



KPMG Taseer Hadi & Co.
Chartered Accountants

PAIR Investment Company Limited

Condensed Interim Financial
Statements (Un-Audited)
For the period ended 30 June 2020



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
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**Independent Auditors' Review Report to the members of PAIR Investment
Company Limited**

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of PAIR Investment Company Limited ("the Company") as at 30 June 2020 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of this condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.



KPMG Taseer Hadi & Co.

Other Matter

The figures for the quarters ended 30 June 2020 and 30 June 2019 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The engagement partner on the engagement resulting in this independent auditor's review report is **Amyr Pirani**.

Date: 29 August 2020

Karachi

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KPMG Taseer Hadi & Co.
Chartered Accountants

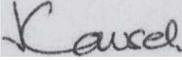
PAIR Investment Company Limited
Statement of Financial Position
As at 30 June 2020

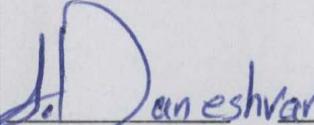


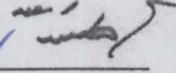
	Note	30 June 2020 (Un-audited)	31 December 2019 (Audited)
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	6	37,148	46,383
Balances with other banks	7	55,836	83,751
Lendings to financial institutions		-	150,000
Investments	8	14,166,520	14,664,301
Advances	9	6,697,139	5,389,709
Fixed assets	10	225,293	229,709
Intangible assets	11	215	314
Deferred tax assets	12	386,419	375,527
Other assets	13	553,602	534,895
		22,122,172	21,474,589
LIABILITIES			
Bills payable		-	-
Borrowings	14	11,160,531	10,842,781
Deposits and other accounts	15	916,946	775,323
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	16	455,395	385,766
		12,532,872	12,003,870
NET ASSETS		9,589,300	9,470,719
REPRESENTED BY			
Share capital	17	6,000,000	6,000,000
Reserves	18	923,420	888,356
Surplus on revaluation of assets	19	149,565	56,305
Unappropriated profit		2,516,315	2,526,058
		9,589,300	9,470,719
CONTINGENCIES AND COMMITMENTS	20		

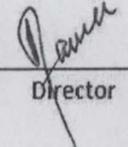
The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.

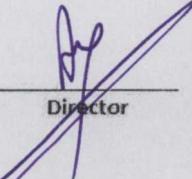
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Chief Financial Officer


Managing Director /
Chief Executive Officer


Chairman


Director


Director

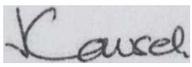
PAIR Investment Company Limited
 Profit and Loss Account (Un-audited)
 For the half year ended 30 June 2020

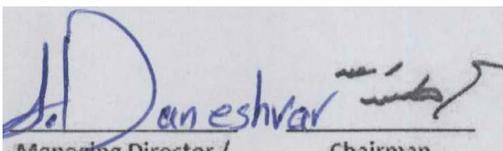


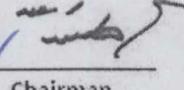
	Note	Quarter ended		Half year ended	
		April - June 2020	April - June 2019	January - June 2020	January - June 2019
Mark-up / return / interest earned	23	565,268	435,525	1,135,544	810,530
Mark-up / return / interest expensed	24	271,912	218,572	589,094	405,194
Net mark-up / interest income		293,356	216,953	546,450	405,336
NON MARK-UP / INTEREST INCOME					
Fee and commission income	25	131	2,630	5,279	4,396
Dividend income		11,170	14,449	20,435	23,145
Foreign exchange income		412	499	556	639
Income / (loss) from derivatives		-	-	-	-
Loss on sale of securities	26	(1,537)	(9,304)	(116)	(6,301)
Other income		-	-	-	-
Total non mark-up / interest income		10,176	8,274	26,154	21,879
Total Income		303,532	225,227	572,604	427,215
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	27	77,369	94,664	168,283	171,420
Workers Welfare Fund		3,201	1,250	6,403	2,500
Other charges		-	-	-	-
Total non mark-up / interest expenses		80,570	95,914	174,686	173,920
Profit Before Provisions		222,962	129,313	397,918	253,295
Provisions and write offs - net Extra ordinary / unusual items	28	96,276	91,268	162,178	152,862
PROFIT BEFORE TAXATION		126,686	38,045	235,740	100,433
Taxation	29	34,536	28,498	60,419	41,794
PROFIT AFTER TAXATION		92,150	9,547	175,321	58,639
Basic and diluted earnings per share - (Rupees)	30	0.15	0.02	0.29	0.10

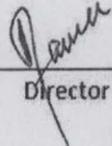
The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.

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 Chief Financial Officer


 Managing Director /
 Chief Executive Officer


 Chairman


 Director


 Director

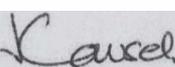
PAIR Investment Company Limited
 Statement of Comprehensive Income (Un-audited)
 For the half year ended 30 June 2020

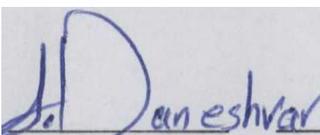
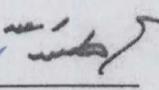
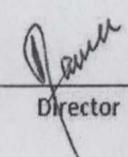


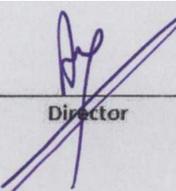
	Quarter ended		Half year ended	
	April - June 2020	April - June 2019	January - June 2020	January - June 2019
Profit after taxation for the period	92,150	9,547	175,321	58,639
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in (deficit) / surplus on revaluation of investments - net of tax	94,818	(103,635)	53,530	(52,070)
Items that will not be reclassified to profit and loss account in subsequent periods:				
Movement in surplus on revaluation of non-banking assets - net of tax	39,730	-	39,730	-
Total comprehensive income / (loss)	226,698	(94,088)	268,581	6,569

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.

