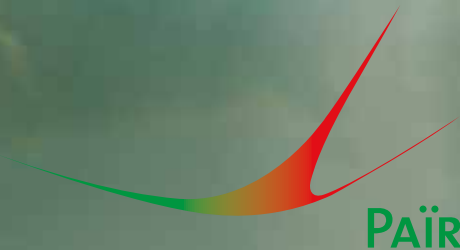
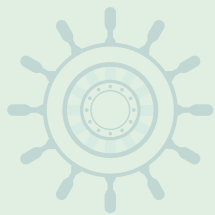


Annual Report 2020

# SPINNING THE WHEEL



PAİR Investment Company Limited



## SPINNING THE WHEEL

Any economy depends on the wheels of investment to take it forward. However, investment is not just an external propelling force; it also serves the numerous important cogs that keep the machinery of an economy functioning from within. Based on this idea, the visuals comprise several kinds of wheels to represent determining direction, moving forward, and the process of creation and manufacture.



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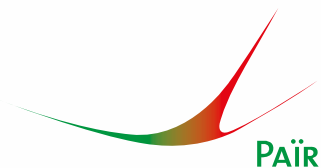


## Vision

To be the Premier Development Finance Institution of Pakistan and contribute to the economic development of both the brotherly countries through investment and Pakistan-Iran trade flows.

## Mission

Our company is committed to developing the economic relationship between Pakistan and Iran through investment into projects in Pakistan and enhancing the two-way trade by providing the most professional and innovative services to our customers. We focus on providing a range of products and services to our customers (both Pakistani and Iranian) in a manner which creates value for them and promotes investment flows and trade between the two countries.





# About PAiR

# About PAiR

Medium to Long-Term

## AA (Double A)

This denotes a very low expectation of credit risk indicating a very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

Short-Term

## A1+ (A One Plus)

This denotes that obligations are supported by the highest capacity for timely repayments.





# Entity Rating

Assigned by PACRA

## OUR CLIENTS COME FIRST

Each and every client is different and so are their needs. Hence, we at PAİR tend to our clients by tailoring our service in such a manner that our clients' needs are satisfied and ultimately our success is guaranteed.

## OUR PEOPLE AND CULTURE

Our people are our greatest asset. We continuously strive on improving our working standards and ambiance in order to provide the best environment for our employees' personal and professional growth.

## PROFESSIONAL QUALITY OF WORK

We strive very hard to maintain our work quality and standards with those of internationally accepted professional levels by constantly improving our quality, timelines and results.

## TEAMWORK

We focus on being team players and working as a team in order to achieve individual, departmental and company growth, hence maximizing output and results.

## CONSTANT UPGRADE AND DEVELOPMENT

We are constantly adapting the latest trends and technologies in all fields, from international standards of accounting and compliance to the latest technology in IT to professional development of our employees by conducting presentations and providing them with trainings on the latest implemented software usage or organizing staff training sessions, workshops and activities related to their respective fields.

## INTEGRITY, CONFIDENTIALITY AND HONESTY

We maintain high ethical standards of integrity, confidentiality and honesty in everything we do, as that is what sets us apart from the crowd and gives us our own unique identity.





# Core Values



## BOARD OF DIRECTORS

Mr. Zahoor Ahmed	Acting Chairman
Mr. Abbas Daneshvar Hakimi Meibodi	Managing Director / CEO
Mr. Aamer Mahmood Hussain	Director
Mr. Hamidreza Raufi	Director
Mr. Gholamreza Khalil Arjmandi	Director
Ms. Kauser Safdar	Chief Financial Officer
Mr. Amir Aizaz	Company Secretary

## BOARD AUDIT COMMITTEE

Mr. Aamer Mahmood Hussain	Chairman
Mr. Hamidreza Raufi	Member
Mr. Gholamreza Khalil Arjmandi	Member
Mr. Amin Kazmi	Secretary - Audit Committee

## RISK MANAGEMENT COMMITTEE

Mr. Aamer Mahmood Hussain	Chairman
Mr. Abbas Daneshvar Hakimi Meibodi	Member
Mr. Hamidreza Raufi	Member
Syed Salman Raza	Secretary - Risk Management Committee

## HUMAN RESOURCE COMMITTEE

Mr. Zahoor Ahmed	Chairman
Mr. Aamer Mahmood Hussain	Member
Mr. Abbas Daneshvar Hakimi Meibodi	Member
Mr. Gholamreza Khalil Arjmandi	Member
Ms. Saadia Shaikh	Secretary - Human Resource Committee

## BOARD STRATEGIC INVESTMENT COMMITTEE

Mr. Zahoor Ahmed	Chairman
Mr. Abbas Daneshvar Hakimi Meibodi	Member
Mr. Gholamreza Khalil Arjmandi	Member
Mr. Hamidreza Raufi	Member
Mr. Ahmad Bilal Darr	Secretary – Board Strategic Investment Committee

## AUDITORS

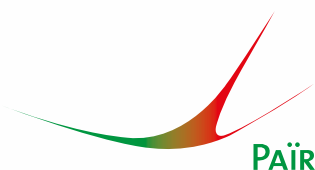
KPMG Taseer Hadi & Co.  
Chartered Accountants

## LEGAL ADVISORS

Mohsin Tayebaly & Co.  
Corporate Legal Consultants

## BANKERS

Allied Bank Limited  
MCB Bank Limited  
National Bank of Pakistan





# Corporate Information



## THE BOARD RISK MANAGEMENT COMMITTEE

The Board Risk Management Committee (BRMC) is responsible to ensure a continuous board level formal oversight of the credit, market, liquidity and operational risks embedded in PAİR's operations. It assists the Board of Directors in determining PAİR's strategic direction by providing an overall risk perspective to the relevant business units and Risk Management Unit. It ensures implementation of risk-related policies, including the review and monitoring of the Company's overall portfolio, and a review of the risk limits under the Company's overall risk appetite, determined through risk assessment rating methodologies by keeping in view the nature, size and complexity of the transactions.

## BOARD AUDIT COMMITTEE

The primary responsibilities of the Board Audit Committee (BAC) are to determine the appropriateness of the measures taken by the management to safeguard the DFI's assets, ensure integrity of the financial statements and recommend the appointment of the external auditors and ensure close coordination with them to fulfill statutory and Code of Corporate Governance requirements.

BAC is inter alia responsible to ascertain the effectiveness of the Internal Control System, including financial and operational controls, ensuring adequate and effective accounting and reporting structures, and monitoring compliance with the best practices of the Corporate Governance and the applicable legal and regulatory requirements. The other function of BAC includes the assurance that an independent and effective internal audit function is in place.

## HUMAN RESOURCE & COMPENSATION COMMITTEE

The main tasks of the Human Resource & Compensation Committee are to ensure the review of existing policies and revision in these policies as deemed necessary, development of in-house expertise, approval and revision of organizational setup, setup of the latest criterion for recruitment, training, disciplinary matters and performance appraisals.

## STRATEGIC INVESTMENT COMMITTEE

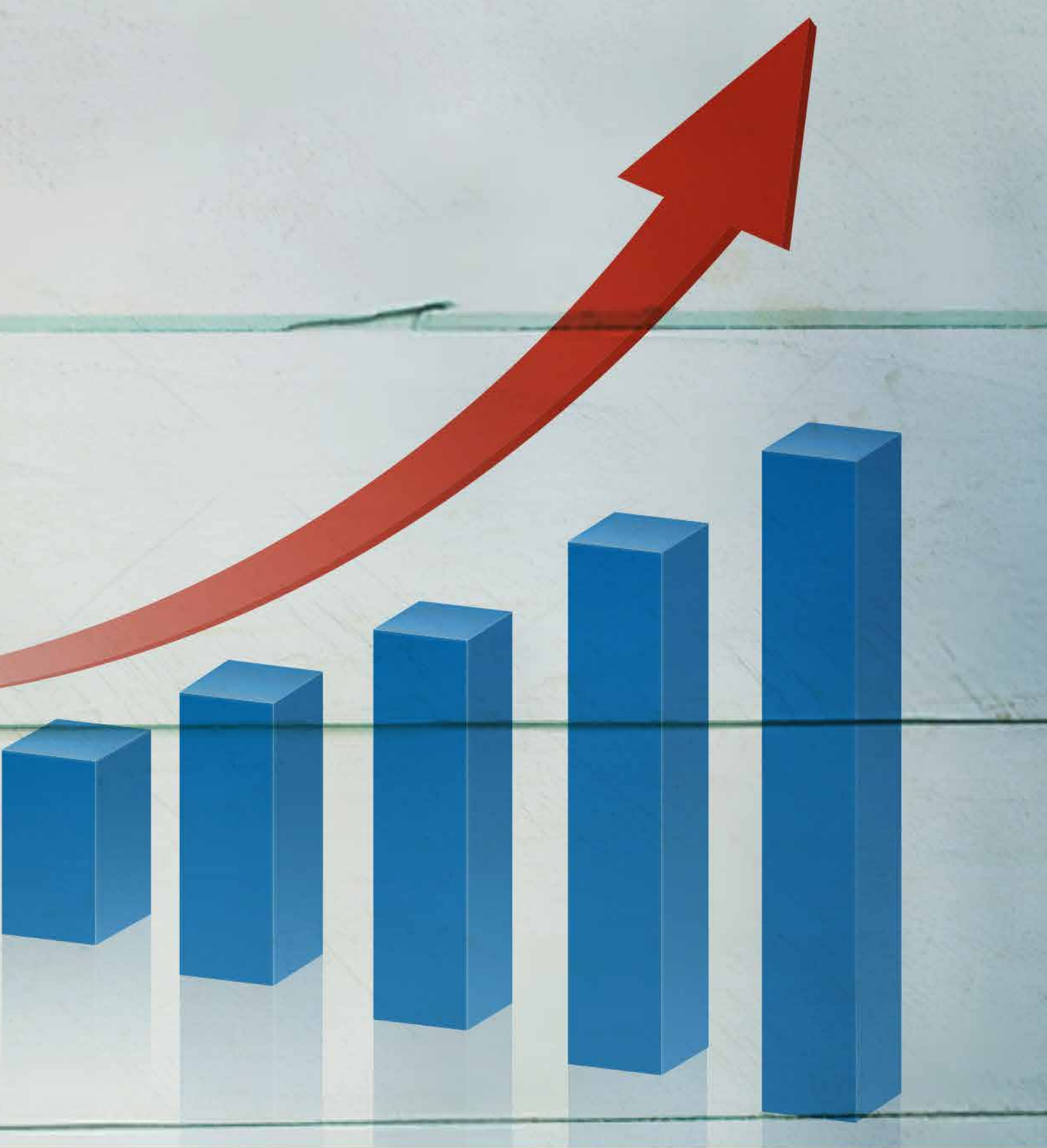
The main task of the Strategic Investment Committee is to review long-term strategic plans, operational plans and material strategic initiatives, including acquisitions, mergers, disposals, strategic projects / investments, joint ventures and any new business / expansion, recommending such to the board for approval.





# Board Committees Terms of Reference





# Analysis

For the year ended December 31, 2020



# Ten Year's Vertical Analysis

Statement of Financial Position / Profit & Loss Account

For the year ended December 31

	2020	%	2019	%	2018	%	2017	%
<b>Assets</b>								
Cash and balances with treasury banks	54,919	0.26	46,383	0.22	73,144	0.39	37,870	0.21
Balances with other banks	74,589	0.35	83,751	0.39	60,653	0.33	91,727	0.52
Lendings to financial institutions	-	-	150,000	0.70	105,000	0.57	970,000	5.48
Investments	13,651,952	64.12	14,664,301	68.29	11,259,928	60.78	11,044,299	62.45
Advances	6,165,043	28.96	5,389,709	25.10	6,223,926	33.60	4,652,932	26.31
Fixed assets	219,675	1.03	229,709	1.07	193,031	1.04	197,598	1.12
Intangible assets	146	0.00	314	0.00	211	0.00	405	0.00
Deferred tax assets - net	414,100	1.95	375,527	1.75	346,484	1.87	260,554	1.47
Other assets	709,380	3.33	534,895	2.49	263,060	1.42	430,280	2.43
<b>Total Assets</b>	<b>21,289,804</b>	<b>100.00</b>	<b>21,474,589</b>	<b>100.00</b>	<b>18,525,437</b>	<b>100.00</b>	<b>17,685,665</b>	<b>100.00</b>
<b>Liabilities</b>								
Borrowings from financial institutions	10,223,036	48.02	10,842,781	50.49	7,915,859	42.73	6,370,738	36.02
Deposits and other accounts	923,702	4.34	775,323	3.61	1,221,724	6.59	1,814,001	10.26
Other liabilities	480,808	2.26	385,766	1.80	278,164	1.50	245,594	1.39
	11,627,546	54.62	12,003,870	55.90	9,415,747	50.83	8,430,333	47.67
<b>Net Assets</b>	<b>9,662,258</b>	<b>45.38</b>	<b>9,470,719</b>	<b>44.10</b>	<b>9,109,690</b>	<b>49.17</b>	<b>9,255,332</b>	<b>52.33</b>
<b>Represented By:</b>								
Share Capital	6,000,000	28.18	6,000,000	27.94	6,000,000	32.39	6,000,000	33.93
Advance against share capital	-	-	-	-	-	-	-	-
Reserves	965,805	4.54	888,356	4.14	840,066	4.53	840,066	4.75
Unappropriated Profit	2,680,452	12.59	2,526,058	11.76	2,341,325	12.64	2,452,552	13.87
Surplus / (deficit) on revaluation of assets - net of tax	16,001	0.08	56,305	0.26	(71,701)	(0.39)	(37,286)	(0.21)
<b>Total Equity and Liabilities</b>	<b>9,662,258</b>	<b>45.38</b>	<b>9,470,719</b>	<b>44.10</b>	<b>9,109,690</b>	<b>49.17</b>	<b>9,255,332</b>	<b>52.33</b>
<b>Profit and Loss Account</b>								
Mark-up / return / interest earned	1,960,461	96.52	1,967,277	101.88	907,417	89.96	1,045,117	89.05
Fee, commission and brokerage income	8,346	0.41	7,822	0.41	12,767	1.27	10,327	0.88
Dividend income	43,840	2.16	57,509	2.98	29,295	2.90	39,683	3.38
Gain on sale of securities - net	18,907	0.93	(102,270)	(5.30)	58,211	5.77	79,271	6.75
Other income / charges	(376)	(0.02)	727	0.04	963	0.10	(771)	(0.07)
<b>Total Income</b>	<b>2,031,178</b>	<b>100.00</b>	<b>1,931,065</b>	<b>100.00</b>	<b>1,008,653</b>	<b>100.00</b>	<b>1,173,627</b>	<b>100.00</b>
Mark-up / return / interest expensed	956,826	47.11	1,024,210	53.04	472,607	46.86	387,358	33.01
Total non mark-up / return / interest expenses	377,402	18.58	335,235	17.36	267,425	26.51	351,464	29.95
<b>Profit before Provision</b>	<b>696,950</b>	<b>34.31</b>	<b>571,620</b>	<b>29.60</b>	<b>268,621</b>	<b>26.63</b>	<b>434,805</b>	<b>43.11</b>
Provision and Impairment	190,666	9.39	177,153	9.17	257,163	25.50	66,591	6.60
<b>Profit before Taxation</b>	<b>506,284</b>	<b>24.93</b>	<b>394,467</b>	<b>20.43</b>	<b>11,458</b>	<b>1.14</b>	<b>368,214</b>	<b>36.51</b>
Taxation - net	119,039	5.86	153,015	7.92	21,689	2.15	138,419	11.79
<b>Profit after taxation</b>	<b>387,245</b>	<b>19.07</b>	<b>241,452</b>	<b>12.50</b>	<b>(10,231)</b>	<b>(1.01)</b>	<b>229,795</b>	<b>19.58</b>

2016	%	2015	%	2014 (Restated)	%	2013 (Restated)	%	2012	%	2011	%
64,205	0.35	46,114	0.20	33,303	0.18	27,829	0.16	43,999	0.28	9,143	0.08
432,783	2.33	215,426	0.93	261,059	1.39	158,417	0.92	106,586	0.68	20,675	0.17
-	-	-	-	-	-	-	-	-	-	-	-
11,842,973	63.68	18,543,009	79.85	14,114,870	75.30	12,745,355	73.75	10,841,572	68.89	8,974,337	75.76
5,424,351	29.17	3,502,948	15.09	3,592,178	19.16	3,678,206	21.28	4,325,337	27.48	2,475,156	20.89
176,708	0.95	190,800	0.82	208,870	1.11	191,748	1.11	47,695	0.30	46,693	0.39
274	0.00	511	0.00	1,482	0.01	4,453	0.03	8,352	0.05	1,367	0.01
238,128	1.28	259,691	1.12	272,920	1.46	204,896	1.19	110,582	0.70	80,756	0.68
419,049	2.25	462,778	1.99	259,534	1.38	270,782	1.57	253,291	1.61	237,980	2.01
<b>18,598,471</b>	<b>100.00</b>	<b>23,221,277</b>	<b>100.00</b>	<b>18,744,216</b>	<b>100.00</b>	<b>17,281,686</b>	<b>100.00</b>	<b>15,737,414</b>	<b>100.00</b>	<b>11,846,107</b>	<b>100.00</b>
6,549,981	35.22	11,652,435	50.18	9,221,225	49.20	8,489,171	49.12	6,721,178	42.71	3,695,484	31.20
2,079,728	11.18	1,890,502	8.14	386,060	2.06	25,080	0.15	545,080	3.46	260,000	2.19
518,803	2.79	484,862	2.09	344,186	1.84	326,705	1.89	273,446	1.74	161,760	1.37
9,148,512	49.19	14,027,799	60.41	9,951,471	53.09	8,840,956	51.16	7,539,704	47.91	4,117,244	34.73
<b>9,449,959</b>	<b>50.81</b>	<b>9,193,478</b>	<b>39.59</b>	<b>8,792,745</b>	<b>46.91</b>	<b>8,440,730</b>	<b>48.84</b>	<b>8,197,710</b>	<b>52.09</b>	<b>7,728,863</b>	<b>65.27</b>
9,221,225	49.20	8,489,171	49.12	6,721,178	42.71	3,695,484	31.20	2,863,481	27.35	1,857,327	22.42
386,060	2.06	25,080	0.15	545,080	3.46	260,000	2.19	-	-	-	-
344,186	1.84	326,705	1.89	273,446	1.74	161,760	1.37	172,683	1.65	134,609	1.62
9,951,471	53.09	8,840,956	51.16	7,539,704	47.91	4,117,244	34.73	3,036,164	29.00	1,991,936	24.04
8,792,745	46.91	8,440,730	48.84	8,197,710	52.09	7,728,863	65.27	7,434,445	71.00	6,293,518	75.96
1,243,694	95.89	1,509,674	80.76	1,233,407	76.81	1,153,996	80.12	1,487,341	89.63	1,323,067	95.78
19,631	1.51	13,825	0.74	14,985	0.93	18,210	1.26	23,359	1.41	12,797	0.93
30,205	2.33	30,260	1.62	27,125	1.69	22,765	1.58	18,093	1.09	20,492	1.48
2,993	0.23	313,567	16.77	327,977	20.43	246,533	17.12	128,809	7.76	31,468	2.28
413	0.03	2,108	0.11	2,258	0.14	(1,089)	(0.08)	1,830	0.11	(6,417)	(0.47)
<b>1,296,936</b>	<b>100.00</b>	<b>1,869,434</b>	<b>100.00</b>	<b>1,605,752</b>	<b>100.00</b>	<b>1,440,415</b>	<b>100.00</b>	<b>1,659,432</b>	<b>100.00</b>	<b>1,381,407</b>	<b>100.00</b>
533,274	41.12	627,125	33.55	508,046	31.64	488,889	33.94	678,102	40.86	402,712	29.15
318,427	24.55	302,029	16.16	283,150	17.63	220,483	15.31	239,010	14.40	167,757	12.14
<b>445,235</b>	<b>44.14</b>	<b>940,280</b>	<b>93.22</b>	<b>814,556</b>	<b>80.76</b>	<b>731,043</b>	<b>72.48</b>	<b>742,320</b>	<b>73.60</b>	<b>810,938</b>	<b>80.40</b>
(415,856)	(32.06)	16,949	0.91	350,559	21.83	274,562	19.06	106,953	6.45	324,136	23.46
<b>861,091</b>	<b>85.37</b>	<b>923,331</b>	<b>91.54</b>	<b>463,997</b>	<b>46.00</b>	<b>456,481</b>	<b>45.26</b>	<b>635,367</b>	<b>62.99</b>	<b>486,802</b>	<b>48.26</b>
257,800	19.88	325,917	17.43	112,128	6.98	117,251	8.14	195,343	11.77	244,253	17.68
<b>603,291</b>	<b>46.52</b>	<b>597,414</b>	<b>31.96</b>	<b>351,869</b>	<b>21.91</b>	<b>339,230</b>	<b>23.55</b>	<b>440,024</b>	<b>26.52</b>	<b>242,549</b>	<b>17.56</b>

# Ten Year's Horizontal Analysis

Statement of Financial Position / Profit & Loss Account

For the year ended December 31

Statement of Financial Position	2020	%	2019	%	2018	%	2017	%
<b>Assets</b>								
Cash and balances with treasury banks	54,919	18.40	46,383	(36.59)	73,144	93.14	37,870	(41.02)
Balances with other banks	74,589	(10.94)	83,751	38.08	60,653	(33.88)	91,727	(78.81)
Lendings to financial institutions	-	-	150,000	-	105,000	-	970,000	-
Investments	13,651,952	(6.90)	14,664,301	30.23	11,259,928	1.95	11,044,299	(6.74)
Advances	6,165,043	14.39	5,389,709	(13.40)	6,223,926	33.76	4,652,932	(14.22)
Fixed assets	219,675	(4.37)	229,709	19.00	193,031	(2.31)	197,598	11.82
Intangible assets	146	(53.50)	314	48.63	211	(47.84)	405	47.81
Deferred tax assets - net	414,100	10.27	375,527	8.38	346,484	32.98	260,554	9.42
Other assets	709,380	32.62	534,895	103.34	263,060	(38.86)	430,280	2.68
<b>Total Assets</b>	<b>21,289,804</b>	<b>(0.86)</b>	<b>21,474,589</b>	<b>15.92</b>	<b>18,525,437</b>	<b>4.75</b>	<b>17,685,665</b>	<b>(4.91)</b>
Total Equity	9,662,258	2.02	9,470,719	3.96	9,109,690	(1.57)	9,255,332	(2.06)
Borrowings from financial institutions	10,223,036	(5.72)	10,842,781	36.98	7,915,859	24.25	6,370,738	(2.74)
Deposits and other accounts	923,702	19.14	775,323	(36.54)	1,221,724	(32.65)	1,814,001	(12.78)
Other liabilities	480,808	24.64	385,766	38.68	278,164	13.26	245,594	(52.66)
<b>Total Equity and Liabilities</b>	<b>21,289,804</b>	<b>(0.86)</b>	<b>21,474,589</b>	<b>15.92</b>	<b>18,525,437</b>	<b>4.75</b>	<b>17,685,665</b>	<b>(4.91)</b>
<b>Profit and Loss Account</b>								
Mark-up / return / interest earned	1,960,461	(0.35)	1,967,277	116.80	907,417	(13.18)	1,045,117	(15.97)
Mark-up / return / interest expensed	956,826	(6.58)	1,024,210	116.71	472,607	22.01	387,358	(27.36)
Net mark-up / interest income	1,003,635	6.42	943,067	116.89	434,810	(33.90)	657,759	(7.41)
<b>Non Markup / Interest Income</b>								
Fee, commission and brokerage income	8,346	6.70	7,822	(38.73)	12,767	23.63	10,327	(47.39)
Dividend income	43,840	(23.77)	57,509	96.31	29,295	(26.18)	39,683	31.38
Income from dealing in foreign currencies	(376)	(158.93)	638	(33.75)	963	(224.90)	(771)	(288.97)
Gain on sale of securities - net	18,999	(118.66)	(101,802)	(253.73)	66,221	(4.84)	69,591	1,316.47
Unrealised (loss) / Gain on revaluation of investments classified as held for trading	(92)	(80.34)	(468)	(94.16)	(8,010)	(182.75)	9,680	(604.17)
Other income / charges	-	-	89	-	-	-	-	(100.00)
<b>Total non mark-up / return / interest income</b>	<b>70,717</b>	<b>(295.29)</b>	<b>(36,212)</b>	<b>(135.77)</b>	<b>101,236</b>	<b>(21.22)</b>	<b>128,510</b>	<b>141.37</b>
<b>Total Income</b>	<b>1,074,352</b>	<b>18.47</b>	<b>906,855</b>	<b>69.17</b>	<b>536,046</b>	<b>(31.82)</b>	<b>786,269</b>	<b>2.96</b>
Total non mark-up / interest expenses	377,402	12.58	335,235	25.36	267,425	(23.91)	351,464	10.38
<b>Profit before Provision</b>	<b>696,950</b>	<b>21.93</b>	<b>571,620</b>	<b>112.80</b>	<b>268,621</b>	<b>(38.22)</b>	<b>434,805</b>	<b>(2.34)</b>
Provision and Impairment	190,666	7.63	177,153	(31.11)	257,163	286.18	66,591	(116.01)
<b>Profit before tax</b>	<b>506,284</b>	<b>28.35</b>	<b>394,467</b>	<b>3,342.72</b>	<b>11,458</b>	<b>(96.89)</b>	<b>368,214</b>	<b>(57.24)</b>
Taxation - net	119,039	(22.20)	153,015	605.50	21,689	(84.33)	138,419	(46.31)
<b>Profit after taxation</b>	<b>387,245</b>	<b>60.38</b>	<b>241,452</b>	<b>(2,460.00)</b>	<b>(10,231)</b>	<b>(104.45)</b>	<b>229,795</b>	<b>(61.91)</b>
<b>Basic and diluted earnings per share</b>	<b>0.65</b>	<b>60.38</b>	<b>0.40</b>	<b>(2,460.00)</b>	<b>(0.02)</b>	<b>(104.45)</b>	<b>0.38</b>	<b>(61.91)</b>



