

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PAK CHINA INVESTMENT COMPANY LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

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

Basis for Opinion

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

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the Annual Report but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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



attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

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

Other Matter

The financial statements of the Bank for the year ended 31 December 2019 were audited by another firm of chartered accountants who expressed an unmodified opinion thereon in the audit report dated 03 April 2020.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Ahsan Shahzad.



Chartered Accountants

Place: Islamabad

Date: 31 March 2021

PAK CHINA INVESTMENT COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

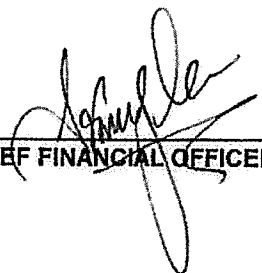
	Note	2020	2019
		-----Rupees-----	
ASSETS			
Cash and balances with treasury banks	5	2,223,116,872	3,176,193,182
Balances with other banks	6	35,230,054	878,417,860
Lendings to financial institutions	7	1,149,985,152	-
Investments	8	15,657,891,368	19,241,495,724
Advances	9	11,550,098,344	9,291,201,472
Fixed assets	10	233,362,516	276,895,029
Intangible assets	11	494,736	784,906
Deferred tax assets	12	105,401,492	52,515,699
Other assets	13	453,464,171	482,688,277
		31,409,044,705	33,400,192,149
LIABILITIES			
Bills payable		-	-
Borrowings	14	12,902,913,838	16,119,292,987
Deposits and other accounts	15	512,400,000	-
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	16	511,476,256	648,887,229
		13,926,790,094	16,768,180,216
NET ASSETS		17,482,254,611	16,632,011,933
REPRESENTED BY			
Share capital	17	9,696,637,540	9,696,637,540
Advance against issue of shares	18	9,881,237	9,881,237
Statutory reserve		1,538,966,655	1,384,606,471
Surplus on revaluation of assets	19	83,193,433	4,751,677
Unappropriated profit		6,153,575,746	5,536,135,008
		17,482,254,611	16,632,011,933

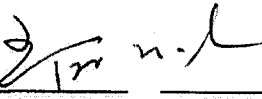
CONTINGENCIES AND COMMITMENTS


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The annexed notes 1 to 44 form an integral part of these financial statements.


MANAGING DIRECTOR


CHIEF FINANCIAL OFFICER


DIRECTOR

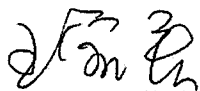
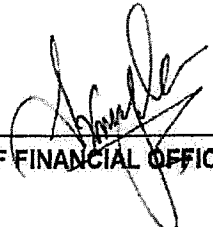
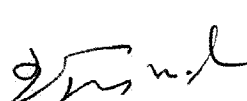



DIRECTOR


DIRECTOR

PAK CHINA INVESTMENT COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	Not	Rupees	
MARK-UP/ RETURN/ INTEREST EARNED	21	3,204,977,386	2,486,987,715
MARK-UP/ RETURN/ INTEREST EXPENSED	22	(1,765,751,729)	(774,009,756)
Net mark-up/ interest income		1,439,225,657	1,712,977,959
NON MARK-UP/INTEREST INCOME			
Fee and commission income	23	97,448,314	70,969,282
Dividend income		6,000,000	-
Foreign exchange income		56,924,623	172,723,205
Income / (loss) from derivatives		-	-
Gain on securities	24	110,731,039	2,139,884
Other income	25	13,227,272	17,055,605
Total non-markup/ interest income		284,331,248	262,887,976
Share in profit of associated companies		51,573,136	38,133,674
Total income		1,775,130,041	2,013,999,609
NON MARK-UP/INTEREST EXPENSES			
Operating expenses	26	491,725,224	476,329,582
Workers welfare fund		-	-
Other charges	27	30,000	-
Total non-markup / interest expenses		491,755,224	476,329,582
Profit before provisions		1,283,374,817	1,537,670,027
Provisions and write offs - net	28	116,889,809	471,913,510
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		1,166,485,008	1,065,756,517
Taxation	29	393,282,101	305,664,339
PROFIT AFTER TAXATION		773,202,907	760,092,178
Basic and diluted earnings per share	30	0.80	0.82

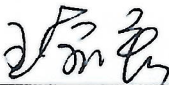
The annexed notes 1 to 44 form an integral part of these financial statements.

