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 31st March 2023 together with Directors' review thereon.

Performance review

The Company generated profit before tax of PKR 308.95 million during the period under review as compared to loss before tax of PKR 69.25 million in the corresponding period last year. At start of the financial year 2023, the Company adopted 'IFRS 9: Financial Instruments' resulted an expected credit loss provision of PKR 93.05 million, however for comparative purposes PKR 80.20 million has been recorded in accumulated profit/(loss) whilst PKR 12.85 million has been charged to profit and loss account in current period.

Gross mark-up income during the period was PKR 5,217.59 million compared to PKR 895.48 million in corresponding period. Since September 2021, the interest rates have been increasing continuously; during the first four months of the current year there was an increase of further 500 bps resulted in discount rate stood at 22 percent. Consequently, the Company realigned its government securities portfolio through which the net interest income (NII) has shown significant improvement.

Considering delay in IMF agreement, huge volatility in interest rate curve together with increase in frequency of MPC meetings, the policy rate setting has become a speculative matter showing negative market sentiments (in forex, capital and money markets) and uncertain future outlook.

During the period, the Company generated net cash flows of PKR 87.69 billion from its operations as compared to PKR 1.24 billion in corresponding period mainly due to increase in borrowing. The total assets of the Company have increased to PKR 213.24 billion – an increase of around PKR 88.55 billion (compared to financial yearend 2022) mainly in government securities investment portfolio.

The summarised financial results for the period are as follows:

Description	**Quarter Ended 31st March 2023 (3ME23)**	**Quarter Ended 31st March 2022 (3ME22)**
	PKR '000	
Profit/(loss) before taxation	308,946	(69,247)
Taxation	70,672	9,599
Profit/(loss) after taxation	238,274	(78,846)
Earnings/(loss) per share (Rupees)	292.66	(96.84)

Future prospects

The global conflicts coupled with torrential weather crises related health and infrastructure issues, impacted the economy severely as the Country has been facing critical challenges including increased inflation, oil and energy prices, continuous 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 however required results have not been achieved yet. Consequently, these factors also impacted overall business environment of the Company.

The management is focusing on all 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 recently submitted budgetary estimates to the Board together with steps to improve the Company's liquidity, profitability and cash flows via active cost saving and other measures. Moreover, the successful materialisation of disposal of non-banking assets amounting to PKR 1.00 billion, is the most significant positive outcome which has far-reaching positive impacts on Company's sustainability and growth vis-à-vis time value of money. The management is confident that the MCR shortfall will be bridge through organic growth.

The disposal of Power Plant (non-banking assets), 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

-sd/-

Bashir B Omer
Deputy Managing Director

-sd/-

Khurram Hussain
Managing Director & CEO

4th May 2023

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Note	(Un-audited) 31 March 2023	(Un-audited) 31 December 2022
		------- (Rupees in '000) -------	
ASSETS			
Cash and balances with treasury banks	6	**188,548**	371,319
Balances with other banks	7	**106,319**	77,866
Lendings to financial institutions	8	**2,487,847**	3,799,903
Investments	9	**194,680,105**	106,687,497
Advances	10	**10,332,467**	9,663,711
Property and equipment	11	**1,250,728**	68,872
Right-of-use assets	12	**-**	-
Intangible assets	13	**334**	452
Deferred tax asset - net	14	**136,840**	400,631
Other assets	15	**3,842,937**	3,382,153
Non-banking assets acquired in satisfaction of claim - held for sale	15.1	**215,946**	158,086
		213,242,070	124,610,490
LIABILITIES			
Bills payable	17	-	-
Borrowings	18	**201,325,271**	113,480,048
Deposits and other accounts	19	**5,481,124**	5,627,397
Lease liabilities	20	-	-
Sub-ordinated loans	21	-	-
Deferred tax liabilities	22	-	-
Other liabilities	23	**1,918,070**	1,471,985
		208,724,465	120,579,430
NET ASSETS		**4,517,605**	4,031,060
REPRESENTED BY			
Share capital		**8,141,780**	8,141,780
Reserves		**380,654**	380,654
Surplus / (Deficit) on revaluation of assets - net of tax	24	**(1,774,464)**	(2,012,716)
Unappropriated / unremitted (loss)		**(2,230,365)**	(2,478,659)
		4,517,605	4,031,060
CONTINGENCIES AND COMMITMENTS	25		

The annexed notes 1 to 45 form an integral part of these condensed interim financial statements.

-sd/-
Chief Financial Officer

-sd/-
Managing Director & CEO

-sd/-
Director

-sd/-
Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE FIRST QUARTER ENDED 31 MARCH 2023

	Note	Quarter ended March 2023	March 2022
		------- (Rupees in '000) -------	
Mark-up / return / interest earned	27	**5,217,589**	895,482
Mark-up / return / interest expensed	28	**5,024,617**	880,453
Net mark-up / interest income		**192,972**	15,029
NON MARK-UP / INTEREST INCOME			
Fee and commission income	29	**5,478**	2,141
Dividend income		**22,434**	20,222
Foreign exchange income		**41**	4
Income / (loss) from derivatives		-	-
Gain / (loss) on securities - net	30	**5,002**	2,710
Net gains/(loss) on derecognition of financial assets measured at amortised cost		**-**	-
Other income	32	**23**	(145)
Total non mark-up / interest income		**32,978**	24,932
Total Income		**225,950**	39,961
NON MARK-UP/INTEREST EXPENSES			
Operating expenses	33	**154,540**	113,082
Workers welfare fund		-	-
Other charges	34	**6,569**	5,122
Total non mark-up / interest expenses		**161,109**	118,204
Profit / (loss) before credit loss allowance		**64,841**	(78,243)
Credit loss allowance / (reversal) and write offs - net	35	**(244,105)**	(8,996)
Extraordinary / unusual items		-	-
PROFIT / (LOSS) BEFORE TAXATION		**308,946**	(69,247)
Taxation	36	**70,672**	9,599
PROFIT / (LOSS) AFTER TAXATION		**238,274**	(78,846)
		------- (Rupees) -------	
Basic earnings / (loss) per share	37	**292.66**	(96.84)
Diluted earnings / (loss) per share	38	**292.66**	(96.84)

The annexed notes 1 to 45 form an integral part of these condensed interim financial statements.

-sd/-
Chief Financial Officer

-sd/-
Managing Director & CEO

-sd/-
Director

-sd/-
Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE FIRST QUARTER ENDED 31 MARCH 2023

	Note	Quarter ended March 2023	Quarter ended March 2022
		-------------(Rupees in '000)---------	
Profit / (loss) after taxation		**238,274**	**(78,846)**
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		1,197,449	(114,472)
Others		-	-
		1,197,449	(114,472)
Items that will not be reclassified to profit and loss account in subsequent periods:			
Remeasurement gain on defined benefit obligations		-	-
Movement in surplus / (deficit) on revaluation of debt investments through Amortized Cost - net of tax		(1,777,314)	
Movement in surplus / (deficit) on revaluation of equity investments - net of tax		(33,967)	-
Movement in surplus on revaluation of operating fixed assets - net of tax		810,739	-
Movement in surplus on revaluation of non-banking assets - net of tax		41,345	-
		(959,197)	-
Total comprehensive income / (loss)		**476,526**	**(193,318)**

The annexed notes 1 to 45 form an integral part of these condensed interim financial statements.

