



Directors' Review

The Board of Directors (the Board) is pleased to present the condensed interim unconsolidated financial statements of Pak Libya Holding Company (Private) Limited (the Company) for the period ended 30 September 2020 together with Directors' review thereon.

Performance review

The Company generated profit before tax of PKR 720.28 million during the period under review as compared to loss before tax of PKR (376.09) million in the corresponding period last year.

Gross mark-up income during the period was PKR 2,520.90 million compared to PKR 1,159.68 whilst total income was PKR 1,027.27 million as compared to PKR 47.62 million in corresponding period last year. Net interest income (NII) has increased significantly by PKR 549.12 million mainly due to the favourable movement in interest rates and its effects on Company's margin and on its loan and investment portfolios. Capital gains on government securities portfolio was the main contributor towards significant increase in non-interest income.

During the period, the Company generated net cash flows of PKR 3,485.02 million from its operations as compared to PKR 2,383.57 million in corresponding period mainly due to increase in borrowing. The total assets of the Company have increased to PKR 34,758.78 million – an increase of around PKR 5,660.92 million (compared to financial yearend 2019) mainly in credit and debt investment portfolios.

The summarised financial results for the period are as follows:

Description	Nine months ended 30 September 2020 (9ME20)	Nine months ended 30 September 2019 (9ME19)
	PKR '000	
Profit/(loss) before taxation	720,276	(376,086)
Taxation	152,018	17,895
Profit/(loss) after taxation	568,258	(393,981)
Earnings/(loss) per share (Rupees)	828.25	(641.48)

Future prospects

The management of the Company after critically evaluating its options had finalised the terms of restructuring deal for the disposal of KEL assets (non-banking assets) with a specialised engineering firm. Under the arrangement, both the parties agreed to enter into a business venture whereby the assets of KEL would be used for setting up of captive power plants to be used for industrial units through power purchase agreements on 'Build Own Operate' or 'Build Own Operate Transfer' basis. As per agreement, the total consideration will be paid from the power plant cash flows to be received from time to time on such dates and with such amounts as mutually agreed by the parties. These power plants can be sold to prospective buyers, in parts or in full. Consequently, the transaction has been professionally structured and amicably closed between both the parties. In this regard an extraordinary general meeting of the shareholders was convened wherein the shareholders agreed to divest Company's major shareholding in its wholly owned subsidiary.



The real objective and success of the deal is to deploy these assets into economic use so that it would contribute many positive benefits into the economy and help generate economic activity e.g., employment, foreign direct investment, revenues and capital.

In relation to minimum capital requirement (MCR), the authorised capital of the Company has increased to PKR 10 billion. During the period under review, the Company has increased its paid up capital against the equity received in tranches. Consequently, the paid up capital of the Company has increased to PKR 7.541 billion. Furthermore, the Company is in the process of follow up with Ministry of Finance (MoF) GoP for its remaining tranche of PKR 300 million and is expecting to receive the same soon. Since the Libyan shareholder has already injected the entire equity, its remaining amount of PKR 300 million has been treated as advance against share subscription till issuance of remaining shares.

Moreover, the Company has taken various measures to tighten the controls over operating cost and expenses with the aim to attain profit and positive cash flows from operations. The management is taking steps to improve the Company's liquidity, profitability and cash flows via active cost saving and other measures. To further improve the performance, management is focusing on all possible avenues for sustainable profitable operations of the Company with an objective to expand its loan book including SME financing activities. A cautious stance is being maintained towards further asset growth.

In view of the overall efforts being made by the management, we are confident of positive business prospects for the Company.

Acknowledgments

On behalf of the Board, we would like to express gratitude to our shareholders for their continued support and trust. We are also thankful to employees of the Company for their hard work and dedication.

For and on behalf of the Board

sd/-

Khalid Joma Ezarzor
Deputy Managing Director

sd/-

Khurram Hussain
Managing Director & CEO

30 October 2020

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

		(Un-audited) 30 September 2020	(Audited) 31 December 2019
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks	6	40,501	32,474
Balances with other banks	7	27,245	134,554
Lendings to financial institutions	8	2,500,000	2,800,000
Investments	9	24,808,051	19,019,915
Advances	10	5,019,658	4,525,152
Fixed assets	11	104,363	87,155
Intangible assets	12	2,271	3,190
Deferred tax asset - net	13	160,604	52,526
Non-banking assets acquired in satisfaction of claim - held for sale	14	1,179,360	1,179,360
Other assets	14	916,722	1,263,532
		34,758,775	29,097,858
LIABILITIES			
Bills payable	16	-	-
Borrowings	17	26,060,694	21,914,147
Deposits and other accounts	18	2,297,647	1,551,020
Liabilities against assets subject to finance lease	19	-	-
Sub-ordinated loans	20	-	-
Deferred tax liabilities - net	21	-	-
Other liabilities	22	299,642	379,173
		28,657,983	23,844,340
NET ASSETS		6,100,792	5,253,518
REPRESENTED BY			
Share capital		7,541,780	6,141,780
Reserves		425,302	311,650
Surplus / (deficit) on revaluation of assets - net of tax	23	(239,301)	(36,336)
Unappropriated / unremitted profit / (loss)		(1,926,989)	(2,363,576)
Advance against shares subscription		300,000	1,200,000
		6,100,792	5,253,518
CONTINGENCIES AND COMMITMENTS	24		

The annexed notes 1 to 45 form an integral part of these condensed interim unconsolidated financial statements.

sd/-

Chief Financial Officer

sd/-

Managing Director & CEO

sd/-

Director

sd/-

Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM UNCONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

Note	Quarter ended		Nine months ended		
	September 2020	September 2019	September 2020	September 2019	
	----- (Rupees in '000) -----		----- (Rupees in '000) -----		
Mark-up / return / interest earned	26	738,613	432,691	2,520,896	1,159,676
Mark-up / return / interest expensed	27	492,767	390,026	1,971,374	1,159,278
Net mark-up / interest income		245,846	42,665	549,522	398
NON MARK-UP / INTEREST INCOME					
Fee and commission income	28	3,834	5,405	12,184	7,955
Dividend income		12,450	13,423	37,938	41,691
Foreign exchange income		(29)	(5)	95	14
Income / (loss) from derivatives		-	-	-	-
Gain / (loss) on securities - net	29	(13,190)	64,225	426,805	(9,604)
Unrealised loss on revaluation of investments classified as 'held-for-trading'	29	(495)	395	(2,115)	(61)
Other income	30	556	2,098	2,840	7,224
Total non mark-up / interest income		3,126	85,541	477,747	47,219
Total Income		248,972	128,206	1,027,269	47,617
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	31	120,533	113,156	340,070	324,170
Workers welfare fund	24	-	-	-	-
Other charges	32	4,200	4,812	12,970	9,993
Total non mark-up / interest expenses		124,733	117,968	353,040	334,163
Profit / (loss) before provisions		124,239	10,238	674,229	(286,546)
(Reversal) / provisions and write offs - net	33	(34,431)	(1,988)	(46,047)	89,540
Extraordinary / unusual items		-	-	-	-
PROFIT / (LOSS) BEFORE TAXATION		158,670	12,226	720,276	(376,086)
Taxation	34	11,250	2,324	152,018	17,895
PROFIT / (LOSS) AFTER TAXATION		147,420	9,902	568,258	(393,981)
		----- (Rupees) -----		----- (Rupees) -----	
Basic earnings / (loss) per share	35	<u>214.87</u>	<u>16.12</u>	<u>828.25</u>	<u>(641.48)</u>
Diluted earnings / (loss) per share	36	<u>214.87</u>	<u>16.12</u>	<u>828.25</u>	<u>(641.48)</u>

The annexed notes 1 to 45 form an integral part of these condensed interim unconsolidated financial statements.

sd/-

 Chief Financial Officer

sd/-

 Director

sd/-

 Managing Director & CEO

sd/-

 Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
 CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
 FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

	Quarter		Nine months ended	
	September 2020	September 2019	September 2020	September 2019
	------(Rupees in '000)-----		------(Rupees in '000)-----	
Profit / (loss) after taxation	147,420	9,902	568,258	(393,981)
Other comprehensive income - net				
Items that may be reclassified to profit and loss account in subsequent periods:				
Effect of translation of net investment in foreign branches	-	-	-	-
Movement in surplus / (deficit) on revaluation of investments - net of tax*	(234,947)	(35,637)	(202,965)	23,814
Others	-	-	-	-
	(234,947)	(35,637)	(202,965)	23,814
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement gain / (loss) on defined benefit obligations - net of tax	-	-	-	-
Movement in surplus on revaluation of operating fixed assets - net of tax	-	-	-	-
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-
	-	-	-	-
Total comprehensive income / (loss)	(87,527)	(25,735)	365,293	(370,167)

*Surplus / (deficit) arising on revaluation of 'Available-for-sale securities' - net of tax has been shown in the Statement of Comprehensive Income in order to comply with the revised "Prudential Regulations for Corporate / Commercial Banking" issued by the State Bank of Pakistan vide BPRD Circular No. 06 of 2014 on 26 June 2014.