				
MANAGING DIRECTOR	CHIEF FINANCIAL OFFICER	DIRECTOR	DIRECTOR	DIRECTOR

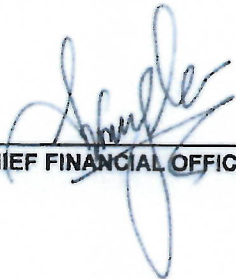
PAK CHINA INVESTMENT COMPANY LIMITED
 STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	-----Rupees-----	
Profit after taxation for the year	773,202,907	760,092,178
Items that will not be reclassified to profit and loss account in subsequent periods:		
Re-measurement loss on defined benefit plan - net of tax	(1,531,100)	(891,806)
Share of other comprehensive profit /(loss) from Associate	151,900	(374,150)
Related tax	(22,785)	56,123
	129,115	(318,027)
Items that may be reclassified to profit and loss account in subsequent periods:		
Net change in fair value of available-for-sale securities - net of tax	78,327,558	(78,618,671)
Company's share of equity accounted investees' OCI:		
Available-for-sale securities financial assets - Net change in fair value - net of tax	114,198	329,202
	78,441,756	(78,289,469)
TOTAL COMPREHENSIVE INCOME	850,242,678	680,592,876


The annexed notes 1 to 44 form an integral part of these financial statements.




 MANAGING DIRECTOR




 CHIEF FINANCIAL OFFICER



 DIRECTOR



 DIRECTOR



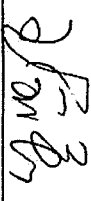
 DIRECTOR

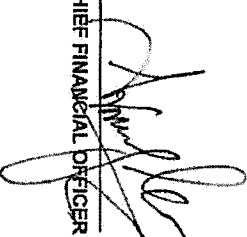
PAK CHINA INVESTMENT COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Advance against issue of shares	Statutory reserve	Surplus on revaluation of assets	Unappropriated profit	Total
	Rupees					
Balance as at 01 January 2019	9,116,400,000	-	1,232,830,002	83,041,146	4,929,029,132	15,361,300,280
Profit after taxation for the year	-	-	-	-	760,092,178	760,092,178
Other comprehensive loss	-	-	-	(78,289,469)	(1,209,833)	(79,499,302)
Total comprehensive income	-	-	-	(78,289,469)	758,882,345	680,592,876
Transfer to statutory reserve	-	-	151,776,469	-	(151,776,469)	-
Transaction with owners recognized directly in equity	-	-	-	-	-	-
Advance against issue of shares	580,237,540	590,118,777	-	-	-	580,118,777
Issue of share capital	580,237,540	(580,237,540)	-	-	-	590,118,777
	580,237,540	9,881,237	-	-	-	-
Balance as at 31 December 2019	9,696,637,540	9,881,237	1,384,606,471	4,761,677	5,636,135,008	16,632,011,933
Profit after taxation	-	-	-	-	773,202,907	773,202,907
Other comprehensive income	-	-	-	78,441,756	(1,401,986)	77,039,771
Total comprehensive income	-	-	-	78,441,756	771,800,922	850,242,678
Transfer to statutory reserve	-	-	154,360,184	-	(154,360,184)	-
Balance as at 31 December 2020	9,696,637,540	9,881,237	1,538,966,655	83,193,433	6,153,575,746	17,482,254,611


According to BPD Circular No. 15, dated 31 May 2004, issued by the 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 of the Company, and after that a sum not less than 5% of the profit after tax shall be credited to the said reserve.

