

**PAK OMAN INVESTMENT  
COMPANY LIMITED**

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

**FOR THE PERIOD ENDED  
30 SEPTEMBER 2020**

**Pak Oman Investment Company Limited**  
**Unconsolidated Condensed Interim Statement of Financial Position**  
**As at 30 September 2020**

| (Un-audited)<br>30 September<br>2020<br>(US Dollar in '000) | (Audited)<br>31 December<br>2019 |      | (Un-audited)<br>30 September<br>2020<br>(Rupees in '000) | (Audited)<br>31 December<br>2019 |
|---|----------------------------------|------|--|----------------------------------|
|   |                                  | Note |  |                                  |
| <b>ASSETS</b>   |                                  |      |  |                                  |
| 1,693   | 925                              |      | 280,555  | 153,271                          |
| 8,117   | 11,918                           | 6    | 1,345,036  | 1,974,796                        |
| 17,930  | 49,079                           | 7    | 2,971,029  | 8,132,475                        |
| 335,350   | 358,329                          | 8    | 55,568,233   | 59,375,922                       |
| 124,767   | 120,844                          | 9    | 20,674,144   | 20,024,133                       |
| 1,170   | 1,214                            | 10   | 193,791  | 201,211                          |
| -   | -                                | 11   | -  | 5                                |
| 791   | 2,039                            | 12   | 131,128  | 337,826                          |
| 10,419  | 11,365                           | 13   | 1,726,524  | 1,883,175                        |
| 500,237   | 555,713                          | 14   | 82,890,440   | 92,082,814                       |
| <b>LIABILITIES</b>  |                                  |      |  |                                  |
| -   | -                                |      | -  | -                                |
| 298,222   | 444,660                          | 15   | 49,416,009   | 73,681,026                       |
| 137,561   | 51,758                           | 16   | 22,794,140   | 8,576,392                        |
| 2   | 4                                | 17   | 303  | 610                              |
| -   | -                                |      | -  | -                                |
| -   | -                                | 13   | -  | -                                |
| 9,374   | 8,879                            | 18   | 1,553,532  | 1,471,325                        |
| 445,159   | 505,301                          |      | 73,763,984   | 83,729,353                       |
| 55,078  | 50,412                           |      | 9,126,456  | 8,353,461                        |
| <b>NET ASSETS</b>   |                                  |      |  |                                  |
| <b>REPRESENTED BY</b>                                       |                                  |      |  |                                  |
| 37,115  | 37,115                           |      | 6,150,000  | 6,150,000                        |
| 8,705   | 7,637                            |      | 1,442,355  | 1,265,504                        |
| 2,891   | 976                              | 19   | 479,011  | 161,727                          |
| 6,367   | 4,684                            |      | 1,055,090  | 776,230                          |
| 55,078  | 50,412                           |      | 9,126,456  | 8,353,461                        |
| <b>CONTINGENCIES AND COMMITMENTS</b>                        |                                  |      |  |                                  |
|   |                                  | 20   |  |                                  |

The annexed notes from 1 to 38 form an integral part of these unconsolidated condensed interim financial statements.

Bahauddin Khan

**Managing Director/  
Chief Executive Officer**

Mohammad Jamal Nasir

**Chief Financial Officer**

Sayyid Juland  
Jaifar Salim Al  
Said

**Director**

Omar Hamid Khan

**Director**

Yahya Bin Said  
Bin Abdullah Al-  
Jabri

**Chairman**

**Pak Oman Investment Company Limited**  
**Unconsolidated Condensed Interim Profit and Loss Account (Un-audited)**  
**For the nine months ended 30 September 2020**

|  |  | Nine months ended   |              |   |    | Quarter ended               |                | Nine months ended |                |
|--|--|---------------------|--------------|---|----|-----------------------------|----------------|-------------------|----------------|
|  |  | 30 September        | 30 September | Note  |    | 30 September                | 30 September   | 30 September      | 30 September   |
|  |  | 2020                | 2019         |   |    | 2020                        | 2019           | 2020              | 2019           |
|  |  | (US Dollar in '000) |              |   |    | ------(Rupees in '000)----- |                |                   |                |
| 165.7021                               |  | 46,051              | 30,675       | Mark-up / return / interest earned            | 21 | 2,125,657                   | 2,375,166      | 7,630,753         | 5,082,853      |
|  |  | 37,760              | 26,304       | Mark-up / return / interest expensed          | 22 | 1,619,768                   | 2,139,427      | 6,256,848         | 4,358,660      |
|  |  | 8,291               | 4,371        | <b>Net mark-up / return / interest income</b> |    | <b>505,889</b>              | <b>235,739</b> | <b>1,373,905</b>  | <b>724,193</b> |
| <b>NON MARK-UP / INTEREST INCOME</b>   |  |                     |              |   |    |                             |                |                   |                |
|  |  | 138                 | 234          | Fee and commission income                     | 23 | 11,627                      | 5,628          | 22,895            | 38,797         |
|  |  | 329                 | 186          | Dividend income                               |    | -                           | 3,545          | 54,550            | 30,859         |
|  |  | -                   | -            | Foreign exchange income                       |    | -                           | -              | -                 | -              |
|  |  | -                   | -            | Income / (loss) from derivatives              |    | -                           | -              | -                 | -              |
|  |  | 1,746               | 655          | Gain on securities                            | 24 | 62,291                      | 88,742         | 289,341           | 108,569        |
|  |  | 12                  | 4            | Other income                                  | 25 | 407                         | (19)           | 2,065             | 665            |
|  |  | 2,225               | 1,079        | Total non mark-up / interest income           |    | 74,325                      | 97,896         | 368,851           | 178,890        |
|  |  | 10,516              | 5,450        | <b>Total income</b>                           |    | <b>580,214</b>              | <b>333,635</b> | <b>1,742,756</b>  | <b>903,083</b> |
| <b>NON MARK-UP / INTEREST EXPENSES</b> |  |                     |              |   |    |                             |                |                   |                |
|  |  | 2,795               | 2,566        | Operating expenses                            | 26 | 155,722                     | 140,326        | 463,089           | 425,273        |
|  |  | 152                 | 28           | Workers Welfare Fund                          |    | 8,397                       | 1,036          | 25,122            | 4,601          |
|  |  | 144                 | 112          | Other charges                                 | 27 | 4,685                       | 6,516          | 23,882            | 18,490         |
|  |  | 3,091               | 2,706        | Total non mark-up / interest expenses         |    | 168,804                     | 147,878        | 512,093           | 448,364        |
|  |  | 7,425               | 2,744        | <b>Profit before provisions</b>               |    | <b>411,410</b>              | <b>185,757</b> | <b>1,230,663</b>  | <b>454,719</b> |
|  |  | 2                   | 179          | Reversals / (Provisions) and write offs - net | 28 | -                           | 1,200          | 295               | 29,631         |
|  |  | -                   | -            | Extra ordinary / unusual items                |    | -                           | -              | -                 | -              |
|  |  | 7,427               | 2,923        | <b>PROFIT BEFORE TAXATION</b>                 |    | <b>411,410</b>              | <b>186,957</b> | <b>1,230,958</b>  | <b>484,350</b> |
|  |  | (2,092)             | (757)        | Taxation                                      | 29 | (119,768)                   | (57,283)       | (346,703)         | (125,517)      |
|  |  | 5,335               | 2,166        | <b>PROFIT AFTER TAXATION</b>                  |    | <b>291,642</b>              | <b>129,674</b> | <b>884,255</b>    | <b>358,833</b> |
|  |  | (US \$)             |              |   |    | ------(Rupees)-----         |                |                   |                |
|  |  | 0.0087              | 0.0035       | <b>Basic and diluted earnings per share</b>   | 30 | <b>0.47</b>                 | <b>0.21</b>    | <b>1.44</b>       | <b>0.58</b>    |

The annexed notes from 1 to 38 form an integral part of these unconsolidated condensed interim financial statements.

|   |                                |                                    |                 |                                      |
|---|--------------------------------|------------------------------------|-----------------|--------------------------------------|
| Bahauddin Khan  | Mohammad Jamal Nasir           | Sayyid Juland Jaifar Salim Al Said | Omar Hamid Khan | Yahya Bin Said Bin Abdullah Al-Jabri |
| <b>Managing Director/<br/>Chief Executive Officer</b> | <b>Chief Financial Officer</b> | <b>Director</b>                    | <b>Director</b> | <b>Chairman</b>                      |

**Pak Oman Investment Company Limited**  
**Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)**  
**For the nine months ended 30 September 2020**

| Nine months ended   |              |   | Quarter ended               |                | Nine months ended |                |
|---------------------|--------------|---|-----------------------------|----------------|-------------------|----------------|
| 30 September        | 30 September |   | 30 September                | 30 September   | 30 September      | 30 September   |
| 2020                | 2019         |   | 2020                        | 2019           | 2020              | 2019           |
| (US Dollar in '000) |              |   | ------(Rupees in '000)----- |                |                   |                |
| 5,335               | 2,166        | <b>Profit after taxation for the period</b>   | <b>291,642</b>              | 129,674        | <b>884,255</b>    | 358,833        |
|                     |              | <b>Other comprehensive income</b>   |                             |                |                   |                |
|                     |              | <b>Items that may be reclassified to profit and loss account in subsequent periods</b>      |                             |                |                   |                |
| 1,927               | 493          | Movements in surplus / (deficit) on revaluation of investments - net of tax                 | (454,238)                   | 91,237         | 319,240           | 81,690         |
|                     |              | <b>Items that will not be reclassified to profit and loss account in subsequent periods</b> |                             |                |                   |                |
| (12)                | (16)         | Movement in deficit on revaluation of non-banking assets- net of tax                        | (652)                       | (651)          | (1,956)           | (2,607)        |
| <u>7,250</u>        | <u>2,643</u> | <b>Total comprehensive income</b>   | <u>(163,248)</u>            | <u>220,260</u> | <u>1,201,539</u>  | <u>437,916</u> |

The annexed notes from 1 to 38 form an integral part of these unconsolidated condensed interim financial statements.

