

PAIR Investment Company Limited

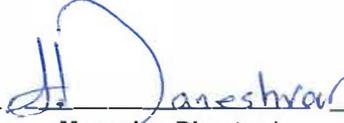
Statement of Financial Position

As at 30 Sept 2020



	Note	30 Sept 2020 (Un-audited)	31 December 2019 (Audited)
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	6	139,144	46,383
Balances with other banks	7	17,915	83,751
Lendings to financial institutions		-	150,000
Investments	8	14,107,310	14,664,301
Advances	9	6,404,655	5,389,709
Fixed assets	10	222,722	229,709
Intangible assets	11	175	314
Deferred tax assets	12	396,312	375,527
Other assets	13	470,792	534,895
		21,759,025	21,474,589
LIABILITIES			
Bills payable		-	-
Borrowings	14	10,197,324	10,842,781
Deposits and other accounts	15	1,368,876	775,323
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	16	492,579	385,766
		12,058,779	12,003,870
NET ASSETS		9,700,246	9,470,719
REPRESENTED BY			
Share capital	17	6,000,000	6,000,000
Reserves	18	961,431	888,356
Surplus on revaluation of assets	19	70,457	56,305
Unappropriated profit		2,668,358	2,526,058
		9,700,246	9,470,719
CONTINGENCIES AND COMMITMENTS	20		

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

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

PAIR Investment Company Limited

Profit and Loss Account (Un-audited)

For the period ended 30 September 2020



	Note	Quarter ended		Nine month period ended	
		July - Sept 2020	July - Sept 2019	January - Sept 2020	January - Sept 2019
Mark-up / return / interest earned	23	439,887	505,315	1,575,431	1,315,845
Mark-up / return / interest expensed	24	199,504	273,803	788,598	678,997
Net mark-up / interest income		240,383	231,512	786,833	636,848
NON MARK-UP / INTEREST INCOME					
Fee and commission income	25	375	826	5,654	5,222
Dividend income		6,223	12,259	26,658	35,404
Foreign exchange income		(327)	185	229	824
Income / (loss) from derivatives		-	-	-	-
Loss on sale of securities	26	12,445	1,397	12,329	(4,904)
Other income		-	69	-	69
Total non mark-up / interest income		18,716	14,736	44,870	36,615
Total Income		259,099	246,248	831,703	673,463
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	27	72,534	72,900	240,817	244,320
Workers Welfare Fund		2,484	1,250	8,887	3,750
Other charges	28	24	-	24	-
Total non mark-up / interest expenses		75,042	74,150	249,728	248,070
Profit Before Provisions		184,057	172,098	581,975	425,393
Provisions and write offs - net	29	(58,368)	91,849	103,810	244,711
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		242,425	80,249	478,165	180,682
Taxation	30	52,371	17,092	112,790	58,886
PROFIT AFTER TAXATION		190,054	63,157	365,375	121,796
Basic and diluted earnings per share - (Rupees)	31	0.32	0.105	0.61	0.203

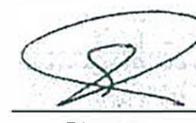
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Chief Financial Officer


Managing Director /
Chief Executive Officer


Chairman


Director


Director

PAIR Investment Company Limited
 Statement of Comprehensive Income (Un-audited)
 For the period ended 30 September 2020



	Quarter ended		Nine month period ended	
	July - Sept 2020	July - Sept 2019	January - Sept 2020	January - Sept 2019
Profit after taxation for the period	190,054	63,157	365,375	121,796
Other comprehensive income				
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>				
Movement in (deficit) / surplus on revaluation of investments - net of tax	(78,682)	49,816	(19,547)	(2,254)
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>				
Movement in surplus on revaluation of non-banking assets - net of tax	(426)	-	33,699	-
Total comprehensive income / (loss)	110,946	112,973	379,527	119,542

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

 _____ Chief Financial Officer	 _____ Managing Director / Chief Executive Officer	 _____ Chairman	 _____ Director	 _____ Director
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PAIR Investment Company Limited
Statement of Changes in Equity (Un-audited)
 For the period ended 30 September 2020



Note	Share capital	Statutory reserve	(Deficit) / surplus on revaluation of		Unappropriated profit	Total
			investments	Non Banking asset		
(Rupees in '000)						
Balance as at 1 January 2019	6,000,000	840,066	(71,701)	-	2,331,633	9,099,998
Profit for the period ended 30 Sep 2019	-	-	-	-	121,796	121,796
Other comprehensive income - net of tax	-	-	(2,254)	-	-	(2,254)
	-	-	(2,254)	-	121,796	119,542
Transfer to statutory reserve	-	24,359	-	-	(24,359)	-
Balance as at 30 September 2019	6,000,000	864,425	(73,955)	-	2,429,070	9,219,540
Profit for the period ended 31 December 2019	-	-	-	-	119,656	119,656
Other comprehensive income	-	-	130,260	-	1,263	131,523
	-	-	130,260	-	120,919	251,179
Transfer to statutory reserve	18	23,931	-	-	(23,931)	-
Balance as at 31 December 2019	6,000,000	888,356	56,305	-	2,526,058	9,470,719
Profit for the period ended 30 Sept 2020	-	-	-	-	365,375	365,375
Other comprehensive income	-	-	(19,547)	33,699	-	14,152
	-	-	(19,547)	33,699	365,375	379,527
Transfer to statutory reserve	18	73,075	-	-	(73,075)	-
Transactions with owners recognised directly in equity						
Final cash dividend - 31 December 2019 declared subsequent to the year end	-	-	-	-	(150,000)	(150,000)
	6,000,000	961,431	36,758	33,699	2,668,358	9,700,246

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


 Chief Financial Officer


 Managing Director /
 Chief Executive Officer


 Chairman


 Director


 Director

PAIR Investment Company Limited
Cash Flow Statement (Un-audited)
For the period ended 30 September 2020



	Note	30 Sept 2020	30 Sept 2019
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		478,165	180,682
Less: Dividend income		(26,658)	(35,404)
		<u>451,507</u>	<u>145,278</u>
Adjustments:			
Depreciation		19,022	19,066
Amortisation		139	178
Provision and write-offs	29	103,810	244,711
Loss/ (gain) on sale of fixed assets		-	69
Charge for defined benefit plan		8,432	7,966
Unrealised loss on revaluation of held for trading investments	27	2,731	(60)
		<u>134,134</u>	<u>271,930</u>
		<u>585,641</u>	<u>417,208</u>
(Increase) / decrease in operating assets			
Lendings to financial institutions		150,000	105,000
Held-for-trading securities		(21,256)	56,606
Advances		(1,102,589)	(50,392)
Others assets (excluding advance taxation)		138,215	(166,327)
		<u>(835,630)</u>	<u>(55,113)</u>
Increase / (decrease) in operating liabilities			
Borrowings from financial institutions		(645,457)	3,135,329
Deposits		593,553	127,407
Other liabilities (excluding current taxation)		106,813	226,417
		<u>54,909</u>	<u>3,489,153</u>
		<u>(195,080)</u>	<u>3,851,248</u>
Income tax paid		(173,376)	(193,423)
Defined benefits paid		(8,432)	(8,011)
Net cash flows used in operating activities		<u>(376,888)</u>	<u>3,649,814</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		149,095	(3,042,511)
Net investments in held-to-maturity securities		386,981	(616,381)
Dividends received		25,818	29,315
Investments in operating fixed assets		(12,072)	(61,766)
Proceeds from sale of fixed assets		3,991	153
Net cash flows generated from investing activities		<u>553,813</u>	<u>(3,691,190)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(150,000)	-
Net cash flows from financing activities		<u>(150,000)</u>	<u>-</u>
Net (decrease) in cash and cash equivalents			
		<u>26,925</u>	<u>(41,376)</u>
Cash and cash equivalents at beginning of the period		<u>130,134</u>	<u>133,797</u>
Cash and cash equivalents at end of the period		<u>157,059</u>	<u>92,421</u>