The annexed notes 1 to 45 form an integral part of these condensed interim unconsolidated financial statements.

sd/-

 Chief Financial Officer

sd/-

 Director

sd/-

 Managing Director & CEO

sd/-

 Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

	Share capital/ Head office capital account	Statutory reserve	Surplus/(Deficit) on revaluation of		Unappropriated/ Unremitted profit/ (loss)	Total
			Investments	Fixed / Non Banking Assets		
----- (Rupees in '000) -----						
Opening balance as at 1 January 2019	6,141,780	311,650	(215,171)	-	(2,069,770)	4,168,489
(Loss) after taxation (September 2019)	-	-	-	-	(393,981)	(393,981)
Other comprehensive income - net of tax	-	-	23,814	-	-	23,814
Remittances made to/ received from head office	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-
Remeasurement gain / (loss) on defined benefit obligations - net of tax	-	-	-	-	-	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-
Dividend	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-
Exchange adjustments on revaluation of capital	-	-	-	-	-	-
Opening balance as at 01 October 2019	6,141,780	311,650	(191,357)	-	(2,463,751)	3,798,322
(Loss) for the period	-	-	-	-	90,269	90,269
Other comprehensive income - net of tax	-	-	155,021	-	-	155,021
Remittances made to/ received from head office	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-
Remeasurement gain / (loss) on defined benefit obligations - net of tax	-	-	-	-	9,906	9,906
Transactions with owners, recorded directly in equity	-	-	-	-	-	-
Dividend	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-
Exchange adjustments on revaluation of capital	-	-	-	-	-	-
Opening balance as at 01 January 2020	6,141,780	311,650	(36,336)	-	(2,363,576)	4,053,518
Profit after taxation (September 2020)	-	-	-	-	568,258	568,258
Other comprehensive income - net of tax	-	-	(202,965)	-	-	(202,965)
Remittances made to/ received from head office	-	-	-	-	-	-
Transfer to statutory reserve	-	113,652	-	-	(113,652)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-
Remeasurement gain / (loss) on defined	-	-	-	-	-	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-
Dividend	-	-	-	-	-	-
Issue of share capital	1,400,000	-	-	-	-	1,400,000
Stamp duty on shares issuance	-	-	-	-	(18,019)	(18,019)
Exchange adjustments on revaluation of capital	-	-	-	-	-	-
Closing balance for the period 30 Sept 2020	7,541,780	425,302	(239,301)	-	(1,926,989)	5,800,792

The annexed notes 1 to 45 form an integral part of these condensed interim unconsolidated financial statements.

sd/-

Chief Financial Officer

sd/-

Managing Director & CEO

sd/-

Director

sd/-

Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM UNCONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

	September 2020	September 2019
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit /(loss) before taxation	720,276	(376,086)
Less: Dividend income	<u>(37,938)</u>	<u>(41,691)</u>
	682,338	(417,777)
Adjustments:		
Depreciation	22,232	17,843
Amortization	919	844
(Reversal) / provision and write-offs	10.3 (52,755)	7,260
Unrealised loss on revaluation of investments classified as 'held-for trading'	9.1 1,719	61
Reversal of provision against lendings to financial institutions	8 -	-
(Reversal) of provision / provision against other assets	14 -	19,504
Provision / (reversal) of provision for diminution in the value of investments - net	9.2.1 6,708	62,776
Gain on sale of operating fixed assets	30 (418)	(449)
	<u>(21,594)</u>	<u>107,841</u>
	660,744	(309,936)
(Increase) / decrease in operating assets		
Lendings to financial institutions	(750,000)	(1,000,000)
Held-for-trading securities	(977,546)	12,631
Advances	(441,752)	(473,165)
Others assets (excluding advance taxation)	520,738	287,506
	<u>(1,648,560)</u>	<u>(1,173,028)</u>
Increase / (decrease) in operating liabilities		
Bills payable	-	-
Borrowings from financial institutions	4,146,547	3,215,733
Deposits	746,627	663,793
Other liabilities	(79,532)	85,036
	<u>4,813,642</u>	<u>3,964,562</u>
	3,825,826	2,481,598
Income tax paid	<u>(340,809)</u>	<u>(98,026)</u>
Net cash flow generated from operating activities	<u>3,485,017</u>	<u>2,383,571</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in 'available-for-sale' securities - net	(5,244,867)	(3,030,767)
Investments in 'held-to-maturity' securities - net	131,971	(60,794)
Dividend received	35,638	34,821
Investments in operating fixed assets	11.2 (41,345)	(53,366)
Proceeds from sale of operating fixed assets	2,322	2,170
Net cash flow used in investing activities	<u>(5,116,281)</u>	<u>(3,107,936)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts/payments of subordinated debt	-	-
Receipts/payments of lease obligations	-	-
Issue of share capital	1,400,000	-
Advance against share subscription	(900,000)	200,000
Stamp duty on shares issuance	(18,019)	-
Dividend paid	-	-
Remittances made to/received from company	-	-
Net cash flow generated from financing activities	<u>481,981</u>	<u>200,000</u>
Net increase / (decrease) in cash and cash equivalents	<u>(1,149,283)</u>	<u>(524,365)</u>
Cash and cash equivalents at beginning of the period	42 1,867,029	1,777,650
Cash and cash equivalents at end of the period	<u>717,746</u>	<u>1,253,285</u>

The annexed notes 1 to 45 form an integral part of these condensed interim unconsolidated financial statements.

sd/-

 Chief Financial Officer

sd/-

 Managing Director & CEO

sd/-

 Director

sd/-

 Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

1. STATUS AND NATURE OF BUSINESS

- 1.1 Pak-Libya Holding Company (Private) Limited (the Company) was incorporated in Pakistan as a private limited company on 14 October 1978. It is a joint venture between the Government of Pakistan and Government of Libya (State of Libya). The tenure of the Company was thirty years from the date of its establishment. The two contracting parties (i.e. both the governments through their representatives) extended the tenure for further thirty years upto 14 October 2038. The objectives of the Company inter alia include the promotion of economic growth of Pakistan through industrial development, to undertake other feasible business and to establish and acquire companies to conduct various businesses as may be decided from time to time. The Company is designated as a Development Financial Institution (DFI) under the BPD Circular No. 35 dated 28 October 2003 issued by the State Bank of Pakistan (SBP).

The registered office of the Company is located at 5th Floor, Block C, Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan. The Company has one sales and service center located at Lahore. Effective 05 August 2012, activities of Islamabad office have been suspended for the time being after review of the business strategy.

- 1.2 The State Bank of Pakistan (SBP) through its BSD Circular No. 19 dated 05 September 2008 has prescribed that the minimum paid-up capital (free of losses) for Development Financial Institutions (DFIs) is required to be maintained at Rs. 6 billion. The paid-up capital of the Company (free of losses) as of 30 September 2020 amounted to Rs. 5.615 billion (31 December 2019: Rs. 3.778 billion). In this regard, the authorised capital of the Company has increased to Rs.10 billion and the Company started the process of right issue to the shareholders. Moreover, SBP has been reviewing the progress and performance of the Company and the Company has been following up the matter of additional capital injection with the Ministry of Finance (MoF).

During the period under review, the Company has increased its paid up capital against the equity received in tranches. Consequently, the paid up capital of the Company has increased to Rs.7.541 billion. Furthermore, the Company is in the process of follow up with GoP for its remaining tranche of Rs.300 million and is expecting to receive the same soon. Since the Libyan shareholder has already injected the entire equity, its remaining amount of Rs.300 million has been treated as advance against share subscription till issuance of remaining shares.

In addition to the equity injection, the Company has taken various measures including efforts to dispose non-banking assets related to Kamoki Energy Limited and tighten the controls over operating cost and expenses with the aim to attain profit and positive cash flows from operations. The management is taking steps to improve the Company's liquidity, profitability and cash flows via active cost saving and other measures.

Further, the BoD of the Company has approved the Company's 5 year plan prepared by the management. The projections covered the period of 5 years. The management is confident that, taking into account the above mentioned plans and measures vis-a-vis actual performance, the Company will have sufficient funds to finance its operations and to meet its financial obligations. The Company based on these developments, requested SBP for MCR extension.

According to management's assessment, there is no significant impact of the effects of COVID-19 in these condensed interim unconsolidated financial statements.

Subsidiary Company

- 1.3 Kamoke Powergen (Private) Limited (the Company) (KPL) was incorporated in Pakistan as a private limited company on 07 February 2017. The Company is wholly owned subsidiary of Pak Libya Holding Company (Private) Limited. The Company has been established as a Special Purpose Vehicle (SPV) and was in the process of applying for the power generation license from NEPRA to increase the salability of assets of Kamoki Energy Limited (KEL). Approval from State Bank of Pakistan (SBP) was obtained for the formation of KPL which was granted vide letter No. BPRD/RPD/27366/16 dated 16 November 2016. The registered office of the Company is located at 5th Floor, Block C, Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These condensed interim unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards IFRS issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017 provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Act, 2017 and directives issued by the SBP and the Securities and Exchange Commission of Pakistan (SECP). Whenever the requirements of the Banking Companies Ordinance, 1962, Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The disclosures provided in these condensed interim unconsolidated financial statements, are limited, based on the format prescribed by SBP vide BPRD circular letter no. 5 dated 22 March 2014 & IAS 34.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 New standards, interpretations and amendments

Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Company

Certain new standards, interpretations and amendments that are mandatory for the accounting periods beginning on or after 1 January 2019 but are considered either not relevant or do not have any significant impact on the Company's operation, except as follows:

IFRS 9 "Financial Instruments"

'IFRS 9 Financial Instruments' replaces the existing 'IAS 39 Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised classification and measurement of financial instruments and a new expected credit loss approach for calculating impairment on financial assets. The Company carried out an impact assessment as at 31 December 2017 and 31 December 2019 which was submitted to State Bank of Pakistan. The State Bank of Pakistan has deferred its implementation through BPRD circular No. 04 of 2019 dated 23 October 2019, till 31 December 2020, hence the implementation date for IFRS 9 is 1 January 2021.

IFRS 16 "Leases"

During the current year, the Company has adopted IFRS 16 as issued by the International Accounting Standards Board (IASB) in January 2016.

IFRS 16 supercedes IAS 17 "Leases", IFRIC 4 "Determining whether an arrangement contains a Lease", SIC-15 "Operating Leases-Incentives" and SIC-27 "Evaluating the substance of transactions involving the legal form of a lease". The standard sets out the principles for recognition, measurement, presentation and disclosure of leases and requires lessor to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The adoption of IFRSs do not have any material impact on the Company's financial statements, except IFRS 9.

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

There are certain standards, amendments and interpretations with respect to the approved accounting standards that are not yet effective and are not expected to have any material impact on the Company's financial statements in the period of their initial application.

The following new standards and amendments to existing accounting standards will be effective from dates mentioned below against respective standards or amendments.

	Effective date (annual periods beginning on or after)
IFRS 3, Business Combinations (Amendments)	1 January 2020
IAS 1, Presentation of Financial Statements (Amendments)	1 January 2020
IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	1 January 2020

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of this condensed interim unconsolidated financial statements is the same as that applied in the preparation of the unconsolidated financial statements for the year ended 31 December 2019.

