PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the members of Pakistan Mortgage Refinance Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Pakistan Mortgage Refinance Company Limited (the Company), which comprise the statement of financial position as at December 31, 2023, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and notes to the financial statements, including a summary of material accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2023 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is **Shahbaz Akbar**.

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A. F. Ferguson & Co.
Chartered Accountants
Dated: March 6, 2024
Karachi
UDIN: AR202310068ITChgQa3m

PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	Note	2023	2022
		-------- Rupees in '000 --------	
ASSETS			
Cash and balances with treasury banks	5	5,173	4,588
Balances with other banks	6	10,651,533	221,515
Lendings to financial institutions		-	-
Investments	7	13,804,680	20,564,969
Advances	8	34,401,920	33,662,362
Fixed assets	9	117,748	146,817
Intangible assets	10	35,705	38,634
Deferred tax assets		-	-
Other assets	11	1,542,299	915,056
		60,559,058	55,553,941
LIABILITIES			
Bills payable		-	-
Borrowings	12	41,649,392	38,940,150
Deposits and other accounts		-	-
Liabilities against assets subject to finance lease		-	-
Subordinated debt	13	6,818,042	7,050,716
Deferred tax liabilities		-	-
Other liabilities	14	1,160,612	818,136
		49,628,046	46,809,002
NET ASSETS		10,931,012	8,744,939
REPRESENTED BY			
Share capital	15	6,237,759	6,237,759
Reserves		1,519,513	1,007,773
Deficit on revaluation of assets	16	(353,565)	(448,961)
Unappropriated profit		3,527,305	1,948,368
		10,931,012	8,744,939
CONTINGENCIES AND COMMITMENTS	17		

The annexed notes 1 to 40 and annexure form an integral part of these financial statements.

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

PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023	2022
		-------- Rupees in '000 --------	
Mark-up / return / profit / interest earned	18	7,451,645	5,015,891
Mark-up / return / profit / interest expensed	19	4,024,539	2,898,725
Net mark-up / return / profit / interest income		3,427,106	2,117,166
Non mark-up / interest income			
Fee and commission income	20	33,508	-
Dividend income		-	-
Foreign exchange income		-	-
Income / (loss) from derivatives		-	-
Gain on securities	21	3,022	4,901
Other income	22	3,776	1,323
Total non-markup / interest income		40,306	6,224
Total income		3,467,412	2,123,390
Non mark-up / interest expenses			
Operating expenses	23	603,103	417,442
Workers' Welfare Fund	24	52,218	32,229
Other charges		-	-
Total non-markup / interest expenses		655,321	449,671
Profit before provisions		2,812,091	1,673,719
Provisions and write offs - net	27	253,393	94,502
Extraordinary / unusal items		-	-
Profit before taxation		2,558,698	1,579,217
Taxation	25	-	-
Profit after taxation		2,558,698	1,579,217
		------------ (Rupees) ------------	
Basic and diluted earnings per share	26	4.10	2.53

The annexed notes 1 to 40 and annexure form an integral part of these financial statements.

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

PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023	2022
		-------- Rupees in '000 --------	
Profit after taxation for the year		2,558,698	1,579,217
Other comprehensive income / (loss)			
Items that may be reclassified to profit and loss account in subsequent periods:			
Movement in deficit on revaluation of investments		95,396	(201,599)
Items that will not be reclassified to profit and loss account in subsequent periods:			
Remeasurement (loss) / gain on defined benefit plan	30.8.2	(189)	122
Total comprehensive income for the year		2,653,905	1,377,740

The annexed notes 1 to 40 and annexure form an integral part of these financial statements.

Managing Director / Chief Executive Officer | Chief Financial Officer | Director | Director | Director

PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

	Share capital	Statutory reserve	Deficit on revaluation of assets	Unappropriated profit	Total
	Rupees in '000				
Balance as at January 01, 2022	6,237,759	691,930	(247,362)	684,872	7,367,199
Total comprehensive income for the year					
Profit after taxation for the year ended December 31, 2022	-	-	-	1,579,217	1,579,217
Other comprehensive income / (loss)					
Remeasurement gain on defined benefit plan	-	-	-	122	122
Movement in deficit on revaluation of assets	-	-	(201,599)	-	(201,599)
Total comprehensive income for the year ended December 31, 2022	-	-	(201,599)	1,579,339	1,377,740
Transfer to statutory reserve	-	315,843	-	(315,843)	-
Balance as at December 31, 2022	6,237,759	1,007,773	(448,961)	1,948,368	8,744,939
Total comprehensive income for the year					
Profit after taxation for the year ended December 31, 2023	-	-	-	2,558,698	2,558,698
Other comprehensive (loss) / income					
Remeasurement loss on defined benefit plan	-	-	-	(189)	(189)
Movement in deficit on revaluation of assets	-	-	95,396	-	95,396
Total comprehensive income for the year ended December 31, 2023	-	-	95,396	2,558,509	2,653,905
Transfer to statutory reserve	-	511,740	-	(511,740)	-
Transactions with owners recorded directly in equity					
Final dividend for the year ended December 31, 2022 @ Re. 0.75 per share declared on March 28, 2023	-	-	-	(467,832)	(467,832)
Balance as at December 31, 2023	6,237,759	1,519,513	(353,565)	3,527,305	10,931,012

The annexed notes 1 to 40 and annexure form an integral part of these financial statements.

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

PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023	2022
		-------- Rupees in '000 --------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year before taxation		2,558,698	1,579,217
Adjustment for:			
Depreciation	23	49,196	47,501
Amortisation of intangible assets	23	7,929	3,923
Amortisation of transaction cost		21,865	18,600
Provision for Workers' Welfare Fund	24	52,218	32,229
Gain on sale of fixed assets	22	(3,641)	(11)
Gain on sale of securities	21	(3,022)	(4,901)
Provision for defined benefit obligation	30.8.1	14,363	11,567
Interest expense on lease liability against right-of-use assets	19	5,864	7,608
Provisions and write offs - net	8.3	253,393	94,502
		398,165	211,018
		2,956,863	1,790,235
Increase in operating assets			
Advances		(992,951)	(10,042,026)
Others assets (excluding advance taxation)		(649,066)	(372,774)
		(1,642,017)	(10,414,800)
Increase / (decrease) in operating liabilities			
Borrowings		2,709,242	(2,247,299)
Other liabilities (excluding lease liability and payable to defined benefit plan)		320,065	197,459
		3,029,307	(2,049,840)
Contribution paid to gratuity scheme		(22,217)	(9,901)
Income tax paid		(42)	(88)
Net cash generated from / (used in) operating activities		4,321,894	(10,684,394)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		6,419,567	(2,090,575)
Net investments in held-to-maturity securities		-	983,545
Investments in operating fixed assets		(20,300)	(11,414)
Investments in intangible assets		(5,000)	(18,914)
Proceeds from sale of fixed assets		3,814	179
Net cash generated from / (used in) investing activities		6,398,081	(1,137,179)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(467,832)	-
Lease rentals paid against right-of-use assets		(28,006)	(26,366)
Receipts from issuance of term finance certificates		-	7,000,000
Payments on maturity of term finance certificates		-	(1,000,000)
Repayment of subordinated debt		(232,674)	-
Net cash (used in) / generated from financing activities		(728,512)	5,973,634
Net increase / (decrease) in cash and cash equivalents		9,991,463	(5,847,939)
Cash and cash equivalents at the beginning of the year		9,642,183	15,490,122
Cash and cash equivalents at the end of the year	28	19,633,646	9,642,183

The annexed notes 1 to 40 and annexure form an integral part of these financial statements.

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

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 Pakistan Mortgage Refinance Company Limited (the Company) is an unlisted public limited company incorporated in Pakistan on May 14, 2015 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company has been notified as a Development Financial Institution (DFI) by the Finance Division of Government of Pakistan on October 27, 2017. The State Bank of Pakistan (SBP) granted the certificate for commencement of business with effect from June 12, 2018.

1.2 The Company's objectives interalia include promoting, developing and improving the housing finance market of Pakistan by providing financing facilities to banks and financial institutions against their conventional and Islamic housing finance portfolios and other eligible securities and promote the development of capital markets in Pakistan. The Company is also engaged in providing Trustee services to the Government owned Credit Guarantee Scheme for housing finance. The registered office of the Company is situated at Finance and Trade Center, Block-A, Shahrah-e-Faisal, Karachi.

1.3 The Company has been assigned a rating of 'AAA' by VIS Credit Rating Company Limited dated April 14, 2023 (2022: 'AAA' dated April 12, 2022). The rating reflects the highest possible credit quality rating with the lowest expectation of default risk.

2 BASIS OF PRESENTATION

These financial statements have been prepared in conformity with the format of financial statements prescribed by the SBP vide BPRD Circular No. 2 dated January 25, 2018.

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;

- Provisions of and directives issued under the Companies Act, 2017;

- Directives issued by the SBP and the Securities and Exchange Commission of Pakistan (SECP);

- Provisions of and directives issued under the Banking Companies Ordinance, 1962; and

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017.

Wherever the requirements of the Companies Act, 2017, the Banking Companies Ordinance, 1962 or the directives issued by the SBP and the SECP differ with the requirements of IFRSs, the requirements of the Companies Act, 2017, the Banking Companies Ordinance, 1962 and the said directives shall prevail.

The SBP has deferred the applicability of IAS 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for banking companies / DFIs in Pakistan through BSD Circular Letter No.10 dated August 26, 2002, till further instructions. Further, SECP has deferred the applicability of IFRS 7 'Financial Instruments: Disclosures', through S.R.O 411(1) / 2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

2.2 Standards, interpretations and amendments to the accounting and reporting standards that are effective in the current year

There are certain new standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2023 but are considered not to be relevant or do not have any significant effect on the Company's operations and, therefore, have not been detailed in these financial statements.

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2.3 Standards, interpretations and amendments to the accounting and reporting standards that are not yet effective

2.3.1 The following revised standards, amendments and interpretations with respect to the accounting and reporting standards would be effective from the dates mentioned below against the respective standards, interpretations or amendments:

Standards, interpretations or amendments	Effective date (annual periods beginning on or after)
- IFRS 9 - 'Financial instruments'	January 1, 2024
- IFRS 16 - 'Sale and leaseback' (amendments)	January 1, 2024
- IAS 1 - 'Non current liabilities with covenants' (amendments)	January 1, 2024

The management is in the process of assessing the impact of these standards and amendments on the financial statements of the Company except for IFRS 9, the impact of which is as follows:

The SBP vide its BPRD Circular Letter No. 7 dated April 13, 2023 notified the effective date of IFRS 9, 'Financial instruments' as January 1, 2024 for all DFIs. SBP via the same Circular has finalised the instructions on IFRS 9 for ensuring smooth and consistent implementation of the standard in the DFIs.

During the current year, the management of the Company has performed an impact assessment of IFRS 9 taking into account the SBP's IFRS 9 application instructions and the impacts have been reported to the SBP through proforma financial statements as required in the said instructions. The assessment is based on available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company at the time of finalising the impact for initial application of IFRS 9. In addition, the Company will implement changes in classification of certain financial instruments.

An overview of the IFRS 9 requirements that are expected to have significant impact are discussed below along with the additional requirements introduced by the SBP:

Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. The business model reflects how group of financial assets are managed to meet a particular business objective. Financial assets that do not meet Solely Payments of Principal and Interest (SPPI) criteria are measured at Fair Value through Profit or Loss (FVTPL) regardless of the business model in which they are held. The Company's business model in which financial assets are held will determine whether the financial assets are measured at amortised cost, Fair Value through Other Comprehensive Income ('FVOCI') or FVTPL. The Company has analysed the impact of initial application of IFRS 9 on its financial assets as follows:

Debt securities

Debt securities currently classified as Available-for-Sale (AFS) and those that pass SPPI test, are expected to be measured at fair value through Other Comprehensive Income (OCI) under IFRS 9 as the Company's business model is to hold the assets to collect contractual cash flows, but also to sell those investments. Debt securities currently classified as Held-to-Maturity (HTM) and those that pass SPPI test are expected to be measured at amortised cost under IFRS 9 as the Company's business model is to hold the assets to collect contractual cash flows.

Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI (other than equity instruments). At initial recognition, an impairment allowance is required for Expected Credit Losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'stage 3'.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Under the SBP's instructions, credit exposure (in local currency) guaranteed by the Government and Government securities are exempted from the application of ECL Framework. Moreover, until implementation of IFRS 9 has stabilised, stage 1 and stage 2 provisions would be made as per IFRS 9 ECL and stage 3 provision would be made considering higher of IFRS 9 ECL or provision computed under existing Prudential Regulations (PRs) requirements.

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Based on the requirement of IFRS 9 and SBP's IFRS 9 application instructions, the Company has performed an ECL assessment taking into account the key elements such as assessment of Significant Increase in Credit Risk (SICR), Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). These elements are described below:

- PD: The probability that a counterparty will default, calibrated over the 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating forward-looking information.

- LGD: It is an estimate of magnitude of loss sustained on any facility upon default by a customer. It is expressed as a percentage of the exposure outstanding on the date of classification of an obligor. It is the difference between contractual cash flows due and those that the Company expects to receive, including any form of collateral.

- EAD: the expected balance sheet exposure at the time of default, incorporating expectations on drawdowns, amortisation, pre-payments and forward-looking information where relevant.

a) Stage 1 - Performing Assets: Financial assets where there has not been a SICR since initial recognition, the Company shall recognise an allowance based on the 12-month ECL.

b) Stage 2 - Under-Performing Assets: Financial assets where there has been a SICR since initial recognition, but they are not credit impaired, the Company shall recognise an allowance for the lifetime ECL for all exposures categorised in this stage based on the actual maturity profile.

c) Stage 3 - Non-Performing Assets: Financial assets which have objective evidence of impairment at the reporting date. The Company shall recognise ECL on these financial assets using the higher off approach, which means that lifetime ECL computed under IFRS 9 is compared with regulatory provision required as per Prudential Regulations (PR).

As required by the Application Instructions, financial assets may be reclassified out of stage 3 if they meet the requirements of PR issued by SBP. Financial assets in stage 2 may be reclassified to stage 1 if the conditions that led to a SICR no longer apply.

Presentation and disclosure

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of Company's disclosure about its financial instruments particularly in the year of adoption of the IFRS 9.

The SBP vide its BPRD Circular No. 02 of 2023 dated February 9, 2023 has specified the new reporting format for financial statements of Banking Companies. The new format has revised the disclosure requirements and will become applicable for the financial statements of the Company for the quarter ending March 31, 2024.

Impact of adoption of IFRS 9

The Company will adopt IFRS 9 in its entirety effective January 1, 2024 with modified retrospective approach for restatement. The cumulative impact of initial application will be recorded as an adjustment to equity at the beginning of the accounting period. The actual impact of adopting IFRS 9 on the Company's financial statements in the year 2024 will be dependent on the financial instruments that the Company would hold during next year and economic conditions at that time as well as accounting elections and judgements that it will make in future.

Nevertheless, the Company has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at December 31, 2023 and based on this assessment, the Company does not expect any material effect on the Capital Adequacy Ratio (CAR) and equity as of December 31, 2023.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires the management to exercise judgment in the application of its accounting policies. The estimates and associated 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.

Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies are as follows:

i) classification, valuation and provisioning of investments (notes 4.3 and 7);
ii) classification and provisioning of loans and advances (notes 4.7 and 8);
iii) provision for defined benefit plan (notes 4.11 and 30);
iv) lease liability and right-of-use assets (notes 4.5.2 and 9);
v) other provisions (note 4.12); and
vi) estimation of useful lives of operating fixed assets and intangible assets (notes 4.5.1, 4.6, 9 and 10).

3 BASIS OF MEASUREMENT

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

- Obligation in respect of staff retirement benefit is carried at present value of defined benefit obligation;
- Investments classified as AFS are carried at fair value; and
- Right-of-use assets and their related lease liability are carried at present value of future lease rentals adjusted for any lease payments made at or before the commencement date of the lease.

3.1 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements have been presented in Pakistani Rupees, which is the Company's functional and presentation currency.

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement represent balances with treasury banks, balances with other banks in current and deposit accounts and Market Treasury Bills having original maturity of three months or less.

4.2 Lendings to / borrowings from financial and other institutions

The Company enters into Repurchase Agreements (Repo) and Reverse Repurchase Agreements (Reverse Repo) at contracted rates for a specified period of time. These are recorded as under:

(a) Sale of securities under repurchase agreements

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

(b) Purchase of securities under resale agreements

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

Clean lending

Clean lendings with financial institutions are stated net of provision. Return on such lending is accrued to the profit and loss account on a time proportion basis except for mark-up on impaired / delinquent lendings, which are recognised on receipt basis.

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4.3 Investments

4.3.1 Classification

The Company classifies its investment portfolio into the following categories:

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity which the Company has the positive intent and ability to hold till maturity.

Available-for-sale

These are investments that do not fall under the held-for-trading or held-to-maturity categories.

4.3.2 Initial recognition and measurement

All purchases and sale of investments that require delivery within the time frame established by regulations or market conventions are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

An investment shall be measured at their fair value plus transaction costs that are directly attributable to the acquisition or issue of the investment.

4.3.3 Subsequent measurement

Held-to-maturity

These are carried at amortised cost using the effective interest method, less any impairment recognised to reflect irrecoverable amounts.

Available-for-sale

Securities classified as available-for-sale are subsequently measured at fair values. Any surplus or deficit arising thereon is taken to 'statement of comprehensive income' and is taken to the profit and loss account when realised upon disposal or when the investment is considered to be impaired.

4.3.4 Reclassification

Reclassification of investments from one category to another shall be made in accordance with the regulatory requirements.

4.4 Impairment

4.4.1 Impairment of investments

In case of debt securities, provision for diminution in the value are made as per the time-based criteria prescribed under the PR issued by the SBP.

When investments classified as HTM are considered to be impaired, the impairment charge is directly charged to the profit and loss account. If, in a subsequent period, the fair value of the investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the profit and loss account.

When investments classified as AFS are considered to be impaired, the cumulative loss that has been recognised directly in surplus / deficit on revaluation of securities is removed there from and recognised in the profit and loss account. If in a subsequent period, the fair value of debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the loss will be reversed through profit and loss account. The amount of the cumulative loss that is reversed shall be the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that investment previously recognised in the profit and loss account.

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4.4.2 Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists and where the carrying value exceeds the estimated recoverable amounts, assets are written down to their recoverable amounts and any resultant impairment losses are recognised immediately in the profit and loss account.

Impairment losses are reversed if there has been a change in the estimate used to determine the recoverable amounts. Such reversals are only made to the extent that the assets' carrying amounts do not exceed the amounts that would have been determined had no impairment loss been recognised.

4.5 Fixed assets and depreciation

4.5.1 Tangible assets - owned

Operating fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to the profit and loss account using the straight line method at the rates stated in note 9.1 after taking into account residual values, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged from the month when the asset is available for use while no depreciation is charged in the month the asset is disposed of.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. All other repair and maintenance expenditure are charged to the profit and loss account as and when incurred. The asset, or part thereof, is derecognised when the asset is sold or written off at its carrying amount on the date of derecognition.

Gain / loss on disposal of fixed assets is recognised in the profit and loss account in the period in which disposal is made.

4.5.2 Lease liability and right-of-use assets

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or the site on which it is located.

Right-of-use assets are subsequently stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenure.

Right-of-use assets are depreciated over their expected useful lives using the straight-line method. Depreciation on additions (new leases) is charged from the month in which leases are entered into. No depreciation is charged in the month in which the leases mature or are terminated.

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also measured to reflect any remeasurement or change in lease terms. These remeasurement of lease liabilities are recognised as an adjustment to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the profit and loss account as financial charges over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

4.5.3 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during the installation and construction / development period is carried under this head. These are transferred to the relevant categories of assets as and when assets become available for use.

4.6 Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised using the straight line method at the rate stated in note 10.1. The residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each reporting date. Amortisation is charged from the month the asset is available for use while no amortisation is charged in the month the asset is disposed of.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposals, if any, are taken to the profit and loss account in the period in which these arise.

4.7 Advances

Advances are stated net of provision for non-performing advances. Provision for non-performing advances is determined in accordance with the requirements of the PR issued by the SBP and is charged to the profit and loss account. Advances are written-off where there are no realistic prospects of recovery.

4.7.1 Islamic financing and related assets

Under Musharakah mortgage finance / facility, the Company enters into the housing / mortgage finance with the customer (Islamic Banking Institution / Islamic Financial Institution) based on Shirkat-ul-'Aqd (Business Partnership). Initially, the Company shall purchase the units at face value or on an agreed price as well as customer will commingle its share. The Profit-Sharing Ratio (PSR) will be pro-rata or any other ratio agreed at the time of signing the contract. The Company and customer have agreed that if the profit realised is above the desired ceiling, the profit in excess of such a ceiling will be distributed at mutually agreed rate. Profit on musharakah mortgage finance is booked on an accrual basis.

4.8 Borrowings

Borrowings are recorded at the amount of proceeds received plus transaction costs that are directly attributable to the issue of the financial liability. The cost of borrowings is recognised as an expense in the period in which it is incurred. Any difference between the proceeds and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

4.9 Subordinated debt

Subordinated debt is recorded at the amount of proceeds received. Mark-up accrued on subordinated debt is charged to the profit and loss account over the period on an accrual basis.

4.10 Employees compensated absences

The Company accounts for all accumulated compensated absences as employees render service as per the policy of the Company.

4.11 Staff retirement benefits

Defined benefit plan - staff gratuity fund

The Company operates a funded gratuity scheme for its employees as per the policy of the Company. The liability recognised in the statement of financial position in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation as at the reporting date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations. The Projected Unit Credit Method is used for actuarial valuations. Valuations are conducted by an independent actuary with the last valuation conducted as at December 31, 2023.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period and recognised as an expense to the profit and loss account. Past service cost is the change in the present value of defined benefit obligation resulting from a plan amendment or curtailment and is recognised as an expense in the profit and loss account when the plan amendment or curtailment occurs. Actuarial gains and losses that arise out of experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income with no subsequent recycling through the profit and loss account.

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Defined contribution plan - staff provident fund

The Company operates a provident fund scheme for its employees. Equal monthly contributions are made into the Fund both by the Company and the employees at the rate of 10% of basic salary.

4.12 Financial instruments

Financial assets and liabilities carried on the statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances, certain receivables, borrowings from financial institutions and certain payables. Financial assets and liabilities are recognised at the time when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Financial liabilities are derecognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial asset and liability is recognised in the profit and loss account in the period in which these are derecognised. The particular recognition and subsequent measurement methods for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set-off and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off and the Company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

4.13 Other provisions

Provisions are recognised when the Company has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.14 Commitments

Commitments contracted for but not incurred are disclosed in the financial statements at committed amounts.

4.15 Taxation

Income tax expense comprises charge for current and prior years and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items, recognised either directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income respectively. The Company is currently exempt from tax as disclosed in note 25 to these financial statements.

4.16 Revenue recognition

Revenue is recognised to the extent that the economic benefits associated with the transaction will flow to the Company and the amount can be measured reliably.