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

Chief Financial Officer

Managing Director /
Chief Executive Officer

Chairman

Director

Director

PAIR Investment Company Limited

Notes to the Accounts

For the period ended 30 September 2020



1. STATUS AND NATURE OF BUSINESS

PAIR Investment Company Limited, "the Company" is an unlisted Public Limited Company incorporated in Pakistan on 15 January 2007 under the Companies Ordinance, 1984. The Company has been notified as a Development Financial Institution by the Ministry of Finance, Government of Pakistan.

The Company is a Joint Venture (50:50) between Government of Pakistan and Iran Foreign Investment Company which is owned by the Government of Iran. The Company's objectives inter alia includes financing for industrial and commercial projects, capital and money market operations and other investment banking activities. Its registered and principal office is situated at ICCI Building, Clifton, Karachi.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under 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 Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Companies Act, 2017 and the said directives shall prevail.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited annual financial statements of the Company for the year ended December 31, 2019.

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

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after 1 January 2020 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore are not detailed in these condensed interim financial statements.

3.2 Standards, interpretations of and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective in the current period

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

IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation – for Banks and DFIs, the effective date of the standard has been extended to annual periods beginning on or after 1 January 2021 by the State Bank of Pakistan. 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. The impact of the application of IFRS 9 on the Company's financial statements is being assessed.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended 31 December 2019, except that mentioned in note 5.2.

5. FINANCIAL RISK MANAGEMENT

5.1 The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the financial statements of the Company for the year ended 31 December 2019.

5.2 Effects of COVID-19 on the Financial Statements

The COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. The State Bank of Pakistan (SBP) responded to the crisis by cutting the policy rate by 625 basis points since the beginning of the year to 7 percent in June 2020, and by introducing regulatory measures to maintain banking system soundness and to sustain economic activity. These include (i) reducing the capital conservation buffer by 100 basis points to 1.5 percent; (ii) increasing the regulatory limit on extension of credit to SMEs by 44 percent to Rs 180 million; (iii) relaxing the debt burden ratio for consumer loans from 50 percent to 60 percent; (iv) allowing Banks/DFIs to defer clients' payment of principal on loan obligations 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; and (vi) introduction of refinancing schemes for payments of wages and salaries.

The Risk Management function of the Company 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 Company has further strengthened its credit review procedures in the light of COVID-19. The Bank is continuously reviewing the portfolio, to identify accounts susceptible to higher risk, resulting from the COVID-19 outbreak.

5.2.1 Operational Risk

The management of the Company has invoked all required actions to ensure the safety and security of Company's staff and provision of uninterrupted service to its customers. The management is continuously monitoring the evolving situation and is taking timely decisions to resolve any concerns as they arise.

Business Continuity Plans (BCP) for respective areas are in place and tested. Remote work capabilities were enabled for critical 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. The Company is communicating with its customers on how they can connect with the Company through its full suite of channels. The Company has taken all measures to ensure that service levels are maintained and the Company continues to meet the expectations of its employees and customers.

5.2.2 Credit Risk and Asset Quality

Given the nature of the pandemic, it can be expected that most businesses in general, would be impacted. However, since many such borrowers have availed the SBP enabled deferment / restructuring & rescheduling relief, the full potential effect of the economic stress is difficult to predict given the uncertain economic environment. Given that the SBP has relaxed the classification and provisioning requirements for such borrowers, no additional provisioning has been made by the management at June 2020. The impacts would be reassessed on an ongoing basis over the course of the remainder of the year.

Also, effective 01 July 2020, the Company shall initiate the parallel run for IFRS 9 which requires the estimation of Expected Credit Loss (ECL) based on current and forecast economic conditions. The Company shall review the potential impact of the COVID-19 outbreak on the inputs and assumptions for IFRS 9 ECL measurement in light of available information. Overall, the COVID-19 situation remains fluid and is rapidly evolving at this point, which makes it challenging to reliably reflect impacts in ECL estimates. The Company is assessing the situation as it develops and is in the process of accounting for the same in its ECL estimates. The said exercise shall also enable the Company to revisit its estimate for any additional provision required to be made as part of the financial statements for the year 2020.

The segment wise details of deferred and restructured / rescheduled loans deferred under SBP's relief measures is disclosed in note 9.7 to these condensed interim financial statements.

5.2.3 Liquidity Risk Management

In view of the relaxation granted by SBP for deferral of principal and markup and rescheduling of loans there will be an impact on the maturity profile of the Company. The Asset and Liability Committee (ALCO) of the Company is continuously monitoring the liquidity position 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.

5.2.4 Equity Risk Management

The Company's investments in listed equity securities are required to be marked to market in line with the SBP's requirements. During the period, the SBP has relaxed the requirement for booking of impairment charge by allowing deferred recognition on a quarterly basis till December 31, 2020. The effect of this relaxation on the Company's financial statements is given in note 8.7 to these condensed interim financial statements.

5.2.5 Capital adequacy ratio (CAR)

In order to encourage Banks/DFIs to continue lending despite anticipated pressure on profits and credit risk, the SBP has relaxed the Capital Conversion Buffer (CCB) requirements to 1.5%, resulting in a 1% decline in CAR requirements for all Tiers. The Company has sufficient buffer in its CAR requirement to meet any adverse movements in credit, market or operational risks.

- 5.2.6 The Company has prepared a future forecast of its activities taking into consideration the above mentioned facts and the likely impact on its business due to Covid-19 related economic scenario. Based on these projections the Company is of the view that it will remain sufficiently profitable and liquid so as to sustain the going concern assumption.

6.	CASH AND BALANCES WITH TREASURY BANKS	Note	30 Sept	31 December
			2020	2019
			(Un-audited)	(Audited)
(Rupees in '000)				
	In hand			
	Local currency		70	55
	Foreign currencies		3,565	4,694
			3,635	4,749
	With State Bank of Pakistan in			
	Local currency current account	6.1	134,857	41,009
	With National Bank of Pakistan in			
	Local currency current account		17	17
	Local currency deposit account		635	608
			652	625
			139,144	46,383

- 6.1 This represents current account maintained for minimum cash reserve required to be maintained with the State Bank of Pakistan in accordance with its requirements of BSD Circular No. 04 dated May 22, 2004.

7.	BALANCES WITH OTHER BANKS		30 Sept	31 December
			2020	2019
			(Un-audited)	(Audited)
(Rupees in '000)				
	In Pakistan			
	In current accounts		1,786	12,961
	In deposit accounts	7.1	16,129	70,790
			17,915	83,751

- 7.1 These deposit accounts carry annual mark-up rate of 2.85% to 5.50% (31 December 2019: 6.30% to 11.25%).

