

**PAK OMAN INVESTMENT
COMPANY LIMITED**

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

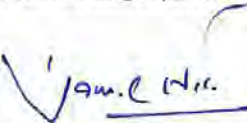
**FOR THE PERIOD ENDED
30 SEPTEMBER 2019**

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

(Unaudited) 30 September 2019 (US Dollar in '000)	(Audited) 31 December 2018		(Unaudited) 30 September 2019 (Rupees in '000)	(Audited) 31 December 2018
		ASSETS		
631	784	Cash and balances with treasury banks	98,611	122,604
9,326	14,553	Balances with other banks	1,458,238	2,275,589
15,843	34,754	Lendings to financial institutions	2,477,266	5,434,296
317,234	181,839	Investments	49,604,460	28,433,357
129,843	130,980	Advances	20,302,953	20,480,702
1,364	612	Fixed assets	213,293	95,732
1	3	Intangible assets	85	437
2,284	2,810	Deferred tax assets	357,062	439,439
9,072	5,297	Other assets	1,418,475	828,316
485,598	371,632		75,930,443	58,110,472
		LIABILITIES		
-	-	Bills payable	-	-
383,857	255,566	Borrowings	60,021,897	39,961,645
42,716	57,625	Deposits and other accounts	6,679,344	9,010,490
5	6	Liabilities against assets subject to finance lease	741	992
-	-	Subordinated debt	-	-
-	-	Deferred tax liabilities	-	-
6,884	6,359	Other liabilities	1,076,234	994,407
433,462	319,556		67,778,216	49,967,534
52,136	52,076	NET ASSETS	8,152,227	8,142,938
		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	118,508	39,425
4,140	5,045	Unappropriated profit	647,309	788,870
52,136	52,076		8,152,227	8,142,938
		CONTINGENCIES AND COMMITMENTS		
			20	


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


 Managing Director/
 Chief Executive Officer


 Chief Financial Officer


 Director


 Director

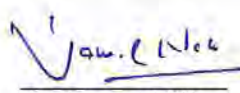

 Chairman


Pak Oman Investment Company Limited
Unconsolidated 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	30 September			30 September	30 September	30 September	30 September
2019	2018			2019	2018	2019	2018
(US Dollar in '000)				(Rupees in '000)			
32,506	16,279	Mark-up / Return / Interest Earned	21	2,375,166	1,003,337	5,082,853	2,545,497
27,875	12,377	Mark-up / Return / Interest Expensed	22	2,139,427	792,306	4,358,660	1,935,369
4,631	3,902	Net mark-up / interest income		235,739	211,031	724,193	610,128
NON MARK-UP / INTEREST INCOME							
248	332	Fee and commission income	23	5,628	5,916	38,797	51,984
197	127	Dividend income		3,545	-	30,859	19,845
-	-	Foreign exchange income		-	-	-	-
-	-	Income / (loss) from derivatives		-	-	-	-
694	166	Gain on securities	24	88,742	1,504	108,569	25,910
4	122	Other income	25	(19)	-	665	19,043
1,143	747	Total non mark-up / interest income		97,896	7,420	178,890	116,782
5,774	4,649	Total Income		333,635	218,451	903,083	726,910
NON MARK-UP / INTEREST EXPENSES							
2,720	2,785	Operating expenses	26	140,326	142,995	425,273	435,432
29	27	Workers Welfare Fund		1,036	(1,220)	4,601	4,280
118	126	Other charges	27	6,516	7,023	18,490	19,742
2,867	2,938	Total non mark-up / interest expenses		147,878	148,798	448,364	459,454
2,907	1,711	Profit Before Provisions		185,757	69,653	454,719	267,456
189	1,543	(Provisions)/reversals and write offs - net	28	1,200	24,868	29,631	241,326
-	-	Extra ordinary / unusual items		-	-	-	-
3,096	3,254	PROFIT BEFORE TAXATION		186,957	94,521	484,350	508,782
(803)	(1,375)	Taxation	29	(57,283)	(23,870)	(125,517)	(215,047)
2,293	1,879	PROFIT AFTER TAXATION		129,674	70,651	358,833	293,735
(US \$)				(Rupees)			
0.0037	0.0031	Basic and diluted earnings per share	30	0.21	0.11	0.58	0.48