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 Chief Financial Officer

  
 Managing Director / Chairman Director
 Chief Executive Officer

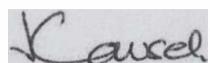

 Director

PAIR Investment Company Limited
Statement of Changes in Equity (Un-audited)
For the half year ended 30 June 2020

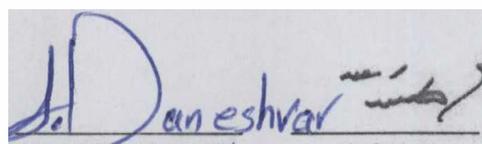


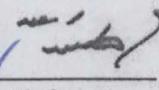
Note	Share capital	Statutory reserve	(Deficit) / surplus on revaluation of		Unappropriated profit	Total
			Investments	Non Banking asset		
	(Rupees in '000)					
Balance as at 1 January 2019	6,000,000	840,066	(71,701)	-	2,331,633	9,099,998
Profit for the period ended 30 June 2019	-	-	-	-	68,639	68,639
Other comprehensive income - net of tax	-	-	52,070	-	58,639	110,709
Transfer to statutory reserve	-	11,728	-	-	(11,728)	-
Balance as at 30 June 2019	6,000,000	851,794	(19,631)	-	2,378,544	9,210,707
Profit for the period ended 31 December 2019	-	-	-	-	182,813	182,813
Other comprehensive income	-	-	75,936	-	1,283	77,199
Transfer to statutory reserve	18	36,562	-	-	(36,562)	-
Balance as at 31 December 2019	6,000,000	888,356	56,305	-	2,526,058	9,470,719
Profit for the period ended 30 June 2020	-	-	-	-	175,321	175,321
Other comprehensive income	-	-	53,530	39,730	175,321	93,260
Transfer to statutory reserve	18	35,064	-	-	(35,064)	-
Transactions with owners recognised directly in equity						
Final cash dividend - 31 December 2019 declared subsequent to the year end	-	-	-	-	(150,000)	(150,000)
	6,000,000	923,420	109,835	39,730	2,516,315	9,589,300

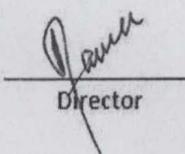
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Chief Financial Officer


H. D. Daneshwar
Managing Director /
Chief Executive Officer


Chairman


Director


Director

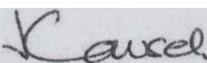
PAIR Investment Company Limited
Cash Flow Statement (Un-audited)
For the half year ended 30 June 2020

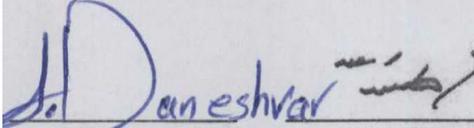


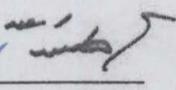
	30 June 2020	30 June 2019
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	235,740	100,433
Less: Dividend income	<u>(20,435)</u>	<u>(23,145)</u>
	215,305	77,288
Adjustments:		
Depreciation	13,102	4,977
Amortisation	99	110
Provision and write-offs	162,178	152,862
Loss/ (gain) on sale of fixed assets	-	-
Charge for defined benefit plan	5,621	5,311
Unrealised loss on revaluation of held for trading investments	27 725	4,738
	<u>181,725</u>	<u>167,998</u>
	397,030	245,286
(Increase) / decrease in operating assets		
Lendings to financial institutions	150,000	5,000
Held-for-trading securities	7,382	29,559
Advances	(1,400,447)	(8,085)
Others assets (excluding advance taxation)	37,552	(65,457)
	<u>(1,205,513)</u>	<u>(38,983)</u>
Increase / (decrease) in operating liabilities		
Borrowings from financial institutions	317,750	(673,404)
Deposits	141,623	(372,784)
Other liabilities (excluding current taxation)	69,629	164,490
	<u>529,002</u>	<u>(881,698)</u>
	(279,481)	(675,395)
Income tax paid	(106,688)	(143,537)
Defined benefits paid	(5,621)	(5,611)
Net cash flows used in operating activities	<u>(391,790)</u>	<u>(824,543)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	103,305	1,156,907
Net investments in held-to-maturity securities	386,981	(236,844)
Dividends received	20,404	23,659
Investments in operating fixed assets	(10,041)	(53,773)
Proceeds from sale of fixed assets	3,991	-
Net cash flows generated from investing activities	<u>504,640</u>	<u>889,949</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(150,000)	-
Net cash flows from financing activities	<u>(150,000)</u>	<u>-</u>
Net (decrease) in cash and cash equivalents	<u>(37,150)</u>	<u>65,406</u>
Cash and cash equivalents at beginning of the period	<u>130,134</u>	<u>133,797</u>
Cash and cash equivalents at end of the period	<u>92,984</u>	<u>199,203</u>

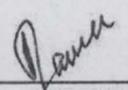
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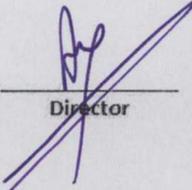
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Chief Financial Officer


Managing Director /
Chief Executive Officer


Chairman


Director


Director

PAIR Investment Company Limited

Notes to the Accounts

For the half year ended 30 June 2020



1. STATUS AND NATURE OF BUSINESS

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

[Handwritten signature]

IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation – for Banks and DFIs, the effective date of the standard has been extended to annual periods beginning on or after 1 January 2021 by the State Bank of Pakistan. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The impact of the application of IFRS 9 on the Company's financial statements is being assessed.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

5. FINANCIAL RISK MANAGEMENT

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

5.2 Effects of COVID-19 on the Financial Statements

The COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. The State Bank of Pakistan (SBP) responded to the crisis by cutting the policy rate by 625 basis points since the beginning of the year to 7 percent in June 2020, and by introducing regulatory measures to maintain banking system soundness and to sustain economic activity. These include (i) reducing the capital conservation buffer by 100 basis points to 1.5 percent; (ii) increasing the regulatory limit on extension of credit to SMEs by 44 percent to Rs 180 million; (iii) relaxing the debt burden ratio for consumer loans from 50 percent to 60 percent; (iv) allowing Banks/DFIs to defer clients' payment of principal on loan obligations by one year and or restructure / reschedule loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up with no reflection on credit history; and (v) introduction of refinancing schemes for payments of wages and salaries.