- Mark-up / return / interest income on advances, investments and lendings is recognised on a time proportion basis taking into account effective yield on the instruments except in case of advances and investments classified as non-performing under the SBP's PR on which mark-up / return / profit / interest is recognised on a receipt basis.
- Fee and commission income and remuneration for trustee and advisory services are recognised as services are rendered.
- Premium or discount on debt securities is amortised using the effective interest method.
- Gains and losses on disposal of assets are recognised in the period in which these arise.
- Return on bank deposits is recognised on a time proportion basis using the effective interest method.

4.17 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

4.18 Statutory reserve

Every DFI incorporated in Pakistan is required to transfer 20% of its profit to a statutory reserve until the reserve equals share capital. Thereafter, 10% of the profit of the DFI is to be transferred to this reserve.

4.19 Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing product or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

4.19.1 Business segments

Mortgage financing

Mortgage financing includes providing financing facilities to banks and financial institutions against their existing housing finance portfolios, government securities and other eligible securities for collateral.

4.19.2 Geographical segments

The operations of the Company are currently based only in Pakistan.

4.20 Share capital

Ordinary shares are classified as equity and recognised at their face value.

4.21 Dividend distribution

Dividends and appropriations to reserves, which are approved subsequent to the date of the statement of financial position are, except where required by law, recognised in the year in which these are approved and disclosed as a non-adjusting event after the balance sheet date.

5 CASH AND BALANCES WITH TREASURY BANKS

	Note	2023	2022
		-------- Rupees in '000 --------	
With State Bank of Pakistan in:			
Local currency current account	5.1	5,132	4,548
With National Bank of Pakistan in:			
Local currency current account		31	31
Local currency deposit account	5.2	10	9
		41	40
		5,173	4,588

5.1 This represents the minimum cash reserve required to be maintained with SBP in accordance with the requirements of BSD Circular No. 4 dated May 22, 2004.

5.2 This represents deposit account maintained with National Bank of Pakistan. This carries mark-up at the rate of 19.00% (2022: 13.50%) per annum.

6 BALANCES WITH OTHER BANKS

	Note	2023	2022
		-------- Rupees in '000 --------	
In Pakistan			
In current account		3,595	910
In deposit accounts	6.1 & 6.2	10,647,938	220,605
		10,651,533	221,515

6.1 This include deposit accounts in local currency maintained with other banks. These carry mark-up at rates ranging from 8.76% to 22.50% (2022: 11.00% to 16.00%) per annum.

6.2 This includes term deposit receipt (TDR) amounting to Rs. 6,400 million (2022: Nil) and is due to mature on January 05, 2024. This carries mark-up at the rate of 22.35% per annum (2022: Nil).

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7 INVESTMENTS

7.1 Investments by type

	Note	2023 Cost / amortised cost	2023 Provision for diminution	2023 (Deficit) / surplus	2023 Carrying value	2022 Cost / amortised cost	2022 Provision for diminution	2022 (Deficit) / surplus	2022 Carrying value
		Rupees in '000							
AFS securities									
Federal government securities		13,758,485	-	(353,565)	13,404,920	20,714,050	-	(452,255)	20,261,795
Non-government debt securities		399,760	-	-	399,760	299,880	-	3,294	303,174
	7.3	14,158,245	-	(353,565)	13,804,680	21,013,930	-	(448,961)	20,564,969
Total investments		14,158,245	-	(353,565)	13,804,680	21,013,930	-	(448,961)	20,564,969

7.2 Investments by segments

	2023 Cost / amortised cost	2023 Provision for diminution	2023 (Deficit) / surplus	2023 Carrying value	2022 Cost / amortised cost	2022 Provision for diminution	2022 (Deficit) / surplus	2022 Carrying value
Federal government securities								
Market Treasury Bills	8,973,377	-	3,563	8,976,940	9,406,843	-	9,237	9,416,080
Pakistan Investment Bonds	4,785,108	-	(357,128)	4,427,980	11,307,207	-	(461,492)	10,845,715
	13,758,485	-	(353,565)	13,404,920	20,714,050	-	(452,255)	20,261,795
Non-government debt securities								
Unlisted	399,760	-	-	399,760	299,880	-	3,294	303,174
Total investments	14,158,245	-	(353,565)	13,804,680	21,013,930	-	(448,961)	20,564,969

7.3 Quality of available-for-sale securities

Details regarding quality of AFS securities are as follows:

	2023	2022
	Cost	
	Rupees in '000	
Federal government securities - Government guaranteed		
Market Treasury Bills	8,973,377	9,406,843
Pakistan Investment Bonds	4,785,108	11,307,207
	13,758,485	20,714,050
Non-government debt securities		
Unlisted		
- A+	299,760	299,880
- AAA	100,000	-
	399,760	299,880
	14,158,245	21,013,930

7.4 Investments given as collateral

	2023 Cost / amortised cost	2023 (Deficit) / surplus	2023 Carrying value	2022 Cost / amortised cost	2022 Deficit	2022 Carrying value
	(Rupees in '000)					
Pakistan Investment Bonds	1,003,469	(19,769)	983,700	5,961,204	(204,773)	5,756,431
Market Treasury Bills	7,955,380	2,556	7,957,936	-	-	-
	8,958,849	(17,213)	8,941,636	5,961,204	(204,773)	5,756,431

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8 ADVANCES

	Note	Performing 2023	Performing 2022	Non-performing 2023	Non-performing 2022	Total 2023	Total 2022
		(Rupees in '000)					
Loans, cash credits, running finances, etc.		16,015,981	19,556,776	-	-	16,015,981	19,556,776
Islamic financing and related assets	8.2	18,733,834	14,200,088	-	-	18,733,834	14,200,088
Advances - gross	8.1	34,749,815	33,756,864	-	-	34,749,815	33,756,864
Provision against advances							
- Specific		-	-	-	-	-	-
- General		347,895	94,502	-	-	347,895	94,502
	8.3	347,895	94,502	-	-	347,895	94,502
Advances - net of provision		34,401,920	33,662,362	-	-	34,401,920	33,662,362

8.1 Particulars of advances (gross)

	2023	2022
	-------- Rupees in '000 --------	
In local currency	34,749,815	33,756,864

8.2 The information related to Islamic financing and related assets is given in annexure to these financial statements.

8.3 Particulars of provision against advances

	2023 Specific	2023 General	2023 Total	2022 Specific	2022 General	2022 Total
	(Rupees in '000)					
Opening balance	-	94,502	94,502	-	-	-
Charge for the year	-	253,393	253,393	-	94,502	94,502
Reversals during the year	-	-	-	-	-	-
	-	253,393	253,393	-	94,502	94,502
Amounts written off	-	-	-	-	-	-
Closing balance	-	347,895	347,895	-	94,502	94,502

8.3.1 The Company's financing activities largely belongs to the banking industry which includes Banks, DFIs, Micro Finance Institutions, whose financial health by and large is dependent upon the smooth and timely recovery of loans from their customer. Any adverse implication on the recovery of loans extended by financial institutions may impact the timely recovery of the Company's loans as well. Besides financing banking institutions, the Company has also initiated its financial services to Non-Banking Financial Institutions including Housing Financing Companies and Micro Finance Institutions. Generally, these institutions have low / middle income targeted borrowers who are more prone to macroeconomic challenges and may be adversely affected to fulfil their obligations. Considering the aforesaid issues, a general provision reserve of Rs. 347.895 million has been created so that any unforeseen losses can be addressed through this reserve.

8.3.2 Particulars of provision against advances

	2023 Specific	2023 General	2023 Total	2022 Specific	2022 General	2022 Total
	(Rupees in '000)					
In local currency	-	347,895	347,895	-	94,502	94,502

9 FIXED ASSETS

	Note	2023	2022
		-------- Rupees in '000 --------	
Property and equipment	9.1	114,427	146,817
Capital work-in-progress	9.2	3,321	-
		117,748	146,817

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9.1 Property and equipment

	Note	Right-of-use asset	Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Total
		2023					
		(Rupees in '000)					
At January 01, 2023							
Cost		117,010	31,493	17,594	41,807	37,857	245,761
Accumulated depreciation		(48,754)	(9,970)	(5,928)	(23,659)	(10,633)	(98,944)
Net book value		68,256	21,523	11,666	18,148	27,224	146,817
Year ended December 31, 2023							
Opening net book value		68,256	21,523	11,666	18,148	27,224	146,817
Additions		-	-	-	9,303	7,676	16,979
Disposals							
Cost		-	-	-	(4,454)	(2,446)	(6,900)
Accumulated depreciation		-	-	-	4,281	2,446	6,727
	9.1.1	-	-	-	(173)	-	(173)
Depreciation charge for the year	23	(23,402)	(6,299)	(2,578)	(9,067)	(7,850)	(49,196)
Closing net book value		44,854	15,224	9,088	18,211	27,050	114,427
At December 31, 2023							
Cost		117,010	31,493	17,594	46,656	43,087	255,840
Accumulated depreciation		(72,156)	(16,269)	(8,506)	(28,445)	(16,037)	(141,413)
Net book value		44,854	15,224	9,088	18,211	27,050	114,427
Rate of depreciation (% per annum)		20%	20%	10% - 20%	20% - 50%	20%	

	Note	Right-of-use asset	Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Total
		2022					
		(Rupees in '000)					
At January 01, 2022							
Cost		117,010	31,493	17,246	32,273	37,857	235,879
Accumulated depreciation		(25,352)	(3,674)	(2,851)	(17,705)	(3,225)	(52,807)
Net book value		91,658	27,819	14,395	14,568	34,632	183,072
Year ended December 31, 2022							
Opening net book value		91,658	27,819	14,395	14,568	34,632	183,072
Additions		-	-	348	11,066	-	11,414
Disposals							
Cost		-	-	-	(1,532)	-	(1,532)
Accumulated depreciation		-	-	-	1,364	-	1,364
	9.1.1	-	-	-	(168)	-	(168)
Depreciation charge for the year	23	(23,402)	(6,296)	(3,077)	(7,318)	(7,408)	(47,501)
Closing net book value		68,256	21,523	11,666	18,148	27,224	146,817
At December 31, 2022							
Cost		117,010	31,493	17,594	41,807	37,857	245,761
Accumulated depreciation		(48,754)	(9,970)	(5,928)	(23,659)	(10,633)	(98,944)
Net book value		68,256	21,523	11,666	18,148	27,224	146,817
Rate of depreciation (% per annum)		20%	20%	10% - 20%	20% - 50%	20%	

9.1.1 Details of disposal made to related parties during the year

Particulars of assets	Cost	Net book value	Sale price	Mode of disposal	Particulars of the purchaser
	(Rupees in '000)				
Electrical, office and computer equipment					
Mobile Phone	190	-	2	Sale to CEO / Managing Director	Mr. Mudassir Hussain Khan
Mobile Phone	50	-	1	Sale to Employee	Mr. Naved Hanif
Mobile Phone	50	-	1	Sale to Employee	Mr. Farrukh Zaheer
Mobile Phone	50	2	2	Sale to Ex- Employee	Mr. Shahzad Khan
Laptop	177	-	2	Sale to Employee	Mr. Zahid Hussain Gokal
Laptop	277	-	3	Sale to Employee	Mr. Waseem Ahmed Hashmi
Laptop	277	-	3	Sale to Employee	Mr. Farrukh Zaheer
Laptop	234	-	2	Sale to Employee	Mr. Badar Munir
Laptop	234	-	2	Sale to Employee	Ms. Iffat Hina
Laptop	272	121	121	Sale to Ex- Employee	Mr. Shahzad Khan
Total	1,811	123	139		

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9.1.2 The cost of fully depreciated fixed assets that are still in the Company's use is as follows:	Note	2023	2022
		-------- Rupees in '000 --------	
Electrical, office and computer equipment		4,681	7,902
Vehicles		-	2,393
Furniture and fixtures		1,446	-
		6,127	10,295

9.2 Capital work-in-progress

Leasehold improvements		2,499	-
Electrical, office and computer equipment		822	-
		3,321	-

10 INTANGIBLE ASSETS

Intangible assets	10.1	21,565	29,494
Capital work-in-progress	10.2	14,140	9,140
		35,705	38,634

10.1 Intangible assets

Computer software

At January 01			
Cost		40,590	11,903
Accumulated amortisation		(11,096)	(7,173)
Net book value		29,494	4,730
Year ended December 31			
Opening net book value		29,494	4,730
Additions		-	28,687
Amortisation charge for the year	23	(7,929)	(3,923)
Closing net book value		21,565	29,494
At December 31			
Cost		40,590	40,590
Accumulated amortisation		(19,025)	(11,096)
Net book value		21,565	29,494
Rate of amortisation (% per annum)		20%	20%
Useful life		5 years	5 years

10.2 This represents advance paid to Auto Soft Dynamics (Private) Limited against deployment of Management Information Systems (MIS) and risk modules of credit system.

