

**PAK OMAN INVESTMENT  
COMPANY LIMITED**

**UNCONSOLIDATED  
CONDENSED INTERIM  
FINANCIAL STATEMENTS  
(UN-AUDITED)**

**FOR THE NINE MONTHS  
ENDED 30 SEPTEMBER 2023**

Pak Oman Investment Company Limited  
Unconsolidated Condensed Interim Statement of Financial Position  
As at 30 September 2023

(Un-audited) 30 September 2023 (US Dollar in '000)	(Audited) 31 December 2022		(Un-audited) 30 September 2023 (Rupees in '000)	(Audited) 31 December 2022
		Note		
<b>ASSETS</b>				
1,698	1,204	Cash and balances with treasury banks	8	488,587
115	5,645	Balances with other banks	9	33,191
1,028	17,849	Lendings to financial institutions	10	295,708
1,269,243	436,893	Investments	11	365,210,021
62,821	67,495	Advances	12	18,075,943
2,945	2,660	Property and equipment	13	847,436
283	330	Right-of-use assets	14	81,350
-	-	Intangible assets		-
4,678	2,249	Deferred tax assets	15	1,345,904
9,010	13,743	Other assets	16	2,592,641
-	-	Assets held-for-sale		-
<b>1,351,821</b>	<b>548,068</b>			<b>388,970,781</b>
<b>LIABILITIES</b>				
-	-	Bills payable		-
1,275,861	461,881	Borrowings	17	367,114,114
43,336	46,990	Deposits and other accounts	18	12,469,391
9	11	Lease Liabilities	19	2,499
-	-	Subordinated debt		-
-	-	Deferred tax liabilities		-
2,467	8,951	Other liabilities	20	710,180
<b>1,321,673</b>	<b>517,833</b>			<b>380,296,184</b>
<b>30,148</b>	<b>30,235</b>	<b>NET ASSETS</b>		<b>8,674,597</b>
<b>REPRESENTED BY</b>				
21,374	21,374	Share capital	21	6,150,000
6,368	6,681	Reserves		1,832,216
(224)	(66)	Surplus / (Deficit) on revaluation of assets	22	(64,409)
2,630	2,246	Unappropriated profit		756,790
<b>30,148</b>	<b>30,235</b>			<b>8,674,597</b>
<b>CONTINGENCIES AND COMMITMENTS</b>				
			23	

The annexed notes from 1 to 43 form an integral part of these unconsolidated condensed interim financial statements.



Managing Director/  
Chief Executive Officer



Chief Financial Officer



Director



Director



Chairman

Pak Oman Investment Company Limited  
Unconsolidated Condensed Interim Profit and Loss Account (Un-audited)  
For the nine months ended 30 September 2023

Nine months ended			Quarter ended		Nine months ended	
30 September 2023	30 September 2022		30 September 2023	30 September 2022	30 September 2023	30 September 2022
(US Dollar in '000)			(Rupees in '000)			
175,471	41,682	Mark-up / return / interest earned	25,755,594	4,945,303	50,489,814	11,993,382
167,490	39,814	Mark-up / return / interest expensed	24,606,587	4,650,157	48,193,425	11,455,915
7,981	1,868	Net mark-up / return / interest income	1,149,007	295,146	2,296,389	537,467
<b>NON MARK-UP / INTEREST INCOME</b>						
123	215	Fee and commission income	8,422	8,010	35,274	61,740
340	137	Dividend income	20,373	-	97,938	39,556
-	-	Foreign exchange income	-	-	-	-
-	-	Income / (loss) from derivatives	-	-	-	-
357	479	Gain / (Loss) on securities	73,479	47,558	102,663	137,940
-	-	Net gains/(loss) on derecognition of financial assets measured at amortised cost	-	-	-	-
66	24	Other income	3,311	2,240	18,989	7,045
886	855	Total non mark-up / interest income	105,585	57,808	254,864	246,281
8,867	2,723	Total income	1,254,592	352,954	2,551,253	783,748
<b>NON MARK-UP / INTEREST EXPENSES</b>						
2,163	1,510	Operating expenses	230,538	129,293	622,396	434,397
-	56	Workers Welfare Fund	-	4,890	-	16,051
229	76	Other charges	28,535	5,337	65,766	21,763
2,392	1,642	Total non mark-up / interest expenses	259,073	139,520	688,162	472,211
6,475	1,081	Profit before provisions	995,519	213,434	1,863,091	311,537
(828)	(145)	Credit (loss) / reversal allowance and write offs - net	(224,014)	(999)	(238,305)	(41,702)
-	-	Extra ordinary / unusual items	-	-	-	-
5,647	936	PROFIT BEFORE TAXATION	771,505	212,435	1,624,786	269,835
(1,797)	(368)	Taxation	(301,783)	(74,212)	(517,001)	(105,860)
3,850	568	PROFIT AFTER TAXATION	469,722	138,223	1,107,785	163,975
(US \$)			(Rupees)			
0.0063	0.0009	Basic and diluted earnings per share	0.76	0.22	1.80	0.27

The annexed notes from 1 to 43 form an integral part of these unconsolidated condensed interim financial statements.



Managing Director/  
Chief Executive Officer



Chief Financial Officer



Director



Director



Chairman

Pak Oman Investment Company Limited  
 Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)  
 For the nine months ended 30 September 2023

Nine months ended			Quarter ended		Nine months ended	
30 September	30 September		30 September	30 September	30 September	30 September
2023	2022		2023	2022	2023	2022
(US Dollar in '000)			(Rupees in '000)			
3,850	568	Profit after taxation for the period	469,722	138,223	1,107,785	163,975
		<b>Other comprehensive income</b>				
		<b>Items that may be reclassified to profit and loss account in subsequent periods</b>				
(601)	(328)	Movements in (deficit) / surplus on revaluation of debt investments through FVOCI- net of tax	566,424	(52,531)	(172,886)	(94,280)
		<b>Items that will not be reclassified to profit and loss account in subsequent periods</b>				
(139)	862	Movement in surplus on revaluation of property and equipment - net of tax	(3,404)	248,143	(40,045)	248,143
-	(25)	Movement in surplus on revaluation of non-banking assets- net of tax	-	(628)	-	(7,289)
(139)	837		(3,404)	247,515	(40,045)	240,854
<b>3,110</b>	<b>1,077</b>	<b>Total comprehensive income</b>	<b>1,032,742</b>	<b>333,207</b>	<b>894,854</b>	<b>310,549</b>

The annexed notes from 1 to 43 form an integral part of these unconsolidated condensed interim financial statements.