8. INVESTMENTS

8.1 Investments by type

	30 Sept 2020 (Un-audited)			31 December 2019 (Audited)				
	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
(Rupees in '000)								
Held-for-trading securities								
Shares	57,169	-	(2,731)	54,438	36,381	-	(468)	35,913
	57,169	-	(2,731)	54,438	36,381	-	(468)	35,913
Available-for-sale securities								
Federal Government securities								
Shares	8,208,716	-	131,205	8,339,921	8,381,569	-	107,775	8,489,344
Non Government Debt Securities	1,052,047	(95,675)	(23,106)	933,266	976,459	(79,508)	26,865	923,816
	4,877,452	(32,636)	(65,131)	4,779,685	4,929,282	(32,636)	(68,399)	4,828,247
	14,138,215	(128,311)	42,968	14,052,872	14,287,310	(112,144)	66,241	14,241,407
Held-to-maturity securities								
Commercial Papers	-	-	-	-	386,981	-	-	386,981
	-	-	-	-	386,981	-	-	386,981
Total investments	14,195,384	(128,311)	40,237	14,107,310	14,710,672	(112,144)	65,773	14,664,301

8.2 Investments by segments

	30 Sept 2020 (Un-audited)			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								
- Market treasury bills	3,846,854	-	17,013	3,863,867	5,616,839	-	3,115	5,619,954
- Pakistan Investment Bonds	4,361,862	-	114,192	4,476,054	2,764,730	-	104,660	2,869,390
	8,208,716	-	131,205	8,339,921	8,381,569	-	107,775	8,489,344
Units in mutual funds	-	-	-	-	-	-	-	-
Shares								
- Listed companies	1,109,216	(95,675)	(25,837)	987,704	1,012,840	(79,508)	26,397	959,729
Non Government Debt Securities								
- Term Finance Certificates - Listed	1,056,645	-	(18,709)	1,037,936	1,276,260	-	(15,238)	1,261,022
- Term Finance Certificates - Unlisted	2,820,038	(11,245)	(46,560)	2,762,233	2,569,900	(11,245)	(43,123)	2,515,532
- Sukuk bonds - Listed	318,389	-	138	318,527	324,518	-	193	324,711
- Sukuk bonds - Unlisted	682,380	(21,391)	-	660,989	758,604	(21,391)	(10,231)	726,982
	4,877,452	(32,636)	(65,131)	4,779,685	4,929,282	(32,636)	(68,399)	4,828,247
Commercial papers	-	-	-	-	386,981	-	-	386,981
Total investments	14,195,384	(128,311)	40,237	14,107,310	14,710,672	(112,144)	65,773	14,664,301

8.3 Investments given as collateral

	30 Sept 2020 (Un-audited)	31 December 2019 (Audited)
(Rupees in '000)		
Pakistan Investment Bonds		
Carrying Value	1,984,322	2,672,582
Surplus	10,156	3,674
	<u>1,994,478</u>	<u>2,676,256</u>
Market treasury bills		
Carrying Value	2,951,704	2,735,349
Surplus	11,509	121,866
	<u>2,963,213</u>	<u>2,857,215</u>
Shares		
Carrying Value	102,394	104,675
Impairment	(15,920)	(14,732)
(Deficit) / Surplus	4,476	2,812
	<u>90,950</u>	<u>92,755</u>

8.4 Provision for diminution in value of investments

	30 Sept 2020 (Un-audited)	31 December 2019 (Audited)
(Rupees in '000)		
Opening balance	112,144	222,436
Charge / reversals		
Charge for the period / year	85,851	47,217
Reversals for the period / year	-	-
Reversal on disposals	(69,384)	(157,509)
	<u>16,167</u>	<u>(110,292)</u>
Closing Balance	128,311	112,144

8.5	Particulars of provision against debt securities Category of classification	30 Sept 2020 (Un-audited)		31 December 2019 (Audited)	
		NPI	Provision	NPI	Provision
----- (Rupees in '000) -----					
	Domestic	-	-	-	-
	Other assets especially mentioned	-	-	-	-
	Substandard	-	-	-	-
	Doubtful	-	-	-	-
	Loss	47,822	(32,635)	48,882	(32,635)
		<u>47,822</u>	<u>(32,635)</u>	<u>48,882</u>	<u>(32,635)</u>

8.6 The market value of securities classified as held-to-maturity as at September 30, 2020 amounted to Nil (December 31, 2019: PKR 386.981 Million).

8.7 To dampen the adverse effects of COVID-19 and to enable the Banks / DFIs continue to fulfil their role in funding the real economy, SBP through BPRD Circular Letter No. 13 of 2020 March 26, 2020 has allowed "Banks / DFIs may, if they so desire, recognize impairment loss, if any, resulting from the valuation of listed equity securities held as "Available for Sale" (AFS), in phased manner equally on quarterly basis during calendar year ending on 31-Dec-2020. However, early recognition of full impairment loss by Banks / DFIs is encouraged". Accordingly the Company has taken a charge of PKR 16.167 million to P&L as at September 30, 2020. If there was no relaxation allowed by SBP in the manner described above, the profit of the Company would have been reduced by PKR 6.454 million and the provision for diminution in the value of investment would have been greater by the same amount.

8.8 In accordance with BSD Circular No. 1 dated 21 October 2011 issued by the SBP, the Company has availed the benefit of Forced Sales Value (FSV) against the non-performing debt securities. Had this benefit of FSV not been taken by the Company, the specific provision against non-performing debt securities would have been higher by Rs. 14.47 million (31 December 2019: Rs. 16.25 million). Further, this amount arising from availing the benefit of FSV is not available for distribution amongst the shareholders either in the form of cash or stock dividend / bonus to employees.

9 ADVANCES

Note

		Performing		Non Performing		Total	
		30 Sept 2020 (Un-audited)	31 December 2019 (Audited)	30 Sept 2020 (Un-audited)	31 December 2019 (Audited)	30 Sept 2020 (Un-audited)	31 December 2019 (Audited)
----- (Rupees in '000) -----							
Loans, cash credits, running finances, etc.	9.2	5,466,926	4,549,796	2,085,172	1,822,853	7,552,098	6,372,649
Islamic financing and related assets		266,275	276,275	-	-	266,275	276,275
Bills discounted and purchased		-	-	-	-	-	-
Advances - gross	9.1	5,733,201	4,826,071	2,085,172	1,822,853	7,818,373	6,648,924
Provision against advances							
- Specific		-	-	(1,413,718)	(1,259,215)	(1,413,718)	(1,259,215)
- General		-	-	-	-	-	-
		-	-	(1,413,718)	(1,259,215)	(1,413,718)	(1,259,215)
Advances - net of provision		5,733,201	4,826,071	671,454	563,638	6,404,655	5,389,709

9.1 These include loans of Rs. 111.872 million (31 December 2019: Rs. 114.777 million) advanced to employees in accordance with their terms of employment. These loans carry mark-up at the rates from 0% to 5% (31 December 2018: 0% to 5%) respectively.

