

**PAK OMAN INVESTMENT  
COMPANY LIMITED**

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

**FOR THE FIRST QUARTER  
ENDED 31 MARCH 2023**

**Pak Oman Investment Company Limited**  
**Consolidated Condensed Interim Statement of Financial Position**  
**As at 31 March 2023**

(Unaudited) 31 March 2023 (US Dollar in '000)	(Audited) 31 December 2022		(Unaudited) 31 March 2023 (Rupees in '000)	(Audited) 31 December 2022
		<i>Note</i>		
<b>ASSETS</b>				
2,069	1,221	8	587,157	346,474
1,918	5,727	9	544,177	1,625,259
3,598	18,097	10	1,021,011	5,135,762
507,283	441,992	11	143,962,730	125,433,755
66,757	68,434	12	18,945,115	19,420,996
2,755	2,729	13	781,757	774,471
340	359	14	96,402	101,846
340	340	15	96,392	96,559
4,087	2,074	16	1,159,819	588,518
7,706	14,346	17	2,186,995	4,071,258
-	-		-	-
<b>596,853</b>	<b>555,319</b>		<b>169,381,555</b>	<b>157,594,898</b>
<b>LIABILITIES</b>				
-	-		-	-
510,736	468,304	18	144,942,812	132,900,975
50,415	47,644	19	14,307,388	13,520,897
10	11	20	2,929	3,139
-	-		-	-
-	-		-	-
10,395	9,486	21	2,949,167	2,691,873
<b>571,556</b>	<b>525,445</b>		<b>162,202,296</b>	<b>149,116,884</b>
<b>25,297</b>	<b>29,874</b>		<b>7,179,259</b>	<b>8,478,014</b>
<b>NET ASSETS</b>				
<b>REPRESENTED BY</b>				
21,671	21,671	22	6,150,000	6,150,000
5,838	6,774		1,656,699	1,922,289
(1,677)	(67)	23	(475,854)	(18,918)
(539)	1,492		(152,853)	423,376
<b>25,293</b>	<b>29,870</b>		<b>7,177,992</b>	<b>8,476,747</b>
4	4		1,267	1,267
<b>25,297</b>	<b>29,874</b>		<b>7,179,259</b>	<b>8,478,014</b>
<b>CONTINGENCIES AND COMMITMENTS</b>				
24				

The annexed notes from 1 to 44 form an integral part of these consolidated condensed interim financial statements.

Mohammad Zalmai  
Rahman Uddin Khan

**Acting Managing Director  
/ Chief Executive Officer**

Muhammad Amin

**Chief Financial Officer**

Faisal Ali Ibrahim  
Al Siyabi

**Director**

Omar Hamid Khan

**Director**

Juland Jaifar  
Salim Al Said

**Chairman**

**Pak Oman Investment Company Limited**  
**Consolidated Condensed Interim Profit and Loss Account (Un-Audited)**  
**For the first quarter ended 31 March 2023**

31 March 2023	31 March 2022		Note	31 March 2023	31 March 2022
(US Dollar in '000)				(Rupees in '000)	
23,486	11,500	Mark-up / Return / Interest Earned	25	6,665,181	3,263,706
22,143	10,579	Mark-up / Return / Interest Expensed	26	6,283,999	3,002,360
1,343	921	<b>Net mark-up / interest income</b>		<b>381,182</b>	<b>261,346</b>
<b>NON MARK-UP / INTEREST INCOME</b>					
75	93	Fee and commission income	27	21,271	26,308
-	5	Dividend income		-	1,310
-	-	Foreign exchange income		-	-
-	-	Income / (loss) from derivatives		-	-
(29)	14	Gain on securities	28	(8,100)	4,020
-	-	Net gains/(loss) on derecognition of financial assets measured at amortised cost		-	-
74	231	Share of profit from associates - net of tax		21,115	65,424
32	8	Other income	29	9,203	2,274
152	351	Total non mark-up / interest income		43,489	99,336
1,495	1,272	<b>Total Income</b>		<b>424,671</b>	<b>360,682</b>
<b>NON MARK-UP / INTEREST EXPENSES</b>					
700	682	Operating expenses	30	198,716	193,455
-	10	Workers Welfare Fund		-	2,968
38	27	Other charges	31	10,910	7,601
738	719	Total non mark-up / interest expenses		209,626	204,024
757	553	<b>Profit Before Provisions</b>		<b>215,045</b>	<b>156,658</b>
523	66	Credit (loss) / reversal allowance and write offs - net	32	148,322	18,857
-	-	Extra ordinary / unusual items		-	-
1,280	619	<b>PROFIT BEFORE TAXATION</b>		<b>363,367</b>	<b>175,515</b>
(398)	(155)	Taxation	33	(113,090)	(43,962)
882	464	<b>PROFIT AFTER TAXATION</b>		<b>250,277</b>	<b>131,553</b>
<b>ATTRIBUTABLE TO:</b>					
882	464	Shareholders of the holding company		250,277	131,636
-	-	Non-controlling interest		-	(83)
882	464			250,277	131,553
(US \$)				(Rupees)	
0.0014	0.0008	<b>Basic and diluted earnings per share attributable to shareholders of the holding company</b>	34	<b>0.41</b>	<b>0.21</b>

The annexed notes from 1 to 44 form an integral part of these consolidated condensed interim financial statements.

Mohammad Zalmi  
Rahman Uddin Khan

**Acting Managing Director  
/ Chief Executive Officer**

Muhammad Amin

**Chief Financial Officer**

Faisal Ali Ibrahim  
Al Siyabi

**Director**

Omar Hamid Khan

**Director**

Juland Jaifar  
Salim Al Said

**Chairman**

**Pak Oman Investment Company Limited**  
**Consolidated Condensed Interim Statement of Comprehensive Income (Un-Audited)**  
**For the first quarter ended 31 March 2023**

31 March 2023	31 March 2022		31 March 2023	31 March 2022
(US Dollar in '000)			(Rupees in '000)	
882	464	<b>Profit after taxation for the period</b>	<b>250,277</b>	131,553
<b>Other comprehensive income</b>				
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>				
(2,187)	12	Movements in (deficit) / surplus on revaluation of debt investments through FVOCI- net of tax	<b>(620,637)</b>	3,278
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>				
(13)	-	Movement in surplus on revaluation of property and equipment - net of tax	<b>(3,739)</b>	-
-	(2)	Movement in surplus on revaluation of non-banking assets- net of tax	-	(666)
(13)	(2)		<b>(3,739)</b>	(666)
<b>(1,318)</b>	<b>474</b>	<b>Total comprehensive income</b>	<b>(374,099)</b>	<b>134,165</b>
<b>ATTRIBUTABLE TO:</b>				
(1,318)	474	Shareholders of the holding company	<b>(374,099)</b>	134,248
-	-	Non-controlling interest	-	(83)
<b>(1,318)</b>	<b>474</b>		<b>(374,099)</b>	<b>134,165</b>

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Pak Oman Investment Company Limited  
Consolidated Condensed Interim Statement of Changes in Equity (Un-Audited)  
For the first quarter ended 31 March 2023