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MANAGING DIRECTOR


CHIEF FINANCIAL OFFICER


DIRECTOR

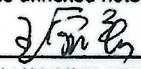

DIRECTOR

DIRECTOR

PAK CHINA INVESTMENT COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	Note	Rupees	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		1,166,485,008	1,065,756,517
Less: Share in profit of associated companies		(51,673,136)	(38,133,674)
Dividend income		(6,000,000)	-
		1,108,911,872	1,027,622,843
Adjustments for:			
Depreciation	26	49,803,769	33,656,060
Amortization	26	290,170	192,956
Provision for gratuity		15,558,369	15,528,292
Provision against non-performing loans and advances	28	63,052,019	198,284,527
Provision for diminution in the value of Investments		-	-
Impairment loss on investment in associate and available-for-sale investments	28	53,837,790	273,628,983
Gain on sale of fixed assets		(809,603)	(5,554,762)
Un-realized gain for held for trading securities	24.2	(49,218,765)	-
Interest expense on lease liability		5,971,436	8,263,936
Exchange gain		(56,924,623)	(172,723,205)
		81,560,552	351,276,787
		1,190,472,424	1,378,899,630
(Increase) / Decrease in operating assets			
Lendings to financial institutions		(1,149,985,152)	-
Advances		(2,321,948,891)	(1,869,298,228)
Others assets (excluding advance taxation)		60,896,000	(136,525,027)
		(3,411,038,043)	(2,005,823,255)
(Decrease) / Increase in operating liabilities			
Borrowings from financial institutions		(3,216,379,149)	11,938,610,166
Deposits		512,400,000	-
Others liabilities (excluding current taxation)		(134,238,540)	436,703,649
		(2,838,217,689)	12,375,313,815
Contribution to plan assets		(13,795,680)	(26,580,193)
Income tax paid		(500,526,236)	(334,915,535)
Net cash flow (used in) / from operating activities		(5,573,105,224)	11,386,894,462
CASH FLOW FROM INVESTING ACTIVITIES			
Investment realized / (used in) during the period - net		5,866,951,139	(9,999,768,210)
Investment in associate		(89,376,000)	(100,720,000)
Dividend received		15,426,500	9,187,500
Capital expenditure		(6,110,441)	(123,958,817)
Proceeds from sale of fixed assets		816,923	5,569,930
Net cash flow from / (used in) from investing activities		5,787,708,121	(10,209,689,597)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of share capital		-	580,237,540
Advance for issue of share		-	9,881,237
Lease payments		(37,584,721)	(34,672,953)
Net cash flow (used in) / from financing activities		(37,584,721)	555,445,824
Effects of exchange rate changes on cash and cash equivalents		56,924,623	172,723,205
Increase in cash and cash equivalents		233,942,799	1,905,373,894
Cash and cash equivalents at beginning of the year		2,024,404,127	119,030,233
Cash and cash equivalents at end of the year	31	2,258,346,926	2,024,404,127

The annexed notes 1 to 44 form an integral part of these financial statements.


MANAGING DIRECTOR


CHIEF FINANCIAL OFFICER


DIRECTOR


DIRECTOR


DIRECTOR

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1 STATUS AND NATURE OF BUSINESS

Pak China Investment Company Limited (the Company) was incorporated in Pakistan as a public limited company on 27 July 2007. The registered office of the Company is situated at 13th Floor, Saudi Pak Tower, Blue Area, Islamabad. The Company is a 50:50 joint venture between the 'Government of China' and 'Government of Pakistan' through China Development Bank and Ministry of Finance, respectively. The main objective of the Company is to invest in the financial sector and infrastructure projects.

The Company commenced business after obtaining the Certificate of Commencement of Business, from the Securities and Exchange Commission of Pakistan (SECP), on 02 November 2007, and the permission to commence business from the State Bank of Pakistan (SBP), on 10 January 2008.

2 BASIS OF PRESENTATION

These financial statements have been presented in accordance with the format prescribed by SBP's BPRD Circular No. 2 dated 25 January 2018.