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


 Managing Director/
 Chief Executive Officer


 Chief Financial Officer


 Director


 Director

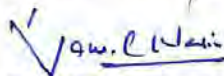

 Chairman

Pak Oman Investment Company Limited
 Unconsolidated 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)			
2,293	1,879	Profit after taxation for the period	129,674	70,651	358,833	293,735
		Other comprehensive income				
		Items that may be reclassified to profit and loss account in subsequent periods				
522	(186)	Movements in surplus / (deficit) on revaluation of investments - net of tax	91,237	(29,309)	81,690	(29,120)
		Items that will not be reclassified to profit and loss account in subsequent periods				
(17)	(50)	Movement in deficit on revaluation of non-banking assets- net of tax	(651)	(661)	(2,607)	(7,792)
(17)	(50)		(651)	(661)	(2,607)	(7,792)
<u>2,798</u>	<u>1,643</u>	Total comprehensive income	<u>220,260</u>	<u>40,681</u>	<u>437,916</u>	<u>256,823</u>

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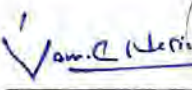

 Chairman

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

	Share capital	(Reserves)		Surplus / (deficit) on		Unappropriated profit	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	8,160	55,380	838,056	8,123,357
Total comprehensive income							
Profit after taxation	-	-	-	-	-	293,735	293,735
Other comprehensive loss - net of tax	-	-	-	(29,120)	(7,792)	-	(36,912)
Total comprehensive income for the nine months ended 30 September 2018	-	-	-	(29,120)	(7,792)	293,735	256,823
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
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)
Opening balance as at 01 October 2018	6,150,000	1,118,878	11,630	(20,960)	47,588	644,685	7,951,821
Total comprehensive income							
Profit after taxation	-	-	-	-	-	170,675	170,675
Other comprehensive loss - net of tax	-	-	-	13,458	(661)	6,984	19,781
Total comprehensive income for the quarter ended 31 December 2018	-	-	-	13,458	(661)	177,659	190,456
Transfer to statutory reserve	-	34,135	-	-	-	(34,135)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	661	661
Opening balance as at 01 January 2019	6,150,000	1,153,013	11,630	(7,502)	46,927	788,870	8,142,938
Total comprehensive income							
Profit after taxation	-	-	-	-	-	358,833	358,833
Other comprehensive 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
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)
Closing balance as at 30 September 2019	6,150,000	1,224,780	11,630	74,188	44,320	647,309	8,152,227

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Managing Director/
Chief Executive Officer