-sd/-
Chief Financial Officer

-sd/-
Managing Director & CEO

-sd/-
Director

-sd/-
Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE FIRST QUARTER ENDED 31 MARCH 2023

	Share capital		Surplus/(Deficit) on revaluation of			
	Head office capital account	Statutory reserve	Investments	Propoerty & Equipment / Non Banking Assets	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	-	-	-	-	(78,846)	(78,846)
Other comprehensive income - net of tax	-	-	-	-	-	-
Effect of translation of net investment in foreign branches	-	-	-	-	-	-
Movement in surplus / (deficit) on revaluation of investments in debt instruments - net of tax	-	-	(95,420)	-	-	(95,420)
Debt investments at FVOCI – reclassified to profit or loss	-	-	-	-	-	-
Movement in surplus / (deficit) on revaluation of investments in equity instruments - net of tax	-	-	(19,052)	-	-	(19,052)
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			(114,472)			(114,472)
Opening balance as at 01 April 2022	**8,141,780**	**380,654**	**(961,833)**	**-**	**(2,179,061)**	**5,381,540**
Profit / (loss) after taxation for the period	-	-	-	-	(307,853)	(307,853)
Other comprehensive income - net of tax						
Effect of translation of net investment in foreign branches	-	-	-	-	-	-
Movement in surplus / (deficit) on revaluation of investments in debt instruments - net of tax	-	-	(906,649)	-	-	(906,649)
Debt investments at FVOCI – reclassified to profit or loss	-	-	-	-	-	-
Movement in surplus / (deficit) on revaluation of investments in equity instruments - net of tax	-	-	(144,234)	-	-	(144,234)
Remeasurement gain / (loss) 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	-	-	(1,050,883)	-	8,255	(1,042,628)
Opening balance as at 01 January 2023	**8,141,780**	**380,654**	**(2,012,716)**	**-**	**(2,478,659)**	**4,031,059**
Profit / (loss) after taxation for the current period					238,274	238,274
Other comprehensive income - net of tax						
Effect of translation of net investment in foreign branches	-	-	-	-	-	-
Movement in surplus / (deficit) on revaluation of investments in debt instruments - net of tax	-	-	(579,865)	-	-	(579,865)
Debt investments at FVOCI – reclassified to profit or loss	-	-	-	-	-	-
Movement in surplus / (deficit) on revaluation of investments in equity instruments - net of tax	-	-	(33,967)	-	-	(33,967)
Remeasurement gain / (loss) on defined benefit obligations - net of tax	-	-	-	-	-	-
Movement in surplus on revaluation of property and equipment - net of tax	-	-	-	820,759	-	820,759
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	41,345	-	41,345
Total other comprehensive income - net of tax	-	-	(613,832)	862,104	-	248,272
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	(10,020)	10,020	-
Closing balance as at 31 March 2023	**8,141,780**	**380,654**	**(2,626,548)**	**852,084**	**(2,230,365)**	**4,517,605**

The annexed notes 1 to 45 form an integral part of these condensed interim financial statements.

-sd-/
Chief Financial Officer

-sd/-
Managing Director & CEO

-sd/-
Director

-sd/-
Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE FIRST QUARTER ENDED 31 MARCH 2023

	Note	Quarter ended March 2023	Quarter ended March 2022
		----------(Rupees in '000)----------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		308,946	(69,247)
Less: Dividend income		(22,434)	(20,222)
		286,512	(89,469)
Adjustments:			
Depreciation		20,984	9,859
Depreciation on right-of-use assets		-	-
Amortization		118	204
(Reversal) / Credit loss allowance and write offs	10.3	(225,211)	(8,472)
Impairment of assets	9.1	1,199	435
Reversal of provision against lendings to financial institutions	8.2	-	-
(Reversal) of provision / provision against other assets		-	-
Provision against contingencies		-	-
Provision / (reversal) of provision for diminution in the value of investments - net	9.2.1	(18,894)	(524)
Loss/(Gain) on sale of operating fixed assets	30	(23)	161
		(221,827)	1,663
		64,685	(87,806)
(Increase) / decrease in operating assets			
Lendings to financial institutions		1,000,000	1,100,003
Securities classified as FVTPL		(549,392)	(4,224)
Advances		(444,636)	293,534
Others assets (excluding advance taxation)		230,368	414,388
		236,340	1,803,701
Increase / (decrease) in operating liabilities			
Bills payable		-	-
Borrowings from financial institutions		87,845,223	(1,035,053)
Deposits		(146,273)	509,587
Other liabilities		446,085	229,936
		88,145,035	(295,530)
		88,446,060	1,420,365
Payments against off-balance sheet obligations			
Mark-up / Interest received		-	-
Mark-up / Interest paid		-	-
Income tax paid		(756,816)	(176,671)
Net cash generated from operating activities		87,689,244	1,243,694
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in amortized cost securities		(21,949,208)	114,558
Net investment in securities classified as FVOCI		(66,177,386)	(130,987)
Dividend received		17,350	16,472
Investments in property and equipment		(46,471)	(2,499)
Disposal of property and equipment		23	10
Net cash flow (used) in investing activities		(88,155,693)	(2,446)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts/payments of subordinated debt		-	-
Receipts/payments of lease obligations		-	-
Payments of lease obligations against right-of-use assets		-	-
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		(466,449)	1,241,248
Cash and cash equivalents at beginning of the period		3,249,185	3,007,839
Cash and cash equivalents at end of the period	42	2,782,736	4,249,087

The annexed notes 1 to 45 form an integral part of these condensed interim financial statements.

-sd/-
Chief Financial Officer

-sd/-
Managing Director & CEO

-sd/-
Director

-sd/-
Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE FIRST QUARTER ENDED 31 MARCH 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 31 March 2023 amounted to Rs. 5.911 billion (31 December 2022: Rs. 5.762 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 due to which additional provision on loans and investments have been recorded in these financial statements.

The management is confident that, MCR shortfall will be bridged through organic growth and 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. The comparative figures include expected credit loss impact under IFRS 9 (for camparison purposes) however are un-audited.

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 unconsolidated financial statements are consistent with those applied in the preparation of the audited annual unconsolidated financial statements of the Company for the year ended 31 December 2022 other than those described below;

3.1 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 o profit or loss on derecognition
- Financial assets 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, 31 December 2022, and then applied retrospectively to those financial assets that were not derecognised before 31 December 2022. 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 securities have been classified as FVTPL because of their contractual cash flow characteristics. 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 favourable 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 intentions and objectives.

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 realizing 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 financial statements.

The adoption of the ECL requirements of IFRS 9 resulted in increases in impairment allowances of the Company's debt financial assets. The increase in allowance resulted in adjustment to the retained earnings as at 31 December 2022 therefore has been disclosed as un-audited.

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 31 December 2022, due from banks with fixed or determinable payments that were not quoted in an active market, were carried at amortized cost.

From 31 December 2022 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 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 methoc

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 lendings 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 methoc

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 unconsolidated 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 unconsolidated 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 the unconsolidated 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 unconsolidated profit and loss account.

Policy under IFRS 9

Classification

Debt intruments
A debt instrument is measured at amortised cost if it meets 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 realizing cash flows through the sale of the assets;

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the 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 realized.

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 de minimis 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 intruments

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

Intial 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 Measurment

Debt instruments at Amortized 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 Credil 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 profit or loss. The accumulated loss recognised in OCI is recycled to the 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 or 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 intruments) at fair value through profit or loss

Financial assets (both equity and debt) at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in 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 31 December 2022, 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 unconsolidated 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 unconsolidated profit and loss account.

Policy under IFRS 9

From 31 December 2022, 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.

Impairment of loan and advances

Overview of the ECL principles

The adoption of IFRS 9 has fundamentally changed the Company's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 31 December 2022, 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 behavrioural 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 regualtion. Therefore, the stage 3 provining are aligned with regualtory 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.

Irrevokable and revokable

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 the income statement, 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 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 notbeen 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 realization and lack of historical experience to demonstrate recoveries through realization 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 off.

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 establishec

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 unconsolidated 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.

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

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 financial statements other than certain additional disclosures.

New or Revised Standard or Interpretation	**Effective Date (Annual periods beginning**
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended	01 April, 2021
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual	01 January, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before	01 January, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent	01 January, 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9,	01 January, 2022
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

3.3 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 applicatior

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 Leasebacl	01 January, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current Liabilities with Covenant	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 this 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 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 each statement of financial position 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 profit and loss account to the extent of the previous deficit and thereafter in the surplus on the revaluation of property & equipment

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 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 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 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 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 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.