|   |                                |                                    |                 |                                      |
|---|--------------------------------|------------------------------------|-----------------|--------------------------------------|
| Bahauddin Khan  | Mohammad Jamal Nasir           | Sayyid Juland Jaifar Salim Al Said | Omar Hamid Khan | Yahya Bin Said Bin Abdullah Al-Jabri |
| <u>Managing Director/<br/>Chief Executive Officer</u> | <u>Chief Financial Officer</u> | <u>Director</u>                    | <u>Director</u> | <u>Chairman</u>                      |

**Pak Oman Investment Company Limited**  
**Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)**  
**For the nine months ended 30 September 2020**

|  | Share capital    | Statutory reserve | General reserve | Surplus / (deficit) on revaluation of |                    | Unappropriated profit | Total            |
|--|------------------|-------------------|-----------------|---------------------------------------|--------------------|-----------------------|------------------|
|  |                  |                   |                 | Investments                           | Non-banking assets |                       |                  |
| (Rupees in '000)   |                  |                   |                 |                                       |                    |                       |                  |
| Opening balance as at 01 January 2019  | 6,150,000        | 1,153,013         | 11,630          | (7,502)                               | 46,927             | 788,870               | 8,142,938        |
| <b>Total comprehensive income</b>  |                  |                   |                 |                                       |                    |                       |                  |
| Profit after taxation  | -                | -                 | -               | -                                     | -                  | 358,833               | 358,833          |
| Other comprehensive income / (loss) - net of tax   | -                | -                 | -               | 81,690                                | (2,607)            | -                     | 79,083           |
| Total comprehensive income for the nine months ended 30 September 2019                         | -                | -                 | -               | 81,690                                | (2,607)            | 358,833               | 437,916          |
| Transfer to statutory reserve  | -                | 71,767            | -               | -                                     | -                  | (71,767)              | -                |
| Transfer from surplus on revaluation of assets to unappropriated profit - net of tax           | -                | -                 | -               | -                                     | -                  | 1,873                 | 1,873            |
| <b>Transaction with owners recorded directly in equity</b>                                     |                  |                   |                 |                                       |                    |                       |                  |
| Final cash dividend - 31 December 2018 declared subsequent to the year end (Rs. 0.7 per share) | -                | -                 | -               | -                                     | -                  | (430,500)             | (430,500)        |
| <b>Opening balance as at 01 October 2019</b>   | <b>6,150,000</b> | <b>1,224,780</b>  | <b>11,630</b>   | <b>74,188</b>                         | <b>44,320</b>      | <b>647,309</b>        | <b>8,152,227</b> |
| <b>Total comprehensive income</b>  |                  |                   |                 |                                       |                    |                       |                  |
| Profit after taxation  | -                | -                 | -               | -                                     | -                  | 145,471               | 145,471          |
| Other comprehensive income / (loss) - net of tax   | -                | -                 | -               | 43,871                                | (652)              | 11,892                | 55,111           |
| Total comprehensive income for the quarter ended 31 December 2019                              | -                | -                 | -               | 43,871                                | (652)              | 157,363               | 200,582          |
| Transfer to statutory reserve  | -                | 29,094            | -               | -                                     | -                  | (29,094)              | -                |
| Transfer from surplus on revaluation of assets to unappropriated profit - net of tax           | -                | -                 | -               | -                                     | -                  | 652                   | 652              |
| <b>Opening balance as at 01 January 2020</b>   | <b>6,150,000</b> | <b>1,253,874</b>  | <b>11,630</b>   | <b>118,059</b>                        | <b>43,668</b>      | <b>776,230</b>        | <b>8,353,461</b> |
| <b>Total comprehensive income</b>  |                  |                   |                 |                                       |                    |                       |                  |
| Profit after taxation  | -                | -                 | -               | -                                     | -                  | 884,255               | 884,255          |
| Other comprehensive income / (loss) - net of tax   | -                | -                 | -               | 319,240                               | (1,956)            | -                     | 317,284          |
| Total comprehensive income for the nine months ended 30 September 2020                         | -                | -                 | -               | 319,240                               | (1,956)            | 884,255               | 1,201,539        |
| Transfer to statutory reserve  | -                | 176,851           | -               | -                                     | -                  | (176,851)             | -                |
| Transfer from surplus on revaluation of assets to unappropriated profit - net of tax           | -                | -                 | -               | -                                     | -                  | 1,956                 | 1,956            |
| <b>Transaction with owners recorded directly in equity</b>                                     |                  |                   |                 |                                       |                    |                       |                  |
| Final cash dividend - 31 December 2019 declared subsequent to the year end (Rs. 0.7 per share) | -                | -                 | -               | -                                     | -                  | (430,500)             | (430,500)        |
| <b>Closing balance as at 30 September 2020</b>   | <b>6,150,000</b> | <b>1,430,725</b>  | <b>11,630</b>   | <b>437,299</b>                        | <b>41,712</b>      | <b>1,055,090</b>      | <b>9,126,456</b> |

The annexed notes from 1 to 38 form an integral part of these unconsolidated condensed interim financial statements.

|  |                                  |                                    |                   |                                      |
|--|----------------------------------|------------------------------------|-------------------|--------------------------------------|
| Bahauddin Khan   | Mohammad Jamal Nasir             | Sayyid Juland Jaifar Salim Al Said | Omar Hamid Khan   | Yahya Bin Said Bin Abdullah Al-Jabri |
| _____<br>Managing Director/<br>Chief Executive Officer | _____<br>Chief Financial Officer | _____<br>Director                  | _____<br>Director | _____<br>Chairman                    |

**Pak Oman Investment Company Limited**  
**Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)**  
**For the nine months ended 30 September 2020**

| 30 September<br>2020<br>(US Dollar in '000)                          | 30 September<br>2019 |      | 30 September<br>2020<br>(Rupees in '000)              | 30 September<br>2019 |
|--|----------------------|------|---|----------------------|
|  |                      | Note |   |                      |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                           |                      |      |   |                      |
| 7,427  | 2,923                |      | 1,230,958   | 484,350              |
| (329)  | (186)                |      | (54,550)  | (30,859)             |
| <u>7,098</u>   | <u>2,737</u>         |      | <u>1,176,408</u>                                      | <u>453,491</u>       |
| <b>Adjustments:</b>  |                      |      |   |                      |
| 181  | 187                  |      | 30,065  | 30,971               |
| 111  | 111                  |      | 18,314  | 18,314               |
| -  | 2                    |      | 5   | 352                  |
| (2)  | (179)                | 28   | (295)   | (29,631)             |
| (12)   | (4)                  |      | (2,065)   | (665)                |
| 69   | 73                   |      | 11,378  | 12,101               |
| 1  | 1                    |      | 196   | 156                  |
| (111)  | (39)                 |      | (18,401)  | (6,493)              |
| <u>237</u>   | <u>152</u>           |      | <u>39,197</u>   | <u>25,105</u>        |
| <u>7,335</u>   | <u>2,889</u>         |      | <u>1,215,605</u>                                      | <u>478,596</u>       |
| <b>(Increase) / Decrease in operating assets</b>                     |                      |      |   |                      |
| 31,149   | 17,845               |      | 5,161,446   | 2,957,030            |
| 22,072   | 31,139               |      | 3,657,422   | 5,159,800            |
| (3,921)  | 1,226                |      | (649,716)   | 203,134              |
| 1,711  | (2,830)              |      | 283,479   | (468,966)            |
| <u>51,011</u>  | <u>47,380</u>        |      | <u>8,452,631</u>                                      | <u>7,850,998</u>     |
| <b>Increase / (decrease) in operating liabilities</b>                |                      |      |   |                      |
| -  | -                    |      | -   | -                    |
| (146,438)  | 121,062              |      | (24,265,017)  | 20,060,252           |
| 85,803   | (14,068)             |      | 14,217,748  | (2,331,146)          |
| 573  | (16)                 |      | 94,841  | (2,332)              |
| <u>(60,062)</u>  | <u>106,978</u>       |      | <u>(9,952,428)</u>                                    | <u>17,726,774</u>    |
| <u>(1,716)</u>   | <u>157,247</u>       |      | <u>(284,192)</u>                                      | <u>26,056,368</u>    |
| <u>(2,482)</u>   | <u>(1,558)</u>       |      | <u>(411,274)</u>                                      | <u>(258,124)</u>     |
| <u>(4,198)</u>   | <u>155,689</u>       |      | <u>(695,466)</u>                                      | <u>25,798,244</u>    |
| <b>Net cash flow generated from operating activities</b>             |                      |      |   |                      |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                           |                      |      |   |                      |
| 4,338  | (158,147)            |      | 718,808   | (26,205,255)         |
| (3)  | -                    |      | (506)   | -                    |
| (603)  | -                    |      | (100,000)   | -                    |
| 329  | 186                  |      | 54,550  | 30,859               |
| (189)  | (35)                 |      | (31,297)  | (5,858)              |
| 39   | 6                    |      | 6,450   | 951                  |
| <u>3,911</u>   | <u>(157,990)</u>     |      | <u>648,005</u>  | <u>(26,179,303)</u>  |
| <b>Net cash flow (used in) / generated from investing activities</b> |                      |      |   |                      |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                           |                      |      |   |                      |
| (3)  | (2)                  |      | (503)   | (407)                |
| (145)  | (177)                |      | (24,012)  | (29,378)             |
| (2,598)  | (2,598)              |      | (430,500)   | (430,500)            |
| <u>(2,746)</u>   | <u>(2,777)</u>       |      | <u>(455,015)</u>                                      | <u>(460,285)</u>     |
| <u>(3,033)</u>   | <u>(5,078)</u>       |      | <u>(502,476)</u>                                      | <u>(841,344)</u>     |
| <b>Net cash flow (used in) financing activities</b>                  |                      |      |   |                      |
| <b>(Decrease) in cash and cash equivalents</b>                       |                      |      |   |                      |
| <u>12,843</u>  | <u>14,473</u>        |      | <u>2,128,067</u>                                      | <u>2,398,193</u>     |
| <u>9,810</u>   | <u>9,395</u>         | 31   | <u>1,625,591</u>                                      | <u>1,556,849</u>     |
|  |                      |      | <b>Cash and cash equivalents at end of the period</b> |                      |

The annexed notes from 1 to 38 form an integral part of these unconsolidated condensed interim financial statements.