The Risk Management function of the Company is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Company has further strengthened its credit review procedures in the light of COVID-19. The Bank is continuously reviewing the portfolio, to identify accounts susceptible to higher risk, resulting from the COVID-19 outbreak.

5.2.1 Operational Risk

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

Business Continuity Plans (BCP) for respective areas are in place and tested. Remote work capabilities were enabled for critical staff, where required, and related risk and control measures were assessed to ensure that the Company's information assets are protected from emerging cyber threats and comply with the regulatory protocols required under the circumstances. The Company is communicating with its customers on how they can connect with the Company through its full suite of channels. The Company has taken all measures to ensure that service levels are maintained and the Company continues to meet the expectations of its employees and customers.

5.2.2 Credit Risk and Asset Quality

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

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

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

5.2.3 Liquidity Risk Management

In view of the relaxation granted by SBP for deferral of principal and markup and rescheduling of loans there will be an impact on the maturity profile of the Company. The Asset and Liability Committee (ALCO) of the Company is continuously monitoring the liquidity position and the Company is confident that the liquidity buffer currently maintained is sufficient to cater to any adverse movement in the cash flow maturity profile.

5.2.4 Equity Risk Management

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

5.2.5 Capital adequacy ratio (CAR)

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

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

6. CASH AND BALANCES WITH TREASURY BANKS	Note	30 June 2020 (Un-audited)	31 December 2019 (Audited)
(Rupees in '000)			
In hand			
Local currency		70	55
Foreign currencies		3,478	4,694
		<u>3,548</u>	<u>4,749</u>
With State Bank of Pakistan in			
Local currency current account	6.1	32,948	41,009
With National Bank of Pakistan in			
Local currency current account		17	17
Local currency deposit account		635	608
		<u>652</u>	<u>625</u>
		<u>37,148</u>	<u>46,383</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 June 2020 (Un-audited)	31 December 2019 (Audited)
(Rupees in '000)			
In Pakistan			
In current accounts		4,119	12,961
In deposit accounts	7.1	51,717	70,790
		<u>55,836</u>	<u>83,751</u>

7.1 These deposit accounts carry annual mark-up rate of 3.80% to 6.50% (31 December 2019: 6.30% to 11.25%).

8. INVESTMENTS

8.1 Investments by type

	30 June 2020 (Un-audited)				31 December 2019 (Audited)			
	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
(Rupees in '000)								
Held-for-trading securities								
Shares	28,531	-	(725)	27,806	36,381	-	(468)	35,913
	28,531	-	(725)	27,806	36,381	-	(468)	35,913
Available-for-sale securities								
Federal Government securities								
Shares	8,180,274	-	324,052	8,504,326	8,381,569	-	107,775	8,489,344
Non Government Debt Securities	1,088,690	(148,870)	(119,768)	800,254	976,459	(79,508)	26,865	923,816
	4,935,042	(32,636)	(68,272)	4,834,134	4,929,282	(32,636)	(68,399)	4,828,247
	14,184,006	(181,308)	135,014	14,138,714	14,287,310	(112,144)	66,241	14,241,407
Held-to-maturity securities								
Commercial Papers	-	-	-	-	386,981	-	-	386,981
	-	-	-	-	386,981	-	-	386,981
Total investments	14,212,537	(181,308)	135,289	14,166,520	14,710,672	(112,144)	65,773	14,664,301

8.2 Investments by segments

	30 June 2020 (Un-audited)				31 December 2019 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)								
Federal Government securities								
- Market treasury bills	3,832,966	-	65,798	3,898,764	5,616,839	-	3,115	5,619,954
- Pakistan Investment Bonds	4,347,308	-	258,254	4,605,562	2,764,730	-	104,660	2,869,390
	8,180,274	-	324,052	8,504,326	8,381,569	-	107,775	8,489,344
Units in mutual funds								
Shares								
- Listed companies	1,097,221	(148,670)	(120,481)	828,060	1,012,840	(79,508)	26,397	959,729
Non Government Debt Securities								
- Term Finance Certificates - Listed	956,574	-	(10,004)	946,570	1,276,260	-	(15,238)	1,261,022
- Term Finance Certificates - Unlisted	2,969,487	(11,245)	(58,385)	2,899,857	2,569,900	(11,245)	(43,123)	2,515,532
- Sukuk bonds - Listed	318,389	-	117	318,506	324,518	-	193	324,711
- Sukuk bonds - Unlisted	690,592	(21,391)	-	669,201	758,604	(21,391)	(10,231)	726,982
	4,935,042	(32,636)	(68,272)	4,834,134	4,929,282	(32,636)	(68,399)	4,828,247
Commercial papers								
	-	-	-	-	386,981	-	-	386,981
Total investments	14,212,537	(181,308)	135,289	14,166,520	14,710,672	(112,144)	65,773	14,664,301

8.3 Investments given as collateral

	30 June 2020 (Un-audited)	31 December 2019 (Audited)
	(Rupees in '000)	
Pakistan Investment Bonds		
Carrying Value	3,976,447	2,672,582
Surplus	232,496	3,674
	4,208,943	2,676,256
Market treasury bills		
Carrying Value	2,111,719	2,735,349
Surplus	43,963	121,866
	2,155,682	2,857,215
Shares		
Carrying Value	101,487	104,675
impairment	(15,503)	(14,732)
(Deficit) / Surplus	(7,383)	2,812
	78,601	92,755

8.4 Provision for diminution in value of Investments

	30 June 2020 (Un-audited)	31 December 2019 (Audited)
	(Rupees in '000)	
Opening balance	112,144	222,436
Charge / reversals		
Charge for the period / year	83,852	47,217
Reversals for the period / year	-	-
Reversal on disposals	(14,691)	(157,509)
	69,161	(110,292)
Closing Balance	181,305	112,144