9.2 Includes net investment in finance lease as disclosed below:

	30 Sept 2020 (Un-audited)			31 December 2019 (Audited)		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
----- (Rupees in '000) -----						
Lease rentals receivable	328,655	476,731	805,386	243,639	201,168	444,807
Residual value	89,512	136,301	225,813	55,503	94,421	149,924
Minimum lease payments	418,167	613,032	1,031,199	299,142	295,589	594,731
Financial charges for future periods	(51,932)	(70,195)	(122,127)	(37,807)	(13,974)	(51,781)
Present value of minimum lease payments	366,235	542,837	909,072	261,335	281,615	542,950

9.2.1 The Company's implicit rate of return on leases ranges between 8.52% to 19.90% (31 December 2019: 14.34% to 20.0%) per annum. These are secured against leased assets and security deposits generally up to 38% (31 December 2019: 38%) of the cost of leased assets.

9.3	Particulars of advances (Gross)	30 Sept 2020	31 December 2019
		(Un-audited)	(Audited)
----- (Rupees in '000) -----			
	In local currency	7,818,373	6,648,924
	In foreign currencies	-	-
		<u>7,818,373</u>	<u>6,648,924</u>

9.4 Advances include Rs. 2,085.172 million (31 December 2019: Rs. 1,822.853 million) which have been placed under non-performing status as detailed below:

9.5 Category of Classification	30 Sept 2020 (Un-audited)		31 December 2019 (Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	----- (Rupees in '000) -----			
Domestic				
OAEM	176,275	-	111,473	-
Substandard	129,979	12,728	12,306	2,937
Doubtful	14,062	7,031	-	-
Loss	1,764,856	1,393,959	1,699,074	1,256,278
	<u>2,085,172</u>	<u>1,413,718</u>	<u>1,822,853</u>	<u>1,259,215</u>

9.6 Particulars of provision against advances	30 Sept 2020 (Un-audited)			31 December 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	1,259,215	-	1,259,215	971,770	-	971,770
Charge for the period / year	159,877	-	159,877	287,445	-	287,445
Reversals	(5,374)	-	(5,374)	-	-	-
	154,503	-	154,503	287,445	-	287,445
Amounts written off	-	-	-	-	-	-
Closing balance	<u>1,413,718</u>	-	<u>1,413,718</u>	<u>1,259,215</u>	-	<u>1,259,215</u>

9.6.1 Particulars of provision against advances	30 Sept 2020 (Un-audited)			31 December 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
In local currency	1,413,718	-	1,413,718	1,259,215	-	1,259,215
In foreign currencies	-	-	-	-	-	-
	<u>1,413,718</u>	-	<u>1,413,718</u>	<u>1,259,215</u>	-	<u>1,259,215</u>

9.6.2 In accordance with BSD Circular No. 1 dated 21 October 2011 issued by the SBP, the Company has availed the benefit of Forced Sales Value (FSV) against the non-performing advances. Had this benefit of FSV not been taken by the Company, the specific provision against non-performing advances would have been higher by Rs. 390.817 million (31 December 2019: Rs. 442.936 million). Further, this amount arising from availing the benefit of FSV is not available for distribution amongst the shareholders either in the form of cash or stock dividend / bonus to employees.

9.7 Deferred and restructured / rescheduled loans under COVID -19 SBP relief

	No. of borrowers	Amount of Principal Deferred up to One year*	Amount of Restructuring / Rescheduling Allowed
	----- (Rupees in '000) -----		
Corporate	15	1,204,810	84,468
SME	7	40,178	-
	<u>22</u>	<u>1,244,988</u>	<u>84,468</u>

* The total amount of principal that was deferred by banks/DFIs under the SBP's relief i.e. March 26, 2020.

10. FIXED ASSETS	Note	30 Sept 2020 (Un-audited) (Rupees in '000)	31 December 2019 (Audited) (Rupees in '000)
Property and equipment		14,254	9,631
Capital work-in-progress	10.1	183,090	183,090
Right of use assets		25,378	36,988
		<u>222,722</u>	<u>229,709</u>

10.1 This represents office building and related parking space situated at The Ocean Mall, Clifton, Karachi purchased by the Company to transfer its registered and principal office.

10.2 Additions / transfers to fixed assets

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

	30 Sept 2020 (Un-audited) (Rupees in '000)	31 December 2019 (Audited) (Rupees in '000)
Property and equipment		
Electrical office and computer equipment	4,165	3,706
Vehicles	7,500	-
Furniture and fixtures	403	667
	<u>12,068</u>	<u>4,373</u>

10.3 Disposal of fixed assets

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

	30 Sept 2020 (Un-audited) (Rupees in '000)	31 December 2019 (Audited) (Rupees in '000)
Property and equipment		
Vehicles	3,991	-
Electrical office and computer equipment	-	93
Furniture and fixtures	-	-
	<u>3,991</u>	<u>93</u>

10.4 The following operating fixed assets were disposed of during the period:

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particulars of purchaser
	(Rupees in '000)						
Honda Civic - I-VTEC	2,929	1,831	1,098	1,098	-		
Mercedes C-180 Sedan	7,715	4,822	2,893	2,893	-		Mr. Hamid Etekhari Kondelji, former- MD/CEO
Samsung Galaxy S-8 Plus	94	94	-	-	-		
Dell Latitude E6320	163	163	-	-	-	Terms of employment	
Samsung Galaxy A-7	35	35	-	-	-		Mr. Tariq Akhtar
Samsung Galaxy S7 Edge	35	35	-	-	-		Mr. M. Adil Khan
Samsung Galaxy A-7	35	35	-	-	-		Mr. Haris Khatri
Huawei Mate 10	50	50	-	-	-		Mr. Sohail Irfan
	<u>11,056</u>	<u>7,065</u>	<u>3,991</u>	<u>3,991</u>	<u>-</u>		

11. INTANGIBLE ASSETS

	30 Sept 2020 (Un-audited) (Rupees in '000)	31 December 2019 (Audited) (Rupees in '000)
Computer Software	175	314

12. DEFERRED TAX ASSETS

30 Sept 2020 (Un-audited)			
At 01 January 2020	Recognised in profit and loss account	Recognised in other comprehensive income	At 30 June 2020
(Rupees in '000)			
Deductible Temporary Differences on			
- Losses on sale of listed equity securities carried forward	15,270	-	15,270
- Post retirement employee benefits	(516)	-	(516)
- Deficit on revaluation of investments	6,366	245	14,027
- Accelerated tax depreciation	3,194	8,886	12,090
- Provision against advances, off balance sheet items, etc.	365,172	25,416	390,588
- Provision against investments	16,822	10,374	27,196
- Liability against right-of-use assets	1,607	(1,326)	281
- Others	884	813	1,697
	408,799	44,418	460,633
Taxable Temporary Differences on			
- Surplus on revaluation of investments	(16,166)	-	(19,681)
- Surplus on revaluation of Non-banking assets	-	(3,515)	(13,939)
- Accelerated tax depreciation	(6,874)	7,486	612
- Lease assets	(10,232)	(21,081)	(31,313)
- Others	-	-	-
	(33,272)	(13,595)	(64,321)
	375,527	30,823	396,312