	Note	(Un-audited) 31 March 2023	(Un-audited) 31 December 2022
		------- (Rupees in '000) -------	
6 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		**6**	6
Foreign currency		**8,506**	6,791
		8,512	6,797
With State Bank of Pakistan in			
Local currency current account	6.1	**179,502**	363,260
		179,502	363,260
With other central banks in			
Foreign currency current account		**-**	-
Foreign currency deposit account		**-**	-
		-	-
With National Bank of Pakistan in			
Local currency current account		**105**	1,262
Local currency deposit account		**429**	-
		534	1,262
Prize bonds		**-**	-
Less: Credit loss allowance held against cash and balances with treasury banks		**-**	-
Cash and balances with treasury banks - net of credit loss allowance		**188,548**	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) 31 March 2023	(Un-audited) 31 December 2022
7 BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		**27,659**	14,984
In deposit accounts	7.1	**78,659**	62,882
		106,319	77,866
Outside Pakistan			
In current accounts		-	-
In deposit accounts		-	-
		-	-
Less: Credit loss allowance held against balances with other bank		-	-
Balances with other banks - net of credit loss allowance		**106,319**	77,866

7.1 The return on these balances is 14.50 to 18.50 (31 December 2022: 8.25 to 14.50) percent per annum.

	Note	(Un-audited) 31 March 2023	(Un-audited) 31 December 2022
8 LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lending	8.1.1	**1,030,567**	3,830,567
Repurchase agreement lendings (Reverse Repo)		**1,487,869**	-
		2,518,435	3,830,567
Less: Credit loss allowance held against lending to financial institutions	8.2	**(30,589)**	(30,664)
Lending to financial institutions - net of provision		**2,487,847**	3,799,903
8.1 Particulars of lending			
In local currency		**2,487,847**	3,799,903
In foreign currencies		-	-
		2,487,847	3,799,903

8.1.1 Call / clean money lending includes term deposit receipts carrying mark-up at rate at 17.50 (31 December 2022: 16.70 to 17.40) percent per annum. These are due to be matured by 25 April 2023.

8.2 Lending to FIs- Particulars of credit loss allowance

		(Un-audited) 31 March 2023		(Un-audited) 31 December 2022	
		Lending	Credit loss allowance held	Lending	Credit loss allowance held
Domestic		------- (Rupees in '000) -------		------- (Rupees in '000) ------	
Performing	Stage 1	**2,487,869**	**(22)**	3,800,000	(97)
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		**2,518,435**	**(30,589)**	3,830,567	(30,664)

Overseas

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

9 INVESTMENTS

9.1 Investments by type:

	Note	(Un-audited) 31 March 2023				(Un-audited) 31 December 2022			
		Cost / Amortised cost	Credit loss allowance	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Credit loss allowance	Surplus / (Deficit)	Carrying Value
		(Rupees in '000)				(Rupees in '000)			
FVTPL									
Federal Government securities		-	-	-	-	-	-	-	-
Provincial Government securities		-	-	-	-	-	-	-	-
Shares		554,787	(167,782)	(1,642)	385,362	5,395	-	(443)	4,952
Non Government debt securities		-	-	-	-	-	-	-	-
Foreign securities		-	-	-	-	-	-	-	-
		554,787	(167,782)	(1,642)	385,362	5,395	-	(443)	4,952
FVOCI									
Federal Government securities		172,488,965	-	(678,023)	171,810,942	105,639,836	-	(2,046,407)	103,593,429
Provincial Government securities		-	-	-	-	-	-	-	-
Shares		830,069	(122,348)	(286,768)	420,953	1,416,484	(292,360)	(247,322)	876,802
Non Government debt securities	9.1.5	2,354,706	(306,990)	(20,100)	2,027,616	2,440,034	(324,664)	(20,292)	2,095,078
Foreign securities		-	-	-	-	-	-	-	-
		175,673,740	(429,338)	(984,891)	174,259,511	109,496,354	(617,024)	(2,314,021)	106,565,309
Amortised Cost									
Federal Government securities		21,943,867	-	(2,031,216)	19,912,651	-	-	-	-
Provincial Government securities		-	-	-	-	-	-	-	-
Non Government debt securities		127,449	(6,368)	-	121,080	122,107	(6,371)	-	115,736
Foreign securities		-	-	-	-	-	-	-	-
		22,071,315	(6,368)	(2,031,216)	20,033,731	122,107	(6,371)	-	115,736
Associates	9.1.1, 9.1.2, 9.1.3 & 9.1.4	706,367	(704,867)	-	1,500	706,367	(704,867)	-	1,500
Subsidiaries		-	-	-	-	-	-	-	-
Total Investments		199,006,209	(1,308,355)	(3,017,749)	194,680,105	110,330,223	(1,328,262)	(2,314,464)	106,687,497

* The deferred bonus related to eligible empoyees have been invested/revinvested in market treasury bills amounting to Rs. 2.842 million (31 December 2022: 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 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 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 building housing 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.

In this regard, SBP has given its final approval for the period till 27 October 2021 however the Bank has requested a separate in-principal approval (similar to prior year) for the period covering till 27 October 2022.

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. Therefore, management has provided impairment on the said TFCs based on expected credit loss amounting to Rs. 0.492 million due to early adoption of IFRS 9: Financial Instruments, in these financial statements.

9.1.6 Investments given as collateral

	Note	**(Un-audited) 31 March 2022**	(Un-audited) 31 December 2022
		Cost	
		------- (Rupees in '000) -------	
Market treasury bills		**95,603,800**	32,825,049
Pakistan investment bonds		**93,751,249**	67,773,333
		189,355,049	22,701,000

9.2 Credit loss allowance for diminution in value of investments

9.2.1 Opening balance		**1,327,249**	1,378,756
Add: adjustments during the period / year		-	-
Charge / reversals			
Charge for the year		**679**	34,613
(Reversal) / charge for the year		**(17,344)**	-
Reversal on disposals		**(2,229)**	(86,120)
		(18,894)	(51,507)
Transfers / mark-to-market - net		**-**	-
Amounts written off		-	-
Closing balance	9.1	**1,308,355**	1,327,249

9.2.2 Particulars of credit loss allowance against debt securities

Category of classification		**(Un-audited) 31 March 2023**		(Un-audited) 31 December 2022	
		Outstanding amount	**Credit loss allowance Held**	Outstanding amount	Credit loss allowance Held
Domestic		---------------------- (Rupees in '000) ----------------------			
Performing	Stage 1	**1,662,085**	**186**	1,668,513	226
Underperforming	Stage 2	**398,580**	**493**	454,603	786
Non-performing	Stage 3				
Substandard		**99,920**	**11,209**	99,920	11,209
Doubtful		**-**	**-**	-	-
Loss		**301,470**	**301,469**	318,813	318,813
		401,390	**312,678**	418,733	330,022
Total		**2,462,055**	**313,357**	2,541,849	331,034

Overseas

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

10 ADVANCES

	Performing		Non Performing		Total	
	(Un-audited) 31 March 2023	(Un-audited) 31 December 2022	**(Un-audited) 31 March 2023**	(Un-audited) 31 December 2022	**(Un-audited) 31 March 2023**	(Un-audited) 31 December 2022
	------------------------------------- Rupees in 000 -------------------------------------					
Loans, cash credits, running finances, etc.	**10,195,320**	9,584,314	**1,177,839**	1,344,209	**11,373,159**	10,928,523
Islamic financing and related assets	**-**	-	**-**	-	**-**	-
Bills discounted and purchased	**-**	-	**-**	-	**-**	-
Advances - gross	**10,195,320**	9,584,314	**1,177,839**	1,344,209	**11,373,159**	10,928,523
Credit loss allowance against advances						
-Stage 1	**10,008**	4,992	**-**	-	**10,008**	4,992
-Stage 2	**82,377**	74,140	**-**	-	**82,377**	74,140
-Stage 3	**-**	-	**948,307**	1,185,680	**948,307**	1,185,680
	92,385	79,132	**948,307**	1,185,680	**1,040,692**	1,264,812
	10,102,935	9,505,182	**229,532**	158,529	**10,332,467**	9,663,711

10.1 Particulars of advances (Gross)

	(Un-audited) 31 March 2023	(Un-audited) December 2022
	---- (Rupees in '000) ----	
In local currency	**11,373,159**	10,928,523
In foreign currency	**-**	-
	11,373,159	10,928,523

10.2 Advances include Rs.1,177.839 million (31 December 2022: Rs.1,344.209 million) which have been placed under non-performing status as detailed below:-

