

**PAIR Investment Company
Limited**

Condensed Interim Financial
Statements for the Half Year Ended
June 30, 2023

INDEPENDENT AUDITORS' REVIEW REPORT To the Members of PAIR Investment Company Limited

Report on Review of Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **PAIR Investment Company Limited** ("the Company") as at June 30, 2023 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim cash flow statement, and notes to the condensed interim financial statements for the half year ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for condensed interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting

Other matter

The figures for the quarter ended June 30, 2023 and June 30, 2022 in the condensed interim statement of profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended June 30, 2023.

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



Chartered Accountants

Place: Karachi

Date: September 25, 2023

UDIN: RR2023100578aB3j50p9

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



| | | 30 June 2023 (Un-audited) | 31 December 2022 (Audited) |
|---------------------------------------|------|---------------------------------|----------------------------------|
| | Note | ----- (Rupees in '000) ----- | |
| ASSETS | | | |
| Cash and balances with treasury banks | 6 | 157,019 | 154,022 |
| Balances with other banks | 7 | 136,132 | 41,997 |
| Lendings to financial institutions | | - | - |
| Investments | 8 | 22,418,086 | 21,089,015 |
| Advances | 9 | 10,434,035 | 9,441,731 |
| Property and equipments | 10 | 464,285 | 472,102 |
| Right-of-use assets | | - | - |
| Intangible assets | 11 | 8,934 | 5,202 |
| Deferred tax assets | 12 | 527,808 | 458,493 |
| Other assets | 13 | 1,461,183 | 1,078,493 |
| | | 35,607,482 | 32,741,055 |
| LIABILITIES | | | |
| Bills payable | | - | - |
| Borrowings | 14 | 22,244,371 | 20,336,117 |
| Deposits and other accounts | 15 | 2,569,912 | 1,771,610 |
| Lease liabilities | | - | - |
| Subordinated debt | | - | - |
| Deferred tax liabilities | | - | - |
| Other liabilities | 16 | 1,319,192 | 860,269 |
| | | 26,133,475 | 22,967,996 |
| NET ASSETS | | 9,474,007 | 9,773,059 |
| REPRESENTED BY | | | |
| Share capital | 17 | 6,000,000 | 6,000,000 |
| Reserves | 18 | 1,166,071 | 1,093,746 |
| Deficit on revaluation of assets | 19 | (392,591) | (268,497) |
| Unappropriated profit | | 2,700,527 | 2,947,810 |
| | | 9,474,007 | 9,773,059 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 20 | | |

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








PAIR Investment Company Limited
Condensed Interim Statement of Profit and Loss Account (Un-audited)
For the half year ended 30 June 2023



| | Note | Quarter ended | | Half year ended | |
|---|------|----------------------|----------------------|------------------------|------------------------|
| | | April - June 2023 | April - June 2022 | January - June 2023 | January - June 2022 |
| (Rupees in '000) | | | | | |
| Mark-up / return / interest earned | 23 | 1,439,637 | 684,169 | 2,593,016 | 1,232,012 |
| Mark-up / return / interest expensed | 24 | 1,046,916 | 424,941 | 1,865,938 | 751,279 |
| Net mark-up / interest income | | 392,721 | 259,228 | 727,078 | 480,733 |
| NON MARK-UP / INTEREST INCOME | | | | | |
| Fee and commission income | 25 | 5,729 | 5,145 | 10,283 | 13,932 |
| Dividend income | | 34,594 | 17,398 | 67,361 | 49,303 |
| Foreign exchange income | | 114 | 1,453 | 2,752 | 1,882 |
| Income / (loss) from derivatives | | - | - | - | - |
| Gain on sale of securities | 26 | 2,140 | (8,688) | 1,688 | 1,737 |
| Other income | | 18 | 49 | 18 | 49 |
| Total non mark-up / interest income | | 42,595 | 15,357 | 82,102 | 66,903 |
| Total Income | | 435,316 | 274,585 | 809,180 | 547,636 |
| NON MARK-UP / INTEREST EXPENSES | | | | | |
| Operating expenses | 27 | 162,886 | 114,111 | 279,704 | 219,865 |
| Workers Welfare Fund | | 3,496 | 3,179 | 6,992 | 6,357 |
| Other charges | | - | - | - | - |
| Total non mark-up / interest expenses | | 166,382 | 117,290 | 286,696 | 226,222 |
| PROFIT BEFORE CREDIT LOSS ALLOWANCE | | 268,934 | 157,295 | 522,484 | 321,414 |
| Credit loss allowance and write offs - net | 28 | (9,054) | 27,670 | 23,404 | 42,513 |
| PROFIT BEFORE TAXATION | | 277,988 | 129,625 | 499,080 | 278,901 |
| Taxation | 29 | 74,110 | 49,052 | 137,453 | 87,916 |
| PROFIT AFTER TAXATION | | 203,878 | 80,573 | 361,627 | 190,985 |
| Basic and diluted earnings per share - (Rupees) | 30 | 0.34 | 0.13 | 0.60 | 0.32 |

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

Managing Director /
Chief Executive Officer

Chief Financial Officer

Chairman

Director

Director


| | Quarter ended | | Half year ended | |
|--|----------------------|----------------------|------------------------|------------------------|
| | April - June 2023 | April - June 2022 | January - June 2023 | January - June 2022 |
| ----- Rupees in '000 ----- | | | | |
| Profit after taxation for the period | 203,878 | 80,573 | 361,627 | 190,985 |
| Other comprehensive income | | | | |
| Items that may be reclassified to profit and loss account in subsequent periods: | | | | |
| Movement in surplus / (deficit) on revaluation of debt investments FVTOCI - net of tax | 34,149 | - | (120,772) | - |
| Items that will not be reclassified to profit and loss account in subsequent periods: | | | | |
| Movement in surplus / (deficit) on revaluation of equity investments - net of tax | 86,422 | (146,514) | (3,322) | (150,393) |
| Loss on securities classified as FVOCI- realised | (10,227) | - | (10,134) | - |
| Movement in surplus on revaluation of non-banking asset - net of tax | - | (426) | - | (505) |
| Total comprehensive income / (loss) | 314,222 | (66,367) | 227,399 | 40,087 |

