

PAIR Investment Company Limited
Condensed Interim Statement of Financial Position
As at 30 September 2021



	Note	30 Sept 2021 (Un-audited) (Rupees in '000)	31 December 2020 (Audited) (Rupees in '000)
ASSETS			
Cash and balances with treasury banks	6	80,111	54,919
Balances with other banks	7	32,718	74,589
Lendings to financial institutions		150,000	-
Investments	8	15,411,657	13,651,952
Advances	9	6,521,489	6,165,043
Fixed assets	10	210,994	219,675
Intangible assets	11	57	146
Deferred tax assets	12	483,269	414,100
Other assets	13	597,889	709,380
		23,488,184	21,289,804
LIABILITIES			
Bills payable		-	-
Borrowings	14	12,376,941	10,223,036
Deposits and other accounts	15	1,003,034	923,702
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	16	574,121	480,808
		13,954,096	11,627,546
NET ASSETS		9,534,088	9,662,258
REPRESENTED BY			
Share capital	17	6,000,000	6,000,000
Reserves	18	992,521	965,805
Surplus on revaluation of assets	19	(67,026)	16,001
Unappropriated profit		2,608,593	2,680,452
		9,534,088	9,662,258
CONTINGENCIES AND COMMITMENTS	20		

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


 Chief Financial Officer


 Managing Director /
 Chief Executive Officer


 Chairman


 Director


 Director

PAIR Investment Company Limited
Condensed Interim Profit and Loss Account (Un-audited)
For the period ended 30 September 2021



	Note	Quarter ended		Nine month period ended	
		July - Sept 2021	July - Sept 2020	January - Sept 2021	January - Sept 2020
----- (Rupees in '000) -----					
Mark-up / return / interest earned	23	399,288	439,867	1,145,663	1,575,431
Mark-up / return / interest expensed	24	208,625	199,504	593,734	788,598
Net mark-up / interest income		190,663	240,383	551,929	786,833
NON MARK-UP / INTEREST INCOME					
Fee and commission income	25	2,425	375	14,127	5,654
Dividend income		16,543	6,223	56,913	26,656
Foreign exchange income		754	(327)	1,056	229
Income / (loss) from derivatives		-	-	-	-
(Loss) / Gain on sale of securities	26	(8,109)	12,445	54,296	12,329
Other income		-	-	1,698	-
Total non mark-up / interest income		11,613	18,716	128,090	44,870
Total Income		202,276	259,099	680,019	831,703
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	27	88,180	72,534	272,994	240,817
Workers Welfare Fund		2,962	2,484	8,644	8,887
Other charges		-	24	225	24
Total non mark-up / interest expenses		89,142	75,042	281,863	249,728
Profit Before Provisions		113,134	184,057	398,156	581,975
Provisions /(reversals) and write offs - net	29	49,327	(58,368)	202,347	103,810
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		63,807	242,425	195,809	478,165
Taxation	30	45,000	52,371	62,231	112,790
PROFIT AFTER TAXATION		18,807	190,054	133,578	365,375
Basic and diluted earnings per share - (Rupees)	31	0.03	0.32	0.22	0.61

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

 _____ Chief Financial Officer	 _____ Managing Director / Chief Executive Officer	 _____ Chairman	 _____ Director	 _____ Director
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PAIR Investment Company Limited
 Condensed Interim Statement of Comprehensive Income (Un-audited)
 For the period ended 30 September 2021



	Quarter ended		Nine month period ended	
	July - Sept 2021	July - Sept 2020	January - Sept 2021	January - Sept 2020
	(Rupees in '000)			
Profit after taxation for the period	18,807	190,054	133,578	365,375
Other comprehensive income				
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>				
Movement in deficit on revaluation of investments - net of tax	(127,315)	(78,602)	(81,748)	(10,547)
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>				
Movement in (deficit) / surplus on revaluation of non-banking asset - net of tax	-	(428)	-	33,699
Total comprehensive income	(108,508)	110,948	61,830	378,527

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


 Chief Financial Officer


 Managing Director /
 Chief Executive Officer


 Chairman


 Director


 Director



PAIR Investment Company Limited
Condensed Interim Statement of Changes in Equity (Un-audited)
For the period ended 30 September 2021



Note	Share capital	Statutory reserve	(Deficit) / surplus on revaluation of		Unappropriated profit	Total
			Investments	Non Banking asset		
(Rupees in '000)						
Balance as at 1 January 2020	6,000,000	881,358	68,305	-	2,628,588	9,478,719
Profit for the period ended 30 Sep 2020	-	-	-	-	305,375	305,375
Other comprehensive income - net of tax	-	-	(19,547)	33,600	-	14,152
	-	-	(19,547)	33,600	305,375	379,627
Transfer to statutory reserve	-	72,075	-	-	(72,075)	-
Transactions with owners recognised directly in equity						
Final cash dividend - 31 December 2019 declared subsequent to the year end	-	-	-	-	(150,000)	(150,000)
Balance as at 30 September 2020	6,000,000	901,431	36,758	33,699	2,668,358	9,700,246
Profit for the period ended 31 December 2020	-	-	-	-	21,870	21,870
Other comprehensive income	-	-	(53,081)	(775)	(6,402)	(60,258)
	-	-	(53,081)	(775)	16,468	(37,388)
Transfer to statutory reserve	18	4,374	-	-	(4,374)	-
Balance as at 31 December 2020	6,000,000	948,805	(16,323)	32,924	2,680,452	9,682,258
Profit for the period ended 30 Sep 2021	-	-	-	-	133,678	133,678
Other comprehensive income	-	-	(81,748)	-	-	(81,748)
	-	-	(81,748)	-	133,678	51,930
Transfer to statutory reserve	18	20,710	-	-	(20,710)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax				(1,270)	1,270	-
Transactions with owners recognised directly in equity						
Final cash dividend - 31 December 2020 declared subsequent to the year end	-	-	-	-	(180,000)	(180,000)
Balance as at 30 September 2021	6,000,000	992,621	(88,871)	31,654	2,608,693	9,634,088

