

**PAK OMAN INVESTMENT
COMPANY LIMITED**

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

**FOR THE PERIOD ENDED
30 SEPTEMBER 2019**

Pak Oman Investment Company Limited
Consolidated Condensed Interim Statement of Financial Position
As at 30 September 2019


(Unaudited) 30 September 2019 (US Dollar in '000)	(Audited) 31 December 2018		Note	(Unaudited) 30 September 2019 (Rupees in '000)	(Audited) 31 December 2018 (Rupees in '000)
ASSETS					
631	785	Cash and balances with treasury banks	6	98,639	122,740
9,438	14,671	Balances with other banks	7	1,475,748	2,294,067
15,843	34,754	Lendings to financial institutions	8	2,477,266	5,434,296
315,197	181,254	Investments	9	49,285,979	28,341,835
129,843	130,988	Advances	10	20,302,953	20,482,056
1,407	663	Fixed assets	11	219,996	103,626
1,687	1,689	Intangible assets	12	263,717	264,069
2,053	2,576	Deferred tax assets	13	321,094	402,873
10,205	6,082	Other assets	14	1,595,709	951,091
486,304	373,462			76,041,101	58,396,653
LIABILITIES					
-	-	Bills payable		-	-
384,624	257,436	Borrowings	15	60,141,897	40,254,145
42,716	57,625	Deposits and other accounts	16	6,679,344	9,010,490
5	6	Liabilities against assets subject to finance lease	17	741	992
-	-	Subordinated debt		-	-
-	-	Deferred tax liabilities		-	-
7,734	6,894	Other liabilities	18	1,209,303	1,078,033
435,079	321,961			68,031,285	50,343,660
51,225	51,501	NET ASSETS		8,009,816	8,052,993
REPRESENTED BY					
39,331	39,331	Share capital		6,150,000	6,150,000
7,907	7,448	Reserves		1,236,410	1,164,643
758	252	Surplus on revaluation of assets	19	118,508	39,425
3,184	4,417	Unappropriated profit		497,880	690,607
51,180	51,448	Equity attributable to shareholder of holding company		8,002,798	8,044,675
45	53	Non-Controlling Interest		7,018	8,318
51,225	51,501			8,009,816	8,052,993
CONTINGENCIES AND COMMITMENTS					
20					


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


 Managing Director/
 Chief Executive Officer


 Chief Financial Officer


 Director


 Director


 Chairman

Pak Oman Investment Company Limited
Consolidated Condensed Interim Profit and Loss Account (Un-Audited)
For the nine months ended 30 September 2019

Nine months ended			Quarter ended		Nine months ended	
30 September 2019	30 September 2018		30 September 2019	30 September 2018	30 September 2019	30 September 2018
(US Dollar in '000)		Note	(Rupees in '000)			
32,639	16,384	Mark-up / Return / Interest Earned	2,381,494	1,009,105	5,103,551	2,561,899
28,033	12,500	Mark-up / Return / Interest Expensed	2,147,737	798,093	4,383,409	1,954,544
4,606	3,884	Net mark-up / interest income	233,757	211,012	720,142	607,355
NON MARK-UP / INTEREST INCOME						
495	769	Fee and commission income	15,957	25,589	77,456	120,186
3	10	Dividend income	412	-	412	1,539
-	-	Foreign exchange income	-	-	-	-
-	-	Income / (loss) from derivatives	-	-	-	-
623	175	Gain on securities	76,381	1,233	97,342	27,346
142	107	Share of profit from associates - net of tax	5,388	4,776	22,218	16,664
44	174	Other income	2,106	3,409	6,884	27,152
1,307	1,235	Total non mark-up / interest income	100,244	35,007	204,312	192,887
5,913	5,119	Total Income	334,001	246,019	924,454	800,242
NON MARK-UP / INTEREST EXPENSES						
3,182	3,203	Operating expenses	161,056	165,895	497,536	500,781
29	27	Workers Welfare Fund	1,036	(1,220)	4,601	4,280
118	126	Other charges	6,516	7,023	18,490	19,742
3,329	3,356	Total non mark-up / interest expenses	168,608	171,698	520,627	524,803
2,584	1,763	Profit Before Provisions	165,393	74,321	403,827	275,439
189	1,543	Reversals and write offs - net	1,200	24,868	29,631	241,326
-	-	Extra ordinary / unusual items	-	-	-	-
2,773	3,306	PROFIT BEFORE TAXATION	166,593	99,189	433,458	516,765
(813)	(1,399)	Taxation	(57,283)	(23,870)	(127,091)	(218,808)
1,960	1,907	PROFIT AFTER TAXATION	109,310	75,319	306,367	297,957
ATTRIBUTABLE TO:						
1,968	1,905	Shareholders of the holding company	109,998	75,323	307,667	297,721
(8)	2	Non-controlling interest	(688)	(4)	(1,300)	236
1,960	1,907		109,310	75,319	306,367	297,957
(US \$)			(Rupees)			
0.0032	0.0031	Basic and diluted earnings per share attributable to shareholders of the holding company	0.18	0.12	0.50	0.48

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


 Managing Director/
 Chief Executive Officer


 Chief Financial Officer


 Director


 Director

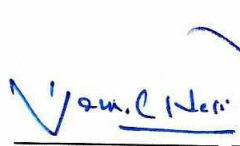

 Chairman

Pak Oman Investment Company Limited
Consolidated Condensed Interim Statement of Comprehensive Income (Un-Audited)
For the nine months ended 30 September 2019

Nine months ended			Quarter ended		Nine months ended	
30 September 2019	30 September 2018		30 September 2019	30 September 2018	30 September 2019	30 September 2018
(US Dollar in '000)			(Rupees in '000)			
1,960	1,907	Profit after taxation for the period	109,310	75,319	306,367	297,957
		Other comprehensive income				
		Items that may be reclassified to profit and loss account in subsequent periods:				
522	(186)	Movements in deficit on revaluation of investments - net of tax	91,237	(29,309)	81,690	(29,142)
		Items that will not be reclassified to profit and loss account in subsequent periods:				
		Movement in deficit on revaluation of non-banking assets- net of tax	(651)	(661)	(2,607)	(7,792)
			(651)	(661)	(2,607)	(7,792)
<u>2,465</u>	<u>1,671</u>	Total comprehensive income	<u>199,896</u>	<u>45,349</u>	<u>385,450</u>	<u>261,023</u>
		ATTRIBUTABLE TO:				
2,473	1,669	Shareholders of the holding company	200,584	45,353	386,750	260,787
(8)	2	Non-controlling interest	(688)	(4)	(1,300)	236
<u>2,465</u>	<u>1,671</u>		<u>199,896</u>	<u>45,349</u>	<u>385,450</u>	<u>261,023</u>