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of :

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

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

The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated 26 August 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) /2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. Additionally, as the SBP has deferred the applicability of IFRS 9 to banks to accounting periods beginning on or after 01 January 2021, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

IFRS 8, 'Operating Segments' is effective for the Company's accounting period beginning on or after 01 January 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BPRD Circular No. 2 dated 25 January 2018, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended 31 December 2018. The management of the Company believes that as SBP has defined the segment categorisation in the above mentioned circular, its requirements will prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

The SBP has prescribed format of financial statements for Banks / DFI's vide BPRD Circular 02 of 2018, therefore, requirements of the Fifth Schedule of the Companies Act, 2017 have not been followed in presentation of these financial statements.

2.2 Standards, interpretations and amendments to published approved accounting standards that have become effective in the current year.

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except for impact of adoption of new standard, and amendments to following standards, as described below:

IFRS 3: 'Business Combinations - Definition of a Business (amendments)

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

IAS 1 & IAS 8: Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (amendments)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

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IFRS 16: Covid-19-Related Rent Concessions (Amendment to IFRS 16)

In May 2020, the IASB amended IFRS 16 to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment does not apply to lessors. As a practical expedient, a lessee may elect not to assess whether a covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

IFRS 14: Regulatory Deferral Accounts - Original issue

IFRS 14 Regulatory Deferral Accounts permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required.

The adoption of the above standard and amendments to accounting standards did not have any material effect on the financial statement.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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

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

Standards	Effective date (annual periods beginning on or after)
IFRS 9 Financial Instruments – original	01 January 2021
IFRS 7 & Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 9 IFRS 16	01 January 2021
IFRS 3 Business Combinations – The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	01 January 2022
IAS 16 Property, plant and equipment – Amendment to clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	01 January 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.	01 January 2022
IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.	01 January 2023
IFRS 10 Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or & IAS 28 Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment)	Not yet finalized

The Company expects that the adoption of the above standards and amendments will have no material effect on the Company's financial statements except for the impact of adoption of IFRS 9 (refer to note 2.4 below).

In addition to the above new standards and amendments to standards, improvements to various accounting standards (under the annual improvements 2018 - 2020 cycle) have also been issued by the IASB in May 2020. Such improvements are generally effective for accounting periods beginning on or after 01 January 2022.

- IFRS 9 Financial Instruments: Fees in the '10 per cent' test for de-recognition of financial liabilities - The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39.
- IFRS 16 Leases: Lease incentives – The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

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IAS 41 Agriculture: Taxation in fair value measurements – The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

The Company expects that the adoption of the above improvements will have no material effect on the company's financial statements, in the period of initial application.

Further, the following new standards have been issued by the IASB, which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

IFRS 1 First-time Adoption of International Financial Reporting Standards

01 July 2004

IFRS 17 Insurance Contracts

01 January 2023

The Company expects that the adoption of the above standards will have no material effect on the Company's financial statements, in the period of initial application.

2.4 IFRS 9 Financial Instruments

IFRS 9 'Financial Instruments' - SBP vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the banks/DFIs in Pakistan to implement IFRS 9 with effect from 01 January 2021. 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 Company has calculated the impact of adoption of IFRS 9 on the financial statement of the Company on the date of initial application, which will be finalized post issuance of IFRS 9 guidelines from SBP.

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for certain investments which are revalued to their fair values, the defined benefit plan which is measured at present value and investments in associates which are stated measured by applying equity accounting.

3.1 Critical accounting estimates and judgments

3.1.1 Provision against non-performing loans and advances (note 9)

The management reviews the loan portfolio to assess non-performing accounts and expected recovery on a quarterly basis. In determining the non-performing accounts and provision requirements, the relevant Prudential Regulations issued by SBP, payment status of mark-up and principal, expected future cash flows of the business and security position are taken into account.

Till 31 December 2019, the Company was maintaining general provision against its portfolio of loans and advances at the rate of 2% of its non-classified portfolio. During the year, the Company has revised the rate of general provision to 1.5%. This change resulted in reduction in general provision by Rs. 54.97 million in profit and loss account of the current year, with profit after tax increasing by Rs.39.03 million.

3.1.2 Classification / valuation of investments (note 8)

For classification / valuation of investments, the Company follows the guidance provided in SBP circulars.