5. FINANCIAL RISK MANAGEMENT

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

		(Un-audited) 30 September 2020	(Audited) 31 December 2019
----- (Rupees in '000) -----			
6 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		6	6
Foreign currency		4,976	157
		4,982	163
With State Bank of Pakistan in			
Local currency current account	6.1	35,117	31,534
		35,117	31,534
With other central banks in			
Foreign currency current account		-	-
Foreign currency deposit account		-	-
		-	-
With National Bank of Pakistan in			
Local currency current account		402	777
Local currency deposit account		-	-
		402	777
Prize bonds		-	-
		40,501	32,474

6.1 This includes a balance required to be maintained with the SBP by the Company in accordance with the SBP's regulations for cash reserve requirements.

7 BALANCES WITH OTHER BANKS

In Pakistan			
In current accounts		8,628	12,356
In deposit accounts	7.1	18,617	122,199
		27,245	134,554
Outside Pakistan			
In current accounts		-	-
In deposit accounts		-	-
		-	-
		27,245	134,554

7.1 The return on these balances ranges from 5.50 to 11.30 (2019: 8.00 to 11.75) percent per annum.

8 LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lending	8.1.1	2,533,064	2,833,064
		2,533,064	2,833,064
Less: provision held against lending to financial institutions	8.2	(33,064)	(33,064)
Lending to financial institutions - net of provision		2,500,000	2,800,000

8.1 Particulars of lending

In local currency	2,500,000	2,800,000
In foreign currencies	-	-
	2,500,000	2,800,000

8.1.1 Call / clean money lending includes term deposit receipts carrying mark-up at rates ranging from 9.00 to 11.50 (2019: 14.50 to 15.00) percent per annum. These are due to mature between 27 October 2020 and 18 March 2021.

8.2 Category of classification

	Rupees in '000			
	(Un-audited) 30 September 2020		(Audited) 31 December 2019	
	Classified Lending	Provision held	Classified Lending	Provision held
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	33,064	33,064	33,064	33,064
Total	33,064	33,064	33,064	33,064

Overseas

The Company does not have any overseas lending during period ended 30 September 2020 (31 December 2019: Nil).

9 INVESTMENTS	Note	(Un-audited) 30 September 2020				(Audited) 31 December 2019			
		(Rupees in '000)				(Rupees in '000)			
9.1 Investments by type:		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Held-for-trading securities									
Federal government securities		949,949	-	1	949,950	-	-	-	-
Shares		35,895	(2,116)	-	33,779	8,298	(397)	-	7,901
		985,844	(2,116)	1	983,729	8,298	(397)	-	7,901
Available-for-sale securities									
Federal government securities		20,929,158	-	(298,484)	20,630,674	15,380,521	-	27,459	15,407,980
Shares		1,123,934	(373,272)	(47,568)	703,094	1,309,673	(366,564)	(79,630)	863,480
Non government debt securities	9.1.5 & 9.1.6	2,750,502	(332,549)	-	2,417,953	2,868,532	(332,549)	-	2,535,983
		24,803,594	(705,821)	(346,052)	23,751,722	19,558,727	(699,113)	(52,171)	18,807,443
Held-to-maturity securities									
Non government debt securities		73,466	(6,366)	-	67,100	205,437	(6,366)	-	199,071
		73,466	(6,366)	-	67,100	205,437	(6,366)	-	199,071
Associates	9.1.1, 9.1.2 & 9.1.3	705,367	(704,867)	-	500	705,367	(704,867)	-	500
Subsidiaries	9.1.4	5,000	-	-	5,000	5,000	-	-	5,000
Total		26,573,271	(1,419,169)	(346,051)	24,808,051	20,482,828	(1,410,742)	(52,171)	19,019,915

9.1.1 This represents 50% shareholding in the ordinary shares (Rs.10 each) of Kamoki Energy Limited (KEL), which has been fully provided. The book value represents cost of investment amounting to Rs. 500 million less share of loss on interest in joint venture amounting to Rs. 95.133 million upto 30 June 2012. This investment was designated as strategic investment under the Prudential Regulations for Corporate / Commercial Banking.

9.1.2 These include preference shares amounting to Rs.300 million which are cumulative, convertible, redeemable and non-participatory carrying dividend at the rate of 17% per annum having face value of Rs.10 each. These were redeemable within four years of the allotment date. If preference shares are not fully redeemed by the issuer in this time period, the remaining part along with the unpaid dividend thereon would be convertible at the option of preference shareholder at par value of Rs.10 into ordinary shares ranking pari passu in all respects with the ordinary shares except for participation in dividend / bonus distribution for the period for which preference share dividend has been paid.

9.1.3 It includes unlisted ordinary shares of FTC Management Company (Private) Limited. FTC Management Company (Private) Limited was incorporated in Pakistan. It is engaged in managing, operating and maintaining building housing offices with the name Finance and Trade Centre (FTC) for the mutual benefits of its owners and thus providing a nucleus for all joint and common services which are available in the FTC situated in Karachi.

9.1.4 The Company established a wholly owned subsidiary named Kamoke Powergen (Private) Limited with a paid-up capital of Rs. 5 million representing 500,000 ordinary shares of Rs. 10 each. The Company appointed an EVP grade executive (Mr. Kashif Shabbir) as Chief Executive Officer (CEO) of KPL. KPL has been established as a Special Purpose Vehicle (SPV) to obtain power generation license from NEPRA to increase the saleability of assets of KEL. SBP's approval was obtained for the formation of KPL which was granted vide letter No. BPRD/RPD/27366/16 dated 16 November 2016. The Company has decided to divest 80% of shareholding of KPL to an engineering firm alongwith its management control and utilisation rights of KEL's assets (refere note 37.2). In this regard, an extraordinary general meeting (EOGM) of the shareholders of the Company was convened for the approval of the same on 28 September 2020.

9.1.5 It includes an investment in listed term finance certificates (TFC) amounting to Rs. 398.58 million comprising 79,955 units. During last quarter of the 2018, upon maturity, the issuer informed investors the status of minimum capital requirements and its pending merger with and into another Bank. As a result, issuer could not make the final payment of its markup and entire principal amount. Consequently, an extraordinary meeting of the TFC holders was held on 19 November 2018 wherein the majority of the TFC holders agreed to extend the maturity date of the TFC Issue for a period of one year (27 October 2019) on the existing terms and conditions as the counter party invoked the lock-in clause governed by clause 4.1.1 of the 'Declaration of Trust' to hold the payment till the minimum capital requirement is met. The clause is mandatorily invoked for the time being until proposed merger; however, at a later stage, the pending merger had been called off. Therefore, another extraordinary meeting of the TFC holders was held on 20 November 2019 wherein, considering the developments, the majority TFC holders agreed to extend the maturity of the TFC Issue for a period of another one year (27 October 2020) on the same terms. In this regard, SBP had given its final approval for the period till 27 October 2019 and has given a separate in-principal approval for the period covering till 27 October 2020.

Management have not provided any impairment on the said TFCs on subjective basis, due to above facts and the recent developments and negotiations, in these condensed interim unconsolidated financial statements.

9.1.6 It includes investment in unlisted TFCs of PIA amounting to Nil (2019: Rs.11.058 million) against which no provision had been made on the basis of exposure being guaranteed by the Government as stated in Annexure V "Guidelines in the matter of classification and provisioning of assets" of Prudential Regulations R-8 of Corporate / Commercial Banking.

9.1.7 Investments given as collateral

Market treasury bills
Pakistan investment bonds

	(Un-audited) 30 September 2020	(Audited) 31 December 2019
Cost		
----- (Rupees in '000) -----		
	-	650,000
	19,635,000	13,000,000
	<u>19,635,000</u>	<u>13,650,000</u>

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

9.2 Provision for diminution in value of investments

9.2.1 Opening balance	1,410,742	1,493,354
Add: adjustments during the period	-	-
Charge / reversal		
Charge for the period / year	66,130	78,659
Reversal for the period / year	-	-
Charge / (reversal) on disposals	(59,422)	(160,530)
	6,708	(81,871)
Transfers / mark-to-market - net	1,719	(741)
Amounts written off	-	-
Closing balance	<u>1,419,169</u>	<u>1,410,742</u>

9.3.1 Particulars of provision against debt securities

Category of classification	----- (Rupees in '000) -----			
	(Un-audited) 30 September 2020		(Audited) 31 December 2019	
	Classified	Provision	Classified	Provision
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	332,549	332,549	332,549	332,549
	<u>332,549</u>	<u>332,549</u>	<u>332,549</u>	<u>332,549</u>

Overseas

The Company does not have any overseas investment during the period ended 30 September 2020 (31 December 2019 : Nil)

10 ADVANCES

Note	Performing		Non Performing		Total	
	(Un-audited) 30 September 2020	(Audited) 31 December 2019	(Un-audited) 30 September 2020	(Audited) 31 December 2019	(Un-audited) 30 September 2020	(Audited) 31 December 2019
	(Rupees in '000)					
Loans	3,675,256	3,492,830	1,266,807	1,320,703	4,942,063	4,813,533
Net investment in finance lease	372,422	484,849	146,938	146,938	519,361	631,788
Staff loans	151,882	144,145	-	-	151,882	144,145
Consumer loans and advances	3,209	3,823	37,282	37,907	40,491	41,730
Long-term financing of export oriented projects - (LTF-EOP)	-	-	60,179	60,179	60,179	60,179
Long-term financing facility (LTFF)	318,830	336,223	-	-	318,830	336,223
Refinance scheme for payment of wages & salaries	436,544	-	-	-	436,544	-
Advances - gross	4,958,144	4,461,871	1,511,207	1,565,728	6,469,351	6,027,599
Provision against advances						
- Specific	-	-	1,449,644	1,502,343	1,449,644	1,502,343
- General	-	-	48	104	48	104
	-	-	1,449,693	1,502,447	1,449,693	1,502,447
Advances - net of provision	4,958,144	4,461,871	61,514	63,281	5,019,658	4,525,152

10.1 Particulars of advances (Gross)

In local currency
In foreign currency

(Unaudited) September 2020	(Audited) December 2019
---- (Rupees in '000) ----	
6,469,351	6,027,599
-	-
6,469,351	6,027,599

10.2 Advances include Rs.1,511.21 million (2019: Rs.1,565.73 million) which have been placed under non-performing status as detailed below:-

Category of classification	(Un-audited) 30 September 2020		(Audited) 31 December 2019	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	---- (Rupees in '000) ----			
Domestic				
Other Assets Especially Mentioned	-	-	3,136	-
Substandard	4,042	1,010	1,274	318
Doubtful	-	-	1,523	761
Loss	1,507,165	1,448,633	1,559,795	1,501,263
Total	1,511,207	1,449,644	1,565,728	1,502,343

Overseas

The Company does not have any overseas advances during the period ended 30 September 2020 (31 December 2019 : Nil).

