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**PAK OMAN INVESTMENT COMPANY LIMITED**

**UNCONSOLIDATED CONDENSED INTERIM  
FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2019**

EY Ford Rhodes  
Chartered Accountants  
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**TO THE MEMBERS OF PAK OMAN INVESTMENT COMPANY**  
**REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS**

***Introduction***

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of **Pak Oman Investment Company Limited** (the Company) as at **30 June 2019** and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement and notes to the accounts for the six-months' period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the three months ended 30 June 2019 and 30 June 2018 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 30 June 2019.

***Scope of Review***

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

***Conclusion***

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

***Other Matter***

The financial statements for the Company for the six-month period ended 30 June 2018 and for the year ended 31 December 2018 were reviewed and audited by another firm of chartered accountants who have expressed unmodified conclusion and unmodified opinion vide their review report and audit report issued on 18 August 2018 and 7 March 2019 respectively.

The engagement partner on the audit resulting in this independent auditor's review report is Omer Chughtai.



**Chartered Accountants**

**Karachi**

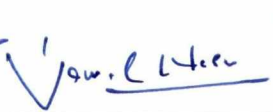
**Date: 30 August 2019**

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

(Unaudited) 30 June 2019 (US Dollar in '000)	(Audited) 31 December 2018		(Unaudited) 30 June 2019 (Rupees in '000)	(Audited) 31 December 2018
		<b>ASSETS</b>		
1,995	766	Cash and balances with treasury banks	6	319,308
9,454	14,218	Balances with other banks	7	1,513,119
48,201	33,953	Lendings to financial institutions	8	7,714,640
295,605	177,651	Investments	9	47,312,217
130,374	127,963	Advances	10	20,866,710
1,388	598	Fixed assets	11	222,203
1	3	Intangible assets	12	203
2,627	2,746	Deferred tax assets	13	420,430
7,977	5,174	Other assets	14	1,276,776
<b>497,622</b>	<b>363,072</b>			<b>79,645,606</b>
		<b>LIABILITIES</b>		
-	-	Bills payable		-
398,869	249,679	Borrowings	15	63,839,747
42,925	56,297	Deposits and other accounts	16	6,870,301
5	6	Liabilities against assets subject to finance lease	17	805
-	-	Subordinated debt		-
-	-	Deferred tax liabilities		-
6,269	6,213	Other liabilities	18	1,003,437
<b>448,068</b>	<b>312,195</b>			<b>71,714,290</b>
<b>49,554</b>	<b>50,877</b>	<b>NET ASSETS</b>		<b>8,142,938</b>
		<b>REPRESENTED BY</b>		
38,425	38,425	Share capital		6,150,000
7,563	7,277	Reserves		1,210,475
174	246	Surplus on revaluation of assets	19	27,922
3,392	4,929	Unappropriated profit		542,919
<b>49,554</b>	<b>50,877</b>			<b>7,931,316</b>
		<b>CONTINGENCIES AND COMMITMENTS</b>	20	

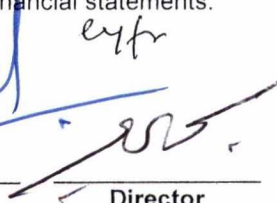
The annexed notes from 1 to 38 form an integral part of these unconsolidated condensed interim financial statements.

  
 Managing Director/  
 Chief Executive Officer

  
 Chief Financial Officer

  
 Director

  
 Director

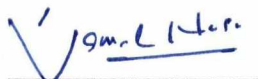
  
 Director

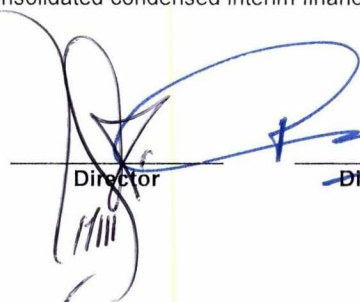
**Pak Oman Investment Company Limited**  
**Unconsolidated Condensed Interim Profit and Loss Account (Un-Audited)**  
**For the half year ended 30 June 2019**

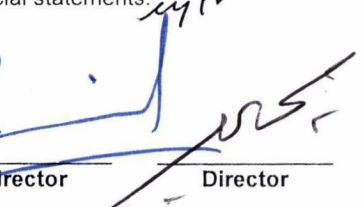
Half year ended				Quarter ended		Half year ended	
30 June	30 June			30 June	30 June	30 June	30 June
2019	2018			2019	2018	2019	2018
(US Dollar in '000)				(Rupees in '000)			
16,918	9,635	Mark-up / Return / Interest Earned	21	1,563,517	753,340	2,707,687	1,542,160
13,866	7,142	Mark-up / Return / Interest Expensed	22	1,334,688	549,011	2,219,233	1,143,063
3,052	2,493	<b>Net mark-up / interest income</b>		<b>228,829</b>	<b>204,329</b>	<b>488,454</b>	<b>399,097</b>
<b>NON MARK-UP / INTEREST INCOME</b>							
207	288	Fee and commission income	23	24,481	24,580	33,169	46,068
171	124	Dividend income		27,314	19,048	27,314	19,845
-	-	Foreign exchange income		-	-	-	-
-	-	Income / (loss) from derivatives		-	-	-	-
124	152	Gain on securities	24	8,015	16,927	19,827	24,406
4	119	Other income	25	684	645	684	19,043
506	683	Total non mark-up / interest income		60,494	61,200	80,994	109,362
3,558	3,176	<b>Total Income</b>		<b>289,323</b>	<b>265,529</b>	<b>569,448</b>	<b>508,459</b>
<b>NON MARK-UP / INTEREST EXPENSES</b>							
1,780	1,827	Operating expenses	26	142,862	146,719	284,947	292,437
22	34	Workers Welfare Fund		1,021	3,077	3,565	5,500
75	79	Other charges	27	7,213	6,653	11,974	12,719
1,877	1,940	Total non mark-up / interest expenses		151,096	156,449	300,486	310,656
1,681	1,236	<b>Profit Before Provisions</b>		<b>138,227</b>	<b>109,080</b>	<b>268,962</b>	<b>197,803</b>
178	1,352	(Provisions)/reversals and write offs - net	28	1,200	96,388	28,431	216,458
-	-	Extra ordinary / unusual items		-	-	-	-
1,859	2,588	<b>PROFIT BEFORE TAXATION</b>		<b>139,427</b>	<b>205,468</b>	<b>297,393</b>	<b>414,261</b>
(426)	(1,194)	Taxation	29	(23,764)	(128,070)	(68,234)	(191,177)
1,433	1,394	<b>PROFIT AFTER TAXATION</b>		<b>115,663</b>	<b>77,398</b>	<b>229,159</b>	<b>223,084</b>
(US \$)				(Rupees)			
0.0023	0.0023	Basic and diluted earnings per share	30	0.19	0.13	0.37	0.36