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




 Managing Director /
 Chief Executive Officer


 Chief Financial Officer


 Chairman


 Director


 Director

| | 30 June 2023 | 30 June 2022 |
|---|------------------------------|--------------------|
| Note | ----- (Rupees in '000) ----- | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 499,080 | 278,901 |
| Less: Dividend income | (67,361) | (49,303) |
| | <u>431,719</u> | <u>229,598</u> |
| Adjustments: | | |
| Depreciation | 14,327 | 17,438 |
| Amortisation | 53 | 74 |
| Impairment of assets | 13,726 | 1,483 |
| Credit loss allowance and write offs | 9,678 | 41,030 |
| Gain / (loss) on sale of property and equipment | (18) | (49) |
| Charge for defined benefit plan | 8,165 | 6,165 |
| Unrealised loss on revaluation of securities classified as FVPL | 3,235 | 1,222 |
| | <u>49,166</u> | <u>67,363</u> |
| | <u>480,885</u> | <u>296,961</u> |
| (Increase) / decrease in operating assets | | |
| Securities classified as FVPL | (34,710) | 29,548 |
| Advances | (1,178,433) | (1,468,470) |
| Others assets (excluding advance taxation) | (266,173) | (123,057) |
| | <u>(1,479,316)</u> | <u>(1,561,979)</u> |
| Increase in operating liabilities | | |
| Borrowings from financial institutions | 1,908,254 | 2,344,690 |
| Deposits | 798,302 | 321,467 |
| Other liabilities (excluding current taxation) | 458,425 | 34,479 |
| | <u>3,164,981</u> | <u>2,700,636</u> |
| | <u>2,166,550</u> | <u>1,435,618</u> |
| Income tax paid | (323,285) | (127,479) |
| Defined benefits paid | (7,667) | (7,028) |
| Net cash flows generated from operating activities | <u>1,835,598</u> | <u>1,301,111</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net Investments in securities classified as FVOCI - Debt | (1,317,780) | (600,795) |
| Net Investments in securities classified as FVOCI - Equity | (127,770) | (499,278) |
| Dividends received | 67,361 | 49,303 |
| Investments in operating fixed assets | (10,341) | (51,223) |
| Proceeds from sale of property and equipment | 64 | 49 |
| Net cash flows used in investing activities | <u>(1,388,466)</u> | <u>(1,101,944)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividend paid | (350,000) | (150,000) |
| Net cash flows used in financing activities | <u>(350,000)</u> | <u>(150,000)</u> |
| Net increase in cash and cash equivalents | <u>97,132</u> | <u>49,167</u> |
| Cash and cash equivalents at beginning of the period | 196,019 | 238,437 |
| Cash and cash equivalents at end of the period | <u>293,151</u> | <u>287,604</u> |

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




Managing Director /
Chief Executive Officer


Chief Financial Officer


Chief Executive Officer


Chief Executive Officer


Chief Executive Officer

PAIR Investment Company Limited
Condensed Interim Statement of Changes in Equity (Un-audited)
For the half year ended 30 June 2023



| | Share capital | Statutory reserve | (Deficit) / surplus on revaluation of | | Unappropriated profit | Total |
|---|------------------|-------------------|---------------------------------------|--------------------|-----------------------|-----------|
| | | | Investments | Non Banking assets | | |
| Note | (Rupees in '000) | | | | | |
| Opening Balance as at 01 January, 2022 | 6,000,000 | 1,004,551 | (41,880) | 31,218 | 2,661,253 | 9,655,142 |
| Profit after tax for the period ended 30 June, 2022 | - | - | - | - | 190,985 | 190,985 |
| Other comprehensive income - net of tax | - | - | (150,393) | (505) | - | (150,898) |
| | - | - | (150,393) | (505) | 190,985 | 40,087 |
| Transfer to statutory reserve | - | 38,197 | - | - | (38,197) | - |
| Transactions with owners recognised directly in equity | | | | | | |
| Final cash dividend - 31 December, 2021 declared subsequent to the year end | | | | | (150,000) | (150,000) |
| Opening Balance as at 01 July, 2022 | 6,000,000 | 1,042,748 | (192,273) | 30,713 | 2,664,041 | 9,545,229 |
| Profit after tax for the period ended 31 December, 2022 | - | - | - | - | 254,992 | 254,992 |
| Other comprehensive income | | | | | | |
| Movement in (deficit) / surplus on revaluation of investments - net of tax | - | - | (76,224) | - | - | (76,224) |
| Remeasurement gain / (loss) on defined benefit obligations - net of tax | - | - | - | - | (9,699) | (9,699) |
| Transferred to accumulated profit in respect of incremental depreciation for the year | - | - | - | (1,350) | 1,855 | 505 |
| Surplus on revaluation of non-banking assets | - | - | - | 58,256 | - | 58,256 |
| Transfer of Surplus to Unappropriated Profit - net of tax | - | - | - | (87,619) | 87,619 | - |
| Total comprehensive income for the period ended 31 December, 2022 | - | - | (76,224) | (30,713) | 334,767 | 227,830 |
| Transfer to statutory reserve | 18 | 50,998 | - | - | (50,998) | - |
| Opening Balance as at 01 January, 2023 | 6,000,000 | 1,093,746 | (268,497) | - | 2,947,810 | 9,773,059 |
| IFRS-9 implementation adjustments | | | | | | |
| Impact of first time adoption of IFRS-9 | | | | | (176,451) | (176,451) |
| Profit after tax for the period ended 30 June 2023 | - | - | - | - | 361,627 | 361,627 |
| Other comprehensive income | | | | | | |
| Movement in (deficit) / surplus on revaluation of investments - net of tax | - | - | (124,094) | - | - | (124,094) |
| Gain / (Loss) on securities classified as FVOCI | - | - | - | - | (10,134) | (10,134) |
| | - | - | (124,094) | - | 351,493 | 227,399 |
| Transfer to statutory reserve | 18 | 72,325 | - | - | (72,325) | - |
| Transactions with owners recognised directly in equity | | | | | | |
| Final cash dividend - 31 December 2022 declared subsequent to the year end | | | | | (350,000) | (350,000) |
| | 6,000,000 | 1,166,071 | (392,591) | - | 2,700,527 | 9,474,007 |

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


Managing Director /
Chief Executive Officer


Chief Financial Officer


Chairman


Director


Director

1. STATUS AND NATURE OF BUSINESS

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

3.2 Impact of Adoption of IFRS 9

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

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

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

The Company has recorded net expected credit loss of Rs 176.451 million which was adjusted against unappropriated profit. The new IFRS 9 accounting policies are stated in the note 3.3 and Impairment in note 3.4.

The adoption of IFRS-9 resulted in following :

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

- "LR" is loans and receivables
- "AC" is amortised cost
- "HFT" is held for trading
- "FVTPL" is fair value through profit or loss
- "OFL" is other financial liabilities
- "HTM" is Hold to Maturity

3.3 FINANCIAL INSTRUMENTS

IFRS 9 contains three principal classification categories for financial assets :

Financial asset at amortised cost

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



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

Financial asset held at fair value through other comprehensive income

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

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

Financial asset held at fair value through profit or loss

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

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

Initial recognition

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

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

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

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

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

Subsequent measurement

Financial assets and financial liabilities held at amortised cost

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

Financial assets held at fair value through other comprehensive income

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



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

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

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

Derecognition of financial instruments

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

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

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

3.4 Impairment

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

Expected credit losses

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

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

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

Measurement

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

Staging of financial instruments

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

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

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

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



Probability of default (PD)

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

Loss given default (LGD)

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

Exposure at default (EAD)

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

Recognition 12 months expected credit losses (Stage 1)

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

Significant increase in credit risk (Stage 2)

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

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

Credit impaired (or defaulted) exposures (Stage 3)

