PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED JUNE 30, 2024

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The Board of Directors
Pakistan Mortgage Refinance Company Limited
Finance and Trade Centre, 4th Floor
Block-A, Shahrah-e-Faisal
Karachi

August 17, 2024

ASR 0760

Dear Board Members

DRAFT FINANCIAL STATEMENTS OF PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED FOR THE HALF YEAR ENDED JUNE 30, 2024

We have pleasure in enclosing five copies of the draft condensed interim financial statements of Pakistan Mortgage Refinance Company Limited (the Company) for the half year ended June 30, 2024, with our draft review report thereon initialled by us for identification purposes. We shall be pleased to sign our report in its present or amended form after:

(a) these draft condensed interim financial statements have been approved by the Board of Directors (the Board) and signed by the Chief Executive Officer, Chief Financial Officer and three directors authorised by the Board in this behalf;

(b) we have seen the specific approval of the Board of Directors for the items listed in Annexure 'A' to this letter;

(c) we have received details of 'other information' as required by paragraph 36 of International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'; and

(d) we have received an appropriately signed letter of representation along the lines of the draft enclosed to this letter.

We take this opportunity to draw your attention to certain accounting and related matters which are set forth in the following paragraphs:

2. RESPONSIBILITIES OF THE MANAGEMENT AND AUDITORS IN RELATION TO THE FINANCIAL STATEMENTS

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

The management is responsible for the preparation and presentation of the condensed interim financial statements in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on the condensed interim financial statements based on our review.

We would like to inform the Board that unless we have signed the review report on the enclosed condensed interim financial statements, the same shall remain and be deemed not to be reviewed.

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Letter ASR 0760
dated August 17, 2024

3. IMPLEMENTATION OF IFRS 9, 'FINANCIAL INSTRUMENTS'

The State Bank of Pakistan (the SBP) via BPRD Circular no. 4 dated October 23, 2019 had previously prescribed January 1, 2021 as the effective date for implementation of IFRS 9 and then deferred the implementations of IFRS 9 "Financial Instruments" to accounting period beginning on or after January 01, 2023. However, keeping in view the industry representations, the SBP through its BPRD circular letter no. 7 dated April 13, 2023, had revised the effective date of implementation of IFRS 9 to January 01, 2024 for Banks and DFIs.

The Company has adopted modified retrospective approach for implementation of IFRS 9. As per the requirements of IFRS 9, *"entity adopting IFRS 9 does not need to restate prior periods and shall recognise any difference between the previous carrying amounts and the carrying amounts determined as per IFRS 9 at the beginning of the annual reporting period that includes the date of initial application in the opening unappropriated profit (or other component of equity, as appropriate) of the annual reporting period that includes the date of initial application"*. Accordingly, the Company has recognised the difference amounting to Rs. 16.641 million in the opening unappropriated profit as at January 1, 2024. The detailed disclosures relating to the impacts of adoption of IFRS 9 have been given in note 3.2 to the condensed interim financial statements.

In this connection, we would like to highlight that upon implementation of IFRS 9, there were certain accounting matters which were taken up by the Pakistan Banks Association (PBA) with the SBP which require clarification / guidance from the SBP. Further, the Banks/DFIs also sought relaxation / extension in timeline for implementation of certain matters arising out of implementation of IFRS 9. The key matters which have been taken up with the SBP by the banking industry included recognition of income on loans and advances, investments etc. using Effective Interest Rate (EIR) method, valuation of unquoted equity securities, maintenance of general provision over and above the provision of IFRS 9, fair valuation of subsidised financings (including staff loans), accounting for modification of loans due to restructuring / rescheduling and income recognition on Islamic financings.

The State Bank of Pakistan (the SBP) has recently issued BPRD Circular Letter No. 16 dated July 29, 2024 and has made certain amendments and extended the timelines of SBP's IFRS 9 application instructions to address most of the matters raised by the Banks/DFIs with a direction to ensure compliance by the extended timelines.

We understand that on remaining matters, the treatments are still under deliberation with the SBP. The Company has continued to follow the treatment adopted in respect of these matters in the prior periods till the time the SBP issues the relevant guidance / clarification.

4. RECEIVABLE FROM CREDIT GUARANTEE TRUST

The Company acts as a Trustee to the Credit Guarantee Trust (the Trust) under the Trust Deed executed between the Government of Pakistan (GoP) and the Company dated May 29, 2020. Initially, the Company claimed expenses incurred for staff cost, rent, communication and utilities on actual basis from the Trust against the rendering of services to the Trust.

However, during the previous year, the GoP has issued an addendum to the first supplemental Trust Deed dated September 4, 2023 which states that:

"The trustee will charge a fee at the rate of 0.25 ($1/4^{th}$) times the Premium received from the Guarantees issued under the Low Income Scheme, which shall be adjusted from the Trust account. The Trustee fee shall include staff cost, rent, communication and utilities cost incurred in the operations and management of the Trust. The aggregate trustee fee charged by the Trustee is an amount that shall be amortized over the period of all the Guarantees issued under the Low-Income scheme."

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Letter ASR 0760
dated August 17, 2024

Further, the aforementioned addendum was effective from the date of its approval by the Federal Cabinet i.e. December 8, 2022. Consequently, the Company has recognised a receivable from Credit Guarantee Trust amounting to Rs. 123.267 million as at June 30, 2024 and a Trustee fee of Rs. 13.872 million has been recognised in the statement of profit and loss account for the half year ended June 30, 2024.

5. PROVISION AGAINST ADVANCES

The Company's exposure against advances mainly pertains to Financial Institutions which includes Banks, DFIs, Micro Finance Banks (MFBs) and Micro Finance Institutions (MFIs) whose financial health by and large is dependent upon the smooth and timely recovery of loans from their customers. As a matter of abundant caution, the Company held a general provision of Rs 347.895 million as at December 31, 2023. This provision had essentially been maintained against the portfolio of MFBs / MFIs considering the fact that MFBs / MFIs have a significant exposure in low to medium income customer groups which may pose a risk of recoveries to the Company from such institutions keeping in view the current economic condition of the country and downgrade in the credit rating of a few MFBs / MFIs. This general provision has been retained by the Company, even after the implementation of IFRS 9 and guidance in this respect has been sought from SBP as explained in paragraph 3 of our letter.

During the period, the management has carried out a review of their credit portfolio considering the current economic situation. As a result of this review, the management has classified their exposure towards Khushhali Microfinance Bank Limited (KMBL) as substandard based on subjective evaluation. The exposure has been classified under Stage 3 for the determination of ECL provision under IFRS 9 and as clarified under BPRD Circular No. 03 of 2022 dated July 05, 2022, ECL of Stage 3 has been calculated based on higher of either the Prudential Regulations or IFRS 9. Accordingly, a provision of Rs. 656.706 million has been recognised during the period against this exposure.

6. CONTINGENCIES, COMMITMENTS AND RELATED PARTY TRANSACTIONS

We have been informed by the management that there are no contingencies and / or commitments as on the date of the condensed interim financial statements and there are no transactions with related parties other than those disclosed in the enclosed condensed interim financial statements of the Company for the half year ended June 30, 2024.

We wish to place on record our appreciation of the cooperation and courtesy extended to us during the course of our review.

