

Pak Brunei Investment Company Limited

Condensed Interim Unconsolidated
Financial Statements for the Half
Year Ended June 30, 2023

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED JUNE 30, 2023

On behalf of the Board of Directors, we are pleased to present the Condensed Interim Financial Statements of Pak Brunei Investment Company Limited ("the Company") for the period ended March 31, 2023. These statements have been prepared in compliance with the requirements of BPRD Circular No. 05 dated March 22, 2019, and International Accounting Standard (IAS) 34, 'Interim Financial Reporting'.

ECONOMIC OUTLOOK

The fiscal year 2023 remained a difficult year for Pakistan as it faced multiple macroeconomic challenges. The 2022 monsoon floods, global commodity prices and currency devaluation ushered a wave of inflation with average FY23 CPI reading of 29.2% the highest since 1974. In addition, the interest rates were hiked to all time high of 22.0%. The IMF program remain elusive throughout the latter half of fiscal year as political uncertainty remained at an elevated level dawdling economic decision-making. As a result, the rupee depreciated 40% against the greenback with USD closing at PKR 286.

However, the new fiscal year has opened on a positive note as IMF and Pakistan have struck a staff-level agreement for the provision of USD 3bn in bailout funds under a stand-by arrangement (SBA) for nine months, of which USD 1.2bn was promptly disbursed. This was followed by additional inflows of USD 3bn from Saudi Arabia and UAE and timely rollover from China which boosted the SBP reserves to USD 8.2bn in July 2023 compared to USD 4.5bn at the end of June 2023. . It led to an upgrade in Pakistan's sovereign rating by Fitch from CCC- to CCC due to the improved external outlook and has averted the risk of near-term default. This is a welcome development, that will help Pakistan to unlock further funding from bilateral and multilateral sources helping in rebuilding foreign exchange reserves.

For FY23, the trade deficit narrowed by 43.0% to USD 27.5bn, with exports dropping by 12.7% to USD 27.7bn, while imports reduced by 31.0% to USD 55.3bn. The country's provisional GDP growth clocked at 0.29% in FY23 with Agricultural and Services sector increasing by 1.6% and 0.9%, respectively. Whereas Industrial segment witnessed a drop of 3.9% for the year, as high interest rates and import restrictions took their toll on the industrial output. On the fiscal side, FBR tax collection increased by 16.6% in FY23 to PKR 7,169bn compared to PKR 6,149bn in the same period last year and below the target by PKR 486bn.

Going forward updates on the IMF program and flows from bilateral and multilateral sources will provide a road map for fiscal and monetary actions in the medium term.

BUSINESS AND FINANCIAL PERFORMANCE OVERVIEW

With strong build-up in core earnings, Pak Brunei's Profit Before Tax (PBT) for the first half year of 2023 rose to Rs 453.740 million up 3.9 times from Rs. 91.69 million in corresponding period



last year. Profit After Tax (PAT) posted a growth of 81% to reach Rs. 230.517 million translating into Earning Per Share (EPS) of Rs. 0.38 compared to EPS of Rs. 0.21 reported in corresponding period last year.

Net markup income increased by 1.2 times on account of raise in interest rates as well as on account of volumetric growth in comparison with the corresponding period last year. Non-markup income registered a growth of 5.7 times and aggregated to Rs. 252.702 million against Rs. 37.759 million in the corresponding period last year. The growth is mainly attributable to rise in dividend income by 67% and capital gain recognized on conclusion of Assets classified as Held-for-Sale transaction.

The Company has adopted IFRS 9 "Financial Instruments" with effect from January 1, 2023. The IFRS 9 replaces the current credit loss measurement method with an "Expected Credit Loss" model ("ECL"). Details of the first-time adoption are further disclosed in notes to the condensed interim financial statements. Impact on first-time adoption of IFRS 9, i.e., the difference in the carrying amounts of financial assets and liabilities, is recognized in the retained earnings as of January 01, 2023 amounting to Rs. 248 million. Capital loss on disposal of securities reclassified as fair value through other comprehensive income, is also recognized in retained earnings on the initial recognition at the time of first-time adoption of IFRS 9.

The total asset base of the Company grew by 83% and is reported at Rs. 146.45 billion with the major contribution coming from the investment book which increased by Rs. 71.22 billion (+158.94%). Gross advances registered a decline of Rs. 4.61 billion (-19.04%). On the liabilities side, borrowings have increased by Rs. 66.14 billion (+96.81%) while deposits remained at the same level as of December 2022. Return on Assets and Return on Equity reported as 0.41% and 4.75% respectively, whereas the book value per share was reported at Rs. 15.93.

ENTITY RATING

VIS Credit Company Limited has reaffirmed the entity ratings of Pak Brunei Investment Company Limited at 'AA+/A-1+' (Double A Plus/A-One Plus). The long-term rating of 'AA+' signifies: high credit quality, protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions. The short-term rating of 'A-1+' signifies highest certainty of timely payment: short-term liquidity, including internal operating factors and/ or access to alternative sources of funds, is outstanding and safety is just below risk-free Government of Pakistan's short-term obligations. Outlook on the assigned ratings is 'Stable'.

FUTURE OUTLOOK

Economic growth is expected to slow down and remain below potential in the medium-term. Real GDP growth is 0.29 percent in FY23, reflecting corrective tighter fiscal policy, flood impacts, high inflation, high energy prices and import controls. Agricultural output is expected to contract for the first time in more than 20 years due to the floods. Industry output is also



expected to shrink with supply chain disruptions, weakened confidence, higher borrowing costs and fuel prices, and heightened uncertainty. The lower activity is expected to spill over to the wholesale and transportation services sectors, weighing on services output growth. Predicated on completion of the IMF program and sound macroeconomic management, output growth is expected to gradually recover in FY24 and FY25 but remain below potential as low foreign reserves and import controls continue to curtail growth. The best solution to the prevailing crisis is to get foreign debt restructured, as soon as possible.

ACKNOWLEDGEMENT AND APPRECIATION

We are grateful to our shareholders – Government of Pakistan and Brunei Investment Agency – for their continued guidance and support. We appreciate the role State Bank of Pakistan and Securities & Exchange Commission of Pakistan continue to play in regulating the financial markets of Pakistan while providing us with an accommodating operating environment supportive of our business dynamics.

We acknowledge and appreciate the sustained performance of our team under the guidance of the Board of Directors. At Pak Brunei Investment Company Limited, we take pride in our staying true to our principle of adding value in all spheres of operations.

For and on behalf of the Board of Directors

Emirate of Dubai

Date: August 22, 2023



S.M. Aamir Shamim
Managing Director



Dk Noorul Hayati Pg Julaihi
Chairperson

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Pak Brunei Investment Company Limited

Report on review on condensed interim unconsolidated financial statements

Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of **Pak Brunei Investment Company Limited** ("the Company") as at June 30, 2023 and the related condensed interim unconsolidated statement of profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated statement of changes in equity and condensed interim unconsolidated statement of cash flows, and notes to the unconsolidated financial statements for the half year then ended (here-in-after referred to as the "condensed interim unconsolidated financial statements"). Management is responsible for the preparation and presentation of these condensed interim unconsolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim unconsolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim unconsolidated financial statements is not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other Matters

The figures for the quarters ended June 30, 2023 and 2022 in the condensed interim unconsolidated statement of profit and loss account and condensed interim unconsolidated statement of comprehensive income have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended June 30, 2023.

The unconsolidated financial statements for the Company for the six-month period ended June 30, 2022 and for the year ended December 31, 2022 were reviewed and audited by another firm of chartered accountants who have expressed unmodified conclusion and unmodified opinion vide their review report and audit report issued on October 26, 2022 and April 22, 2023 respectively.

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


Chartered Accountants

Place: Karachi

Date: August 25, 2023

UDIN: RR202310057mDILzb4EP

PAK BRUNEI INVESTMENT COMPANY LIMITED
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

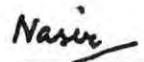
June 30, 2023	December 31, 2022		Note	(Un-audited) June 30, 2023	(Audited) December 31, 2022
----- USD in '000 -----				----- Rupees in '000 -----	
ASSETS					
786	1,177	Cash and balances with treasury banks	8	224,723	336,633
551	352	Balances with other banks	9	157,467	100,591
16,409	22,942	Lendings to financial institutions	10	4,691,984	6,559,967
405,765	156,700	Investments	11	116,021,029	44,805,384
68,546	84,663	Advances	12	19,599,615	24,207,863
64	56	Property and equipment	13	18,377	16,037
96	141	Right of use assets	14	27,449	40,269
9	11	Intangible assets	15	2,712	3,267
3,189	3,093	Deferred tax assets	16	911,722	883,994
16,165	9,191	Other assets	17	4,622,212	2,627,825
591	1,244	Assets classified as held-for-sale	18	168,904	355,799
512,171	279,570			146,446,194	79,937,629
LIABILITIES					
-	-	Bills payable		-	-
470,259	238,939	Borrowings	19	134,462,094	68,320,235
191	192	Deposits and other accounts	20	54,768	54,768
-	-	Liabilities against assets subject to finance lease		-	-
-	-	Subordinated debt		-	-
-	-	Deferred tax liabilities		-	-
8,292	5,454	Other liabilities	21	2,370,815	1,559,399
478,742	244,585			136,887,677	69,934,402
33,429	34,985	NET ASSETS		9,558,517	10,003,227
REPRESENTED BY					
20,984	20,984	Share capital		6,000,000	6,000,000
7,928	7,417	Reserves		2,266,724	2,120,621
(5,136)	(5,252)	Deficit on revaluation of assets	22	(1,468,605)	(1,501,592)
9,653	11,836	Unappropriated profit		2,760,398	3,384,198
33,429	34,985			9,558,517	10,003,227
CONTINGENCIES AND COMMITMENTS					
			23		

The annexed notes from 1 to 40 form an integral part of these condensed interim unconsolidated financial statements.


