

PAIR Investment Company Limited

Financial Statements
For the year ended December 31, 2022

PAİR INVESTMENT COMPANY LIMITED
CHAIRMAN'S REVIEW FOR THE FINANCIAL YEAR ENDED DECEMBER
31, 2022

It is my pleasure to share with you the Financial Statements of PAİR Investment Company Limited ("the Company") for the year ended December 31, 2022.

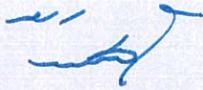
With the patronage from both the shareholders the growth of the Company in the coming periods seems fearly and reasonably certain. The whole management team is fully functional and is geared towards increasing the business and strengthening the Company for the periods to come. Thus I have no hindrance in saying that PAİR is here to stay.

It is a moment of confidence in sharing that, the year ended December 31, 2022 was a year where the Company performed very well both in terms of the volumetic growth in the total assets size as well as in terms of profitability. The profit before tax increased by 158% and came to PKR 654.366 million while increase in profit after tax was 130% and stood at PKR 445.977 million. The total asset of the Company continued to grow organically to PKR 32.741 billion which was a 31% increase over the last year closing numbers. Further growing from strength to strength the business of custodial services was started during the year which will be adding to the non-funded stream of income and expected to grow over a period of time. During the year two of the owned properties were renovated and brought under the utilization reducing the rental expenses in the administrative cost.

There was no new addition to the list of non-performing loans of the Company as the management of the Company continues to prudently monitor the same. Coverage ratios improved significantly as more of the provisions were taken into account in line with the guidance of the Prudential Regulations . Further efforts of recovering are being made and positive out of court settlements are expected to be reached with some of the defaulters. After careful analysis of the causes and effects, the due diligence mechanism has been further strengthened and stricter monitoring controls are implemented to ensure the corrective actions are taken before an account goes bad. Investment portfolio composition were made keeping in view the change in the ineterst rate scenario, while the keeping the losses at the minimum in a the osclaiting equity markets were the overarching strategy of the year.

Asset and Liability Committee continues to oversee the asset profile and keeps aligning the asset booking and fund generation after taking into account the prevalent economic constraints. Efforts are being made to diversify the funding sources, while increase the customer base is materializing day by day. As such there were many new names added and will be added to the portfolio in the asset as well as on the liability – COI (certificate of investment) side.

Here I would like to offer my sincere appreciation to all the stakeholders who continue to support the Company including Iran Foreign Investments Company, Ministry of Finance-Government of Pakistan, State Bank of Pakistan and Securities & Exchange Commission of Pakistan for their guidance and cooperation extended to our company. I would also encourage the staff and colleagues for their commitment, their team spirit as they hold hands with each other in each new initiative taken by the Company and their contribution to the progress of the business.



Zahoor Ahmed
Acting Chairman of the Board of Directors
February 18, 2023
Pakistan

PAİR INVESTMENT COMPANY LIMITED
DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2022

On behalf of the Board of Directors, I am pleased to present the Financial Statements of PAİR Investment Company Limited (PAİR) for the year ended December 31, 2022. These Financial Statements have been prepared in compliance with the requirements of BPRD Circular No. 02 dated January 25, 2018, and BPRD Circular No. 10 dated November 27, 2018.

Economic Overview:

The global economy is in the danger of falling into recession. High inflation has triggered unexpectedly rapid and coincident monetary policy tightening around the world. Although this monetary tightening is necessary for price stability, it has contributed to a significant worsening of global financial conditions, which is exerting a substantial drag on economic activity. World Bank has slashed the global economic growth outlook to 1.7% for 2023 from its earlier projection of 3%. Major economies including the United States, Euro region, and China are all undergoing a period of pronounced weakness. The spillovers of sluggish growth are exacerbating other headwinds faced by emerging markets and developing economies of which Pakistan is a part of.

In addition to the global economic conditions, Pakistan's vows have intensified with the political instability started back in April of the FY-2022 and as if nothing was left catastrophic flood happened in during June-August 2022 sweeping away vast agricultural land creating a human tragedy. These flash floods have affected all sectors of the economy. As per the economic update and outlook released in the January 2023 by the Government of Pakistan Finance Division, overall damage is estimated at PKR 3.2 trillion (US\$14.9 billion), loss to the GDP at PKR 3.3 trillion (US\$15.2 billion), and total needs for rehabilitation of damages at PKR 3.5 trillion (US\$16.3 billion).

In the recent policy announced by SBP in January 2023, the policy rate was increased by 100bps to 17% in view of the untamed inflationary pressures. The policy rate has been increased by 10% since it started its upward marching trend in September 2021. The Monetary Policy Committee considers that if these trends remain unchecked, they could feed into higher inflation expectations over a longer than-anticipated period. It is critical to anchor inflation expectations and achieve the objective of price stability to support sustainable growth in the future. The committee reiterated its earlier assessment that the short-term costs of bringing down inflation are lower than the long-term costs of allowing it to become entrenched. The MPC also emphasized on the engagements with the multilateral and bilateral partners to overcome domestic uncertainty and to address the near-term external sector challenges.

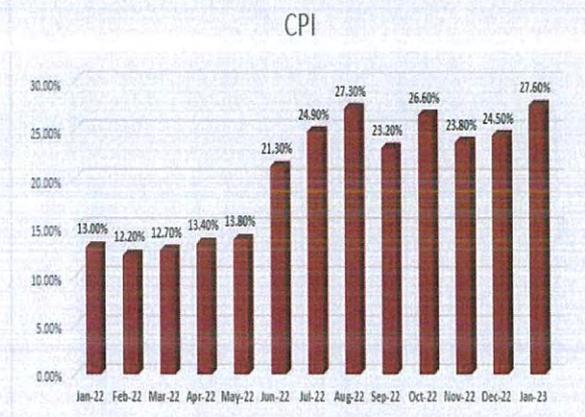


SBP's baseline growth rate of 3%-4% for FY-2023 may be subject to a downward revision in view of the continual moderation in economic activity is noted as a result of the floods and in response to policy tightening. Decrease in the volumes of Automobile sector, Cement sector and POL are suggesting the same while the out put trend of the Large-Scale Manufacturing-("LSM") is suggestive of the same trend. The

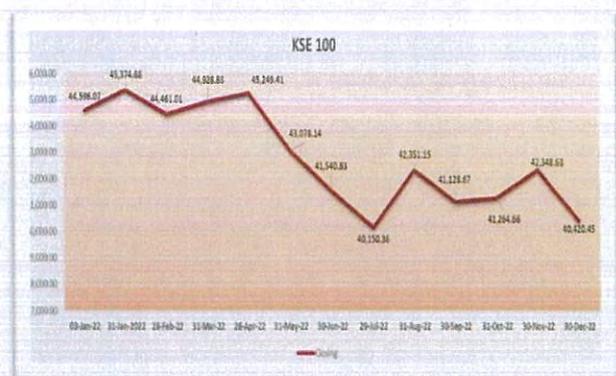
measures taken for the curtailment of Current Account Deficit & also the bleak situation of the foreign exchange supply are seemingly impacting the inventory replenishments which is leading to the production cuts by the firms will pull the LSM growth further down. Further the agricultural products are also expected to be weaker in comparison to previous years as aftermaths of the natural calamity.

The current account deficit narrowed due to the sharp reduction in imports as a result of policy tightening and administrative measures however the substantial reduction was offset by the increase in petroleum imports, reduction in the foreign remittances and decrease in the exports. Despite the reduction in the current account deficit, the external sector remains under stress due to delay in realization of official financial inflows, debt repayments and ongoing political uncertainty. The completion of the pending 9th review under the IMF’s EFF is critical for reducing uncertainty and unlocking multilateral and bilateral inflows.

Inflation remained at elevated levels compared to 26.6% in October, 23.8% in November and 24.5% in December 2022 are the respective numbers of the Q4- FY 2022 for the reference. Where it came down slightly before swiftly reverting upward trajectory. Increase in food inflation remains the major contributor to this persistence in inflation trends. The core inflation also rose due to increasing core goods prices, especially durables. The uncertainty on their future path and expected near-term adjustments remain the major upside risks to the inflation outlook which is why the consumer and business inflation expectations have glided upwards over the short and medium term in latest pulse surveys conducted by SBP. Fixing of inflation expectations is important to achieve the medium-term SBP’s inflation target of 5% – 7% by December 2024. This requires coordinated monetary and fiscal policy efforts on an ongoing basis.



PSX was coping well with the COVID-19 and slowdown in the global economies till the boat was rocked by the political turmoil in the country and it started coming down till it lost by 10% in August 2022 from the start of the year. Thereafter it remained jittery and up and downs are seen, range bound activity is the name of the game. The stocks have plummeted without any direct relationship of the fundamentals of the respective entities. Which is why those associated with the market considers that based on the low valuations the stock market has the potential to provide double digit return in FY-2023.



Financial Highlights

Total assets Increased by PKR 7.8 billion and closed at PKR 32.8 billion as against PKR 25.0 billion as of December 31, 2021. Net Investment increased approximately by PKR 4.1 billion whereas net advances increased by PKR 2.9 billion when compared to the December 31, 2021. Increase in Investment comes to 24%

while advances increased by 45%. Keeping a close eye on the upward interest rate trend along with the difficult political and economic conditions prevailing in the country, the management considers it prudent to be invested in floating rate debt securities and advances. Equity portfolio was kept at consistent levels during the year however the PSX remained volatile throughout the year, hence despite having a portfolio with strong fundamentals both realized and unrealized equity market losses hit the financial statements for the year ended December 31, 2022.

Company attained the highest total assets mark. In increasing the balance sheet size there was no compromise on the quality of assets which is evidence from the fact that there was no new classification in the nonperforming loans or debt instruments. Growth in advances which came to a whopping 45% is one of the highest in the yesteryears of PAIR. The gross advances as at close of FY-2022 PKR 11.32 billion versus PKR 8.33 billion as at the close of FY-2021. 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 total disbursement amounting to PKR 5.441 billion were done during the year., however, the repayments and in some cases the early repayments continued to be the challenges which are evident from the repayment amount of PKR 2.453 billion. 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 insight ensured. The management will continue to grow the portfolio organically with caution. Investments – net growth stood at 24% as at the end of December 31, 2022 when it closed at PKR 21.09 billion. Debt securities have performed very well for the Company and have been earning attractive yields. Government debt securities held are either floater securities or the positions in the fixed income bonds were taken in a manner that the Mark to market unrealized losses are at the minimal levels.

From the earnings stand point, FY-2022 had been a very good year for PAIR. In terms of markup income, the earning doubled from PKR 1.5 billion to PKR 3.2 billion. On basis of Net Revenue from Funds (“NRFF”) PKR1.11 billion were earned which in itself is 51%, when measured on year on year basis. While interest earning, asset performed better than expectations, equity market losses made the other income line murky. Losses realized in the equity market for the year came to PKR 72.05 million while provisions for diminutions in the value of investments were taken to P&L amounted to PKR 41.1 million. Some reversals in the provision for diminution in the value of investments were also recorded at the time of disposal of shares which were impaired in prior years. Barring the aforementioned other components of other income, more specifically dividend income, fee & commission income showed a progressive and promising growth as they grew by 70% and 20% respectively. Administrative expenses grew by approximately 20% in the wake of increase in fuel, electricity and other ancillary charges for office running. During the year the company has shifted from rented premises to its owned premises in Karachi and Lahore. This will be saving in terms of rental expenses for the company in the years to come, at the same time appreciation in the value of these properties is reasonably certain as both of the properties are located at prime locations.

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 PAIR, 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, 2022. 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 PAIR 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 PAIR'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 2013-2022 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. PAIR 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, your 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.

Your 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 33.46% 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 your organization. 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 your organization 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

The Company firmly believes in being a responsible corporate citizen and plays an integral role in our long-term success, and strives to incorporate the approach into every aspect of its work culture. In addition to our priority of operating profitability, the Company is aware of its responsibilities that go beyond its business, particularly its commitment towards employees, society, and environment.

The Company will continue to encourage community growth and development, thereby contributing in building a sustainable future in FY 2022 and beyond. Being a joint venture between the two brotherly countries' inclusion of the charitable organizations from Iran will also be ensured, subject to the regulatory approvals for the latter.

PAIR Investment, on an annual basis, sponsors one of its staff members to perform Hajj, through a transparent balloting mechanism.

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:

Name of the Institution	PKR '000
Consulate General of Iran (School being run by the Consulate Office)	1,000
Saylani Welfare Trust	1,000
The Kidney Centre	500
Patient Aid Foundation	200

Board of Directors

Five (5) Board Meetings were held during the year 2022. 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	5
Aamer Mahmood Hussain – Director	Non-executive Director	MOF-Pakistan	5
Gholamreza Khalil Arjmandi – Director	Non-executive Director	IFIC -Iran	5
Hamidreza Raufi– Director	Non-executive Director	IFIC -Iran	2
Abbas Daneshvar Hakimi Meibodi – MD/CEO	Executive Director	IFIC -Iran	5

**Mr. Arif Ahmed Khan resigned from the board on 25 March 2019. Mr. Zahoor Ahmed is presiding the meetings thereafter as the 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 38.2 to the financial statements.

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 (3) meeting of Board Strategic Investment Committee (BSIC) were held during 2022.