Yours truly

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ANNEXURE 'A'

PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED

LIST OF ITEMS REQUIRING SPECIFIC APPROVAL OF THE BOARD OF DIRECTORS AS REFERRED TO IN PARAGRAPH 1 (b) OF OUR LETTER ASR 0760 DATED AUGUST 17, 2024

Particulars	Rupees in '000
Additions to property and equipment (including capital work-in-progress)	19,547
Proceeds from disposal of property and equipment (having net book value of Rs. 0.236 million)	202
Additions to intangible assets (including capital work-in-progress)	6,022
Proceeds from disposal of investments classified as fair value through other comprehensive income	7,861,496
Investment in securities classified as fair value through other comprehensive income	18,616,316
Lending to financial institutions during the period	101,508,630
Repurchase agreement borrowings during the period	65,365,220
Provision for Workers' Welfare Fund during the period	24,511
Provision for Workers' Welfare Fund as at period end	179,598
Provision for bonus to employees during the period	72,062
Reversal of net credit loss allowance against advances	3,073
Reversal of net credit loss allowance against balances with other banks	1,086
Reversal of net credit loss allowance against other assets	108
Net credit loss allowance against lendings to financial institutions	342
Provision for credit loss allowance against advances under Stage 3	656,706
Transfer to statutory reserve	240,383
Related party transactions are disclosed in note 31 to the condensed interim financial statements of the Company.	

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Pakistan Mortgage Refinance Company Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Pakistan Mortgage Refinance Company Limited** (the Company) as at June 30, 2024 and the related condensed interim statement of profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim cash flow statement, and notes to the condensed interim financial statements for the half year then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures for the quarters ended June 30, 2024 and June 30, 2023 in the condensed interim statement of profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Scope of Review

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

Conclusion

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

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

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A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: August 29, 2024
UDIN: RR202410068gVu2eL13J

PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2024

	Note	(Un-audited) June 30, 2024	(Audited) December 31, 2023
		----------(Rupees in '000)----------	
ASSETS			
Cash and balances with treasury banks	7	8,259	5,173
Balances with other banks	8	2,694,668	10,651,533
Lendings to financial institutions	9	11,841,877	-
Investments	10	11,217,478	13,804,680
Advances	11	34,389,078	34,401,920
Property and equipment	13	74,929	72,894
Right-of-use assets	14	33,153	44,854
Intangible assets	15	34,405	35,705
Deferred tax assets		-	-
Other assets	16	1,370,434	1,542,299
Total assets		61,664,281	60,559,058
LIABILITIES			
Bills payable		-	-
Borrowings	17	42,323,624	41,649,392
Deposits and other accounts		-	-
Lease liability against right-of-use assets	18	38,810	53,162
Subordinated debt	19	6,701,705	6,818,042
Deferred tax liabilities		-	-
Other liabilities	20	1,356,672	1,107,450
Total liabilities		50,420,811	49,628,046
NET ASSETS		11,243,470	10,931,012
REPRESENTED BY			
Share capital		6,237,759	6,237,759
Reserves		1,759,895	1,519,513
Deficit on revaluation of assets	21	(290,718)	(353,565)
Unappropriated profit		3,536,534	3,527,305
		11,243,470	10,931,012
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes from 1 to 34 and annexure form an integral part of these condensed interim financial statements.

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

PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED JUNE 30, 2024

	Note	Half year ended		Quarter ended	
		June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
		(Rupees in '000)			
Mark-up / return / interest / profit earned	23	3,785,997	3,341,898	1,852,446	1,807,752
Mark-up / return / interest / profit expensed	24	1,574,157	1,934,797	807,635	1,050,583
Net mark-up / interest income		2,211,840	1,407,101	1,044,811	757,169
Non mark-up / interest income					
Fee and commission income	25	13,872	-	7,634	-
Dividend income		-	-	-	-
Foreign exchange income / (loss)		-	-	-	-
Income / (loss) from derivatives		-	-	-	-
Gain on securities		672	3,022	49	3,022
Other income		283	27	30	18
Total non-markup / interest income		14,827	3,049	7,713	3,040
Total income		2,226,667	1,410,150	1,052,524	760,209
Non mark-up / interest expense					
Operating expenses	26	347,460	239,106	145,614	121,236
Workers' Welfare Fund		24,511	21,945	4,616	11,304
Other charges		-	-	-	-
Total non-markup / interest expenses		371,971	261,051	150,230	132,540
Profit before provisions / credit loss allowance		1,854,696	1,149,099	902,294	627,669
Provisions / credit loss allowance and write offs - net	12	652,780	73,798	675,169	73,798
Extraordinary / unusal items		-	-	-	-
Profit before taxation		1,201,916	1,075,301	227,125	553,871
Taxation	27	-	-	-	-
Profit after taxation		1,201,916	1,075,301	227,125	553,871
		(Rupees)			
Basic and diluted earnings per share	28	1.93	1.72	0.37	0.88

The annexed notes from 1 to 34 and annexure form an integral part of these condensed interim financial statements.

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

PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED JUNE 30, 2024

	Half year ended		Quarter ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	(Rupees in '000)			
Profit after taxation for the period	1,201,916	1,075,301	227,125	553,871
Other comprehensive income / (loss)				
Items that may be reclassified to the statement of profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of debt investments through FVOCI / available-for-sale securities	62,847	(121,763)	44,506	63,239
Total comprehensive income for the period	1,264,763	953,538	271,631	617,110

The annexed notes from 1 to 34 and annexure form an integral part of these condensed interim financial statements.

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

PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED JUNE 30, 2024

	Share capital	Statutory reserve	Surplus/ (deficit) on revaluation of investments	Unappropriated profit	Total
	(Rupees in '000)				
Balance as at December 31, 2022 (audited)	6,237,759	1,007,773	(448,961)	1,948,368	8,744,939
Total comprehensive income for the period					
Profit after taxation for the half year ended June 30, 2023	-	-	-	1,075,301	1,075,301
Other comprehensive loss					
Movement in deficit on revaluation of investments	-	-	(121,763)	-	(121,763)
Total comprehensive income for the half year ended June 30, 2023	-	-	(121,763)	1,075,301	953,538
Transfer to statutory reserve	-	215,060	-	(215,060)	-
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 June 30, 2023 (un-audited)	6,237,759	1,222,833	(570,724)	2,340,777	9,230,645
Total comprehensive income for the period					
Profit after taxation for the half year ended December 31, 2023	-	-	-	1,483,397	1,483,397
Other comprehensive gain / (loss)					
Remeasurement loss on defined benefit plan	-	-	-	(189)	(189)
Movement in deficit on revaluation of investments	-	-	217,159	-	217,159
Total comprehensive income for the half year ended December 31, 2023	-	-	217,159	1,483,208	1,700,367
Transfer to statutory reserve	-	296,679	-	(296,679)	-
Balance as at December 31, 2023 (audited)	6,237,759	1,519,512	(353,565)	3,527,306	10,931,012
Impact of adoption of IFRS 9 (note 3.2)	-	-	-	(16,641)	(16,641)
Balance as at January 1, 2024 after adoption of IFRS 9	6,237,759	1,519,512	(353,565)	3,510,665	10,914,371
Total comprehensive income for the period					
Profit after taxation for the half year ended June 30, 2024	-	-	-	1,201,916	1,201,916
Other comprehensive gain					
Movement in deficit on revaluation of investments	-	-	62,847	-	62,847
Total comprehensive income for the half year ended June 30, 2024	-	-	62,847	1,201,916	1,264,763
Transfer to statutory reserve	-	240,383	-	(240,383)	-
Transactions with owners recorded directly in equity					
Final dividend for the year ended December 31, 2023 @ Rs. 1.50 per share declared on March 5, 2024	-	-	-	(935,664)	(935,664)
Balance as at June 30, 2024 (un-audited)	6,237,759	1,759,895	(290,718)	3,536,534	11,243,470

The annexed notes from 1 to 34 and annexure form an integral part of these condensed interim financial statements.

