PakLibya

Directors' Review

The Board of Directors (the Board) is pleased to present the condensed interim unconsolidated financial statements of Pak Libya Holding Company (Private) Limited (the Company) for the period ended 30 September 2023 together with Directors' review thereon.

Performance review

The Company generated profit before tax of PKR 335.71 million during the period under review as compared to loss before tax of PKR 178.93 million in the corresponding period last year.

Gross mark-up income during the period was PKR 48,895.68 million compared to PKR 3,804.95 million in corresponding period. The interest rates have been increasing continuously; during the period under review there was further rise of 600bps, thus discount rate stood at 23 percent. Consequently, the Company realigned its government securities portfolio through which the net interest income (NII) has shown significant improvement.

During the period, the Company generated net cash flows of PKR 280.97 billion from its operations as compared to PKR 45.87 billion in corresponding period mainly due to increase in borrowings and profitability. The total assets of the Company have increased to PKR 411.70 billion – an increase of around PKR 287.01 billion (compared to financial yearend 2022) mainly in government securities investment portfolio.

The summarised financial results for the period are as follows:

Description	**Nine months ended 30 September 2023 (9ME23)**	**Nine months ended 30 September 2022 (9ME22)**
	PKR '000	
Profit/(loss) before taxation	335,711	(178,930)
Taxation	110,826	41,068
Profit/(loss) after taxation	224,885	(219,998)
Earnings/(loss) per share (Rupees)	276.21	(270.21)

Future prospects

The global conflicts coupled with torrential weather crises and infrastructure issues affected the economy severely as the Country has been facing critical challenges including high inflation, high oil & energy prices, significant currency devaluation and current account deficit.

The macro level mitigating measures to address above factors triggered interest rate upward trajectory and made overall business conditions tougher. Consequently, these factors also affected overall business environment of the Company.

PakLibya

The management is focusing on several possible avenues for profitable operations of the Company including recovery efforts for troubled and non-performing assets, which are a source of potential earnings. The management has been taking various steps to improve Company's liquidity, profitability and cash flows via active cost saving and other measures. The management is confident that the MCR shortfall will be bridged through organic growth.

Through deposit mobilisation as stable funding source and determination to increase the advances portfolio, being the core activity, together with continuous repositioning of investment portfolios, we understand and believe that the Company will be able to achieve its target of sustainable profitability and long-term growth.

In view of the efforts being made by the management, we are optimistic about our Company's future growth, profitability and sustainability.

Acknowledgments

On behalf of the Board, we would like to express gratitude to our shareholders for their continued support and trust. We are also thankful to employees of the Company for their hard work and dedication.

For and on behalf of the Board

Bashir B Omer
Deputy Managing Director

Tariq Mahmood
Managing Director & CEO

15th November 2023

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023

	Note	(Un-audited) 30 September 2023	(Audited) 31 December 2022
		-------- (Rupees in '000) --------	
ASSETS			
Cash and balances with treasury banks	6	**276,128**	371,319
Balances with other banks	7	**88,155**	77,866
Lendings to financial institutions	8	**499,987**	3,800,000
Investments	9	**392,606,466**	106,688,510
Advances	10	**9,299,853**	9,742,795
Property and equipment	11	**1,317,114**	68,872
Right-of-use assets		**-**	-
Intangible assets	12	**1,038**	452
Deferred tax asset - net	13	**250,731**	400,631
Other assets	14	**7,148,296**	3,382,153
Non-banking assets acquired in satisfaction of claim - held for sale	14.1	**215,200**	158,086
Total Assets		**411,702,968**	124,690,684
LIABILITIES			
Bills payable		**-**	-
Borrowings	15	**390,855,024**	113,480,048
Deposits and other accounts	16	**5,005,689**	5,627,397
Lease liabilities		**-**	-
Sub-ordinated debt		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	17	**8,612,576**	1,471,979
Total Liabilities		**404,473,289**	120,579,424
NET ASSETS		**7,229,679**	4,111,260
REPRESENTED BY			
Share capital		**8,141,780**	8,141,780
Reserves		**415,049**	380,654
Surplus / (deficit) on revaluation of assets - net of tax	18	**892,582**	(2,012,716)
Unappropriated / unremitted loss		**(2,219,732)**	(2,398,458)
		7,229,679	4,111,260
CONTINGENCIES AND COMMITMENTS	19		

The annexed notes 1 to 39 form an integral part of these condensed interim financial statements.

Chief Financial Officer | **Managing Director & CEO**

Director | **Director**

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023

	Note	Quarter ended		Nine months ended	
		30 September 2023	30 September 2022	30 September 2023	30 September 2022
		------- (Rupees in '000) -------		------- (Rupees in '000) -------	
Mark-up / return / interest earned	21	20,878,210	1,836,817	48,895,679	3,804,950
Mark-up / return / interest expensed	22	20,596,748	1,895,783	48,054,684	3,877,798
Net mark-up / interest income / (expense)		281,462	(58,966)	840,995	(72,848)
NON MARK-UP / INTEREST INCOME					
Fee and commission income	23	3,831	10,264	21,089	23,902
Dividend income		12,137	13,958	60,641	45,794
Foreign exchange income / (loss)		2	17	45	37
Income / (loss) from derivatives		-	-	-	-
Loss on securities	24	1,775	(8,690)	(162,017)	(33,844)
Net gain / (loss) on derecognition of financial assets measured at amortised cost		-	-	-	-
Other loss	25	-	2,438	(141)	(155,369)
Total non mark-up / interest loss		17,745	17,987	(80,383)	(119,480)
Total Income / (loss)		299,207	(40,979)	760,612	(192,328)
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	26	205,812	143,286	538,674	374,428
Workers welfare fund	19.3.11	-	-	-	-
Other charges	27	2,789	4,834	14,445	14,552
Total non mark-up / interest expenses		208,601	148,120	553,119	388,980
Profit / (loss) before credit loss allowance		90,606	(189,099)	207,493	(581,308)
Credit loss allowance / (reversal) and write offs - net	28	16,593	29,572	(128,218)	(402,378)
Extraordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		74,013	(218,671)	335,711	(178,930)
Taxation	29	21,104	20,494	110,826	41,068
PROFIT AFTER TAXATION		52,909	(239,165)	224,885	(219,998)
		------- (Rupees) -------		------- (Rupees) -------	
Basic earnings per share	30	64.98	(293.75)	276.21	(270.21)
Diluted earnings per share	31	64.98	(293.75)	276.21	(270.21)

The annexed notes 1 to 39 form an integral part of these condensed interim financial statements.

Chief Financial Officer | **Managing Director & CEO**

Director | **Director**

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023

	Quarter ended		Nine months ended	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
	-------- (Rupees in '000) --------		-------- (Rupees in '000) --------	
Profit after taxation	**52,909**	(239,165)	**224,885**	(219,998)
Other comprehensive income - net				
Items that may be reclassified to profit and loss account in subsequent periods:				
Effect of translation of net investment in foreign branches	-	-	-	-
Movement in surplus / (deficit) on revaluation of debt investments through FVOCI - net of tax	**512,025**	108,672	**1,871,709**	(617,293)
Others	-	-	-	-
	512,025	108,672	**1,871,709**	(617,293)
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement gain on defined benefit obligations - net of tax	-	-	-	-
Movement in deficit on revaluation of debt investments through Amortized Cost - net of tax	-	-	-	-
Movement in surplus on revaluation of equity investments - net of tax	**39,406**	-	**128,599**	-
Movement in surplus on revaluation of property and equipment - net of tax	**(2,210)**	-	**864,439**	-
Movement in surplus on revaluation of non-banking assets - net of tax	**(265)**	-	**40,551**	-
	36,931	-	**1,033,589**	-
Total comprehensive income / (loss)	**601,865**	(130,493)	**3,130,183**	(837,291)

The annexed notes 1 to 39 form an integral part of these condensed interim financial statements.

Chief Financial Officer **Managing Director & CEO**

Director **Director**

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023

	Share capital		Surplus/(Deficit) on revaluation of			
	Head office capital account	Statutory reserve	Investments	Propoerty & Equipment / Non Banking	Unappropriated/ Unremitted profit/ (loss)	Total
	Rupees in '000					
Opening balance as at 01 January 2022	8,141,780	380,654	(847,361)	-	(2,100,215)	5,574,858
Profit / (loss) after taxation for the period	-	-	-	-	(219,998)	(219,998)
Other comprehensive income - net of tax						
Effect of translation of net investment in foreign branches	-	-	-	-	-	-
Movement in (deficit) on revaluation of investments in debt instruments - net of tax	-	-	(499,697)	-	-	(499,697)
Debt investments at FVOCI – reclassified to profit or loss	-	-	-	-	-	-
Movement in (deficit) on revaluation of investments in equity instruments - net of tax	-	-	(117,596)	-	-	(117,596)
Remeasurement gain / (loss) on defined benefit obligations - net of tax	-	-	-	-	-	-
Movement in surplus on revaluation of property and equipment - net of tax	-	-	-	-	-	-
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-
Total other comprehensive income - net of tax	-	-	(617,293)	-	-	(617,293)
Remittances made to / received from head office	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-
Opening balance as at 01 October 2022	**8,141,780**	**380,654**	**(1,464,654)**	-	**(2,320,213)**	**4,737,567**
Profit / (loss) after taxation for the period	-	-	-	-	(86,500)	(86,500)
Other comprehensive income - net of tax						
Effect of translation of net investment in foreign branches	-	-	-	-	-	-
Movement in (deficit) on revaluation of investments in debt instruments - net of tax	-	-	(521,424)	-	-	(521,424)
Debt investments at FVOCI – reclassified to profit or loss	-	-	-	-	-	-
Movement in (deficit) on revaluation of investments in equity instruments - net of tax	-	-	(26,638)	-	-	(26,638)
Remeasurement gain on defined benefit obligations - net of tax	-	-	-	-	8,255	8,255
Movement in surplus on revaluation of property and equipment - net of tax	-	-	-	-	-	-
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-
Total other comprehensive income - net of tax	-	-	(548,062)	-	8,255	(539,807)
Remittances made to/ received from head office	-	-	-	-	-	-
Transfer from statutory reserve	-	-	-	-	-	-
Opening balance as at 01 January 2023	**8,141,780**	**380,654**	**(2,012,716)**	-	**(2,398,458)**	**4,111,260**
Impact of first time adoption of IFRS-9	-	-	-	-	(80,200)	(80,200)
Profit / (loss) after taxation for the current period	-	-	-	-	224,885	224,885
Other comprehensive income - net of tax						
Effect of translation of net investment in foreign branches	-	-	-	-	-	-
Movement in (deficit) on revaluation of investments in debt instruments - net of tax	-	-	1,871,709	-	-	1,871,709
Debt investments at FVOCI – reclassified to profit or loss	-	-	-	-	-	-
Movement in surplus on revaluation of investments in equity instruments - net of tax	-	-	128,599	-	-	128,599
Gain on sale of shares - FVTOCI	-	-	-	-	35,165	35,165
Movement in surplus on revaluation of property and equipment - net of tax	-	-	-	896,590	-	896,590
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	41,671	-	41,671
Total other comprehensive income - net of tax	-	-	2,000,308	938,261	35,165	2,973,734
Remittances made to/ received from head office						
Transfer to statutory reserve	-	34,395	-	-	(34,395)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	(33,271)	33,271	-
Closing balance as at 30 September 2023	**8,141,780**	**415,049**	**(12,408)**	**904,990**	**(2,219,732)**	**7,229,679**

The annexed notes 1 to 39 form an integral part of these condensed interim financial statements.