3.1.3 Impairment of investments (note 8)

The management determines that 'available-for-sale' listed equity investments are impaired, when there has been a significant or prolonged decline in market value / fair value below its cost. Further unquoted investments are impaired when the investee's breakup value per share falls below the per share cost of investment. In making this judgment, the management considers, among other factors, the decline in market price below cost by 20%, as significant, and if the decline in market price persists for 9 months, as prolonged. For debt securities impairment loss is determined on the basis of the Prudential Regulations of SBP. Management reviews investments in associates, on annual basis, for identification of indicators of impairment and, if such indicators exists, estimate of recoverable value is made to determine the amount of impairment.

3.1.4 Provision for income taxes (notes 12 and 29)

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues, and the appeals of the department, pending at various levels with the tax authorities.

3.1.5 Operating fixed assets/ right of use assets (notes 10)

The Company reviews the useful lives and residual value of fixed assets/ right of use assets on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of fixed assets/ right of use assets, with a corresponding effect on the depreciation charge/ amortization and impairment.

Signature

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3.1.6 Contingencies (notes 20)

The Company reviews the status of all the legal cases on a regular basis. Based on the expected outcome and lawyers' judgments, appropriate provision is made.

3.1.7 Provision for gratuity (notes 16)

Provision for gratuity is determined using actuarial assumptions. Any change in the assumptions from actual results would change the amount of unrecognized gains and losses.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

4.1 Functional and presentation currencies

These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

4.2 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement consist of cash and balance with treasury banks and balance with other banks that are highly liquid and readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

4.3 Lendings to / borrowings from financial institutions

The Company enters into transactions of reverse repos and repos at contracted rates for a specified period of time. These are recorded as under:

Sale under repurchase agreement

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

Purchase under resale agreement

Securities purchased under agreement to resell (reverse repo) are included in lending to financial institutions. The differential between the purchase price and the resale price is amortized over the period of the agreement and recorded as income.

Securities held as collateral are not recognized in the financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowing from financial institutions.

Other borrowings

These are recorded at the fair value of consideration received. Mark-up on such borrowings is charged to the profit and loss account on a time proportion basis.

Other lendings

These are stated net of related provisions. Mark-up on such lendings is recognized in the profit and loss account on a time apportioned basis, except for the mark-up on impaired / delinquent lendings, which is recognized on a receipt basis.

4.4 Investments

Investments of the Company, excluding investments in associates, are classified as held to maturity, available-for-sale or held-for-sale.

Investment in associates

Interests in equity-accounted investees: The Company's interests in equity-accounted investees comprise of interests in associate. Associates are those entities in which the Company has significant influence, but not control over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investee, until the date on which significant influence.

Held-To-Maturity

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

Available-For-Sale

These are investments that do not fall under the held-for-trading or held-to-maturity, and investment in associate categories.



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Held-For-Trading

These are securities included in a portfolio in which a pattern of short-term trading exists, or which are acquired for generating a profit from short-term fluctuations in market prices or interest rate movements.

Initial measurement

All regular way purchases and sales of investments are recognized on the trade date i.e., the date that the Company commits to purchase or sell the investment. Regular way purchases or sales of investment that require delivery of investments within the time frame generally established by regulation or convention in the market place.

Investments are initially recognized at fair value which includes transaction costs.

Subsequent measurement

Held-To-Maturity

These are measured at original recorded amounts less any subsequent impairment loss, if any, in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

Available-For-Sale

Quoted securities classified as available for sale investments are measured at fair value. Any surplus or deficit arising thereon is kept in a separate account shown in the statement of financial position below equity and is taken to profit and loss account when realized upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. A decline in the carrying value is charged to the profit and loss account. A subsequent increase in the carrying value, up to the cost of the investment, is credited to the profit and loss account. Investment in other unquoted securities are valued at cost less impairment, if any.

Provision for diminution in the value of Term Finance Certificates and Sukuks are made as per the ageing criteria prescribed by the Prudential Regulations issued by SBP. Provision for diminution in the value of other securities are made for impairment, if any.

Held-For-Trading

Investments classified as held-for-trading are subsequently measured at fair value. Any unrealized surplus / deficit arising on revaluation is taken to the profit and loss account.