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

PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2024

	Note	Half year ended June 30, 2024	Half year ended June 30, 2023
		----------(Rupees in '000)----------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the period before taxation		1,201,916	1,075,301
Adjustments for:			
Net mark-up / interest income		(2,211,840)	(1,407,101)
Depreciation	26	13,955	12,675
Depreciation right-of-use assets	26	11,701	11,701
Amortisation of intangible assets	25	3,331	4,059
Amortisation of transaction cost		8,300	11,140
Provision for Workers' Welfare Fund		24,511	21,945
Loss / (gain) on sale of property and equipment		34	(27)
Gain on sale of securities		(672)	(3,022)
Provision for defined benefit obligation		6,854	7,182
Interest expense on lease liability against right-of-use assets	24	2,107	3,164
Provisions / credit loss allowance and write offs - net	12	652,780	73,798
		(1,488,939)	(1,264,486)
		(287,023)	(189,185)
(Increase) / decrease in operating assets			
Lendings to financial institutions		(11,842,219)	-
Advances		(655,556)	(1,189,144)
Other assets (excluding advance taxation and mark-up accrued)		61,907	(187,233)
		(12,435,868)	(1,376,377)
Increase / (decrease) in operating liabilities			
Borrowings		7,811,732	1,288,482
Other liabilities (excluding payable to defined benefit plan and mark-up payable)		84,294	285,705
		7,896,026	1,574,187
Mark-up / interest / profit received		3,887,383	3,148,425
Mark-up / interest / profit paid		(1,433,387)	(1,459,830)
Contribution to gratuity scheme		(7,207)	(15,036)
Income tax paid		(41)	(30)
Net cash (used in) / generated from operating activities		(2,380,117)	1,682,154
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in securities classified as FVOCI		2,650,657	-
Net investments in securities classified as FVTPL		60	-
Net investments in available-for-sale securities		-	2,841,971
Investments in property and equipment		(16,226)	(5,803)
Investments in intangible assets		(2,031)	(3,441)
Proceeds from sale of property and equipment		202	60
Net cash generated from investing activities		2,632,662	2,832,787
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(935,664)	(467,832)
Lease rentals paid against right-of-use assets	18	(16,459)	(6,592)
Repayment of term finance certificates and sukuk certificates		(7,137,500)	-
Repayment of subordinated debt		(116,337)	(116,337)
Net cash used in financing activities		(8,205,960)	(590,761)
Net (decrease) / increase in cash and cash equivalents during the period		(7,953,415)	3,924,180
Cash and cash equivalents at the beginning of the period		10,656,706	226,103
Opening net credit allowance on cash and cash equivalents		(1,450)	-
		10,655,256	226,103
Impact of net credit loss allowance on cash and cash equivalents during the period		1,086	-
Cash and cash equivalents at the end of the period	29	2,702,927	4,150,283

The annexed notes from 1 to 34 and annexure form an integral part of these condensed interim financial statements.

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

PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2024

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 9, 2024 (December 31, 2023: 'AAA' dated April 14, 2023). The rating reflects the highest possible credit quality rating with the lowest expectation of default risk.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Accounting Standard 34 "Interim Financial Reporting" and International Financial Reporting Standards (IFRS Accounting Standards) 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 (BCO); and
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017.

Whenever the requirements of the Companies Act, 2017, the BCO or the directives issued by the SBP and the SECP differ with the requirements of IAS 34, IFRS Accounting Standards or IFAS, the requirements of the Companies Act, 2017, the BCO and the said directives shall prevail.

2.2 These condensed interim financial statements of the Company do not include all the information and disclosures required in the annual audited financial statements and are limited based on the format prescribed by the SBP vide BPRD Circular Letter No. 02 dated February 09, 2023 and IAS 34. Accordingly, these condensed interim financial statements should be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2023.

2.3 The SBP has deferred the applicability of IAS 40, 'Investment Property' for banking companies / DFIs in Pakistan through BSD Circular Letter No. 10 dated August 26, 2002, till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (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 condensed interim financial statements.

2.4 The SBP has recently issued BPRD Circular Letter No. 16 of 2024 dated July 29, 2024 in which certain relaxations / clarifications have been provided upon adoption of IFRS 9. The impact of adoption of IFRS 9 is disclosed in note 3.2 to these condensed interim financial statements.

2.5 These standards, interpretations and amendments to the accounting and reporting standards that are effective in the current period

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 01, 2024 but are considered not to be relevant or do not have any material effect on the Company's operations and are therefore not detailed in these condensed interim financial statements except for IFRS 9 (Financial Instruments), the impact of which is disclosed under note 3.2.

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2.6 Standards, interpretations of and amendments to the published accounting and reporting standards that are not yet effective

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 01, 2025 but are considered not to be relevant or will not have any material effect on the Company's financial statements except for:

- The new standard - IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) (published in April 2024) with applicability date of January 1, 2027 by IASB. IFRS 18 when adopted and applicable shall impact the presentation of 'Statement of Profit and Loss Account' with certain additional disclosures in the financial statements; and

- Amendments to IFRS 9 'Financial Instruments' which clarify the date of recognition and derecognition of a financial asset or financial liability including settlement of liabilities through banking instruments and channels including electronic transfers. The amendment when applied may impact the timing of recognition and dereconition of financial liabilities.

3 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in the preparation of these financial statements are consistent with those applied in the preparation of the annual audited financial statements of the Company for the year ended December 31, 2023 except for changes mentioned in notes 3.1 and 3.2.

3.1 Adoption of new forms for the preparation of the condensed interim financial statements

The SBP, vide its BPRD Circular No. 02 dated February 09, 2023, issued the revised forms for the preparation of the condensed interim quarterly / half yearly financial statements of the Banks / DFIs which are applicable for quarterly / half yearly periods beginning on or after January 1, 2024 as per BPRD Circular Letter No. 07 of 2023 dated April 13, 2023. The implementation of the revised forms has resulted in certain changes to the presentation and disclosures of various elements of the condensed interim financial statements. The significant change is relating to right-of-use assets and corresponding lease liability which are now presented separately on the face of the statement of financial position. There is no impact of this change on the condensed interim financial statements in terms of recognition and measurement of assets and liabilities.

The Company has adopted the above changes in the presentation and made additional disclosures to the extent applicable to its operations and corresponding figures have been rearranged / reclassified to correspond to the current period presentation.