Bahauddin Khan

Mohammad Jamal Nasir

Sayyid Juland Jaifar Salim Al Said

Omar Hamid Khan

Yahya Bin Said Bin  
Abdullah Al-Jabri

**Managing Director/  
Chief Executive Officer**

**Chief Financial Officer**

**Director**

**Director**

**Chairman**

**Pak Oman Investment Company Limited**  
**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
**For the nine months ended 30 September 2020**

**1 STATUS AND NATURE OF BUSINESS**

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

**2 BASIS OF PREPARATION**

**2.1 STATEMENT OF COMPLIANCE**

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular Letter No. 5 dated 22 March 2019 and IAS 34. These unconsolidated condensed interim financial statements do not include all the information and disclosures required for annual unconsolidated financial statements and should be read in conjunction with the unconsolidated financial statements for the year ended 31 December 2019.

SBP vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the all banks / DFIs in Pakistan to implement IFRS 9 with effect from 01 January 2021. IFRS 9 includes revised guidelines on the classification and measurement of financial instruments, a new expected credit loss approach for calculating impairment losses on financial assets, and certain new general hedge accounting requirements. The standard also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Accordingly, the requirements of this standard have not been considered in the preparation of these unconsolidated condensed interim financial statements.

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

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

The US dollar amounts shown in the unconsolidated condensed interim statement of financial position, unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income and unconsolidated condensed interim cash flow statement are stated solely for information purposes. For this purpose the amounts in Pakistan rupees have been converted into US Dollars at a rate of Rs.165.7021 = 1 US dollar for the nine months ended 30 September 2020 and the corresponding period.

The unconsolidated condensed interim financial statements do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual financial statements for the financial year ended 31 December 2019.

## 2.2 Standards, interpretations of and amendments to accounting and reporting standards as applicable in Pakistan that are effective in the current period

There are certain interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after 01 January 2020 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not detailed in these unconsolidated condensed interim financial statements.

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

There are various standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are not effective in the current year. These are not likely to have material effect on the Company's financial statements except for the following:

| Standard, Interpretation or Amendment   | IASB Effective date<br>(annual periods<br>beginning on or after) |
|---|--|
| • Amendment to IFRS 16 'Leases': Covid-19-Related Rent Concessions  | June 01, 2020  |
| • Amendments to IAS 1 'Presentation of Financial Statements': Classification of Liabilities as Current or Non-current     | January 01, 2022   |
| • Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28 | Not yet finalized  |

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

| Standards   | IASB Effective date<br>(annual periods<br>beginning on or after) |
|---|--|
| • IFRS 1 - First-time Adoption of International Financial Reporting Standards | July 01, 2014  |
| • IFRS 17 – Insurance Contracts   | January 01, 2023   |

## 3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the audited annual financial statements for the year ended 31 December 2019.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these unconsolidated condensed interim financial statements is the same as that applied in the preparation of the audited annual unconsolidated financial statements for the year ended 31 December 2019.

## 5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the company are consistent with those disclosed the audited annual unconsolidated financial statements for the year ended December 31, 2019.

The COVID – 19 pandemic has taken a toll on global economy, including Pakistan. To reduce the impact on businesses and economies in general, governments / regulators across the world have introduced a host of measures on both the fiscal and economic fronts.

The State Bank of Pakistan has also responded to the crisis by cutting the policy rate by 625 basis points since mid-March to 7% in June 2020. Since then, there have been no further adjustments in the policy rate. Other regulatory measures to provide an impetus to economic activity include the following:

- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs to Rs 180 million;
- Banks / DFIs were allowed to defer borrowers' principal loan payments by one year and or restructure / reschedule loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up with no reflection on credit history;
- Introduction of refinancing schemes for payment of wages and salaries.
- Announcement of Temporary Economic Refinance Facility (TERF) for setting up of new industrial units; and
- Introduction of refinance facility for hospitals and medical centers to develop capacity for treatment of infected patients of COVID – 19.

### 5.1 Credit Risk Management

The Company has further strengthened its credit risk assessment in light of COVID – 19. The risk management function is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The detailed credit risk assessment has been carried out against each individual customer applying for principal deferment or rescheduling/restructuring.

### 5.2 Liquidity Risk Management

In view of the relaxation granted by SBP for deferral of principal and rescheduling / restructuring of loans, the originally expected cash inflows will face a lag. However, cash flows are being closely monitored by Asset and Liability Committee (ALCO) on a constant basis and the Company is confident that the liquidity buffer currently maintained is sufficient to cater to any adverse movement in the cash flow maturity profile.

### 5.3 Equity Risk Management

The Company has Nil carrying value in listed equity securities - classified as available for sale as of September 30, 2020. Therefore, there is no impact of COVID – 19 on the Company's financial position.

### 5.4 Operational Risk Management

The management is monitoring the situation and has taken various precautionary measures as notified by the Provincial and Federal Government to address the safety of Company's staff and visitors alike and ensure uninterrupted service to the customers. Such measures include:

- All employees / visitors are screened daily for temperature before entering the premises.
- Wearing a face mask is mandatory for all employees / visitors.
- Entire premise is disinfected on daily basis.
- All employees were tested for COVID – 19 with the Company bearing all testing-related medical costs.
- All employees are required to maintain safe distance while interacting with others with indicative spacing marks been placed around work terminals.

Business Continuity Plan (BCP) is in place and has been rigorously tested. Remote work capabilities were enabled for staff, where required and related risk and control measures were assessed to ensure that the Company's information assets are protected from emerging cyber threats and comply with the regulatory protocols required under the circumstances. Despite difficult working conditions due to outbreak of Covid-19, the Company has ensured that service levels are maintained and turnaround times are monitored so that the benefits of SBP's relief measures are timely forwarded to its customers.

### 5.5 Capital Adequacy Ratio (CAR)

SBP, vide its BPRD Circular Letter No. 12 of 2020, introduced following 2 measures:

- Capital Conversion Buffer (CCB) reduced from 2.50% to 1.50% which reduced CET1 and CAR requirements by 1.00%
- Regulatory retail portfolio limit was enhanced from Rs. 125 million to Rs. 180 million.

These measures were introduced to encourage banks / DFIs to continue lending, particularly to SME sector, despite anticipated pressure on profits and credit risk.

The Company has continued to fund the real economy while managing its risks. As of September 30, 2020, the Company's CAR stood at 15.96% which is well above the revised requirement of 11.50%.

### 5.6 Suspension of dividends

The SBP through its Circular Letter No. BPRD/BA & CPD/006315-2/20 dated April 22, 2020 has advised that Banks/ DFIs which had declared dividend for the quarter ended March 31, 2020 should suspend cash dividend distribution for the next two quarters. However, State Bank of Pakistan will review these instructions on distribution of dividends keeping in view the severity and impact of the COVID-19 and economics dynamics on the safety and soundness of the banking systems.

### 5.7 Based on strong profitability of 2020, quality of loan book, solid capital base, resilient deposit based funding structure and availability of unutilized bank lines, management has concluded that there are no material implications of COVID – 19 that require specific disclosure in the financial statements.

|  |  | (Un-audited)<br>30 September<br>2020 | (Audited)<br>31 December<br>2019 |
|--|--|--------------------------------------|----------------------------------|
|  | Note   | (Rupees in '000)                     |                                  |
| <b>6 CASH AND BALANCES WITH TREASURY BANKS</b> |  |                                      |                                  |
| In hand  |  |                                      |                                  |
| local currency                                 |  | 316                                  | 256                              |
| foreign currency                               |  | 221                                  | 221                              |
|  |  | <b>537</b>                           | <b>477</b>                       |
| With State Bank of Pakistan in                 |  |                                      |                                  |
| Local currency current account                 | 6.1  | <b>278,498</b>                       | 151,637                          |
| With National Bank of Pakistan in              |  |                                      |                                  |
| Local currency current account                 |  | <b>1,520</b>                         | 1,157                            |
|  |  | <b>280,555</b>                       | <b>153,271</b>                   |
| <b>6.1</b>                                     | This represent the amount required to be maintained by the Company in accordance with the SBP's Regulations.   |                                      |                                  |
| <b>7 BALANCES WITH OTHER BANKS</b>             |  |                                      |                                  |
| In Pakistan:                                   |  |                                      |                                  |
| In current accounts                            |  | <b>34,381</b>                        | 3,072                            |
| In deposit accounts                            | 7.1  | <b>1,309,302</b>                     | 1,968,309                        |
|  |  | <b>1,343,683</b>                     | 1,971,381                        |
| Outside Pakistan:                              |  |                                      |                                  |
| In current accounts                            |  | <b>1,353</b>                         | 3,415                            |
|  |  | <b>1,345,036</b>                     | 1,974,796                        |
| <b>7.1</b>                                     | These include term deposit receipts (TDRs) of Rs. 1,300 million (2019: Rs. 1,950 million) maturing between October 2020 to March 2021 (2019: January 2020 to June 2020). These carry mark-up rates ranging from 8.85% to 10% (2019: 14.50% to 14.75%) per annum. |                                      |                                  |
| <b>8 LENDINGS TO FINANCIAL INSTITUTIONS</b>    |  |                                      |                                  |
| Placements                                     |  | <b>200,000</b>                       | -                                |
| Repurchase agreement lendings (Reverse Repo)   |  | <b>2,771,029</b>                     | 8,132,475                        |
|  |  | <b>2,971,029</b>                     | <b>8,132,475</b>                 |

## 9 INVESTMENTS

| (Un-audited)                |                             |                        |                   | (Audited)                   |                             |                        |                   |
|-----------------------------|-----------------------------|------------------------|-------------------|-----------------------------|-----------------------------|------------------------|-------------------|
| 30 September 2020           |                             |                        |                   | 31 December 2019            |                             |                        |                   |
| Cost /<br>Amortised<br>Cost | Provision for<br>diminution | Surplus /<br>(deficit) | Carrying<br>Value | Cost /<br>Amortised<br>Cost | Provision for<br>diminution | Surplus /<br>(deficit) | Carrying<br>Value |