4.5 Advances

Advances are stated net of specific and general provisions. Specific provision is determined on the basis of the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision.

Leases where the Company transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in advances to the customers.

Owing to the impact of Covid - 19 on economic activity, several business segments of economy were impacted by the pandemic. Therefore, certain borrowers of the Company have availed the SBP enabled deferment / restructuring and rescheduling. However, the full potential effect of the economic stress is difficult to predict given the uncertain economic environment. Hence, the management estimates that it is appropriate to maintain an additional specific provision on the funded advance on the basis of subjective evaluation. The management is also maintaining 1.5% (2019: 2%) general provision against performing loans and advances.

4.6 Operating fixed assets

Property and equipment

These are stated at cost less accumulated depreciation and impairment, if any, except for freehold land, which is stated at cost.

Depreciation is calculated on the straight line method to write off the depreciable amount of each asset, over its estimated useful life, after taking into account residual values, if any. Depreciation on additions during the year is charged from the month of acquisition, or the date the asset is available for use, and on disposals, up to the month of disposal. The useful lives, residual values and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

The costs of day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Gains and losses on disposal items of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within "other income" in profit or loss.

Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. It consists of expenditure incurred and advances made in respect of operating fixed assets and intangible assets in the course of their acquisition, construction and installation.

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Intangible assets

Intangible assets having finite useful lives, are stated at cost less accumulated amortization and impairment, if any. These are amortized using the straight line method over their estimated useful lives. The useful lives, residual values and amortization methods are reviewed and adjusted, if appropriate, at each reporting date.

4.7 Impairment

Impairment of available for sale equities investments

Available for sale quoted equity investments are impaired when there has been a significant or prolonged decline in their fair value below their cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates, among other factors, the normal volatility in share price.

Impairment in non-financial assets (excluding deferred tax)

The carrying amounts of non-financial assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is charged to the profit and loss account.

4.8 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, unless the lease term is 1 year or less or the lease contains a low-value asset.

Where the Company is Lessee:

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The right-of-use assets are also subject to impairment.

Lease liability

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

4.9 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and any adjustments to any tax payable, relating to prior years.

Deferred

The Company accounts for deferred taxation using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization, or settlement, of the carrying amount of assets and liabilities. Deferred tax assets and liabilities, are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax assets and any unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilized.

Deferred tax on surplus / (deficit) on revaluation of investments is charged / (credited) to the same account.

JPR

4.10 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events which makes it probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provision for guarantee claims and other off balance sheet obligations is recognized when intimated and reasonable certainty exists to settle the obligations. Expected recoveries are recognized by debiting customer accounts. Charge to unconsolidated profit and loss account is stated net off expected recoveries.

4.11 Revenue recognition

Advances and investments

Mark-up / return / interest income from loans, term finance certificates, bank deposits, government securities and reverse-repo transactions, is recognized on time proportion method, except where recovery is considered doubtful, in which case the income is recognized on a receipts basis.

Gain / (loss) on sale of securities, is recognized in the profit and loss account at the time of sale of relevant securities.

Dividend income

Dividend income is recognized when the right to receive the dividend is established.

Fee, brokerage and commission income

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

Rental income

Rental income is recognized over the period of the rent agreement.

4.12 Staff retirement benefits

Defined benefit plan

The Company operates an approved funded gratuity scheme for all its regular employees.

The amounts of post-employment benefits are usually dependent on one or more factors such as age, years of service and salary.

The liability recognized in respect of the gratuity scheme is the present value of the defined benefit obligation under the scheme at the balance sheet date.

The gratuity obligations are calculated annually by independent actuaries using the Projected Unit Credit Method. The most recent valuation in this regard was carried out as at 31 December 2020. The present value of the obligation is determined by discounting the estimated future cash outflows, using interest rates of high quality government securities that have terms to maturity approximating the terms of the related obligation.

Re-measurements, comprising of actuarial gains and losses, the return on plan assets excluding amounts included in net interest on the net defined benefit obligation and any changes in the effect of the asset ceiling are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings, through OCI, in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Company recognizes restructuring-related costs.