3.2 IFRS 9 - 'Financial Instruments'

As directed by the SBP via BPRD Circular Letter No. 07 of 2023 dated April 13, 2023, IFRS 9 is applicable on banks / DFIs with effect from January 01, 2024. Moreover, SBP also issued application instructions on IFRS 9 for banks / DFIs in Pakistan for ensuring smooth and consistent implementation of the standard in the banks / DFIs.

IFRS 9 brings fundamental changes to the accounting for financial assets and to certain aspects of accounting for financial liabilities. To determine appropriate classification and measurement category, IFRS 9 requires all financial assets, except equity instruments, to be assessed based on combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The adoption of IFRS 9 has also fundamentally changed the impairment method of financial assets with a forward-looking Expected Credit Losses (ECL) approach.

There are a few matters which include maintenance of general provision, income recognition on islamic financings and fair valuation of subsidised loans, the treatments of which are still under deliberation with the SBP. The Company has continued to follow the treatment adopted in respect of these matters in the prior periods till the time SBP issues the relevant guidance / clarification.

3.2.1 Classification

Financial assets

Under IFRS 9, existing categories of financial assets: Held for trading (HFT), Available for sale (AFS), Held to maturity (HTM) and loans and receivables have been replaced by:

- Financial assets at fair value through profit or loss account (FVTPL)
- Financial assets at fair value through other comprehensive income (FVOCI)
- Financial assets at amortised cost

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Financial liabilities

Under IFRS 9, the accounting for financial liabilities remains largely the same as before adoption of IFRS 9 and thus financial liabilities are being carried at amortised cost except for derivatives which are being measured at FVTPL. The Company does not have any financial liability measured at FVTPL.

3.2.2 Application to the Company's financial assets

Debt based financial assets

Debt based financial assets held by the Company include: advances, lending to financial institutions, investment in federal government securities, corporate bonds and other private term financer certificates, cash and balances with treasury banks, balances with other banks, and other financial assets.

The application of these policies also resulted in classifications and consequent remeasurements of certain investments in Market Trasury Bills (MTBs), Pakistan Investment Bonds (PIBs) and term finance certificates (TFCs) held under AFS portfolio as of December 31, 2023 to hold to collect and sell model based on the business model assessment. However, certain investments that do meet the SPPI criteria due to equity converison features embedded in terms of these TFCs have been reclassified as FVTPL.

3.2.3 Derecognition

Financial assets

The Company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire;
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its condensed interim statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Collateral furnished by the Company under due from and due to institutions are not derecognised because the Company retains substantially all the risks and rewards on the basis of the predetermeined purchase price, and the criteria for derecognition are therefore not met.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the condensed interim statement of profit and loss account.

3.2.4 Expected Credit Loss

The Company assesses on a forward-looking basis the ECL associated with all advances and other debt financial assets not held at FVTPL, together with letter of credit, guarantees and unutilised financing commitments hereinafter referred to as "Financial Instruments". The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated at facility level.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Company considers an exposure to have significantly increased in credit risk when there is considerable deterioration in the internal rating grade for subject customer. The Company also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer / facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, generally, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 60 days past due. However, for certain portfolios, the Company rebuts 60 DPD presumption based on behavioural analysis of its borrowers. When estimating ECLs on a collective basis for a group of similar assets, the Company applies the similar principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Based on the above process, the Company groups its financial instruments into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1: When financial instruments are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 financial instruments also include facilities where the credit risk has improved and these have been reclassified from Stage 2. The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast Exposure At Default (EAD) and multiplied by the expected LGD and discounted by an approximation to the original Effective Interest Rate (EIR). This calculation is made for all the scenarios.

Stage 2: When a financial instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 also includes facilities, where the credit risk has improved and the instrument has been reclassified from Stage 3. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs are applied over the lifetime of the instrument. The expected cash flows are discounted by an approximation to the original EIR.

Stage 3: For financial instruments considered credit-impaired, the Company recognises the LTECLs for these instruments. The Company uses a PD of 100% and LGD as computed for each portfolio or as prescribed by the SBP.

The credit exposure (in local currency) that have been guaranteed by the Government and Government Securities are exempted from the application of ECL calculation.

As per BPRD Circular No. 03 of 2022 dated July 05, 2022, ECL of Stage 1 and Stage 2 is calculated as per IFRS 9, while ECL of Stage 3 has been calculated based on higher of either the Prudential Regulations or IFRS 9 at segment

Currently, all financial assets of the Company are recognised under Stage 1 except for the exposure as disclosed in note 11.2 to these condensed interim financial statements.

Forward looking information

In its ECL models, the Company relies on range of the following forward looking information as economic inputs, such as:

- GDP growth
- Consumer price index
- Unemployment rate

Definition of default

The concept of "impairment or "default" is critical to the implementation of IFRS 9 as it drives determination of risk parameters, i.e. PD, LGD and EAD. The Company defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, when it meets one or more of the following criteria:

Write-offs

The Company's accounting policy under IFRS 9 remains the same as it was under SBP regulations / existing reporting framework.

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3.2.5 Adoption impacts

The Company has adopted IFRS 9 effective from January 01, 2024 with modified retrospective approach as permitted under IFRS 9. The cumulative impact of initial application of Rs. 16.641 million has been recorded as an adjustment to equity at the beginning of the current accounting period. The details of the impacts of initial application are tabulated below:

	Balance as at Decmeber 31, 2023 (Audited)	Category before adoption of IFRS 9	Recognition of expected credit losses (ECL)	Adoption of revised classifications under IFRS 9	Classifications due to business model and SPPI assessments	Balance as at January 1, 2024	IFRS 9 Category
	(Rupees in '000)		(Rupees in '000)				
Assets							
Cash and balances with treasury banks	5,173	Loans and receivables	(6)	-	-	5,167	Amortised cost
Balances with other banks	10,651,533	Loans and receivables	(1,444)	-	-	10,650,089	Amortised cost
Lendings to financial institutions	-	Loans and receivables	-	-	-	-	Amortised cost
Investments							
- Classified as AFS	13,804,680	AFS	-	(13,804,680)	-	-	
- Classified as FVOCI	-		(5)	13,504,920		13,504,915	FVOCI
- Classified as FVTPL	-		-	-	299,760	299,760	FVTPL
Advances	34,401,920	Loans and receivables	(14,765)	-		34,387,155	Amortised cost
Property and equipment	72,894		-	-	-	72,894	Outside the scope of IFRS 9
Right-of-use assets	44,854		-	-	-	44,854	Outside the scope of IFRS 9
Intangible assets	35,705		-	-	-	35,705	Outside the scope of IFRS 9
Other assets	1,542,299	Loans and receivables	(421)	-	-	1,541,878	Amortised cost
	60,559,058		(16,641)	(299,760)	299,760	60,542,417	
Liabilities							
Borrowings	41,649,392		-	-	-	41,649,392	Amortised cost
Lease liability against right-of-use assets	53,162		-	-	-	53,162	Amortised cost
Subordinated debt	6,818,042		-	-	-	6,818,042	Amortised cost
Other liabilities	1,107,450		-	-	-	1,107,450	Amortised cost
	49,628,046		-	-	-	49,628,046	
Net assets	10,931,012		(16,641)	(299,760)	299,760	10,914,371	

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.