8.5	Particulars of provision against debt securities Category of classification	30 June 2020 (Un-audited)		31 December 2019 (Audited)	
		NPI	Provision	NPI	Provision
		(Rupees in '000)			
	Domestic				
	Other assets especially mentioned	-	-	-	-
	Substandard	-	-	-	-
	Doubtful	-	-	-	-
	Loss	47,822	(32,636)	48,882	(32,635)
		<u>47,822</u>	<u>(32,636)</u>	<u>48,882</u>	<u>(32,635)</u>

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

8.7 To dampen the adverse effects of COVID-19 and to enable the Banks / DFIs continue to fulfil their role in funding the real economy, SBP through BPRD Circular Letter No. 13 of 2020 March 26, 2020 has allowed 'Banks / DFIs may, if they so desire, recognize impairment loss, if any, resulting from the valuation of listed equity securities held as "Available for Sale" (AFS), in phased manner equally on quarterly basis during calendar year ending on 31-Dec-2020. However, early recognition of full impairment loss by Banks / DFIs is encouraged'. Accordingly the Company has taken a charge of PKR 69.161 million to P&L as at June 30, 2020. If there was no relaxation allowed by SBP in the manner described above, the profit of the Company would have been reduced by PKR 51.645 million and the provision for diminution in the value of investment would have been greater by the same amount.

8.8 In accordance with BSD Circular No. 1 dated 21 October 2011 issued by the SBP, the Company has availed the benefit of Forced Sales Value (FSV) against the non-performing debt securities. Had this benefit of FSV not been taken by the Company, the specific provision against non-performing debt securities would have been higher by Rs. 15.19 million (31 December 2019: Rs. 16.25 million). Further, this amount arising from availing the benefit of FSV is not available for distribution amongst the shareholders either in the form of cash or stock dividend / bonus to employees.

9 ADVANCES

Note

		Performing		Non Performing		Total	
		30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
		(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)
		(Rupees in '000)					
Loans, cash credits, running finances, etc.	9.2	5,753,007	4,549,796	2,030,089	1,822,853	7,783,096	6,372,649
Islamic financing and related assets		266,275	276,275	-	-	266,275	276,275
Bills discounted and purchased		-	-	-	-	-	-
Advances - gross	9.1	6,019,282	4,826,071	2,030,089	1,822,853	8,049,371	6,648,924
Provision against advances							
- Specific		-	-	(1,352,232)	(1,259,215)	(1,352,232)	(1,259,215)
- General		-	-	-	-	-	-
		-	-	(1,352,232)	(1,259,215)	(1,352,232)	(1,259,215)
Advances - net of provision		6,019,282	4,826,071	677,857	563,638	6,697,139	5,389,709

9.1 These include loans of Rs. 113.325 million (31 December 2019: Rs. 114.777 million) advanced to employees in accordance with their terms of employment. These loans carry mark-up at the rates from 0% to 5% (31 December 2018: 0% to 5%) respectively.

9.2 Includes net investment in finance lease as disclosed below:

	30 June 2020 (Un-audited)			31 December 2019 (Audited)		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
	(Rupees in '000)					
Lease rentals receivable	190,495	668,840	842,829	243,639	201,168	444,807
Residual value	51,225	167,272	218,527	55,503	94,421	149,924
Minimum lease payments	241,720	836,112	1,061,356	299,142	295,589	594,731
Financial charges for future periods	(33,827)	(114,692)	(132,013)	(37,807)	(13,974)	(51,781)
Present value of minimum lease payments	207,893	721,420	929,343	261,335	281,615	542,950

9.2.1 The Company's implicit rate of return on leases ranges between 8.94% to 19.90% (31 December 2019: 14.34% to 20.0%) per annum. These are secured against leased assets and security deposits generally up to 38% (31 December 2019: 38%) of the cost of leased assets.

9.3	Particulars of advances (Gross)	30 June 2020	31 December 2019
		(Un-audited)	(Audited)
		(Rupees in '000)	
	In local currency	8,049,371	6,648,924
	In foreign currencies	-	-
		<u>8,049,371</u>	<u>6,648,924</u>

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9.4 Advances include Rs. 2,022.692 million (31 December 2019: Rs. 1,822.853 million) which have been placed under non-performing status as detailed below:

9.5 Category of Classification	30 June 2020 (Un-audited)		31 December 2019 (Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	(Rupees in '000)			
Domestic				
OAEM	176,275	-	111,473	-
Substandard	131,007	12,726	12,306	2,937
Doubtful	24,811	12,405	-	-
Loss	1,697,996	1,327,099	1,699,074	1,256,278
	2,030,089	1,352,230	1,822,853	1,259,215

9.6 Particulars of provision against advances	30 June 2020 (Un-audited)			31 December 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	1,259,215	-	1,259,215	971,770	-	971,770
Charge for the period / year	93,017	-	93,017	287,445	-	287,445
Reversals	-	-	-	-	-	-
	93,017	-	93,017	287,445	-	287,445
Amounts written off	-	-	-	-	-	-
Closing balance	1,352,232	-	1,352,232	1,259,215	-	1,259,215

9.6.1 Particulars of provision against advances	30 June 2020 (Un-audited)			31 December 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	1,352,232	-	1,352,232	1,259,215	-	1,259,215
In foreign currencies	-	-	-	-	-	-
	1,352,232	-	1,352,232	1,259,215	-	1,259,215

9.6.2 In accordance with BSD Circular No. 1 dated 21 October 2011 issued by the SBP, the Company has availed the benefit of Forced Sales Value (FSV) against the non-performing advances. Had this benefit of FSV not been taken by the Company, the specific provision against non-performing advances would have been higher by Rs. 398.603 million (31 December 2019: Rs. 442.936 million). Further, this amount arising from availing the benefit of FSV is not available for distribution amongst the shareholders either in the form of cash or stock dividend / bonus to employees

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

	No. of borrowers	Amount of Principal Deferred up to One year*	Amount of Restructuring / Rescheduling Allowed
	(Rupees in '000)		
Corporate	15	1,204,810	78,343
SME	7	40,178	-
	22	1,244,988	78,343