2016	%	2015	%	2014 (Restated)	%	2013 (Restated)	%	2012	%	2011	%
64,205	39.23	46,114	38.47	33,303	19.67	27,829	(36.75)	43,999	381.23	9,143	(13.35)
432,783	100.90	215,426	(17.48)	261,059	64.79	158,417	48.63	106,586	415.53	20,675	(94.14)
-	-	-	-	-	-	-	-	-	-	-	(100.00)
11,842,973	(36.13)	18,543,009	31.37	14,114,870	10.75	12,745,355	17.56	10,841,572	20.81	8,974,337	25.32
5,424,351	54.85	3,502,948	(2.48)	3,592,178	(2.34)	3,678,206	(14.96)	4,325,337	74.75	2,475,156	17.67
176,708	(7.39)	190,800	(8.65)	208,870	8.93	191,748	302.03	47,695	2.15	46,693	7.84
274	(46.38)	511	(65.52)	1,482	(66.72)	4,453	(46.68)	8,352	510.97	1,367	(6.63)
238,128	(8.30)	259,691	(4.85)	272,920	33.20	204,896	85.29	110,582	36.93	80,756	272.82
419,049	(9.45)	462,778	78.31	259,534	(4.15)	270,782	6.91	253,291	6.43	237,980	34.90
<b>18,598,471</b>	<b>(19.91)</b>	<b>23,221,277</b>	<b>23.89</b>	<b>18,744,216</b>	<b>8.46</b>	<b>17,281,686</b>	<b>9.81</b>	<b>15,737,414</b>	<b>32.85</b>	<b>11,846,107</b>	<b>13.14</b>
9,449,959	2.79	9,193,478	4.56	8,792,745	4.17	8,440,730	2.96	8,197,710	6.07	7,728,863	3.96
6,549,981	(43.79)	11,652,435	26.37	9,221,225	8.62	8,489,171	26.30	6,721,178	81.88	3,695,484	29.06
2,079,728	10.01	1,890,502	389.69	386,060	1,439.31	25,080	(95.40)	545,080	109.65	260,000	100.00
518,803	7.00	484,862	40.87	344,186	5.35	326,705	19.48	273,446	69.04	161,760	(6.33)
<b>18,598,471</b>	<b>(19.91)</b>	<b>23,221,277</b>	<b>23.89</b>	<b>18,744,216</b>	<b>8.46</b>	<b>17,281,686</b>	<b>9.81</b>	<b>15,737,414</b>	<b>32.85</b>	<b>11,846,107</b>	<b>13.14</b>
1,243,694	(17.62)	1,509,674	22.40	1,233,407	6.88	1,153,996	(22.41)	1,487,341	12.42	1,323,067	28.43
533,274	(14.97)	627,125	23.44	508,046	3.92	488,889	(27.90)	678,102	68.38	402,712	108.13
710,420	(19.50)	882,549	21.67	725,361	9.06	665,107	(17.81)	809,239	(12.07)	920,355	10.00
19,631	42.00	13,825	(7.74)	14,985	(17.71)	18,210	(22.04)	23,359	82.54	12,797	78.11
30,205	(0.18)	30,260	11.56	27,125	19.15	22,765	25.83	18,093	(11.71)	20,492	(9.18)
408	(24.72)	542	(181.02)	(669)	(200.75)	664	(10.90)	745	2,158.15	33	100.00
4,913	(98.43)	313,567	(4.39)	327,977	33.04	246,533	91.39	128,809	309.33	31,468	(76.60)
(1,920)	(360.16)	738	(22.96)	958	(122.10)	(4,334)	(812.57)	608	(107.53)	(8,080)	(212.21)
5	(99.40)	828	(57.95)	1,969	(23.71)	2,581	441.09	477	(70.74)	1,630	
53,242	(85.20)	359,760	(3.38)	372,345	30.00	286,419	66.43	172,091	194.98	58,340	(65.92)
<b>763,662</b>	<b>(38.53)</b>	<b>1,242,309</b>	<b>13.17</b>	<b>1,097,706</b>	<b>15.36</b>	<b>951,526</b>	<b>(3.04)</b>	<b>981,330</b>	<b>0.27</b>	<b>978,695</b>	<b>(2.89)</b>
<b>318,427</b>	<b>5.43</b>	<b>302,029</b>	<b>6.67</b>	<b>283,150</b>	<b>28.42</b>	<b>220,483</b>	<b>(7.67)</b>	<b>238,798</b>	<b>42.35</b>	<b>167,757</b>	<b>(19.83)</b>
318,427	5.43	302,029	6.67	283,150	28.42	220,483	(7.67)	238,798	42.35	167,757	(19.83)
<b>445,235</b>	<b>(52.65)</b>	<b>940,280</b>	<b>15.43</b>	<b>814,556</b>	<b>11.42</b>	<b>731,043</b>	<b>(1.55)</b>	<b>742,532</b>	<b>(8.44)</b>	<b>810,938</b>	<b>1.54</b>
(415,856)	(2,553.57)	16,949	(95.17)	350,559	27.68	274,562	156.71	106,953	(67.00)	324,136	(505.40)
<b>861,091</b>	<b>(6.74)</b>	<b>923,331</b>	<b>99.00</b>	<b>463,997</b>	<b>1.65</b>	<b>456,481</b>	<b>(28.18)</b>	<b>635,579</b>	<b>30.56</b>	<b>486,802</b>	<b>(44.59)</b>
257,800	(20.90)	325,917	190.67	112,128	(4.37)	117,251	(40.00)	195,417	(19.99)	244,253	(18.64)
<b>603,291</b>	<b>0.98</b>	<b>597,414</b>	<b>69.78</b>	<b>351,869</b>	<b>3.73</b>	<b>339,230</b>	<b>(22.93)</b>	<b>440,162</b>	<b>81.47</b>	<b>242,549</b>	<b>(58.06)</b>
1.01	0.98	1.00	68.76	0.59	3.51	0.57	(21.92)	0.73000	82.50	0.40	(59.08)

# Cash Flow Summary

For the year ended December 31

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
							(Restated)			
Cash flows from operating activities	(876,884)	3,179,671	519,893	(213,566)	(725,103)	4,181,808	1,601,343	(3,888,232)	1,963,372	1,708,563
Cash flows from investing activities	1,051,582	(3,183,334)	(415,693)	446,175	1,110,551	(4,139,630)	(1,493,227)	3,973,893	(1,817,605)	(2,042,105)
Cash flows from financing activities	(175,324)	-	(100,000)	(600,000)	(150,000)	(75,000)	-	(50,000)	(25,000)	-
Cash and cash equivalents at beginning of the year	130,134	133,797	129,597	496,988	261,540	294,362	186,246	150,585	29,818	363,360
Cash and cash equivalents at end of the year	129,508	130,134	133,797	129,597	496,988	261,540	294,362	186,246	150,585	29,818

Rupees in '000

## Key Financial Ratios

For the year ended December 31

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
							(Restated)	(Restated)		
<b>Profitability Ratios (%)</b>										
Gross Profit Margin	51.19	47.94	47.92	62.94	57.12	58.46	58.81	57.64	54.41	69.56
Operating Margin	24.93	20.43	1.14	31.37	66.39	49.39	28.90	31.69	38.30	35.24
Net Profit Margin	19.07	12.50	(1.01)	19.58	46.52	31.96	21.91	23.55	26.52	17.56
Yield on Investment	10.71	9.73	7.24	6.73	6.25	9.13	9.13	8.26	12.15	12.87
Yield on Advances	8.64	11.17	2.74	7.17	7.35	10.28	10.28	10.96	12.26	13.44
Debt Equity Ratio	115.36	122.67	100.31	88.43	91.32	147.31	109.26	100.87	88.64	51.18
<b>Return to Share Holders (%)</b>										
Return on Average Assets (ROA)	2.37	1.97	0.06	2.03	4.12	4.40	2.58	2.76	4.61	4.36
Return on Average Equity (ROE)	5.29	4.25	0.12	3.94	9.24	10.27	5.38	5.49	7.98	6.42
Return on Capital Employed (ROCE)	1.86	1.14	(0.06)	1.32	3.34	2.63	1.91	2.00	2.85	2.08
Earning per Share	0.65	0.40	(0.02)	0.38	1.01	1.00	0.59	0.57	0.73	0.40
Earning Growth	1.05	1.91	0.86	0.90	0.69	1.16	1.11	0.87	1.20	1.15
Profit Growth	1.28	34.43	0.03	0.43	0.93	1.99	1.02	0.72	1.31	0.55
Breakup Value per Share	16.10	15.78	15.18	15.43	15.75	15.32	14.65	14.07	13.66	12.88
<b>Performance / Liquidity (%)</b>										
Total Assets Turnover	9.50	9.66	5.57	6.47	6.20	8.91	8.91	8.72	12.03	12.38
Total Liabilities / Equity	120.34	126.75	103.36	91.09	96.81	152.58	113.18	104.74	91.97	53.27
Paid-up Capital / Total Assets	28.18	27.94	32.39	33.93	32.26	25.84	32.01	34.72	38.13	50.65
Equity / Total Assets	45.38	44.10	49.17	52.33	50.81	39.59	46.91	48.84	52.09	65.24

# Statement of Value Added

For the year ended December 31

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Rupees in '000										
<b>WEALTH GENERATED</b>										
Financial & Other Income	2,031,178	1,931,065	1,008,653	1,173,627	1,296,936	1,869,434	1,605,752	1,440,415	1,659,432	1,381,407
Financial & Other Expenses	1,202,488	1,230,252	810,909	605,611	215,231	730,728	951,456	797,052	875,557	804,957
	<b>828,690</b>	<b>700,813</b>	<b>197,744</b>	<b>568,016</b>	<b>1,081,705</b>	<b>1,138,706</b>	<b>654,296</b>	<b>643,363</b>	<b>783,875</b>	<b>576,450</b>
<b>WEALTH DISTRIBUTED</b>										
<b>To Employees</b>										
Salaries, benefits and related costs	237,238	211,922	174,891	185,710	205,369	193,626	168,485	157,420	124,931	74,385
		29%	30%	88%	33%	19%	17%	26%	24%	16%
<b>To Government</b>										
Income Tax	119,039	153,015	21,689	138,419	257,800	325,917	112,128	117,251	195,343	244,253
		14%	22%	11%	24%	24%	29%	17%	18%	25%
<b>To Shareholders</b>										
Cash dividend	180,000	-	-	100,000	300,000	300,000	150,000	100,000	50,000	-
		22%	0%	0%	28%	28%	26%	23%	16%	6%
Stock dividend	-	-	-	-	-	-	-	-	-	-
		0%	0%	-	-	-	-	-	-	-
<b>Retained for reinvestment &amp; future growth</b>										
Depreciation, Amortisation and retained Profit	292,413	335,876	1,164	143,887	318,536	319,163	223,683	268,692	413,601	257,812
		35.3%	47.9%	0.6%	25%	29%	28%	34%	53%	45%
	<b>828,690</b>	<b>700,813</b>	<b>197,744</b>	<b>568,016</b>	<b>1,081,705</b>	<b>1,138,706</b>	<b>654,296</b>	<b>643,363</b>	<b>783,875</b>	<b>576,450</b>
		100%	100%	100%	100%	100%	100%	100%	100%	100%



# PAiR Investment Company Limited

## Chairman's Review

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2020

I am pleased to present the Financial Statements of PAiR Investment Company Limited ("the Company") for the year ended December 31, 2020. The year 2020 was full of financial challenges due to the outbreak of COVID-19 virus outbreak that jolted the economies to their core. There were persistent lockdowns around the world to save the lives that were rapidly getting impacted by the spreading virus, business suffered everywhere. Stock markets around the world were volatile, credit uptake remained very low, new projects were put on hold. Despite all of the adversities the hope remains there and there is always light at the end of the tunnel.

I feel pleased to share with you that despite all of the above the Company remained not only resilient but has also improved in the YoY profit before tax by 28.35% and profit after tax by 60.38% respectively. I would also like to share with you that the Government of Pakistan ("GOP") through the Ministry of Finance ("MOF") has played a pivotal role in resolution of the issues pertaining the appointment of the MD/CEO and there are no uncertainties surrounding the key executive position. The whole management team is fully functional and is geared towards increasing the business and strengthening the Company for the periods to come.

State Bank of Pakistan took many steps that helped the borrowers to avoid defaults and saved the lenders from the stock pile of non-performing loans. Some addition to the non-performing loans of the Company were witnessed however the management of the Company continues to prudently monitor the same. Coverage ratios are improved by way of making provisions in line with the guidance of the Prudential Regulations. Further efforts of recovering are being made and positive out of court settlements are expected to be reached with some of the defaulters. After careful analysis of the causes and effects, the due diligence mechanism has been further strengthened and stricter monitoring controls are implemented to ensure the corrective actions are taken before an account goes bad.

Investment portfolio composition changes from the short to the long term owing to the change in the interest rate scenario while the equity market remained a volatile arena. Provisions during the year were made in line with the guidance of State Bank of Pakistan. In the later half of the year PSX showed massive recover from the lows it saw in the first half of the year, giving the investors opportunity to come out of the losses. That is when the management of the Company offloaded the exposures in a manner that not only the current year provisions were couped but also some additional provision reversals & capital gains were materialized.

Asset and Liability Committee continues to oversee the asset profile and aligning the asset booking and fund generation after taking into account the prevalent economic constraints. Efforts are being made to diversify the revenue sources and increase the customer base. As such there were many new names added and will be added to the portfolio.

I assure you that the Company is fundamentally strong and have the full support of its shareholder and will continue to contribute towards the economic growth of the country. We at the board level are fully aware of the challenges currently being faced by the Company. We have full confidence in the management team who comprise of seasoned professionals of their respective fields.

I would like to offer my sincere appreciation to all the stakeholders who continue to support the Company including Iran Foreign Investments Company, Ministry of Finance- Government of Pakistan, State Bank of Pakistan and Securities & Exchange Commission of Pakistan for their guidance and cooperation extended to our company. I would also encourage the staff and colleagues for their commitment, their team spirit as they hold hands with each other in the turbulent time of the Company and their contribution to the progress of the business.

Zahoor Ahmed  
Acting Chairman of the Board of Directors  
Pakistan: February 20, 2021

# چیئر مین کا جائزہ

مالی سال 31 دسمبر، 2020 کے اختتام پر

31 دسمبر 2020 کو ختم ہونے والے سال کے لیے PAIR انویسٹمنٹ کمپنی لمیٹڈ ("کمپنی") کے مالیاتی گوشوارے پیش کرنا میرے لیے باعث مسرت ہے۔ کوویڈ-19 وائرس کے پھیلاؤ کی وجہ سے، جس نے معیشتوں کی بنیادیں تک ہلا کر رکھ دیں، سال 2020 مالیاتی چیلنجوں سے بھرپور رہا۔ دنیا بھر میں مستقل طور پر لاک ڈاؤن ہو رہے تھے تاکہ ان جانوں کو بچایا جاسکے جو پھلتے ہوئے وائرس کی وجہ سے تیزی سے متاثر ہو رہی تھیں، ہر طرف کاروبار متاثر ہوا۔ دنیا بھر میں اسٹاک مارکیٹ غیر مستحکم رہی، قرض لینے کا عمل بہت پست رہا، نئے منصوبے روک دیے گئے۔ تمام تر مشکلات کے باوجود امید باقی ہے اور سرنگ کے آخر میں ہمیشہ روشنی رہتی ہے۔

مجھے آپ کو یہ بتاتے ہوئے خوشی محسوس ہو رہی ہے کہ مذکورہ بالا تمام تر مشکلات کے باوجود کمپنی نے نہ صرف بھرپور مدافعت کا مظاہرہ کیا بلکہ سال بہ سال قبل از ٹیکس اور بعد از ٹیکس منافع جات میں بھی بالترتیب 28.35 فیصد اور 60.38 فیصد اضافہ ہوا ہے۔ میں آپ کو یہ بھی بتانا چاہتا ہوں کہ وزارت خزانہ ("ایم او ایف") کے توسط سے حکومت پاکستان ("جی او پی") نے ایم ڈی/سی ای او کی تقرری سے متعلق امور کے حل میں اہم کردار ادا کیا ہے اور اس اہم انتظامی عہدے کے حوالے سے کوئی غیر یقینی صورت حال نہیں ہے۔ پوری انتظامی ٹیم مکمل طور پر فعال ہے اور آنے والے ادوار میں کاروبار کو بڑھانے اور کمپنی کو مضبوط بنانے کے لیے پوری طرح تیار ہے۔

اسٹیٹ بینک آف پاکستان نے بہت سارے اقدامات کیے جن سے قرض لینے والوں کو نادہندگی سے بچنے میں مدد ملی اور قرض دہندگان کو غیر فعال قرضوں کے انبار سے بچالیا گیا۔ کمپنی کے غیر فعال قرضوں میں کچھ اضافے کا مشاہدہ کیا گیا تاہم کمپنی کی انتظامیہ دانستہی سے ان کی نگرانی جاری رکھے ہوئے ہے۔ پروڈنشل ریگولیشنز کی رہنمائی کے مطابق تخصیصات (Provisions) کے ذریعہ وصولی کا تناسب بہتر بنایا گیا ہے۔ بحالی کے لیے مزید کوششیں کی جارہی ہیں اور توقع ہے کہ کچھ نادہندگان کے ساتھ عدالت سے باہر مثبت تصفیے ممکن ہیں۔ وجوہات اور اثرات کا محتاط انداز میں تجزیہ کرنے کے بعد، لازمی چھان بین کے طریقہ کار کو مزید مستحکم کیا گیا ہے اور نگرانی کے زیادہ سخت ضوابط لاگو کیے گئے ہیں تاکہ کسی اکاؤنٹ میں بگاڑ پیدا ہونے سے قبل اصلاحی اقدامات کو یقینی بنایا جاسکے۔

شرح سود کے منظر نامے میں تبدیلی کی وجہ سے سرمایہ کاری کے پورٹ فولیو کی تشکیل مختصر سے طویل مدتی میں تبدیل ہوئی ہے جبکہ ایکویٹی مارکیٹ بدستور ایک غیر مستحکم مسابقتی میدان بنی رہی۔ سال کے دوران اسٹیٹ بینک آف پاکستان کی ہدایت کے مطابق تخصیصات (Provisions) کی گئیں۔ پی ایس ایکس نے سال کی پہلی ششماہی میں پست کارکردگی سے سال کے دوسرے نصف میں بڑے پیمانے پر بحالی کا مظاہرہ جس سے سرمایہ کاروں کو خساروں سے نکلنے کا موقع مل گیا۔ یہی وہ موقع تھا جب کمپنی کی انتظامیہ اس انداز میں سرمایہ کاریوں سے سبکدوش ہوئی کہ نہ صرف موجودہ سال کی تخصیصات پر قابو پایا گیا بلکہ اس کے علاوہ کچھ اضافی تخصیصی بازیاں ہوئیں اور سرمایہ جاتی منافع حاصل ہوا۔

ایسیٹ اینڈ لائیبلٹی کمیٹی موجودہ معاشی رکاوٹوں کو مد نظر رکھتے ہوئے ایسیٹ پروفائل کی نگرانی اور ایسیٹ بئنگ اور فنڈ جزیشن کو متوازن رکھنے کا عمل جاری رکھے ہوئے ہے۔ آمدنی کے ذرائع میں تنوع پیدا کرنے اور کسٹمرز کو بڑھانے کی کوششیں کی جارہی ہیں۔ اسی طرح بہت سے نئے ناموں کا اضافہ ہوا ہے اور انہیں پورٹ فولیو میں شامل کیا جائے گا۔

میں آپ کو یقین دلاتا ہوں کہ کمپنی بنیادی طور پر مستحکم ہے اور اسے اپنے حصص یافتگان کی مکمل حمایت حاصل ہے اور وہ ملک کی معاشی نمو میں اپنا کردار ادا کرتی رہے گی۔ بورڈ کی سطح پر ہم کمپنی کو درپیش چیلنجوں سے پوری طرح واقف ہیں۔ ہمیں انتظامیہ کی ٹیم پر مکمل اعتماد ہے جو اپنے شعبوں کے تجربہ کار پیشہ ور افراد پر مشتمل ہے۔

میں کمپنی کی مسلسل سرپرستی پر تمام اسٹیک ہولڈرز، بشمول ایران فارن انویسٹمنٹ کمپنی، وزارت خزانہ، حکومت پاکستان، اسٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کو ان کی رہنمائی اور تعاون کے لیے اپنا پُر خلوص خراج تحسین پیش کرنا چاہتا ہوں۔ میں کمپنی کے پُر آزمائش وقت میں ایک دوسرے کا ہاتھ تھامے رکھنے اور کاروبار کو ترقی دینے میں ان کے کردار پر اپنے عملے اور ساتھیوں کی لگن، ان کی ٹیم اسپرٹ پر ان کی حوصلہ افزائی کرنا چاہتا ہوں گا۔

ظہور احمد

قائم مقام چیئر مین، بورڈ آف ڈائریکٹرز

پاکستان: 20 فروری 2021







# Directors' Report

# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2020

On behalf of the Board of Directors, I am pleased to present the Financial Statements of PAİR Investment Company Limited (PAİR) for the year ended December 31, 2020. These Financial Statements have been prepared in compliance with the requirements of BPRD Circular No. 02 dated January 25, 2018, and BPRD Circular No. 10 dated November 27, 2018.

## Economic Overview

2020 was indeed a year full of challenges and volatility owing to the dreadful Coronavirus pandemic something that had its impact worldwide without any discrimination of a developed or underdeveloped nation or economy. The outbreak of the deadly virus has jolted the health system all over the world and has taken over 1.8 million lives and placed millions of livelihoods at risk. Rounds of strict lock downs imposed in a bid to save human lives resulted in adverse economic conditions where the global economy suffered contraction. The impact was no different for Pakistan however a balanced approach to strict lockdowns as soon as the virus case was reported in the country to a more focused smart lockdowns in the areas where the corona virus cases were reported in greater numbers played an instrumental role in managing the already scarce health resources of the country as well as avoiding total collapse of the economy. the timely stimulus provided by the Government and SBP remained at work. The series of targeted measures undertaken by SBP since the Covid-19 outbreak including injection of significant liquidity and 625 bps in interest rate cut lowered the funding costs for many businesses and households. Together, these monetary measures have injected an estimated stimulus of Rs. 1.58 trillion, or about 3.8 percent of GDP, in the cash flow of businesses and households. In addition, the government has undertaken a number of significant measures to support economic activity including the Ehsaas emergency cash program, commodity financing, a risk-sharing facility for SMEs, and acceleration of tax refunds.

In the most recent monetary policy statement, State Bank of Pakistan ("SBP") has highlighted the economic recovery started from July 2020 which has strengthened towards the end of the year. Where Large-scale manufacturing ("LSM") grew by 7.4 percent YoY in October and 14.5 percent YoY in November. The manufacturing recovery is also becoming more broad-based, with 12 out of 15 subsectors registering positive growth in November and employment beginning to recover. On the demand side, cement sales remain strong on the back of rising construction activity, POL sales are at two-year highs, and automobile sales are also rising in both urban (motorcars) and rural (tractors) markets. In agriculture, cotton output is likely to decline more than expected based on latest production estimates. However, this is likely to be offset by improved growth in other major crops and higher wheat production due to the rise in support prices along with announced subsidies on fertilizers and pesticides for Rabi crops.

Private sector credit has seen an encouraging uptick since the last MPC meeting, driven by a continued rise in consumer and fixed investment loans on the back of SBP's refinance facilities. As demand recovers and inventories fall in some sectors, working capital loans have also picked up for the first time since the onset of the Covid-19 pandemic, although their level remains lower than last year.

On the balance of current account front , after five consecutive months of surpluses, the current account registered a deficit of \$662 million in December 2020. While remittances and exports continued to grow steadily, the trade deficit rose due to a rise in imports of machinery and industrial raw material, in line with the pick-up in economic activity. At the same time, wheat and sugar imports also rose to close demand and supply gaps in the domestic market. This improvement has been mainly driven by workers' remittances, which have remained above \$2 billion every month during the current fiscal year due in part to travel restrictions and supportive policy measures taken by the government and SBP that have increased the use of formal channels. SBP's foreign exchange reserves have risen to \$13 billion, their highest level since December 2017.

Fiscal developments have been largely in line with this year's budget and the government has continued to adhere to its commitment of no fresh borrowing from the SBP. Despite higher interest payments and COVID-19-related spending, healthy growth in revenues has contained the fiscal deficit during the fiscal year so far. Provisional estimates suggest that net FBR revenue grew by 3.0 and 8.3 percent YOY in November and December, respectively.

Inflation pressures have eased, despite an upward adjustment in fuel prices. After remaining close to 9 percent throughout the year the headline inflation fell to 8.3 percent in November and further to 8 percent in December, the lowest rate since June 2019. This decline is mainly attributable to easing food inflation. Owing to conducive weather and various measures taken by the government to address supply-side issues, the price of perishables, wheat, pulses and rice has declined.

Having noted the above comments of the regulator, considerable uncertainty remains around the outlook for 2021. The trajectory of the Covid-19 pandemic is difficult to predict, given still-elevated global cases, the emergence of new strains, and lingering uncertainties about the roll-out of vaccines worldwide. Such external shocks could slow the recovery. One can hope that the government and regulator handle the affairs with the same diligence that has led to maintaining of the domestic economy in these unusual circumstances.

## Financial Highlights

It is a fact that FY 2020 remained overshadowed by the COVID – 19 and has impacted each and every type of business both locally & internationally. SBP took some regressive action to fight against the economic impacts of the corona virus including cutting the policy rate that has impacted the bottom line. Yet I am pleased to share with you that the Company is on the path of recovery i.e., after almost a breakeven position of profit before tax ("PBT") in FY 2018 of PKR 11.458 million, FY 2019 showed a healthy growth closing at PKR 394.467 million. The trend continued in FY 2020, and we saw the PBT climbing up to PKR 506.284 million YoY increase of 28.3%.

The markup earnings FY 2020 remained at the same level as that of FY 2019 despite the fact that year witnessed sharp rate cuts from the central bank of about 6.25%. The decision of investment in T-bills made in Q4 FY2019 had proved beneficial for the company to maintain the income streams in the first half of FY2020 while the gross additional disbursement of PKR 2.907 billion during the year also played its role. On interest expense the things were managed with great care that saved the Company about 6.58% YoY, hence, a Net Revenue. Other income has shown marked improvement on the back of revival of equity market. Some amount of capital gains were also realized from the sale of government securities.

US sanctions on Iran along with the availability of the cheaper funding sources will continue to pose challenges to the profitability and operational continuity of the Company, yet we can say with fair amount of certainty that financial position of the Company is expected to continue to improve in the coming days on the back of healthy growth in loan book as well as improved capital markets. The recovery of the latter is one of the key factors in boosting the revenues of the Company.

Total assets as at the close of December 2020 were maintained at PKR 21.3 billion as against PKR 21.474 billion as of December 2019. Investment decreased by PKR 1 billion comprising of decrease of PKR 781.04 million in Government Securities and PKR 386.98 million in the Commercial Paper respectively. The decrease in Government paper was inline with the interest rate changes where the portfolio composition was changed from fixed to floating rate securities. While the debt market remained stagnant as to the new issue of the commercial papers, hence no new names were invested into. A charge of PKR 86.154 million for diminution in the value of the investment was taken to P&L during the year, while a reversal of provision for the diminution in the value of investment of PKR 120.98 million lead to an over-all net reversal of PKR 34.83 million. Equity markets around the globe have seen their worst times after the COVID-19 hit in some 212 countries. PSX also plummeted in the same manner. Considering the extraordinary situation SBP allowed the financial institution to take the impairment charge in a systematic manner until the year-end. Consequently, the provisioning against the equity shares was managed accordingly. As at December 31,2020 adequate provisions are kept against the equity investments.



Gross advances increased by PKR 1.067 billion net of repayments, closing at PKR 7.716 billion from PKR 6.648 billion at the opening of FY 2020. The portfolio saw some additional classifications. Outstanding of NPL increased by PKR 259.02 million due to additional classifications whereas the incremental charge of PKR 225.49 million was taken against the NPL during the year. The proposal for relief in terms of restructuring of the facilities due to the prevalent COVID-19 circumstances were individually considered by Credit Committee taking into account the hardship being faced by the respective borrowers as well as the directives of State Bank of Pakistan ("SBP") and only the cases that fulfilled the aforesaid criterion were approved & were duly reported to SBP.

## Credit Rating

Pakistan Credit Rating Agency Limited (PACRA) has reaffirmed entity rating long-Term Entity Rating 'AA'(Double A) and a short-term Entity Rating of 'A1+' (A-One Plus). These ratings indicate a very low expectation of credit risk emanating a very strong capacity for timely payment of financial commitments. The ratings of PAIR primarily reflect the joint sovereign ownership of Pakistan and Iran.

## Statement of Internal Controls

The Board is pleased to endorse the statement made by management relating to internal controls including management's evaluation of ICFR. The Management's Statement on Internal Controls is included in the Annual Report.

## Corporate and Financial Reporting Framework

The Board of Directors of PAIR, for the purpose of establishing a framework of good corporate governance, has implemented the relevant provisions of the Code of Corporate Governance for the year ended December 31, 2020. Review report on the Statement of Compliance with the Code of Corporate Governance from the external auditors is annexed with this report. As required under the Code of Corporate Governance, the Board of Directors states that:

- The financial statements prepared by the management of PAIR present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of the financial statements and any departure therefrom has been adequately disclosed.
- As a continuous process, efforts have been made to effectively implement the internal control system. An effective and sound system of internal control is in place in accordance with the requirements of the regulatory authorities.
- There is no doubt regarding PAIR's ability to continue as a going concern.
- There has been no material departure from the best practices of the Code of Corporate Governance.
- Key operating and financial data for the years 2011-2020 in a summarized form is included in the annual report.
- The tax outstanding amount and reason thereon are properly disclosed in the attached financial statements.

## Risk Management Framework

Taking cognizance of various types of business risks, an effective risk management framework is embedded in PAIR's strategy and organization structure. An independent Credit and Risk Management Department ("CRMD") is working as a core function to strengthen Company-wide Risk Management activities by adopting Basel II/III Framework. PAIR is fully compliant with the Capital Adequacy Requirements of the State Bank of Pakistan under the Standardized Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk.

The prevailing economic situation has led the company to set its focus towards the deployment of stringent risk management policies to assess, mitigate and monitor major risks associated with business operations of the company. Accordingly, your Company has established a set of activities and creates core functions to administer, manage and report in order to complement its core business objectives and to remain abreast with the latest developments & challenges to safeguard shareholders' interests & enhance Shareholder's wealth.

Your Company has implemented a robust Internal Capital Adequacy Assessment Process (ICAAP) to establish more Risk Sensitive Assessment, Capital planning, formalization of Company-wide Risk Appetite, and to remain abreast of the internal and external risks that may impact future operations of the company. The deployment of this process allowed adequate management of capital as the Capital Adequacy Ratio stood at 55.84% against the regulatory requirement of 11.50% including Capital Conservation Buffer (CCB) of 2.5%. This contributed to the development of risk appetite and concentration levels with respect to the transaction level risk profiling as well as integrated portfolio management.