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

## 9.1 Investments by types

**Held-for-trading securities**

|                                |                   |          |                |                   |            |   |          |            |
|--------------------------------|-------------------|----------|----------------|-------------------|------------|---|----------|------------|
| Federal Government securities  | 11,318,115        | -        | (7,079)        | 11,311,036        | 14,975,537 | - | (25,480) | 14,950,057 |
| Shares                         | -                 | -        | -              | -                 | -          | - | -        | -          |
| Non-Government debt securities | -                 | -        | -              | -                 | -          | - | -        | -          |
|                                | <b>11,318,115</b> | <b>-</b> | <b>(7,079)</b> | <b>11,311,036</b> | 14,975,537 | - | (25,480) | 14,950,057 |

**Available-for-sale securities**

|                                |                   |                  |                |                   |            |           |          |            |
|--------------------------------|-------------------|------------------|----------------|-------------------|------------|-----------|----------|------------|
| Federal Government securities  | 38,747,927        | -                | 654,549        | 39,402,476        | 39,217,557 | -         | 199,422  | 39,416,979 |
| Shares                         | 346,266           | (120,266)        | -              | 226,000           | 346,266    | (120,266) | -        | 226,000    |
| Non-Government debt securities | 3,714,177         | (463,477)        | (38,635)       | 3,212,065         | 3,963,355  | (463,477) | (33,142) | 3,466,736  |
|                                | <b>42,808,370</b> | <b>(583,743)</b> | <b>615,914</b> | <b>42,840,541</b> | 43,527,178 | (583,743) | 166,280  | 43,109,715 |

**Associates**

|  |           |          |   |         |           |          |   |         |
|--|-----------|----------|---|---------|-----------|----------|---|---------|
|  | 1,046,457 | (70,726) | - | 975,731 | 1,045,951 | (70,726) | - | 975,225 |
|--|-----------|----------|---|---------|-----------|----------|---|---------|

**Subsidiary**

|  |         |           |   |         |         |           |   |         |
|--|---------|-----------|---|---------|---------|-----------|---|---------|
|  | 598,300 | (157,375) | - | 440,925 | 498,300 | (157,375) | - | 340,925 |
|--|---------|-----------|---|---------|---------|-----------|---|---------|

**Total Investments**

|  |                   |                  |                |                   |            |           |         |            |
|--|-------------------|------------------|----------------|-------------------|------------|-----------|---------|------------|
|  | <b>55,771,242</b> | <b>(811,844)</b> | <b>608,835</b> | <b>55,568,233</b> | 60,046,966 | (811,844) | 140,800 | 59,375,922 |
|--|-------------------|------------------|----------------|-------------------|------------|-----------|---------|------------|

## 9.1.1 Investments given as collateral

|                                      | (Un-audited)          |                          |                     |                   | (Audited)             |                          |                     |                   |
|--------------------------------------|-----------------------|--------------------------|---------------------|-------------------|-----------------------|--------------------------|---------------------|-------------------|
|                                      | 30 September 2020     |                          |                     |                   | 31 December 2019      |                          |                     |                   |
|                                      | Cost / Amortised Cost | Provision for diminution | Surplus / (deficit) | Carrying Value    | Cost / Amortised Cost | Provision for diminution | Surplus / (deficit) | Carrying Value    |
| ------(Rupees in '000)-----          |                       |                          |                     |                   |                       |                          |                     |                   |
| <b>Federal Government Securities</b> |                       |                          |                     |                   |                       |                          |                     |                   |
| - Pakistan Investment Bonds          | 21,419,927            | -                        | 565,976             | 21,985,903        | 16,895,051            | -                        | 176,137             | 17,071,188        |
| - Market Treasury Bills              | 10,452,444            | -                        | 72,180              | 10,524,624        | 32,635,824            | -                        | (8,013)             | 32,627,811        |
|                                      | 31,872,371            | -                        | 638,156             | 32,510,527        | 49,530,875            | -                        | 168,124             | 49,698,999        |
| <b>Shares</b>                        |                       |                          |                     |                   |                       |                          |                     |                   |
| - Listed companies                   | -                     | -                        | -                   | -                 | -                     | -                        | -                   | -                 |
| - Unlisted companies                 | 226,000               | -                        | -                   | 226,000           | 226,000               | -                        | -                   | 226,000           |
|                                      | 226,000               | -                        | -                   | 226,000           | 226,000               | -                        | -                   | 226,000           |
| <b>Associates</b>                    |                       |                          |                     |                   |                       |                          |                     |                   |
| Japan Power Generation Limited       | 70,726                | (70,726)                 | -                   | -                 | 70,726                | (70,726)                 | -                   | -                 |
| <b>Total investments</b>             | <b>32,169,097</b>     | <b>(70,726)</b>          | <b>638,156</b>      | <b>32,736,527</b> | <b>49,827,601</b>     | <b>(70,726)</b>          | <b>168,124</b>      | <b>49,924,999</b> |

## 9.2 Provision for diminution in value of investments

## 9.2.1 Opening balance

## Charge / (reversal)

Charge for the period / year  
Reversals for the period / year

Transfers - net  
Amounts written off

## Closing balance

## 9.2.2 Particulars of provision against debt securities

## Category of classification

## Domestic

Other assets especially mentioned  
Substandard  
Doubtful  
Loss  
Total

|                             | (Un-audited)      |                  | (Audited)         |                  |
|-----------------------------|-------------------|------------------|-------------------|------------------|
|                             | 30 September 2020 | 31 December 2019 | 30 September 2020 | 31 December 2019 |
|                             | NPI               | Provision        | NPI               | Provision        |
| ------(Rupees in '000)----- |                   |                  |                   |                  |
|                             | -                 | -                | -                 | -                |
|                             | -                 | -                | -                 | -                |
|                             | -                 | -                | -                 | -                |
|                             | 483,926           | 463,477          | 483,926           | 463,477          |
|                             | 483,926           | 463,477          | 483,926           | 463,477          |

## 9.2.2.1 The Company does not hold overseas classified debt securities.

## 10 ADVANCES

|   | Performing                   |                  | Non-performing    |                  | Total             |                  |
|---|------------------------------|------------------|-------------------|------------------|-------------------|------------------|
|   | (Un-audited)                 | (Audited)        | (Un-audited)      | (Audited)        | (Un-audited)      | (Audited)        |
|   | 30 September 2020            | 31 December 2019 | 30 September 2020 | 31 December 2019 | 30 September 2020 | 31 December 2019 |
|   | ----- (Rupees in '000) ----- |                  |                   |                  |                   |                  |
| Loans, cash credits, running finances, etc. | 19,838,606                   | 19,619,927       | 673,457           | 678,329          | 20,512,063        | 20,298,256       |
| Margin trading                              | 713,655                      | 277,746          | -                 | -                | 713,655           | 277,746          |
| Advances - Gross                            | 20,552,261                   | 19,897,673       | 673,457           | 678,329          | 21,225,718        | 20,576,002       |
| Provision against advances                  |                              |                  |                   |                  |                   |                  |
| Specific                                    | -                            | -                | 551,361           | 551,656          | 551,361           | 551,656          |
| General                                     | 213                          | 213              | -                 | -                | 213               | 213              |
|   | 213                          | 213              | 551,361           | 551,656          | 551,574           | 551,869          |
| Advances - net of provision                 | 20,552,048                   | 19,897,460       | 122,096           | 126,673          | 20,674,144        | 20,024,133       |

## 10.1 Particulars of advances (Gross)

|                       | (Un-audited)<br>30 September 2020 | (Audited)<br>31 December 2019 |
|-----------------------|-----------------------------------|-------------------------------|
| In local currency     | 21,225,718                        | 20,576,002                    |
| In foreign currencies | -                                 | -                             |
|                       | 21,225,718                        | 20,576,002                    |

10.2 Advances include Rs. 674 million (2019: Rs 678 million) which have been placed under the non-performing status as detailed below:

| Category of Classification        | (Un-audited)<br>30 September 2020 |           | (Audited)<br>31 December 2019 |           |
|-----------------------------------|-----------------------------------|-----------|-------------------------------|-----------|
|                                   | Non Performing Loans              | Provision | Non Performing Loans          | Provision |
|                                   | ----- (Rupees in '000) -----      |           |                               |           |
| <b>Domestic</b>                   |                                   |           |                               |           |
| Other Assets Especially Mentioned | -                                 | -         | -                             | -         |
| Substandard                       | -                                 | -         | -                             | -         |
| Doubtful                          | 180,000                           | 90,000    | 182,104                       | 90,000    |
| Loss                              | 493,457                           | 461,361   | 496,225                       | 461,656   |
|                                   | 673,457                           | 551,361   | 678,329                       | 551,656   |

## 10.3 Particulars of provision against advances

|                     | (Un-audited)<br>30 September 2020 |                              |         | (Audited)<br>31 December 2019 |         |          |
|---------------------|-----------------------------------|------------------------------|---------|-------------------------------|---------|----------|
|                     | Specific                          | General                      | Total   | Specific                      | General | Total    |
|                     |                                   | ----- (Rupees in '000) ----- |         |                               |         |          |
| Opening balance     | 551,656                           | 213                          | 551,869 | 580,479                       | 213     | 580,692  |
| Charge for the year | -                                 | -                            | -       | 1,039                         | -       | 1,039    |
| Reversals           | (295)                             | -                            | (295)   | (29,862)                      | -       | (29,862) |
|                     | (295)                             | -                            | (295)   | (28,823)                      | -       | (28,823) |
| Amounts written off | -                                 | -                            | -       | -                             | -       | -        |
| Closing balance     | 551,361                           | 213                          | 551,574 | 551,656                       | 213     | 551,869  |

- 10.4** In accordance with BPRD Circular No. 6 dated 26 June 2014 issued by the SBP, the Company has availed the benefit of FSV against the non-performing advances. As of 30 September 2020, the Company has availed total accumulated FSV benefit amounting to Rs. 15.8 million (net of tax Rs. 11.2 million). Accordingly, accumulated profit of Rs.11.2 million (net of transfer to statutory reserves Rs. 9 million) will not be available for the distribution as cash or stock dividend to the shareholders / bonus to employees of the Company as required by the aforementioned SBP directives.
- 10.5** The State Bank of Pakistan, vide BPRD circular letter 13 of 2020 dated March 26, 2020, has relaxed certain criteria of classification of SBP Prudential Regulation R-8 (Classification and Provisioning of Assets) to dampen the adverse impact of COVID-19 on the Banks/DFIs and to give relief to the borrowers.