Chief Financial Officer


Director



Director

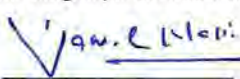

Chairman

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

30 September 2019	30 September 2018		Note	30 September 2019	30 September 2018
(US Dollar in '000)				(Rupees in '000)	
3,096	3,254	CASH FLOW FROM OPERATING ACTIVITIES		484,350	508,782
(197)	(127)	Profit before taxation		(30,859)	(19,845)
2,899	3,127	Less: Dividend income		453,491	488,937
198	217	Adjustments:		30,971	33,921
117	-	Depreciation		18,314	-
2	2	Depreciation on right-of-use assets		352	353
(189)	(1,543)	Amortization		(29,631)	(241,326)
(4)	(11)	(Reversals) and write offs - net	28	(665)	(1,662)
77	-	Gain on sale of fixed assets		12,101	-
1	-	Mark-up / return / profit / interest expensed on lease liability against right-of-use assets		156	75
(42)	4	Finance charges on leased assets		(6,493)	648
160	(1,331)	Unrealised gain / (loss) on revaluation of investments classified as held-for-trading		25,105	(207,991)
3,059	1,796			478,596	280,946
18,911	(35,785)	(Increase) / Decrease in operating assets		2,957,030	(5,595,488)
32,998	26,375	Lendings to financial institutions		5,159,800	4,124,194
1,299	(19,081)	Held-for-trading securities		203,134	(2,983,568)
(2,997)	(995)	Advances		(468,966)	(155,725)
50,211	(29,486)	Other assets (excluding advance taxation)		7,850,998	(4,610,587)
-	-	Increase / (decrease) in operating liabilities		-	-
128,291	(31,638)	Bills payable		20,060,252	(4,947,048)
(14,908)	(7,042)	Borrowings		(2,331,146)	(1,101,098)
(15)	(3,064)	Deposits		(2,332)	(479,055)
113,368	(41,744)	Other liabilities (excluding current taxation)		17,726,774	(6,527,201)
166,638	(69,434)			26,056,368	(10,856,842)
(1,651)	(845)	Income tax paid		(258,124)	(132,192)
164,987	(70,279)	Net cash flow generated from / (used in) operating activities		25,798,244	(10,989,034)
(167,590)	68,721	CASH FLOW FROM INVESTING ACTIVITIES		(26,205,255)	10,745,540
197	127	Net investments in available-for-sale securities		30,859	19,845
(37)	(34)	Dividend received		(5,858)	(5,392)
6	29	Investments in operating fixed assets		951	4,570
(167,424)	68,843	Proceeds from sale of fixed assets		(26,179,303)	10,764,563
(3)	(2)	CASH FLOW FROM FINANCING ACTIVITIES		(407)	(315)
(188)	-	Payments of lease obligations		(29,378)	-
(2,753)	(2,753)	Payments of lease liability against right-of-use assets		(430,500)	(430,500)
(2,944)	(2,755)	Dividend paid		(460,285)	(430,815)
(5,381)	(4,191)	Net cash flow (used in) financing activities		(841,344)	(655,286)
15,337	13,956	(Decrease) in cash and cash equivalents		2,398,193	2,182,200
9,956	9,765	Cash and cash equivalents at beginning of the period		1,556,849	1,526,914
		Cash and cash equivalents at end of the period	31		

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


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 2019

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 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 Company 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 Company 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 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 2018.

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 done 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.156.3654 = 1 US dollar for the nine months ended 30 September 2019 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 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 company's unconsolidated 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 unconsolidated 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 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 unconsolidated 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	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 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 2018.

5. FINANCIAL RISK MANAGEMENT

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

6. CASH AND BALANCES WITH TREASURY BANKS

	Note	(Un-audited)	(Audited)
		30 September 2019	31 December 2018
		(Rupees in '000)	
In hand			
local currency		320	297
foreign currency		198	198
		<u>518</u>	<u>495</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>98,611</u>	<u>122,604</u>

6.1 This represent the amount required to be maintained by the 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	1,454,794	2,257,310
		<u>1,456,018</u>	<u>2,275,086</u>
Outside Pakistan:			
In current accounts		2,220	503
		<u>1,458,238</u>	<u>2,275,589</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

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	17,568,764	-	4,113	17,572,877	199,840	-	866	200,706
					22,728,564	-	(2,380)	22,726,184
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	1,045,951	(70,726)	-	975,225	1,045,951	(70,726)	-	975,225
Subsidiary	498,300	(157,375)	-	340,925	498,300	(157,375)	-	340,925
Total Investments	50,308,768	(812,911)	108,603	49,604,460	29,263,313	(817,157)	(12,798)	28,433,357

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	20,120,701 229,460	682,806 -	711,233 -	20,841,605 16,655	20,831,934 229,460
Advances - Gross	20,175,454	20,350,161	682,806	711,233	20,858,260	21,061,394
Provision against advances						
Specific	213	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	20,349,948	127,712	130,754	20,302,953	20,480,702