PAIR also periodically evaluates the organic strength of business by conducting Stress Testing of overall risk exposure. It helps to ensure the smooth operations of the business under hypothetically stressed circumstances. For this, CRMD applies shocks on different risk factors including interest rate, credit, equity price, and liquidity. Results of the latest stress testing exercise depict the solid and resilient financial position of your organization. The stress testing methodology implemented by PAIR is in adherence to SBP guidelines. The Credit & Risk Management Department is also involved in the development of entity-wide policies, procedures, systems, and reporting mechanisms to achieve and maintain entity-wide best rating status and adaption of risk management principals in true letter and spirit. Further, the Board Risk Management Committee and Board of Directors of your organization oversee the strategy related to risk management. In addition, the Internal Audit department conducts independent, risk-based review and verification of major functions throughout the year for evaluation of control systems supplemented by Internal Control and Compliance Divisions.

## Events after the Date of Statement of Financial Position

There have not been any material events that occurred subsequent to the date of the statement of the financial position that requires adjustments to the enclosed financial statements, except those which have already been made or disclosed.

## Corporate Social Responsibility

The Company firmly believes in being a responsible corporate citizen and plays an integral role in our long-term success, and strives to incorporate the approach into every aspect of its work culture. In addition to our priority of operating profitability, the Company is aware of its responsibilities that go beyond its business, particularly its commitment towards employees, society, and environment.

The Company will continue to encourage community growth and development, thereby contributing in building a sustainable future in FY 2021 and beyond. Being a joint venture between the two brotherly countries' inclusion of the charitable organizations from Iran will also be ensured, subject to the regulatory approvals for the latter.

PAIR Investment, on an annual basis, sponsors one of its staff members to perform Hajj, through a transparent balloting mechanism.

## Board of Directors

Six (6) Board Meetings were held during the year 2020. The director(s) who were not able to attend any of the meeting(s) were duly granted a leave of absence by the Board. The directors of the company attended the meetings, as under:

Name of Director	Category	Representing	Meetings Attended
Zahoor Ahmed* –Director	Non-executive Director	MOF-Pakistan	6
Aamer Mahmood Hussain – Director	Non-executive Director	MOF-Pakistan	6
Gholamreza Khalil Arjmandi – Director	Non-executive Director	IFIC -Iran	6
Hamidreza Raufi– Director	Non-executive Director	IFIC -Iran	6
Abbas Daneshvar Hakimi Meibodi **– MD/CEO	Executive Director	IFIC -Iran	4
Hamid Eftekhari Kondelaji **– MD/CEO	Executive Director	IFIC -Iran	2

\*Mr. Arif Ahmed Khan resigned from the board on 25 March 2019. Mr. Zahoor Ahmed is presiding the meetings thereafter as the acting chairman of the board with the unanimous concession of the board members.

\*\*Mr. Abbas Daneshvar Hakimi Meibodi was appointed as a new Managing Director / Chief Executive Officer on the Company in place of Mr. Hamid Eftekhari Kondelaji on 1st March 2020.

The Company has sought services of external consultant i.e. Pakistan Institute of Corporate Governance for performance evaluation of the Board and its Committees.

The remuneration paid to Directors for participation in Board and Committee Meetings is disclosed in note 38.2 to the financial statements.

## Board Committees

Four (4) meetings of Board Audit Committee (BAC), Four (4) meetings of Board Risk Management Committee (BRMC), Five (5) Board Human Resource Compensation Committee (BHRCC) and Three (3) meeting of Board Strategic Investment Committee (BSIC) were held during 2020.

The member(s) who were not able to attend any of the meeting(s) were duly granted leave of absence by the committee. The details of the meetings attended by each committee member are as under:

Name of Director	Representing	Designation and name of committee	BAC	BRMC	BHRCC	BSIC
Zahoor Ahmed – Acting Chairman	MOF-Pakistan	Chairman - BSIC				3
		Chairman - BHRC			5	
Aamer Mahmood Hussain – Director	MOF-Pakistan	Chairman - BAC	4	4		
		Member - BHRC			5	
		Invitee - BSIC				2
Gholamreza Khalil Arjmandi – Director	IFIC -Iran	Member - BAC	3			
		Member - BHRC			3	
		Member - BSIC				2
Hamidreza Raufi – Director	IFIC -Iran	Member - BAC	4			
		Member - BRMC		4		
		Member - BSIC				3
Abbas Daneshvar Hakimi Meibodi **– MD/CEO	IFIC -Iran	Member - BHRC			3	
		Member - BSIC				3
		Member - BRMC		3		
Hamid Eftekhari Kondelaji **– MD/CEO	IFIC -Iran	Member - BRMC		1		
		Member - BHRC			2	



\*\*Mr. Abbas Daneshvar Hakimi Meibodi was appointed as a new Managing Director / Chief Executive Officer on the Company in place of Mr. Hamid Eftekhari Kondelaji on 1st March 2020.

## Staff End of Service Benefits

The Bank operates two post-retirement funds, Provident Fund & Gratuity Fund. The carrying value of investments and bank balance respective funds as at December 31, 2020, were:

Value of the Investments and Bank Balances	Provident Fund	Gratuity Fund
	-----PKR '000-----	-----PKR '000-----
2020 – unaudited	89,920	64,814
2019 – audited	93,478	55,617

## Earnings / (Loss) Per Share

Basic and Diluted (loss) /earnings per share have been disclosed in note 33 of the financial statements.

## Pattern of Shareholding

Shareholders	Shareholding
Government of Pakistan through Ministry of Finance	50%
Government of Iran through Iran Foreign Investment Company	50%
<b>Total</b>	<b>100%</b>

## Appointment of Auditors

The present auditors M/s. KPMG Taseer Hadi & Company, Chartered Accountants, retired and being eligible offer themselves for re-appointment in the forthcoming Annual General Meeting. Therefore, on the suggestion of the Audit Committee, the Board of Directors recommends the shareholders to appoint M/s. KPMG Taseer Hadi & Company Chartered Accountants as the statutory auditor of the company for the financial year ending December 31, 2021.

## Future Outlook

In terms of the economic activity, we anticipate a positive outlook since the long-term measures are being taken rather than the short-term quick fixes. Opportunities for earnings are available both in the debt and equity market however the private sector offtake remains a concern for the loan booking. However, the Government's export-oriented strategy will require these sectors to have working capital demand.

PAIR investment sees a wide scope of business for itself in the year 2020, however it takes full cognizance of the challenges in terms of the high cost of funds and mounting inventory of non-performing loans. Therefore, it will be focusing on raising low funds from non-conventional sources for a DFI and will be expanding its customer base through its diversified product portfolio.

## Appreciation and Acknowledgement

We would like to thank our customers and business partners for the trust they have placed in us. We offer sincere appreciation to the Iran Foreign Investment Company, Ministry of Finance- Government of Pakistan, State Bank of Pakistan and Securities & Exchange Commission of Pakistan for their guidance and cooperation extended to our company. Finally, we are also thankful to our associates, staff, and colleagues for their commitment and their contribution to the progress of our business.

For and on behalf of the Board of Directors

Chairman of the Board of Directors  
Pakistan  
February 20, 2021

## عملے کے لئے بعد از ملازمت فوائد

کمپنی کے پاس بعد از سبکدوشی کے دو فنڈز ہیں، پروویڈنٹ فنڈ اور گریجویٹ فنڈ۔ برطانیہ 31 دسمبر 2020، متعلقہ فنڈز سے کی جانے والی سرمایہ کاریاں اور بینک بیلنس کی تفصیلات درج ذیل ہیں۔

سرمایہ کاری اور بینک بیلنس کی قدر	پروویڈنٹ فنڈ	گریجویٹ فنڈ
----- ہزار روپے -----	----- ہزار روپے -----	----- ہزار روپے -----
2020 - غیر آڈٹ شدہ	89,920	64,814
2019 - غیر آڈٹ شدہ	93,478	55,617

## آمدن فی حصص

بنیادی اور تخفیف شدہ (نقصان) آمدن فی حصص کو مالیاتی گوشواروں کے نوٹ نمبر 33 میں ظاہر کر دیا گیا ہے۔

## شیئر ہولڈنگ کا اسلوب

شیئر ہولڈرز	شیئر ہولڈنگ
وزارت خزانہ کے ذریعے حکومت پاکستان	50%
ایران فارن انویسٹمنٹ کمپنی کے ذریعے حکومت ایران	50%
کل	100%

## آڈیٹرز کا تقرر

موجودہ آڈیٹر KPMG Taseer Hadi اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس ریٹائر ہو چکے ہیں اور اہلیت کی بنا پر آئندہ سالانہ اجلاس عام میں خود کو دوبارہ تقرری کے لیے پیش کرتے ہیں۔ لہذا آڈٹ کمیٹی کی سفارش پر بورڈ آف ڈائریکٹرز نے شیئر ہولڈرز کو سفارش کی ہے کہ وہ میسرز KPMG Taseer Hadi اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو 31 دسمبر 2021 کو ختم ہونے والے مالی سال کیلئے دوبارہ کمپنی کا قانونی آڈیٹر مقرر کریں۔

## مستقبل کی توقعات

معاشی سرگرمی کے معاملے میں، ہم ایک مثبت توقع رکھتے ہیں کیونکہ قلیل مدتی فوری حل کے بجائے طویل مدتی اقدامات کیے جا رہے ہیں۔ قرض اور ایکویٹی مارکیٹ، دونوں میں آمدنی کے مواقع دستیاب ہیں تاہم نجی شعبے کی قرض کی طلب، قرض کی بکنگ کے لیے اب بھی ایک تشویش بنی ہوئی ہے۔ تاہم، حکومت کی برآمدات پر مرکوز حکمت عملی کے تحت ان شعبوں کے لیے ورکنگ کیپیٹل کی مانگ کا سبب بنے گی۔

سال 2020 میں پائراؤٹسٹمنٹ اپنے لیے کاروبار کا ایک وسیع امکان دیکھتی ہے، تاہم یہ فنڈز کی بھاری لاگت اور غیر فعال قرضوں کی بڑھتی ہوئی انویسٹری کے حوالے سے چیلنجوں سے پوری طرح آگاہ ہے۔ لہذا، اس کی توجہ DFI کے لیے غیر روایتی ذرائع سے کم لاگتی فنڈز اکٹھا کرنے پر مرکوز رکھی جائے گی اور متنوع پروڈکٹ پورٹ فولیو کے ذریعہ اپنے کسٹمرز کو بڑھائے گی۔

## اظہارِ ستائش اور اعتراف (Appreciation and Acknowledgement)

ہم تہہ دل سے اپنے صارفین اور شرکائے کاروبار کا شکریہ ادا کرتے ہیں کہ جنہوں نے ہم پر بھروسہ اور اعتماد کا اظہار کیا۔ ہم ایران فارن انویسٹمنٹ کمپنی، وزارت خزانہ، حکومت پاکستان، بینک دولت پاکستان اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی دل کی گہرائیوں سے قدر کرتے ہیں جنہوں نے ہماری کمپنی کی بھرپور رہنمائی اور اعانت فرمائی۔ آخر میں ہم ہمارے وابستگان، عملے اور رفقاء سے بھی اظہارِ تشکر بجالاتے ہیں، جنہوں نے ہمارے کاروبار کی ترقی و فروغ کے لئے اپنا زبردست عزم اور تعاون پیش کیا۔

برائے و مخائب بورڈ آف ڈائریکٹرز:

چیرمین آف بورڈ آف ڈائریکٹرز

پاکستان

20 فروری 2021

## بورڈ آف ڈائریکٹر اور ان کے اجلاس

سال 2020 میں بورڈ کے چھ (6) اجلاس منعقد ہوئے۔ ڈائریکٹرز جو اجلاس میں شریک ہونے سے قاصر تھے انہیں بورڈ کی جانب سے حاضری سے رخصت مرحمت کی گئی تھی۔ کمپنی کے ڈائریکٹرز نے درج ذیل اجلاسوں میں شرکت کی۔

ڈائریکٹر کے نام	کیٹگری	نمائندہ برائے	اجلاس میں شرکت کی تعداد
ظہور احمد* ڈائریکٹر	نان ایگزیکٹو ڈائریکٹر	ایم او ایف۔ پاکستان	
عامر محمود حسین۔ ڈائریکٹر	نان ایگزیکٹو ڈائریکٹر	ایم او ایف۔ پاکستان	6
غلام رضا خلیل ارجمندی۔ ڈائریکٹر	نان ایگزیکٹو ڈائریکٹر	آئی ایف آئی سی۔ ایران	6
حامد رضا رؤفی۔ ڈائریکٹر	نان ایگزیکٹو ڈائریکٹر	آئی ایف آئی سی۔ ایران	6
عباس دانشور حکیمی معبودی۔** ایم ڈی۔ سی ای او	ایگزیکٹو ڈائریکٹر	آئی ایف آئی سی۔ ایران	4
حامد افتخاری کوٹہ یلا جی۔** ایم ڈی۔ سی ای او	ایگزیکٹو ڈائریکٹر	آئی ایف آئی سی۔ ایران	2

\* 25 مارچ 2019 کو جناب عارف احمد خان نے بورڈ سے استعفیٰ دے دیا۔ اس کے بعد سے جناب ظہور احمد بورڈ ممبران کی متفقہ منظوری کے ساتھ بطور قائم مقام چیئر مین اجلاسوں کی صدارت کی ذمہ داریاں ادا کر رہے ہیں۔

\*\* یکم مارچ 2020 کو عباس دانشور حکیمی معبودی کو جناب حامد افتخاری کوٹہ یلا جی کی جگہ کمپنی کے نئے مینجنگ ڈائریکٹر / چیف ایگزیکٹو آفیسر کی حیثیت سے تعینات کیا گیا۔ کمپنی نے بورڈ اور اس کی کمیٹی کی کارکردگی کی تشخیص کے لیے ایک بیرونی کنسلٹنٹ یعنی پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورننس کی خدمات حاصل کی ہیں۔ بورڈ اور کمیٹی اجلاسوں میں شرکت کے لیے ڈائریکٹرز کو ادا کیا گیا معاوضہ گوشواروں میں نوٹ 38.2 میں ظاہر کیا گیا ہے۔

## بورڈ کمیٹیز اور ان کے اجلاس

2020 میں بورڈ آؤٹ کمیٹی (BAC) کے چار (4) اور بورڈ رسک مینجمنٹ کمیٹی (BRMC) کے چار (4) اور بورڈ ہیومن ریسورس کمپنیشن کمیٹی (BHRC) کے پانچ (5) اور بورڈ اسٹریٹجک انویسٹمنٹ کمیٹی (BSIC) کے تین (3) اجلاس منعقد کیے گئے۔

ڈائریکٹر جو اجلاس میں شریک ہونے سے قاصر تھے، انہیں بورڈ کی جانب سے حاضری سے رخصت مرحمت کی گئی تھی۔ کمیٹی ممبران کی جانب سے اجلاس میں شرکت کی تفصیلات درج ذیل ہیں۔

ڈائریکٹر کا نام	نمائندہ برائے	عہدہ اور کمیٹی کا نام	BAC	BRMC	BHRC	BSIC
ظہور احمد۔ قائم مقام چیئر مین	ایم او ایف۔ پاکستان	BSIC چیئر مین				3
عامر محمود حسین۔ ڈائریکٹر	ایم او ایف۔ پاکستان	BHRC ممبر		4	5	
		BAC چیئر مین	4			
		BHRC ممبر			5	
		BRMC ممبر				2
غلام رضا خلیل ارجمندی۔ ڈائریکٹر	آئی ایف آئی سی۔ ایران	BAC ممبر	3			
		BHRC ممبر			3	
		BSIC ممبر				2
حامد رضا رؤفی۔ ڈائریکٹر	آئی ایف آئی سی۔ ایران	BAC ممبر	4			
		BRMC ممبر		4		
		BSIC ممبر				3
عباس دانشور حکیمی معبودی۔** ایم ڈی۔ سی ای او	آئی ایف آئی سی۔ ایران	BHRC ممبر			3	
		BSIC ممبر				
		BRMC ممبر				3
حامد افتخاری کوٹہ یلا جی۔** ایم ڈی۔ سی ای او	آئی ایف آئی سی۔ ایران	BRMC ممبر	-	1		
		BHRC ممبر			2	-

\*\* یکم مارچ 2020 کو عباس دانشور حکیمی معبودی کو جناب حامد افتخاری کوٹہ یلا جی کی جگہ کمپنی کے نئے مینجنگ ڈائریکٹر / چیف ایگزیکٹو آفیسر کی حیثیت سے تعینات کیا گیا۔

## خطرات کی نظم کاری کا دائرہ

مختلف اقسام کے کاروباری خطرات کی آگاہی رکھتے ہوئے ایک موثر خطرات کی نظم کاری کا دائرہ کار پائری ادارہ جاتی حکمت عملی کا حصہ ہے۔ ایک خود مختار خطرات کی نظم کاری کا محکمہ (CRMD) ایک مرکزی حصہ کے طور پر کام کر رہا ہے تاکہ پورے ادارے میں خطرات کی نظم کاری سرگرمیوں کو BASEL II/III کے مطابق مضبوط کیا جائے۔ پائریٹک دولت پاکستان کے تحت دیئے جانے والے (Standardized Approach for Credit & Market Risk)، (Basic Indicator Approach for Operational Risk) کے مطابق شرائط کفایت سرمایہ کے ساتھ مکمل ہم آہنگ ہے۔

موجودہ معاشی صورتحال کے پیش نظر کمپنی اس بات پر آمادہ ہے کہ وہ اپنی توجہ نظم کاری کی سخت پالیسیز کو استعمال میں لاتے ہوئے کمپنی کے کاروبار سے منسلک بڑے خطرات کا تعین کرنے اور ان سے بچاؤ کی تدبیر کرے اور ان کی نگرانی کرے۔ ان امور کی وجہ سے آپ کی کمپنی نے سرگرمیوں کے ایک مجموعہ کی تشکیل کی ہے جس کے تحت ایک مرکزی طریقے کار کے ساتھ کمپنی کے اغراض و مقاصد کی ایک منظم طرح سے تکمیل کی جائے اور نئی کاروباری پیش رفت اور دشواریوں کو بروقت سمجھتے ہوئے کمپنی کے شیئر ہولڈرز کے مفادات کا تحفظ کیا جائے اور ان کی دولت میں اضافہ کیا جائے۔

آپ کی کمپنی نے ایک بہترین اندرونی شرائط کفایت سرمایہ (ICAAP) کی جانچ پڑتال کا طریقہ کار اپنایا ہوا ہے تاکہ زیادہ حساس خطرات کا تخمینہ، سرمائے کی منصوبہ بندی، کمپنی بھر میں خطرات کے میلان کی باضابطگی قائم کی جائے تاکہ اندرونی اور بیرونی خطرات سے آگاہی رکھی جائے جو کہ کمپنی کے مستقبل کے کاروبار پر اثر انداز ہو سکتے ہیں۔ اس پر عمل کرنے سے کفایت سرمایہ کی مناسب نظم کاری ممکن ہوئی ہے جس کا تناسب کفایت سرمایہ 55.84% رہا جبکہ ریگولیٹری شرط کے مطابق یہ 2.5% کیپٹل کنزرویشن بفر (CCB) سمیت 11.50% تک ہونا چاہیے۔ اس نٹ لین دین کے سطح کے خطرات کی خاکہ سازی کے ساتھ ساتھ (Integrated Portfolio Management) کے لحاظ سے خطرے کے میلان اور ارتکاز سطح (Concentration Level) کی تیاری میں کردار ادا کیا ہے۔

پاروختاً و قوتاً اپنی نامیاتی قوت کا اندازہ لگانے کے لیے آزمائشی دباؤ (Stress Testing) کا انعقاد کرتا رہتا ہے۔ یہ فرضی جائزہ دباؤ کے حالات میں کاروبار کے ہموار و یکساں کفایت بنانے میں مدد دیتا ہے۔ اس کے لیے CRMD مختلف خطرات پر مختلف دباؤ ڈال کر دیکھتا ہے جس میں شرح سود، قرضے کی فراہمی، حصص کی قیمت اور زریعہ شامل ہیں۔ تازہ ترین آزمائش دباؤ کے طریقہ کار سے جو نتائج برآمد ہوئے ہیں ان کے مطابق آپ کے ادارے کی مالیاتی حیثیت و مقام ٹھوس و مضبوط معلوم ہوتی ہے۔ آزمائش دباؤ کے طریقہ کار جو پائری کی جانب سے نافذ ہیں وہ بینک دولت پاکستان کے رہنما اصولوں سے مکمل طور پر پیوستہ و ہم آہنگ ہیں۔

قرض اور خطرات کی نظم کاری کا محکمہ (CRMD) پوری کمپنی کی پالیسیوں، طریقہ کار، نظام ہائے کار اور طریقہ کار گزارشات کی تشکیل و فروغ میں شامل رہا ہے۔ تاکہ کمپنی کی Rating بہترین رکھی جائے اور خطرات کی نظم کاری کے اصولوں کو معنی و مفہوم کے ساتھ اختیار کیا جائے۔ مزید یہ کہ بورڈ کی خطرات کی نظم کاری کرنے والی کمیٹی آپ کی کمپنی کی خطرات کی نظم کاری سے متعلق حکمت عملی کی نگرانی کرتی ہیں۔ اس کے ساتھ اندرونی آڈٹ کا محکمہ آزادانہ طور پر بڑے بڑے خطرات کا جائزہ لیتا ہے۔ اور یہ کام سال بھر جاری رہتا ہے۔ اس میں کمپلائنس کا محکمہ اندرونی آڈٹ کے محکمہ کی مدد کرتا ہے۔

## مالیاتی گوشواروں کی تاریخ کے بعد ہونے والے واقعات

مالیاتی گوشواروں کی تاریخ کے بعد ایسا کوئی واقعہ رونما نہیں ہوا جس کی وجہ سے ان گوشواروں میں تبدیلی کی ضرورت ہو، ماسوائے ان واقعات کے جن کے بارے میں ان گوشواروں میں بیان پہلے سے شامل ہے۔

## ادارہ جاتی سماجی ذمہ داری

کمپنی ایک ذمہ دار کاروباری شہری ہونے پر پختہ یقین رکھتی ہے اور ہماری طویل مدتی کامیابی میں ایک لازمی کردار ادا کرتی ہے اور اپنے شعار کار کے ہر پہلو میں یہ لائحہ عمل شامل کرنے کی کوشش کرتی ہے۔ کاروباری منافع کے کمانے کی ترجیح کے علاوہ کمپنی اپنی سماجی ذمہ داری سے بھی واقف ہے جو کاروبار سے کہیں آگے تک بروئے کار لائی جاتی ہے، خصوصاً اس کا اپنے ملازمین، معاشرے اور ماحول کی بہتری کا عزم۔

کمپنی معاشرے کی ترقی و نشوونما کی حوصلہ افزائی کرتی رہے گی، اور اس طرح مالی سال 2021 اور اس سے بھی آگے آنے والے پائیدار مستقبل کی تعمیر میں حصہ ڈالتی رہے گی۔ دو برادرانہ ملکوں کی مشترکہ کمپنی ہونے کے ناطے ایران سے فلاحی اداروں کی شمولیت کو بھی یقینی بنایا جائے گا۔ جو ثانی الذکر کی انضباطی منظوریوں سے مشروط ہے۔ پائری سالانہ بنیاد پر اپنے عملے کے ایک فرد کو بذریعہ شفاف قرضہ اندازی حج کی ادائیگی کے لئے امداد بھی فراہم کرتی ہے۔



مجموعی ایڈوانسز میں بعض ادائیگیوں سے ہٹ کر 1.067 ارب روپے کا اضافہ ہوا، جو مالی سال 2020 کے آغاز پر 6.648 ارب روپے سے 7.716 ارب روپے پر بند ہوئے۔ اس پورٹ فولیو میں کچھ اضافی درجہ بندی دیکھنے میں آئی۔ اضافی درجہ بندی کی وجہ سے غیر فعال قرضوں میں 259.02 ملین روپے کا اضافہ ہوا جبکہ سال کے دوران غیر فعال قرضوں کے مقابل 225.49 ملین روپے کا اضافی چارج لیا گیا۔

کوویڈ 19 کے موجودہ حالات کی وجہ سے سہولیات کی تنظیم نو کے سلسلے میں ریلیف کی تجویز پر کریڈٹ کمیٹی نے متعلقہ قرض دہندگان درپیش مشکلات کے ساتھ ساتھ اسٹیٹ بینک آف پاکستان ("SBP") کی ہدایت کو بھی مد نظر رکھتے ہوئے انفرادی بنیاد پر غور کیا۔ اور صرف مذکورہ بالا معیار کو پورا کرنے والے معاملات کی منظوری دی گئی تھی اور مناسب طریقے سے اسٹیٹ بینک کو اطلاع دی گئی۔

## کریڈیٹ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے کمپنی کی طویل مدتی ادارہ جاتی درجہ بندی 'AA' (ڈبل اے) اور قلیل مدتی ادارہ جاتی درجہ بندی 'A1+' (ای وون پلس) کی توثیق کی ہے۔ یہ ریٹنگز مالیاتی معاہدوں کے لیے بروقت ادائیگی کی بہت مستحکم صلاحیت کی بدولت کریڈٹ رسک کی بہت کم توقعات کی نشان دہی کرتی ہیں۔ PAIR کی ریٹنگز بنیادی طور پر پاکستان اور ایران کی مشترکہ خود مختار ملکیت کی عکاسی کرتی ہیں۔

## اندرونی کنٹرول کا بیان

بورڈ مسرت کے ساتھ انتظامیہ کی جانب سے اندرونی کنٹرول پر جاری کردہ بیان بشمول ICFR کے بارے میں بیان کی تصدیق کرتا ہے۔ انتظامیہ کا اندرونی کنٹرول پر بیان سالانہ رپورٹ میں شامل ہے۔

## ادارہ جاتی اور مالیاتی رپورٹنگ کا دائرہ کار

31 دسمبر 2020 کو ختم ہونے والے مالیاتی سال میں پائر کے بورڈ آف ڈائریکٹرز نے ایک اچھے ادارہ جاتی نظم و نسق کے نفاذ کی خاطر ادارہ جاتی نظم کے ضابطے کی متعلقہ شقوں پر عمل درآمد کیا ہے۔ ادارہ جاتی ضابطوں کی پابندی کے مطابق بیرونی آڈیٹرز کی جائزہ رپورٹ اس رپورٹ کے ساتھ منسلک ہے۔ جیسا کہ ادارہ جاتی نظم کے ضابطے کے تحت درکار ہے، بورڈ آف ڈائریکٹرز بیان کرتے ہیں کہ:

☆ پائر کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے، اس کے امور کار، اسکی سرگرمیوں کے نتائج، نقد بہاؤ اور ملکیت میں تبدیلی کو منصفانہ طور پر پیش کرتے ہیں۔

☆ کمپنی نے مناسب کھاتے اپنے پاس رکھے ہیں

☆ حسابات کی مناسب طریقہ کار کو مالیاتی گوشواروں کی تشکیل کے لئے مستقل بنیادوں پر بروئے کار لایا گیا ہے اور ان میں استعمال کیے جانے والے لائحہ عمل اندازے بھی معقول تھے۔

☆ ان مالیاتی گوشواروں کے بنانے میں انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈز جس حد تک پاکستان میں لاگو ہیں، کی پیروی کی گئی ہے اور جہاں انحراف کیا گیا ہے اس کو مناسب انداز میں ظاہر کر دیا گیا ہے۔

☆ ایک مسلسل جاری عمل کے طور پر، اندرونی کنٹرول کے نظام کو موثر انداز سے نافذ رکھنے کے لئے کوشش کی جارہی ہیں جو کہ حکام کی شرائط کے بھی عین مطابق ہو۔

☆ پائر کے ایک جاری و ساری کاروبار ہونے کی صلاحیت پر کوئی شک و شبہ نہیں ہے۔

☆ ادارہ جاتی نظم کے ضابطے کے بہترین طور طریقوں سے کوئی عملی انحراف نہیں کیا گیا۔

☆ 2011 سے 2020 تک کی کلیدی عملی اور مالیاتی معلومات خلاصے کی شکل میں اس رپورٹ میں شامل کی گئی ہے۔

☆ ٹیکس بقایا جات کی رقم اور اس سے منسلک وجوہات ان مالیاتی گوشواروں میں مناسب طور پر ظاہر کر دی گئی ہیں۔

مالی پیشرفت بڑے پیمانے پر اس سال کے بجٹ کے مطابق ہے اور حکومت اسٹیٹ بینک سے کوئی نیا قرض نہ لینے کے اپنے عہد پر قائم رہی ہے۔ زیادہ سود کی ادائیگیوں اور کوویڈ 19 سے متعلق اخراجات کے باوجود، آمدنی میں صحت منداضافے نے مالی سال کے دوران مالی خسارے کو اب تک محدود رکھا ہے۔ عبوری تخمینے بتاتے ہیں کہ نومبر اور دسمبر میں ایف بی آر کی خالص آمدنی میں بالترتیب 3.0 اور 8.3 فیصد کا سال بہ سال اضافہ ہوا ہے۔