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

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

 Director  Director

PAIR Investment Company Limited
Condensed Interim Cash Flow Statement (Un-audited)
 For the period ended 30 September 2021



Note	30 Sept 2021	30 Sept 2020
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	195,809	478,165
Less: Dividend income	(56,913)	(28,858)
	<u>138,896</u>	<u>451,507</u>
Adjustments:		
Depreciation	22,321	19,022
Amortisation	89	139
Provision and write-offs	29 202,347	103,810
Gain on sale of fixed assets	(1,698)	-
Charge for defined benefit plan	9,626	8,432
Unrealised loss on revaluation of held for trading investments	26 8,743	2,731
	<u>241,428</u>	<u>134,134</u>
	<u>380,324</u>	<u>585,641</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(150,000)	150,000
Held-for-trading securities	(44,258)	(21,258)
Advances	(588,862)	(1,102,589)
Others assets	113,410	136,215
	<u>(639,710)</u>	<u>(835,630)</u>
Increase / (decrease) in operating liabilities		
Borrowings from financial institutions	2,153,905	(645,457)
Deposits	79,332	693,563
Other liabilities	95,113	106,813
	<u>2,328,350</u>	<u>54,909</u>
	<u>2,088,964</u>	<u>(195,080)</u>
Income tax paid	(118,964)	(173,376)
Defined benefits paid	(9,626)	(8,432)
Net cash flows generated from / (used) in operating activities	<u>1,940,374</u>	<u>(378,888)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(1,776,283)	140,005
Net investments in held-to-maturity securities	(46,455)	388,981
Dividends received	53,886	25,818
Investments in operating fixed assets	(9,970)	(12,072)
Proceeds from sale of fixed assets	1,769	3,991
Net cash flows (used) in / generated from investing activities	<u>(1,777,053)</u>	<u>553,813</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(180,000)	(150,000)
Net cash flows used in financing activities	<u>(180,000)</u>	<u>(150,000)</u>
(Decrease) / Increase / In cash and cash equivalents	<u>(16,679)</u>	<u>26,925</u>
Cash and cash equivalents at beginning of the period	<u>129,508</u>	<u>130,134</u>
Cash and cash equivalents at end of the period	<u>112,829</u>	<u>157,059</u>

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


 Chief Financial Officer


 Managing Director /
 Chief Executive Officer


 Chairman


 Director


 Director

PAIR Investment Company Limited

Notes to the Condensed Interim Financial Statements (Un-audited)

For the period ended 30 September 2021



1. STATUS AND NATURE OF BUSINESS

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

- 2.2 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 condensed interim financial statements.
- 2.3 Further, SBP vide its BPRD Circular Letter no. 24 dated 05 July 2021, has deferred the applicability of IFRS 9 on Banks / DFIs / MFBs to accounting periods beginning on or after 01 January 2022. The impact of the application of IFRS 9 on the Company's financial statements is being assessed and implementation guidelines are awaited. The Company in the meantime is required to submit quarterly IFRS 9 parallel run results to SBP.
- 2.4 The disclosures made in these condensed interim unconsolidated financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 and IAS 34. These condensed interim unconsolidated financial statements do not include all the information and disclosures required for annual financial statements and should be read in conjunction with the financial statements for the year ended 31 December 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Standards, interpretations of and amendments to existing accounting and reporting standards that have

become effective in the current period

There are certain other new standards, interpretations of and amendments to existing accounting and reporting standards as applicable in Pakistan that have become applicable to the Company for accounting periods beginning on or after 1 January 2021 but are not considered to be relevant or do not have any significant effect on the Company's operations and therefore are not detailed in these condensed interim financial statements.

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

As per State Bank of Pakistan's (SBP) BPRD Circular Letter no. 24 dated July 05, 2021, the applicability of IFRS 9 on Banks / DFIs / MFBs has been deferred to accounting periods beginning on or after January 01, 2022. The impact of the application of IFRS 9 on the Company's financial statements is being assessed and implementation guidelines are awaited. The Company in the meantime is required to submit quarterly IFRS 9 parallel run results to SBP.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended 31 December 2020.

5. FINANCIAL RISK MANAGEMENT

5.1 The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the financial statements of the Company for the year ended 31 December 2020.

6. CASH AND BALANCES WITH TREASURY BANKS	Note	30 Sept 2021 (Un-audited)	31 December 2020 (Audited)
(Rupees in '000)			
In hand			
Local currency		70	51
Foreign currencies		4,753	560
		4,823	611
With State Bank of Pakistan in			
Local currency current account	6.1	74,589	53,634
With National Bank of Pakistan in			
Local currency current account		17	17
Local currency deposit account		682	657
		699	674
		<u>80,111</u>	<u>54,919</u>

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

7. BALANCES WITH OTHER BANKS		30 Sept 2021 (Un-audited)	31 December 2020 (Audited)
(Rupees in '000)			
In Pakistan			
In current accounts		11,371	7,506
In deposit accounts	7.1	21,347	67,084
		<u>32,718</u>	<u>74,589</u>

7.1 These deposit accounts carry annual mark-up rate of 2.85% to 5.50% (31 December 2020: 2.85% to 5.60%).

8. INVESTMENTS

8.1 Investments by type

	30 Sept 2021 (Un-audited)				31 December 2020 (Audited)			
	Cost / Amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
(Rupees in '000)								
Held-for-trading securities								
Shares	87,396	-	(8,834)	78,562	43,139	-	(92)	43,047
	87,396	-	(8,834)	78,562	43,139	-	(92)	43,047
Available-for-sale securities								
Federal Government securities								
Shares	9,206,145	-	26,472	9,232,617	7,668,021	-	43,280	7,706,301
Non Government Debt Securities	1,168,599	(39,921)	(129,092)	940,436	1,081,173	(44,678)	(20,627)	1,036,868
	5,168,777	(37,322)	(15,927)	5,113,527	4,956,955	(32,635)	(33,583)	4,890,736
	15,482,431	(77,244)	(118,542)	15,286,649	13,706,149	(77,314)	(19,930)	13,608,905
Held-to-maturity securities								
Commercial Papers	48,455	-	-	48,455	-	-	-	-
	48,455	-	-	48,455	-	-	-	-
Total investments	15,616,282	(77,244)	(127,383)	15,411,657	13,749,288	(77,314)	(20,632)	13,651,952