|                          | Note        | (Un-audited)<br>30 September<br>2020 | (Audited)<br>31 December<br>2019 |
|--------------------------|-------------|--------------------------------------|----------------------------------|
| (Rupees in '000)         |             |                                      |                                  |
| <b>11 FIXED ASSETS</b>   |             |                                      |                                  |
| Capital work-in-progress | 11.1        | 3,534                                | -                                |
| Property and equipment   | 11.2 & 11.3 | 80,844                               | 75,723                           |
| Right of use assets      | 11.2        | 109,413                              | 125,488                          |
|                          |             | <u>193,791</u>                       | <u>201,211</u>                   |

#### 11.1 Capital work-in-progress

Advances to suppliers

|              |          |
|--------------|----------|
| <u>3,534</u> | <u>-</u> |
|--------------|----------|

| (Un-audited)<br>30 September<br>2020 | (Un-audited)<br>30 September<br>2019 |
|--------------------------------------|--------------------------------------|
| (Rupees in '000)                     |                                      |

#### 11.2 Additions to fixed assets

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

|                                 |               |                |
|---------------------------------|---------------|----------------|
| <b>Capital work-in-progress</b> | 3,534         | 1,668          |
| <b>Property and equipment</b>   |               |                |
| Improvements                    | 908           | 462            |
| Office equipments               | 1,151         | 2,368          |
| Computer equipments             | 1,439         | 208            |
| Furniture and fixture           | 1,049         | 1,152          |
| Vehicles                        | 23,216        | -              |
|                                 | <u>27,763</u> | <u>4,190</u>   |
| <b>Right of use assets</b>      |               |                |
| Leasehold buildings             | -             | 147,229        |
| Total                           | <u>31,297</u> | <u>153,087</u> |

#### 11.3 Disposal of fixed assets

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

|                       |              |            |
|-----------------------|--------------|------------|
| Office equipment      | -            | 234        |
| Computer equipment    | -            | -          |
| Furniture and fixture | 50           | 52         |
| Vehicles              | 4,335        | -          |
| Total                 | <u>4,385</u> | <u>286</u> |

|                             | Note | (Un-audited)<br>30 September<br>2020 | (Audited)<br>31 December<br>2019 |
|-----------------------------|------|--------------------------------------|----------------------------------|
| <b>12 INTANGIBLE ASSETS</b> |      |                                      |                                  |
| Computer Software           | 12.1 | -                                    | 5                                |
|                             |      | <u>-</u>                             | <u>5</u>                         |

12.1 There were no additions to or disposals of intangible assets during the period.

|   | (Un-audited)<br>30 September<br>2020 | (Audited)<br>31 December<br>2019 |
|---|--------------------------------------|----------------------------------|
| <b>13 DEFERRED TAX ASSETS / (LIABILITIES)</b>               |                                      |                                  |
| <b>Deductible Temporary Differences on</b>                  |                                      |                                  |
| Provision for diminution in the value of investments        | 214,924                              | 214,924                          |
| Assets subject to finance leases                            | 69                                   | 72                               |
| Amortisation of premium on Federal Government Securities    | 1,531                                | (89)                             |
| Provision against non-performing advances                   | 159,956                              | 160,042                          |
| Revaluation on investments classified as available-for-sale | (178,615)                            | (48,221)                         |
| Revaluation on investments classified as held-for-trading   | 2,053                                | 7,389                            |
| Net investment in finance leases                            | (76,526)                             | 1,659                            |
|   | <b>123,392</b>                       | <b>335,776</b>                   |
| <b>Taxable Temporary Differences on</b>                     |                                      |                                  |
| Accelerated tax depreciation allowances                     | 7,310                                | 5,697                            |
| Revaluation on non-banking assets                           | 426                                  | (3,647)                          |
|   | <b>7,736</b>                         | <b>2,050</b>                     |
|   | <b>131,128</b>                       | <b>337,826</b>                   |

|   |                  |                  |
|---|------------------|------------------|
| <b>14 OTHER ASSETS</b>  |                  |                  |
| Income / mark-up accrued in local currency - net of provision                   | 1,033,298        | 1,073,195        |
| Mark-up / profit receivable on purchase of securities                           | 80,917           | 314,240          |
| Security deposits   | 4,288            | 4,288            |
| Prepayments   | 14,430           | 9,567            |
| Taxation  | 293,505          | 152,630          |
| Non-banking assets acquired in satisfaction of claims                           | 240,881          | 252,174          |
| Staff gratuity  | -                | 15,447           |
| Others  | 455              | 130              |
|   | <b>1,667,774</b> | <b>1,821,671</b> |
| Less: Provision held against other assets                                       | -                | -                |
| Other assets (net of provisions)  | <b>1,667,774</b> | <b>1,821,671</b> |
| Surplus on revaluation of non-banking assets acquired in satisfaction of claims | <b>58,750</b>    | <b>61,504</b>    |
|   | <b>1,726,524</b> | <b>1,883,175</b> |

|  | (Un-audited)<br>30 September<br>2020 | (Audited)<br>31 December<br>2019 |
|--|--------------------------------------|----------------------------------|
|  | (Rupees in '000)                     |                                  |
| <b>15 BORROWINGS</b>   |                                      |                                  |
| <b>Secured</b>   |                                      |                                  |
| Borrowings from the State Bank of Pakistan:                      |                                      |                                  |
| - Long term financing facility (LTFF)                            | 2,732,025                            | 2,612,588                        |
| - Financing Facility for Storage of Agricultural Produce (FFSAP) | 38,558                               | -                                |
| - Temporary Economic Refinance Facility (TERF)                   | 22,860                               | -                                |
| Repurchase agreement borrowings                                  | 28,072,348                           | 48,861,903                       |
| Long term borrowings   | 4,135,920                            | 5,208,880                        |
| Short term running finance                                       | -                                    | 515,324                          |
| Bai Muajjal  | 6,694,134                            | 8,208,161                        |
| <b>Total secured</b>   | <b>41,695,845</b>                    | <b>65,406,856</b>                |
| <b>Unsecured</b>   |                                      |                                  |
| Placements   | 400,000                              | 2,285,013                        |
| Murabaha financing   | 7,320,164                            | 5,989,157                        |
| <b>Total unsecured</b>   | <b>7,720,164</b>                     | <b>8,274,170</b>                 |
|  | <b>49,416,009</b>                    | <b>73,681,026</b>                |

## 16 DEPOSITS AND OTHER ACCOUNTS

|                                   | (Un-audited)<br>30 September 2020 |                   | (Audited)<br>31 December 2019 |                  |
|-----------------------------------|-----------------------------------|-------------------|-------------------------------|------------------|
|                                   | In local<br>currency              | Total             | In local<br>currency          | Total            |
|                                   | (Rupees in '000)                  |                   |                               |                  |
| <b>Certificates of investment</b> |                                   |                   |                               |                  |
| Financial institutions            | 9,987,000                         | 9,987,000         | 12,000                        | 12,000           |
| Others                            | 12,807,140                        | 12,807,140        | 8,564,392                     | 8,564,392        |
|                                   | <b>22,794,140</b>                 | <b>22,794,140</b> | <b>8,576,392</b>              | <b>8,576,392</b> |

## 17 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

|   | (Un-audited)<br>30 September 2020 |   |                          | (Audited)<br>31 December 2019 |   |                          |
|---|-----------------------------------|---|--------------------------|-------------------------------|---|--------------------------|
|   | Minimum<br>lease<br>payments      | Financial<br>charges<br>for future<br>periods | Principal<br>outstanding | Minimum<br>lease<br>payments  | Financial<br>charges for<br>future<br>periods | Principal<br>outstanding |
|   | (Rupees in '000)                  |   |                          |                               |   |                          |
| Not later than one year                 | 305                               | 2   | 303                      | 628                           | 18  | 610                      |
| Later than one year and upto five years | -                                 | -   | -                        | -                             | -   | -                        |
|   | <b>305</b>                        | <b>2</b>                                      | <b>303</b>               | <b>628</b>                    | <b>18</b>                                     | <b>610</b>               |

17.1 The Company has entered into lease agreement with financial institution for lease of vehicle. Lease rentals are payable in monthly installments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rate of 7.90% (2019: 7.90%) per annum. At the end of lease term, the Company has option to acquire the assets, subject to adjustment of security deposits.

|  | Note  | (Un-audited)<br>30 September<br>2020 | (Audited)<br>31 December<br>2019 |
|--|---|--------------------------------------|----------------------------------|
| <b>18 OTHER LIABILITIES</b>  |   |                                      |                                  |
| Mark-up/ Return/ Interest payable in local currency  |   | 907,691                              | 800,475                          |
| Accrued expenses   |   | 242,114                              | 224,816                          |
| Security deposits against investment in finance leases   |   | 169,364                              | 253,411                          |
| Lease liability against right-of-use assets  |   | 121,280                              | 133,914                          |
| Withholding tax and sales tax payable  |   | 6,269                                | 3,778                            |
| Others   |   | 106,814                              | 54,931                           |
|  |   | <b>1,553,532</b>                     | <b>1,471,325</b>                 |
| <b>19 SURPLUS ON REVALUATION OF ASSETS</b>   |   |                                      |                                  |
| Surplus on revaluation of  |   |                                      |                                  |
| - Available for sale securities  |   | 615,914                              | 166,280                          |
| - Non-banking assets acquired in satisfaction of claims  |   | 58,750                               | 61,504                           |
|  |   | 674,664                              | 227,784                          |
| Deferred tax on surplus on revaluation of:   |   |                                      |                                  |
| - Available for sale securities  |   | (178,615)                            | (48,221)                         |
| - Non-banking assets acquired in satisfaction of claims  |   | (17,038)                             | (17,836)                         |
|  |   | (195,653)                            | (66,057)                         |
|  |   | <b>479,011</b>                       | <b>161,727</b>                   |
| <b>20 CONTINGENCIES AND COMMITMENTS</b>  |   |                                      |                                  |
| <b>Transaction related contingent liability:</b>   |   |                                      |                                  |
| Standby letter of credit   |   | 751,631                              | 532,162                          |
| Pledge of shares on behalf of Japan Power Generation Limited                                   | 20.1  | 70,726                               | 70,726                           |
| Pledge of shares on behalf of Orient Power Company (Private) Limited                           | 20.2  | 226,000                              | 226,000                          |
| Commitments for:   |   |                                      |                                  |
| Purchase of Government securities  |   | 6,547,202                            | 11,774,285                       |
| Sale of Government securities  |   | 9,670,402                            | 2,925,786                        |
| Commitments for advances and net investment in finance leases                                  |   | 979,782                              | 1,066,750                        |
| Securities given as collateral against loan taken by Pak Oman Asset Management Company Limited | 20.3  | 45,000                               | 136,000                          |
| <b>20.1</b>  | Shares in Japan Power Generation Limited (JPGL) (an associate) aggregating 17,622,878 having a cost of Rs. 70.726 million (2019: Rs. 70.726 million) are pledged as security on behalf of that associate company against a syndicate finance facility obtained by it (the associate company). |                                      |                                  |
| <b>20.2</b>  | Investment in unlisted shares in Orient Power Company (Private) Limited (related party) aggregating 22,600,000 having a cost of Rs. 226 million are pledged as security against a syndicate finance facility obtained by Orient Power Company (Private) Limited.                              |                                      |                                  |
| <b>20.3</b>  | PIBs having face value amounting to Rs. 45 million (2019: Rs 136 million) which have been collateralized against a loan sanctioned to Pak Oman Asset Management Company Limited from Habib Bank Limited for the acquisition of Askari Investment Management Limited (AIML).                   |                                      |                                  |