Managing Director/
Chief Executive


Chief Financial Officer


Director


Director


Director

PAK BRUNEI INVESTMENT COMPANY LIMITED
 CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNT
 FOR THE HALF YEAR AND QUARTER ENDED JUNE 30, 2023

Half year ended		Half year ended		Quarter ended	
June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
USD in '000		Rupees in '000			
33,199	8,833	9,492,584	2,525,675	5,778,642	1,528,981
31,027	7,828	8,871,571	2,238,229	5,496,338	1,371,697
2,172	1,005	621,013	287,446	282,304	157,284
Non mark-up / interest income					
158	177	45,139	50,718	22,503	20,989
253	152	72,312	43,396	8,492	5,471
129	(203)	36,754	(57,939)	40,369	(41,658)
344	6	98,497	1,584	98,543	1,584
884	132	252,702	37,759	169,907	(13,614)
3,056	1,137	873,715	325,205	452,211	143,670
Non mark-up / interest expenses					
946	687	270,350	196,298	143,554	107,334
32	6	9,260	1,829	9,260	1,829
-	-	-	-	-	-
978	693	279,610	198,127	152,814	109,163
2,078	444	594,105	127,078	299,397	34,507
491	124	140,365	35,390	123,421	19,316
-	-	-	-	-	-
1,587	320	453,740	91,688	175,976	15,191
781	(126)	223,223	(35,916)	129,281	(52,790)
806	446	230,517	127,604	46,695	67,981
USD		Rupees			
0.00134	0.00074	0.38	0.21	0.08	0.11

The annexed notes from 1 to 40 form an integral part of these condensed interim unconsolidated financial statements.


 Managing Director/
 Chief Executive


 Chief Financial Officer


 Director


 Director



 Director

PAK BRUNEI INVESTMENT COMPANY LIMITED
 CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
 FOR THE HALF YEAR AND QUARTER ENDED JUNE 30, 2023

Half year ended			Half year ended		Quarter ended	
June 30, 2023	June 30, 2022		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
USD in '000			Rupees in '000			
806	446	Profit after taxation for the year	230,517	127,604	46,695	67,981
		Other comprehensive loss				
		<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>				
(1,033)	(443)	Movement in surplus / (deficit) on revaluation of debt investments through FVOCI - net of tax	(295,336)	(126,542)	160,999	(103,660)
		<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>				
-	-	Remeasurement loss on defined benefit obligations - net of tax	-	-	-	-
1,148	(119)	Movement in surplus / (deficit) on revaluation of equity investments - net of tax	328,323	(33,955)	178,515	(35,297)
(1,611)	-	Loss on disposal of securities classified as fair value through other comprehensive income - net of tax	(460,507)	-	-	-
<u>(690)</u>	<u>(116)</u>	Total comprehensive (loss) / income	<u>(197,003)</u>	<u>(32,893)</u>	<u>386,209</u>	<u>(70,976)</u>

The annexed notes from 1 to 40 form an integral part of these condensed interim unconsolidated financial statements.


 Managing Director/
 Chief Executive


 Chief Financial Officer


 Director


 Director


 Director

PAK BRUNEI INVESTMENT COMPANY LIMITED
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED JUNE 30, 2023

	Capital reserve	General reserve	Surplus / (deficit) on revaluation of assets	Revenue reserve	Total	
	Statutory reserve			Unappropriated profit		
----- Rupees in '000 -----						
Balance as at January 1, 2022 (audited)	6,000,000	1,720,050	200,000	(1,073,299)	3,385,267	10,232,018
Total comprehensive income for the period						
Profit after taxation for the half year ended June 30, 2022	-	-	-	127,604	-	127,604
Other comprehensive loss						
- Movement in surplus / (deficit) on revaluation of investments in debt instruments - net of tax	-	-	-	(126,542)	-	(126,542)
- Movement in surplus / (deficit) on revaluation of investments in equity instruments - net of tax	-	-	-	(33,955)	-	(33,955)
	-	-	-	(160,497)	127,604	(32,893)
Transfer to statutory reserve	-	25,521	-	-	(25,521)	-
Transfer to general reserve	-	-	100,000	-	(100,000)	-
Transactions with owners, recorded directly in equity						
Final cash dividend paid for the year ended December 31, 2021 @ Re. 0.50 per share	-	-	-	-	(300,000)	(300,000)
Balance as at June 30, 2022 (un-audited)	6,000,000	1,745,571	300,000	(1,233,796)	3,087,350	9,899,125
Total comprehensive income for the period						
Profit after taxation for the half year ended December 31, 2022	-	-	-	375,253	-	375,253
Other comprehensive income / (loss)						
- Remeasurement gain on defined benefit obligations - net of tax	-	-	-	(3,355)	-	(3,355)
- Movement in surplus / (deficit) on revaluation of investments in debt instruments - net of tax	-	-	-	(133,297)	-	(133,297)
- Movement in surplus / (deficit) on revaluation of investments in equity instruments - net of tax	-	-	-	(134,499)	-	(134,499)
	-	-	-	(267,796)	371,898	104,102
Transfer to statutory reserve	-	75,050	-	-	(75,050)	-
Balance as at December 31, 2022 (audited)	6,000,000	1,820,621	300,000	(1,501,592)	3,384,198	10,003,227
Impact of first time adoption of IFRS 9 (note 3.2)	-	-	-	-	(247,707)	(247,707)
Total comprehensive income for the period						
Profit after taxation for the half year ended June 30, 2023	-	-	-	230,517	-	230,517
Other comprehensive income						
- Loss on disposal of securities classified as fair value through other comprehensive income - net of tax	-	-	-	(460,507)	-	(460,507)
- Movement in surplus / (deficit) on revaluation of investments in debt instruments - net of tax	-	-	-	(295,336)	-	(295,336)
- Movement in surplus / (deficit) on revaluation of investments in equity instruments - net of tax	-	-	-	328,323	-	328,323
	-	-	-	32,987	(229,990)	(197,003)
Transfer to statutory reserve	-	46,103	-	-	(46,103)	-
Transfer to general reserve	-	-	100,000	-	(100,000)	-
Balance as at June 30, 2023 (un-audited)	6,000,000	1,866,724	400,000	(1,468,605)	2,760,398	9,558,517

(a) This represents reserve created under section 21(i)(a) of the Banking Companies Ordinance, 1962.

The annexed notes from 1 to 40 form an integral part of these condensed interim unconsolidated financial statements.


Managing Director/
Chief Executive


Chief Financial Officer


Director


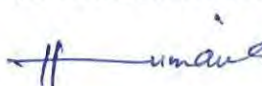




Director


Director

PAK BRUNEI INVESTMENT COMPANY LIMITED
CONDENSED INTERIM UNCONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2023

Half year ended			Half year ended	
June 30, 2023	June 30, 2022		June 30, 2023	June 30, 2022
USD in '000			Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES				
1,587	320	Profit before taxation	453,740	91,688
253	152	Less: Dividend income	72,312	43,396
1,334	168		381,428	48,292
Adjustments:				
19	19	Depreciation	5,446	5,472
45	38	Depreciation on right-of-use assets	12,820	10,930
2	0	Amortisation	555	104
491	124	Credit loss allowance and write offs - net	140,365	35,390
(6)	(6)	Gain on sale of fixed assets	(1,871)	(1,584)
(338)	-	Gain on sale of assets classified as held-for-sale	(96,626)	-
32	6	Provision for Sindh Workers' Welfare Fund	9,260	1,829
22	3	Unrealised gain on revaluation of investments classified as fair value through profit and loss - net	6,277	996
267	184		76,226	53,137
1,601	352		457,654	101,429
(Increase) / decrease in operating assets				
6,533	(6,818)	Lendings to financial institutions	1,867,976	(1,949,621)
(148,620)	(13,859)	Net investments in securities held at fair value as classified through profit and loss	(42,495,276)	(3,962,805)
14,516	405	Advances	4,150,610	115,776
(4,941)	(1,538)	Others assets (excluding advance taxation)	(1,412,861)	(439,874)
(132,512)	(21,810)		(37,889,551)	(6,236,524)
Increase/ (decrease) in operating liabilities				
231,320	50,382	Borrowings	66,141,859	14,405,705
-	-	Deposits	-	-
2,805	993	Other liabilities	802,156	283,851
234,125	51,375		66,944,015	14,689,556
(2,911)	(936)	Income tax paid	(832,477)	(267,697)
100,303	28,981	Net cash flow from operating activities	28,679,641	8,286,764
CASH FLOWS FROM INVESTING ACTIVITIES				
(101,719)	(28,273)	Net (investments) / divestments in securities classified as fair value through other comprehensive income	(29,084,593)	(8,084,020)
-	-	Net investments in securities held at amortised cost	-	-
-	(35)	Net investments in subsidiaries	-	(10,000)
253	152	Dividends received	72,312	43,396
(36)	(23)	Investments in property and equipment	(10,168)	(6,618)
-	(1)	Investments in operating intangible assets	-	(273)
15	6	Proceeds from sale of property and equipment	4,253	1,735
992	701	Proceeds from sale assets classified as held-for-sale	283,521	200,500
(100,495)	(27,473)	Net cash flow used in investing activities	(28,734,675)	(7,855,280)
CASH FLOWS FROM FINANCING ACTIVITIES				
-	(1,049)	Dividend paid	-	(300,000)
-	(1,049)	Net cash flow from / (used in) financing activities	-	(300,000)
(192)	459	(Decrease) / increase in cash and cash equivalents	(55,034)	131,484
1,529	656	Cash and cash equivalents at beginning of the period	437,224	187,445
1,337	1,115	Cash and cash equivalents at end of the period	382,190	318,929

The annexed notes from 1 to 40 form an integral part of these condensed interim unconsolidated financial statements.