8.2 Investments by segments

	30 Sept 2021 (Un-audited)				31 December 2020 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)								
Federal Government securities								
- Market treasury bills	2,901,364	-	(4,340)	2,897,024	1,915,487	-	1,500	1,916,987
- Pakistan Investment Bonds	8,274,761	-	30,818	8,305,599	5,752,554	-	36,780	5,791,334
	9,206,145	-	26,472	9,232,617	7,668,021	-	40,280	7,708,301
Units in mutual funds	-	-	-	-	-	-	-	-
Shares								
- Ordinary Shares of Listed companies	1,180,266	(39,921)	(141,238)	998,130	1,099,703	(44,678)	(26,793)	1,025,308
- Preference Shares of Listed companies	27,609	-	3,313	30,922	27,609	-	-	27,609
	1,196,905	(39,921)	(137,926)	1,019,058	1,124,312	(44,678)	(26,793)	1,052,915
Non Government Debt Securities								
- Term Finance Certificates - Listed	660,210	-	(80)	660,130	1,058,748	-	(1,033)	1,055,713
- Term Finance Certificates - Unlisted	3,408,883	(11,245)	(13,190)	3,384,448	2,957,102	(11,245)	(23,742)	2,922,175
- Sukuk certificates - Listed	300,130	-	(5,063)	295,067	312,250	-	(8,651)	302,606
- Sukuk certificates - Unlisted	891,554	(26,078)	2,455	867,931	653,768	(21,331)	843	619,240
	5,168,777	(37,322)	(15,927)	5,113,527	4,956,955	(32,635)	(33,583)	4,890,736
Commercial papers	48,455	-	-	48,455	-	-	-	-
Total investments	15,616,282	(77,244)	(127,383)	15,411,657	13,749,288	(77,314)	(20,632)	13,651,952

8.3 Investments given as collateral

	30 Sept 2021 (Un-audited)	31 December 2020 (Audited)
(Rupees in '000)		
Pakistan Investment Bonds		
Carrying Value	3,647,197	4,224,607
Surplus / (Deficit)	3,313	(4,817)
	<u>3,650,510</u>	<u>4,219,790</u>
Market treasury bills		
Carrying Value	2,122,102	256,419
(Deficit) / Surplus	(3,586)	97
	<u>2,118,516</u>	<u>256,507</u>
Shares		
Carrying Value	160,276	101,540
Impairment	-	(17,458)
(Deficit)	(15,897)	(7,578)
	<u>84,459</u>	<u>76,504</u>

8.4 Provision for diminution in value of investments

	30 Sept 2021 (Un-audited)	31 December 2020 (Audited)
(Rupees in '000)		
Opening balance	77,314	112,144
Charge / (reversals)		
Charge for the period / year	7,266	86,154
(Reversals) for the period / year	-	-
(Reversals) on disposals	(7,336)	(170,985)
	<u>(89)</u>	<u>(24,831)</u>
Closing Balance	<u>77,244</u>	<u>77,314</u>

8.5	Particulars of provision against debt securities Category of classification	30 Sept 2021 (Un-audited)		31 December 2020 (Audited)	
		NPI	Provision	NPI	Provision
		(Rupees in '000)			
	Domestic	-	-	-	-
	Other assets especially mentioned	-	-	-	-
	Substandard	-	-	-	-
	Doubtful	-	-	-	-
	Loss	43,290	(37,323)	44,672	(32,636)
		<u>43,290</u>	<u>(37,323)</u>	<u>44,672</u>	<u>(32,636)</u>

8.6 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 Rs. 5,957 million (31 December 2020: Rs. 12,036 million). Further, this amount arising from availing the benefit of FSV is not available for distribution amongst the shareholders either in the form of cash or stock dividend / bonus to employees.

9 ADVANCES

Note

	Note	Performing		Non Performing		Total	
		30 Sept 2021 (Un-audited)	31 December 2020 (Audited)	30 Sept 2021 (Un-audited)	31 December 2020 (Audited)	30 Sept 2021 (Un-audited)	31 December 2020 (Audited)
		(Rupees in '000)					
Loans, cash credits, running finances, etc.	9.2	6,006,792	5,388,461	2,066,051	2,081,878	8,071,843	7,450,339
Islamic financing and related assets		173,292	268,275	-	-	173,292	268,275
Bills discounted and purchased		30,341	-	-	-	30,341	-
Advances - gross	9.1	<u>6,210,425</u>	<u>5,634,736</u>	<u>2,066,051</u>	<u>2,081,878</u>	<u>8,276,476</u>	<u>7,716,614</u>
Provision against advances							
- Specific		-	-	(1,753,987)	(1,551,571)	(1,753,987)	(1,551,571)
- General		-	-	-	-	-	-
		-	-	(1,753,987)	(1,551,571)	(1,753,987)	(1,551,571)
Advances - net of provision		<u>6,210,425</u>	<u>5,634,736</u>	<u>311,064</u>	<u>530,307</u>	<u>6,621,489</u>	<u>6,165,043</u>

9.1 These include loans of Rs. 125.379 million (31 December 2020: Rs. 125.576 million) advanced to employees in accordance with their terms of employment. These loans carry mark-up at the rates from 0% to 5% (31 December 2020: 0% to 5%) respectively.

9.2 Includes net investment in finance lease as disclosed below:

	30 Sept 2021 (Un-audited)			31 December 2020 (Audited)		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
	(Rupees in '000)					
Lease rentals receivable	310,639	471,043	781,682	321,633	420,973	742,606
Residual value	94,851	141,393	236,244	85,512	137,698	227,208
Minimum lease payments	406,490	612,436	1,017,926	411,145	558,669	969,814
Financial charges for future periods	(46,346)	(80,977)	(106,423)	(40,784)	(45,393)	(85,177)
Present value of minimum lease payments	<u>359,144</u>	<u>562,359</u>	<u>911,503</u>	<u>361,361</u>	<u>513,276</u>	<u>874,637</u>

9.2.1 The Company's implicit rate of return on leases ranges between 6.90% to 16.91% (31 December 2020: 8.60% to 19.90%) per annum. These are secured against leased assets and security deposits generally up to 50% (31 December 2020: 38%) of the cost of leased assets.