31 December 2019 (Audited)			
At 01 January 2019	Recognised in profit and loss account	Recognised in other comprehensive income	At 31 December 2019
(Rupees in '000)			
Deductible Temporary Differences on			
- Losses on sale of listed equity securities carried forward	-	15,270	15,270
- Post retirement employee benefits	1,484	(1,484)	(516)
- Deficit on revaluation of investments	16,471	(3,312)	6,366
- Accelerated tax depreciation	12,571	(9,377)	3,194
- Provision against advances, off balance sheet etc.	281,813	83,359	365,172
- Provision against investments	64,505	(47,683)	16,822
- Liability against right-of-use assets	-	1,607	1,607
- Others	1,016	(132)	884
	377,860	38,248	408,799
Taxable Temporary Differences on			
- Surplus on revaluation of investments	(50)	-	(16,166)
- Accelerated tax depreciation	(5,734)	(1,140)	(6,874)
- Lease assets	(25,039)	14,807	(10,232)
- Others	(553)	553	-
	(31,376)	14,220	(33,272)
	346,484	52,468	375,527

13. OTHER ASSETS	Note	30 Sept 2020 (Un-audited)	31 December 2019 (Audited)
(Rupees in '000)			
Income / Mark-up accrued in local currency - net of provision		241,307	305,417
Advances, deposits, advance rent and other prepayments		19,580	93,685
Advance taxation (payments less provisions)		69,693	39,930
Non-banking asset acquired in satisfaction of claim	13.1	85,678	89,632
Dividend receivable		840	-
Security deposits		6,231	6,231
		423,329	534,895
Surplus on revaluation of non-banking asset acquired in satisfaction of claim		47,463	-
Other Assets - total		470,792	534,895
13.1 Market value of Non-banking asset acquired in satisfaction of claim		135,060	171,000

Non-banking assets acquired in satisfaction of claims have been revalued by independent professional valuers as at June 30, 2020. The revaluation was carried out by M/s Joseph Lobo (Private) Limited on the basis of an assessment of present market values and resulted in an increase in surplus by PKR 48.064 million.

		30 Sept 2020 (Un-audited) (Rupees in '000)	31 December 2019 (Audited)
13.2 Non-banking asset acquired in satisfaction of claim	<i>Note</i>		
Opening Balance		89,632	94,905
Less: Depreciation for the period / year		(4,555)	(5,273)
Add: Revaluation Surplus		48,064	-
Closing Balance		<u>133,141</u>	<u>89,632</u>
14. BORROWINGS			
In Pakistan (local currency)	14.1	<u>10,197,324</u>	<u>10,842,781</u>
14.1 Details of borrowings secured / unsecured			
Secured			
Borrowings from State Bank of Pakistan- Under financing facility -for Imported & Locally Manufactured Plant & Machinery (LTFF)	14.2	2,113,012	1,655,047
Repurchase agreement borrowings	14.3	4,950,979	5,323,734
Term borrowings	14.4	<u>3,133,333</u>	<u>3,650,000</u>
Total Secured		<u>10,197,324</u>	<u>10,628,781</u>
Unsecured			
Call borrowings		-	214,000
Total Unsecured		-	214,000
Total borrowings		<u>10,197,324</u>	<u>10,842,781</u>
14.2 The Company has entered into agreement with the SBP for extending Long Term Financing Facility (LTFF) for Imported & Locally Manufactured Plant & Machinery. These borrowings carry mark-up rate of 1% to 2.0% per annum (31 December 2019: 2.0%). These borrowings will mature by 2032 (31 December 2019: 2029).			
14.3 These carry mark-up at the rates ranging from 7.15% to 7.50% per annum (31 December 2019: 13.35% to 13.70%) and are secured against government securities having carrying amount of PKR 4.936 billion (31 December 2019: PKR 5.408 billion). These borrowings will mature up to October 2020 (31 December 2019: February 2020).			
14.4 These represent finances obtained from Allied Bank Limited to finance regular business operations of the Company. These finances are secured by hypothecation charge over all preset & future assets (excluding investments) of PAIR with 25% margin. These carry mark up at the rate of 6 months KIBOR +0.1% to 0.35% per annum. These are repayable in semi annual installments and shall be repaid by 2024.			
15. DEPOSITS AND OTHER ACCOUNTS	<i>Note</i>	30 Sept 2020 (Un-audited) (Rupees in '000)	31 December 2019 (Audited)
Customers			
Term deposits - In Local Currency	15.2	696,030	209,265
Financial Institutions			
Term deposits - In Local Currency	15.3	672,846	566,058
	15.1	<u>1,368,876</u>	<u>775,323</u>
15.1 Composition of deposits			
- Individuals	15.4	94,167	49,139
- Private Sector		601,863	160,126
- Others - Shareholder (IFIC)	15.5	672,846	566,058
		<u>1,368,876</u>	<u>775,323</u>

- 15.2 The mark-up rates on these certificate of investments (COI) range between 7.10% to 7.25% per annum (31 December 2019: 13.50% to 13.75% per annum). These COIs will mature up to December 2020 (31 December 2019: June 2020).
- 15.3 The mark-up rates on these certificate of investments (COI) is 7.25% per annum (31 December 2019: 13.60% per annum). These COIs will mature up to November 2020 (31 December 2019: March 2020).
- 15.4 These include non-interest bearing certificate of investments (COI) issued to employees of the Company maturing up to Aug 2021 (31 December 2019: October 2020).
- 15.5 This represents dividend and mark-up earned thereon not remitted to IFIC due to foreign exchange remittance restrictions, that had been invested on IFIC's instructions in the Company's certificates of investment.

16. OTHER LIABILITIES	30 Sept 2020 (Un-audited)	31 December 2019 (Audited)
	(Rupees in '000)	
Mark-up / Return / Interest payable in local currency	106,448	59,300
Accrued expenses	36,380	26,024
Payable to defined benefit plan	5,654	5,654
Provision for leave encashment	2,781	3,047
Payable to an associated undertaking	7,946	7,090
Government levies payable	2,648	1,108
Advance insurance premium on lease	273	520
Security deposits against finance lease	225,813	149,924
Payable Brokerage	1,505	2,540
Provision for staff rewards	-	20,130
Provision for Worker's Welfare Fund	76,785	67,898
Lease liability against right-of-use assets	26,346	42,531
	<u>492,579</u>	<u>385,766</u>

17. SHARE CAPITAL

17.1 Authorised capital

	30 Sept 2020 (Un-audited)	31 December 2019 (Audited)		30 Sept 2020 (Un-audited)	31 December 2019 (Audited)
	(Number of shares)			(Rupees in '000)	
	<u>1,000,000,000</u>	<u>1,000,000,000</u>	Ordinary shares of Rs. 10 each	<u>10,000,000</u>	<u>10,000,000</u>

17.2 Issued, subscribed and paid-up share capital

	<u>600,000,000</u>	<u>600,000,000</u>	Ordinary shares of Rs. 10 each	<u>6,000,000</u>	<u>6,000,000</u>
	<u>600,000,000</u>	<u>600,000,000</u>	Fully paid in cash	<u>6,000,000</u>	<u>6,000,000</u>

17.3 Major shareholders (holding more than 5% of total paid-up capital)

Name of shareholder	30 Sept 2020 (Un-audited)		31 December 2019 (Audited)	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Government of Pakistan	300,000,000	50%	300,000,000	50%
Iran Foreign Investment Company	300,000,000	50%	300,000,000	50%
	<u>600,000,000</u>	<u>100%</u>	<u>600,000,000</u>	<u>100%</u>

18. RESERVES	30 Sept 2020 (Un-audited)	31 December 2019 (Audited)
	(Rupees in '000)	
Statutory reserve		
Opening balance	888,356	840,066
Transfer during the year	73,075	48,290
Closing balance	<u>961,431</u>	<u>888,356</u>

18.1 According to BPD Circular No. 15 dated 31 May 2004 issued by SBP, an amount not less than 20% of the after tax profits shall be transferred to create a reserve fund till such time the reserve fund equals the amount of the paid-up capital and after that a sum not less than 5% of profit after tax shall be credited to the statutory reserve.