Chief Financial Officer

Managing Director & CEO

Director

Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023

	Note	Nine months period ended 30 September 2023	30 September 2022
		---------- (Rupees in 000) ----------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		335,711	(178,930)
Less: Dividend income		(60,641)	(45,794)
		275,070	(224,724)
Adjustments:			
Depreciation		55,202	23,066
Depreciation on right-of-use assets		-	-
Amortisation		205	521
Impairment of assets		135,070	(120)
(Reversal) / credit loss allowance and write offs		(105,657)	24,546
(Reversal) / credit loss allowance against lendings to financial institutions		(84)	-
(Reversal) / credit loss allowance against other assets		180	3,642
(Reversal) / credit loss allowance for diminution in the value of investments - net		(248,444)	(65,851)
Credit loss allowance against non-banking assets acquired in satisfaction of claim - held for sale		-	(364,715)
(Reversal) / credit loss allowance provision against contingencies		-	-
Loss on sale of non-banking assets acquired in satisfaction of claim - held for sale		-	166,573
(Gain) / Loss on sale of fixed assets		141	(3,939)
		(163,387)	(216,277)
		111,683	(441,001)
(Increase) / decrease in operating assets			
Lendings to financial institutions		1,000,000	-
Securities classified as FVTPL		(189,701)	(1,964)
Advances		469,515	(1,481,113)
Others assets (excluding advance taxation)		(265,718)	87,416
		1,014,096	(1,395,661)
Increase / (decrease) in operating liabilities			
Bills payable		-	-
Borrowings from financial institutions		277,374,976	47,079,696
Deposits		(621,708)	288,637
Other liabilities		7,140,597	788,172
		283,893,865	48,156,505
		285,019,644	46,319,843
Payments against off-balance sheet obligations		-	-
Income tax paid		(4,052,049)	(447,068)
Net cash generated from / (used) in operating activities		280,967,595	45,872,775
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in securities classified as FVOCI		30,024,961	(46,466,789)
Net investment in amortized cost securities		(313,382,935)	(376,018)
Dividend received		59,052	43,277
Investments in property and equipment		(53,834)	(6,269)
Disposal of property and equipment		245	13,502
Proceeds from sale of non-banking assets acquired in satisfaction of claim - held for sale		-	1,000,000
Net cash flow generated from investing activities		(283,352,511)	(45,792,297)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts / payments of subordinated debt		-	-
Receipts / payments of lease obligations		-	-
Issue of share capital		-	-
Advance against share subscription		-	-
Stamp duty on shares issuance		-	-
Dividend paid		-	-
Remittances made to / received from company		-	-
Net cash flow generated from financing activities		-	-
Net increase in cash and cash equivalents		(2,384,916)	80,478
Cash and cash equivalents at beginning of the period		3,249,185	3,007,839
Cash and cash equivalents at end of the period	36	864,269	3,088,317

The annexed notes 1 to 39 form an integral part of these condensed interim financial statements.

Chief Financial Officer | **Managing Director & CEO**

Director | **Director**

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023

1. STATUS AND NATURE OF BUSINESS

1.1 Pak-Libya Holding Company (Private) Limited (the Company) was incorporated in Pakistan as a private limited company on 14 October 1978. It is a joint venture between the Government of Pakistan and Government of Libya (State of Libya). The tenure of the Company was thirty years from the date of its establishment. The two contracting parties (i.e. both the governments through their representatives) extended the tenure for further thirty years upto 14 October 2038. The objectives of the Company interalia include the promotion of economic growth of Pakistan through industrial development, to undertake other feasible business and to establish and acquire companies to conduct various businesses as may be decided from time to time. The Company is designated as a Development Financial Institution (DFI) under the BPD Circular No. 35 dated 28 October 2003 issued by the State Bank of Pakistan (SBP).

The registered office of the Company is located at 5th Floor, Block C, Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan. The Company has one sales and service center located at Lahore. Effective 05 August 2012, activities of Islamabad office have been suspended for the time being after review of the business strategy.

1.2 The State Bank of Pakistan (SBP) through its BSD Circular No. 19 dated 05 September 2008 has prescribed that the minimum paid-up capital (free of losses) for Development Financial Institutions (DFIs) is required to be maintained at Rs. 6 billion.

The paid-up capital of the Company (free of losses) as of 30 September 2023 amounted to Rs. 5.922 billion (31 December 2022: Rs. 5.743 billion). The Company was non-compliant with minimum capital requirements at period end, mainly due pressure on the Company's net interest margin (NIM) which was subject to interest rate risk since it has an investment in Government Securities portfolio at a fixed rate which was less than its weighted average borrowing rate.

Further during the period under review the company has early adopted IFRS 9: Financial Instruments and subjectively provided additional provision on loans and investments which have been recorded in these condensed interim financial statements.

The management is confident that, MCR shortfall will be bridged through organic growth as it is evident from the results as well as materialisation of certain specific items already included in the Budget FY2023 approved by the Board.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IAS 34 - Interim Financial Reporting) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017 provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Act, 2017 and directives issued by the SBP and the Securities and Exchange Commission of Pakistan (SECP). Whenever the requirements of the Banking Companies Ordinance, 1962, Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The disclosures provided in these condensed interim financial statements are limited based on the format prescribed by SBP vide BPRD circular letter no. 02 of 2023 dated 09 February 2023 & IAS 34.

2.2 SBP vide its BPRD Circular Letter No. 07 of 2023 dated 13 April 2023, has decided to extend the applicability of IFRS 9 on DFIs to accounting periods beginning on or after 1 January 2024. Nevertheless, early adoption of the standard is permissible under the instructions issued through the same circular. The Company has decided to early adopt the IFRS 9 effective from 01 January 2023.

2.3 The condensed interim financial statements do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual financial statements for the financial year ended 31 December 2022.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited annual financial statements of the Company for the year ended 31 December 2022 other than those described in the note 3.2 for period commencing from 01 January 2023 and note 4.

3.1 Impact of Adoption of IFRS 9

On 01 January 2023, the Company has adopted IFRS 9 "Financial Instruments" which introduces new requirements for; the classification and measurement of financial instruments; the recognition and measurement of credit loss allowances. As permitted by transitional provisions of IFRS 9, the Company has not restated comparative information. Any adjustment to the carrying amount of the financial assets and liabilities at the date of transition was recognised in the opening retained earnings of the current period.

The new IFRS 9 accounting policies are stated in the note 3.2. The Company has recorded net expected credit loss of Rs 80.20 million which was adjusted against unappropriated profit as explained below.

Financial Assets	Original classification as at 31 December 2022	New classification as per IFRS 9	Carrying amount as on 31 December 2022	Carrying amount as on 01 January 2023	Effect on 01 January 2023 on Retained Earnings
Financial Assets :			---------------------- (Rupees in '000)	--------------------	
Cash and balances with treasury banks	LR	AC	371,319	371,319	-
Balances with other banks	LR	AC	77,866	77,866	-
Lending to Financial Institution	HTM	AC	3,800,000	3,799,903	97
Government Securities	AFS	AC	19,922,378	19,922,378	-
Non-Government Securities	HTM	AC	115,741	115,736	5
Government Securities	AFS	FVOCI	83,671,051	83,671,051	-
Non-Government Securities	AFS	FVOCI	2,096,086	2,095,078	1,008
Listed equities	AFS	FVOCI	361,639	361,639	-
Listed equities	AFS	FVTPL	515,163	515,163	-
Listed equities	HFT	FVTPL	4,952	4,952	-
Associates	HTM	AC	1,500	1,500	-
Advances	HTM	AC	9,742,795	9,663,711	79,084
Other assets	AC	AC	3,382,153	3,382,153	-
Financial Liabilities :					
Borrowings	HTM	AC	113,480,048	113,480,048	-
Deposits and other accounts	HTM	AC	5,627,397	5,627,397	-
Other liabilities	OFL	AC	1,471,979	1,471,985	6
					80,200

-"LR" is loans and receivables
- "AC" is amortised cost
- "AFS" is available for sale
- "HFT" is held for trading
- "FVTPL" is fair value through profit or loss
- "FVTOCI" is fair value through other comprehensive income
- "OFL" is other financial liabilities
- "HTM" is held to maturity

3.2 IFRS 9 Financial Instruments

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

Changes to classification and measurement

The SBP's measurement categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses or profit or loss on derecognition;
- Financial assets at FVTPL.

The accounting for financial liabilities remains largely the same as it was previously in place.

Under IFRS 9, the classification of the financial assets is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The assessment of the Company's business models was made as of the date of initial application, 1 January 2023, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2023. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

As of 31 December 2022, certain AFS debt securities have been classified as amortised cost because of their contractual cash flow characteristics. Furthermore as a result of business model assessment the Company concluded that the advances are held within the business model of collecting cash flows and not selling such instruments, therefore, it elected to classify all of these instruments as debt instruments measured at amortised cost. For AFS debt instruments, the Company concluded that these are held within the business model of collecting cash flows from holding and selling such instruments for liquidity purpose and to obtain benefit from favorable market price, therefore, these are classified as debt instruments measured at fair value through OCI and/or at amortized cost accordingly. Under IFRS 9, the debt financial assets in the trading portfolio whose performance is evaluated on fair value basis were allocated the business model "Other / FVTPL", to reflect the trading

Under SBP regulations, the Company's equity investments (excluding investment in associates) are classified in the available-for-sale category. Under IFRS 9, Company has elected to classify a portion of these securities at fair value through profit or loss due to the Company's intention to hold these for realising capital gains while the other securities have been classified at fair value through other comprehensive income.

Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing SBP's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For debt financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition. The details of the impairment approach adopted by the Company is included in the advances policy note to the annual audited financial statements.

The adoption of the ECL requirements of IFRS 9 resulted in increases in impairment allowances of the Company's debt financial assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with treasury banks, balances with other banks and placements with financial institutions having maturities of three (3) months or less.

Before 1 January 2023, due from banks with fixed or determinable payments that were not quoted in an active market, were carried at amortised cost.

From 1 January 2023 the Company only measures due from banks at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and

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

The details of these conditions are outlined in investment and advances policy notes below.

Repurchase and resale agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investments. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up / return / interest expense and accrued over the life of the repo agreement using effective yield method.

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position, as the Company does not obtain control over the securities. Amounts paid under these agreements are included in lending to financial institutions. The difference between purchase and resale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement using effective yield method.

Investments

Policy till 31 December 2022
Investments other than those categorised as held-for-trading are initially recognised at fair value which includes transaction costs associated with the investments. Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. The Company has classified it's investments except for investments in joint venture into 'held for trading', 'held for sale' and 'held to maturity' as follows.

Held-for-trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within 90 days. These are carried at market value, with the related gain / (loss) on revaluation being taken to condensed interim statement of profit and loss account. The cost of acquisition of 'dealing securities' (i.e. listed securities purchased and sold on the same day) is not considered for calculating the 'moving average cost' of other listed securities (i.e. listed securities sold after the date of purchase).

Held-to-maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortised cost.

Available-for-sale – These are investments that do not fall under the held-for-trading or held to maturity categories. Investments are initially recognised at cost being its fair value which includes transaction costs associated with the investment. These are carried at market value except for unlisted securities where market value is not available, which are carried at lower of cost and break-up value, if any. Surplus / (deficit) on revaluation is taken to 'surplus / (deficit) on revaluation of assets' account shown below equity. Provision for diminution in value of investments in respect of unlisted shares is calculated with reference to book value of the same. On derecognition of quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of investments' below equity is included in the condensed interim statement of profit and loss account for the period. The Company amortises the premium / discount on acquisition of government securities using the effective yield method. Provision for diminution in value of investments for unlisted debt securities is calculated as per the SBP's Prudential Regulations. The Company follows the 'Settlement date' accounting for investments. Gains and losses arising on sale of investments are recognised in condensed interim statement of profit and loss account.

Investment in subsidiary – Investment in subsidiary are valued at cost less impairment, if any. Gains and losses on disposal of investments is recognised in the condensed interim statement of profit and loss account.

Policy under IFRS 9

Classification

Debt instruments

A debt instrument is measured at amortised cost if both of the following conditions are met and the instrument is not designated as at FVTPL:

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

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

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

A debt instrument held for trading purposes is classified as measured at FVTPL.

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

Business model assessment

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

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

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

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

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

- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);

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

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

Assessments whether contractual cash flows are solely payments of principal and interest (SPPI).

As a second step of its classification process the Company assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than the minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

An equity instrument held for trading purposes is classified as measured at FVTPL.

Initial Measurement

Investments are initially measured at their fair value except in the case of financial assets recorded at FVTPL, transaction costs are added to, or subtracted from, this amount.