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

Restructured Loan

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

5. FINANCIAL RISK MANAGEMENT

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



| | | 30 June 2023 (Un-audited) | 31 December 2022 (Audited) |
|---|------|---------------------------------|----------------------------------|
| | Note | (Rupees in '000) | |
| 6. CASH AND BALANCES WITH TREASURY BANKS | | | |
| In hand | | | |
| Local currency | | 56 | 50 |
| Foreign currencies | | 5,842 | 4,779 |
| | | 5,898 | 4,829 |
| With State Bank of Pakistan in Local currency current account | 6.1 | 150,351 | 148,457 |
| With National Bank of Pakistan in Local currency current account | | 17 | 17 |
| Local currency deposit account | 6.2 | 753 | 719 |
| | | 770 | 736 |
| | | 157,019 | 154,022 |

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

6.2 This amount represents deposits in National Income daily account, carry average mark up of 15% per annum (31 December, 2022: 14.5% per annum).

| | | 30 June 2023 (Un-audited) | 31 December 2022 (Audited) |
|-------------------------------------|------|---------------------------------|----------------------------------|
| | Note | (Rupees in '000) | |
| 7. BALANCES WITH OTHER BANKS | | | |
| In Pakistan | | | |
| In current accounts | | 68,132 | 20,847 |
| In deposit accounts | 7.1 | 68,000 | 21,150 |
| | | 136,132 | 41,997 |

7.1 These deposit accounts carry annual mark-up rate of 6.75% to 19.50% (31 December 2022: 6.75% to 14.50%).

8. INVESTMENTS

8.1 Investments by type

| | 30 June 2023 (Un-audited) | | | | 31 December 2022 (Audited) | | | |
|--|------------------------------|--------------------------|------------------------|-------------------|-------------------------------|--------------------------------|---------------------|-------------------|
| | Cost / amortised cost | Credit loss allowance | (Deficit) / Surplus | Carrying Value | Cost / amortised cost | Provision for diminution | Surplus / (Deficit) | Carrying Value |
| | (Rupees in '000) | | | | | | | |
| Fair Value through Profit & Loss (FVTPL) (previously HFT) | | | | | | | | |
| Shares -Listed | 101,148 | - | (3,976) | 97,172 | 66,437 | - | (740) | 65,697 |
| | 101,148 | - | (3,976) | 97,172 | 66,437 | - | (740) | 65,697 |
| Fair Value through Other Comprehensive Income (FVOCI) (Previously AFS) | | | | | | | | |
| Shares -Listed | 1,462,498 | - | (299,458) | 1,163,040 | 1,334,728 | (73,460) | (249,521) | 1,011,747 |
| Federal Government securities | 15,262,277 | - | (171,707) | 15,090,570 | 13,769,162 | - | (34,060) | 13,735,102 |
| Non Government Debt Securities | 6,108,347 | (53,037) | 11,994 | 6,067,304 | 6,187,665 | (39,311) | 12,374 | 6,160,728 |
| | 22,833,122 | (53,037) | (469,171) | 22,320,914 | 21,291,555 | (112,771) | (271,207) | 20,907,577 |
| Amortised Cost (Previously HTM) | | | | | | | | |
| Commercial Papers | - | - | - | - | 115,741 | - | - | 115,741 |
| | - | - | - | - | 115,741 | - | - | 115,741 |
| Total investments | 22,934,270 | (53,037) | (463,147) | 22,418,086 | 21,473,733 | (112,771) | (271,947) | 21,089,015 |



| 8.2 Investments given as collateral | Note | 30 June | 31 December |
|-------------------------------------|------|----------------------|-------------------|
| | | 2023 (Un-audited) | 2022 (Audited) |
| (Rupees in '000) | | | |
| Market treasury bills | | | |
| Carrying Value - before revaluation | | 471,728 | 358,059 |
| Deficit | | (975) | (1,370) |
| | | <u>470,753</u> | <u>356,689</u> |
| Pakistan Investment Bonds | | | |
| Carrying Value - before revaluation | | 12,917,107 | 7,188,905 |
| Deficit | | (167,197) | (28,525) |
| | | <u>12,749,910</u> | <u>7,160,380</u> |
| Shares | | | |
| Carrying Value | | 86,859 | 86,777 |
| Impairment | | - | (23,110) |
| Deficit | | (15,156) | (3,251) |
| | | <u>71,703</u> | <u>60,416</u> |

8.3 Credit loss allowance for diminution in value of investments

| | | | |
|---------------------------------|-----|----------------|----------------|
| Opening balance | | 112,771 | 80,302 |
| Impact of Adoption of IFRS 9 | 3.2 | - | - |
| Charge / (reversals) | | | |
| Charge for the period / year | | 13,726 | 41,129 |
| Reversals for the period / year | | - | - |
| Reversal on disposals | | - | (8,660) |
| | | <u>13,726</u> | <u>32,469</u> |
| Amounts written off | | - | - |
| Closing Balance | | <u>126,497</u> | <u>112,771</u> |

8.4 Particulars of credit loss allowance against debt securities

| | | 30 June 2023 | | 31 December 2022 | |
|------------------|---------|--------------------|----------------------------|--------------------|-------------------|
| | | Outstanding amount | Credit loss allowance Held | Outstanding amount | General provision |
| (Rupees in '000) | | | | | |
| Domestic | | | | | |
| Performing | Stage 1 | 6,065,057 | 9,747 | 6,144,375 | - |
| Underperforming | Stage 2 | - | - | - | - |
| | | <u>6,065,057</u> | <u>9,747</u> | <u>6,144,375</u> | <u>-</u> |
| Non-performing | Stage 3 | - | - | - | - |
| Substandard | | - | - | - | - |
| Doubtful | | - | - | - | - |
| Loss | | 43,290 | 43,290 | 43,290 | 39,311 |
| | | <u>43,290</u> | <u>43,290</u> | <u>43,290</u> | <u>39,311</u> |
| Total | | <u>6,108,347</u> | <u>53,037</u> | <u>6,187,665</u> | <u>39,311</u> |
| Overseas | | | | | |
| Performing | Stage 1 | - | - | - | - |
| Underperforming | Stage 2 | - | - | - | - |
| Non-performing | Stage 3 | - | - | - | - |
| Substandard | | - | - | - | - |
| Doubtful | | - | - | - | - |
| Loss | | - | - | - | - |
| | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |



| | | 30 June 2023 (Un-audited) | | |
|---|-----|---------------------------|----------------|-------------|
| | | Performing | Non Performing | Total |
| Note | | (Rupees in '000) | | |
| Loans, cash credits, running finances, etc. | 9.2 | 10,464,295 | 1,870,025 | 12,334,320 |
| Islamic financing and related assets | | - | 164,342 | 164,342 |
| Bills discounted and purchased | | - | - | - |
| Advances - gross | 9.1 | 10,464,295 | 2,034,367 | 12,498,662 |
| Credit loss allowance against advances | | | | |
| -Stage 1 | | (164,569) | - | (164,569) |
| -Stage 2 | | (30,637) | - | (30,637) |
| -Stage 3 | | - | (1,869,421) | (1,869,421) |
| | | (195,206) | (1,869,421) | (2,064,627) |
| Advances - net of credit loss allowance | | 10,269,089 | 164,946 | 10,434,035 |