19. (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS	Note	30 Sept 2020 (Un-audited)	31 December 2019 (Audited)
		(Rupees in '000)	
Surplus / (deficit) on revaluation of			
- Available for sale securities	8.1	42,968	66,241
- Non-banking asset acquired in satisfaction of claim		47,463	-
		<u>90,431</u>	<u>66,241</u>
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		(6,210)	(9,936)
- Non-banking asset acquired in satisfaction of claim		(13,764)	-
		<u>(19,974)</u>	<u>(9,936)</u>
		<u>70,457</u>	<u>56,305</u>

20. CONTINGENCIES AND COMMITMENTS

20.1 For Tax year 2013, The Company has filed appeal before ATIR against the Order passed by CIRA, which is pending for hearing, where any adverse decision may increase the liability of the company by approximately PKR 5.5 Million. In respect of tax years 2014 & 2015, the tax department has filed reference before High Court of Sindh on allocation of expenses, where any adverse decision may increase the liability of the company by approximately PKR 107.137 Million & PKR 258.653 million respectively. The Company is confident for a favourable outcome on these pending cases.

With respect to Tax year 2016, ADCIR amended the assessment under section 122(5A) of the Ordinance. Demand amounting to PKR 52.049 Million was created. The company admitted tax imposed on commission income amounting to PKR 1.031 Million, which was paid and on other issues filed appeal to CIR(A) against ADCIR order. The CIR(A) passed order and decided the appeal and allowed partial relief. Order to the extent of apportionment of finance cost was confirmed by CIR(A). An appeal effect order under section 124 of the Ordinance is required to be passed for the relief allowed by CIR(A). The company and the department has filed appeals before the Appellate Tribunal Inland Revenue (ATIR) on the issue decided against it. The issue is pending before ATIR and based on decisions made in the tax year 2014 and 2015 in respect of similar cases, the Company is confident for a favourable outcome.

With respect to Tax year 2017, ADCIR amended the assessment under section 122(5A) of the Ordinance. Demand amounting to PKR 134.499 Million was created. The order passed under 122(5A) contained mistakes which were rectified subsequently, ACIR subsequently passed order under 221(1) dated 22 January 2019 and rectified demand to PKR 46.351 Million. The company paid the demand and paid PKR 18.0 Million while remaining amount of PKR 28.351 Million was adjusted from the refund of tax year 2018. The Company filed appeal against order before CIR(A). The CIR(A) passed order and has decided the appeal and allowed partial relief and accepted contention except on apportionment of markup expenses. An appeal effect order under section 124 of the Ordinance is required to be passed for the relief allowed by CIR(A). The company and the department has filed appeals before the Appellate Tribunal Inland Revenue (ATIR) on the issue decided against it. The appeal is awaited to be heard. The issue is pending before ATIR and based on decisions made in the tax year 2014 and 2015 in respect of similar cases, the Company is confident for a favourable outcome.

With respect to Tax year 2018, ADCIR amended the assessment under section 122(5A) of the Ordinance. The ACIR has passed order under section 122(5A) reducing the refund amounting to PKR 17.962 Million. The order passed under 122(5A) contained mistakes which were rectified subsequently, ACIR subsequently passed order under 221(1) dated 22 January 2019. The Company filed an appeal against the order before the CIR(A) on 31 January 2019. The CIR(A) passed order and has decided the appeal and allowed partial relief and accepted our contention except on apportionment of markup expenses. An appeal effect order under section 124 of the Ordinance is required to be passed for the relief allowed by CIR(A). The issue is pending before ATIR and based on decisions made in the tax year 2014 and 2015 in respect of similar cases, the Company is confident for a favourable outcome.

20.2 Commitments in respect of repo transactions	30 Sept 2020 (Un-audited)	31 December 2019 (Audited)
	(Rupees in '000)	
Repurchase agreement borrowings	<u>4,950,979</u>	<u>5,323,734</u>
20.3 Direct credit substitutes	<u>100,000</u>	<u>100,000</u>
20.4 Commitments to extend credit		

The Company makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

21. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Off balance sheet financial instruments referred to as derivatives, contracts the characteristics of which are derived from those of underlying assets. These include forwards and swaps in money and foreign exchange markets. The Company's exposure in these instruments represents equity futures. The Company also enters into repo transactions against government securities carrying fixed interest rates and having fixed contractual maturities. The credit risk associated with repo transactions is secured through underlying government securities.

22. DERIVATIVE INSTRUMENTS

The Company at present does not offer structured derivative products such as interest rate swaps, forward rate swaps, forward rate agreements or forward exchange options. However, the Company treasury and investment group buy and sell derivative instruments such as equity futures.

22.1 Equity futures

An equity futures contract is a standardized contract, traded on a futures counter of the stock exchange, to buy or sell a certain underlying scrip at a certain date in the future, at a specified price.

The Company uses equity futures as a hedging instrument to hedge its equity portfolio against equity price risk. Only selected shares are allowed to be traded on futures exchange. Equity futures give flexibility to the Company either to take delivery on the future settlement date or to settle it by adjusting the notional value of the contract based on the current market rates.

Maximum exposure limit to the equity futures is 10% of tier 1 capital of the Company, based on prevailing SBP regulations.

		30 Sept 2020 (Un-audited)	30 Sept 2019 (Un-audited)
23. MARK-UP / RETURN / INTEREST EARNED	<i>Note</i>		
		(Rupees in '000)	
On loans and advances		394,243	449,172
On investments		1,178,354	856,616
On deposits with financial institutions		1,454	1,382
On lendings to financial institutions		1,380	8,675
		<u>1,575,431</u>	<u>1,315,845</u>
24. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		72,350	92,001
Repurchase agreement borrowings		323,269	263,495
Call borrowings		62,176	109,971
On borrowing from State Bank of Pakistan- Under financing facility -for Imported & Locally Manufactured Plant & Machinery (LTFF)		26,591	17,694
Term Borrowing		301,276	191,129
Markup on Lease liability against right of use assets		2,936	4,707
		<u>788,598</u>	<u>678,997</u>
25. FEE & COMMISSION INCOME			
Credit related fee		5,272	4,737
Commission on trade		-	112
Commission on guarantees		382	373
		<u>5,654</u>	<u>5,222</u>
26. GAIN ON SALE OF SECURITIES			
Realised	26.1	15,060	(4,964)
Unrealised - held for trading		(2,731)	60
		<u>12,329</u>	<u>(4,904)</u>
26.1 Realised gain on:			
Shares		<u>15,060</u>	<u>(4,964)</u>