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

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10. FIXED ASSETS	Note	30 June	31 December
		2020	2019
		(Un-audited)	(Audited)
		(Rupees in '000)	
Property and equipment		13,466	9,631
Capital work-in-progress	10.1	183,090	183,090
Right of use assets		28,737	36,988
		<u>225,293</u>	<u>229,709</u>

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

10.2 Additions / transfers to fixed assets

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

Property and equipment	30 June	31 December
	2020	2019
	(Un-audited)	(Audited)
	(Rupees in '000)	
Electrical office and computer equipment	2,539	3,706
Vehicles	7,500	-
Furniture and fixtures	-	667
	<u>10,039</u>	<u>4,373</u>

10.3 Disposal of fixed assets

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

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

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

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

11. INTANGIBLE ASSETS

Computer Software	30 June	31 December
	2020	2019
	(Un-audited)	(Audited)
	(Rupees in '000)	
	<u>215</u>	<u>314</u>



12. DEFERRED TAX ASSETS

30 June 2020 (Un-audited)			
At 01 January 2019	Recognised in profit and loss account	Recognised in other comprehensive income	At 30 June 2020
----- (Rupees in '000) -----			
Deductible Temporary Differences on			
- Losses on sale of listed equity securities carried forward	15,270	191	15,461
- Post retirement employee benefits	(516)	-	(516)
- Deficit on revaluation of investments	6,366	245	28,414
- Accelerated tax depreciation	3,194	16,815	20,009
- Provision against advances, off balance sheet items, etc.	365,172	26,975	392,147
- Provision against investments	16,822	10,374	27,196
- Liability against right-of-use assets	1,607	(490)	1,117
- Others	884	796	1,680
	408,799	54,906	485,508
Taxable Temporary Differences on			
- Surplus on revaluation of investments	(16,166)	-	(48,608)
- Surplus on revaluation of Non-banking assets	-	-	(13,938)
- Accelerated tax depreciation	(6,874)	7,791	917
- Lease assets	(10,232)	(27,228)	(37,460)
- Others	-	-	-
	(33,272)	(19,437)	(99,089)
	375,527	35,469	386,419
31 December 2019 (Audited)			
At 01 January 2019	Recognised in profit and loss account	Recognised in other comprehensive income	At 31 December 2019
----- (Rupees in '000) -----			
Deductible Temporary Differences on			
- Losses on sale of listed equity securities carried forward	-	15,270	15,270
- Post retirement employee benefits	1,484	(1,484)	(516)
- Deficit on revaluation of investments	16,471	(3,312)	6,366
- Accelerated tax depreciation	12,571	(9,377)	3,194
- Provision against advances, off balance sheet etc.	281,813	83,359	365,172
- Provision against investments	64,505	(47,683)	16,822
- Liability against right-of-use assets	-	1,607	1,607
- Others	1,016	(132)	884
	377,860	38,248	408,799
Taxable Temporary Differences on			
- Surplus on revaluation of investments	(50)	-	(16,166)
- Accelerated tax depreciation	(5,734)	(1,140)	(6,874)
- Lease assets	(25,039)	14,807	(10,232)
- Others	(553)	553	-
	(31,376)	14,220	(33,272)
	346,484	52,468	375,527

13. OTHER ASSETS	Note	30 June 2020 (Un-audited)	31 December 2019 (Audited)
----- (Rupees in '000) -----			
Income / Mark-up accrued in local currency - net of provision		342,137	305,417
Advances, deposits, advance rent and other prepayments		19,413	93,685
Advance taxation (payments less provisions)		50,730	39,930
Non-banking asset acquired in satisfaction of claim	13.1	86,996	89,632
Dividend receivable		31	-
Security deposits		6,231	6,231
		505,538	534,895
Surplus on revaluation of non-banking asset acquired in satisfaction of claim		48,064	-
Other Assets - total		553,602	534,895
13.1 Market value of Non-banking asset acquired in satisfaction of claim		135,060	171,000

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

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		30 June 2020 (Un-audited)	31 December 2019 (Audited)
		(Rupees in '000)	
13.2 Non-banking asset acquired in satisfaction of claim	<i>Note</i>		
Opening Balance		89,632	94,905
Less: Depreciation for the period / year		(2,636)	(5,273)
Add: Revaluation Surplus		48,064	-
Closing Balance		<u>135,060</u>	<u>89,632</u>
14. BORROWINGS			
In Pakistan (local currency)	14.1	<u>11,160,531</u>	<u>10,842,781</u>
14.1 Details of borrowings secured / unsecured			
Secured			
Borrowings from State Bank of Pakistan- Under financing facility -for Imported & Locally Manufactured Plant & Machinery (LTFF)	14.2	1,779,389	1,655,047
Repurchase agreement borrowings	14.3	6,247,809	5,323,734
Term borrowings	14.4	3,133,333	3,650,000
Total Secured		<u>11,160,531</u>	<u>10,628,781</u>
Unsecured			
Call borrowings		-	214,000
Total Unsecured		-	214,000
Total borrowings		<u>11,160,531</u>	<u>10,842,781</u>
14.2	The Company has entered into agreement with the SBP for extending Long Term Financing Facility (LTFF) for Imported & Locally Manufactured Plant & Machinery. These borrowings carry mark-up rate of 2.0% per annum (31 December 2019: 2.0%). These borrowings will mature by 2030 (31 December 2019: 2029).		
14.3	These carry mark-up at the rates ranging from 7.20% to 8.35% per annum (31 December 2019: 13.35% to 13.70%) and are secured against government securities having carrying amount of PKR 6.189 billion (31 December 2019: PKR 5.408 billion). These borrowings will mature up to August 2020 (31 December 2019: February 2020).		
14.4	These represent finances obtained from Allied Bank Limited to finance regular business operations of the Company. These finances are secured by hypothecation charge over all present & future assets (excluding investments) of PAIR with 25% margin. These carry mark up at the rate of 6 months KIBOR +0.1% to 0.35% per annum. These are repayable in semi annual installments and shall be repaid by 2024.		
15. DEPOSITS AND OTHER ACCOUNTS	<i>Note</i>	30 June 2020 (Un-audited)	31 December 2019 (Audited)
		(Rupees in '000)	
Customers			
Term deposits - In Local Currency	15.2	247,060	209,265
Financial Institutions			
Term deposits - In Local Currency	15.3	669,886	566,058
	15.1	<u>916,946</u>	<u>775,323</u>
15.1 Composition of deposits			
- Individuals	15.4	87,585	49,139
- Private Sector		159,475	160,126
- Others - Shareholder (IFIC)	15.5	669,886	566,058
		<u>916,946</u>	<u>775,323</u>