**Managing Director/
Chief Executive**
Chief Financial Officer
Director
Director
Director

PAK BRUNEI INVESTMENT COMPANY LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS
(UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2023

1 STATUS AND NATURE OF BUSINESS

Pak Brunei Investment Company Limited (the Company) is a Development Finance Institution (DFI) which was incorporated in Pakistan as an unlisted public limited company on November 28, 2006 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The State Bank of Pakistan (SBP) granted the approval for commencement of business with effect from August 20, 2007. The Company is a joint venture between the Government of Pakistan (GoP) and the Brunei Investment Agency (BIA). The Company's objectives inter alia include making investments in the industrial and agro-based industrial fields in Pakistan on a commercial basis through carrying out specific projects and marketing of their products in Pakistan and abroad and to undertake other feasible business and to establish and acquire companies to conduct various businesses. The registered office of the Company is situated at Horizon Vista, Plot no. Commercial 10, Block 4, Scheme 5, Clifton, Karachi, Pakistan. The Company is in operation with 2 offices (2022: 2) one located in Karachi and the other in Lahore.

2 BASIS OF PRESENTATION

2.1 Statement of compliance

These condensed interim unconsolidated 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 Standards (IAS) 34, 'Interim Financial Reporting', issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of, and directives issued under the Banking Companies Ordinance, 1962 and 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, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

2.2 These condensed interim unconsolidated financial statements do not include all the information and disclosures required in the annual audited unconsolidated financial statements, and are limited based on the format prescribed by the State Bank of Pakistan (SBP) through BPRD Circular Letter No. 05 dated March 22, 2019 and IAS 34, and should be read in conjunction with the annual audited unconsolidated financial statements for the year ended December 31, 2022.

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

2.3 The SBP, vide its BSD Circular Letter no. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standards 40, Investment Property, for banking companies / DFIs till further instructions. Further, the SECP, through S.R.O. 411(1) / 2008 dated April 28, 2008, has deferred the applicability of IFRS 7, Financial Instruments: Disclosures, for banks and DFIs. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim unconsolidated financial statements

The Company has adopted IFRS 9 Financial Instruments from January 01, 2023 and the detail of the first time adoption is disclosed in note 3. The SECP, through S.R.O. 411(1)/2008 dated 28 April 2008, has deferred the applicability of IFRS 7 to the Banks and DFIs.



2.4 Standards, interpretations of and amendments to the published accounting and reporting standards that are effective in the current period:

There are certain 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 are therefore not detailed in these condensed interim unconsolidated financial statements, except for adoption of IFRS-9 as described in note 3.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these condensed interim unconsolidated financial statements are consistent with those applied in the preparation of the annual audited unconsolidated financial statements of the Company for the year ended December 31, 2022, except for early adoption of IFRS 9 as described below;

3.1 Impact of Adoption of IFRS 9

3.1.1 Classification and measurement of financial instrument:

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and Fair value through profit and loss ("FVTPL"). This classification is generally based on the business model in which a financial asset is managed and is based on its contractual cash flows.

3.1.2 Impairment of Financial Assets:

IFRS 9 replaces the current credit loss measurement method with an 'expected credit loss' model ("ECL"). The IFRS 9 requires the Company to record an allowance for ECLs for all financial assets not held at FVTPL. The allowance is based on ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

3.1.3 Transition

Changes in accounting policies resulting from the adoption of the complete IFRS 9 have been applied retrospectively, except as described below;

Comparative periods have not been restated. A difference in the carrying amounts of financial assets and financial liabilities resulting from the adoption of the IFRS 9 are recognized in retained earnings as at January 01, 2023.

Accordingly, the impairment allowance presented for 2022 does not reflect the requirements of the IFRS 9 and therefore impairment allowance is not comparable to the information presented for 2023 under the IFRS 9.

The assessment for the determination of the business model within which a financial asset is held, considers the facts and circumstances that existed at the date of initial application.

3.2 Impact of adoption of IFRS 9

On January 01, 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.

As permitted by transitional provisions of IFRS 9, the Company has not restated comparative information. Any adjustment to carrying amount of the financial assets and liabilities at the date of transition was recognised in the opening retained earnings of the current period.

IFRS-9 primarily impacts provisioning of financial assets which is determined on an expected credit loss model, however the provisioning is recorded higher of amount determined under IFRS 9 and the prudential regulations requirements of SBP. It also impacts fair valuation of advances that earn below market rate interest (employee loan) and provision against off balance sheet obligations.

The Company has recorded net expected credit loss, fair valuation of advances and provision against off balance sheet obligations of Rs 313.736 million (note 12.3), Rs. 46.2 million and Rs. 9.68 million respectively which was adjusted against unappropriated profit. The new IFRS 9 accounting policies are stated in the note 3.3 and Impairment in note 3.4.

The adoption of IFRS-9 resulted in following :

Financial Asset	Original classification as at December 31, 2022	New classification as per IFRS 9	Carrying amount as on December 31, 2022	Carrying amount as on January 01, 2023	Effect on January 01, 2023 on Retained Earnings
----- (Rupees in '000) -----					
Financial Assets :					
Cash and balances with treasury banks	LR	AC	336,633	336,633	-
Balances with other banks	LR	AC	100,591	100,591	-
Advances (Refer note 9.4)	LR	AC	24,207,863	24,567,896	(360,033)
Listed equity securities	HFT	FVTPL	-	-	-
Listed equity securities	AFS	FVOCI	1,340,790	1,340,790	-
Federal Government Securities	AFS	FVOCI	38,973,866	38,973,866	-
Non Government Securities	AFS	FVOCI	2,477,356	2,477,356	-
Commercial papers	HTM	AC	-	-	-
Other assets	LR	AC	2,627,825	2,627,825	-
Financial Liabilities :					
Borrowings	AC	AC	68,320,235	68,320,235	-
Deposits and other accounts	AC	AC	54,768	54,768	-
Other liabilities	OFL	AC	1,559,399	1,549,719	(9,680)
					<u>(369,713)</u>
Impact of deferred taxation					<u>122,005</u>
Net impact after deferred taxation					<u>(247,708)</u>

- "LR" is loans and receivables
- "AC" is amortised cost
- "HFT" is held for trading
- "FVTPL" is fair value through profit or loss
- "OFL" is other financial liabilities
- "HTM" is Hold to Maturity

3.3 FINANCIAL INSTRUMENTS

IFRS 9 contains three principal classification categories for financial assets :

Financial asset at amortised cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL.

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

Financial asset held at fair value through other comprehensive income

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL

- 1) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial asset held at fair value through profit or loss

All other financial assets are classified as measured at FVTPL (for example: equity held for trading and debt securities not classified either as AC or FVOCI).

Financial assets designated 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 statement of profit and loss.

Initial recognition

The Company classifies its financial assets into the above 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.

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.

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.

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

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 held at fair value through other comprehensive income

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 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. On derecognition, the cumulative fair value gains or losses, can not be transferred to the profit or loss.

Equity instrument 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. The company keeps portfolio of listed shares in FVTPL.

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.

3.4 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 FVTPL and equity instruments classified as FVOCI.

Expected credit losses

Expected credit losses are determined for all financial debt instruments except government securities, 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 Company 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. 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)

Exposure at Default (EAD) represents the amount of potential exposure that is at risk. EAD input will be forward-looking as well as based on the time-period when the default is likely to occur. It includes all outstanding exposure and off-balance sheet exposures after adjustment with contractual cash flows to reflect the exposure expected when default occurs. For revolving products (such as overdrafts, running finance and credit cards) the estimation of EAD shall consider any expected changes in the exposure after the assessment date, including expected drawdowns on committed facilities through the application of a credit conversion factor (CCF).

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 reporting 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.

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. An assessment of SICR shall incorporate all relevant, reasonable, and supportable information, including forward-looking information, that is available without undue cost or effort. Such information might include both qualitative and quantitative factors

Credit impaired (or defaulted) exposures (Stage 3)

Financial assets which have objective evidence of impairment at the reporting date are 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 provision is aligned with regulatory requirements.

Restructured Loan

All non-performing restructured exposure shall be subject to a cooling-off period of 6 months from the first date of becoming regular in payment. The status of such loans shall be first upgraded to Stage 2 following the same cooling-off period of 6 months before upgrading to Stage 1.

3.5 Interest free / below market rate loans to employees

Initial recognition

The company recognize interest free/ below market rate loan to employee at its fair value by discounting the future loan repayments using the rate that the employee would pay to an unrelated lender for a loan with similar conditions and accordingly charging differential to the statement of profit & loss between nominal value and fair value of loan.