|                  |  | (Un-audited)         |                      |
|------------------|--|----------------------|----------------------|
|                  |  | Nine months ended    |                      |
| Note             |  | 30 September<br>2020 | 30 September<br>2019 |
| (Rupees in '000) |  |                      |                      |
| <b>21</b>        | <b>MARK-UP / RETURN / INTEREST EARNED</b>                |                      |                      |
|                  | On:  |                      |                      |
|                  | a) Loans and advances                                    | 1,761,908            | 1,805,666            |
|                  | b) Investments   | 5,430,695            | 2,859,416            |
|                  | c) Lendings to financial institutions                    | 286,948              | 279,649              |
|                  | d) Balances with banks                                   | 151,202              | 138,122              |
|                  |  | <u>7,630,753</u>     | <u>5,082,853</u>     |
| <b>22</b>        | <b>MARK-UP / RETURN / INTEREST EXPENSED</b>              |                      |                      |
|                  | On:  |                      |                      |
|                  | a) Deposits  | 1,052,313            | 584,426              |
|                  | b) Borrowings  | 5,193,157            | 3,762,133            |
|                  | c) Lease liability against right-of-use assets           | 11,378               | 12,101               |
|                  |  | <u>6,256,848</u>     | <u>4,358,660</u>     |
| <b>23</b>        | <b>FEE AND COMMISSION INCOME</b>                         |                      |                      |
|                  | Credit related fees                                      | 13,498               | 28,419               |
|                  | Investment banking fees                                  | 6,587                | 4,241                |
|                  | Commission on guarantees                                 | 2,810                | 2,305                |
|                  | Underwriting commission of Government securities auction | -                    | 3,832                |
|                  |  | <u>22,895</u>        | <u>38,797</u>        |
| <b>24</b>        | <b>GAIN ON SECURITIES</b>                                |                      |                      |
|                  | Realised   | 270,940              | 102,076              |
|                  | Unrealised - held for trading                            | 18,401               | 6,493                |
|                  |  | <u>289,341</u>       | <u>108,569</u>       |
| <b>24.1</b>      | <b>Realised gain/(loss) on:</b>                          |                      |                      |
|                  | Federal Government Securities                            | 265,072              | 98,470               |
|                  | Non Government debt securities                           | 5,362                | 3,606                |
|                  | Mutual Funds   | 506                  | -                    |
|                  |  | <u>270,940</u>       | <u>102,076</u>       |
| <b>25</b>        | <b>OTHER INCOME</b>                                      |                      |                      |
|                  | Gain on sale of fixed assets - net                       | <u>2,065</u>         | <u>665</u>           |

|   | (Un-audited)         |                      |
|---|----------------------|----------------------|
|   | Nine months ended    |                      |
|   | 30 September<br>2020 | 30 September<br>2019 |
|   | (Rupees in '000)     |                      |
| <b>26 OPERATING EXPENSES</b>                        |                      |                      |
| Total compensation expense                          | 337,375              | 308,882              |
| <b>Property expense</b>                             |                      |                      |
| Rent & taxes  | 638                  | 604                  |
| Utilities cost                                      | 2,956                | 2,375                |
| Security (including guards)                         | 437                  | 453                  |
| Repair & maintenance (including janitorial charges) | 6,940                | 5,378                |
| Depreciation on right-of-use assets                 | 18,314               | 18,314               |
| Depreciation  | 1,580                | 1,580                |
|   | <b>30,865</b>        | <b>28,704</b>        |
| <b>Information technology expenses</b>              |                      |                      |
| Software maintenance                                | 880                  | 765                  |
| Hardware maintenance                                | 317                  | -                    |
| Depreciation  | 878                  | 756                  |
| Amortisation  | 5                    | 352                  |
| Network charges                                     | 1,941                | 1,429                |
| Others  | 791                  | 819                  |
|   | <b>4,812</b>         | <b>4,121</b>         |
| <b>Other operating expenses</b>                     |                      |                      |
| Directors' fees and allowances                      | 20,014               | 18,325               |
| Legal & professional charges                        | 5,391                | 5,654                |
| Travelling & conveyance                             | 4,687                | 5,905                |
| Depreciation  | 27,607               | 28,635               |
| Training & development                              | 177                  | 927                  |
| Postage & courier charges                           | 495                  | 321                  |
| Communication                                       | 5,176                | 5,871                |
| Stationery & printing                               | 1,031                | 951                  |
| Marketing, advertisement & publicity                | 921                  | 579                  |
| Donations   | 400                  | 500                  |
| Auditors' remuneration                              | 1,428                | 1,045                |
| Membership and subscriptions                        | 1,393                | 1,075                |
| Transportation                                      | 6,833                | 6,400                |
| Insurance   | 2,424                | 2,075                |
| Finance charges on leased assets                    | 196                  | 156                  |
| Entertainment and canteen expenses                  | 2,394                | 2,226                |
| Maintenance charges - Non-banking assets            | 5,201                | -                    |
| Others  | 4,269                | 2,921                |
|   | <b>90,037</b>        | <b>83,566</b>        |
| Total operating expenses                            | <b>463,089</b>       | <b>425,273</b>       |

|           |  | (Un-audited)<br>Nine months ended |                      |
|-----------|--|-----------------------------------|----------------------|
|           |  | 30 September<br>2020              | 30 September<br>2019 |
|           |  | (Rupees in '000)                  |                      |
| <b>27</b> | <b>OTHER CHARGES</b>   |                                   |                      |
|           | Penalties imposed by State Bank of Pakistan                  | -                                 | 600                  |
|           | Fee, commission and others                                   | 23,882                            | 17,890               |
|           |  | <u>23,882</u>                     | <u>18,490</u>        |
| <b>28</b> | <b>REVERSAL / (PROVISIONS) &amp; WRITE OFFS - NET</b>        |                                   |                      |
|           | Reversal of provision for diminution in value of investments | -                                 | 4,246                |
|           | Reversal of provision against loans & advances               | 295                               | 25,385               |
|           |  | <u>295</u>                        | <u>29,631</u>        |
| <b>29</b> | <b>TAXATION</b>  |                                   |                      |
|           | Current  | 270,399                           | 77,093               |
|           | Prior years  | -                                 | -                    |
|           | Deferred   | 76,304                            | 48,424               |
|           |  | <u>346,703</u>                    | <u>125,517</u>       |

**29.1 Tax contingencies**

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

|           |   | (Un-audited)<br>Nine months ended |                      |
|-----------|---|-----------------------------------|----------------------|
|           |   | 30 September<br>2020              | 30 September<br>2019 |
|           |   | (Rupees in '000)                  |                      |
| <b>30</b> | <b>BASIC AND DILUTED EARNINGS PER SHARE</b>         |                                   |                      |
|           | Profit after taxation                               | 884,255                           | 358,833              |
|           | Weighted average number of ordinary shares in issue | 615,000                           | 615,000              |
|           | Basic and diluted earnings per share                | 1.44                              | 0.58                 |

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

|           |                                       | (Un-audited)<br>Nine months ended |                      |
|-----------|---------------------------------------|-----------------------------------|----------------------|
|           |                                       | 30 September<br>2020              | 30 September<br>2019 |
|           |                                       | (Rupees in '000)                  |                      |
| <b>31</b> | <b>CASH AND CASH EQUIVALENTS</b>      |                                   |                      |
|           | Cash and balances with treasury banks | 280,555                           | 98,611               |
|           | Balances with other banks             | 1,345,036                         | 1,458,238            |
|           |                                       | <u>1,625,591</u>                  | <u>1,556,849</u>     |

## 32 FAIR VALUE MEASUREMENTS

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

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

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

### 32.1 Fair value of financial assets

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

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

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

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

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

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

| (Un-audited)   |         |            |           |            |
|--|---------|------------|-----------|------------|
| As at 30 September 2020  |         |            |           |            |
| On balance sheet financial instruments                             | Level 1 | Level 2    | Level 3   | Total      |
| ----- (Rupees in '000) -----                                       |         |            |           |            |
| <b>Financial assets - measured at fair value</b>                   |         |            |           |            |
| Investments  |         |            |           |            |
| Federal Government securities                                      | -       | 50,713,512 | -         | 50,713,512 |
| Non-Government debt securities                                     | -       | 3,212,065  | -         | 3,212,065  |
| Mutual funds   | 617,068 | -          | -         | 617,068    |
| <b>Financial assets - disclosed but not measured at fair value</b> |         |            |           |            |
| Investments  | -       | -          | 1,051,633 | 1,051,633  |
| (Audited)  |         |            |           |            |
| As at 31 December 2019   |         |            |           |            |
| On balance sheet financial instruments                             | Level 1 | Level 2    | Level 3   | Total      |
| ----- (Rupees in '000) -----                                       |         |            |           |            |
| <b>Financial assets - measured at fair value</b>                   |         |            |           |            |
| Investments  |         |            |           |            |
| Federal Government securities                                      | -       | 54,367,036 | -         | 54,367,036 |
| Non-Government debt securities                                     | -       | 3,466,736  | -         | 3,466,736  |
| Mutual funds   | 640,864 | -          | -         | 640,864    |
| <b>Financial assets - disclosed but not measured at fair value</b> |         |            |           |            |
| Investments  | -       | -          | 951,633   | 951,633    |