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:

Name of Director	Representing	Designation and name of committee	No. of Meetings Attended			
			BAC	BRMC	BHRCC	BSIC
Zahoor Ahmed – Acting Chairman	MOF-Pakistan	Chairman - BSIC				3
		Chairman - BHRC			3	
Aamer Mahmood Hussain – Director	MOF-Pakistan	Chairman - BAC	4			
		Member - BHRC			3	
		Chairman - BRMC		4		
	IFIC -Iran	Member - BAC	4			

Gholamreza Khalil Arjmandi – Director		Member - BHRC			3	
		Member - BRMC		2		
		Member - BSIC				3
Hamidreza Raufi – Director	IFIC -Iran	Member - BAC	2			
		Member - BRMC		2		
		Member - BSIC				1
Abbas Daneshvar Hakimi Meibodi – MD/CEO	IFIC -Iran	Member - BHRC			3	
		Member - BSIC				3
		Member - BRMC		4		

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, 2022, were:

Value of the Investments and Bank Balances	Provident Fund	Gratuity Fund
	-----PKR '000-----	
2022 – unaudited	65,071	107,951
2021 – audited	97,054	97,758

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, 2023.

Future Outlook

Pakistan is currently confronted with the challenges like high inflation, low growth, and low levels of official foreign exchange reserves. Consumer prices may be countered, in case the international prices come down to

their average prices while some exchange rate stability may come as the room for free fall of Rupee shrinks, fiscal accounts will continue to stay under immense pressure on account of heavy interest payments, roll over or repayment of deposits from friendly nations and rehabilitation spending.

We foresee FY-2023 as a year filled with challenges in terms of the high cost of funds for the Company as well as for the corporate sector. In most business housed no expansion is a no brainer, while steering out of the turbulent waters is of the primary focus. Hence the loan book would be strictly monitored and reviewed for any signs of weaknesses in the venerable clients. 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 the depressed valuations across the PSX is expected to provide lucrative opportunities albeit for long-term investments. Seemingly an agile and continuous alignment of the internal policies would be required hence active asset and liabilities management is planned for FY-2023 by the management of the Company.

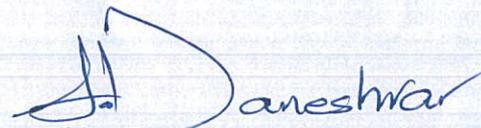
Appreciation and Acknowledgement

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 PAiR.



Zahoor Ahmed

Acting Chairman of the Board of Directors



Abbas Daneshvar Hakimi Meibodi

Managing Director/ Chief Executive Office

February 18, 2023
Islamabad, Pakistan

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, 2022, 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, 2022. 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.


Chartered Accountants

Place: Karachi

Date: February 21, 2023

UDIN: CR202210057V0cTgzZIO

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

PAIR Investment Company Limited
Year ended December 31, 2022



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. Zahoor Ahmed Mr. Aamer Mahmood Hussain Mr. Gholamreza Khalil Arjmandi

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, Chief Internal Auditor and Company Secretary. The Board has approved the remuneration of CFO, Chief Internal Auditor 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):

<u>Name of Director</u>	<u>Category</u>
Mr. Aamer Mahmood Hussain	Non-executive / Chairman
Mr. Gholamreza Khalil Arjmandi	Non-executive / Member

b) Board HR Compensation Committee (BHRCC):

<u>Name of Director</u>	<u>Category</u>
Mr. Zahoor Ahmed	Non-executive / Chairman
Mr. Aamer Mahmood Hussain	Non-executive / Member
Mr. Abbas Daneshvar Hakimi Meibodi	Executive Director / Member
Mr. Gholamreza Khalil Arjmandi	Non-executive / Member

c) Board Risk Management Committee (BRMC):

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

d) Board Strategic Investment Committee (BSIC):

<u>Name of Director</u>	<u>Category</u>
Mr. Zahoor Ahmed	Non-executive / Chairman
Mr. Gholamreza Khalil Arjmandi	Non-executive / Member
Mr. Abbas Daneshvar Hakimi Meibodi	Executive Director / Member

13. The frequency of meetings of the committee were as per following:

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

<u>Sr. No.</u>	<u>Particulars of Meeting</u>	<u>Date of Meetings</u>
1	57th BAC Meeting	19-Feb-22
2	58th BAC Meeting	27-Apr-22
3	59th BAC Meeting	20-Aug-22
4	60th BAC Meeting	22-Oct-22

(b) Board Human Resource and Compensation Committee: The HRBC Committee met three times during the year, the details of which are as under:

<u>Sr. No.</u>	<u>Particulars of Meeting</u>	<u>Date of Meetings</u>
1	36th BHRCC Meeting	19-Feb-22
2	37th BHRCC Meeting	22-Oct-22
3	38th BHRCC Meeting	10-Dec-22

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

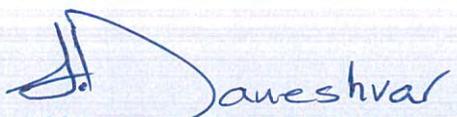
<u>Sr. No.</u>	<u>Particulars of Meeting</u>	<u>Date of Meetings</u>
1	42nd BRMC Meeting	19-Feb-22
2	43rd BRMC Meeting	27-Apr-22
3	44th BRMC Meeting	20-Aug-22
4	45th BRMC Meeting	22-Oct-22

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

<u>Sr. No.</u>	<u>Particulars of Meeting</u>	<u>Date of Meetings</u>
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1	19th BSIC Meeting	27-Apr-22
2	20th BSIC Meeting	20-Aug-22
3	21st BSIC Meeting	10-Dec-22

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.



Abbas Daneshvar Hakimi Meibodi
MD / CEO



Zahoor Ahmed
Acting Chairman



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 PAİR 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 PAİR 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 PAİR 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.

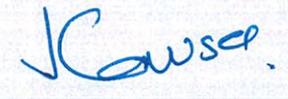
As required by the SBP, Long Form report (LFR) on the assessment of DFI's ICFR for the year 2021 was issued by the statutory auditors. None of the deficiencies identified are expected to have a material impact on Financial Reporting. Respective departments have carried out testing of the effectiveness of ICFR prevalent throughout the DFI for the year 2022. Statutory auditors were engaged to prepare a Long Form Report on ICFR as of December 31, 2022.

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: 18 February 2023

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, 2022, 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 significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to 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, 2022 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, 2022, 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).

Other matter

The annual financial statements of the Company for the year ended December 31, 2021 was audited by another firm of Chartered Accountants who through their report dated March 11, 2022 expressed an unqualified opinion thereon.

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


Chartered Accountants

Place: Karachi

Date: February 21, 2023

UDIN: AR202210057hLtc7bwq

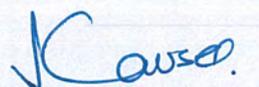
PAIR Investment Company Limited
Statement of Financial Position
As at December 31, 2022

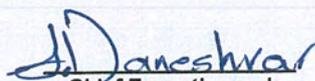
	Note	December 31, 2022 ----- (Rupees in '000) -----	December 31, 2021 -----
ASSETS			
Cash and balances with treasury banks	5	154,022	75,966
Balances with other banks	6	41,997	162,471
Lendings to financial institutions	7	-	-
Investments	8	21,089,015	16,975,437
Advances	9	9,441,731	6,516,564
Fixed assets	10	472,102	227,812
Intangible assets	11	5,202	5,000
Deferred tax asset	12	458,493	461,472
Other assets	13	1,078,493	589,140
		32,741,055	25,013,862
LIABILITIES			
Bills payable		-	-
Borrowings	15	20,336,117	13,658,356
Deposits and other accounts	16	1,771,610	1,132,247
Liabilities against assets subject to finance lease		-	-
Subordinated loans		-	-
Deferred tax liabilities		-	-
Other liabilities	17	860,269	568,117
		22,967,996	15,358,720
NET ASSETS		9,773,059	9,655,142
REPRESENTED BY			
Share capital	18	6,000,000	6,000,000
Reserves	19	1,093,746	1,004,551
Surplus on revaluation of assets	20	(268,497)	(10,662)
Unappropriated profit		2,947,810	2,661,253
		9,773,059	9,655,142

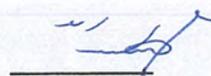
CONTINGENCIES AND COMMITMENTS

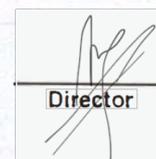
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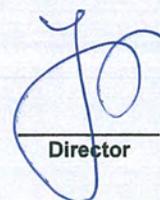
The annexed notes 1 to 46 form an integral part of these financial statements.


Chief Financial Officer


Chief Executive and
Managing Director


Chairman

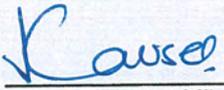

Director

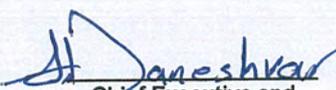

Director

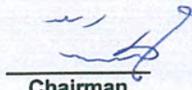
PAIR Investment Company Limited
Profit and Loss Account
For the year ended December 31, 2022

		December 31, 2022	December 31, 2021
	Note	----- (Rupees in '000) -----	
Mark-up / return / interest earned	24	3,243,562	1,562,373
Mark-up / return / interest expensed	25	<u>2,131,696</u>	<u>825,739</u>
Net mark-up / interest income		1,111,866	736,634
NON MARK-UP / INTEREST INCOME			
Fee and Commission Income	26	22,589	18,790
Dividend income		149,369	88,045
Foreign Exchange income / (loss)		3,466	1,552
Income / (loss) from derivatives		-	-
(Gain) / loss on securities	27	(72,785)	52,321
Other income	28	6,960	13,365
Total non mark-up / interest income		<u>109,599</u>	<u>174,073</u>
Total Income		<u>1,221,465</u>	<u>910,707</u>
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	29	457,101	380,756
Workers Welfare Fund		12,713	10,619
Other charges	30	-	225
Total non mark-up / interest expenses		<u>469,814</u>	<u>391,600</u>
Profit before provisions		751,651	519,107
Provisions and write offs - net Extra ordinary / unusual items	31	97,285 -	265,099 -
PROFIT BEFORE TAXATION		<u>654,366</u>	<u>254,008</u>
Taxation	32	208,389	60,276
PROFIT AFTER TAXATION		<u>445,977</u>	<u>193,732</u>
Basic and diluted earnings per share	33	<u>0.74</u>	<u>0.32</u>

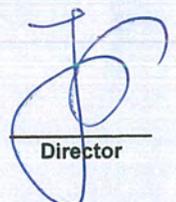
The annexed notes 1 to 46 form an integral part of these financial statements.



 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, 2022

	Share capital	Statutory reserve	Surplus / (deficit) on revaluation		Unappropriated profit	Total
			Investments	Non-Banking asset		
Note	(Rupees in '000)					
Balance as at 01 January 2021	6,000,000	965,805	(16,923)	32,924	2,680,452	9,662,258
Total comprehensive income for the year						
Profit for the year ended 31 December 2021	-	-	-	-	193,732	193,732
Other comprehensive income						
Movement in deficit on revaluation of investments - net of tax	-	-	(24,957)	-	-	(24,957)
Remeasurement gain / (loss) on defined benefit obligations - net of tax	-	-	-	-	4,109	4,109
Movement in surplus on revaluation of non-banking asset - net of tax transferred to accumulated profit in respect of incremental depreciation for the year	-	-	-	(1,706)	1,706	-
Total comprehensive income for the year ended 31 December 2021	-	-	(24,957)	(1,706)	199,547	172,884
Transfer to statutory reserve	19	38,746	-	-	(38,746)	-
Final cash dividend - 31 December 2020 declared subsequent to the year end	-	-	-	-	(180,000)	(180,000)
Balance as at 31 December 2021	6,000,000	1,004,551	(41,880)	31,218	2,661,253	9,655,142
Total comprehensive income						
Profit for the year ended 31 December 2022	-	-	-	-	445,977	445,977
Other comprehensive income						
Movement in deficit on revaluation of investments - net of tax	-	-	(226,617)	-	-	(226,617)
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	20.1	-	-	(1,855)	1,855	-
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 year ended 31 December 2022	-	-	(226,617)	(31,218)	525,752	267,917
Transfer to statutory reserve	19	89,195	-	-	(89,195)	-
Transactions with owners recorded directly in equity						
Final cash dividend - 31 December 2021 declared subsequent to the year end in 2021	-	-	-	-	(150,000)	(150,000)
Balance as at 31 December 2022	6,000,000	1,093,746	(268,497)	-	2,947,810	9,773,059

The annexed notes 1 to 46 form an integral part of these financial statements.

Chief Financial Officer

Chief Executive and Managing Director

Chairman

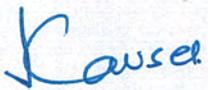
Director

Director

PAIR Investment Company Limited
Statement of Comprehensive Income
For the year ended December 31, 2022

	December 31, 2022	December 31, 2021
	----- (Rupees in '000) -----	
Profit after taxation for the year	445,977	193,732
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in deficit on revaluation of investments - net of tax	(226,617)	(24,957)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement (gain) / loss on defined benefit obligations - net of tax	(9,699)	4,109
Surplus on revaluation of non-banking assets- net of tax	58,256	-
Total comprehensive income	<u>267,917</u>	<u>172,884</u>

The annexed notes 1 to 46 form an integral part of these financial statements.