Subsequent measurement

The company calculates and recognizes imputed interest on these loans. Imputed interest represents the forgone interest that employees would have paid if they had borrowed funds from external sources at prevailing market rates. The difference between the actual interest charged, if any and the imputed interest is recognized as interest income by the Company over the term of the loan.

4 BASIS OF MEASUREMENT

These condensed interim unconsolidated financial statements have been prepared under the historical cost convention except for the following:

- Certain investments are marked to market and carried at fair value; and

- Obligation in respect of staff retirement benefits and lease liabilities which have been carried at present value and right-of-use assets which are initially measured at an amount equal to the corresponding lease liabilities (adjusted for any lease payments and certain specified costs) and depreciated over the respective lease terms.

5 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the condensed interim unconsolidated financial statements are measured using the currency of the primary economic environment in which the Company operates. These condensed interim unconsolidated financial statements are presented in Pakistani Rupee which is the Company's functional and presentation currency.

The US dollar amounts shown in the condensed interim unconsolidated statement of financial position, condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income and condensed interim unconsolidated cash flow statement are provided as additional information solely for the convenience of users of the financial statements. For the purpose of conversion to US Dollars, the rate of Rs 285.9317 to US Dollars has been used for 2023 and 2022 as it was the prevalent rate on June 30, 2023.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed interim unconsolidated financial statements in conformity with the accounting and reporting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in the application of its accounting policies. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The significant judgments and estimates made by the management in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual audited unconsolidated financial statements of the Company for the year ended December 31, 2022 except for impact of adoption of IFRS 9.

7 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the annual audited unconsolidated financial statements for the year ended December 31, 2022, except for impact of adoption of IFRS 9.

8 CASH AND BALANCES WITH TREASURY BANKS

	Note	(Un-audited) June 30, 2023	(Audited) December 31, 2022
----- Rupees in '000 -----			
Cash in hand		80	-
With State Bank of Pakistan in:			
Local currency current account	8.1	<u>224,643</u>	<u>336,633</u>
		<u>224,723</u>	<u>336,633</u>

- 8.1 This includes the minimum cash reserve required to be maintained with the SBP in accordance with the requirement of BSD Circular No. 04 dated May 22, 2004.

9 BALANCES WITH OTHER BANKS

	Note	(Un-audited) June 30, 2023	(Audited) December 31, 2022
----- Rupees in '000 -----			
In Pakistan			
In deposit accounts	9.1	157,467	100,591
Less: Credit loss allowance held against balances with other banks		-	-
Balances with other banks - net of credit loss allowance		<u>157,467</u>	<u>100,591</u>

- 9.1 These carry mark-up at the rate from 11.00% to 20.5% per annum (December 31, 2022: 4.40% to 14.51% per annum).

	Note	(Un-audited) June 30, 2023	(Audited) December 31, 2022
----- Rupees in '000 -----			
10 LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (reverse repo)	10.2	4,691,991	6,559,967
Term deposit receipts (TDRs)		-	-
		<u>4,691,991</u>	<u>6,559,967</u>
Less: Credit loss allowance held against lending to financial institutions		(7)	-
Lendings to financial institutions - net of credit loss allowance		<u><u>4,691,984</u></u>	<u><u>6,559,967</u></u>

10.1 These carry mark-up at the rate from 21.10% to 22.90% per annum (December 31, 2022: 15.50% to 16.20% per annum) secured against Pakistan Investment Bonds and will mature latest by July 04, 2023 (December 31, 2022: January 16, 2023).

	(Un-audited) June 30, 2023	(Audited) December 31, 2022
----- Rupees in '000 -----		
10.2 Particulars of lending		
In local currency	4,691,991	6,559,967
In foreign currencies	-	-
	<u>4,691,991</u>	<u>6,559,967</u>

	June 30, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Lending	Credit loss allowance held	Lending	Credit loss allowance held
----- Rupees in '000 -----				
Lending to FIs- Particulars of credit loss allowance				
Domestic				
Performing	4,691,991	(7)	6,559,967	-
Under performing	-	-	-	-
Non-performing				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
	<u>4,691,991</u>	<u>(7)</u>	<u>6,559,967</u>	<u>-</u>

10.3 Securities held as collateral against lendings to financial institutions

	June 30, 2023 (Un-audited)			December 31, 2022		
	Held by Company	Further given as collateral	Total	Held by Company	Further given as collateral	Total
----- Rupees in '000 -----						
Market Treasury Bills	-	-	-	2,489,398	-	2,489,398
Pakistan Investment Bonds	4,691,991	(3,000,000)	1,691,991	4,070,569	(3,883,572)	186,997
Total	<u>4,691,991</u>	<u>(3,000,000)</u>	<u>1,691,991</u>	<u>6,559,967</u>	<u>(3,883,572)</u>	<u>2,676,395</u>



11 INVESTMENTS

11.1 Investments by type:

Note	June 30, 2023 (Unaudited)				December 31, 2022 (Audited)			
	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value
----- Rupees in '000 -----								
FVTPL								
Previously AFS								
Federal government securities								
GoP Ijara Sukuk Bond	-	-	-	-	-	-	-	-
Market Treasury Bills	41,292,184	-	27,189	41,319,373	-	-	-	-
Ordinary shares	254,717	-	(22,266)	232,451	-	-	-	-
Non-government debt securities								
Listed companies	948,375	-	(11,200)	937,175	-	-	-	-
Unlisted companies	-	-	-	-	-	-	-	-
	42,495,276	-	(6,277)	42,488,999	-	-	-	-
FVOCI								
Previously AFS								
Federal government securities								
Market Treasury Bills	-	-	-	-	-	-	-	-
Pakistan Investment Bonds - Fixed Rate	8,289,373	-	(1,934,897)	6,354,476	8,314,870	-	(1,704,313)	6,610,558
Pakistan Investment Bonds - Floating Rate	63,387,604	-	(208,983)	63,178,621	32,354,361	-	8,948	32,363,308
Ordinary shares	597,804	-	(38,569)	559,235	1,777,544	(4,984)	(431,770)	1,340,790
Listed companies	597,804	-	(38,569)	559,235	1,777,544	(4,984)	(431,770)	1,340,790
Unlisted companies*	-	-	-	-	21,331	(21,331)	-	-
Non-government debt securities								
Listed companies	200,466	(14,393)	-	186,073	1,148,841	(14,361)	(7,716)	1,126,764
Unlisted companies	1,487,820	(247,567)	-	1,240,253	1,599,563	(248,971)	-	1,350,592
	73,963,067	(261,960)	(2,182,449)	71,518,658	45,216,510	(289,647)	(2,134,851)	42,792,012
Subsidiaries	2,013,372	-	-	2,013,372	2,013,372	-	-	2,013,372
Total investments	118,471,715	(261,960)	(2,188,726)	116,021,029	47,229,882	(289,647)	(2,134,851)	44,805,384

*

The Company has shares of Pakistan Mercantile Exchange Limited which were acquired at a cost of Rs. 21.3 million which were fully provided as at December 31, 2022 on adoption of IFRS 9, the cost has been net off by provision.



	(Un-audited) June 30, 2023	(Audited) December 31, 2022
	----- Rupees in '000 -----	
11.1.1 Investments given as collateral		
Market Treasury Bills	35,695,211	-
Pakistan Investment Bonds	64,788,671	33,205,965
Term finance / sukuks certificates	705,809	752,045
Ordinary shares	73,718	87,156
	<u>101,263,409</u>	<u>34,045,166</u>

11.2 Credit loss allowance for diminution in value of investments

11.2.1 Opening balance	289,647	294,112
Adjustment of provision against shares	(21,331)	-
Charge / (reversals)		
Charge for the period / year	-	14,972
Reversals on disposals for the period / year	(6,356)	(19,437)
	<u>(6,356)</u>	<u>(4,465)</u>
Closing balance	<u>261,960</u>	<u>289,647</u>

Particulars of credit loss allowance against debt securities

Domestic	June 30, 2023		December 31, 2022	
	Outstanding amount	Credit loss allowance held	Outstanding amount	Credit loss allowance held
	----- Rupees in '000 -----			
Performing	73,103,303	32	43,154,303	-
Underperforming	-	-	-	-
Non-performing				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	<u>261,960</u>	<u>261,960</u>	<u>263,332</u>	<u>263,332</u>
	<u>261,960</u>	<u>261,960</u>	<u>263,332</u>	<u>263,332</u>
Total	<u>73,365,263</u>	<u>261,992</u>	<u>43,417,635</u>	<u>263,332</u>

11.3 Summary of financial information of subsidiaries

June 30, 2023 (Un-audited)								
Percentage of holding	Country of incorporation	Total assets	Total liabilities	Revenue	Profit / (loss) after tax	Total comprehensive income / (loss)	Cost	
----- Rupees in '000 -----								
Investment in subsidiaries								
Awwal Modaraba Management Limited	100.0%	Pakistan	144,351	158,871	6,665	(24,525)	(32,617)	105,000
Primus Leasing Limited	100.0%	Pakistan	2,739,531	1,596,705	221,166	83,354	83,354	1,000,000
Awwal Corporate Restructuring Company Limited	89.8%	Pakistan	1,311,630	69,734	81,199	43,802	43,802	908,372
								<u>2,013,372</u>