	(Un-audited) 31 March 2023		(Un-audited) 31 December 2022	
	Non performing loans	**Credit loss allowance**	Non performing loans	Credit loss allowance
Domestic	--------- Rupees in 000 ---------		--------- Rupees in 000 ---------	
Other Assets Especially Mentioned (OAEM)	-	**-**	-	-
Substandard	-	**-**	-	-
Doubtful	**200,000**	**100,000**	200,000	100,000
Loss	**977,839**	**848,307**	1,144,209	1,085,680
	1,177,839	**948,307**	1,344,209	1,185,680

Overseas

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

10.3 Particulars of provision against advances

	(Un-audited) 31 March 2023				(Un-audited) 31 December 2022			
	Stage 3	**Stage 2**	**Stage 1**	**Total**	Stage 3	Stage 2	Stage 1	Total
	Rupees in 000				Rupees in 000			
Opening balance	**1,185,680**	**-**	**48**	**1,185,728**	1,147,510	-	53	1,147,563
Exchange adjustments	**-**	**-**	**-**	**-**	-	-	-	-
Charge for the period / year	**73,500**	**82,377**	**9,968**	**165,846**	100,000	74,140	4,944	179,084
Reversal	**(310,873)**	**-**	**(9)**	**(310,882)**	(61,830)	-	(5)	(61,835)
	(237,373)	**82,377**	**9,959**	**(145,036)**	38,170	74,140	4,939	117,249
Amounts written off	**-**	**-**	**-**	**-**	-	-	-	-
Amounts charged off - agriculture financing	**-**	**-**	**-**	**-**	-	-	-	-
Closing balance	**948,307**	**82,377**	**10,007**	**1,040,692**	1,185,680	74,140	4,992	1,264,812

10.3.1 Particulars of provision against advances

In local currency	**948,307**	**82,377**	**10,007**	**1,040,692**	1,185,680	74,140	4,992	1,264,812
In foreign currency	**-**	**-**	**-**	**-**	-	-	-	-
	948,307	**82,377**	**10,007**	**1,040,692**	1,185,680	74,140	4,992	1,264,812

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) 31 March 2023			(Un-audited) 31 December 2022		
	Stage 1	**Stage 2**	**Stage 3**	Stage 1	Stage 2	Stage 3
		Rupees in '000			Rupees in '000	
10.4.1 Opening balance	-	-	-	-	-	-
New Advances	**8,254,827**	**1,940,493**	**1,177,839**	7,592,980	1,991,294	1,344,249
Advances derecognised or repaid	-	-	-	-	-	-
Transfer to stage 1	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-
	8,254,827	**1,940,493**	**1,177,839**	7,592,980	1,991,294	1,344,249
Amounts written off / charged off	-	-	-			
Changes in risk parameters	**10,008**	**82,377**	**948,307**	4,992	74,140	1,185,680
Closing balance	**8,244,819**	**1,858,116**	**229,532**	7,587,988	1,917,154	158,569

10.4.2 Advances - Category of classification

		(Un-audited) March 2023		(Un-audited) December 2022	
Domestic		**Outstanding amount**	**Credit loss allowance Held**	Outstanding amount	Credit loss allowance Held
Performing	Stage 1	**8,254,827**	**10,007**	7,592,980	4,992
Underperforming	Stage 2	**1,940,493**	**82,377**	1,991,294	74,140
Non-Performing	Stage 3				
Substandard		-	-	-	-
Doubtful		**200,000**	**100,000**	200,000	100,000
Loss		**977,839**	**848,308**	1,144,209	1,085,680
		1,177,839	**948,308**	1,344,209	1,185,680
		11,373,159	**1,040,692**	10,928,483	1,264,812

11	PROPERTY AND EQUIPMENT	Note	(Un-audited) 31 March 2023	(Un-audited) 31 December 2022
			---- (Rupees in '000) ----	
	Capital work-in-progress	11.1	**3,241**	2,084
	Property and equipment	11.2	**1,247,487**	66,788
			1,250,728	68,872

11.1 Capital work-in-progress

Civil works	**3,241**	2,084
Equipment	-	-
Advances to vendors	-	-
Others	-	-
	3,241	2,084

11.2 During the quarter, the Company has adopted a revaluation model and independent valuers M/s. MYK Associates Private Limited and K.G Traders Pvt Limited, have carried out the valuation of the Company's properties, which has resulted in surplus on land and buildings of Rs. 1,155.999 million over the existing written down value of Rs. 28.062 million.

11.3 Additions to property and equipment

The following additions have been made to Property and Equipment during the period:

Capital work-in-progress	-	-
Property and equipment		
Freehold land	-	-
Leasehold land	-	-
Buidling on freehold land	-	-
Buidling on leasehold land	-	-
Furniture and fixture	-	4,123
Electrical office and computer equipment	**1,713**	4,000
Vehicles	**43,601**	74
Total	**45,314**	8,197

11.4 Disposal of property and equipment

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

Freehold land	-	-
Leasehold land	-	-
Buidling on freehold land	-	-
Buidling on leasehold land	-	-
Furniture and fixture	-	193
Electrical office and computer equipment	-	146
Vehicles	-	9,280
Others	-	-
Total	-	9,619

12 RIGHT-OF-USE ASSETS

The Company does not have any right-of-use assets as at period ended 31 March 2023 (31 December 2022: Nil).

13 INTANGIBLE ASSETS

Computer software	**334**	452
Others	-	-
	334	452

13.1 Additions to intangible assets

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

Developed internally	-	-
Directly purchased	-	158
Through business combinations	-	-
Total	-	158

13.2 Disposals of intangible assets

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

Developed internally	-	-
Directly purchased	-	-
Through business combinations	-	-
Total	-	-

	Note	(Un-audited) 31 March 2023	(Un-audited) 31 December 2022
14 DEFERRED TAX ASSETS / (LIABILITY)		---- (Rupees in '000) ----	
Deductible temporary differences on			
- Tax losses carried forward		**-**	-
- Post retirement employee benefits		**7,598**	7,202
- Deficit on revaluation of investments		**389,700**	301,305
- Surplus on revaluation of fixed assets		**(338,324)**	-
- Surplus on revaluation of non-banking asset		**(16,888)**	-
- Accelerated tax depreciation		**(12,802)**	(886)
- Credit loss allowance against advances, off balance sheet etc.		**79,706**	77,568
- Others		**27,850**	15,442
		136,840	400,631

14.1 As at 31 March 2023, the Company has available credit loass allowance for advances, investments and other assets amounting to Rs.1,194.806 million (31 December 2022: Rs.1,149.522 million). 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) 31 March 2023	(Un-audited) 31 December 2022
		---- (Rupees in '000) ----	
15 OTHER ASSETS			
Income / mark-up accrued in local currency-net of provision		**1,860,526**	2,048,004
Advances, deposit, advance rent and other prepayments		**55,406**	89,247
Advance taxation (payments less provisions)		**1,977,735**	1,291,668
Staff retirement gratuity - asset / (liability)		**2,920**	6,832
Other receivables		**8,399**	8,451
		3,904,986	3,444,202
Less: Credit loss allowance held against other assets	15.3	**(62,049)**	(62,049)
Other Assets (Net of credit loss allowance)		**3,842,937**	3,382,153
15.1 Non-banking assets acquired in satisfaction of claims	15.2.1	**215,946**	158,086

15.2 Market value of non-banking assets acquired in satisfaction of claims has been disclosed in note 15.2.1 & note 37.2.

15.2.1 Non-banking assets acquired in satisfaction of claims

Opening balance	**158,086**	814,645
Additions	-	-
Revaluation	**58,233**	-
Disposals	-	(1,021,274)
Depreciation	**(373)**	-
Impairment /(credit loss allowance) refer Note 37.2	**-**	364,715
Closing balance	**215,946**	158,086

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

The power plant has 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. MYS 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.