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

  
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 Chief Executive Officer

  
 Chief Financial Officer

  
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**Pak Oman Investment Company Limited**

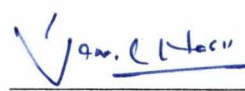
**Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-Audited)**

**For the half year ended 30 June 2019**

Half year ended			Quarter ended		Half year ended	
30 June	30 June		30 June	30 June	30 June	30 June
2019	2018		2019	2018	2019	2018
(US Dollar in '000)			(Rupees in '000)			
1,433	1,394	Profit after taxation for the period	115,663	77,398	229,159	223,084
		Other comprehensive income				
		Items that may be reclassified to profit and loss account in subsequent periods				
(60)	1	Movements in deficit on revaluation of investments - net of tax	(5,799)	(13,587)	(9,547)	189
		Items that will not be reclassified to profit and loss account in subsequent periods				
(12)	(45)	Movement in deficit on revaluation of non-banking assets- net of tax	(1,295)	698	(1,956)	(7,131)
(12)	(45)		(1,295)	698	(1,956)	(7,131)
<u>1,361</u>	<u>1,350</u>	<b>Total comprehensive income</b>	<u>108,569</u>	<u>64,509</u>	<u>217,656</u>	<u>216,142</u>


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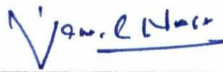
  
 Director

**Pak Oman Investment Company Limited**  
**Unconsolidated Condensed Interim Statement of Changes in Equity (Un-Audited)**  
**For the half year ended 30 June 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
<b>Total comprehensive income</b>							
Profit after taxation	-	-	-	-	-	223,084	223,084
Other comprehensive loss - net of tax	-	-	-	189	(7,131)	-	(6,942)
Total comprehensive income for the half year ended 30 June 2018	-	-	-	189	(7,131)	223,084	216,142
Transfer to statutory reserve	-	44,617	-	-	-	(44,617)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	1,480	1,480
<b>Transaction with owners recorded directly in equity</b>							
Final cash dividend - 31 December 2017 declared subsequent to the year end (Rs. 0.7 per share)	-	-	-	-	-	(430,500)	(430,500)
<b>Opening balance as 01 July 2018</b>	<b>6,150,000</b>	<b>1,104,748</b>	<b>11,630</b>	<b>8,349</b>	<b>48,249</b>	<b>587,503</b>	<b>7,910,479</b>
<b>Total comprehensive income</b>							
Profit after taxation	-	-	-	-	-	241,326	241,326
Other comprehensive loss - net of tax	-	-	-	(15,851)	(1,322)	6,984	(10,189)
Total comprehensive income for the half year ended 31 December 2018	-	-	-	(15,851)	(1,322)	248,310	231,137
Transfer to statutory reserve	-	48,265	-	-	-	(48,265)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	1,322	1,322
<b>Opening balance as 01 January 2019</b>	<b>6,150,000</b>	<b>1,153,013</b>	<b>11,630</b>	<b>(7,502)</b>	<b>46,927</b>	<b>788,870</b>	<b>8,142,938</b>
<b>Total comprehensive income</b>							
Profit after taxation	-	-	-	-	-	229,159	229,159
Other comprehensive loss - net of tax	-	-	-	(9,547)	(1,956)	-	(11,503)
Total comprehensive income for the half year ended 30 June 2019	-	-	-	(9,547)	(1,956)	229,159	217,656
Transfer to statutory reserve	-	45,832	-	-	-	(45,832)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	1,222	1,222
<b>Transaction with owners recorded directly in equity</b>							
Final cash dividend - 31 December 2018 declared subsequent to the year end (Rs. 0.7 per share)	-	-	-	-	-	(430,500)	(430,500)
<b>Closing balance as at 30 June 2019</b>	<b>6,150,000</b>	<b>1,198,845</b>	<b>11,630</b>	<b>(17,049)</b>	<b>44,971</b>	<b>542,919</b>	<b>7,931,316</b>

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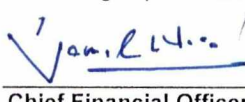
  
 Director


**Pak Oman Investment Company Limited**  
**Unconsolidated Condensed Interim Cash Flow Statement (Un-Audited)**  
**For the half year ended 30 June 2019**