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 Chief Financial Officer


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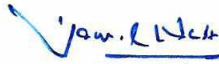

 Chairman

Pak Oman Investment Company Limited
Consolidated Condensed Interim Statement of Changes in Equity (Un-Audited)
For the nine months ended 30 September 2019

	Share capital	(Reserves)		Surplus / (deficit) on revaluation of		Unappropriated profit	Sub total	Non-controlling interest	Total
		Statutory reserve	General reserve	Investments	Non-banking assets				
(Rupees in '000)									
Opening balance as at 01 January 2018	6,150,000	1,060,131	11,630	8,182	55,380	737,744	8,023,067	8,142	8,031,209
Total comprehensive income									
Profit after taxation	-	-	-	-	-	297,721	297,721	236	297,957
Other comprehensive loss - net of tax	-	-	-	(29,142)	(7,792)	-	(36,934)	-	(36,934)
Total comprehensive income for the nine months ended 30 September 2018	-	-	-	(29,142)	(7,792)	297,721	260,787	236	261,023
Transfer to statutory reserve	-	58,747	-	-	-	(58,747)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	2,141	2,141	-	2,141
Transaction with owners recorded directly in equity									
Final cash dividend - 31 December 2017 declared subsequent to the year end (Rs. 0.7 per share)	-	-	-	-	-	(430,500)	(430,500)	-	(430,500)
Opening balance as at 01 October 2018	6,150,000	1,118,878	11,630	(20,960)	47,588	548,359	7,855,495	8,378	7,863,873
Total comprehensive income									
Profit after taxation	-	-	-	-	-	168,738	168,738	(60)	168,678
Other comprehensive loss - net of tax	-	-	-	13,458	(661)	6,984	19,781	-	19,781
Total comprehensive income for the quarter year ended 31 December 2018	-	-	-	13,458	(661)	175,722	188,519	(60)	188,459
Transfer to statutory reserve	-	34,135	-	-	-	(34,135)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	661	661	-	661
Opening balance as at 01 January 2019	6,150,000	1,153,013	11,630	(7,502)	46,927	690,607	8,044,675	8,318	8,052,993
Total comprehensive income									
Profit after taxation	-	-	-	-	-	307,667	307,667	(1,300)	306,367
Other comprehensive loss - net of tax	-	-	-	81,690	(2,607)	-	79,083	-	79,083
Total comprehensive income for the nine months ended 30 September 2019	-	-	-	81,690	(2,607)	307,667	386,750	(1,300)	385,450
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	-	1,873
Transaction with owners recorded directly in equity									
Final cash dividend - 31 December 2018 declared subsequent to the year end (Rs. 0.7 per share)	-	-	-	-	-	(430,500)	(430,500)	-	(430,500)
Closing balance as at 30 September 2019	6,150,000	1,224,780	11,630	74,188	44,320	497,880	8,002,798	7,018	8,009,816

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Managing Director/
Chief Executive Officer


Chief Financial Officer


Director


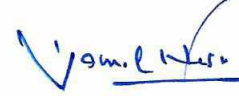



Director

Chairman

Pak Oman Investment Company Limited
Consolidated Condensed Interim Cash Flow Statement (Un-Audited)
For the nine months ended 30 September 2019

30 September 2019 (US Dollar in '000)	30 September 2018 (US Dollar in '000)		Note	30 September 2019 (Rupees in '000)	30 September 2018 (Rupees in '000)
2,773	3,306	CASH FLOW FROM OPERATING ACTIVITIES			
(3)	(10)	Profit before taxation		433,458	516,765
2,770	3,296	Less: Dividend income		(412)	(1,539)
				433,046	515,226
206	226	Adjustments:			
117	-	Depreciation		32,272	35,296
2	-	Depreciation on right-of-use assets		18,314	-
(189)	(1,543)	Amortization		352	353
(4)	(11)	(Reversals) and write offs - net	28	(29,631)	(241,326)
(142)	(107)	Gain on sale of fixed assets		(665)	(1,662)
77	-	Share of (profit) from associates - net of tax		(22,218)	(16,664)
1	-	Mark-up / return / profit / interest expensed on lease liability against right-of-use assets		12,101	-
(42)	(5)	Finance charges on leased assets		156	75
26	(1,438)	Unrealised (gain) / loss on revaluation of investments classified as held-for-trading		(6,493)	(825)
2,796	1,858			4,188	(224,753)
				437,234	290,473
18,911	(35,785)	(Increase) / Decrease in operating assets			
34,397	26,666	Lendings to financial institutions		2,957,030	(5,595,488)
1,308	(19,078)	Held-for-trading securities		5,378,530	4,169,622
(3,046)	(1,098)	Advances		204,488	(2,983,082)
51,570	(29,295)	Other assets (excluding advance taxation)		(476,266)	(171,713)
				8,063,782	(4,580,661)
		Increase / (decrease) in operating liabilities			
		Bills payable		-	-
127,188	(33,243)	Borrowings		19,887,752	(5,198,048)
(14,908)	(7,042)	Deposits		(2,331,146)	(1,101,098)
15	(3,035)	Other liabilities (excluding current taxation)		2,286	(474,522)
112,295	(43,320)			17,558,892	(6,773,668)
166,661	(70,757)			26,059,908	(11,063,856)
(1,680)	(869)	Income tax paid		(262,630)	(135,953)
164,981	(71,626)	Net cash flow generated from / (used in) operating activities		25,797,278	(11,199,809)
		CASH FLOW FROM INVESTING ACTIVITIES			
(167,590)	68,721	Net investments in available-for-sale securities		(26,205,255)	10,745,540
195	1,315	Investments in associates		30,447	205,695
3	10	Dividend received		412	1,539
(38)	(35)	Investments in operating fixed assets		(5,968)	(5,438)
6	29	Proceeds from sale of fixed assets		951	4,570
(167,424)	70,040	Net cash flow (used in) / generated from investing activities		(26,179,413)	10,951,906
		CASH FLOW FROM FINANCING ACTIVITIES			
(3)	(2)	Payments of lease obligations		(407)	(315)
(188)	-	Payments of lease liability against right-of-use assets		(29,378)	-
(2,753)	(2,753)	Dividend paid		(430,500)	(430,500)
(2,944)	(2,755)	Net cash flow (used in) financing activities		(460,285)	(430,815)
(5,387)	(4,341)	(Decrease) in cash and cash equivalents		(842,420)	(678,718)
15,456	14,154	Cash and cash equivalents at beginning of the period		2,416,807	2,213,137
10,069	9,813	Cash and cash equivalents at end of the period	31	1,574,387	1,534,419