Subsequent Measurement

Debt instruments at Amortised Cost

After initial measurement, such debt instruments are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR.

Debt instruments at FVOCI

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. The ECL calculation for Debt instruments at FVOCI is explained in advances note below. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss. Debt instruments are subject to impairment under Expected Credit Loss model. The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to condensed interim statement of profit or loss. The accumulated loss recognised in OCI is recycled to the condensed interim statement of profit and loss upon derecognition of the assets.

Equity instruments at FVOCI

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. Such classification is determined on an instrument-by instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit and loss as other operating income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Financial assets (equity and debt instruments) at fair value through profit or loss

Financial assets (both equity and debt) at FVTPL are recorded in the condensed interim statement of financial position at fair value. Changes in fair value are recorded in condensed interim statement of profit and loss. Interest earned on debt instruments designated at FVTPL is accrued in interest income, using the EIR, taking into account any discount / premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss when the right to the payment has been established.

Reclassification of financial assets and liabilities

From 01 January 2023, the Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line.

Impairment of investments

Impairment of debt instrument is computed using expected credit loss model.

Advances and net investment in finance lease

Advances are stated as net of provisions for bad and doubtful debts, if any, which are charged to the condensed interim statement of profit and loss account currently. Advances are written off where there is no realistic prospect of recovery.

The Company determines the provisions against advances on a prudent basis keeping in view the stipulations of the prudential regulations issued by the SBP. The provision is charged to condensed interim statement of profit and loss account.

Policy under IFRS 9

From 01 January 2023, the Company only measures loans and advances at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and

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

Overview of the ECL principles

The adoption of IFRS 9 has fundamentally changed the Company's impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 01 January 2023, the Company has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

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

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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

When estimating ECLs on a collective basis for a group of similar assets , the Company applies the similar principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Based on the above process, the Company groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1:	When loans are first recognised, the Company recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2. The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
Stage 3:	For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The Company uses a PD of 100% and LGD is used as prescribed by the SBP under the prudential regulation. Therefore, the stage 3 providing are aligned with regulatory requirements.
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.
Loan commitments and letters of credit	When estimating LTECLs for undrawn loan commitments, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within Provisions. Irrevocable and revocable
Financial guarantee contracts	The Company's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in condensed interim statement of profit and loss, and the ECL provision. For this purpose, the Company estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognised within Provisions.

The calculation of ECLs

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

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

PD	The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Company has the legal right to call it earlier. Based on past experience and the Company's expectations, the period over which the Company calculates ECLs for credit card, is three years.

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

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

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

Forward looking information

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

• GDP growth
• Consumer Price Index

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit / guarantees, real estate, receivables, inventories and other non-financial assets. Under IFRS 9, the Company's accounting policy for taking benefit of collateral assigned to it through its lending arrangements is to consider liquid collateral only. Due to the complexities involved in the Pakistan regarding non-liquid collateral realisation and lack of historical experience to demonstrate recoveries through realisation of such collaterals, a hair cut of 100% was used for non-liquid collateral types for stage 1 and stage 2 loans.

Write-offs

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

Forborne and modified loans

The Company sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Company considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Company would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Company's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written

From 31 December 2022, when the loan has been renegotiated or modified but not derecognised, the Company also reassesses whether there has been a significant increase in credit risk as per Company's policy. The Company also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne until all of the relevant criteria given in the prudential regulations has been met.

Revenue recognition and other items

Policy till 31 December 2022

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

Gain on sale of securities is recognised at the time of sale of relevant securities.

Project evaluation, arrangement and front end fee are accounted for on receipt basis.

Income from loans, term finance certificates, sukuks, debentures, bank deposits, government securities and reverse repo transactions are recognised on accrual basis using the effective interest method except where recovery is considered doubtful in which case the income is recognised on receipt basis.

Premium or discount on debt securities is amortised using the effective interest method and taken to condensed interim statement of profit and loss account.

The Company follows the finance method in recognising income on lease contracts. Under this method the unearned income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of the leased asset is deferred and then amortised over the term of the lease, so as to produce a constant rate of return on net investment in the lease.

Revenue recognition and other items (applicable after IFRS 9)

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognised using the contractual interest rate in net trading income and net gains / (losses) on financial assets at fair value through profit or loss, respectively.

3.3 Standards, interpretations of and amendments to the published approved accounting standards that are effective in

The following amendments and improvements are effective for the year ended 31 December, 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 condensed interim financial statements other than certain additional disclosures.

New or Revised Standard or Interpretation	Effective Date (Annual periods beginning on or after)
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	01 January, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	01 January, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction	01 January, 2023

3.4 Standards, interpretations of and amendments to approved accounting standards that are not yet effective

There are certain standards, amendments and interpretations with respect to the approved accounting standards that are not yet effective and are not expected to have any material impact on the Company's financial statements in the period of their initial application.

The following new standards and amendments to existing accounting standards will be effective from dates mentioned below against respective standards or amendments.

	Effective Date (Annual periods beginning on or after)
Amendments to IFRS 16 ' Leases' - Lease Liability in a Sale and Leaseback	01 January, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current Liabilities with Covenants	01 January, 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 standards and 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'

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements is the same as that applied in the preparation of the financial statements for the year ended 31 December 2022, other than those described in note 3 and below:

4.1 Property & Equipment

From the start of financial year 2023, the Company has adopted revaluation model in respect of its lease hold land and buildings to reflect the fair value of these assets. With effect from this year, property & equipment are stated at cost, except for land and buildings which are carried at revalued amounts, less any applicable accumulated depreciation and accumulated impairment losses (if any)

Land, capital work-in-progress and works of art, if any, are not depreciated. Other items included in property & equipment are depreciated over their expected useful lives using the straight-line method. Depreciation is calculated to write down the assets to their residual values over their expected useful lives. Depreciation on additions is charged from the month in which the assets are available for use. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at reporting date.

Land and buildings are revalued by independent professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. If an asset's carrying value increases as a result of revaluation, such increase or surplus arising on revaluation is credited to the surplus on revaluation of property & equipment account. However, if the increase reverses a deficit on the same asset previously recognised in the profit and loss account, such increase is also recognised in the condensed interim statement of profit and loss account to the extent of the previous deficit and thereafter in the surplus on the revaluation of property & equipment account.

Any accumulated depreciation at the date of revaluation is eliminated against any additional surplus on revaluation and the net carrying value is restated at the revalued amount of the asset.

Surplus on revaluation of fixed assets (net of associated deferred tax) is transferred to unappropriated profit to the extent of the incremental depreciation charged on the related assets.

Surplus on revaluation of property & equipment (net of associated deferred tax) is transferred to unappropriated profit to the extent of the incremental depreciation charged on the related assets.

Normal repairs and maintenance are charged to the condensed interim statement of profit and loss account as and when incurred. Major repairs and renovations that increase the useful life of an asset are capitalised.

Gains or losses arising on the disposal of property & equipment are included in the condensed interim statement of profit and loss account. Surplus on revaluation (net of deferred tax) realised on disposal of property & equipment is transferred directly to unappropriated profit.

4.2 Non-banking assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims are initially recorded at cost and are carried at revalued amounts less accumulated depreciation and impairment, if any.

These assets are revalued with sufficient regularity by professionally qualified valuers to ensure that their net carrying value does not differ materially from their fair value. An increase in the market value over the acquisition cost is recorded as a surplus on revaluation. A decline in the market value is adjusted against the surplus of that asset or, if no surplus exists, is charged to the condensed interim statement of profit and loss account as an impairment. A subsequent increase in the market value of an impaired asset is reversed through the profit and loss account up to the extent of the impairment and thereafter credited to the surplus on revaluation of that asset. All direct costs of acquiring title to the asset are charged immediately to the condensed interim statement of profit and loss account.

Depreciation on assets acquired in satisfaction of claims is charged to the profit and loss account on the same basis as depreciation charged on the Company's owned fixed assets.

If the recognition of such assets results in a reduction in non-performing loans, such reductions and the corresponding reductions in provisions held against non-performing loans are disclosed separately.

These assets are generally intended for sale. Gains and losses realised on the sale of such assets are disclosed separately from gains and losses realised on the sale of fixed assets. Surplus on revaluation (net of deferred tax) realised on disposal of these assets is transferred directly to unappropriated profit.

However, if such an asset, subsequent to initial recording, is used by the Company for its own operations, the asset, along with any related surplus, is transferred to fixed assets.

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the financial statements for the year ended 31 December 2022 other than those due to adoption of IFRS 9.

	Note	(Un-audited) 30 September 2023	(Audited) 31 December 2022
		-------- (Rupees in '000) --------	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		6	6
Foreign currency		8,656	6,791
		8,662	6,797
With State Bank of Pakistan in			
Local currency current account	6.1	266,539	363,260
		266,539	363,260
With National Bank of Pakistan in			
Local currency current account		926	1,262
Local currency deposit account		-	-
		926	1,262
Prize bonds			-
		276,128	371,319

6.1 This includes a balance required to be maintained with the SBP by the Company in accordance with the SBP's regulations for cash reserve requirements.

	Note	(Un-audited) 30 September 2023	(Audited) 31 December 2022
		-------- (Rupees in '000) --------	
7. BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		33,048	14,984
In deposit accounts	7.1	55,107	62,882
		88,155	77,866
		88,155	77,866

7.1 The return on these balances ranges from 14.50 to 20.50 (31 December 2022: 8.25 to 14.50) percent per annum.

	Note	(Un-audited) 30 September 2023	(Audited) 31 December 2022
		-------- (Rupees in '000) --------	
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lending	8.1.1	530,567	3,830,567
Repurchase agreement lendings (Reverse Repo)		-	-
		530,567	3,830,567
Less: Credit loss allowance held against lending to financial institutions	8.2	(30,580)	(30,567)
Lending to financial institutions - net of provision		499,987	3,800,000
8.1 Particulars of lending			
In local currency		499,987	3,800,000
In foreign currencies		-	-
		499,987	3,800,000

8.1.1 Call / clean money lending includes term deposit receipts carrying mark-up at rate 23.00 (31 December 2022: 16.70 to 17.40) percent per annum. These are due to mature by 27 Oct 2023 (31 December 2022: 25 January 2023 and 25 April 2023).

8.2 Lending to Financial Institutions - Particulars of credit loss allowance

		(Un-audited) 30 September 2023		(Audited) 31 December 2022	
		Lending	Credit loss allowance held	Lending	Provision held
		------------ (Rupees in '000) ------------			
Domestic					
Performing	Stage 1	500,000	(13)	3,800,000	-
Under performing	Stage 2	-	-	-	-
Non-performing	Stage 3				
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		30,567	(30,567)	30,567	(30,567)
		30,567	(30,567)	30,567	(30,567)
Total		530,567	(30,580)	3,830,567	(30,567)

Overseas

The Company does not have any overseas lending during period ended 30 September 2023 (31 December 2022: Nil).

9. INVESTMENTS

9.1 Investments by type:

	Note	(Un-audited) 30 September 2023			
		Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value
		(Rupees in '000)			
FVTPL					
Federal government securities		-	-	-	-
Shares		195,096	-	(106,394)	88,701
Non Government debt securities		-	-	-	-
		195,096	-	(106,394)	88,701
FVOCI					
Federal government securities		76,862,407	-	80,093	76,942,500
Shares		513,505	-	(182,014)	331,491
Non government debt securities	9.1.5, 9.1.6	2,095,481	(343,594)	(8,263)	1,743,623
		79,471,393	(343,594)	(110,185)	79,017,614
Amortised Cost					
Federal government securities*		312,823,888	-	-	312,823,888
Shares		-	-	-	-
Non government debt securities		681,154	(6,390)	-	674,763
		313,505,042	(6,390)	-	313,498,651
Associates	9.1.1, 9.1.2, 9.1.3 & 9.1.4	706,367	(704,867)	-	1,500
Total		393,877,897	(1,054,852)	(216,579)	392,606,466

	Note	(Audited) 31 December 2022			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
		(Rupees in '000)			
Held-for-trading securities					
Federal government securities		-	-	-	-
Shares - listed		5,395	-	(443)	4,952
		5,395	-	(443)	4,952
Available-for-sale securities					
Federal government securities		105,639,836	-	(2,046,407)	103,593,429
Shares - listed and unlisted		1,416,484	(292,360)	(247,322)	876,802
Non government debt securities		2,440,034	(323,656)	(20,292)	2,096,086
		109,496,354	(616,016)	(2,314,021)	106,566,317
Held-to-maturity securities					
Non government debt securities		122,107	(6,366)	-	115,741
		122,107	(6,366)	-	115,741
Associates	9.1.1, 9.1.2, 9.1.3 & 9.1.4	706,367	(704,867)	-	1,500
Total		110,330,223	(1,327,249)	(2,314,464)	106,688,510

*The deferred bonus, relating to eligible employees, has been invested/revinvested in market treasury bills amounting to Rs. 3.307 million (31 December 2022: Rs. 4.705 million) whilst its related income has been recorded in other liabilities.