ایندھن کی قیمتوں میں اضافے کے باوجود افراط زر کے دباؤ میں کمی آئی ہے۔ سال بھر میں 9 فیصد کے قریب رہنے کے بعد ماہانہ افراط زر نومبر میں 8.3 فیصد اور دسمبر میں 8 فیصد پر آگیا، جون 2019 کے بعد سے یہ سب سے کم شرح ہے۔ یہ کمی بنیادی طور پر غذائی افراط زر میں کمی کا نتیجہ ہے۔ سازگار موسم اور حکومت کی جانب سے سپلائی سے متعلق مسائل کو حل کرنے کے لئے کیے گئے مختلف اقدامات کی وجہ سے قابل اتلاف، گندم، دالوں اور چاول کی قیمتوں میں کمی واقع ہوئی ہے۔

ریگولیٹر کے مذکورہ بالا بتائے ہوئے پر غور کرنے کے بعد، 2021 کے لیے توقعات کافی حد تک غیر یقینی ہیں۔ عالمی سطح پر ابھی بھی بھاری تعداد میں کیسز کے پیش نظر، نئے جراثیم کے نمودار ہونے اور دنیا بھر میں ویکسینز کے منظر عام پر لائے جانے کے بارے میں غیر یقینی صورتحال کے پیش نظر کوویڈ 19 کے رخ کی پیشن گوئی مشکل ہے۔ اس طرح کے بیرونی جھٹکے بحالی کو سست کر سکتے ہیں۔ امید کی جاسکتی ہے کہ حکومت اور ریگولیٹر معاملات کو اسی تندہی سے سنبھالیں گے جس کے نتیجے میں ان غیر معمولی حالات میں ملکی معیشت سنبھلی رہی ہے۔

## مالیاتی جھلکیاں

یہ ایک حقیقت ہے کہ مالی سال 2020 پر کوویڈ 19 چھایا رہا اور اس نے مقامی اور بین الاقوامی سطح پر ہر قسم کے کاروبار کو متاثر کیا۔ اسٹیٹ بینک آف پاکستان نے کورونا وائرس کے معاشی اثرات کے خلاف لڑنے کے لیے کچھ دفاعی اقدامات کیے جن میں پالیسی کی شرح کو کم کرنا بھی شامل ہے جس نے خالص آمدنی کو متاثر کیا ہے۔ پھر بھی مجھے آپ کو یہ بتاتے ہوئے خوشی ہو رہی ہے کہ کمپنی بحالی کی راہ پر گامزن ہے یعنی مالی سال 2018 میں 11.45 ملین روپے قبل از ٹیکس منافع ("PBT") کی لگ بھگ کی تقریباً برابری پر چھوٹنے کی صورت حال کے بعد، مالی سال 2019 میں صحت مند نمودار کیے میں آئی اور 394.467 ملین روپے پر اختتام ہوا۔ مالی سال 2020 میں بھی یہ رجحان جاری رہا، اور ہم نے قبل از ٹیکس منافع کو 506.284 ملین روپے تک بلند ہوتے دیکھا جو 28.3 فیصد کا سال بہ سال اضافہ ہے۔

مالی سال 2020 کی مارک اپ آمدنی اس حقیقت کے باوجود مالی سال 2019 کی سطح پر رہی کہ اس سال مرکزی بینک کی طرف سے کی شرح میں تیزی سے تقریباً 6.25 فیصد تک کٹوتی دیکھنے میں آئی ہے۔ مالی سال 2019 کی چوتھی سہ ماہی میں ٹی بلز میں سرمایہ کاری کا فیصلہ کمپنی کے لیے مالی سال 2020 کے پہلے نصف حصے میں آمدنی کے سلسلے کو برقرار رکھنے کے لیے فائدہ مند ثابت ہوا جبکہ سال کے دوران 2.907 ارب روپے کی مجموعی اضافی فراہمی نے بھی اپنا کردار ادا کیا تھا۔ سود کے اخراجات پر معاملات کا نہایت احتیاط سے انتظام کیا گیا جس سے کمپنی کو تقریباً 6.586 فیصد سال بہ سال بچت، لہذا خالص آمدنی ہوئی۔ ایکویٹی مارکیٹ کی بحالی کی بدولت دیگر آمدنی میں نمایاں بہتری آئی ہے۔ سرکاری سیکورٹیز کی فروخت سے کچھ رقم کا سرمایہ جاتی منافع بھی وصول کیا گیا۔

ایران پر امریکی پابندیوں کے ساتھ ساتھ رقوم کے حصول کے سستے ذرائع کی دستیابی سے کمپنی کے منافع اور کاروباری تسلسل کو بھی چیلنجز درپیش رہیں گے، اس کے باوجود ہم یہ بات خاصے یقین کے ساتھ کہہ سکتے ہیں کہ قرض کے کھاتوں میں صحت مند نمو کے ساتھ ساتھ کمپیٹل مارکیٹ میں بہتری کے ساتھ کمپنی کی مالی حیثیت میں بہتری آنے کی توقع ہے۔ مؤخر الذکر کی بحالی کمپنی کی آمدنی میں اضافے کے لیے ایک اہم عامل ہے۔

دسمبر 2020 کے اختتام پر کل اثاثے 21.3 ارب روپے پر برقرار رہے جبکہ دسمبر 2019 تک یہ 21.474 ارب روپے تھے۔ سرمایہ کاری 1 ارب کم ہوئی جو حکومتی سیکورٹیز میں 781.04 ملین روپے اور کمرشل پیپر میں 386.98 ملین کی کمی پر مشتمل ہے۔ سرکاری سیکورٹیز میں سرمایہ کاری میں کمی سود کی شرح میں تبدیلی کے مطابق تھی جہاں پورٹ فولیو کی تشکیل کو فیکسڈ سے فلوئنگ ریٹ سیکورٹیز سے تبدیل کر دیا گیا۔ جہاں کمرشل پیپر کے نئے اجراء کے سلسلے میں قرض کی منڈی جمود کا شکار رہی، لہذا کسی نئے کمرشل پیپر میں سرمایہ کاری نہیں کی گئی۔ سال کے دوران سرمایہ کاری کی قدر میں تخفیف کے لئے 86.154 ملین روپے کا چارج P&L تک لے جایا گیا، جبکہ سرمایہ کاری کی قدر میں 120.98 ملین روپے کی تخفیف کے لیے گنجائشی رقم (Provision) کی واپسی کے نتیجے میں مجموعی طور پر 34.83 ملین روپے کی خالص واپسی ہوئی۔ لگ بھگ 212 ممالک کے کوویڈ 19 سے متاثر ہونے کے بعد پوری دنیا کی ایکویٹی منڈیوں نے اپنا خراب وقت دیکھا ہے۔ PSX بھی اسی انداز میں بری طرح زوال کا شکار ہوئی۔ غیر معمولی صورتحال پر غور کرتے ہوئے اسٹیٹ بینک نے مالیاتی ادارے کو سال کے اختتام تک منظم انداز میں خرابی کا معاوضہ (impairment charge) لینے کی اجازت دے دی۔ اس کے نتیجے میں، ایکویٹی شیئرز کے مقابل گنجائشی رقم کا انتظام اسی کے مطابق کیا گیا۔ 31 دسمبر 2020 کے مطابق ایکویٹی انویسٹمنٹس کے مقابل مناسب گنجائشی رقوم رکھی گئیں۔

# پائر (PAIR) انویسٹمنٹ کمپنی لمیٹڈ

31 دسمبر 2020 کو ختم ہونے والے سال کے لئے

## ڈائریکٹر رپورٹ

میں بورڈ آف ڈائریکٹرز کی طرف سے 31 دسمبر 2020 کو ختم ہونے والے سال کے لیے پائر انویسٹمنٹ کمپنی لمیٹڈ (PAIR) کے مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتا ہوں۔ یہ مالیاتی گوشوارے BPRD سرکولر نمبر 02 بتاریخ 25 جنوری 2018 اور BPRD سرکولر نمبر 10 بتاریخ 27 نومبر 2018 کے تقاضوں کی تعمیل میں تیار کیے گئے ہیں۔

## اقتصادی جائزہ

2020 کرونا وائرس کی ہولناکی عالمی وجہ سے، جس نے ترقی یافتہ یا پسماندہ قوم یا معیشت کے امتیاز کے بغیر دنیا بھر کو متاثر کیا، چیلنجوں اور اتار چڑھاؤ سے بھرا ایک سال تھا۔ مہلک وائرس کے پھیلنے سے پوری دنیا میں صحت کے نظام کو دھچکا لگا ہے اور اس نے 1.8 ملین سے زیادہ جانیں لے لی ہیں اور لاکھوں کے روزگار کو خطرے میں ڈال دیا ہے۔ انسانی جانوں کو بچانے کے لیے لگائے جانے والے سخت لاک ڈاؤنز کے نتیجے میں منفی معاشی حالات پیدا ہوئے جہاں عالمی معیشت کو تخفیف کا سامنا کرنا پڑا۔ اس کا اثر پاکستان کے لیے کچھ مختلف نہیں تھا تاہم ملک میں وائرس کے کیس کی اطلاع ملتے ہی سخت لاک ڈاؤنز سے لے کر ان علاقوں میں زیادہ مرکز اسمارٹ لاک ڈاؤنز کے متوازن طریقے نے، جہاں سے زیادہ تعداد میں کرونا کیسز کی اطلاعات موصول ہوئی تھیں، ملک کے پہلے ہی قلیل صحت کے وسائل کے بہتر نظم و نسق اور معیشت کے مکمل انہدام سے بچانے میں مرکزی کردار ادا کیا۔

حکومت اور اسٹیٹ بینک کی طرف سے فراہم کردہ بروقت محرک کارگر رہا کوویڈ-19 پھیلنے کے بعد سے اسٹیٹ بینک کی طرف سے کیے گئے تیر بہدف اقدامات کا سلسلہ، جس میں معقول لیکویڈیٹی کا نفوذ اور سود کی شرح میں 625 پوائنٹس کی کمی شامل ہے، جس نے بہت سارے کاروباروں اور گھرانوں کے لیے سرمایے کے حصول کی لاگتیں کم کر دیں۔ ان مالیاتی اقدامات نے مل کر کاروباروں اور گھرانوں کو بمطابق تخمینہ 1.58 ٹریلین روپے یا جی ڈی پی کے تقریباً 3.83 فیصد کا محرک نقدی کے بہاؤ کی شکل میں مہیا کیا ہے۔ اس کے علاوہ، حکومت نے معاشی سرگرمیوں میں معاونت کے لیے بہت سارے اہم اقدامات کیے ہیں جن میں احساس ایمر جنسی کیش پروگرام، اجناس کی مالی اعانت، ایس ایم ایز کے لئے رسک شیئرنگ کی سہولت، اور ٹیکس واپسی میں تیزی شامل ہے۔

حالیہ مالیاتی پالیسی بیان میں، اسٹیٹ بینک آف پاکستان ("SBP") نے جولائی 2020 سے شروع ہونے والی معاشی بحالی پر روشنی ڈالی ہے جس میں سال کے اختتام تک استحکام آیا ہے۔ جہاں لارج اسکیل مینوفیکچرنگ ("LSM") اکتوبر میں سال بہ سال 7.4 فیصد اور نومبر میں سال بہ سال 14.5 فیصد اضافہ ہوا۔ مینوفیکچرنگ ریکوری بھی زیادہ وسیع بنیاد پر ہوئی ہے، جہاں نومبر میں 15 میں سے 12 شعبوں نے مثبت نمودار کرائی اور روزگار کی بحالی شروع ہو رہی ہے۔ مانگ کے رخ پر، بڑھتی ہوئی تعمیراتی سرگرمیوں کی بدولت سیمنٹ کی فروخت مستحکم ہے، پی او ایل کی فروخت دو سال کی بلند ترین سطح پر ہے، اور شہری (موٹر کار) اور دیہی (ٹریکٹر) دونوں مارکیٹوں میں آٹوموبائلز کی فروخت بھی بڑھ رہی ہے۔ زراعت میں، تازہ ترین تخمینے کی بنیاد پر کپاس کی پیداوار میں توقع سے کہیں زیادہ کمی کا امکان ہے۔ تاہم، رینج کی فصلوں کے لیے کھادوں اور کیڑے مار ادویات پر اعلان کردہ سبسڈی کے ساتھ ساتھ امدادی قیمتوں میں اضافے کی وجہ سے دیگر بڑی فصلوں اور گندم کی اعلیٰ پیداوار میں بہتری کی وجہ سے بھی اس کے اثرات دور ہونے کا امکان ہے۔

نئی شے کے کریڈٹ میں گزشتہ ایم پی سی اجلاس کے بعد سے حوصلہ افزاء رجحان دیکھنے میں آیا ہے، جو اسٹیٹ بینک کی ری فائننس سہولیات کی بدولت کمزور اور قسبڈ انویسٹمنٹ لوز میں مسلسل اضافے کا نتیجہ ہے۔ جیسے جیسے کچھ شعبوں میں طلب کی بحالی اور انویسٹرز میں کمی واقع ہو رہی ہے، کوویڈ 19 وبائی بیماری کے آغاز کے بعد پہلی بار ورکنگ کپینگیل لوز میں بھی اضافہ ہوا ہے، اگرچہ ان کی سطح پچھلے سال سے کم ہے۔

کرنٹ اکاؤنٹ فرنٹ کے بیلنس پر، لگاتار پانچ ماہ اضافے کے بعد، کرنٹ اکاؤنٹ میں دسمبر 2020 میں 662 ملین ڈالر کی کمی ریکارڈ کی۔ جہاں ترسیلات زر اور برآمدات میں تسلسل سے اضافہ ہوتا جا رہا ہے، معاشی سرگرمی میں اضافے کے مطابق صنعتی خام مال اور مشینری کی درآمدات میں اضافے کی وجہ سے تجارتی خسارہ بڑھ گیا۔ اسی کے ساتھ ساتھ گندم اور چینی کی درآمد میں بھی گھریلو مارکیٹ میں طلب اور رسد کے فرق کے قریب اضافہ ہو گیا۔ اس بہتری کا محرک بنیادی طور پر محنت کشوں کی ترسیلات زر ہیں، جو رواں مالی سال کے دوران ہر ماہ 2 ملین ڈالر سے زیادہ رہی ہیں جس کی جزوی وجہ سفری پابندیاں اور حکومت اور اسٹیٹ بینک آف پاکستان کی طرف سے کیے گئے مددگار پالیسی اقدامات ہیں جنہوں نے باضابطہ چیلنجز کے استعمال میں اضافہ کیا ہے۔ اسٹیٹ بینک کے زرمبادلہ کے ذخائر 13 ملین ڈالر تک بڑھ گئے ہیں جو دسمبر 2017 کے بعد سے ان کی بلند ترین سطح ہے۔

# Statement of Internal Control

For the year ended December 31, 2020

This statement is being issued in compliance with the Guidelines on Internal Controls, issued by the State Bank of Pakistan (SBP) vide BSD Circular No. 7 dated May 27, 2004. Paragraph 7a of the SBP guidelines on Internal Controls requires all Banks and DFIs to assess their internal controls and their effectiveness.

## Evaluation of Internal Control Systems by Management

The management of the PAIR Investment is responsible for (i) preparing the DFI's annual financial statements in accordance with the approved accounting standards as applicable in Pakistan, and (ii) establishing and maintaining an adequate internal control structure and procedures for financial reporting.

The management of PAIR Investment maintains an effective organization structure and instituting appropriate control procedures and monitors the adequacy/effectiveness of internal control systems. The Board of Directors is ultimately responsible for ensuring that an adequate and effective System of Internal Controls is established and efforts are made to implement sound control procedures and to maintain a suitable control environment.

The management of PAIR Investment has adopted internationally accepted COSO Integrated Framework, in accordance with the guidelines on Internal Controls from the State Bank of Pakistan and has completed all stages of Internal Control over Financial Reporting (ICFR). In addition, DFI has formulated comprehensive guidelines for adherence to COSO framework on continuing basis.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any evaluation of effectiveness of future periods are subject to the risk that controls may become inadequate because of changes, or that the degree of compliance with the policies and procedures may deteriorate.

At management level, the Internal Control Monitoring Committee (ICMC) is responsible for monitoring the adequacy and effectiveness of the internal control system including ICFR, by periodically reviewing the internal control systems and implementation of the internal control gaps /deficiencies identified by the respective departments as a result of self-assessment, internal auditors, external auditors and regulators reviews. The gap / recommendation report is then submitted to ICMC which decide on priority and implementation initiatives required taking into account nature and size of the business and cost benefit analysis of the proposed controls.

Furthermore, it also oversees the implementation of the internal controls framework and monitors the progress. Significant findings of testing are presented to the Audit Committee of the Board.

As required by the SBP, Long Form report (LFR) on the assessment of DFI's ICFR for the year 2019 was issued by the statutory auditors and has been submitted to SBP. None of the deficiencies identified are expected to have a material impact on Financial Reporting. Respective departments have carried out testing of the effectiveness of ICFR prevalent throughout the DFI for the year 2020. Statutory auditors were engaged to prepare a Long Form Report on ICFR as of December 31, 2020.

The DFI is continuously making efforts to ensure that an effective and efficient Internal Control System remains active & implemented through consistent & continuous monitoring that would help in further improving the overall control environment.

Based upon the results achieved from reviews and audits conducted during the year, management considers that the existing Internal Control System is adequate and has been effectively implemented and monitored, though room for improvement always exists.

Managing Director/  
Chief Executive Office

Chief Financial Officer

Head of Internal Audit

Date: 20 February 2021



# Statement of Compliance with the Best Practice of Code of Corporate Governance

Year ended December 31, 2020

SBP vide BPRD Circular no.14 dated October 20, 2016 has advised that the requirement in terms of Prudential Regulation G-1 with regards to the applicability of Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan (SECP) shall not be applicable on DFIs. However, it is expected that all DFIs will continue to follow the best practices of Corporate Governance. Accordingly, the Company, has adopted certain provisions of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the 'Regulations'), as applicable.

Accordingly, the Statement of Compliance prescribed by SECP as given below has been adjusted to the extent the same has been adopted by the Company.

The Company has complied with the requirements of the Regulations in the following manner:

1. As per the joint venture arrangement between Government of Pakistan and Government of Iran, the Company's Board of Directors comprises of six directors and all directors are nominated by both the shareholders. The Company encourages representation of non-executive directors on its Board of Directors (the Board). At present the Board includes:

Category	Names
Executive Directors	Mr. Abbas Daneshvar Hakimi Meibodi
Non-Executive Directors	Mr. Zahoor Ahmed
	Mr. Aamer Mahmood Hussain
	Mr. Gholamreza Khalil Arjmandi
	Mr. Hamidreza Raufi

The Company has obtained relaxation from State Bank of Pakistan with regards to the requirement of independent director.

2. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
3. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
4. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the Company.
5. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board as empowered by the relevant provisions of the Act and these Regulations (as adopted).
6. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of directives issued by the State Bank of Pakistan and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
7. The Board has a formal policy and transparent procedure for remuneration of directors in accordance with the directives issued by the State Bank of Pakistan and the Regulations;

8. The Board has arranged Director's Training Program for the following:

<b>Name of Director</b>	<b>Designation</b>
Mr. Abbas Daneshvar Hakimi Meibodi	Executive Director
Mr. Zahoor Ahmed	Non-Executive Director
Mr. Aamer Mahmood Hussain	Non-Executive Director

9. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
10. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
11. Chief financial officer and the Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
13. The Company has complied with all the corporate and financial reporting requirements of the CCG.
14. The Board has formed committees comprising of members given below:

- a) Board Audit Committee (BAC):

<b>Name of Director</b>	<b>Category</b>
Mr. Aamer Mahmood Hussain	Non-executive / Chairman
Mr. Gholamreza Khalil Arjmandi	Non-executive / Member
Mr. Hamidreza Raufi	Non-executive / Member
Mr. Zahoor Ahmed	Non-executive / Member

- b) Board HR Compensation Committee (BHRCC):

<b>Name of Director</b>	<b>Category</b>
Mr. Zahoor Ahmed	Non-executive / Chairman
Mr. Aamer Mahmood Hussain	Non-executive / Member
Mr. Abbas Daneshvar Hakimi Meibodi	Executive Director / Member
Mr. Gholamreza Khalil Arjmandi	Non-executive / Member

- c) Board Risk Management Committee (BRMC):

<b>Name of Director</b>	<b>Category</b>
Mr. Aamer Mahmood Hussain	Non-executive / Chairman
Mr. Abbas Daneshvar Hakimi Meibodi	Executive Director / Member
Mr. Hamidreza Raufi	Non-executive / Member

- d) Board Strategic Investment Committee (BSIC):

<b>Name of Director</b>	<b>Category</b>
Mr. Zahoor Ahmed	Non-executive / Chairman
Mr. Gholamreza Khalil Arjmandi	Non-executive / Member
Mr. Abbas Daneshvar Hakimi Meibodi	Executive Director / Member
Mr. Hamidreza Raufi	Non-executive / Member

15. The frequency of meetings of the committee were as per following:

- (a) Board Audit Committee (BAC): Minimum quarterly meetings of the Audit Committee were held, the details of which are as under:

Sr. No.	Particulars of Meeting	Date of Meetings
1	48th BAC Meeting	17-Feb-2020
2	49th BAC Meeting	15-Jun-2020
3	50th BAC Meeting	25-Aug-2020
4	51st BAC Meeting	07-Nov-2020

- (b) Board Human Resource and Compensation Committee: The BHRCC Committee met quarterly during the year, the details of which are as under:

Sr. No.	Particulars of Meeting	Date of Meetings
1	27th BHRCC Meeting	15-Jan-2020
2	28th BHRCC Meeting	18-Feb-2020
3	29th BHRCC Meeting	15-Jun-2020
4	30th BHRCC Meeting	25-Aug-2020
5	31st BHRCC Meeting	07-Nov-2020

- (c) Board Risk Management Committee (BRMC): The BRMC met quarterly during the year, the details of which are as under:

Sr. No.	Particulars of Meeting	Date of Meetings
1	34th BRMC Meeting	17-Feb-2020
2	35th BRMC Meeting	15-Jun-2020
3	36th BRMC Meeting	25-Aug-2020
4	37th BRMC Meeting	07-Nov-2020

- (d) Board Strategic Investment Committee (BSIC): The BSIC met thrice during the year, details of which are as under:

Sr. No.	Particulars of Meeting	Date of Meetings
1	13th BSIC Meeting	15-Jun-2020
2	14th BSIC Meeting	07-Nov-2020
3	15th BSIC Meeting	12-Dec-2020

16. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

17. The Board has set up an effective internal audit function, which is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard; and
20. We confirm that all requirements of regulations 3, 8, 32, 33 and 36 of the Regulations have been complied with.

**Abbas Daneshvar Hakimi Meibodi**  
**MD / CEO**

**Zahoor Ahmed**  
**Acting Chairman**

Date: 20 February 2021



# Independent Auditor's Report

To the Members of PAIR Investment Company Limited

Report on the Audit of the Financial Statements



## Opinion

We have audited the annexed financial statements of PAIR Investment Company Limited (the Company), which comprise the statement of financial position as at 31 December 2020, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The Other Information comprises the information included in the Company's Annual Report for the year ended 31 December 2020, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Mr. Aryn Pirani.

Date: 11 March 2021  
Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants







# Financial Statements

For the year ended December 31, 2020

# PAiR Investment Company Limited

## Statement of Financial Position

As at 31 December 2020

	Note	31 December 2020	31 December 2019
(Rupees in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks	5	54,919	46,383
Balances with other banks	6	74,589	83,751
Lendings to financial institutions	7	-	150,000
Investments	8	13,651,952	14,664,301
Advances	9	6,165,043	5,389,709
Fixed assets	10	219,675	229,709
Intangible assets	11	146	314
Deferred tax asset	12	414,100	375,527
Other assets	13	709,380	534,895
		<b>21,289,804</b>	<b>21,474,589</b>
<b>LIABILITIES</b>			
Bills payable		-	-
Borrowings	15	10,223,036	10,842,781
Deposits and other accounts	16	923,702	775,323
Liabilities against assets subject to finance lease		-	-
Subordinated loans		-	-
Deferred tax liabilities		-	-
Other liabilities	17	480,808	385,766
		<b>11,627,546</b>	<b>12,003,870</b>
<b>NET ASSETS</b>		<b>9,662,258</b>	<b>9,470,719</b>
<b>REPRESENTED BY</b>			
Share capital	18	6,000,000	6,000,000
Reserves	19	965,805	888,356
Surplus on revaluation of assets	20	16,001	56,305
Unappropriated profit		2,680,452	2,526,058
		<b>9,662,258</b>	<b>9,470,719</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	21		

The annexed notes 1 to 46 form an integral part of these financial statements.

Chief Financial Officer

Chief Executive &  
Managing Director

Chairman

Director

Director

# PAiR Investment Company Limited

## Profit and Loss Account

For the year ended 31 December 2020

	Note	31 December 2020 (Rupees in '000)	31 December 2019
Mark-up / return / interest earned	24	1,960,461	1,967,277
Mark-up / return / interest expensed	25	956,826	1,024,210
Net mark-up / interest income		1,003,635	943,067
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee and Commission Income	26	8,346	7,822
Dividend income		43,840	57,509
Foreign Exchange (loss) / income		(376)	638
Income / (loss) from derivatives		-	-
Gain / (loss) on securities	27	18,907	(102,270)
Other income	28	-	89
Total non mark-up / interest income		70,717	(36,212)
Total Income		1,074,352	906,855
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Operating expenses	29	363,707	322,425
Workers Welfare Fund		13,671	12,807
Other charges	30	24	3
Total non mark-up / interest expenses		377,402	335,235
Profit before provisions		696,950	571,620
Provisions and write offs - net	31	190,666	177,153
Extra ordinary / unusual items		-	-
<b>PROFIT BEFORE TAXATION</b>		<b>506,284</b>	<b>394,467</b>
Taxation	32	119,039	153,015
<b>PROFIT AFTER TAXATION</b>		<b>387,245</b>	<b>241,452</b>
Basic and diluted earnings per share	33	0.65	0.40

The annexed notes 1 to 46 form an integral part of these financial statements.

Chief Financial Officer

Chief Executive &  
Managing Director

Chairman

Director

Director

# Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	31 December 2020	31 December 2019
		(Rupees in '000)	
Profit after taxation for the year		387,245	241,452
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>			
Movement in (deficit) / surplus on revaluation of investments - net of tax		(73,228)	128,006
Items that will not be reclassified to profit and loss account in subsequent periods:			
Remeasurement (loss) / gain on defined benefit obligations - net of tax		(5,402)	1,263
Movement in surplus on revaluation of non-banking asset - net of tax	20.1	32,924	-
<b>Total comprehensive (loss) / income</b>		<b>341,539</b>	<b>370,721</b>

The annexed notes 1 to 46 form an integral part of these financial statements.

# PAiR Investment Company Limited

## Statement of Changes in Equity

For the year ended 31 December 2020

		Share Capital	Statutory reserve	Surplus / (deficit) on revaluation of		Unappropriate d profit	Total
				Investments	Fixed / Non Banking Assets		
	Note	(Rupees in '000)					
<b>Balance as at 01 January 2019</b>		6,000,000	840,066	(71,701)	-	2,331,633	9,099,998
<b>Total comprehensive income for the year</b>							
Profit for the year ended 31 December 2019		-	-	-	-	241,452	241,452
Other comprehensive income - net of tax		-	-	128,006	-	1,263	129,269
Total comprehensive income for the year ended 31 December 2019		-	-	128,006	-	242,715	370,721
Transfer to statutory reserve	19	-	48,290	-	-	(48,290)	-
<b>Balance as at 31 December 2019</b>		<b>6,000,000</b>	<b>888,356</b>	<b>56,305</b>	<b>-</b>	<b>2,526,058</b>	<b>9,470,719</b>
<b>Total comprehensive income</b>							
Profit for the year ended 31 December 2020		-	-	-	-	387,245	387,245
<b>Other comprehensive income</b>							
Movement in (deficit) / surplus on revaluation of investments - net of tax		-	-	(73,228)	-	-	(73,228)
Remeasurement gain / (loss) on defined benefit obligations - net of tax		-	-	-	-	(5,402)	(5,402)
Movement in surplus on revaluation of non-banking asset - net of tax		-	-	-	32,924	-	32,924
Total comprehensive income for the year ended 31 December 2020		-	-	(73,228)	32,924	381,843	341,539
Transfer to statutory reserve	19	-	77,449	-	-	(77,449)	-
<b>Transactions with owners recorded directly in equity</b>							
Final cash dividend - 31 December 2019 declared subsequent to the year end		-	-	-	-	(150,000)	(150,000)
<b>Balance as at 31 December 2020</b>		<b>6,000,000</b>	<b>965,805</b>	<b>(16,923)</b>	<b>32,924</b>	<b>2,680,452</b>	<b>9,662,258</b>

The annexed notes 1 to 46 form an integral part of these financial statements.