 Chief Financial Officer


 Chief Executive and
 Managing Director


 Chairman

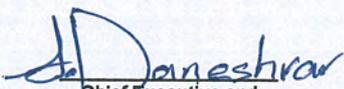
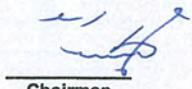

 Director


 Director

PAIR Investment Company Limited
Cash Flow Statement
For the year ended December 31, 2022

	December 31, 2022	December 31, 2021
Note	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	654,366	254,008
Less: Dividend income	<u>(149,369)</u>	<u>(88,045)</u>
	504,997	165,963
Adjustments:		
Depreciation on owned fixed assets	22,112	17,722
Amortisation	118	118
Depreciation on right-of-use assets	8,153	12,846
Mark-up / return / profit / interest expensed on lease liability against right-of-use assets	3,068	2,328
Provision / (Reversal) of diminution in value of investments	32,469	2,988
Provision against loans and advances	64,816	262,111
Gain on sale of fixed assets	(6,960)	1,698
Charge for defined benefit plan	12,330	12,835
Unrealised (loss) / gain on revaluation of held for trading investments	740	(982)
	<u>136,846</u>	<u>311,664</u>
	641,843	477,627
Decrease in operating assets		
Lendings to financial institutions	-	-
Held-for-trading securities	(4,169)	(18,331)
Advances	(2,989,983)	(613,632)
Others assets (excluding advance taxation)	<u>(448,090)</u>	<u>164,084</u>
	(3,442,242)	(467,879)
Increase / (decrease) in operating liabilities		
Borrowings	6,677,761	3,435,320
Deposits	639,363	208,545
Other liabilities	<u>290,829</u>	<u>114,968</u>
	7,607,953	3,758,833
	4,807,554	3,768,581
Income tax paid	(383,879)	(168,157)
Defined benefits paid	<u>(12,329)</u>	<u>(30,773)</u>
Net cash flows from operating activities	<u>4,411,346</u>	<u>3,569,651</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(4,456,513)	(3,125,905)
Net investments in held to maturity securities	72,974	(188,715)
Dividend income received	149,369	89,841
Investment in operating fixed assets	(68,967)	(38,712)
Proceeds from sale of fixed assets	7,163	1,627
Net cash flows from investing activities	<u>(4,295,974)</u>	<u>(3,261,864)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(150,000)	(180,000)
Payment of lease liability against right-of-use assets	(7,790)	(18,858)
Net cash flows from financing activities	<u>(157,790)</u>	<u>(198,858)</u>
(Decrease)/ Increase in cash and cash equivalents	<u>(42,418)</u>	<u>108,929</u>
Cash and cash equivalents at beginning of the year	34 <u>238,437</u>	<u>129,508</u>
Cash and cash equivalents at end of the year	<u>196,019</u>	<u>238,437</u>

The annexed notes 1 to 46 form an integral part of these financial statements.

 _____ Chief Financial Officer	 _____ Chief Executive and Managing Director	 _____ 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 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 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 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 dated January 25, 2018 effective from the accounting year ending December 31, 2018.

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

2.2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards 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 39 'Financial Instruments: Recognition and Measurement' and 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. Accordingly, the requirements of these standards, however investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars, have not been considered in preparation of these financial statements.

Further, SBP has directed all banks having assets more than Rs. 500 billion and DFIs to implement IFRS 9 'Financial Instruments' with effect from 01 January 2023 vide BPRD Circular No. 03 of 2022 dated July 5, 2022. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP. The management is in process of accessing the impact of applicability of IFRS 9.

2.3 Amendments that are effective for the year ended December 31, 2022

The following amendments are effective for the year ended December 31, 2022. 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.

	Effective from accounting period beginning on or after
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021	April 01, 2021
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)	January 01, 2022

2.4 Amendments 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 IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
- Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023
- 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' - Classification of liabilities as current or non-current	January 01, 2024
- Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

2.5 Critical accounting estimates and judgments

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:

	Note
- Classification and valuation of investments and impairment	4.3 & 8
- Provision against non-performing advances including net investment in finance lease	4.4 & 9
- Provision against off - balance sheet obligations	4.20
- Non-banking asset acquired in satisfaction of claims	4.6 & 13.2
- Useful life of fixed and intangible assets, depreciation and amortization	4.5, 10 & 11
- Current and deferred taxation	4.12, 12 & 32
- Accounting for defined benefit plan	4.8 & 36
- Contingencies and commitments	21

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, non-banking asset acquired in satisfaction of claims, defined benefit plan, ROU and lease liability and derivative financial instruments which are revalued as referred to in notes 4.3, 4.6 and 4.17.

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 Pakistani Rupees, which is the Company's functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year.

4.1 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.

4.2 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.

4.3 Investments

The Company classifies its investments as follows:

Held for trading

These are securities, which are acquired with the intention to trade by taking advantages of short term market / interest rate movements and are carried at market value. Cost of investment is determined on weighted average basis. These securities are required to be sold within 90 days from the date of their classification as 'Held for trading' under normal circumstances, in accordance with the requirements of State Bank of Pakistan.

Held to maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Company has the positive intent and ability to hold to maturity.

Available for sale

Investments that do not fall under the held for trading or held to maturity categories are classified as available for sale.

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

Initial Recognition

Investments other than those categorised as held for trading are initially recognised at fair value which includes transaction costs associated with the investment. Investments classified as held for trading are initially recognised at fair value, and transaction costs are expensed in the profit and loss account.

Subsequent Measurement

Investments in government securities and quoted investments, categorized as 'held for trading' and 'available for sale' are valued at rates quoted on PKRV, PKFRV and Pakistan Stock Exchange (PSX) as at the date of statement of financial position respectively. Any surplus or deficit arising as a result of revaluation of securities categorised as 'held for trading' is taken to profit and loss account and that of 'available for sale' is taken to the statement of financial position, and shown within equity in accordance with the requirements of State Bank of Pakistan.

Management has determined fair value of certain investments by using quotations from active market, and review of conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matter of judgment (e.g. evaluation, interest rates, etc.) and therefore, cannot be determined with precision.

Investments classified as 'held-to-maturity' are stated at their amortised cost less impairment in value, if any.

Unquoted equity securities are valued at the lower of cost and break-up value less impairment losses, if any. Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in subsidiaries and associates, if any (which qualify for accounting under International Accounting Standard - 28) are carried at cost less impairment, if any.

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

Impairment

Impairment loss on investments in respect of available for sale (except term finance certificates) and held to maturity recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised below equity is removed and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in profit and loss account.



4.4 Advances

The Company reviews its loan portfolio to assess the amount of non-performing advances and provision required there against on a regular basis. While assessing this requirement, various factors including the delinquency in the account, financial position of the borrowers and the requirements of the Prudential Regulations are considered.

Loans and advances

Advances are stated net of specific provision. Specific provision for doubtful debts is determined on the basis of Prudential Regulations issued by SBP and the other directives issued by the SBP and charged to the profit and loss account. These regulations prescribe an age based criteria (as supplemented by subjective evaluation of advances) for classification of non-performing loans and advances and computing provision / allowance there against. Advances are written off when there is no realistic prospect of recovery.

Finance lease receivables

Leases in which the Company transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessees are classified as finance leases. A receivable is recognised at an amount equal to the present value of the minimum lease payments, including any guaranteed residual value which are included in the financial statements as "net investment in finance lease".

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

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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 36.3 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 held for trading 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 Impairment

The carrying amount of the Company's assets (other than deferred tax asset) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the relevant asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

4.14 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.

4.15 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.

4.16 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.

4.17 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.

4.18 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.

4.19 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.

4.20 Provisions against off - balance sheet obligations

The Company, in the ordinary course of business, issues guarantees. The commission against such contracts is recognised in the profit and loss account under "fees and commission income" over the period of contracts. The Company's liability under such contracts is measured at the higher of the amount representing unearned commission income at the reporting date and the best estimate of the amount expected to settle any financial obligation arising under such contracts.

4.21 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.

4.21.1 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.

4.21.2 Geographical segments

The Company operates only in Pakistan.

4.22 Statutory reserve

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

	Note	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
5. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		50	51
Foreign currencies		4,779	5,514
		4,829	5,565
With State Bank of Pakistan in			
Local currency current account	5.1	148,457	69,702
With National Bank of Pakistan in			
Local currency current account		17	17
Local currency deposit account	5.2	719	682
		736	699
		154,022	75,966

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 14.50% per annum (2021: 6.75%).

	Note	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
6. BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		20,847	12,161
In deposit accounts	6.1	21,150	150,310
		41,997	162,471

6.1 These deposit accounts carry annual mark-up rate of 6.75% to 14.50% (2021: 3.50% to 6.75%).

	Note	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
7. LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lendings		-	-
Certificate of Investment	7.2	-	-
		-	-
7.1 Particulars of lendings			
In local currency		-	-

7.2 These carried mark-up rates Nil (2021: Nil) per annum, with maturity Nil (2021: Nil).

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8 INVESTMENTS

8.1 Investments by type:

Note	2022				2021			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
(Rupees in '000)								
Held for trading securities								
Shares - listed	66,437	-	(740)	65,697	63,250	-	(982)	62,268
	66,437	-	(740)	65,697	63,250	-	(982)	62,268
Available for sale securities								
Federal Government securities	13,769,162	-	(34,060)	13,735,102	9,974,057	-	(6,431)	9,967,626
Shares - listed	1,334,728	(73,460)	(249,521)	1,011,747	1,231,302	(42,980)	(123,070)	1,065,252
Non Government Debt Securities	6,187,665	(39,311)	12,374	6,160,728	5,629,683	(37,322)	99,215	5,691,576
	21,291,555	(112,771)	(271,207)	20,907,577	16,835,042	(80,302)	(30,286)	16,724,454
Held to maturity securities								
Commercial papers	115,741	-	-	115,741	188,715	-	-	188,715
	115,741	-	-	115,741	188,715	-	-	188,715
Total Investments	21,473,733	(112,771)	(271,947)	21,089,015	17,087,007	(80,302)	(31,268)	16,975,437

8.2 Investments by segments

Note	2022				2021			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
(Rupees in '000)								
Federal Government securities								
- Market treasury bills	1,438,782	-	(5,891)	1,432,891	3,691,787	-	(9,378)	3,682,409
- Pakistan Investment Bonds	12,330,380	-	(28,169)	12,302,211	6,282,270	-	2,947	6,285,217
	13,769,162	-	(34,060)	13,735,102	9,974,057	-	(6,431)	9,967,626
Shares - listed								
- Ordinary shares of listed companies	1,373,556	(73,460)	(257,053)	1,043,043	1,266,943	(42,980)	(127,227)	1,096,736
- Preference shares of a listed company	27,609	-	6,792	34,401	27,609	-	3,175	30,784
	1,401,165	(73,460)	(250,261)	1,077,444	1,294,552	(42,980)	(124,052)	1,127,520
Non Government Debt Securities								
- Term finance certificate - listed	2,235,802	(11,245)	3,038	2,227,595	1,249,917	(11,245)	19,380	1,258,052
- Term finance certificate - unlisted	2,448,863	-	8,400	2,457,263	2,759,084	-	65,754	2,824,838
- Sukuk certificates - listed	468,750	-	(1,108)	467,642	600,000	-	8,961	608,961
- Sukuk certificates - unlisted	1,034,250	(28,066)	2,044	1,008,228	1,020,682	(26,077)	5,120	999,725
	6,187,665	(39,311)	12,374	6,160,728	5,629,683	(37,322)	99,215	5,691,576
Commercial papers								
	115,741	-	-	115,741	188,715	-	-	188,715
Total Investments	21,473,733	(112,771)	(271,947)	21,089,015	17,087,007	(80,302)	(31,268)	16,975,437

8.2.1 Investments given as collateral

	2022	2021
	(Rupees in '000)	
Market Treasury Bills		
Carrying value - before revaluation	358,059	1,086,421
Deficit	(1,370)	(3,893)
	356,689	1,082,528
Pakistan Investment Bonds		
Carrying value - before revaluation	7,188,905	5,911,160
Deficit	(28,525)	(7,360)
	7,160,380	5,903,800
Shares		
Carrying value - before revaluation	86,777	97,595
Impairment	(23,110)	(17,453)
Deficit	(3,251)	(3,195)
	60,416	76,947

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

8.3 Provision for diminution in value of investments

8.3.1 Available For Sale Investment

	2022	2021
	(Rupees in '000)	
Opening balance	80,302	77,314
Charge / reversals		
Charge for the year	41,129	10,463
Reversal on disposals	(8,660)	(7,475)
	32,469	2,988
Closing Balance	112,771	80,302

Handwritten mark

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

Category of classification	2022		2021	
	NPI	Provision	NPI	Provision
	----- (Rupees in '000) -----			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	43,290	39,311	43,290	37,322
	43,290	39,311	43,290	37,322

8.3.2.1 The Company has availed the benefit of Forced Sales Value (FSV) against non-performing investments. Had this benefit of FSV not been taken by the Company, the specific provision against non-performing investment would have been higher by Rs. 3.98 million (2021: Rs. 5.96 million) and profit for the year before tax would have been lower by the same amount. Further, this amount arising from availing the benefit of FSV is not available for distribution amongst the shareholders either in the form of cash or stock dividend.