15.2.2 Loss on disposal of non-banking assets acquired in satisfaction of claims	(Un-audited) 31 March 2023	(Un-audited) 31 December 2022
	---- (Rupees in '000) ----	
Disposal proceeds	-	1,000,000
less		
- Cost	-	(1,021,274)
- Impairment / depreciation		
- Others	-	(145,299.00)
	-	(1,166,573)
Loss	-	(166,573)

	Note	(Un-audited) 31 March 2023	(Un-audited) 31 December 2022
		---- (Rupees in '000) ----	
15.3 Credit loss allowance held against other assets			
Advances, deposits, advance rent & other prepayments	15.3.1	**62,049**	62,049
Non banking assets acquired in satisfaction of claims		**-**	(364,715)
Others		**-**	-
		62,049	(302,666)

15.3.1 Movement in Credit loss allowance held against other assets

Opening balance		**62,049**	58,407
Charge for the period / year		**-**	3,642
Reversal		**-**	-
Amount written off / (recovered)		**-**	-
Closing balance		**62,049**	62,049

16 Contingent assets

The Company does not have any contingent assets as at period ended 31 March 2023 (31 December 2022: Nil).

17 Bill payable

The Company does not have any bills payable as at period ended 31 March 2023 (31 December 2022: Nil).

18 BORROWINGS

Secured			
Borrowings from State Bank of Pakistan under:			
Long-term financing facility (LTFF)	18.1 (a)	**606,264**	190,400
Refinance scheme for payment of wages & salaries	18.1 (b)	**-**	118,250
Temporary economic relief facility (TERF)	18.1 (c)	**695,104**	1,098,613
Repurchase agreement borrowings - Repo	18.2	**156,021,716**	68,489,737
Borrowings from financial institutions	18.3	**34,907,333**	35,157,333
Total secured		**192,230,417**	105,054,333
Unsecured			
Clean borrowings		**4,393,000**	5,939,000
Bai Muajjal	18.4	**4,701,854**	2,486,715
Total Unsecured		**201,325,271**	113,480,048

18.1 (a) 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 customers. According to 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 carries interest at the rate of 7.00 to 10.00 (31 December 2022: 7.00 to 10.00) 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 customers. According to 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 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 rate at 1.00 (31 December 2022: 1.00) percent per annum.

18.2 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 1 April 2022 (31 December 2021: 7 January 2022). The rate of mark-up on these facilities range from 17.20 to 20.21 (31 December 2022: 15.22 to 16.22) percent per annum.

18.3 This includes borrowings from financial institutions as under:

(a) Rs.4,708.333 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 0.60 percent per annum payable on semi-annual basis). As at 31 March 2023, the applicable interest rates were 16.25 to 21.79 (31 December 2022: 15.74 to 17.65) percent per annum. These borrowings are due for maturity latest by December 2025 (31 December 2021: 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 percent per annum. The borrowing is secured by way of hypothecation on all present and future assets of the Company with 30 percent margin.

(c) It also includes Rs. 30,000 million (31 December 2022: 30,000 million) short term facility from a financial institution maturing between April to May 2023, with interest rate of 19.90 percent per annum against government securities amounting to Rs. 33,333 million.

18.4 This represents financing through unsecured Bai Muajjal from a financial institution due for repayment latest by 10 April 2023 (31 December 2022: 03 March 2023). The rate of mark-up on this facility ranges from 20.40 to 21.75 (31 December 2022: 16.60 to 17.35) percent per annum.

	(Un-audited) 31 March 2023	(Un-audited) 31 December 2022
18.5 Particulars of borrowings with respect to currencies	---- (Rupees in '000) ----	
In local currency	**201,325,271**	113,480,048
In foreign currency		-
	201,325,271	113,480,048

19 DEPOSITS AND OTHER ACCOUNTS

	(Un-audited) 31 March 2023			(Un-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	**5,481,124**	**-**	**5,481,124**	5,627,397	-	5,627,397
Term deposits	**-**	**-**	**-**	-	-	-
Others	**-**	**-**	**-**	-	-	-
	5,481,124	**-**	**5,481,124**	5,627,397	-	5,627,397
Financial Institutions						
Certificate of Investment	**-**	**-**	**-**	-	-	-
Term deposits	**-**	**-**	**-**	-	-	-
Others	**-**	**-**	**-**	-	-	-
	-	**-**	**-**	-	-	-
	5,481,124	**-**	**5,481,124**	5,627,397	-	5,627,397

The profit rates on these Certificates of Investment (COIs) range from 15.75 to 21.05 (31 December 2022: 11.05 to 17.20) percent per annum. These COIs are due for maturity on various dates latest by 08 December 2023 (31 December 2022: 27 September 2023).

	(Un-audited) 31 March 2023	(Un-audited) 31 December 2022
	---- (Rupees in '000) ----	
19.1 Composition of deposits		
- Individuals	**46,000**	142,051
- Government (Federal and Provincial)	**2,878,756**	4,423,413
- Public sector entities	**-**	-
- Banking companies	**-**	-
- Non-banking financial institutions	**-**	-
- Private sector	**1,118,136**	1,061,933
	4,042,892	5,627,397

19.2 This includes deposits amounting to nil eligible to be covered under insurance arrangements (31 December 2022: Nil).

20 LEASE LIABILITIES
The Company does not have any lease liabilities as at period ended 31 March 2023 (31 December 2022: Nil).

21 SUBORDINATED DEBT
The Company does not have any subordinated debt as at period ended 31 March 2023 (31 December 2022: Nil).

22 DEFERED TAX LIABILITIES
The deferred tax liabilities have been considered in note 14, since a net deferred tax asset amount has been disclosed.

23 OTHER LIABILITIES

	Note	(Un-audited) 31 March 2023	(Un-audited) 31 December 2022
		---- (Rupees in '000) ----	
Mark-up/ Return/ Interest payable in local currency		**1,694,959**	1,069,378
Accrued expenses		**115,330**	296,157
Advance payments		**3,500**	3,500
Employees' compensated absences		**26,597**	25,262
Credit loss allowance against off-balance sheet obligations	23.2	**3**	6
Security deposits against lease		**77,682**	77,682
Other		**-**	-
		1,918,070	1,471,985

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

23.2 Credit loss allowance against off-balance sheet obligations

	(Un-audited) 31 March 2023	(Un-audited) 31 December 2022
	---- (Rupees in '000) ----	
Opening balance	**-**	-
Exchange adjustment	**-**	-
Charge for the period / year	**3**	6
Reversals	**-**	-
	3	**6**
Amount written off	**-**	-
Closing balance	**3**	**6**

24 SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS

	Note	(Un-audited) 31 March 2023	(Un-audited) 31 December 2022
Surplus / (deficit) on revaluation of		---- (Rupees in '000) ----	
- Securities measured at FVOCI-Debt	9.1	**(698,123)**	(2,066,699)
- Securities measured at FVOCI-Equity	9.1	**(286,768)**	(247,322)
- Securities measured at Amortized Cost	9.1	**(2,031,216)**	-
- Property and equipment		**1,155,999**	-
- Non-banking assets acquired in satisfaction of claims		**58,233**	-
		(1,801,875)	(2,314,021)
Deferred tax on surplus / (deficit) on revaluation of:			
- Securities measured at FVOCI-Debt		**86,710**	257,837
- Securities measured at FVOCI-Equity		**48,947**	43,468
- Securities measured at Amortized Cost		**253,902**	
- Property and equipment		**(345,260)**	-
- Non-banking assets acquired in satisfaction of claims		**(16,888)**	-
		27,411	301,305
		(1,774,464)	(2,012,716)

		Note	(Un-audited) 31 March 2023	(Un-audited) 31 December 2022
			---- (Rupees in '000) ----	
25	**CONTINGENCIES AND COMMITMENTS**			
	- Guarantees	25.1	**882,959**	882,959
	- Commitments	25.2	**3,480,887**	3,552,489
	- Other contingent liabilities		**348,141**	348,141
			4,711,987	4,783,589
25.1	**Guarantees:**			
	Financial guarantees	24.1.1	**841,120**	841,120
	Performance guarantees	24.1.1	**41,839**	41,839
	Other guarantees		**-**	-
			882,959	882,959

24.1.1 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) 31 March 2023	(Un-audited) 31 December 2022
			---- (Rupees in '000) ----	
25.2	**Commitments:**			
	Documentary credits and short-term trade-related transactions			
	- letters of credit		**350,000**	350,000
	Commitments for acquisition of:			
	- Property and equipment		**-**	-
	- Intangible assets		**708**	708
	Other commitments	25.2.2	**3,130,179**	3,201,781
			3,480,887	3,552,489

25.2.1 The Company does not have any commitment in respect to foreign exchange contract, government securities transactions, derivates and forward lending as at 31 March 2023 (31 December 2022: Nil).