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

- 9.1 These include personal loans and house loans of Rs. 116.726 million (31 December, 2022 : Rs. 126.089 million) advanced to employees in accordance with their terms of employment. These personal loans and house loans carry mark-up at the rates of 3% and 5% (31 December, 2022 : 3% and 5%) respectively.

| | | 30 June 2023 (Un-audited) | 31 December 2022 (Audited) |
|-----|---------------------------------|---------------------------|----------------------------|
| | | (Rupees in '000) | |
| 9.2 | Particulars of advances (Gross) | | |
| | In local currency | 12,498,662 | 11,320,229 |
| | In foreign currencies | - | - |
| | | 12,498,662 | 11,320,229 |

9.3 Advances include Rs. 2,034 million (31 December 2022: Rs. 2,048 million) which have been placed under non-performing / Stage 3 status as detailed below:-

| Category of Classification | Note | 30 June 2023 (Un-audited) | | 31 December 2022 (Audited) | |
|------------------------------|-------|---------------------------|------------------|----------------------------|------------------|
| | | Non Performing Loans | Provision | Non Performing Loans | Provision |
| ----- (Rupees in '000) ----- | | | | | |
| Domestic | | | | | |
| OAEM | 9.3.1 | 164,342 | - | 167,325 | - |
| Substandard | | - | - | - | - |
| Doubtful | | - | - | - | - |
| Loss | | 1,870,025 | 1,869,421 | 1,880,464 | 1,878,498 |
| | | 2,034,367 | 1,869,421 | 2,047,789 | 1,878,498 |

9.3.1 The Other Assets Especially Mentioned category pertains to small enterprise finance.

9.4 Particulars of credit loss allowance against advances

| Note | 30 June 2023 (Un-audited) | | | |
|--|------------------------------|---------------|----------------|------------------|
| | Stage 3 | Stage 2 | Stage 1 | Total |
| ----- (Rupees in '000) ----- | | | | |
| Opening balance | 1,878,498 | - | - | 1,878,498 |
| Provision due to adoption of IFRS-9 charged to opening retained earnings | 1,173 | 23,442 | 151,836 | 176,451 |
| Exchange adjustments | | | | |
| Charge for the period / year | - | 7,195 | 12,733 | 19,928 |
| Reversals | (10,250) | - | - | (10,250) |
| | (10,250) | 7,195 | 12,733 | 9,678 |
| Closing balance | 1,869,421 | 30,637 | 164,569 | 2,064,627 |

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



9.5 Advances - Particlurs of credit loss allowance

| | 30 June 2023 (Un-audited) | | |
|-----------------------------------|------------------------------|---------|---------|
| | Stage 3 | Stage 2 | Stage 1 |
| | ----- (Rupees in '000) ----- | | |
| Opening balance | 1,878,498 | | |
| Impact of Adoption of IFRS 9 | 1,173 | 23,442 | 151,836 |
| New Advances | - | - | 12,733 |
| Advances derecognised or repaid | (10,250) | (4,171) | - |
| Transfer to stage 1 | - | - | - |
| Transfer to stage 2 | - | 11,366 | - |
| Transfer to stage 3 | - | - | - |
| | (10,250) | 7,195 | 12,733 |
| Amounts written off / charged off | - | - | - |
| Changes in risk parameters | - | - | - |
| Other changes (to be specific) | - | - | - |
| Closing balance | 1,869,421 | 30,637 | 164,569 |

9.6 Advances - Category of classification

| | | 30 June 2023 (Un-audited) | |
|-----------------|---------|------------------------------|----------------------------|
| | | Outstanding amount | Credit loss allowance Held |
| | | ----- (Rupees in '000) ----- | |
| Domestic | | | |
| Performing | Stage 1 | 9,829,678 | (164,569) |
| Underperforming | Stage 2 | 798,959 | (30,637) |
| Non-Performing | Stage 3 | | |
| Substandard | | - | - |
| Doubtful | | - | - |
| Loss | | 1,870,025 | (1,869,421) |
| | | 1,870,025 | (1,869,421) |
| | | 12,498,662 | (2,064,627) |

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

| | Note | 30 June | 31 December |
|----------------------------|------|------------------------------|-------------|
| | | 2023 | 2022 |
| | | (Un-audited) | (Audited) |
| | | ----- (Rupees in '000) ----- | |
| 10. Property and equipment | | | |
| Property and equipment | | 464,285 | 472,102 |

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

10.1 Additions to property and equipment

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

Property and equipment

| | | | |
|--|--|--------------|----------------|
| Buildings | | - | 199,500 |
| Leasehold improvements | | - | 77,393 |
| Furniture and fixtures | | 169 | - |
| Electrical office and computer equipment | | <u>6,387</u> | <u>12,037</u> |
| | | <u>6,556</u> | <u>288,930</u> |

10.2 Disposal of property and equipment

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

| | | 30 June 2023 (Un-audited) | 31 December 2022 (Audited) |
|--|------|---------------------------------|----------------------------------|
| | Note | ----- (Rupees in '000) ----- | |
| Property and equipment | | | |
| Furniture and fixtures | | - | 165 |
| Electrical office and computer equipment | | <u>46</u> | <u>70</u> |
| | | <u>46</u> | <u>235</u> |

11. INTANGIBLE ASSETS

| | | | |
|---------------------------------|------|--------------|--------------|
| Computer softwares and licenses | | 176 | 230 |
| Capital work in progress | 11.1 | <u>8,758</u> | <u>4,972</u> |
| | | <u>8,934</u> | <u>5,202</u> |

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



12. DEFERRED TAX ASSETS

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

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

| 31 December 2022 (Audited) | | | |
|---|---|---|---------------------------|
| At 01 January 2022 | Recognised in profit and loss account | Recognised in other comprehensive income | At 31 December 2022 |
| ----- (Rupees in '000) ----- | | | |
| Deductible Temporary Differences on | | | |
| - Provision against advances, off balance sheet, etc. | 506,578 | 7,255 | - |
| - Lease liability against right-of-use assets | 1,369 | (1,369) | - |
| - Post retirement employee benefits | - | | 1,142 |
| - Deficit on revaluation of investments - net | - | | 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 | - |
| - Accelerated tax depreciation | (8,583) | (6,075) | (34,709) |
| - Lease assets | (10,993) | 1,087 | - |
| | (48,106) | (2,624) | (8,543) |
| | 461,472 | 1,712 | (4,691) |
| | | | 458,493 |

| | | 30 June 2023 (Un-audited) | 31 December 2022 (Audited) |
|---|------|---------------------------------|----------------------------------|
| | Note | ----- (Rupees in '000) ----- | |
| 13. OTHER ASSETS | | | |
| Income / Mark-up accrued in local currency - net of provision | | 977,089 | 636,487 |
| Advances, deposits and prepayments | | 31,402 | 105,831 |
| Advance taxation (payments less provisions) | | 450,959 | 334,442 |
| Dividend receivable | | 150 | 150 |
| Security deposits | | 1,583 | 1,583 |
| | | <u>1,461,183</u> | <u>1,078,493</u> |
| Less: Provision held against other assets | | - | - |
| | | <u>1,461,183</u> | <u>1,078,493</u> |