8.4 Quality of Available for Sale Securities

Details regarding quality of available for sale (AFS) securities are as follows:

8.4.1 Federal Government Securities - Government guaranteed	Note	Cost	
		2022	2021
		----- (Rupees in '000) -----	
Market Treasury Bills	8.6	1,438,782	3,691,787
Pakistan Investment Bonds	8.7	12,330,380	6,282,270
		13,769,162	9,974,057
8.4.2 Shares			
Listed Companies			
- Commercial Banks		451,741	392,748
- Textile Composite		152,345	192,463
- Power Generation and Distribution		141,832	133,148
- Oil and Gas Exploration Companies		139,398	102,219
- Fertilizer		97,251	127,739
- Oil and Gas Marketing Companies		90,996	67,131
- Fixed Line Telecommunication		35,051	24,937
- Insurance		31,220	27,745
- Others		30,418	29,884
- Refinery		29,242	-
- Chemicals		27,609	27,609
- Automobile Parts and Accessories		21,934	15,688
- Engineering		20,156	11,922
- Automobile Assembler		16,211	10,218
- Household Goods		13,998	7,643
- Pharmaceuticals		13,680	8,983
- Industrial Transportation		6,072	6,072
- Food Producers		5,041	5,041
- Industrial Metals and Mining		4,399	2,414
- Cement		3,168	25,143
- Financial Services		2,966	3,107
- Personal goods		-	9,448
- Technology Hardware and Equipment		-	-
- Paper & Board		-	-
- Synthetic & Rayon		-	-
		1,334,728	1,231,302

8.4.3	Non Government Debt Securities - available for sale	Cost	
		2022	2021
8.4.3.1	Listed Term Finance (TFC) and Sukuk Certificates	----- (Rupees in '000) -----	
	AAA	-	-
	AA+, AA, AA-	1,133,113	690,962
	A+, A, A-	1,560,194	1,147,710
	Unrated	11,245	11,245
		<u>2,704,552</u>	<u>1,849,917</u>
8.4.3.1.1	Investment by holding of Term Finance Certificates (TFC) and Sukuk Certificates		
	Askari Bank Limited - TFC	703,254	501,000
	JS Bank Limited - TFC	499,800	-
	Samba Bank Limited - TFC	429,859	189,962
	U Microfinance Bank Limited - TFC	341,667	-
	Mughal Iron and Steel Industries - Sukuk	243,750	300,000
	Agha Steel Industries Limited - Sukuk	225,000	300,000
	JS Bank Limited - TFC	151,307	-
	Soneri Bank Limited - TFC	61,170	61,170
	KASHF Foundation - TFC	37,500	87,500
	Trust Investment Bank Limited - TFC	11,245	11,245
	Soneri Bank Limited - TFC	-	399,040
		<u>2,704,552</u>	<u>1,849,917</u>
8.4.3.2	Unlisted TFC and Sukuk Certificates		
	AAA	299,520	-
	AA+, AA, AA-	1,443,960	1,859,094
	A+, A, A-	1,197,194	1,738,628
	BBB+, BBB, BBB-	110,000	150,000
	BB-	400,396	-
	Unrated	32,044	32,044
		<u>3,483,114</u>	<u>3,779,766</u>
8.4.3.2.1	Investment by holding of TFC and Sukuk Certificates		
	Bank Al Habib Limited - Perpetual TFC	500,000	500,000
	Bank of Punjab - TFC	444,560	295,026
	Khushhali Microfinance Bank Limited - TFC	400,396	300,000
	Pakistan Services Limited - Sukuk	312,206	328,638
	Bank Al Habib Limited - TFC	299,520	299,640
	Gas & Oil Pakistan Limited - Sukuk	250,000	250,000
	Mobilink Microfinance bank - TFC	250,000	-
	Bank of Punjab - TFC	249,400	249,500
	NRSP Micro Finance Bank Limited - TFC	200,048	100,000
	Al-Baraka Bank Limited - Sukuk	200,000	200,000
	Shakarganj Food Products Limited - Sukuk	110,000	150,000
	Berger paints Pakistan limited - Sukuk	100,000	-
	Sadaqat Textile Mills Limited - TFC	75,000	100,000
	Aspin Pharma (Private) Limited - Sukuk	30,000	60,000
	U Microfinance Bank Limited - TFC	29,940	39,928
	Eden Housing - Sukuk	19,680	19,680
	Sitara Peroxide Limited - Sukuk	12,364	12,364
	JS Bank Limited - TFC	-	499,990
	U Microfinance Bank Limited - TFC	-	225,000
	Pakarab Fertilizer Limited 28-02-17	-	150,000
		<u>3,483,114</u>	<u>3,779,766</u>

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	Cost	
	2022	2021
8.5 Particulars relating to Held to Maturity securities are as follows:	----- (Rupees in '000) -----	
Non Government Debt Securities - Unlisted - Commercial papers		
A-1	115,741	-
A-2	-	47,542
A-2	-	141,173
	115,741	188,715

Above respectively carry profit rate of 18.97% per annum and are due for maturity on 06 June 2023.

8.5.1 The market value of securities classified as held-to-maturity as at 31 December 2022 amounted to PKR 115,741 million (2021: PKR 188.715 million).

8.6 Market treasury bills carry yield ranging from 12.70% to 15.74% (2021: 7.44% to 10.79%) per annum with maturities upto 21 April 2023 (2021: 10 March 2022).

8.7 The investments in Pakistan Investment Bonds are maturing upto 22 October 2030 (2021: 22 October 2030) and the effective yield ranges from 7.33% to 16.83% (2021: 7.33% to 14.60%) per annum.

9. ADVANCES

	Note	Performing		Non performing		Total	
		2022	2021	2022	2021	2022	2021
----- (Rupees in '000) -----							
Loans, cash credits, running finances, etc.	9.1 & 9.2	9,272,440	6,236,305	1,880,464	1,888,940	11,152,904	8,125,245
Islamic financing and related assets		-	-	167,325	173,292	167,325	173,292
Bills discounted and purchased		-	31,709	-	-	-	31,709
Advances - gross	9.3	9,272,440	6,268,014	2,047,789	2,062,232	11,320,229	8,330,246
Provision against advances							
- Specific	9.4 & 9.5	-	-	(1,878,498)	(1,813,682)	(1,878,498)	(1,813,682)
- General		-	-	-	-	-	-
		-	-	(1,878,498)	(1,813,682)	(1,878,498)	(1,813,682)
Advances - net of provision		9,272,440	6,268,014	169,291	248,550	9,441,731	6,516,564

9.1 These include personal loans and house loans of Rs. 126.089 million (2021: Rs. 124.635 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% (2021: 3% and 5%) respectively.

9.2 Includes net investment in finance lease as disclosed below:

	2022			2021		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
----- (Rupees in '000) -----						
Lease rentals receivable	547,500	911,164	1,458,664	323,094	548,465	871,559
Residual value	152,816	240,375	393,191	94,851	163,296	258,147
Minimum lease payments	700,316	1,151,539	1,851,855	417,945	711,761	1,129,706
Financial charges for future periods	(111,006)	(130,363)	(241,369)	(67,050)	(72,920)	(139,970)
Present value of minimum lease payments	589,310	1,021,176	1,610,486	350,895	638,841	989,736

The Company's implicit rate of return on leases ranges between 11.68% and 21.55% (2021: 9.32% and 16.91%) per annum. These are secured against leased assets and security deposits generally upto 50% (2021: 50%) of the cost of leased assets.

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9.3 Particulars of advances (Gross)	2022	2021
	----- (Rupees in '000) -----	
In local currency	11,320,229	8,330,246
In foreign currencies	-	-
	<u>11,320,229</u>	<u>8,330,246</u>

9.4 Advances include Rs. 2,048 million (2021: Rs. 2,062 million) which has been placed under non-performing status as detailed below:

9.4.1 Category of Classification

	2022		2021	
	Non performing loans	Provision	Non performing loans	Provision
	----- (Rupees in '000) -----			
Domestic				
Other Assets Especially Mentioned	167,325	-	173,292	-
Substandard	-	-	2,763	743
Doubtful	-	-	26,005	8,804
Loss	1,880,464	1,878,498	1,860,172	1,804,135
	<u>2,047,789</u>	<u>1,878,498</u>	<u>2,062,232</u>	<u>1,813,682</u>

9.5 Particulars of provision against advances

	2022			2021		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	1,813,682	-	1,813,682	1,551,571	-	1,551,571
Charge for the year	69,156	-	69,156	273,951	-	273,951
Reversals	(4,340)	-	(4,340)	(11,840)	-	(11,840)
	64,816	-	64,816	262,111	-	262,111
Amounts written off	-	-	-	-	-	-
Closing balance	<u>1,878,498</u>	<u>-</u>	<u>1,878,498</u>	<u>1,813,682</u>	<u>-</u>	<u>1,813,682</u>

9.5.1 Particulars of provision against advances

	2022			2021		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
In local currency	1,878,498	-	1,878,498	1,813,682	-	1,813,682
In foreign currencies	-	-	-	-	-	-
	<u>1,878,498</u>	<u>-</u>	<u>1,878,498</u>	<u>1,813,682</u>	<u>-</u>	<u>1,813,682</u>

9.5.2 In accordance with BSD Circular No. 1 dated 21 October 2011 issued by the SBP, the Company has availed the benefit of Forced Sales Value (FSV) against the non-performing advances. Had this benefit of FSV not been taken by the Company, the specific provision against non-performing advances would have been higher by Rs. 1.966 million (2021: Rs. 60.451 million) and profit for the year before tax would have been lower by the same amount. Further, this amount arising from availing the benefit of FSV is not available for distribution amongst the shareholders either in the form of cash or stock dividend.

10. FIXED ASSETS	Note	2022	2021
		----- (Rupees in '000) -----	
Property and equipment	10.2	472,102	198,876
Capital Work in Progress	10.1	-	20,783
Right-of-use assets	10.5	-	8,153
		<u>472,102</u>	<u>227,812</u>

10.1 This represents amount of advance provided for the renovation of the Company's office.

10.2 Property and Equipment

	2022					Total
	Buildings	Leasehold Improvements	Furniture and fixture	Electrical, office and computer equipments	Vehicles	
----- (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	<u>178,516</u>	<u>-</u>	<u>886</u>	<u>9,627</u>	<u>9,847</u>	<u>198,876</u>
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
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	<u>373,022</u>	<u>76,748</u>	<u>472</u>	<u>15,623</u>	<u>6,237</u>	<u>472,102</u>
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	<u>373,022</u>	<u>76,748</u>	<u>472</u>	<u>15,623</u>	<u>6,237</u>	<u>472,102</u>
Rate of depreciation (percentage)	<u>2.50%</u>	<u>10%</u>	<u>20%</u>	<u>25%-50%</u>	<u>25%</u>	

	2021					Total
	Buildings	Leasehold Improvements	Furniture and fixture	Electrical, office and computer equipments	Vehicles	
----- (Rupees in '000) -----						
At 01 January 2021						
Cost	183,093	-	36,495	40,143	12,245	271,976
Accumulated depreciation	-	-	(35,581)	(32,430)	(6,307)	(74,318)
Net book value	<u>183,093</u>	<u>-</u>	<u>914</u>	<u>7,713</u>	<u>5,938</u>	<u>197,658</u>
Year ended 31 December 2021						
Opening net book value	183,093	-	914	7,713	5,938	197,658
Additions	-	-	275	5,741	6,941	12,957
Transfer from capital Work in progress	-	-	-	-	-	-
Disposals						
Cost	-	-	-	562	2,070	2,632
Accumulated Depreciation	-	-	-	(491)	(2,070)	(2,561)
	-	-	-	71	-	71
Depreciation charge	(4,577)	-	(303)	(3,756)	(3,032)	(11,668)
Closing net book value	<u>178,516</u>	<u>-</u>	<u>886</u>	<u>9,627</u>	<u>9,847</u>	<u>198,876</u>
At 31 December 2021						
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	<u>178,516</u>	<u>-</u>	<u>886</u>	<u>9,627</u>	<u>9,847</u>	<u>198,876</u>
Rate of depreciation (percentage)	<u>2.50%</u>	<u>0.00%</u>	<u>20%</u>	<u>25%-50%</u>	<u>25%</u>	

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

	2022	2021
	----- (Rupees in '000) -----	
Furniture and fixture	14,846	35,259
Electrical, office and computer equipment	18,361	29,197
Vehicles	2,675	2,675
	<u>35,882</u>	<u>67,131</u>