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

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

Pak Oman Investment Company Limited
Notes to the Consolidated Condensed Interim Financial Information (Un-Audited)
For the nine months ended 30 September 2019

1. STATUS AND NATURE OF BUSINESS

1.1 The Group comprises of Pak-Oman Investment Company Limited - POICL (the "holding company" or "parent"), a subsidiary, Pak Oman Asset Management Company Limited (POAMCL) and associates. The Group is principally engaged in promotion of the economic growth of Pakistan and Oman through industrial development and agro-based industries on commercial basis and to carry on the business of finance and / or investment bank, asset management and investment advisory services. Brief profile of the holding company and its subsidiary is as follows:

1.1.1 Holding Company

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

1.1.2 Subsidiary Company

Pak-Oman Asset Management Company Limited (the "subsidiary company" or "POAMCL") was incorporated in Pakistan under the repealed Companies Ordinance, 1984 on 28 July 2006 as an unlisted public limited company having its registered office at 1st Floor, Tower A, Shahrah-e-Faisal, Karachi, Pakistan. POAMCL obtained certificate of commencement of business on 31 October 2006. The principal activities of the subsidiary company includes investment advisory and asset management services.

In 2017, the subsidiary company had purchased 100% shares of Askari Investment Management Limited and accordingly seven funds of Askari Investment Management Limited are now under the management of the subsidiary company as disclosed in note 34.1.

1.2 The Group's associates are as follows:

Entity	Country of Incorporation	Nature of business	Holding %	
			30-Sep-19	31-Dec-18
Pak Oman Advantage Islamic Income Fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	82.52	70.44
Pak Oman Islamic Asset Allocation fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	38.38	30.98
Pak Oman Advantage Asset Allocation Fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	88.99	88.66
Pak Oman Government Securities Fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	98.98	98.68
Pak Oman Microfinance Bank Limited	Pakistan	Incorporated under the repealed Companies Ordinance, 1984 and is engaged in providing micro finance services to the poor and under served segment of the society.	16.67	16.67
Japan Power Generation Limited	Pakistan	Incorporated under the repealed Companies Ordinance, 1984 and is engaged in generation of power and its supply to WAPDA.	11.29	11.29

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

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

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

The SECP vide its press release dated 15 February 2019 has deferred the applicability of IFRS 9 for reporting periods ending on or after 30 June 2019. However, the SBP vide its email dated 23 July 2019 has clarified that IFRS 9 is not applicable on financial information of the Company for period ended 30 June 2019. Further, the group considers that as the Prudential Regulations and other SBP directives currently provide the accounting framework for the measurement and valuation of investments and provision against non-performing financing, the implementation of IFRS 9 may require changes in the regulatory regime. Therefore, the group expects that the SBP would issue suitable guidance and instruction on the application of IFRS 9 for the banking sector of Pakistan.

The disclosures made in these consolidated 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 consolidated condensed interim financial statements do not include all the information and disclosures required for annual consolidated financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2018.

These consolidated financial statements have been prepared from the information available in the unaudited condensed interim financial statements of the holding company for the nine months ended 30 September 2019 and the unaudited financial statements of the subsidiary (POAMCL) for the nine months ended 30 September 2019. The consolidated condensed interim financial statements used equity accounting for the associates.

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

The US dollar amounts shown in the consolidated condensed interim statement of financial position, consolidated condensed interim profit and loss account, consolidated condensed interim statement of comprehensive income and consolidated condensed interim cash flow statement are stated solely for information purposes. For this purpose the amounts in Pakistan rupees have been converted into US Dollars at a rate of Rs.156.3654 = 1 US dollar for the nine months ended 30 September 2019 and the corresponding period.

The consolidated 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 consolidated financial statements for the year ended 31 December 2018.

2.2 Amendments to approved accounting standards that are effective in the current period

During the period IFRS 16, the accounting standard for leases, became applicable for the company. The impact of the adoption of IFRS 16 on the group's consolidated condensed interim financial statements is disclosed in note 3.2 below.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after 1 January 2019 but are considered not to be relevant or do not have any significant impact on the Company's consolidated condensed interim financial statements.

2.3 Standards, interpretations of and amendments to approved accounting standards that are not yet effective

There are other certain standards, amendments and interpretations with respect to the approved accounting standards that are not yet effective and are not expected to have material impact on the company's financial statements in the period of their initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited annual consolidated financial statements for the year ended 31 December 2018 except as disclosed in note 3.2.

3.1 Change in reporting format

The SBP vide BPRD Circular Letter No.5 dated 22 March 2019 specified the new reporting format for the quarterly and half yearly financial statements of Banks/ DFIs. The new format has revised the disclosure requirements of the Banks/DFIs for the nine months ended 30 September 2019 which has resulted in certain additional disclosures and reclassifications of the items in these consolidated condensed interim financial statements.

3.2 Adoption of IFRS 16 - 'Leases'

International Accounting Standards Board (IASB) has issued IFRS 16 'Leases' in January 2016 which supersedes IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

The new standard sets out the principles for:

- Lessees to account for all leases under a single on-balance sheet model and governs recognition, measurement, presentation and disclosure of leases; and
- Lessor accounting which is substantially unchanged. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is a lessor.

The Company has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application as January 01, 2019. Under this method, the standard has been applied retrospectively, with the cumulative effect of initially applying the standard, recognised at the date of initial application. Accordingly, adjustment to the carrying amount of assets and liabilities were recognised in the current period. Upon adoption of IFRS 16, the lessees are required to recognise a lease liability for the obligation to make lease payments and a right-of-use (RoU) asset for the right to use the underlying asset for the lease term against a consideration. Under IAS 17, leased assets, under operating lease mode, were not recognised on Company's balance sheets and it only required lessees to recognise a periodic lease expense (rent) on a straight-line basis over the term for leases tenure and relevant lease commitments were disclosed.