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- 15.2 The mark-up rates on these certificate of investments (COI) range between 7.10% to 13.50% per annum (31 December 2019: 13.50% to 13.75% per annum). These COIs will mature up to September 2020 (31 December 2019: June 2020).
- 15.3 The mark-up rates on these certificate of investments (COI) is 7.25% to 11.10% per annum (31 December 2019: 13.60% per annum). These COIs will mature up to September 2020 (31 December 2019: March 2020).
- 15.4 These include non-interest bearing certificate of investments (COI) issued to employees of the Company maturing up to May 2021 (31 December 2019: October 2020).
- 15.5 This represents dividend and mark-up earned thereon not remitted to IFIC due to foreign exchange remittance restrictions, that had been invested on IFIC's instructions in the Company's certificates of investment.

	30 June 2020 (Un-audited)	31 December 2019 (Audited)
(Rupees in '000)		
16. OTHER LIABILITIES		
Mark-up / Return / Interest payable in local currency	37,877	59,300
Accrued expenses	57,441	26,024
Payable to defined benefit plan	5,654	5,654
Provision for leave encashment	1,416	3,047
Payable to an associated undertaking	7,660	7,090
Government levies payable	4,924	1,108
Advance insurance premium on lease	234	520
Security deposits against finance lease	218,527	149,924
Payable Brokerage	14,770	2,540
Provision for staff rewards	-	20,130
Provision for Worker's Welfare Fund	74,301	67,898
Lease liability against right-of-use assets	32,591	42,531
	<u>455,395</u>	<u>385,766</u>

17. SHARE CAPITAL

17.1 Authorised capital

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

17.2 Issued, subscribed and paid-up share capital

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

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

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

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18. RESERVES	30 June 2020 (Un-audited)	31 December 2019 (Audited)
	(Rupees in '000)	
Statutory reserve		
Opening balance	888,356	840,066
Transfer during the year	35,084	48,290
Closing balance	<u>923,420</u>	<u>888,356</u>

18.1 According to BFD 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 June 2020 (Un-audited)	31 December 2019 (Audited)
		(Rupees in '000)	
Surplus / (deficit) on revaluation of			
- Available for sale securities	8.1	136,014	66,241
- Non-banking asset acquired in satisfaction of claim		48,064	-
		184,078	66,241
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		(20,574)	(9,936)
- Non-banking asset acquired in satisfaction of claim		(13,939)	-
		(34,513)	(9,936)
		<u>149,565</u>	<u>56,305</u>

20. CONTINGENCIES AND COMMITMENTS

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

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

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

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

20.2 Commitments in respect of repo transactions	30 June 2020 (Un-audited)	31 December 2019 (Audited)
	(Rupees in '000)	
Repurchase agreement borrowings	6,247,809	5,323,734
20.3 Direct credit substitutes	100,000	100,000
20.4 Commitments to extend credit		

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

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21. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

22. DERIVATIVE INSTRUMENTS

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

22.1 Equity futures

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

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

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

		30 June 2020 (Un-audited)	30 June 2019 (Un-audited)
23. MARK-UP / RETURN / INTEREST EARNED	<i>Note</i>		
		(Rupees in '000)	
On loans and advances		304,338	294,441
On investments		828,758	507,640
On deposits with financial institutions		1,341	1,351
On lendings to financial institutions		1,107	7,098
		<u>1,135,544</u>	<u>810,530</u>
24. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		51,516	57,700
Repurchase agreement borrowings		261,109	138,127
Call borrowings		17,467	85,605
On borrowing from State Bank of Pakistan- Under financing facility -for Imported & Locally Manufactured Plant & Machinery (LTFF)		17,333	10,504
Term Borrowing		239,842	109,867
Markup on Lease liability against right of use assets		1,827	3,391
		<u>589,094</u>	<u>405,194</u>
25. FEE & COMMISSION INCOME			
Credit related fee		4,897	3,911
Commission on trade		-	112
Commission on guarantees		382	373
		<u>5,279</u>	<u>4,396</u>
26. GAIN ON SALE OF SECURITIES			
Realised	26.1	609	(1,563)
Unrealised - held for trading		(725)	(4,738)
		<u>(116)</u>	<u>(6,301)</u>
26.1 Realised gain on:			
Shares		<u>609</u>	<u>(1,563)</u>

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27. OPERATING EXPENSES	Note	30 June 2020 (Un-audited) (Rupees in '000)	30 June 2019 (Un-audited)
Total compensation expense	27.1	108,689	111,905
Property expense			
Insurance		1,261	1,867
Utilities cost		2,895	2,428
Security (including guards)		769	620
Repair & maintenance (including janitorial charges)		6,171	7,301
Depreciation on right-of-use assets		8,252	7,772
Depreciation on owned assets		2,636	2,636
		21,984	22,624
Information technology expenses			
Software maintenance		5,901	3,989
Depreciation		1,034	924
Amortisation		99	110
Network charges		2,312	1,893
Others		377	324
		9,723	7,240
Other operating expenses			
Directors' fees and allowances		6,008	1,390
Legal & professional charges		9,855	3,500
Travelling & conveyance		5,694	15,241
Depreciation		1,180	1,417
Training & development		256	936
Postage & courier charges		109	118
Communication		655	668
Stationery & printing		126	483
Marketing, advertisement & publicity		252	161
Auditors Remuneration		1,112	2,306
Commission and brokerage		1,547	2,232
Others		1,093	1,199
		27,887	29,651
		168,283	171,420
27.1 Total compensation expense			
Employees Remuneration		63,681	70,417
Charge for defined benefit plan		5,621	5,311
Contribution to defined contribution Plan		5,100	4,531
Rent & house maintenance		14,147	12,248
Utilities		3,537	3,062
Medical		4,312	3,829
Conveyance		12,039	11,580
Others		252	927
Total		108,689	111,905