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

Asset	Cost	Book value	Sale price	Purchaser
	----- (Rupees) -----			
Furniture & Fixture				
ICCI Office	22,953,579	164,885	5,111,189	Alfalah GHP
Equipment				
Mobile Phone (Samsung A-70)	55,000	-	-	Mr. Khurram Faizyab - Employee
Mobile Phone (Xiaomi Mi A3)	34,900	-	-	Mr. Adnan Rizvi - Employee
Mobile Phone (Iphone X)	50,000	-	-	Mr. Jahangeer Jamil - Employee
Mobile Phone (Iphone X1)	55,000	-	-	Mr. Salman Raza - Employee
Mobile Phone (Huawei Y95)	35,000	-	-	Mr. Ali Zargham - Employee
Mobile Phone (Nokia 6.2)	35,000	-	-	Mr. Zahid Abbas - Employee
Mobile Phone (Samsung A30S)	35,000	-	-	Mr. Adil Khan - Employee
Mobile Phone (Samsung A51)	35,000	-	-	Mr. Muhammad Umair - Employee
Mobile Phone (Samsung A71)	50,000	-	-	Mr. Sohail Irfan - Employee
Mobile Phone (Samsung A22)	35,000	20,417	21,875	Mr. Adnan Rizvi - Employee
Mobile Phone (Redmi Note 11)	35,000	23,333	24,792	Mr. Ali Zargham - Employee
Office Equipments	3,753,680	26,162	910,643	Alfalah GHP
Computer Equipments	4,020,879	-	975,465	Alfalah GHP
Computer Equipments	3,734,163	-	70,000	Miscellaneous buyers
Laptop (Dell Latitude 5430)	102,500	-	5,125	Mr. Sanaulah Khan - Employee
Laptop (Dell Latitude 5540)	98,163	-	4,908	Mr. Zeeshan Rauf - Employee
Laptop (Hp Probook 4530S)	66,500	-	3,325	Mr. Amir Aizaz - Employee
Laptop (Dell Latitude 5430)	102,500	-	5,125	Mr. Bilal Darr - Employee
Laptop (Dell Latitude E5540)	81,500	-	4,075	Mr. Bilal Darr - Employee
Laptop (Dell Latitude E5550)	85,470	-	4,274	Ms. Kauser Safdar - Employee
Laptop (Dell Latitude 5580)	90,000	-	4,500	Mr. Amir Aizaz - Employee
Laptop (Dell Latitude 5580)	90,000	-	4,500	Mr. Amin Kazmi - Employee
Laptop (Dell Latitude 5580)	90,000	-	4,500	Mr. Afak Shah - Employee
Laptop (Dell Latitude 5580)	90,000	-	4,500	Ms. Saadia Shaikh - Employee
Laptop (Dell Latitude 5580)	90,000	-	4,500	Mr. Faraz Ahmed - Employee
	<u>12,950,255</u>	<u>69,912</u>	<u>2,052,107</u>	

Right of use assets

2022 2021

----- (Rupees in '000) -----

10.5 Right-of-use assets

At 01 January

Cost	63,184	63,184
Accumulated amortisation	(55,031)	(41,167)
Net book value	<u>8,153</u>	<u>22,017</u>

Year ended 31 December

Opening net book value	8,153	22,017
Additions - Directly purchased	-	-
Disposals	-	-
Modification in lease liability	-	(1,018)
Amortisation charge	(8,153)	(12,846)
<i>Maturity of lease contracts:</i>		
Reversal of Cost	(63,184)	-
Reversal of accumulated amortization	63,184	-
Closing net book value	<u>-</u>	<u>8,153</u>

Handwritten mark

Right of use assets	
2022	2021
----- (Rupees in '000) -----	

At 31 December

Cost	-	63,184
Accumulated amortisation	-	(55,031)
Net book value	-	8,153
Rate of amortisation (percentage)	10%	10%

Computer software	
2022	2021
----- (Rupees in '000) -----	

11. INTANGIBLE ASSETS

Note

Computer Softwares and Licenses	11.2	230	28
Capital Work in Progress	11.1	4,972	4,972
		5,202	5,000

11.1 The amount represents payment made to software company for the software being implemented.

11.2 Computer Softwares and Licenses

At 01 January

Cost	19,540	19,540
Less: Accumulated amortisation	(19,512)	(19,394)
Net book value	28	146

Year ended 31 December

Opening net book value	28	146
Additions - Directly purchased	320	-
Disposals	-	-
Less: Amortisation charge	(118)	(118)
Closing net book value	230	28

At 31 December

Cost	19,860	19,540
Less: Accumulated amortisation	(19,630)	(19,512)
Net book value	230	28
Rate of amortisation (percentage)	33%	33%

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

2022	2021
----- (Rupees in '000) -----	
Software Licenses	19,239
	19,239

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

Handwritten mark

	2022	2021
	----- (Rupees in '000) -----	
12. DEFERRED TAX ASSETS		
Deferred tax asset - net	<u>458,493</u>	<u>461,472</u>

12.1 Deferred tax asset

	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
	<u>509,578</u>	<u>4,336</u>	<u>3,852</u>	<u>517,766</u>

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)
	<u>(48,106)</u>	<u>(2,624)</u>	<u>(8,543)</u>	<u>(59,273)</u>
	<u>461,472</u>	<u>1,712</u>	<u>(4,691)</u>	<u>458,493</u>

Deferred tax asset of Rs. 30.9 million on deductible temporary difference of Rs. 106.66 million has not been recorded which pertains to provision for non-performing loans, due to uncertainty over availability of future estimated taxable profits required to recover the benefit.

	2021			
	At 01 January 2021	Recognised in profit and loss account	Recognised in other comprehensive income	At 31 December 2021
	----- (Rupees in 000) -----			

Deductible Temporary Differences on

- Provision against advances, off balance sheet, etc.	430,566	76,012	-	506,578
- Lease liability against right-of-use assets	6,163	(4,794)	-	1,369
- Others	1,645	(14)	-	1,631
	<u>438,374</u>	<u>71,204</u>	<u>-</u>	<u>509,578</u>

Taxable Temporary Differences on

- Surplus on revaluation of investments - net	3,007	-	(14,601)	(11,594)
- Post retirement employee benefits	2,441	-	(4,120)	(1,679)
- Surplus on revaluation of non-banking asset	(13,590)	-	697	(12,893)
- Right-of-use assets - net	(6,385)	4,021	-	(2,364)
- Accelerated tax depreciation	11,743	(20,326)	-	(8,583)
- Lease assets	(21,490)	10,497	-	(10,993)
	<u>(24,274)</u>	<u>(5,808)</u>	<u>(18,024)</u>	<u>(48,106)</u>
	<u>414,100</u>	<u>65,396</u>	<u>(18,024)</u>	<u>461,472</u>

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	Note	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
13. OTHER ASSETS			
Income / mark-up accrued in local currency - net of provision	13.3	636,487	271,836
Advances, advance rent and other prepayments		105,831	17,274
Advance taxation (payments less provisions)		334,442	162,809
Non-banking asset acquired in satisfaction of claims	13.1 & 13.2	-	80,471
Receivable from defined benefits plan	36.4	-	5,788
Dividend receivable		150	150
Security deposits		1,583	6,701
		<u>1,078,493</u>	<u>545,029</u>
Less: Provision held against other assets		-	-
Other assets (net of provision)		<u>1,078,493</u>	<u>545,029</u>
Surplus on revaluation of non-banking asset acquired in satisfaction of claims		-	44,111
Other Assets - total		<u>1,078,493</u>	<u>589,140</u>
13.1 Market value of non-banking asset acquired in satisfaction of claims		<u>199,500</u>	<u>135,060</u>

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.

	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
13.2 Non-banking asset acquired in satisfaction of claim		
Opening balance	124,582	124,582
Revaluation during the year	81,561	-
Less: Depreciation for the year	(6,643)	-
Less: Transferred to Fixed Assets	(199,500)	-
Closing balance	-	124,582

13.3 Provision held against other assets

Mark-up suspended amounting to Rs. 1,769.26 million (2021: Rs. 1,497.74 million) included in provision against other asset, has been netted off against the markup receivable amount.

14. CONTINGENT ASSETS

There are no contingent assets as at the reporting date.

15. BORROWINGS

Details of borrowings secured / unsecured

Secured

	Note	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
Borrowings from State Bank of Pakistan- Under financing facility			
-Imported & Locally Manufactured Plant & Machinery (LTFF)	15.1	1,825,320	1,989,827
-Renewable Energy Facility (REF)	15.2	641,196	520,431
-Temporary Economic Refinance Facility (TERF)	15.3	1,138,983	552,381
-Financing Facility for Storage of Agriculture Produce (FFSAP)	15.4	174,168	-
		<u>3,779,667</u>	<u>3,062,639</u>
Borrowings from State Bank of Pakistan - open market operation	15.5	<u>7,300,000</u>	-
Total Borrowings from State Bank of Pakistan		<u>11,079,667</u>	<u>3,062,639</u>
Repurchase agreement borrowings	15.5	356,450	7,012,384
Term borrowings	15.6	4,900,000	3,583,333
Total Secured		<u>16,336,117</u>	<u>13,658,356</u>
Unsecured		-	-
Call borrowings		4,000,000	-
Total Unsecured		<u>4,000,000</u>	-
		<u>20,336,117</u>	<u>13,658,356</u>

- 15.1 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 7% per annum (2021: 2.0% to 2.5%). These borrowings will mature by 2032 (2021: 2031).
- 15.2 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 (2021: 2.0% to 2.5%). These borrowings will mature by 2034 (2021: 2033).
- 15.3 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 (2021: 1%). These borrowings will mature by 2032 (2021: 2031).
- 15.4 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% per annum (2021: Nil). These borrowings will mature by 2029 (2021: Nil).
- 15.5 These carry mark-up at the rates ranging from 15.25% to 16.25% per annum (2021: 10.45% to 10.65% per annum) and are secured against government securities having carrying amount of Rs. 7.547 billion & market value of Rs. 7.517 billion (2021: carrying value Rs. 6.997 billion & market value of Rs. 6.986 billion). These borrowings will mature up to March 2023 (2021: January 2022).
- 15.6 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.

	2022	2021
	----- (Rupees in '000) -----	
15.7 Particulars of borrowings with respect to Currencies		
In local	20,336,117	13,658,356
In foreign currencies	-	-
	<u>20,336,117</u>	<u>13,658,356</u>

16. DEPOSITS AND OTHER ACCOUNTS

	Note	2022			2021		
		In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- (Rupees in '000) -----							
Customers							
Term deposits	16.2	791,213	-	791,213	311,570	-	311,570
Financial Institutions							
Term deposits	16.3	980,397	-	980,397	820,677	-	820,677
		<u>1,771,610</u>	-	<u>1,771,610</u>	<u>1,132,247</u>	-	<u>1,132,247</u>

	Note	2022	2021
		----- (Rupees in '000) -----	
16.1 Composition of deposits			
- Individuals	16.4	331,491	97,249
- Public Sector Entities		-	-
- Non-Banking Financial Institution (related party)		980,397	820,677
- Private Sector		459,722	214,321
		<u>1,771,610</u>	<u>1,132,247</u>

- 16.2 The mark-up rates on these certificate of investments (COI) range between 11.75% to 16.50% per annum (2021: 7.4% to 10.1% per annum). These COIs will mature up to December 2023 (2021: March 2022).
- 16.3 The mark-up rates on these certificate of investments (COI) is 15.35% to 16.35% per annum (2021: 10% to 10.1% per annum). These COIs will mature up to March 2023 (2021: March 2022).
- 16.4 These includes both interest bearing and non-interest bearing certificate of investments (COI) issued to the employees of the Company maturing up to July 2025 (2021: November 2024). The interest bearing deposits carry interest rates ranging between 14.55% to 16.50% per annum (2021: 7.4% to 10% per annum).

	Note	2022 ----- (Rupees in '000) -----	2021
17. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		280,997	65,100
Accrued expenses		24,582	21,706
Payable to a financial institution	17.1	-	77,745
Payable to defined benefit plan	36.4	7,874	-
Provision for compensated absences		-	4,655
Payable to an associated undertaking		10,721	8,129
Government levies payable		2,531	3,013
Provision for audit fee		1,469	1,293
Advance insurance premium on lease		613	544
Security deposits against finance lease		393,191	258,147
Payable Brokerage / NCCPL		-	9,893
Provision for staff rewards		33,391	20,983
Provision for worker's welfare fund		104,900	92,187
Lease liability against right-of-use assets		-	4,722
		<u>860,269</u>	<u>568,117</u>

17.1 This amount represents inadvertent transfer to the Company's account by a financial institution. Subsequently the transfer was reversed.

18. SHARE CAPITAL

18.1 Authorised capital

2022	2021		2022	2021
---- (Number of shares) ----			----- (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>

18.2 Issued, subscribed and paid-up share capital

<u>600,000,000</u>	<u>600,000,000</u>	Ordinary shares of Rs.10 each and fully paid in cash	<u>6,000,000</u>	<u>6,000,000</u>
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18.3 Major shareholders (holding more than 5% of total paid-up capital)

Name of shareholder	2022		2021	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Government of Pakistan *	300,000,000	50%	300,000,000	50%
Iran Foreign Investment Company *	300,000,000	50%	300,000,000	50%
	<u>600,000,000</u>	<u>100%</u>	<u>600,000,000</u>	<u>100%</u>

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

19. RESERVES

	2022 ----- (Rupees in '000) -----	2021
Statutory reserve		
Opening balance	1,004,551	965,805
Transfer during the year	89,195	38,746
Closing balance	<u>1,093,746</u>	<u>1,004,551</u>



19.1 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.

	Note	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
20. SURPLUS ON REVALUATION OF ASSETS			
Surplus / (deficit) on revaluation of			
- Available for sale securities	8.1	(271,207)	(30,286)
- Non-banking asset acquired in satisfaction of claims		-	48,064
		<u>(271,207)</u>	<u>17,778</u>
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		2,710	(11,594)
- Non-banking asset acquired in satisfaction of claims		-	(12,893)
		<u>2,710</u>	<u>(24,487)</u>
Incremental depreciation charged during the year		-	(3,953)
		<u>(268,497)</u>	<u>(10,662)</u>

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

Surplus on revaluation as of 01 January		48,064	48,064
Revaluation during the year		81,561	-
Realised on transfer during the year		(129,625)	-
		<u>-</u>	<u>48,064</u>
Less: related deferred tax liability on:			
- revaluation as at January 1		(16,846)	(12,893)
- revaluation recognised during the year		(19,352)	
- surplus realised on disposal during the year		42,006	
- Incremental depreciation as of December 31		(5,808)	(3,953)
		<u>-</u>	<u>(16,846)</u>
		<u>-</u>	<u>31,218</u>

21. CONTINGENCIES AND COMMITMENTS

-Commitments	21.1 - 21.4	8,214,853	7,091,455
-Other contingent liabilities	21.5	245,280	245,280
		<u>8,460,133</u>	<u>7,336,735</u>

21.1 Commitments in respect of repo transactions

Repurchase agreement borrowings		<u>7,656,450</u>	<u>7,012,384</u>
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21.2 Direct credit substitutes

		<u>224,565</u>	<u>402,000</u>
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The amount represents Standby Letter of Credit and Letter of Comfort facilities issued to the Company's clients in its normal course of business.