December 31, 2022 (Audited)								
Percentage of holding	Country of incorporation	Total assets	Total liabilities	Revenue	Profit / (loss) after tax	Total comprehensive income / (loss)	Cost	
----- Rupees in '000 -----								
Investment in subsidiaries								
Awwal Modaraba Management Limited	100.0%	Pakistan	141,533	123,436	33	(10,050)	(21,579)	105,000
Awwal Modaraba	89.8%	Pakistan	1,198,364	40,291	27,186	15,457	15,457	898,372
Primus Leasing Limited	100.0%	Pakistan	2,761,253	1,701,782	53,315	24,008	24,008	1,000,000
Awwal Corporate Restructuring Company Limited	100.0%	Pakistan	10,546	1,228	138	(58)	(58)	10,000
								<u>2,013,372</u>



12 ADVANCES

		June 30, 2023 (Un-audited)		
		Performing	Non Performing	Total
		(Rupees in '000)		
Note				
	Loans, cash credits, running finances, etc.	19,493,157	1,064,718	20,557,875
	Islamic financing and related assets	-	-	-
	Bills discounted and purchased	-	-	-
	Advances - gross	19,493,157	1,064,718	20,557,875
	Credit loss allowance against advances			
	-Stage 1	(75,127)	-	(75,127)
	-Stage 2	(22,279)	-	(22,279)
	-Stage 3	-	(860,854)	(860,854)
		(97,406)	(860,854)	(958,260)
	Advances - net of credit loss allowance	19,395,751	203,864	19,599,615

		December 31, 2022 (Audited)		
		Performing	Non Performing	Total
		(Rupees in '000)		
	Loans, cash credits, running finances, etc.	23,826,850	881,635	24,708,485
	Islamic financing and related assets	-	-	-
	Bills discounted and purchased	-	-	-
	Advances - gross	23,826,850	881,635	24,708,485
	Provision against advances			
	- Specific (Stage 3)	-	(500,622)	(500,622)
	- General	-	-	-
		-	(500,622)	(500,622)
	Advances - net of provision	23,826,850	381,013	24,207,863

		(Un-audited)	(Audited)
		June 30,	December 31,
		2023	2022
		----- Rupees in '000 -----	
12.1	Particulars of advances (gross)		
	In local currency	20,557,875	24,708,485
	In foreign currencies	-	-
		20,557,875	24,708,485



- 12.2 Advances include Rs. 1,064.719 million (2022: Rs. 881.635 million) which have been placed under the non-performing / stage 3 status as detailed below:

Category of classification	Note	(Un-audited)		(Audited)	
		June 30, 2023		December 31, 2022	
		Non performing loans	Provision	Non performing loans	Provision
----- Rupees in '000 -----					
Domestic					
Other assets especially mentioned	12.2.1	21,320	9,276	7,175	717
Substandard		35,181	15,307	3,528	882
Doubtful		15,000	7,500	15,220	7,386
Loss		993,218	828,771	855,712	491,637
Total		1,064,719	860,854	881,635	500,622

- 12.2.1 The 'Other assets especially mentioned' category pertains to small enterprise finance.

12.3 Particulars of credit loss allowance against advances

	Unaudited			
	30 June 2023			
	Stage 3	Stage 2	Stage 1	Total
----- Rupees in '000 -----				
Opening balance	500,622	-	-	500,622
Charge for the period / year	134,716	14,249	-	148,965
Reversals during the period / year	-	-	(5,063)	(5,063)
	134,716	14,249	(5,063)	143,902
Impact of first time adoption of IFRS 9 charged to opening retained earnings	225,516	8,030	80,190	313,736
Closing balance	860,854	22,279	75,127	958,260

	31 December 2022 (Audited)		
	Specific	General	Total
----- (Rupees in '000) -----			
Opening balance	497,025	50,000	547,025
Charge for the year	101,127	-	101,127
Reversals	(110,075)	(50,000)	(160,075)
	(8,948)	(50,000)	(58,948)
Amounts written off	-	-	-
Provision due to conversion of investment	12,545	-	12,545
Closing balance	500,622	-	500,622

- 12.3.1 Stage 1 includes loans and advances that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For Stage 1 loans, 12-month expected credit losses ('ECL') are recognized and interest revenue is calculated on the gross carrying amount of the loan amount. 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date.

12.3.2 Stage 2 includes loans and advances where credit risk is higher since initiation or they have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these loans, lifetime ECL are recognized, but interest revenue is still calculated on the gross carrying amount of the loan amount. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the loans. Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight.

Stage 1 comprises of EAD (principal plus markup) amounting to Rs. 19,212.797 million and ECL of Rs. 75.127 million and stage 2 comprises of EAD amounting to Rs. 471.47 million and ECL of Rs. 22.279 million.

Forced Sale Value (FSV) benefit amounting to Rs. 372.230 million (2022: Rs. 483.916 million) is available with the Company against certain mortgaged properties held as collateral against non-performing advances. However, the same has not been considered while computing credit loss allowance as at period end as credit loss allowance has been computed under IFRS 9 - Financial Instruments.

	June 30, 2023 (Un-audited)		
	Stage 1	Stage 2	Stage 3
	----- Rupees in '000 -----		
Opening balance	-	-	500,622
Impact on adoption of IFRS 9	76,434	14,018	223,284
New Advances	9,073	149	2,103
Advances derecognised or repaid	(14,964)	(820)	(91,974)
Transfer to stage 1	1,086	(1,086)	-
Transfer to stage 2	(21,885)	21,935	(50)
Transfer to stage 3	(13,151)	(104,690)	117,841
Amounts written off / charged off	-	-	-
Changes in risk parameters	38,534	92,773	109,028
Closing balance	75,127	22,279	860,854

Advances - Category of classification	June 30, 2023 (Un-audited)		
	Outstanding amount	Credit loss allowance Held	
	----- Rupees in '000 -----		
Performing	Stage 1	19,087,880	75,127
Underperforming	Stage 2	405,277	22,279
Non-Performing	Stage 3		
Other Assets Especially Mentioned		21,319	9,276
Substandard		35,181	15,307
Doubtful		15,000	7,500
Loss		993,218	828,771
		20,557,875	958,260

Comparative disclosures of note 12.5 and note 12.6 under IFRS-9 have not been presented in these condensed interim unconsolidated financial statements, as they are impracticable.

		(Un-audited) June 30, 2023	(Audited) December 31, 2022
		----- Rupees in '000 -----	
13	PROPERTY AND EQUIPMENT		
	Property and equipment	18,377	16,037
	Capital work-in-progress	-	-
		<u>18,377</u>	<u>16,037</u>

		(Un-audited) June 30, 2023	(Un-audited) June 30, 2022
		----- Rupees in '000 -----	
13.1	Additions to property and equipment		

The following additions have been made to property and equipment during the period:

Property and equipment

Electrical office and computer equipment	6,988	862
Vehicles	-	5,746
Others	3,180	-
	<u>10,168</u>	<u>6,608</u>

13.2 Disposal of property and equipment

The net book value of Property and Equipment disposed off during the period is as follows:

Furniture and fixture	-	-
Electrical office and computer equipment	148	360
Vehicles	2,234	1,359
Others	-	-
Total	<u>2,382</u>	<u>1,719</u>

13.3 Details of disposals of fixed assets whose original cost or the book value exceeds Rs. 1 million or Rs. 250,000 whichever is less and assets disposed of to the chief executive or to a director or to executives or to any related party, irrespective of the

13.4	Description	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Mode of Disposal	Particulars of Buyer
	BMW 530W Car	19,350	17,260	2,090	2,090	As per the terms of employment	Ms Ayesha Aziz (MD)
	Laptop	280	156	124	124	As per the terms of employment	Ms Ayesha Aziz (MD)

		(Un-audited) June 30, 2023	(Audited) December 31, 2022
		----- Rupees in '000 -----	
14	RIGHT OF USE ASSETS		
	At January 1,		
	Cost	154,306	127,060
	Accumulated depreciation	(114,037)	(91,600)
	Net carrying amount at January 1	<u>40,269</u>	<u>35,460</u>
	Additions / modification during the period / year	-	27,246
	Depreciation charge for the period / year	(12,820)	(22,437)
	Net carrying amount at June 30, 2023 / December 31, 2022	<u>27,449</u>	<u>40,269</u>

Note



	(Un-audited) June 30, 2023	(Audited) December 31, 2022
	----- Rupees in '000 -----	
15 INTANGIBLE ASSETS		
Computer software	2,712	3,267
Capital work-in-progress	-	-
	<u>2,712</u>	<u>3,267</u>
16 DEFERRED TAX ASSETS		
Deductible temporary differences on:		
- Provision for diminution in the value of investments	93,488	94,761
- Provision against advances, other assets, etc.	331,606	165,205
- Deficit on revaluation of investments	713,844	633,259
- Accelerated tax depreciation	3,211	2,602
- Lease liability against right-of-use asset	10,392	9,515
- Provision for bonus	9,838	19,470
- Unrealized loss on equity investments	1,036	170
- Amortisation of premium on investments	(201,175)	21,094
	962,240	946,076
Taxable temporary differences on:		
- Net investment in finance lease	(41,191)	(48,524)
- Post retirement employee benefits	(269)	(269)
- Right-of-use assets	(9,058)	(13,289)
	(50,518)	(62,082)
	<u>911,722</u>	<u>883,994</u>
17 OTHER ASSETS		
Income / mark-up accrued in local currency	2,758,689	1,405,833
Advances, deposits, advance rent and other prepayments	9,906	17,472
Advance taxation (payments less provisions)	1,737,195	1,155,669
Advance against subscription of term finance certificates	20,000	-
Receivable against sale of shares	45,165	-
Receivable from related parties	17.1 10,961	4,985
Lease receivable under IFRS-16	17.2 283	606
Advance against investment in right shares -related party	40,000	40,000
Receivable from defined benefit plan - related party	13	3,260
	<u>4,622,212</u>	<u>2,627,825</u>
Less: Credit loss allowance held against other assets	-	-
	<u>4,622,212</u>	<u>2,627,825</u>
17.1 Receivable from related parties		
Receivable from Awwal Modarabah Management Company Limited (subsidiary)	7,369	1,124
Receivable from other Modarabas managed by Awwal Modaraba Management Limited (related parties)	1,889	810
Receivable from Primus Leasing Company Limited (subsidiary)	772	931
Receivable from Awwal Corporate Restructuring Company Limited (subsidiary)	931	2,120
	<u>10,961</u>	<u>4,985</u>
17.2	This represents lease receivable against sublease under IFRS-16 amounting to Rs. 0.283 million (December 31, 2022: Rs. 0.606 million million) from Primus Leasing Limited.	