Chief Financial Officer

Chief Executive &  
Managing Director

Chairman

Director

Director



# PAiR Investment Company Limited

## Cash Flow Statement

For the year ended 31 December 2020

31 December  
2020

31 December  
2019

(Rupees in '000)

Note

### CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation		506,284	394,467
Less: Dividend income		(43,840)	(57,509)
		<b>462,444</b>	<b>336,958</b>
<b>Adjustments:</b>			
Depreciation on owned fixed assets	29	9,670	9,864
Amortisation	29	168	246
Depreciation on right-of-use assets	29	14,971	16,504
Mark-up / return / profit / interest expensed on lease liability against right-of-use assets	25	4,045	5,311
(Reversal) of diminution in value of investments	8.3.1	(34,830)	(110,292)
Provision against loans and advances	9.5	225,496	287,445
Gain on sale of fixed assets		-	(89)
Charge for defined benefit plan	36.8.1	10,900	10,316
Unrealised loss on revaluation of held for trading investments	8.1	92	468
		<b>230,512</b>	<b>219,773</b>
		<b>692,956</b>	<b>556,731</b>
<b>(Increase) / Decrease in operating assets</b>			
Lendings to financial institutions		150,000	(45,000)
Held-for-trading securities		(7,318)	40,152
Advances		(1,000,830)	546,772
Others assets (excluding advance taxation)		(104,572)	(253,386)
		<b>(962,720)</b>	<b>288,538</b>
<b>(Decrease) / Increase in operating liabilities</b>			
Borrowings		(619,745)	2,926,922
Deposits		148,379	(446,401)
Other liabilities (excluding provision for taxation - net)		107,006	146,625
		<b>(364,360)</b>	<b>2,627,146</b>
		<b>(634,124)</b>	<b>3,472,415</b>
Income tax paid		(234,533)	(229,203)
Defined benefits paid		(8,227)	(15,699)
<b>Net cash flows from / (used in) operating activities</b>		<b>(876,884)</b>	<b>3,227,513</b>

### CASH FLOWS FROM INVESTING ACTIVITIES

Net investments in available for sale securities		632,502	(2,796,338)
Net investments in held to maturity securities		386,981	(386,981)
Dividend income received		41,894	58,023
Investment in operating fixed assets		(5,785)	(58,220)
Proceeds from sale of fixed assets		(4,010)	182
<b>Net cash flows from / (used in) investing activities</b>		<b>1,051,582</b>	<b>(3,183,334)</b>

### CASH FLOWS FROM FINANCING ACTIVITIES

Dividend paid		(150,000)	-
Payment of lease liability against right-of-use assets		(25,324)	(47,842)
<b>Net cash flows used in financing activities</b>		<b>(175,324)</b>	<b>(47,842)</b>

**Decrease in cash and cash equivalents**  
**Cash and cash equivalents at beginning of the year**  
**Cash and cash equivalents at end of the year**

	(626)	(3,663)
	130,134	133,797
	<b>129,508</b>	<b>130,134</b>

The annexed notes 1 to 46 form an integral part of these financial statements.

Chief Financial Officer

Chief Executive &  
Managing Director

Chairman

Director

Director

# PAiR Investment Company Limited

# Notes to the Financial Statements

For the year ended 31 December 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 repealed Companies Ordinance, 1984. The Company has been notified as a Development Financial Institution (DFI) 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 PRESENTATION

- 2.1 These financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 02 dated 25 January 2018 effective from the accounting year ending 31 December 2018.

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

### 2.2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards 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 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 the IFRS or IFAS, requirements of the Companies Act, 2017 and the said directives shall prevail.

The SBP through its BSD Circular letter No. 11 dated 11 September 2002 has deferred the implementation of IAS 39 'Financial Instruments: Recognition and Measurement' and IAS 40 'Investment Property' for Non-Banking Financial Institutions (NBFIs) in Pakistan. Further, SECP has deferred the implementation of IFRS 7 'Financial Instruments: Disclosures' through SRO 411(1)/2008. Accordingly, the requirements of these IFRS and their respective interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), have not been considered in preparation of these financial statements.

Further, SBP has directed all banks/DFIs to implement IFRS 9 'Financial Instruments' with effect from 01 January 2021 vide BPRD Circular No. 04 of 2019 dated 23 October 2019. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

### 2.3 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year

There are certain new standards, amendments and interpretations 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 are, therefore, not disclosed in these financial statements.

## 2.4 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2021:

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation – the effective date of the standard has been extended to annual periods beginning on or after 1 January 2021 vide SBP circular 4 dated 23 October 2019. IFRS 9 replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. The standard 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. According to SBP circular referred to above, banks/DFIs were required to have a parallel run of IFRS 9 from 1 January 2020, which was subsequently extended to commence for periods beginning 1 July 2020 vide SBP's BPRD Circular Letter No. 15 of 2020. As per the directives of the SBP, banks/DFIs were required to prepare pro-forma financial statements including the impact of IFRS 9 for year ended 31 December 2019, and for parallel run periods and submit the same to the State Bank of Pakistan.

During the year, the Company continued to report its impact assessments to the SBP for reporting periods falling under the parallel run, which were based on certain estimates and assumptions considered in the absence of uniform implementation guidelines. The Bank has estimated the impact of adoption of IFRS 9 on the financial statements of the Company on the date of initial application, which shall be finalised post issuance of and subject to standardisation of implementation guidelines and approaches, from the State Bank of Pakistan. Accordingly, the Company expects an additional charge of PKR 292.47 on its financial statements for the current year.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

- there is no substantive change to the other terms and conditions of the lease.

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark

reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarify what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

#### **Annual Improvements to IFRS standards 2018-2020:**

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022:

- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.
- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) - In response to concerns regarding temporary accounting mismatches and volatility, and increased costs and complexity, the Board issued amendments to IFRS 4 Insurance Contracts in 2017. The two optional solutions raised some considerations which required detailed analysis and management judgement. On the issue of IFRS 17 (Revised) Insurance Contracts in June 2020, the end date for applying the two options under the IFRS 4 amendments was extended to 1 January 2023, aligned with the effective date of IFRS 17.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for

these changes has been deferred indefinitely until the completion of a broader review.

## 2.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with accounting standards as applicable in Pakistan requires management to make judgements, estimates and associated assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The judgements, estimates and associated assumptions are based on historical experiences, current trends and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods. The estimates and judgments that have a significant effect on the financial statements are in respect of the following:

	Note
- Classification and valuation of investments and impairment	4.3 & 8
- Provision against non-performing advances including net investment in finance lease	4.4 & 9
- Provision against off - balance sheet obligations	4.20
- Non-banking asset acquired in satisfaction of claims	4.6 & 13
- Useful life of fixed and intangible assets, depreciation and amortization	4.5, 10 & 11
- Current and deferred taxation	4.13, 12 & 32
- Accounting for defined benefit plan	4.8 & 36

## 3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for certain investments, non-banking asset acquired in satisfaction of claims and derivative financial instruments which are revalued as referred to in notes 4.3, 4.6 and 4.17.

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year.

### 4.1 Cash and cash equivalents

For the preparation of cash flow statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks excluding any term deposit with original terms of greater than three months.

### 4.2 Repurchase / resale agreements

The Company enters into repurchase / resale agreements at contracted rates for a specified period of time. These are recorded as under:

#### Sale under repurchase obligations

Securities sold with a simultaneous commitment to repurchase at a specified future date (repo) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is amortised as expense over the term of the repurchase agreement.



## **Purchase under resale obligation**

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognised as investments in the statement of financial position. Amounts paid under these arrangements are included in repurchase agreement lendings. The difference between purchase and resale price is accrued as income over the term of the resale agreement.

### **4.3 Investments**

The Company classifies its investments as follows:

#### **Held for trading**

These are securities, which are acquired with the intention to trade by taking advantages of short term market / interest rate movements and are carried at market value. Cost of investment is determined on weighted average basis. These securities are required to be sold within 90 days from the date of their classification as 'Held for trading' under normal circumstances, in accordance with the requirements of State Bank of Pakistan.

#### **Held to maturity**

These are securities with fixed or determinable payments and fixed maturity in respect of which the Company has the positive intent and ability to hold to maturity.

#### **Available for sale**

Investments that do not fall under the held for trading or held to maturity categories are classified as available for sale.

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

#### **Initial Recognition**

Investments other than those categorised as held for trading are initially recognised at fair value which includes transaction costs associated with the investment. Investments classified as held for trading are initially recognised at fair value, and transaction costs are expensed in the profit and loss account.

#### **Subsequent Measurement**

Investments in government securities and quoted investments, categorized as 'held for trading' and 'available for sale' are valued at rates quoted on PKRV, PKFRV and Pakistan Stock Exchange (PSX) as at the date of statement of financial position respectively. Any surplus or deficit arising as a result of revaluation of securities categorised as 'held for trading' is taken to profit and loss account and that of 'available for sale' is taken to the statement of financial position, and shown within equity in accordance with the requirements of State Bank of Pakistan.

Management has determined fair value of certain investments by using quotations from active market, and review of conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matter of judgment (e.g. evaluation, interest rates, etc.) and therefore, cannot be determined with precision.

Investments classified as 'held-to-maturity' are stated at their amortized cost less impairment in value, if any.

Unquoted equity securities are valued at the lower of cost and break-up value less impairment losses, if any. Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in subsidiaries and associates, if any (which qualify for accounting under International Accounting Standard - 28) are carried at cost less impairment, if any.

Premium or discount on acquisition of investments is amortised through the profit and loss account over the remaining period till maturity using effective interest method.

### **Impairment**

Impairment loss on investments in respect of available for sale (except term finance certificates) and held to maturity recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised below equity is removed and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in profit and loss account.

## **4.4 Advances**

The Company reviews its loan portfolio to assess the amount of non-performing advances and provision required there against on a regular basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrowers and the requirements of the Prudential Regulations are considered.

### **Loans and advances**

Advances are stated net of specific provision. Specific provision for doubtful debts is determined on the basis of Prudential Regulations issued by SBP and the other directives issued by the SBP and charged to the profit and loss account. These regulations prescribe an age based criteria (as supplemented by subjective evaluation of advances) for classification of non-performing loans and advances and computing provision / allowance there against. Advances are written off when there is no realistic prospect of recovery.

### **Finance lease receivables**

Leases in which the Company transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessees are classified as finance leases. A receivable is recognised at an amount equal to the present value of the minimum lease payments, including any guaranteed residual value which are included in the financial statements as "net investment in finance lease".

## **4.5 Fixed Assets**

### **Capital work in progress**

Capital work in progress are stated at cost less impairment, if any. These are transferred to specific assets as and when assets become available for use.

### **Property and equipment - owned**

Operating fixed assets except capital work in progress, are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to profit and loss account on straight line basis so as to write-off the assets over their expected economic lives at the rates specified in note 10.2 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date. Full month depreciation is charged in the month the assets are available for use and no depreciation is charged in the month of disposal.

Normal repairs and maintenance are charged to profit and loss account as and when incurred. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in operating fixed assets.

Gains and losses on disposal of assets are included in profit and loss account. The Company reviews the rate of depreciation / useful life, residual values and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of operating fixed assets with a corresponding effect on depreciation charge and impairment.

## **Intangible assets**

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised from the month when these are available for use, using the straight line method, whereby the cost of an intangible asset is amortised over the period which takes into account the economic benefits that will be available to the Company. The residual value, useful life and amortisation method is reviewed and adjusted, if appropriate, at each reporting date.

### **4.6 Non-banking assets acquired in satisfaction of claims**

Non-banking assets acquired in satisfaction of claims are initially measured at settlement amount and upon revaluation, are carried at revalued amounts less accumulated depreciation and impairment, if any. These assets are revalued as per SBP's requirement by independent professionally qualified valuers to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of fixed assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title of property is charged to profit and loss account and not capitalised.

### **4.7 Borrowings and deposits**

Borrowings and deposits are recorded at the amount of proceeds received. Mark-up on borrowings and deposits are charged to profit and loss account on a time proportion basis.

### **4.8 Staff retirement benefit**

#### **Defined benefit plan**

The Company operates an approved funded gratuity scheme for all its permanent employees who have completed the qualifying period under the scheme. The scheme is administered by a Board of Trustees and contributions therein are made in accordance with the actuarial recommendations. The valuation in this regard is carried out at each balance sheet date, using the Projected Unit Credit Method for the valuation of the scheme.

Gratuity is payable to staff on completion of two years of service.

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. The Company recognises past service cost as an expense at the earlier of the following dates:

- a) when the plan amendment or curtailment occurs; or
- b) and when the Company recognises related restructuring costs or termination benefits.

The Company has adopted certain actuarial assumptions as disclosed in the note 36.3 for valuation of defined benefit obligation and fair value of plan assets, based on actuarial advice.

#### **Defined contribution plan**

The Company operates a recognised provident fund scheme for its employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% of the basic salary.

### **4.9 Employees' compensated absences**

Employees' entitlement to annual leave is recognised when they accrue to employees. A provision is made for estimated liability for annual leave as a result of services rendered by the employee against un-availed leaves upto the reporting date.

### **4.10 Foreign currencies**

#### **Transaction and balances in foreign currencies**

Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the exchange

rates prevailing at the reporting date. Foreign currency transactions during the year are recorded at the rates prevailing on the date of transaction.

### Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

### Translation gains and losses

Exchange gains and losses are included in profit and loss account.

## 4.11 Revenue recognition

Mark-up / return / interest income is recognised on accrual basis taking into account effective yield on the asset, except where recovery is considered doubtful, the income is recognised on receipt basis. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the Prudential Regulations issued by the SBP.

A gain / loss on sale of securities is recognised in profit and loss account at the time of sale of relevant securities.

The surplus / deficit arising on revaluation of the Company's held for trading investment portfolio is taken to the profit and loss account.

Premium or discount on acquisition of investments is capitalised and amortised through the profit and loss account over the remaining period through effective interest method.

Dividend income is recognised when the Company's right to receive the dividend is established.

Fee, commission and brokerage income is recognised as the services are rendered.

## 4.12 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss account except to the extent that it relates to the items recognised directly in equity or surplus on revaluation of assets, in which case it is recognised in equity or surplus on revaluation of assets.

### Current

Provision for current taxation is based on the taxable income at the current rates of taxation after taking into account available tax credit and rebates, if any. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments /developments made during the year. The charge for current tax is calculated using prevailing tax rates enacted at the balance sheet date and, any adjustments to tax payable relating to prior years.

In making the estimates for income taxes currently payable by the Company, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provisions for deferred taxes, estimates of the Company's future taxable profits are also taken into account.

### Deferred

Deferred tax is recognised using the balance sheet method on all temporary differences between the amounts attributed to the assets and liabilities for financial reporting purposes and amounts used for taxation purpose. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits would be available against which it can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is not probable that related tax benefits will be realised.

#### **4.13 Impairment**

The carrying amount of the Company's assets (other than deferred tax asset) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the relevant asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

#### **4.14 Off setting**

Financial assets and financial liabilities are only offset and the net amount is reported in the financial statements when there is a legally enforceable right to set-off the recognised amount and the Company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

#### **4.15 Other provisions**

Other provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

#### **4.16 Financial Assets and Liabilities**

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specific in the contract discharge, cancel or expire. Any gain or loss on derecognition of the financial asset and liability is recognised in the profit or loss account of the current year.

#### **4.17 Derivative financial instruments**

Derivative financial instruments are initially recognised at their fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as asset when fair value is positive and liabilities when fair value is negative. Any change in the value of derivative financial instruments is taken to the profit and loss account.

#### **4.18 Dividend distribution**

Dividend and appropriation to reserves, except appropriation which is required by the law after the reporting date, is recognised as liability in the Company's financial statements in the period in which these are approved.

#### **4.19 Earnings per share**

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

#### **4.20 Provisions against off - balance sheet obligations**

The Company, in the ordinary course of business, issues guarantees. The commission against such contracts is recognised in the profit and loss account under "fees and commission income" over the period of contracts. The Company's liability under such contracts is measured at the higher of the amount representing unearned commission income at the reporting date and the best estimate of the amount expected to settle any financial obligation arising under such contracts.

#### **4.21 Segment reporting**

A segment is distinguishable component of the Company that is engaged in providing products or services



(business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format of reporting is based on business segments.

#### 4.21.1 Business segments

Following are the main segments of the Company:

<b>Corporate finance and commercial banking</b>	It includes loans, advances, leases and other transactions with corporate customers. Further, it undertakes advisory services including mergers and acquisitions, listed debt syndication, trustee activities and other investment banking activities.
<b>Trading &amp; Sales (other than Capital Market)</b>	Undertakes Company's fund management activities through leveraging and investing in liquid assets such as short term placements, government securities and reverse repo activities. It carries out spread based activities in the inter bank market and manages the interest rate risk exposure of the Company.
<b>Capital Market</b>	Includes trading in listed securities with a view to trade and earn the benefit of market fluctuations and to hold securities for dividend income and capital gains.

#### 4.21.2 Geographical segments

The Company operates only in Pakistan.

#### 4.22 Statutory reserve

Every Bank / DFI incorporated in Pakistan is required to transfer 20% of its profit to a statutory reserve until the reserve equals share capital, thereafter 5% of the profit of the DFI is to be transferred to this reserve.

<b>5 CASH AND BALANCES WITH TREASURY</b>	<i>Note</i>	<b>2020</b>	<b>2019</b>
		(Rupees in '000)	
In hand			
Local currency		51	55
Foreign currencies		560	4,694
		<b>611</b>	<b>4,749</b>
With State Bank of Pakistan in			
Local currency current account	5.1	53,634	41,009
With National Bank of Pakistan in			
Local currency current account		17	17
Local currency deposit account	5.2	657	608
		<b>674</b>	<b>625</b>
		<b>54,919</b>	<b>46,383</b>

**5.1** 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.

**5.2** This carries mark-up at the rate 5.50% per annum (2019: 10.25%).

<b>6 BALANCES WITH OTHER BANKS</b>	<i>Note</i>	<b>2020</b>	<b>2019</b>
		(Rupees in '000)	
In Pakistan			
In current accounts		7,505	12,961
In deposit accounts	6.1	67,084	70,790
		<b>74,589</b>	<b>83,751</b>

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

## 7 LENDINGS TO FINANCIAL INSTITUTIONS

Note

2020

2019

(Rupees in '000)

Call / clean money lendings

Certificate of Investment

7.2

-

-

-

150,000

150,000

### 7.1 Particulars of lendings

In local currency

-

150,000

7.2 These carried mark-up rates Nil (2019: upto 15.15%) per annum, with maturity Nil (2019: upto 10 February 2020).

## 8. INVESTMENTS

Note

2020

2019

### 8.1 Investments by type

Held for trading securities

Shares

43,139

-

(92)

43,047

36,381

-

(468)

35,913

43,139

-

(92)

43,047

36,381

-

(468)

35,913

Available for sale securities

Federal Government securities

Shares

Non Government Debt Securities

8.3 & 8.4

7,668,021

-

40,280

7,708,301

8,381,569

-

107,775

8,489,344

1,081,173

(44,678)

(26,627)

1,009,868

976,459

(79,508)

26,865

923,816

4,956,955

(32,636)

(33,583)

4,890,736

4,929,282

(32,636)

(68,399)

4,828,247

13,706,149

(77,314)

(19,930)

13,608,905

14,287,310

(112,144)

66,241

14,241,407

Held to maturity securities

Commercial papers

8.5

-

-

-

-

386,981

-

-

386,981

-

-

-

-

386,981

-

-

386,981

Total investments

13,749,288

(77,314)

(20,022)

13,651,952

14,710,672

(112,144)

65,773

14,664,301

### 8.2 Investments by segments

2020

2019

Federal Government securities

- Market treasury bills

- Pakistan Investment Bonds

1,915,467

-

1,500

1,916,967

5,616,839

-

3,115

5,619,954

5,752,554

-

38,780

5,791,334

2,764,730

-

104,660

2,869,390

7,668,021

-

40,280

7,708,301

8,381,569

-

107,775

8,489,344

Shares

- Ordinary Shares of Listed companies

- Preference Shares of Listed companies

1,096,703

(44,678)

(26,719)

1,025,306

1,012,840

(79,508)

26,397

959,729

27,609

-

-

27,609

-

-

-

-

1,124,312

(44,678)

(26,719)

1,052,915

1,012,840

(79,508)

26,397

959,729

Non Government Debt Securities

- Term finance certificate - listed

- Term finance certificate - unlisted

- Sukuk certificates

1,056,746

-

(1,033)

1,055,713

1,600,778

-

(15,238)

1,585,540

2,957,162

(11,245)

(23,742)

2,922,175

2,245,382

(11,245)

(43,123)

2,191,014

943,047

(21,391)

(8,808)

912,848

1,083,122

(21,391)

(10,038)

1,051,693

4,956,955

(32,636)

(33,583)

4,890,736

4,929,282

(32,636)

(68,399)

4,828,247

Commercial papers

-

-

-

-

386,981

-

-

386,981

Total investments

13,749,288

(77,314)

(20,022)

13,651,952

14,710,672

(112,144)

65,773

14,664,301

### 8.2.1 Investments given as collateral

	2020	2019
	(Rupees in '000)	
<b>Market Treasury Bills</b>		
Carrying value	256,410	2,672,582
Surplus	97	3,674
	<u>256,507</u>	<u>2,676,256</u>
<b>Pakistan Investment Bonds</b>		
Carrying value	4,224,607	2,735,349
(Deficit) / surplus	(4,817)	121,866
	<u>4,219,790</u>	<u>2,857,215</u>
<b>Shares</b>		
Carrying value	101,540	104,675
Impairment	(17,458)	(14,732)
(Deficit) / surplus	(7,578)	2,812
	<u>76,504</u>	<u>92,755</u>

### 8.3 Provision for diminution in value of investments

#### 8.3.1 Available For Sale Investment

	2020	2019
	(Rupees in '000)	
Opening balance	112,144	222,436
<b>Charge / reversals</b>		
Charge for the year	86,154	47,217
Reversal on disposals	(120,984)	(157,509)
	<u>(34,830)</u>	<u>(110,292)</u>
Closing Balance	<u>77,314</u>	<u>112,144</u>

#### 8.3.2 Particulars of provision against debt securities

	NPI	Provision	NPI	Provision
	2020		2019	
	(Rupees in '000)			
Category of classification				
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	44,672	(32,636)	48,882	(32,636)
	44,672	(32,636)	48,882	(32,636)

**8.3.2.1** The Company has availed the benefit of Forced Sales Value (FSV) against the non-performing investment. Had this benefit of FSV not been taken by the Company, the specific provision against non-performing investment would have been higher by PKR 12.04 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.

### 8.4 Quality of Available for Sale Securities

Details regarding quality of available for sale (AFS) securities are as follows:

		Cost	
		2020	2019
		(Rupees in '000)	
<b>8.4.1 Federal Government Securities - Government guaranteed</b>			
Market Treasury Bills	8.6	1,915,467	5,616,839
Pakistan Investment Bonds	8.7	5,752,554	2,764,730
		<u>7,668,021</u>	<u>8,381,569</u>

## 8.4.2 Shares

### Listed Companies

- Cement
- Fertilizer
- Commercial Banks
- Insurance
- Textile Composite
- Refinery
- Power Generation and Distribution
- Oil and Gas Exploration Companies
- Oil and Gas Marketing Companies
- Engineering
- Automobile Assembler
- Automobile Parts and Accessories
- Fixed Line Telecommunication
- Pharmaceuticals
- Food Producers
- Industrial Metals and Mining
- Household Goods
- Media
- Technology Hardware and Equipment
- Real Estate Investment Trust
- Paper & Board
- Personal goods
- Synthetic & Rayon
- Miscellaneous
- Industrial Transportation
- Financial Services
- Chemicals

Cost	
2020	2019
(Rupees in '000)	
31,416	23,483
127,684	153,643
309,838	284,843
27,745	26,869
158,830	144,110
-	475
131,398	109,350
51,534	31,549
71,122	55,205
11,838	9,012
24,994	16,666
12,555	12,661
27,996	24,096
8,984	8,468
5,041	4,861
11,450	8,254
9,302	22,629
-	21,763
2,911	4,397
-	843
6,032	6,032
8,652	7,252
2,534	-
6,089	-
2,714	-
2,905	-
27,609	-
1,081,173	976,459

## 8.4.3 Non Government Debt Securities

### 8.4.3.1 Listed

- AAA
- AA+, AA, AA-
- A+, A, A-

2020	2019
(Rupees in '000)	
496,296	495,924
12,259	344,244
860,450	760,610
1,369,005	1,600,778

### 8.4.3.1.1 Investment by holding

- Soneri Bank Limited - TFC
- Sadaqat Textile Mills Limited - TFC
- Soneri Bank Limited - TFC
- Agha Steel Industries Limited - Sukuk
- Fatima Fertilizer Company Ltd - Sukuk
- Habib Bank Limited - TFC
- Bank Alfalah - TFC

61,170	61,170
100,000	-
399,280	399,440
300,000	300,000
12,259	24,518
496,296	495,924
-	319,726
1,369,005	1,600,778

### 8.4.3.2 Unlisted

- AA+, AA, AA-
- A+, A, A-
- BBB+, BBB, BBB-
- Unrated

Cost	
2020	2019
(Rupees in '000)	
1,693,959	1,803,868
1,679,319	1,475,754
170,000	-
44,672	48,882
<b>3,587,950</b>	<b>3,328,504</b>

### 8.4.3.2.1 Investment by holding

	2020	2019
	(Rupees in '000)	
Pakistan Services Limited - Sukuk	337,361	360,000
Aspin Pharma (Private) Limited - Sukuk	90,000	120,000
Khushhali Microfinance Bank Limited - TFC	300,000	150,000
KASHF Foundation TFC	137,500	150,000
U Microfinance Bank Limited - TFC	39,944	39,960
Pakarab Fertilizer Limited 28-02-17	225,000	225,000
JS Bank Ltd - TFC	549,514	549,828
Askari Bank Limited - TFC	400,000	-
Bank Al Habib - TFC	299,760	299,880
Bank Al Habib - Perpetual TFC	500,000	500,000
Bank of Punjab - TFC	249,600	249,650
Bank of Punjab - TFC	244,599	244,191
Trust Investment Bank Limited - TFC	11,245	11,245
Sitara Peroxide Limited - Sukuk	13,747	17,957
Eden Housing - Sukuk	19,680	19,680
Shakarganj Food Products Limited - Sukuk	170,000	190,000
Askari Bank Limited - TFC	-	150,147
Liberty Powertech - Sukuk	-	50,966
	<b>3,587,950</b>	<b>3,328,504</b>

### 8.5 Particulars relating to Held to Maturity securities are as follows:

2020 2019  
(Rupees in '000)

#### Non Government Debt Securities - Unlisted

- AA+

-	386,981
---	---------

**8.5.1** The market value of securities classified as held-to-maturity as at 31 December 2020 amounted to Nil (31 December 2019: Rs. 386.981 million).

**8.6** Market treasury bills carry yield ranging from 7.30% to 9.6490% (2019: 13.25% to 14.188%) per annum with maturities upto 23 September 2021 (2019: 19 November 2020).

**8.7** The investments in Pakistan investment bonds are maturing upto 22 October 2030 (2019: 19 September 2029) and the effective yield ranges from 7.33% to 14.60% (2019: 7.33% to 14.60%) per annum.



## 9 ADVANCES

	Note	Performing		Non Performing		Total	
		2020	2019	2020	2019	2020	2019
(Rupees in '000)							
Loans, cash credits, running finances, etc.	9.2	5,368,461	4,549,796	2,081,878	1,822,853	7,450,339	6,372,649
Islamic financing and related assets		266,275	276,275	-	-	266,275	276,275
Bills discounted and purchased		-	-	-	-	-	-
<b>Advances - gross</b>	9.3	<b>5,634,736</b>	4,826,071	<b>2,081,878</b>	1,822,853	<b>7,716,614</b>	6,648,924
Provision against advances							
- Specific	9.5	-	-	(1,551,571)	(1,259,215)	(1,551,571)	(1,259,215)
- General		-	-	-	-	-	-
		-	-	(1,551,571)	(1,259,215)	(1,551,571)	(1,259,215)
<b>Advances - net of provision</b>		<b>5,634,736</b>	4,826,071	<b>530,307</b>	563,638	<b>6,165,043</b>	5,389,709

9.1 These include personal loans and house loans advanced to employees in accordance with their terms of employment. These personal loans and house loans carry mark-up at the rates of 3% and 5% (2019: 3% and 5%) respectively.