9.1.1 This represents 50% shareholding in the ordinary shares (Rs.10 each) of Kamoki Energy Limited (KEL), which has been fully provided. The book value represents cost of investment amounting to Rs. 500.00 million less share of loss on interest in joint venture amounting to Rs. 95.133 million upto 30 June 2012. This investment was designated as strategic investment under the Prudential Regulations for Corporate / Commercial Banking.

9.1.2 These include preference shares amounting to Rs.300.00 million which are cumulative, convertible, redeemable and non-participatory carrying dividend at the rate of 17% per annum having face value of Rs.10 each. These were redeemable within four years of the allotment date. If preference shares are not fully redeemed by the issuer in this time period, the remaining part along with the unpaid dividend thereon would be convertible at the option of preference shareholder at par value of Rs.10 into ordinary shares ranking pari passu in all respects with the ordinary shares except for participation in dividend / bonus distribution for the period for which preference share dividend has been paid.

9.1.3 It includes unlisted ordinary shares of FTC Management Company (Private) Limited. FTC Management Company (Private) Limited was incorporated in Pakistan. It is engaged in managing, operating and maintaining offices with the name Finance and Trade Centre (FTC) for the mutual benefits of its owners and thus providing a nucleus for all joint and common services which are available in the FTC situated in Karachi.

9.1.4 It includes unlisted ordinary shares of Kamoke Powergen (Private) Limited (KPL). It was established as a Special Purpose Vehicle (SPV) to obtain power generation license from NEPRA to increase the saleability of assets of KEL. SBP's approval was obtained for the formation of KPL which was granted vide letter No. BPRD/RPD/27366/16 dated 16 November 2016.

9.1.5 It includes an investment in listed term finance certificates (TFC) amounting to Rs. 398.58 million comprising 79,955 units. During last quarter of the 2018, upon maturity, the issuer informed investors the status of minimum capital requirements and its pending merger with and into another Bank. As a result, issuer could not make the final payment of its mark-up and entire principal amount. Consequently, an extraordinary meeting of the TFC holders was held on 19 November 2018 wherein the majority of the TFC holders agreed to extend the maturity date of the TFC Issue for a period of one year (27 October 2019) on the existing terms and conditions as the counter party invoked the lock-in clause governed by clause 4.1.1 of the 'Declaration of Trust' to hold the payment till the minimum capital requirement is met. The clause is mandatorily invoked for the time being until proposed merger; however, the pending merger had been called off and the Bank started working to resolve the issue. Therefore, another extraordinary meeting of the TFC holders was held on 20 November 2019 wherein, considering the developments, the majority TFC holders agreed to extend the maturity of the TFC Issue for a period of another one year on the same terms.

Considering the delay is resolution, the TFC holders again agreed to extend the maturity period for another year ending 27 October 2023 so the Bank could finalise new arrangement with the investors for equity injection. The Bank acknowledges the debt and related mark-up as payable on the TFC Issue.

Considering the continuous effort and developments, every year SBP gives its final approval for the preceding year and a separate in-principal approval for the current extended period. Most recently, the Bank has announced that a key milestone relating to equity injection from the foreign investor has been completed. In this regard, EOGM of the Bank held on 16 January 2023 authorised the equity injection.

The management has evaluated overall situation vis-à-vis Bank's intention and ability to pay; accordingly, concluded that both the elements exist as it acknowledges the debt and there are no restrictions on its operations while the payment is delayed due to minimum capital requirements. However, management has provided impairment on the said TFCs based on expected credit loss amounting to Rs. 0.119 million due to early adoption of IFRS 9:

9.1.6 It also includes an investment in term finance certificates (TFC) amounting to Rs. 99.920 million on which the Company had taken a provision of Rs. 11.209 million based on market price in prior period. During the last year, the issuer Bank could not make the payment of installment due to non-compliance with minumum capital requirements. The issuer Bank of the TFC had submitted a plan approved by their Board for additional equity to address the Capital Adequacy Ratio (CAR) and MCR position.

In this regard, the management of the Company, keeping in view the legal opinion which does not consider the delay in payment as an event of default due to the lock-in-clause, has evaluated overall situation vis-à-vis Bank's intention and ability to pay; accordingly, concluded that both the elements exist as it acknowledges the debt and there are no restrictions on its operations while the payment is delayed due to minimum capital requirements and CAR position. However, management has considered further provision of Rs. 44.0 million based on subjective review, on the said TFC due to above facts and the recent developments, in these financial statements.

9.1.7 Investments given as collateral

	(Un-audited) 30 September 2023	(Un-audited) 31 December 2022
	Cost	
	------ (Rupees in '000) ------	
Market treasury bills	290,896,652	32,825,049
Pakistan investment bonds	94,691,595	67,773,333
	385,588,247	100,598,382

9.2 Credit loss allowance for diminution in value of investments

9.2.1 Opening balance	1,327,249	1,378,756
Impact of first time adoption of IFRS 9	1,013	-
Charge / reversals		
Charge for the period / year	44,020	34,613
Reversal for the year	(25,070)	-
Reversal on disposals	(41,608)	(86,120)
	(22,657)	(51,507)
Transfers - net	(250,753)	-
Amounts written off	-	-
Closing balance	1,054,852	1,327,249

9.2.2 Particulars of provision against debt securities

Category of classification		(Un-audited) 30 September 2023	
		Outstanding amount	**Credit loss allowance Held**
		--------- (Rupees in '000) ---------	
Domestic			
Performing	Stage 1	**1,922,391**	**413**
Underperforming	Stage 2	**559,906**	**55,236**
Non-performing	Stage 3		
Substandard		**-**	**-**
Doubtful		**-**	**-**
Loss		**294,337**	**294,337**
		294,337	**294,337**
		2,776,634	**349,985**

Category of classification	(Audited) 31 December 2022	
	Classified	Provision
	---------- (Rupees in '000) ----------	
Domestic		
Other assets especially mentioned	-	-
Substandard	99,920	11,209
Doubtful	-	-
Loss	318,813	318,813
	418,733	330,022

Overseas

The Company does not have any overseas investment during the period ended 30 September 2023 (31 December 2022: Nil).

10. ADVANCES

	Note	Performing (Un-audited) 30 September 2023	Non Performing (Un-audited) 30 September 2023	Total (Un-audited) 30 September 2023
		(Rupees in '000		
Loans, cash credits, running finances, etc.		**9,072,130**	**1,386,878**	**10,459,008**
Advances - gross		**9,072,130**	**1,386,878**	**10,459,008**
Credit loss allowance against advances				
-Stage 1	10.2	**50,560**	**-**	**50,560**
-Stage 2		**116,749**	**-**	**116,749**
-Stage 3		**-**	**991,846**	**991,846**
		167,309	**991,846**	**1,159,155**
Advances - net of provision		**8,904,821**	**395,032**	**9,299,853**

	Note	Performing (Audited) 31 December 2022	Non Performing (Audited) 31 December 2022	Total (Audited) 31 December 2022
		(Rupees in '000)		
Loans		7,864,888	1,105,603	8,970,491
Net investment in finance lease		116,078	146,654	262,732
Staff loans		149,123	-	149,123
Consumer loans and advances		3,213	31,773	34,986
Long-term financing of export oriented projects (LTF-EOP)		-	60,179	60,179
Long-term financing facility (LTFF)		666,532	-	666,532
Refinance scheme for payment of wages and salaries		93,893	-	93,893
Temporary economic relief facility (TERF)		690,587	-	690,587
Advances - gross		9,584,314	1,344,209	10,928,523
Provision against advances				
- Specific		-	1,185,680	1,185,680
- General		48	-	48
		48	1,185,680	1,185,728
Advances - net of provision		9,584,266	158,529	9,742,795

10.1 Particulars of advances (Gross)

	(Un-audited) 30 September 2023	(Audited) 31 December 2022
	(Rupees in '000)	
In local currency	**10,459,008**	10,928,523
In foreign currency	**-**	-
	10,459,008	10,928,523

10.2 Advances include Rs.1,386.878 million (31 December 2022: Rs.1,344.209 million) which have been placed under non-performing status as detailed below:-

	(Un-audited) 30 September 2023		(Audited) 31 December 2022	
	Non performing loans	Credit loss allowance	Non performing loans	Provision
Domestic	-------- (Rupees in '000) ---		-------- (Rupees in '000) ---------	
Other Assets Especially Mentioned (OAEM)	-	-	-	-
Substandard	250,000	62,500	-	-
Doubtful	320,000	171,000	200,000	100,000
Loss	816,878	758,346	1,144,209	1,085,680
	1,386,878	991,846	1,344,209	1,185,680

Overseas

The Company does not have any overseas advances during the period ended 30 September 2023 (31 December 2022 : Nil).

10.3 Particulars of provision against advances

	(Un-audited) 30 September 2023			
	Stage 3	Stage 2	Stage 1	Total
	Rupees in 000			
Opening balance	1,185,680	74,137	4,995	1,264,812
Exchange adjustments	-	-	-	-
Charge for the period / year	136,000	76,926	47,350	260,276
Reversal	(329,834)	(34,314)	(1,785)	(365,933)
	(193,834)	42,612	45,565	(105,657)
Amounts written off	-	-	-	-
Amounts charged off - agriculture financing	-	-	-	-
Closing balance	991,846	116,749	50,560	1,159,155

	(Audited) 31 December 2022		
	Specific	General	Total
	(Rupees in '000)		
Opening balance	1,147,510	53	1,147,563
Charge for the year	100,000	-	100,000
Less: Reversal during the year	(61,830)	(5)	(61,835)
Net charge / (reversal) for the year	38,170	(5)	38,165
Less: Amounts written off	-	-	-
Closing balance	1,185,680	48	1,185,728

10.3.1 Particulars of provision against advances

	(Un-audited) 30 September 2023			
	Stage 3	Stage 2	Stage 1	Total
	Rupees in 000			
In local currency	991,846	116,749	50,560	1,159,155
In foreign currency	-	-	-	-
	991,846	116,749	50,560	1,159,155

	(Audited) 31 December 2022		
	Specific	General	Total
	(Rupees in '000)		
In local currency	1,185,680	48	1,185,728
In foreign currency	-	-	-
	1,185,680	48	1,185,728

10.3.2 The provision against non-performing advances includes an impact of Forced Sale Value (FSV) benefit amounting to Rs. Nil (31 December 2022: Nil) in respect of consumer financing and Rs. 58.532 million (31 December 2022: Rs. 58.532 million) being security deposit in respect of lease financing. The FSV benefit recognised under the Prudential Regulations is not available for the distribution of cash or stock dividend to the shareholders. Further, SBP through its letter no. OSED/SEU-05/041(01)-12/2218/2012 dated 26 December 2012 had stipulated that no dividend, cash or kind, shall be paid out of the benefits realised through the relaxations allowed therein.

10.3.3 General provision against consumer finance loans represents provision made equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP for Consumer Financing.