11 OTHER ASSETS	Note	2023	2022
		-------- Rupees in '000 --------	
Mark-up / return / profit / interest accrued in local currency		1,265,046	793,935
Advances, deposits and prepayments		66,930	88,168
Advance taxation (payments less provisions)		27,099	27,057
Receivable from Credit Guarantee Trust - net		183,224	5,896
		1,542,299	915,056
Less: Provision held against other assets		-	-
		1,542,299	915,056

12 BORROWINGS

Secured			
Term finance certificates	12.2	18,700,000	18,700,000
Sukuk certificates	12.3	4,100,000	4,100,000
Repurchase agreement borrowings	12.4	8,900,179	5,851,409
Total secured		31,700,179	28,651,409
Unsecured			
Borrowings from Government of Pakistan under World Bank - Housing Finance Project	12.5	9,949,213	10,288,741
		41,649,392	38,940,150

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		2023	2022
		-------- Rupees in '000 --------	
12.1	**Particulars of borrowings with respect to currencies**		
	In local currency	41,649,392	38,940,150

12.2 These certificates have maturity of three to ten years and carry rate of interest ranging from 8.41% to 20.89% (2022: 8.25% to 14.33%) per annum. The principal is payable at maturity whereas interest is payable semi-annually.

12.3 These sukuk certificates have a maturity of three years and carry fixed rate of profit ranging from 8.25% to 8.63% (2022: 8.25% to 8.63%) per annum. The principal is payable at maturity whereas profit is payable semi-annually.

12.4 These represent borrowings from various financial institutions at mark-up rates ranging from 22.12% to 22.15% (2022: 9.40% to 15.50%) per annum and are due to mature latest by January 12, 2024. The market value of securities given as collateral against these borrowings is given in note 7.4 to these financial statements.

12.5 This represents borrowing from Government of Pakistan under World Bank - Housing Finance Project for 30 years at fixed rate of 3% per annum. The interest and the principal are payable semi-annually, whereby the principal is repayable in fifty installments, the repayment of which has commenced from April 15, 2023.

13 SUBORDINATED DEBT

On February 22, 2019, the Government of Pakistan lent Rs. 7,051 million under World Bank - Housing Finance Project with principal repayment starting from April 15, 2023 and maturing on October 15, 2047, at a fixed rate of 3% per annum. This has been disbursed as a sub-ordinated loan, and if needed, can be converted into non-participatory Additional Tier 1 Capital.

	2023	2022
Issue amount (Rupees in '000)	7,050,716	7,050,716
Outstanding principal (Rupees in '000)	6,818,042	7,050,716
Issue date	February 22, 2019	February 22, 2019
Maturity date	October 15, 2047	October 15, 2047
Rating	Not applicable	Not applicable
Security	Unsecured	Unsecured
Profit payment frequency	Semi-annually	Semi-annually
Principal redemption	Semi-annually	Commencing from April 15, 2023
Mark-up	3% per annum	3% per annum

14 OTHER LIABILITIES

	Note	2023	2022
		-------- Rupees in '000 --------	
Mark-up / return / profit / interest payable in local currency		572,223	481,058
Accrued expenses		44,622	58,926
Withholding tax payable		5,365	4,145
Unearned income		165,310	94
Provision for government levies		155,145	102,895
Lease liability against right-of-use assets		53,162	75,304
Payable to defined benefit plan	30.4	3,780	11,445
Provision for employees' benefit		161,005	84,269
		1,160,612	818,136

15 SHARE CAPITAL

15.1 Authorised capital

2023	2022		2023	2022
-------- Number of shares --------			-------- Rupees in '000 --------	
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	10,000,000	10,000,000

15.2 Issued, subscribed and paid up capital

2023	2022		2023	2022
-------- Number of shares --------			-------- Rupees in '000 --------	
623,775,900	623,775,900	Ordinary shares of Rs. 10 each fully paid in cash	6,237,759	6,237,759

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15.2.1 List of shareholders as at December 31, 2023 and December 31, 2022 is as follows:

Name of shareholder	2023 Number of shares held	2023 Percentage of shareholding	2022 Number of shares held	2022 Percentage of shareholding
Ministry of Finance – Islamic Republic of Pakistan	180,000,000	28.86%	180,000,000	28.86%
National Bank of Pakistan	90,000,000	14.43%	90,000,000	14.43%
Habib Bank Limited	75,000,000	12.02%	75,000,000	12.02%
United Bank Limited	75,000,000	12.02%	75,000,000	12.02%
International Finance Corporation	75,000,000	12.02%	75,000,000	12.02%
Askari Bank Limited	45,000,000	7.22%	45,000,000	7.22%
Bank Alfalah Limited	45,000,000	7.22%	45,000,000	7.22%
Allied Bank Limited	30,000,000	4.81%	30,000,000	4.81%
Bank AL Habib Limited	7,500,000	1.20%	7,500,000	1.20%
House Building Finance Company Limited	1,001,250	0.16%	1,001,250	0.16%
Bank Makramah Limited (formerly: Summit Bank Limited)	274,500	0.04%	274,500	0.04%
Directors *	150	-	150	-

* Nil figures due to rounding off.

16 DEFICIT ON REVALUATION OF ASSETS

	Note	2023	2022
		-------- Rupees in '000 --------	
Deficit on revaluation of AFS securities	7.2	(353,565)	(448,961)

17 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at December 31, 2023 and December 31, 2022.

18 MARK - UP / RETURN / PROFIT / INTEREST EARNED

	Note	2023	2022
		-------- Rupees in '000 --------	
On:			
Loans and advances		3,910,887	2,296,280
Investments		3,174,236	1,817,406
Lendings to financial institutions		85,557	205,445
Balances with banks	18.1	280,965	696,760
		7,451,645	5,015,891

18.1 The amount also includes markup on TDRs amounting to Rs. 69.107 million (2022: Rs. 376.778 million).

19 MARK - UP / RETURN / PROFIT / INTEREST EXPENSED

	Note	2023	2022
		-------- Rupees in '000 --------	
On:			
Borrowings from Government of Pakistan under Housing Finance Project		304,880	308,663
Repurchase agreement borrowings		1,185,621	406,799
Clean borrowings		12,403	-
Term finance certificates		1,958,791	1,615,991
Sukuk certificates		348,453	348,143
		3,810,148	2,679,596
Subordinated debt		208,527	211,521
Lease liability against right-of-use assets		5,864	7,608
		4,024,539	2,898,725

20 FEE AND COMMISSION INCOME

	Note	2023	2022
Trustee fee	20.1	33,508	-

20.1 This represents fee for trustee services rendered to Credit Guarantee Trust. The Company, vide the Addendum First Supplemental to the Trust Deed executed between the Government of Pakistan and the Company, is entitled to a Trustee fee at the rate of 25% of the premium received from the guarantees issued under the Low Income Scheme. The aggregate Trustee fee charged by the Company shall be amortised over the period of all the guarantees issued under the Low Income Scheme.

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		Note	2023	2022
			-------- Rupees in '000 --------	
21	**GAIN ON SECURITIES**			
	Realised - net	21.1	3,022	4,901
21.1	Realised gain on:			
	Federal government securities		3,022	4,901

		Note	2023	2022
22	**OTHER INCOME**			
	Gain on sale of fixed assets - net		3,641	11
	Penalty recovered from customers / vendors		130	862
	Recovery from outgoing employee		-	450
	Others		5	-
			3,776	1,323

		Note	2023	2022
23	**OPERATING EXPENSES**			
	Total compensation expense	23.1	415,725	277,092
	Property expense			
	Rent and taxes		-	-
	Insurance		656	772
	Utilities		3,600	2,880
	Security expenses		759	581
	Repairs and maintenance		-	3,243
	Depreciation	9.1	29,701	29,698
			34,716	37,174
	Information technology expenses			
	Software maintenance		18,197	8,461
	Rent-disaster recovery site		1,511	876
	Website maintenance		279	3,069
	Hardware maintenance		648	244
	Network charges		3,448	2,034
	Depreciation	9.1	9,067	7,318
	Amortisation	10.1	7,929	3,923
			41,079	25,925
	Other operating expenses			
	Directors' fees and allowances	32.1	13,610	14,890
	Fees and allowances to Shariah Board	32.4	9,956	7,205
	Director's evaluation expense		980	800
	Legal and professional charges		7,189	11,436
	Fees and subscription		3,959	3,387
	Outsourced services costs	29.1	7,082	5,074
	Travelling and conveyance		13,577	5,388
	Depreciation	9.1	10,428	10,485
	Training and development		3,021	240
	Postage and courier charges		285	173
	Communication		1,444	1,499
	Stationery and printing		2,233	1,552
	Marketing, advertisement and publicity		3,009	1,244
	Research and Development		16,275	-
	Auditors' remuneration	23.2	2,501	2,671
	Insurance		6,364	4,808
	Donations	23.3	5,000	3,500
	Vehicle repair and maintenance		935	227
	Entertainment		19	11
	Staff engagement		426	368
	Others		3,290	2,293
			111,583	77,251
			603,103	417,442

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23.1 Total compensation expense

	Note	2023	2022
		-------- Rupees in '000 --------	
Managerial remuneration			
Fixed		227,293	170,230
Other benefits			
Provision for cash bonus / awards		156,964	79,059
Charge for defined benefit plan	30.8.1	14,363	11,567
Contribution to defined contribution plan	31	11,288	9,557
Medical		-	455
Conveyance		144	83
Compensated absences		5,125	5,866
Others		548	275
		415,725	277,092

23.2 Auditors' remuneration

	2023	2022
Audit fee for annual financial statements	656	533
Half yearly review fee	246	196
Special certifications and sundry advisory services	1,081	1,650
Tax advisory services	430	-
Out-of-pocket expenses	88	292
	2,501	2,671

23.3 Detail of donations made during the year

	2023	2022
Donations individually exceeding Rs 100,000		
The Citizens Foundation	500	1,000
Alkhidmat Foundation Pakistan	-	1,000
Akhuwat Foundation	500	1,000
SOS Children's Villages Pakistan	500	500
The Kidney Centre Post Graduate training Institute	1,000	-
Karachi Down Syndrome Program	1,000	-
Family Educational Services Foundation	1,000	-
Marie Adelaide Leprosy Centre	500	-
	5,000	3,500

24 WORKERS' WELFARE FUND

	Note	2023	2022
Provision for Workers' Welfare Fund	24.1	52,218	32,229

24.1 Sindh Workers' Welfare Fund Act (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 SWWF in respect of that year a sum equal to two percent of such income. Accordingly, as a result of abundant caution, the management has maintained a provision for SWWF in the financial statements amounting to Rs. 155.087 million which includes a provision of Rs. 52.218 million of the current year.