14. BORROWINGS

| | | | |
|------------------------------|------|-------------------|-------------------|
| In Pakistan (local currency) | 14.1 | <u>22,244,371</u> | <u>20,336,117</u> |
|------------------------------|------|-------------------|-------------------|

14.1 Details of borrowings secured / unsecured

Secured

Borrowings from State Bank of Pakistan- Under financing facility for:

| | | | |
|---|------|------------------|------------------|
| - Imported & Locally Manufactured Plant & Machinery (LTFF) | 14.2 | 1,693,858 | 1,825,320 |
| - Renewable Energy Facility (REF) | 14.3 | 613,604 | 641,196 |
| - Temporary Economic Refinance Facility (TERF) | 14.4 | 1,239,804 | 1,138,983 |
| - Financing Facility for Storage of Agriculture Produce (FFSAP) | 14.5 | 166,699 | 174,168 |
| | | <u>3,713,965</u> | <u>3,779,667</u> |

| | | | |
|--|------|-------------------|-------------------|
| Borrowings from State Bank of Pakistan - open market operation | 14.6 | <u>12,200,000</u> | 7,300,000 |
| Total Borrowings from State Bank of Pakistan | | <u>15,913,965</u> | <u>11,079,667</u> |

| | | | |
|---------------------------------|------|-------------------|-------------------|
| Repurchase agreement borrowings | 14.7 | 1,430,406 | 356,450 |
| Term borrowings | 14.8 | <u>4,350,000</u> | <u>4,900,000</u> |
| Total Secured | | <u>21,694,371</u> | <u>16,336,117</u> |

Unsecured

| | | | |
|------------------------|--|-------------------|-------------------|
| Call borrowings | | 550,000 | 4,000,000 |
| Total Unsecured | | <u>550,000</u> | <u>4,000,000</u> |
| | | <u>22,244,371</u> | <u>20,336,117</u> |

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

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

14.4 The Company has obtained funds from the SBP for extending Temporary Economic Refinance Facility (TERF) for economic relief. These borrowings carry mark-up rate of 1.0% per annum (31 December, 2022: 1.0%). These borrowings will mature by 2032 (31 December, 2022: 2032).

- 14.5 The Company has obtained funds from the SBP for extending Financing Facility for Storage of Agricultural Produce (FFSAP) for economic relief. These borrowings carry mark-up rate of 2.0% per annum (31 December, 2022: 2.0%). These borrowings will mature by 2029 (31 December, 2022: 2029).
- 14.6 These carry mark-up at the rates ranging from 21.12% to 20.65% per annum (31 December, 2022: 15.25% to 16.25% per annum) and are secured against government securities having carrying amount of Rs 12,917.107 million (31 December, 2022: Rs 7,188.905 million). These borrowings will mature up to September 2023 (31 December, 2022: March 2023).
- 14.7 These carry mark-up at the rates ranging from 21.15% to 20.65% per annum (31 December, 2022: 16.2% per annum) and are secured against government securities having carrying amount of Rs. 471.728 million (31 December, 2022: Rs. 358.059 million). These borrowings will mature up to July 2023 (31 December, 2022: January 2023).
- 14.8 These represent finances obtained from Allied Bank Limited to finance regular business operations of the Company. These finances are secured against pledge of all present and future movable assets (excluding investments). It carries mark up at the rate of 6 months KIBOR +0.10 to 0.25% per annum. These are repayable in semi annual installments and shall be repaid by 2027.

| | Note | 30 June 2023 (Un-audited) | 31 December 2022 (Audited) |
|--|---|---------------------------------|----------------------------------|
| ----- (Rupees in '000) ----- | | | |
| 15. DEPOSITS AND OTHER ACCOUNTS | | | |
| Customers | | | |
| Term deposits - In Local Currency | 15.2 | 1,351,291 | 791,213 |
| Financial Institutions | | | |
| Term deposits - In Local Currency | 15.3 | 1,218,621 | 980,397 |
| | | <u>2,569,912</u> | <u>1,771,610</u> |
| 15.1 Composition of deposits | | | |
| - Individuals | 15.4 | 504,020 | 331,491 |
| - Public Sector Entities | | - | - |
| - Non-Banking Financial Institutions | 15.5 | 1,218,621 | 980,397 |
| - Private Sector | 15.6 | 847,271 | 459,722 |
| | | <u>2,569,912</u> | <u>1,771,610</u> |
| 15.2 | The mark-up rates on these certificate of investments (COI) range between 15.25% to 22.50% per annum (31 December, 2022: 11.75% to 16.50% per annum). These COIs will mature up to June 2024 (31 December, 2022: December 2023). | | |
| 15.3 | The mark-up rates on these certificate of investments (COI) is 21.35% per annum (2022:15.35% to 16.35% per annum). These COIs will mature up to Sept 2023 (31 December, 2022: March 2023). | | |
| 15.4 | These includes both interest bearing and non-interest bearing certificate of investments (COI) issued to the employees of the Company maturing up to till Jan 2026 (31 December, 2022: July 2025). The interest bearing deposits carry interest rates ranging between 16.50% to 22.50% per annum (31 December, 2022: 14.55% to 16.50% per annum). | | |
| 15.5 | This includes dividend and mark-up earned thereon not remitted to Iran Foreign Investment Company (IFIC) due to foreign exchange remittance restrictions, that had been invested on IFIC's instructions in the Company's certificates of investment. | | |
| 15.6 | This represents interest bearing bearing certificate of investments (COI) issued to the private companies maturing up to June 2024 (31 December, 2022 : November 2023).The interest bearing COIs carry interest rates ranging between 15.50% to 22.50% per annum (31 December, 2022: 11.75% to 16.35% per annum). | | |