The Company recognizes the following changes in the defined benefit obligation under 'administrative expenses' in the profit and loss account:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements;
- interest expense

Defined contribution plan

The Company also operates a recognized provident fund scheme for all its regular employees. Equal monthly contributions are made, both by the Company and by the employees, at the rate of 10% of the basic salary of the employee. Contributions made by the Company are charged to the profit and loss account.

4.13 Foreign currency transactions

Foreign currency transactions are recorded at the rates prevailing on the date of the transactions. Monetary assets and liabilities in foreign currencies are reported in Rupees, at the rates of exchange prevailing on the reporting date. Exchange gains and losses are included in income currently.

4.14 Offsetting of financial assets and financial liabilities

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

4.15 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities, which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of its revision and future periods, if the revision affects both current and future periods. Judgments made by the management in the application of approved accounting standards that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed in note 3.1.

4.16 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of Ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to Ordinary shareholders, and the weighted average number of Ordinary shares outstanding for the effects of all dilutive potential Ordinary shares, if any.

4.17 Dividend and appropriations to reserves

Dividend declared and appropriations, except for transfers to the statutory reserve, made subsequent to the balance sheet date, are recognized as a liability and recorded as changes in reserves, respectively, in the period in which these are approved by the directors / shareholders, as appropriate.

4.18 Segment information

A segment is a distinguishable component of the Company that is engaged either in providing particular products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), and is subject to risks and rewards that are different from those of other segments.

Business Segments

(a) Corporate Banking & SME

Corporate Banking & SME includes services provided in connection with funded & non-funded facilities.

(b) Investment Banking

Investment Banking includes services provided in connection with mergers & acquisitions, privatization and the underwriting / arrangement of debt and equity instruments through syndications, Initial Public Offerings and private placements.

(c) Treasury

Treasury includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.

(c) Head Office

Head Office includes functions which cannot be classified in any of the above segments.

Geographical Segments

All the Company's business segments operate only in Pakistan.

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		2020	2019
	Note	-----Rupees-----	
5 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		2,735	50,000
With State Bank of Pakistan in			
Local currency current account	5.1	36,401,019	9,625,815
With National Bank of Pakistan in			
Local currency current account		358,887	373,452
Local currency deposit account		-	2,000,000,000
Foreign currency current account		172,071	-
Foreign currency deposit account	5.2	2,186,182,160	1,166,143,915
		<u>2,223,116,872</u>	<u>3,176,193,182</u>

- 5.1 This also includes the minimum cash reserve required to be maintained with SBP, in accordance with the requirements of DMMD Circular No. 21 dated 5 October 2012.
- 5.2 This represents a foreign currency term deposit of USD 13,732,300 (2019: USD 7,530,797) carrying mark-up rate of 0.40% (2019: 4.75%) per annum and will mature on 21 March 2021.

		2020	2019
	Note	-----Rupees-----	
6 BALANCES WITH OTHER BANKS			
In Pakistan			
In deposit account - Local currency	6.1	31,485,761	14,066,354
In current account - Local currency		3,443,212	-
In deposit account - Foreign currency		-	864,063,000
In current account - Foreign currency		301,081	288,506
		<u>35,230,054</u>	<u>878,417,860</u>

- 6.1 These carry interest at rates ranging from 2.75% to 5.51% (2019 : 7.01% to 11.25%) per annum.

		2020	2019
	Note	-----Rupees-----	
7 LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lending (reverse repo)	7.1	<u>1,149,985,152</u>	<u>-</u>

- 7.1 This is secured against underlying Government securities and carries mark-up at a rate of 6.50% (2019: Nil) per annum and will mature on 04 January 2021.