25 TAXATION

The income of the Company is exempt from income tax under Clause 66 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 whereby the entities are placed in two tables, namely Table I and Table II. The entities placed in Table I are granted unconditional exemption whereas entities placed in Table II are granted conditional exemption from income tax. The Company is placed under Table I, whereby the Company has been granted unconditional exemption.

26 BASIC EARNINGS PER SHARE

	2023	2022
	-------- Rupees in '000 --------	
Profit for the year	2,558,698	1,579,217
	(Number of shares)	
Weighted average number of ordinary shares	623,775,900	623,227,955
	-------- Rupees --------	
Basic earnings per share	4.10	2.53

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26.1 Diluted earnings per share

Diluted earnings per share has not been presented separately as the Company does not have any convertible instruments in issue as at December 31, 2023.

	Note	2023	2022
		-------- Rupees in '000 --------	
27 PROVISIONS AND WRITE OFFS - NET			
Provision against loans and advances	8.3	253,393	94,502

28 CASH AND CASH EQUIVALENTS

	Note	2023	2022
Cash and balances with treasury banks	5	5,173	4,588
Balances with other banks	6	10,651,533	221,515
Market Treasury Bills (having original maturity of 3 months or less)	7	8,976,940	9,416,080
		19,633,646	9,642,183

28.1 Market Treasury Bills with original maturity of three month or less have been considered as cash and cash equivalents. The comparative figures have also been adjusted.

	Note	2023	2022
		---------- Number ----------	
29 STAFF STRENGTH			
Permanent		37	33
On Company's contract		2	2
Outsourced	29.1	8	9
Company's own staff strength at the end of the year		47	44

29.1 This represents 8 (2022: 9) employees of outsourcing service companies who were assigned to perform janitorial and other services.

30 DEFINED BENEFIT PLAN

30.1 As mentioned in note 4.11, the Company operates a funded gratuity scheme for its employees as per the policy of the Company. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn gross salary for each year of eligible service with the Company subject to a minimum qualifying period of service of two years. The Company's costs and contributions are determined based on actuarial valuation carried out at each year end using Projected Unit Credit Actuarial Method.

	2023	2022
	---------- Number ----------	
30.2 Number of employees under the defined benefit plan		
The number of employees covered under the defined benefit plan as at December 31	36	34

30.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2023 using the following significant assumptions:

	2023	2022
	---------- Per annum ----------	
Discount rate	15.50%	14.50%
Expected long term salary increase rate	14.50%	13.50%
Salary increase rate for the next year	16.00%	16.00%
Mortality rates	SLIC (2001-05)-1	SLIC (2001-05)-1

	Note	2023	2022
		-------- Rupees in '000 --------	
30.4 Reconciliation of payable to defined benefit plan			
Present value of defined benefit obligation	30.6	58,651	40,742
Less: Fair value of plan assets	30.7	(54,871)	(29,297)
Payable		3,780	11,445

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	Note	2023	2022
		-------- Rupees in '000 --------	

30.5 Movement in defined benefit plan

	Note	2023	2022
At the beginning of the year		11,445	9,901
Current service cost	30.8.1	12,789	10,466
Net interest expense	30.8.1	1,574	1,101
Actual contributions by the Company		(22,217)	(9,901)
Re-measurement loss / (gain)	30.8.2	189	(122)
Closing balance		3,780	11,445

30.6 Movement in payable under defined benefit obligation

	Note	2023	2022
Opening balance		40,742	28,049
Current service cost		12,789	10,466
Interest cost on defined benefit obligation		6,757	3,864
Benefits paid by the Company to outgoing members		(5,948)	(2,143)
Re-measurement loss recognised in OCI during the year	30.8.2	4,311	506
Closing balance		58,651	40,742

30.7 Movement in fair value of plan assets

	Note	2023	2022
Fair value at the beginning of the year		29,297	18,148
Interest income on plan assets		5,183	2,763
Actual contribution by the Company - net		22,217	9,901
Benefits paid by the Company to outgoing members		(5,948)	(2,143)
Re-measurement gain recognised in OCI during the year	30.8.2	4,122	628
Fair value at the end of the year		54,871	29,297

30.8 Charge for defined benefit plan

30.8.1 Cost recognised in profit and loss account

	2023	2022
Current service cost	12,789	10,466
Net interest on defined benefit plan	1,574	1,101
	14,363	11,567

30.8.2 Re-measurements recognised in OCI during the year

	2023	2022
Loss / (gain) on obligation		
- financial assumptions	1,042	1,444
- demographic assumptions	734	-
- experience adjustments	2,535	(938)
	4,311	506
Net return on plan assets over interest income	(4,122)	(628)
Total re-measurement loss / (gain) recognised in OCI	189	(122)

30.9 Components of plan assets

	2023	2022
Balances with banks (including accrued income)	98	32
Government securities (including accrued income)	54,773	29,265
	54,871	29,297

30.10 Sensitivity analysis

A sensitivity analysis for each significant financial assumption as of the reporting date, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date, is as follows:

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	2023	2022
	-------- Rupees in '000 --------	
0.5% increase in discount rate	56,977	39,140
0.5% decrease in discount rate	60,441	42,467
0.5% increase in expected rate of salary increase	60,318	42,381
0.5% decrease in expected rate of salary increase	57,080	39,206

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

30.11 The expected charge for the next financial year commencing January 1, 2024 works out to Rs 13.708 million (2022: Rs. 14.363 million).

30.12 Maturity profile

The weighted average duration of the obligation is 5.90 years (2022: 8.15 years).

30.13 Expected maturity analysis of undiscounted defined benefit obligation

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 to 10
	---------- Rupees ----------					
Undiscounted payments	28,908,287	2,480,717	3,357,766	4,025,054	4,582,324	123,990,743

30.14 Funding Policy

An implicit, though not a formally expressed objective, is that the liabilities under the scheme in respect of members in service on the valuation date on a going concern basis and having regard to projected future salary increases, should be covered by the Fund on the valuation date, the total book reserve as of the valuation date, future contributions to the Fund, future additions to the book reserve and future projected investment income of the Fund.

Accordingly, the contribution to the Fund should remain reasonably stable as a percentage of salaries, under the Actuarial Cost Method employed.

30.15 Description of risks

The defined benefit plan exposes the Company to the following risks:

Withdrawal risks - This is the risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit.

Mortality risks - This is the risk that the actual mortality experience is different. Similar to the withdrawal risk, the effect depends on the beneficiaries' service / age distribution and the benefit.

Investment risks - This is the risk of the investment underperformance and being not sufficient to meet the liabilities.

Final salary risks - This is the risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

31 DEFINED CONTRIBUTION PLAN

The Company operates a provident fund scheme for its employees as per the policy of the Company. Equal monthly contributions at the rate of 10% per annum (2022: 10% per annum) of basic salaries are made both by the Company and employees. Contributions made to the provident fund during the year are as follows:

	2023	2022
	--------- Rupees in '000 --------	
Contribution made by the Company	11,288	9,557
Contribution made by employees	11,288	9,557

The number of employees covered under the defined contribution plan as at December 31, 2023 are 37 (2022: 34).

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32 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

32.1 Total compensation expense

Items	Directors – Chairman 2023	Directors – Chairman 2022	Directors – Non-Executive 2023	Directors – Non-Executive 2022	Managing Director / Chief Executive Officer 2023	Managing Director / Chief Executive Officer 2022	Key Management Personnel 2023	Key Management Personnel 2022
	(Rupees in '000)							
Fees and allowances etc.	1,380	1,800	12,230	13,090	-	-	-	-
Managerial remuneration								
Fixed	-	-	-	-	52,004	43,640	84,491	70,219
Other benefits								
Bonus	-	-	-	-	28,000	25,000	29,583	16,321
Charge for defined benefit plan	-	-	-	-	5,612	4,387	4,540	3,899
Contribution to defined contribution plan	-	-	-	-	3,298	2,772	4,570	3,773
Medical	-	-	-	-	156	100	-	-
Compensated absences	-	-	-	-	1,732	1,732	2,290	1,758
Others	-	-	-	-	1,280	790	5,539	1,632
Total	1,380	1,800	12,230	13,090	92,082	78,421	131,013	97,602
Number of person(s)	1	1	11	11	1	1	10	11

32.2 MD / CEO is entitled to Company maintained cars in accordance with the terms of his employment and is entitled to life insurance benefits in accordance with the policy of the Company. In addition, the MD / CEO is also provided with driver, corporate club membership, medical and security arrangements in accordance with the terms of his employment.

The term "Key Management Personnel" means any executive or key executive reporting directly to the Managing Director / Chief Executive Officer (MD / CEO).

32.3 Remuneration paid to Directors for participation in Board and Committee Meetings

2023

S. No.	Name of Director	For Board Meetings	For Board Committees – Audit Committee	For Board Committees – Risk Committee	For Board Committees – Human Resource Committee	For Board Committees – Nomination Committee	Total amount paid
		Rupees in '000					
1	Mr. Rehmat Ali Hasnie	1,500	-	-	-	180	1,680
2	Mr. Imran Sarwar	750	-	360	-	-	1,110
3	Ms. Mehreen Ahmed	1,250	-	660	-	-	1,910
4	Mr. Farrakh Qayyum	1,250	-	-	360	150	1,760
5	Mr. Risha A Mohyeddin	1,000	-	-	300	-	1,300
6	Mr. Muhammad Aslam Ghauri*	500	300	-	-	150	950
7	Mr. Khurshid Zafar Qureshi****	1,000	-	600	-	-	1,600
8	Ms. Sonia Karim	1,250	-	-	300	-	1,550
9	Mr. Osman Asghar Khan**	500	360	-	-	-	860
10	Mr. Ahmed Taimoor Nasir**	750	450	-	-	-	1,200
11	Mr. Tayyeb Afzal	1,250	780	-	-	-	2,030
12	Mr. Shahid Sattar***	500	360	-	-	-	860
	Total amount paid	**11,500**	**2,250**	**1,620**	**960**	**480**	**16,810**

* Directorship of Mr. Muhammad Aslam Ghauri was withdrawn by the Ministry of Finance during the year.
** Mr. Osman Asghar Khan has resigned as director on the Board during the current year.
*** Mr. Ahmed Taimoor Nasir and Mr.Shahid Sattar have been appointed as directors during the year.
**** Directorship of Mr. Khurshid Zafar Qureshi has been withdrawn by Askari Bank Limited during the year.

2022

S. No.	Name of Director	For Board Meetings	For Board Committees – Audit Committee	For Board Committees – Risk Committee	For Board Committees – Human Resource Committee	For Board Committees – Nomination Committee	Total amount paid
		Rupees in '000					
1	Mr. Rehmat Ali Hasnie	1,500	-	-	-	300	1,800
2	Mr. Abid Naqvi	750	540	-	-	-	1,290
3	Mr. Farrakh Qayyum	1,250	-	-	360	330	1,940
4	Mr. Imran Sarwar	750	-	720	-	-	1,470
5	Mr. Khurshid Zafar Qureshi	500	-	150	-	-	650
6	Ms. Mehreen Ahmed	1,250	450	-	-	-	1,700
7	Mr. Muhammad Aslam Ghauri	750	300	150	-	150	1,350
8	Mr. Naveed Nasim	500	-	300	-	-	800
9	Mr. Risha A Mohyeddin	1,250	150	-	150	180	1,730
10	Mr. Syed Taha Afzal	500	-	-	150	-	650
11	Ms. Sonia Karim	250	-	-	-	-	250
12	Mr. Tayyeb Afzal	750	510	-	-	-	1,260
	Total amount paid	**10,000**	**1,950**	**1,320**	**660**	**960**	**14,890**

32.4 Remuneration paid to Shariah Board Members

	2023		2022	
	Chairman	Resident Member	Chairman	Resident Member
Managerial remuneration and allowances (including bonus)	4,246	5,710	3,900	3,305
Total number of person(s)	1	1	1	1

33 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 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.