New accounting policies of the Company upon adoption of IFRS 16 are:

Right-of-use (RoU) assets

At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease liability. Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any premeasurement of lease liabilities. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liability

At the commencement date of the lease, the Company recognises lease liability measured at the present value of the consideration (lease payments) to be made over the lease term and is adjusted for lease prepayments. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. After the commencement date, the carrying amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made.

The effect of adoption of IFRS 16 as at January 1, 2019 (increase/ (decrease)) is as follows:

	January 1, 2019 (Rupees in '000)
Assets	
Right-of-use (RoU) asset	147,229
Prepayments	(6,030)
Total Assets	<u>141,199</u>
Liabilities	
Lease liability	<u>141,199</u>

The carrying amounts of the Company's right-of-use assets, lease liabilities and the movements during the period is as below:

	September 30, 2019	
	RoU asset (Rupees in '000)	Lease liability (Rupees in '000)
As at January 1, 2019	167,851	141,199
Addition	464	-
Depreciation	(18,314)	-
Borrowing cost	-	(12,101)
Payments	-	856
As at September 30, 2019	<u>150,001</u>	<u>129,954</u>

Had this standard not been applied, assets and liabilities would have been lower by Rs.150.001 million and Rs.129.954 million respectively. Rent expense would have been higher by Rs.18.184 million and depreciation charge and mark-up expense would have been lower by Rs.18.314 million and Rs.12.101 million respectively.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these consolidated condensed interim financial statements is the same as that applied in the preparation of the audited annual consolidated financial statements for the year ended December 31, 2018.

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the group are consistent with those disclosed in the audited annual consolidated financial statements for the year ended December 31, 2018.

6. CASH AND BALANCES WITH TREASURY BANKS

	Note	(Un-audited) 30 September 2019	(Audited) 31 December 2018
		(Rupees in '000)	
In hand			
local currency		348	433
foreign currency		198	198
		<u>546</u>	<u>631</u>
With State Bank of Pakistan in Local currency current account	6.1	96,962	121,861
With National Bank of Pakistan in Local currency current account		1,131	248
		<u>98,639</u>	<u>122,740</u>

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

7. BALANCES WITH OTHER BANKS

In Pakistan:			
In current accounts		1,224	17,776
In deposit accounts	7.1	1,472,304	2,275,788
		<u>1,473,528</u>	<u>2,293,564</u>
Outside Pakistan:			
In current accounts		2,220	503
		<u>1,475,748</u>	<u>2,294,067</u>

7.1 These include term deposit receipts (TDRs) of Rs. 1,450 million (2018: Rs. 2,250 million) maturing between October 2019 to March 2020 (2018: January 2019 to March 2019). These carry mark-up rates ranging from 14.25% to 14.75% (2018: 9.35% to 12%) per annum.

8. LENDINGS TO FINANCIAL INSTITUTIONS

Certificates of investment		-	-
Repurchase agreement lendings (Reverse Repo)		2,477,266	5,434,296
		<u>2,477,266</u>	<u>5,434,296</u>

9 INVESTMENTS

	30 September 2019 (Unaudited)			31 December 2018 (Audited)				
	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value
----- (Rupees in '000) -----								
9.1 Investments by types								
Held-for-trading securities								
Federal Government securities	17,568,764	-	4,113	17,572,877	22,528,724	-	(3,246)	22,525,478
Shares	-	-	-	-	-	-	-	-
Non-Government debt securities	9,000	-	-	9,000	419,849	-	8,587	428,436
	17,577,764	-	4,113	17,581,877	22,948,573	-	5,341	22,953,914
Available-for-sale securities								
Federal Government securities	27,440,999	-	86,931	27,527,930	1,405,393	-	(43,262)	1,362,131
Shares	347,333	(121,333)	-	226,000	347,333	(121,333)	-	226,000
Non-Government debt securities	3,407,421	(463,477)	17,559	2,961,503	3,237,772	(467,723)	32,843	2,802,892
	31,195,753	(584,810)	104,490	30,715,433	4,990,498	(589,056)	(10,419)	4,391,023
Associates	988,669	-	-	988,669	996,898	-	-	996,898
Total Investments	49,762,186	(584,810)	108,603	49,285,979	28,935,969	(589,056)	(5,078)	28,341,835

9.1.1 Investments given as collateral

	30 September 2019 (Unaudited)			31 December 2018 (Audited)				
	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value
(Rupees in '000)								
Federal Government Securities								
- Pakistan Investment Bonds	10,581,416	-	63,952	10,645,368	3,827,167	(44,398)	3,782,769	
- Market treasury bills	31,341,179	-	1,511	31,342,690	18,374,587	(2,253)	18,372,334	
	41,922,595	-	65,463	41,988,058	22,201,754	(46,651)	22,155,103	
Shares								
- Listed companies	-	-	-	-	-	-	-	
- Unlisted companies	226,000	-	-	226,000	226,000	-	226,000	
	226,000	-	-	226,000	226,000	-	226,000	
Total investments	42,148,595	-	65,463	42,214,058	22,427,754	(46,651)	22,381,103	

(Un-audited)
Year ended
31 December
2018

(Rupees in '000)

9.2 Provision for diminution in value of investments

	(Un-audited) Nine months ended 30 September 2019	(Audited) Year ended 31 December 2018
9.2.1 Opening balance	589,056	697,700
Charges / reversals		
Charge for the year	(4,246)	(37,533)
Reversals for the year	(4,246)	(37,533)
Transfers - net Amounts written off Closing balance	-	(71,111)
	584,810	589,056

9.2.2 Particulars of provision against debt securities

Category of classification	30 September 2019 (Unaudited)		31 December 2018 (Audited)	
	NPI	Provision	NPI	Provision
(Rupees in '000)				
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	483,926	463,477	488,172	467,723
	483,926	463,477	488,172	467,723