30-Sep-19 31-Dec-18
(Rupees in '000)

10.1 Particulars of advances (Gross)

In local currency
In foreign currencies

	20,858,260	21,061,394
	20,858,260	21,061,394

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	485,094	501,501	490,479
Loss	682,806	555,094	711,233	580,479

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	213
Charge for the year	-	-	875,047	-
Reversals	(25,385)	-	(25,385)	(294,568)
Amounts written off	(25,385)	-	(25,385)	(294,568)
Closing balance	555,094	213	555,307	213

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 2019, the 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 Company as required by the aforementioned SBP directives.

Note	(Un-audited) 30 September 2019 ----- (Rupees in '000) -----	(Audited) 31 December 2018
11 FIXED ASSETS		
Right of use assets	150,001	-
Property and equipments	63,292	95,732
	<u>213,293</u>	<u>95,732</u>
12 INTANGIBLE ASSETS		
Computer Software	85	437
	<u>85</u>	<u>437</u>
13 DEFERRED TAX ASSETS		
Deductible Temporary Differences on		
Provision for diminution in the value of investments	215,233	209,000
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
	<u>357,503</u>	<u>449,592</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>357,062</u>	<u>439,439</u>
14 OTHER ASSETS		
Income/ Mark-up accrued in local currency - net of provision	841,530	454,034
Mark-up / profit receivable on purchase of securities	105,195	13,373
Security deposits	4,288	4,288
Prepayments	13,663	13,225
Taxation	135,236	-
Non-banking assets acquired in satisfaction of claims	255,937	267,226
Staff Gratuity	-	9,928
Others	204	1,066
	<u>1,356,053</u>	<u>763,140</u>
Less: Provision held against other assets	-	-
Other assets (net of provisions)	<u>1,356,053</u>	<u>763,140</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	62,422	65,176
	<u>1,418,475</u>	<u>828,316</u>

	(Un-Audited) 30 September 2019 (Rupees in '000)	(Audited) 31 December 2018
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	5,940,173	6,123,133
Short term running finance	559,836	581,897
Bai Muajjal	-	1,296,869
Total secured	53,182,029	35,954,645
Unsecured		
Placements	2,500,000	3,007,000
Murabaha financing	4,339,868	1,000,000
Total unsecured	6,839,868	4,007,000
	60,021,897	39,961,645

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 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 Company has option to acquire the assets, subject to adjustment of security deposits.

	Note	(Un-Audited) 30 September 2019 (Rupees in '000)	(Audited) 31 December 2018
18 OTHER LIABILITIES			
Mark-up/ Return/ Interest payable in local currency		405,089	338,454
Accrued expenses		202,500	204,068
Security deposits against investment in finance leases		289,664	356,218
Taxation		-	45,795
Lease liability against right-of-use assets		129,954	-
Others		49,027	49,874
		<u>1,076,234</u>	<u>994,407</u>
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)
		<u>(48,404)</u>	<u>(15,332)</u>
		<u>118,508</u>	<u>39,425</u>
20 CONTINGENCIES AND COMMITMENTS			
Transaction related contingent liability:			
Standby letter of credit		439,287	208,513
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		6,121,278	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 a wholly owned subsidiary	20.3	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).			