### 32.2 Fair value of non-financial assets

| (Un-audited)  |         |         |         |         |
|---|---------|---------|---------|---------|
| As at 30 September 2020                               |         |         |         |         |
| Non-banking assets acquired in satisfaction of claims | Level 1 | Level 2 | Level 3 | Total   |
| ----- (Rupees in '000) -----                          |         |         |         |         |
| Non-banking assets acquired in satisfaction of claims | -       | -       | 375,990 | 375,990 |
| (Audited)   |         |         |         |         |
| As at 31 December 2019                                |         |         |         |         |
| Non-banking assets acquired in satisfaction of claims | Level 1 | Level 2 | Level 3 | Total   |
| ----- (Rupees in '000) -----                          |         |         |         |         |
| Non-banking assets acquired in satisfaction of claims | -       | -       | 375,990 | 375,990 |

## 33 SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

|  | (Un-audited)                        |                       |            |            |
|--|-------------------------------------|-----------------------|------------|------------|
|  | Nine months ended 30 September 2020 |                       |            |            |
|  | Corporate<br>Banking                | Investment<br>Banking | Treasury   | Total      |
|  | ----- (Rupees in '000) -----        |                       |            |            |
| <b>Profit &amp; loss account</b>       |                                     |                       |            |            |
| Net mark-up / return / profit          | 423,137                             | (120,097)             | 1,070,865  | 1,373,905  |
| Non mark-up / return / interest income | 16,634                              | 61,381                | 290,836    | 368,851    |
| Total income                           | 439,771                             | (58,716)              | 1,361,701  | 1,742,756  |
| Segment direct expenses                | 271,490                             | 37,695                | 202,908    | 512,093    |
| Reversals                              | 295                                 | -                     | -          | 295        |
| Profit before tax                      | 168,576                             | (96,411)              | 1,158,793  | 1,230,958  |
|  |                                     |                       |            |            |
|  | (Un-audited)                        |                       |            |            |
|  | As at 30 September 2020             |                       |            |            |
|  | Corporate<br>Banking                | Investment<br>Banking | Treasury   | Total      |
|  | ----- (Rupees in '000) -----        |                       |            |            |
| <b>Statement of financial position</b> |                                     |                       |            |            |
| Cash & Bank balances                   | -                                   | -                     | 1,625,591  | 1,625,591  |
| Investments                            | -                                   | 1,642,656             | 53,925,577 | 55,568,233 |
| Lendings to financial institutions     | -                                   | -                     | 2,971,029  | 2,971,029  |
| Advances - performing                  | 19,838,393                          | -                     | 713,655    | 20,552,048 |
| non- performing                        | 122,096                             | -                     | -          | 122,096    |
| Others                                 | 948,602                             | 390,853               | 711,988    | 2,051,443  |
| <b>Total assets</b>                    | 20,909,091                          | 2,033,509             | 59,947,840 | 82,890,440 |
| Borrowings                             | 13,338,133                          | 1,183,657             | 34,894,219 | 49,416,009 |
| Subordinated debt                      | -                                   | -                     | -          | -          |
| Deposits & other accounts              | 5,749,816                           | 559,197               | 16,485,127 | 22,794,140 |
| Others                                 | 518,596                             | 33,965                | 1,001,274  | 1,553,835  |
| <b>Total liabilities</b>               | 19,606,545                          | 1,776,819             | 52,380,620 | 73,763,984 |
| Equity                                 | 1,302,546                           | 256,690               | 7,567,220  | 9,126,456  |
| <b>Total equity &amp; liabilities</b>  | 20,909,091                          | 2,033,509             | 59,947,840 | 82,890,440 |
| <b>Contingencies &amp; commitments</b> | 1,731,413                           | 341,726               | 16,217,604 | 18,290,743 |
|  |                                     |                       |            |            |
|  | (Un-audited)                        |                       |            |            |
|  | Nine months ended 30 September 2019 |                       |            |            |
|  | Corporate<br>Banking                | Investment<br>Banking | Treasury   | Total      |
|  | ----- (Rupees in '000) -----        |                       |            |            |
| <b>Profit &amp; loss account</b>       |                                     |                       |            |            |
| Net mark-up / return / profit          | 363,517                             | (91,576)              | 452,252    | 724,193    |
| Non mark-up / return / interest income | 31,043                              | 34,481                | 113,366    | 178,890    |
| Total income                           | 394,560                             | (57,095)              | 565,618    | 903,083    |
| Segment direct expenses                | 243,155                             | 38,339                | 166,870    | 448,364    |
| Reversals                              | 25,385                              | 4,246                 | -          | 29,631     |
| Profit before tax                      | 176,790                             | (91,188)              | 398,748    | 484,350    |
|  |                                     |                       |            |            |
|  | (Audited)                           |                       |            |            |
|  | As at 31 December 2019              |                       |            |            |
|  | Corporate<br>Banking                | Investment<br>Banking | Treasury   | Total      |
|  | ----- (Rupees in '000) -----        |                       |            |            |
| <b>Statement of financial position</b> |                                     |                       |            |            |
| Cash & Bank balances                   | -                                   | -                     | 2,128,067  | 2,128,067  |
| Investments                            | -                                   | 3,675,713             | 55,700,209 | 59,375,922 |
| Lendings to financial institutions     | -                                   | -                     | 8,132,475  | 8,132,475  |
| Advances - performing                  | 19,619,714                          | -                     | 277,746    | 19,897,460 |
| non-performing                         | 126,673                             | -                     | -          | 126,673    |
| Others                                 | 827,947                             | 550,481               | 1,043,789  | 2,422,217  |
| <b>Total assets</b>                    | 20,574,334                          | 4,226,194             | 67,282,286 | 92,082,814 |
| Borrowings                             | 16,880,052                          | 3,356,972             | 53,444,002 | 73,681,026 |
| Subordinated debt                      | -                                   | -                     | -          | -          |
| Deposits & other accounts              | 1,916,249                           | 393,618               | 6,266,525  | 8,576,392  |
| Others                                 | 525,669                             | 55,925                | 890,341    | 1,471,935  |
| <b>Total liabilities</b>               | 19,321,970                          | 3,806,515             | 60,600,868 | 83,729,353 |
| Equity                                 | 1,252,364                           | 419,679               | 6,681,418  | 8,353,461  |
| <b>Total equity &amp; liabilities</b>  | 20,574,334                          | 4,226,194             | 67,282,286 | 92,082,814 |
| <b>Contingencies &amp; commitments</b> | 1,598,912                           | 432,726               | 14,700,071 | 16,731,709 |

## **34 RELATED PARTY TRANSACTIONS**

The Company has related party relationship with various parties, including its directors, key management personnel (including their associates), associates, subsidiary company, employee benefit plans, and company having common directors. The details of investments in subsidiary company and associates are stated in note 9 to these financial statements.

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

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

### **34.1 Subsidiary**

Pak Oman Asset Management Company Limited

### **34.2 Associates**

Japan Power Generation Limited  
Pak Oman Microfinance Bank Limited  
Pak Oman Advantage Islamic Income Fund  
Pak Oman Islamic Asset Allocation Fund  
Pak Oman Advantage Asset Allocation Fund  
Pak Oman Government Securities Fund

### **34.3 Retirement benefit fund**

Defined benefit plan  
Defined contribution plan

### **34.4 Other related party**

Orient Power Company (Private) Limited  
Ismail Industries Limited  
K- Electric  
Oman LNG, Sultanate of Oman  
Diamond Textile Mills (Pvt.) Limited  
Civil Aviation Authority  
Pakistan LNG Limited  
Public Private Partnership Authority