		(Un-audited) 31 March 2023	(Un-audited) 31 December 2022
		---- (Rupees in '000) ----	
25.2.2	Other commitments		
	Commitments to extend credit	**3,127,989**	3,195,364
	Unsettled investment transactions for sale / purchase of listed ordinary shares	**765**	-
	Commitments against other services	**1,425**	6,417
		3,130,179	3,201,781

25.3 Other contingent liabilities

25.3.1 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.

25.3.2 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.

25.3.3 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.

25.3.4 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.

25.3.5 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.

25.3.6 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 appeal has been heard and the order is pending.

25.3.7 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.

25.3.8 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 appeal is pending. 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.

No provision has been made in these 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

25.3.9 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.

26 DERIVATIVE INSTRUMENTS

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

		Note	(Un-audited) 31 March 2023	(Un-audited) 31 March 2022
			---- (Rupees in '000) ----	
27	**MARK-UP/RETURN/INTEREST EARNED**			
	loans and advances		**408,784**	135,717
	Investments		**4,704,314**	641,720
	Lendings to financial institutions		**103,050**	117,029
	Balance with banks		**1,442**	1,016
	Others		-	-
			5,217,589	895,482
27.1	**Interest income (calculated using effective interest rate method) recognised on:**			
	Financial assets measured at amortised cost		**1,213,731**	762,143
	Financial assets measured at fair value through OCI		**4,003,858**	133,339
			5,217,589	895,482
28	**MARK-UP/RETURN/INTEREST EXPENSED**			
	Deposits		**230,946**	130,387
	Borrowings		**4,793,671**	750,066
	Subordinated debt		-	-
	Cost of foreign currency swaps against foreign currenty deposits/ borrowings		-	-
			5,024,617	880,453
28.1	**Interest expense calculated using effective interest rate method**			
	Other financial liabilities		-	-
			-	-
29	**FEE & COMMISSION INCOME**			
	Branch banking customer fees		-	-
	Consumer finance related fees		-	588
	Card related fees (debit and credit cards)		-	-
	Credit related fees		**5,478**	1,554
	Investment banking fees		-	-
	Commission on trade		-	-
	Commission on guarantees		-	-
	Commission on cash management		-	-
	Commission on remittances including home remittances		-	-
	Commission on bancassurance		-	-
	Others		-	-
			5,478	2,141
30	**GAIN / (LOSS) ON SECURITIES - NET**			
	Realised	30.1	**6,201**	3,145
	Unrealised - Measured at FVPL	9.1	**(1,199)**	(435)
			5,002	2,710
30.1	**Realised gain on:**			
	Federal government securities		-	-
	Shares		**6,201**	3,145
	Non-government debt securities		-	-
	Associates		-	-
	Subsidiaries		-	-
	Others		-	-
			6,201	3,145
31	**NET GAIN / LOSS ON FINANCIAL ASSETS / LIABILITIES MEASURED AT AMORTISED COST**			
	Gain on derecognition of financial assets measured at amortised cost		-	-
	loss on derecognition of financial assets measured at amortised cost		-	-
			-	-

		(Un-audited) 31 March 2023	(Un-audited) 31 March 2022
		---- (Rupees in '000) ----	
32	**OTHER INCOME**		
	Rent on property	-	-
	Gain on sale of operating fixed assets	**23**	(161)
	Gain on sale of non-banking assets - net	-	-
	Bank charges on consumer and SME-RB portfolio	-	16
	Others	-	-
		23	(145)
33	**OPERATING EXPENSES**		
	Total compensation expense	**110,174**	83,639
	Property expense		
	Rent and taxes	-	-
	Insurance	**905**	899
	Utilities cost	**2,589**	1,391
	Security (including guards)	**282**	267
	Repair and maintenance (including janitorial charges)	**5,051**	4,812
	Depreciation	**14,806**	693
	Others	-	-
		23,633	8,062
	Information technology expenses		
	Software maintenance	**544**	768
	Hardware maintenance	**712**	157
	Depreciation	**893**	717
	Amortisation	**118**	204
	Network charges	**524**	497
	BCP expense	**183**	183
		2,974	2,525
	Other operating expenses		
	Directors' fees and allowances	**1,100**	1,800
	Fees and allowances to Shariah Board	-	-
	Legal and professional charges	**1,234**	1,335
	Outsourced services costs	**1,341**	1,133
	Travelling and conveyance	**3,309**	1,388
	NIFT clearing charges	-	-
	Depreciation	**5,284**	8,449
	Training and development	-	-
	Postage and courier charges	**135**	111
	Communication	**1,020**	847
	Head office / regional office expenses (only for branches of foreign banks operating in Pakistan)	-	-
	Stationery and printing	**982**	542
	Marketing, advertisement & publicity	**1,244**	853
	Donations	-	-
	Auditors' remuneration	**605**	621
	Board meeting expenses	**456**	960
	Meal and business networking expenses	**137**	173
	Canteen expenses	**339**	310
	Liveries and uniform	-	-
	Hajj expense	**421**	230
	Bank charges	**139**	99
	Miscellaneous expenses	**13**	6
		17,759	18,857
		154,540	113,082
34	**OTHER CHARGES**		
	Arrangement fee and documentation charges	**1,712**	2,285
	Brokerage commission	**1,036**	1,349
	Expenses for privately placed term finance certificates	-	-
	Expenses pertaining to KEL	**3,821**	1,489
	Penalties imposed by State Bank of Pakistan	-	-
	Penalties imposed by other regulatory bodies	-	-
		6,569	5,122

35 CREDIT LOSS ALLOWANCE & WRITE OFFS - NET			
Credit loss allowance/ (reversal) against lending to financial institutions		**(75)**	-
Loss on non-banking assets acquired in satisfaction of claims		**-**	-
Credit loss allowance/ (reversal) for diminution in value of investments	9.2.1	**(18,894)**	(524)
(Reversal) / Credit loss allowance against loans and advances	10.3	**(225,136)**	(8,472)
(Reversal) / Credit loss allowance against other receivable		**-**	-
Bad debts written off directly		**-**	-
Recovery of written off / charged off bad debts		**-**	-
		(244,105)	(8,996)

36 TAXATION		
Current	**70,755**	17,262
Prior years	-	-
Deferred	**(83)**	(7,663)
	70,672	9,599

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) 31 March 2023	(Un-audited) 31 March 2022
37 BASIC EARNINGS/ (LOSS) PER SHARE	**---- (Rupees in '000) ----**	
Profit / (loss) for the period	**238,274**	(78,846)
Weighted average number of ordinary shares	**814,178**	814,178
Basic earnings per share (Rupees)	**292.66**	(96.84)
38 DILUTED EARNINGS/ (LOSS) PER SHARE		
Profit / (loss) for the period	**238,274**	(78,846)
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)	**292.66**	(96.84)

37 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.