10.3 Particulars of provision against advances

	(Un-audited) 30 September 2020			(Audited) 31 December 2019		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	1,502,343	104	1,502,447	1,522,851	134	1,522,985
Charge for the period	2,036	-	2,036	9,212	-	9,212
Less: Reversal during the period	(54,734)	(56)	(54,791)	(29,720)	(29)	(29,749)
Net (reversal) for the period	(52,699)	(56)	(52,755)	(20,508)	(29)	(20,537)
Less: Amounts written off	-	-	-	-	-	-
Closing balance	1,449,644	48	1,449,693	1,502,343	104	1,502,447

10.3.1 Particulars of provision against advances

In local currency	1,449,644	48	1,449,693	1,502,343	104	1,502,447
In foreign currency	-	-	-	-	-	-
	1,449,644	48	1,449,693	1,502,343	104	1,502,447

10.3.2 The provision against non-performing advances includes an impact of Forced Sale Value (FSV) benefit amounting to Rs.Nil (31 December 2019: Nil) in respect of consumer financing and Rs.58.532 million (2019: Rs.58.532 million) being security deposit in respect of lease financing. The FSV benefit recognised under the Prudential Regulations is not available for the distribution of cash or stock dividend to the shareholders. Further, SBP through its letter no. OSED/SEU-05/041(01)-12/2218/2012 dated 26 December 2012 had stipulated that no dividend, cash or kind, shall be paid out of the benefits realised through the relaxations allowed therein.

10.3.3 General provision against consumer finance loans represents provision made equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP for Consumer Financing.

		(Un-audited) 30 September 2020	(Audited) 31 December 2019
11	FIXED ASSETS		
		---- (Rupees in '000) ----	
	Capital work-in-progress	-	-
	Property and equipment	104,363	87,155
		<u>104,363</u>	<u>87,155</u>
11.1	Capital work-in-progress		
	Civil works	-	-
	Equipment	-	-
	Advances to vendors	-	-
	Others	-	-
		<u>-</u>	<u>-</u>
11.2	Additions to fixed assets		
		---- (Rupees in '000) ----	
	The following additions have been made to operating fixed assets during the period:		
	Capital work-in-progress	-	-
	Property and equipment		18,841
	Freehold land	-	-
	Leasehold land	-	-
	Building on freehold land	-	-
	Building on leasehold land	-	-
	Furniture and fixture	1,037	350
	Electrical office and computer equipment	6,987	638
	Vehicles	33,321	33,537
	Others	-	-
	Total	<u>41,345</u>	<u>53,366</u>
11.3	Disposal of fixed assets		
	The net book value of operating fixed assets disposed off during the period is as follows:		
	Freehold land	-	-
	Leasehold land	-	-
	Building on freehold land	-	-
	Building on leasehold land	-	-
	Furniture and fixture	-	28
	Electrical office and computer equipment	-	-
	Vehicles	1,904	1,693
	Others	-	-
	Total	<u>1,904</u>	<u>1,721</u>
12	INTANGIBLE ASSETS		
		---- (Rupees in '000) ----	
	Computer software	2,271	3,190
	Others	-	-
		<u>2,271</u>	<u>3,190</u>
12.1	Additions to intangible assets		
		---- (Rupees in '000) ----	
	The following additions have been made to intangible assets during the period:		
	Developed internally	-	-
	Directly purchased	-	-
	Through business combinations	-	-
	Total	<u>-</u>	<u>-</u>
12.2	Disposals of intangible assets		
	The net book value of intangible assets disposed off during the period is as follows:		
	Developed internally	-	-
	Directly purchased	-	-
	Through business combinations	-	-
	Total	<u>-</u>	<u>-</u>

(Un-audited) 30 September 2020	(Audited) 31 December 2019
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13 DEFERRED TAX ASSETS / (LIABILITY)

---- (Rupees in '000) ----

Deductible temporary differences on		
- Tax losses carried forward	-	-
- Post retirement employee benefits	5,434	4,876
- Deficit on revaluation of investments	106,831	15,895
- Accelerated tax depreciation	-	-
- Provision against advances, off balance sheet etc.	77,568	77,568
- Others	-	-
	<u>189,833</u>	<u>98,339</u>
Taxable temporary differences on		
- Surplus on revaluation of fixed assets	-	-
- Surplus on revaluation of investments	-	-
- Accelerated tax depreciation	(2,006)	(51)
- Net investment in finance lease	(27,223)	(45,762)
	<u>(29,229)</u>	<u>(45,813)</u>
	<u>160,604</u>	<u>52,526</u>

- 13.1 As at 30 September 2020, the Company has available provision for advances, investments and other assets amounting to Rs.1,731.52 million (31 December 2019: Rs.1,785.41 million) and unused tax losses upto 30 September 2020 amounting to Rs. 266.235 million (31 December 2019: Rs.539.047 million). However, the management has prudently recognised the deferred tax asset, if any, only to the extent given above based on the absorption / admissibility of the same as forecasted in the projections approved by the Board of Directors. Moreover, no deferred tax asset has been recognised on unused tax losses.

14 OTHER ASSETS

Income / mark-up accrued in local currency - net of provision		361,078	892,374
Advances, deposit, advance rent and other prepayments		32,446	19,801
Advance taxation (payments less provisions)		544,531	372,901
Staff retirement gratuity - asset / (liability)	22.1	8,437	8,437
Other receivables		8,416	8,205
		<u>954,908</u>	<u>1,301,718</u>
Less: provision held against other assets	14.2	(38,186)	(38,186)
Other assets - net of provision		<u>916,722</u>	<u>1,263,532</u>
Non-banking assets acquired in satisfaction of claims - held for sale	14.1	1,179,360	1,179,360
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		-	-
		<u>1,179,360</u>	<u>1,179,360</u>

- 14.1 Market value of non-banking assets acquired in satisfaction of claims has been disclosed in note 14.1.1 & note 37.2.

14.1.1 Non-banking assets acquired in satisfaction of claims - held for sale

Opening balance		1,179,360	1,179,360
Additions		-	-
Revaluation		-	-
Disposals		-	-
Depreciation		-	-
Impairment		-	-
Closing balance		<u>1,179,360</u>	<u>1,179,360</u>

This includes non-banking assets acquired under satisfaction of claim in relation to KEL's exposure. These assets comprise of land measuring 14.125 acre, building structure and power plant. The project is situated at Kamoki, District Gujranwala, Punjab, Pakistan.

Considering the strategic importance of KEL, consequent to transfer of the said assets in Company's name the management presented a Management Plan, highlighting all aspects, regarding the Power Project Assets to the Board of Directors. In continuation to the efforts made for the disposal, management appointed M/s. Iqbal A. Nanjee for a new valuation as at 31 December 2019. As per the new valuation the assessed value of these assets were Rs.2.531 billion, whilst forced sale value is Rs.1.570 billion. However the surplus on revaluation on the non-banking assets has not been recorded in these condensed interim unconsolidated financial statements on prudent basis.

	(Un-audited) 30 September 2020	(Audited) 31 December 2019
---- (Rupees in '000) ----		
14.2 Provision held against other assets		
Advances, deposits, advance rent & other prepayments	38,186	38,186
Non banking assets acquired in satisfaction of claims	-	-
Others	-	-
	<u>38,186</u>	<u>38,186</u>
14.2.1 Movement in provision held against other assets		
Opening balance	38,186	18,682
Charge for the period / year	-	19,504
Reversals	-	-
Amount written off / (recovered)	-	-
Closing balance	<u>38,186</u>	<u>38,186</u>

15. Contingent assets

The Company does not have any contingent assets as at period end 30 September 2020 (31 December 2019 : Nil).

16. Bill payable

The Company does not have any bills payable as at period end 30 September 2020 (31 December 2019 : Nil).

17. BORROWINGS*Secured*

Borrowings from State Bank of Pakistan under:

Long-term financing facility (LTFF)	17.1	318,723	336,223
Refinance scheme for payment of wages & salaries	17.1	436,544	-
Repurchase agreement borrowings - Repo	17.2	19,635,000	13,444,981
Borrowings from financial institutions	17.3	3,199,000	3,411,500
Total secured		<u>23,589,267</u>	<u>17,192,705</u>

Unsecured

Clean borrowings		1,730,000	500,000
Bai Muajjal	17.4	741,427	4,221,443
		<u>26,060,694</u>	<u>21,914,147</u>

17.1 This includes borrowings from State Bank of Pakistan as under:

- (a) The Company has entered into agreements for financing with State Bank of Pakistan (SBP) for long term financing facility (LTFF) to customers. According to terms of respective agreements, SBP has the right to receive outstanding amount from the Company at the date of maturity of finances by directly debiting current account maintained by the Company with the SBP. Such financing shall carry interest at the rate of 2.0 to 2.5 (2019: 2.0 to 2.5) percent per annum.
- (b) The Company has entered into agreements for financing with State Bank of Pakistan (SBP) for refinance scheme for payment of wages & salaries to customers. According to terms of respective agreements, SBP has the right to receive outstanding amount from the Company at the date of maturity of finances by directly debiting current account maintained by the Company with the SBP. Such financing carry Nil (2019: nil) percent per annum interest for all types of eligible borrowers that are on active tax payer list.

17.2 The Company has arranged borrowings from various financial institutions against sale and repurchase of Government Securities. The outstanding facilities as at statement of financial position date are due for maturity on various dates latest by 09 October 2020 (31 December 2019: Jan 2020). The rate of mark-up on these facilities range from 7.20 to 7.45 (31 December 2019: 12.85 to 13.40) percent per annum.