		(Un-Audited)	
		Nine months ended	
Note		30 September 2019	30 September 2018
21	MARK-UP / RETURN / INTEREST EARNED	(Rupees in '000)	
	On:		
	a) Loans and advances	1,805,666	1,284,526
	b) Investments	2,859,416	948,234
	c) Lendings to financial institutions	279,649	238,412
	d) Balances with banks	138,122	74,325
		<u>5,082,853</u>	<u>2,545,497</u>
22	MARK-UP / RETURN / INTEREST EXPENSED		
	On:		
	a) Deposits	584,426	485,539
	b) Borrowings	3,762,133	1,449,830
	c) Lease liability against right-of-use assets	12,101	-
		<u>4,358,660</u>	<u>1,935,369</u>
23	FEE AND COMMISSION INCOME		
	Credit related fees	28,419	32,189
	Investment banking fees	4,241	13,868
	Commission on guarantees	2,305	4,560
	Underwriting commission of Government securities auction	3,832	1,387
		<u>38,797</u>	<u>51,984</u>
24	GAIN ON SECURITIES		
	Realised	102,076	26,558
	Unrealised - held for trading	6,493	(648)
		<u>108,569</u>	<u>25,910</u>
24.1	Realised gain/(loss) on:		
	Federal Government Securities	98,470	7,051
	Non Government debt securities	3,606	(5,754)
	Shares	-	25,261
		<u>102,076</u>	<u>26,558</u>
25	OTHER INCOME		
	Gain on sale of fixed assets - net	665	1,662
	Gain on sale of non-banking assets - net	-	17,381
		<u>665</u>	<u>19,043</u>

26 OPERATING EXPENSES

	(Un-Audited)	
	Nine months ended	
	30 September 2019	30 September 2018
	(Rupees in '000)	
Total compensation expense	308,882	309,745
Property expense		
Rent & taxes	604	18,486
Utilities cost	2,375	2,371
Security (including guards)	453	447
Repair & maintenance (including janitorial charges)	5,378	5,400
Depreciation on right-of-use assets	18,314	-
Depreciation	1,580	1,580
	28,704	28,284
Information technology expenses		
Software maintenance	765	898
Hardware maintenance	-	17
Depreciation	756	1,200
Amortisation	352	353
Network charges	1,429	1,339
Others	819	639
	4,121	4,446
Other operating expenses		
Directors' fees and allowances	18,325	14,837
Legal & professional charges	5,654	8,561
Travelling & conveyance	5,905	6,421
Depreciation	28,635	31,141
Training & development	927	233
Postage & courier charges	321	267
Communication	5,871	5,789
Stationery & printing	951	1,000
Marketing, advertisement & publicity	579	325
Donations	500	1,520
Auditors' remuneration	1,045	2,543
Membership and subscriptions	1,075	1,300
Transportation	6,400	7,033
Insurance	2,075	1,229
Finance charges on leased assets	156	75
Entertainment and canteen expenses	2,226	2,080
Others	2,921	8,603
	83,566	92,957
Total operating expenses	425,273	435,432

		(Un-Audited)	
		Nine months ended	
		30 September 2019	30 September 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	77,093	69,687
	Prior years	-	27,884
	Deferred	48,424	117,478
		<u>125,517</u>	<u>215,047</u>
29.1	Tax contingencies		
	<p>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.</p>		
30	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit after taxation	Rupees in '000	<u>358,833</u> <u>293,735</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	Rupees	<u>0.58</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	98,611	116,268
	Balances with other banks	1,458,238	1,160,646
	Placements	-	250,000
		<u>1,556,849</u>	<u>1,526,914</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 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.

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:

On balance sheet financial instruments	30 September 2019 (Unaudited)			
	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	-	2,961,503	-	2,961,503
Mutual funds	608,484	-	-	608,484
Financial assets - disclosed but not measured at fair value				
Investments	-	-	-	951,633
On balance sheet financial instruments				
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	624,631	-	-	624,631
Financial assets - disclosed but not measured at fair value				
Investments	-	-	-	951,633