The significant judgments and estimates made by the management in the application of its accounting policies and the related estimates and judgments are the same as those applied to the annual audited financial statements of the Company for the year ended December 31, 2023, except for changes mentioned in note 3.2.

5 BASIS OF MEASUREMENT

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

- Obligation in respect of staff retirement benefit scheme is carried at present value of defined benefit obligation; and
- Investments classified as FVOCI and FVTPL are carried at fair value.

5.1 Functional and presentation currency

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

6 FINANCIAL RISK MANAGEMENT POLOCIES

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the annual audited financial statements for the year ended December 31, 2023. These risk management policies continue to remain robust and the Company is reviewing its portfolio regularly and conducts rapid portfolio reviews in line with emerging risks.

	Note	(Un-audited) June 30, 2024	(Audited) December 31, 2023
7 CASH AND BALANCES WITH TREASURY BANKS		----------(Rupees in '000)---------	
With State Bank of Pakistan in:			
Local currency current account	7.1	8,223	5,132
With National Bank of Pakistan in:			
Local currency current accounts		31	31
Local currency deposit account	7.2	11	10
		42	41
Less: Credit loss allowance held against cash and balances with treasury banks	7.3	(6)	-
Cash and balances with treasury banks - net of credit loss allowance		8,259	5,173

7.1 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.

7.2 This represents deposit account maintained with National Bank of Pakistan. This carries mark-up at the rate of 19.50% (December 31, 2023: 19.00%) per annum.

	Note	(Un-audited) June 30, 2024	(Audited) December 31, 2023
7.3 Credit loss allowance / provision for diminution in value of cash and balances with treasury banks		----------(Rupees in '000)---------	
Opening balance		-	-
Impact of adoption of IFRS 9		6	-
Charge during the period		-	-
Closing balance		6	-

8 BALANCES WITH OTHER BANKS

	Note	(Un-audited) June 30, 2024	(Audited) December 31, 2023
In Pakistan			
In current accounts		2,222	3,595
In deposit accounts	8.1	2,692,804	10,647,938
		2,695,026	10,651,533
Less: Credit loss allowance held against balances with other banks	8.2	(358)	-
Balances with other banks - net of credit loss allowance		2,694,668	10,651,533

8.1 These represent deposit accounts in local currency maintained with other banks. These carry mark-up / profit at rates ranging from 8.35% to 20.50% (December 31, 2023: 8.76% to 22.50%) per annum. The comparative figures also include term deposit receipts (TDRs) amounting Rs. 6,400 million that carried mark-up at the rate of 22.35% per annum.

	(Un-audited) June 30, 2024	(Audited) December 31, 2023
8.2 Credit loss allowance for diminution in value of balances with other banks	----------(Rupees in '000)---------	
Opening balance	-	-
Impact of adoption of IFRS 9	1,444	-
Charge during the period	(1,086)	-
Closing balance	358	-

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	Note	(Un-audited) June 30, 2024	(Audited) December 31, 2023
		(Rupees in '000)	

9 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	(Un-audited) June 30, 2024	(Audited) December 31, 2023
Reverse repo agreements	9.1	11,842,219	-
Less: Credit loss allowance held against lending to financial institutions	9.3	(342)	-
Lendings to financial institutions - net of credit loss allowance		11,841,877	-

9.1 These carry mark-up at rates ranging from 20.50% to 20.60% (December 31, 2023: Nil) per annum and will mature latest by July 19, 2024.

9.2 Lending to financial Institutions- particulars of credit loss allowance

	(Un-audited) June 30, 2024		(Audited) December 31, 2023	
	Lendings	Credit loss allowance held	Lendings	Credit loss allowance held
	(Rupees in '000)			
Domestic				
Performing - Stage 1	11,842,219	(342)	-	-

9.3 Credit loss allowance for diminution in value of lendings to financial institutions

	(Un-audited) June 30, 2024	(Audited) December 31, 2023
	(Rupees in '000)	
Opening balance	-	-
Impact of adoption of IFRS 9	-	-
Charge for the period	342	-
Closing balance	342	-

10 INVESTMENTS

10.1 Investments by type

	(Un-audited) June 30, 2024				(Audited) December 31, 2023			
	Cost / amortised cost	Credit loss allowance	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	Deficit	Carrying value
	(Rupees in '000)							
FVOCI securities / AFS securities								
Federal government securities	11,108,500	-	(292,861)	10,815,639	13,758,485	-	(353,565)	13,404,920
Non-government debt securities	100,000	(4)	2,143	102,139	100,000	-	-	100,000
	11,208,500	(4)	(290,718)	10,917,778	13,858,485	-	(353,565)	13,504,920
FVTPL securities / AFS securities								
Non-government debt securities	299,700	-	-	299,700	299,760	-	-	299,760
Total investments	11,508,200	(4)	(290,718)	11,217,478	14,158,245	-	(353,565)	13,804,680

10.2 Investments given as collateral

	(Un-audited) June 30, 2024			(Audited) December 31, 2023		
	Cost / amortised cost	(Deficit) / surplus	Carrying value	Cost / amortised cost	(Deficit) / surplus	Carrying value
	(Rupees in '000)					
Pakistan Investment Bonds	3,079,742	(193,939)	2,885,803	1,003,469	(19,769)	983,700
Market Treasury Bills	4,962,340	6,052	4,968,392	7,955,380	2,556	7,957,936
	8,042,082	(187,887)	7,854,195	8,958,849	(17,213)	8,941,636

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10.3 Credit loss allowance / provision for diminution in value of investments

	(Un-audited) June 30, 2024	(Audited) December 31, 2023
	----------(Rupees in '000)---------	
Opening balance	-	-
Impact of adoption of IFRS 9	5	-
Charge for the period	(1)	-
Closing balance	4	-

10.4 Particulars of credit loss allowance / provision against debt securities

	(Un-audited) June 30, 2024		(Audited) December 31, 2023	
	Outstanding amount	Credit loss allowance held	Outstanding amount	Credit loss allowance held
	----(Rupees in '000)----			
Domestic				
Performing - Stage 1	11,208,500	(4)	-	-

11 ADVANCES

	Note	Performing June 30, 2024 (Un-audited)	Performing December 31, 2023 (Audited)	Non-performing June 30, 2024 (Un-audited)	Non-performing December 31, 2023 (Audited)	Total June 30, 2024 (Un-audited)	Total December 31, 2023 (Audited)
		(Rupees in '000)					
Loans, cash credits, running finances, etc.		13,895,102	16,015,981	1,459,346	-	15,354,448	16,015,981
Islamic financing and related assets		20,050,923	18,733,834	-	-	20,050,923	18,733,834
Advances - gross		33,946,025	34,749,815	1,459,346	-	35,405,371	34,749,815
Credit loss allowance / provision against advances							
- Stage 1	11.3	11,692	-	-	-	11,692	-
- Stage 3	11.3	-	-	656,706	-	656,706	-
- General	11.3	347,895	347,895	-	-	347,895	347,895
Advances - net of credit loss allowance / provision		33,586,438	34,401,920	802,640	-	34,389,078	34,401,920

11.1 Particulars of advances (gross)

	(Un-audited) June 30, 2024	(Audited) December 31, 2023
	----------(Rupees in '000)---------	
In local currency	35,405,371	34,749,815