17.3 This includes borrowings from financial institutions as under:

- (a) Rs.3,000 million (2019: Rs.3,212.5 million) representing long term borrowings from certain financial institutions which are secured by way of first hypothecation charge over assets of the Company with 30 percent margin on the facility amount. They carry a mark-up rate of six months' KIBOR plus 0.25 percent to 0.50 percent per annum payable on semi-annual basis (2019: six months KIBOR plus 0.25 percent to 0.50 percent per annum payable on semi-annual basis). As at 30 September 2020, the applicable interest rates were 7.13 to 8.21 (2019: 13.37 to 14.58) percent per annum. These borrowings are due for maturity latest by December 2023 (2019: July 2023).
- (b) This represents short term borrowings (running finance) amounting to Rs. 199 million from a financial institution for the period ranging from overnight to 12 months for running finance. They carry mark-up rate of three months KIBOR plus 0.75 percent per annum. This short term borrowing is secured by way of hypothecation on all present and future assets of the company with 30 percent margin.

17.4 This represents financing through unsecured Bai Muajjal from a financial institution due for repayment latest by 10 December 2020. The rate of mark-up on this facility is 7.50 (2019: 13.5 to 14.25) percent per annum.

	(Un-audited) 30 September 2020	(Audited) 31 December 2019
	---- (Rupees in '000) ----	
17.2 Particulars of borrowings with respect to currencies		
In local currency	26,060,694	21,914,147
In foreign currency	-	-
	<u>26,060,694</u>	<u>21,914,147</u>

18 DEPOSITS AND OTHER ACCOUNTS

	(Un-audited) 30 September 2020			(Audited) 31 December 2019		
	In local currency	In foreign currency	Total	In local currency	In foreign currency	Total
	-----Rupees in '000-----					
Customers						
Certificate of Investment	2,297,647	-	2,297,647	1,551,020	-	1,551,020
Term deposits	-	-	-	-	-	-
Others	-	-	-	-	-	-
	<u>2,297,647</u>	-	<u>2,297,647</u>	<u>1,551,020</u>	-	<u>1,551,020</u>
Financial Institutions						
Certificate of Investment	-	-	-	-	-	-
Term deposits	-	-	-	-	-	-
Others	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,297,647</u>	-	<u>2,297,647</u>	<u>1,551,020</u>	-	<u>1,551,020</u>

The profit rates on these Certificates of Investment (COIs) range from 7.00 to 13.26 (31 December 2019: 13.40 to 14.50) percent per annum. These COIs are due for maturity on various dates latest by 24 March 2021 (31 December 2019: 03 September 2020).

19 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The Company does not have any liabilities subject to lease finance during the period ended 30 September 2020 (31 December 2019: Nil)

20 SUBORDINATED DEBT

The Company does not have any subordinated debt during the period ended 30 September 2020 (31 December 2019: Nil)

21 DEFERRED TAX LIABILITIES

The deferred tax liabilities have been considered in note 13, since a net deferred tax asset / liability amount has been disclosed.

	(Un-audited) 30 September 2020	(Audited) 31 December 2019
22 OTHER LIABILITIES		
Mark-up/return/interest payable in local currency	125,576	227,270
Accrued expenses	49,794	51,067
Advance payments	27,339	5,647
Current taxation (provisions less payments)	-	-
Unclaimed dividends	-	-
Dividends payable	-	-
Mark to market loss on forward foreign exchange contracts	-	-
Employees' compensated absences	22.1 18,737	16,993
Charity fund balance	-	-
Provision against off-balance sheet obligations	-	-
Security deposits against lease	77,682	77,682
Other	514	514
	<u>299,642</u>	<u>379,173</u>

22.1 This is based on actuarial valuation carried out as of 31 December 2019 for regular employees and MD & DMD of the Company.

22.2 Provision against off-balance sheet obligations

The Company does not have any provision against off-balance sheet obligations.

23 SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS

Surplus / (deficit) on revaluation of

- Available for sale securities

- Fixed Assets

- Non-banking assets acquired in satisfaction of claims

(346,052)	(52,171)
-	-
-	-
(346,052)	(52,171)

Deferred tax on surplus / (deficit) on revaluation of:

- Available for sale securities

- Fixed Assets

- Non-banking assets acquired in satisfaction of claims

106,751	15,835
-	-
-	-
106,751	15,835
<u>(239,301)</u>	<u>(36,336)</u>

	Note	(Un-audited) 30 September 2020	(Audited) 31 December 2019
---- (Rupees in '000) ----			
24 CONTINGENCIES AND COMMITMENTS			
- Guarantees	24.1	871,778	869,736
- Commitments	24.2	2,328,542	826,128
- Other contingent liabilities	24.3	213,227	213,227
		<u>3,413,547</u>	<u>1,909,092</u>
24.1 Guarantees:			
Financial guarantees	24.1.1	841,120	841,120
Performance guarantees	24.1.1	30,658	28,616
Other guarantees		-	-
		871,778	869,736

24.1.1 This represents guarantees issued on behalf of KEL, a joint venture. During the year 2012, a decision was announced by the Honorable Supreme Court of Pakistan (Court), in which all contracts of RPPs were declared to be illegal and void ab initio and as a result of which the guarantee remained inoperative. Consequently, there cannot be any exposure of the Company under the same.

	(Un-audited) 30 September 2020	(Audited) 31 December 2019
---- (Rupees in '000) ----		
24.2 Commitments:		
Documentary credits and short-term trade-related transactions		
- letters of credit	350,000	350,000
Commitments in respect of:		
- forward foreign exchange contracts	-	-
- forward government securities transactions	-	-
- derivatives	-	-
- forward lending	-	-
- operating leases	-	-
Commitments for acquisition of:		
- operating fixed assets	-	-
- intangible assets	708	708
Other commitments	1,977,834	475,420
	<u>2,328,542</u>	<u>826,128</u>

24.2.1 Commitments in respect of forward foreign exchange contract, government securities transactions, derivatives, forward
The Company does not have any commitment in respect to foreign exchange contract, government securities transactions, derivatives and forward lending at period end (31 December 2019: Nil).

	(Un-audited) 30 September 2020	(Audited) 31 December 2019
---- (Rupees in '000) ----		
24.2.2 Other commitments		
Commitments to extend credit	851,594	466,040
Unsettled investment transactions for sale / purchase of listed ordinary shares	2,941	7,956
Commitments in respect of forward government securities transactions	1,117,873	-
Commitment to sell unlisted ordinary shares (refer note 9.1.4)	4,000	-
Commitments against other services	1,425	1,425
	<u>1,977,834</u>	<u>475,420</u>

24.3 Other contingent liabilities

- 24.3.1** In financial year 2014, the Company received the appeal effect orders with respect to the Appellate Tribunal Inland Revenue (ATIR) orders dated 20 February 2013 in relation to tax years 2004, 2005, 2006 and 2008 where the outcome was in favour of the Company in relation to issues of loans and advances written-off, apportionment of expenditure and loans to executives/officers and the resulting refunds were adjusted against the tax liability for the tax years 2009 and 2010. Based on the decision of ATIR, overall resulting relief and brought forward losses, there was 'nil' additional tax liability remaining for tax years 2009 and 2010. In June 2015, the Additional Commissioner Inland Revenue issued orders under section 221/124 of the ITO for the tax years 2003 to 2010 to give the appeal effect of the ATIR order. Upon Company's rectification application, a rectified order was issued which resulted in a refund of Rs.122.777 million in tax year 2010. The Tax department has filed the references before Honorable High Court of Sindh against the order of ATIR.
- 24.3.2** For the tax year 2011, Deputy Commissioner Inland Revenue (DCIR) vide order dated 30 August, 2013 passed under section 122(1) read with section 177 of Income Tax Ordinance (ITO) issued the amended assessment order and raised a demand of Rs.84.392 million. The demand mainly pertains to additions made for apportionment of expenses to dividend income/capital gains/(losses), disallowance of interest payable on accrual basis, provision for loans and advances and loss on termination of leased assets etc. The Company filed a refund claim of Rs.70.53 million for the tax year 2011 through a revised tax return. The Company filed an appeal with Commissioner Inland Revenue Appeals on 14 October 2013. The CIR (A) disposed the appeal vide his order No. 22 dated 26 December 2016. In relation to the said appeal, CIR (A) confirmed the treatment of DCIR on certain issues, whilst few matters were decided in favour of the Company. Therefore, an appeal before ATIR to contest the various treatments adopted in the above mentioned order issued by CIR(A) has been filed in addition to a rectification application on 02 March 2017. The appeal is pending before ATIR and has not been fixed yet.
- 24.3.3** For the tax year 2013, the Company received a tax demand of Rs.24.3 million on 11 November 2014 vide order under section 122 (5A) of the ITO. Against this order, rectification application was filed vide letter T-2798/2012 dated 12 December 2014 wherein it has been highlighted that the issue of apportionment of expenditure against dividend income and capital gain has been decided in favour of the Company by ATIR. Also, the Tax department did not consider the payment of tax of Rs.13.47 million. In June 2015, a rectification order under section 221 of the ITO was passed by the Additional Commissioner Inland Revenue to give effect of apportionment of financial charges and tax credits. Consequently the tax department revised its tax demand and reduced it to Rs.13.198 million. The Company filed an appeal with Commissioner Inland Revenue Appeals (CIRA) on 22 December 2014. The CIR (A) disposed the appeal vide his order No. 23 dated 26 December 2016. In relation to the said appeal, the CIR (A) confirmed the treatment of the ACIR on certain issues whilst few matters were decided in favour of the Company. Therefore, an appeal before ATIR to contest the various treatments adopted in the above mentioned order issued by CIR(A) has been filed in addition to a rectification application on 02 March 2017. The appeal is pending before ATIR and has not been fixed yet.
- 24.3.4** For the tax year 2014, the ACIR passed an order wherein he demanded tax of Rs.57.866 million disallowing the provision for non-performing loan and advances, apportionment of financial and administrative expenses against dividend income and capital gain, penalty imposed by the State Bank of Pakistan, treated the expenditure incurred on privately placed TFCs as capital expenditure and charged WWF. The Company filed an appeal with Commissioner Inland Revenue Appeals (CIRA) on 22 November 2016. The CIR (A) disposed the appeal vide his order No. 13 dated 16 January 2017. In relation to the said appeal, the CIR (A) confirmed the treatment of the ACIR on certain issues whilst few matters were decided in favour of the Company. Therefore, an appeal before ATIR to contest the various treatments adopted in the above mentioned order issued by CIR(A) has been filed on 02 March 2017. The appeal is pending before ATIR and has not been fixed yet.
- 24.3.5** For the tax year 2015, the ADCIR passed an order wherein he demanded tax of Rs.46.669 million disallowing the provision for non-performing advances, Write off against KSE-TREC and loss on sale of non-banking assets, apportioned the financial and administrative expenses against dividend income and capital gain, disallowed penalty imposed by the State Bank of Pakistan and treated the expenditure incurred on privately placed TFCs as capital expenditure, whilst treatment on certain matters were decided in favour of the Company. Therefore, an appeal before CIR(A), to contest the various treatments adopted in the above mentioned order issued by ADCIR, has been filed on 16 April 2019.
- 24.3.6** For the tax year 2017, the ADCIR passed an order under section 122(1)/(5) of the Ordinance on September 30, 2019. As a result of the order passed there is no change in the tax liability. However, loss declared as per return Rs.611.559 million reduced to Rs.133.227 million. In the order passed DCIR disallowed the provision for non-performing advances, apportioned the financial and administrative expenses against dividend income and capital gain, board meeting expenses and treated the expenditure incurred on privately placed TFCs as capital expenditure, whilst treatment on certain matters were decided in favour of the Company. Therefore, an appeal before CIR(A), to contest the various treatments adopted in the above mentioned order issued by ADCIR, appeal has been filed on 29 October 2019.