	Share capital	Statutory reserve	General reserve	Surplus / (deficit) on revaluation of		Unappropriated profit	Sub total	Non-controlling interest	Total
				Investments	Property and equipment / Non-banking assets				
(Rupees in '000)									
<b>Opening balance as at 01 January 2022</b>	<b>6,150,000</b>	<b>1,543,895</b>	<b>311,630</b>	<b>(96,992)</b>	<b>95,942</b>	<b>456,490</b>	<b>8,460,965</b>	<b>1,914</b>	<b>8,462,879</b>
Profit after taxation	-	-	-	-	-	131,636	131,636	(83)	131,553
Other comprehensive income / (loss) - net of tax	-	-	-	-	-	-	-	-	-
Movement in surplus / (deficit) on revaluation of investments in debt instruments - net of tax	-	-	-	3,278	-	-	3,278	-	3,278
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	-	-	-	-	-	-	-	-	-
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-	(666)	-	(666)	-	(666)
Total comprehensive income - net of tax	-	-	-	3,278	(666)	-	2,612	-	2,612
Transfer to statutory reserve	-	20,364	-	-	-	(20,364)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	666	666	-	666
<b>Transaction with owners recorded directly in equity</b>									
Final cash dividend - 31 December 2021 declared subsequent to the year end (Rs. 0.60 per share)	-	-	-	-	-	(369,000)	(369,000)	-	(369,000)
<b>Opening balance as at 01 April 2022</b>	<b>6,150,000</b>	<b>1,564,259</b>	<b>311,630</b>	<b>(93,714)</b>	<b>95,276</b>	<b>199,428</b>	<b>8,226,879</b>	<b>1,831</b>	<b>8,228,710</b>
Profit after taxation	-	-	-	-	-	274,143	274,143	686	274,829
Other comprehensive income / (loss) - net of tax	-	-	-	-	-	-	-	-	-
Movement in surplus / (deficit) on revaluation of investments in debt instruments - net of tax	-	-	-	(258,258)	-	-	(258,258)	-	(258,258)
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	-	-	-	-	237,778	-	237,778	-	237,778
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	(9,019)	(9,019)	-	(9,019)
Total comprehensive income - net of tax	-	-	-	(258,258)	237,778	(9,019)	(29,499)	-	(29,499)
Transfer to statutory reserve	-	46,400	-	-	-	(46,400)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	5,224	5,224	-	5,224
Further acquisition in subsidiary	-	-	-	-	-	-	-	(1,250)	(1,250)
<b>Opening balance as at 01 January 2023</b>	<b>6,150,000</b>	<b>1,610,659</b>	<b>311,630</b>	<b>(351,972)</b>	<b>333,054</b>	<b>423,376</b>	<b>8,476,747</b>	<b>1,267</b>	<b>8,478,014</b>
Impact of adopting IFRS 9 - Note 3	-	-	-	167,440	-	(788,335)	(620,895)	-	(620,895)
Profit after taxation	-	-	-	-	-	250,277	250,277	-	250,277
Other comprehensive income / (loss) - net of tax	-	-	-	-	-	-	-	-	-
Movement in surplus / (deficit) on revaluation of investments in debt instruments - net of tax	-	-	-	(620,637)	-	-	(620,637)	-	(620,637)
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	-	-	-	-	(3,739)	-	(3,739)	-	(3,739)
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-	-	-	-
Total comprehensive income - net of tax	-	-	-	(620,637)	(3,739)	-	(624,376)	-	(624,376)
Transfer from general reserve	-	-	(311,630)	-	-	311,630	-	-	-
Transfer to statutory reserve	-	46,040	-	-	-	(46,040)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	3,739	3,739	-	3,739
<b>Transaction with owners recorded directly in equity</b>									
Final cash dividend - 31 December 2022 declared subsequent to the year end (Rs. 0.50 per share)	-	-	-	-	-	(307,500)	(307,500)	-	(307,500)
<b>Closing balance as at 31 March 2023</b>	<b>6,150,000</b>	<b>1,656,699</b>	<b>-</b>	<b>(805,169)</b>	<b>329,315</b>	<b>(152,853)</b>	<b>7,177,992</b>	<b>1,267</b>	<b>7,179,259</b>

The annexed notes from 1 to 44 form an integral part of these consolidated condensed interim financial statements.

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Chairman

**Pak Oman Investment Company Limited**  
**Consolidated Condensed Interim Cash Flow Statement (Un-Audited)**  
**For the first quarter ended 31 March 2023**

31 March 2023	31 March 2022		31 March 2023	31 March 2022
(US Dollar in '000)			(Rupees in '000)	
1,280	619	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
-	(5)	Profit before taxation	363,367	175,515
1,280	614	Less: Dividend income	-	(1,310)
			363,367	174,205
		<b>Adjustments:</b>		
50	39	Depreciation	14,251	11,136
22	22	Depreciation on right-of-use assets	6,293	6,293
1	-	Amortization	167	33
(523)	(66)	Credit loss / (reversal) allowance and write offs - net	(148,322)	(18,857)
(7)	(1)	Gain on sale of property and equipment - net	(1,971)	(359)
(74)	(231)	Share of (profit) from associates - net of tax	(21,115)	(65,424)
12	14	Mark-up / return / profit / interest expensed on lease liability against right-of-use assets	3,398	3,871
1	-	Finance charges on leased assets	222	117
42	125	Unrealised loss / (gain) on revaluation of investments classified as held-for-trading	11,856	35,508
(476)	(98)		(135,221)	(27,682)
804	516		228,146	146,523
		<b>(Increase) / Decrease in operating assets</b>		
14,499	6,884	Lendings to financial institutions	4,114,721	1,953,578
35,434	(82,949)	Securities classified as FVPL	10,055,891	(23,540,132)
(1,849)	45	Advances	(524,592)	12,716
9,082	(1,246)	Other assets (excluding advance taxation)	2,577,402	(353,683)
57,166	(77,266)		16,223,422	(21,927,521)
		<b>Increase / (decrease) in operating liabilities</b>		
-	-	Bills payable	-	-
42,432	(16,467)	Borrowings	12,041,837	(4,673,128)
2,771	(4,705)	Deposits	786,491	(1,335,167)
(187)	(483)	Other liabilities (excluding current taxation)	(52,956)	(137,426)
45,016	(21,655)		12,775,372	(6,145,721)
102,986	(98,405)		29,226,940	(27,926,719)
(2,699)	(540)	Income tax paid	(766,029)	(153,230)
100,287	(98,945)	<b>Net cash flow generated from operating activities</b>	28,460,911	(28,079,949)
		<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
(103,151)	96,440	Net Investments in securities classified as FVOCI	(29,273,559)	27,368,872
-	-	Net investments in amortized cost securities	-	-
1	2,092	Investments in associates	224	593,567
-	164	Dividend received	-	46,510
(79)	(22)	Investments in property and equipment	(22,386)	(6,130)
7	1	Proceeds from sale of property and equipment	1,971	397
(103,222)	98,675	<b>Net cash flow from / (used in ) investing activities</b>	(29,293,750)	28,003,216
		<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
(2)	(1)	Payments of lease obligations	(432)	(315)
(21)	(7)	Payments of lease liability against right-of-use assets	(6,012)	(1,853)
-	-	Dividend paid	-	-
(23)	(8)	<b>Net cash flow (used in) financing activities</b>	(6,444)	(2,168)
(2,958)	(278)	<b>(Decrease) / increase in cash and cash equivalents</b>	(839,283)	(78,901)
6,948	5,865	Cash and cash equivalents at beginning of the period	1,971,733	1,664,405
3,990	5,587	<b>Cash and cash equivalents at end of the period</b>	1,132,450	1,585,504

The annexed notes from 1 to 44 form an integral part of these consolidated condensed interim financial statements.