11.2 Advances include Rs. 1,459.346 million (December 31, 2023: Nil) which have been placed under non-performing status as detailed below:

Category of classification	(Un-audited) June 30, 2024 Non-performing loans	(Un-audited) June 30, 2024 Credit loss allowance	(Audited) December 31, 2023 Non-performing loans	(Audited) December 31, 2023 Credit loss allowance
	---- (Rupees in '000) ----			
Domestic				
Substandard - Stage 3	1,459,346	656,706	-	-

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11.3 Particulars of credit loss allowance / provision againt advances

	(Un-audited) June 30, 2024						(Audited) December 31, 2023		
	Expected Credit Loss			Specific	General	Total	Specific	General	Total
	Stage 1	Stage 2	Stage 3						
	(Rupees in '000)						(Rupees in '000)		
Opening balance	-	-	-	-	347,895	347,895	-	94,502	94,502
Impact of adoption of IFRS 9	14,765	-	-	-	-	14,765	-	-	-
Charge for the period / year	-	-	656,706	-	-	656,706	-	253,393	253,393
Reversals during the period	(3,073)	-	-	-	-	(3,073)	-	-	-
Closing balance	11,692	-	656,706	-	347,895	1,016,293	-	347,895	347,895

11.4 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, the Company has maintained a general provision reserve of Rs. 347.895 million against the micro finance sector, so that any unforeseen losses can be addressed through this reserve.

11.5 Advances - particulars of credit loss allowance / provision against advances

	(Un-audited) June 30, 2024						(Audited) December 31, 2023		
	Expected Credit Loss			Specific	General	Total	Specific	General	Total
	Stage 1	Stage 2	Stage 3						
	(Rupees in '000)						(Rupees in '000)		
Opening balance	-	-	-	-	347,895	347,895	-	94,502	94,502
Impact of adoption of IFRS 9	14,765	-	-	-	-	14,765	-	-	-
Balance as at January 1 after adopting IFRS 9	14,765	-	-	-	347,895	362,660	-	94,502	94,502
New advances	1,156	-	-	-	-	1,156	-	-	-
Advances derecognised or repaid	(3,343)	-	-	-	-	(3,343)	-	-	-
Transfer to stage 3	(886)	-	656,706	-	-	655,820			
Charge for the period / year									
- specific provision	-	-	-	-	-	-	-	-	-
- general provision	-	-	-	-	-	-	-	253,393	253,393
	(3,073)	-	656,706	-	-	653,633	-	253,393	253,393
Closing balance	11,692	-	656,706	-	347,895	1,016,293	-	347,895	347,895

11.6 Advances - Category of classification

	(Un-audited) June 30, 2024		(Audited) December 31, 2023	
	Outstanding amount	Credit loss allowance / provision held	Outstanding amount	Credit loss allowance / provision held
	(Rupees in '000)			
Domestic				
Performing - Stage 1	33,946,025	11,692	34,749,815	-
General provision	-	347,895		347,895
	33,946,025	359,587	34,749,815	347,895
Non-performing - Stage 3				
Substandard	1,459,346	656,706	-	-
Total	35,405,371	1,016,293	34,749,815	347,895

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		Note	(Un-audited) Half year ended June 30, 2024	June 30, 2023
			---------(Rupees in '000)---------	
12	**Provisions / credit loss allowance and write offs - net**			
	(Reversal) / charge for credit loss allowance / provision on:			
	Cash and balances with treasury banks	7.3	-	-
	Balances with other banks	8.2	(1,086)	-
	Lendings to financial institutions	9.3	342	-
	Investments	10.3	(1)	-
	Advances	11.3	653,633	-
	Other assets	16.2	(108)	-
			652,780	-

		Note	(Un-audited) June 30, 2024	(Audited) December 31, 2023
			----------(Rupees in '000)---------	
13	PROPERTY AND EQUIPMENT			
	Property and equipment		68,914	69,573
	Capital work-in-progress	13.1	6,015	3,321
			74,929	72,894

13.1 This represents advance paid to Telec Electronics and Machinery (Private) Limited against purchase of IT servers.

13.2 **Additions to property and equipment**

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

	(Un-audited) Half year ended June 30, 2024	June 30, 2023
	---------(Rupees in '000)---------	
Capital work-in-progress	6,015	-
Property and equipment		
Furniture and fixtures	2,451	-
Leasehold improvements	4,336	-
Electrical, office and computer equipment	6,745	5,803
	13,532	5,803
Total	19,547	5,803

13.3 **Disposal of property and equipment**

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

Electrical, office and computer equipment	-	33
Furniture and fixtures	114	-
Leasehold improvements	122	-
Total	236	33

		(Un-audited) June 30, 2024	(Audited) December 31, 2023
		----------(Rupees in '000)---------	
14	RIGHT-OF-USE ASSETS		
	At January 1		
	Cost	117,010	117,010
	Accumulated depreciation	(72,156)	(48,754)
	Net carrying amount at January 1	44,854	68,256
	Depreciation charge for the period / year	(11,701)	(23,402)
	Closing net carrying amount	33,153	44,854

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14.1 This disclosure has been added in pursuant to the new format prescribed by SBP. Accordingly, comparative numbers have been reclassified for property and equipment and right-of-use-assets.

15 INTANGIBLE ASSETS

	(Un-audited) June 30, 2024	(Audited) December 31, 2023
	----------(Rupees in '000)---------	
Computer software	24,256	21,565
Capital work-in-progess	10,149	14,140
	34,405	35,705

15.1 Additions to intangible assets

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

	Note	(Un-audited) Half year ended June 30, 2024	June 30, 2023
		---------(Rupees in '000)--------	
Computer software		6,022	3,441

16 OTHER ASSETS

	Note		
Mark-up / return / interest / profit accrued in local currency		1,163,660	1,265,046
Advances, deposits and prepayments		56,680	66,930
Advance taxation (payments less provisions)		27,140	27,099
Receivable from Credit Guarantee Trust - net		123,267	183,224
		1,370,747	1,542,299
Less: Credit loss allowance held against other assets	16.1	(313)	-
Other assets - net of credit loss allowance		1,370,434	1,542,299

16.1 Credit loss allowance held against other assets

Mark-up / return / interest / profit accrued in local currency	16.2	313	-

16.2 Movement in credit loss allowance held against other assets

Opening balance	-	-
Impact of adoption of IFRS 9	421	-
Reversal for the period	(108)	-
Closing balance	313	-

17 BORROWINGS

	Note		
Secured			
Term finance certificates	17.1	15,662,500	18,700,000
Sukuk certificates	17.2	-	4,100,000
Repurchase agreement borrowings	17.3	16,881,676	8,900,179
Total secured		32,544,176	31,700,179
Unsecured			
Borrowings from Government of Pakistan under World Bank - Housing Finance Project	17.4	9,779,448	9,949,213
		42,323,624	41,649,392

17.1 These certificates have maturity of three to ten years and carry rate of interest ranging from 8.53% to 20.89% (2023: 8.41% to 20.89%) per annum. The principal is payable annually or at maturity whereas interest is payable semi-annually. Further, term finance certificates amounting to Rs. 3,037 million have matured during the period.