No provision has been made in these condensed interim unconsolidated financial statements in respect of above mentioned matters as the management is hopeful of a favourable outcome on these matters considering the appellate history and tax advisor's opinion.

- 24.3.7** The Company, through its lawyer, has challenged in Sindh High Court (SHC) section 2(g)(V), 5(3), 5(4) and 6(1) of the Sindh Workers Welfare Fund Act, 2014 to be unlawful and void ab initio. The Court as an interim measure passed the order that no coercive action shall be taken against the Company till next date of hearing as suit No 610/2017, in which almost 20 Financial Institutions have filed a Composite Suit challenging the same law, requires hearing. At period end, the outcome was still pending.

25 DERIVATIVE INSTRUMENTS

The Company did not enter into any interest rate swaps, forward rate agreements and foreign exchange options during the period (31 December 2019: Nil)

Note	(Un-audited) 30 September 2020	(Un-audited) 30 September 2019
---- (Rupees in '000) ----		
26 MARK-UP/RETURN/INTEREST EARNED		
loans and advances	421,918	365,301
Investments	1,855,065	637,224
Lendings to financial institutions	241,187	155,283
Balance with banks	2,726	1,867
Others	-	-
	2,520,896	1,159,676
27 MARK-UP/RETURN/INTEREST EXPENSED		
Deposits	141,633	73,317
Borrowings	1,829,741	1,085,961
Subordinated debt	-	-
Cost of foreign currency swaps against foreign currency deposits/ borrowings	-	-
	1,971,374	1,159,278
28 FEE & COMMISSION INCOME		
Branch banking customer fees	-	-
Consumer finance related fees	-	-
Card related fees (debit and credit cards)	-	-
Credit related fees	8,428	7,248
Investment banking fees	-	-
Commission on trade	-	-
Commission on guarantees	3,757	707
Commission on cash management	-	-
Commission on remittances including home remittances	-	-
Commission on bancassurance	-	-
Others	-	-
	12,184	7,955
29 GAIN / (LOSS) ON SECURITIES - NET		
Realised	426,805	(9,604)
Unrealised-held for trading	(2,115)	(61)
	424,689	(9,666)
29.1 Realised gain on:		
Federal government securities	426,290	(14,141)
Shares	945	4,029
Non-government debt securities	(430)	507
Associates	-	-
Subsidiaries	-	-
Others	-	-
	426,805	(9,604)
30 OTHER INCOME		
Rent on property	2,408	2,940
Gain on sale of operating fixed assets	418	449
Gain on sale of non-banking assets - net	-	-
Bank charges on consumer and SME-RB portfolio	14	3,784
Others	-	51
	2,840	7,224

	(Un-audited) 30 September 2020	(Un-audited) 30 September 2019
31 OPERATING EXPENSES		
	---- (Rupees in '000) ----	
Total compensation expense	249,761	235,301
Property expense		
Rent and taxes	100	-
Insurance	2,892	2,149
Utilities cost	3,330	3,002
Security (including guards)	800	759
Repair and maintenance (including janitorial charges)	12,077	10,985
Depreciation	2,100	1,629
Others	-	-
	21,299	18,525
Information technology expenses		
Software maintenance	1,501	1,760
Hardware maintenance	719	934
Depreciation	1,171	1,677
Amortisation	919	844
Network charges	828	701
BCP expense	549	548
	5,688	6,465
Other operating expenses		
Directors' fees and allowances	12,622	3,236
Board meeting expenses	7,061	21,629
Fees and allowances to Shariah Board	-	-
Legal and professional charges	8,393	6,511
Outsourced services costs	4,155	4,814
Travelling and conveyance	2,292	2,978
NIFT clearing charges	-	-
Depreciation	18,961	14,537
Training and development	503	529
Postage and courier charges	166	183
Communication	3,321	3,291
Head office / regional office expenses (only for branches of foreign banks operating in Pakistan)	-	-
Stationery and printing	1,107	1,759
Marketing, advertisement & publicity	2,176	1,899
Donations	-	-
Auditors' remuneration	502	561
Meal and business networking expenses	224	542
Canteen expenses	459	528
Liveries and uniform	316	211
Hajj expense	791	430
Bank charges	233	157
Miscellaneous expenses	43	84
	63,322	63,879
	<u>340,070</u>	<u>324,170</u>

	(Un-audited) 30 September 2020	(Un-audited) 30 September 2019
---- (Rupees in '000) ----		
32 OTHER CHARGES		
Arrangement fee and documentation charges	63	81
Brokerage commission & CDC charges	6,529	4,913
Expenses for privately placed term finance certificates	-	-
Expenses pertaining to KEL	6,095	4,999
Penalties imposed by State Bank of Pakistan	183	-
Penalties imposed by other regulatory bodies	100	-
	<u>12,970</u>	<u>9,993</u>
33 PROVISIONS & WRITE OFFS - NET		
Provisions against lending to financial institutions	-	-
Loss on non-banking assets acquired in satisfaction of claims	-	-
Provisions for diminution in value of investments	9.2	6,708
(Reversal) / provisions against loans and advances	10.3	(52,755)
(Reversal) / provision against other receivable	14.2.1	-
Bad debts written off directly	-	19,504
Recovery of written off / charged off bad debts	-	-
	<u>(46,047)</u>	<u>89,540</u>
34 TAXATION		
Current	169,179	25,523
Prior years	-	-
Deferred	(17,161)	(7,628)
	<u>152,018</u>	<u>17,895</u>

Due to current year tax loss, the Company made provision for applicable minimum tax and income tax at fixed rates. Therefore, relationship between tax expense and accounting profit for the period / year has not been presented.

	(Un-audited) 30 September 2020	(Un-audited) 30 September 2019
---- (Rupees in '000) ----		
35 BASIC EARNINGS/ (LOSS) PER SHARE		
Profit / (loss) for the period	<u>568,258</u>	<u>(393,981)</u>
Weighted average number of ordinary shares	<u>686,091</u>	<u>614,178</u>
Basic earnings / (loss) per share (Rupees)	<u>828.25</u>	<u>(641.48)</u>
36 DILUTED EARNINGS/ (LOSS) PER SHARE		
Profit / (loss) profit for the period	<u>568,258</u>	<u>(393,981)</u>
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)	<u>686,091</u>	<u>614,178</u>
Diluted earnings / (loss) per share (Rupees)	<u>828.25</u>	<u>(641.48)</u>

37 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. 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.

37.1 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).

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 measurement is categorised:

	(Un-Audited) 30 September 2020			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal government securities	-	21,580,624	-	21,580,624
Provincial government securities	-	-	-	-
Shares	736,873	-	5,500	742,373
Non-government debt securities	-	859,080	-	859,080
Foreign securities	-	-	-	-
Others	-	-	-	-
Financial assets - disclosed but not measured at fair value				
Investments	-	-	1,257,431	1,257,431
Cash and balances with treasury banks	-	-	40,501	40,501
Balances with other banks	-	-	27,245	27,245
Lendings to financial institutions	-	-	2,500,000	2,500,000
Advances	-	-	5,019,658	5,019,658
Other assets	-	-	916,722	916,722
Financial liabilities - disclosed but not measured at fair value				
Borrowings	-	-	(26,060,694)	(26,060,694)
Deposits and other accounts	-	-	(2,297,647)	(2,297,647)
Other liabilities	-	-	(299,642)	(299,642)
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	-	-	-
Forward sale of foreign exchange	-	-	-	-
Forward agreements for lending	-	-	-	-
Forward agreements for borrowing	-	-	-	-
Derivatives purchases	-	-	-	-
Derivatives sales	-	-	-	-
	736,873	22,439,704	(18,890,926)	4,285,651

(Audited)				
31 December 2019				
Level 1	Level 2	Level 3	Total	
-----Rupees in '000-----				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal government securities	-	15,407,980	-	15,407,980
Provincial government securities	-	-	-	-
Shares	871,381	-	5,500	876,881
Non-government debt securities	-	861,228	-	861,228
Foreign securities	-	-	-	-
Others	-	-	-	-
Financial assets - disclosed but not measured at fair value				
Investments	-	-	1,875,974	1,875,974
Cash and balances with treasury banks	-	-	32,474	32,474
Balances with other banks	-	-	134,554	134,554
Lendings to financial institutions	-	-	2,800,000	2,800,000
Advances	-	-	4,525,152	4,525,152
Other assets	-	-	1,263,532	1,263,532
Financial liabilities - disclosed but not measured at fair value				
Borrowings	-	-	(21,914,147)	(21,914,147)
Deposits and other accounts	-	-	(1,551,020)	(1,551,020)
Other liabilities	-	-	(379,173)	(379,173)
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	-	-	-
Forward sale of foreign exchange	-	-	-	-
Forward agreements for lending	-	-	-	-
Forward agreements for borrowing	-	-	-	-
Derivatives purchases	-	-	-	-
Derivatives sales	-	-	-	-
871,381	16,269,208	(13,207,154)	3,933,436	

37.2 Fair value of non-financial assets

(Un-Audited)				
30 September 2020				
Level 1	Level 2	Level 3	Total	
-----Rupees in '000-----				
On balance sheet non-financial assets				
Non-banking assets acquired in satisfaction of claims - held for sale	-	2,530,518	-	2,530,518
-	2,530,518	-	2,530,518	
On balance sheet non-financial assets				
(Audited)				
31 December 2019				
Level 1	Level 2	Level 3	Total	
-----Rupees in '000-----				
Non-banking assets acquired in satisfaction of claims	-	2,530,518	-	2,530,518
-	2,530,518	-	2,530,518	

Methodology and Valuation Approach

For the purposes of valuation, valuer carried out inspection and survey of the land, building, plant and machinery. They verified the capacity of the Engines and Alternators from their nameplate rating. The plant is mostly second-hand and the engines have run 50/60,000 hours.