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28	PROVISIONS & WRITE OFFS - NET	Note	30 June 2020 (Un-audited) (Rupees in '000)	30 June 2019 (Un-audited)
	Provisions for diminution in value of investments	8.4	69,161	53,820
	Provisions against loans and advances	9.6	93,017	99,042
			<u>162,178</u>	<u>152,862</u>
29.	TAXATION			
	Current		95,888	73,046
	Prior period		-	-
	Deferred		(35,469)	(31,252)
			<u>60,419</u>	<u>41,794</u>
30.	BASIC & DILUTED EARNINGS PER SHARE			
	Profit for the period		<u>175,321</u>	<u>58,639</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>0.29</u>	<u>0.10</u>
31.	FAIR VALUE MEASUREMENTS			

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

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

31.1 Fair value of financial assets

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

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

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

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

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

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

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

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

On balance sheet financial instruments	Carrying/ Notional value	30 June 2020 (Un-audited)			Total
		Fair value			
		Level 1	Level 2	Level 3	
----- (Rupees in 000) -----					
Financial assets measured at fair value					
Federal Government Securities	8,504,326	-	8,504,326	-	8,504,326
Shares in listed companies	800,254	800,254	-	-	800,254
Non Government Debt Securities	1,265,076	1,265,076	-	-	1,265,076
	<u>10,569,656</u>	<u>2,065,330</u>	<u>8,504,326</u>	<u>-</u>	<u>10,569,656</u>
Financial assets not measured at fair value					
Cash and balances with treasury banks	37,148	-	-	-	-
Balances with other banks	55,836	-	-	-	-
Lendings to financial institutions	-	-	-	-	-
Advances	6,697,139	-	-	-	-
Other assets	342,168	-	-	-	-
	<u>7,132,291</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-financial assets measured at fair value					
Non-banking assets acquired in satisfaction of claim	135,060	-	135,060	-	135,060
	<u>135,060</u>	<u>-</u>	<u>135,060</u>	<u>-</u>	<u>135,060</u>
----- (Rupees in 000) -----					
31 December 2019 (Audited)					
	Carrying/ Notional value	Level 1	Level 2	Level 3	Total
----- (Rupees in 000) -----					
Financial assets measured at fair value					
Federal Government Securities	8,489,344	-	8,489,344	-	8,489,344
Shares in listed companies	959,729	959,729	-	-	959,729
Non Government Debt Securities	4,929,282	4,929,282	-	-	4,929,282
	<u>14,378,355</u>	<u>5,889,011</u>	<u>8,489,344</u>	<u>-</u>	<u>14,378,355</u>
Financial assets not measured at fair value					
Cash and balances with treasury banks	46,383	-	-	-	-
Balances with other banks	83,751	-	-	-	-
Lendings to financial institutions	150,000	-	-	-	-
Advances	5,389,709	-	-	-	-
Other assets	305,417	-	-	-	-
	<u>5,975,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-financial assets not measured at fair value					
Non-banking assets acquired in satisfaction of claim	89,632	-	-	-	-
	<u>89,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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SEGMENT INFORMATION

Segment Details with respect to Business Activities

	30 June 2020				Total
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	
	(Rupees in '000)				
Profit & Loss					
Net mark-up/return/profit	419,665	146,158	-	(19,373)	546,450
Inter segment revenue - net	-	-	-	-	-
Non mark-up / return / interest income	5,279	-	20,320	555	26,154
Total Income	424,944	146,158	20,320	(18,818)	572,604
Segment direct expenses	21,904	16,178	9,630	126,974	174,686
Inter segment expense allocation	-	-	-	-	-
Total expenses	21,904	16,178	9,630	126,974	174,686
Provisions	93,017	-	69,161	-	162,178
Profit before tax	310,023	129,980	(58,471)	(145,792)	235,740

	30 June 2020				Total
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	
	(Rupees in '000)				
Balance Sheet					
Cash & Bank balances	-	-	-	92,984	92,984
Investments	3,562,956	9,844,624	758,940	-	14,166,520
Net inter segment lending	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-
Advances - performing	5,905,958	-	-	113,323	6,019,281
- non-performing	677,058	-	-	-	677,058
Others	673,999	142,735	55,776	293,019	1,165,529
Total Assets	10,820,771	9,987,359	814,716	499,326	22,122,172
Borrowings	3,260,480	7,580,927	319,124	-	11,160,531
Subordinated debt	-	-	-	-	-
Deposits & other accounts	433,430	390,127	93,389	-	916,946
Net inter segment borrowing	-	-	-	-	-
Others	235,053	21,585	-	198,757	455,395
Total liabilities	3,928,963	7,992,639	412,513	198,757	12,532,872
Equity	6,891,808	1,994,720	402,203	300,569	9,589,300
Total Equity & liabilities	10,820,771	9,987,359	814,716	499,326	22,122,172
Contingencies & Commitments	100,000	6,247,809	-	-	6,347,809

	30 June 2019				Total
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	
	(Rupees in '000)				
Profit & Loss					
Net mark-up/return/profit	356,818	61,470	(13,027)	75	405,336
Inter segment revenue - net	-	-	-	-	-
Non mark-up / return / interest income	6,055	-	15,185	639	21,879
Total Income	362,873	61,470	2,158	714	427,215
Segment direct expenses	13,579	9,821	6,916	143,604	173,920
Inter segment expense allocation	-	-	-	-	-
Total expenses	13,579	9,821	6,916	143,604	173,920
Provisions / (reversals)	108,562	15,129	29,171	-	152,862
Profit before tax	240,732	36,520	(33,929)	(142,890)	100,433