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17.2 These sukuk certificates carried at fixed rate of profit ranging from 8.25% to 8.63% per annum. These certificates have matured during the period.

17.3 These represent borrowings from various financial institutions at mark-up rates ranging from 20.59% to 20.60% (December 31, 2023: 22.12% to 22.15%) per annum and are due to mature latest by July 19, 2024. The market value of securities given as collateral against these borrowings is given in note 10.2 to these condensed interim financial statements.

17.4 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.

	(Un-audited) June 30, 2024	(Audited) December 31, 2023
	---------(Rupees in '000)---------	
18 LEASE LIABILITY AGAINST RIGHT-OF-USE ASSETS		
Opening balance	53,162	75,304
Interest expense	2,107	5,864
Lease payments inlcuding interest	(16,459)	(28,006)
Closing balance	38,810	53,162
18.1 Liabilities outstanding		
Not later than one year	30,701	29,362
Later than one year and upto five years	8,109	23,800
Total at the year end	38,810	53,162

For the purpose of discounting, interest rate of 9.26% has been used.

19 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.

	Note	(Un-audited) June 30,2024	(Audited) December 31, 2023
Issue amount (Rupees in '000)		7,050,716	7,050,716
Outstanding principal (Rupees in '000)		6,701,705	6,818,042
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	Semi-annually
Mark-up		3% per annum	3% per annum

	Note	(Un-audited) June 30, 2024	(Audited) December 31, 2023
		---------(Rupees in '000)---------	
20 OTHER LIABILITIES			
Mark-up / return / interest / profit payable in local currency		712,993	572,223
Provision for government levies		179,671	155,145
Provision for employees' benefit		124,186	161,005
Accrued expenses		56,647	44,622
Withholding tax payable		28,386	5,365
Unearned income		248,850	165,310
Payable to defined contribution plan		2,512	-
Payable to defined benefit plan		3,427	3,780
		1,356,672	1,107,450
21 DEFICIT ON REVALUATION OF ASSETS			
Deficit on revaluation of debt securities measured at FVOCI / AFS securities	10.1	(290,718)	(353,565)

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22 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2024 and December 31, 2023.

	Note	(Un-audited) Half year ended June 30, 2024	June 30, 2023
		---------(Rupees in '000)---------	
23 MARK-UP / RETURN / INTEREST / PROFIT EARNED			
On:			
Loans and advances		2,146,403	1,737,295
Investments		1,169,941	1,546,247
Lendings to financial institutions		402,586	5,186
Balances with banks (including term deposit receipts)		67,067	53,170
		3,785,997	3,341,898
24 MARK-UP / RETURN / INTEREST / PROFIT EXPENSED			
On:			
Borrowings from Government of Pakistan under Housing Finance Project		147,305	153,098
Repurchase agreement borrowings		267,838	544,682
Term finance certificates		971,587	943,649
Clean borrowings		91	12,373
Sukuk certificates		84,242	172,915
		1,471,063	1,826,717
Subordinated debt		100,987	104,916
Lease liability against right-of-use assets		2,107	3,164
		1,574,157	1,934,797
25 FEE AND COMMISSION INCOME			
Trustee fee	25.1	13,872	-

25.1 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 0.25 times of the premium received by the Trust from the guarantees issued under the Low Income Scheme. The aggregate trustee fee charged by the Company has been amortised over the period of the guarantees issued under the Low Income Scheme.

	(Un-audited) Half year ended June 30, 2024	June 30, 2023
	---------(Rupees in '000)---------	
26 OPERATING EXPENSES		
Total compensation expense	222,626	164,014
Property expense		
Insurance	357	229
Utilities cost	2,544	1,159
Security	367	290
Repairs and maintenance	257	81
Depreciation	11,701	11,701
	15,226	13,460
Information technology expenses		
Software maintenance	7,171	6,569
Rent-disaster recovery site	998	748
Hardware maintenance	169	322
Depreciation	4,819	4,631
Amortisation	3,331	4,059
Network charges	1,556	1,648
	18,044	17,977
Balance carried forward	255,896	195,451

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	(Un-audited) Half year ended June 30, 2024	(Un-audited) Half year ended June 30, 2023
	---------(Rupees in '000)---------	
Balance brought forward	255,896	195,451
Other operating expenses		
Directors' fees and allowances	15,010	8,123
Fees and allowances to Shariah Board	6,070	5,237
Legal and professional charges	36,228	3,047
Fees and subscription	2,734	1,164
Outsourced services costs	3,262	2,672
Travelling and conveyance	2,385	3,913
Depreciation	9,136	8,044
Training and development	2,027	1,456
Postage and courier charges	158	156
Communication	729	697
Printing and stationery	262	472
Marketing, advertisement and publicity	1,329	866
Research and development	1,695	-
Donations	2,000	1,500
Auditors' remuneration	2,492	1,188
Insurance	3,441	2,967
Vehicle repairs and maintenance	184	701
Entertainment	614	299
Others	1,808	1,153
	91,564	43,655
	347,460	239,106

27 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.

28 BASIC AND DILUTED EARNINGS PER SHARE

	(Un-audited) Half year ended June 30, 2024	(Un-audited) Half year ended June 30, 2023
	---------(Rupees in '000)---------	
Profit for the period	1,201,916	1,075,301
	(Number of shares)	
Weighted average number of ordinary shares	623,775,900	623,775,900
	--------------(Rupees)--------------	
Basic earnings per share	1.93	1.72

28.1 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 June 30, 2024 and June 30, 2023.

29 CASH AND CASH EQUIVALENTS

	Note	(Un-audited) June 30, 2024	(Un-audited) June 30, 2023
		---------(Rupees in '000)---------	
Cash and balances with treasury banks	7	8,259	3,913
Balances with other banks	8	2,694,668	3,864,984
		2,702,927	3,868,897

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30 FAIR VALUE MEASUREMENTS

Fair value measurement defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of quoted securities is based on quoted market price. Quoted debt securities are carried at amortised 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.

In the opinion of the management, the fair value of the remaining financial assets and liabilities is not significantly different from their respective carrying amounts.

30.1 Fair value of financial assets

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

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

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

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

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

	(Un-audited) June 30, 2024			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	(Rupees in '000)			
Financial assets - measured at fair value				
Investments				
Federal government securities	-	10,815,639	-	10,815,639
Non-government debt securities	-	401,839	-	401,839

	(Audited) December 31, 2023			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	(Rupees in '000)			
Financial assets - measured at fair value				
Investments				
Federal government securities	-	13,404,920	-	13,404,920
Non-government debt securities	-	399,760	-	399,760

Valuation techniques and inputs used in determination of fair values

Item	Valuation approach and input used
Pakistan Investment Bonds (PIBs)	Fair value of fixed and floater PIBs are derived using the PKRV and PKFRV rates respectively available on Mutual Funds Association of Pakistan (MUFAP).
Market Treasury Bills	Fair value of MTBs 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.

31 RELATED PARTY TRANSACTIONS AND BALANCES

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

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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 'Condensed Interim Statement of Changes in Equity'. All other transactions between the Company and its related parties are carried out under normal course of business except employee staff loans that are as per terms of employment.