10 ADVANCES

	Performing		Non-performing		Total	
	30-Sep-19 (Rupees in '000)	31-Dec-18 (Rupees in '000)	30-Sep-19 (Rupees in '000)	31-Dec-18 (Rupees in '000)	30-Sep-19 (Rupees in '000)	31-Dec-18 (Rupees in '000)
Loans, cash credits, running finances, etc. Margin trading	20,158,799 16,655	20,122,055 229,460	682,806 -	711,233 -	20,841,605 16,655	20,833,288 229,460
Advances - Gross	20,175,454	20,351,515	682,806	711,233	20,858,260	21,062,748
Provision against advances						
Specific	213	-	555,094	580,479	555,094	580,479
General	213	213	555,094	580,479	555,307	580,692
Advances - net of provision	20,175,241	20,351,302	127,712	130,754	20,302,953	20,482,056

10.1 Particulars of advances (Gross)

In local currency
In foreign currencies

30-Sep-19
(Rupees in '000)

20,858,260	21,062,748
20,858,260	21,062,748

10.2 Advances include Rs. 683 million (2018: Rs 711 million) which have been placed under the non-performing status as detailed below:

Category of Classification

	30 September 2019 (Unaudited)		31 December 2018 (Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
Domestic	-	-	-	-
Other Assets Especially Mentioned	-	-	26,912	-
Substandard	182,104	90,000	182,820	90,000
Doubtful	500,702	465,094	501,501	490,479
Loss	682,806	555,094	711,233	580,479
		(Rupees in '000)		

10.3 Particulars of provision against advances

	Nine months ended 30 September 2019		Year ended 31 December 2018 (Audited)	
	Specific	General	Specific	General
Opening balance	580,479	213	580,692	875,047
Charge for the year	-	-	-	-
Reversals	(25,385)	-	(25,385)	(294,568)
	(25,385)	-	(25,385)	(294,568)
Amounts written off	-	-	-	-
Closing balance	555,094	213	555,307	580,479

10.4 In accordance with BPRD Circular No. 6 dated 26 June 2014 issued by the SBP, the holding Company has availed the benefit of FSV against the non-performing advances. As of 30 September 2019, the holding Company has availed total accumulated FSV benefit amounting to Rs 15.8 million (2018 Rs. 4.3 million) [net of tax Rs 11.2 million (2018: net of tax Rs. 3.1 million)]. Accordingly, accumulated profit of Rs 11.2 million (2018: Rs.3.1 million) [net of transfer to statutory reserves Rs 9 million (2018:Rs. 2.5 million)] will not be available for the distribution as cash or stock dividend to the shareholders / bonus to employees of the holding Company as required by the aforementioned SBP directives.

	(Un-audited) 30 September 2019	(Audited) 31 December 2018
	----- (Rupees in '000) -----	
11 FIXED ASSETS		
Right of use assets	150,001	-
Property and equipments	69,995	103,626
	<u>219,996</u>	<u>103,626</u>
12 INTANGIBLE ASSETS		
Computer Software	85	437
Goodwill	263,632	263,632
	<u>263,717</u>	<u>264,069</u>
13 DEFERRED TAX ASSETS		
Deductible Temporary Differences on		
Provision for diminution in the value of investments	169,594	164,935
Assets subject to finance leases	81	66
Amortisation of premium on Federal Government Securities	45	2,555
Provision against non-performing advances	161,039	162,594
Revaluation on investments classified as available-for-sale	(30,302)	2,917
Alternative Corporate tax	39,373	-
Revaluation on investments classified as held-for-trading	(1,193)	667
Net investment in finance leases	(26,773)	71,793
Accumulated tax losses - POAMCL	9,671	7,499
	<u>321,535</u>	<u>413,026</u>
Taxable Temporary Differences on		
Accelerated tax depreciation allowances	4,564	(1,388)
Revaluation on Non-banking assets	(5,005)	(8,765)
Dividend receivable	-	-
	<u>(441)</u>	<u>(10,153)</u>
	<u>321,094</u>	<u>402,873</u>
14 OTHER ASSETS		
Income/ Mark-up accrued in local currency - net of provision	841,612	454,508
Mark-up / profit receivable on purchase of securities	105,195	13,373
Security deposits	8,262	8,262
Prepayments	24,491	18,963
Taxation	182,395	-
Non-banking assets acquired in satisfaction of claims	255,937	267,226
Receivable from funds under management and investment advisory clients	115,191	106,719
Staff Gratuity	-	9,928
Others	204	6,936
	<u>1,533,287</u>	<u>885,915</u>
Less: Provision held against other assets	-	-
Other assets (net of provisions)	<u>1,533,287</u>	<u>885,915</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	62,422	65,176
	<u>1,595,709</u>	<u>951,091</u>

	(Un-Audited) 30 September 2019	(Audited) 31 December 2018
	(Rupees in '000)	
15 BORROWINGS		
Secured		
Borrowings from the State Bank of Pakistan:		
- Long term financing facility (LTFF)	2,524,159	2,128,804
Repurchase agreement borrowings	44,157,861	25,823,942
Long term borrowings	6,060,173	6,415,633
Short term running finance	559,836	581,897
Bai Muajjal	-	1,296,869
Total secured	53,302,029	36,247,145
Unsecured		
Placements	2,500,000	3,007,000
Murabaha financing	4,339,868	1,000,000
Total unsecured	6,839,868	4,007,000
	60,141,897	40,254,145

16 DEPOSITS AND OTHER ACCOUNTS

	30 September 2019 (Unaudited)		31 December 2018 (Audited)	
	In local currency	Total	In local currency	Total
	(Rupees in '000)			
Certificates of investment				
Financial institutions	524,000	524,000	2,961,000	2,961,000
Others	6,155,344	6,155,344	6,049,490	6,049,490
	6,679,344	6,679,344	9,010,490	9,010,490

17 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	30 September 2019 (Unaudited)			31 December 2018 (Audited)		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	(Rupees in '000)					
Not later than one year	431	26	405	431	49	382
Later than one year and upto five years	338	2	336	628	18	610
	769	28	741	1,059	67	992

- 17.1 The holding 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% (2018: 7.90%) per annum. At the end of lease term, the holding company has option to acquire the assets, subject to adjustment of security deposits.