33.1 Fair value of financial assets

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

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

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

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

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

	2023			
On balance sheet financial instruments	Level 1	Level 2	Level 3	Total
	Rupees in '000			
Financial assets - measured at fair value				
Investments				
Federal government securities	-	13,404,920	-	13,404,920
Non-government debt securities	-	399,760	-	399,760

	2022			
On balance sheet financial instruments	Level 1	Level 2	Level 3	Total
	Rupees in '000			
Financial assets - measured at fair value				
Investments				
Federal government securities	-	20,261,795	-	20,261,795
Non-government debt securities	-	303,174	-	303,174

The management considers that the estimated fair value of the remaining financial assets and liabilities is not significantly different from their respective carrying amounts.

Valuation of techniques and inputs used in determination of fair values

Item	Valuation techniques and input used
Pakistan Investment Bonds	Fair value of fixed and floater Pakistan Investment Bonds are derived using the PKRV and PKFRV rates respectively available on Mutual Funds Association of Pakistan (MUFAP).
Market Treasury Bills	Fair value of Market Treasury Bills are derived using the PKRV rates available on MUFAP.
Term finance certificates	Investment in term finance certificates are valued based on the debt instrument prices as published at the close of each business day by MUFAP.

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34 TRUST ACTIVITIES

The Company acts as a Trustee of Credit Guarantee Trust (CGT) which has been set up by the Government of Pakistan to provide Credit Guarantee in respect of low Income housing to Qualified Financial Institutions. The services provided by the Company primarily includes managing, operating and administering the activities of the Trust.

35 RELATED PARTY TRANSACTIONS AND BALANCES

The Company has related party relationship with its major shareholders, directors, key management personnel and their close family members and staff retirement benefit funds (both defined benefit and defined contribution plan).

Transactions with related parties of the Company are carried out on contractual basis in terms of the policy as approved by the Board of Directors (the Board). 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 'Statement of Changes in Equity'. All other transactions between the Company and its related parties are carried out under normal course of business except staff loans that are as per terms of employment.

Details of transactions with related parties during the year and balances with them as at year end, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2023			2022		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
	Rupees in '000					
Statement of financial position						
Cash and balances with treasury banks						
In current account	-	-	31	-	-	31
In deposit accounts	-	-	10	-	-	9
	-	-	41	-	-	40
Balances with other banks						
In current account	-	-	3,595	-	-	910
In deposit accounts	-	-	6,414,924	-	-	2,031
	-	-	6,418,519	-	-	2,941
Lendings to financial institutions						
Opening balance	-	-	-	-	-	-
Lendings during the year	-	-	16,784,084	-	-	26,269,078
Repaid during the year	-	-	(16,784,084)	-	-	(26,269,078)
Closing balance	-	-	-	-	-	-
Advances						
Opening balance	-	100,645	7,135,712	-	44,233	5,918,270
Disbursements during the year	-	5,739	5,386,921	-	69,942	1,700,000
Repaid / settled during the year	-	(15,111)	(3,693,797)	-	(13,530)	(482,558)
Closing balance	-	91,273	8,828,836	-	100,645	7,135,712
Other assets						
Interest / mark-up accrued	-	-	299,885	-	35	78,650
Other receivable	-	-	183,224	-	-	168,432
	-	-	483,109	-	35	247,082
Borrowings						
Opening balance	-	-	11,500,000	-	-	14,184,693
Borrowings during the year	-	-	46,121,332	-	-	74,589,373
Settled during the year	-	-	(46,121,332)	-	-	(77,274,066)
Closing balance	-	-	11,500,000	-	-	11,500,000
Other liabilities						
Interest / mark-up payable	-	-	221,839	-	-	90,919
Payable to defined benefit plan	-	-	3,780	-		11,445
Unearned income	-	-	159,751			-
Closing balance	-	-	385,370	-	-	102,364

RELATED PARTY TRANSACTIONS

	2023			2022		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
Profit and loss account	(Rupees in '000)					
Income						
Mark-up / return / profit / interest earned	-	3,612	906,787	-	3,032	974,328
Fee and commission income	-	-	33,508	-	-	-
Expense						
Mark-up / return / profit / interest expensed	-	-	1,230,474	-	-	1,061,126
Directors' fees and allowances	13,610	-	-	14,890	-	-
Remuneration of key management personal	-	223,095	-	-	176,023	-
Contribution to defined contribution plan	-	-	11,288	-	-	9,557
Charge for defined benefit plan	-	-	14,363	-	-	11,567
Operating expenses	-	-	377	34	-	-

35.1 In addition to the above, the Company has an outstanding balance of sub-ordinated loan amounting to Rs. 6,818.042 million (2022: Rs. 7,050.716 million) and borrowing under World Bank - Housing Finance Project amounting to Rs. 9,949.213 million (2022: Rs. 10,288.741 million) from the Ministry of Finance.

36 CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

During the year 2013, SBP issued revised instructions on the computation of CAR based on Basel III Capital Reform as issued by the Basel Committee on Banking Supervision. These instructions became effective from December 31, 2013 with full implementation by December 31, 2020.

Accordingly, the Company has assessed and reported its Capital Adequacy Ratio in the financial statements on the basis of Basel III requirements as prescribed by SBP.

	2023	2022
	Rupees in '000	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	6,237,759	6,237,759
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	10,895,307	8,706,306
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	10,895,307	8,706,306
Eligible Tier 2 Capital	133,806	94,502
Total Eligible Capital (Tier 1 + Tier 2)	11,029,113	8,800,808
Risk Weighted Assets (RWAs):		
Credit Risk	10,704,506	10,370,936
Market Risk	-	-
Operational Risk	4,389,725	3,295,442
Total	15,094,231	13,666,378
Common Equity Tier 1 Capital Adequacy Ratio	72.18%	64.43%
Tier 1 Capital Adequacy Ratio	72.18%	64.43%
Total Capital Adequacy Ratio	73.07%	65.13%

The Basel III Framework for capital adequacy is applicable to the Company. The Company monitors its capital adequacy ratio and endeavors to maintain it at a level sufficiently higher than the minimum regulatory requirement. The Company calculates capital requirement as per Basel III regulatory framework, using the Standardised Approach for Credit Risk and Market Risk whereas Basic Indicator Approach for Operational Risk.

Capital Management

The regulatory capital as managed by the Company is analysed into following tiers:

- Common Equity Tier 1 Capital (CET1), which includes fully paid up capital, general reserves, statutory reserves as per the financial statements and net un-appropriated profits after all regulatory adjustment applicable on CET1.

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- Additional Tier 1 Capital (ADT1), which includes perpetual non-cumulative preference shares and share premium resulting from the same. The Company did not have any ADT1 as of December 31, 2023.

- Tier 2 Capital, which includes general provisions, surplus on revaluation of AFS securities after all regulatory adjustments applicable on Tier 2.

The Company also stress tests its capital adequacy to various risks as per SBP stress testing guidelines.

Capital Adequacy Ratio	2023		2022	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	72.18%	6.00%	64.43%
Tier 1 Capital to total RWA	7.50%	72.18%	7.50%	64.43%
Total Capital to total RWA	11.50%	73.07%	11.50%	65.13%

	2023	2022
	-------- Rupees in '000 --------	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	10,895,307	8,706,306
Total Exposures	65,935,065	57,607,442
Leverage Ratio	16.52%	15.11%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	4,468,457	12,007,270
Total Net Cash Outflow	17,781	42,744
Liquidity Coverage Ratio	25131%	28091%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	41,349,463	48,530,833
Total Required Stable Funding	31,453,613	32,094,461
Net Stable Funding Ratio	131.46%	151.21%

36.1 The full disclosures on the capital adequacy, leverage ratio and liquidity requirements as per SBP instructions issued from time to time shall be placed on the website. The link to the full disclosure is available at https://pmrc.com.pk/wp-content/uploads/2023/02/Liquidity-Capital-Adequacy-Leverage-Disclosure.pdf.

37 RISK MANAGEMENT

The primary goal of risk management is to identify, assess and monitor risk inherent in the activities of the Company and take adequate measures to manage and control these risks on a timely basis. The risk management framework of the Company encompasses comprehensive and adequate risk management policies and procedures to mitigate salient risk elements in operations of the Company. Risk management policies are formulated on regulatory guidelines and covers all type of major risks the Company is exposed to. The Company places utmost emphasis on the importance of risk management and has put in place all relevant measures to identify, monitor and control the relevant risks on its low risk business model. The Board through its designated committees thoroughly reviews and guides the risk management activities in the Company.

Categories of risk

The Company generates most of its revenues by accepting credit, liquidity and market risk. Effective management of these risks is the decisive factor in the profitability of the Company. In addition, the Company is subject to certain consequential risks that are common to all business undertakings. These risks are grouped under two headings: operational risk and reputational risk. The Framework is organised with reference to these five risk categories as detailed below:

Credit risk	This risk is defined as the possibility of loss due to unexpected default or a deterioration of credit worthiness of a counter party.
Market risk	The risk of loss generated by adverse changes in the price of assets or contracts currently held by the Company.
Liquidity risk	The risk that the Company is unable to meet its payment obligations or fund increases in assets when they fall due without incurring an unacceptable cost the consequences of which may be the failure to meet obligations to repay investors and fulfil commitments to lend.
Operational risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events and includes legal risk.
Reputational risk	The risk of failing to meet the standards of performance or behaviour required or expected by stakeholders in commercial activities or the way in which business is conducted.

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Risk responsibilities

The Board of Directors (the Board) is accountable for the overall supervision of the risk management process. The Board is responsible for the approval of all risk policies and ensuring that these are properly implemented. Furthermore, the Board approves the appointment of senior management personnel who are capable of managing the risk activities conducted by the Company.

Risk management department ensures that risks remain within the boundaries as defined by the Board, comply with the risk parameters and prudential limits, establish systems and procedures and work out remedial measures.

Credit Risk Management Committee (CRMC) implements credit policy and monitors credit risk in light with credit policy and PR.

The Company's risk management, compliance and internal audit department support the risk management function. The compliance department ensures that all the directives and guidelines issued by SBP are being complied with. Internal audit department reviews the compliance of internal control procedures with internal and regulatory standards.

37.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Exposure to credit risks for the Company arises primarily from lending activities and investments.

A multi-tiered approach is being followed in the management of credit risk with the organisational structure, roles and responsibilities clearly outlined in the credit policy manual. The Board is responsible for final approval of overall risk tolerance and threshold. Various business units responsible for undertaking risks are expected to comply with the credit policy and adhere to the independent risk management function. This is ensured through the implementation of a credit approval and documentation process adopted by the Company.

The Company uses both external and internal ratings to evaluate risk. The Company obtains external ratings from VIS Credit Rating Company Limited whereas a comprehensive risk assessment matrix model is used for internal ratings.

Stress testing

The Company also conducts stress testing of its existing portfolio of advances and investments. This exercise is conducted on a quarterly basis through assigning shocks to distressed / non-performing assets of the Company and assessing its resulting effect on capital adequacy.