Mohammad Zalmi  
Rahman Uddin Khan

**Acting Managing Director  
/ Chief Executive Officer**

Muhammad Amin

**Chief Financial Officer Director**

Faisal Ali Ibrahim  
Al Siyabi

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**Director**

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**Chairman**

**Pak Oman Investment Company Limited**  
**Notes to the Consolidated Condensed Interim Financial Statements (Un-Audited)**  
**For the first quarter ended 31 March 2023**

**1. STATUS AND NATURE OF BUSINESS**

1.1 The Group comprises of Pak-Oman Investment Company Limited - POICL (the "holding company" or "parent"), a subsidiary, Pak Oman Asset Management Company Limited (POAMCL) and associates. The Group is principally engaged in 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 bank, asset management and investment advisory services. Brief profile of the holding company and its subsidiary is as follows:

**1.1.1 Holding Company**

Pak-Oman Investment Company Limited - POICL (the "holding company" or "parent") was incorporated as a private limited company on 23 July 2001. Subsequently, on 17 March 2004 the holding 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 inter alia 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 holding company operates a branch at Lahore and other representative offices at Islamabad, Gwadar and Muscat. The holding 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.

**1.1.2 Subsidiary Company**

Pak-Oman Asset Management Company Limited (the "subsidiary company" or "POAMCL") was incorporated in Pakistan under the repealed Companies Ordinance, 1984 on 28 July 2006 as an unlisted public limited company having its registered office at Icon House, 83-C, 12th Commercial Street Phase- II Extension, DHA Karachi, Pakistan. POAMCL obtained certificate of commencement of business on 31 October 2006. The principal activities of the subsidiary company includes investment advisory and asset management services.

In 2017, the subsidiary company had purchased 100% shares of Askari Investment Management Limited and accordingly two funds of Askari Investment Management Limited are now under the management of the subsidiary company.

**1.2 The Group's associates are as follows:**

Entity	Country of Incorporation	Nature of business	Holding %	
			31-Mar-23	31-Dec-22
Pak Oman Advantage Islamic Income Fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	30.90	31.01
Pak Oman Islamic Asset Allocation fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	15.28	38.41
Pak Oman Advantage Asset Allocation Fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	99.49	99.58
Pak Oman Income Fund (Formerly Pak Oman Government Securities Fund)	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	2.49	4.79
Askari High Yield Scheme	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	34.41	11.55
Askari Cash Fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	10.46	3.02
Pak Oman Daily Dividend Fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	50.63	53.10
Japan Power Generation Limited	Pakistan	Incorporated under the repealed Companies Ordinance, 1984 and is engaged in generation of power and its supply to WAPDA.	11.29	11.29

## 2. BASIS OF PREPARATION

### 2.1 STATEMENT OF COMPLIANCE

These consolidated 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 consolidated 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 consolidated condensed interim financial statements do not include all the information and disclosures required for annual consolidated financial statements and should be read in conjunction with the consolidated 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 consolidated 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 consolidated condensed interim statement of financial position, consolidated condensed interim profit and loss account, consolidated condensed interim statement of comprehensive income and consolidated 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.283.7919= 1 US dollar for the first quarter ended 31 March 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 consolidated 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 consolidated 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 36 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

8,478,014

**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**

**7,857,119**

**Balances with other banks**

As at December 31, 2022

1,625,259

**IFRS 9 impact**

Credit loss allowances

(1,185)

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

**1,624,074**

**Investments**

As at December 31, 2022

125,433,755

**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**

**125,663,593**

**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

2,691,873

**IFRS 9 impact**

Credit loss allowances

4,744

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

**2,696,617**

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these consolidated condensed interim financial statements is the same as that applied in the preparation of the audited annual consolidated 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 instrumentequity investments 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 bank 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 provisions 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.

<b>8. CASH AND BALANCES WITH TREASURY BANKS</b>	<i>Note</i>	<b>(Un-audited) 31 March 2023</b>	<b>(Audited) 31 December 2022</b>
<b>(Rupees in '000)</b>			
In hand			
local currency		186	145
foreign currency		324	324
		510	469
With State Bank of Pakistan in			
Local currency current account	8.1	586,602	345,716
With National Bank of Pakistan in			
Local currency current account		45	289
Less: Credit loss allowance held against cash and balances with treasury banks		-	
		<u>587,157</u>	<u>346,474</u>

**8.1** This represent the amount required to be maintained by the holding company in accordance with the SBP's Regulations.

## **9. BALANCES WITH OTHER BANKS**

In Pakistan:

In current accounts		15,758	11,729
In deposit accounts	9.1	504,724	1,602,284
		<u>520,482</u>	<u>1,614,013</u>

Outside Pakistan:

In current accounts		15,386	11,246
Reclassification of mark up receivable from other assets on adoption of IFRS 9		9,425	-
Less: Credit loss allowance held against balances with other banks		(1,116)	-
		<u>544,177</u>	<u>1,625,259</u>

**9.1** These include term deposit receipts (TDRs) of Rs. 500 million (2022: Rs. 1,600 million) maturing in May 2023 (2022: January 2023 to February 2023). These carry mark-up rates 21.50% (2022: 16.50% to 17.75%) per annum.

## **10. LENDINGS TO FINANCIAL INSTITUTIONS**

Placements		250,000	-
Repurchase agreement lendings (Reverse Repo)		764,110	5,135,762
Reclassification of mark up receivable from other assets on adoption of IFRS 9		6,931	-
Less: Credit loss allowance held against lending to financial institutions		(30)	-
		<u>1,021,011</u>	<u>5,135,762</u>

## 11 INVESTMENTS

	31 March 2023 (Unaudited)					31 December 2022 (Audited)			
	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) -----									
<b>11.1 Investments by types</b>									
<b>Held-for-trading securities</b>									
Federal Government securities	8,335,143	-	(7,817)	90,888	8,418,214	18,481,922	-	4,039	18,485,961
Non-Government debt securities	-	-	-	-	-	-	-	-	-
	<b>8,335,143</b>	<b>-</b>	<b>(7,817)</b>	<b>90,888</b>	<b>8,418,214</b>	<b>18,481,922</b>	<b>-</b>	<b>4,039</b>	<b>18,485,961</b>
<b>Available-for-sale securities</b>									
Federal Government securities	129,390,322	-	(1,494,841)	3,072,036	130,967,517	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	3,645,684	(420,568)	43,186	136,443	3,404,745	3,545,556	(399,254)	22,047	3,168,349
	<b>133,382,272</b>	<b>(532,285)</b>	<b>(1,201,745)</b>	<b>3,208,479</b>	<b>134,856,721</b>	<b>107,317,192</b>	<b>(510,971)</b>	<b>(525,331)</b>	<b>106,280,890</b>
<b>Associates</b>	<b>687,795</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>687,795</b>	<b>666,904</b>	<b>-</b>	<b>-</b>	<b>666,904</b>
<b>Total Investments</b>	<b>142,405,210</b>	<b>(532,285)</b>	<b>(1,209,562)</b>	<b>3,299,367</b>	<b>143,962,730</b>	<b>126,466,018</b>	<b>(510,971)</b>	<b>(521,292)</b>	<b>125,433,755</b>