		(Un-Audited) 30 September 2019	(Audited) 31 December 2018
		(Rupees in '000)	
18	OTHER LIABILITIES		
	Mark-up/ Return/ Interest payable in local currency	416,577	340,718
	Accrued expenses	214,750	224,954
	Security deposits against investment in finance leases	289,664	356,216
	Taxation	-	970
	Advance rent	-	4,600
	Sales tax and federal excise duty payable	92,065	91,012
	Lease liability against right-of-use assets	129,954	-
	Others	66,293	59,563
		1,209,303	1,078,033
19	SURPLUS ON REVALUATION OF ASSETS		
	Surplus / (deficit) on revaluation of		
	- Available for sale securities	104,490	(10,419)
	- Non-banking assets acquired in satisfaction of claims	62,422	65,176
		166,912	54,757
	Deferred tax on surplus / (deficit) on revaluation of:		
	- Available for sale securities	(30,302)	2,917
	- Non-banking assets acquired in satisfaction of claims	(18,102)	(18,249)
		(48,404)	(15,332)
		118,508	39,425
20	CONTINGENCIES AND COMMITMENTS		
		(Un-Audited) 30 September 2019	(Audited) 31 December 2018
		(Rupees in '000)	
	Transaction related contingent liability:		
	Standby letter of credit	439,287	208,513
	Pledge of shares on behalf of Japan Power Generation Limited	70,726	70,726
	Pledge of shares on behalf of Orient Power Company (Private) Limited	226,000	226,000
	Commitments for:		
	Purchase of Government securities	6,121,278	13,944,874
	Sale of Government securities	3,505,281	2,869,539
	Commitments for advances and net investment in finance leases	1,310,540	2,042,040
	Securities given as collateral against loan taken by Pak Oman Asset Management Company Limited	136,000	334,000

- 20.1** Shares in Japan Power Generation Limited (JPGL) (an associate) aggregating 17,622,878 having a cost of Rs. 70.726 million (2018: 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).
- 20.2** Investment in unlisted shares in Orient Power Company (Private) Limited (related party) aggregating 22,600,000 having a cost of Rs. 226 million are pledged as security against a syndicate finance facility obtained by Orient Power Company (Private) Limited.
- 20.3** PIBs having face value amounting to Rs. 136 million (2018: Rs 334 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).

20.4 Pak Oman Asset Management Company Limited

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

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

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

- 20.4.2** During the years ended 31 December 2013 and 2014 two former employees of the merged entity served notices to the Company and its former Chief Executive Officer. The employees demanded Rs. 28.5 million for defamation and Rs. 0.723 million against settlement of outstanding dues. Later, the employees also filed cases in the Court of District Judge South at Karachi. The legal advisors of the Company are of the view that although the outcome of the case appears to be favourable, the Company's chances of success cannot currently be determined due to the inherently uncertain nature of the litigation. Furthermore, the management expects that an insignificant amount will be required to settle these cases. Accordingly, provision to the extent of Rs. 0.489 million has been recognised on account of settlement of outstanding dues while no provision has been recognised in respect of defamation claim in the consolidated condensed interim financial statements for the nine months ended 30 September 2019.

		(Un-Audited)	
		Nine months ended	
		September 30, 2019	September 30, 2018
		(Rupees in '000)	
21	MARK-UP / RETURN / INTEREST EARNED		
	On:		
	a) On loans and advances	1,805,666	1,284,526
	b) On investments	2,878,624	963,702
	c) On lendings to financial institutions	279,649	238,412
	d) On balances with banks	139,612	75,259
		<u>5,103,551</u>	<u>2,561,899</u>
22	MARK-UP / RETURN / INTEREST EXPENSED		
	On:		
	a) Deposits	584,426	485,539
	b) Borrowings	3,786,882	1,469,005
	c) Lease liability against right-of-use assets	12,101	-
		<u>4,383,409</u>	<u>1,954,544</u>
23	FEE AND COMMISSION INCOME		
	Credit related fees	28,419	32,189
	Investment banking fees	4,241	15,389
	Commission on guarantees	2,305	4,560
	Underwriting commission of Government securities auction	3,832	1,367
	Remuneration from funds under management	36,641	63,856
	Fee from investments advisory services	2,018	2,825
		<u>77,456</u>	<u>120,186</u>
24	GAIN ON SECURITIES		
	Realised	90,849	26,521
	Unrealised - held for trading	6,493	825
		<u>97,342</u>	<u>27,346</u>
24.1	Realised gain on:		
	Federal Government Securities	98,470	7,017
	Non Government debt securities	(7,621)	(5,757)
	Shares	-	25,261
		<u>90,849</u>	<u>26,521</u>
25	OTHER INCOME		
	Gain on sale of fixed assets - net	665	1,662
	Rental income	6,075	6,175
	Gain on sale of non-banking assets - net	-	17,381
	Scarp sale	-	1,820
	Others	144	114
		<u>6,884</u>	<u>27,152</u>

26 OPERATING EXPENSES

(Un-Audited)
Nine months ended
September 30, 2019 **September 30, 2018**
(Rupees in '000)

Total compensation expense	344,449	342,572
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Property expense

Rent & taxes	9,322	23,537
Utilities cost	3,144	3,160
Security (including guards)	683	677
Repair & maintenance (including janitorial charges)	5,653	5,783
Depreciation on right-of-use assets	18,314	-
Depreciation	2,026	2,026
	39,142	35,183

Information technology expenses

Software maintenance	765	954
Hardware maintenance	1	17
Depreciation	861	1,356
Amortisation	352	353
Network charges	1,429	1,339
Others	819	639
	4,227	4,658

Other operating expenses

Directors' fees and allowances	18,325	14,837
Directors' fees and allowances - Subsidiary	4,673	4,646
Legal & professional charges	12,243	16,090
Travelling & conveyance	6,317	6,747
Depreciation	29,385	31,914
Training & development	927	240
Postage & courier charges	442	310
Communication	6,336	6,245
Stationery & printing	1,142	1,238
Marketing, advertisement & publicity	612	569
Donations	500	1,520
Auditors' remuneration	1,445	2,877
Membership and subscriptions	3,788	4,737
Transportation	6,668	7,147
Insurance	3,993	2,329
Finance charges on leased assets	156	75
Entertainment and canteen expenses	2,301	2,194
Shahriah advisor fee	200	225
Distribution commission	6,508	4,245
Others	3,757	10,183
	109,718	118,368

Total operating expenses	497,536	500,781
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		(Un-Audited)	
		Nine months ended	
		September 30, 2019	September 30, 2018
		(Rupees in '000)	
27	OTHER CHARGES		
	Penalties imposed by State Bank of Pakistan	600	2,976
	Fees, commission and others	17,890	16,766
		<u>18,490</u>	<u>19,742</u>
28	REVERSALS & WRITE OFFS - NET		
	Reversals of provisions for diminution in value of investments	(4,246)	(30,456)
	Reversals of provisions against loans & advances	(25,385)	(210,870)
		<u>(29,631)</u>	<u>(241,326)</u>
29	TAXATION		
	Current	79,265	73,448
	Prior years	-	27,884
	Deferred	47,826	117,476
		<u>127,091</u>	<u>218,808</u>

29.1 Tax contingencies

29.1.1 Pak Oman Investment Company Limited

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 recent 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.