9.3	Particulars of advances (Gross)	30 Sept	31 December
		2021	2020
		(Un-audited)	(Audited)
		(Rupees in '000)	
	In local currency	8,276,476	7,716,614
	In foreign currencies	-	-
		<u>8,276,476</u>	<u>7,716,614</u>

- 9.4 Advances include Rs. 2,065.051 million (31 December 2020: Rs. 2,081.878 million) which have been placed under non-performing status as detailed below:

Category of Classification	30 Sept 2021 (Un-audited)		31 December 2020 (Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	----- (Rupees in '000) -----			
Domestic				
OAEM	173,292	-	176,275	-
Substandard	31,373	7,302	21,179	5,446
Doubtful	-	-	-	-
Loss	1,860,386	1,746,685	1,884,424	1,546,125
	<u>2,065,051</u>	<u>1,753,987</u>	<u>2,081,878</u>	<u>1,551,571</u>

9.5 Particulars of provision against advances	30 Sept 2021 (Un-audited)			31 December 2020 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	1,551,571	-	1,551,571	1,259,215	-	1,259,215
Charge for the period / year	213,329	-	213,329	230,870	-	230,870
Reversals	(10,913)	-	(10,913)	(5,374)	-	(5,374)
	202,416	-	202,416	225,496	-	225,496
Amounts reclassified	-	-	-	66,860	-	66,860
Closing balance	<u>1,753,987</u>	-	<u>1,753,987</u>	<u>1,551,571</u>	-	<u>1,551,571</u>

9.5.1 Particulars of provision against advances	30 Sept 2021 (Un-audited)			31 December 2020 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
In local currency	1,753,987	-	1,753,987	1,551,571	-	1,551,571
In foreign currencies	-	-	-	-	-	-
	<u>1,753,987</u>	-	<u>1,753,987</u>	<u>1,551,571</u>	-	<u>1,551,571</u>

- 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 Rs. 114.932 million (31 December 2020: Rs. 338.299 million). Further, this amount arising from availing the benefit of FSV is not available for distribution amongst the shareholders either in the form of cash or stock dividend / bonus to employees.

10. FIXED ASSETS	30 Sept	31 December
	2021	2020
	(Un-audited)	(Audited)
	(Rupees in '000)	
Property and equipment	199,054	197,858
Right-of-use assets	11,940	22,017
	<u>210,994</u>	<u>219,875</u>

10.1 Additions to fixed assets

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

Property and equipment	30 Sept	31 December
	2021	2020
	(Un-audited)	(Audited)
	(Rupees in '000)	
Electrical, office and computer equipment	2,801	6,901
Vehicles	6,941	7,600
Furniture and fixtures	228	403
	<u>9,970</u>	<u>13,804</u>

10.2 Disposal of fixed assets

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

Property and equipment	Note	30 Sept	31 December
		2021	2020
		(Un-audited)	(Audited)
		(Rupees in '000)	
Vehicles		-	3,001
Electrical, office and computer equipment		71	-
Furniture and fixtures		-	19
	10.3	<u>71</u>	<u>4,010</u>

10.3 The following operating fixed assets were disposed off during the period:

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particulars of purchaser
	(Rupees in '000)						
Honda Civic - VTI	2,070	2,070	-	1,670	1,670	Negotiation	Carfirst
Laptop	137	66	71	99	28	Claim	Insurance
	<u>2,207</u>	<u>2,136</u>	<u>71</u>	<u>1,769</u>	<u>1,698</u>		

11. INTANGIBLE ASSETS

Software License	30 Sept	31 December
	2021	2020
	(Un-audited)	(Audited)
	(Rupees in '000)	
	57	146
	<u>57</u>	<u>146</u>

12. DEFERRED TAX ASSETS

	30 Sept 2021 (Un-audited)			
	At 01 January 2021	Recognised in profit and loss account	Recognised in other comprehensive income	At 30 Sep 2021
	(Rupees in '000)			
Deductible Temporary Differences on				
- Losses on equity shares carried forward	-	-	-	-
- Post retirement employee benefits	2,441	-	-	2,441
- Deficit on revaluation of investments	7,724	-	16,771	24,495
- Accelerated tax depreciation	10,225	(8,939)	-	1,286
- Provisions against advances, off balance sheet etc.	430,566	44,317	-	474,883
- Provisions against investments	-	-	-	-
- Lease liability against right-of-use assets	8,163	(3,333)	-	2,830
- Others	1,649	285	-	1,934
	469,768	32,330	16,771	507,869
Taxable Temporary Differences on				
- Surplus on revaluation of investments	(4,721)	-	98	(4,623)
- Surplus on revaluation of non-banking asset	(13,590)	-	-	(13,590)
- Right-of-use assets	(6,385)	2,923	-	(3,462)
- Accelerated tax depreciation	1,518	(1,945)	-	(427)
- Lease assets	(21,490)	18,992	-	(2,498)
- Others	-	-	-	-
	(44,668)	19,970	98	(24,600)
	414,100	52,300	16,869	483,269

	31 December 2020 (Audited)			
	At 01 January 2020	Recognised in profit and loss account	Recognised in other comprehensive income	At 31 December 2020
	(Rupees in '000)			
Deductible Temporary Differences on				
- Losses on equity shares carried forward	15,270	(15,270)	-	-
- Post retirement employee benefits	(516)	-	2,557	2,441
- Deficit on revaluation of investments	6,368	150	1,208	7,724
- Accelerated tax depreciation	3,164	7,031	-	10,225
- Provisions against advances, off balance sheet etc.	365,172	65,304	-	430,566
- Provisions against investments	16,822	(16,822)	-	-
- Lease liability against right-of-use assets	12,334	(9,171)	-	8,163
- Others	864	785	-	1,649
	419,528	35,077	4,165	458,768
Taxable Temporary Differences on				
- 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	(8,874)	8,362	-	1,518
- Lease assets	(10,232)	(11,258)	-	(21,490)
- Others	-	-	-	-
	(43,999)	1,478	(2,145)	(44,668)
	375,527	36,553	2,020	414,100