37.1 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) 31 March 2023			
		Level 1	**Level 2**	**Level 3**	**Total**
On balance sheet financial instruments		-----------------------Rupees in '000-----------------------			
Financial assets - measured at fair value					
Investments					
Federal government securities	**9.1**	**-**	**171,810,942**	**-**	**171,810,942**
Provincial government securities	**9.1**	**-**	**-**	**-**	**-**
Shares	**9.1**	**806,315**	**-**	**1,500**	**807,815**
Non-government debt securities	**9.1**	**-**	**2,027,616**	**-**	**2,027,616**
Foreign securities		**-**	**-**	**-**	**-**
Others		**-**	**-**	**-**	**-**
Financial assets - disclosed but not measured at fair value					
Investments	**9.1**	**-**	**20,033,731**	**-**	**20,033,731**
Cash and balances with treasury banks	**6**	**-**	**-**	**188,548**	**188,548**
Balances with other banks	**7**	**-**	**-**	**106,319**	**106,319**
Lendings to financial institutions	**8**	**-**	**-**	**2,487,847**	**2,487,847**
Advances	**10**	**-**	**-**	**10,332,467**	**10,332,467**
Other assets	**14**	**-**	**-**	**-**	**-**
Financial liabilities - disclosed but not measured at fair value					
Borrowings	**18**	**-**	**-**	**(201,325,271)**	**(201,325,271)**
Deposits and other accounts	**19**	**-**	**-**	**(5,481,124)**	**(5,481,124)**
Other liabilities	**23**	**-**	**-**	**-**	**-**
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange		-	-	-	-
Forward sale of foreign exchange		-	-	-	-
Forward agreements for lending		-	-	-	-
Forward agreements for borrowing		-	-	-	-
Derivatives purchases		-	-	-	-
Derivatives sales		-	-	-	-
		806,315	**193,872,290**	**(193,689,714)**	**988,892**

	Note	(Un-Audited) 31 December 2022			
		Level 1	Level 2	Level 3	Total
On balance sheet financial instruments		-----------------------Rupees in '000-----------------------			
Financial assets - measured at fair value					
Investments					
Federal government securities	9.1	-	103,593,429	-	103,593,429
Provincial government securities	9.1	-	-	-	-
Shares	9.1	881,754	-	1,500	883,254
Non-government debt securities	9.1	1,362,366	848,448	-	2,210,814
Foreign securities		-	-	-	-
Others		-	-	-	-
Financial assets - disclosed but not measured at fair value					
Investments	9.1	-	-	-	-
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	-	-	3,799,903	3,799,903
Advances	10	-	-	9,663,711	9,663,711
Financial liabilities - disclosed but not measured at fair value					
Borrowings	18	-	-	(113,480,048)	(113,480,048)
Deposits and other accounts	19	-	-	(5,627,397)	(5,627,397)
Off-balance sheet financial instruments - measured at fair value				-	
Forward purchase of foreign exchange		-	-	-	-
Forward sale of foreign exchange		-	-	-	-
Forward agreements for lending		-	-	-	-
Forward agreements for borrowing		-	-	-	-
Derivatives purchases		-	-	-	-
Derivatives sales		-	-	-	-
		2,244,120	104,441,877	(105,193,146)	1,492,851

37.2 Fair value of non-financial assets

	(Un-audited) 31 March 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	**-**	**215,946**	**-**	**215,946**
	-	**215,946**	**-**	**215,946**

	(Un-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 valuer verified the land by examining the land purchase/ ownership documents or copies thereof, apart from physical verification. The valuation of land is based upon prevailing market rates for similar usage without any restrictions for sale, transfers, etc. for large areas and the prevailing market condition at the location. For this purpose the valuer also made inquiries from the local dealers of the area and assessed.

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

38 SEGMENT INFORMATION

38.1 Segment Details with respect to Business Activities

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

	31 March 2023 (Un-audited)					
	Investment Banking, Syndication & Advisory	Money Market	Capital Market	Corporate, Commercial & SME	Un-allocated / others	Total
Profit and loss						
Net mark-up/return/profit	27,289	364,670	(39,158)	(125)	(159,704)	192,972
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	4,688	6,243	21,235	790	22	32,977
Total Income	31,978	370,913	(17,924)	665	(159,682)	225,950
Segment direct expenses	4,770	7,336	4,855	11,056	93,350	121,367
Inter segment expense allocation	2,816	29,077	2,092	4,126	1,631	39,742
Total expenses	7,587	36,412	6,947	15,182	94,981	161,109
Credit loss allowance	2,306	75	2,229	58,796	(307,511)	(244,105)
Profit / (loss) before tax	22,085	334,426	(27,100)	(73,313)	52,848	308,946

	31 March 2023 (Un-audited)					
Statement of Financial Position	Investment Banking, Syndication & Advisory	Money Market	Capital Market	Corporate, Commercial & SME	Un-allocated / others	Total
Cash and bank balances	-	294,867	-	-	-	294,867
Investments	2,399,092	191,932,366	893,468	-	-	195,224,927
Net inter segment lending	-	-	-	-	-	-
Lendings to financial institutions	-	2,518,435	-	-	-	2,518,435
Advances - performing	1,935,700	-	-	8,110,221	149,399	10,195,320
- non-performing	542,056	-	-	635,783	-	1,177,839
Others	114,529	1,401,283	5,084	322,367	3,665,567	5,508,830
						-
Less: Provision (Loan and advances)	(545,478)	-	-	(495,195)	(19)	(1,040,692)
Less: Provision (Investments)	(330,749)	(9,371)	(204,701)	-	-	(544,821)
Less: Provision (Lending)	-	(30,589)	-	-	-	(30,589)
Less: Provision (Others)	(13,389)	(9,757)	-	(22,459)	(16,441)	(62,046)
Total Assets	4,101,761	196,097,234	693,851	8,550,718	3,798,506	213,242,070
Borrowings	2,972,360	186,897,722	467,521	7,411,824	3,575,844	201,325,271
Subordinated debt	-	-	-	-	-	-
Deposits and other accounts	-	5,481,124	-	-	-	5,481,124
Net inter segment borrowing	-	-	-	-	-	-
Others	-	1,685,466	450	9,493	222,662	1,918,071
Total liabilities	2,972,360	194,064,311	467,971	7,421,316	3,798,505	208,724,465
Equity	1,129,401	2,032,922	225,880	1,129,401	-	4,517,605
Total equity and liabilities	4,101,761	196,097,234	693,851	8,550,718	3,798,505	213,242,070
Contingencies and commitments	2,138,233	-	765	2,222,715	350,274	4,711,987

	31 March 2022 (Un-audited)					
	Corporate & Investment Banking	Treasury	Capital Markets	SME & Retail Banking	Un-allocated / others	Total
Profit and loss						
Net mark-up/return/profit	(63,499)	157,183	(16,521)	(11,404)	(50,730)	15,029
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	663	4	23,367	3,236	(2,338)	24,932
Total Income	(62,836)	157,187	6,846	(8,168)	(53,068)	39,961
Segment direct expenses	3,301	6,490	6,037	6,111	68,486	90,425
Inter segment expense allocation	5,044	15,419	1,701	4,567	1,219	27,950
Total expenses	8,346	21,908	7,738	10,678	69,705	118,375
(Reversal) / (recovery) / provision	-	-	(380)	(2)	(8,785)	(9,167)
Profit / (loss) before tax	(71,181)	135,279	(512)	(18,844)	(113,988)	(69,247)

	31 December 2022 (Un-audited)					
Balance Sheet	Corporate & Investment Banking	Treasury	Capital Markets	SME & Retail Banking	Un-allocated / others	Total
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
- 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)	(852,782)	-	-	(412,014)	-	(1,264,796)
Less: Provision (Investments)	(1,111,961)	(9,371)	(206,930)	-	-	(1,328,262)
Less: Provision (Lending)	-	(30,664)	-	-	-	(30,664)
Less: Provision (Others)	(13,389)	(9,757)	-	(22,459)	(16,460)	(62,065)
Total Assets	3,318,815	109,739,661	766,265	8,612,113	2,173,637	124,610,490
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	402,456	1,471,984
Total liabilities	2,294,367	107,889,691	560,702	7,661,012	2,173,658	120,579,430
Equity	1,007,765	1,813,977	201,553	1,007,765	-	4,031,060
Total equity and liabilities	3,302,132	109,703,668	762,255	8,668,777	2,173,658	124,610,490
Contingencies and commitments	2,176,888	-	-	2,251,435	355,266	4,783,589

39 RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, subsidiaries, associates, joint ventures, employee benefit plans and its directors and Key Management Personn