	31 December 2019				Total
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	
	(Rupees in '000)				
Balance Sheet					
Cash & Bank balances	-	-	-	130,134	130,134
Investments	3,612,607	10,121,644	930,050	-	14,664,301
Net inter segment lending	-	-	-	-	-
Lendings to financial institutions	-	150,000	-	-	150,000
Advances - performing	4,711,294	-	-	114,777	4,826,071
- non-performing	563,638	-	-	-	563,638
Others	602,619	144,054	8,032	385,740	1,140,445
Total Assets	9,490,158	10,415,698	938,082	630,651	21,474,589
Borrowings	4,753,734	5,888,155	200,892	-	10,842,781
Subordinated debt	-	-	-	-	-
Deposits & other accounts	658,215	74,436	42,872	-	775,523
Net inter segment borrowing	-	-	-	-	-
Others	169,492	40,247	-	178,027	385,766
Total liabilities	5,581,441	6,002,838	243,564	178,027	12,003,870
Equity	3,908,717	4,412,860	694,518	454,624	9,470,719
Total Equity & liabilities	9,490,158	10,415,698	938,082	630,651	21,474,589
Contingencies & Commitments	100,000	5,323,734	-	-	5,423,734

33. RELATED PARTY TRANSACTIONS

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

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

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

	30 June 2020 (Un-audited)			31 December 2019 (Audited)		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
----- (Rupees in '000) -----						
Advances						
Opening balance	-	75,735	-	-	58,688	-
Addition during the period / year	-	600	-	-	21,229	-
Repaid during the period / year	-	(2,796)	-	-	(4,182)	-
Closing balance	-	73,439	-	-	75,735	-
Other Assets						
Other receivable	-	-	10,894	-	-	10,039
Deposits and other accounts						
Opening balance	-	3,170	585,356	-	1,823	587,715
Received during the period / year	-	9,350	1,289,724	-	23,353	3,045,655
Withdrawn during the period / year	-	(10,889)	(1,205,196)	-	(22,006)	(3,048,014)
Closing balance	-	1,631	669,884	-	3,170	585,356
Other Liabilities						
Interest / mark-up payable	-	10	2,830	-	13	2,433
Salaries payable to MD	-	7,681	-	-	-	-
Other liabilities	-	-	7,660	-	-	7,090
	-	7,691	10,490	-	13	9,523

RELATED PARTY TRANSACTIONS	30 June 2020 (Un-audited)			30 June 2019 (Un-audited)		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
----- (Rupees in '000) -----						
Income						
Mark-up / return / interest earned	-	1,841	-	-	1,421	-
Expense						
Mark-up / return / interest paid	-	133	36,734	-	100	43,082
Operating expenses						
Fees for Board & Committee Meeting	6,008	-	-	1,388	-	-
Allowance for Board & Committee Meeting	-	-	-	8,122	-	-
Managerial Remuneration	-	51,403	-	-	42,982	-
Contribution to defined contribution plan	-	8,379	-	-	2,887	-
Rent & house maintenance	-	7,272	-	-	6,200	-
Utilities	-	1,818	-	-	1,550	-
Medical	-	2,272	-	-	1,970	-
Conveyance	-	5,625	-	-	5,506	-
Others	-	384	-	-	343	-

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34. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

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

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses) 6,000,000 6,000,000

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	<u>6,423,155</u>	6,424,849
Eligible Additional Tier 1 (ADT 1) Capital		-
Total Eligible Tier 1 Capital	<u>6,423,155</u>	6,424,849
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	<u>6,423,155</u>	6,424,849

Risk Weighted Assets (RWAs):

Credit Risk	<u>8,525,812</u>	8,255,320
Market Risk	<u>1,224,178</u>	1,411,956
Operational Risk	<u>1,403,104</u>	1,403,104
Total	<u>11,153,094</u>	11,070,380

	30 June 2020 (Un-audited)		31 December 2019 (Audited)	
	Required	Actual	Required	Actual
Common Equity Tier 1 Capital Adequacy ratio (%)	<u>6.00%</u>	<u>57.59%</u>	<u>6.00%</u>	<u>58.04%</u>
Tier 1 Capital Adequacy Ratio (%)	<u>7.50%</u>	<u>57.59%</u>	<u>7.50%</u>	<u>58.04%</u>
Total Capital Adequacy Ratio (%)	<u>11.5%*</u>	<u>57.59%</u>	<u>12.50%</u>	<u>58.04%</u>

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

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

Leverage Ratio (LR):

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

Eligible Tier-1 Capital	<u>6,423,155</u>	6,424,849
Total Exposures	<u>19,455,987</u>	21,589,787
Leverage Ratio	<u>33.01%</u>	<u>29.76%</u>

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	<u>2,921,556</u>	2,119,092
Total Net Cash Outflow	<u>467,348</u>	1,445,881
Liquidity Coverage Ratio (%)	<u>6.25</u>	<u>1.47</u>

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	<u>14,334,654</u>	14,550,356
Total Required Stable Funding	<u>11,075,771</u>	10,497,288
Net Stable Funding Ratio (%)	<u>129%</u>	<u>139%</u>

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35. GENERAL

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

35.2 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.

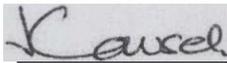
36. EVENTS AFTER THE REPORTING DATE

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

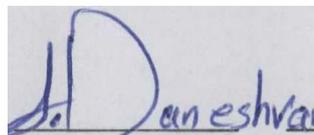
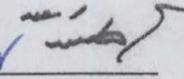
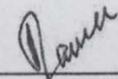
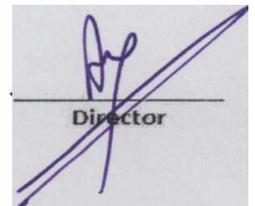
37. DATE OF AUTHORISATION

These condensed interim financial statements were authorized for issue on August 25 2020 by the Board of Directors of the Company.

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Chief Financial Officer


Managing Director /
Chief Executive Officer
Chairman
Director
Director