9.2 Includes net investment in finance lease as disclosed below:

	2020			2019		
	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	321,633	420,973	742,606	243,639	201,168	444,807
Residual value	89,512	137,696	227,208	55,503	94,421	149,924
Minimum lease payments	411,145	558,669	969,814	299,142	295,589	594,731
Financial charges for future periods	(49,784)	(45,393)	(95,177)	(37,807)	(13,974)	(51,781)
Present value of minimum lease payments	361,361	513,276	874,637	261,335	281,615	542,950

9.2.1 The Company's implicit rate of return on leases ranges between 8.60% and 19.90% (2019: 14.34% and 20.00%) per annum. These are secured against leased assets and security deposits generally upto 38% (2019: 38%) of the cost of leased assets.

9.2.2 Lease rentals received during the year aggregate to Rs. 256 million (2019: Rs. 308 million).

9.3 Particulars of advances (Gross)

	2020	2019
	(Rupees in '000)	
In local currency	5,634,736	4,826,071
In foreign currencies	-	-
	<b>5,634,736</b>	<b>4,826,071</b>

- 9.4 Advances include Rs. 2,081.878 million (2019: Rs. 1,822.853 million) which has been placed under non-performing status as detailed below:

#### 9.4.1 Category of Classification

	2020		2019	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	(Rupees in '000)			
<b>Domestic</b>				
Other Assets Especially Mentioned	176,275	-	111,473	-
Substandard	21,179	5,446	12,306	2,937
Doubtful	-	-	-	-
Loss	1,884,424	1,546,125	1,699,074	1,256,278
	<b>2,081,878</b>	<b>1,551,571</b>	<b>1,822,853</b>	<b>1,259,215</b>

#### 9.5 Particulars of provision against advances

	2020			2019		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	1,259,215	-	1,259,215	971,770	-	971,770
Charge for the year	230,870	-	230,870	287,445	-	287,445
Reversals	(5,374)	-	(5,374)	-	-	-
	225,496	-	225,496	287,445	-	287,445
Amounts written off	-	-	-	-	-	-
Other movements	66,860	-	66,860	-	-	-
Closing balance	<b>1,551,571</b>	<b>-</b>	<b>1,551,571</b>	<b>1,259,215</b>	<b>-</b>	<b>1,259,215</b>

#### 9.5.1 Particulars of provision against advances

	2020			2019		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	1,551,571	-	1,551,571	1,259,215	-	1,259,215
In foreign currencies	-	-	-	-	-	-
	<b>1,551,571</b>	<b>-</b>	<b>1,551,571</b>	<b>1,259,215</b>	<b>-</b>	<b>1,259,215</b>

- 9.5.2 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 PKR 338.299 million (2019: PKR 442.936 million) and unappropriated profit would have been lower by PKR 240.2 million (net of tax). 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.

#### 9.6 Deferred and restructuring / rescheduled loans under SBP COVID-19 relief

	No. of borrowers	No. of requests requested for relief to the Company	Amount of principal Deferred upto One year *	Amount Restructured / Rescheduled
	(Rupees in '000)			
Corporate	16	14	1,204,810	84,468
SME	7	7	40,178	-
	<b>23</b>	<b>21</b>	<b>1,244,988</b>	<b>84,468</b>

The total amount of principal that was deferred by the Company under the SBP's COVID-19 relief circular dated March 26, 2020.

## 10. Fixed Assets

Note

2020

2019

(Rupees in '000)

Capital work-in-progress	10.1	-	183,090
Property and equipment	10.2	197,658	9,631
Right-of-use assets	10.5	22,017	36,988
		<b>219,675</b>	<b>229,709</b>
<b>10.1 Capital work-in-progress</b>			
Civil works		-	183,090

## 10.2 Property and Equipment

2020

### At 01 January 2019

	Buildings	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
Cost	-	36,148	34,834	15,389	86,371
Accumulated depreciation	-	(35,357)	(30,430)	(10,953)	(76,740)
Net book value	-	791	4,404	4,436	9,631

### Year ended 31 December 2020

Opening net book value	-	791	4,404	4,436	9,631
Additions	-	403	5,901	7,500	13,804
Transfer from CWIP	183,093	-	-	-	183,093
Disposals	-	-	-	-	-
Cost	-	56	592	10,644	11,292
Accumulated Depreciation	-	(37)	(592)	(6,653)	(7,282)
	-	19	-	3,991	4,010
Depreciation charge	-	(261)	(2,592)	(2,007)	(4,860)
Closing net book value	183,093	914	7,713	5,938	197,658

### At 31 December 2020

Cost	183,093	36,495	40,143	12,245	271,976
Accumulated depreciation	-	(35,581)	(32,430)	(6,307)	(74,318)
Net book value	183,093	914	7,713	5,938	197,658

Rate of depreciation (percentage)

2.50%	20%	25%-50%	25%
-------	-----	---------	-----

2019

### At 01 January 2019

	Buildings	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
Cost	-	35,481	34,331	15,469	85,281
Accumulated depreciation	-	(35,165)	(31,803)	(8,372)	(75,340)
Net book value	-	316	2,528	7,097	9,941

### Year ended 31 December 2019

Opening net book value	-	316	2,528	7,097	9,941
Additions	-	667	3,706	-	4,373
Disposals	-	-	(93)	-	(93)
Depreciation charge	-	(192)	(1,737)	(2,661)	(4,590)
Closing net book value	-	791	4,404	4,436	9,631

### At 31 December 2019

Cost	-	36,148	34,834	15,389	86,371
Accumulated depreciation	-	(35,357)	(30,430)	(10,953)	(76,740)
Net book value	-	791	4,404	4,436	9,631

Rate of depreciation (percentage)

2.50%	20%	25%-50%	25%
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### 10.3 The gross cost of fully depreciated assets still in use is as follows:

	2020	2019
	(Rupees in '000)	
Furniture and fixture	35,156	23,935
Electrical, office and computer equipment	28,505	27,793
Vehicles	4,745	4,745
	<b>68,406</b>	<b>56,473</b>

### 10.4 The gross cost and sale proceeds of disposals / write-offs:

Asset	Cost	Book value	Sale price	Purchaser
	(Rupees in '000)			
Honda Civic - I-VTEC Oreal Prosmatic	2,929,140	1,098,427	1,098,427	Ex MD Mr. Hamid Eftikhari
Mercedes C-180 Sedan RHD	7,714,977	2,893,116	2,893,116	Ex MD Mr. Hamid Eftikhari
Chairs - Index Pakistan	29,167	10,208	10,250	Ms. Kauser Safdar
Table - Index Pakistan	27,000	9,450	9,450	Ms. Kauser Safdar
MOBILE PHONE (Samsung Galaxy A-7)	35,000	-	-	Mr. Haris Khatri
MOBILE PHONE (Samsung Galaxy A-7)	45,000	-	-	Mr. Shakeel Khadiwala
MOBILE PHONE (Samsung Galaxy S-8 Plus)	94,000	-	-	Ex MD Mr. Hamid Eftikhari
MOBILE PHONE (Samsung Galaxy S-7 Edge 32-GB)	45,000	-	-	Mr. Faraz Ahmed
MOBILE PHONE (J7 Pro Samsung)	35,000	-	-	Mr. Shakir Ali Khan
MOBILE PHONE (Samsung Galaxy S7 Edge)	35,000	-	-	Mr. Adil Khan
MOBILE PHONE (Samsung Galaxy A-7)	35,000	-	-	Mr. Haris Khatri
MOBILE PHONE (Huawei Mate 10)	50,000	-	-	Mr. Sohail Irfan
MOBILE PHONE (IPHONE 8 64 GB)	55,000	-	-	Ms. Kauser Safdar
LAPTOP (Dell Latitude E6320 Intel Core TM 17-620M)	162,605	-	-	Ex MD Mr. Hamid Eftikhari

### 10.5 Right-of-use assets

	Right of use assets	
	2020	2019
	(Rupees in '000)	
<b>At 01 January</b>		
Cost	63,184	63,184
Accumulated amortisation and impairment	(26,196)	(9,692)
Net book value	<b>36,988</b>	<b>53,492</b>
<b>Year ended 31 December</b>		
Opening net book value	36,988	53,492
Additions - Directly purchased	-	-
Disposals	-	-
Amortisation charge	(14,971)	(16,504)
Closing net book value	<b>22,017</b>	<b>36,988</b>
<b>At 31 December</b>		
Cost	63,184	63,184
Accumulated amortisation and impairment	(41,167)	(26,196)
Net book value	<b>22,017</b>	<b>36,988</b>
Rate of amortisation (percentage)	<b>10%</b>	<b>10%</b>

## 11 INTANGIBLE ASSETS

	Computer software	
	2020	2019
	(Rupees in '000)	
<b>At 01 January</b>		
Cost	19,542	19,193
Accumulated amortisation and impairment	(19,228)	(18,982)
Net book value	314	211
<b>Year ended 31 December</b>		
Opening net book value	314	211
Additions - Directly purchased	-	349
Amortisation charge	(168)	(246)
Closing net book value	146	314
<b>At 31 December</b>		
Cost	19,540	19,542
Accumulated amortisation and impairment	(19,394)	(19,228)
Net book value	146	314
Rate of amortisation (percentage)	33%	33%

### 11.1 The gross cost of fully amortised assets still in use is as follows;

	2020	2019
	(Rupees in '000)	
Software Licenses	19,239	19,040
	19,239	19,040

## 12. DEFERRED TAX ASSETS

	2020	2019
	(Rupees in '000)	
Deferred tax asset - net	414,100	375,527

	2020			
	At 01 January 2020	Recognised in profit and loss account	Recognised in other comprehensive income	At 31 December 2020
	(Rupees in '000)			
<b>Deductible Temporary Differences on</b>				
- Capital losses on equity shares carried forward	15,270	(15,270)	-	-
- Post retirement employee benefits	(516)	-	2,957	2,441
- Deficit on revaluation of investments	6,366	150	1,208	7,724
- Accelerated tax depreciation	3,194	7,031	-	10,225
- Provision against advances, off balance sheet, etc.	365,172	65,394	-	430,566
- Provision against investments	16,822	(16,822)	-	-
- Lease liability against right-of-use assets	12,334	(6,171)	-	6,163
- Others	884	765	-	1,649
	419,526	35,077	4,165	458,768



2020				
	At 01 January 2020	Recognised in profit and loss account	Recognised in other comprehensive income	At 31 December 2020
	(Rupees in '000)			
<b>Taxable Temporary Differences on</b>				
- Surplus on revaluation of investments - net	(16,166)	-	11,445	(4,721)
- Surplus on revaluation of non-banking asset	-	-	(13,590)	(13,590)
- Right-of-use assets	(10,727)	4,342	-	(6,385)
- Accelerated tax depreciation	(6,874)	8,392	-	1,518
- Lease assets	(10,232)	(11,258)	-	(21,490)
- Others	-	-	-	-
	(43,999)	1,476	(2,145)	(44,668)
	375,527	36,553	2,020	414,100
2019				
	At 01 January 2020	Recognised in profit and loss account	Recognised in other comprehensive income	At 31 December 2019
	(Rupees in '000)			
<b>Deductible Temporary Differences on</b>				
- Capital losses on equity shares carried forward	-	15,270	-	15,270
- Post retirement employee benefits	1,484	(1,484)	(516)	(516)
- Deficit on revaluation of investments	16,471	(3,312)	(6,793)	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
- Lease liabilities	-	12,334	-	12,334
- Others	1,016	(132)	-	884
	377,860	48,975	(7,309)	419,526
<b>Taxable Temporary Differences on</b>				
- Surplus on revaluation of investments - net	(50)	-	(16,116)	(16,166)
- Right-of-use asset	-	(10,727)	-	(10,727)
- Accelerated tax depreciation	(5,734)	(1,140)	-	(6,874)
- Lease assets	(25,039)	14,807	-	(10,232)
- Others	(553)	553	-	-
	(31,376)	3,493	(16,116)	(43,999)
	346,484	52,468	(23,425)	375,527

- 12.2** Deferred tax asset on capital losses on equity securities and provision against investments amounting to PKR 12.412 million and PKR 11.597 million, respectively has not been recognised on a prudent basis considering that its recoverability is doubtful.

### 13 OTHER ASSETS

	Note	2020 (Rupees in '000)	2019
Income / mark-up accrued in local currency - net of provision	13.3	275,824	305,417
Advances, deposits, advance rent and other prepayments		177,290	93,685
Advance taxation (payments less provisions)		115,856	39,930
Non-banking asset acquired in satisfaction of claims	13.1 & 13.2	84,821	89,632
Dividend receivable		1,946	-
Security deposits		6,781	6,231
		<u>662,518</u>	<u>534,895</u>
Less: Provision held against other assets		-	-
Other Assets (Net of Provision)		<u>662,518</u>	<u>534,895</u>
Surplus on revaluation of non-banking asset acquired in satisfaction of claims		46,862	-
Other Assets - total		<u>709,380</u>	<u>534,895</u>
		2020	2019
		(Rupees in '000)	
<b>13.1 Market value of non-banking asset acquired in satisfaction of claims</b>		<u>135,060</u>	<u>171,000</u>

Non-banking asset acquired in satisfaction of claims was revalued by independent professional valuer as of 30 June 2020 and subsequently through a desktop valuation as at 31 December 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 (in both the cases).

<b>13.2 Non-banking asset acquired in satisfaction of claims</b>	2020 (Rupees in '000)	2019
Opening Balance	89,632	94,905
Revaluation during the year	48,064	-
Less: Depreciation for the year	6,013	5,273
Closing Balance	<u>131,683</u>	<u>89,632</u>

#### 13.3 Provision held against other assets

Mark-up suspended amounting to PKR 1,298.112 million (2019: PKR 1,152.868 million) included in provision against other asset, has been netted off against the markup receivable amount.

### 14 CONTINGENT ASSETS

There are no contingent assets as at the balance sheet date.

## 15 BORROWINGS

Note

2020

2019

(Rupees in '000)

### Details of borrowings secured / unsecured

#### Secured

Borrowings from State Bank of Pakistan - Under financing facility for

- Imported & Locally Manufactured

Plant & Machinery (LTFF)

15.1

1,649,321

1,460,814

- Renewable Energy

15.2

478,844

194,233

Repurchase agreement borrowings

15.3

4,478,204

5,323,734

Term borrowings

15.4

3,616,667

3,650,000

10,223,036

10,628,781

#### Unsecured

Call borrowings

-

214,000

-

214,000

### Total Secured / Unsecured borrowings

10,223,036

10,842,781

**15.1** The Company has obtained funds from the SBP for extending Long Term Financing Facility (LTFF) for Imported & Locally Manufactured Plant & Machinery. These borrowings carry mark-up rate of 2.0% to 3.0% per annum (2019: 2.0%). These borrowings will mature by 2033 (2019: 2029).

**15.2** The Company has obtained funds from the SBP for extending Long Term Financing Facility (LTFF) for renewable energy. These borrowings carry mark-up rate of 2.0% to 2.5% per annum (2019: 2.0%). These borrowings will mature by 2029 (2019: 2029).

**15.3** These carry mark-up at the rates ranging from 7.15% to 7.25% per annum (2019: 13.35% to 13.70% per annum) and are secured against government securities having carrying amount of PKR 4.481 billion (2019: PKR 5.408 billion). These borrowings will mature up to January 2021 (2019: February 2020).

**15.4** These represent finances obtained from Allied Bank Limited to finance regular business operations of the Company. These finances are secured against pledge of all present and future movable assets (excluding investments). It carries mark up at the rate of 6 months KIBOR +0.10 to 0.25% per annum. These are repayable in semi annual installments and shall be repaid by 2025.

2020

2019

(Rupees in '000)

### 15.5 Particulars of borrowings with respect to Currencies

In local currency

10,223,036

10,842,781

In foreign currencies

-

-

10,223,036

10,842,781

## 16 DEPOSITS AND OTHER ACCOUNTS

		2020			2019		
	Note	In local currency	In foreign currencies	Total Total	In local currency	In foreign currencies	Total Total
(Rupees in '000)							
<b>Customers</b>							
Term deposits	16.2	239,403	-	239,403	209,265	-	209,265
		239,403	-	239,403	209,265	-	209,265
<b>Financial Institutions</b>							
Term deposits	16.3	684,299	-	684,299	566,058	-	566,058
		684,299	-	684,299	566,058	-	566,058
		923,702	-	923,702	775,323	-	775,323

### 16.1 Composition of deposits

Note

2020

2019

(Rupees in '000)

- Individuals	16.4	97,927	49,139
- Public Sector Entities		-	-
- Non-Banking Financial Institutions		684,299	566,058
- Private Sector		141,476	160,126
		923,702	775,323

**16.2** The mark-up rates on these certificate of investments (COI) range between 7.10% to 7.25% per annum (2019: 13.50% to 13.75% per annum). These COIs will mature up to November 2021 (2019: June 2020).

**16.3** The mark-up rates on these certificate of investments (COI) is 7.25% per annum (2019: 13.60% per annum). These COIs will mature up to February 2021 (2019: March 2020).

**16.4** These includes both interest bearing and non-interest bearing certificate of investments (COI) issued to the employees of the Company maturing up to November 2021 (2019: October 2020).

## 17 OTHER LIABILITIES

Note

2020

2019

(Rupees in '000)

Mark-up / return / interest payable in local currency		54,275	60,879
Accrued expenses		37,973	25,754
Payable to defined benefit plan	36.4	12,150	4,075
Provision for compensated absences		4,248	3,047
Payable to an associated undertaking		8,068	7,090
Government levies payable		4,059	1,108
Provision for audit fee		1,320	270
Advance insurance premium on lease		248	520
Security deposits against finance lease		227,208	149,924
Payable Brokerage / NCCPL		-	2,540
Provision for staff rewards		28,438	20,130
Provision for worker's welfare fund		81,569	67,898
Lease liability against right-of-use assets		21,252	42,531
		480,808	385,766

## 18. SHARE CAPITAL

### 18.1 Authorised capital

2020	2019		2020	2019
(Number of shares)			(Rupees in '000)	
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	10,000,000	10,000,000

### 18.2 Issued, subscribed and paid-up share capital

600,000,000	600,000,000	Ordinary shares of Rs.10 each and fully paid in cash	6,000,000	6,000,000
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### 18.3 Major shareholders (holding more than 5% of total paid-up capital)

Name of shareholder	2020		2019	
	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%
	600,000,000	100%	600,000,000	100%

\* This includes nominal shares allotted to the nominee Directors of the Company nominated by Government of Pakistan and Iran Foreign Investment Company.

## 19. RESERVES

	2020	2019
	(Rupees in '000)	
<b>Statutory reserve</b>		
Opening balance	888,356	840,666
Transfer during the year	77,449	48,290
Closing balance	965,805	888,356

19.1 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.

## 20 SURPLUS ON REVALUATION OF ASSETS

Note

	2020	2019
	(Rupees in '000)	
Surplus / (deficit) on revaluation of		
- Available for sale securities	(19,930)	66,241
- Non-banking asset acquired in satisfaction of claims	48,064	-
	28,134	66,241
Deferred tax on surplus / (deficit) on revaluation of:		
- Available for sale securities	3,007	(9,936)
- Non-banking asset acquired in satisfaction of claims	(13,938)	-
	(10,931)	(9,936)
Incremental depreciation charged during the year	(1,202)	-
	16,001	56,305



**20.1 Surplus on revaluation of non-banking asset acquired in satisfaction of claims**

**2020**

**2019**

(Rupees in '000)

Surplus on revaluation as of 01 January 2020

Revaluation during the year

Less:

Related deferred tax

Incremental depreciation charged during the year

-	-
48,064	-
48,064	-
(13,938)	-
(1,202)	-
(15,140)	-
32,924	-

**21 CONTINGENCIES AND COMMITMENTS**

**21.1** The Additional Commissioner Inland Revenue (ADCIR) amended the assessment for the tax year 2013 under section 122(5A) of the Income Tax Ordinance, 2001 (the Ordinance). Income tax demand of PKR 51.113 million was created including liability of Workers' Welfare Fund (WWF) amounting to PKR 13.874. The Company filed a rectification application to rectify the errors apparent in order and paid under protest the demand of PKR 45.219 in respect of said demand. The Company also challenged the impugned order through appeal under section 127 of the Ordinance with the Commissioner Inland Revenue (Appeals) - CIR(A). However, CIR(A) has confirmed all the issues except the issue pertaining to premium amortization which has been set aside and against which the Company has been provided a relief. Thereafter, the Company has filed appeal before Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIR(A), which is pending for hearing. The Company, in consultation with its tax advisor, is confident of a favourable outcome.

**21.2** The Additional Commissioner Inland Revenue (ADCIR) amended the assessments for tax year 2014 and raised demand of PKR 53.826 million, including liability of WWF of PKR 11.508 million which was later revised to PKR 72.210 million. The demand was challenged by the Company by filing an appeal with the CIR(A). However, on confirmation of the demand order by CIR(A) the Company filed an appeal before the ATIR and made payment under protest of PKR 17.5 million. The ATIR through its order dated 24 November 2016 deleted the demand amounting to PKR 40 million and directed the department to work out the liability of WWF in the light of Supreme Court's order. Through the said order, the ATIR also remanded back the issue of taxing amortization of TFCs and preference shares and taxing of capital gain on sale of TFC and T-bills under the head business income instead of capital gain for re-adjudication, for both the tax years. Consequently, the tax department filed a reference in High Court, dated 16 February 2017, which is yet to be admitted for hearing whereas the Company filed a request before the CIR(A) in respect of remanded back issues on 05 November 2019 against which no reply has yet been received from the CIR(A). The Company, in consultation with its tax advisor, is confident of a favourable outcome with respect to both, department's appeal before the High Court and the remand back issue.

**21.3** The Additional Commissioner Inland Revenue (ADCIR) amended the assessments for tax year 2015 and raised demand of PKR 80.433 million which was later revised to PKR 87.014 million. The demand was challenged by the Company by filing an appeal with the CIR(A). However, on confirmation of the demand order by CIR(A) the Company filed an appeal before the ATIR and made payment under protest of PKR 17.5 million. The ATIR through its order dated 24 November 2016 deleted the demand and directed the department to work out the liability of WWF in the light of Supreme Court's order. Consequently, the tax department filed a reference in High Court, dated 16 February 2017, which is yet to be admitted for hearing. Moreover, certain issues were remanded back by the ATIR under the aforementioned order against which relief has been allowed by the CIR(A) however, appeal effect order is pending. The Company is confident of a favourable outcome in relation to this matter.

**21.4** With respect to tax year 2016, ADCIR amended the assessment and 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 Company, in consultation with its tax advisor, is confident of a favourable outcome.

**21.5** With respect to tax year 2017, ADCIR amended the assessment and 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). Moreover, both the Company and the department have filed appeals before the ATIR on the issues decided against them. The appeal is awaited to be heard. The issue is pending before ATIR and the Company, in consultation with its tax advisor, is confident of a favourable outcome.

**21.6** 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). Whereas, the Company has filed an appeal before the ATIR in respect of the issue of apportionment of finance and administration cost and the Company, in consultation with its tax advisor, is confident of a favourable outcome.

	2020	2019
<b>21.7 Commitments in respect of repo transactions</b>	(Rupees in '000)	
Repurchase agreement borrowings	4,478,204	5,323,734
<b>21.8 Direct credit substitutes</b>	100,000	100,000
<b>21.9 Commitments to extend credit</b>		

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.

## 22 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Off balance sheet financial instruments includes 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.

## 23 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's treasury and investment group buys and sells derivative instruments such as equity futures.

### 23.1 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.

## 24 MARK-UP / RETURN / INTEREST EARNED

	Note	2020	2019
On:		(Rupees in '000)	
a) Loans and advances		499,356	648,352
b) Investments		1,457,319	1,301,578
c) Lendings to financial instruments		2,260	14,025
d) Balances with banks		1,526	3,322
		<u>1,960,461</u>	<u>1,967,277</u>

## 25 MARK-UP / RETURN / INTEREST EXPENSED

Deposits		96,105	140,454
Securities sold under repurchase agreements		376,955	434,705
On borrowing from State Bank of Pakistan- Under financing facility for			
- Imported & Locally Manufactured Plant & Machinery (LTFF)		31,868	20,665
- Renewable Energy		6,751	4,315
Unwinding cost of liability against the right-of-use assets		4,045	5,311
Term borrowing		361,720	288,522
Clean borrowing		79,382	130,238
		<u>956,826</u>	<u>1,024,210</u>

## 26 FEE & COMMISSION INCOME

Credit related fees		6,504	6,089
Investment banking fees		1,200	388
Commission on guarantees		642	1,345
		<u>8,346</u>	<u>7,822</u>

## 27 GAIN / (LOSS) ON SECURITIES

Realised	27.1	18,999	(101,802)
Unrealised - held for trading	8.1	(92)	(468)
		<u>18,907</u>	<u>(102,270)</u>

### 27.1 Realised

Federal Government Securities		10,204	-
Shares		8,795	(44,932)
Units of mutual funds		-	(56,870)
		<u>18,999</u>	<u>(101,802)</u>

**28 OTHER INCOME**

Note

**2020****2019**

(Rupees in '000)

Gain on sale of fixed assets

-

89

**29 OPERATING EXPENSES****Total compensation expense**

29.1

**237,238**

211,922

**Property expense**

Rent &amp; taxes

**662**

1,873

Insurance

**2,549**

3,365

Utilities cost

**7,151**

6,907

Security

**1,078**

861

Repair &amp; maintenance

**12,522**

16,372

Depreciation on owned fixed assets

**7,079**

8,126

Depreciation on right-of-use assets

**14,971**

16,504

**46,012**

54,008

**Information technology expenses**

Software maintenance

**6,260**

5,429

Depreciation

**2,591**

1,738

Amortisation

**168**

246

Network charges

**4,965**

4,437

Others

**553**

532

**14,537**

12,382

**Other operating expenses**

Directors' fees and allowances

38.2

**15,611**

12,425

Legal &amp; professional charges

**23,329**

7,099

Travelling &amp; conveyance

**14,256**

9,233

Depreciation

-

-

Training &amp; development

**1,135**

1,061

Postage &amp; courier charges

**227**

240

Communication

**1,319**

1,251

Stationary &amp; printing

**477**

706

Marketing, advertisement &amp; publicity

**352**

296

Auditors' Remuneration

29.2

**2,365**

4,064

Commission and brokerage

**2,810**

5,082

Bank charges and miscellaneous expenses

**4,039**

2,656

**65,920**

44,113

**363,707**

322,425

**29.1 Total compensation expense****2020****2019**

(Rupees in '000)

Fees and Allowances, etc

-

-

Employees' Remuneration

i) Fixed

**124,552**

115,491

ii) Variable

of which;

a) Cash Bonus / Awards etc.

**22,781**

17,500

b) Bonus &amp; Awards in Shares etc.

-

-

Charge for defined benefit plan

**10,900**

10,316

Contribution to defined contribution plan

**10,062**

8,904

		2020	2019
		(Rupees in '000)	
Rent & house maintenance		28,984	23,206
Utilities		7,094	5,801
Medical		8,712	7,528
Conveyance		24,153	23,176
Total		237,238	211,922
<b>29.2 Auditors' remuneration</b>	<i>Note</i>	2020	2019
		(Rupees in '000)	
Audit fee		660	600
Half yearly review		261	258
Special certifications and sundry advisory services		741	1,325
Tax Services		484	1,362
Out of pocket expenses		219	519
		2,365	4,064
<b>30 OTHER CHARGES</b>		2020	2019
		(Rupees in '000)	
Penalties imposed by State Bank of Pakistan		24	3
		24	3
<b>31 PROVISIONS &amp; WRITE OFFS - NET</b>		2020	2019
		(Rupees in '000)	
(Reversal) / Provisions of diminution in value of investments	8.3.1	(34,830)	(110,292)
Provisions against loans and advances - net	9.5	225,496	287,445
		190,666	177,153
<b>32 TAXATION</b>		2020	2019
		(Rupees in '000)	
Current		157,310	205,483
Prior year		(1,718)	-
Deferred		(36,553)	(52,468)
		119,039	153,015
<b>32.1 Relationship between tax expense and accounting profit</b>		2020	2019
		(Rupees in '000)	
Profit before taxation		506,284	394,467
Tax on income @ 29% (2019: 29%)		146,822	114,395
Net tax effect on income taxed at reduced rates		(5,480)	7,177
Prior year's charge		(1,718)	-
Deferred Tax asset derecognized		24,009	-
Unabsorbed depreciation on leased assets		(9,918)	-
Permanent difference		(34,677)	24,104
Others		-	7,339
Tax charge		119,039	153,015



### 33 BASIC AND DILUTED EARNINGS PER SHARE

	2020	2019
	(Rupees in '000)	
Profit for the year	387,245	241,452
	(Number of shares in '000)	
Weighted average number of ordinary shares	600,000	600,000
	(Rupees per share)	
Basic and diluted earnings per share	0.65	0.40

There are no instruments that may have a dilutive effect on earnings per share.