30 June 2019 (US Dollar in '000)	30 June 2018		Note	30 June 2019 (Rupees in '000)	30 June 2018
		<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1,859	2,588	Profit before taxation		297,393	414,261
(171)	(124)	Less: Dividend income		(27,314)	(19,845)
<u>1,688</u>	<u>2,464</u>			<u>270,079</u>	<u>394,416</u>
		<b>Adjustments:</b>			
129	143	Depreciation		20,724	22,826
76	-	Depreciation on right-of-use assets		12,184	-
1	1	Amortization		235	235
(178)	(1,352)	(Reversals) and write offs - net	28	(28,431)	(216,458)
(4)	(10)	Gain on sale of fixed assets		(684)	(1,662)
51	-	Mark-up / return / profit / interest expensed on lease liability against right-of-use assets		8,119	-
1	-	Finance charges on leased assets		109	50
(31)	(18)	Unrealised gain / (loss) on revaluation of investments classified as held-for-trading		(4,909)	(2,860)
<u>45</u>	<u>(1,236)</u>			<u>7,347</u>	<u>(197,869)</u>
<u>1,733</u>	<u>1,228</u>			<u>277,426</u>	<u>196,547</u>
		<b>(Increase) / Decrease in operating assets</b>			
(14,248)	(26,227)	Landings to financial institutions		(2,280,344)	(4,197,735)
49,111	63,681	Held-for-trading securities		7,860,337	10,192,221
(2,261)	(20,397)	Advances		(361,823)	(3,264,619)
(2,390)	(819)	Other assets (excluding advance taxation)		(382,703)	(130,960)
<u>30,212</u>	<u>16,238</u>			<u>4,835,467</u>	<u>2,598,907</u>
		<b>Increase / (decrease) in operating liabilities</b>			
-	-	Bills payable		-	-
149,190	(40,325)	Borrowings		23,878,102	(6,454,079)
(13,372)	(315)	Deposits		(2,140,189)	(50,455)
(466)	(3,007)	Other liabilities (excluding current taxation)		(74,588)	(481,197)
<u>135,352</u>	<u>(43,647)</u>			<u>21,663,325</u>	<u>(6,985,731)</u>
<u>167,297</u>	<u>(26,181)</u>			<u>26,776,218</u>	<u>(4,190,277)</u>
(872)	(713)	Income tax paid		(139,513)	(114,115)
<u>166,425</u>	<u>(26,894)</u>	<b>Net cash flow generated from / (used in) operating activities</b>		<u>26,636,705</u>	<u>(4,304,392)</u>
		<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
(167,093)	26,153	Net investments in available-for-sale securities		(26,743,635)	4,185,905
-	10	Dividend received		-	1,540
(18)	(8)	Investments in operating fixed assets		(2,839)	(1,346)
5	29	Proceeds from sale of fixed assets		736	4,570
<u>(167,106)</u>	<u>26,184</u>	<b>Net cash flow (used in) / generated from investing activities</b>		<u>(26,745,738)</u>	<u>4,190,669</u>
		<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
(2)	(1)	Payments of lease obligations		(296)	(229)
(162)	-	Payments of lease liability against right-of-use assets		(25,937)	-
(2,690)	(2,690)	Dividend paid		(430,500)	(430,500)
<u>(2,854)</u>	<u>(2,691)</u>	<b>Net cash flow (used in) financing activities</b>		<u>(456,733)</u>	<u>(430,729)</u>
<u>(3,535)</u>	<u>(3,401)</u>	<b>(Decrease) in cash and cash equivalents</b>		<u>(565,766)</u>	<u>(544,452)</u>
14,984	13,634	Cash and cash equivalents at beginning of the period		2,398,193	2,182,200
<u>11,449</u>	<u>10,233</u>	<b>Cash and cash equivalents at end of the period</b>	31	<u>1,832,427</u>	<u>1,637,748</u>

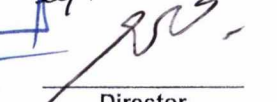
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 Chief Financial Officer

  
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## **Pak Oman Investment Company Limited**

### **Notes to the Unconsolidated Condensed Interim Financial Statements (Un-Audited)**

#### **For the half year ended 30 June 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 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 ending 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 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.160.0521 = 1 US dollar for the half year ended 30 June 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 half year ended 30 June 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)
<b>Assets</b>	
Right-of-use (RoU) asset	147,229
Prepayments	(6,030)
Total Assets	<u>141,199</u>
<b>Liabilities</b>	
Lease liability	<u>141,199</u>

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

	June 30, 2019	
	RoU asset (Rupees in '000)	Lease liability (Rupees in '000)
As at January 1, 2019	167,851	141,199
Addition	464	-
Depreciation	(12,184)	-
Borrowing cost	-	(8,119)
Payments	-	(3,667)
As at June 30, 2019	<u>156,131</u>	<u>129,413</u>

Had this standard not been applied, assets and liabilities would have been lower by Rs.156.131 million and Rs.129.413 million respectively. Rent expense would have been higher by Rs.11.966 million and depreciation charge and mark-up expense would have been lower by Rs.12.184 million and Rs.8.119 million respectively.

#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of this unconsolidated condensed interim financial information is the same as that applied in the preparation of the 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 unconsolidated financial statements for the year ended 31 December 2018.