33 SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

	Nine months ended 30 September 2019 (Unaudited)			
	Corporate Banking	Investment Banking	Treasury	Total
	(Rupees in '000)			
Profit & Loss				
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
Balance Sheet				
Cash & Bank balances	-	-	1,556,849	1,556,849
Investments	-	3,240,521	46,363,939	49,604,460
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	567,494	645,206	1,988,915
Total Assets	21,062,513	3,808,015	51,059,915	75,930,443
Borrowings	17,044,897	2,982,745	39,994,255	60,021,897
Subordinated debt	-	-	-	-
Deposits & other accounts	1,852,798	334,978	4,491,568	6,679,344
Others	508,058	39,485	529,432	1,076,975
Total liabilities	19,405,753	3,357,208	45,015,255	67,778,216
Equity	1,656,760	450,807	6,044,660	8,152,227
Total Equity & liabilities	21,062,513	3,808,015	51,059,915	75,930,443
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	Total
	(Rupees in '000)			
Profit & Loss				
Net mark-up/return/profit	431,957	(35,595)	213,766	610,128
Non mark-up / return / interest income	36,748	71,031	9,003	116,782
Total Income	468,705	35,436	222,769	726,910
Segment direct expenses	241,812	39,118	178,524	459,454
(Reversals) / Provisions	(210,870)	(30,456)	-	(241,326)
Profit before tax	437,763	26,774	44,245	508,782
	Year ended 31 December 2018 (Audited)			
	Corporate Banking	Investment Banking	Treasury	Total
	(Rupees in '000)			
Balance Sheet				
Cash & Bank balances	-	-	2,398,193	2,398,193
Investments	-	3,083,648	25,349,711	28,433,357
Lendings to financial institutions	-	-	5,434,296	5,434,296
Advances - performing	20,120,488	-	229,460	20,349,948
non-performing	130,754	-	-	130,754
Others	612,405	532,478	219,041	1,363,924
Total Assets	20,863,647	3,616,124	33,630,701	58,110,472
Borrowings	14,789,955	2,443,804	22,727,866	39,961,645
Subordinated debt	-	-	-	-
Deposits & other accounts	3,235,074	560,709	5,214,707	9,010,490
Others	585,705	39,775	369,919	995,399
Total liabilities	18,610,734	3,044,288	28,312,512	49,967,534
Equity	2,252,913	571,836	5,318,189	8,142,938
Total Equity & liabilities	20,863,647	3,616,124	33,630,701	58,110,472
Contingencies & Commitments	2,250,553	630,726	16,814,413	19,695,692

34 RELATED PARTY TRANSACTIONS

The Company 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 Company'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 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 Key management personnel

All heads of departments
Directors

34.4 Retirement benefit fund

Defined benefit plan
Defined contribution plan

34.5 Other related party

Orient Power Company (Private) Limited

34.7 Related party transactions

	Nine months ended 30 September 2019 (Unaudited)					Nine months ended 30 September 2018 (Unaudited)						
	Directors	Key management personnel	Subsidiaries	Associates	Retirement benefit funds	Other related parties	Directors	Key management personnel	Subsidiaries	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	93,608	-	-	-	-	116,811	99,807	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	12,901	-	-	-	-	-	13,245	-
Charge for defined benefit plan	-	-	-	-	10,794	-	-	-	-	-	13,410	-

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	5,739,289	5,760,301
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	5,739,289	5,760,301
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	<u>5,739,289</u>	<u>5,760,301</u>
Risk Weighted Assets (RWAs):		
Credit Risk	27,246,147	30,256,061
Market Risk	5,748,680	1,003,458
Operational Risk	2,051,664	2,051,664
Total	<u>35,046,491</u>	<u>33,311,183</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>16.38%</u>	<u>17.29%</u>
Tier 1 Capital Adequacy Ratio	<u>16.38%</u>	<u>17.29%</u>
Total Capital Adequacy Ratio	<u>16.38%</u>	<u>17.29%</u>
Leverage Ratio (LR):		
Eligible Tier-1 Capital	5,739,289	5,760,301
Total Exposures	91,135,352	66,450,096
Leverage Ratio	<u>6.30%</u>	<u>8.67%</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 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 Corresponding figures

Comparative information has been re-classified, re-arranged or additionally incorporated in these unconsolidated 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 dated 22 March 2019.

38. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue on 24 October 2019 by the Board of Directors of the Company.

				
Managing Director Chief Executive Officer	Chief Financial Officer	Director	Director	Chairman