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

|  | As at 30 September 2020 (Un-audited) |                          |              |            |                          |                       | As at 31 December 2019 (Audited) |                          |              |            |                          |                       |
|--|--------------------------------------|--------------------------|--------------|------------|--------------------------|-----------------------|----------------------------------|--------------------------|--------------|------------|--------------------------|-----------------------|
|  | Directors                            | Key management personnel | Subsidiaries | Associates | Retirement benefit funds | Other related parties | Directors                        | Key management personnel | Subsidiaries | Associates | Retirement benefit funds | Other related parties |
|  | (Rupees in '000)                     |                          |              |            |                          |                       |                                  |                          |              |            |                          |                       |
| <b>Investments</b>                                 |                                      |                          |              |            |                          |                       |                                  |                          |              |            |                          |                       |
| Opening balance                                    | -                                    | -                        | 498,300      | 1,045,951  | -                        | 726,000               | -                                | -                        | 498,300      | 1,045,951  | -                        | 226,000               |
| Investment made during the year                    | -                                    | -                        | 100,000      | 50,000     | -                        | -                     | -                                | -                        | -            | -          | -                        | 500,000               |
| Investment redeemed / disposed off during the year | -                                    | -                        | -            | (49,494)   | -                        | -                     | -                                | -                        | -            | -          | -                        | -                     |
| Transfer in / (out) - net                          | -                                    | -                        | -            | -          | -                        | -                     | -                                | -                        | -            | -          | -                        | -                     |
| Closing balance                                    | -                                    | -                        | 598,300      | 1,046,457  | -                        | 726,000               | -                                | -                        | 498,300      | 1,045,951  | -                        | 726,000               |
| Provision for diminution in value of investments   | -                                    | -                        | 157,375      | 70,726     | -                        | -                     | -                                | -                        | 157,375      | 70,726     | -                        | -                     |
| <b>Advances</b>                                    |                                      |                          |              |            |                          |                       |                                  |                          |              |            |                          |                       |
| Opening balance                                    | -                                    | 38,487                   | -            | 68,200     | -                        | 565,459               | -                                | 43,626                   | -            | 68,200     | -                        | 72,916                |
| Addition during the year                           | -                                    | 12,577                   | -            | -          | -                        | -                     | -                                | 15,400                   | -            | -          | -                        | 539,566               |
| Repaid during the year                             | -                                    | (7,766)                  | -            | -          | -                        | (40,893)              | -                                | (20,539)                 | -            | -          | -                        | (47,023)              |
| Transfer in / (out) - net                          | -                                    | -                        | -            | -          | -                        | -                     | -                                | -                        | -            | -          | -                        | -                     |
| Closing balance                                    | -                                    | 43,298                   | -            | 68,200     | -                        | 524,566               | -                                | 38,487                   | -            | 68,200     | -                        | 565,459               |
| Provision held against advances                    | -                                    | -                        | -            | 68,200     | -                        | -                     | -                                | -                        | -            | 68,200     | -                        | -                     |
|  | (Rupees in '000)                     |                          |              |            |                          |                       |                                  |                          |              |            |                          |                       |
| <b>Other Assets</b>                                |                                      |                          |              |            |                          |                       |                                  |                          |              |            |                          |                       |
| Interest / mark-up accrued                         | -                                    | -                        | -            | -          | -                        | 8,729                 | -                                | -                        | -            | -          | -                        | 3,241                 |
| Receivable from staff retirement fund              | -                                    | -                        | -            | -          | -                        | -                     | -                                | -                        | -            | -          | 15,447                   | -                     |
| Other receivable                                   | -                                    | -                        | -            | -          | -                        | -                     | -                                | -                        | -            | -          | -                        | -                     |
| Provision against other assets                     | -                                    | -                        | -            | -          | -                        | -                     | -                                | -                        | -            | -          | -                        | -                     |
| <b>Deposits and other accounts</b>                 |                                      |                          |              |            |                          |                       |                                  |                          |              |            |                          |                       |
| Opening balance                                    | -                                    | 4,082                    | -            | -          | -                        | -                     | -                                | 909                      | -            | -          | 5,492                    | -                     |
| Received during the year                           | -                                    | 73,618                   | -            | -          | 11,326                   | -                     | -                                | 64,629                   | -            | -          | 102,997                  | -                     |
| Withdrawn during the year                          | -                                    | (68,635)                 | -            | -          | (9,026)                  | -                     | -                                | (61,456)                 | -            | -          | (108,489)                | -                     |
| Transfer in / (out) - net                          | -                                    | -                        | -            | -          | -                        | -                     | -                                | -                        | -            | -          | -                        | -                     |
| Closing balance                                    | -                                    | 9,065                    | -            | -          | 2,300                    | -                     | -                                | 4,082                    | -            | -          | -                        | -                     |
| <b>Other Liabilities</b>                           |                                      |                          |              |            |                          |                       |                                  |                          |              |            |                          |                       |
| Interest / mark-up payable                         | -                                    | 61                       | -            | -          | 148                      | -                     | -                                | 33                       | -            | -          | -                        | -                     |
| Payable to staff retirement fund                   | -                                    | -                        | -            | -          | -                        | -                     | -                                | -                        | -            | -          | -                        | -                     |
| Other liabilities                                  | -                                    | -                        | -            | -          | -                        | -                     | -                                | -                        | -            | -          | -                        | -                     |
| <b>Outright sale of Securities</b>                 | -                                    | -                        | -            | 1,090,752  | 873,968                  | -                     | -                                | -                        | 14,537       | 1,385,342  | 909,630                  | -                     |
| <b>Outright purchase of Securities</b>             | -                                    | -                        | -            | 406,109    | 869,417                  | -                     | -                                | -                        | 69,576       | 243,315    | 720,365                  | -                     |
| <b>Contingencies and Commitments</b>               |                                      |                          |              |            |                          |                       |                                  |                          |              |            |                          |                       |
| Other contingencies                                | -                                    | -                        | 45,000       | 70,726     | -                        | 226,000               | -                                | -                        | 136,000      | 70,726     | -                        | 226,000               |

## 34.6 Related party transactions

|   | Nine months ended 30 September 2020 (Un-audited) |                          |              |            |                          | Nine months ended 30 September 2019 (Un-audited) |           |                          |              |            |                          |                       |
|---|--|--------------------------|--------------|------------|--------------------------|--|-----------|--------------------------|--------------|------------|--------------------------|-----------------------|
|   | Directors  | Key management personnel | Subsidiaries | Associates | Retirement benefit funds | Other related parties                            | Directors | Key management personnel | Subsidiaries | Associates | Retirement benefit funds | Other related parties |
| ----- (Rupees in '000) -----                  |  |                          |              |            |                          |  |           |                          |              |            |                          |                       |
| <b>Income</b>                                 |  |                          |              |            |                          |  |           |                          |              |            |                          |                       |
| Mark-up / return / interest earned            | -  | 1,201                    | -            | -          | -                        | 83,529   | -         | 1,681                    | -            | -          | -                        | 6,056                 |
| Fee and commission income                     | -  | -                        | -            | -          | -                        | 2,500  | -         | -                        | -            | -          | -                        | -                     |
| Dividend income                               | -  | -                        | -            | 54,550     | -                        | -  | -         | -                        | 30,447       | -          | -                        | -                     |
| Net gain on sale of securities                | -  | -                        | -            | 602        | 6                        | -  | -         | -                        | 295          | 70         | -                        | -                     |
| Other income                                  | -  | -                        | -            | -          | -                        | -  | -         | -                        | -            | -          | -                        | -                     |
| Other comprehensive income                    | -  | -                        | -            | -          | -                        | -  | -         | -                        | -            | -          | -                        | -                     |
| <b>Expense</b>                                |  |                          |              |            |                          |  |           |                          |              |            |                          |                       |
| Mark-up / return / interest paid              | -  | 684                      | -            | -          | 245                      | -  | -         | 423                      | -            | -          | 1,067                    | -                     |
| Operating expenses                            | -  | -                        | -            | -          | -                        | -  | -         | -                        | -            | -          | -                        | -                     |
| Non- Executive Directors' fees and allowances | 20,014   | -                        | -            | -          | -                        | -  | 18,325    | -                        | -            | -          | -                        | -                     |
| Compensation expenses                         | -  | 205,408                  | -            | -          | -                        | -  | -         | 190,154                  | -            | -          | -                        | -                     |
| Contribution to defined contribution plan     | -  | -                        | -            | -          | 13,787                   | -  | -         | -                        | -            | 12,901     | -                        | -                     |
| Charge for defined benefit plan               | -  | -                        | -            | -          | 11,729                   | -  | -         | -                        | -            | 10,794     | -                        | -                     |

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

|   | (Un-audited)<br>30 September<br>2020 | (Audited)<br>31 December<br>2019 |
|---|--------------------------------------|----------------------------------|
|   | (Rupees in '000)                     |                                  |
| <b>Minimum Capital Requirement (MCR):</b>     |                                      |                                  |
| Paid-up capital (net of losses)               | <u>6,150,000</u>                     | <u>6,150,000</u>                 |
| <b>Capital Adequacy Ratio (CAR):</b>          |                                      |                                  |
| Eligible Common Equity Tier 1 (CET 1) Capital | <u>7,083,088</u>                     | 5,907,186                        |
| Eligible Additional Tier 1 (ADT 1) Capital    | -                                    | -                                |
| Total Eligible Tier 1 Capital                 | <u>7,083,088</u>                     | 5,907,186                        |
| Eligible Tier 2 Capital                       | -                                    | -                                |
| Total Eligible Capital (Tier 1 + Tier 2)      | <u>7,083,088</u>                     | 5,907,186                        |
| <b>Risk Weighted Assets (RWAs):</b>           |                                      |                                  |
| Credit Risk                                   | <u>31,817,311</u>                    | 27,604,147                       |
| Market Risk                                   | <u>10,521,286</u>                    | 8,301,000                        |
| Operational Risk                              | <u>2,039,196</u>                     | 2,039,196                        |
| Total   | <u>44,377,793</u>                    | 37,944,343                       |
| Common Equity Tier 1 Capital Adequacy ratio   | <u>15.96%</u>                        | 15.57%                           |
| Tier 1 Capital Adequacy Ratio                 | <u>15.96%</u>                        | 15.57%                           |
| Total Capital Adequacy Ratio                  | <u>15.96%</u>                        | 15.57%                           |
| <b>Leverage Ratio (LR):</b>                   |                                      |                                  |
| Eligible Tier-1 Capital                       | <u>7,083,088</u>                     | 5,907,186                        |
| Total Exposures                               | <u>106,364,090</u>                   | 91,226,753                       |
| Leverage Ratio                                | <u>6.66%</u>                         | 6.48%                            |
| <b>Liquidity Coverage Ratio (LCR):</b>        |                                      |                                  |
| Total High Quality Liquid Assets              | <u>8,966,221</u>                     | 6,227,965                        |
| Total Net Cash Outflow                        | <u>16,659,357</u>                    | 9,139,548                        |
| Liquidity Coverage Ratio                      | <u>53.82%</u>                        | 68.14%                           |
| <b>Net Stable Funding Ratio (NSFR):</b>       |                                      |                                  |
| Total Available Stable Funding                | <u>26,154,790</u>                    | 21,887,939                       |
| Total Required Stable Funding                 | <u>21,209,650</u>                    | 21,507,690                       |
| Net Stable Funding Ratio                      | <u>123.32%</u>                       | 101.77%                          |

**36 CREDIT RATING**

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

**37 GENERAL**

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

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

**38 DATE OF AUTHORISATION FOR ISSUE**

These unconsolidated financial statements were authorised for issue on 15 October 2020 by the Board of Directors of the Company.

|   |                                |                                       |                    |   |
|---|--------------------------------|---------------------------------------|--------------------|---|
| Bahauddin Khan  | Mohammad Jamal Nasir           | Sayyid Juland Jaifar<br>Salim Al Said | Omar Hamid<br>Khan | Yahya Bin Said Bin<br>Abdullah Al-Jabri |
| <hr/>   | <hr/>                          | <hr/>                                 | <hr/>              | <hr/>                                   |
| <b>Managing Director/<br/>Chief Executive Officer</b> | <b>Chief Financial Officer</b> | <b>Director</b>                       | <b>Director</b>    | <b>Chairman</b>                         |