#### 6. CASH AND BALANCES WITH TREASURY BANKS

	Note	(Un-audited) 30 June 2019	(Audited) 31 December 2018
		(Rupees in '000)	
In hand			
local currency		320	297
foreign currency		198	198
		518	495
With State Bank of Pakistan in			
Local currency current account	6.1	317,568	121,861
With National Bank of Pakistan in			
Local currency current account		1,222	248
		<u>319,308</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		2,046	17,776
In deposit accounts	7.1	1,508,325	2,257,310
		1,510,371	2,275,086
Outside Pakistan:			
In current accounts		2,748	503
		<u>1,513,119</u>	<u>2,275,589</u>

7.1 These include term deposit receipts (TDRs) of Rs. 1,500 million (2018: Rs. 2,250 million) maturing between July 2019 to September 2019 (2018: January 2019 to March 2019). These carry mark-up rates ranging from 12.75% to 13.99% (2018: 9.35% to 12%) per annum.

#### 8. LENDINGS TO FINANCIAL INSTITUTIONS

Repurchase agreement lendings (Reverse Repo)		7,714,640	5,434,296
		<u>7,714,640</u>	<u>5,434,296</u>

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## 9 INVESTMENTS

	30 June 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) -----								
<b>9.1 Investments by types</b>								
<b>Held-for-trading securities</b>								
Federal Government securities	14,668,188	-	1,903	14,670,091	22,528,724	-	(3,246)	22,525,478
Shares	-	-	-	-	-	-	-	-
Non-Government debt securities	200,039	-	626	200,665	199,840	-	866	200,706
	14,868,227	-	2,529	14,870,756	22,728,564	-	(2,380)	22,726,184
<b>Available-for-sale securities</b>								
Federal Government securities	28,105,951	-	(27,090)	28,078,861	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	3,280,849	(463,477)	3,078	2,820,450	3,237,772	(467,723)	32,843	2,802,892
	31,734,133	(584,810)	(24,012)	31,125,311	4,990,498	(589,056)	(10,419)	4,391,023
<b>Associates</b>	1,045,951	(70,726)	-	975,225	1,045,951	(70,726)	-	975,225
<b>Subsidiary</b>	498,300	(157,375)	-	340,925	498,300	(157,375)	-	340,925
<b>Total Investments</b>	48,146,611	(812,911)	(21,483)	47,312,217	29,263,313	(817,157)	(12,799)	28,433,357

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## 9.1.1 Investments given as collateral

	30 June 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)-----								
<b>Federal Government Securities</b>								
- Pakistan Investment Bonds	7,753,394	-	(18,378)	7,735,016	3,827,167	-	(44,398)	3,782,769
- Market treasury bills	30,789,509	-	(9,505)	30,780,004	18,374,587	-	(2,253)	18,372,334
	38,542,903	-	(27,883)	38,515,020	22,201,754	-	(46,651)	22,155,103
<b>Shares</b>								
- Listed companies	-	-	-	-	-	-	-	-
- Unlisted companies	226,000	-	-	226,000	226,000	-	-	226,000
	226,000	-	-	226,000	226,000	-	-	226,000
<b>Associates</b>								
Japan Power Generation Limited	70,726	(70,726)	-	-	70,726	(70,726)	-	-
<b>Total investments</b>	<b>38,839,629</b>	<b>(70,726)</b>	<b>(27,883)</b>	<b>38,741,020</b>	<b>22,498,480</b>	<b>(70,726)</b>	<b>(46,651)</b>	<b>22,381,103</b>

(Un-audited)  
Half year ended  
30 June  
2019  
(Rupees in '000)

(Audited)  
Year ended  
31 December  
2018

## 9.2 Provision for diminution in value of investments

## 9.2.1 Opening balance

817,157      925,801

**Charges / reversals**

Charge for the year  
Reversals for the year

-	-
(4,246)	(37,533)
(4,246)	(37,533)

Transfers - net  
Amounts written off  
Closing balance

-	(71,111)
-	-
<b>812,911</b>	<b>817,157</b>

## 9.2.2 Particulars of provision against debt securities

## Category of classification

Domestic  
Other assets especially mentioned  
Substandard  
Doubtful  
Loss

	30 June 2019 (Unaudited)		31 December 2018 (Audited)	
	NPI	Provision	NPI	Provision
------(Rupees in '000)-----				
	-	-	-	-
	-	-	-	-
	-	-	-	-
	483,926	463,477	488,172	467,723
<b>Total</b>	<b>483,926</b>	<b>463,477</b>	<b>488,172</b>	<b>467,723</b>

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10 ADVANCES	Performing		Non-performing		Total	
	30-Jun-19 (Rupees in '000)	31-Dec-18 (Rupees in '000)	30-Jun-19 (Rupees in '000)	31-Dec-18 (Rupees in '000)	30-Jun-19 (Rupees in '000)	31-Dec-18 (Rupees in '000)
Loans, cash credits, running finances, etc.	20,697,837	20,120,701	686,826	711,233	21,384,663	20,831,934
Margin trading	38,554	229,460	-	-	38,554	229,460
Advances - Gross	<u>20,736,391</u>	<u>20,350,161</u>	<u>686,826</u>	<u>711,233</u>	<u>21,423,217</u>	<u>21,061,394</u>
Provision against advances						
Specific	-	-	556,294	580,479	556,294	580,479
General	213	213	-	-	213	213
	<u>213</u>	<u>213</u>	<u>556,294</u>	<u>580,479</u>	<u>556,507</u>	<u>580,692</u>
Advances - net of provision	<u>20,736,178</u>	<u>20,349,948</u>	<u>130,532</u>	<u>130,754</u>	<u>20,866,710</u>	<u>20,480,702</u>

## 10.1 Particulars of advances (Gross)

	30-Jun-19 (Rupees in '000)	31-Dec-18 (Rupees in '000)
In local currency	21,423,217	21,061,394
In foreign currencies	-	-
	<u>21,423,217</u>	<u>21,061,394</u>