13. OTHER ASSETS	Note	30 Sept	31 December
		2021	2020
		(Un-audited)	(Audited)
		(Rupees in '000)	
Income / Mark-up accrued in local currency - net of provision		321,132	276,824
Advances, deposits and prepayments		16,652	177,290
Advance taxation (payments less provisions)		120,289	115,856
Non-banking asset acquired in satisfaction of claim	13.1	81,682	84,821
Dividend receivable		4,973	1,946
Security deposits		6,701	6,781
		552,829	662,518
Surplus on revaluation of non-banking asset acquired in satisfaction of claim		45,090	46,892
Other Assets - total		597,889	709,380
13.1 Market value of Non-banking asset acquired in satisfaction of claim		135,050	135,060

Non-banking asset acquired in satisfaction of claims was revalued by an 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 Rs. 48,054 million (in both the cases).

		30 Sept 2021 (Un-audited)	31 December 2020 (Audited)
		(Rupees in '000)	
13.2 Non-banking asset acquired in satisfaction of claim	<i>Note</i>		
Opening Balance		131,683	89,632
Revaluation during the period / year		-	48,084
Less: Depreciation for the period / year		(5,541)	(6,013)
Closing Balance		<u>126,142</u>	<u>131,683</u>
14. BORROWINGS			
In Pakistan (local currency)	14.1	<u>12,376,941</u>	<u>10,223,036</u>
14.1 Details of borrowings secured / unsecured			
Secured			
Borrowings from State Bank of Pakistan- Under financing facility for:			
-Imported & Locally Manufactured Plant & Machinery (LTFF)	14.2	1,966,094	1,649,321
-Renewable Energy Facility (REF)	14.3	440,692	478,844
-Temporary Economic Refinance Facility (TERF)	14.4	433,039	-
Repurchase agreement borrowings	14.5	6,436,116	4,476,204
Term borrowings	14.6	3,100,000	3,016,667
Total borrowings		<u>12,376,941</u>	<u>10,223,036</u>
14.2	The Company has entered into agreement with the SBP for extending Long Term Financing Facility (LTFF) for Imported & Locally Manufactured Plant & Machinery. These borrowings carry mark-up rate of 2.0% to 3.0% per annum (31 December 2020: 2.0% to 3.0%) and will mature by 2031 (31 December 2020: 2030).		
14.3	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 3.0% per annum (2020: 2.0% to 2.50%) and will mature by 2033 (2020: 2029).		
14.4	The Company has obtained funds from the SBP for extending Long Term Financing Facility (LTFF) for Temporary Economic Refinance Facility. These borrowings carry mark-up rate of 1.0% per annum (2020: Nil) and will mature by 2031 (2020: Nil).		
14.5	These carry mark-up at the rates ranging from 7.27% to 8.20% per annum (31 December 2020: 7.15% to 7.25%) and are secured against government securities having carrying amount of PKR 5.969 billion (31 December 2020: PKR 4.481 billion). These borrowings will mature up to October 2021 (31 December 2020: January 2021).		
14.6	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). These borrowings carry 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.		
15. DEPOSITS AND OTHER ACCOUNTS	<i>Note</i>	30 Sept 2021 (Un-audited)	31 December 2020 (Audited)
		(Rupees in '000)	
Customers			
Term deposits - In local currency	15.2	195,694	239,403
Financial Institutions			
Term deposits - In local currency	15.3	807,340	684,299
	15.1	<u>1,003,034</u>	<u>923,702</u>
15.1 Composition of deposits			
- Individuals	15.4	73,759	97,927
- Private Sector		121,935	141,476
- Others - Shareholder (IFIC)	15.5	807,340	684,299
		<u>1,003,034</u>	<u>923,702</u>

- 15.2 The mark-up rates on these certificate of investments (COI) range between 7.15% to 7.55% per annum (31 December 2020: 7.10% to 7.25% per annum). These COIs will mature up to Aug 2024 (31 December 2020: November 2021).
- 15.3 The mark-up rates on these certificate of investments (COI) is 7.25% to 7.55% per annum (31 December 2020: 7.25% per annum). These COIs will mature up to December 2021 (31 December 2020: February 2021).
- 15.4 These include non-interest bearing certificate of investments (COI) issued to employees of the Company maturing up to Aug 2024 (31 December 2020: November 2021).
- 15.5 This represents dividend and mark-up earned thereon not remitted to IFIC due to foreign exchange remittance restrictions, that had been invested on IFIC's instructions in the Company's certificates of investment.

	30 Sept 2021 (Un-audited)	31 December 2020 (Audited)
(Rupees in '000)		
16. OTHER LIABILITIES		
Mark-up / Return / Interest payable in local currency	116,483	54,275
Accrued expenses	52,094	37,973
Payable to defined benefit plan	12,150	12,150
Provision for compensated absences	1,507	4,248
Payable to an associated undertaking	8,211	8,068
Government levies payable	7,848	4,059
Provision for audit fee	1,369	1,320
Advance insurance premium on lease	565	248
Security deposits against finance lease	236,244	227,208
Payable Brokerage / NCCPL	37,680	-
Provision for staff rewards	-	28,438
Provision for Worker's Welfare Fund	90,212	81,569
Lease liability against right-of-use assets	9,758	21,252
	<u>574,121</u>	<u>460,808</u>

17. SHARE CAPITAL

17.1 Authorised capital

30 Sept 2021 (Un-audited)	31 December 2020 (Audited)		30 Sept 2021 (Un-audited)	31 December 2020 (Audited)
(Number of shares)			(Rupees in '000)	
<u>1,000,000,000</u>	<u>1,000,000,000</u>	Ordinary shares of Rs. 10 each	<u>10,000,000</u>	<u>10,000,000</u>