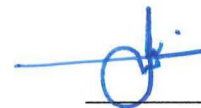
Managing Director/  
Chief Executive Officer



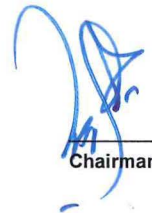
Chief Financial Officer



Director



Director



Chairman

Pak Oman Investment Company Limited  
Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)  
For the nine months ended 30 September 2023

	Share capital	Statutory reserve	General reserve	Surplus / (deficit) on revaluation of		Unappropriated profit	Total
				Investments	Property and equipment / Non banking assets		
(Rupees in '000)							
Opening balance as at 01 January 2022	6,150,000	1,543,895	311,630	(96,992)	95,942	751,379	8,755,854
Profit after taxation	-	-	-	-	-	163,975	163,975
Other comprehensive income / (loss) - net of tax							
Movement in surplus / (deficit) on revaluation of investments in debt instruments - net of tax	-	-	-	(94,280)	-	-	(94,280)
Debt investments at FVOCI – reclassified to profit or loss	-	-	-	-	-	-	-
Movement in surplus / (deficit) on revaluation of investments in equity instruments - net of tax	-	-	-	-	-	-	-
Remeasurement gain / (loss) on defined benefit obligations - net of tax	-	-	-	-	-	-	-
Movement in surplus on revaluation of property and equipment - net of tax	-	-	-	-	248,143	-	248,143
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-	(7,289)	-	(7,289)
Total comprehensive income - net of tax	-	-	-	(94,280)	240,854	-	146,574
Transfer to statutory reserve	-	32,795	-	-	-	(32,795)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	2,148	2,148
Transaction with owners recorded directly in equity							
Final cash dividend - 31 December 2021 declared subsequent to the year end (Rs. 0.60 per share)	-	-	-	-	-	(369,000)	(369,000)
Opening balance as at 01 October 2022	6,150,000	1,576,690	311,630	(191,272)	336,796	515,707	8,699,551
Profit after taxation	-	-	-	-	-	169,846	169,846
Other comprehensive income / (loss) - net of tax							
Movement in surplus / (deficit) on revaluation of investments in debt instruments - net of tax	-	-	-	(160,700)	-	-	(160,700)
Debt investments at FVOCI – reclassified to profit or loss	-	-	-	-	-	-	-
Movement in surplus / (deficit) on revaluation of investments in equity instruments - net of tax	-	-	-	-	-	-	-
Remeasurement gain / (loss) on defined benefit obligations - net of tax	-	-	-	-	-	(9,019)	(9,019)
Movement in surplus on revaluation of property and equipment - net of tax	-	-	-	-	(11,031)	-	(11,031)
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-	7,289	-	7,289
Total comprehensive income - net of tax	-	-	-	(160,700)	(3,742)	(9,019)	(173,461)
Transfer to statutory reserve	-	33,969	-	-	-	(33,969)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	3,742	3,742
Opening balance as at 01 January 2023	6,150,000	1,610,659	311,630	(351,972)	333,054	646,307	8,699,678
Impact of adopting IFRS 9 - Note 3	-	-	-	167,440	-	(788,335)	(620,895)
Profit after taxation	-	-	-	-	-	1,107,785	1,107,785
Other comprehensive income / (loss) - net of tax							
Movement in surplus / (deficit) on revaluation of investments in debt instruments - net of tax	-	-	-	(172,886)	-	-	(172,886)
Debt investments at FVOCI – reclassified to profit or loss	-	-	-	-	-	-	-
Movement in surplus / (deficit) on revaluation of investments in equity instruments - net of tax	-	-	-	-	-	-	-
Remeasurement gain / (loss) on defined benefit obligations - net of tax	-	-	-	-	-	-	-
Movement in surplus on revaluation of property and equipment - net of tax	-	-	-	-	(40,045)	-	(40,045)
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-	-
Total comprehensive income - net of tax	-	-	-	(172,886)	(40,045)	-	(212,931)
Transfer from general reserve	-	-	(311,630)	-	-	311,630	-
Transfer to statutory reserve	-	221,557	-	-	-	(221,557)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	8,460	8,460
Transaction with owners recorded directly in equity							
Final cash dividend - 31 December 2022 declared subsequent to the year end (Rs. 0.50 per share)	-	-	-	-	-	(307,500)	(307,500)
Closing balance as at 30 September 2023	6,150,000	1,832,216	-	(357,418)	293,009	756,790	8,674,597

The annexed notes from 1 to 43 form an integral part of these unconsolidated condensed interim financial statements.



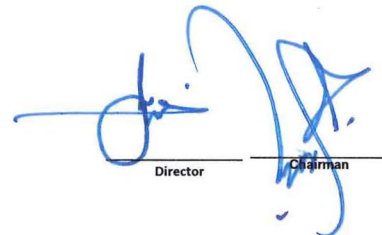
Managing Director/  
Chief Executive Officer



Chief Financial Officer



Director



Director

Chairman



**Pak Oman Investment Company Limited**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
**For the nine months ended 30 September 2023**

**1 STATUS AND NATURE OF BUSINESS**

Pak Oman Investment Company Limited (the Company) was incorporated as a private limited company on 23 July 2001. Subsequently, on 17 March 2004 the Company was converted into a public company. The Company is a joint venture between the Government of Pakistan and the Government of the Sultanate of Oman. The Company's objectives interalia include promotion of the economic growth of Pakistan and Oman through industrial development and agro-based industries on commercial basis and to carry on the business of finance and / or investment company. The registered office of the Company is situated at 1st Floor, Block A, Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan. The Company operates a branch at Lahore and other representative offices at Islamabad, Gwadar and Muscat. The Company is designated as a Development Financial Institution (DFI) under the BPD Circular Letter No. 35 dated 28 October 2003 issued by the State Bank of Pakistan.

**2 BASIS OF PREPARATION**

**2.1 STATEMENT OF COMPLIANCE**

These unconsolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; 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 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IAS 34 or IFAS the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.

The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular No. 2 of 2023 dated 09 February 2023 and IAS 34. These unconsolidated condensed interim financial statements do not include all the information and disclosures required for annual unconsolidated financial statements and should be read in conjunction with the unconsolidated financial statements for the year ended 31 December 2022.

These unconsolidated condensed interim financial statements are separate financial statements of the Company in which the investments in subsidiary and associates are stated at cost and have not been accounted for on the basis of reported results and net assets of the investees (equity method) which is incorporated in the consolidated financial statements of the Company.

SBP has deferred the applicability of International Accounting Standards IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter No. 10 dated 26 August 2002 till further instructions.

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

The US dollar amounts shown in the unconsolidated condensed interim statement of financial position, unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income and unconsolidated condensed interim cash flow statement are stated solely for information purposes. For this purpose the amounts in Pakistan rupees have been converted into US Dollars at a rate of Rs.287.7384 = 1 US dollar for the nine months ended 30 September 2023 and the corresponding period.

## 2.2 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current period:

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2023 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not detailed in these unconsolidated interim financial statements.

## 2.3 Standards, interpretations of and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective

The following IFRS as notified under the Companies Act, 2017 and the amendments thereto will be effective for future periods and not early adopted:

- Amendments to IFRS 16 'Lease' - Lease liability in a sale and leaseback	January 01, 2024
- Amendments to IAS 1 'Presentation of Financial Statements'	January 01, 2024

The above standards, amendments and improvements are not expected to have any material impact on the unconsolidated financial statements of the Company for the futures periods.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

### Standard

IFRS 1 – First time adoption of IFRSs  
IFRS 17 – Insurance Contracts

## 3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Company are the same as those applied in annual audited financial statements for the year ended December 31, 2022, except that the classification, recognitions, measurement and impairment of financial instruments are now accounted for under IFRS 9 Financial Instruments.

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

The Company has not restated comparative information. This primarily impacts provisioning of financial assets which is determined on an expected credit loss basis under IFRS 9, however the provisioning is recorded higher of amount determined under IFRS 9 and the prudential regulations requirements of SBP.