## 11.1.1 Investments given as collateral

	31 March 2023 (Unaudited)				31 December 2022 (Audited)			
	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	76,150,339	-	(1,297,415)	74,852,924	50,425,230	-	(401,555)	50,023,675
- Market treasury bills	37,892,004	-	(61,232)	37,830,772	53,312,305	-	13,850	53,326,155
	<u>114,042,343</u>	-	<u>(1,358,647)</u>	<u>112,683,696</u>	<u>103,737,535</u>	-	<u>(387,705)</u>	<u>103,349,830</u>
<b>Shares</b>								
- Listed companies	-	-	-	-	-	-	-	-
- Unlisted companies	226,000	-	-	226,000	226,000	-	-	226,000
	<u>226,000</u>	-	-	<u>226,000</u>	<u>226,000</u>	-	-	<u>226,000</u>
<b>Total investments</b>	<u>114,268,343</u>	-	<u>(1,358,647)</u>	<u>112,909,696</u>	<u>103,963,535</u>	-	<u>(387,705)</u>	<u>103,575,830</u>

(Un-audited)  
First quarter ended  
31 March  
2023

(Audited)  
Year ended  
31 December  
2022

(Rupees in '000)

## 11.2 Credit loss allowances for diminution in value of investments

11.2.1 Opening balance	510,971	506,918
Impact of adopting IFRS 9	20,072	
<b>Charges / reversals</b>		
Charge for the year	1,292	14,144
Reversals for the year	(50)	(10,091)
	<u>1,242</u>	<u>4,053</u>
Transfers - net	-	-
Amounts written off	-	-
Closing balance	<u>532,285</u>	<u>510,971</u>

## 11.2.2 Particulars of credit loss allowances against debt securities

Category of classification	31 March 2023		31 December 2022 (Audited)	
	NPI	Provision	NPI	Provision
	(Rupees in '000)			
<b>Domestic</b>				
<b>Performing</b>	<b>Stage 1</b>	2,980,862	5,121	-
<b>Underperforming</b>	<b>Stage 2</b>	219,851	16,193	-
<b>Non-performing</b>	<b>Stage 3</b>	-	-	-
Other assets especially mentioned		-	-	-
Substandard		-	-	-
Doubtful		-	-	-
Loss		444,971	444,971	399,254
Total		<u>3,645,684</u>	<u>406,424</u>	<u>399,254</u>

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 holding Company has availed the benefit of FSV against the non-performing investments. As of 31 March 2023, the holding Company has availed total accumulated FSV benefit amounting to Rs. 25 million (net of tax Rs. 17 million). Accordingly, accumulated profit of 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 Group does not hold overseas classified debt securities.

\* NPI stands for Non-performing investments.

## 12 ADVANCES

	Performing		Non-performing		Total	
	(Un-audited) 31-Mar-23	(Audited) 31-Dec-22	(Un-audited) 31-Mar-23	(Audited) 31-Dec-22	(Un-audited) 31-Mar-23	(Audited) 31-Dec-22
	(Rupees in '000)		(Rupees in '000)		(Rupees in '000)	
Loans, cash credits, running finances, etc.	17,654,716	17,821,388	2,206,121	2,225,121	19,860,837	20,046,509
Margin trading	328,343	228,927	-	-	328,343	228,927
Advances - Gross	17,983,059	18,050,315	2,206,121	2,225,121	20,189,180	20,275,436
Reclassification of mark up receivable from other assets on adoption of IF	610,848	-	-	-	610,848	-
Credit loss allowance against advances						
Stage 1	27,108	-	-	-	27,108	-
Stage 2	177,952	-	-	-	177,952	-
Stage 3	-	-	1,649,853	854,440	1,649,853	854,440
	205,060	-	1,649,853	854,440	1,854,913	854,440
Advances - net of credit loss allowance	18,388,847	18,050,315	556,268	1,370,681	18,945,115	19,420,996

## 12.1 Particulars of advances (Gross)

	31-Mar-23	31-Dec-22
	(Rupees in '000)	
In local currency	20,189,180	20,275,436
In foreign currencies	-	-
	20,189,180	20,275,436

12.2 Advances include Rs. 2,206 million (2022: Rs 2,225 million) which have been placed under the non-performing / Stage 3 status as detailed below:

Category of Classification	31 March 2023		31 December 2022 (Audited)	
	Non Performing Loans	Credit loss allowance	Non Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	197,210	129,420	197,210	-
Substandard	-	-	750,000	77,183
Doubtful	1,021,111	670,109	334,728	9,944
Loss	987,800	850,324	943,183	767,313
	2,206,121	1,649,853	2,225,121	854,440

## 12.3 Particulars of credit loss allowance against advances

	First quarter ended 31 March 2023			Year ended 31 December 2022 (Audited)			
	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	1,343	-	99,603	100,946	117,732	-	117,732
Reversals	-	(130,839)	(120,252)	(251,091)	(12,389)	(210)	(12,599)
	1,343	(130,839)	(20,649)	(150,145)	105,343	(210)	105,133
Amounts written off	-	-	-	-	-	-	-
Closing balance	27,108	177,952	1,649,853	1,854,913	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 March 31, 2023 The holding 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 holding Company as required by the aforementioned SBP directives.

## 12.5 Advances - Particulars of credit loss allowance

	(Un-audited)				(Audited)		
	31 March 2023	31 December 2022			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	200	-	-	200	-	-	-
Advances derecognised or repaid	(2)	(425)	(18,000)	(18,427)	-	-	-
Transfer to stage 1	676	(1,564)	-	(888)	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-
	874	(1,989)	(18,000)	(19,115)	-	-	-
Amounts written off / charged off	-	-	-	-	-	-	-
Changes in risk parameters	-	-	-	-	-	-	-
Other changes	469	(128,850)	(2,649)	(131,030)	105,343	(210)	105,133
Closing balance	27,108	177,952	1,649,853	1,854,913	854,440	-	854,440

## 12.6 Category of Classification

		31 March 2023		31 December 2022 (Audited)	
		Outstanding Amount	Credit loss allowance	Non Performing Loans	Provision
		(Rupees in '000)			
Domestic					
Performing	Stage 1	13,773,940	27,108	-	-
Underperforming	Stage 2	4,209,119	177,952	-	-
Non-performing	Stage 3	-	-	-	-
Other Assets Especially Mentioned		197,210	129,420	197,210	-
Substandard		-	-	750,000	77,183
Doubtful		1,021,111	670,109	334,728	9,944
Loss		987,800	850,324	943,183	767,313
		20,189,180	1,854,913	2,225,121	854,440