10.2 Advances include Rs. 687 million (2018: Rs 711 million) which have been placed under the non-performing status as detailed below:

## Category of Classification

## Domestic

Other Assets Especially Mentioned  
Substandard  
Doubtful  
Loss

	30 June 2019 (Unaudited)		31 December 2018 (Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	----- (Rupees in '000) -----			
	-	-	-	-
	2,104	-	26,912	-
	207,406	90,000	182,820	90,000
	<u>477,316</u>	<u>466,294</u>	<u>501,501</u>	<u>490,479</u>
	<u>686,826</u>	<u>556,294</u>	<u>711,233</u>	<u>580,479</u>

## 10.3 Particulars of provision against advances

Opening balance  
Charge for the year  
Reversals  
  
Amounts written off  
Closing balance

	Half year ended 30 June 2019 (Unaudited)			Year ended 31 December 2018 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	580,479	213	580,692	875,047	213	875,260
Charge for the year	-	-	-	-	-	-
Reversals	(24,185)	-	(24,185)	(294,568)	-	(294,568)
	<u>(24,185)</u>	<u>-</u>	<u>(24,185)</u>	<u>(294,568)</u>	<u>-</u>	<u>(294,568)</u>
Amounts written off	-	-	-	-	-	-
Closing balance	<u>556,294</u>	<u>213</u>	<u>556,507</u>	<u>580,479</u>	<u>213</u>	<u>580,692</u>

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 June 2019, the Company has availed total accumulated FSV benefit amounting to Rs 7.9 million (2018 Rs. 4.3 million) [net of tax Rs 5.6 million (2018: net of tax Rs. 3.1 million)]. Accordingly, accumulated profit of Rs 5.6 million (2018: Rs.3.1 million) [net of transfer to statutory reserves Rs 4.5 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. *uyfn*

	Note	(Un-audited) 30 June 2019 ----- (Rupees in '000) -----	(Audited) 31 December 2018
<b>11 FIXED ASSETS</b>			
Right of use assets		156,131	-
Property and equipments		66,072	95,732
		<u>222,203</u>	<u>95,732</u>
<b>12 INTANGIBLE ASSETS</b>			
Computer Software		203	437
		<u>203</u>	<u>437</u>
<b>13 DEFERRED TAX ASSETS</b>			
<b>Deductible Temporary Differences on</b>			
Provision for diminution in the value of investments		215,233	209,000
Assets subject to finance leases		71	66
Amortisation of premium on Federal Government Securities		4,619	2,555
Provision against non-performing advances		161,387	162,594
Revaluation on investments classified as available-for-sale		6,963	2,917
Alternative Corporate tax		45,913	-
Taxable loss		15,321	-
Revaluation on investments classified as held-for-trading		(734)	667
Net investment in finance leases		(20,359)	71,793
		428,414	449,592
<b>Taxable Temporary Differences on</b>			
Accelerated tax depreciation allowances		2,476	(1,388)
Revaluation on Non-banking assets		(6,363)	(8,765)
Dividend receivable		(4,097)	-
		(7,984)	(10,153)
		<u>420,430</u>	<u>439,439</u>
<b>14 OTHER ASSETS</b>			
Income/ Mark-up accrued in local currency - net of provision		750,685	454,034
Dividend income receivable		27,314	-
Mark-up / profit receivable on purchase of securities		98,724	13,373
Security deposits		4,288	4,288
Prepayments		22,391	13,225
Taxation		47,805	-
Non-banking assets acquired in satisfaction of claims		259,700	267,226
Staff Gratuity		-	9,928
Others		2,529	1,066
		1,213,436	763,140
Less: Provision held against other assets		-	-
Other assets (net of provisions)		1,213,436	763,140
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		63,340	65,176
		<u>1,276,776</u>	<u>828,316</u>

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	(Un-Audited) 30 June 2019 (Rupees in '000)	(Audited) 31 December 2018
<b>15 BORROWINGS</b>		
<b>Secured</b>		
Borrowings from the State Bank of Pakistan:		
- Long term financing facility (LTFF)	2,316,637	2,128,804
Repurchase agreement borrowings	45,836,588	25,823,942
Long term borrowings	6,531,840	6,123,133
Short term running finance	482,557	581,897
Bai Muajjal	-	1,296,869
<b>Total secured</b>	<b>55,167,622</b>	<b>35,954,645</b>
<b>Unsecured</b>		
Placements	4,155,000	3,007,000
Murabaha financing	4,517,125	1,000,000
<b>Total unsecured</b>	<b>8,672,125</b>	<b>4,007,000</b>
	<b>63,839,747</b>	<b>39,961,645</b>

#### 16 DEPOSITS AND OTHER ACCOUNTS

	30 June 2019 (Unaudited)		31 December 2018 (Audited)	
	In local currency	Total	In local currency	Total
	----- (Rupees in '000) -----			
<b>Certificates of investment</b>				
Financial institutions	549,000	549,000	2,961,000	2,961,000
Others	6,321,301	6,321,301	6,049,490	6,049,490
	<b>6,870,301</b>	<b>6,870,301</b>	<b>9,010,490</b>	<b>9,010,490</b>

#### 17 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	30 June 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	33	398	431	49	382
Later than one year and upto five years	412	5	407	628	18	610
	<b>843</b>	<b>38</b>	<b>805</b>	<b>1,059</b>	<b>67</b>	<b>992</b>

17.1 The Company has entered into lease agreement with financial institution for lease of vehicle. Lease rentals are payable in monthly installments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rate of 7.90% (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.