Land

The valuer verified the land by examining the land purchase/ ownership documents or copies thereof, apart from physical verification. The valuation of land is based upon prevailing market rates for similar usage without any restrictions for sale, transfers, etc. for large areas and the prevailing market condition at the location. For this purpose the valuer also made inquiries from the local dealers of the area and assessed the value at Rs.56.500 million (2019: Rs. 56.500 million).

Buildings And Civil Works

All civil works were physically inspected to ascertain the type of construction, finishes and present condition. The structures covered are the owned and developed assets on owned land and long leased land holdings. The verification was also made from the architectural drawings and completion drawings as available. The buildings were checked to ascertain the maintenance standard and construction at site in accordance with the drawings. A suitable depreciation factor depending upon the present condition and life of the buildings was applied to arrive at the present assessed value is Rs.150.570 million (2019: Rs. 150.570 million).

Plant and Machinery including Spares

The machinery at the site (including spares) were physically verified as far as possible, according to their description, specification and location. Purchase invoices were used in order to determine the historical cost.

For the purpose of valuation of plant, machinery and equipment, valuer enquired values of second-hand machinery and checked their own archives, apart from the local market, keeping in view the make, model, capacity & present condition of the plant, which resulted in valuation of Rs.1,363.009 million (2019: Rs. 1,363.009 million).

As the machinery items are also lying at the port and segments are distributed into various containers at the Plant site, this will present some problems in assembling and in absence of comprehensive assembly drawings and technical specification / rusting problems, the realisable value will suffer.

At year end 2018, the Company performed an impairment review to ascertain that the carrying amount of the power plant does not exceed its recoverable amount; the review was based on a financial model with various assumptions, as the power plant has not started its operations yet. Considering the assets being non-operational, the management engaged an external valuation expert to assess the value of these assets. As a result of the assessment, the management considered that no impairment on these assets is required for the year ended 31 December 2019, as the revised market/assessed as well as forced sales values based on the report of valuation expert, exceeded their carrying values as at 31 December 2019. Consequently, as per new valuation at year end the assessed value is Rs. 2,530.518 million (2019: Rs. 2,530.518 million).

Management of the Company after critically evaluating its options had finalised the terms of restructuring deal for the disposal of these assets with a specialised engineering firm. Under the arrangement, both the parties agreed to enter into a business venture whereby the assets of KEL would be used for setting up of captive power plants to be used for industrial units through power purchase agreements on 'Build Own Operate' or 'Build Own Operate Transfer' basis. As per agreement, the total consideration will be paid from the power plant cashflows to be received from time to time on such dates and with such amounts as mutually agreed by the parties. The beneficial ownership of these assets will be transferred to KPL on proportionate basis against part payment of the total consideration, however, the legal title will only transfer upon receipt of entire total consideration of Rs.1.2 billion. These power plants can be sold to prospective buyers, in parts or in full. Consequently, the transaction has been professionally structured and amicably closed between both the parties.

38 SEGMENT INFORMATION

38.1 Segment details with respect to Business Activities

The segment analysis with respect to business activity is as follow:

30 September 2020 (Un-audited)						
Corporate and Investment Banking	Treasury	Capital Markets	SME & Retail Banking	Un-allocated / others	Total	
Profit and loss						
Net mark-up/return/profit	160,908	396,692	-	16,225	(24,302)	549,523
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up/return/interest income	11,474	425,956	36,767	724	2,826	477,747
Total Income	172,382	822,648	36,767	16,949	(21,476)	1,027,270
Segment direct expenses	19,302	16,846	11,839	10,222	95,468	153,677
Inter segment expense allocation	2,118	2,217	1,183	4,202	189,643	199,364
Total expenses	21,420	19,063	13,022	14,424	285,111	353,041
(Reversal)/(recovery)/provision	(53,896)	-	6,708	1,141	-	(46,047)
Profit / (loss) before tax	204,858	803,584	17,037	1,384	(306,587)	720,276
Balance Sheet						
30 September 2020 (Un-audited)						
Corporate and Investment Banking	Treasury	Capital Markets	SME & Retail Banking	Un-allocated / others	Total	
Cash and bank balances	-	67,746	-	-	-	67,746
Investments	3,644,629	22,087,880	838,645	-	-	26,571,155
Net inter segment lending	-	-	-	-	-	-
Lendings to financial institutions	-	2,533,064	-	-	-	2,533,064
Advances - performing	4,376,716	-	-	429,513	151,882	4,958,112
- non-performing	1,473,924	-	-	37,315	-	1,511,239
Others	1,336,440	189,098	2,300	6,580	867,089	2,401,507
Less: Provision - Loan and advances	(1,415,394)	-	-	(34,299)	-	(1,449,693)
Less: Provision - Investments	(1,334,110)	(9,371)	(73,572)	-	-	(1,417,053)
Less: Provision - Lending to Fis	-	(33,064)	-	-	-	(33,064)
Less: Provision - Others	(22,320)	(9,757)	-	-	(6,109)	(38,186)
Less: Surplus / (deficit) - Investments	22,135	(298,483)	(69,703)	-	-	(346,051)
Total Assets	8,059,886	24,825,596	767,373	439,109	1,012,862	34,758,775
Borrowings	3,813,839	21,780,026	-	466,828	-	26,060,694
Subordinated debt	-	-	-	-	-	-
Deposits and other accounts	-	2,297,647	-	-	-	2,297,647
Net inter segment borrowing	-	-	-	-	-	-
Others	106,684	123,913	1,247	5,523	62,278	299,644
Total liabilities	3,920,523	24,201,586	1,247	472,351	62,278	28,657,985
Equity	4,516,237	-	838,645	-	745,908	6,100,790
Total equity and liabilities	8,436,760	24,201,586	839,892	472,351	808,186	34,758,775
Contingencies and commitments	1,957,871	1,117,873	2,941	104,848	230,013	3,413,547

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30 September 2019 (Un-audited)					
Corporate and Investment Banking	Treasury	Capital Markets	SME & Retail Banking	Un-allocated / others	Total
Profit and loss					
Net mark-up/return/profit	10,686	(4,652)	-	21,039	3,232
Inter segment revenue - net	-	-	-	-	-
Non mark-up / return / interest income	8,085	(14,194)	45,720	6,942	44,385
Total Income	18,771	(18,846)	45,720	(16,899)	47,617
Segment direct expenses	17,090	14,844	11,554	86,454	140,738
Inter segment expense allocation	2,296	1,951	1,799	183,224	193,424
Total expenses	19,386	16,795	13,354	269,678	334,162
(Reversal) / (recovery) / provision	37,448	9,757	43,324	-	89,540
Profit / (loss) before tax	(38,063)	(45,398)	(10,958)	(286,577)	(376,085)

31 December 2019 (Audited)					
Corporate and Investment Banking	Treasury	Capital Markets	SME & Retail Banking	Un-allocated / others	Total
Balance Sheet					
Cash and bank balances	-	167,029	-	-	167,029
Investments	3,894,630	15,589,295	998,904	-	20,482,828
Net inter segment lending	-	-	-	-	-
Lendings to financial institutions	-	2,833,064	-	-	2,833,064
Advances - performing	3,784,404	-	-	533,323	4,461,873
- non-performing	1,527,820	-	-	37,907	1,565,727
Others	1,351,197	705,439	-	15,098	2,615,512
Less: Provision - Loan and advances	(1,469,289)	-	-	(33,158)	(1,502,448)
Less: Provision - Investments	(1,334,110)	(9,371)	(67,261)	-	(1,410,742)
Less: Provision - Lending	-	(33,064)	-	-	(33,064)
Less: Provision - Others	(22,320)	(9,757)	-	(6,109)	(38,186)
Less: Surplus / (deficit) - Investments	1,937	27,459	(81,567)	-	(52,171)
Total Assets	7,734,269	19,270,092	850,076	681,814	29,089,421
Borrowings	3,868,100	17,492,877	-	553,170	21,914,147
Subordinated debt	-	-	-	-	-
Deposits and other accounts	-	1,551,020	-	-	1,551,020
Net inter segment borrowing	-	-	-	-	-
Others	83,330	227,270	7,399	44,126	370,736
Total liabilities	3,951,430	19,271,167	7,399	44,126	23,835,903
Equity	3,782,839	-	998,904	471,775	5,253,518
Total Equity & liabilities	7,734,269	19,271,167	1,006,302	515,901	29,089,421
Contingencies & Commitments	1,669,736	-	7,956	217,060	1,909,092

RELATED PARTY TRANSACTIONS

The Company has related party relationship with its parent, associate, joint venture, subsidiary, state controlled entities (by virtue of government shareholding), companies with common directorships, employees benefit plans, key management personnel and its directors.

The Company enters into transactions with related parties in the normal course of business. The transactions were carried out at contracted rates. Transactions with key management personnel are governed by the applicable policies and / or terms of employment / office. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the entity. Key management personnel herein include those executives reporting directly to CEO / MD.