	(Un-audited) 31 March 2023 ----- (Rupees in '000) -----	(Audited) 31 December 2022
<b>13 PROPERTY AND EQUIPMENT</b>		
Capital work-in-progress	10,740	-
Office premises	698,845	708,245
Vehicles, equipment and Furniture and fixtures	72,172	66,226
	<u>781,757</u>	<u>774,471</u>
	(Un-Audited) 31 March 2023	(Un-Audited) 31 March 2022
	----- (Rupees in '000) -----	
<b>13.1 Additions to fixed assets</b>		
The following additions have been made to fixed assets during the period:		
<b>Capital work in progress</b>	10,740	5,100
<b>Vehicles, equipment and Furniture and fixtures</b>		
Improvements	-	-
Office equipment	120	830
Computer equipment	28	200
Furniture and fixture	850	-
Vehicles	10,648	-
	<u>11,646</u>	<u>1,030</u>
Total	<u>22,386</u>	<u>6,130</u>
<b>13.2 Disposal of fixed assets</b>		
The net book value of fixed assets disposed off during the period is as follows:		
Office equipment	-	-
Furniture and fixture	-	38
Vehicles	-	-
Total	<u>-</u>	<u>38</u>
	(Un-audited) 31 March 2023	(Audited) 31 December 2022
	(Rupees in '000)	
<b>14 RIGHT-OF-USE-ASSETS</b>		
As at January 01,		
Cost	176,476	176,476
Accumulated depreciation	(74,630)	(52,792)
Net Carrying amount at January 01,	<u>101,846</u>	<u>123,684</u>
Depreciation Charge for the year	<u>(5,444)</u>	<u>(21,838)</u>
Net Carrying amount	<u>96,402</u>	<u>101,846</u>
<b>15 INTANGIBLE ASSETS</b>		
Computer Software	88	255
Goodwill	96,304	96,304
	<u>96,392</u>	<u>96,559</u>

	(Un-audited) 31 March 2023 ----- (Rupees in '000) -----	(Audited) 31 December 2022
<b>16 DEFERRED TAX ASSETS</b>		
<b>Deductible Temporary Differences on</b>		
Provision for diminution in the value of investments	175,654	168,620
Assets subject to finance leases	(113)	(136)
Amortisation of premium on Federal Government Securities	6,263	4,057
Credit loss allowance against advances	612,121	281,965
Credit loss allowance against off-balance sheet	1,770	-
Credit loss allowance against balances with other banks	368	-
Credit loss allowance against lending to FIs	10	-
Revaluation on investments classified as available-for-sale	396,576	173,359
Revaluation on investments classified as held-for-trading	2,580	(1,333)
Net investment in finance leases	43,493	45,130
Accumulated tax losses - POAMCL	35,886	35,886
	<b>1,274,608</b>	<b>707,548</b>
<b>Taxable Temporary Differences on</b>		
Accelerated tax depreciation allowances	18,697	16,007
Revaluation on Non-banking assets	-	-
Revaluation on fixed assets	(133,486)	(135,037)
Dividend receivable	-	-
	<b>(114,789)</b>	<b>(119,030)</b>
	<b>1,159,819</b>	<b>588,518</b>
<b>17 OTHER ASSETS</b>		
Income/ Mark-up accrued in local currency - net of provision	-	2,194,746
Mark-up / profit receivable on purchase of securities	-	363,277
Security deposits	4,920	4,920
Prepayments	14,641	13,773
Taxation	2,078,959	1,385,820
Receivable from funds under management and investment advisory clients	86,338	86,732
Others	2,137	21,990
	<b>2,186,995</b>	<b>4,071,258</b>
Less: Provision held against other assets	-	-
Other assets (net of provisions)	<b>2,186,995</b>	<b>4,071,258</b>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	-	-
	<b>2,186,995</b>	<b>4,071,258</b>

		(Un-Audited) 31 March 2023	(Audited) 31 December 2022
<b>18</b>	<b>BORROWINGS</b>		
		(Rupees in '000)	
	<b>Secured</b>		
	Borrowings from the State Bank of Pakistan:		
	- Long term financing facility (LTFF)	2,461,434	2,595,426
	- Financing Power Plants Using Renewable Energy (REF)	261,611	274,253
	- Financing Facility for Storage of Agricultural Produce (FFSAP)	34,616	36,539
	- Temporary Economic Refinance Facility (TERF)	220,200	208,186
	Repurchase agreement borrowings	96,332,462	104,263,504
	Long term borrowings	3,404,167	4,691,667
	Short term borrowing	15,124,798	94,887
	Bai Muajjal	4,000,718	4,000,718
	<b>Total secured</b>	<b>121,840,006</b>	<b>116,165,180</b>
	<b>Unsecured</b>		
	Placements	7,450,000	-
	Murabaha financing	15,652,806	16,735,795
	<b>Total unsecured</b>	<b>23,102,806</b>	<b>16,735,795</b>
		<b>144,942,812</b>	<b>132,900,975</b>
<b>19</b>	<b>DEPOSITS AND OTHER ACCOUNTS</b>		
		<b>31 March 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
		In local currency	In local currency Total
		----- (Rupees in '000) -----	
	<b>Certificates of investment</b>		
	Financial institutions	4,148,000	4,148,000
	Others	10,159,388	10,366,897
		<b>14,307,388</b>	<b>13,520,897</b>
		<b>14,307,388</b>	<b>13,520,897</b>
		<b>2,929</b>	<b>3,139</b>
<b>20</b>	<b>LEASE LIABILITIES</b>		
	Outstanding amount at the start of the year	3,139	3,935
	Additions during the year	-	-
	Lease payments including interest	(432)	(1,463)
	Interest expense	222	667
	Outstanding amount	<b>2,929</b>	<b>3,139</b>
<b>20.1</b>	<b>Liabilities outstanding</b>		
	Not later than one year	892	872
	Later than one year and upto five years	2,037	2,267
		<b>2,929</b>	<b>3,139</b>

The holding 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 holding company has option to acquire the assets, subject to adjustment of security deposit.

	(Un-Audited) 31 March 2023		(Audited) 31 December 2022	
<b>21 OTHER LIABILITIES</b>	(Rupees in '000)			
Mark-up/ Return/ Interest payable in local currency	2,132,451		2,164,548	
Accrued expenses	77,212		80,233	
Dividend payable	307,500		-	
Staff gratuity	-		13,643	
Security deposits against investment in finance leases	117,460		125,544	
Sales tax and federal excise duty payable	83,309		83,688	
Lease liability against right-of-use assets	134,115		137,894	
Credit loss allowances against off-balance sheet obligations	5,364			
Others	91,756		86,323	
	<u>2,949,167</u>		<u>2,691,873</u>	
<b>22 SHARE CAPITAL</b>				
<b>22.1 Authorized Capital</b>				
	(Unaudited) 31-Mar-23 (Number of shares)	(Audited) 31-Dec-22	(Unaudited) 31-Mar-23 (Rupees in '000)	(Audited) 31-Dec-22
	<u>1,000,000,000</u>	1,000,000,000	<u>10,000,000</u>	10,000,000
	Ordinary shares of Rs.10 each			
<b>22.2 Issued, subscribed and paid-up</b>				
	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22
	Ordinary shares of Rs. 10 each			
	600,000,000	600,000,000	6,000,000	6,000,000
	15,000,000	15,000,000	150,000	150,000
	<u>615,000,000</u>	<u>615,000,000</u>	<u>6,150,000</u>	<u>6,150,000</u>
<b>22.3</b>	The Ministry of Finance on behalf of the Government of Pakistan and Sultanate of Oman through Oman Investment Authority each holds 307,495,900 (2022: 307,495,900) ordinary shares of the Company, while 4,100 (2022: 4,100) ordinary shares each are held by Secretary – Economic Affairs Division, Government of Pakistan and Ministry of Commerce and Industry, Sultanate of Oman.			
<b>23 (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS</b>				
Surplus on revaluation of				
- FVOCI	(1,201,745)		(525,331)	
- Fixed assets	491,515		497,095	
- Non-banking assets acquired in satisfaction of claims	-		-	
	(710,230)		(28,236)	
Deferred tax on surplus on revaluation of:				
- FVOCI	396,576		173,359	
- Fixed assets	(162,200)		(164,041)	
- Non-banking assets acquired in satisfaction of claims	-		-	
	234,376		9,318	
	<u>(475,854)</u>		<u>(18,918)</u>	