		(Un-audited) June 30, 2023	(Audited) December 31, 2022
	Note	----- Rupees in '000 -----	
18 ASSETS CLASSIFIED AS HELD-FOR-SALE			
<i>Land, building and machinery acquired from:</i>	18.1		
Sufi Steel Industries (Private) Limited		-	186,895
Lion Steel Industries (Private) Limited		168,904	168,904
Total assets classified as held-for-sale		168,904	355,799

18.1 These represent land, building and machinery which have been classified as 'non-current assets as held for sale' as at June 30, 2023. The Company acquired these assets by settling total outstanding principal and mark-up of Rs 454 million and Rs 62 million respectively. During the period the Company sold land and building amounting to Rs 186.895 million. It is expected that the process of sale of remaining assets will be completed in the near future.

		Un-audited June 30, 2023	Audited December 31, 2022
	Note	----- Rupees in '000 -----	
19 BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan:			
- Long-Term Finance Facility (LTFF) scheme	19.1	3,667,268	4,085,463
- Power Plants Using Renewable Energy (PPRE) scheme	19.2	177,941	170,662
- Temporary Economic Refinance Facility (TERF)	19.3	782,920	789,398
- Finance for Storage of Agriculture Produce (FSAP) scheme	19.4	210,390	89,302
- Credit Guarantee (CGS) Scheme	19.5	137,913	119,462
- Special Persons (SP) Scheme	19.6	3,220	3,710
- Working capital (WC) Scheme	19.7	916,401	750,046
- COVID - 19 Scheme	19.8	5,000	6,000
- Balancing, Modernization & Replacement (BMR) scheme	19.9	460,657	363,649
		6,361,710	6,377,692
Repurchase agreement borrowings	19.10	85,445,608	13,876,732
Borrowings from banks	19.11	35,816,667	36,229,167
Total secured		127,623,985	56,483,591
Unsecured			
Letters of placement:	19.12	6,838,109	11,836,644
		134,462,094	68,320,235

19.1 The Company has entered into agreements for financing with the SBP for Long-Term Financing Facility (LTFF) under export oriented projects to customers. According to the terms of the respective agreements, the SBP has the right to receive the outstanding amount from the Company at the due date by directly debiting the current account maintained by the Company with the SBP. The rate of return ranges from 2.00% to 11.00% per annum (December 31, 2022: 2.00% to 7.00% per annum). These are secured against demand promissory notes and are repayable within 8 years (December 31, 2022: 9 years).

19.2 These borrowings have been obtained from the SBP under a scheme for financing renewable energy power plants to promote renewable energy projects in the country. These carry mark-up at rates ranging from 2.00% to 5.00% per annum (December 31, 2022: 2.00% to 5.00% per annum) and are due to mature latest by June 28, 2029. As per the terms of the agreement, the Company has granted the SBP a right to recover the outstanding amount from the Company at the respective date of maturity of finances by directly debiting the current account of the Company maintained with the SBP.

- 19.3 These represent borrowings from the SBP under scheme for temporary economic refinance facility. The mark-up rate applicable on these facilities is 1% to 2% per annum (December 31, 2022: 1% to 2% per annum) payable on quarterly basis, with maturities upto May 18, 2032 (December 31, 2022: May 2032). As per the terms of the agreement, the Company has granted the SBP a right to recover the outstanding amount from the Company at the respective date of maturity of finances by directly debiting the current account of the Company maintained with the SBP.
- 19.4 These borrowings have been obtained from the SBP under a scheme for financing the storage of agricultural produce to encourage the private sector to establish silos, warehouses and cold storages. These carry mark-up at rate of from 2.5% to 4% per annum (December 31, 2022: 2.5% per annum) and are due to mature latest by June 02, 2029.
- 19.5 These represent borrowings from the SBP under scheme for refinance and credit guarantee schemes. The mark-up rate applicable on these facilities is 0% per annum (December 31, 2022: 0% per annum) payable on quarterly basis, with maturities upto May 30, 2028 (December 31, 2022: November, 2027). As per the terms of the agreement, the Company has granted the SBP a right to recover the outstanding amount from the Company at the respective date of maturity of finances by directly debiting the current account of the Company maintained with the SBP.
- 19.6 These represent financing facilities to special persons to meet credit needs for setting up of new business enterprises or for expansion of existing ones and claim refinance from State Bank of Pakistan up to 100% of finance extended by them. The spread is capped at 5% per annum (December 31, 2022: 5% per annum) by SBP whereas SBP's refinance rate for this facility is 0% per annum (December 31, 2022: 0% per annum). In case of default of the counterparty, upto 60% of principal is covered by SBP. As per the terms of the agreement, the Company has granted the SBP a right to recover the outstanding amount from the Company at the respective date of maturity of finances by directly debiting the current account of the Company maintained with the SBP. These borrowings have maturity date of September 30, 2027.
- 19.7 In accordance with the refinance facility for working capital, the Company has entered into agreements for financing with the SBP for extending financing to meet working capital requirements of the customers. The profit rate on this facility is 2.00% per annum (December 31, 2022: 2.00%) payable on quarterly basis with maturities upto May 29, 2028 (December 31, 2022: December 2023). As per the agreements, the Company has granted the SBP the right to recover the outstanding amounts from the Company at the date of maturity of the finances by directly debiting the current account maintained by the Company with the SBP.
- 19.8 In accordance with the refinance facility for combating COVID-19, the Company has entered into agreements for financing with the SBP for extending medical equipment finances to the customers. The average profit rate on this facility is 0% (December 31, 2022: 0%) with maturities upto October 22, 2025. As per the agreements, the Company has granted the SBP the right to recover the outstanding amounts from the Company at the date of maturity of the finances by directly debiting the current account maintained by the Company with the SBP.
- 19.9 These represent borrowings from the SBP under scheme for balancing, modernization & replacement scheme. The mark-up rate applicable on these facilities is 1% to 2% per annum (December 31, 2022: 1% to 2% per annum) payable on quarterly basis, with maturities upto April 28, 2028 (December 31, 2022: April 2028). As per the terms of the agreement, the Company has granted the SBP a right to recover the outstanding amount from the Company at the respective date of maturity of finances by directly debiting the current account of the Company maintained with the SBP.
- 19.10 These represent collateralised borrowings against Pakistan Investment Bonds and Market Treasury Bills. The mark-up rates on these borrowings ranges from 21.03% to 22.50% per annum (December 31, 2022: 16.09% to 16.10% per annum).
- 19.11 This represents secured borrowings from commercial banks. These borrowings carry mark-up at rates ranging from 18.36% to 23.06% per annum (December 31, 2022: 15.92% to 17.29% per annum) and are repayable by within 4 years (December 31, 2022: 5 years). These are secured against hypothecation of receivables and floating charge over term finance certificates having a face value of Rs. 706 million (December 31, 2022: 750 billion) and pledge of government securities and T Bills having a face value of Rs. 5.35 billion and Rs. 16.70 billion respectively.
- 19.12 This represents clean borrowings from financial institutions and corporate. These borrowings carry mark-up at rates ranging from 20.25% to 22.30% per annum (2022: 7.10% to 16.50% per annum) and are repayable by September 20, 2023 (2022: May 2023).