The Company has recorded net expected credit loss of Rs 788 million which was adjusted against retained earnings. The Company also recorded net increase in equity of Rs 167 million due to reclassification of investments from Available For Sale to Fair Value through Other Comprehensive Income. The new IFRS 9 accounting policies are stated in the note 7 Credit impairment, note 7 Financial instruments. Financial Assets and Liabilities in accordance with IFRS 9 have been presented in note 35 to the Financial Statements.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The adoption of IFRS 9 resulted in following:

Rupees in '000

**Equity**

As at December 31, 2022

8,699,678

**IFRS 9 impact**

Credit loss allowances

(1,176,619)

Reclassification adjustments in relation to adopting IFRS 9

249,910

Related deferred tax impact

305,814

**(620,895)**

**As at January 01, 2023 - restated**

**8,078,783**

**Balances with other banks**

As at December 31, 2022

1,624,409

**IFRS 9 impact**

Credit loss allowances

(1,185)

**As at January 01, 2023 - restated**

**1,623,224**

**Investments**

As at December 31, 2022

125,710,845

**IFRS 9 impact**

Credit loss allowances

(20,072)

Reclassification adjustments in relation to adopting IFRS 9

249,910

**229,838**

**As at January 01, 2023 - restated**

**125,940,683**

**Advances**

As at December 31, 2022

19,420,996

**IFRS 9 impact**

Credit loss allowances

(1,150,618)

**As at January 01, 2023 - restated**

**18,270,378**

**Other liabilities**

As at December 31, 2022

2,575,687

**IFRS 9 impact**

Credit loss allowances

4,744

**As at January 01, 2023 - restated**

**2,580,431**

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these unconsolidated condensed interim financial statements is the same as that applied in the preparation of the audited annual unconsolidated financial statements for the year ended 31 December 2022 except for changes due to adoption of IFRS-9 as provided in the note 3, 4 and 7 to the Financial Statements.

#### 5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the company are consistent with those disclosed the audited annual unconsolidated financial statements for the year ended December 31, 2022.

#### 6 FINANCIAL INSTRUMENTS

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

##### Financial assets held at amortised cost and fair value through other comprehensive income

Debt instruments held at amortised cost or held at fair value through other comprehensive income (FVOCI) have contractual terms that give rise to cash flows that are solely payments of principal and interest (SPPI characteristics). Principal is the fair value of the financial asset at initial recognition but this may change over the life of the instrument as amounts are repaid. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows have SPPI characteristics, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

Contingent events that would change the amount and timing of cash flows;

- Leverage features
- Prepayment and extension terms
- Terms that limit the Company's claim to cash flows from specified assets (e.g., non-recourse asset arrangements); and
- Features that modify consideration of the time value of money e.g. periodical reset of interest rates.

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

The Company makes an assessment of the objective of a business model in which an asset is held at the individual product business line, and where applicable within business lines depending on the way the business is managed and information is provided to management. Factors considered include:

- How the performance of the product business line is evaluated and reported to the Company's management.
- How managers of the business model are compensated, including whether management is compensated based on the fair value of assets or the contractual cash flows collected;
- The risks that affect the performance of the business model and how those risks are managed; and

**FINANCIAL INSTRUMENTS (Continued)**

The Company's business model assessment is as follows:

<b>Business model</b>	<b>Business objective</b>	<b>Characteristics</b>	<b>Businesses</b>	<b>Products</b>
<b>Hold to collect</b>	Intent is to originate financial assets and hold them to maturity, collecting the contractual cash flows over the term of the instrument	<ul style="list-style-type: none"> <li>- Providing financing and originating assets to earn interest income as primary income stream.</li> <li>- Performing credit risk management activities</li> <li>- Cost to include funding cost, transaction cost and impairment losses.</li> </ul>	- Corporate Lending	<ul style="list-style-type: none"> <li>- Loans and advances</li> <li>- Debt securities</li> </ul>
<b>Hold to collect and sell</b>	Business objective met through both hold to collect and by selling financial assets	<ul style="list-style-type: none"> <li>- Portfolios held for liquidity needs; or where a certain interest yield profile is maintained; or that are normally rebalanced to achieve matching of duration of assets and liabilities</li> <li>- Income streams come from interest income, fair value changes and impairment losses.</li> </ul>	- Treasury	- Debt securities
<b>Fair value through profit or loss</b>	All other business All other business and managing financial assets on a fair value basis.	<ul style="list-style-type: none"> <li>- Assets that are originated, purchased, and sold for profit taking.</li> <li>- Performance of the portfolio is evaluated on a fair value basis.</li> <li>- Income streams are from fair value changes or trading gains or losses</li> </ul>	- Treasury	- Trading portfolios

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

Both a hold to collect business model and a hold to collect and sell business model involve holding financial assets to collect the contractual cash flows. However, the business models are distinct by reference to the frequency and significance that asset sales play in meeting the objective under which a particular group of financial assets is managed. Hold to collect business models are characterised by asset sales that are incidental to meeting the objectives under which a group of assets is managed. Sales of assets under a hold to collect business model can be made to manage increases in the credit risk of financial assets but sales for other reasons should be infrequent or insignificant.

Cash flows from the sale of financial assets under a hold to collect and sell business model, by contrast, are integral to achieving the objectives under which a particular group of financial assets are managed. This may be the case where frequent sales of financial assets are required to manage the liquidity requirements or to meet regulatory requirements to demonstrate liquidity of financial instruments. Sales of assets under hold to collect and sell business models are therefore both more frequent and more significant in value than those under the hold to collect model.

## **FINANCIAL INSTRUMENTS (Continued)**

### **Equity instruments designated as held at FVOCI**

Company may elects to classify irrevocably its non-trading equity instrument acquired for strategic purposes as held at FVOCI. Dividends received are recognised in profit or loss. Gains and losses on these equity instruments are recognised directly in equity and are never recycled to profit and loss.

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

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

### **Financial liabilities held at amortised cost**

Financial liabilities that are not financial guarantees or loan commitments and that are not classified as financial liabilities held at fair value through profit or loss are classified as financial liabilities held at amortised cost.

### **Initial recognition**

Purchases and sales of financial assets and liabilities are initially recognised on the settlement date. All financial instruments are initially recognised at fair value, which is normally the transaction price, plus directly attributable transaction costs for financial assets which are not subsequently measured at fair value through profit or loss.

### **Subsequent measurement**

#### **Financial assets and financial liabilities held at amortised cost**

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

#### **Financial assets held at FVOCI**

Debt instruments held at FVOCI are subsequently carried at fair value, with all unrealised gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in a separate component of equity. Changes in expected credit losses are recognised in the profit or loss and are accumulated in equity. On derecognition, the cumulative fair value gains or losses, net of the cumulative expected credit loss reserve, are transferred to the profit or loss.

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

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

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

### **Derecognition of financial instruments**

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

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

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

## 7 IMPAIRMENT

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

### **Expected credit losses**

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

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

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

### **Measurement**

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

### **Staging of financial instruments**

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

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

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

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

**Probability of default (PD)**

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

**Loss given default (LGD)**

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

**Exposure at default (EAD)**

The estimates of LGD are based on the history of recovery rates and considers the recovery of any collateral that is integral to the financial asset, taking into account forward-looking economic assumptions where relevant.

The expected balance sheet exposure at the time of default, taking into account the expected change in exposure over the lifetime of the exposure. This incorporates the impact of drawdowns of committed facilities, repayments of principal and interest, amortisation and prepayments, together with the impact of forward-looking economic assumptions where relevant.

**Recognition****12 months expected credit losses (Stage 1)**

Expected credit losses are recognised at the time of initial recognition of a financial instrument and represent the lifetime cash shortfalls arising from possible default events up to 12 months into the future from the balance sheet date. Expected credit losses continue to be determined on this basis until there is either a significant increase in the credit risk of an instrument or the instrument becomes credit impaired. If an instrument is no longer considered to exhibit a significant increase in credit risk, expected credit losses will revert to being determined on a 12-month basis.

**Significant increase in credit risk (Stage 2)**

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

The Company considers an exposure to have significantly increased in credit risk when there is considerable deterioration in the internal rating grade for subject borrower. 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 60 days past due.

**Credit impaired (or defaulted) exposures (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 per SBP instructions. Therefore, the stage 3 providing are aligned with regulatory requirements.

Loss provisions against credit impaired financial assets are determined based on an assessment of the recoverable cash flows under a range of scenarios, including the realisation of any collateral held where appropriate. 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 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 collaterals.