24	CONTINGENCIES AND COMMITMENTS	Note	(Un-Audited)	(Audited)
			31 March 2023	31 December 2022
			(Rupees in '000)	
	<b>Transaction related contingent liability:</b>			
	Standby letter of credit		926,202	797,255
	Pledge of shares on behalf of Japan Power Generation Limited	24.1	70,726	70,726
	Pledge of shares on behalf of Orient Power Company (Private) Limited	24.2	226,000	226,000
	Commitments for:			
	Purchase of Government securities		-	13,559
	Sale of Government securities		-	16,062
	Commitments for advances and net investment in finance leases		1,921,873	1,108,268
	Workers' Welfare Fund		165,860	161,471

**24.1** 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).

**24.2** 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.

**24.3** 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.

**24.4 Pak Oman Asset Management Company Limited**

In year 2007, the Pak Oman Asset Management Company Limited ("POAMCL" or "the Company") had launched POBOP Advantage Plus Fund (the Fund) under the capital subscription and fee sharing agreement with The Bank of Punjab (BOP). BOP had subscribed five million core units and ten million non-core units of the aggregate face value of Rs. 250 million and Rs. 500 million respectively. During year 2011 the management rights of the Fund were transferred to another asset management company.

In 2013, BOP filed a suit against the POAMCL before the Honorable High Court of Sindh claiming damages of Rs. 100.4 million in respect of the alleged losses suffered by BOP due to non-honoring of its redemption requests by POAMCL in year 2009 allegedly violating the NBFC regulations and provisions of the trust deed.

The legal advisor of POAMCL has opined that the suit is based on factual inconsistencies and POAMCL has sound defense on legal grounds. During the year ended 31 December 2015, POAMCL had also lodged a counter claim of Rs. 250 million against BOP for damaging the image and reputation of POAMCL.

During the years ended 31 December 2013 and 2014 two former employees of the merged entity served notices to the Company and its former Chief Executive Officer. The employees demanded Rs. 28.5 million for defamation and Rs. 0.723 million against settlement of outstanding dues. Later, the employees also filed cases in the Court of District Judge South at Karachi. The legal advisors of the Company are of the view that although the outcome of the case appears to be favourable, the Company's chances of success cannot currently be determined due to the inherently uncertain nature of the litigation. Furthermore, the management expects that an insignificant amount will be required to settle these cases. Accordingly, provision to the extent of Rs. 0.489 million has been recognised on account of settlement of outstanding dues while no provision has been recognised in respect of defamation claim in the consolidated condensed interim financial statements for the first quarter ended 31 March 2023.

		<b>(Un-Audited)</b>	
		<b>First quarter ended</b>	
		<b>31 March 2023</b>	<b>31 March 2022</b>
<b>25</b>	<b>MARK-UP / RETURN / INTEREST EARNED</b>	<b>(Rupees in '000)</b>	
	On:		
	a) On loans and advances	751,489	484,541
	b) On investments	5,405,018	2,614,021
	c) On lendings to financial institutions	469,145	122,444
	d) On balances with banks	39,529	42,700
		<b>6,665,181</b>	<b>3,263,706</b>
<b>26</b>	<b>MARK-UP / RETURN / INTEREST EXPENSED</b>		
	On:		
	a) Deposits	460,152	304,947
	b) Borrowings	5,820,449	2,693,542
	c) Lease liability against right-of-use assets	3,398	3,871
		<b>6,283,999</b>	<b>3,002,360</b>
<b>27</b>	<b>FEE AND COMMISSION INCOME</b>		
	Credit related fees	6,205	9,278
	Investment banking fees	2,375	5,675
	Commission on guarantees	699	1,298
	Underwriting commission of Government securities auction	-	-
	Remuneration from funds under management	11,992	10,057
	Fee from investments advisory services	-	-
		<b>21,271</b>	<b>26,308</b>
<b>28</b>	<b>GAIN ON SECURITIES</b>		
	Realised	3,756	39,528
	Unrealised - held for trading	(11,856)	(35,508)
		<b>(8,100)</b>	<b>4,020</b>
<b>28.1</b>	<b>Realised gain on:</b>		
	Federal Government Securities	3,456	39,388
	Non Government debt securities	300	140
	Mutual funds	-	-
	Shares	-	-
		<b>3,756</b>	<b>39,528</b>
<b>29</b>	<b>OTHER INCOME</b>		
	Gain on sale of property and equipment - net	1,971	359
	Rent on property	5,554	1,915
	Utilization of Fixtures	-	-
	Front end load	-	-
	Others	1,678	-
		<b>9,203</b>	<b>2,274</b>

30 OPERATING EXPENSES	(Un-Audited)	
	First quarter ended	
	31 March 2023	31 March 2022
	(Rupees in '000)	
Total compensation expense	147,586	135,336
<b>Property expense</b>		
Utilities cost	1,526	1,670
Security (including guards)	397	301
Repair & maintenance (including janitorial charges)	3,422	3,011
Depreciation on right-of-use assets	6,293	6,293
Depreciation	9,402	527
	<b>21,040</b>	<b>11,802</b>
<b>Information technology expenses</b>		
Software maintenance	211	211
Hardware maintenance	448	287
Depreciation	766	515
Amortisation	167	33
Network charges	589	882
Others	161	400
	<b>2,342</b>	<b>2,328</b>
<b>Other operating expenses</b>		
Directors' fees and allowances	6,675	6,750
Directors' fees and allowances - Subsidiary	-	1,064
Legal & professional charges	2,213	3,387
Travelling & conveyance	3,876	8,753
Depreciation	4,083	10,094
Training & development	63	116
Postage & courier charges	148	260
Communication	2,630	2,051
Stationery & printing	477	535
Marketing, advertisement & publicity	76	821
Donations	30	130
Auditors' remuneration	769	672
Membership and subscriptions	1,099	888
Transportation	914	730
Insurance	773	1,496
Finance charges on leased assets	222	117
Entertainment and canteen expenses	904	1,724
Distribution commission	1,308	1,322
Maintenance charges - Non-banking assets	-	505
Others	1,488	2,574
	<b>27,748</b>	<b>43,989</b>
Total operating expenses	<b>198,716</b>	<b>193,455</b>