21.3 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.

21.4 Capital commitments

At the year end capital commitments amounted to Rs. 558.40 million (2021: 79.07 million).

21.5 Other contingent liabilities

21.5.1 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 of Rs. 23.3 million, Rs. 57.6 million, 32.152 million & 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.

21.5.2 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.

21.5.3 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.

21.5.4 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.

21.5.5 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 apeal is pending for hearing. The company in consultation with its tax advisor, is confident of a favorable outcome.

22. 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.

23. 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's treasury and investment group buys and sells derivative instruments such as equity futures.

23.1 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.

	Note	2022 ----- (Rupees in '000) -----	2021 -----
24. MARK-UP / RETURN / INTEREST EARNED			
On:			
a) Loans and advances		699,883	398,080
b) Investments		2,537,275	1,158,918
c) Lendings to financial instruments		895	3,577
d) Balances with banks		5,509	1,798
		<u>3,243,562</u>	<u>1,562,373</u>
25. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		182,651	71,487
Securities sold under repurchase agreements		288,457	286,683
On borrowing from State Bank of Pakistan- Under financing facility			
- Imported & Locally Manufactured Plant & Machinery (LTFF)		37,524	37,769
- Temporary Economic Refinance Facility (TERF)		7,859	1,754
- Renewable Energy (REF)		17,249	11,818
- Financing Facility for Storage of Agriculture Produce (FFSAP)		924	-
Borrowings from State Bank of Pakistan - open market operation		505,015	-
Unwinding cost of liability against the right-of-use assets		3,068	2,328
Term borrowing		629,246	263,075
Clean borrowing		459,703	150,825
		<u>2,131,696</u>	<u>825,739</u>
26. FEE & COMMISSION INCOME			
Credit related fees		19,359	16,896
Investment banking fees		-	1,246
Commission on guarantees		3,230	648
		<u>22,589</u>	<u>18,790</u>
27. GAIN / (LOSS) ON SECURITIES - NET			
Realised	27.1	(72,045)	53,303
Unrealised - held for trading	8.1	(740)	(982)
		<u>(72,785)</u>	<u>52,321</u>

	Note	2022 ----- (Rupees in '000) -----	2021 -----
27.1 Realised			
Shares		(72,045)	53,303
Federal Government Securities		-	-
		<u>(72,045)</u>	<u>53,303</u>
28. OTHER INCOME			
Gain on sale of fixed assets		6,928	1,698
Misc. Income / Reversal of excess provisions		32	11,667
		<u>6,960</u>	<u>13,365</u>
29. OPERATING EXPENSES			
Total compensation expense	29.1	321,733	268,591
Property expense			
Rent & taxes		484	1,156
Insurance		4,078	3,314
Utilities cost		11,031	7,853
Security		953	526
Repair & maintenance		13,596	8,133
Depreciation on owned operating fixed assets		9,499	13,967
Depreciation on owned OREO assets		6,643	-
Depreciation on right-of-use assets		8,153	12,846
		<u>54,437</u>	<u>47,795</u>
Information technology expenses			
Software maintenance		4,337	1,257
Depreciation		5,970	3,755
Amortisation		118	118
Network charges		4,977	5,746
Others		1,103	883
		<u>16,505</u>	<u>11,759</u>
Other operating expenses			
Directors' fees and allowances	38.2	14,250	18,250
Legal & professional charges		14,884	11,007
Travelling & conveyance		14,382	10,402
Training & development		477	1,241
Postage & courier charges		194	187
Communication		1,700	1,481
Stationary & printing		2,028	935
Marketing, advertisement & publicity		2,336	890
Charity & Donations	29.3	2,700	900
Auditors' Remuneration	29.2	2,003	2,498
Commission and brokerage		3,948	2,618
Bank charges and miscellaneous expenses		5,524	2,202
		<u>64,426</u>	<u>52,611</u>
		<u>457,101</u>	<u>380,756</u>

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	2022	2021
	----- (Rupees in '000) -----	
29.1 Total compensation expense		
Fees and Allowances, etc	-	-
Employees' Remuneration		
i) Fixed	158,349	141,226
ii) Variable		
of which;		
a) Cash Bonus / Awards etc.	39,509	20,000
b) Bonus & Awards in Shares etc.	-	-
Charge for defined benefit plan	12,330	12,835
Contribution to defined contribution plan	12,101	10,791
Rent & house maintenance	39,874	35,334
Utilities	9,374	8,316
Medical	11,469	9,906
Conveyance	38,727	30,183
Total	321,733	268,591

29.2 Auditors' remuneration

Audit fee	726	726
Half yearly review	287	287
Special certifications and sundry advisory services	808	808
Tax Services	-	495
Out of pocket expenses	182	182
	2,003	2,498

29.3 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:

	2022	2021
	----- (Rupees in '000) -----	
	Note	
Consulate General of Iran (School being run by the Consulate Office)	1,000	-
Saylani Welfare Trust	1,000	-
The Kidney Centre	500	-
Sindh Institute of Urology and Transplantation	-	300
Patient Aid Foundation	200	300
The Citizen Foundation	-	300
	2,700	900

30. OTHER CHARGES

Penalties imposed by State Bank of Pakistan	-	225
	-	225

31. PROVISIONS & WRITE OFFS - NET

Provisions / (reversal) of diminution in value of investments	8.3.1	32,469	2,988
Provisions against loans and advances - net	9.5	64,816	262,111
		97,285	265,099

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2022 2021
----- (Rupees in '000) -----

32. TAXATION

Current	188,593	125,672
Prior year	21,508	-
Deferred	<u>(1,712)</u>	<u>(65,396)</u>
	<u>208,389</u>	<u>60,276</u>

32.1 Relationship between tax expense and accounting profit

Profit before taxation	<u>654,366</u>	<u>254,008</u>
Tax on income @ 29% (2021: 29%)	189,766	73,662
Net tax effect on income taxed at reduced rates	-	(15,173)
Net tax effect on income subject to FTR	(21,100)	(13,071)
Prior year's charge	21,508	-
Tax effect of expenses that are not deductible in determining taxable profit	(1,712)	-
Permanent difference	19,294	14,828
Others	<u>633</u>	<u>30</u>
Tax charge	<u>208,389</u>	<u>60,276</u>

33. BASIC AND DILUTED EARNINGS PER SHARE

Profit for the year	<u>445,977</u>	<u>193,732</u>
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(Number of shares in '000)

Weighted average number of ordinary shares	<u>600,000</u>	<u>600,000</u>
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(Rupees per share)

Basic and diluted earnings per share	<u>0.74</u>	<u>0.32</u>
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There are no instruments that may have a dilutive effect on earnings per share.

34. CASH AND CASH EQUIVALENTS

		2022	2021
	Note	----- (Rupees in '000) -----	
Cash and balances with treasury banks	5	<u>154,022</u>	75,966
Balances with other banks	6	<u>41,997</u>	162,471
		<u>196,019</u>	<u>238,437</u>



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

	2022						Total
	Liabilities			Equity			
	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
Exchange differences on translation of net investment in foreign branches	-	-	-	-	-	-	-
	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

	2021						Total
	Liabilities			Equity			
	Borrowings	Deposits and other accounts	Other liabilities	Share capital	Reserves	Unappropriated profit	
(Rupees in '000)							
Balance as at 01 January 2021	10,223,036	923,702	480,808	6,000,000	965,805	2,680,452	21,273,803
Changes from financing cash flows							
Payment of lease liability against right-of-use assets	-	-	(18,858)	-	-	-	(18,858)
Dividend paid	-	-	(180,000)	-	-	(180,000)	(360,000)
Total changes from financing cash flows	-	-	(198,858)	-	-	(180,000)	(378,858)
Other changes							
Liability - related							
Changes in borrowings	3,435,320	-	-	-	-	-	3,435,320
Changes in deposits and other accounts	-	208,545	-	-	-	-	208,545
Changes in other liabilities							
- Cash based	-	-	282,058	-	-	-	282,058
- Non - cash based - Actuarial loss on remeasurements of defined benefit plan	-	-	4,109	-	-	4,109	8,218
Transfer of profit to reserve	-	-	-	-	38,746	(38,746)	-
Profit for the year	-	-	-	-	-	193,732	193,732
Other adjustments	-	-	-	-	-	1,706	1,706
	3,435,320	208,545	286,167	-	38,746	160,801	4,129,579
Balance as at 31 December 2021	13,658,356	1,132,247	568,117	6,000,000	1,004,551	2,661,253	25,024,524

35. STAFF STRENGTH

	2022 (Number of employees)	2021
Permanent	47	48
Temporary / on contractual basis	7	7
Company's own staff at end of the year	54	55
Outsourced	-	-
Total staff strength	54	55

36. DEFINED BENEFIT PLAN

36.1 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.

36.2 Number of Employees under the scheme

The number of employees covered under the defined benefit schemes are 48 (2021: 44)

36.3 Principal actuarial assumptions

The actuarial valuation was carried out as at December 31, 2022 using the "Projected Unit Credit Actuarial Cost Method". The information provided in notes 36.3 to 36.15 has been obtained from the actuarial valuation carried out as at December 31, 2022.

	2022 ----- (Per annum) -----	2021 -----
Discount rate	14.50%	11.75%
Expected rate of return on plan assets	18.00%	11.75%
Expected rate of salary increase	14.50%	9.75%
Mortality rates (for death in service)	SLIC(2001-05)-1	SLIC(2001-05)-1
Rates of employee turnover	Moderate	Moderate

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

	Note	2022 ----- (Rupees in '000) -----	2021 -----
Present value of obligations	36.5	115,683	91,211
Fair value of plan assets	36.6 & 36.9	(107,809)	(96,999)
(Receivable) / payable		<u>7,874</u>	<u>(5,788)</u>

36.5 Movement in defined benefit obligations

Obligations at the beginning of the year	91,211	77,533
Current service cost	12,973	11,940
Interest cost	11,230	7,960
Benefits paid during the year	(3,847)	-
Re-measurement loss / (gain)	4,116	(6,222)
Obligations at the end of the year	<u>115,683</u>	<u>91,211</u>

36.6 Movement in fair value of plan assets

Fair value at the beginning of the year	96,999	65,383
Interest income on plan assets	11,873	7,065
Contribution by the Company - net	12,330	24,985
Actual benefits paid from the fund during the year	(3,847)	-
Re-measurements gain / (loss) on plan assets	(9,546)	(434)
Fair value at the end of the year	<u>107,809</u>	<u>96,999</u>

	Note	2022 ----- (Rupees in '000) -----	2021 -----
36.7 Movement in payable under defined benefit schemes			
Opening balance		(5,788)	12,150
Charge for the year	36.8.1	12,330	12,835
Contribution by the Company - net		(12,330)	(24,985)
Re-measurement Loss / (Gain) recognised in other comprehensive income during the year	36.8.2	13,661	(5,788)
Closing balance		<u>7,873</u>	<u>(5,788)</u>
36.8 Charge for defined benefit plans			
36.8.1 Cost recognised in profit and loss			
Current service cost		12,973	11,940
Net interest on defined benefit liability / (asset)		(643)	895
		<u>12,330</u>	<u>12,835</u>
36.8.2 Re-measurements recognised in OCI during the year			
Loss / (gain) on obligation			
- Demographic assumptions		-	-
- Financial assumptions		3,268	411
- Experience adjustment		847	(6,633)
Actuarial loss on plan assets		9,546	434
Total re-measurements recognised in OCI		<u>13,661</u>	<u>(5,788)</u>
36.9 Components of plan assets			
Cash and cash equivalents		9,595	14,994
Government Securities (Defence Saving Certificates)		-	52,900
Non-Government Debt Securities (Certificate of Investments)		98,214	29,105
		<u>107,809</u>	<u>96,999</u>
36.10 Sensitivity analysis			
The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarised below:			
		2022 ----- (Rupees in '000) -----	2021 -----
0.5% increase in discount rate		111,177	87,306
0.5% decrease in discount rate		120,467	95,379
0.5% increase in expected rate of salary increase		120,183	95,467
0.5% decrease in expected rate of salary increase		111,401	87,190
			2023 (Rupees in '000)
36.11 Expected contributions to be paid to the funds in the next financial year			<u>16,329</u>

2023
(Rupees in '000)

36.12 Expected charge / (reversal) for the next financial year

16,329

36.13 Maturity profile

The weighted average duration of the obligation is 8.02 years.

(Rupees in '000)

Distribution of timing of benefit payments (time in years)

1	4,937
2	5,667
3	5,756
4	15,295
5	7,125
6-10	264,481

36.14 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.

36.15 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.

37. **DEFINED CONTRIBUTION PLAN**

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

Contributions made during the year:

	2022	2021
	----- (Rupees in '000) -----	
Employer's contribution	<u>12,101</u>	<u>10,791</u>
Employees' contribution	<u>12,101</u>	<u>10,791</u>

The number of employees covered under the defined contribution plan are 48 (2021: 44).

38. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

38.1 Total Compensation Expense

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

Items	2021						
	Chairman	Directors Executives (other than CEO)	Non-Executives	Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
Fees and Allowances etc.	4,500	-	13,750	-	-	-	-
Managerial Remuneration	-	-	-	-	30,677	53,628	14,765
i) Fixed	-	-	-	-	-	-	-
ii) Total Variable	-	-	-	-	8,022	8,720	2,420
of which	-	-	-	-	-	-	-
a) Cash Bonus / Awards	-	-	-	-	2,832	4,102	1,131
b) Bonus & Awards in Shares	-	-	-	-	4,109	16,408	4,525
Charge for defined benefit plan	-	-	-	-	1,492	4,102	1,131
Contribution to defined contribution plan	-	-	-	-	137	5,127	1,440
Rent & house maintenance	-	-	-	-	2,012	12,165	4,282
Utilities	-	-	-	-	-	696	256
Medical	-	-	-	-	-	-	-
Conveyance	-	-	-	-	-	-	-
Others **	-	-	-	-	-	-	-
Total	4,500	-	13,750	-	49,281	104,948	29,950
Number of Persons	1	-	3	-	1	10	6

Any Other Perks and Privileges: allowed to above officials should also be disclosed and specified separately.

* This includes outgoing MD/CEO 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.

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

Sr. No.	Name of Director	Meeting Fees and Allowances Paid						Total Amount Paid
		For Board Meetings	Board Audit Committee	Board Risk Management Committee	Board Human Resource Compensation Committee	Board Strategic Investment Committee	Board Strategic Investment Committee	
		----- (Rupees in '000) -----						
		2022						
1	Mr. Aamer Mahmood Hussain	3,125	500	375	500	-	4,500	
2	Mr. Zahoor Ahmed	3,750	-	-	500	250	4,500	
3	Mr. Gholamreza Khalik Arjmandi	2,500	375	125	250	375	3,625	
4	Mr. Hamidreza Raufi	2,000	250	125	125	250	2,750	
	Total amount paid	11,375	1,125	625	1,375	875	15,375	

Sr. No.	Name of Director	Meeting Fees and Allowances Paid						Total Amount Paid
		For Board Meetings	Board Audit Committee	Board Risk Management Committee	Board Human Resource Compensation Committee	Board Strategic Investment Committee	Board Strategic Investment Committee	
		----- (Rupees in '000) -----						
		2021						
1	Mr. Aamer Mahmood Hussain	3,125	625	500	500	-	4,750	
2	Mr. Zahoor Ahmed	3,750	-	-	500	250	4,500	
3	Mr. Gholamreza Khalik Arjmandi	3,125	625	-	500	250	4,500	
4	Mr. Hamidreza Raufi	3,125	625	500	-	250	4,500	
	Total amount paid	13,125	1,875	1,000	1,500	750	18,250	

39. FAIR VALUE MEASUREMENTS

39.1 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).

39.2 On balance sheet financial instruments

	2022		2021	
	Book value	Fair value	Book value	Fair value
Note	(Rupees in '000)			
Assets				
Cash and balances with treasury banks	154,022	-	75,966	-
Balances with other banks	41,997	-	162,471	-
Investments (other than commercial paper) 39.3	20,973,274	20,973,274	16,786,722	16,786,722
Investments - commercial paper	115,741	-	188,715	-
Advances	9,441,731	-	6,516,564	-
Other assets	636,637	-	295,967	-
	31,363,402	20,973,274	24,026,405	16,786,722
Liabilities				
Borrowings from financial institutions	20,336,117	-	13,658,356	-
Deposits and other accounts	1,771,610	-	1,132,247	-
Other liabilities	755,369	-	472,373	-
	22,863,096	-	15,262,976	-
	8,500,306	20,973,274	8,763,429	16,786,722

39.3 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	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
Financial assets				
Investments - other than commercial papers				
Federal Government securities	-	13,735,102	-	13,735,102
Units of mutual funds	-	-	-	-
Shares in listed companies	1,077,444	-	-	1,077,444
Non Government Debt Securities	-	6,160,728	-	6,160,728
	<u>1,077,444</u>	<u>19,895,830</u>	<u>-</u>	<u>20,973,274</u>

On balance sheet financial instruments	2021			
	Fair value			
	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
Financial assets				
Investments - other than commercial papers				
Federal Government securities	-	9,967,626	-	9,967,626
Units of mutual funds	-	-	-	-
Shares in listed companies	1,127,520	-	-	1,127,520
Non Government Debt Securities	-	5,691,576	-	5,691,576
	<u>1,127,520</u>	<u>15,659,202</u>	<u>-</u>	<u>16,786,722</u>

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

39.4 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.

40. SEGMENT INFORMATION

40.1 Segment Details with respect to Business Activities

	2022				Total
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	
(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 / (reversals)	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

	2021				Total
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	
(Rupees in '000)					
Profit & Loss					
Net mark-up / return / profit	517,349	241,597	-	(22,312)	736,634
Inter segment revenue - net	-	-	-	-	-
Non mark-up / return / interest income	19,071	-	140,084	14,918	174,073
Total Income	536,420	241,597	140,084	(7,394)	910,707
Segment direct expenses	44,137	25,143	15,631	306,689	391,600
Inter segment expense allocation	-	-	-	-	-
Total expenses	492,283	216,454	124,453	(314,083)	519,107
Provisions	266,798	-	(1,899)	-	265,099
Profit before tax	225,485	216,454	126,152	(314,083)	254,008
Balance Sheet					
Cash & Bank balances	-	-	-	238,437	238,437
Investments	4,903,381	10,999,436	1,072,620	-	16,975,437
Net inter segment lending	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-
Advances - performing	6,143,380	-	-	124,634	6,268,014
Advances - non-performing	248,550	-	-	-	248,550
Others	770,572	107,088	150	405,614	1,283,424
Total Assets	12,065,883	11,106,524	1,072,770	768,685	25,013,862
Borrowings	5,142,716	8,188,543	327,097	-	13,658,356
Subordinated debt	-	-	-	-	-
Deposits & other accounts	657,255	371,638	103,354	-	1,132,247
Net inter segment borrowing	-	-	-	-	-
Others	272,990	21,591	9,893	263,643	568,117
Total Liabilities	6,072,961	8,581,772	440,344	263,643	15,358,720
Equity	5,992,922	2,524,752	632,426	505,042	9,655,142
Total Equity & liabilities	12,065,883	11,106,524	1,072,770	768,685	25,013,862
Contingencies & Commitments	402,000	7,012,384	-	-	7,414,384

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41. 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:

	2022			2021		
	Directors	Key management personnel	Other related parties*	Directors	Key management personnel	Other related parties*
----- (Rupees in '000) -----						
Advances						
Opening balance	-	77,032	-	-	90,427	-
Addition during the year	-	18,395	-	-	6,958	-
Repaid during the year	-	(15,651)	-	-	(20,353)	-
Closing balance	-	79,776	-	-	77,032	-
Other Assets						
Other receivable (associated)	-	-	15,184	-	-	11,492
Deposits and other accounts						
Opening balance	-	34,127	852,782	-	3,087	691,699
Received during the year	-	642,003	4,111,777	-	128,326	3,295,303
Withdrawn during the year	-	(586,689)	-	-	(97,286)	(3,134,220)
Closing balance	-	89,441	4,979,743	-	34,127	852,782
Other Liabilities						
Interest / mark-up payable	-	884	37,679	-	497	13,029
Other liabilities						
- bonus payable to MD/CEO	-	2,965	-	-	1,702	-
- payable to Iran Foreign Investment Company - associate	-	-	10,721	-	-	8,129
- director fee payable	700	-	-	-	-	2,000
Receivable from / (payable) to defined benefit plan	-	-	-	-	-	5,788
----- (Rupees in '000) -----						
RELATED PARTY TRANSACTIONS						
	2022			2021		
	Directors	Key management personnel	Other related parties*	Directors	Key management personnel	Other related parties*
----- (Rupees in '000) -----						
Income						
Mark-up / return / interest earned	-	4,047	-	-	4,074	-
Expense						
Mark-up / return / interest paid	-	7,244	129,759	-	1,749	58,416
Operating expenses						
Fees for Board & Committee Meeting	15,375	-	-	18,250	-	-
Allowances for Board & Committee Meeting	-	-	-	-	-	-
Managerial Remuneration	-	90,189	-	-	84,305	-
Cash Bonus / Awards	-	18,354	-	-	16,742	-
Contribution to defined contribution plan	-	7,745	-	-	6,934	-
Rent & house maintenance	-	21,806	-	-	20,516	-
Utilities	-	5,828	-	-	5,594	-
Medical	-	5,939	-	-	5,264	-
Conveyance	-	15,989	-	-	14,178	-
Others	-	708	-	-	696	-
Contribution to the defined contribution plan	-	-	12,101	-	-	10,791
Payment to the defined benefit plan	-	-	12,330	-	-	24,985
Charge for defined benefit plan	-	-	12,330	-	-	12,835

* An associate and retirement benefits plans.

42. 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.

	2022	2021
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>6,000,000</u>	<u>6,000,000</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	4,775,875	6,122,373
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	<u>4,775,875</u>	<u>6,122,373</u>
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	<u>4,775,875</u>	<u>6,122,373</u>
Risk Weighted Assets (RWAs):		
Credit Risk	10,647,074	8,872,115
Market Risk	1,609,085	1,654,795
Operational Risk	<u>2,017,508</u>	<u>1,854,382</u>
Total	<u>14,273,667</u>	<u>12,375,967</u>

	2022		2021	
	Required	Actual	Required	Actual
Common Equity Tier 1 Capital Adequacy ratio	<u>6.00%</u>	<u>33.46%</u>	<u>6.00%</u>	<u>49.45%</u>
Tier 1 Capital Adequacy Ratio	<u>7.50%</u>	<u>33.46%</u>	<u>7.50%</u>	<u>49.45%</u>
Total Capital Adequacy Ratio	<u>11.50%</u>	<u>33.46%</u>	<u>11.50%</u>	<u>49.45%</u>

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

Leverage Ratio (LR):

	2022	2021
	(Rupees in '000)	
Eligible Tier-1 Capital	4,775,875	6,122,373
Total Exposures	<u>29,390,454</u>	<u>21,869,470</u>
Leverage Ratio	<u>16.25%</u>	<u>28.00%</u>

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	5,917,500	5,280,683
Total Net Cash Outflow	<u>3,758,333</u>	<u>2,258,417</u>
Liquidity Coverage Ratio	<u>1.57</u>	<u>2.34</u>

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	18,297,577	16,052,867
Total Required Stable Funding	<u>14,610,898</u>	<u>11,831,174</u>
Net Stable Funding Ratio	<u>125%</u>	<u>136%</u>

42.1 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.

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42.2 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](http://www.pairinvestment.com).

43. 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.

43.1 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.

43.1.1 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.

43.1.2 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.

43.1.3 Types of exposures and ECAI's used

Exposures	JCR-VIS	PACRA
Banks	✓	✓
Corporate	✓	✓

Credit exposures subject to standardised approach

Exposures	Rating Category	Amount Outstanding	Deduction	Net amount
Corporate	1	792,884	-	792,884
	2	6,585,251	-	6,585,251
	3,4	392,094	-	392,094
	5,6	-	-	-
	Unrated 1	1,946,719	-	1,946,719
	Unrated 2	1,906,336	-	1,906,336
Banks		42,720	-	42,720
Sovereigns		14,538,121	-	14,538,121
Retail Portfolio		11,736	-	11,736
Residential Mortgage Finance		114,353	-	114,353
Past Due Loans		314,697	-	314,697
Listed Equity investments		58,170	-	58,170
Unlisted Equity investments		108,346	-	108,346
Cash and Cash Equivalents		4,849	-	4,849
Others		881,232	-	881,232
		<u>27,697,508</u>	<u>-</u>	<u>27,697,508</u>

43.1.4 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.