**Forborne 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.

	Note	(Un-audited) 30 September 2023	(Audited) 31 December 2022
<b>(Rupees in '000)</b>			
<b>8 CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
local currency		122	120
foreign currency		409	324
		531	444
With State Bank of Pakistan in			
Local currency current account	8.1	487,639	345,716
With National Bank of Pakistan in			
Local currency current account		417	289
Less: Credit loss allowance held against cash and balances with treasury banks		-	-
		<u>488,587</u>	<u>346,449</u>
<b>8.1</b>	This represent the amount required to be maintained by the Company in accordance with the SBP's Regulations.		
<b>9 BALANCES WITH OTHER BANKS</b>			
In Pakistan:			
In current accounts		10,089	11,729
In deposit accounts	9.1	3,066	1,601,434
		<u>13,155</u>	<u>1,613,163</u>
Outside Pakistan:			
In current accounts		21,349	11,246
Reclassification of mark up receivable from other assets on adoption of IFRS 9		-	-
Less: Credit loss allowance held against balances with other banks		(1,313)	-
		<u>33,191</u>	<u>1,624,409</u>
<b>9.1</b>	These include term deposit receipts (TDRs) of (2022: Rs. 1,600 million) maturing (2022: January 2023 to February 2023). These carry mark-up rates (2022: 16.50% to 17.75%) per annum.		
<b>10 LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Placements		-	-
Repurchase agreement lendings (Reverse Repo)		292,788	5,135,762
Reclassification of mark up receivable from other assets on adoption of IFRS 9		2,920	-
Less: Credit loss allowance held against lending to financial institutions		-	-
		<u>295,708</u>	<u>5,135,762</u>

## 11 INVESTMENTS

(Un-audited)					(Audited)			
30 September 2023					31 December 2022			
Cost / Amortised Cost	Credit loss allowances	Surplus / (deficit)	Reclassification of mark up receivable from other assets on adoption of IFRS 9	Carrying Value	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value
----- (Rupees in '000) -----								

## 11.1 Investments by types

**FVTPL**

Federal Government securities	70,488,719	-	49,777	238,760	70,777,256	18,481,922	-	4,039	18,485,961
Non-Government debt securities	-	-	-	-	-	-	-	-	-
	70,488,719	-	49,777	238,760	70,777,256	18,481,922	-	4,039	18,485,961

**FVOCI**

Federal Government securities	286,183,074	-	(868,074)	4,411,781	289,726,781	103,425,370	-	(547,378)	102,877,992
Shares	346,266	(111,717)	249,910	-	484,459	346,266	(111,717)	-	234,549
Non-Government debt securities	3,403,783	(425,208)	32,233	202,639	3,213,447	3,545,556	(399,254)	22,047	3,168,349
	289,933,123	(536,925)	(585,931)	4,614,420	293,424,687	107,317,192	(510,971)	(525,331)	106,280,890

**Associates**

	683,431	(70,726)	-	-	612,705	699,347	(70,726)	-	628,621
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**Subsidiary**

	681,995	(286,622)	-	-	395,373	601,995	(286,622)	-	315,373
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**Total Investments**

	361,787,268	(894,273)	(536,154)	4,853,180	365,210,021	127,100,456	(868,319)	(521,292)	125,710,845
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## 11.1.1 Investments given as collateral

	(Un-audited)				(Audited)			
	30 September 2023				31 December 2022			
	Cost / Amortised Cost	Credit loss allowances	Surplus / (deficit)	Carrying Value	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value
	(Rupees in '000)							
<b>Federal Government Securities</b>								
- Pakistan Investment Bonds	81,647,409	-	(975,213)	80,672,196	50,425,230	-	(401,555)	50,023,675
- Ijara Sukuk	-	-	-	-	-	-	-	-
- Market Treasury Bills	253,947,760	-	121,348	254,069,108	53,312,305	-	13,850	53,326,155
	<b>335,595,169</b>	-	<b>(853,865)</b>	<b>334,741,304</b>	103,737,535	-	(387,705)	103,349,830
<b>Shares</b>								
- Listed companies	-	-	-	-	-	-	-	-
- Unlisted companies	226,000	-	-	226,000	226,000	-	-	226,000
	<b>226,000</b>	-	-	<b>226,000</b>	226,000	-	-	226,000
<b>Associates</b>								
Japan Power Generation Limited	70,726	(70,726)	-	-	70,726	(70,726)	-	-
<b>Total investments</b>	<b>335,891,895</b>	<b>(70,726)</b>	<b>(853,865)</b>	<b>334,967,304</b>	104,034,261	(70,726)	(387,705)	103,575,830

	(Un-audited)	(Audited)
	30 September 2023	31 December 2022
	(Rupees in '000)	
<b>11.2 Credit loss allowances for diminution in value of investments</b>		
<b>11.2.1 Opening balance</b>	868,319	808,674
<b>Impact of adopting IFRS 9</b>	20,072	-
<b>Charge / (reversal)</b>		
Charge for the period / year	13,209	76,644
Reversals for the period / year	(7,327)	(10,091)
	5,882	66,553
Transfers - net	-	(6,908)
<b>Closing balance</b>	<b>894,273</b>	<b>868,319</b>

## 11.2.2 Particulars of credit loss allowances against debt securities

	(Un-audited)		(Audited)	
	30 September 2023		31 December 2022	
Category of classification	Outstanding amount	Credit loss allowance held	NPI	Provision
	(Rupees in '000)			
<b>Domestic</b>				
<b>Performing</b>	Stage 1	2,738,961	8,202	-
<b>Underperforming</b>	Stage 2	219,851	17,652	-
<b>Non-performing</b>	Stage 3	-	-	-
Other assets especially mentioned		-	-	-
Substandard		-	-	-
Doubtful		-	-	-
Loss		444,971	399,354	444,971
<b>Total</b>		<b>3,403,783</b>	<b>425,208</b>	<b>399,254</b>

This does not include investment in Government securities as it is exempt from ECL.

11.2.3 In accordance with SBP guideline on IFRS-9 and SBP Prudential Regulations for Corporate / Commercial Banking, Regulation R-8, the Company has availed the benefit of FSV against the non-performing investments. As of 30 September 2023, the Company has availed total accumulated FSV benefit amounting NIL (2022: Rs. 25 million, net of tax Rs. 17 million). Accordingly, accumulated profit NIL (2022: Rs.17 million, net of transfer to statutory reserves Rs.14 million) will not be available for the distribution as cash or stock dividend to the shareholders / bonus to employees of the Company as required by the aforementioned SBP directives.

11.2.4 The Company does not hold overseas classified debt securities.

\* NPI stands for Non-performing investments.