17.2 Issued, subscribed and paid-up share capital

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

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

Name of shareholder	30 Sept 2021 (Un-audited)		31 December 2020 (Audited)	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Government of Pakistan	300,000,000	50%	300,000,000	50%
Iran Foreign Investment Company	300,000,000	50%	300,000,000	50%
	<u>600,000,000</u>	<u>100%</u>	<u>600,000,000</u>	<u>100%</u>

18. RESERVES	30 Sept 2021 (Un-audited)	31 December 2020 (Audited)
	(Rupees in '000)	
Statutory reserve		
Opening balance	965,805	888,356
Transfer during the period / year	26,716	77,449
Closing balance	<u>992,521</u>	<u>965,805</u>

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

19. (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS	Note	30 Sept 2021 (Un-audited)	31 December 2020 (Audited)
		(Rupees in '000)	
Surplus / (deficit) on revaluation of			
- Available for sale securities	8.1	(118,547)	(19,930)
- Non-banking asset acquired in satisfaction of claim		46,882	48,054
- Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year		(1,802)	(1,202)
		<u>(73,487)</u>	<u>26,932</u>
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		19,876	3,007
- Non-banking asset acquired in satisfaction of claim		(13,415)	(13,938)
		<u>5,461</u>	<u>(10,931)</u>
		<u>(67,026)</u>	<u>18,001</u>

20 CONTINGENCIES AND COMMITMENTS

- 20.1 The Additional Commissioner Inland Revenue (ACIR) amended the assessment for the tax year 2012 under section 122(5A) of the Ordinance. Income tax demand of Rs.148.747 million was created including liability of Workers' Welfare Fund (WWF) amounting to Rs. 16.364 million. The Company filed a rectification application to rectify the errors apparent in the order. Through rectified order under section 221(1) of the Ordinance, short credit of advance tax of Rs. 116.595 million paid under section 147 of the Ordinance was allowed and demand of Rs.148.747 million was reduced to Rs.32.152 million. The Company has paid the demand under protest and has challenged the impugned order through appeal under section 127 of the Ordinance with the Commissioner Inland Revenue (Appeals) - CIR(A). However the CIRA has confirmed the issues. Thereafter, The Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIRA. The appeal has been heard and reserved for order. The Company, in consultation with its tax advisor, is confident of a favourable outcome.
- 20.2 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). The appeal has been heard and reserved for order. The Company, in consultation with its tax advisor, is confident of a favourable outcome.
- 20.3 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.

- 20.4 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.
- 20.5 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.
- 20.6 With respect to tax year 2017, ADCIR amended the assessment and demand amounting to PKR 134.498 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 48.351 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.
- 20.7 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.

	30 Sept 2021 (Un-audited)	31 December 2020 (Audited)
20.8	(Rupees in '000)	
Commitments in respect of repo transactions		
Repurchase agreement borrowings	<u>6,438,116</u>	<u>4,478,204</u>
20.9		
Direct credit substitutes	<u>100,000</u>	<u>100,000</u>
20.10		
Commitments to extend credit		

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

21. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

22. DERIVATIVE INSTRUMENTS

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

22.1 Equity futures

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

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

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

	Note	30 Sept 2021 (Un-audited)	30 Sept 2020 (Un-audited)
(Rupees in '000)			
23. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances		301,989	394,243
On investments		839,824	1,178,354
On deposits with financial institutions		1,003	1,454
On lendings to financial institutions		2,847	1,390
		<u>1,145,663</u>	<u>1,575,431</u>
24. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		51,728	72,350
Repurchase agreement borrowings		214,664	323,269
Call borrowings		93,860	62,176
On borrowing from State Bank of Pakistan- Under financing facility for:			
-Imported & Locally Manufactured Plant & Machinery (LTFF)		28,346	24,889
-Renewable Energy Facility (REF)		7,966	1,702
-Temporary Economic Refinance Facility (TERF)		490	-
Term Borrowing		194,691	301,276
Unwinding cost of liability against the right-of-use assets		1,989	2,936
		<u>593,734</u>	<u>788,598</u>
25. FEE & COMMISSION INCOME			
Credit related fee		12,573	5,272
Investment banking fees		1,246	-
Commission on guarantees		308	382
		<u>14,127</u>	<u>5,654</u>
26. GAIN ON SALE OF SECURITIES			
Realised	26.1	63,039	15,060
Unrealised - held for trading		(8,743)	(2,731)
		<u>54,296</u>	<u>12,329</u>
26.1 Realised gain on:			

		63,039	15,060
		30 Sept 2021	30 Sept 2020
	Note	(Un-audited)	(Un-audited)
		(Rupees in '000)	
27. OPERATING EXPENSES			
Total compensation expense	27.1	191,117	159,406
Property expense			
Insurance		2,542	1,827
Utilities cost		5,487	4,879
Security (including guards)		394	901
Repair & maintenance (including janitorial charges)		9,798	9,552
Depreciation on right-of-use assets		10,079	11,611
Depreciation on owned assets		7,173	3,954
		35,473	32,724
Information technology expenses			
Software maintenance		1,203	6,176
Depreciation		2,714	1,733
Amortisation		89	139
Network charges		4,519	3,601
Others		776	392
		9,301	12,041
Other operating expenses			
Directors' fees and allowances		11,770	8,348
Legal & professional charges		7,246	12,477
Travelling & conveyance		6,763	8,028
Depreciation		2,355	1,724
Training & development		758	311
Postage & courier charges		105	174
Communication		1,098	985
Stationery & printing		772	330
Marketing, advertisement & publicity		45	275
Auditors Remuneration		2,760	1,991
Commission and brokerage		1,791	1,884
Others		1,640	121
		37,103	36,646
		272,994	240,817
27.1 Total compensation expense			
Employees Remuneration		116,245	91,931
Charge for defined benefit plan		9,626	8,432
Contribution to defined contribution Plan		8,090	7,570
Rent & house maintenance		23,278	21,186
Utilities		5,819	5,296
Medical		7,420	6,498
Conveyance		19,873	18,073
Others		766	420
		191,117	159,406
28. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		225	24
		225	24