	Note	(Un-audited) June 30, 2023	(Audited) December 31, 2022
----- Rupees in '000 -----			
20 DEPOSITS AND OTHER ACCOUNTS			
Customers			
- Certificate of investments (COIs) - In local currency	20.2	54,768	54,768
Financial Institutions			
- Certificate of investments (COIs) - In local currency	20.1	-	-
		<u>54,768</u>	<u>54,768</u>
20.1 Composition of deposits			
- Public sector entities		-	-
- Private sector		54,768	54,768
		<u>54,768</u>	<u>54,768</u>
20.2	These Certificate of Investments (COIs) carry mark-up rate of 15.00% per annum (2022: 15.00% per annum) with maturity on December 22, 2023 (2022: December 22, 2023).		
		(Un-audited) June 30, 2023	(Audited) December 31, 2022
		----- Rupees in '000 -----	
21 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		1,721,483	797,888
Unearned commission and income on bills discounted		18,418	28,998
Accrued expenses		50,648	86,826
Brokerage / commission payable		1,600	1,584
Payable against purchase of shares		17,388	120,362
Security deposits against advances		291,948	295,565
Provision for Sindh Worker's Welfare Fund		158,255	148,995
Lease liability against right-of-use assets		31,491	28,834
Provision for off balance sheet obligations		12,492	-
Payable to related party		-	28
Others		67,092	50,319
		<u>2,370,815</u>	<u>1,559,399</u>
22 DEFICIT ON REVALUATION OF ASSETS - NET OF TAX			
Deficit on revaluation of			
- Securities measured at FVOCI-Debt	11.1	(2,143,880)	(1,703,081)
- Securities measured at FVOCI-Equity		(38,569)	(431,770)
		<u>(2,182,449)</u>	<u>(2,134,851)</u>
Deferred tax on deficit on revaluation of:			
- Securities measured at FVOCI-Debt		707,480	562,017
- Securities measured at FVOCI-Equity		6,364	71,242
		<u>(1,468,605)</u>	<u>(1,501,592)</u>

	Note	(Un-audited) June 30, 2023	(Audited) December 31, 2022
----- Rupees in '000 -----			
23 CONTINGENCIES AND COMMITMENTS			
- Guarantees	23.1	330,000	1,330,000
- Commitments	23.2	97,459,478	23,342,227
- Other contingent liabilities	23.3	-	-
		<u>97,789,478</u>	<u>24,672,227</u>
23.1 Guarantees			
Financial guarantees		<u>330,000</u>	<u>1,330,000</u>
23.2 Commitments			
Documentary credits and short-term trade-related transactions			
- letters of credit		-	4,103
Commitments in respect of:			
- repo transactions	23.2.1	93,663,376	20,732,735
- forward lendings	23.2.2	3,796,102	2,485,027
- other commitments		-	120,362
		<u>97,459,478</u>	<u>23,342,227</u>
23.2.1 Commitments in respect of repo transactions			
Repurchase of government securities		88,932,273	14,157,761
Reverse repurchase of government securities		4,731,103	6,574,974
		<u>93,663,376</u>	<u>20,732,735</u>
23.2.2 Commitments in respect of forward lendings			
Undrawn formal standby facilities, credit lines and other commitments to lend*		<u>3,796,102</u>	<u>2,485,027</u>
		<u>3,796,102</u>	<u>2,485,027</u>

*These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Company without the risk of incurring significant penalty or expense.

23.3 Other contingent liabilities

23.3.1 In 2009, Burj Bank Limited (formerly Dawood Islamic Bank Limited) filed a legal suit amounting to Rs. 200 million for damages against the Company for alleged non-performance of underwriting commitment in respect of issue of shares at a premium. The legal advisors of the Company are of the opinion that the Company has a strong case and that the matter will most likely be decided in favour of the Company.

23.3.2 The returns of income of the Company from tax years 2008 to 2022 had been filed with the tax authorities. From tax year 2008 upto tax year 2020, these returns have been revised and additional tax demands have been raised of which Rs. 782.07 million are outstanding as at June 30, 2023. The matters which have been raised in these demands mainly included allocation of common expenses to dividend income, taxation of discount income, additions on account of concessional loans to employees and deletion of the charge pertaining to the Workers' Welfare Fund. The Company is contesting these demands and appeals have been filed by the Company against the same which are pending adjudication at various legal and appellate forums. The Company has made partial payments against some of these demands which are being shown as refundable from tax authorities (note 17). The management is confident that the matters will eventually be decided in favour of the Company and that the Company will be able to adjust amounts in respect of matters decided against the Company (if any) against the tax refunds currently being claimed by it.

		(Un-audited)	
		Half year ended June 30, 2023	Half year ended June 30, 2022
		----- Rupees in '000 -----	
24	MARK-UP / RETURN / INTEREST EARNED	Note	
	On:		
	a) Loans and advances		1,418,453 917,260
	b) Investments		7,554,039 1,565,011
	c) Lendings to financial institutions		496,103 40,191
	d) Sub-lease of premises		43 -
	e) Balances with banks		11,763 3,213
			<u>9,480,401</u> <u>2,525,675</u>
	Interest income (calculated using effective interest rate method) recognised on:		
	Financial assets measured at amortised cost		12,183 -
			<u>9,492,584</u> <u>2,525,675</u>
25	MARK-UP / RETURN / INTEREST EXPENSED		
	Deposits		4,074 2,789
	Interest expense on lease liability		3,096 1,416
	Borrowings		8,864,401 2,234,024
			<u>8,871,571</u> <u>2,238,229</u>
26	FEE AND COMMISSION INCOME		
	Advisory / arrangement fee		694 8,358
	Processing fee income		8,902 8,618
	Commitment fee		3,896 4,601
	Trustee fee		31,630 29,141
	Front end fee		17 -
			<u>45,139</u> <u>50,718</u>
27	GAIN / (LOSS) ON SECURITIES		
	Realised loss on sale of securities	27.1	43,031 (55,917)
	Unrealised loss on securities held at fair value through profit and loss		(6,277) (996)
	Unrealised loss on arbitrag shares		- (1,026)
			<u>36,754</u> <u>(57,939)</u>
27.1	Realised gain / (loss) on:		
	Federal government securities		30,799 7,279
	Ordinary shares		11,900 (63,196)
	Non-government debt securities		332 -
			<u>43,031</u> <u>(55,917)</u>
28	OTHER INCOME		
	Gain on sale of assets classified as held-for-sale		96,626 -
	Gain on sale of fixed assets - net		1,871 1,584
			<u>98,497</u> <u>1,584</u>

29	OPERATING EXPENSES	Note	(Un-audited)	
			Half year ended June 30, 2023	Half year ended June 30, 2022
	Total compensation expense		143,340	104,535
	Property expense			
	Rent and taxes		-	-
	Insurance		3,241	3,066
	Security		1,286	1,282
	Utilities cost		2,982	2,289
	Repairs and maintenance (including janitorial charges)		5,503	4,693
	Depreciation		13,174	10,930
			26,186	22,260
	Information technology expenses			
	Software maintenance		41	1,488
	Hardware maintenance		501	585
	Depreciation		1,961	2,020
	Amortisation		555	104
			3,058	4,197
	Other operating expenses			
	Directors' fees and allowances		3,600	2,400
	Fees and subscription		2,563	642
	Legal and professional charges		7,164	11,713
	Travelling and conveyance		14,520	25,488
	Brokerage commission		13,548	4,422
	Depreciation		3,131	3,452
	Training and development		1,300	427
	Postage and courier charges		178	309
	Communication		1,860	1,601
	Stationery and printing		607	485
	Marketing, advertisement and publicity		141	101
	Donations		2,000	-
	Auditors' remuneration		1,833	1,374
	Expenses incurred on assets held for sale		40,312	10,201
	Service charges for business development - leases		2,807	-
	Others		2,202	2,691
			97,766	65,306
			270,350	196,298

30 SINDH WORKERS' WELFARE FUND

Provision for Sindh Workers' Welfare Fund	30.1	9,260	1,829
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30.1 SWWF Act had been passed by the Government of Sindh in May 2015 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. 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. Accordingly, as a matter of abundant caution, the management has maintained a provision for SWWF in the condensed interim unconsolidated financial statements amounting to Rs 158.995 million which includes a provision of Rs 9.26 million for the current period.

		(Un-audited)	
		Half year ended June 30, 2023	Half year ended June 30, 2022
		----- Rupees in '000 -----	
31	Credit loss allowance and write offs - net	Note	
	Credit loss allowance against lending to financial institutions	10.2	7
	Credit loss allowance for diminution in value of investments	11.2.1	(6,356)
	Credit loss allowance against loans and advances	12.3	143,902
	Credit loss allowance against off balance sheet obligations		2,812
			<u>140,365</u>
			<u>35,390</u>
32	TAXATION		
	Current		48,361
	Deferred		115,072
			<u>174,862</u>
			<u>(150,988)</u>
			<u>223,223</u>
			<u>(35,916)</u>
33	BASIC EARNINGS PER SHARE		
	Profit for the period		<u>230,517</u>
			<u>127,604</u>
			Number of shares
	Weighted average number of ordinary shares		<u>600,000</u>
			<u>600,000</u>
			----- Rupees -----
	Basic earnings per share		<u>0.38</u>
			<u>0.21</u>
33.1	Diluted earnings per share		
	Diluted earnings per share has not been presented separately as the Company does not have any convertible instruments in issue.		
34	FAIR VALUE MEASUREMENT		
	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.		
34.1	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		
	- 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); and		
	- Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).		

Valuation techniques and inputs used in determination of fair values

Item	Valuation techniques and input used
Fully paid-up ordinary shares / units of modaraba certificates	Fair values of investments in listed equity securities and units of modaraba certificates are valued on the basis of closing quoted market prices available at the stock exchange.
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV / PKFRV rates.
Term finance / sukuks certificates	Investments in listed debt securities (comprising term finance certificates, bonds, sukuk certificates and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the prices announced by the Pakistan Stock Exchange Limited.