Particulars of the Company's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

37.1.1 Investment in debt securities

	Gross investments		Non-performing investments		Provision held	
	2023	2022	2023	2022	2023	2022
	Rupees in '000					
Credit risk by industry sector						
Government	13,404,920	20,261,795	-	-	-	-
Financial institutions	299,760	303,174	-	-	-	-
Others	100,000	-				
	13,804,680	20,564,969	-	-	-	-
Credit risk by public / private sector						
Public / Government	13,404,920	20,261,795	-	-	-	-
Private	399,760	303,174	-	-	-	-
	13,804,680	20,564,969	-	-	-	-

37.1.2 Advances

	Gross advances		Non-performing advances		Provision held	
	2023	2022	2023	2022	2023	2022
	Rupees in '000					
Credit risk by industry sector						
Financial institutions	34,603,043	33,609,552	-	-	347,875	94,482
Others	146,772	147,312	-	-	20	20
	34,749,815	33,756,864	-	-	347,895	94,502
Credit risk by public / private sector						
Public / Government	3,609,654	5,698,222	-	-	49,574	26,016
Private	31,140,161	28,058,642	-	-	298,321	68,486
	34,749,815	33,756,864	-	-	347,895	94,502

37.1.3 Concentration of advances

The Company's top 10 funded and non funded exposures aggregated to Rs. 28,375 million (2022: Rs. 26,629 million).

37.1.4 Advances - Province / Region-wise Disbursement and Utilisation

Province / Region	Disbursements	2023 Utilisation: Punjab	Sindh	KPK	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	(Rupees in '000)						
Sindh	8,867,000	2,119,000	5,748,000	-	-	1,000,000	-
Total	8,867,000	2,119,000	5,748,000	-	-	1,000,000	-

Province / Region	Disbursements	2022 Utilisation: Punjab	Sindh	KPK	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	(Rupees in '000)						
Sindh	14,550,000	1,950,000	11,200,000	-	-	1,400,000	-
Total	14,550,000	1,950,000	11,200,000	-	-	1,400,000	-

37.2 Market Risk

The market risk is the risk of reductions in earnings, value and / or reserves arising from changes in market rates (such as interest rates, exchange rates, credit spreads) and market prices (such as commodities, equities, property etc.) as well as their correlations and volatilities.

The Company's business model primarily caters to refinancing loans with recourse to the customers by issuing term finance / sukuk certificates in the capital market. Its main line of business is providing pre-financing / re-financing facilities. Any surplus funds (primarily from equity) shall be invested in safe investment instruments.

The Company measures market risk using various techniques like duration analysis for interest rate risk in banking book, sensitivity analysis for investment in government securities, stress testing, etc. The results are communicated to Asset and Liability Committee (ALCO) on monthly basis. Results are also communicated to Board Risk Committee on quarterly basis.

Moreover, the Company shall not be operating a trading book. Market risk on the asset side only arises in the instruments which are earmarked as "AFS".

37.2.1 Statement of financial position split by trading and banking books - Basel II Specific

	2023			2022		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	Rupees in '000					
Cash and balances with treasury banks	5,173	-	5,173	4,588	-	4,588
Balances with other banks	10,651,533	-	10,651,533	221,515	-	221,515
Lendings to financial institutions	-	-	-	-	-	-
Investments	13,804,680	-	13,804,680	20,564,969	-	20,564,969
Advances	34,401,920	-	34,401,920	33,662,362	-	33,662,362
Fixed assets	117,748	-	117,748	146,817	-	146,817
Intangible assets	35,705	-	35,705	38,634	-	38,634
Other assets	1,542,299	-	1,542,299	915,056	-	915,056
	60,559,058	-	60,559,058	55,553,941	-	55,553,941

37.2.2 Yield / interest rate risk in the banking book (IRRBB) - Basel II Specific

Interest rate risk is the risk of loss from adverse movements in interest rates. ALCO monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Company arising from fluctuation in the market interest rates and mismatching or gaps in the amount of financial assets and financial liabilities in different maturity time bands.

Interest rate risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specified period. The lending, funding and investment activities of the Company are exposed to interest rate risk. The Company shall provide refinancing loans to customer with similar repayment structure and tenor as the underlying term finance / sukuk certificates issued to fund those loans to the best extent possible (i.e. the Company will be match funding).

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37.2.3 *Mismatch of interest rate sensitive assets and liabilities*

	Effective yield / interest rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 Year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instruments
	2023											
			Exposed to yield / interest risk									
						Rupees in '000						
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	19.00%	5,173	10	-	-	-	-	-	-	-	-	5,163
Balances with other banks	15.63%	10,651,533	10,647,938	-	-	-	-	-	-	-	-	3,595
Lending to financial institutions		-	-	-	-	-	-	-	-	-	-	-
Investments	17.33%	13,804,680	-	8,976,940	60	461,519	50,120	50,120	2,244,805	2,021,117	-	-
Advances	12.43%	34,401,920	137,875	2,097,485	2,016,355	5,320,915	9,126,433	5,896,442	4,806,132	4,957,660	42,624	-
Other assets		1,542,299	-	-	-	-	-	-	-	-	-	1,542,299
		60,405,605	10,785,823	11,074,425	2,016,415	5,782,434	9,176,553	5,946,562	7,050,937	6,978,776	42,624	1,551,057
Liabilities												
Bills payable		-	-	-	-	-	-	-	-	-	-	-
Borrowings	7.25%	41,649,392	8,900,179	3,100,000	6,369,764	169,764	1,439,528	6,839,528	1,579,057	6,697,642	6,553,929	-
Deposits and other accounts		-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	3.00%	6,818,042	-	-	116,337	116,337	232,674	232,674	465,347	1,163,368	4,491,306	-
Other liabilities		1,160,612										1,160,612
		49,628,046	8,900,179	3,100,000	6,486,101	286,101	1,672,202	7,072,202	2,044,404	7,861,010	11,045,235	1,160,612
On-balance sheet gap		10,777,559	1,885,643	7,974,425	(4,469,686)	5,496,332	7,504,351	(1,125,640)	5,006,532	(882,234)	(11,002,611)	390,445
Total yield / interest risk sensitivity gap			1,885,643	7,974,425	(4,469,686)	5,496,332	7,504,351	(1,125,640)	5,006,532	(882,234)	(11,002,611)	
Cumulative yield / interest risk sensitivity gap			1,885,643	9,860,068	5,390,382	10,886,715	18,391,066	17,265,426	22,271,959	21,389,725	10,387,114	

	Effective yield / interest rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 Year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instruments
	2022											
			Exposed to yield / interest risk									
						Rupees in '000						
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	13.50%	4,588	9	-	-	-	-	-	-	-	-	4,579
Balances with other banks	13.84%	221,515	220,605	-	-	-	-	-	-	-	-	910
Lending to financial institutions		-	-	-	-	-	-	-	-	-	-	-
Investments	11.75%	20,564,969	5,072,310	4,996,167	2,137,826	4,895,967	434,765	-	1,944,035	1,083,899	-	
Advances	8.37%	33,662,362	240,552	4,394,686	2,767,916	4,132,036	8,297,298	8,911,694	3,887,516	1,030,664	-	-
Other assets		915,056	-	-	-	-	-	-	-	-	-	915,056
		55,368,490	5,533,476	9,390,853	4,905,742	9,028,003	8,732,063	8,911,694	5,831,551	2,114,563	-	920,545
Liabilities												
Bills payable		-	-	-	-	-	-	-	-	-	-	-
Borrowings	11.55%	38,940,150	5,851,409	-	1,305,775	205,775	9,711,549	411,549	11,223,099	4,057,749	6,173,245	-
Deposits and other accounts		-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	3.00%	7,050,716	-	-	141,014	141,014	282,029	282,029	564,057	1,410,143	4,230,430	-
Other liabilities		818,136	-	-	-	-	-	-	-	-	-	818,136
		46,809,002	5,851,409	-	1,446,789	346,789	9,993,578	693,578	11,787,156	5,467,892	10,403,675	818,136
On-balance sheet gap		8,559,488	(317,933)	9,390,853	3,458,953	8,681,214	(1,261,515)	8,218,116	(5,955,605)	(3,353,329)	(10,403,675)	102,409
Total yield / interest risk sensitivity gap			(317,933)	9,390,853	3,458,953	8,681,214	(1,261,515)	8,218,116	(5,955,605)	(3,353,329)	(10,403,675)	
Cumulative yield / interest risk sensitivity gap			(317,933)	9,072,920	12,531,873	21,213,087	19,951,572	28,169,688	22,214,083	18,860,754	8,457,079	

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Reconciliation to total assets	2023	2022
	—— Rupees in '000 ——	
Balance as per balance sheet	60,559,058	55,553,941
Less: non financial assets		
Fixed assets	117,748	146,817
Intangible assets	35,705	38,634
	153,453	185,451
Total financial assets	60,405,605	55,368,490

Reconciliation to total liabilities	2023	2022
	—— Rupees in '000 ——	
Balance as per balance sheet	49,628,046	46,809,002
Less: non financial liabilities	-	-
Total financial liabilities	49,628,046	46,809,002

37.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. It includes legal risk but excludes strategic and reputational risk.

The Board has approved an Operational Risk Management Policy which defines the operational risk framework of the Company. The operational risk framework is defined as per the Company's business model. The Company has a monoline business and by size of fixed / immovable assets, the Company is not a large sized entity, with limited scale of physical operations, one office location, and a limited number of required Human and IT resources. The Company is hence exposed to low exposure to operational risk.

The Operational Risk Management policy defines objective of Operational Risk Management which is to identify, measure, monitor and control Operational Risk exposures of the Company to keep it in line with Company's risk tolerance and business strategy. The policy also defines roles and responsibilities of individuals involved in operational risk management along with operational risk thresholds and tolerances.

The Board has also approved IT policy and IT Security policy. Company has placed a comprehensive IT- Security framework that fits its business model. IT Security is managed through implementation measures for system design, cyber security, confidentiality, integrity, data encryption and secured tunnel.

Operational risk disclosures – Basel II Specific

The Company uses Basic Indicator Approach to calculate capital charge for operational risk as per Basel regulatory framework. This approach is considered to be the most suitable in view of the business model of the Company.

37.4 Liquidity Risk

Liquidity risk is the potential for loss to an institution arising from either its inability to meet its obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses.

The Board has approved Liquidity Risk Management Policy and Asset Liability Management Policy which defines liquidity risk framework for the Company.

Liquidity Risk Policy outlines guidelines for liquidity risk management. These guidelines broadly define strategies for managing liquidity positions by devising limits, monitoring tools such as setting liquidity ratios, cashflow needs, reporting mechanisms etc., contingency planning, early warning indicators for raising red flags and roles and responsibilities of individuals involved in liquidity risk management.

The Board has also approved Terms of Reference (ToRs) of ALCO under Asset Liability Management Policy. ALCO is entrusted to efficiently manage the Company's overall assets and liabilities portfolio. The elements of financial losses are mitigated by way of closely monitoring the influence of interest rates and market dynamics on the Company's balance sheet. ALCO also acts as a decision making unit responsible for balance sheet management including strategic management of interest rates and liquidity risks.

The Company periodically calculates LCR, NSFR ratios as well as maturity gaps to monitor liquidity positions. Regulatory stress testing is performed on a quarterly basis.