		30 Sept 2021 (Un-audited)	30 Sept 2020 (Un-audited)
	Note	(Rupees in '000)	
29. PROVISIONS & WRITE OFFS - NET			
Provisions for diminution in value of investments	8.4	(69)	16,167
Provisions against loans and advances	9.5	202,416	87,643
		<u>202,347</u>	<u>103,810</u>
30. TAXATION			
Current		114,531	143,613
Prior period		-	-
Deferred		(52,300)	(30,823)
		<u>62,231</u>	<u>112,790</u>
31. BASIC & DILUTED EARNINGS PER SHARE			
Profit for the period		<u>133,578</u>	<u>365,375</u>
		(Number of Shares in '000)	
Weighted average number of ordinary shares		<u>600,000</u>	<u>600,000</u>
Basic & diluted earnings per share		<u>0.22</u>	<u>0.61</u>

32. FAIR VALUE MEASUREMENTS

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

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

32.1 Fair value of financial assets

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

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair values of financial assets are determined as follows:

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

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

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

On balance sheet financial instruments	Note	Carrying/ Notional value	30 Sept 2021 (Un-audited)			
			Fair value			Total
			Level 1	Level 2	Level 3	
----- (Rupees in 000) -----						
Financial assets measured at fair value						
Investments						
Federal Government Securities		9,232,617	-	9,232,617	-	9,232,617
Shares in listed companies		1,019,058	1,019,058	-	-	1,019,058
Non-Government Debt Securities		3,664,380	-	3,664,380	-	3,664,380
		<u>13,916,055</u>	<u>1,019,058</u>	<u>12,896,997</u>	<u>-</u>	<u>13,916,055</u>
Financial assets not measured at fair value						
Cash and balances with treasury banks		80,111				
Balances with other banks		32,718				
Investments						
Non-Government Debt Securities	32.3	1,449,147				
Advances		6,521,489				
Other assets		344,006				
		<u>8,427,471</u>				
Financial liabilities not measured at fair value						
Borrowings		12,376,941				
Deposits and other accounts		1,003,034				
Other liabilities		674,121				
		<u>13,954,096</u>				
----- (Rupees in 000) -----						
Financial assets measured at fair value						
Investments						
Federal Government Securities		7,708,301	-	7,708,301	-	7,708,301
Shares in listed companies		1,052,915	1,052,915	-	-	1,052,915
Non Government Debt Securities		4,890,736	-	4,890,736	-	4,890,736
		<u>13,651,952</u>	<u>1,052,915</u>	<u>12,599,037</u>	<u>-</u>	<u>13,651,952</u>
Financial assets not measured at fair value						
Cash and balances with treasury banks		54,919				
Balances with other banks		74,589				
Investments						
Non Government Debt Securities	32.3	1,235,667				
Advances		6,165,043				
Other assets		294,551				
		<u>7,814,669</u>				
Financial liabilities not measured at fair value						
Borrowings		10,223,036				
Deposits and other accounts		923,702				
Other liabilities		394,932				
		<u>11,541,670</u>				

32.3 These securities are classified as 'Available for Sale' however, these are un-quoted securities and their fair values are not available hence, in accordance with Regulation R-8 of the Prudential Regulations for Corporate / Commercial Banking these are classified at the reporting date on the basis of default in their repayment in line with the criteria prescribed for classification of medium and long-term facilities.

33. SEGMENT INFORMATION

Segment Details with respect to Business Activities

	30 Sept 2021 (Un-audited)				Total
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	
	(Rupees in '000)				
Profit & Loss					
Net mark-up/return/profit	380,543	167,832	-	(15,546)	532,829
Inter segment revenue - net	-	-	-	-	-
Non mark-up / return / Interest Income	14,127	-	111,210	2,263	127,600
Total Income	394,670	167,832	111,210	(12,893)	660,819
Segment direct expenses	28,990	16,740	11,855	222,277	280,862
Inter segment expense allocation	-	-	-	-	-
Total expenses	28,990	16,740	11,855	222,277	280,862
Provisions	207,102	-	(6,755)	-	200,347
Profit before tax	168,578	168,292	104,100	(235,170)	165,800
	30 Sep 2021 (Un-audited)				
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	Total
	(Rupees in '000)				
Balance Sheet					
Cash & Bank balances	-	-	-	112,829	112,829
Investments	4,328,900	10,125,571	957,186	-	15,411,657
Net inter segment lending	-	-	-	-	-
Lendings to financial institutions	-	180,000	-	-	180,000
Advances - performing	6,085,046	-	-	125,379	6,210,425
- non-performing	311,044	-	-	-	311,044
Others	792,681	123,869	26,428	348,133	1,291,111
Total Assets	11,518,691	10,309,540	983,612	586,341	23,408,184
Borrowings	4,743,378	7,371,260	262,377	-	12,377,015
Subordinated debt	-	-	-	-	-
Deposits & other accounts	695,203	301,930	64,855	-	1,062,088
Net inter segment borrowing	-	-	-	-	-
Others	54,264	62,220	-	457,637	574,121
Total liabilities	5,492,845	7,735,410	327,232	457,637	13,963,124
Equity	6,104,846	2,604,098	656,380	128,704	9,534,028
Total Equity & liabilities	11,518,691	10,339,540	983,612	586,341	23,408,184
Contingencies & Commitments	100,000	6,438,116	-	-	6,538,116
	30 Sept 2020 (Un-audited)				
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	Total
	(Rupees in '000)				
Profit & Loss					
Net mark-up/return/profit	483,899	328,200	-	(25,268)	786,831
Inter segment revenue - net	-	-	-	-	-
Non mark-up / return / Interest Income	7,572	-	37,058	230	44,860
Total Income	491,471	328,200	37,058	(25,038)	831,700
Segment direct expenses	35,422	17,659	9,928	186,719	249,728
Inter segment expense allocation	-	-	-	-	-
Total expenses	35,422	17,659	9,928	186,719	249,728
Provisions / (reversals)	83,653	-	14,547	-	98,200
Profit before tax	500,380	310,541	12,993	(211,757)	602,157
	31 December 2020 (Audited)				
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	Total
	(Rupees in '000)				
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	5,868,761	-	-	123,675	6,034,736
- non-performing	635,307	-	-	-	635,307
Others	734,458	102,611	5,854	503,278	1,346,101
Total Assets	10,434,770	9,148,105	951,068	753,761	21,287,604
Borrowings	3,731,090	6,146,158	345,788	-	10,223,036
Subordinated debt	-	-	-	-	-
Deposits & other accounts	409,330	425,998	80,314	-	915,642
Net inter segment borrowing	-	-	-	-	-
Others	249,853	30,300	-	200,855	481,008
Total liabilities	4,390,333	6,602,456	426,102	200,855	11,620,746
Equity	6,044,437	2,545,649	524,966	552,906	9,668,958
Total Equity & liabilities	10,434,770	9,148,105	951,068	753,761	21,287,604
Contingencies & Commitments	100,000	4,478,204	-	-	4,578,204