## 12 ADVANCES

	Performing		Non-performing		Total	
	(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)
	30 September 2023	31 December 2022	30 September 2023	31 December 2022	30 September 2023	31 December 2022
	(Rupees in '000)					
Loans, cash credits, running finances, etc.	16,529,908	17,821,388	2,555,377	2,225,121	19,085,285	20,046,509
Margin trading	475,213	228,927	-	-	475,213	228,927
Advances - Gross	17,005,121	18,050,315	2,555,377	2,225,121	19,560,498	20,275,436
Reclassification of mark up receivable from other assets on acc	752,652	-	-	-	752,652	-
Credit loss allowance against advances						
Stage 1	37,302	-	-	-	37,302	-
Stage 2	319,328	-	-	-	319,328	-
Stage 3	-	-	1,880,577	854,440	1,880,577	854,440
	356,630	-	1,880,577	854,440	2,237,207	854,440
Advances - net of credit loss allowance	17,401,143	18,050,315	674,800	1,370,681	18,075,943	19,420,996

## 12.1 Particulars of advances (Gross)

	(Un-audited) 30 September 2023	(Audited) 31 December 2022
In local currency	19,560,498	20,275,436
In foreign currencies	-	-
	19,560,498	20,275,436

12.2 Advances include Rs. 2,555 million (2022: Rs 2,225 million) which have been placed under the non-performing / Stage 3 status as detailed below:

Category of Classification	(Un-audited) 30 September 2023		(Audited) 31 December 2022	
	Non Performing Loans	Credit loss allowance	Non Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	193,630	128,654	197,210	-
Substandard	300,000	199,330	750,000	77,183
Doubtful	165,206	109,768	334,728	9,944
Loss	1,896,541	1,442,825	943,183	767,313
	2,555,377	1,880,577	2,225,121	854,440

## 12.3 Particulars of credit loss allowance against advances

	(Un-audited) 30 September 2023				(Audited) 31 December 2022		
	Stage 1	Stage 2	Stage 3	Total	Specific	General	Total
	(Rupees in '000)						
Opening balance	-	-	854,440	854,440	749,097	210	749,307
Impact of adopting IFRS 9	25,765	308,791	816,062	1,150,618	-	-	-
Charge for the year	14,300	161,460	316,827	492,587	117,732	-	117,732
Reversals	(2,763)	(150,923)	(106,752)	(260,438)	(12,389)	(210)	(12,599)
	11,537	10,537	210,075	232,149	105,343	(210)	105,133
Amounts written off	-	-	-	-	-	-	-
Closing balance	37,302	319,328	1,880,577	2,237,207	854,440	-	854,440

12.4 In accordance with SBP guideline on IFRS-9 and BPRD Circular No. 6 dated June 26, 2014 issued by the SBP, As of 30 September 2023 The Company has availed total accumulated FSV benefit amounting NIL (2022: Rs. 429 million, net of tax Rs. 288 million). Accordingly, accumulated profit NIL (2022: Rs 288 million, net of transfer to statutory reserves Rs. 230 million) will not be available for the distribution as cash or stock dividend to the shareholders / bonus to employees of the Company as required by the aforementioned SBP directives.

## 12.5 Advances - Particulars of credit loss allowance

	(Un-audited) 30 September 2023				(Audited) 31 December 2022		
	Stage 1	Stage 2	Stage 3	Total	Specific	General	Total
	(Rupees in '000)						
Opening balance	-	-	854,440	854,440	749,097	210	749,307
Impact of adopting IFRS 9	25,765	308,791	816,062	1,150,618	-	-	-
New Advances	2,968	-	-	2,968	-	-	-
Advances derecognised or repaid	(2,763)	(150,923)	(106,752)	(260,438)	-	-	-
Transfer to stage 1	9,512	-	-	9,512	-	-	-
Transfer to stage 2	-	52,786	-	52,786	-	-	-
Transfer to stage 3	-	-	309,098	309,098	-	-	-
	9,717	(98,137)	202,346	113,926	-	-	-
Amounts written off / charged off	-	-	-	-	-	-	-
Changes in risk parameters	-	-	-	-	-	-	-
Other changes	1,820	108,674	7,729	118,223	105,343	(210)	105,133
Closing balance	37,302	319,328	1,880,577	2,237,207	854,440	-	854,440

## 12.6 Category of Classification

		(Un-audited) 30 September 2023		(Audited) 31 December 2022	
		Outstanding Amount	Credit loss allowance	Outstanding Amount	Provision
		(Rupees in '000)			
Domestic					
Performing	Stage 1	13,763,214	37,302	-	-
Underperforming	Stage 2	3,241,907	319,328	-	-
Non-performing	Stage 3				
Other Assets Especially Mentioned		193,630	128,654	197,210	-
Substandard		300,000	199,330	750,000	77,183
Doubtful		165,206	109,768	334,728	9,944
Loss		1,896,541	1,442,825	943,183	767,313
		19,560,498	2,237,207	2,225,121	854,440

	(Un-audited) 30 September 2023	(Audited) 31 December 2022
	(Rupees in '000)	
<b>13 PROPERTY AND EQUIPMENT</b>		
Capital work-in-progress	8,932	-
Office premises	680,043	708,245
Vehicles, equipment and Furniture and fixtures	158,461	57,065
	<u>847,436</u>	<u>765,310</u>

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

**13.1 Additions to fixed assets**

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

<b>Capital work-in-progress</b>	8,932	-
<b>Vehicles, equipment and Furniture and fixtures</b>		
Improvements	3,801	-
Office equipments	1,839	543
Computer equipments	2,601	4,615
Furniture and fixture	1,700	250
Vehicles	119,390	3,600
	<u>129,331</u>	<u>9,008</u>
Total	<u>138,263</u>	<u>9,008</u>

**13.2 Disposal of fixed assets**

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

Furniture and fixture	80	212
Office equipment	-	412
Improvements	3,046	-
Vehicles	1,931	10,702
Total	<u>5,057</u>	<u>11,326</u>

	(Un-audited) 30 September 2023	(Audited) 31 December 2022
	(Rupees in '000)	
<b>14 RIGHT-OF-USE-ASSETS</b>		
As at January 01,		
Cost	156,112	156,112
Accumulated depreciation	(61,176)	(43,730)
Net Carrying amount at January 01,	<u>94,936</u>	<u>112,382</u>
Additions during the year	7,753	-
Deletions during the year	(7,594)	-
Depreciation Charge for the year	(13,745)	(17,446)
Net Carrying amount	<u>81,350</u>	<u>94,936</u>

	(Un-audited) 30 September 2023	(Audited) 31 December 2022
	(Rupees in '000)	
<b>15 DEFERRED TAX ASSETS</b>		
<b>Deductible Temporary Differences on</b>		
Credit loss allowance against investments	321,183	263,205
Assets subject to finance leases	(83)	(136)
Amortisation of premium on Federal Government Securities	3,297	4,057
Credit loss allowance against advances	872,510	281,965
Credit loss allowance against off-balance sheet	1,907	-
Credit loss allowance against balances with other banks	512	-
Credit loss allowance against lending to FIs	-	-
Revaluation on investments classified as FVTOCI	228,513	173,359
Revaluation on investments classified as FVTPL	(19,413)	(1,333)
Net investment in finance leases	67,334	45,130
	<b>1,475,760</b>	<b>766,247</b>
<b>Taxable Temporary Differences on</b>		
Accelerated tax depreciation allowances	27,687	16,007
Revaluation on non-banking assets	-	-
Revaluation on fixed assets	(154,091)	(135,037)
Dividend receivable	(3,452)	-
	<b>(129,856)</b>	<b>(119,030)</b>
	<b>1,345,904</b>	<b>647,217</b>
<b>16 OTHER ASSETS</b>		
Income / mark-up accrued in local currency - net of provision	-	2,194,746
Dividend income receivable	13,809	-
Mark-up / profit receivable on purchase of securities	-	363,277
Security deposits	4,624	3,486
Prepayments	46,563	30,645
Taxation	2,504,270	1,340,308
Non-banking assets acquired in satisfaction of claims	-	-
Defined benefit plan	-	-
Others	23,375	21,990
	<b>2,592,641</b>	<b>3,954,452</b>
Less: Provision held against other assets	-	-
Other assets (net of provisions)	<b>2,592,641</b>	<b>3,954,452</b>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	-	-
	<b>2,592,641</b>	<b>3,954,452</b>