| | | | 30 June 2023 (Un-audited) | 31 December 2022 (Audited) | |
|--|------|---|----------------------------------|----------------------------------|-------------------------------|
| | Note | ----- (Rupees in '000) ----- | | | |
| 16. OTHER LIABILITIES | | | | | |
| Mark-up / return / interest payable in local currency | | | 477,009 | 280,997 | |
| Accrued expenses | | | 38,896 | 24,582 | |
| Payable to defined benefit plan | | | 8,372 | 7,874 | |
| Payable to an associated undertaking | | | 12,876 | 10,721 | |
| Government levies payable | | | 10,862 | 2,531 | |
| Provision for audit fee | | | 1,082 | 1,469 | |
| Advance insurance premium on lease | | | 726 | 613 | |
| Security deposits against finance lease | | | 642,615 | 393,191 | |
| Provision for staff rewards | | | 14,862 | 33,391 | |
| Provision for Worker's Welfare Fund | | | 111,892 | 104,900 | |
| | | | <u>1,319,192</u> | <u>860,269</u> | |
| 17. SHARE CAPITAL | | | | | |
| 17.1 Authorised capital | | | | | |
| | | 30 June 2023 (Un-audited) (Number of shares) | 31 December 2022 (Audited) | | |
| | Note | ----- (Rupees in '000) ----- | | | |
| | | <u>1,000,000,000</u> | <u>1,000,000,000</u> | Ordinary shares of Rs. 10 each | |
| | | | <u>10,000,000</u> | <u>10,000,000</u> | |
| 17.2 Issued, subscribed and paid-up share capital | | | | | |
| | | <u>600,000,000</u> | <u>600,000,000</u> | Ordinary shares of Rs. 10 each | |
| | | | <u>6,000,000</u> | <u>6,000,000</u> | |
| | | <u>600,000,000</u> | <u>600,000,000</u> | Fully paid in cash | |
| | | | <u>6,000,000</u> | <u>6,000,000</u> | |
| 17.3 Major shareholders (holding more than 5% of total paid-up capital) | | | | | |
| | | 30 June 2023 (Un-audited) | | 31 December 2022 (Audited) | |
| | | Number of shares held | Percentage of shareholding | Number of shares held | Percentage of shareholding |
| Name of shareholder | | | | | |
| Government of Pakistan | | 300,000,000 | 50% | 300,000,000 | 50% |
| Iran Foreign Investment Company | | 300,000,000 | 50% | 300,000,000 | 50% |
| | | <u>600,000,000</u> | <u>100%</u> | <u>600,000,000</u> | <u>100%</u> |
| 18. RESERVES | | | | | |
| Statutory reserve | | | | | |
| Opening balance | | | 1,093,746 | 1,004,551 | |
| Transfer during the period / year | | | 72,325 | 89,195 | |
| Closing balance | | | <u>1,166,071</u> | <u>1,093,746</u> | |

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

| | | 30 June 2023 (Un-audited) | 31 December 2022 (Audited) |
|------------|---|---------------------------------|----------------------------------|
| | | ----- (Rupees in '000) ----- | |
| 19. | (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS | | |
| | (Deficit) / surplus on revaluation of | | |
| | - Securities measured at FVOCI-Debt | (159,713) | (21,686) |
| | - Securities measured at FVOCI-Equity | (299,458) | (249,521) |
| | | (459,171) | (271,207) |
| | Deferred tax on surplus / (deficit) on revaluation of: | | |
| | - Securities measured at FVOCI-Debt | 19,965 | 2,710 |
| | - Securities measured at FVOCI-Equity | 46,615 | - |
| | | 66,580 | 2,710 |
| | | (392,591) | (268,497) |

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

| | | 2023 (Un-audited) | 2022 (Audited) |
|-------------|--|------------------------------|-------------------|
| | | ----- (Rupees in '000) ----- | |
| 20. | CONTINGENCIES AND COMMITMENTS | | |
| | -Commitments | 14,357,853 | 8,214,853 |
| | -Other contingent liabilities | 245,280 | 245,280 |
| | | 14,603,133 | 8,460,133 |
| 20.1 | Commitments in respect of repo transactions | | |
| | Repurchase agreement borrowings | 13,630,406 | 7,656,450 |
| 20.2 | Direct credit substitutes | 224,445 | 224,565 |

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

20.3 Commitments to extend credit

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

20.4 Other contingent liabilities

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

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

21. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

22. DERIVATIVE INSTRUMENTS

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

22.1 Equity futures

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

The Company may 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.



| | | 30 June 2023 (Un-audited) | 30 June 2022 (Un-audited) |
|--|------|---------------------------------|---------------------------------|
| | Note | ----- (Rupees in '000) ----- | |
| 23. MARK-UP / RETURN / INTEREST EARNED | | | |
| On loans and advances | | 636,082 | 277,185 |
| On investments | | 1,956,410 | 953,990 |
| On deposits with financial institutions | | 379 | 315 |
| On lendings to financial institutions | | 145 | 522 |
| | | <u>2,593,016</u> | <u>1,232,012</u> |
| 23.1 Interest income (calculated using effective interest rate method) recognised on: | | | |
| Financial assets measured at amortised cost; | | 636,606 | 1,232,012 |
| Financial assets measured at fair value through OCI. | | 1,956,410 | - |
| | | <u>2,593,016</u> | <u>1,232,012</u> |
| 24. MARK-UP / RETURN / INTEREST EXPENSED | | | |
| Deposits | | 199,829 | 64,798 |
| Securities sold under repurchase agreements | | 99,171 | 247,880 |
| On borrowing from State Bank of Pakistan- Under financing facility | | | |
| - Imported & Locally Manufactured Plant & Machinery (LTFF) | | 20,702 | 19,054 |
| - Temporary Economic Refinance Facility (TERF) | | 5,887 | 3,465 |
| - Renewable Energy (REF) | | 8,997 | 8,090 |
| - Financing Facility for Storage of Agriculture Produce (FFSAP) | | 1,718 | |
| Borrowings from State Bank of Pakistan - open market operation | | 841,846 | |
| Term Borrowing | | 430,009 | 239,185 |
| Unwinding cost of liability against the right-of-use assets | | - | 242 |
| Clean Borrowing | | 257,779 | 168,565 |
| | | <u>1,865,938</u> | <u>751,279</u> |
| 25. FEE & COMMISSION INCOME | | | |
| Credit related fees | | 9,273 | 13,624 |
| Commission on guarantees | | 1,010 | 308 |
| | | <u>10,283</u> | <u>13,932</u> |
| 26. GAIN / (LOSS) ON SALE OF SECURITIES | | | |
| Realised gain | 26.1 | 4,923 | 2,959 |
| Unrealised loss on financial assets at FVPL | | (3,235) | (1,222) |
| | | <u>1,688</u> | <u>1,737</u> |
| 26.1 Realised gain on: | | | |
| Shares | | <u>4,923</u> | <u>2,959</u> |