29.1.2 Pak Oman Asset Management Company Limited

As per the requirement of Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of Management Company has been applied effective from 13 June 2013. The management is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. The matter has been taken up collectively by the Mutual Fund Association of Pakistan and the Honorable High Court of Sindh has issued stay order against such levy.

During 2016, the Honorable Sindh High Court, in its judgment dated 30 June 2016, on the Constitutional Petition instituted by MUFAP declared that the provisions of the Federal Excise Act, 2005, insofar as they relate to providing or rendering of services, are ultra vires to the 18th amendment of the Constitution with effect from 01 July 2011, the date on which Sindh Sales Tax on Services Act, 2011 came into force. However, the Federal Board of Revenue (FBR) has right to challenge the decision in the Supreme Court of Pakistan within 90 days of the above decision of the Court, and the petition of the Management Company is still pending in the Court; therefore, as a matter of prudence, the Company has maintained the accumulated provision against FED amounting to Rs. 78.345 million as of 30 September 2019.

Through Finance Act 2016, FED on services rendered by Non-Banking Financial Institutions (NBFIs) including Asset Management Companies, which are already subject to provincial sales tax, has been withdrawn. Accordingly, no FED has been charged on the remuneration of the Company for period subsequent to 30 June 2016.

The Company has been selected for audit under section 214-C of the Ordinance for the tax year 2012. Tax authorities have passed orders under section 122(1) of the ordinance making certain additional amount to Rs. 17.3 million to the loss declared in the return filed by the Company. Further Taxation Officer has charged capital gain tax amounting to Rs. 1.514 million at 10%. As a result total tax payable for tax year 2012 increased by Rs. 1.05 million. Tax officer has also disallowed the total tax credit in respect of advance tax paid / collected during the tax year 2012 except for the tax collected under section 153 of the Ordinance amounted to Rs. 2.092 million. The Company has filed an appeal before the Commissioner Inland Revenue (Appeals) against the orders passed by the tax officer and the hearing on the case has been done. However, based on the opinion of the tax advisor, management is confident that the matter would be decided in favor of the Company.

As at 30 September 2019, deferred tax asset amounting to Rs. 42.49 million (31 December 2018: Rs. 42.49 million) has not been recognized as the management considers that there is uncertainty with regards to availability of future profits against which such assets can be adjusted. The unrecognized deferred tax asset has been arising on account of accumulated tax losses and deductible temporary differences.

30 BASIC AND DILUTED EARNINGS PER SHARE

Profit attributable to shareholders of the holding company	Rupees in '000	<u>307,667</u>	<u>297,721</u>
Weighted average number of ordinary shares in issue	Numbers in '000	<u>615,000</u>	<u>615,000</u>
Basic and diluted earnings per share attributable to shareholders of holding company	Rupees	<u>0.50</u>	<u>0.48</u>

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

31 CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	98,639	116,406
Balances with other banks	1,475,748	1,168,013
Placements	-	250,000
	<u>1,574,387</u>	<u>1,534,419</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.

32.1 Fair Value of financial assets

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

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

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

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

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

32.2 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:

30 September 2019 (Unaudited)				
On balance sheet financial instruments	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	45,100,807	-	45,100,807
Non-Government Debt Securities	-	2,970,503	-	2,970,503
Mutual funds	608,481	-	-	608,481
Financial assets - disclosed but not measured at fair value				
Investments	-	-	-	606,188
31 December 2018 (Audited)				
On balance sheet financial instruments	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	23,887,609	-	23,887,609
Non-Government Debt Securities	-	3,003,598	-	3,003,598
Mutual funds	624,637	-	-	624,637
Financial assets - disclosed but not measured at fair value				
Investments	-	-	-	598,261

33 SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

Nine months ended 30 September 2019 (Unaudited)					
Corporate Banking	Investment Banking	Treasury	Asset Management	Total	
(Rupees in '000)					
Profit & Loss					
Net mark-up/return/profit	363,517	(91,576)	452,252	(4,051)	720,142
Non mark-up / return / interest income	31,043	26,252	113,366	33,651	204,312
Total Income	394,560	(65,324)	565,618	29,600	924,454
Segment direct expenses	243,155	38,339	166,870	72,263	520,627
Reversals	(25,385)	(4,246)	-	-	(29,631)
Profit before tax	176,790	(99,417)	398,748	(42,663)	433,458
Balance Sheet					
Cash & Bank balances	-	-	1,556,849	17,538	1,574,387
Investments	-	2,913,040	46,363,939	9,000	49,285,979
Lendings to financial institutions	-	-	2,477,266	-	2,477,266
Advances - performing	20,158,586	-	16,655	-	20,175,241
non-performing	127,712	-	-	-	127,712
Others	776,215	521,855	645,206	457,240	2,400,516
Total Assets	21,062,513	3,434,895	51,059,915	483,778	76,041,101
Borrowings	17,119,082	2,704,233	40,198,582	120,000	60,141,897
Subordinated debt	-	-	-	-	-
Deposits & other accounts	1,861,948	303,648	4,513,748	-	6,679,344
Others	509,136	35,792	532,047	133,069	1,210,044
Total liabilities	19,490,166	3,043,673	45,244,377	253,069	68,031,285
Equity	1,572,347	391,222	5,815,538	230,709	8,009,816
Total Equity & liabilities	21,062,513	3,434,895	51,059,915	483,778	76,041,101
Contingencies & Commitments	1,749,827	432,726	9,626,559	-	11,809,112