27. OPERATING EXPENSES	Note	30 Sept 2020 (Un-audited) (Rupees in '000)	30 Sept 2019 (Un-audited)
Total compensation expense	27.1	159,406	160,150
Property expense			
Insurance		1,827	2,601
Utilities cost		4,879	3,868
Security (including guards)		901	741
Repair & maintenance (including janitorial charges)		9,552	8,486
Depreciation on right-of-use assets		11,611	11,658
Depreciation on owned assets		5,678	6,091
		34,448	33,445
Information technology expenses			
Software maintenance		6,176	5,216
Depreciation		1,733	1,317
Amortisation		139	178
Network charges		3,601	3,106
Others		392	346
		12,041	10,163
Other operating expenses			
Directors' fees and allowances		8,346	2,171
Legal & professional charges		12,477	4,602
Travelling & conveyance		8,028	22,631
Training & development		311	1,007
Postage & courier charges		174	174
Communication		985	943
Stationery & printing		330	526
Marketing, advertisement & publicity		275	251
Auditors Remuneration		1,991	2,934
Commission and brokerage		1,884	3,819
Others		121	1,504
		34,922	40,562
		240,817	244,320
27.1 Total compensation expense			
Employees Remuneration		91,931	98,697
Charge for defined benefit plan		8,432	7,966
Contribution to defined contribution Plan		7,570	6,763
Rent & house maintenance		21,186	18,220
Utilities		5,296	4,555
Medical		6,498	5,603
Conveyance		18,073	17,336
Others		420	1,010
Total		159,406	160,150
28. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		24	-
		24	-

		30 Sept 2020 (Un-audited)	30 Sept 2019 (Un-audited)
	Note	(Rupees in '000)	
29. PROVISIONS & WRITE OFFS - NET			
Provisions for diminution in value of investments	8.4	16,167	145,669
Provisions against loans and advances		<u>87,643</u>	<u>99,042</u>
		<u><u>103,810</u></u>	<u><u>244,711</u></u>
30. TAXATION			
Current		143,613	119,845
Prior period		-	-
Deferred		<u>(30,823)</u>	<u>(60,959)</u>
		<u><u>112,790</u></u>	<u><u>58,886</u></u>
31. BASIC & DILUTED EARNINGS PER SHARE			
Profit for the period		<u><u>365,375</u></u>	<u><u>121,796</u></u>
		(Number of Shares in '000)	
Weighted average number of ordinary shares		<u><u>600,000</u></u>	<u><u>600,000</u></u>
Basic & diluted earnings per share		<u><u>0.61</u></u>	<u><u>0.203</u></u>

32. FAIR VALUE MEASUREMENTS

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

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

32.1 Fair value of financial assets

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

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

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

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value of financial instruments is based on:

Government securities	PKRV / PKFRV rates (MUFAP rates)
Term finance certificates and sukuk bonds (other than government)	MUFAP rates
Listed securities	PSX rates
Non-banking assets acquired in satisfaction of claim	Independent valuer's report

In the opinion of the management, the fair value of the remaining financial assets and liabilities is not significantly different from their carrying values.

32.2 The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measured is categorised.

On balance sheet financial instruments	Carrying/ Notional value	30 Sept 2020 (Un-audited)			
		Fair value			Total
		Level 1	Level 2	Level 3	
----- (Rupees in 000) -----					
Financial assets measured at fair value					
Federal Government Securities	8,339,921	-	8,339,921	-	8,339,921
Shares in listed companies	933,266	933,266	-	-	933,266
Non Government Debt Securities	1,356,463	-	1,356,463	-	1,356,463
	<u>10,629,650</u>	<u>933,266</u>	<u>9,696,384</u>	<u>-</u>	<u>10,629,650</u>
Financial assets not measured at fair value					
Cash and balances with treasury banks	139,144	-	-	-	-
Balances with other banks	17,915	-	-	-	-
Lendings to financial institutions	-	-	-	-	-
Advances	6,404,655	-	-	-	-
Other assets	242,147	-	-	-	-
	<u>6,803,861</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-financial assets measured at fair value					
Non-banking assets acquired in satisfaction of claim	<u>133,141</u>	<u>-</u>	<u>133,141</u>	<u>-</u>	<u>133,141</u>
----- (Rupees in 000) -----					
31 December 2019 (Audited)					
	Carrying / Notional value	Fair value			Total
		Level 1	Level 2	Level 3	
----- (Rupees in 000) -----					
Financial assets measured at fair value					
Federal Government Securities	8,489,344	-	8,489,344	-	8,489,344
Shares in listed companies	959,729	959,729	-	-	959,729
Non Government Debt Securities	4,929,282	-	4,929,282	-	4,929,282
	<u>14,378,355</u>	<u>959,729</u>	<u>13,418,626</u>	<u>-</u>	<u>14,378,355</u>
Financial assets not measured at fair value					
Cash and balances with treasury banks	46,383	-	-	-	-
Balances with other banks	83,751	-	-	-	-
Lendings to financial institutions	150,000	-	-	-	-
Advances	5,389,709	-	-	-	-
Other assets	305,417	-	-	-	-
	<u>5,975,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-financial assets not measured at fair value					
Non-banking assets acquired in satisfaction of claim	<u>89,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Segment Details with respect to Business Activities

	30 Sept 2020				Total
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	
	(Rupees in '000)				
Profit & Loss					
Net mark-up/return/profit	483,899	328,200	-	(25,266)	786,833
Inter segment revenue - net	-	-	-	-	-
Non mark-up / return / interest income	7,572	-	37,068	230	44,870
Total Income	491,471	328,200	37,068	(25,036)	831,703
Segment direct expenses	35,422	17,659	9,928	186,719	249,728
Inter segment expense allocation	-	-	-	-	-
Total expenses	35,422	17,659	9,928	186,719	249,728
Provisions	89,663	-	14,147	-	103,810
Profit before tax	366,386	310,541	12,993	(211,755)	478,165

	30 Sept 2020				Total
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	
	(Rupees in '000)				
Balance Sheet					
Cash & Bank balances	-	-	-	157,059	157,059
Investments	3,706,957	9,481,769	918,584	-	14,107,310
Net inter segment lending	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-
Advances - performing	5,677,441	-	-	111,870	5,789,311
- non-performing	615,344	-	-	-	615,344
Others	669,213	69,986	42,668	308,134	1,090,001
Total Assets	10,668,955	9,551,755	961,252	577,063	21,759,025
Borrowings	3,758,930	6,163,797	274,597	-	10,197,324
Subordinated debt	-	-	-	-	-
Deposits & other accounts	719,061	529,850	119,965	-	1,368,876
Net inter segment borrowing	-	-	-	-	-
Others	278,684	53,849	-	160,046	492,579
Total liabilities	4,756,675	6,747,496	394,562	160,046	12,058,779
Equity	5,912,280	2,804,259	566,690	417,017	9,700,246
Total Equity & liabilities	10,668,955	9,551,755	961,252	577,063	21,759,025
Contingencies & Commitments	100,000	4,950,979	-	-	5,050,979