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	Note	(Un-Audited) 30 June 2019	(Audited) 31 December 2018
(Rupees in '000)			
<b>18 OTHER LIABILITIES</b>			
Mark-up/ Return/ Interest payable in local currency		364,434	338,454
Accrued expenses		174,180	204,068
Security deposits against investment in finance leases		294,842	356,216
Taxation		-	45,795
Lease liability against right-of-use assets		129,413	-
Others		40,568	49,874
		<u>1,003,437</u>	<u>994,407</u>
<b>19 SURPLUS ON REVALUATION OF ASSETS</b>			
Surplus / (deficit) on revaluation of			
- Available for sale securities		(24,012)	(10,419)
- Non-banking assets acquired in satisfaction of claims		63,340	65,176
		39,328	54,757
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		6,963	2,917
- Non-banking assets acquired in satisfaction of claims		(18,369)	(18,249)
		<u>(11,406)</u>	<u>(15,332)</u>
		<u>27,922</u>	<u>39,425</u>
<b>20 CONTINGENCIES AND COMMITMENTS</b>			
<b>Transaction related contingent liability:</b>			
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
<b>Commitments for:</b>			
Purchase of Government securities		-	13,944,874
Sale of Government securities		6,105,635	2,869,539
Commitments for advances and net investment in finance leases		1,238,851	2,042,040
Securities given as collateral against loan taken by Pak Oman Asset Management Company Limited a wholly owned subsidiary	20.3	334,000	334,000
<b>20.1</b>	Shares in Japan Power Generation Limited (JPGL) (an associate) aggregating 17,622,878 having a cost of Rs. 70.726 million (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).		
<b>20.2</b>	Investment in unlisted shares in Orient Power Company (Private) Limited (related party) aggregating 22,600,000 having a cost of Rs. 226 million are pledged as security against a syndicate finance facility obtained by Orient Power Company (Private) Limited.		
<b>20.3</b>	PIBs having face value amounting to Rs. 334 million (2018: PIBs and T-Bill 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). <i>myr</i>		

	Note	(Un-Audited)	
		Half year ended	
		30 June 2019	30 June 2018
		(Rupees in '000)	
<b>21 MARK-UP / RETURN / INTEREST EARNED</b>			
On:			
a) Loans and advances		1,134,571	816,544
b) Investments		1,275,916	543,166
c) Lendings to financial institutions		209,681	127,003
d) Balances with banks		87,519	55,447
		<u>2,707,687</u>	<u>1,542,160</u>
<b>22 MARK-UP / RETURN / INTEREST EXPENSED</b>			
On:			
a) Deposits		371,848	313,497
b) Borrowings		1,839,266	829,566
c) Lease liability against right-of-use assets		8,119	-
		<u>2,219,233</u>	<u>1,143,063</u>
<b>23 FEE AND COMMISSION INCOME</b>			
Credit related fees		25,249	30,214
Investment banking fees		2,528	11,418
Commission on guarantees		1,560	3,069
Underwriting commission of Government securities auction		3,832	1,367
		<u>33,169</u>	<u>46,068</u>
<b>24 GAIN ON SECURITIES</b>			
Realised	24.1	14,918	21,546
Unrealised - held for trading		4,909	2,860
		<u>19,827</u>	<u>24,406</u>
<b>24.1 Realised gain/(loss) on:</b>			
Federal Government Securities		14,067	2,135
Non Government debt securities		851	(5,850)
Shares		-	25,261
		<u>14,918</u>	<u>21,546</u>
<b>25 OTHER INCOME</b>			
Gain on sale of fixed assets - net		684	1,662
Gain on sale of non-banking assets - net		-	17,381
		<u>684</u>	<u>19,043</u>

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## 26 OPERATING EXPENSES

	(Un-Audited)	
	Half year ended	
	30 June 2019	30 June 2018
	(Rupees in '000)	
Total compensation expense	207,898	210,350
<b>Property expense</b>		
Rent & taxes	378	12,007
Utilities cost	1,155	1,274
Security (including guards)	302	298
Repair & maintenance (including janitorial charges)	3,500	3,511
Depreciation on right-of-use assets	12,184	-
Depreciation	1,053	1,053
	18,572	18,143
<b>Information technology expenses</b>		
Software maintenance	550	619
Hardware maintenance	-	17
Depreciation	534	953
Amortisation	235	235
Network charges	945	895
Others	551	422
	2,815	3,141
<b>Other operating expenses</b>		
Directors' fees and allowances	11,850	9,574
Legal & professional charges	4,507	3,844
Travelling & conveyance	4,163	5,772
Depreciation	19,137	20,820
Training & development	250	194
Postage & courier charges	193	185
Communication	4,148	3,648
Stationery & printing	691	684
Marketing, advertisement & publicity	532	303
Donations	500	520
Auditors' remuneration	716	1,576
Membership and subscriptions	638	918
Transportation	4,136	4,823
Insurance	1,299	820
Finance charges on leased assets	109	50
Entertainment and canteen expenses	1,357	1,434
Others	1,436	5,638
	55,662	60,803
Total operating expenses	<u>284,947</u>	<u>292,437</u>