	(Un-audited) 30 September 2023	(Audited) 31 December 2022
	(Rupees in '000)	
<b>17 BORROWINGS</b>		
<b>Secured</b>		
Borrowings from the State Bank of Pakistan:		
- Long term financing facility (LTFF)	2,202,650	2,595,426
- Financing Power Plants Using Renewable Energy (REF)	241,881	274,253
- Financing Facility for Storage of Agricultural Produce (FFSAP)	30,769	36,539
- Temporary Economic Refinance Facility (TERF)	205,068	208,186
Repurchase agreement borrowings	316,826,341	104,263,504
Long term borrowings	4,279,167	4,691,667
Short term borrowing	15,018,089	94,887
Bai Muajjal	-	4,000,718
<b>Total secured</b>	<b>338,803,965</b>	<b>116,165,180</b>
<b>Unsecured</b>		
Placements	11,000,000	-
Murabaha financing	10,035,005	16,735,795
<b>Total unsecured</b>	<b>21,035,005</b>	<b>16,735,795</b>
Reclassification of mark up payable from other liabilities on adoption of IFRS 9	7,275,144	-
	<b>367,114,114</b>	<b>132,900,975</b>

**18 DEPOSITS AND OTHER ACCOUNTS**

	(Un-audited) 30 September 2023		(Audited) 31 December 2022	
	In local currency	Total	In local currency	Total
	(Rupees in '000)			
<b>Certificates of investment</b>				
Financial institutions	636,000	636,000	3,154,000	3,154,000
Others	11,447,377	11,447,377	10,366,897	10,366,897
	<b>12,083,377</b>	<b>12,083,377</b>	13,520,897	13,520,897
Reclassification of mark up payable from other liabilities on adoption of IFRS 9	386,014	386,014	-	-
	<b>12,469,391</b>	<b>12,469,391</b>	13,520,897	13,520,897

	(Un-audited) 30 September 2023	(Audited) 31 December 2022
	(Rupees in '000)	
<b>19 LEASE LIABILITIES</b>		
Outstanding amount at the start of the year	3,139	3,935
Additions during the year	-	-
Lease payments including interest	(1,427)	(1,463)
Interest expense	787	667
Outstanding amount	<b>2,499</b>	<b>3,139</b>
<b>19.1 Liabilities outstanding</b>		
Not later than one year	934	872
Later than one year and upto five years	1,565	2,267
	<b>2,499</b>	<b>3,139</b>

The Company has entered into lease agreement with a financial institution for lease of vehicle. Lease rentals are payable in monthly installments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rate of 9.17% (2022: 9.17%) per annum. At the end of lease term, the Company has option to acquire the assets, subject to adjustment of security deposit.



		(Unaudited) 30-Sep-23	(Audited) 31-Dec-22
(Rupees in '000)			
<b>23</b>	<b>CONTINGENCIES AND COMMITMENTS</b>		
	<b>Transaction related contingent liability:</b>		
	Standby letter of credit	<b>1,009,039</b>	797,255
	Pledge of shares on behalf of Japan Power Generation Limited	23.1 <b>70,726</b>	70,726
	Pledge of shares on behalf of Orient Power Company (Private) Limited	23.2 <b>226,000</b>	226,000
	Commitments for:		
	Purchase of Government securities	-	13,559
	Sale of Government securities	<b>1,275,664</b>	16,062
	Commitments for advances and net investment in finance leases	<b>625,698</b>	1,108,268
	Workers Welfare Fund	<b>161,471</b>	161,471

**23.1** Shares in Japan Power Generation Limited (JPGL) (an associate) aggregating 17,622,878 having a cost of Rs. 70.726 million (2022: Rs. 70.726 million) are pledged as security on behalf of that associate company against a syndicate finance facility obtained by it (the associate company).

**23.2** Investment in unlisted shares in Orient Power Company (Private) Limited (related party) aggregating 22,600,000 having a cost of Rs. 226 million are pledged as security against a syndicate finance facility obtained by Orient Power Company (Private) Limited.

**23.2** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015, the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.5 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income.

The Company filed a Constitutional Petition in Sindh High Court challenging the applicability of the Act to the Company on the grounds including being a trans-provisional organisation and inclusion of Financial Services under the definition of Industrial Undertakings. The Sindh High Court has granted an interim relief. The petition is pending with Sindh High Court and management is of the view that the possibility of an outflow of an economic resource is remote therefore, no provision is required to be maintained.

		(Un-audited)	
		Nine months ended	
Note		30 September 2023	30 September 2022
(Rupees in '000)			
<b>24</b>	<b>MARK-UP / RETURN / INTEREST EARNED</b>		
	On:		
	a) Loans and advances	2,549,045	1,580,501
	b) Investments	46,643,880	9,764,953
	c) Lendings to financial institutions	1,225,252	530,735
	d) Balances with banks	71,637	117,193
		<u>50,489,814</u>	<u>11,993,382</u>
<b>25</b>	<b>MARK-UP / RETURN / INTEREST EXPENSED</b>		
	On:		
	a) Deposits	1,714,660	1,036,320
	b) Borrowings	46,469,105	10,409,386
	c) Lease liability against right-of-use assets	9,660	10,209
		<u>48,193,425</u>	<u>11,455,915</u>
<b>26</b>	<b>FEE AND COMMISSION INCOME</b>		
	Credit related fees	16,743	32,724
	Investment banking fees	16,224	7,475
	Commission on guarantees	2,307	2,598
	Underwriting commission of Government securities auction	-	18,943
		<u>35,274</u>	<u>61,740</u>
<b>27</b>	<b>GAIN ON SECURITIES</b>		
	Realised	56,925	137,172
	Unrealised - held for trading	45,738	768
		<u>102,663</u>	<u>137,940</u>
<b>27.1</b>	<b>Realised gain/(loss) on:</b>		
	Federal Government Securities	53,765	93,616
	Non Government debt securities	1,678	380
	Mutual Funds	1,482	14,865
	Shares	-	28,311
		<u>56,925</u>	<u>137,172</u>
<b>28</b>	<b>OTHER INCOME</b>		
	Gain on sale of property and equipment - net	4,568	980
	Rent on property	14,421	6,065
		<u>18,989</u>	<u>7,045</u>

	(Un-audited)	
	Nine months ended	
	30 September 2023	30 September 2022
	(Rupees in '000)	
<b>29 OPERATING EXPENSES</b>		
Total compensation expense	454,252	294,556
<b>Property expense</b>		
Utilities cost	7,681	3,591
Security (including guards)	777	525
Repair & maintenance (including janitorial charges)	10,542	7,840
Depreciation on right-of-use assets & improvements	16,243	15,630
Depreciation	28,204	2,971
	<b>63,447</b>	<b>30,557</b>
<b>Information technology expenses</b>		
Software maintenance	971	944
Hardware maintenance	677	287
Depreciation	2,449	1,511
Network charges	2,111	2,367
Others	695	1,073
	<b>6,903</b>	<b>6,182</b>
<b>Other operating expenses</b>		
Directors' fees and allowances	20,250	23,625
Legal & professional charges	13,146	7,048
Travelling & conveyance	14,686	15,446
Depreciation	17,929	26,302
Training & development	855	663
Postage & courier charges	366	629
Communication	7,890	6,576
Stationery & printing	1,157	1,112
Marketing, advertisement & publicity	1,135	1,687
Donations	30	130
Auditors' remuneration	2,416	1,669
Membership and subscriptions	2,157	1,867
Transportation	3,392	2,574
Insurance	2,782	2,055
Finance charges on leased assets	787	458
Entertainment and canteen expenses	3,303	3,989
Maintenance charges - Non-banking assets	-	1,803
Others	5,513	5,469
	<b>97,794</b>	<b>103,102</b>
Total operating expenses	<b>622,396</b>	<b>434,397</b>