10.4 Advances - Particlurs of credit loss allowance

	(Un-audited) 30 September 2023		
	Stage 1	Stage 2	Stage 3
	Rupees in 000		
10.4.1 Opening balance	4,995	74,137	1,185,680
New advances	4,794	30	
Advances derecognised or repaid	(463)	(10,266)	-
Transfer to stage 1	60	(60)	-
Transfer to stage 2	(792)	792	-
Transfer to stage 3	(436)	-	436
	3,163	(9,504)	436
Amounts written off / charged off	-	-	-
Changes in risk parameters	42,402	52,116	135,564
Other changes	-	-	(329,834)
Closing balance	50,560	116,749	991,846

10.4.2 Advances - Category of classification

		(Un-audited) 30 September 2023	
		Outstanding amount	Credit loss allowance
Performing	Stage 1	7,049,918	50,560
Underperforming	Stage 2	2,022,212	116,749
Non-Performing	Stage 3		
Substandard		250,000	62,500
Doubtful		320,000	171,000
Loss		816,878	758,346
		1,386,878	991,846
		10,459,008	1,159,155

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

11. PROPERTY AND EQUIPMENT

Capital work-in-progress	**5,723**	2,084
Property and equipment	**1,311,391**	66,788
	1,317,114	68,872

11.1 Capital work-in-progress

Civil works	**5,723**	2,084
Equipment	**-**	-
Advances to vendors	**-**	-
Renovation	**-**	-
	5,723	2,084

11.2 Additions to property and equipment

The following additions have been made to fixed assets during the period:

Capital work-in-progress

Furniture and fixture	**-**	4,123
Electrical office and computer equipment	**5,803**	4,000
Vehicles	**43,601**	74
Total	**49,404**	8,197

11.3 Disposal of property and equipment

The net book value of fixed assets disposed off during the period is as follows:

Furniture and fixture	**164**	193
Electrical office and computer equipment	**222**	146
Vehicles	**-**	9,280
Total	**386**	9,619

12. INTANGIBLE ASSETS

Computer software	**1,038**	452
	1,038	452

12.1 Additions to intangible assets

The following additions have been made to intangible assets during the period:

Directly purchased	**791**	158
Total	**791**	158

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

13. DEFERRED TAX ASSETS / (LIABILITY)

Deductible temporary differences on			
- Tax losses carried forward		-	-
- Post retirement employee benefits		6,687	7,202
- Deficit on revaluation of investments		10,969	301,305
- Surplus on revaluation of fixed assets		(356,165)	-
- Surplus on revaluation of non-banking asset		(16,563)	-
- Accelerated tax depreciation		(3,199)	(886)
- Credit loss allowance against advances, off balance sheet etc.		92,431	77,568
- Net investment in finance lease		1,135	15,442
- Others		515,436	-
		250,731	400,631

13.1 As at 30 September 2023, the Company has available provision for advances, investments and other assets amounting to Rs.1,298.344 million (31 December 2022: Rs.1,449.522 million) and unused tax losses upto 30 September 2023 amounting to Rs. Nil (31 December 2022: Rs. Nil). However, the management has prudently recognised the deferred tax asset, if any, only to the extent given above based on the absorption / admissibility of the same as forecasted in the projections approved by the Board of Directors. Moreover, no deferred tax asset has been recognised on unused tax losses.

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

14. OTHER ASSETS

Income / mark-up accrued in local currency-net of provision		2,250,227	2,048,004
Advances, deposit, advance rent and other prepayments		157,922	89,247
Advance taxation (payments less provisions)		4,792,274	1,291,668
Staff retirement gratuity - asset		1,708	6,832
Other receivables		8,395	8,451
		7,210,526	3,444,202
Less: Credit loss allowance held against other assets	14.3	(62,230)	(62,049)
Other assets - (net of provision)		7,148,296	3,382,153

14.1 Non-banking assets acquired in satisfaction of claims - held for sale		215,200	158,086

14.2 Market value of non-banking assets acquired in satisfaction of claims has been disclosed in note 14.2.1

14.2.1 Non-banking assets acquired in satisfaction of claims - held for sale

Opening balance	158,086	814,645
Additions	-	-
Revaluation	57,114	-
Disposals/Transfers	-	(1,021,274)
Depreciation	-	-
Impairment	-	364,715
Closing balance	215,200	158,086

This includes non-banking assets acquired under satisfaction of claim in relation to KEL's exposure. These remaining assets comprise of land measuring 14.125 acre and office building structure situated at Kamoki, District Gujranwala, Punjab, Pakistan.

The power plant has already been disposed off in the year 2022, however land and related building structure held as non-banking asset at period end. As per the new valuation carried out by M/s. MYK Associates Private Limited the market value of these assets were Rs.216.320 million whilst forced sale value was Rs. 173.056 million. The surplus on revaluation on these non-banking assets has been recorded in these financial statements as per accounting policy in note 4.2.

	Note	(Un-audited) 30 September	(Audited) 31 December 2022
		------- (Rupees in '000) -------	
14.2.2 Gain / (loss) on disposal of non-banking assets acquired in satisfaction of claims			
Disposal proceeds		-	1,000,000
less			
- Cost		-	(1,021,274)
- Impairment / depreciation		-	-
- Others		-	(145,299)
		-	(1,166,573)
Loss		-	(166,573)
14.3 Credit loss allowance held against other assets			
Advances, deposits, advance rent & other prepayments		**62,229**	62,049
Non banking assets acquired in satisfaction of claims		-	(364,715)
Closing balance		**62,229**	(302,666)
14.3.1 Movement in credit loss allowance held against other assets			
Opening balance		**62,049**	58,407
Charge for the period / year		**180**	3,642
Reversal		-	-
Amount written off / (recovered)		-	-
Closing balance		**62,229**	62,049
15. BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan under:			
Long-term financing facility (LTFF)	15.1 (a)	**613,800**	190,400
Refinance scheme for payment of wages & salaries	15.1 (b)	-	118,250
Temporary economic relief facility (TERF)	15.1 (c)	**577,082**	1,098,613
Repurchase agreement borrowings - Repo	15.2	**378,631,296**	68,489,737
Borrowings from financial institutions	15.3	**3,465,667**	35,157,333
Total secured		**383,287,845**	105,054,333
Unsecured			
Clean borrowings		**7,567,179**	5,939,000
Bai Muajjal	15.4	-	2,486,715
		390,855,024	113,480,048

15.1 This includes borrowings from State Bank of Pakistan as under:

(a) The Company has entered into agreements for financing with State Bank of Pakistan (SBP) for long term financing facility (LTFF) to the customers. According to the terms of respective agreements, SBP has the right to receive outstanding amount from the Company at the date of maturity of finances by directly debiting current account maintained by the Company with the SBP. Such financing carry interest at the rate of 7.0 to 10.0 (31 December 2022: 7.0 to 10.0) percent per annum.

(b) The Company has entered into agreements for financing with State Bank of Pakistan (SBP) for refinance scheme for payment of wages & salaries to the customers. According to the terms of respective agreements, SBP has the right to receive outstanding amount from the Company at the date of maturity of finances by directly debiting current account maintained by the Company with the SBP. Such financing carry Nil (31 December 2022: Nil) percent per annum interest for all types of eligible borrowers that are on active tax payer list.

(c) The Company has entered into agreements for financing with State Bank of Pakistan (SBP) for temporary economic relief facility (TERF). According to the terms of respective agreements, SBP has the right to receive outstanding amount from the Company at the date of maturity of finances by directly debiting current account maintained by the Company with the SBP. Such financing carry interest at the rate of 1.0 (31 December 2022: 1.0) percent per annum.

15.2 The Company has arranged borrowings from various financial institutions against sale and repurchase of Government Securities. The outstanding facilities as at statement of financial position date are due for maturity on various dates latest by 08 December 2023 (31 December 2022: 24 Febraury 2023). The rate of mark-up on these facilities ranges from 22.06 to 22.50 (31 December 2022: 15.22 to 16.22) percent per annum.

15.3 This includes borrowings from financial institutions as under:

(a) Rs. 3,266.667 million (31 December 2022: Rs. 4,958.333 million) representing long term borrowings from certain financial institutions which are secured by way of first hypothecation charge over assets of the Company with 30 percent margin on the facility amount. They carry a mark-up rate of six months' KIBOR plus 0.25 percent to 0.60 percent per annum payable on semi-annual basis (31 December 2022: six months KIBOR plus 0.25 percent to 0.50 percent per annum payable on semi-annual basis). As at 30 September 2023, the applicable interest rates were 22.46 to 23.47 (31 December 2022: 15.74 to 17.65) percent per annum. These borrowings are due for maturity latest by December 2025 (31 December 2022: December 2024).

(b) This represents short term borrowings (running finance) amounting to Rs.199 million (31 December 2022: Rs.199 million) from certain financial institutions for the period ranging from overnight to 12 months. They carry mark-up rate of three months KIBOR plus 1.50 (31 December 2022: three months KIBOR plus 1.50) percent per annum. The borrowing is secured by way of hypothecation on all present and future assets of the Company with 30 percent margin.

15.4 This represents financing through unsecured Bai Muajjal from a financial institution matured on 19 September 2023 (31 December 2022: 03 March 2023). The rate of profit on this facility ranges from 21.60 to 23.00 (31 December 2022: 16.60 to 17.35) percent per annum.

	(Un-audited) 30 September 2023	(Audited) 31 December 2022
	------ **(Rupees in '000)** ------	
15.5 Particulars of borrowings with respect to currencies		
In local currency	**390,855,024**	113,480,048
In foreign currency	**-**	-
	390,855,024	113,480,048

16. DEPOSITS AND OTHER ACCOUNTS

	(Un-audited) 30 September 2023			(Audited) 31 December 2022		
	In local currency	**In foreign currency**	**Total**	In local currency	In foreign currency	Total
	------ (Rupees in '000) ------					
Customers						
Certificate of Investment	**5,005,689**	**-**	**5,005,689**	5,627,397	-	5,627,397
Term deposits	**-**	**-**	**-**	-	-	-
Others	**-**	**-**	**-**	-	-	-
	5,005,689	**-**	**5,005,689**	5,627,397	-	5,627,397

The profit rates on these Certificates of Investment (COIs) ranges from 17.00 to 23.80 (31 December 2022: 11.05 to 17.20) percent per annum. These COIs are due for maturity on various dates latest by 20 September 2024 (31 December 2022: 27 September 2023).

17. OTHER LIABILITIES

	Note	(Un-audited) 30 September 2023	(Audited) 31 December 2022
		------- (Rupees in '000) -------	
Mark-up / Return / Interest payable in local currency		**8,403,372**	1,069,378
Accrued expenses		**124,109**	296,157
Advance payments		**3,500**	3,500
Employees' compensated absences	17.1	**23,058**	25,262
Credit loss allowance against off-balance sheet obligations	17.2	**5**	-
Security deposits against lease		**58,532**	77,682
		8,612,576	1,471,979

17.1 This is based on actuarial valuation carried out as of 31 December 2022 for regular employees and MD & DMD of the Company.

	(Un-audited) 30 September 2023	(Audited) 31 December 2022
17.2 Credit loss allowance against off-balance sheet obligations	--- (Rupees in '000) ---	
Opening balance	-	-
Exchange adjustment	-	-
Charge for the year	5	-
Reversal	-	-
	5	-
Amount written off	-	-
Closing balance	5	-

	Note	(Un-audited) 30 September 2023	(Audited) 31 December 2022
18. SURPLUS / DEFICIT ON REVALUATION OF ASSETS		------- (Rupees in '000) -------	
Surplus / (deficit) on revaluation of			
- Debt securities measured at FVTOCI	9.1	71,829	(2,066,699)
- Equity securities measured at FVTOCI		(182,014)	(247,322)
- Debt securities measured at Amortized cost		-	-
- Property and equipment		1,220,604	-
- Non-banking assets acquired in satisfaction of claims		57,113.70	-
		1,167,533	(2,314,021)
Deferred tax on surplus / (deficit) on revaluation of:			
- Debt securities measured in FVTOCI		(8,982)	257,837
- Equity securities measured in FVTOCI		20,007	43,468
- Debt securities measured at Amortized cost		-	-
- Property and equipment		(356,165)	-
- Non-banking assets acquired in satisfaction of claims		(16,563)	-
		(361,703)	301,305
		805,830	(2,012,716)

	Note	(Un-audited) 30 September 2023	(Audited) 31 December 2022
19. CONTINGENCIES AND COMMITMENTS			
- Guarantees	19.1	894,453	882,959
- Commitments	19.2	3,219,219	3,552,489
- Other contingent liabilities		348,141	348,141
		4,461,813	4,783,589

19.1 Guarantees:

Financial guarantees	841,120	841,120
Performance guarantees	53,333	41,839
Other guarantees	-	-
	894,453	882,959

19.1.1 This represents the guarantees issued on behalf of KEL, a joint venture. During the year 2012, a decision was announced by the Honorable Supreme Court of Pakistan (Court), in which all contracts of RPPs were declared to be illegal and void ab initio and as a result of which the guarantee remained inoperative. Consequently, there cannot be any exposure of the Company under the same. The Company will cease to disclose relevant balances upon dissolution of KEL Company.