		(Un-Audited)	
		First quarter ended	
		31 March 2023	31 March 2023
		(Rupees in '000)	
<b>31</b>	<b>OTHER CHARGES</b>		
	Penalties imposed by State Bank of Pakistan	-	-
	Fees, commission and others	10,910	7,601
		<u>10,910</u>	<u>7,601</u>
<b>32</b>	<b>CREDIT LOSS ALLOWANCE AND WRITE OFFS - NET</b>		
	Credit (loss) / reversal allowance for diminution in value of investments	(1,242)	10,091
	Credit (loss)/ reversal allowance against loans & advances	150,145	8,766
	Credit loss allowance against balances with other banks	69	-
	Credit loss allowance against lendings to Fls	(30)	-
	Credit loss allowance against off-balance sheet items	(620)	-
		<u>148,322</u>	<u>18,857</u>
<b>33</b>	<b>TAXATION</b>		
	Current	72,890	28,654
	Prior years	-	-
	Deferred	40,200	15,308
		<u>113,090</u>	<u>43,962</u>
<b>33.1</b>	<b>Tax contingencies</b>		
	<b>Pak Oman Investment Company Limited</b>		
	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 that sufficient provisions have been made and no provision is required.		
	<b>Pak Oman Asset Management Company Limited</b>		
	As per the requirement of Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of Management Company has been applied effective from 13 June 2013. The management is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. The matter has been taken up collectively by the Mutual Fund Association of Pakistan and the Honorable High Court of Sindh has issued stay order against such levy.		
	During 2016, the Honorable Sindh High Court, in its judgment dated 30 September 2016, on the Constitutional Petition instituted by MUFAP declared that the provisions of the Federal Excise Act, 2005, insofar as they relate to providing or rendering of services, are ultra vires to the 18th amendment of the Constitution with effect from 01 July 2011, the date on which Sindh Sales Tax on Services Act, 2011 came into force. However, the Federal Board of Revenue (FBR) has right to challenge the decision in the Supreme Court of Pakistan within 90 days of the above decision of the Court, and the petition of the Management Company is still pending in the Court; therefore, as a matter of prudence, the Company has maintained the accumulated provision against FED amounting to Rs. 78.345 million as of 30 September 2021.		
	Through Finance Act 2016, FED on services rendered by Non-Banking Financial Institutions (NBFIs) including Asset Management Companies, which are already subject to provincial sales tax, has been withdrawn. Accordingly, no FED has been charged on the remuneration of the Company for period subsequent to 30 June 2016.		
<b>34</b>	<b>BASIC AND DILUTED EARNINGS PER SHARE</b>		
	Profit attributable to shareholders of the holding company	<i>Rupees in '000</i>	<u>250,277</u>
			<u>131,636</u>
	Weighted average number of ordinary shares issued	<i>Numbers in '000</i>	<u>615,000</u>
			<u>615,000</u>
	Basic and diluted earnings per share attributable to shareholders of holding company	<i>Rupees</i>	<u>0.41</u>
			<u>0.21</u>
<b>34.1</b>	Diluted earnings per share has not been presented separately as the Company does not have any convertible instruments in issue.		
<b>35</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash and balances with treasury banks	587,157	308,968
	Balances with other banks	545,293	1,276,536
		<u>1,132,450</u>	<u>1,585,504</u>

## 36 FINANCIAL ASSETS AND LIABILITIES

	(Un-audited)	
	31 March 2023	01 January 2023
	Rupees in '000	
<b>Financial assets</b>		
<b>Amortised Cost</b>		
Cash and balances with treasury banks	587,157	346,474
Balances with other banks	544,177	1,624,074
Lendings to financial institutions	1,021,011	5,135,762
Advances	18,945,115	18,270,378
Other assets	93,395	2,671,665
<b>FVTPL</b>		
Investments		
Federal Government securities	8,418,214	18,485,961
Shares	-	-
Non-Government debt securities	-	-
<b>FVTOCI</b>		
Investments		
Federal Government securities	130,967,517	102,877,992
Shares	484,459	484,459
Non-Government debt securities	3,404,745	3,148,277
<b>Associates</b>		
Investments	687,795	666,904
	<b>165,153,585</b>	<b>153,711,946</b>
<b>Financial liabilities</b>		
<b>Amortised Cost</b>		
Borrowings	144,942,812	132,900,975
Deposits and other accounts	14,307,388	13,520,897
Lease Liabilities	2,929	3,139
Other liabilities	2,949,167	2,682,974
	<b>162,202,296</b>	<b>149,107,985</b>

### 37 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 consolidated financial statement.

#### 37.1 Fair Value of financial assets

The Group 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:

	31 March 2023 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>On balance sheet financial instruments</b>				
<b>Financial assets - measured at fair value</b>				
Investments				
Federal Government Securities	-	139,385,731	-	139,385,731
Shares	-	-	-	-
Non-Government Debt Securities	-	3,404,745	-	3,404,745
Mutual funds	687,795	-	-	687,795
<b>Financial assets - disclosed but not measured at fair value</b>				
Investments	-	-	484,459	484,459
<b>On balance sheet financial instruments</b>				
<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	666,904	-	-	666,904
<b>Financial assets - disclosed but not measured at fair value</b>				
Investments	-	-	234,549	234,549

## 38 SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

	First quarter ended 31 March 2023 (Unaudited)				
	Corporate Banking	Investment Banking	Treasury	Asset Management	Total
	----- (Rupees in '000) -----				
<b>Profit &amp; Loss</b>					
Net mark-up/return/profit	67,314	(42,395)	356,463	(200)	381,182
Non mark-up / return / interest income	6,904	29,044	(6,129)	13,670	43,489
<b>Total Income</b>	<b>74,218</b>	<b>(13,351)</b>	<b>350,334</b>	<b>13,470</b>	<b>424,671</b>
Segment direct expenses	103,702	12,375	80,436	13,113	209,626
(Provisions) / Reversals	149,525	-	(1,203)	-	148,322
<b>Profit before tax</b>	<b>120,041</b>	<b>(25,726)</b>	<b>268,695</b>	<b>357</b>	<b>363,367</b>
<b>Balance Sheet</b>					
Cash & Bank balances	-	-	1,131,052	282	1,131,334
Investments	-	1,172,254	142,790,476	-	143,962,730
Lendings to financial institutions	-	-	1,021,011	-	1,021,011
Advances - performing	18,060,504	-	328,343	-	18,388,847
non- performing	556,268	-	-	-	556,268
Others	986,801	(21,383)	3,090,640	265,307	4,321,365
<b>Total Assets</b>	<b>19,603,573</b>	<b>1,150,871</b>	<b>148,361,522</b>	<b>265,589</b>	<b>169,381,555</b>
Borrowings	18,889,470	867,536	125,185,805	-	144,942,812
Subordinated debt	-	-	-	-	-
Deposits & other accounts	1,658,483	97,365	12,551,540	-	14,307,388
Others	430,296	18,366	2,367,572	135,862	2,952,096
<b>Total liabilities</b>	<b>20,978,249</b>	<b>983,267</b>	<b>140,104,917</b>	<b>135,862</b>	<b>162,202,296</b>
Equity	(1,374,676)	167,604	8,256,605	129,727	7,179,259
<b>Total Equity &amp; liabilities</b>	<b>19,603,573</b>	<b>1,150,871</b>	<b>148,361,522</b>	<b>265,589</b>	<b>169,381,555</b>
<b>Contingencies &amp; Commitments</b>	<b>2,945,974</b>	<b>303,109</b>	<b>61,578</b>	<b>-</b>	<b>3,310,661</b>
	First quarter ended 31 March 2022 (Unaudited)				
	Corporate Banking	Investment Banking	Treasury	Asset Management	Total
	----- (Rupees in '000) -----				
<b>Profit &amp; Loss</b>					
Net mark-up/return/profit	136,147	(27,921)	154,299	(1,179)	261,346
Non mark-up / return / interest income	10,935	74,324	4,020	10,057	99,336
<b>Total Income</b>	<b>147,082</b>	<b>46,403</b>	<b>158,319</b>	<b>8,878</b>	<b>360,682</b>
Segment direct expenses	98,548	9,297	81,119	15,060	204,024
(Reversals) / Provisions	8,766	-	10,091	-	18,857
<b>Profit before tax</b>	<b>57,300</b>	<b>37,106</b>	<b>87,291</b>	<b>(6,182)</b>	<b>175,515</b>
	Year ended 31 December 2022				
	Corporate Banking	Investment Banking	Treasury	Asset Management	Total
	----- (Rupees in '000) -----				
<b>Balance Sheet</b>					
Cash & Bank balances	-	-	1,970,819	914	1,971,733
Investments	-	901,453	124,532,302	-	125,433,755
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	41,772	4,239,935	265,322	5,632,652
<b>Total Assets</b>	<b>20,277,692</b>	<b>943,225</b>	<b>136,107,745</b>	<b>266,236</b>	<b>157,594,898.00</b>
Borrowings	17,559,011	793,818	114,548,147	-	132,900,975
Subordinated debt	-	-	-	-	-
Deposits & other accounts	1,738,350	145,099	11,637,448	-	13,520,897
Others	440,957	26,327	2,111,542	116,186	2,695,012
<b>Total liabilities</b>	<b>19,738,317.64</b>	<b>965,243.55</b>	<b>128,297,136.81</b>	<b>116,186.00</b>	<b>149,116,884</b>
Equity	539,374	(22,018)	7,810,608	150,050	8,478,014
<b>Total Equity &amp; liabilities</b>	<b>20,277,692</b>	<b>943,225</b>	<b>136,107,745</b>	<b>266,236</b>	<b>157,594,898</b>
<b>Contingencies &amp; Commitments</b>	<b>2,002,600</b>	<b>301,005</b>	<b>89,736</b>	<b>-</b>	<b>2,393,341</b>