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

	(Un-audited) June 30, 2024			(Audited) December 31, 2023		
	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						
Local currency current accounts	-	-	31	-	-	31
Local currency deposit account	-	-	11	-	-	10
	-	-	42	-	-	41
Credit loss allowance held against cash and balances with treasury banks	-	-	6	-	-	-
Balances with other banks						
In current account	-	-	2,222	-	-	3,595
In deposit accounts	-	-	3,283	-	-	6,414,924
	-	-	5,505	-	-	6,418,519
Credit loss allowance held against balances with other banks	-	-	762	-	-	-
Lendings to financial institutions						
Opening balance	-	-	-	-	-	-
Addition during the period	-	-	24,862,796	-	-	16,784,084
Repayments during the period	-	-	(24,862,796)	-	-	(16,784,084)
Closing balance	-	-	-	-	-	-
Advances						
Opening balance	-	91,273	8,828,836	-	100,645	7,135,712
Addition during the period	-	81,417	2,500,000	-	5,739	5,386,921
Repayments during the period	-	(5,313)	(393,031)	-	(15,111)	(3,693,797)
Closing balance	-	167,377	10,935,805	-	91,273	8,828,836
Credit loss allowance held against advances	-	22	3,356	-	-	-
Other assets						
Interest / mark-up accrued	-	-	295,514	-	-	299,885
Other receivable	-	-	123,267	-	-	183,224
	-	-	418,781	-	-	483,109
Credit loss allowance held against other assets	-	-	93	-	-	-

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	(Un-audited) June 30, 2024			(Audited) December 31, 2023		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
	(Rupees in '000)					
Borrowings						
Opening balance	-	-	11,500,000	-	-	11,500,000
Borrowings during the period	-	-	7,980,133	-	-	46,121,332
Settled during the period	-	-	(7,437,976)	-	-	(46,121,332)
Closing balance	-	-	12,042,157	-	-	11,500,000
Other liabilities						
Interest / mark-up payable	-	-	164,111	-	-	221,839
Payable to defined benefit plan	-	-	3,427	-	-	3,780
Payable to defined contribution plan	-	-	2,512	-	-	-
Unearned income	-	-	244,043	-	-	159,751
	-	-	414,093	-	-	385,370

	(Un-audited) June 30, 2024			(Un-audited) June 30, 2023		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
	(Rupees in '000)					
Statement of profit and loss account						
Income						
Mark-up / return / interest / profit earned	-	2,414	733,896	-	1,797	309,115
Fee and commission income	-	-	13,872	-	-	-
Expense						
Mark-up / return / interest / profit expensed	-	-	580,501	-	-	645,766
Directors' fees and allowances	15,010			8,160		
Remuneration of key management personal	-	167,534	-	-	127,972	-
Contribution to defined contribution plan	-	-	7,624	-	-	5,410
Charge for defined benefit plan	-	-	6,854	-	-	7,182

31.1 In addition to the above, the Company has outstanding sub-ordinated loan amounting to Rs. 6,701.705 million and borrowing under World Bank - Housing Finance Project amounting to Rs. 9,779.448 million respectively from the Ministry of Finance.

	(Un-audited) June 30, 2024	(Audited) December 31, 2023
	(Rupees in '000)	
32 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital	6,237,759	6,237,759
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	11,208,193	10,895,307
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	11,208,193	10,895,307
Eligible Tier 2 Capital	122,392	133,806
Total Eligible Capital (Tier 1 + Tier 2)	11,330,585	11,029,113

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	(Un-audited) June 30, 2024	(Audited) December 31, 2023
	---------(Rupees in '000)---------	
Risk Weighted Assets (RWAs):		
Credit Risk	9,791,400	10,704,506
Market Risk	-	-
Operational Risk	4,389,725	4,389,725
Total	14,181,125	15,094,231
Common Equity Tier 1 Capital Adequacy Ratio	79.04%	72.18%
Tier 1 Capital Adequacy Ratio	79.04%	72.18%
Total Capital Adequacy Ratio	79.90%	73.07%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	11,208,193	10,895,307
Total Exposure	59,198,695	65,935,065
Leverage Ratio	18.93%	16.52%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	9,784,112	4,468,457
Total Net Cash Outflow	577,819	17,781
Liquidity Coverage Ratio	1693%	25131%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	40,455,534	41,349,463
Total Required Stable Funding	28,096,596	31,453,613
Net Stable Funding Ratio	143.99%	131.46%

33 GENERAL

33.1 These condensed interim financial statements have been prepared in accordance with the format as prescribed by the SBP through BPRD Circular Letter No. 02 dated February 09, 2023 and related clarifications / modifications.

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

33.3 Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purpose of compliance with the prescribed format by SBP and for better presentation and comparison and to reflect the substance of the transactions. There have been no significant reclassifications or rearrangements in these condensed interim financial statements during the current period.

34 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on 27-August-2024 by the Board of Directors of the Company.

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

PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED
ANNEXURE TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2024

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 half year ended June 30, 2024 are as follows:

(A) **Statement of financial position**

	Note	(Un-audited) June 30, 2024	(Audited) December 31, 2023
		-------- Rupees in '000 --------	
ASSETS			
Balances with other banks		248,827	130,191
Islamic financing and related assets - net	1	20,035,865	18,718,206
Other assets		702,825	821,918
		20,987,517	19,670,315
LIABILITIES			
Due to financial institutions	2	-	4,100,000
Due to head office		19,335,731	14,258,765
Other liabilities		138,532	204,602
		19,474,263	18,563,367
NET ASSETS		1,513,254	1,106,948
REPRESENTED BY			
Islamic banking fund		150,000	150,000
Reserves		272,651	191,390
Unappropriated profit		1,090,603	765,558
		1,513,254	1,106,948

(B) **Statement of profit and loss account**

	(Un-audited) For the half year ended June 30, 2024	June 30, 2023
	-------- Rupees in '000 --------	
Profit / return earned	1,336,500	885,648
Profit / return expensed	919,906	637,582
Net profit / return	416,594	248,066
Other income		
Fee and commission income	6,913	-
Dividend income	-	-
Foreign exchange income	-	-
Income / (loss) from derivatives	-	-
Gain / (loss) on securities	-	-
Other income	-	-
	6,913	-
Total income	423,507	248,066
Other expenses		
Operating expenses	9,439	7,965
Workers' Welfare Fund	8,332	4,961
Total other expenses	17,771	12,926
Profit before provisions / credit loss allowance	405,736	235,140
Provisions / credit loss allowance and write offs - net	(570)	13,334
Profit before taxation	406,306	221,806
Taxation	-	-
Profit after taxation	406,306	221,806

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1 ISLAMIC FINANCING AND RELATED ASSETS - NET

This represents Islamic financing under musharakah financing facility. The tenure of this financing facility varies from 3 years to 13 years with profit rates ranging from 6.50% to 21.76% (2023: 6.50% to 21.76%) per annum.

2 DUE TO FINANCIAL INSTITUTION

The Company had issued redeemable capital under the Islamic mode of musharakah (Shirkat-ul-Aqd), in the form of Shariah compliant sukuk certificates amounting to Rs. 4,100 million at expected rates of profit ranging from 8.25% to 8.63% per annum by way of private placement, pursuant to the provisions of section 66 of the Companies Act, 2017. These have matured during the current period.