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

19.2 Commitments:

	Note	30 September 2023	31 December 2022
Documentary credits and short-term trade-related transactions - letters of credit		**850,000**	350,000
Commitments for acquisition of: - intangible assets		**708**	708
Other commitments	19.2.2	**2,368,511**	3,201,781
		3,219,219	3,552,489

19.2.2 Other commitments

	30 September 2023	31 December 2022
Commitments to extend credit	**2,367,086**	3,195,364
Unsettled investment transactions for sale / purchase of listed ordinary shares	-	-
Commitments against other services	**1,425**	6,417
	2,368,511	3,201,781

19.3 Other contingent liabilities

19.3.1 In financial year 2014, the Company received the appeal effect orders with respect to the Appellate Tribunal Inland Revenue (ATIR) orders dated 20 February 2013 in relation to tax years 2004, 2005, 2006 and 2008 where the outcome was in favour of the Company in relation to issues of loans and advances written-off, apportionment of expenditure and loans to executives/officers and the resulting refunds were adjusted against the tax liability for the tax years 2009 and 2010. Based on the decision of ATIR, overall resulting relief and brought forward losses, there was 'nil' additional tax liability remaining for tax years 2009 and 2010. In June 2015, the Additional Commissioner Inland Revenue issued orders under section 221/124 of the ITO for the tax years 2003 to 2010 to give the appeal effect of the ATIR order. Upon Company's rectification application, a rectified order was issued which resulted in a refund of Rs.122.777 million in tax year 2010. The Tax department has filed the references before Honorable High Court of Sindh against the order of ATIR.

19.3.2 For the tax year 2011, Deputy Commissioner Inland Revenue (DCIR) vide order dated 30 August, 2013 passed under section 122(1) read with section 177 of Income Tax Ordinance (ITO) issued the amended assessment order and raised a demand of Rs.84.392 million. The demand mainly pertains to additions made for apportionment of expenses to dividend income/capital gains/(losses), disallowance of interest payable on accrual basis, provision for loans and advances and loss on termination of leased assets etc. The Company filed a refund claim of Rs.70.53 million for the tax year 2011 through a revised tax return. The Company filed an appeal with Commissioner Inland Revenue Appeals on 14 October 2013. The CIR (A) disposed the appeal vide his order No. 22 dated 26 December 2016. In relation to the said appeal, CIR (A) confirmed the treatment of DCIR on certain issues, whilst few matters were decided in favour of the Company. Therefore, an appeal before ATIR to contest various treatments adopted in the above mentioned order issued by CIR(A) has been filed in addition to a rectification application on 02 March 2017. The appeal is pending before ATIR and has not been fixed yet.

19.3.3 For the tax year 2013, the Company received a tax demand of Rs.24.300 million on 11 November 2014 vide order under section 122 (5A) of the ITO. Against this order, rectification application was filed vide letter T-2798/2012 dated 12 December 2014 wherein it has been highlighted that the issue of apportionment of expenditure against dividend income and capital gain has been decided in favour of the Company by ATIR. Also, the Tax department did not consider the payment of tax of Rs.13.47 million. In June 2015, a rectification order under section 221 of the ITO was passed by the Additional Commissioner Inland Revenue to give effect of apportionment of financial charges and tax credits. Consequently the tax department revised its tax demand and reduced it to Rs.13.198 million. The Company filed an appeal with Commissioner Inland Revenue Appeals (CIRA) on 22 December 2014. The CIR (A) disposed the appeal vides his order No. 23 dated 26 December 2016. In relation to the said appeal, the CIR (A) confirmed the treatment of the ACIR on certain issues whilst few matters were decided in favour of the Company. Therefore, an appeal before ATIR to contest various treatments adopted in the above mentioned order issued by CIR(A) has been filed on 2 March 2017 in addition to a rectification application on 02 March 2017. The appeal is pending before ATIR and has not been fixed yet.

19.3.4 For the tax year 2014, the ACIR passed an order wherein tax demand of Rs.57.866 million was raised, disallowing the provision for non-performing loan and advances, apportionment of financial and administrative expenses against dividend income and capital gain, penalty imposed by the State Bank of Pakistan, treated the expenditure incurred on privately placed TFCs as capital expenditure and charged WWF. The Company filed an appeal with Commissioner Inland Revenue Appeals (CIRA) on 22 November 2016. The CIR (A) disposed the appeal vides his order No. 13 dated 16 January 2017. In relation to the said appeal, the CIR (A) confirmed the treatment of the ACIR on certain issues whilst few matters were decided in favour of the Company. Therefore, an appeal before ATIR to contest various treatments adopted in the above mentioned order issued by CIR(A) has been filed on 02 March 2017. The appeal is pending before ATIR and has not been fixed yet.

19.3.5 For the tax year 2015, the ADCIR passed an order wherein tax demand of Rs.46.669 million was raised, disallowing the provision for non-performing advances, write off against KSE-TREC and loss on sale of non-banking assets, apportioned the financial and administrative expenses against dividend income and capital gain, disallowed penalty imposed by the State Bank of Pakistan and treated the expenditure incurred on privately placed TFCs as capital expenditure, whilst treatment on certain matters were decided in favour of the Company.Therefore, an appeal before CIR(A), to contest various treatments adopted in the above mentioned order issued by ADCIR, has been filed on 16 April 2019. The appeal has been heard and the order is pending.

19.3.6 For the tax year 2016, the ADCIR passed an order u/s 122(5A) wherein tax demand of Rs. 102.965 million was raised, disallowing the provision against non performing advances, loss on sale of non-banking assets, expenses for privately placed TFCs and the penalty imposed by the State Bank of Pakistan. Further, ADCIR allocated the expenditure on gross receipts basis to capital gain and dividend income. Therefore, an appeal before CIR(A), to contest the various adverse treatments adopted in the above mentioned order issued by ADCIR, has been filed on 25 March 2021. The CIR(A) vide his order dated 06 April 2023, confirmed the treatment of the ADCIR on certain issues. Therefore, an appeal before ATIR to contest various treatments adopted in the above mentioned order issued by CIR(A) has been filed on 03 June 2023. The appeal is pending before ATIR and has not been fixed yet.

19.3.7 For the tax year 2017, the DCIR passed an order under section 122(1)/ (5) of the Ordinance on September 30, 2019. As a result, there is no change in the tax liability, however, loss declared as per return Rs.611.559 million reduced to Rs.133.227 million. In the order passed, DCIR disallowed the provision for non-performing advances, apportioned the financial and administrative expenses against dividend income and capital gain, disallowed board meeting expenses and treated expenditure incurred on privately placed TFCs as capital expenditure. Therefore, an appeal before CIR(A), to contest the various treatments adopted in the above mentioned order was filed. The CIR(A) vide his order No. 29 dated 27-01-2021, confirmed the treatment of the DCIR on certain issues whilst few matters were decided in favour of the Company. Therefore, an appeal before ATIR to contest various treatments of the DCIR upheld by CIR(A) has been filed on 31 March 2021 before the Appellate Tribunal Inland Revenue, Karachi (ATIR). The appeal is pending before ATIR and has not been fixed yet.

19.3.8 For the tax year 2018, the ADCIR passed an order u/s 122(5A) wherein tax demand of Rs. 31.948 million was raised disallowing the provision against non performing advances, provision against other assets, other charges (KEL), expenses for privately placed TFCs and the penalty imposed by the State Bank of Pakistan. Further, ADCIR allocated the expenditure on gross receipts basis to capital gain and dividend income. Therefore, an appeal before CIR(A), to contest various adverse treatments adopted in the above mentioned order issued by ADCIR, has been filed on 25 March 2021. The CIR(A) vide his order dated 06 April 2023, confirmed the treatment of the ADCIR on certain issues whilst few matters were decided in favour of the Company. Therefore, an appeal before ATIR to contest various treatments adopted in the above mentioned order issued by CIR(A) has been filed on 03 Jun 2023. The appeal is pending before ATIR and has not been fixed yet. Further, a rectification application has been filed; after due rectification the outstanding demand will be eliminated and there will be a refund of Rs. 23.021 million.

19.3.9 For the tax year 2019, the ADCIR passed an order u/s 122(5A) wherein ADCIR determined refund of Rs. 62.551 million. In the said order ADCIR disallowed the apportionment of expenses, provision against non performing advances, other charges (KEL), other admissable deduction (lease finance income), acturial loss on defined benefit plan and tax loss on sale of assets. Consequently, the loss of Rs. 180.126 million as per return has reduced to Rs. 52.527 million. Therefore, an appeal before CIR(A), to contest the various adverse treatments adopted in the above mentioned order issued by ADCIR, has been filed on 07 April 2023. The appeal is pending and has not been fixed yet.

19.3.10 For the tax year 2020, the ADCIR passed an order u/s 122(5A) wherein ADCIR determined refund of Rs. 78.275 million. In the said order ADCIR disallowed the provision against non performing advances, other charges (KEL), other admissable deduction (lease finance income) and tax loss on sale of assets. Consequently, the loss of Rs. 361.600 million as per return has reduced to Rs. 271.639 million. Therefore, an appeal before CIR(A), to contest the various adverse treatments adopted in the above mentioned order issued by ADCIR, has been filed on 07 April 2023. The appeal is pending and has not been fixed yet.

No provision has been made in these condensed interim financial statements in respect of above mentioned matters as the management is hopeful of a favourable outcome on these matters considering the appellate history and tax advisor's opinion.

19.3.11 The Company, through its lawyer, has challenged in Sindh High Court (SHC) section 2(g)(V), 5(3), 5(4) and 6(1) of the Sindh Workers Welfare Fund Act, 2014 to be unlawful and void ab initio. The Court as an interim measure passed the order that no coercive action shall be taken against the Company till next date of hearing as suit No 610/2017, in which almost 20 Financial Institutions have filed a Composite Suit challenging the same law, requires hearing. Pak Libya has also filed an appeal on 2 March 2017. At period end, the outcome was still pending.

20. DERIVATIVE INSTRUMENTS

The Company did not enter into any interest rate swaps, forward rate agreements and foreign exchange options during the period ended 30 September 2023 (31 December 2022: Nil).