43.1.5 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2022	2021	2022	2021	2022	2021
	(Rupees in '000)					
Public/ Government	-	-	-	-	-	-
Private	-	-	-	-	-	-
	-	-	-	-	-	-

43.1.6 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2022	2021	2022	2021	2022	2021
	(Rupees in '000)					
Chemical and Pharmaceuticals	-	150,000	-	-	-	-
Financial Institution	4,809,665	3,959,001	11,245	11,245	11,245	11,245
Manufacture of bakery other food products	110,000	150,000	-	-	-	-
Manufacture of basic iron and steel	468,750	647,542	-	-	-	-
Manufacture of chemicals and chemical products	112,365	12,365	12,365	12,365	8,386	6,397
Manufacture of medicinal and pharmaceutical products	30,000	60,000	-	-	-	-
Manufacture of refined petroleum and products	249,999	250,000	-	-	-	-
Real estate activities	331,886	348,318	19,680	19,680	19,680	19,680
Spinning, weaving, finishing of textiles	75,000	100,000	-	-	-	-
Manufacture of domestic appliances; n.e.c.	-	141,172	-	-	-	-
Manufacture of parts and accessories for motor vehicles	115,741	-	-	-	-	-
	6,303,406	5,818,398	43,290	43,290	39,311	37,322

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2022	2021	2022	2021	2022	2021
	(Rupees in '000)					
Public/ Government	-	-	-	-	-	-
Private	6,303,406	5,818,398	43,290	43,290	39,311	37,322
	6,303,406	5,818,398	43,290	43,290	39,311	37,322

43.1.7 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	2022	2021	2022	2021	2022	2021
	(Rupees in '000)					
Manufacture of electrical machinery and apparatus	740,000	575,000	-	-	-	-
Cargo handling	116,455	96,452	13,848	14,062	14,062	14,062
Casting of iron and steel	249,720	254,815	194,288	194,288	194,288	194,288
Education	251,323	241,279	9,091	15,648	9,091	7,087
Financial Institution	-	-	-	-	-	-
Hotels and Tourism	-	-	-	-	-	-
Manufacture of basic iron and steel	945,833	498,718	476,611	476,611	476,611	476,611
Manufacture of cement	112,500	187,500	75,000	75,000	75,000	75,000
Manufacture of medicinal and pharmaceutical products	230,328	165,505	-	-	-	-
Manufacture of other grain mills products	56,961	85,441	-	-	-	-
Manufacture of parts and accessories for motor vehicles	16,813	34,287	-	-	-	-
Manufacture of refined petroleum and products	37,500	112,500	-	-	-	-
Manufacture of rubber tyres and tubes	566,074	464,740	-	-	-	-
Manufacture of sugar	1,182,800	562,681	70,000	70,000	70,000	70,000
Manufacture of Textiles	3,195,890	2,330,532	500,000	500,000	500,000	500,000
Poultry and other animal farming and related products	95,250	95,250	95,250	95,250	95,250	95,250
Production, transmission and distribution of electricity	741,882	323,606	317,640	322,813	150,315	94,063
Real estate activities	284,860	284,860	284,860	284,860	284,860	284,860
Staff Loans	126,089	124,635	-	-	-	-
Textile others	-	9,000	-	-	-	-
Printing, publishing and allied industries	29,480	45,550	-	-	-	-
Maintenance and repair	28,175	28,175	-	-	-	-
Manufacture of other fabricated metal products	26,126	37,005	-	-	-	-
Manufacture of edible oil and ghee	-	-	-	-	-	-
Manufacture of bakery other food products n.e.c.	438,603	406,853	-	-	-	-
Printing and Publishing of newspapers, journals, periodicals and related pi	22,652	25,027	11,202	13,700	9,021	2,461
Manufacture of food products and beverages (other)	486,584	509,476	-	-	-	-
Construction (Non residential)	157,056	146,945	-	-	-	-
Extraction of natural gas and service activities excluding surveying	126,563	182,812	-	-	-	-
Manufacture of soap, cosmetics, perfumes, toilet preparation and detergent	160,719	128,634	-	-	-	-
Manufacture of plastics products	109,424	88,215	-	-	-	-
Rice Processing (husking, semi-wholly milled etc.)	472,690	175,044	-	-	-	-
Publishing of music and reproduction of recorded media	78,019	78,000	-	-	-	-
Manufacture of paper, paperboard and products thereof	12,790	31,709	-	-	-	-
Retail trade	221,000	-	-	-	-	-
	11,320,229	8,330,246	2,047,790	2,062,232	1,878,498	1,813,682
Credit risk by public / private sector						
	2022	2021	2022	2021	2022	2021
	11,320,229	8,330,246	2,047,789	2,062,232	1,878,498	1,813,682
	11,320,229	8,330,246	2,047,789	2,062,232	1,878,498	1,813,682
Contingencies and Commitments						

2021

Province / region	Disbursements *		Utilization **	
	Punjab	Sindh	Punjab	Sindh
				Federal Capital Territory - Islamabad
Sindh	3,151,771	2,105,077	1,046,694	-
Total	3,151,771	2,105,077	1,046,694	-

(Rupees in '000)

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

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

43.2 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 stabilize 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

Interest Rate Risk Exposure
Equity Exposure

43.2.1 Balance sheet split by trading and banking books

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
		Total		Total
Cash and balances with treasury banks	154,022	154,022	75,966	75,966
Balances with other banks	41,997	41,997	162,471	162,471
Lendings to financial institutions	-	-	-	-
Investments	20,011,571	1,077,444	15,847,917	1,127,520
Advances	9,441,731	-	6,516,564	-
Fixed assets	472,102	-	227,812	-
Intangible assets	5,202	-	5,000	-
Deferred tax assets	458,493	-	461,472	-
Other assets	1,078,493	-	589,140	-
	31,663,611	1,077,444	23,886,342	1,127,520
		32,741,055		25,013,862

Assets
Capital charge
(Rupees in '000)

827,431
132,389

43.2.2 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.

	2022				2021			
	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
Pakistan Rupees	32,496,737	22,957,275	224,565	9,764,027	24,696,925	15,350,591	300,000	9,646,334
United States Dollar	19,873	-	-	19,873	16,937	-	-	16,937
Euro	-	10,721	-	(10,721)	-	8,129	-	(8,129)
	32,516,610	22,967,996	224,565	9,773,179	24,713,862	15,358,720	300,000	9,655,142

(Rupees in '000)

Impact of 1% change in foreign exchange rates on
- Profit and loss account
- Other comprehensive income

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
	45	-	23	-
	-	-	-	-

(Rupees in '000)

2022

Effective Yield/ Interest rate	Exposed to Yield/ Interest risk							Non-interest bearing financial instruments			
	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	
Total											
Off-balance sheet financial instruments											
Off-balance sheet gap											
Total Yield / Interest Risk Sensitivity Gap	8,500,306	2,214,821	920,108	5,850,316	(1,303,198)	31,030	(10,354)	4,599	(398,536)	48,577	1,132,943
Cumulative Yield / Interest Risk Sensitivity Gap	8,500,306	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	8,500,306

Effective Yield/ Interest rate	Exposed to Yield/ Interest risk							Non-interest bearing financial instruments			
	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	
Total											
On-balance sheet financial instruments											
On-balance sheet gap											
Total Yield / Interest Risk Sensitivity Gap	23,963,251	6,455,169	8,959,206	3,128,071	370,806	794,188	500,173	877,440	1,083,190	93,783	1,701,225
Cumulative Yield / Interest Risk Sensitivity Gap	23,963,251	6,455,169	15,414,375	18,542,446	18,913,252	19,707,440	20,207,613	21,085,053	22,168,243	23,102,026	24,803,251

Effective Yield/ Interest rate	Exposed to Yield/ Interest risk							Non-interest bearing financial instruments			
	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	
Total											
On-balance sheet financial instruments											
On-balance sheet gap											
Total Yield / Interest Risk Sensitivity Gap	13,658,355	7,019,841	11,116	3,658,128	155,383	391,734	447,082	726,770	1,201,630	46,671	240
Cumulative Yield / Interest Risk Sensitivity Gap	13,658,355	14,039,686	14,050,802	17,708,930	17,864,313	18,256,047	18,703,129	19,430,000	20,631,630	21,098,301	21,338,301

Effective Yield/ Interest rate	Exposed to Yield/ Interest risk							Non-interest bearing financial instruments			
	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	
Total											
On-balance sheet financial instruments											
On-balance sheet gap											
Total Yield / Interest Risk Sensitivity Gap	15,358,720	7,801,815	361,150	3,658,128	155,383	391,734	447,082	726,770	1,201,630	46,671	568,117
Cumulative Yield / Interest Risk Sensitivity Gap	15,358,720	15,603,630	15,964,780	19,622,908	19,778,291	20,169,995	20,617,077	21,343,847	22,545,477	23,012,148	23,580,265

2022 2021
----- (Rupees in '000) -----

43.2.5.1 Reconciliation of financial assets and liabilities

Assets as per Statement of financial position	32,741,055	25,013,862
Less: Fixed assets	472,102	227,812
Less: Intangible assets	5,202	5,000
Less: Deferred tax assets	458,493	461,472
Less:		
Advances, deposits, advance rent and other prepayments	105,831	16,926
Non-refundable deposits	1,583	6,701
Non-banking asset acquired against claims	-	80,471
Advance Taxation (payments less provisions)	334,442	162,809
	441,856	266,907
Interest Rate Sensitive Assets	31,363,402	24,052,671
Liabilities as per Statement of financial position	22,967,996	15,358,720
Deferred tax liabilities	-	-
Less:		
Provision for compensated absences	-	4,655
Branch Adjustment accounts	-	-
Workers' Welfare Fund	104,900	92,187
Provisions against off balance sheet obligations	-	-
Unearned commission LG	-	-
	104,900	96,842
Other liabilities - yield	22,863,096	15,261,878

43.3 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.

43.3.1 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.

43.4 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.

43.4.1 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% .

43.4.2 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.

43.4.3 Funding Strategy

The Company's prime source of liquidity is its 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

43.4.4 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.

43.4.5 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.

43.4.6 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.

43.4.7 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.

43.4.8 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.

43.4.9 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.

43.4.10 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.

43.4.11 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.

43.4.12 Other Inflows & Outflows

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

43.4.13 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 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 136% as on 31 December 2021.

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

	2022											Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years	
	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
Assets	(Rupees in '000)																
Cash and balances with treasury banks	154,022	154,042	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	41,997	41,997	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	21,089,015	103,023	35,975	259,370	7,586	538,390	2,332,185	450,197	329,082	1,190,531	7,075,746	4,005,464	4,781,715	-	-	-	-
Advances	9,441,731	9,656	23,324	364,363	110,696	482,449	833,925	804,993	989,150	1,403,424	1,274,543	1,663,385	1,450,474	-	-	-	-
Fixed assets	472,102	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	5,202	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	458,493	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	1,078,493	94,481	17,456	389,684	34,368	123,613	396,146	30,025	56,019	54,259	8,350,289	5,668,849	6,232,189	-	-	-	-
Liabilities	32,741,055	403,199	48,803	1,011,417	152,650	1,144,452	3,562,256	1,285,215	1,374,251	2,648,214	8,350,289	5,668,849	6,232,189	-	-	-	-
Borrowings	20,336,117	5,790	4,365,267	2,005,632	1,929	4,812,765	520,869	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	161,170	367,913	34,385	46,720	-	46,720	100	140	-	-	-	-	-	-
Other liabilities	860,269	-	-	10,372	-	657,991	43,958	-	10,721	111,550	-	-	-	-	-	-	-
Net assets	22,967,936	5,790	5,125,214	2,205,911	173,471	5,180,678	725,148	324,566	743,614	1,832,764	1,630,765	2,233,349	1,381,232	-	-	-	-
	9,773,059	397,409	(5,075,411)	(2,135,380)	837,946	(5,028,028)	2,837,108	960,649	630,637	815,450	6,719,524	3,435,500	4,650,957	-	-	-	-
Share capital	6,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	1,093,746	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	(268,497)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	2,947,810	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	9,773,059	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets	(Rupees in '000)																
Cash and balances with treasury banks	75,966	75,966	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	162,471	162,471	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	16,975,437	75,000	34,428	89,558	992,305	2,794,090	1,322,141	314,628	232,217	1,555,786	617,962	4,986,957	4,010,965	-	-	-	-
Advances	6,516,564	10,666	10,704	155,150	101,309	119,692	583,744	560,386	368,481	1,040,181	1,188,535	1,029,428	1,312,909	-	-	-	-
Fixed assets	227,812	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	461,472	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	589,140	1,644	25,861	200,302	30,498	94,544	121,881	45,861	-	-	-	-	-	-	-	-	-
Liabilities	25,013,862	325,747	35,378	70,993	445,010	1,124,112	3,008,326	920,875	600,698	2,595,967	1,805,897	5,966,385	5,323,874	-	-	-	-
Borrowings	13,658,356	-	3,052,116	3,966,332	1,393	2,562	541,461	57,538	669,510	1,241,734	1,134,582	1,714,270	1,248,301	-	-	-	-
Deposits and other accounts	1,132,247	-	628,723	107,171	46,120	178,367	60	20	-	92,187	100	-	-	-	-	-	-
Other liabilities	568,117	-	-	31,619	-	419,680	16,503	-	8,129	-	-	-	-	-	-	-	-
Net assets	15,358,720	-	3,680,839	4,073,503	79,132	180,929	598,921	57,559	697,539	1,333,921	1,134,682	1,714,270	1,248,301	-	-	-	-
	9,655,142	325,747	(3,645,461)	(4,002,510)	365,878	943,183	2,408,405	863,316	(96,941)	1,262,046	671,215	4,252,115	4,075,573	-	-	-	-
Share capital	6,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	1,004,551	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	(10,662)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	2,661,253	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	9,655,142	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

44. **EVENTS AFTER THE REPORTING DATE**

Subsequent to the year end, the Board of Directors proposed a final cash dividend of PKR 350 million (2021: PKR 150 million).

45. **GENERAL**

45.1 Captions, as prescribed by BPRD Circular No.2 of 2018 issued by SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for captions of the statement of financial position and profit and loss account.

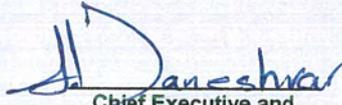
45.2 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

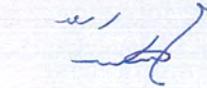
45.3 The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long term entity rating to AA (Double A) and the short term rating at A1+ (A one plus) of the Company.

46. **DATE OF AUTHORISATION**

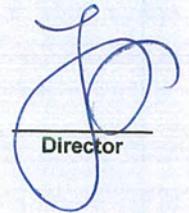
These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 18 FEB 2023.


Chief Financial Officer


Chief Executive and
Managing Director


Chairman


Director


Director