| | 30 June 2023 (Un-audited) | 30 June 2022 (Un-audited) |
|---|---------------------------------|---------------------------------|
| | ----- (Rupees in '000) ----- | |
| 26.2 Net gain / loss on financial assets / liabilities measured at FVPL: | | |
| Designated upon initial recognition | - | - |
| Mandatorily measured at FVPL | 4,923 | - |
| | 4,923 | - |
| Net gain / (loss) on financial assets / liabilities measured at amortised cost | - | - |
| Net gain / (loss) on financial assets measured at FVOCI | - | - |
| Net gain / (loss) on investments in equity instruments designated at FVOCI | (10,134) | - |
| | (10,134) | - |
| | (5,211) | - |
| | <u>(5,211)</u> | <u>-</u> |
| 27. OPERATING EXPENSES | | |
| Total compensation expense | 213,372 | 151,112 |
| Property expense | | |
| Property taxes | 351 | - |
| Insurance | 2,953 | 1,923 |
| Utilities cost | 2,829 | 3,834 |
| Security (including guards) | 711 | 265 |
| Repair & maintenance (including janitorial charges) | 8,450 | 5,667 |
| Depreciation on right-of-use assets | - | 7,241 |
| Depreciation on owned assets | 8,652 | 4,845 |
| | 23,946 | 23,775 |
| Information technology expenses | | |
| Software maintenance | 1,734 | 1,767 |
| Hardware maintenance | 1,171 | - |
| Depreciation | 3,787 | 3,075 |
| Amortisation | 53 | 74 |
| Network charges | 5,010 | 1,907 |
| Others | 258 | 515 |
| | 12,013 | 7,338 |
| Other operating expenses | | |
| Directors' fees and allowances | 5,675 | 8,267 |
| Legal & professional charges | 4,582 | 4,067 |
| Travelling & conveyance | 10,505 | 12,273 |
| Depreciation | 1,888 | 2,277 |
| Training & development | 601 | 166 |
| Postage & courier charges | 90 | 84 |
| Communication | 855 | 875 |
| Stationery & printing | 987 | 539 |
| Marketing, advertisement & publicity | 325 | 1,445 |
| Donations | - | 1,000 |
| Auditors Remuneration | 1,461 | 3,369 |
| Commission and brokerage | 1,238 | 1,955 |
| Others | 2,166 | 1,323 |
| | 30,373 | 37,640 |
| | <u>279,704</u> | <u>219,865</u> |

| | Note | 30 June 2023 (Un-audited) ----- (Rupees in '000) ----- | 30 June 2022 (Un-audited) ----- |
|--|------|---|--|
| 28. CREDIT LOSS ALLOWANCE & WRITE OFFS - NET | | | |
| Credit loss allowance for diminution in value of investments | 8.3 | 13,726 | 1,483 |
| Credit loss allowance against loans & advances | 9.4 | 9,678 | 41,030 |
| | | <u>23,404</u> | <u>42,513</u> |
| 29. TAXATION | | | |
| Current | | 142,898 | 78,593 |
| Prior period | | - | 21,508 |
| Deferred | | (5,445) | (12,185) |
| | | <u>137,453</u> | <u>87,916</u> |
| 30. BASIC & DILUTED EARNINGS PER SHARE | | | |
| Profit for the period | | <u>361,627</u> | <u>190,985</u> |
| | | (Number of Shares in '000) | |
| Weighted average number of ordinary shares | | <u>600,000</u> | <u>600,000</u> |
| Basic & diluted earnings per share | | <u>0.60</u> | <u>0.32</u> |

31. FAIR VALUE MEASUREMENTS

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

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

31.1 Fair value of financial assets

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

- Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3:** Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value of financial instruments is based on:

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

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



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

On balance sheet financial instruments

| | 30 June 2023 (Un-audited) | | | |
|--|-----------------------------|------------------|----------|-------------------|
| | Fair value | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| | ----- (Rupees in 000) ----- | | | |
| Financial assets measured at fair | | | | |
| Federal Government Securities | 14,693,052 | 397,518 | - | 15,090,570 |
| Shares in listed companies | 1,163,040 | - | - | 1,163,040 |
| Non Government Debt Securities | 2,532,626 | 3,534,678 | - | 6,067,304 |
| | 18,388,718 | 3,932,196 | - | 22,320,914 |

| | 31 December 2022 (Audited) | | | |
|--|-----------------------------|------------------|----------|-------------------|
| | Fair value | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| | ----- (Rupees in 000) ----- | | | |
| Financial assets measured at fair value | | | | |
| Federal Government Securities | 13,352,911 | 382,191 | - | 13,735,102 |
| Shares in listed companies | 1,077,444 | - | - | 1,077,444 |
| Non Government Debt Securities | 2,695,237 | 3,465,491 | - | 6,160,728 |
| | 17,125,592 | 3,847,682 | - | 20,973,274 |

32. RELATED PARTY TRANSACTIONS

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

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



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

| | 30 June 2023 (Un-audited) | | | 31 December 2022 (Audited) (Audited) | | |
|--|------------------------------|--------------------------|-----------------------|---|--------------------------|-----------------------|
| | Directors | Key management personnel | Other related parties | Directors | Key management personnel | Other related parties |
| | ----- (Rupees in '000) ----- | | | | | |
| Advances | - | 79,776 | - | - | 77,032 | - |
| Addition during the period / year | - | 4,827 | - | - | 18,395 | - |
| Repaid during the period / year | - | (11,303) | - | - | (15,651) | - |
| Closing balance | | 73,300 | - | - | 79,776 | - |
| Other Assets | | | | | | |
| Other receivable | - | - | 18,688 | - | - | 15,184 |
| Deposits and other accounts | | | | | | |
| Opening balance | - | 89,441 | 4,979,743 | - | 34,127 | 852,782 |
| Received during the period / year | - | 518,922 | 2,693,065 | - | 642,003 | 4,111,777 |
| Withdrawn during the period / year | - | (516,958) | (3,847,632) | - | (586,689) | - |
| Closing balance | - | 91,405 | 3,843,864 | - | 89,441 | 4,979,743 |
| Other Liabilities | | | | | | |
| Interest / mark-up payable | - | 1,665 | 51,921 | - | 884 | 37,679 |
| - bonus payable to MD/CEO | - | 10,241 | - | - | 2,965 | - |
| - bonus payable to Key Executives | - | 675 | - | - | - | - |
| - payable to Iran Foreign Investment Company - associate | - | - | 12,876 | - | - | 10,721 |
| - director fee payable | - | - | - | 700 | - | - |
| Payable from defined contribution plan | - | - | 3,127 | - | - | - |
| Payable from defined benefit plan | - | - | 8,372 | - | - | - |
| | - | 12,581 | 76,296 | 700 | 3,849 | 48,400 |

| | 30 June 2023 (Un-audited) | | | 30 June 2022 (Un-audited) | | |
|---|------------------------------|--------------------------|-----------------------|------------------------------|--------------------------|-------------------------|
| | Directors | Key management personnel | Other related parties | Directors | Key management personnel | Other related parties * |
| | ----- (Rupees in '000) ----- | | | | | |
| RELATED PARTY TRANSACTIONS | | | | | | |
| Income | | | | | | |
| Mark-up / return / interest earned | - | 1,834 | - | - | 2,020 | - |
| Expense | | | | | | |
| Mark-up / return / interest paid | - | 9,152 | 115,752 | - | 2,467 | 47,381 |
| Operating expenses | | | | | | |
| Fees for Board & Committee Meeting | 5,675 | - | - | 8,267 | - | - |
| Allowance for Board & Committee Meeting | - | - | - | - | - | - |
| Managerial Remuneration | - | 107,958 | - | - | 63,830 | - |
| Contribution to defined contribution plan | - | 4,226 | - | - | 3,883 | - |
| Rent & house maintenance | - | 11,406 | - | - | 10,760 | - |
| Utilities | - | 3,267 | - | - | 3,060 | - |
| Medical | - | 3,062 | - | - | 3,093 | - |
| Conveyance | - | 10,455 | - | - | 6,845 | - |
| Others | - | 329 | - | - | 389 | - |
| Contribution to the defined contribution plan | - | - | 6,916 | - | - | 6,024 |
| Payment to the defined benefit plan | - | - | 6,804 | - | - | 6,165 |
| Charge for defined benefit plan | - | - | 8,165 | - | - | 6,165 |

* An associate and retirement benefit plans.



33. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

| | 30 June 2023 (Un-audited) | 31 December 2022 (Audited) |
|---|---------------------------------|----------------------------------|
| | ----- (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 | 4,833,038 | 4,775,875 |
| Eligible Additional Tier 1 (ADT 1) Capital | - | - |
| Total Eligible Tier 1 Capital | 4,833,038 | 4,775,875 |
| Eligible Tier 2 Capital | - | - |
| Total Eligible Capital (Tier 1 + Tier 2) | 4,833,038 | 4,775,875 |
| Risk Weighted Assets (RWAs): | | |
| Credit Risk | 12,023,122 | 10,647,074 |
| Market Risk | 2,209,862 | 1,609,085 |
| Operational Risk | 2,017,508 | 2,017,508 |
| Total | 16,250,492 | 14,273,667 |

| | 30 June 2023 (Un-audited) | | 31 December 2022 (Audited) | |
|---|---------------------------|---------------|----------------------------|---------------|
| | Required | Actual | Required | Actual |
| Common Equity Tier 1 Capital Adequacy ratio (%) | 6.00% | 29.74% | 6.00% | 33.46% |
| Tier 1 Capital Adequacy Ratio (%) | 7.50% | 29.74% | 7.50% | 33.46% |
| Total Capital Adequacy Ratio (%) | 11.5%* | 29.74% | 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.

| | 30 June 2023 (Un-audited) | 31 December 2022 (Audited) |
|---|---------------------------------|----------------------------------|
| | ----- (Rupees in '000) ----- | |
| Leverage Ratio (LR): | | |
| Eligible Tier-1 Capital | 4,833,038 | 4,775,875 |
| Total Exposures | 35,909,490 | 29,390,454 |
| Leverage Ratio | 13.46% | 16.25% |
| Liquidity Coverage Ratio (LCR): | | |
| Total High Quality Liquid Assets | 2,531,488 | 5,917,500 |
| Total Net Cash Outflow | 797,452 | 3,758,333 |
| Liquidity Coverage Ratio (%) | 3.17 | 1.57 |
| Net Stable Funding Ratio (NSFR): | | |
| Total Available Stable Funding | 17,635,081 | 18,297,577 |
| Total Required Stable Funding | 15,917,999 | 14,610,898 |
| Net Stable Funding Ratio (%) | 111% | 125% |

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

1) **Environmental Risk Management**

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

2) **Business Facilitation**

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

3) **Own Impact Reduction**

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



Segment Details with respect to Business Activities

| | 30 June 2023 (Un-audited) | | | | Total |
|--|--|---|-----------------|------------------|----------------|
| | Corporate Finance & Commercial Banking | Trading & Sales (other than Capital Market) | Capital Markets | Others | |
| | ----- (Rupees in '000) ----- | | | | |
| Profit & Loss | | | | | |
| Net mark-up/return/profit | 673,783 | 109,263 | - | (55,968) | 727,078 |
| Inter segment revenue - net | - | - | - | - | - |
| Non mark-up / return / interest income | 10,283 | - | 69,049 | 2,770 | 82,102 |
| Total Income | 684,066 | 109,263 | 69,049 | (53,198) | 809,180 |
| Segment direct expenses | 34,293 | 16,540 | 10,544 | 225,319 | 286,696 |
| Inter segment expense allocation | - | - | - | - | - |
| Total expenses | 34,293 | 16,540 | 10,544 | 225,319 | 286,696 |
| Provisions | 22,076 | 1,328 | - | - | 23,404 |
| Profit before tax | 627,697 | 91,395 | 58,505 | (278,517) | 499,080 |

| | 30 June 2023 (Un-audited) | | | | Total |
|---------------------------------------|--|---|------------------|------------------|-------------------|
| | Corporate Finance & Commercial Banking | Trading & Sales (other than Capital Market) | Capital Markets | Others | |
| | ----- (Rupees in '000) ----- | | | | |
| Balance Sheet | | | | | |
| Cash & Bank balances | - | - | - | 293,151 | 293,151 |
| Investments | 4,451,686 | 16,761,087 | 1,205,313 | - | 22,418,086 |
| Net inter segment lending | - | - | - | - | - |
| Lendings to financial institutions | - | - | - | - | - |
| Advances - performing | 10,151,760 | - | - | 117,329 | 10,269,089 |
| Advances - non-performing | 164,946 | - | - | - | 164,946 |
| Others | 354,424 | 622,665 | 149 | 1,484,972 | 2,462,210 |
| Total Assets | 15,122,816 | 17,383,752 | 1,205,462 | 1,895,452 | 35,607,482 |
| Borrowings | 6,431,758 | 15,376,495 | 436,118 | - | 22,244,371 |
| Subordinated debt | - | - | - | - | - |
| Deposits & other accounts | 1,605,629 | 706,630 | 257,653 | - | 2,569,912 |
| Net inter segment borrowing | - | - | - | - | - |
| Others | 130,491 | 346,519 | - | 842,182 | 1,319,192 |
| Total liabilities | 8,167,878 | 16,429,644 | 693,771 | 842,182 | 26,133,475 |
| Equity | 6,954,938 | 954,108 | 511,691 | 1,053,270 | 9,474,007 |
| Total Equity & liabilities | 15,122,816 | 17,383,752 | 1,205,462 | 1,895,452 | 35,607,482 |
| Contingencies & Commitments | 245,280 | 13,630,406 | - | 727,447 | 14,603,133 |



30 June 2022 (Un-audited)

| | Corporate Finance & Commercial Banking | Trading & Sales (other than Capital Market) | Capital Markets | Others | Total |
|--|--|---|-----------------|-----------|---------|
| | (Rupees in '000) | | | | |
| Profit & Loss | | | | | |
| Net mark-up/return/profit | 375,654 | 129,631 | - | (24,552) | 480,733 |
| Inter segment revenue - net | - | - | - | - | - |
| Non mark-up / return / interest income | 13,932 | - | 51,039 | 1,932 | 66,903 |
| Total Income | 389,586 | 129,631 | 51,039 | (22,620) | 547,636 |
| Segment direct expenses | 24,488 | 13,720 | 8,365 | 179,649 | 226,222 |
| Inter segment expense allocation | - | - | - | - | - |
| Total expenses | 24,488 | 13,720 | 8,365 | 179,649 | 226,222 |
| Provisions | 41,030 | - | 1,483 | - | 42,513 |
| Profit before tax | 324,068 | 115,911 | 41,191 | (202,269) | 278,901 |

31 December 2022 (Audited)

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



35 GENERAL

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

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

35.3 Corresponding figures

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

36 EVENTS AFTER THE REPORTING DATE

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

37 DATE OF AUTHORISATION

23 September 2023

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



Managing Director /
Chief Executive Officer



Chief Financial Officer



Chairman



Director



Director