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

21. MARK-UP / RETURN / INTEREST EARNED

Loans and advances		**1,344,434**	573,469
Investments		**47,373,056**	2,837,856
Lendings to financial institutions		**168,781**	388,157
Balance with banks		**9,408**	5,468
		48,895,679	3,804,950

21.1 Interest income (calculated using effective interest rate method) recognised on:

Financial assets measured at amortised cost		**34,505,709**	1,014,160
Financial assets measured at fair value through OCI		**14,389,970**	2,790,790
		48,895,679	3,804,950

22. MARK-UP / RETURN/ INTEREST EXPENSED

Deposits		**778,234**	428,700
Borrowings		**47,276,450**	3,449,098
		48,054,684	3,877,798

23. FEE AND COMMISSION INCOME

Credit related fees		**19,417**	21,246
Commission on guarantees		**1,672**	2,656
		21,089	23,902

24. (LOSS) / GAIN ON SECURITIES - NET

Realised	24.1	**(26,947)**	(33,964)
Unrealised-held for trading		**(135,070)**	120
		(162,017)	(33,844)

24.1 Realised gain on:

Federal government securities		**(23,569)**	4,609
Shares		**(3,378)**	(38,573)
		(26,947)	(33,964)

25. OTHER INCOME

Gain / (Loss) on sale of operating fixed assets		**(141)**	3,939
Loss on sale of non-banking assets - net		**-**	(166,573)
Others		**-**	7,265
		(141)	(155,369)

		(Un-audited) 30 September 2023	(Un-audited) 30 September 2022
26. OPERATING EXPENSES	Note	-------- (Rupees in '000) --------	
Total compensation expense		**401,884**	287,408
Property expense			
Rent and taxes		**-**	100
Insurance		**2,898**	2,592
Utilities cost		**12,923**	7,118
Security (including guards)		**296**	820
Repair and maintenance (including janitorial charges)		**16,012**	14,668
Depreciation		**34,229**	2,078
		66,359	27,376
Information technology expenses			
Software maintenance		**1,789**	2,178
Hardware maintenance		**1,977**	870
Depreciation		**2,907**	2,174
Amortisation		**205**	521
Network charges		**1,551**	1,441
BCP expense		**549**	549
		8,978	7,733
Other operating expenses			
Directors' fees and allowances		**2,900**	3,600
Legal and professional charges		**3,984**	3,841
Outsourced services costs		**4,088**	3,655
Travelling and conveyance		**8,933**	7,171
Depreciation		**18,066**	18,814
Training and development		**239**	17
Postage and courier charges		**217**	322
Communication		**4,932**	3,163
Stationery and printing		**2,349**	1,873
Marketing, advertisement & publicity		**4,070**	3,039
Auditors' remuneration		**2,121**	1,816
Board meeting expenses		**4,599**	1,810
Meal and business networking expenses		**562**	1,171
Canteen expenses		**1,001**	670
Hajj expense		**1,680**	689
Bank charges		**290**	252
Miscellaneous expenses		**42**	8
		60,073	51,911
		537,294	374,428

27. OTHER CHARGES

Arrangement fee and documentation charges	**5,774**	4,989
Brokerage commission	**3,341**	5,025
Expenses pertaining to KEL	**5,330**	4,538
Penalties imposed by State Bank of Pakistan	**1,380**	-
	15,825	14,552

	Note	(Un-audited) 30 September 2023	(Un-audited) 30 September 2022
		-------- (Rupees in '000) --------	
28. CREDIT LOSS ALLOWANCE / (REVERSAL) - NET			
Credit loss allowance/ (reversal) against lending to financial institutions		**(84)**	-
Credit loss allowance/ (reversal) for diminution in value of investments		**(22,657)**	(65,851)
Credit loss allowance/ (reversal) against loans and advances		**(105,657)**	24,546
Credit loss allowance/ (reversal) against non banking asset		**-**	(364,715)
Credit loss allowance/ (reversal) against other receivables / assets		**180**	3,642
		(128,218)	(402,378)
29. TAXATION			
Current		**620,847**	56,455
Prior years		**-**	-
Deferred		**(510,021)**	(15,387)
		110,826	41,068

Due to minimum tax applicable on the Company at fixed rates, therefore the relationship between tax expense and accounting profit for the period / year has not been presented.

	(Un-audited) 30 September 2023	(Un-audited) 30 September 2022
30. BASIC EARNINGS PER SHARE		
Profit for the period (Rupees in '000)	**224,885**	(219,998)
Weighted average number of ordinary shares	**814,178**	814,178
Basic earnings per share (Rupees)	**276.21**	(270.21)
31. DILUTED EARNINGS PER SHARE		
Profit for the period (Rupees in '000)	**224,885**	(219,998)
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)	**814,178**	814,178
Diluted earnings per share (Rupees)	**276.21**	(270.21)

32. FAIR VALUE MEASUREMENTS

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

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

32.1 Fair value of financial assets

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

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

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

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

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

	Note	(Un-audited) 30 September 2023			
		Level 1	Level 2	Level 3	Total
		------------------ (Rupees in '000) ------------------			
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal government securities	9.1	-	76,942,500	-	76,942,500
Provincial government securities	9.1	-	-	-	-
Shares	9.1	420,192	-	1,500	421,692
Non-government debt securities		-	1,743,623	-	1,743,623
Foreign securities		-	-	-	-
Others		-	-	-	-
Financial assets - disclosed but not measured at fair value					
Investments					
Federal government securities	9.1	-	-	312,823,888	312,823,888
Non-government debt securities	9.1	-	-	674,763	674,763
Cash and balances with treasury banks	6	-	-	276,128	276,128
Balances with other banks	7	-	-	88,155	88,155
Lendings to financial institutions	8	-	-	499,987	499,987
Advances	10	-	-	9,299,853	9,299,853
Other assets	14	-	-	7,148,296	7,148,296
Financial liabilities - disclosed but not measured at fair value					
Borrowings	15	-	-	390,855,024	390,855,024
Deposits and other accounts	16	-	-	5,005,689	5,005,689
Other liabilities	17	-	-	8,612,576	8,612,576

	Note	(Audited) 31 December 2022 Level 1	Level 2	Level 3	Total
		---- (Rupees in '000) ----			
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal government securities	9.1	-	103,593,429	-	103,593,429
Provincial government securities	-	-	-	-	-
Shares	9.1	881,754	-	1,500	883,254
Non-government debt securities	9.1	1,362,375	849,452	-	2,211,827
Foreign securities		-	-	-	-
Others		-	-	-	-
Financial assets - disclosed but not measured at fair value					
Investments		-	-	1,554,477	1,554,477
Cash and balances with treasury banks	6	-	-	371,319	371,319
Balances with other banks	7	-	-	77,866	77,866
Lendings to financial institutions	8	-	-	3,800,000	3,800,000
Advances	10	-	-	9,742,795	9,742,795
Other assets	15	-	-	3,382,153	3,382,153
Financial liabilities - disclosed but not measured at fair value					
Borrowings	15	-	-	113,480,048	113,480,048
Deposits and other accounts	16	-	-	5,627,397	5,627,397
Other liabilities		-	-	1,471,979	1,471,979

32.2 Fair value of non-financial assets

	(Un-audited) 30 September 2023 Level 1	**Level 2**	**Level 3**	**Total**
On balance sheet non-financial assets	**---- (Rupees in '000) ----**			
Non-banking assets acquired in satisfaction of claims	-	**215,200**	-	**215,200**
Property		-		-

	(Audited) 31 December 2022 Level 1	Level 2	Level 3	Total
On balance sheet non-financial assets	---- (Rupees in '000) ----			
Non-banking assets acquired in satisfaction of claims	-	158,086	-	158,086
	-	158,086	-	158,086

Methodology and Valuation Approach

The recent valuation performed by M/s. MYK Associates Private Limited dated 27 January 2023, assessed Rs.186.450 million as the market value of the land and Rs. 29.870 million for building component. The management of the Company has considered the revaluation gain in these financial statements and recorded the same as surplus on revaluation on non-banking assets.

33. SEGMENT INFORMATION

33.1 Segment Details with respect to Business Activities

The segment analysis with respect to business activity is as follow:

	30 September 2023 (Un-audited)					
	Investment Banking, Syndication & Advisory	Money Market	Capital Market	Corporate, Commercial & SME	Un-allocated / others	Total
	(Rupees in '000)					
Profit and loss						
Net mark-up / return / profit	148,927	1,505,884	(115,283)	(62,318)	(636,216)	840,995
Non mark-up / return / interest income	14,260	(23,524)	(77,807)	6,830	(141)	(80,383)
Total Income	163,186	1,482,360	(193,090)	(55,488)	(636,357)	760,612
Segment direct expenses	15,587	25,942	15,616	28,235	333,460	418,840
Inter segment expense allocation	8,731	101,870	7,023	11,500	5,155	134,279
Total expenses	24,318	127,812	22,639	39,735	338,615	553,119
(Reversal) / (recovery) / provision	81,145	(183)	(41,608)	183,716	(351,288)	(128,218)
Profit / (loss) before tax	57,723	1,354,731	(174,121)	(278,939)	(623,684)	335,711

	30 September 2023 (Un-audited)					
	Investment Banking, Syndication & Advisory	Money Market	Capital Market	Corporate, Commercial & SME	Un-allocated / others	Total
	(Rupees in '000)					
Statement of financial position						
Cash and bank balances	-	364,283	-	-	-	364,283
Investments	3,318,266	389,975,162	420,191	-	-	393,713,619
Lendings to financial institutions	-	530,567	-	-	-	530,567
Advances - performing	2,192,743	-	-	6,724,951	154,436	9,072,130
Advances - non-performing	523,439	-	-	863,438	-	1,386,877
Others	155,449	1,758,994	1,589	315,476	6,761,393	8,992,901
Less: Provision (Loan and advances)	(562,323)	-	-	(596,815)	(16)	(1,159,154)
Less: Provision (Investments)	(1,097,834)	(9,319)	-	-	-	(1,107,153)
Less: Provision (Lending)	-	(30,580)	-	-	-	(30,580)
Less: Provision (Others)	(13,389)	(9,757)	-	(22,459)	(14,917)	(60,522)
Total Assets	4,516,351	392,579,350	421,780	7,284,591	6,900,896	411,702,968
Borrowings	3,016,351	376,479,020	121,707	5,713,828	5,524,118	390,855,024
Subordinated debt	-	-	-	-	-	-
Deposits and other accounts	-	5,005,689	-	-	-	5,005,689
Net inter segment borrowing	-	-	-	-	-	-
Others	-	8,394,641	73	70,763	147,099	8,612,576
Total liabilities	3,016,351	389,879,350	121,780	5,784,591	5,671,217	404,473,289
Equity	1,500,000	2,700,000	300,000	1,500,000	1,229,679	7,229,679
Total equity and liabilities	4,516,351	392,579,350	421,780	7,284,591	6,900,896	411,702,968
Contingencies and commitments	1,269,355	-	-	2,842,184	350,274	4,461,813

	30 September 2022 (Un-audited)					
	Investment Banking, Syndication & Advisory	Money Market	Capital Markets	Corporate, Commercial & SME	Un-allocated / others	Total
	---------- (Rupees in '000) ----------					
Profit and loss						
Net mark-up/return/profit	118,537	458,165	(60,980)	20,450	(609,020)	(72,848)
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	11,986	4,609	7,340	11,954	(155,369)	(119,480)
Total Income	130,523	462,774	(53,640)	32,404	(764,389)	(192,328)
Segment direct expenses	11,189	23,611	14,419	21,067	318,694	388,980
Inter segment expense allocation	5,969	66,017	4,949	10,852	(87,787)	-
Total expenses	17,158	89,628	19,368	31,919	230,907	388,980
(Reversal) / (recovery) / provision	3,642	-	(64,914)	49,997	(391,103)	(402,378)
Profit / (loss) before tax	109,723	373,146	(8,094)	(49,512)	(604,193)	(178,930)

	31 December 2022 (Audited)					
	Investment Banking, Syndication & Advisory	Money Market	Capital Markets	Corporate, Commercial & SME	Un-allocated / others	Total
	---------- (Rupees in '000) ----------					
Statement of financial position						
Cash and bank balances	-	449,185	-	-	-	449,185
Investments	3,240,361	103,802,203	973,195	-		108,015,759
Net inter segment lending	-	-	-	-	-	-
Lendings to financial institutions	-	3,830,567	-	-	-	3,830,567
Advances - performing	1,117,356	-	-	8,317,835	149,123	9,584,314
Advances - non-performing	850,428	-	-	493,781	-	1,344,209
Others	88,802	1,707,498	-	234,970	2,040,973	4,072,243
						-
Less: Provision (Loan and advances)	(850,428)	-	-	(335,300)	-	(1,185,728)
Less: Provision (Investments)	(1,110,948)	(9,371)	(206,930)	-	-	(1,327,249)
Less: Provision (Lending)	-	(30,567)	-	-	-	(30,567)
Less: Provision (Others)	(13,389)	(9,757)	-	(22,459)	(16,444)	(62,049)
Total Assets	3,322,182	109,739,758	766,265	8,688,827	2,173,653	124,690,684
Borrowings	2,294,367	101,201,943	560,552	7,651,985	1,771,202	113,480,048
Subordinated debt	-	-	-	-	-	-
Deposits and other accounts	-	5,627,397	-	-	-	5,627,397
Net inter segment borrowing	-	-	-	-	-	-
Others	-	1,060,351	150	9,027	402,451	1,471,979
Total liabilities	2,294,367	107,889,691	560,702	7,661,012	2,173,653	120,579,424
Equity	1,027,815	1,850,067	205,563	1,027,815	-	4,111,260
Total equity and liabilities	3,322,182	109,739,758	766,265	8,688,827	2,173,653	124,690,684
Contingencies and commitments	2,176,888	-	-	2,251,435	355,266	4,783,589

34. RELATED PARTY TRANSACTIONS

The Company has related party relationship with its parent, associate, joint venture, subsidiary, state controlled entities (by virtue of government shareholding), companies with common directorships, employees benefit plans, key management personnel and its directors.

