

**PAK OMAN INVESTMENT  
COMPANY LIMITED**

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

**FOR THE HALF YEAR  
ENDED 30 JUNE 2021**

**Pak Oman Investment Company Limited**  
**Consolidated Condensed Interim Statement of Financial Position**  
**As at 30 June 2021**

(Unaudited) 30 June 2021 (US Dollar in '000)	(Audited) 31 December 2020		(Unaudited) 30 June 2021 (Rupees in '000)	(Audited) 31 December 2020
		<i>Note</i>		
<b>ASSETS</b>				
1,433	1,361		225,779	214,467
16,411	8,376	6	2,585,416	1,319,582
-	22,851	7	-	3,600,000
591,853	430,163	8	93,242,750	67,769,494
126,414	132,886	9	19,915,756	20,935,305
1,547	1,588	10	243,702	250,195
1,417	1,417	11	223,273	223,273
1,559	1,376	12	245,565	216,789
14,772	14,294	13	2,327,164	2,251,865
755,406	614,312	14	119,009,405	96,780,970
<b>LIABILITIES</b>				
-	-		-	-
611,291	448,014	6	96,305,082	70,581,769
81,065	100,728	7	12,771,214	15,869,130
27	1	8	4,307	197
-	-	9	-	-
-	-	10	-	-
7,725	9,068	11	1,216,998	1,428,400
700,108	557,811	12	110,297,601	87,879,496
55,298	56,501	13	8,711,804	8,901,474
<b>NET ASSETS</b>				
<b>REPRESENTED BY</b>				
39,037	39,037		6,150,000	6,150,000
11,660	11,171		1,836,910	1,759,985
1,503	2,212	14	236,749	348,498
3,073	4,039	15	484,197	636,372
55,273	56,459	16	8,707,856	8,894,855
25	42	17	3,948	6,619
55,298	56,501	18	8,711,804	8,901,474
<b>CONTINGENCIES AND COMMITMENTS</b>				
		20		

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

Bahauddin Khan	Mohammad Jamal Nasir	Omar Hamid Khan	Ayham Abdul Aziz Qadar Al Ghassani	Sayyid Juland Jaifar Salim Al Said
<b>Managing Director/ Chief Executive Officer</b>	<b>Chief Financial Officer</b>	<b>Director</b>	<b>Director</b>	<b>Chairman</b>

**Pak Oman Investment Company Limited**  
**Consolidated Condensed Interim Profit and Loss Account (Un-Audited)**  
**For the half year ended 30 June 2021**

Half year ended		Quarter ended		Half year ended		
30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020	
(US Dollar in '000)		Note -----(Rupees in '000)-----				
22,800	34,950	21	1,942,088	2,705,701	3,591,931	5,506,147
18,336	29,471	22	1,606,924	2,127,190	2,888,794	4,642,919
4,464	5,479		335,164	578,511	703,137	863,228
		<b>Net mark-up / interest income</b>				
<b>NON MARK-UP / INTEREST INCOME</b>						
479	190	23	40,011	11,182	75,453	29,875
-	-		-	-	-	-
-	-		-	-	-	-
-	-		-	-	-	-
310	1,441	24	36,105	142,979	48,866	227,050
187	(54)		21,057	7,387	29,498	(8,507)
29	49	25	3,925	(5,962)	4,532	7,747
1,005	1,626		101,098	155,586	158,349	256,165
5,469	7,105		436,262	734,097	861,486	1,119,393
		<b>Total Income</b>				
<b>NON MARK-UP / INTEREST EXPENSES</b>						
2,256	2,142	26	181,428	172,722	355,452	337,473
69	106		5,190	12,144	10,881	16,725
131	122	27	9,364	11,529	20,570	19,197
2,456	2,370		195,982	196,395	386,903	373,395
		<b>Total non mark-up / interest expenses</b>				
3,013	4,735		240,280	537,702	474,583	745,998
378	2	28	9,753	-	59,604	295
-	-		-	-	-	-
3,391	4,737		250,033	537,702	534,187	746,293
(950)	(1,451)	29	(68,664)	(162,772)	(149,742)	(228,552)
2,441	3,286		181,369	374,930	384,445	517,741
		<b>PROFIT BEFORE TAXATION</b>				
		<b>PROFIT AFTER TAXATION</b>				
<b>ATTRIBUTABLE TO:</b>						
2,442	3,287		181,589	375,510	384,671	517,976
(1)	(1)		(220)	(580)	(226)	(235)
2,441	3,286		181,369	374,930	384,445	517,741
		<b>Shareholders of the holding company</b>				
		<b>Non-controlling interest</b>				
(US \$)		----- (Rupees) -----				
0.0040	0.0053	30	0.30	0.61	0.63	0.84
		<b>Basic and diluted earnings per share attributable to shareholders of the holding</b>				

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

Bahauddin Khan

Managing Director/  
Chief Executive Officer

Mohammad Jamal Nasir

Chief Financial Officer

Omar Hamid Khan

Director

Ayham Abdul Aziz  
Qadar Al Ghassani

Director

Sayyid Juland Jaifar Salim Al Said

Chairman

**Pak Oman Investment Company Limited**  
**Consolidated Condensed Interim Statement of Comprehensive Income (Un-Audited)**  
**For the half year ended 30 June 2021**

Half year ended			Quarter ended		Half year ended	
30 June	30 June		30 June	30 June	30 June	30 June
2021	2020		2021	2020	2021	2020
(US Dollar in '000)			------(Rupees in '000)-----			
2,441	3,286	<b>Profit after taxation for the period</b>	<b>181,369</b>	374,930	<b>384,445</b>	517,741
<b>Other comprehensive income</b>						
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>						
(701)	4,910	Movements in (deficit) / surplus on revaluation of investments - net of tax	<b>6,428</b>	<b>217,967</b>	<b>(110,420)</b>	773,478
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>						
(8)	(8)	Movement in deficit on revaluation of non-banking assets- net of tax	<b>(664)</b>	(652)	<b>(1,329)</b>	(1,304)
<b>1,732</b>	<b>8,188</b>	<b>Total comprehensive income</b>	<b>187,133</b>	<b>592,245</b>	<b>272,696</b>	<b>1,289,915</b>
<b>ATTRIBUTABLE TO:</b>						
1,733	8,189	Shareholders of the holding company	<b>187,353</b>	592,825	<b>272,922</b>	1,290,150
(1)	(1)	Non-controlling interest	<b>(220)</b>	(580)	<b>(226)</b>	(235)
<b>1,732</b>	<b>8,188</b>		<b>187,133</b>	<b>592,245</b>	<b>272,696</b>	<b>1,289,915</b>

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

Bahauddin Khan

**Managing Director/  
Chief Executive Officer**

Mohammad Jamal Nasir

**Chief Financial Officer**

Omar Hamid  
Khan

**Director**

Ayham Abdul Aziz  
Qadar Al Ghassani

**Director**

Sayyid Juland Jaifar Salim Al  
Said

**Chairman**

**Pak Oman Investment Company Limited**  
**Consolidated Condensed Interim Statement of Changes in Equity (Un-Audited)**  
**For the half year ended 30 June 2021**

	Share capital	Statutory reserve	General reserve	Surplus / (deficit) on revaluation of		Unappropriated profit	Sub total	Non-controlling interest	Total
				Investments	Non-banking assets				
(Rupees in '000)									
<b>Opening balance as at 01 January 2020</b>	<b>6,150,000</b>	<b>1,253,874</b>	<b>11,630</b>	<b>118,059</b>	<b>43,668</b>	<b>651,712</b>	<b>8,228,943</b>	<b>6,967</b>	<b>8,235,910</b>
<b>Total comprehensive income</b>									
Profit after taxation	-	-	-	-	-	517,976	517,976	(235)	517,741
Other comprehensive income / (loss) - net of tax	-	-	-	773,478	(1,304)	-	772,174	-	772,174
Total comprehensive income for the half year ended 30 June 2020	-	-	-	773,478	(1,304)	517,976	1,290,150	(235)	1,289,915
Transfer to statutory reserve	-	118,523	-	-	-	(118,523)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	1,304	1,304	-	1,304
<b>Transaction with owners recorded directly in equity</b>									
Final cash dividend - 31 December 2019 declared subsequent to the year end (Rs. 0.7 per share)	-	-	-	-	-	(430,500)	(430,500)	-	(430,500)
<b>Opening balance as at 01 July 2020</b>	<b>6,150,000</b>	<b>1,372,397</b>	<b>11,630</b>	<b>891,537</b>	<b>42,364</b>	<b>621,969</b>	<b>9,089,897</b>	<b>6,732</b>	<b>9,096,629</b>
<b>Total comprehensive income</b>									
Profit after taxation	-	-	-	-	-	390,770	390,770	(113)	390,657
Other comprehensive income / (loss) - net of tax	-	-	-	(641,640)	56,237	(1,712)	(587,115)	-	(587,115)
Total comprehensive income for the half year ended 31 December 2020	-	-	-	(641,640)	56,237	389,058	(196,345)	(113)	(196,458)
Transfer to statutory reserve	-	75,958	-	-	-	(75,958)	-	-	-
Transfer to general reserve	-	-	300,000	-	-	(300,000)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	1,303	1,303	-	1,303
<b>Opening balance as at 01 January 2021</b>	<b>6,150,000</b>	<b>1,448,355</b>	<b>311,630</b>	<b>249,897</b>	<b>98,601</b>	<b>636,372</b>	<b>8,894,855</b>	<b>6,619</b>	<b>8,901,474</b>
<b>Total comprehensive income</b>									
Profit after taxation	-	-	-	-	-	384,671	384,671	(226)	384,445
Other comprehensive income / (loss) - net of tax	-	-	-	(110,420)	(1,329)	-	(111,749)	-	(111,749)
Total comprehensive income for the half year ended 30 June 2021	-	-	-	(110,420)	(1,329)	384,671	272,922	(226)	272,696
Transfer to statutory reserve	-	76,925	-	-	-	(76,925)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	1,329	1,329	-	1,329
Further acquisition in subsidiary	-	-	-	-	-	-	-	(2,445)	(2,445)
<b>Transaction with owners recorded directly in equity</b>									
Final cash dividend - 31 December 2020 declared subsequent to the year end (Rs. 0.75 per share)	-	-	-	-	-	(461,250)	(461,250)	-	(461,250)
<b>Closing balance as at 30 June 2021</b>	<b>6,150,000</b>	<b>1,525,280</b>	<b>311,630</b>	<b>139,477</b>	<b>97,272</b>	<b>484,197</b>	<b>8,707,856</b>	<b>3,948</b>	<b>8,711,804</b>

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

Bahauddin Khan  
 Managing Director/  
 Chief Executive Officer

Mohammad Jamal Nasir  
 Chief Financial Officer

Omar Hamid Khan  
 Director

Ayham Abdul Aziz  
 Qadar Al Ghassani  
 Director

Sayyid Juland Jaifar Salim Al Said  
 Chairman

**Pak Oman Investment Company Limited**  
**Consolidated Condensed Interim Cash Flow Statement (Un-Audited)**  
**For the half year ended 30 June 2021**

30 June 2021	30 June 2020		30 June 2021	30 June 2020
(US Dollar in '000)		Note	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
3,391	4,737		534,187	746,293
-	-		-	-
<u>3,391</u>	<u>4,737</u>		<u>534,187</u>	<u>746,293</u>
<b>Adjustments:</b>				
146	136		23,074	21,389
80	90		12,657	14,119
-	-		-	5
(378)	(2)		-	5
(22)	(11)	28	(59,604)	(295)
(187)	54		(3,454)	(1,658)
53	55		(29,498)	8,507
1	1		8,293	8,712
5	(235)		97	127
(302)	88		830	(37,083)
<u>3,089</u>	<u>4,825</u>		<u>(47,605)</u>	<u>13,823</u>
<b>(Increase) / Decrease in operating assets</b>				
22,851	22,318		486,582	760,116
19,815	22,257		3,600,000	3,516,005
6,565	297		3,121,722	3,506,464
114	(237)		1,034,317	46,735
<u>49,345</u>	<u>44,635</u>		<u>18,019</u>	<u>(37,300)</u>
<b>Increase / (decrease) in operating liabilities</b>				
-	-		7,774,058	7,031,904
163,277	(7,938)		-	-
(19,664)	31,191		25,723,313	(1,250,573)
(1,286)	3,643		(3,097,916)	4,913,926
<u>142,327</u>	<u>26,896</u>		<u>(202,651)</u>	<u>573,902</u>
<u>194,761</u>	<u>76,356</u>		<u>22,422,746</u>	<u>4,237,255</u>
(1,425)	(1,519)		<u>30,683,386</u>	<u>12,029,275</u>
<u>193,336</u>	<u>74,837</u>		<u>(224,460)</u>	<u>(239,281)</u>
<b>Net cash flow generated from operating activities</b>				
			<u>30,458,926</u>	<u>11,789,994</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
(183,682)	(73,761)		(28,937,993)	(11,620,608)
1,583	-		249,321	-
(16)	-		(2,445)	-
-	-		-	-
(90)	(187)		(14,256)	(29,508)
22	15		3,482	2,393
<u>(182,183)</u>	<u>(73,933)</u>		<u>(28,701,891)</u>	<u>(11,647,723)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
(10)	(2)		(1,595)	(329)
(108)	(68)		(17,044)	(10,768)
(2,928)	(2,733)		(461,250)	(430,500)
<u>(3,046)</u>	<u>(2,803)</u>		<u>(479,889)</u>	<u>(441,597)</u>
<u>8,107</u>	<u>(1,899)</u>		<u>1,277,146</u>	<u>(299,326)</u>
9,737	13,512		1,534,049	2,128,807
<u>17,844</u>	<u>11,613</u>	31	<u>2,811,195</u>	<u>1,829,481</u>

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

Bahauddin Khan

**Managing Director/  
Chief Executive Officer**

Mohammad Jamal Nasir

**Chief Financial Officer**

Omar Hamid Khan

**Director**

Ayham Abdul Aziz  
Qadar Al Ghassani

**Director**

Sayyid Juland Jaifar Salim Al  
Said

**Chairman**

**Pak Oman Investment Company Limited**  
**Notes to the Consolidated Condensed Interim Financial Statements (Un-Audited)**  
**For the half year ended 30 June 2021**

**1. STATUS AND NATURE OF BUSINESS**

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

**1.1.1 Holding Company**

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

**1.1.2 Subsidiary Company**

Pak-Oman Asset Management Company Limited (the "subsidiary company" or "POAMCL") was incorporated in Pakistan under the repealed Companies Ordinance, 1984 on 28 July 2006 as an unlisted public limited company having its registered office at Icon House, 83-C, 12th Commercial Street Phase- II Extension, DHA Karachi, Pakistan. POAMCL obtained certificate of commencement of business on 31 October 2006. The principal activities of the subsidiary company includes investment advisory and asset management services.

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

**1.2 The Group's associates are as follows:**

Entity	Country of Incorporation	Nature of business	Holding %	
			30-Jun-21	31-Dec-20
Pak Oman Advantage Islamic Income Fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	<b>12.98</b>	19.15
Pak Oman Islamic Asset Allocation fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	<b>24.27</b>	24.24
Pak Oman Advantage Asset Allocation Fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	<b>98.47</b>	98.47
Pak Oman Government Securities Fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	<b>99.38</b>	99.37
Askari High Yield Scheme	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	<b>4.77</b>	10.75
Pak Oman Microfinance Bank Limited	Pakistan	Incorporated under the repealed Companies Ordinance, 1984 and is engaged in providing micro finance services to the poor and under served segment of the society.	<b>16.67</b>	16.67
Japan Power Generation Limited	Pakistan	Incorporated under the repealed Companies Ordinance, 1984 and is engaged in generation of power and its supply to WAPDA.	<b>11.29</b>	11.29

## 2. BASIS OF PREPARATION

### 2.1 STATEMENT OF COMPLIANCE

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

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

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

The disclosures made in these consolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular Letter No. 5 dated 22 March 2019 and IAS 34. These consolidated condensed interim financial statements do not include all the information and disclosures required for annual consolidated financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2020.

These consolidated financial statements have been prepared from the information available in the unaudited condensed interim financial statements of the holding company for the half year ended June 30, 2021 and the unaudited financial statements of the subsidiary (POAMCL) for the half year ended June 30, 2021. The consolidated condensed interim financial statements used equity accounting for the associates.

SBP vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the Banks / DFIs in Pakistan to implement IFRS 9 with effect from 01 January 2021. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

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

The US dollar amounts shown in the consolidated condensed interim statement of financial position, consolidated condensed interim profit and loss account, consolidated condensed interim statement of comprehensive income and consolidated condensed interim cash flow statement are stated solely for information purposes. For this purpose the amounts in Pakistan rupees have been converted into US Dollars at a rate of Rs.157.5437 = 1 US dollar for the half year ended 30 June 2021 and the corresponding period.

## 2.2 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current period:

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the group accounting periods beginning on or after January 1, 2021 but are considered not to be relevant or do not have any significant effect on the group operations and therefore not detailed in these consolidated financial statements.

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

The following standards, amendments and interpretations as notified under the Companies Act, 2017 will be effective for the accounting periods as stated below:

IFRS 9 'Financial Instruments'	01 January 2022
Covid-19-Related Rent Concessions beyond 30 June 2021 - Amendment to IFRS 16	01 April 2021
Reference to the Conceptual Framework – Amendments to IFRS 3	01 January 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	01 January 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	01 January 2022
Annual improvement process IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	01 January 2022
Annual improvement process IFRS 9 Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities	01 January 2022
Annual improvement process IAS 41 Agriculture – Taxation in fair value measurements	01 January 2022
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	01 January 2023
Definition of Accounting Estimates - Amendments to IAS 8	01 January 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	01 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	01 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	01 January 2023

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

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 1 – First time adoption of IFRSs	01 January 2009
IFRS 17 – Insurance Contracts	01 January 2023

## 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited annual consolidated financial statements for the year ended 31 December 2020.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

- 4.1 The basis for accounting estimates adopted in the preparation of these consolidated condensed interim financial statements is the same as that applied in the preparation of the audited annual consolidated financial statements for the year ended December 31, 2020.

## 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 December 31, 2020.

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

The State Bank of Pakistan has also responded to the crisis by cutting the policy rate by 625 basis points since mid-March to 7% in June 2020. Since then, there have been no further adjustments in the policy rate.

### 5.1 Credit Risk Management

The Company has further strengthened its credit risk assessment in light of COVID – 19. The risk management function is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. Detailed credit risk assessment is carried out of each borrower who has availed the benefit of principal deferment or restructuring on an ongoing basis.

### 5.2 Liquidity Risk Management

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

### 5.3 Equity Risk Management

The Company has Nil carrying value in listed equity securities - classified as available for sale as of 31 March 2021. Therefore, there is no impact of COVID – 19 on the Company's financial position.

### 5.4 Operational Risk Management

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

- All employees / visitors are screened daily for temperature before entering the premises.
- Wearing a face mask is mandatory for all employees / visitors.
- Entire premises is disinfected on daily basis.
- All employees were tested for COVID – 19 with the Company bearing all testing-related medical costs.

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

### 5.5 Capital Adequacy Ratio (CAR)

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

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

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

The Company has continued to fund the real economy while managing its risks. As of 30 June 2021, the Company's CAR stood at 15.83% which is well above the revised requirement of 11.50%.

- 5.6 Based on profitability of 2021, quality of loan book, solid capital base, resilient deposit based funding structure and availability of unutilized bank lines, management has concluded that there are no material implications of COVID – 19 that require specific disclosure in these financial statements.

		(Un-audited) 30 June 2021 (Rupees in '000)	(Audited) 31 December 2020
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>	<i>Note</i>		
In hand			
local currency		351	320
foreign currency		225	229
		576	549
With State Bank of Pakistan in Local currency current account	6.1	224,287	213,002
With National Bank of Pakistan in Local currency current account		916	916
		<u>225,779</u>	<u>214,467</u>
<b>6.1</b>	This represent the amount required to be maintained by the holding company in accordance with the SBP's Regulations.		
<b>7. BALANCES WITH OTHER BANKS</b>			
In Pakistan:			
In current accounts		19,260	4,107
In deposit accounts	7.1	2,563,644	1,308,170
		<u>2,582,904</u>	<u>1,312,277</u>
Outside Pakistan:			
In current accounts		2,512	7,305
		<u>2,585,416</u>	<u>1,319,582</u>
<b>7.1</b>	These include term deposit receipts (TDRs) of Rs. 2,550 million (2020: Rs. 1,300 million) maturing from July 2021 to October 2021 (2020: March 2021). These carry mark-up rates ranging from 8.05% to 8.50% (2020: 14.50% to 14.75%) per annum.		
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Placements		-	-
Repurchase agreement lendings (Reverse Repo)		-	3,600,000
		<u>-</u>	<u>3,600,000</u>

## 9 INVESTMENTS

	30 June 2021 (Unaudited)				31 December 2020 (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	20,353,700	-	2,873	20,356,573	23,475,422	-	3,703	23,479,125
Shares	-	-	-	-	-	-	-	-
Non-Government debt securities	-	-	-	-	-	-	-	-
	<b>20,353,700</b>	<b>-</b>	<b>2,873</b>	<b>20,356,573</b>	<b>23,475,422</b>	<b>-</b>	<b>3,703</b>	<b>23,479,125</b>
<b>Available-for-sale securities</b>								
Federal Government securities	68,460,276	-	175,356	68,635,632	39,349,987	-	354,442	39,704,429
Shares	346,266	(110,311)	-	235,955	346,266	(110,311)	-	235,955
Non-Government debt securities	3,481,009	(473,507)	21,091	3,028,593	3,653,305	(518,343)	(2,475)	3,132,487
	<b>72,287,551</b>	<b>(583,818)</b>	<b>196,447</b>	<b>71,900,180</b>	<b>43,349,558</b>	<b>(628,654)</b>	<b>351,967</b>	<b>43,072,871</b>
<b>Associates</b>	<b>985,997</b>	<b>-</b>	<b>-</b>	<b>985,997</b>	<b>1,217,498</b>	<b>-</b>	<b>-</b>	<b>1,217,498</b>
<b>Total Investments</b>	<b>93,627,248</b>	<b>(583,818)</b>	<b>199,320</b>	<b>93,242,750</b>	<b>68,042,478</b>	<b>(628,654)</b>	<b>355,670</b>	<b>67,769,494</b>

## 9.1.1 Investments given as collateral

	30 June 2021 (Unaudited)				31 December 2020 (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	43,489,300	-	150,525	43,639,825	34,974,450	-	325,567	35,300,017
- Market treasury bills	30,927,509	-	7,856	30,935,365	16,932,963	-	22,277	16,955,240
	74,416,809	-	158,381	74,575,190	51,907,413	-	347,844	52,255,257
<b>Shares</b>								
- Listed companies	-	-	-	-	-	-	-	-
- Unlisted companies	226,000	-	-	226,000	226,000	-	-	226,000
	226,000	-	-	226,000	226,000	-	-	226,000
<b>Total investments</b>	<b>74,642,809</b>	<b>-</b>	<b>158,381</b>	<b>74,801,190</b>	<b>52,133,413</b>	<b>-</b>	<b>347,844</b>	<b>52,481,257</b>

(Un-audited)  
Half year ended  
30 June  
2021

(Audited)  
Year ended  
31 December  
2020

(Rupees in '000)

## 9.2 Provision for diminution in value of investments

## 9.2.1 Opening balance

628,654 583,743

**Charges / reversals**

Charge for the year

5,015 54,866

Reversals for the year

(49,851) (9,955)

(44,836) 44,911

Transfers - net

- -

Amounts written off

- -

Closing balance

583,818 628,654

## 9.2.2 Particulars of provision against debt securities

**Category of classification****Domestic**

Other assets especially mentioned

30 June 2021		31 December 2020 (Audited)	
NPI	Provision	NPI	Provision

Substandard

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

Doubtful

Loss

Total

-	-	-	-
-	-	75,000	5,015
75,000	10,030	-	-
483,926	463,477	533,777	513,328
558,926	473,507	608,777	518,343

9.2.3 In accordance with SBP Prudential Regulations for Corporate / Commercial Banking, Regulation R-8, the holding Company has availed the benefit of FSV against the non-performing investments. As of 30 June 2021, the holding Company has availed total accumulated FSV benefit amounting to Rs. 27.47 million (net of tax Rs. 19.50 million). Accordingly, accumulated profit of Rs 19.50 million (net of transfer to statutory reserves Rs. 15.60 million) will not be available for the distribution as cash or stock dividend to the shareholders / bonus to employees of the holding Company as required by the aforementioned SBP directives.

9.2.4 The Board of holding company in its meeting held on 15 July 2021 has approved sale of its entire shareholding in Pak Oman Microfinance Bank Limited to its Majority shareholder LOLC Private Limited subject to regulatory compliance.

9.2.5 The Group does not hold overseas classified debt securities.

\* NPI stands for Non-performing investments.

**10 ADVANCES**

	Performing		Non-performing		Total	
	(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)
	30-Jun-21	31-Dec-20	30-Jun-21	31-Dec-20	30-Jun-21	31-Dec-20
	(Rupees in '000)		(Rupees in '000)		(Rupees in '000)	
Loans, cash credits, running finances, etc.	17,341,894	19,200,645	1,728,232	1,527,219	19,070,126	20,727,864
Margin trading	1,482,772	859,351	-	-	1,482,772	859,351
Advances - Gross	<u>18,824,666</u>	<u>20,059,996</u>	<u>1,728,232</u>	<u>1,527,219</u>	<u>20,552,898</u>	<u>21,587,215</u>
Provision against advances						
Specific	-	-	636,899	651,697	636,899	651,697
General	243	213	-	-	243	213
	<u>243</u>	<u>213</u>	<u>636,899</u>	<u>651,697</u>	<u>637,142</u>	<u>651,910</u>
Advances - net of provision	<u>18,824,423</u>	<u>20,059,783</u>	<u>1,091,333</u>	<u>875,522</u>	<u>19,915,756</u>	<u>20,935,305</u>

**10.1 Particulars of advances (Gross)**

	30-Jun-21	31-Dec-20
	(Rupees in '000)	
In local currency	20,552,898	21,587,215
In foreign currencies	-	-
	<u>20,552,898</u>	<u>21,587,215</u>

10.2 Advances include Rs. 1,728 million (2020: Rs 1,527 million) which have been placed under the non-performing status as detailed below:

**Category of Classification**

	30 June 2021		31 December 2020 (Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	(Rupees in '000)			
<b>Domestic</b>				
Other Assets Especially Mentioned	-	-	-	-
Substandard	990,000	13,176	854,762	3,956
Doubtful	92,857	3,064	-	-
Loss	645,375	620,659	672,457	647,741
	<u>1,728,232</u>	<u>636,899</u>	<u>1,527,219</u>	<u>651,697</u>

**10.3 Particulars of provision against advances**

	Half year ended 30 June 2021 (Unaudited)			Year ended 31 December 2020 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	651,697	213	651,910	551,656	213	551,869
Charge for the year	12,284	30	12,314	100,336	-	100,336
Reversals	(27,082)	-	(27,082)	(295)	-	(295)
	(14,798)	30	(14,768)	100,041	-	100,041
Amounts written off	-	-	-	-	-	-
Closing balance	<u>636,899</u>	<u>243</u>	<u>637,142</u>	<u>651,697</u>	<u>213</u>	<u>651,910</u>

10.4 In accordance with BPRD Circular No. 6 dated 26 June 2014 issued by the SBP, the holding Company has availed the benefit of FSV against the non-performing advances. As of 30 June 2021, the holding Company has availed total accumulated FSV benefit amounting to Rs. 286 million (net of tax Rs. 203 million). Accordingly, accumulated profit of Rs 203 million (net of transfer to statutory reserves Rs. 163 million) will not be available for the distribution as cash or stock dividend to the shareholders / bonus to employees of the holding Company as required by the aforementioned SBP directives.

		(Un-audited) 30 June 2021 ----- (Rupees in '000) -----	(Audited) 31 December 2020
<b>11</b>	<b>FIXED ASSETS</b>		
	Capital work-in-progress	11.1 11,473	5,505
	Property and equipment	11.2 & 11.3 97,631	98,808
	Right of use assets	11.2 134,598	145,882
		<u>243,702</u>	<u>250,195</u>

**11.1 Capital work-in-progress**

Advances to suppliers

<u>11,473</u>	<u>5,505</u>
---------------	--------------

(Un-Audited) 30 June 2021	(Un-Audited) 31 March 2020
---------------------------------	----------------------------------

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

**11.2 Additions to fixed assets**

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

**Capital work in progress**

11,473

16,334

**Property and equipment**

Improvements

1,410

698

Office equipment

469

256

Computer equipment

730

2,972

Furniture and fixture

274

850

Vehicles

5,508

3,567

8,391

8,343

Total

19,86424,677**11.3 Disposal of fixed assets**

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

Office equipment

28

-

Furniture and fixture

-

735

Vehicles

-

-

Total

28735**12 INTANGIBLE ASSETS**

Computer Software

-

-

Goodwill

223,273

223,273

223,273223,273

	(Un-audited) 30 June 2021	(Audited) 31 December 2020
	----- (Rupees in '000) -----	
<b>13 DEFERRED TAX ASSETS</b>		
<b>Deductible Temporary Differences on</b>		
Provision for diminution in the value of investments	169,307	182,309
Assets subject to finance leases	(296)	57
Amortisation of premium on Federal Government Securities	1,699	1,245
Provision against non-performing advances	184,771	189,054
Revaluation on investments classified as available-for-sale	(56,969)	(102,070)
Revaluation on investments classified as held-for-trading	(833)	(1,075)
Net investment in finance leases	(76,853)	(75,300)
Accumulated tax losses - POAMCL	35,886	35,886
	<b>256,712</b>	<b>230,106</b>
<b>Taxable Temporary Differences on</b>		
Accelerated tax depreciation allowances	10,765	8,400
Revaluation on Non-banking assets	(18,992)	(21,717)
Dividend receivable	(2,920)	-
	<b>(11,147)</b>	<b>(13,317)</b>
	<b>245,565</b>	<b>216,789</b>
<b>14 OTHER ASSETS</b>		
Income/ Mark-up accrued in local currency - net of provision	1,111,237	1,079,773
Dividend income receivable	11,678	-
Mark-up / profit receivable on purchase of securities	376,866	443,144
Security deposits	8,774	9,160
Prepayments	31,233	10,054
Taxation	298,716	207,674
Non-banking assets acquired in satisfaction of claims	229,588	237,118
Receivable from funds under management and investment advisory clients	121,535	121,140
Others	536	4,929
	<b>2,190,163</b>	<b>2,112,992</b>
Less: Provision held against other assets	-	-
Other assets (net of provisions)	<b>2,190,163</b>	<b>2,112,992</b>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	137,001	138,873
	<b>2,327,164</b>	<b>2,251,865</b>

15	BORROWINGS	(Un-Audited)	(Audited)
		30 June 2021	31 December 2020
		(Rupees in '000)	
	<b>Secured</b>		
	Borrowings from the State Bank of Pakistan:		
	- Long term financing facility (LTFF)	2,650,507	2,605,135
	- Financing Power Plants Using Renewable Energy (REF)	269,150	139,508
	- Financing Facility for Storage of Agricultural Produce (FFSAP)	48,077	50,000
	- Temporary Economic Refinance Facility (TERF)	82,225	42,173
	Repurchase agreement borrowings	58,926,193	43,334,174
	Long term borrowings	3,695,000	3,501,293
	Short term running finance	77,550	127,713
	Bai Muajjal	15,355,979	12,040,769
	<b>Total secured</b>	<b>81,104,681</b>	<b>61,840,765</b>
	<b>Unsecured</b>		
	Placements	-	-
	Murabaha financing	15,200,401	8,741,004
	<b>Total unsecured</b>	<b>15,200,401</b>	<b>8,741,004</b>
		<b>96,305,082</b>	<b>70,581,769</b>

16	DEPOSITS AND OTHER ACCOUNTS	30 June 2021 (Unaudited)		31 December 2020 (Audited)	
		In local currency	Total	In local currency	Total
		----- (Rupees in '000) -----			
	<b>Certificates of investment</b>				
	Financial institutions	3,761,500	3,761,500	3,012,000	3,012,000
	Others	9,009,714	9,009,714	12,857,130	12,857,130
		<b>12,771,214</b>	<b>12,771,214</b>	<b>15,869,130</b>	<b>15,869,130</b>

17 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	30 June 2021 (Unaudited)			31 December 2020 (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	1,124	364	760	197	-	197
Later than one year and upto five years	4,203	656	3,547	-	-	-
	<b>5,327</b>	<b>1,020</b>	<b>4,307</b>	<b>197</b>	<b>-</b>	<b>197</b>

- 17.1 The holding company has entered into lease agreement with a 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 9.17% (2020: 7.90%) per annum. At the end of lease term, the holding company has option to acquire the assets, subject to adjustment of security deposit.

		(Un-Audited) 30 June 2021	(Audited) 31 December 2020
<b>18</b>	<b>OTHER LIABILITIES</b>		(Rupees in '000)
	Mark-up/ Return/ Interest payable in local currency	550,973	543,816
	Accrued expenses	240,149	334,028
	Dividend payable	-	-
	Staff gratuity	-	3,333
	Security deposits against investment in finance leases	150,183	173,883
	Sales tax and federal excise duty payable	91,873	91,851
	Lease liability against right-of-use assets	149,423	161,438
	Withholding tax and sales tax payable	4,284	6,437
	Others	30,113	113,614
		<b>1,216,998</b>	<b>1,428,400</b>
<b>19</b>	<b>SURPLUS ON REVALUATION OF ASSETS</b>		
	Surplus on revaluation of		
	- Available for sale securities	196,447	351,967
	- Non-banking assets acquired in satisfaction of claims	137,001	138,873
		<b>333,448</b>	<b>490,840</b>
	Deferred tax on surplus on revaluation of:		
	- Available for sale securities	(56,970)	(102,070)
	- Non-banking assets acquired in satisfaction of claims	(39,729)	(40,272)
		<b>(96,699)</b>	<b>(142,342)</b>
		<b>236,749</b>	<b>348,498</b>
<b>20</b>	<b>CONTINGENCIES AND COMMITMENTS</b>		
		(Un-Audited) 30 June 2021	(Audited) 31 December 2020
			(Rupees in '000)
	<b>Transaction related contingent liability:</b>		
	Standby letter of credit	692,745	723,075
	Pledge of shares on behalf of Japan Power Generation Limited	70,726	70,726
	Pledge of shares on behalf of Orient Power Company (Private) Limited	226,000	226,000
	Commitments for:		
	Purchase of Government securities	237,163	-
	Sale of Government securities	2,129,135	-
	Commitments for advances and net investment in finance leases	1,703,236	808,730
	Securities given as collateral against loan taken by Pak Oman Asset Management Company Limited	36,000	45,000

Note

20.1

20.2

20.3

- 20.1** Shares in Japan Power Generation Limited (JPGL) (an associate) aggregating 17,622,878 having a cost of Rs. 70.726 million (2020: 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. 36 million (2020: Rs 45 million) which have been collateralized against a loan sanctioned to Pak Oman Asset Management Company Limited from Habib Bank Limited for the acquisition of Askari Investment Management Limited (AIML).

**20.4 Pak Oman Asset Management Company Limited**

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

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

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

- 20.4.2** During the years ended 31 December 2013 and 2014 two former employees of the merged entity served notices to the Company and its former Chief Executive Officer. The employees demanded Rs. 28.5 million for defamation and Rs. 0.723 million against settlement of outstanding dues. Later, the employees also filed cases in the Court of District Judge South at Karachi. The legal advisors of the Company are of the view that although the outcome of the case appears to be favourable, the Company's chances of success cannot currently be determined due to the inherently uncertain nature of the litigation. Furthermore, the management expects that an insignificant amount will be required to settle these cases. Accordingly, provision to the extent of Rs. 0.489 million has been recognised on account of settlement of outstanding dues while no provision has been recognised in respect of defamation claim in the consolidated condensed interim financial statements for the half year ended 30 June 2021.

		<b>(Un-Audited)</b>	
		<b>Half year ended</b>	
		<b>30 June 2021</b>	<b>30 June 2020</b>
		<b>(Rupees in '000)</b>	
<b>21</b>	<b>MARK-UP / RETURN / INTEREST EARNED</b>		
	On:		
	a) On loans and advances	<b>806,004</b>	1,280,490
	b) On investments	<b>2,685,843</b>	3,899,678
	c) On lendings to financial institutions	<b>47,695</b>	210,638
	d) On balances with banks	<b>52,389</b>	115,341
		<b>3,591,931</b>	<b>5,506,147</b>
<b>22</b>	<b>MARK-UP / RETURN / INTEREST EXPENSED</b>		
	On:		
	a) Deposits	<b>443,946</b>	632,152
	b) Borrowings	<b>2,436,555</b>	4,002,055
	c) Lease liability against right-of-use assets	<b>8,293</b>	8,712
		<b>2,888,794</b>	<b>4,642,919</b>
<b>23</b>	<b>FEE AND COMMISSION INCOME</b>		
	Credit related fees	<b>32,983</b>	5,902
	Investment banking fees	<b>3,350</b>	3,262
	Commission on guarantees	<b>2,284</b>	2,104
	Underwriting commission of Government securities auction	<b>5,952</b>	-
	Remuneration from funds under management	<b>29,883</b>	18,030
	Fee from investments advisory services	<b>1,001</b>	577
		<b>75,453</b>	<b>29,875</b>
<b>24</b>	<b>GAIN ON SECURITIES</b>		
	Realised	<b>49,696</b>	189,967
	Unrealised - held for trading	<b>(830)</b>	37,083
		<b>48,866</b>	<b>227,050</b>
<b>24.1</b>	<b>Realised gain on:</b>		
	Federal Government Securities	<b>36,965</b>	189,327
	Non Government debt securities	<b>12,731</b>	640
		<b>49,696</b>	<b>189,967</b>
<b>25</b>	<b>OTHER INCOME</b>		
	Gain on sale of fixed assets - net	<b>3,454</b>	1,658
	Utilization of Fixtures	<b>1,050</b>	1,050
	Front end load	<b>28</b>	-
	Reversal of liabilities no longer payables	<b>-</b>	5,039
		<b>4,532</b>	<b>7,747</b>

26 OPERATING EXPENSES	<b>(Un-Audited)</b>	
	<b>Half year ended</b>	
	30 June 2021	30 June 2020
	<b>(Rupees in '000)</b>	
Total compensation expense	247,522	237,431
<b>Property expense</b>		
Rent & taxes	-	442
Utilities cost	3,155	2,057
Security (including guards)	563	483
Repair & maintenance (including janitorial charges)	7,505	4,369
Depreciation on right-of-use assets	12,657	14,119
Depreciation	1,053	1,053
	<b>24,933</b>	<b>22,523</b>
<b>Information technology expenses</b>		
Software maintenance	1,065	1,269
Hardware maintenance	22	406
Depreciation	1,113	789
Amortisation	-	5
Network charges	1,508	1,334
Others	591	568
	<b>4,299</b>	<b>4,371</b>
<b>Other operating expenses</b>		
Directors' fees and allowances	16,500	13,414
Directors' fees and allowances - Subsidiary	2,267	2,332
Legal & professional charges	7,321	6,162
Travelling & conveyance	1,777	4,004
Depreciation	20,908	19,547
Training & development	209	84
Postage & courier charges	430	374
Communication	3,838	3,606
Stationery & printing	1,036	811
Marketing, advertisement & publicity	2,245	731
Donations	-	400
Auditors' remuneration	1,866	2,066
Membership and subscriptions	1,425	1,453
Transportation	4,701	4,387
Insurance	3,188	2,955
Finance charges on leased assets	97	127
Entertainment and canteen expenses	2,340	1,750
Shahriah advisor fee	-	-
Distribution commission	2,350	1,690
Maintenance charges - Non-banking assets	2,080	4,161
Others	4,120	3,094
	<b>78,698</b>	<b>73,148</b>
Total operating expenses	<b>355,452</b>	<b>337,473</b>

		(Un-Audited)	
		Half year ended	
		30 June 2021	30 June 2020
		(Rupees in '000)	
<b>27</b>	<b>OTHER CHARGES</b>		
	Penalties imposed by State Bank of Pakistan	1,601	-
	Fees, commission and others	18,969	19,197
		<u>20,570</u>	<u>19,197</u>
<b>28</b>	<b>REVERSAL / (PROVISIONS) &amp; WRITE OFFS - NET</b>		
	Reversals of provisions for diminution in value of investments	44,836	-
	Reversals of provisions against loans & advances	14,768	295
		<u>59,604</u>	<u>295</u>
<b>29</b>	<b>TAXATION</b>		
	Current	133,418	147,553
	Prior years	-	-
	Deferred	16,324	80,999
		<u>149,742</u>	<u>228,552</u>

**29.1 Tax contingencies****29.1.1 Pak Oman Investment Company Limited**

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

**29.1.2 Pak Oman Asset Management Company Limited**

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

During 2016, the Honorable Sindh High Court, in its judgment dated 30 June 2016, on the Constitutional Petition instituted by MUFAP declared that the provisions of the Federal Excise Act, 2005, insofar as they relate to providing or rendering of services, are ultra vires to the 18th amendment of the Constitution with effect from 01 July 2011, the date on which Sindh Sales Tax on Services Act, 2011 came into force. However, the Federal Board of Revenue (FBR) has right to challenge the decision in the Supreme Court of Pakistan within 90 days of the above decision of the Court, and the petition of the Management Company is still pending in the Court; therefore, as a matter of prudence, the Company has maintained the accumulated provision against FED amounting to Rs. 78.345 million as of 30 June 2021.

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

The tax charge for the current year represents minimum tax on gross management and advisory income under section 153(b).

**30 BASIC AND DILUTED EARNINGS PER SHARE**

Profit attributable to shareholders of the holding company	<i>Rupees in '000</i>	<u>384,671</u>	<u>517,976</u>
Weighted average number of ordinary shares issued	<i>Numbers in '000</i>	<u>615,000</u>	<u>615,000</u>
Basic and diluted earnings per share attributable to shareholders of holding company	<i>Rupees</i>	<u>0.63</u>	<u>0.84</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	225,779	210,822
Balances with other banks	2,585,416	1,368,659
Placements	-	250,000
	<u>2,811,195</u>	<u>1,829,481</u>

## 32 FAIR VALUE MEASUREMENTS

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

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

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

### 32.1 Fair Value of financial assets

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

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

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

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

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

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 2021 (Unaudited)			
	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	-	88,992,205	-	88,992,205
Non-Government Debt Securities	-	3,028,593	-	3,028,593
Mutual funds	-	633,836	-	633,836
<b>Financial assets - disclosed but not measured at fair value</b>				
Investments	-	-	588,116	588,116
	31 December 2020 (Audited)			
	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	-	63,183,554	-	63,183,554
Non-Government Debt Securities	-	3,132,487	-	3,132,487
Mutual funds	-	873,592	-	873,592
<b>Financial assets - disclosed but not measured at fair value</b>				
Investments	-	-	579,861	579,861

### 32.2 Fair value of non-financial assets

	(Un-audited)			
	As at 30 June 2021			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Non-banking assets acquired in satisfaction of claims	-	-	375,991	375,991
	(Audited)			
	As at 31 December 2020			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Non-banking assets acquired in satisfaction of claims	-	-	375,991	375,991

## 33 SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

	Half year ended 30 June 2021 (Unaudited)				
	Corporate Banking	Investment Banking	Treasury	Asset Management	Total
	----- (Rupees in '000) -----				
<b>Profit &amp; Loss</b>					
Net mark-up/return/profit	196,817	(58,279)	566,612	(2,013)	703,137
Non mark-up / return / interest income	35,267	32,848	58,187	32,047	158,349
Total Income	232,084	(25,431)	624,799	30,034	861,486
Segment direct expenses	184,936	22,784	147,409	31,774	386,903
Reversals	14,768	-	44,836	-	59,604
Profit before tax	61,916	(48,215)	522,226	(1,740)	534,187
<b>Balance Sheet</b>					
Cash & Bank balances	-	-	2,810,715	480	2,811,195
Investments	-	1,221,941	92,020,798	11	93,242,750
Lendings to financial institutions	-	-	-	-	-
Advances - performing	17,341,651	-	1,482,772	-	18,824,423
non- performing	1,091,333	-	-	-	1,091,333
Others	715,389	383,967	1,474,517	465,831	3,039,704
<b>Total Assets</b>	19,148,373	1,605,908	97,788,802	466,322	119,009,405
Borrowings	20,801,162	1,846,975	73,626,945	30,000	96,305,082
Subordinated debt	-	-	-	-	-
Deposits & other accounts	2,062,946	173,012	10,535,256	-	12,771,214
Others	302,511	12,775	777,923	128,096	1,221,305
<b>Total liabilities</b>	23,166,619	2,032,762	84,940,124	158,096	110,297,601
Equity	(4,018,246)	(426,854)	12,848,678	308,226	8,711,804
<b>Total Equity &amp; liabilities</b>	19,148,373	1,605,908	97,788,802	466,322	119,009,405
<b>Contingencies &amp; Commitments</b>	2,395,981	332,726	2,366,298	-	5,095,005
<b>Half year ended 30 June 2020 (Unaudited)</b>					
	Corporate Banking	Investment Banking	Treasury	Asset Management	Total
	----- (Rupees in '000) -----				
<b>Profit &amp; Loss</b>					
Net mark-up/return/profit	310,288	(86,913)	644,641	(4,788)	863,228
Non mark-up / return / interest income	8,332	(5,507)	228,644	24,696	256,165
Total Income	318,620	(92,420)	873,285	19,908	1,119,393
Segment direct expenses	179,440	26,918	136,931	30,106	373,395
(Reversals) / Provisions	295	-	-	-	295
Profit before tax	139,475	(119,338)	736,354	(10,198)	746,293
<b>Year ended 31 December 2020</b>					
	Corporate Banking	Investment Banking	Treasury	Asset Management	Total
	----- (Rupees in '000) -----				
<b>Balance Sheet</b>					
Cash & Bank balances	-	-	1,532,869	1,180	1,534,049
Investments	-	1,453,442	66,316,041	11	67,769,494
Lendings to financial institutions	-	-	3,600,000	-	3,600,000
Advances - performing	19,200,432	-	859,351	-	20,059,783
non-performing	875,522	-	-	-	875,522
Others	732,358	394,276	1,348,339	467,149	2,942,122
<b>Total Assets</b>	20,808,312	1,847,718	73,656,600	468,340	96,780,970
Borrowings	15,855,574	1,338,508	53,357,687	30,000	70,581,769
Subordinated debt	-	-	-	-	-
Deposits & other accounts	3,411,048	383,780	12,074,302	-	15,869,130
Others	416,401	27,286	858,457	126,453	1,428,597
<b>Total liabilities</b>	19,683,023	1,749,574	66,290,446	156,453	87,879,496
Equity	1,125,289	98,144	7,366,154	311,887	8,901,474
<b>Total Equity &amp; liabilities</b>	20,808,312	1,847,718	73,656,600	468,340	96,780,970
<b>Contingencies &amp; Commitments</b>	1,598,912	432,726	14,700,071	-	16,731,709

**34 RELATED PARTY TRANSACTIONS**

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

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

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

**34.1 Associates**

Japan Power Generation Limited  
Pak Oman Microfinance Bank Limited  
Pak Oman Advantage Islamic Income Fund  
Pak Oman Islamic Asset Allocation Fund  
Pak Oman Advantage Asset Allocation Fund  
Pak Oman Government Securities Fund  
Askari High Yield Scheme  
Askari Asset Allocation Fund  
Askari Sovereign Yield Enhancer  
Askari Sovereign Cash Fund

**34.2 Retirement benefit fund**

Defined benefit plan  
Defined contribution plan

**34.3 Other related party**

Orient Power Company (Private) Limited  
Ismail Industries Limited  
K- Electric  
Diamond Textile Mills (Pvt.) Limited

## 34.4 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 2021 (Unaudited)					Year ended 31 December 2020 (Audited)				
	Directors	Key management personnel	Associates	Retirement benefit funds	Other related parties	Directors	Key management personnel	Associates	Retirement benefit funds	Other related parties
	(Rupees in '000)									
<b>Balances with other banks</b>	-	-	-	-	-	-	-	-	-	-
In current accounts	-	-	-	-	-	-	-	-	-	-
In deposit accounts	-	-	-	-	-	-	-	-	-	-
<b>Investments</b>										
Opening balance	-	-	1,217,498	-	726,000	-	-	1,015,201	-	726,000
Investment made during the year	-	-	995,031	-	-	-	-	395,000	-	-
Investment redeemed / disposed off during the year	-	-	(1,226,532)	-	-	-	-	(192,703)	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	985,997	-	726,000	-	-	1,217,498	-	726,000
Provision for diminution in value of investments	-	-	-	-	-	-	-	-	-	-
<b>Advances</b>										
Opening balance	-	41,535	68,200	-	524,566	-	38,487	68,200	-	565,459
Addition during the year	-	8,297	-	-	-	-	12,577	-	-	-
Repaid during the year	-	(7,366)	-	-	(15,000)	-	(9,529)	-	-	(40,893)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	42,466	68,200	-	509,566	-	41,535	68,200	-	524,566
Provision held against advances	-	-	68,200	-	-	-	-	68,200	-	-
	First quarter ended 31 March 2021 (Unaudited)					Year ended 31 December 2020 (Audited)				
	Directors	Key management personnel	Associates	Retirement benefit funds	Other related parties	Directors	Key management personnel	Associates	Retirement benefit funds	Other related parties
	(Rupees in '000)									
<b>Other Assets</b>										
Interest / mark-up accrued	-	-	-	-	8,958	-	-	-	-	8,725
Receivable from staff retirement fund	-	-	-	-	-	-	-	-	-	-
Other receivable	-	-	121,535	-	-	-	-	121,140	-	-
Provision against other assets	-	-	-	-	-	-	-	-	-	-
<b>Deposits and other accounts</b>										
Opening balance	-	5,532	-	6,871	-	-	4,082	-	-	-
Received during the year	-	25,225	-	3,923	-	-	89,090	-	18,297	-
Withdrawn during the year	-	(26,554)	-	(10,794)	-	-	(87,640)	-	(11,426)	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	4,203	-	-	-	-	5,532	-	6,871	-
<b>Other Liabilities</b>										
Interest / mark-up payable	-	7	-	-	-	-	23	-	-	16
Payable to staff retirement fund	-	-	-	-	-	-	-	-	3,333	-
Other liabilities	-	-	-	-	-	-	-	-	-	-
<b>Outright sale of Securities</b>	-	-	1,455,199	736,535	-	-	-	1,090,752	879,049	-
<b>Outright purchase of Securities</b>	-	-	155,884	550,367	-	-	-	406,109	906,989	-
<b>Contingencies and Commitments</b>										
Other contingencies	-	-	70,726	-	226,000	-	-	70,726	-	226,000

## 34.5 Related party transactions

	Half year ended 30 June 2021 (Unaudited)					Half year ended 30 June 2020 (Unaudited)				
	Directors	Key management personnel	Associates	Retirement benefit funds	Other related parties	Directors	Key management personnel	Associates	Retirement benefit funds	Other related parties
(Rupees in '000)										
<b>Income</b>										
Mark-up / return / interest earned	-	736	1,320	-	16,499	-	812	-	-	65,773
Fee and commission income	-	-	-	-	-	-	-	-	-	2,500
Dividend income	-	-	-	-	-	-	-	54,550	-	-
Net gain on sale of securities	-	-	-	(195)	-	-	-	96	6	-
Other income	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
<b>Expense</b>										
Mark-up / return / interest paid	-	209	-	48	-	-	515	-	176	-
Operating expenses	-	-	-	-	-	-	-	-	-	-
Non-Executive Directors' fees and allowances	16,500	-	-	-	-	13,414	-	-	-	-
Compensation expenses	-	237,552	-	-	-	-	167,511	-	-	-
Contribution to defined contribution plan	-	-	-	10,473	-	-	-	-	8,324	-
Charge for defined benefit plan	-	-	-	4,885	-	-	-	-	9,240	-

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

	(Un-Audited) 30 June 2021 (Rupees in '000)	(Audited) 31 December 2020
<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	6,931,805	6,721,210
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	6,931,805	6,721,210
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	<u>6,931,805</u>	<u>6,721,210</u>
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	24,394,184	24,617,484
Market Risk	16,711,983	12,164,424
Operational Risk	2,695,618	2,695,618
Total	<u>43,801,785</u>	<u>39,477,526</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>15.83%</u>	17.03%
Tier 1 Capital Adequacy Ratio	<u>15.83%</u>	17.03%
Total Capital Adequacy Ratio	<u>15.83%</u>	17.03%
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	6,931,805	6,721,210
Total Exposures	121,756,725	96,353,990
Leverage Ratio	<u>5.69%</u>	6.98%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	11,698,005	9,163,212
Total Net Cash Outflow	16,810,664	17,443,202
Liquidity Coverage Ratio	<u>69.59%</u>	52.53%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	21,988,412	22,160,134
Total Required Stable Funding	20,447,790	21,830,106
Net Stable Funding Ratio	<u>107.53%</u>	101.51%

**36 CREDIT RATING**

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

The Pakistan Credit Rating Agency Limited (PACRA) has assigned asset management rating of AM3+ (Stable) to the subsidiary company in the medium and long term vide its report dated 15 February 2021.

**37. GENERAL**

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

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

**38. DATE OF AUTHORISATION FOR ISSUE**

These consolidated financial statements were authorised for issue on 26 August 2021 by the Board of Directors of the holding company.

Bahauddin Khan	Mohammad Jamal Nasir	Omar Hamid Khan	Ayham Abdul Aziz Qadar Al Ghassani	Sayyid Juland Jaifar Salim Al Said
<hr/> Managing Director /	<hr/> Chief Financial Officer	<hr/> Director	<hr/> Director	<hr/> Chairman