,773,059													

41.4.15 **Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Company**

	2023									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
		(Rupees in '000)								
Assets										
Cash and balances with treasury banks	158,668	158,668								-
Balances with other banks	296,119	296,119								-
Lendings to financial institutions	-	-	-	-	-					-
Investments	22,650,509	7,641,527	512,823	6,575,411	1,985,735	918,782	360,334	2,608,375	1,481,651	565,871
Advances	10,651,883	1,491,502	722,691	1,016,949	1,335,937	1,410,984	1,521,020	1,914,182	1,179,644	58,974
Property and equipment	486,364	-	-	-	-	-	-	-	-	486,364
Right-of-use assets	-									-
Intangible assets	9,223	-	-	-	-	-	-	-		9,223
Deferred tax asset	441,163	-	-	-	-	-	-	-	-	441,163
Other assets	1,747,961	765,847	329,095	600,152	10,342	4,697	-	-	-	37,828
	36,441,890	10,353,663	1,564,609	8,192,512	3,332,014	2,334,463	1,881,354	4,522,557	2,661,295	1,599,423
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings	21,789,218	14,534,086	263,146	509,743	900,179	1,687,496	1,393,929	1,435,728	1,060,004	4,907
Deposits and other accounts	2,724,472	1,862,143	445,260	102,542	314,368	120	39			-
Lease liabilities	-	-	-	-	-	-	-	-	-	-
Subordinated loans	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,347,042	15,876	1,112,768	102,969	12,713	52,927				49,789
	25,860,732	16,412,105	1,821,174	715,254	1,227,260	1,740,543	1,393,968	1,435,728	1,060,004	54,696
Net assets	10,581,158	(6,058,442)	(256,565)	7,477,258	2,104,754	593,920	487,386	3,086,829	1,601,291	1,544,727
Share capital/ Head office capital account	6,000,000									
Reserves	1,247,496									
Surplus/(Deficit) on revaluation of assets	187,928									
Unappropriated/ Unremitted profit	3,145,734									
	10,581,158									

	2022									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
		(Rupees in '000)								
Assets										
Cash and balances with treasury banks	154,022	154,022								-
Balances with other banks	41,997	41,997								-
Lendings to financial institutions	-	-	-	-	-					-
Investments	21,089,015	7,339,079	1,035,025	7,203,635	397,088	698,681	979,776	622,014	2,252,547	(561,170)
Advances	9,441,731	428,690	593,145	833,925	1,794,143	1,403,424	1,274,543	1,663,385	1,205,020	(245,456)
Property and equipment	472,102	-	-	-	-	-	-	-	-	472,102
Right-of-use assets	-	-	-	-	-	-	-	-	-	-
Intangible assets	5,202									5,202
Deferred tax asset	458,493	-	-	-	-	-	-	-	-	458,493
Other assets	1,078,493	510,854	157,981	258,503	30,240	120,915		-		-
	32,741,055	8,474,642	1,786,151	8,296,063	2,221,471	2,223,020	2,254,319	2,285,399	3,457,567	129,171
Liabilities										
Borrowings	20,336,117	6,378,618	5,333,634	646,805	1,010,739	1,721,114	1,630,625	2,233,349	1,362,939	18,294
Deposits and other accounts	1,771,610	1,121,396	568,869	34,385	46,720	100	140			
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	860,269	10,372	657,991	43,958	10,721	137,227	-	-	-	-
	22,967,996	7,510,386	6,560,494	725,148	1,068,180	1,858,441	1,630,765	2,233,349	1,362,939	18,294
Net assets	9,773,059	964,256	(4,774,343)	7,570,915	1,153,291	364,579	623,554	52,050	2,094,628	110,877
Share capital/ Head office capital account	6,000,000									
Reserves	1,093,746									
Surplus/(Deficit) on revaluation of assets	(268,497)									
Unappropriated/ Unremitted profit	2,947,810									
	9,773,059									

42. EVENTS AFTER THE REPORTING DATE

Subsequent to the year end, the Board of Directors proposed a final cash dividend of PKR 450 million (2022: PKR 350 million).

43. GENERAL

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

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

43.3 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.

44. DATE OF AUTHORISATION

These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 18th February 2024.

Chief Financial Officer	Chief Executive and Managing Director	Chairman	Director	Director