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

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

	31 Mar 2023 (Un-audited)							31 December 2022 (Un-audited)						
	Parent	**Directors**	**Key management personnel**	**Subsidiaries**	**Associates**	**Joint venture**	**Other related parties**	Parent	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Other related parties (3)
							(Rupees in '000)							
Balances with other banks														
In current accounts	-	-	-	-	-	-	180,036	-	-	-	-	-	-	364,522
In deposit accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	180,036	-	-	-	-	-	-	364,522
Lendings to financial institutions														
Opening balance	-	-	-	-	-	-	700,000	-	-	-	-	-	-	700,000
Addition during the year	-	-	-	-	-	-	3,686,684	-	-	-	-	-	-	34,914,675
Repaid during the year	-	-	-	-	-	-	(3,761,690)	-	-	-	-	-	-	(34,914,675)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	624,994	-	-	-	-	-	-	700,000
Investments														
Opening balance	-	-	-	-	1,500	704,867	105,980,630	-	-	-	-	1,500	704,867	25,351,437
Investment made during the year	-	-	-	-	-	-	126,984,231	-	-	-	-	-	-	148,255,615
Investment redeemed / disposed off during the year	-	-	-	-	-	-	(38,265,624)	-	-	-	-	-	-	(67,626,422)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	1,500	704,867	194,699,237	-	-	-	-	1,500	704,867	105,980,630
Credit loss allowance for diminution in value of investments	-	-	-	-	-	704,867	50,000	-	-	-	-	-	704,867	50,000
Surplus/(deficit) for diminution in value of investments	-	-	-	-	-	-	(2,790,321)	-	-	-	-	-	-	(2,119,625)
Advances														
Opening balance	-	-	76,051	-	-	-	24,199	-	-	71,150	-	-	-	20,690
Addition during the year	-	-	-	-	-	-	-	-	-	25,144	-	-	-	7,037
Repaid during the year	-	-	(3,449)	-	-	-	(967)	-	-	(14,007)	-	-	-	(3,185)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	(6,236)	-	-	-	(343)
Closing balance	-	-	72,602	-	-	-	23,232	-	-	76,051	-	-	-	24,199
Credit loss allowance held against advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets														
Interest / mark-up accrued	-	-	3,208	-	-	-	1,351,836	-	-	3,119	-	-	-	1,373,680
Receivable from staff retirement fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receivable	-	5,983	-	-	2,917	-	-	-	5,983	-	-	2,715	-	-
Other advances	-	-	40	-	-	-	20	-	12,333	860	-	-	-	80
Advance taxation	-	-	-	-	-	-	1,977,735	-	-	-	-	-	-	1,282,849
Credit loss allowance against other assets	-	(5,983)	-	-	-	-	-	-	(5,983)	-	-	-	-	-
Borrowings														
Opening balance	-	-	-	-	-	-	72,867,075	-	-	-	-	-	-	18,166,656
Borrowings during the year	-	-	-	-	-	-	324,553,939	-	-	-	-	-	-	676,106,640
Settled during the year	-	-	-	-	-	-	(233,955,892)	-	-	-	-	-	-	(621,406,221)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	163,465,122	-	-	-	-	-	-	72,867,075
Subordinated debt														
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issued / Purchased during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Redemption / Sold during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	31 Mar 2023 (Un-audited)							31 December 2022 (Un-audited)						
	Parent	**Directors**	**Key management personnel**	**Subsidiaries**	**Associates**	**Joint venture**	**Other related parties**	Parent	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Other related parties (3)
	----- (Rupees in '000) -----													
Deposits and other accounts														
Opening balance	-	-	1,000	-	265,000	-	4,385,413	-	-	-	-	225,000	-	3,723,760
Received during the year	-	-	1,000	-	275,000	-	8,386,649	-	-	4,500	-	640,000	-	27,214,832
Withdrawn during the year	-	-	(1,000)	-	(265,000)	-	(8,547,413)	-	-	(3,500)	-	(600,000)	-	(26,553,180)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	1,000	-	275,000	-	4,224,648	-	-	1,000	-	265,000	-	4,385,413
Other Liabilities														
Interest / mark-up payable	-	-	34	-	633	-	1,405,719	-	-	5	-	8,502	-	1,045,197
Payable to staff retirement fund	-	-	-	-	-	-	2,920	-	-	-	-	-	-	-
Other liabilities	8,506	3,816	2,537	-	-	-	12,426	6,791	3,265	2,347	-	-	-	966
Contingencies and Commitments			-			-	-			-			-	-
Other contingencies	-	-	-	-	-	893,529	348,141	-	-	-	-	-	882,959	348,141
Income														
Mark-up / return / interest earned -net	-	-	2,019	-	-	-	4,638,858	-	-	512	-	-	-	606,591
Fee and commission income			-	-	-	-	-				-	-	-	-
Dividend Income	-	-	-	-	-	-	4,350	-	-	-	-	-	-	4,150
Gain on Sale of Securities - Net	-	-	-	-	-	-	6,452	-	-	-	-	-	-	-
Gain on disposal of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expense														
Mark-up / return / interest expensed	-	-	43	-	10,823	-	3,339,610	-	-	-	-	6,394	-	463,496
Operating expenses														
Office maintenance and related expenses	-	425	-	-	5,049	-	-	-	425	-	-	4,687	-	-
Non-executive directors' remuneration	-	1,100	-	-	-	-	-	-	1,800	-	-	-	-	-
Board Meeting Expense	-	-	-	-	-	-	-	-	497	-	-	-	-	-
Remunerations	-	46,922	20,596	-	-	-	9,268	-	31,000	17,299	-	-	-	7,082
Consultancy expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution to defined contribution plan	-	1,715	639	-	-	-	143	-	1,165	461	-	-	-	130
Contribution to defined benefit plan	-	1,654	1,804	-	-	-	341	-	1,337	1,350	-	-	-	310
Depreciation	-	2,429	288	-	-	-	53	-	5,583	242	-	-	-	46
Other Charges														
Others	-	-	-	-	-	3,729	-	-	-	-	-	-	1,489	-
Insurance premium paid	-	-	-	-	-	-	-	-	-	-	-	-	1,483	-
Insurance claims settled	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

(2) In financial year 2017, Rs. 26.11 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. 9.11 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 (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) 31 March 2023	(Un-audited) 31 December 2022
40 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENT	---- (Rupees in '000) ----	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	**5,911,415**	5,663,121
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	**3,735,388**	3,192,350
Eligible Additional Tier 1 (ADT 1) Capital	**-**	-
Total Eligible Tier 1 Capital	**3,735,388**	3,192,350
Eligible Tier 2 Capital	**-**	-
Total Eligible Capital (Tier 1 + Tier 2)	**3,735,388**	3,192,350
Risk Weighted Assets (RWAs):		
Credit Risk	**16,909,571**	16,672,879
Market Risk	**8,047,283**	5,158,741
Operational Risk	**1,419,877**	1,419,877
Total	**26,376,732**	23,251,498
Common Equity Tier 1 Capital Adequacy ratio	**14.16%**	13.73%
Tier 1 Capital Adequacy Ratio	**14.16%**	13.73%
Total Capital Adequacy Ratio	**14.16%**	13.73%
Leverage Ratio (LR):		
Eligiblle Tier-1 Capital	**3,735,388**	3,192,350
Total Exposures	**155,478,310**	125,208,578
Leverage Ratio	**2.40%**	2.55%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	**4,224,044**	4,981,125
Total Net Cash Outflow	**7,315,130**	3,017,708
Liquidity Coverage Ratio	**58%**	165%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	**15,219,688**	15,598,150
Total Required Stable Funding	**14,078,055**	12,225,590
Net Stable Funding Ratio	**108%**	128%

The Company has applied transitional 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 13.82% (December 2022: 13.36%) and 2.34% (December 2022: 2.48%) respectively.

41 ISLAMIC BANKING BUSINESS

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

	Note	(Un-audited) 31 March 2023	(Un-audited) 31 March 2022
		---- (Rupees in '000) ----	
42 CASH AND CASH EQUIVALENTS			
Term deposit receipts (TDRs)	8.1	**2,487,869**	**4,100,000**
Cash and balance with treasury banks	6	**188,548**	**85,340**
Balance with other banks	7	**106,319**	**63,747**
Others		**-**	**-**
		2,782,736	**4,249,087**

42.1 These term deposit receipts (TDRs) are due to be matured by 25 April 2023.

43 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 financial statements.

44 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on May 04,2023 by the Board of Directors of the Company.

45 GENERAL

45.1 In its latest rating announcement, 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).

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

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

-sd/-
Chief Financial Officer

-sd/-
Managing Director & CEO

-sd/-
Director

-sd/-
Director