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		(Un-Audited)	
		Half year ended	
		30 June 2019	30 June 2018
		(Rupees in '000)	
<b>27</b>	<b>OTHER CHARGES</b>		
	Penalties imposed by State Bank of Pakistan	600	-
	Fees, commission and others	11,374	12,719
		<u>11,974</u>	<u>12,719</u>
<b>28</b>	<b>REVERSALS &amp; WRITE OFFS - NET</b>		
	Reversals of provisions for diminution in value of investments	(4,246)	(9,242)
	Reversals of provisions against loans & advances	(24,185)	(207,216)
		<u>(28,431)</u>	<u>(216,458)</u>
<b>29</b>	<b>TAXATION</b>		
	Current	45,913	84,019
	Prior years	-	27,884
	Deferred	22,321	79,274
		<u>68,234</u>	<u>191,177</u>
<b>29.1</b>	<b>Tax contingencies</b>		
	<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 tax years 2015 to 2017 ACIR has passed orders under section 221 of the income tax ordinance 2001 and raised demand of Super tax of Rs 158 million. The company has filed appeal against the said orders, the said appeal is pending at adjudication. The Company's tax advisor is confident to obtain favourable decision from appellate forum and accordingly no provision has been made. Moreover, 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>		
<b>30</b>	<b>BASIC AND DILUTED EARNINGS PER SHARE</b>		
	Profit after taxation	Rupees in '000	<u>229,159</u> <u>223,084</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>0.37</u> <u>0.36</u>
<b>30.1</b>	Diluted earnings per share has not been presented separately as the Company does not have any convertible instruments in issue.		
<b>31</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash and balances with treasury banks	319,308	169,180
	Balances with other banks	1,513,119	1,468,568
		<u>1,832,427</u>	<u>1,637,748</u>

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## 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:

	30 June 2019			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>On balance sheet financial instruments</b>				
<b>Financial assets - measured at fair value</b>				
Investments				
Federal Government Securities	-	42,748,952	-	42,748,952
Non-Government Debt Securities	-	3,021,115	-	3,021,115
Mutual funds	608,267	-	-	608,267
<b>Financial assets - disclosed but not measured at fair value</b>				
Investments	-	-	-	951,633
<b>On balance sheet financial instruments</b>				
<b>Financial assets - measured at fair value</b>				
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
<b>Financial assets - disclosed but not measured at fair value</b>				
Investments	-	-	-	951,633

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## 33 SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

	Half year ended 30 June 2019 (Unaudited)			
	Corporate Banking	Investment Banking	Treasury	Total
	----- (Rupees in '000) -----			
<b>Profit &amp; Loss</b>				
Net mark-up/return/profit	275,039	(49,111)	262,526	488,454
Non mark-up / return / interest income	27,128	29,223	24,643	80,994
Total Income	302,167	(19,888)	287,169	569,448
Segment direct expenses	167,390	26,387	106,709	300,486
Reversals	(24,185)	(4,246)	-	(28,431)
Profit before tax	158,962	(42,029)	180,460	297,393
<b>Balance Sheet</b>				
Cash & Bank balances	-	-	1,832,427	1,832,427
Investments	-	3,243,133	44,069,084	47,312,217
Lendings to financial institutions			7,714,640	7,714,640
Advances - performing	20,697,624	-	38,554	20,736,178
non- performing	130,532	-	-	130,532
Others	735,093	535,071	649,448	1,919,612
<b>Total Assets</b>	21,563,249	3,778,204	54,304,153	79,645,606
Borrowings	17,629,287	3,005,948	43,204,512	63,839,747
Subordinated debt	-	-	-	-
Deposits & other accounts	1,860,065	325,911	4,684,325	6,870,301
Others	486,905	33,652	483,685	1,004,242
<b>Total liabilities</b>	19,976,257	3,365,511	48,372,522	71,714,290
Equity	1,586,992	412,693	5,931,631	7,931,316
<b>Total Equity &amp; liabilities</b>	21,563,249	3,778,204	54,304,153	79,645,606
<b>Contingencies &amp; Commitments</b>	1,678,138	630,726	6,105,635	8,414,499

	Half year ended 30 June 2018 (Unaudited)			
	Corporate Banking	Investment Banking	Treasury	Total
	----- (Rupees in '000) -----			
<b>Profit &amp; Loss</b>				
Net mark-up/return/profit	291,696	(20,509)	127,910	399,097
Non mark-up / return / interest income	33,286	68,581	7,495	109,362
Total Income	324,982	48,072	135,405	508,459
Segment direct expenses	159,856	25,320	125,480	310,656
(Reversals) / Provisions	(207,216)	(9,242)	-	(216,458)
Profit before tax	372,342	31,994	9,925	414,261

	Year ended 31 December 2018 (Audited)			
	Corporate Banking	Investment Banking	Treasury	Total
	----- (Rupees in '000) -----			
<b>Balance Sheet</b>				
Cash & Bank balances	-	-	2,398,193	2,398,193
Investments	-	3,083,646	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
<b>Total Assets</b>	20,863,647	3,616,124	33,630,701	58,110,472
Borrowings	14,789,955	2,443,804	22,727,886	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
<b>Total liabilities</b>	18,610,734	3,044,288	28,312,512	49,967,534
Equity	2,252,913	571,836	5,318,189	8,142,938
<b>Total Equity &amp; liabilities</b>	20,863,647	3,616,124	33,630,701	58,110,472
<b>Contingencies &amp; Commitments</b>	2,250,553	630,726	16,814,413	19,695,692

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**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

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

	Half year ended 30 June 2019 (Unaudited)						Year ended 31 December 2018 (Audited)					
	Directors	Key management personnel	Subsidiaries	Associates	Retirement benefit funds	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Retirement benefit funds	Other related parties
	(Rupees in '000)											
<b>Investments</b>												
Opening balance	-	-	498,300	1,045,951	-	226,000	-	-	498,300	1,045,951	-	226,000
Investment made during the year	-	-	-	-	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	498,300	1,045,951	-	226,000	-	-	498,300	1,045,951	-	226,000
Provision for diminution in value of investments	-	-	157,375	70,726	-	-	-	-	157,375	70,726	-	-
<b>Advances</b>												
Opening balance	-	43,626	-	68,200	-	72,916	-	32,399	-	68,200	-	114,232
Addition during the year	-	14,475	-	-	-	-	-	11,744	-	-	-	-
Repaid during the year	-	(6,954)	-	-	-	(22,751)	-	(9,468)	-	-	-	(41,316)
Transfer in / (out) - net	-	-	-	-	-	-	-	8,951	-	-	-	-
Closing balance	-	51,147	-	68,200	-	50,165	-	43,626	-	68,200	-	72,916
Provision held against advances	-	-	-	68,200	-	-	-	-	-	68,200	-	-
	Half year ended 30 June 2019 (Unaudited)						Year ended 31 December 2018 (Audited)					
	Directors	Key management personnel	Subsidiaries	Associates	Retirement benefit funds	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Retirement benefit funds	Other related parties
	(Rupees in '000)											
<b>Other Assets</b>												
Interest / mark-up accrued	-	-	-	-	-	1,664	-	-	-	-	-	2,045
Receivable from staff retirement fund	-	-	-	-	-	-	-	-	-	-	9,928	-
Other receivable	-	-	-	27,314	-	-	-	-	-	-	-	-
Provision against other assets	-	-	-	-	-	-	-	-	-	-	-	-
<b>Deposits and other accounts</b>												
Opening balance	-	909	-	-	5,492	-	-	1,168	-	450,000	36,626	-
Received during the year	-	40,323	-	-	95,823	-	-	30,281	-	1,000,000	241,156	-
Withdrawn during the year	-	(39,784)	-	-	(67,537)	-	-	(30,540)	-	(1,450,000)	(272,290)	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	1,448	-	-	33,778	-	-	909	-	-	5,492	-
<b>Other Liabilities</b>												
Interest / mark-up payable	-	4	-	-	213	-	-	3	-	-	2	-
Payable to staff retirement fund	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Outright sale of Government Securities	-	-	-	868,826	567,524	-	-	-	231,070	965,241	250,474	-
Outright purchase of Government Securities	-	-	15,365	127,730	567,607	-	-	-	115,646	4,978	94,955	-
<b>Contingencies and Commitments</b>												
Other contingencies	-	-	334,000	70,726	-	226,000	-	-	334,000	70,726	-	226,000

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## 34.7 Related party transactions

	Half year ended 30 June 2019 (Unaudited)					Half year ended 30 June 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
	(Rupees in '000)											
<b>Income</b>												
Mark-up / return / interest earned	-	1,123	-	-	-	4,288	-	1,034	-	-	-	4,574
Fee and commission income	-	-	-	-	-	-	-	-	-	-	-	-
Dividend income	-	-	-	27,314	-	-	-	-	-	-	-	-
Net gain on sale of securities	-	-	-	(2)	(1)	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
<b>Expense</b>												
Mark-up / return / interest paid	-	363	-	-	829	-	-	45	-	4,950	1,389	-
Operating expenses	-	-	-	-	-	-	-	-	-	-	-	-
Directors' fees and allowances	11,850	-	-	-	-	-	9,574	-	-	-	-	-
Compensation expenses	81,147	67,260	-	-	-	-	98,069	70,276	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	8,599	-	-	-	-	-	8,897	-
Charge for defined benefit plan	-	-	-	-	7,196	-	-	-	-	-	8,940	-

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

	(Un-Audited) 30 June 2019	(Audited) 31 December 2018
	(Rupees in '000)	
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	<u>6,150,000</u>	<u>6,150,000</u>
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	5,378,634	5,760,301
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	5,378,634	5,760,301
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	<u>5,378,634</u>	<u>5,760,301</u>
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	25,519,467	30,256,061
Market Risk	5,489,229	1,003,458
Operational Risk	2,051,664	2,051,664
Total	<u>33,060,360</u>	<u>33,311,183</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>16.27%</u>	<u>17.29%</u>
Tier 1 Capital Adequacy Ratio	<u>16.27%</u>	<u>17.29%</u>
Total Capital Adequacy Ratio	<u>16.27%</u>	<u>17.29%</u>
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	5,390,057	5,760,301
Total Exposures	82,460,988	66,450,096
Leverage Ratio	<u>6.54%</u>	<u>8.67%</u>
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	6,278,851	6,503,094
Total Net Cash Outflow	10,047,860	16,808,490
Liquidity Coverage Ratio	<u>62.49%</u>	<u>38.69%</u>
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	20,186,953	20,705,300
Total Required Stable Funding	19,423,199	18,970,216
Net Stable Funding Ratio	<u>103.93%</u>	<u>109.15%</u>

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## 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

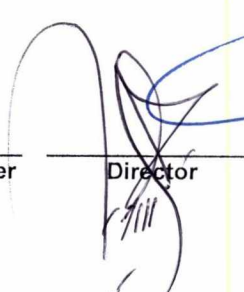
Comparative information has been re-classified, re-arranged or additionally incorporated in these unconsolidated condensed interim financial statements wherever necessary to facilitate comparison and better presentation in accordance with the new format prescribed by State Bank of Pakistan vide BPRD Circular Letter No. 5 dated 22 March 2019.


## 38. DATE OF AUTHORISATION FOR ISSUE


These unconsolidated financial statements were authorised for issue on 30 AUG 2019 by the Board of Directors of the Company.

  
 Managing Director  
 Chief Executive Officer

  
 Chief Financial Officer

  
 Director

  
 Director

  
 Director