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)			
	June 30, 2023			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	----- Rupees in '000 -----			
Financial assets - measured at fair value				
Investments				
Federal government securities	-	110,852,470	-	110,852,470
Shares	791,686	-	-	791,686
Non-Government debt securities	-	2,363,501	-	2,363,501
Off-balance sheet financial instruments - measured at fair value				
Commitments in respect of repo transactions	-	93,663,376	-	93,663,376

	(Audited)			
	December 31, 2022			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	----- Rupees in '000 -----			
Financial assets - measured at fair value				
Investments				
Federal government securities	-	38,973,866	-	38,973,866
Shares	1,340,790	-	-	1,340,790
Non-Government debt securities	-	2,477,356	-	2,477,356
Off-balance sheet financial instruments - measured at fair value				
Commitments in respect of repo transactions	-	20,732,735	-	20,732,735

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SEGMENT INFORMATION

	Half year ended June 30, 2023			
	Corporate finance	Trading and sales	Commercial banking	Total
	----- Rupees in '000 -----			
Condensed interim unconsolidated profit and loss account for the half year ended June 30, 2023 (un-audited)				
Net Mark-up / return / interest income	-	531,751	89,262	621,013
Non mark-up / return / interest income	45,139	207,563	-	252,702
Total income	45,139	739,314	89,262	873,715
Segment direct expenses	14,446	236,598	28,566	279,610
Total expenses	14,446	236,598	28,566	279,610
Provisions	-	32,930	107,435	140,365
Profit before tax	30,693	469,786	(46,739)	453,740

Condensed interim unconsolidated statement of financial position as at June 30, 2023 (un-audited)

	June 30, 2023			
	Corporate finance	Trading and sales	Commercial banking	Total
	----- Rupees in '000 -----			
Cash and bank balances	19,745	323,399	39,046	382,190
Investments	-	116,021,029	-	116,021,029
Lendings to financial institutions	-	4,691,984	-	4,691,984
Advances - performing	-	1,020,183	18,375,568	19,395,751
- non-performing	-	45,572	158,292	203,864
Others	2,508	5,129,546	619,322	5,751,376
Total assets	22,253	127,231,713	19,192,228	146,446,194
Borrowings	-	119,976,580	14,485,514	134,462,094
Deposits and other accounts	-	48,868	5,900	54,768
Others	-	2,115,409	255,406	2,370,815
Total liabilities	-	122,140,857	14,746,820	136,887,677
Equity	22,253	5,090,857	4,445,407	9,558,517
Total equity and liabilities	22,253	127,231,714	19,192,227	146,446,194
Contingencies and commitments	-	93,663,376	4,072,117	97,735,493

Unconsolidated profit and loss account for the half year ended June 30, 2022 (un-audited)

	Half year ended June 30, 2022			
	Corporate finance	Trading and sales	Commercial banking	Total
	----- Rupees in '000 -----			
Net mark-up / return / interest income	-	180,905	106,541	287,446
Non mark-up / return / interest income	50,717	(12,958)	-	37,759
Total income	50,717	167,947	106,541	325,205
Segment direct expenses	30,899	102,319	64,909	198,127
Total expenses	30,899	102,319	64,909	198,127
Provisions	-	18,203	17,187	35,390
Profit before tax	19,818	47,425	24,445	91,688

Unconsolidated statement of financial position (audited)

	December 31, 2022			
	Corporate finance	Trading and sales	Commercial banking	Total
	----- Rupees in '000 -----			
Cash and bank balances	40,616	327,428	69,180	437,224
Investments	-	44,805,384	-	44,805,384
Lendings to financial institutions	-	6,559,967	-	6,559,967
Advances - performing	-	1,288,503	22,538,347	23,826,850
- non-performing	-	11,249	369,764	381,013
Others	5,534	3,237,605	684,052	3,927,191
Total assets	46,150	56,230,136	23,661,343	79,937,629
Borrowings	-	56,403,229	11,917,006	68,320,235
Deposits and other accounts	-	45,215	9,553	54,768
Others	-	1,287,395	272,004	1,559,399
Total liabilities	-	57,735,839	12,198,563	69,934,402
Equity	46,150	(1,505,703)	11,462,780	10,003,227
Total equity and liabilities	46,150	56,230,136	23,661,343	79,937,629
Contingencies and commitments	-	20,732,735	3,939,492	24,672,227

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36 RELATED PARTY TRANSACTIONS

The Company has related party relationship with subsidiary companies (Primus Leasing Limited, Awwal Corporate Restructuring Company Limited and Awwal Modaraba Management Limited), First Prudential Modaraba, employees' defined benefit and defined contribution plan, its key management personnel and state controlled entities.

There are no transactions with key management personnel other than those carried out as per their terms of employment. Contributions to approved defined benefit and contribution plans are made in accordance with the actuarial valuations / terms of scheme. Transactions with owners have been disclosed in 'condensed interim unconsolidated Statement of Changes in Equity'. All other transactions between the Company and its related parties are carried out under normal course of business except employee staff loans that are as per terms of employment. However we understand that there are several transactions with subsidiaries that are based on agreed terms. The details of transactions with related parties during the period and balances with them as at period end, other than those which have been disclosed elsewhere in these condensed interim unconsolidated financial statements, are as follows:

36.1 Balances with related parties

	(Un-audited)				(Audited)			
	June 30, 2023				December 31, 2022			
	Directors	Key management personnel	Subsidiaries	Other related parties	Directors	Key management personnel	Subsidiaries	Other related parties
(Rupees in '000)								
Investments								
Opening balance	-	-	2,013,372	-	-	-	2,003,372	-
Investment made during the period / year	-	-	-	-	-	-	10,000	-
Investment redeemed / disposed off during the period / year	-	-	-	-	-	-	-	-
Closing balance	-	-	2,013,372	-	-	-	2,013,372	-
Advances								
Opening balance	-	72,204	574,803	178,207	-	89,209	371,223	-
Addition during the period / year	-	13,390	115,540	150,000	-	46,336	570,095	300,000
Repaid during the period / year	-	(3,737)	(170,385)	(157,121)	-	(10,432)	(366,515)	(150,000)
Transfer in / (out) - net	-	-	-	-	-	(52,909)	-	28,207
Closing balance	-	81,857	519,958	171,086	-	72,204	574,803	178,207
Lending to financial institutions								
Opening balance	-	-	-	26,000	-	-	-	-
Investment	-	-	-	243,700	-	-	-	58,000
Repayment	-	-	-	(241,700)	-	-	-	(32,000)
Closing balance	-	-	-	28,000	-	-	-	26,000
Other assets								
Interest / mark-up accrued	-	-	23,199	269	-	-	13,613	423
Lease receivable under IFRS-16	-	-	722	-	-	-	606	-
Receivable from defined benefit plan	-	-	-	13	-	-	-	3,260
Preliminary expense	-	-	931	-	-	-	931	-
Advance against investments in right shares	-	-	40,000	-	-	-	40,000	-
Others	-	-	9,126	941	-	-	3,244	810
	-	-	73,978	1,223	-	-	58,394	4,493
Borrowings								
Opening balance	-	-	-	-	-	-	39,000	191,154
Borrowings during the period / year	-	-	-	6,576	-	-	-	28,444
Settled during the period / year	-	-	-	(6,576)	-	-	(39,000)	(219,598)
Closing balance	-	-	-	-	-	-	-	-
Other liabilities								
Interest / mark-up payable	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	28	-
	-	-	-	-	-	-	28	-

36.2 Transactions with related parties

	(Un-audited) June 30, 2023				(Un-audited) June 30, 2022			
	Directors	Key management personnel	Subsidiaries	Other related parties	Directors	Key management personnel	Subsidiaries	Other related parties
(Rupees in '000)								
Income								
Mark-up / return / interest earned	-	1,683	45,828	22,888	-	1,055	28,124	9,893
Reverse Repo	-	-	-	-	-	-	-	-
Expense								
Mark-up / return / interest expensed	-	-	-	93	-	-	46	150
Operating expenses	2,000	87,483	-	-	2,400	75,457	-	-
Reimbursement of expenses	-	9,223	2,125	98	-	4,576	10,382	4,859
Expenses charged	-	-	11,310	4,672	-	-	-	-
Fixed assets disposal	-	2,214	-	-	-	-	-	-

37 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):

Paid-up capital	6,000,000	6,000,000
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	6,962,779	7,555,743
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	6,962,779	7,555,743
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	6,962,779	7,555,743

Risk Weighted Assets (RWAs):

Credit Risk	20,703,284	25,209,260
Market Risk	5,382,301	5,629,213
Operational Risk	1,981,195	1,981,195
Total	28,066,780	32,819,668

Common Equity Tier 1 Capital Adequacy ratio - percentage	24.81%	23.02%
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Tier 1 Capital Adequacy Ratio - percentage	24.81%	23.02%
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Total Capital Adequacy Ratio - percentage	24.81%	23.02%
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Leverage Ratio (LR):

Eligible Tier-1 Capital	6,962,779	7,555,743
Total Exposures	135,705,591	78,312,993
Leverage Ratio (%)	5.13%	9.65%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	9,274,565	7,989,493
Total Net Cash Outflow	6,815,721	7,107,724
Liquidity Coverage Ratio (Ratio)	136.08%	112.41%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	26,162,031	27,729,097
Total Required Stable Funding	24,148,308	23,794,119
Net Stable Funding Ratio (%)	108.34%	116.54%

38 **CORRESPONDING FIGURES**

Corresponding figures are rearranged or reclassified, wherever necessary, for the purpose of comparison and better presentation. No significant reclassification or restatement were made in these condensed interim unconsolidated financial statements during the period.

39 **GENERAL**

39.1 Figures in these condensed interim unconsolidated financial statements have been rounded off to the nearest thousand Rupees unless otherwise stated.

40 **DATE OF AUTHORISATION FOR ISSUE**

These condensed interim unconsolidated financial statements were authorised for issue on August 22, 2023 by the Board of Directors of the Company.



President/Chief Executive

Chief Financial Officer

Director

Director

Director