The Company enters into transactions with related parties in the normal course of business. The transactions were carried out at contracted rates. Transactions with key management personnels are governed by the applicable policies and / or terms of employment / office. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the entity. Key management personnel herein include those executives reporting directly to CEO / MD.

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

	30 September 2023 (Un-audited)							31 December 2022 (Audited)						
	Parent	Directors	Key manage-ment personnel	Subsidiaries	Associates	Joint venture	Other related parties (1)	Parent	Directors	Key manage-ment personnel	Subsidiaries	Associates	Joint venture	Other related parties (1)
	(Rupees in '000)													
Balances with other banks														
In current accounts	-	-	-	-	-	-	267,595	-	-	-	-	-	-	364,522
In deposit accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	267,595	-	-	-	-	-	-	364,522
Lendings to financial institutions														
Opening balance	-	-	-	-	-	-	700,000	-	-	-	-	-	-	700,000
Addition during the period / year	-	-	-	-	-	-	18,226,932	-	-	-	-	-	-	34,914,675
Repaid during the period / year	-	-	-	-	-	-	(18,926,932)	-	-	-	-	-	-	(34,914,675)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-	-	700,000
Investments														
Opening balance	-	-	-	-	1,500	704,867	105,980,630	-	-	-	-	1,500	704,867	25,351,437
Investment made during the period / year	-	-	-	-	-	-	999,772,416	-	-	-	-	-	-	148,255,615
Investment redeemed / disposed off during the period / year	-	-	-	-	-	-	(715,847,324)	-	-	-	-	-	-	(67,626,422)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	1,500	704,867	389,905,722	-	-	-	-	1,500	704,867	105,980,630
Provision for diminution in value of investments	-	-	-	-	-	704,867	50,000	-	-	-	-	-	704,867	50,000
Surplus / (deficit) in value of investments	-	-	-	-	-	-	33,522	-	-	-	-	-	-	(2,119,625)
Advances														
Opening balance	-	-	76,051	-	-	-	24,199	-	-	71,150	-	-	-	20,690
Addition during the period / year	-	-	9,350	-	-	-	-	-	-	25,144	-	-	-	7,037
Repaid during the period / year	-	-	(10,997)	-	-	-	(2,900)	-	-	(14,007)	-	-	-	(3,185)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	(6,236)	-	-	-	(343)
Closing balance	-	-	74,404	-	-	-	21,299	-	-	76,051	-	-	-	24,199
Provision held against advances	-	-	8	-	-	-	2	-	-	-	-	-	-	-

	30 September 2023 (Un-audited)							31 December 2022 (Audited)						
	Parent	Directors	Key manage-ment personnel	Subsidiaries	Associates	Joint venture	Other related parties (1)	Parent	Directors	Key manage-ment personnel	Subsidiaries	Associates	Joint venture	Other related parties (1)
	(Rupees in '000)													
Other Assets														
Interest / mark-up accrued	-	-	4,202	-	1,681	-	1,752,566	-	-	3,119	-	-	-	1,373,680
Receivable from staff retirement fund	-	-	-	-	-	-	82	-	-	-	-	-	-	-
Other receivable (2)	-	5,983	-	-	3,163	-	-	-	5,983	-	-	2,715	-	-
Other advances	-	-	960	-	-	-	240	-	12,333	860	-	-	-	80
Advance taxation	-	-	-	-	-	-	4,792,274	-	-	-	-	-	-	1,282,849
Provision against other assets	-	(5,983)	-	-	-	-	-	-	(5,983)	-	-	-	-	-
Borrowings														
Opening balance	-	-	-	-	-	-	72,867,075	-	-	-	-	-	-	18,166,656
Borrowings during the period / year	-	-	-	-	-	-	2,994,332,355	-	-	-	-	-	-	676,106,640
Settled during the period / year	-	-	-	-	-	-	(2,682,740,074)	-	-	-	-	-	-	(621,406,221)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	384,459,356	-	-	-	-	-	-	72,867,075
Subordinated debt														
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issued / Purchased during the period / year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Redemption / Sold during the period / year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts														
Opening balance	-		1,000	-	265,000	-	4,385,413	-	-	-	-	225,000	-	3,723,760
Received during the period / year	-	161,707	6,800	-	825,000	-	18,612,294	-	-	4,500	-	640,000	-	27,214,832
Withdrawn during the period / year	-	(131,707)	(6,800)	-	(815,000)	-	(19,248,624)	-	-	(3,500)	-	(600,000)	-	(26,553,180)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	30,000	1,000	-	275,000	-	3,749,083	-	-	1,000	-	265,000	-	4,385,413
Other Liabilities														
Interest / mark-up payable	-	55	21	-	863	-	8,154,196	-	-	5	-	8,502	-	1,045,197
Payable to staff retirement fund	-	-	-	-	-	-	1,708	-	-	-	-	-	-	-
Other liabilities	8,596	1,138	1,707	-	-	-	7,890	6,791	3,265	2,347	-	-	-	966
Contingencies and Commitments														
Other contingencies	-	-	-	-	-	894,453	348,141	-	-	-	-	-	882,959	348,141

	30 September 2023 (Un-audited)							30 September 2022 (Un-audited)						
	Parent	Directors	Key manage-ment personnel	Subsidiaries	Associates	Joint venture	Other related parties (1)	Parent	Directors	Key manage-ment personnel	Subsidiaries	Associates	Joint venture	Other related parties (1)
	(Rupees in '000)													
Income														
Mark-up / return / interest earned -net	-	-	3,398	-	-	-	47,101,712	-	-	1,385	-	4,150	-	2,707,645
Fee and commission income			-	-	-	-	-	-	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-	4,688	-	-	-	-	-	-	5,850
Gain on sale of securities - net	-	-	-	-	-	-	16,337	-	-	-	-	-	-	(38,088)
Gain on disposal of fixed assets	-	-	-	-	-	-	-	-	4,070	-	-	-	-	-
Expense														
Mark-up / return / interest expensed	-	2,610	209	-	40,611	-	44,185,978	-	-	-	-	23,480	-	2,724,270
Operating expenses														
Office maintenance and related expenses	-	1,275	-	-	10,732	-	-	-	1,275	-	-	14,665	-	-
Non-executive directors' remuneration	-	2,900	-	-	-	-	-	-	3,600	-	-	-	-	-
Board meeting expense	-	3,324	-	-	-	-	-	-	497	-	-	-	-	-
Remunerations (3)	-	193,131	65,603	-	-	-	16,361	-	117,586	70,467	-	-	-	20,209
Contribution to defined contribution plan	-	5,504	1,992	-	-	-	313	-	3,125	1,521	-	-	-	456
Contribution to defined benefit plan	-	9,915	5,413	-	-	-	750	-	3,330	3,893	-	-	-	924
Depreciation	-	9,690	864	-	-	-	158	-	16,754	639	-	-	-	155
Other charges														
Others	-	-	-	-	-	5,330	-	-	-	-	-	-	3,102	-
Insurance premium paid	-	-	-	-	-	-	-	-	-	-	-	-	1,497	-
Insurance claims settled	-	-	-	-	-	-	-	-	-	-	-	-	-	-

(1) It includes state controlled entities, certain other material risk takers and controllers.

(2) In financial year 2017, Rs. 26.110 million was paid to former Deputy Managing Director (DMD) of the Company, who was relocated to Libya on 31 March 2017, on account of depreciation benefit, transportation cost and tax paid by the Company. The Board subsequently resolved that the said benefits will be recovered from former DMD partly from sale proceeds of the car surrendered by former DMD to the Company and partly from actual payment. The car was disposed off in financial year 2018 against sale proceeds of Rs. 9.110 million in addition to actual cash received amounting to Rs. 11.004 million. The management has been following up for the remaining amount of 5.983 million, which is appearing in other receivables under other assets (Note 14).

(3) Executives directors and key management personnel are also entitled to the usage of certain Company assets as per their terms of employment.

(4) Transactions with owners have been disclosed in "Statement of changes in equity".

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

35. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):

	30 September 2023	31 December 2022
Paid-up capital (net of losses)	5,922,048	5,743,321

Capital Adequacy Ratio (CAR):

	30 September 2023	31 December 2022
Eligible Common Equity Tier 1 (CET 1) Capital	6,309,341	3,848,552
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	6,309,341	3,848,552
Eligible Tier 2 Capital	725,041	-
Total Eligible Capital (Tier 1 + Tier 2)	7,034,382	3,848,552
Risk Weighted Assets (RWAs):		
Credit Risk	19,498,323	16,788,028
Market Risk	2,267,367	5,178,866
Operational Risk	1,419,877	1,147,177
Total	23,185,567	23,114,071
Common Equity Tier 1 Capital Adequacy ratio	27.21%	16.65%
Tier 1 Capital Adequacy Ratio	27.21%	16.65%
Total Capital Adequacy Ratio	30.34%	16.65%

Leverage Ratio (LR):

	30 September 2023	31 December 2022
Eligible Tier-1 Capital	6,309,341	3,848,552
Total Exposures	416,366,748	127,595,889
Leverage Ratio	1.52%	3.02%

Liquidity Coverage Ratio (LCR):

	30 September 2023	31 December 2022
Total High Quality Liquid Assets	5,030,284	3,064,721
Total Net Cash Outflow	8,913,830	929,716
Liquidity Coverage Ratio	56.43%	329.64%

Net Stable Funding Ratio (NSFR):

	30 September 2023	31 December 2022
Total Available Stable Funding	16,655,461	14,727,968
Total Required Stable Funding	14,007,683	12,324,858
Net Stable Funding Ratio	118.90%	119.50%

The Company has applied transational arrangement as per the IFRS-9 application instructions for the absorption of ECL for Capital Adequacy Ratio purpose. The Company has added back the transitional adjustment amount of 90% of Stage 1 and Stage 2 provisions to CET 1 Capital. Had the transition arrangement not been applied, the CAR and leverage ratio would be declined to 29.63% and 1.48% respectively. Furthermore, SBP has granted exemption in meeting minimum LR requirement of 3% and reduced it up to 1% till 30 June 2024.

The Company, being a conventional financial institution / DFI, does not have any Islamic banking operation / activities.

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

36. CASH AND CASH EQUIVALENTS

	Note	2023	2022
Term deposit receipts (TDRs) / Reverse Repo	8	**499,987**	2,700,000
Cash and balance with treasury banks	6	**276,128**	314,109
Balance with other banks	7	**88,155**	74,208
Others		**-**	-
		864,269	3,088,317

36.1 These term deposit receipts (TDRs) / Reverse Repo are due for mature in October 2023.

37. NON-ADJUSTING EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There is no event subsequent to the statement of financial position date that requires disclosure in these condensed interim financial statements.

38. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on 15 Nov 2023 by the Board of Directors of the Company.

39. GENERAL

39.1 In its latest rating announcement (June 2023), the Pakistan Credit Rating Agency Limited (PACRA) has maintained the Company's rating of AA- (Double A Minus) in the long term and A1+ (A One Plus) in the short term (with Positive outlook assigned to ratings).

39.2 Amounts in these condensed interim financial statements have been rounded off to the nearest thousand rupee, unless otherwise stated.

39.3 Certain comparative figures have been reclassified in order to present information on a basis consistent with current year / period.

Chief Financial Officer | **Managing Director & CEO**

Director | **Director**