**39 RELATED PARTY TRANSACTIONS**

The Group has related party relationship with various parties, including its directors, key management personnel (including their associates), associates, 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 Group's 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 consolidated financial statements are as follows:

**Associates**

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

**Retirement benefit fund**

Defined benefit plan  
Defined contribution plan

**Other related party**

Orient Power Company (Private) Limited



## 39.2 Related party transactions

	First quarter ended 31 March 2023 (Un-audited)					First quarter ended 31 March 2022 (Un-audited)				
	Directors	Key management personnel	Associates	Retirement benefit funds	Other related parties	Directors	Key management personnel	Associates	Retirement benefit funds	Other related parties
	(Rupees in '000)									
<b>Income</b>										
Mark-up / return / interest earned	-	521	-	-	-	-	310	-	-	-
Fee and commission income	-	-	-	-	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-	-	27,579	-	-
Net gain on sale of securities	-	-	1,080	13	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
<b>Expense</b>										
Mark-up / return / interest paid	-	733	-	-	-	-	57	-	-	-
Operating expenses	-	-	-	-	-	-	-	-	-	-
Non-Executive Directors' fees and allowances	6,675	-	-	-	-	6,750	-	-	-	-
Compensation expenses	-	80,803	-	-	-	-	145,821	-	-	-
Contribution to defined contribution plan	-	-	-	4,985	-	-	-	-	5,503	-
Charge for defined benefit plan	-	-	-	4,550	-	-	-	-	5,200	-

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

	(Un-Audited) 31 March 2023	(Audited) 31 December 2022
	(Rupees in '000)	
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	<u>6,150,000</u>	<u>6,150,000</u>
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>5,033,636</u>	<u>6,887,059</u>
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	<u>5,033,636</u>	<u>6,887,059</u>
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	<u>5,033,636</u>	<u>6,887,059</u>
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	<u>21,023,526</u>	<u>25,145,958</u>
Market Risk	<u>3,554,792</u>	<u>4,064,453</u>
Operational Risk	<u>3,058,962</u>	<u>3,058,962</u>
Total	<u>27,637,280</u>	<u>32,269,373</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>18.21%</u>	<u>21.34%</u>
Tier 1 Capital Adequacy Ratio	<u>18.21%</u>	<u>21.34%</u>
Total Capital Adequacy Ratio	<u>18.21%</u>	<u>21.34%</u>
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	<u>5,033,636</u>	<u>6,887,059</u>
Total Exposures	<u>170,104,735</u>	<u>157,656,768</u>
Leverage Ratio	<u>2.96%</u>	<u>4.37%</u>
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	<u>25,319,972</u>	<u>9,368,544</u>
Total Net Cash Outflow	<u>31,007,113</u>	<u>11,730,333</u>
Liquidity Coverage Ratio	<u>81.66%</u>	<u>79.87%</u>
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	<u>20,964,901</u>	<u>22,645,526</u>
Total Required Stable Funding	<u>20,851,834</u>	<u>21,709,665</u>
Net Stable Funding Ratio	<u>100.54%</u>	<u>104.31%</u>

## 41 Transition to IFRS 9 Financial Instruments

(Un-audited)			
31 December 2022	Expected Credit Loss Allowances	Reclassification adjustments in relation to adopting IFRS 9	31 January 2023
(Rupees in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks	346,474	-	346,474
Balances with other banks	1,625,259	(1,185)	1,624,074
Lendings to financial institutions	5,135,762	-	5,135,762
Investments	125,433,755	(20,072)	125,663,593
Advances	19,420,996	(1,150,618)	18,270,378
Property and equipment	774,471	-	774,471
Right-of-use assets	101,846	-	101,846
Intangible assets	96,559	-	96,559
Deferred tax assets	588,518	388,284	894,332
Other assets	4,071,258	-	4,071,258
Assets held-for-sale	-	-	-
	<b>157,594,898</b>	<b>(783,591)</b>	<b>156,978,747</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	2,691,873	4,744	2,696,617
	<b>149,116,884</b>	<b>4,744</b>	<b>149,121,628</b>
<b>NET ASSETS</b>	<b>8,478,014</b>	<b>(788,335)</b>	<b>7,857,119</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)	-	148,522
Unappropriated profit	423,376	(788,335)	(364,959)
Equity attributable to shareholder of holding company	<b>8,476,747</b>	<b>(788,335)</b>	<b>7,855,852</b>
Non-Controlling Interest	1,267	-	1,267
	<b>8,478,014</b>	<b>(788,335)</b>	<b>7,857,119</b>

**42 CREDIT RATING**

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

The Pakistan Credit Rating Agency Limited (PACRA) has assigned asset management rating of AM3++ (Stable) to the subsidiary company in the medium and long term.

**43. GENERAL**

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

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

**44. DATE OF AUTHORISATION FOR ISSUE**

These consolidated financial statements were authorised for issue on 19 April 2023 by the Board of Directors of the holding company.

Mohammad Zalmi  
Rahman Uddin Khan

Muhammad Amin

Faisal Ali Ibrahim  
Al Siyabi

Omar Hamid Khan

Juland Jaifar  
Salim Al Said

**Acting Managing Director  
/ Chief Executive Officer**

**Chief Financial Officer**

**Director**

**Director**

**Chairman**