		(Un-audited) Nine months	
		30 September 2023	30 September 2022
		(Rupees in '000)	
<b>30</b>	<b>OTHER CHARGES</b>		
	Penalties imposed by State Bank of Pakistan	-	-
	Fee, commission and others	65,766	21,763
		<u>65,766</u>	<u>21,763</u>
<b>31</b>	<b>CREDIT LOSS ALLOWANCE AND WRITE OFFS - NET</b>		
	Credit (loss) / reversal allowance for diminution in value of investments	(5,882)	10,091
	Credit (loss)/ reversal allowance against loans & advances	(232,149)	(51,793)
	Credit (loss) / reversal allowance against balances with other banks	(128)	-
	Credit (loss) / reversal allowance against lendings to FIs	-	-
	Credit (loss) / reversal allowance against off-balance sheet items	(146)	-
		<u>(238,305)</u>	<u>(41,702)</u>
<b>32</b>	<b>TAXATION</b>		
		<b>Note</b>	
	Current	732,755	266,104
	Prior years	32.2 71,080	30,076
	Deferred	(286,834)	(190,320)
		<u>517,001</u>	<u>105,860</u>

**32.1 Tax contingencies**

The Income tax Department has amended the deemed assessment orders for the tax years 2004, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018, wherein major issues raised by the authorities were related to applicability of Workers Welfare Fund (WWF), disallowance of allocation of common expenses and disallowance of losses claimed on early termination of leased assets. The Company's appeals are pending at various appellate forums. For the tax year 2005 and 2008, the Commissioner Inland Revenue (Appeals) [CIR(A)] has adjudicated that the proceeding initiated by the department under section 122(5A) for respective tax years were barred in time, thereby, the amended assessment order has been annulled. Thereafter, the department being aggravated by the CIR(A) decision, filed appeal before the Appellate Tribunal Inland Revenue for the respective tax years. Further, for the matter of WWF, Supreme Court (SC) in its decision has annulled the amendments made through Finance Act 2006 and 2008. However, Federal Board of Revenue (FBR) has now filed review petition in the SC against the SC decision in the matter of WWF. Management estimates and no provision is required.

**32.2 Taxation - prior**

This represents super tax on the taxable income for the tax year 2023 imposed through Finance Act 2023.

		(Un-audited) Nine months	
		30 September 2023	30 September 2022
		(Rupees in '000)	
<b>33</b>	<b>BASIC AND DILUTED EARNINGS PER SHARE</b>		
	Profit after taxation	Rupees in '000 1,107,785	163,975
	Weighted average number of ordinary shares issued	Numbers in '000 615,000	615,000
	Basic and diluted earnings per share	Rupees 1.80	0.27

**33.1** Diluted earnings per share has not been presented separately as the Company does not have any convertible instruments in issue.

		(Un-audited) Nine months	
		30 September 2023	30 September 2022
		(Rupees in '000)	
<b>34</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash and balances with treasury banks	488,587	224,347
	Balances with other banks	34,504	1,015,327
		<u>523,091</u>	<u>1,239,674</u>

## 35 FINANCIAL ASSETS AND LIABILITIES

	(Un-audited)	
	30 September 2023	01 January 2023
	Rupees in '000	
<b>Financial Assets</b>		
<b>Amortised Cost</b>		
Cash and balances with treasury banks	488,587	346,449
Balances with other banks	33,191	1,623,224
Lendings to financial institutions	295,708	5,135,762
Advances	18,075,943	18,270,378
Other assets	41,808	2,583,499
<b>FVTPL</b>		
Investments		
Federal Government securities	70,777,256	18,485,961
Shares	-	-
Non-Government debt securities	-	-
<b>FVOCI</b>		
Investments		
Federal Government securities	289,726,781	102,877,992
Shares	484,459	484,459
Non-Government debt securities	3,213,447	3,148,277
<b>Associates</b>		
Investments	612,705	628,621
<b>Subsidiary</b>		
Investments	395,373	315,373
	<b>384,145,258</b>	<b>153,899,995</b>
<b>Financial liabilities</b>		
<b>Amortised Cost</b>		
Borrowings	367,114,114	132,900,975
Deposits and other accounts	12,469,391	13,520,897
Lease Liabilities	2,499	3,139
Other liabilities	710,180	2,566,788
	<b>380,296,184</b>	<b>148,991,799</b>

### 36 FAIR VALUE MEASUREMENTS

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

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

Office premises and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty. Accordingly, a qualitative disclosure of sensitivity has not been presented in these condensed interim unconsolidated financial statement

#### 36.1 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).

In the opinion of management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently repriced.

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:

(Un-audited)				
As at 30 September 2023				
On balance sheet financial instruments	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
<b>Financial assets - measured at fair value</b>				
Investments				
Federal Government securities	-	360,504,037	-	360,504,037
Shares	-	-	-	-
Non-Government debt securities	-	3,213,447	-	3,213,447
Mutual funds	-	612,705	-	612,705
<b>Financial assets - disclosed but not measured at fair value</b>				
Investments	-	-	879,832	879,832
(Audited)				
As at 31 December 2022				
On balance sheet financial instruments	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
<b>Financial assets - measured at fair value</b>				
Investments				
Federal Government securities	-	121,363,953	-	121,363,953
Non-Government debt securities	-	3,168,349	-	3,168,349
Mutual funds	-	628,621	-	628,621
<b>Financial assets - disclosed but not measured at fair value</b>				
Investments	-	-	549,922	549,922

## 37 SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

	(Un-audited)			
	Nine months ended 30 September 2023			
	Corporate Banking	Investment Banking	Treasury	Total
	----- (Rupees in '000) -----			
<b>Profit &amp; loss account</b>				
Net mark-up / return / profit	169,311	(156,956)	2,284,034	2,296,389
Non mark-up / return / interest income	19,050	130,065	105,749	254,864
Total income	188,361	(26,891)	2,389,783	2,551,253
Segment direct expenses	369,351	46,774	272,037	688,162
(Provisions) / Reversals	(232,295)	-	(6,010)	(238,305)
Profit before tax	(413,285)	(73,665)	2,111,736	1,624,786
	(Un-audited)			
	As at 30 September 2023			
	Corporate Banking	Investment Banking	Treasury	Total
	----- (Rupees in '000) -----			
<b>Statement of financial position</b>				
Cash & Bank balances	-	-	521,778	521,778
Investments	-	1,492,537	363,717,484	365,210,021
Lendings to financial institutions	-	-	295,708	295,708
Advances - performing	16,925,930	-	475,213	17,401,143
non- performing	674,800	-	-	674,800
Others	1,110,036	67,569	3,689,726	4,867,331
<b>Total assets</b>	18,710,766	1,560,106	368,699,909	388,970,781
Borrowings	17,803,751	1,471,834	347,838,529	367,114,114
Subordinated debt	-	-	-	-
Deposits & other accounts	599,818	50,013	11,819,560	12,469,391
Others	141,019	2,409	569,251	712,679
<b>Total liabilities</b>	18,544,588	1,524,256	360,227,340	380,296,184
Equity	166,178	35,850	8,472,569	8,674,597
<b>Total equity &amp; liabilities</b>	18,710,766	1,560,106	368,699,909	388,970,781
<b>Contingencies &amp; commitments</b>	1,731,814	301,005	1,335,779	3,368,598
	(Un-audited)			
	Nine months ended 30 September 2022			
	Corporate Banking	Investment Banking	Treasury	Total
	----- (Rupees in '000) -----			
<b>Profit &amp; loss account</b>				
Net mark-up / return / profit	189,410	(88,645)	436,702	537,467
Non mark-up / return / interest income	35,687	88,457	122,137	246,281
Total income	225,097	(188)	558,839	783,748
Segment direct expenses	253,075	26,040	193,096	472,211
Reversals	(51,793)	-	10,091	(41,702)
Profit before tax	(79,771)	(26,228)	375,834	269,835
	(Audited)			
	As at 31 December 2022			
	Corporate Banking	Investment Banking	Treasury	Total
	----- (Rupees in '000) -----			
<b>Statement of financial position</b>				
Cash & Bank balances	-	-	1,970,858	1,970,858
Investments	-	1,178,543	124,532,302	125,710,845
Lendings to financial institutions	-	-	5,135,762	5,135,762
Advances - performing	17,821,388	-	228,927	18,050,315
- non-performing	1,370,681	-	-	1,370,681
Others	1,085,623	136,357	4,239,935	5,461,915
<b>Total assets</b>	20,277,692	1,314,900	136,107,784	157,700,376
Borrowings	17,524,277	1,103,958	114,272,740	132,900,975
Subordinated debt	-	-	-	-
Deposits & other accounts	1,738,566	112,737	11,669,594	13,520,897
Others	440,996	20,455	2,117,375	2,578,826
<b>Total liabilities</b>	19,703,839	1,237,150	128,059,709	149,000,698
Equity	573,853	77,750	8,048,075	8,699,678
<b>Total equity &amp; liabilities</b>	20,277,692	1,314,900	136,107,784	157,700,376
<b>Contingencies &amp; commitments</b>	2,002,600	301,005	89,736	2,393,341