Nine months ended 30 September 2018 (Unaudited)					
Corporate Banking	Investment Banking	Treasury	Asset Management	Total	
(Rupees in '000)					
Profit & Loss					
Net mark-up/return/profit	431,957	(35,595)	213,766	(2,773)	607,355
Non mark-up / return / interest income	36,748	67,487	9,003	79,649	192,887
Total Income	468,705	31,892	222,769	76,876	800,242
Segment direct expenses	241,812	39,118	178,524	65,349	524,803
(Reversals) / Provisions	(210,870)	(30,456)	-	-	(241,326)
Profit before tax	437,763	23,230	44,245	11,527	516,765

Year ended 31 December 2018					
Corporate Banking	Investment Banking	Treasury	Asset Management	Total	
(Rupees in '000)					
Balance Sheet					
Cash & Bank balances	-	-	2,398,193	18,614	2,416,807
Investments	-	2,764,394	25,349,242	228,199	28,341,835
Lendings to financial institutions	-	-	5,434,296	-	5,434,296
Advances - performing	20,120,488	-	229,460	1,354	20,351,302
non-performing	130,754	-	-	-	130,754
Others	609,138	487,315	214,123	411,084	1,721,659
Total Assets	20,860,380	3,251,709	33,625,314	659,251	58,396,653
Borrowings	14,872,674	2,212,272	22,876,699	292,500	40,254,145
Subordinated debt	-	-	-	-	-
Deposits & other accounts	3,255,468	507,461	5,247,561	-	9,010,490
Others	585,930	35,808	370,282	87,005	1,079,025
Total liabilities	18,714,072	2,755,541	28,494,542	379,505	50,343,660
Equity	2,146,308	496,168	5,130,772	279,746	8,052,993
Total Equity & liabilities	20,860,380	3,251,709	33,625,314	659,251	58,396,653
Contingencies & Commitments	2,250,553	630,726	16,814,413	-	19,695,692

34 RELATED PARTY TRANSACTIONS

The Group has related party relationship with its associates, subsidiary company, employee benefit plans, company having common directors and its key management personnel (including their associates). 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 Group's Policy. Transactions with other related parties are carried out on commercial terms and as per market rates.

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

34.1 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
Askari High Yield Scheme
Askari Equity Fund
Askari Asset Allocation Fund
Askari Sovereign Yield Enhancer
Askari Sovereign Cash Fund
Askari Islamic Asset Allocation Fund
Askari Islamic Income Fund

34.2 Key management personnel

All heads of departments
Directors

34.3 Retirement benefit fund

Defined benefit plan
Defined contribution plan

34.4 Other related party

Orient Power Company (Private) Limited

34.6 Related party transactions

	Nine months ended 30 September 2019 (Unaudited)				Half year ended 30 June 2018 (Unaudited)					
	Directors	Key management personnel	Associates	Retirement benefit funds	Other related parties	Directors	Key management personnel	Associates	Retirement benefit funds	Other related parties
Income										
Mark-up / return / interest earned	-	1,681	-	-	6,056	-	1,531	-	-	6,534
Fee and commission income	-	-	-	-	-	-	-	-	-	-
Dividend income	-	-	30,447	-	-	-	-	18,305	-	-
Net gain on sale of securities	-	-	295	70	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Expense										
Mark-up / return / interest paid	-	423	-	1,067	-	-	104	5,361	1,490	-
Operating expenses	-	-	-	-	-	-	-	-	-	-
Directors' fees and allowances	18,325	-	-	-	-	14,837	-	-	-	-
Compensation expenses	97,274	105,133	-	-	-	116,811	109,881	-	-	-
Contribution to defined contribution plan	-	-	-	13,996	-	-	-	-	14,679	-
Charge for defined benefit plan	-	-	-	10,794	-	-	-	-	13,410	-

(Rupees in '000)

35 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Un-Audited) 30 September 2019	(Audited) 31 December 2018
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>6,150,000</u>	<u>6,150,000</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	5,573,111	5,438,603
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	5,573,111	5,438,603
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	<u>5,573,111</u>	<u>5,438,603</u>
Risk Weighted Assets (RWAs):		
Credit Risk	27,464,951	30,183,104
Market Risk	5,748,680	1,003,458
Operational Risk	2,240,602	2,240,602
Total	<u>35,454,233</u>	<u>33,427,164</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>15.72%</u>	<u>16.27%</u>
Tier 1 Capital Adequacy Ratio	<u>15.72%</u>	<u>16.27%</u>
Total Capital Adequacy Ratio	<u>15.72%</u>	<u>16.27%</u>
Leverage Ratio (LR):		
Eligible Tier-1 Capital	5,573,111	5,438,603
Total Exposures	88,046,175	78,092,345
Leverage Ratio	<u>6.33%</u>	<u>6.96%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	5,632,745	6,503,094
Total Net Cash Outflow	8,139,117	16,808,490
Liquidity Coverage Ratio	<u>69.21%</u>	<u>38.69%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	19,787,382	20,705,300
Total Required Stable Funding	18,451,632	18,970,216
Net Stable Funding Ratio	<u>107.24%</u>	<u>109.15%</u>

36 CREDIT RATING

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

The Pakistan Credit Rating Agency Limited (PACRA) has assigned asset management rating of AM3+ (Stable) to the subsidiary company in the medium and long term vide its report dated 28 August 2018.

37. GENERAL

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

37.2 Corresponding figures

Comparative information has been re-classified, re-arranged or additionally incorporated in these consolidated condensed interim financial statements wherever necessary to facilitate comparison and better presentation in accordance with the new format prescribed by State Bank of Pakistan vide BPRD circular letter no. 5 of 2019.

38. DATE OF AUTHORISATION FOR ISSUE

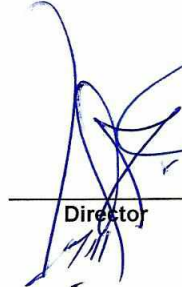
These consolidated financial statements were authorised for issue on 24 October 2019 by the Board of Directors of the holding company.



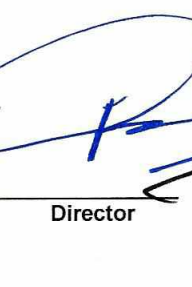
 Managing Director /
 Chief Executive Officer



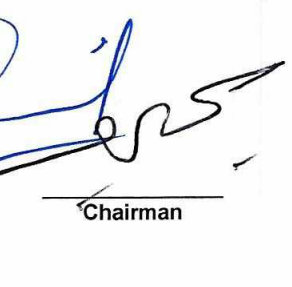
 Chief Financial Officer



 Director



 Director



 Chairman