### 34 CASH AND CASH EQUIVALENTS

	Note	2020	2019
		(Rupees in '000)	
Cash and balances with treasury banks	5	54,919	46,383
Balances with other banks	6	74,589	83,751
		129,508	130,134

### 34.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2020					
	Liabilities			Equity		Total
	Borrowings	Deposits and other accounts	Other liabilities	Share capital	Reserves	
(Rupees in '000 )						
Balance as at 01 January 2020	10,842,781	775,323	385,766	6,000,000	888,356	21,418,284
Changes from financing cash flows						
"Payment of lease liability against right-of-use assets"	-	-	(25,324)	-	-	(25,324)
Dividend paid	-	-	(150,000)	-	-	(300,000)
Total changes from financing cash flows	-	-	(175,324)	-	-	(325,324)
Other changes						
Liability - related						
Changes in borrowings	(619,745)	-	-	-	-	(619,745)
Changes in deposits and other accounts	-	148,379	-	-	-	148,379
Changes in other liabilities	-	-	275,768	-	-	275,768
- Cash based	-	-	-	-	-	-
- Non - cash based - Actuarial loss on remeasurements of defined benefit plan	-	-	(5,402)	-	77,449	(10,804)
Transfer of profit to reserve	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-
Exchange differences on translation of net investment in foreign branches	-	-	-	-	-	-
	(619,745)	148,379	270,366	-	77,449	180,843
Balance as at 31 December 2020	10,223,036	923,702	480,808	6,000,000	965,805	21,273,803

	2019					
	Liabilities			Equity		Total
	Borrowings	Deposits and other accounts	Other liabilities	Share capital	Reserves	Unappropriated profit
				(Rupees in '000)		
Balance as at 01 January 2019	7,915,859	1,221,724	278,164	6,000,000	840,066	2,341,325
						18,597,138
Changes from financing cash flows						
Payment of lease liability against right-of-use assets"	-	-	(47,842)	-	-	-
Dividend paid	-	-	-	-	-	-
Total changes from financing cash flows			(47,842)			(47,842)
Other changes						
Liability - related						
Changes in borrowings	2,926,922	-	-	-	-	-
Changes in deposits and other accounts	-	(446,401)	-	-	-	-
Changes in other liabilities	-	-	153,665	-	-	-
- Cash based	-	-	-	-	-	-
- Non - cash based - Actuarial loss on remeasurements of defined benefit plan	-	-	1,779	-	48,290	-
Transfer of profit to reserve	-	-	-	-	-	(48,290)
Profit for the year	-	-	-	-	-	241,452
Other adjustments	-	-	-	-	-	(8,429)
Exchange differences on translation of net investment in foreign branches	-	-	-	-	-	-
	2,926,922	(446,401)	155,444	-	48,290	184,733
						2,868,988
Balance as at 31 December 2019	10,842,781	775,323	385,766	6,000,000	888,356	2,526,058
						21,418,284

### 35 STAFF STRENGTH

	2020 (Number of employees)	2019
Permanent	44	45
Temporary / on contractual basis	7	7
Company's own staff at end of the year	51	52
Outsourced	-	-
Total staff strength	51	52

### 36 DEFINED BENEFIT PLAN

#### 36.1 General description

As mentioned in note 4.8, the Company operates an approved funded gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn salary for each year of eligible service or part thereof, subject to a minimum of two years of service.

#### 36.2 Number of Employees under the scheme

The number of employees covered under the defined benefit schemes are 44 (2019: 45)

#### 36.3 Principal actuarial assumptions

The actuarial valuation was carried out as at 31 December 2020 using the "Projected Unit Credit Actuarial Cost Method". The information provided in notes 36.3 to 36.15 has been obtained from the actuarial valuation carried out as at 31 December 2020.

	Note	2020 ----- (Per annum) -----	2019
Discount rate		9.75%	11.25%
Expected rate of return on plan assets		9.75%	11.25%
Expected rate of salary increase		9.75%	11.25%
Mortality rates (for death in service)		SLIC(2001-05)-1	SLIC(2001-05)-1
Rates of employee turnover		Moderate	Moderate
<b>36.4 Reconciliation of (receivable from) / payable to defined benefit plans</b>		<b>2020</b> (Rupees in '000)	<b>2019</b>
Present value of obligations	36.5	77,533	59,706
Fair value of plan assets	36.6 & 36.9	(65,383)	(55,631)
Payable		12,150	4,075
<b>36.5 Movement in defined benefit obligations</b>		<b>2020</b> (Rupees in '000)	<b>2019</b>
Obligations at the beginning of the year		59,706	50,119
Current service cost		10,451	9,523
Interest cost		7,138	6,888
Benefits paid during the year		(7,264)	(4,864)
Re-measurement loss / (gain)		7,502	(1,960)
Obligations at the end of the year		77,533	59,706

**36.6 Movement in fair value of plan assets**

Note

**2020****2019**

(Rupees in '000)

Fair value at the beginning of the year	
Interest income on plan assets	
Contribution by the Company - net	
Re-measurements gain / (loss) on plan assets	
Fair value at the end of the year	

<b>55,631</b>	44,061
<b>6,689</b>	6,095
<b>3,978</b>	5,656
<b>(915)</b>	(181)
<b>65,383</b>	<b>55,631</b>

**36.7 Movement in payable under defined benefit schemes****2020****2019**

(Rupees in '000)

Opening balance	
Charge for the year	36.8.1
Contribution by the Company - net	
Re-measurement Loss / (Gain) recognised in other comprehensive income during the year	
Closing balance	

<b>4,075</b>	6,058
<b>10,900</b>	10,316
<b>(11,242)</b>	(10,520)
<b>8,417</b>	(1,779)
<b>12,150</b>	<b>4,075</b>

**36.8 Charge for defined benefit plans****36.8.1 Cost recognised in profit and loss****2020****2019**

(Rupees in '000)

Current service cost	
Net interest on defined benefit liability / (asset)	

<b>10,451</b>	9,523
<b>449</b>	793
<b>10,900</b>	<b>10,316</b>

**36.8.2 Re-measurements recognised in OCI during the year****2020****2019**

(Rupees in '000)

Loss / (gain) on obligation	
- Demographic assumptions	
- Financial assumptions	
- Experience adjustment	
Actuarial loss on plan assets	
Total re-measurements recognised in OCI	

-	-
<b>(264)</b>	(266)
<b>7,766</b>	(1,694)
<b>915</b>	181
<b>8,417</b>	<b>(1,779)</b>

**36.9 Components of plan assets****2020****2019**

(Rupees in '000)

Cash and cash equivalents - net	
Government Securities	
Non-Government Debt Securities	

<b>2,008</b>	2,431
<b>59,032</b>	50,400
<b>4,343</b>	2,800
<b>65,383</b>	<b>55,631</b>

**36.10 Sensitivity analysis**

The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarised below:

**2020****2019**

(Rupees in '000)

0.5% increase in discount rate	
0.5% decrease in discount rate	
0.5% increase in expected rate of salary increase	
0.5% decrease in expected rate of salary increase	

<b>73,976</b>	56,976
<b>81,343</b>	62,626
<b>81,418</b>	62,683
<b>73,875</b>	56,900



**2021**  
(Rupees in '000)

**36.11 Expected contributions to be paid to the funds in the next financial year**

**12,835**

**36.12 Expected charge / (reversal) for the next financial year**

**12,835**

### **36.13 Maturity profile**

The weighted average duration of the obligation is 9.49 years.

Distribution of timing of benefit payments (time in years)

1	<b>3,515</b>
2	<b>4,074</b>
3	<b>4,714</b>
4	<b>5,106</b>
5	<b>4,928</b>
6-10	<b>177,080</b>

### **36.14 Funding Policy**

An implicit, though not formally expressed objective is that the liabilities under the scheme in respect of members in service on the valuation date on a going concern basis and having regard to projected future salary increases, should be covered by the Fund on the valuation date, the total book reserve as of the valuation date, future contributions to the Fund, future additions to the book reserve and future projected investment income of the Fund.

As far as possible, there is an implicit objective that the contribution to the Fund should remain reasonably stable as a percentage of salaries, under the Actuarial Cost Method employed.

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### **36.15 The significant risk associated with the staff retirement benefit plan may include:**

#### **Mortality Risk**

The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.

#### **Investment Risk**

The risk of the investment underperforming and not being sufficient to meet the liabilities.

#### **Final salary risks**

The risk that the final salary at the time of cessation of service is higher than what we assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

#### **Withdrawal risk**

The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

### 37 DEFINED CONTRIBUTION PLAN

The general description of the note is included in note 4.8.

Contributions made during the year:

	2020 (Rupees in '000)	2019
Employer's contribution	10,062	8,904
Employees' contribution	10,062	8,904

The number of employees covered under the defined contribution plan are 44 (2019: 45).

## 38 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

### 38.1 Total Compensation Expense

Items	2020						
	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non-Executives				
(Rupees in '000)							
Fees and Allowances etc.	4,187	-	11,424	-	-	-	-
Managerial Remuneration							
i) Fixed	-	-	-	-	29,654	47,758	13,397
ii) Total Variable	-	-	-	-	-	-	-
of which							
a) Cash Bonus / Awards	-	-	-	-	3,410	6,030	1,949
b) Bonus & Awards in Shares	-	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	2,622	3,667	1,038
Rent & house maintenance	-	-	-	-	-	14,722	4,153
Utilities	-	-	-	-	-	3,680	1,038
Medical	-	-	-	-	-	4,601	1,298
Conveyance	-	-	-	-	-	11,379	3,567
Others	-	-	-	-	-	692	198
Total	4,187	-	11,424	-	35,686	92,529	26,638
Number of Persons	1	-	3	-	2*	10	5

\* This includes outgoing MD/CEO during the year.

Items	2019						
	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non-Executives				
	(Rupees in '000)						
Fees and Allowances etc.	4,015	-	8,410	-	-	-	-
Managerial Remuneration	-	-	-	-	-	-	12,002
i) Fixed	-	-	-	-	32,229	39,487	-
ii) Total Variable	-	-	-	-	-	-	-
of which							
a) Cash Bonus / Awards	-	-	-	-	-	1,186	355
b) Bonus & Awards in Shares	-	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	2,622	3,067	927
Rent & house maintenance	-	-	-	-	-	12,163	3,708
Utilities	-	-	-	-	-	3,041	927
Medical	-	-	-	-	-	3,834	1,159
Conveyance	-	-	-	-	7	11,144	3,637
Others	-	-	-	-	-	670	198
Total	4,015	-	8,410	-	34,858	74,592	22,913
Number of Persons	2*	-	5	-	1	11	5

Any Other Perks and Privileges: allowed to above officials should also be disclosed and specified separately.

\* This includes outgoing President / CEO during the year.

The term "Key Management Personnel" means the following functional responsibilities:

- Any executive or key executive, acting as second to CEO, by whatever name called, and including the Chief Operating Officer (COO) and Deputy Managing Director.
- Any executive or key executive reporting directly to the CEO / President or the person mentioned in (a) above.

The terms Directors/ Executive Directors/ Non-Executive Directors, CEO and Key Executives have same meaning as defined in Prudential Regulations (PRs) for Corporate and Commercial Banking. For the purpose of these disclosures Key Executive will also include Executives who have direct reporting line to the President/CEO or BoD or its Committees.

### 38.2 Remuneration paid to Directors for participation in Board and Committee Meetings

Sr. No.	Name of Director	2020					
		Meeting Fees and Allowances Paid					
		For Board Meetings	For Board Committees				Total Amount Paid
			Board Audit Committee	Board Risk Management Committee	Board Human Resource Compensation Committee	Board Strategic Investment Committee	
			(Rupees in '000)				
1	Aamer Mahmood Hussain	2,988	125	313	313	375	4,114
2	Zahoor Ahmed	3,500	250	61	-	375	4,187
3	Gholamreza Arjmandi	2,842	250	250	-	288	3,631
4	Hamid Raza Raufi	2,829	250	250	300	50	3,679
	<b>Total amount paid</b>	<b>12,159</b>	<b>875</b>	<b>874</b>	<b>613</b>	<b>1,088</b>	<b>15,611</b>

Sr. No.	Name of Director	2019					
		Meeting Fees and Allowances Paid					
		For Board Meetings	For Board Committees				Total Amount Paid
			Board Audit Committee	Board Risk Management Committee	Board Human Resource Compensation Committee	Board Strategic Investment Committee	
			(Rupees in '000)				
1	Hemmat Jafri	941	64	64	64	-	1,133
2	Aamer Mahmood Hussain	3,743	173	173	115	-	4,204
3	Arif Ahmed Khan	1,076	-	-	39	-	1,115
4	Zahoor Ahmed	3,793	79	-	123	50	4,045
5	Gholamreza Arjmandi	1,379	149	-	-	50	1,578
6	Hamid Raza Raufi	350	-	-	-	-	350
	<b>Total amount paid</b>	11,282	465	237	341	100	12,425



## 39 FAIR VALUE MEASUREMENT

39.1 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	2020			
	Fair value			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<b>Financial assets measured</b>				
<b>Investments</b>				
Federal Government securities	-	7,708,301	-	7,708,301
Units of mutual funds	-	-	-	-
Shares in listed companies	1,052,915	-	-	1,052,915
Non Government Debt Securities	-	4,890,736	-	4,890,736

On balance sheet financial instruments	2019			
	Fair value			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<b>Financial assets measured</b>				
<b>Investments</b>				
Federal Government securities	-	8,489,344	-	8,489,344
Units of mutual funds	-	-	-	-
Shares in listed companies	959,729	-	-	959,729
Non Government Debt Securities	-	4,929,282	-	4,929,282

### 39.2 Fair value of financial assets

The fair value of financial assets and liabilities not carried at fair value are not significantly different from their carrying values since assets and liabilities are either short term in nature or in case of loan are frequently repriced.

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair values' estimates.

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).

### 39.3 On balance sheet financial instruments

	2020		2019	
	Book value	Fair value	Book value	Fair value
	(Rupees in '000)			
<b>Assets</b>				
Cash and balances with treasury banks	54,919	54,919	46,383	46,383
Balances with other banks	74,589	74,589	83,751	83,751
Lendings to financial institutions	-	-	150,000	150,000
Investments	13,651,952	13,651,952	14,598,528	14,664,301
Advances	6,165,043	6,165,043	5,389,709	5,389,709
Other assets	284,551	284,551	311,648	311,648
	<b>20,231,054</b>	<b>20,231,054</b>	<b>20,580,019</b>	<b>20,580,019</b>
<b>Liabilities</b>				
Borrowings from financial institutions	10,223,036	10,223,036	10,842,781	10,842,781
Deposits and other accounts	923,702	923,702	775,323	775,323
Other liabilities	394,932	394,932	316,240	316,240
	<b>11,541,670</b>	<b>11,541,670</b>	<b>11,934,344</b>	<b>11,934,344</b>
	<b>8,689,384</b>	<b>8,689,384</b>	<b>8,645,675</b>	<b>8,645,675</b>
<b>Off-balance sheet financial instruments</b>	-	-	-	-

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

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

## 40. SEGMENT INFORMATION

### 40.1 Segment Details with respect to Business Activities

	2020				
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	Total
	(Rupees in '000)				
<b>Profit &amp; Loss</b>					
Net mark-up / return / profit	620,042	414,257	-	(30,664)	1,003,635
Inter segment revenue - net	-	-	-	-	-
Non mark-up / return / interest income	10,301	10,204	50,588	(376)	70,717
<b>Total Income</b>	<b>630,343</b>	<b>424,461</b>	<b>50,588</b>	<b>(31,040)</b>	<b>1,074,352</b>
Segment direct expenses	23,930	45,794	13,376	294,302	377,402
Inter segment expense allocation	-	-	-	-	-
<b>Total expenses</b>	<b>23,930</b>	<b>45,794</b>	<b>13,376</b>	<b>294,302</b>	<b>377,402</b>
Provisions / (reversals)	228,640	-	(37,974)	-	190,666
<b>Profit before tax</b>	<b>377,773</b>	<b>378,667</b>	<b>75,186</b>	<b>(325,342)</b>	<b>506,284</b>

**Balance Sheet**

Cash & Bank balances	-	-	-	129,508	129,508
Investments	3,661,244	9,045,494	945,214	-	13,651,952
Net inter segment lending	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-
Advances - performing	5,508,761	-	-	125,975	5,634,736
Advances - non-performing	530,307	-	-	-	530,307
Others	734,458	102,611	5,954	500,278	1,343,301
<b>Total Assets</b>	<b>10,434,770</b>	<b>9,148,105</b>	<b>951,168</b>	<b>755,761</b>	<b>21,289,804</b>
Borrowings	3,731,090	6,146,158	345,788	-	10,223,036
Subordinated debt	-	-	-	-	-
Deposits & other accounts	409,390	425,998	88,314	-	923,702
Net inter segment borrowing	-	-	-	-	-
Others	249,853	30,300	-	200,655	480,808
<b>Total liabilities</b>	<b>4,390,333</b>	<b>6,602,456</b>	<b>434,102</b>	<b>200,655</b>	<b>11,627,546</b>
Equity	6,044,437	2,545,649	517,066	555,106	9,662,258
<b>Total Equity &amp; liabilities</b>	<b>10,434,770</b>	<b>9,148,105</b>	<b>951,168</b>	<b>755,761</b>	<b>21,289,804</b>
<b>Contingencies &amp; Commitments</b>	<b>100,000</b>	<b>4,478,204</b>	<b>-</b>	<b>-</b>	<b>4,578,204</b>

2019

Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	Total
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(Rupees in '000)

**Profit & Loss**

Net mark-up / return / profit	796,777	177,254	-	(30,964)	943,067
Inter segment revenue - net	-	-	-	-	-
Non mark-up / return / interest income	9,481	(56,870)	10,449	728	(36,212)
<b>Total Income</b>	<b>806,258</b>	<b>120,384</b>	<b>10,449</b>	<b>(30,236)</b>	<b>906,855</b>
Segment direct expenses	21,904	16,178	9,630	287,523	335,235
Inter segment expense allocation	-	-	-	-	-
<b>Total expenses</b>	<b>21,904</b>	<b>16,178</b>	<b>9,630</b>	<b>287,523</b>	<b>335,235</b>
Provisions	316,749	(74,436)	(65,160)	-	177,153
<b>Profit before tax</b>	<b>467,605</b>	<b>178,642</b>	<b>65,979</b>	<b>(317,759)</b>	<b>394,467</b>

**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
Advances - non-performing	563,638	-	-	-	563,638
Others	602,619	144,054	8,032	385,740	1,140,445
<b>Total Assets</b>	<b>9,490,158</b>	<b>10,415,698</b>	<b>938,082</b>	<b>630,651</b>	<b>21,474,589</b>
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
<b>Total liabilities</b>	<b>5,581,441</b>	<b>6,002,838</b>	<b>243,564</b>	<b>176,027</b>	<b>12,003,870</b>
Equity	3,908,717	4,412,860	694,518	454,624	9,470,719
<b>Total Equity &amp; liabilities</b>	<b>9,490,158</b>	<b>10,415,698</b>	<b>938,082</b>	<b>630,651</b>	<b>21,474,589</b>
<b>Contingencies &amp; Commitments</b>	<b>100,000</b>	<b>5,323,734</b>	<b>-</b>	<b>-</b>	<b>5,423,734</b>

## 41. RELATED PARTY TRANSACTIONS

The Company has related party transactions with its parent, subsidiaries, associates, joint ventures, employee benefit plans and its directors and Key Management Personnel.

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

	2020			2019		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
	(Rupees in '000)					
<b>Advances</b>						
Opening balance	-	75,735	-	-	58,688	-
Addition during the year	-	21,200	-	-	21,229	-
Repaid during the year	-	(6,508)	-	-	(4,182)	-
Closing balance	-	90,427	-	-	75,735	-
<b>Other Assets</b>						
Other receivable	-	-	10,394	-	-	10,039
<b>Deposits and other accounts</b>						
Opening balance	-	3,170	585,356	-	1,823	587,715
Received during the year	-	28,697	2,113,079	-	23,353	3,045,655
Withdrawn during the year	-	(28,780)	(2,006,738)	-	(22,006)	(3,048,014)
Closing balance	-	3,087	691,697	-	3,170	585,356
<b>Other Liabilities</b>						
Interest / mark-up payable	-	29	12,083	-	13	2,433
Payable to staff retirement fund	-	-	-	-	-	-
Other liabilities	-	-	8,068	-	-	7,090
<b>RELATED PARTY TRANSACTIONS</b>						
	2020			2019		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
	(Rupees in '000)					
<b>Income</b>						
Mark-up / return / interest earned	-	3,784	-	-	3,187	-
<b>Expense</b>						
Mark-up / return / interest paid	-	344	63,279	-	254	75,109
<b>Operating expenses</b>						
Fees for Board & Committee Meeting	15,611	-	-	3,713	-	-
Allowances for Board & Committee Meeting	-	-	-	8,712	-	-
Managerial Remuneration	-	77,412	-	-	71,716	-
Cash Bonus / Awards	-	9,440	-	-	1,186	-
Contribution to defined contribution plan	-	6,289	-	-	5,689	-
Rent & house maintenance	-	14,722	-	-	12,163	-
Utilities	-	3,680	-	-	3,041	-
Medical	-	4,601	-	-	3,834	-
Conveyance	-	11,379	-	-	11,151	-
Others	-	692	-	-	670	-

### Capital adequacy

"As per requirements of SBP, the Bank is required to comply with the capital adequacy framework which comprises the following capital standards:"

#### i) Minimum Capital Requirement (MCR):

The MCR standard sets the paid - up capital that the Company is required to hold at all times.

As of the statement of financial position date, the Company's paid - up capital stands at Rs. 6 billion as against the required MCR of Rs. 6 billion.

#### ii) Capital Adequacy Ratio:

The Capital Adequacy Ratio (CAR) assesses the capital requirement based on the risks faced by the banks/DFIs. The banks/DFIs are required to comply with the CAR as specified by SBP on standalone as well as consolidated basis.

During the year 2013, SBP issued revised instructions on the computation of CAR based on Basel III Capital Reform as issued by the Basel Committee on Banking Supervision. These instructions also specify the transitional arrangements from 2013 to 2019, which have now fully implemented from 31 December 2019.

Accordingly, the Bank has assessed and reported its Capital Adequacy Ratio in the financial statements on the basis of Basel III requirements as prescribed by SBP.

	2020	2019
	(Rupees in '000)	
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	6,000,000	6,000,000
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	6,431,285	6,424,849
Eligible Additional Tier 1 (ADT 1) Capital	-	-
<b>Total Eligible Tier 1 Capital</b>	<b>6,431,285</b>	<b>6,424,849</b>
Eligible Tier 2 Capital	-	-
<b>Total Eligible Capital (Tier 1 + Tier 2)</b>	<b>6,431,285</b>	<b>6,424,849</b>
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	8,286,993	8,255,320
Market Risk	1,608,255	1,411,956
Operational Risk	1,621,542	1,403,104
<b>Total</b>	<b>11,516,790</b>	<b>11,070,380</b>

	2020		2019	
	Required	Actual	Required	Actual
Common Equity Tier 1 Capital Adequacy ratio	6.00%	55.84%	6.00%	58.04%
Tier 1 Capital Adequacy Ratio	7.50%	55.84%	7.50%	58.04%
Total Capital Adequacy Ratio	11.5%	55.84%	12.5%	58.04%

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.

	2020	2019
	(Rupees in '000)	
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	6,431,285	6,424,849
Total Exposures	17,610,587	21,589,787
Leverage Ratio	36.52%	29.76%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total Net Cash Outflow	4,034,704	2,119,092
Liquidity Coverage Ratio	1,186,531	1,445,881
	3.40	1.47
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	15,123,909	14,550,356
Total Required Stable Funding	10,457,783	10,497,288
Net Stable Funding Ratio	145%	139%

- 42.1 The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time have been placed on the website. The link to the full disclosure is available at [http:// www.pairinvestment.com](http://www.pairinvestment.com).

## 43 RISK MANAGEMENT

The primary risks associated with the Company's exposure are:

Credit Risk: the risk of loss resulting from client or counterparty default.

Market Risk: the exposure to market variables such as interest rates and equity prices.

Operational Risk: the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and therefore includes legal risk.

The Company manages risk through a sound framework based on risk principles which includes an optimal organizational structure, risk assessment and monitoring processes. Credit & Risk Management function (CRMD) is mandated to implement this framework as a function independent of business segments working under the guidance of Board's Risk Management Committee (BRMC).

The Company's Credit & Risk Management Department has BASEL Compliant, Credit, Market, Liquidity and Operational Risk functions. Furthermore, Environmental Risk Management mechanism, through Green Banking Framework, has been defined and is currently in implementation phase.

The Company's portfolio and exposures are governed through relevant policies, procedures and various risk measurement techniques by adopting Internal Capital Adequacy Assessment Process (ICAAP) and Stress Testing with a purpose to achieve efficiency, effectiveness and compliance. Internal Risk Rating mechanism and transaction level risk analytics are in place to have ongoing risk sensitive assessment and reporting. The Company is more focused towards implementing system based risk assessment in order to have more efficiency in overall risk management processes.



### 43.1 Credit risk

Credit risk is the risk of loss to the Company as a result of failure by a client or counterparty to meet its contractual obligations. It is inherent in loans, commitments to lend, traded products, repurchase agreements (reverse repos), placements and other lending transactions. The role of Credit Risk Management particularly includes:

- Participation in portfolio planning and management.
- Establishment of credit policies and standards that conform to regulatory requirements and the Company's overall objectives.
- Working with Business Units in keeping aggregate credit risk exposure within the Company's risk appetite.
- Organizing portfolio reviews focusing on quality assessment, risk profiles, industry concentrations.
- Setting systems to identify significant portfolio indicators, problem credits and level of provisioning required.

The Company has designed an Internal Risk Rating Models and methodology to gauge credit risk elements in the banking book of the Company.

The credit products mainly comprise of Fund based & Non-Fund based, including short term and long term financing, project finance, term lending, reverse repurchase, bridge finance, investment in TFCs , sukuk bonds and placements with financial institutions, etc. Exposures are collateralized by cash equivalents, fixed assets, and current assets including property plant and equipment, land and building, hypothecation, pledge on stocks and receivables as the case may be. The Company manages limits and controls concentrations of credit risk as identified, in particular to individual counterparties and groups, and to industries, where appropriate.

Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographic region or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. The Company sets limits on its credit exposure to counterparty, to groups, and to industry, which are in line with SBP standards.

Stress testing on credit portfolio is being carried out on regular basis to assess the impact of defaults on Company's earning and capital adequacy. Credit concentration, rating migration, default shocks and risk aggregation of large exposures are few of the main shocks used to gauge the strength of Credit risk standing of the Company.

#### 43.1.1 Credit Risk – General Disclosures Basel II/ III specific

The Company is more focused on the intent of Basel II/ III rather than just treating it as a regulatory requirement. Therefore, in addition to the adoption of Standardized approach and reporting to SBP, the Company has already adopted the practice of ongoing assessment as required under the advanced approaches of Basel II .The Company has adopted Pillar II ICAAP requirements duly approved by the Board of Directors.

#### 43.1.2 Credit Risk: Disclosure for portfolio subject to the Standardized Approach

For the calculation of Risk Weighted Assets under Standardized Approach, external credit ratings have been used for all exposures, where available, against banks lending, corporate lending and debt instruments. The external ratings are further mapped with SBP ratings scale to arrive at risk weights of each transaction.

### 43.1.3 Types of exposures and ECAI's used

Exposures	JCR-VIS	PACRA
Banks	✓	✓
Corporate	✓	✓

#### Credit exposures subject to standardised approach

Exposures	Rating Category	Amount Outstanding (Rupees in '000)	Deduction	Net amount
Corporate	1	839,981	-	839,981
	2	3,903,752	-	3,903,752
	3,4	1,107,742	-	1,107,742
	5,6	-	-	-
	Unrated 1	1,702,772	-	1,702,772
	Unrated 2	210,607	-	210,607
Banks		4,552,035	4,476,771	75,264
Sovereigns		7,849,443	-	7,849,443
Retail Portfolio		8,735	-	8,735
Residential Mortgage Finance		117,240	-	117,240
Past Due Loans		597,291	-	597,291
Listed Equity investments		485,552	-	485,552
Unlisted Equity investments		134,586	-	134,586
Cash and Cash Equivalents		611	-	611
Others		1,067,332	-	1,067,332
		<b>22,577,697</b>	<b>4,476,771</b>	<b>18,100,908</b>

### 43.1.4 Credit Risk: Disclosure with respect to Credit Risk Mitigation for Standardized approach - Basel II specific

The credit policy of the Company covers credit risk mitigation process and requirements for all secured transactions. Key elements include:

- Collateral type;
- Collateral quality and ranking;
- Collateral valuation process, and
- Margin requirements

Equitable Mortgage, Token Registered Mortgage, Hypothecation Charge Over Fixed Assets , Current Assets, Pledge of Shares, Lending against Government Securities (for repo style transaction), GOP Guarantee and Pledge of stocks are the main type of collaterals taken against the exposure.