## 38 RELATED PARTY TRANSACTIONS

The Company has related party relationship with various parties, including its directors, key management personnel (including their associates), associates, subsidiary company, employee benefit plans, and company having common directors.

Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation / terms of the contribution plan. Remuneration of the key management personnel are in accordance with the terms of their employment. Advances are given to employees as per the Company Policy. Transactions with other related parties are carried out on commercial terms and as per market rates.

The nature of the relationships and transactions with related parties, other than those which have been specifically disclosed elsewhere in the unconsolidated financial statements are as follows:

### **Subsidiary**

Pak Oman Asset Management Company Limited

### **Associates**

Japan Power Generation Limited  
 Pak Oman Advantage Islamic Income Fund  
 Pak Oman Islamic Asset Allocation Fund  
 Pak Oman Advantage Asset Allocation Fund  
 Askari High Yield Scheme  
 Askari Cash Fund  
 Pak Oman Daily Dividend Fund  
 Pak Oman Government Securities Fund

### **Retirement benefit fund**

Defined benefit plan  
 Defined contribution plan

### **Other related party**

Orient Power Company (Private) Limited



## 38.2 Related party transactions

Nine months ended 30 September 2023 (Un-audited)						Nine months ended 30 September 2022 (Un-audited)					
Directors	Key management personnel	Subsidiaries	Associates	Retirement benefit funds	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Retirement benefit funds	Other related parties

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

	Nine months ended 30 September 2023 (Un-audited)						Nine months ended 30 September 2022 (Un-audited)					
<b>Income</b>												
Mark-up / return / interest earned	-	1,728	-	-	-	-	-	1,030	-	-	-	-
Fee and commission income	-	-	-	-	-	-	-	-	-	-	-	-
Dividend income	-	-	-	95,480	-	-	-	-	-	38,246	-	-
Net gain on sale of securities	-	-	-	1,482	725	-	-	-	-	35,346	319	-
Other income	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
<b>Expense</b>												
Mark-up / return / interest paid	-	2,967	-	-	-	-	-	643	-	-	-	-
Operating expenses	-	-	-	-	-	-	-	-	-	-	-	-
Non- Executive Directors' fees and allowances	20,250	-	-	-	-	-	23,625	-	-	-	-	-
Compensation expenses	-	174,032	-	-	-	-	-	234,401	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	14,835	-	-	-	-	-	13,862	-
Charge for defined benefit plan	-	-	-	-	13,640	-	-	-	-	-	15,600	-

## 39 CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS

	(Un-audited) 30 September 2023	(Audited) 31 December 2022
	(Rupees in '000)	
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	<b>6,150,000</b>	6,150,000
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	<b>6,326,662</b>	7,164,149
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	<b>6,326,662</b>	7,164,149
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	<b>6,326,662</b>	7,164,149
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	<b>19,835,182</b>	25,699,246
Market Risk	<b>21,483,944</b>	4,064,453
Operational Risk	<b>2,918,559</b>	2,918,559
Total	<b>44,237,685</b>	32,682,258
Common Equity Tier 1 Capital Adequacy ratio	<b>14.30%</b>	21.92%
Tier 1 Capital Adequacy Ratio	<b>14.30%</b>	21.92%
Total Capital Adequacy Ratio	<b>14.30%</b>	21.92%
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	<b>6,326,662</b>	7,164,149
Total Exposures	<b>483,456,881</b>	160,045,303
Leverage Ratio	<b>1.31%</b>	4.48%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	<b>19,447,254</b>	9,368,544
Total Net Cash Outflow	<b>29,219,993</b>	11,730,333
Liquidity Coverage Ratio	<b>66.55%</b>	79.87%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	<b>20,889,626</b>	22,645,526
Total Required Stable Funding	<b>19,938,482</b>	21,709,665
Net Stable Funding Ratio	<b>104.77%</b>	104.31%

## 40 Transition to IFRS 9 Financial Instruments

(Un-audited)				
	31 December 2022	Expected Credit Loss Allowances	Reclassification adjustments in relation to adopting IFRS 9	01 January 2023
	(Rupees in '000)			
<b>ASSETS</b>				
Cash and balances with treasury banks	346,449	-	-	346,449
Balances with other banks	1,624,409	(1,185)	-	1,623,224
Lendings to financial institutions	5,135,762	-	-	5,135,762
Investments	125,710,845	(20,072)	249,910	125,940,683
Advances	19,420,996	(1,150,618)	-	18,270,378
Property and equipment	765,310	-	-	765,310
Right-of-use assets	94,936	-	-	94,936
Intangible assets	-	-	-	-
Deferred tax assets	647,217	388,284	(82,470)	953,031
Other assets	3,954,452	-	-	3,954,452
Assets held-for-sale	-	-	-	-
	<b>157,700,376</b>	<b>(783,591)</b>	<b>167,440</b>	<b>157,084,225</b>
<b>LIABILITIES</b>				
Bills payable	-	-	-	-
Borrowings	132,900,975	-	-	132,900,975
Deposits and other accounts	13,520,897	-	-	13,520,897
Lease Liabilities	3,139	-	-	3,139
Subordinated debt	-	-	-	-
Deferred tax liabilities	-	-	-	-
Other liabilities	2,575,687	4,744	-	2,580,431
	<b>149,000,698</b>	<b>4,744</b>	<b>-</b>	<b>149,005,442</b>
<b>NET ASSETS</b>	<b>8,699,678</b>	<b>(788,335)</b>	<b>167,440</b>	<b>8,078,783</b>
<b>REPRESENTED BY</b>				
Share capital	6,150,000	-	-	6,150,000
Reserves	1,922,289	-	-	1,922,289
Surplus / (Deficit) on revaluation of assets	(18,918)	-	167,440	148,522
Unappropriated profit	646,307	(788,335)	-	(142,028)
	<b>8,699,678</b>	<b>(788,335)</b>	<b>167,440</b>	<b>8,078,783</b>

**41 CREDIT RATING**

The VIS Credit Rating Company Limited has maintained the Company's rating of AA+ (Double A Plus) in the long term and A-1+ (A One Plus) for the short term.

**42 GENERAL**

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

**42.2** The comparative figures have been re-arranged for comparison purposes.

**43 DATE OF AUTHORISATION FOR ISSUE**

These unconsolidated financial statements were authorised for issue on 26 October 2023 by the Board of Directors of the Company.

Managing Director/  
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman