

**PAK OMAN INVESTMENT
COMPANY LIMITED**

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

**FOR THE PERIOD ENDED
30 SEPTEMBER 2020**

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

(Unaudited) 30 September 2020 (US Dollar in '000)	(Audited) 31 December 2019		(Unaudited) 30 September 2020 (Rupees in '000)	(Restated) 31 December 2019
		<i>Note</i>		
ASSETS				
1,693	925		280,608	153,272
8,202	11,922	6	1,359,039	1,975,535
17,930	49,079	7	2,971,029	8,132,475
332,506	356,513	8	55,096,961	59,074,973
124,767	120,844	9	20,674,144	20,024,133
1,368	1,405	10	226,669	232,765
1,347	1,347	11	223,273	223,278
738	1,986	12	122,336	329,034
11,527	12,544	13	1,909,970	2,078,582
500,078	556,565	14	82,864,029	92,224,047
LIABILITIES				
-	-		-	-
298,448	445,339	15	49,453,509	73,793,526
137,561	51,758	16	22,794,140	8,576,392
2	4	17	303	610
-	-		-	-
-	-		-	-
10,215	9,761	18	1,692,870	1,617,609
446,226	506,862		73,940,822	83,988,137
53,852	49,703		8,923,207	8,235,910
NET ASSETS				
REPRESENTED BY				
37,115	37,115		6,150,000	6,150,000
8,705	7,637		1,442,355	1,265,504
2,891	976	19	479,011	161,727
5,101	3,933		845,185	651,712
53,812	49,661		8,916,551	8,228,943
40	42		6,656	6,967
53,852	49,703		8,923,207	8,235,910
CONTINGENCIES AND COMMITMENTS				
		20		

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

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

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

Nine months ended		Quarter ended		Nine months ended	
30 September 2020	30 September 2019	30 September 2020	30 September 2019 Restated	30 September 2020	30 September 2019 Restated
(US Dollar in '000)		(Rupees in '000)			
46,060	30,800	2,126,132	2,381,494	7,632,279	5,103,551
37,803	26,454	1,621,135	2,147,737	6,264,054	4,383,409
8,257	4,346	504,997	233,757	1,368,225	720,142
Net mark-up / interest income		Net mark-up / interest income			
NON MARK-UP / INTEREST INCOME					
318	467	22,898	15,957	52,773	77,456
-	2	-	412	-	412
-	-	-	-	-	-
-	-	-	-	-	-
1,743	587	61,785	76,381	288,835	97,342
(92)	134	(6,760)	5,388	(15,267)	22,218
69	42	3,708	2,106	11,455	6,884
2,038	1,232	81,631	100,244	337,796	204,312
10,295	5,578	586,628	334,001	1,706,021	924,454
Total Income		Total Income			
NON MARK-UP / INTEREST EXPENSES					
3,078	2,969	172,556	161,056	510,029	491,926
152	28	8,397	1,036	25,122	4,601
144	112	4,685	6,516	23,882	18,490
3,374	3,109	185,638	168,608	559,033	515,017
Total non mark-up / interest expenses		Total non mark-up / interest expenses			
6,921	2,469	400,990	165,393	1,146,988	409,437
2	179	-	1,200	295	29,631
-	-	-	-	-	-
6,923	2,648	400,990	166,593	1,147,283	439,068
(2,105)	(767)	(120,174)	(57,283)	(348,726)	(127,091)
4,818	1,881	280,816	109,310	798,557	311,977
PROFIT BEFORE TAXATION		PROFIT BEFORE TAXATION			
Taxation		Taxation			
PROFIT AFTER TAXATION		PROFIT AFTER TAXATION			
ATTRIBUTABLE TO:					
4,820	1,888	280,892	109,998	798,868	313,106
(2)	(7)	(76)	(688)	(311)	(1,129)
4,818	1,881	280,816	109,310	798,557	311,977
Shareholders of the holding company		Shareholders of the holding company			
Non-controlling interest		Non-controlling interest			
(US \$)		(Rupees)			
0.0078	0.0031	0.46	0.18	1.30	0.51
Basic and diluted earnings per share attributable to shareholders of the holding		Basic and diluted earnings per share attributable to shareholders of the holding			

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

Sayyid Juland Jaifar
Salim Al Said

Director

Omar Hamid Khan

Director

Yahya Bin Said Bin Abdullah Al-Jabri

Chairman

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

Nine months ended			Quarter ended		Nine months ended	
30 September 2020	30 September 2019		30 September 2020	30 September 2019	30 September 2020	30 September 2019
(US Dollar in '000)			Restated		(Rupees in '000)	
4,818	1,881	Profit after taxation for the period	280,816	109,310	798,557	311,977
		Other comprehensive income				
		Items that may be reclassified to profit and loss account in subsequent periods:				
1,927	493	Movements in deficit on revaluation of investments - net of tax	(454,238)	91,237	319,240	81,690
		Items that will not be reclassified to profit and loss account in subsequent periods:				
		Movement in deficit on revaluation of non-banking assets- net of tax	(652)	(651)	(1,956)	(2,607)
(12)	(16)		(652)	(651)	(1,956)	(2,607)
(12)	(16)					
6,733	2,358	Total comprehensive income	(174,074)	199,896	1,115,841	391,060
		ATTRIBUTABLE TO:				
6,735	2,365	Shareholders of the holding company	(173,998)	200,584	1,116,152	392,189
(2)	(7)	Non-controlling interest	(76)	(688)	(311)	(1,129)
6,733	2,358		(174,074)	199,896	1,115,841	391,060

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

Sayyid Juland
Jaifar
Salim Al Said

Director

Omar Hamid Khan

Director

Yahya Bin Said Bin
Abdullah Al-Jabri

Chairman

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

	Share capital	Statutory reserve	General reserve	Surplus / (deficit) on revaluation of		Unappropriated profit	Sub total	Non-controlling interest	Total
				Investments	Non-banking assets				
(Rupees in '000)									
Opening balance as at 01 January 2019 (as previously reported)	6,150,000	1,153,013	11,630	(7,502)	46,927	690,607	8,044,675	8,318	8,052,993
Effect of adjustment to prior period (refer note 4.2)						19,779	19,779	620	20,399
Opening balance as at 01 January 2019 (Restated)	6,150,000	1,153,013	11,630	(7,502)	46,927	710,386	8,064,454	8,938	8,073,392
Total comprehensive income									
Profit after taxation (Restated)	-	-	-	-	-	313,106	313,106	(1,129)	311,977
Other comprehensive income / (loss) - net of tax	-	-	-	81,690	(2,607)	-	79,083	-	79,083
Total comprehensive income for the nine months ended 30 September 2019 (Restated)	-	-	-	81,690	(2,607)	313,106	392,189	(1,129)	391,060
Transfer to statutory reserve	-	71,767	-	-	-	(71,767)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	1,873	1,873	-	1,873
Transaction with owners recorded directly in equity									
Final cash dividend - 31 December 2018 declared subsequent to the year end (Rs. 0.7 per share)	-	-	-	-	-	(430,500)	(430,500)	-	(430,500)
Opening balance as at 01 October 2019 (Restated)	6,150,000	1,224,780	11,630	74,188	44,320	523,098	8,028,016	7,809	8,035,825
Total comprehensive income									
Profit after taxation	-	-	-	-	-	145,164	145,164	(842)	144,322
Other comprehensive income / (loss) - net of tax	-	-	-	43,871	(652)	11,892	55,111	-	55,111
Total comprehensive income for the quarter ended 31 December 2019	-	-	-	43,871	(652)	157,056	200,275	(842)	199,433
Transfer to statutory reserve	-	29,094	-	-	-	(29,094)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	652	652	-	652
Opening balance as at 01 January 2020 - Restated	6,150,000	1,253,874	11,630	118,059	43,668	651,712	8,228,943	6,967	8,235,910
Total comprehensive income									
Profit after taxation	-	-	-	-	-	798,868	798,868	(311)	798,557
Other comprehensive income / (loss) - net of tax	-	-	-	319,240	(1,956)	-	317,284	-	317,284
Total comprehensive income for the nine months ended 30 September 2020	-	-	-	319,240	(1,956)	798,868	1,116,152	(311)	1,115,841
Transfer to statutory reserve	-	176,851	-	-	-	(176,851)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	1,956	1,956	-	1,956
Transaction with owners recorded directly in equity									
Final cash dividend - 31 December 2019 declared subsequent to the year end (Rs. 0.7 per share)	-	-	-	-	-	(430,500)	(430,500)	-	(430,500)
Closing balance as at 30 September 2020	6,150,000	1,430,725	11,630	437,299	41,712	845,185	8,916,551	6,656	8,923,207

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Bahauddin Khan
 Managing Director/
 Chief Executive Officer

Mohammad Jamal Nasir
 Chief Financial Officer

Sayyid Juland Jaifar Salim Al Said
 Director

Omar Hamid Khan
 Director

Yahya Bin Said Bin Abdullah Al-Jabri
 Chairman

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

30 September 2020	30 September 2019		30 September 2020	30 September 2019 Restated
(US Dollar in '000)			Note	(Rupees in '000)
CASH FLOW FROM OPERATING ACTIVITIES				
6,923	2,648	Profit before taxation		1,147,283
-	(2)	Less: Dividend income		-
<u>6,923</u>	<u>2,646</u>			<u>1,147,283</u>
Adjustments:				
196	195	Depreciation		32,417
128	111	Depreciation on right-of-use assets		21,252
-	2	Amortization		5
(2)	(179)	(Reversals) and write offs - net	28	(295)
(12)	(4)	Gain on sale of fixed assets		(2,065)
92	(134)	Share of loss / (profit) from associates - net of tax		15,267
78	73	Mark-up / return / profit / interest expensed on lease liability against right-of-use assets		12,984
1	1	Finance charges on leased assets		196
(111)	(39)	Unrealised (gain) / loss on revaluation of investments classified as held-for-trading		(18,401)
<u>370</u>	<u>26</u>			<u>61,360</u>
<u>7,293</u>	<u>2,672</u>			<u>1,208,643</u>
(Increase) / Decrease in operating assets				
31,149	17,845	Lendings to financial institutions		5,161,446
22,072	32,459	Held-for-trading securities		3,657,422
(3,921)	1,234	Advances		(649,716)
1,785	(2,908)	Other assets (excluding advance taxation)		295,861
<u>51,085</u>	<u>48,630</u>			<u>8,465,013</u>
Increase / (decrease) in operating liabilities				
-	-	Bills payable		-
(146,890)	120,021	Borrowings		(24,340,017)
85,803	(14,068)	Deposits		14,217,748
523	14	Other liabilities (excluding current taxation)		86,289
<u>(60,564)</u>	<u>105,967</u>			<u>(10,035,980)</u>
<u>(2,186)</u>	<u>157,269</u>			<u>(362,324)</u>
<u>(2,497)</u>	<u>(1,585)</u>	Income tax paid		<u>(413,718)</u>
<u>(4,683)</u>	<u>155,684</u>	Net cash flow generated from operating activities		<u>(776,042)</u>
CASH FLOW FROM INVESTING ACTIVITIES				
4,338	(158,147)	Net investments in available-for-sale securities		718,808
329	184	Investments in associates		54,550
-	2	Dividend received		-
(229)	(36)	Investments in operating fixed assets		(37,911)
39	6	Proceeds from sale of fixed assets		6,450
<u>4,477</u>	<u>(157,991)</u>	Net cash flow (used in) investing activities		<u>741,897</u>
CASH FLOW FROM FINANCING ACTIVITIES				
(3)	(2)	Payments of lease obligations		(503)
(145)	(177)	Payments of lease liability against right-of-use assets		(24,012)
(2,598)	(2,598)	Dividend paid		(430,500)
<u>(2,746)</u>	<u>(2,777)</u>	Net cash flow (used in) financing activities		<u>(455,015)</u>
<u>(2,952)</u>	<u>(5,084)</u>	(Decrease) in cash and cash equivalents		<u>(489,160)</u>
<u>12,847</u>	<u>14,585</u>	Cash and cash equivalents at beginning of the period		<u>2,128,807</u>
<u><u>9,895</u></u>	<u><u>9,501</u></u>	Cash and cash equivalents at end of the period	31	<u><u>1,639,647</u></u>

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Bahauddin Khan

**Managing Director/
Chief Executive Officer**

Mohammad Jamal Nasir

Chief Financial Officer

Sayyid Juland Jaifar Salim Al Said

Director

Omar Hamid Khan

Director

Yahya Bin Said Bin Abdullah
Al-Jabri

Chairman

Pak Oman Investment Company Limited
Notes to the Consolidated Condensed Interim Financial Information (Un-Audited)
For the nine months ended 30 September 2020

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-Sep-20	31-Dec-19
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.	20.43	91.78
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.	24.16	39.44
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.	98.48	88.10
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.	99.62	99.67
Pak Oman Microfinance Bank Limited	Pakistan	Incorporated under the repealed Companies Ordinance, 1984 and is engaged in providing micro finance services to the poor and under served segment of the society.	16.67	16.67
Japan Power Generation Limited	Pakistan	Incorporated under the repealed Companies Ordinance, 1984 and is engaged in generation of power and its supply to WAPDA.	11.29	11.29

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

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

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

The 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 2019.

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

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

These consolidated financial statements have been prepared from the information available in the unaudited condensed interim financial statements of the holding company for the nine months ended 30 September 2020 and the unaudited financial statements of the subsidiary (POAMCL) for the nine months ended 30 September 2020. The consolidated condensed interim financial statements used equity accounting for the associates.

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these 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 2019.

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, 2019.

4.2 Prior year adjustment

The SECP vide its S.R.O. No. 1160(1)/2015 dated 25 November 2015, and Circular no. 40 of 2016 dated December 20, 2016, had allowed asset management companies to charge reimbursement against accounting and operational charges, and selling and marketing charges from the Collective Investment Schemes (CISs) under their management up to a maximum of 0.1% and 0.4% of their average annual net assets, respectively.

Previously, the Pak Oman Asset Management Company Limited had not been claiming this amount from its funds under management, and no receivable was being accrued in its books. During the current period, the Company has claimed and received this amount from the funds, including the reimbursement relating to prior years amounting to Rs. 26 million. Since this income does not belong to the current period, it has been accounted for retrospectively in accordance with the requirements of International Accounting Standard (IAS) 8, "Accounting policies, changes in estimates and errors". Accordingly, prior year accounts have been restated as shown below:

31 December 2019			
Rupees in '000			
Impact on Statement of Financial Position	Balance as reported previously	Adjustment	Restated Balance
Equity	8,209,901	26,009	8,235,910
Receivable from funds under management	112,729	26,009	138,738
30 September 2019			
Rupees in '000			
Impact on Statement of Comprehensive Income	Amount as reported previously	Adjustment	Restated Amount
Administrative Expenses	497,536	(5,610)	491,926
31 December 2018			
Rupees in '000			
Impact on Statement of Financial Position	Balance as reported previously	Adjustment	Restated Balance
Equity	8,052,993	20,399	8,073,392

5. FINANCIAL RISK MANAGEMENT

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

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

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

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

5.1 Credit Risk Management

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

5.2 Liquidity Risk Management

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

5.3 Equity Risk Management

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

5.4 Operational Risk Management

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

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

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

5.5 Capital Adequacy Ratio (CAR)

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

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

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

The Company has continued to fund the real economy while managing its risks. As of September 30, 2020, the Company's CAR stood at 15.81% which is well above the revised requirement of 11.50%.

5.6 Suspension of dividends

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

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

		(Un-audited) 30 September 2020 (Rupees in '000)	(Audited) 31 December 2019
6. CASH AND BALANCES WITH TREASURY BANKS	<i>Note</i>		
In hand			
local currency		369	257
foreign currency		221	221
		590	478
With State Bank of Pakistan in Local currency current account	6.1	278,498	151,637
With National Bank of Pakistan in Local currency current account		1,520	1,157
		<u>280,608</u>	<u>153,272</u>
6.1	This represent the amount required to be maintained by the holding company in accordance with the SBP's Regulations.		
7. BALANCES WITH OTHER BANKS			
In Pakistan:			
In current accounts		34,381	3,072
In deposit accounts	7.1	1,323,305	1,969,048
		1,357,686	1,972,120
Outside Pakistan:			
In current accounts		1,353	3,415
		<u>1,359,039</u>	<u>1,975,535</u>
7.1	These include term deposit receipts (TDRs) of Rs. 1,300 million (2019: Rs. 1,950 million) maturing between October 2020 to March 2021 (2019: January 2020 to June 2020). These carry mark-up rates ranging from 8.85% to 10% (2019: 14.50% to 14.75%) per annum.		
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Placements		200,000	-
Repurchase agreement lendings (Reverse Repo)		2,771,029	8,132,475
		<u>2,971,029</u>	<u>8,132,475</u>

9 INVESTMENTS

	30 September 2020 (Unaudited)				31 December 2019 (Audited)			
	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value
----- (Rupees in '000) -----								
9.1 Investments by types								
Held-for-trading securities								
Federal Government securities	11,318,115	-	(7,079)	11,311,036	14,975,537	-	(25,480)	14,950,057
Shares	-	-	-	-	-	-	-	-
Non-Government debt securities	-	-	-	-	-	-	-	-
	11,318,115	-	(7,079)	11,311,036	14,975,537	-	(25,480)	14,950,057
Available-for-sale securities								
Federal Government securities	38,747,927	-	654,549	39,402,476	39,217,557	-	199,422	39,416,979
Shares	346,266	(120,266)	-	226,000	346,266	(120,266)	-	226,000
Non-Government debt securities	3,714,177	(463,477)	(38,635)	3,212,065	3,963,355	(463,477)	(33,142)	3,466,736
	42,808,370	(583,743)	615,914	42,840,541	43,527,178	(583,743)	166,280	43,109,715
Associates	945,384	-	-	945,384	1,015,201	-	-	1,015,201
Total Investments	55,071,869	(583,743)	608,835	55,096,961	59,517,916	(583,743)	140,800	59,074,973

9.1.1 Investments given as collateral

	30 September 2020 (Unaudited)				31 December 2019 (Audited)			
	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value
------(Rupees in '000)-----								
Federal Government Securities								
- Pakistan Investment Bonds	21,419,927	-	565,976	21,985,903	16,895,051	-	176,137	17,071,188
- Market treasury bills	10,452,444	-	72,180	10,524,624	32,635,824	-	(8,013)	32,627,811
	31,872,371	-	638,156	32,510,527	49,530,875	-	168,124	49,698,999
Shares								
- Listed companies	-	-	-	-	-	-	-	-
- Unlisted companies	226,000	-	-	226,000	226,000	-	-	226,000
	226,000	-	-	226,000	226,000	-	-	226,000
Total investments	32,098,371	-	638,156	32,736,527	49,756,875	-	168,124	49,924,999

(Un-audited)
Nine months ended
30 September
2020

(Audited)
Year ended
31 December
2019

(Rupees in '000)

9.2 Provision for diminution in value of investments

9.2.1 Opening balance

583,743 589,056

Charges / reversals

Charge for the year

Reversals for the year

-	-
-	(5,313)
-	(5,313)

Transfers - net

Amounts written off

Closing balance

-	-
-	-
583,743	583,743

9.2.2 Particulars of provision against debt securities

Category of classification**Domestic**

Other assets especially mentioned

Substandard

Doubtful

Loss

Total

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

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

10.1 Particulars of advances (Gross)	30-Sep-20 (Rupees in '000)	31-Dec-19 (Rupees in '000)
In local currency	21,225,718	20,576,002
In foreign currencies	-	-
	21,225,718	20,576,002

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

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

10.3 Particulars of provision against advances	Nine months ended 30 September 2020			Year ended 31 December 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	551,656	213	551,869	580,479	213	580,692
Charge for the year	-	-	-	1,039	-	1,039
Reversals	(295)	-	(295)	(29,862)	-	(29,862)
	(295)	-	(295)	(28,823)	-	(28,823)
Amounts written off	-	-	-	-	-	-
Closing balance	551,361	213	551,574	551,656	213	551,869

10.4 In accordance with BPRD Circular No. 6 dated 26 June 2014 issued by the SBP, the holding Company has availed the benefit of FSV against the non-performing advances. As of 30 September 2020, the Company has availed total accumulated FSV benefit amounting to Rs. 15.8 million (net of tax Rs. 11.2 million). Accordingly, accumulated profit of Rs.11.2 million (net of transfer to statutory reserves Rs. 9 million) will not be available for the distribution as cash or stock dividend to the shareholders / bonus to employees of the Company as required by the aforementioned SBP directives.

10.5 The State Bank of Pakistan, vide BPRD circular letter 13 of 2020 dated March 26, 2020, has relaxed certain criteria of classification of SBP Prudential Regulation R-8 (Classification and Provisioning of Assets) to dampen the adverse impact of COVID-19 on the Banks/DFIs and to give relief to the borrowers.

		(Un-audited) 30 September 2020 ----- (Rupees in '000) -----	(Audited) 31 December 2019 ----- (Rupees in '000) -----
11	FIXED ASSETS		
	Capital work-in-progress	11.1 3,534	-
	Right of use assets	11.2 & 11.3 97,630	142,362
	Property and equipments	<u>125,505</u>	<u>90,403</u>
		<u>226,669</u>	<u>232,765</u>
11.1	Capital work-in-progress		
	Advances to suppliers	<u>3,534</u>	<u>-</u>
		(Un-Audited) 30 September 2020	(Un-Audited) 30 September 2019
		----- (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	3,534	1,668
	Property and equipment		
	Improvements	2,172	462
	Office equipment	1,151	2,478
	Computer equipment	3,939	208
	Furniture and fixture	1,049	1,152
	Vehicles	23,216	-
		31,527	4,300
	Right of use assets		
	Leasehold buildings	2,850	147,229
	Total	<u>37,911</u>	<u>153,197</u>
11.3	Disposal of fixed assets		
	The net book value of fixed assets disposed off during the period is as follows:		
	Office equipment	-	234
	Furniture and fixture	50	52
	Vehicles	4,335	-
	Total	<u>4,385</u>	<u>286</u>
12	INTANGIBLE ASSETS		
	Computer Software	-	5
	Goodwill	223,273	223,273
		<u>223,273</u>	<u>223,278</u>

	(Un-audited) 30 September 2020	(Audited) 31 December 2019
	----- (Rupees in '000) -----	
13 DEFERRED TAX ASSETS / (LIABILITIES)		
Deductible Temporary Differences on		
Provision for diminution in the value of investments	169,285	169,285
Assets subject to finance leases	69	72
Amortisation of premium on Federal Government Securities	1,531	(89)
Provision against non-performing advances	159,956	160,042
Revaluation on investments classified as available-for-sale	(178,615)	(48,221)
Revaluation on investments classified as held-for-trading	2,053	7,389
Net investment in finance leases	(76,526)	1,659
Accumulated tax losses - POAMCL	36,847	36,847
	114,600	326,984
Taxable Temporary Differences on		
Accelerated tax depreciation allowances	7,310	5,697
Revaluation on Non-banking assets	426	(3,647)
Dividend receivable	-	-
	7,736	2,050
	122,336	329,034
		Restated
14 OTHER ASSETS		
Income/ Mark-up accrued in local currency - net of provision	1,033,298	1,073,195
Mark-up / profit receivable on purchase of securities	80,917	314,240
Security deposits	9,262	8,962
Prepayments	22,754	12,302
Taxation	337,875	196,579
Non-banking assets acquired in satisfaction of claims	240,881	252,174
Receivable from funds under management and investment advisory clients	120,045	138,738
Staff Gratuity	-	15,447
Others	6,188	5,441
	1,851,220	2,017,078
Less: Provision held against other assets	-	-
Other assets (net of provisions)	1,851,220	2,017,078
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	58,750	61,504
	1,909,970	2,078,582

15	BORROWINGS	(Un-Audited)	(Audited)
		30 September 2020	31 December 2019
		(Rupees in '000)	
	Secured		
	Borrowings from the State Bank of Pakistan:		
	- Long term financing facility (LTFF)	2,732,025	2,612,588
	- Financing Facility for Storage of Agricultural Produce (FFSAP)	38,558	-
	- Temporary Economic Refinance Facility (TERF)	22,860	-
	Repurchase agreement borrowings	28,072,348	48,861,903
	Long term borrowings	4,173,420	5,321,380
	Short term running finance	-	515,324
	Bai Muajjal	6,694,134	8,208,161
	Total secured	41,733,345	65,519,356
	Unsecured		
	Placements	400,000	2,285,013
	Murabaha financing	7,320,164	5,989,157
	Total unsecured	7,720,164	8,274,170
		49,453,509	73,793,526

16 DEPOSITS AND OTHER ACCOUNTS

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

17 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	30 September 2020 (Unaudited)			31 December 2019 (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	305	2	303	628	18	610
Later than one year and upto five years	-	-	-	-	-	-
	305	2	303	628	18	610

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

		(Un-Audited) 30 September 2020 (Rupees in '000)	(Audited) 31 December 2019
18	OTHER LIABILITIES		
	Mark-up/ Return/ Interest payable in local currency	908,768	801,896
	Accrued expenses	249,117	226,853
	Security deposits against investment in finance leases	169,364	253,411
	Sales tax and federal excise duty payable	91,186	93,641
	Lease liability against right-of-use assets	144,822	150,198
	Withholding tax and sales tax payable	7,317	6,702
	Others	122,296	84,908
		<u>1,692,870</u>	<u>1,617,609</u>
19	SURPLUS ON REVALUATION OF ASSETS		
	Surplus on revaluation of		
	- Available for sale securities	615,914	166,280
	- Non-banking assets acquired in satisfaction of claims	58,750	61,504
		674,664	227,784
	Deferred tax on surplus on revaluation of:		
	- Available for sale securities	(178,615)	(48,221)
	- Non-banking assets acquired in satisfaction of claims	(17,038)	(17,836)
		(195,653)	(66,057)
		<u>479,011</u>	<u>161,727</u>
20	CONTINGENCIES AND COMMITMENTS		
		(Un-Audited) 30 September 2020 (Rupees in '000)	(Audited) 31 December 2019
	Transaction related contingent liability:		
	Standby letter of credit	751,631	532,162
	Pledge of shares on behalf of Japan Power Generation Limited	70,726	70,726
	Pledge of shares on behalf of Orient Power Company (Private) Limited	226,000	226,000
	Commitments for:		
	Purchase of Government securities	6,547,202	11,774,285
	Sale of Government securities	9,670,402	2,925,786
	Commitments for advances and net investment in finance leases	979,782	1,066,750
	Securities given as collateral against loan taken by Pak Oman Asset Management Company Limited	45,000	136,000

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 (2019: Rs. 70.726 million) are pledged as security on behalf of that associate company against a syndicate finance facility obtained by it (the associate company).
- 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. 45 million (2019: Rs 136 million) which have been collateralized against a loan sanctioned to Pak Oman Asset Management Company Limited from Habib Bank Limited for the acquisition of Askari Investment Management Limited (AIML).

20.4 Pak Oman Asset Management Company Limited

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

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

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

- 20.4.2** During the years ended 31 December 2013 and 2014 two former employees of the merged entity served notices to the Company and its former Chief Executive Officer. The employees demanded Rs. 28.5 million for defamation and Rs. 0.723 million against settlement of outstanding dues. Later, the employees also filed cases in the Court of District Judge South at Karachi. The legal advisors of the Company are of the view that although the outcome of the case appears to be favourable, the Company's chances of success cannot currently be determined due to the inherently uncertain nature of the litigation. Furthermore, the management expects that an insignificant amount will be required to settle these cases. Accordingly, provision to the extent of Rs. 0.489 million has been recognised on account of settlement of outstanding dues while no provision has been recognised in respect of defamation claim in the consolidated condensed interim financial statements for the nine months ended 30 September 2020.

		(Un-Audited)	
		Nine months ended	
		30 September 2020	30 September 2019
21	MARK-UP / RETURN / INTEREST EARNED	(Rupees in '000)	
	On:		
	a) On loans and advances	1,761,908	1,805,666
	b) On investments	5,430,695	2,878,624
	c) On lendings to financial institutions	286,948	279,649
	d) On balances with banks	152,728	139,612
		<u>7,632,279</u>	<u>5,103,551</u>
22	MARK-UP / RETURN / INTEREST EXPENSED		
	On:		
	a) Deposits	1,052,313	584,426
	b) Borrowings	5,198,757	3,786,882
	c) Lease liability against right-of-use assets	12,984	12,101
		<u>6,264,054</u>	<u>4,383,409</u>
23	FEE AND COMMISSION INCOME		
	Credit related fees	13,498	28,419
	Investment banking fees	6,587	4,241
	Commission on guarantees	2,810	2,305
	Underwriting commission of Government securities auction	-	3,832
	Remuneration from funds under management	29,042	36,641
	Fee from investments advisory services	836	2,018
		<u>52,773</u>	<u>77,456</u>
24	GAIN ON SECURITIES		
	Realised	270,434	90,849
	Unrealised - held for trading	18,401	6,493
		<u>288,835</u>	<u>97,342</u>
24.1	Realised gain on:		
	Federal Government Securities	265,072	98,470
	Non Government debt securities	5,362	(7,621)
		<u>270,434</u>	<u>90,849</u>
25	OTHER INCOME		
	Gain on sale of fixed assets - net	2,065	665
	Rental income	-	6,075
	Utilization of Fixtures	1,575	-
	Reversal of liabilities no longer payables	7,815	-
	Others	-	144
		<u>11,455</u>	<u>6,884</u>

	(Un-Audited)	
	Nine months ended	
	30 September 2020	30 September 2019
	(Rupees in '000)	
26 OPERATING EXPENSES		
Total compensation expense	359,489	338,839
Property expense		
Rent & taxes	638	9,322
Utilities cost	3,552	3,144
Security (including guards)	725	683
Repair & maintenance (including janitorial charges)	7,106	5,653
Depreciation on right-of-use assets	21,252	18,314
Depreciation	1,580	2,026
	34,853	39,142
Information technology expenses		
Software maintenance	1,900	765
Hardware maintenance	558	1
Depreciation	1,280	861
Amortisation	5	352
Network charges	2,121	1,429
Others	791	819
	6,655	4,227
Other operating expenses		
Directors' fees and allowances	20,014	18,325
Directors' fees and allowances - Subsidiary	3,846	4,673
Legal & professional charges	9,746	12,243
Travelling & conveyance	4,992	6,317
Depreciation	29,557	29,385
Training & development	177	927
Postage & courier charges	495	442
Communication	5,640	6,336
Stationery & printing	1,373	1,142
Marketing, advertisement & publicity	921	612
Donations	400	500
Auditors' remuneration	2,579	1,445
Membership and subscriptions	2,113	3,788
Transportation	7,030	6,668
Insurance	4,397	3,993
Finance charges on leased assets	196	156
Entertainment and canteen expenses	2,504	2,301
Shahriah advisor fee	-	200
Distribution commission	2,673	6,508
Maintenance charges - Non-banking assets	5,201	-
Others	5,178	3,757
	109,032	109,718
Total operating expenses	510,029	491,926

		(Un-Audited)	
		Nine months ended	
		30 September 2020	30 September 2019
		(Rupees in '000)	
27	OTHER CHARGES		
	Penalties imposed by State Bank of Pakistan	-	600
	Fees, commission and others	23,882	17,890
		<u>23,882</u>	<u>18,490</u>
28	REVERSAL / (PROVISIONS) & WRITE OFFS - NET		
	Reversals of provisions for diminution in value of investments	-	4,246
	Reversals of provisions against loans & advances	295	25,385
		<u>295</u>	<u>29,631</u>
29	TAXATION		
	Current	272,422	79,265
	Prior years	-	-
	Deferred	76,304	47,826
		<u>348,726</u>	<u>127,091</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 2020.		
	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>798,868</u>
			<u>313,106</u>
	Weighted average number of ordinary shares in issue	<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>1.30</u>
			<u>0.51</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	280,608	98,639
	Balances with other banks	1,359,039	1,475,748
		<u>1,639,647</u>	<u>1,574,387</u>

33 SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

	Nine months ended 30 September 2020 (Unaudited)				
	Corporate Banking	Investment Banking	Treasury	Asset Management	Total
	----- (Rupees in '000) -----				
Profit & Loss					
Net mark-up/return/profit	423,137	(120,097)	1,070,865	(5,680)	1,368,225
Non mark-up / return / interest income	16,634	(8,436)	290,836	39,268	338,302
Total Income	439,771	(128,533)	1,361,701	33,588	1,706,527
Segment direct expenses	271,490	37,695	202,908	46,940	559,033
Reversals	295	-	-	-	295
Profit before tax	168,576	(166,228)	1,158,793	(13,352)	1,147,789
Balance Sheet					
Cash & Bank balances	-	-	1,625,591	14,056	1,639,647
Investments	-	1,171,373	53,925,577	11	55,096,961
Lendings to financial institutions	-	-	2,971,029	-	2,971,029
Advances - performing	19,838,393	-	713,655	-	20,552,048
non- performing	122,096	-	-	-	122,096
Others	948,602	345,214	711,988	476,444	2,482,248
Total Assets	20,909,091	1,516,587	59,947,840	490,511	82,864,029
Borrowings	13,406,627	888,504	35,120,878	37,500	49,453,509
Subordinated debt	-	-	-	-	-
Deposits & other accounts	5,785,898	419,665	16,588,577	-	22,794,140
Others	520,788	25,490	1,007,557	139,338	1,693,173
Total liabilities	19,713,313	1,333,659	52,717,012	176,838	73,940,822
Equity	1,195,778	182,928	7,230,828	313,673	8,923,207
Total Equity & liabilities	20,909,091	1,516,587	59,947,840	490,511	82,864,029
Contingencies & Commitments	1,731,413	341,726	16,217,604	-	18,290,743
	Nine months ended 30 September 2019 (Unaudited) - Restated				
	Corporate Banking	Investment Banking	Treasury	Asset Management	Total
	----- (Rupees in '000) -----				
Profit & Loss					
Net mark-up/return/profit	363,517	(91,576)	452,252	(4,051)	720,142
Non mark-up / return / interest income	31,043	26,252	113,366	33,651	204,312
Total Income	394,560	(65,324)	565,618	29,600	924,454
Segment direct expenses	243,155	38,339	166,870	66,653	515,017
(Reversals) / Provisions	25,385	4,246	-	-	29,631
Profit before tax	176,790	(99,417)	398,748	(37,053)	439,068
	Year ended 31 December 2019 - Restated				
	Corporate Banking	Investment Banking	Treasury	Asset Management	Total
	----- (Rupees in '000) -----				
Balance Sheet					
Cash & Bank balances	-	-	2,128,067	740	2,128,807
Investments	-	3,374,754	55,700,209	10	59,074,973
Lendings to financial institutions	-	-	8,132,475	-	8,132,475
Advances - performing	19,619,714	-	277,746	-	19,897,460
non-performing	126,673	-	-	-	126,673
Others	827,947	504,842	1,043,789	487,081	2,863,659
Total Assets	20,574,334	3,879,596	67,282,286	487,831	92,224,047
Borrowings	16,880,052	3,356,971	53,444,003	112,500	73,793,526
Subordinated debt	-	-	-	-	-
Deposits & other accounts	1,916,249	393,618	6,266,525	-	8,576,392
Others	525,669	55,925	890,341	146,284	1,618,219
Total liabilities	19,321,970	3,806,514	60,600,869	258,784	83,988,137
Equity	1,252,364	73,082	6,681,417	229,047	8,235,910
Total Equity & liabilities	20,574,334	3,879,596	67,282,286	487,831	92,224,047
Contingencies & Commitments	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, subsidiary company, employee benefit plans, and company having common directors. The details of investments in subsidiary company and associates are stated in note 9 to these financial statements.

Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation / terms of the contribution plan. Remuneration of the key management personnel are in accordance with the terms of their employment. Advances are given to employees as per the 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
Oman LNG, Sultanate of Oman
Diamond Textile Mills (Pvt.) Limited
Civil Aviation Authority
Pakistan LNG Limited
Public Private Partnership Authority

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:

	Nine months ended 30 September 2020 (Unaudited)					Year ended 31 December 2019 (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)									
Investments										
Opening balance	-	-	1,015,201	-	726,000	-	-	996,898	-	226,000
Investment made during the year	-	-	50,000	-	-	-	-	-	-	500,000
Investment redeemed / disposed off during the year	-	-	(119,817)	-	-	-	-	18,303	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	945,384	-	726,000	-	-	1,015,201	-	726,000
Provision for diminution in value of investments	-	-	-	-	-	-	-	-	-	-
Advances										
Opening balance	-	38,487	68,200	-	565,459	-	43,626	68,200	-	72,916
Addition during the year	-	12,577	-	-	-	-	15,400	-	-	539,566
Repaid during the year	-	(7,766)	-	-	(40,893)	-	(20,539)	-	-	(47,023)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	43,298	68,200	-	524,566	-	38,487	68,200	-	565,459
Provision held against advances	-	-	68,200	-	-	-	-	68,200	-	-
	(Rupees in '000)									
Other Assets										
Interest / mark-up accrued	-	-	-	-	8,729	-	-	-	-	3,241
Receivable from staff retirement fund	-	-	-	-	-	-	-	112,729	15,447	-
Other receivable	-	-	120,045	-	-	-	-	-	-	-
Provision against other assets	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts										
Opening balance	-	4,082	-	-	-	-	909	-	5,492	-
Received during the year	-	73,618	-	11,326	-	-	64,629	-	102,997	-
Withdrawn during the year	-	(68,635)	-	(9,026)	-	-	(61,456)	-	(108,489)	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	9,065	-	2,300	-	-	4,082	-	-	-
Other Liabilities										
Interest / mark-up payable	-	61	-	148	-	-	33	-	-	-
Payable to staff retirement fund	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-
Outright sale of Securities	-	-	1,090,752	873,968	-	-	-	1,385,342	909,630	-
Outright purchase of Securities	-	-	406,109	869,417	-	-	-	243,315	720,365	-
Contingencies and Commitments										
Other contingencies	-	-	70,726	-	226,000	-	-	70,726	-	226,000

34.5 Related party transactions

	Nine months ended 30 September 2020 (Unaudited)					Nine months ended 30 September 2019 (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)									
Income										
Mark-up / return / interest earned	-	1,201	-	-	83,529	-	1,681	-	-	6,056
Fee and commission income	-	-	-	-	2,500	-	-	-	-	-
Dividend income	-	-	54,550	-	-	-	-	30,447	-	-
Net gain on sale of securities	-	-	602	6	-	-	-	295	70	-
Other income	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Expense										
Mark-up / return / interest paid	-	684	-	245	-	-	423	-	1,067	-
Operating expenses	-	-	-	-	-	-	-	-	-	-
Non-Executive Directors' fees and allowances	20,014	-	-	-	-	18,325	-	-	-	-
Compensation expenses	-	214,399	-	-	-	-	201,679	-	-	-
Contribution to defined contribution plan	-	-	-	14,713	-	-	-	-	13,996	-
Charge for defined benefit plan	-	-	-	11,729	-	-	-	-	10,794	-

35 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Un-Audited) 30 September 2020 (Rupees in '000)	(Restated) 31 December 2019
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>6,150,000</u>	<u>6,150,000</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	7,035,984	5,793,159
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	7,035,984	5,793,159
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	<u>7,035,984</u>	<u>5,793,159</u>
Risk Weighted Assets (RWAs):		
Credit Risk	31,863,148	27,688,047
Market Risk	10,521,286	8,301,000
Operational Risk	2,131,697	2,131,697
Total	<u>44,516,131</u>	<u>38,120,744</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>15.81%</u>	15.20%
Tier 1 Capital Adequacy Ratio	<u>15.81%</u>	15.20%
Total Capital Adequacy Ratio	<u>15.81%</u>	15.20%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	7,035,984	5,793,159
Total Exposures	101,154,774	108,929,747
Leverage Ratio	<u>6.96%</u>	5.32%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	8,966,221	6,227,965
Total Net Cash Outflow	16,659,357	9,139,548
Liquidity Coverage Ratio	<u>53.82%</u>	68.14%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	26,154,790	21,887,939
Total Required Stable Funding	21,209,650	21,507,690
Net Stable Funding Ratio	<u>123.32%</u>	101.77%

36 CREDIT RATING

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

The Pakistan Credit Rating Agency Limited (PACRA) has assigned asset management rating of AM3+ (Stable) to the subsidiary company in the medium and long term vide its report dated 28 August 2020.

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 15 October 2020 by the Board of Directors of the holding company.

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