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

	30 September 2020 (Un-audited)					31 December 2019 (Audited)								
	Parent	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Other related parties (2)	Parent	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Other related parties (2)
	(Rupees in '000)													
Balances with other banks														
In current accounts	-	-	-	-	-	-	35,519	-	-	-	-	-	-	32,311
In deposit accounts	-	-	-	-	-	-	35,519	-	-	-	-	-	-	32,311
Lendings to financial institutions														
Opening balance	-	-	-	-	-	-	250,000	-	-	-	-	-	-	250,000
Addition during the year	-	-	-	-	-	-	500,000	-	-	-	-	-	-	750,000
Repaid during the year	-	-	-	-	-	-	(250,000)	-	-	-	-	-	-	(750,000)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	500,000	-	-	-	-	-	-	250,000
Investments														
Opening balance	-	-	-	-	-	-	15,726,138	-	-	-	-	-	-	8,789,804
Investment made during the year	-	-	-	-	5,000	500	704,867	-	-	-	5,000	500	704,867	67,889,598
Investment redeemed / disposed off during the year	-	-	-	-	-	-	16,723,320	-	-	-	-	-	-	(60,949,106)
Transfer in / (out) - net	-	-	-	-	-	-	(10,319,363)	-	-	-	-	-	-	(4,158)
Closing balance	-	-	-	-	-	-	22,130,095	-	-	-	5,000	500	704,867	15,726,138
Provision for diminution in value of investments														
Opening balance	-	-	-	-	-	-	83,134	-	-	-	-	-	-	69,854
Surplus / (deficit) in value of investments	-	-	-	-	-	-	(316,471)	-	-	-	-	-	-	2,135
Advances														
Opening balance	-	-	49,273	-	-	-	38,835	-	-	59,207	-	-	-	39,822
Addition during the year	-	-	12,588	-	-	-	21,275	-	-	2,081	-	-	-	2,304
Repaid during the year	-	-	(22,701)	-	-	-	(2,591)	-	-	(12,015)	-	-	-	(3,291)
Transfer in / (out) - net	-	-	12,035	-	-	-	(13,789)	-	-	-	-	-	-	-
Closing balance	-	-	51,195	-	-	-	43,730	-	-	49,273	-	-	-	38,835
Provision held against advances														
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision held against advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	30 September 2020 (Un-audited)						31 December 2019 (Audited)							
	Parent	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Other related parties (2)	Parent	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Other related parties (2)
Other Assets														
Interest / mark-up accrued	-	-	1,857	-	-	-	120,095	-	-	1,364	-	-	-	609,978
Receivable from staff retirement fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receivable (+)	-	5,983	-	1,424	-	-	-	-	5,983	-	1,376	-	-	-
Other advances	-	3,488	620	-	-	-	160	-	1,430	338	-	-	-	200
Advance taxation	-	-	-	-	-	-	544,531	-	-	-	-	-	-	372,901
Provision against other assets	-	(5,983)	-	-	-	-	-	-	(5,983)	-	-	-	-	(985)
Borrowings														
Opening balance	-	-	-	-	-	-	6,089,105	-	-	-	-	-	-	6,590,493
Borrowings during the year	-	-	-	-	-	-	249,684,700	-	-	-	-	-	-	183,148,765
Settled during the year	-	-	-	-	-	-	(244,109,538)	-	-	-	-	-	-	(183,680,153)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	11,634,267	-	-	-	-	-	-	6,059,105
Subordinated debt														
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issued / Purchased during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Redemption / Sold during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts														
Opening balance	-	-	-	-	185,000	-	1,336,020	-	-	-	-	200,000	-	315,576
Received during the year	-	-	-	-	175,000	-	8,815,706	-	-	-	-	790,000	-	5,502,353
Withdrawn during the year	-	-	-	-	(185,000)	-	(8,220,627)	-	-	-	-	(805,000)	-	(4,481,909)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	175,000	-	1,931,100	-	-	-	-	185,000	-	1,336,020
Other Liabilities														
Interest / mark-up payable	-	-	-	-	186	-	36,505	-	-	-	-	348	-	35,895
Payable to staff retirement fund	-	-	-	-	-	-	(8,476)	-	-	-	-	-	-	(8,437)
Other liabilities	5,047	3,411	-	-	-	1,008	520	-	-	-	-	-	1,008	64
Contingencies and Commitments														
Other contingencies	-	-	-	-	-	-	871,778	-	-	-	-	-	869,736	213,227

	30 September 2020 (Un-audited)						30 September 2019 (Un-audited)							
	Parent	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Other related parties (2)	Parent	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Other related parties (2)
Income														
Mark-up / return / interest earned -net	-	-	1,783	-	-	-	1,644,718	-	-	1,125	-	-	-	486,722
Fee and commission income	-	-	-	-	-	-	5,150	-	-	-	-	-	-	5,300
Dividend income	-	-	-	-	-	-	9,887	-	-	-	-	-	-	3,203
Gain on sale of securities - net	-	-	-	-	-	-	-	-	339	-	-	-	-	-
Gain on disposal of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expense														
Mark-up / return / interest expensed	-	-	-	-	15,596	-	541,883	-	-	-	-	16,227	-	229,639
Operating expenses														
Office maintenance and related expenses	-	-	-	-	11,562	-	-	-	-	-	-	10,265	-	-
Non-executive directors' remuneration	-	10,522	-	-	-	-	-	-	3,236	-	-	-	-	1,326
Board meeting expense	-	5,659	1,480	-	-	-	767	-	16,430	2,639	-	-	-	26,847
Remunerations	-	95,155	50,764	-	-	-	28,033	-	90,785	42,063	-	-	-	-
Consultancy expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution to defined contribution plan	-	3,169	1,370	-	-	1,392	533	-	2,817	3,608	-	-	-	1,538
Contribution to defined benefit plan	-	3,193	3,627	-	-	-	1,108	-	2,917	1,128	-	-	-	626
Depreciation	-	14,671	581	-	-	-	133	-	9,495	468	-	-	-	230
Other Charges														
Others	-	-	-	-	4	-	-	2,053	-	-	2	-	1,349	-
Insurance premium paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance claims settled	-	-	-	-	-	-	-	3,388	-	-	-	-	3,648	-

(1) Executives directors and key management personnel are also entitled to the usage of certain Company assets as per their terms of employment.

(2) It includes state controlled entities, certain other material risk takers and controllers.

(3) Transactions with owners have been disclosed in "Statement of changes in equity".

(4) In financial year 2017, Rs. 26.11 million was paid to former Deputy Managing Director (DMD) of the Company, who was relocated to Libya on 31 March 2017, on account of depreciation benefit, transportation cost and tax paid by the Company. The Board subsequently resolved that the said benefits will be recovered from former DMD partly from sale proceeds of the car surrendered by former DMD to the Company and partly from actual payment. The car was disposed off in financial year 2018 against sale proceeds of Rs. 9.11 million in addition to actual cash received amounting to Rs. 11,004 million. The management has been following up for the remaining amount of 5,983 million, which is appearing in other receivables (Note 14).

(5) Advance against subscription amounting to Rs.1.7 billion received from shareholders, out of which shares amounting to Rs.1.4 billion have been issued during the period.

40 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

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

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)	<u>5,614,791</u>	<u>3,778,204</u>
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	<u>4,508,289</u>	<u>2,254,643</u>
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	<u>4,508,289</u>	<u>2,254,643</u>
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	<u>4,508,289</u>	<u>2,254,643</u>

Risk Weighted Assets (RWAs):

Credit Risk	<u>10,079,532</u>	<u>9,360,978</u>
Market Risk	<u>5,214,108</u>	<u>2,506,235</u>
Operational Risk	<u>514,012</u>	<u>514,012</u>
Total	<u>15,807,652</u>	<u>12,381,225</u>

Common Equity Tier 1 Capital Adequacy ratio	<u>28.52%</u>	<u>18.21%</u>
Tier 1 Capital Adequacy Ratio	<u>28.52%</u>	<u>18.21%</u>
Total Capital Adequacy Ratio	<u>28.52%</u>	<u>18.21%</u>

Leverage Ratio (LR):

Eligible Tier-1 Capital	<u>4,508,289</u>	<u>2,254,643</u>
Total Exposures	<u>56,163,115</u>	<u>42,146,137</u>
Leverage Ratio	<u>8.03%</u>	<u>5.35%</u>

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	<u>1,792,637</u>	<u>1,816,155</u>
Total Net Cash Outflow	<u>2,647,873</u>	<u>2,632,983</u>
Liquidity Coverage Ratio	<u>68%</u>	<u>69%</u>

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	<u>11,421,497</u>	<u>9,921,272</u>
Total Required Stable Funding	<u>9,177,741</u>	<u>8,844,084</u>
Net Stable Funding Ratio	<u>124%</u>	<u>112%</u>

41 ISLAMIC BANKING BUSINESS

The Company, being a conventional financial institution / DFI, does not have any Islamic banking operation / activities.

	Note	(Un-audited) 30 September 2020	(Un-audited) 30 September 2019
---- (Rupees in '000) ----			
42 CASH AND CASH EQUIVALENTS			
Term deposit receipts (TDRs)	8.1	650,000	1,150,000
Cash and balance with treasury banks	6	40,501	22,364
Balance with other banks	7	27,245	80,921
		717,746	1,253,285

42.1 These term deposit receipts (TDRs) are due for maturity on various dates in October 2020 .

43. NON-ADJUSTING EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There is no event subsequent to the statement of financial position date that requires disclosure in these condensed interim unconsolidated financial statements.

44. DATE OF AUTHORISATION FOR ISSUE

These condensed interim unconsolidated financial statements were authorised for issue on 30 Oct. 2020 by the Board of Directors of the Company.

45. GENERAL

45.1 In its latest rating announcement (June 2020), the Pakistan Credit Rating Agency Limited (PACRA) has maintained the Company's rating of AA-(Double A Minus) in the long term and A1+ (A One Plus) in the short term (with Stable outlook assigned to ratings; 2019: Negative outlook).

45.2 Amounts in these condensed interim unconsolidated financial statements have been rounded off to the nearest thousand rupee, unless otherwise stated.

45.3 Certain comparative figures have been reclassified in order to present information on a basis consistent with current period.

sd/-

Chief Financial Officer

sd/-

Managing Director & CEO

sd/-

Director

sd/-

Director