37.4.1 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Company

	2023													
	Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	5,173	5,173	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	10,651,533	4,251,533	6,400,000	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	13,804,680	-	-	-	-	8,976,940	-	60	461,459	60	50,120	50,120	2,244,805	2,021,117
Advances	34,401,920	94,354	11,268	-	32,252	167,939	1,929,546	2,016,355	1,056,842	4,264,074	9,126,433	5,896,442	4,806,132	5,000,283
Fixed assets	117,748	-	-	-	6,635	3,314	3,304	9,887	9,873	9,610	37,256	27,786	8,934	1,148
Intangible assets	35,705	-	-	-	14,628	488	488	1,465	1,465	1,445	5,781	5,750	4,195	-
Other assets	1,542,299	24,161	120,761	-	53,635	184,524	598,290	477,322	4,819	31,918	19,275	19,275	2,500	5,821
	60,559,058	4,375,221	6,532,029	-	107,151	9,333,204	2,531,628	2,505,089	1,534,458	4,307,107	9,238,865	5,999,373	7,066,565	7,028,368
Liabilities														
Borrowings	41,649,392	-	4,861,724	4,038,455	-	-	3,100,000	6,369,764	-	169,764	1,439,528	6,839,528	1,579,057	13,251,571
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	6,818,042	-	-	-	-	-	-	116,337	-	116,337	232,674	232,674	465,347	5,654,674
Other liabilities	1,160,612	-	29,489	41,662	51,876	1,610	410,801	273,641	12,249	12,423	43,126	24,885	38,652	220,195
	49,628,046	-	4,891,213	4,080,118	51,876	1,610	3,510,801	6,759,742	12,249	298,525	1,715,328	7,097,087	2,083,057	19,126,440
Net assets	10,931,012	4,375,221	1,640,816	(4,080,118)	55,275	9,331,594	(979,173)	(4,254,653)	1,522,208	4,008,582	7,523,537	(1,097,714)	4,983,509	(12,098,072)
Share capital	6,237,759													
Reserves	1,519,513													
Unappropriated profit	3,527,305													
Deficit on revaluation of assets	(353,565)													
	10,931,012													

	2022													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	4,588	4,588	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	221,515	221,515	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	20,564,969	-	-	-	5,072,310	2,065,883	1,942,484	1,834,713	4,895,966	60	434,885	120	1,944,275	2,374,273
Advances	33,662,362	219,604	9,217	-	32,576	437,118	1,171,530	1,425,321	826,011	3,095,953	9,240,094	6,138,930	5,146,189	5,919,819
Fixed assets	146,817	-	-	-	2,938	2,905	2,889	8,544	8,234	8,176	32,109	29,941	43,380	7,701
Intangible assets	38,634	-	-	-	9,817	676	676	2,030	2,030	1,841	5,840	5,780	9,944	-
Other assets	915,056	14,806	12,330	-	20,560	303,649	213,944	247,869	6,610	33,748	26,439	26,039	1,877	7,185
	55,553,941	460,513	21,547	-	5,138,201	2,810,231	3,331,523	3,518,477	5,738,851	3,139,778	9,739,367	6,200,810	7,145,665	8,308,978
Liabilities														
Borrowings	38,940,150	-	-	-	5,851,408	-	-	205,775	-	205,775	9,711,550	1,511,550	11,223,099	10,230,993
Liabilities against assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	7,050,716	-	-	-	-	-	-	141,014	-	141,014	282,029	282,029	564,057	5,640,573
Other liabilities	818,136	-	4,182	-	166,794	-	313,278	165,634	5,173	109,818	29,362	23,895	-	-
	46,809,002	-	4,182	-	6,018,202	-	313,278	512,423	5,173	456,607	10,022,941	1,817,474	11,787,156	15,871,566
Net assets	8,744,939	460,513	17,365	-	(880,001)	2,810,231	3,018,245	3,006,054	5,733,678	2,683,171	(283,574)	4,383,336	(4,641,491)	(7,562,588)
Share capital	6,237,759													
Reserves	1,007,773													
Unappropriated profit	1,948,368													
Deficit on revaluation of assets	(448,961)													
	8,744,939													

37.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Company

2023 (Rupees in '000)

	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 Year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	5,173	5,173	-	-	-	-	-	-	-	-
Balances with other banks	10,651,533	10,651,533	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	13,804,680	-	8,976,940	60	461,519	50,120	50,120	2,244,805	2,021,117	-
Advances	34,401,920	137,875	2,097,484	2,016,355	5,320,916	9,126,433	5,896,442	4,806,132	4,957,660	42,624
Fixed assets	117,748	6,635	6,618	9,887	19,484	37,256	27,786	8,934	1,148	-
Intangible assets	35,705	14,628	976	1,465	2,910	5,781	5,750	4,195	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	1,542,299	198,557	782,813	477,322	36,737	19,275	19,275	2,500	5,821	-
	60,559,058	11,014,401	11,864,831	2,505,089	5,841,564	9,238,865	5,999,373	7,066,565	6,985,745	42,624
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings	41,649,392	8,900,179	3,100,000	6,369,764	169,765	1,439,528	6,839,528	1,579,057	6,697,642	6,553,928
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	6,818,042	-	-	116,337	116,337	232,674	232,674	465,347	1,163,368	4,491,306
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,160,612	123,028	412,411	273,641	24,673	43,126	24,885	38,652	220,195	-
	49,628,046	9,023,207	3,512,411	6,759,742	310,775	1,715,328	7,097,087	2,083,057	8,081,205	11,045,234
Net assets	10,931,012	1,991,194	8,352,420	(4,254,653)	5,530,789	7,523,537	(1,097,714)	4,983,509	(1,095,460)	(11,002,610)

Share capital	6,237,759
Reserves	1,519,513
Unappropriated profit	3,527,305
Deficit on revaluation of assets	(353,565)
	10,931,012

2022 (Rupees in '000)

	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 Year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	4,588	4,588	-	-	-	-	-	-	-	-
Balances with other banks	221,515	221,515	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	20,564,969	5,072,310	4,008,367	1,834,713	4,896,026	434,885	120	1,944,275	2,374,273	-
Advances	33,662,362	261,397	1,608,648	1,425,321	3,921,964	9,240,094	6,138,930	5,146,189	5,919,819	-
Fixed assets	146,817	2,938	5,794	8,544	16,410	32,109	29,941	43,380	7,701	-
Intangible assets	38,634	9,817	1,352	2,030	3,871	5,840	5,780	9,944	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	915,056	47,696	517,593	247,869	40,358	26,439	26,039	1,877	7,185	-
	55,553,941	5,620,261	6,141,754	3,518,477	8,878,629	9,739,367	6,200,810	7,145,665	8,308,978	-
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings	38,940,150	5,851,408	-	205,775	205,775	9,711,550	1,511,550	11,223,099	10,230,993	-
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	7,050,716	-	-	141,014	141,014	282,029	282,029	564,057	5,640,573	-
Deferred tax liabilities	0	-	-	-	-	-	-	-	-	-
Other liabilities	818,136	170,976	313,278	165,634	114,991	29,362	23,895	-	-	-
	46,809,002	6,022,384	313,278	512,423	461,780	10,022,941	1,817,474	11,787,156	15,871,566	-
Net assets	8,744,939	(402,123)	5,828,476	3,006,054	8,416,849	(283,574)	4,383,336	(4,641,491)	(7,562,588)	-

Share capital	6,237,759
Reserves	1,007,773
Unappropriated profit	1,948,368
Deficit on revaluation of assets	(448,961)
	8,744,939

38 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on 5th March 2024 have proposed a final cash dividend in respect of the year ended December 31, 2023 of Rs.1.5 per share (2022: Re. 0.75 per share). These financial statements do not include the effect of this appropriation which will be accounted for subsequent to the year end.

39 GENERAL

39.1 Captions, as prescribed by BPRD Circular No. 2 of 2018 issued by SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for captions of the statement of financial position and profit and loss account.

39.2 Figures have been rounded off to the nearest thousand Rupees unless otherwise stated.

39.3 Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purpose of better presentation and comparison and to reflect the substance of the transactions. There have been no significant reclassifications or rearrangements in these financial statements during the current year.

40 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 5th March 2024 by the Board of the Company.

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

PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED
ANNEXURE TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

The Company is managing the opearations of its Shariah Compliant products through its Head Office. The statement of financial position and profit and loss account for the year ended December 31, 2023 are as follows:

(A) Statement of financial position

	Note	2023	2022
		-------- Rupees in '000 --------	
ASSETS			
Balances with other banks		130,191	29,197
Islamic financing and related assets - net	1	18,718,206	14,200,088
Other assets		821,918	312,873
		19,670,315	14,542,158
LIABILITIES			
Due to financial institutions	2	4,100,000	4,100,000
Due to head office		14,258,765	9,850,949
Other liabilities		204,602	96,716
		18,563,367	14,047,665
NET ASSETS		1,106,948	494,493
REPRESENTED BY			
Islamic banking fund		150,000	150,000
Reserves		191,390	68,899
Unappropriated profit		765,558	275,594
		1,106,948	494,493
CONTINGENCIES AND COMMITMENTS	3		

(B) Profit and loss account

	Note	2023	2022
Profit / return earned	4	2,089,795	900,421
Profit / return expensed	5	1,450,059	665,841
Net profit / return		639,736	234,580
Other income			
Fee and commission income		19,480	-
Dividend income		-	-
Foreign exchange income		-	-
Income / (loss) from derivatives		-	-
Gain / (loss) on securities		-	-
Other income		-	-
		19,480	-
Total income		659,216	234,580
Other expenses			
Operating expenses		18,634	12,627
Workers' Welfare Fund		12,499	4,439
Total other expenses		31,133	17,066
Profit before provisions		628,083	217,514
Provisions and write offs - net		15,628	-
Profit before taxation		612,455	217,514
Taxation		-	-
Profit after taxation		612,455	217,514

Aftu

	Note	2023	2022
		-------- Rupees in '000 --------	

1 ISLAMIC FINANCING AND RELATED ASSETS - NET

		2023	2022
Musharakah financing		18,733,656	14,199,377
Employee staff loans		178	711
Islamic financing and related assets - gross		18,733,834	14,200,088
Less: General provision against Islamic financing		(15,628)	-
Islamic financing and related assets - net of provision		18,718,206	14,200,088

2 DUE TO FINANCIAL INSTITUTION

	Note	2023	2022
Sukuk certificates	2.1	4,100,000	4,100,000

2.1 This represents redeemable capital under the Islamic mode of musharakah (Shirkat-ul-Aqd), in the form of Shariah compliant sukuk certificates at expected rates of profit ranging from 8.25% to 8.63% (2022: 8.25% to 8.63%) per annum by way of private placement, pursuant to the provisions of section 66 of the Companies Act, 2017.

3 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at December 31, 2023 and December 31, 2022.

4 PROFIT / RETURN EARNED

	2023	2022
	-------- Rupees in '000 --------	
Profit earned on:		
Financing	2,075,566	864,885
Balances with banks	14,229	35,536
	2,089,795	900,421

5 PROFIT / RETURN EXPENSED

	2023	2022
Profit expensed on:		
Financing	1,450,059	665,841

6 POOL MANAGEMENT

The Company maintains individual pool for each sukuk certificates issued by the Company. The objective of the pools is to effectively manage investments in sukuk certificates to earn and distribute from earning assets. The funds in these pools are generally deployed in specific assets against mortgage financing and placements in Islamic deposits.

The relationship between investors / partners is based on the concept of Shirkat-ul-'Aqd, in accordance with the principles of Shariah.Profit Sharing Ratio (PSR) is decided as per the agreement between the partners for each sukuk certificate issued. Loss, if any, is borne by the partners as per their proportionate share in overall investment.

The Company is maintaining two musharakah pools and the average rate of profit earned on the assets tagged in the pools during the year range from 6.10% to 16.92% (2022: 5.33% to 14.75%) per annum. There is little or no risk of default in assets tagged against these pools.

Profit is payable on semi-annual basis. Profit rate of 8.25% per annum and 8.63% per annum was distributed to the investors. The profit accrued to investors amounted to Rs. 255.750 million and Rs. 86.300 million representing share of profit at the rate of 8.25% and 8.63% respectively. The actual income earned through the pools is 9.99% and 9.99% respectively. The surplus profits have been kept in a special reserve and will be evaluated at the end of the musharakah term.