	30 Sept 2019				Total
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	
	(Rupees in '000)				
Profit & Loss					
Net mark-up/return/profit	553,314	118,638	-	(35,104)	636,848
Inter segment revenue - net	-	-	-	-	-
Non mark-up / return / interest income	6,651	-	28,841	693	36,185
Total Income	560,195	118,638	28,841	(34,211)	673,463
Segment direct expenses	21,904	16,178	9,630	200,358	248,070
Inter segment expense allocation	-	-	-	-	-
Total expenses	21,904	16,178	9,630	200,358	248,070
Provisions / (reversals)	128,342	24,020	92,349	-	244,711
Profit before tax	409,949	78,440	(73,138)	(234,569)	180,682

	31 December 2019				Total
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	
	(Rupees in '000)				
Balance Sheet					
Cash & Bank balances	-	-	-	130,134	130,134
Investments	3,612,607	10,121,644	930,050	-	14,664,301
Net inter segment lending	-	-	-	-	-
Lendings to financial institutions	-	150,000	-	-	150,000
Advances - performing	4,711,294	-	-	114,777	4,826,071
- non-performing	563,638	-	-	-	563,638
Others	602,619	144,054	8,032	385,740	1,140,445
Total Assets	9,490,158	10,415,698	938,082	630,651	21,474,589
Borrowings	4,753,734	5,888,155	200,892	-	10,842,781
Subordinated debt	-	-	-	-	-
Deposits & other accounts	658,215	74,436	42,672	-	775,323
Net inter segment borrowing	-	-	-	-	-
Others	169,492	40,247	-	176,027	385,766
Total liabilities	5,581,441	6,002,838	243,564	176,027	12,003,870
Equity	3,908,717	4,412,860	694,518	454,624	9,470,719
Total Equity & liabilities	9,490,158	10,415,698	938,082	630,651	21,474,589
Contingencies & Commitments	100,000	5,323,734	-	-	5,423,734

34. RELATED PARTY TRANSACTIONS

Related parties of the Company comprise retirement benefit plan, major shareholders, directors, key management personnel and their close family members.

Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment. Other transactions are at agreed rates

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

	30 Sept 2020 (Un-audited)			31 December 2019 (Audited)		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
----- (Rupees in '000) -----						
Advances						
Opening balance	-	75,735	-	-	58,688	-
Addition during the period / year	-	1,620	-	-	21,229	-
Repaid during the period / year	-	(4,665)	-	-	(4,182)	-
Closing balance	-	72,690	-	-	75,735	-
Other Assets						
Other receivable	-	-	10,764	-	-	10,039
Deposits and other accounts						
Opening balance	-	3,170	585,356	-	1,823	587,715
Received during the period / year	-	22,793	1,425,131	-	23,353	3,045,655
Withdrawn during the period / year	-	(23,988)	(1,337,641)	-	(22,006)	(3,048,014)
Closing balance	-	1,975	672,846	-	3,170	585,356
Other Liabilities						
Interest / mark-up payable	-	15	11,699	-	13	2,433
Other liabilities	-	-	7,946	-	-	7,090
	-	15	19,645	-	13	9,523

RELATED PARTY TRANSACTIONS	30 Sept 2020 (Un-audited)			30 Sept 2019 (Un-audited)		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
----- (Rupees in '000) -----						
Income						
Mark-up / return / interest earned	-	2,739	-	-	2,245	-
Expense						
Mark-up / return / interest paid	-	295	49,632	-	157	79,015
Operating expenses						
Fees for Board & Committee Meeting	8,346	-	-	2,171	-	-
Allowance for Board & Committee Meeting	-	-	-	9,592	-	-
Managerial Remuneration	-	62,435	-	-	60,004	-
Contribution to defined contribution plan	-	4,249	-	-	4,443	-
Rent & house maintenance	-	9,131	-	-	9,971	-
Utilities	-	2,283	-	-	2,509	-
Medical	-	2,853	-	-	3,121	-
Conveyance	-	6,769	-	-	8,985	-
Others	-	414	-	-	547	-

35. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

30 Sept 2020 **31 December 2019**
(Un-audited) (Audited)
(Rupees in '000)

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)	<u>6,000,000</u>	<u>6,000,000</u>
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	<u>6,666,780</u>	6,424,849
Eligible Additional Tier 1 (ADT 1) Capital		-
Total Eligible Tier 1 Capital	<u>6,666,780</u>	6,424,849
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	<u>6,666,780</u>	<u>6,424,849</u>

Risk Weighted Assets (RWAs):

Credit Risk	<u>7,932,281</u>	8,255,320
Market Risk	<u>1,476,960</u>	1,411,956
Operational Risk	<u>1,403,104</u>	1,403,104
Total	<u>10,812,345</u>	<u>11,070,380</u>

	<u>30 Sept 2020 (Un-audited)</u>		<u>31 December 2019 (Audited)</u>	
	<u>Required</u>	<u>Actual</u>	Required	Actual
Common Equity Tier 1 Capital Adequacy ratio (%)	<u>6.00%</u>	<u>61.66%</u>	<u>6.00%</u>	<u>58.04%</u>
Tier 1 Capital Adequacy Ratio (%)	<u>7.50%</u>	<u>61.66%</u>	<u>7.50%</u>	<u>58.04%</u>
Total Capital Adequacy Ratio (%)	<u>11.5%*</u>	<u>61.66%</u>	<u>12.50%</u>	<u>58.04%</u>

**In terms of BPRD Circular Letter No. 12 of 2020 dated March 26, 2020, SBP has reduced Capital Conversion Buffer (CCB) requirement from 2.5% to 1.5% to enable the banks/DFIs to continue funding the real economy during evolving situation of CoVID-19 outbreak.*

Standardized Approach of Basel III is used for calculating Capital Adequacy for Credit and Market Risk while Basic indicator Approach is used for calculating Capital Adequacy for Operational Risk.

Leverage Ratio (LR):

	30 Sept 2020	31 December 2019
	(Un-audited)	(Audited)
	(Rupees in '000)	
Eligible Tier-1 Capital	<u>5,756,099</u>	6,424,849
Total Exposures	<u>17,781,159</u>	21,589,787
Leverage Ratio	<u>32.37%</u>	<u>29.76%</u>

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	<u>3,784,381</u>	2,119,092
Total Net Cash Outflow	<u>1,099,351</u>	1,445,881
Liquidity Coverage Ratio (%)	<u>3.44</u>	<u>1.47</u>

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	<u>14,930,602</u>	14,550,356
Total Required Stable Funding	<u>10,758,309</u>	10,497,288
Net Stable Funding Ratio (%)	<u>139%</u>	<u>139%</u>

36. GENERAL

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

36.2 The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long term entity rating to AA (Double A) and the short term rating at A1+ (A one plus) of the Company.

37. EVENTS AFTER THE REPORTING DATE

There are no events after the reporting date which could have material effect on these condensed interim financial statements.

38. DATE OF AUTHORISATION

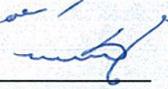
These condensed interim financial statements were authorized for issue on 7th November 2020 by the Board of Directors of the Company.



Chief Financial Officer



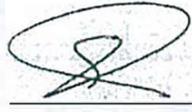
Managing Director /
Chief Executive Officer



Chairman



Director



Director