### 43.1.5 Lendings to financial institutions

	Gross lendings		Non-performing lendings		Provision held	
	2020	2019	2020	2019	2020	2019
(Rupees in '000)						
<b>Credit risk by public / private sector</b>						
Public/ Government	-	-	-	-	-	-
Private	-	150,000	-	-	-	-
	-	150,000	-	-	-	-

### 43.1.6 Investment in debt securities

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
(Rupees in '000)						
<b>Credit risk by industry sector</b>						
Chemical and Pharmaceuticals	237,259	249,518	-	-	-	-
Financial Institution	3,688,908	3,621,161	11,245	11,245	11,245	11,245
Manufacture of bakery other food products	170,000	190,000	-	-	-	-
Manufacture of basic iron and steel	300,000	300,000	-	-	-	-
Manufacture of chemicals and chemical products	13,747	17,957	13,747	17,957	1,711	1,711
Manufacture of medicinal and pharmaceutical products	90,000	120,000	-	-	-	-
Power	-	50,966	-	-	-	-
Real estate activities	357,041	379,680	19,680	19,680	19,680	19,680
Spinning, weaving, finishing of textiles	100,000	-	-	-	-	-
	4,956,955	4,929,282	44,672	48,882	32,636	32,636

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
(Rupees in '000)						
<b>Credit risk by Public / Private Sector</b>						
Public/ Government	-	-	-	-	-	-
Private	4,956,955	4,929,282	44,672	48,882	32,636	32,636
	4,956,955	4,929,282	44,672	48,882	32,636	32,636

### 43.1.7 Advances

	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
(Rupees in '000)						
<b>Credit risk by industry sector</b>						
Manufacture of electrical machinery and apparatus	575,000	575,000	-	-	-	-
Cargo handling	150,405	220,737	14,062	12,306	14,062	2,937
Casting of iron and steel	205,740	194,288	194,288	194,288	52,042	-
Education	108,933	137,632	21,179	-	5,552	-
Financial Institution	17,647	52,941	-	-	-	-
Hotels and Tourism	90,000	100,000	-	-	-	-
Manufacture of basic iron and steel	476,611	476,611	476,611	476,611	389,061	298,028
Manufacture of cement	225,000	225,000	75,000	75,000	75,000	75,000
Manufacture of medicinal and pharmaceutical products	224,035	246,922	-	-	-	-
Manufacture of other grain mills products	221,922	248,163	-	-	-	-

	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
	(Rupees in '000)					
Manufacture of parts and accessories for motor vehicles	44,934	61,566	-	-	-	-
Manufacture of refined petroleum and products	187,500	273,336	-	-	-	-
Manufacture of rubber tyres and tubes	173,412	206,250	-	-	-	-
Manufacture of sugar	603,333	91,429	70,000	70,000	70,000	70,000
Manufacture of Textiles	2,327,596	2,155,047	500,000	500,000	500,000	500,000
Poultry and other animal farming and related products	95,250	95,250	95,250	95,250	95,250	95,250
Production, transmission and distribution of electricity	326,590	348,891	326,590	152,988	55,435	-
Real estate activities	284,860	284,860	284,860	218,000	284,860	218,000
Staff Loans	125,976	114,777	-	-	-	-
Textile others	33,037	37,410	24,037	28,410	10,309	-
Printing, publishing and allied industries	49,424	52,978	-	-	-	-
Maintenance and repair	28,298	37,828	-	-	-	-
Manufacture of other fabricated metal products	35,545	47,373	-	-	-	-
Manufacture of edible oil and ghee	-	197,803	-	-	-	-
Manufacture of bakery other food products n.e.c.	132,397	138,889	-	-	-	-
Printing and Publishing of newspapers, journals, periodicals and related party	26,938	27,943	-	-	-	-
Manufacture of food products and beverages (other)	505,554	-	-	-	-	-
Construction (Non residential)	215,677	-	-	-	-	-
Extraction of natural gas and service activities excluding surveying	225,000	-	-	-	-	-
	<b>7,716,614</b>	<b>6,648,924</b>	<b>2,081,878</b>	<b>1,822,853</b>	<b>1,551,571</b>	<b>1,259,215</b>

#### Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
	(Rupees in '000)					
Public/ Government	-	-	-	-	-	-
Private	7,716,614	6,648,924	2,081,878	1,822,853	1,551,571	1,259,215
	<b>7,716,614</b>	<b>6,648,924</b>	<b>2,081,878</b>	<b>1,822,853</b>	<b>1,551,571</b>	<b>1,259,215</b>

#### Contingencies and Commitments

##### 43.1.8 Credit risk by industry sector

	2020	2019
	(Rupees in '000)	
Production & Transmission of Energy	100,000	100,000
Manufacture of medicinal and pharmaceutical products	-	-
Production, transmission and distribution of electricity	-	-
	<b>100,000</b>	<b>100,000</b>
<b>Credit risk by public / private sector</b>		
Public/ Government	-	-
Private	100,000	100,000
	<b>100,000</b>	<b>100,000</b>

### 43.1.9 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 3.68 billion (2019: 3.07 billion) are as following:

	2020	2019
	(Rupees in '000)	
Funded	3,683,666	3,069,197
Non Funded	-	-
Total Exposure	3,683,666	3,069,197

The sanctioned limits against these top 10 exposures aggregated to PKR 3.87 billion (2019: 4.22 billion).

#### Total Funded Classified therein

	2020		2019	
	Amount	Provision held	Amount	Provision held
	(Rupees in '000)			
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	826,611	739,061	826,611	648,026
Total	826,611	739,061	826,611	648,026

### 43.1.10 Advances - Province/Region-wise Disbursement & Utilization

	2020			
Province / region	Disbursements*	Utilization **		
		Punjab	Sindh	Federal Capital Territory Islamabad
	(Rupees in '000)			
Sindh	2,907,668	973,413	1,709,255	225,000
Total	2,907,668	973,413	1,709,255	225,000

	2019			
Sindh	2,615,430	1,025,000	1,590,430	-
Total	2,615,430	1,025,000	1,590,430	-

\* "Disbursements of Province/Region wise" refers to the place from where the funds are being issued by the Company to the borrowers.

\*\* "Utilization of Province/Region wise" refers to the place where the funds are being utilized by borrower.

### 43.2 Market Risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. The COVID-19 impacted global economies and regulators around the world have announced various fiscal and economic measures to mitigate its impact.

The Government and the State Bank of Pakistan have also taken various fiscal and regulatory measures and reforms. The major step taken by SBP was to reduce the policy rate by 625bps to sustain economic activities.

Trading activities are executed in the Treasury & Investment Unit (T&IU). Major equity holdings are held to earn capital gain and dividend to support the Company's business activities while some of the investment positions of equity holding are made for revenue generation as part of strategic initiatives. The Company is active in the Money Market, Fixed Income and Equity market that carry interest rate and equity price risk on both trading and banking book respectively. Management level Market Risk Committee has been invoked to ensure specific & general risk assessment of all Market related products on timely basis.

Controls are also applied to prevent any undue risk concentrations in trading books, taking into account variations in price volatility and market depth and liquidity. They include controls on exposure to individual market risk variables, such as individual interest or equity price ('risk factors'), and on positions in the securities of individual issuers.

Market risk measures and controls are applied at the portfolio level, and concentration limits and other controls are applied where necessary to individual risk types, to particular books and to specific exposures. Portfolio risk measures are common to all market risks, but concentration limits and other controls are tailored to the nature of the activities and the risks they create.

The Company has developed Market Risk Policy, which covers the techniques to gauge, monitor and report the impact of interest rate and price risk implications.

Details of Market Risk Weighted Assets subject to Basel III Capital Adequacy Calculation are given below:

Market Risk Weighted Assets	Assets	Capital Charge
Interest Rate Risk Exposure	-	-
Equity Exposure	804,128	128,660

#### 43.2.1 Balance sheet split by trading and banking books

	2020			2019		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	54,919	-	54,919	46,383	-	46,383
Balances with other banks	74,589	-	74,589	83,751	-	83,751
Lendings to financial institutions	-	-	-	150,000	-	150,000
Investments	12,599,037	1,052,915	13,651,952	13,704,574	959,727	14,664,301
Advances	6,165,043	-	6,165,043	5,389,709	-	5,389,709
Fixed assets	219,675	-	219,675	229,709	-	229,709
Intangible assets	146	-	146	314	-	314
Deferred tax assets	414,100	-	414,100	375,527	-	375,527
Other assets	709,380	-	709,380	534,895	-	534,895
	<u>20,236,889</u>	<u>1,052,915</u>	<u>21,289,804</u>	<u>20,514,862</u>	<u>959,727</u>	<u>21,474,589</u>



### 43.2.2 Foreign Exchange Risk

Foreign Exchange Risk is the risk of loss resulting from changes in exchange rates. The Company does not carry any product specific Foreign Exchange Risk.

	2020				2019			
	Foreign Currency Asset	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Asset	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)							
Pakistan Rupees	21,178,912	11,619,478	100,000	9,659,434	21,459,856	11,996,780	100,000	9,563,076
United States Dollar	10,892	-	-	10,892	12,555	-	-	12,555
Euro	-	8,068	-	(8,068)	2,178	7,090	-	(4,912)
	21,189,804	11,627,546	100,000	9,662,258	21,474,589	12,003,870	100,000	9,570,719

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			

Impact of 1% change in foreign exchange rates on :

- Profit and loss account	23	-	76	-
- Other comprehensive income	-	-	-	-

### 43.2.3 Equity position Risk

Equity position risk arises due to adverse movements in equity prices. The Company as a policy does not enter into any kind of proprietary equity trades. The investment in equities is also managed within the statutory limits as prescribed by the State Bank of Pakistan.

The objective of 'Held for Trading' portfolio is to take advantages of short-term capital gains, while the 'Available for Sale' portfolio is maintained with a medium-term view of capital gains and dividend income. The Company has also invested in mutual funds categorized as "Available for Sale". Investment policy has been developed to discuss in detail the objectives / policies, risks / mitigates, limits / controls for exposures against price risk.

In order to dampen the effects of COVID-19, the State Bank of Pakistan has allowed banks to 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 ended on 31 December 2020. However, the State Bank of Pakistan also encouraged banks/DFIs for early recognition of full impairment loss. However, PAIR has recognized the impairment loss equally on quarterly basis.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices on :				
- Profit and loss account	-	2,152	-	1,796
- Other comprehensive income	-	50,493	-	46,191

### 43.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

The Company's Banking Book consists of significant amount of Interest Rate sensitive assets. The investment portfolio comprises of floating interest rate TFCs and Sukuks that are mainly linked to six month KIBOR. Therefore, the overall frequency of banking book interest rate is around six months. Interest rate position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date, the instrument's repayment nature varies from monthly payments to bullet maturity.

Capital Adequacy Stress test exercise has been conducted by using duration method for measuring the upward and downward shocks of interest rate. This provides the Company risk taking and absorption capacity and its implication on capital adequacy in the worst case scenarios.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in interest rates on :				
- Profit and loss account	<u>8,267</u>	<u>-</u>	<u>11,724</u>	<u>-</u>
- Other comprehensive income	<u>85,796</u>	<u>-</u>	<u>110,293</u>	<u>-</u>

### 43.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

#### 2020

Effective yield / interest rate	Total	Exposed to Yield/ Interest risk							N on-interest bearing financial instruments
		Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	

(Rupees in '000)

#### On-balance sheet financial instruments

##### Assets

Cash and balances with treasury banks	54,920	657	-	-	-	-	-	-	54,263
Balances with other banks	74,589	67,099	-	-	-	-	-	-	7,490
Lending to financial institutions	-	-	-	-	-	-	-	-	-
Investments	13,651,953	955,924	1,756,381	2,657,051	1,426,311	-	398,062	3,443,372	1,949,900
Advances	6,165,045	1,112,746	1,783,816	327,990	222,707	413,469	335,854	512,267	549,531
Other assets	219,821	-	-	-	-	-	-	-	219,821
	20,166,328	2,136,426	3,540,197	2,985,041	1,649,018	413,469	733,916	3,955,639	2,779,381
									77,184
									1,896,057

##### Liabilities

Borrowings	10,223,035	4,480,024	2,577	2,658,783	89,182	1,232,280	287,302	484,336	988,551	-
Deposits and other accounts	923,702	831,435	92,027	-	-	-	-	-	-	240
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Other liabilities	480,808	-	-	-	-	-	-	-	-	480,808
	11,627,545	5,311,459	94,604	2,658,783	89,182	1,232,280	287,302	484,336	988,551	-
										481,048
	8,538,783	(3,175,033)	3,445,593	326,258	1,559,836	(818,811)	446,614	3,471,303	1,790,830	1,415,009

#### On-balance sheet gap

#### 2020

Effective yield / interest rate	Total	Exposed to Yield/ Interest risk							N on-interest bearing financial instruments
		Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	

(Rupees in '000)

#### Off-balance sheet financial instruments

#### Off-balance sheet gap

	-	-	-	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap	8,538,783	(3,175,033)	3,445,593	326,258	1,559,836	(818,811)	446,614	3,471,303	1,790,830	1,415,009
Cumulative Yield / Interest Risk Sensitivity Gap	8,538,783	(3,175,033)	270,560	596,818	2,156,654	1,337,843	1,784,457	5,255,760	7,046,590	8,538,783

2019

Effective yield / interest rate	Total	Exposed to Yield/ Interest risk								Non-interest bearing financial instruments
		Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	

(Rupees in '000)

#### On-balance sheet financial instruments

##### Assets

Cash and balances with treasury banks	0.15%	608	-	-	-	-	-	-	-	45,788
Balances with other banks	9.25%	70,790	-	-	-	-	-	-	-	12,961
Lending to financial institutions	15.15%	100,000	50,000	-	-	-	-	-	-	-
Investments	14.09%	2,364,556	2,454,982	2,837,501	3,161,898	463,895	-	1,203,620	1,201,875	975,974
Advances	10.83%	1,166,258	1,313,459	584,689	69,499	191,468	293,056	481,827	630,843	580,287
Other assets		305,417	-	-	-	-	-	-	-	305,417
		20,639,574	3,818,441	3,422,190	3,231,397	655,363	293,056	1,685,447	1,832,718	78,323
										1,920,427

##### Liabilities

Borrowings	11.87%	4,995,440	563,158	3,696,165	61,095	156,832	245,418	423,387	701,286	-
Deposits and other accounts	13.58%	169,781	591,792	12,550	1,000	-	-	-	-	200
Subordinated debt		-	-	-	-	-	-	-	-	-
Other liabilities		314,821	-	-	-	-	-	-	-	314,821
		11,932,925	5,165,221	3,708,715	62,095	156,832	245,418	423,387	701,286	315,021
		8,706,649	(1,463,009)	(286,525)	3,169,302	498,531	47,638	1,262,060	1,131,432	78,323
										1,605,406

#### On-balance sheet gap

#### Off-balance sheet financial instruments

#### Off-balance sheet gap

#### Total Yield / Interest Risk

#### Sensitivity Gap

8,706,649	(1,463,009)	2,663,491	(286,525)	3,169,302	498,531	47,638	1,262,060	1,131,432	78,323	1,605,406
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#### Cumulative Yield / Interest Risk

#### Sensitivity Gap

8,706,649	(1,463,009)	1,200,482	913,957	4,083,259	4,581,790	4,629,428	5,891,488	7,022,920	7,101,243	8,706,649
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#### 43.2.5.1 Reconciliation of financial assets and liabilities

	2020	2019
	(Rupees in '000)	
<b>Assets as per Statement of financial position</b>	<b>21,289,804</b>	21,474,589
Less: Fixed assets	219,675	229,709
Less: Intangible assets	146	314
Less: Deferred tax assets	414,100	375,527
Less:		
Advances, deposits, advance rent and other prepayments	177,290	93,685
Non-refundable deposits	6,781	6,231
Non-banking asset acquired against claims	84,821	89,632
Advance Taxation (payments less provisions)	115,856	39,930
	384,748	229,478
Interest Rate Sensitive Assets	20,271,135	20,639,561
<b>Liabilities as per Statement of financial position</b>	<b>11,627,546</b>	12,003,870
Deferred tax liabilities	-	-
Less:		
Provision for compensated absences	4,248	3,047
Branch Adjustment accounts	-	-
Workers' Welfare Fund	81,569	67,897
Provisions against off balance sheet obligations	-	-
Unearned commission LG	-	-
	85,817	70,944
<b>Other liabilities - yield</b>	<b>11,541,729</b>	11,932,926

#### 43.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. PAIR Investment Company, in the light of SBP guidelines on Operational Risk Framework via BPRD Circular# 04-2014 dated May 20, 2014, developed Operational Risk Management Framework considering the regulatory guidelines and best practices in the market. PAIR Investment Company is adequately monitoring & reporting the operational risk data as per regulatory guidelines and BoD approved Operational Risk policy. With the implementation of Operational Risk Framework, the Company is being able to manage operational risks in a more systematic way that includes analyzing current systems for data collection, migration, validation and retention for current and historical reference and calculation.

The Company maintains a system of internal controls designed to keep operational risk at appropriate levels. Various techniques/tools used by the company for management of Operational Risk includes RCSAs (Risk Control Self Assessment), KRIs (Key Risk Indicators) and Loss data management. The Company also has in place a business continuity plan for all critical functional areas for smooth functioning of operations.

Basel III Basic Indicator Approach is used for calculating the Capital Adequacy for Operational Risk.

##### 43.3.1 Operational risk disclosure - Basel II/III specific

Basic Indicator approach of Basel II/ III has been used to calculate Operational Risk charge of the Company.

## 43.4 Liquidity risk

Liquidity risk is the risk of loss to the Company arising from its inability to meet obligations as they fall due or to fund growth in assets, without incurring unacceptable cost or losses.

The Company's approach to liquidity management is to ensure, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions without incurring unacceptable losses or risking sustained damage.

Liquidity risk policy has been designed that entails careful monitoring and control of the daily liquidity position, and regular liquidity stress tests under a variety of scenarios. Scenarios encompass both normal and stressed market conditions, including general market crises and the possibility that access to markets could be impacted by a stress event affecting some part of the Company's business.

The Company has developed Liquidity Risk Policy, which covers the techniques to gauge, monitor and report the impact of potential liquidity risk indicators and its implications. Moreover, PAIR Investment maintain strict adherence to SBP prescribed Liquidity Measures ensuring smooth liquidity i.e.: CRR, SLR, LCR and NSFR.

### 43.4.1 Liquidity Coverage Ratio

SBP issued BPRD Circular No. 8 dated June 23, 2016 advising implementation of Basel III liquidity standards that constitute two ratios, i.e., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and five monitoring tools.

LCR is the measure of conversion capability of the Company's High Quality Liquid Assets (HQLAs) into cash to meet immediate liquidity requirements over a 30 days horizon.

The Company calculates Liquidity Coverage Ratio (LCR) on monthly basis as per the guidelines given in the above mentioned circular. The objective of LCR is to ensure the short-term resilience of the liquidity risk profile which requires the Company to maintain sufficient High Quality Liquid Assets (HQLAs) to meet stressed cash outflows over a prospective 30 calendar - days period. As of 31 December 2020, the PAIR's LCR stood at 1013% .

### 43.4.2 Governance of Liquidity Risk Management

Liquidity risk is managed through the liquidity risk policy approved by the Board. The Company has “zero tolerance” for liquidity risk and will continue to maintain a comfortable margin of excess liquidity in the form of cash and readily marketable assets to meet its funding requirements at any time.

Management of liquidity risk is accomplished through a formal structure which includes:

- Board of Directors (BOD)
- Risk Management Committee
- Asset Liability Management Committee (ALCO)
- Treasury Division
- Risk Management Division & Middle Office
- Finance Division
- Information Technology Division



"The Board of Directors approves the liquidity risk policy and ensures, through quarterly reviews by the Risk Management Committee of the Board, that the Company's liquidity risk is being managed prudently. Risk Management Committee of the Board provides overall guidance in managing the Company's liquidity risk. Liquidity position is monitored daily by the Treasury Division and the Middle Office and reviewed regularly by ALCO.

#### **43.4.3 Funding Strategy**

The Company's prime source of liquidity is its own Capital and funding from other Financial Institutions. The Company also has sizeable Deposits Base in the form of Certificate of Investments. The Company is endeavouring to diversify its funding sources and enhance its Long-Term funding options so as to minimize the Liquidity Risk.

#### **43.4.4 Liquidity Risk Mitigation Techniques**

Various tools and techniques are used to measure and monitor the possible liquidity risk. These include monitoring of different liquidity ratios like Liquid Assets to Total Assets, advances to deposits, liquid assets to Clean Borrowing & COIs, Net Advances to Total Asset Ratio etc, which are monitored on regular basis against limits. Further, the DFI also prepares the maturity profile of assets and liabilities to monitor the liquidity gaps over different time bands. The DFI also ensures that statutory cash and liquidity requirements are maintained at all times.

In addition, LCR, NSFR & Monitoring Tools of Basel III framework further strengthen liquidity risk management of the company.

#### **43.4.5 Liquidity Stress Testing**

As per SBP BSD Circular No. 1 of 2012, Liquidity stress testing is being conducted under stress scenario. Shock include the withdrawals of Interbank and Wholesale deposits. The Company's liquidity risk management addresses the goal of protecting solvency and the ability to withstand stressful events in the market place. Stress testing for liquidity as prescribed in the liquidity risk policy is carried out regularly to estimate the impact of decline in liquidity.

#### **43.4.6 Contingency Funding Plan**

Contingency Funding Plan (CFP) is a part of liquidity risk policy of the Company which identifies the trigger events that could cause a liquidity contingency and describes the actions to be taken to manage it. The contingency funding plan highlights liquidity management actions that need to be taken to deal with the contingency. CFP highlights possible funding sources, in case of a liquidity contingency.

#### **43.4.7 Main Components of LCR**

Main components of LCR are High Quality Liquid Assets and Net Cash Outflows. Outflows are mainly deposit outflows net of cash inflows which consist of inflows from financing and money market placements up to 1 month. The inputs for calculation of LCR are based on SBP BPRD circular no. 08 dated 23 June 2016.

#### **43.4.8 Composition of HQLAs**

High Quality Liquid Assets consist of Level 1 Assets which are included in the stock of liquid assets at 100% weightage of their market value i.e., Cash & Treasury balances, Conventional Government Securities, GOP

Ijarah Sukuks, Foreign Currency Sukuks & Bonds issued by sovereigns. While Level 2 Assets comprise all equity shares (excluding shares of Financial Institutions) listed on PSX 100.

#### **43.4.9 Concentration of Funding Sources**

Almost half of the the Company's Balance sheet is funded by its own equity, while Borrowing from Financial Institutions remain key source of funding. In order to diversify its funding sources, the Company has sizable Deposits Base in the form of Certificate of Investment while Term Borrowings from the Central Bank and other Financial Institutions are also tapped.

#### **43.4.10 Currency Mismatch in the LCR**

About 99% of the Company's assets and liabilities are in local currency. Currency mismatch in other currencies is regularly monitored.

#### **43.4.11 Centralisation of Liquidity Management**

Overall liquidity management of PAIR is centralised in Treasury & Investment Unit. While ALCO periodically monitors the Liquidity Management of the Company.

#### **43.4.12 Other Inflows & Outflows**

Benefit of pledged deposits (deposits under lien) are not accounted for in calculation of LCR.

#### **43.4.13 Net Stable Funding Ratio (NSFR)**

NSFR is the ratio of the amount of Available Stable Funding (ASF) - source of funds, capital and liabilities relative to the amount of Required Stable Funding (RSF) - use of funds, assets and off - balance sheet exposures.

The objective of NSFR is to ensure the availability of stable funds that a company must hold to enable it to build and maintain its assets, investments and off balance sheet portfolio on an ongoing basis for longer term, i.e., over a one year horizon. NSFR reduces maturity mismatches between the asset and liability items on the balance sheet and thereby reduces funding and roll - over risk. The Bank's NSFR stood at 145% as on 31 December 2020.

## 2020

(Rupees in '000)

2019

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
(Rupees in '000)														
<b>Assets</b>														
Cash and balances with treasury banks	46,383	46,383	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	83,751	83,751	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	150,000	-	-	-	100,000	50,000	-	-	-	-	-	-	-	-
Investments	14,664,301	56,250	-	9,541	1,524,346	499,666	405,528	1,442,802	1,496,111	1,830,906	1,198,334	365,237	2,748,854	3,086,726
Advances	5,389,709	3,223	25,710	202,736	87,794	59,949	91,493	509,891	487,621	450,590	702,627	1,345,670	677,398	745,007
Fixed assets	229,709	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	314	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	375,527	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	534,895	12,502	6,226	54,254	23,664	55,451	109,771	167,631	105,396	-	-	-	-	-
	21,474,589	202,109	31,936	266,531	1,735,804	665,066	606,792	2,120,324	2,089,128	2,281,496	1,900,961	1,710,907	3,426,252	3,831,733
<b>Liabilities</b>														
Borrowings	10,842,781	-	2,589,940	1,189,027	1,216,473	560,562	2,596	496,165	11,402	499,693	1,056,832	1,145,418	1,373,387	701,286
Deposits and other accounts	775,323	-	5,154	3,000	161,668	68,395	523,417	12,610	1,020	59	-	-	-	-
Other liabilities	385,766	-	-	-	14,601	-	230,190	12,097	-	7,090	63,508	-	-	-
	12,003,870	-	2,595,094	1,192,027	1,392,742	628,957	756,203	520,872	12,422	506,842	1,120,340	1,145,418	1,373,387	701,286
<b>Net assets</b>	9,470,719	202,109	(2,563,158)	(925,496)	343,062	36,109	(149,411)	1,599,452	2,076,706	1,774,654	780,621	565,489	2,052,865	3,130,447
Share capital	6,000,000													
Reserves	888,356													
Surplus on revaluation of assets	56,305													
Unappropriated profit	2,526,058													
	9,470,719													

## 2020

[illegible]

2019

	Total	Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Above 10 years
(Rupees in '000)										
<b>Assets</b>										
Cash and balances with treasury banks	46,383	46,383	-	-	-	-	-	-	-	-
Balances with other banks	83,751	83,751	-	-	-	-	-	-	-	-
Lending to financial institutions	150,000	100,000	50,000	-	-	-	-	-	-	-
Investments	14,664,301	1,608,886	905,194	1,442,802	3,253,501	1,198,334	365,237	2,748,854	2,641,493	500,000
Advances	5,389,709	319,463	151,441	509,891	974,053	702,627	1,345,670	677,398	630,843	78,323
Fixed assets	229,709	-	-	-	-	-	-	-	-	-
Intangible assets	314	-	-	-	-	-	-	-	-	-
Deferred tax assets	375,527	-	-	-	-	-	-	-	-	-
Other assets	534,895	96,645	165,222	167,631	105,397	-	-	-	-	-
	21,474,589	2,255,128	1,271,857	2,120,324	4,332,951	1,900,961	1,710,907	3,426,252	3,272,336	578,323
<b>Liabilities</b>										
Borrowings	10,842,781	4,995,440	563,158	496,165	511,095	1,056,832	1,145,418	1,373,387	701,286	-
Deposits and other accounts	775,323	169,821	591,812	12,610	1,080	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	385,766	14,601	259,330	12,097	36,230	63,508	-	-	-	-
	12,003,870	5,179,862	1,414,300	520,872	548,405	1,120,340	1,145,418	1,373,387	701,286	-
<b>Net assets</b>	9,470,719	(2,924,734)	(142,443)	1,599,452	3,784,546	780,621	565,489	2,052,865	2,571,050	578,323
Share capital/ Head office capital account	6,000,000									
Reserves	888,356									
Surplus/(Deficit) on revaluation of assets	56,305									
Unappropriated/ Unremitted profit	2,526,058									
	9,470,719									



#### 44 EVENTS AFTER THE REPORTING DATE

Subsequent to the year end, the Board of Directors proposed a final cash dividend of PKR 180 million (2019: PKR 150 million).

#### 45 GENERAL

**45.1** Captions, as prescribed by BPRD Circular No.2 of 2018 issued by SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for captions of the statement of financial position and profit and loss account.

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

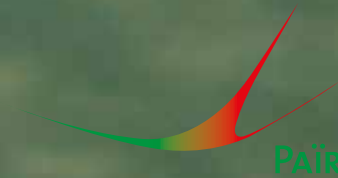
**45.3** The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long term entity rating to AA (Double A) and the short term rating at A1+ (A one plus) of the Company.

##### **45.4 Corresponding figures**

Comparative information has been re-classified as described in note 13.3 to facilitate comparison and better presentation.

#### 46 DATE OF AUTHORISATION

These financial statements were authorized for issue on 20 Feb, 2021 by the Board of Directors of the Company.



## PAİR Investment Company Limited

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