34. RELATED PARTY TRANSACTIONS

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

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

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

	30 Sept 2021 (Un-audited)			31 December 2020 (Audited)		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
----- (Rupees in '000) -----						
Advances						
Opening balance	-	90,427	-	-	75,735	-
Addition during the period / year	-	5,405	-	-	21,200	-
Repaid during the period / year	-	(17,678)	-	-	(6,506)	-
Closing balance	-	77,954	-	-	90,427	-
Other Assets						
Other receivable	-	-	10,238	-	-	10,394
Deposits and other accounts						
Opening balance	-	3,087	691,699	-	3,170	585,358
Received during the period / year	-	79,278	2,428,521	-	28,697	2,113,079
Withdrawn during the period / year	-	(47,652)	(2,298,133)	-	(28,780)	(2,006,739)
Closing balance	-	34,713	822,087	-	3,087	691,697
Other Liabilities						
Interest / mark-up payable	-	484	12,166	-	29	12,083
Bonus payable to MD/CEO	-	1,702	-	-	-	-
Other liabilities	-	-	8,211	-	-	8,068
	-	2,186	20,377	-	29	20,151

RELATED PARTY TRANSACTIONS	30 Sept 2021 (Un-audited)			30 Sept 2020 (Un-audited)		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
----- (Rupees in '000) -----						
Income						
Mark-up / return / interest earned	-	3,151	-	-	2,739	-
Expense						
Mark-up / return / interest paid	-	1,062	42,377	-	295	49,632
Operating expenses						
Fees for Board & Committee Meeting	11,250	-	-	8,346	-	-
Allowance for Board & Committee Meeting	-	-	-	-	-	-
Managerial Remuneration	-	76,031	-	-	62,435	-
Contribution to defined contribution plan	-	6,200	-	-	4,249	-
Rent & house maintenance	-	13,092	-	-	9,131	-
Utilities	-	3,510	-	-	2,283	-
Medical	-	3,864	-	-	2,853	-
Conveyance	-	9,011	-	-	6,769	-
Others	-	525	-	-	414	-

35. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS	30 Sept	31 December
	2021 (Un-audited)	2020 (Audited)
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>6,000,000</u>	<u>6,000,000</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	6,447,440	6,431,285
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	<u>6,447,440</u>	<u>6,431,285</u>
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	<u>6,447,440</u>	<u>6,431,285</u>
Risk Weighted Assets (RWAs):		
Credit Risk	9,183,019	8,288,993
Market Risk	1,554,047	1,608,255
Operational Risk	1,621,542	1,621,542
Total	<u>12,358,608</u>	<u>11,516,790</u>

	30 Sept 2021 (Un-audited)		31 December 2020 (Audited)	
	Required	Actual	Required	Actual
Common Equity Tier 1 Capital Adequacy ratio (%)	6.00%	52.17%	6.00%	55.84%
Tier 1 Capital Adequacy Ratio (%)	7.50%	52.17%	7.50%	55.84%
Total Capital Adequacy Ratio (%)	11.5%*	52.17%	11.50%	55.84%

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

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

Leverage Ratio (LR):	30 Sept	31 December
	2021 (Un-audited)	2020 (Audited)
	(Rupees in '000)	
Eligible Tier-1 Capital	6,548,119	6,431,285
Total Exposures	21,244,108	17,810,587
Leverage Ratio	<u>30.82%</u>	<u>36.52%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	4,336,771	4,034,704
Total Net Cash Outflow	1,205,282	1,186,531
Liquidity Coverage Ratio (%)	<u>3.60</u>	<u>3.40</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	15,228,034	15,123,909
Total Required Stable Funding	10,400,475	10,457,783
Net Stable Funding Ratio (%)	<u>148%</u>	<u>145%</u>

- 35.1 State Bank of Pakistan issued Green Banking Guidelines vide IH&SMEFD Circular No. 08 of 2017 with a view to safeguarding against environmental risks emerging from banks and DFIs' businesses and operations. In order to align the DFI with regulatory expectations, PICL has put in place a Green Banking Framework focusing on following three areas:

1) Environmental Risk Management

For increasing financial stability through management and mitigation of environmental Risks of Lending portfolio, PICL has in place integration of environmental risk considerations into the credit risk assessment by introducing an Environmental Risk Rating, which is part of the Credit Risk Assessment.

2) Business Facilitation

The DFI is pursuing a green portfolio through soliciting clients for Renewable Energy related Lending by offering the SBP's Renewable Energy Refinance Scheme.

3) Own Impact Reduction

In order to reduce its own impact on environment, the DFI has set targets to lower its energy consumption, paper and waste reduction, bring energy efficient equipments, and plantation of greenery in surroundings.

36. GENERAL

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

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

37. EVENTS AFTER THE REPORTING DATE

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


38. DATE OF AUTHORISATION

These condensed interim financial statements were authorized for issue on 24 October 2021 by the Board of Directors of the Company.


Chief Financial Officer


Managing Director /
Chief Executive Officer


Chairman


Director


Director