		2020	2019
	Note	-----Rupees-----	
7.2 Particulars of lending			
In local currency		<u>1,149,985,152</u>	<u>-</u>

	2020			2019		
	-----Rupees-----			-----Rupees-----		
7.3 Security held as collateral against lendings to financial institutions	Held by Company	Further given as collateral	Total	Held by Company	Further given as collateral	Total
Market Treasury Bills	<u>1,149,985,152</u>	<u>-</u>	<u>1,149,985,152</u>	<u>-</u>	<u>-</u>	<u>-</u>

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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8 INVESTMENTS

8.1 Investments by type

Note	2020				2019			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	145,328,000	-	49,218,765	194,546,765	-	-	-	-
Held-for-trading securities								
Shares								
Available-for-sale securities								
Federal Government Securities								
Shares	7,973,121,890	-	(1,177,890)	7,971,944,000	13,913,486,237	-	(28,859,161)	13,884,627,076
Non Government Debt Securities	27,333,834	-	33,131,941	60,465,775	27,333,834	-	22,719,045	50,052,879
Preference shares	6,175,105,522	(369,434,062)	1,057,122	5,806,728,582	4,507,459,840	(369,434,062)	7,484,841	4,145,510,619
	315,000,000	-	69,930,000	384,930,000	-	-	-	-
	14,490,561,246	(369,434,062)	102,941,173	14,224,068,357	18,448,279,911	(369,434,062)	1,344,725	18,080,190,574
Associates								
	1,239,276,246	-	-	1,239,276,246	1,161,305,150	-	-	1,161,305,150
Total Investments	15,875,165,492	(369,434,062)	152,159,938	15,657,891,368	19,609,585,061	(369,434,062)	1,344,725	19,241,495,724

2020

Note	2020				2019			
	Cost/ Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	7,973,121,890	-	(1,177,890)	7,971,944,000	13,913,486,237	-	(28,859,161)	13,884,627,076
Federal Government Securities								
Market Treasury Bills								
Shares								
Listed Companies	172,661,834	-	82,350,706	255,012,540	27,333,834	-	22,719,045	50,052,879
Non Government Debt Securities								
Listed	261,165,000	-	-	261,165,000	261,165,000	-	-	261,165,000
Unlisted	5,913,940,522	(369,434,062)	1,057,122	5,545,563,582	4,246,294,940	(369,434,062)	7,484,841	3,884,345,619
	6,175,105,522	(369,434,062)	1,057,122	5,806,728,582	4,507,459,840	(369,434,062)	7,484,841	4,145,510,619
Preference shares								
Listed Companies	315,000,000	-	69,930,000	384,930,000	-	-	-	-
Associates								
Pakistan Stock Exchange Limited	693,969,474	-	-	693,969,474	730,505,114	-	-	730,505,114
Central Depository Company of Pakistan Limited	344,210,772	-	-	344,210,772	319,080,036	-	-	319,080,036
Deli JW Glassware Company Limited	201,096,000	-	-	201,096,000	111,720,000	-	-	111,720,000
Total Investments	15,875,165,492	(369,434,062)	152,159,938	15,657,891,368	19,609,585,061	(369,434,062)	1,344,725	19,241,495,724

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PAK CHINA INVESTMENT COMPANY LIMITED
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8.2.1 Investments given as collateral

	2020	2019
	Rupees	
	4,987,510,000	13,203,885,476

Market Treasury Bills

8.3 Provision for diminution in value of investments

8.3.1 Opening balance

Charge / (Reversal) for the year

Closing Balance

	369,434,062	369,434,062
	-	-
	369,434,062	369,434,062

8.3.2 Particulars of provision against debt securities

Category of classification

Domestic

Other assets especially mentioned

Substandard

Doubtful

Loss

Total

	2020		Rupees		2019
	NPI	Provision		NPI	Provision
	-	-		-	-
	-	-		-	-
	-	-		-	-
	369,434,062	369,434,062		369,434,062	369,434,062
	369,434,062	369,434,062		369,434,062	369,434,062

MPA

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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8.4 Investment in Pakistan Stock Exchange Limited

Pakistan Stock Exchange Limited (PSX) is an associate of the Company due to common directorship. The Company acquired 40,073,830 ordinary shares of PSX on 06 March 2017 and one of the Company's directors was appointed on the board of PSX on 10 March 2017. Investment of the Company in PSX is being accounted for under the equity method of accounting in accordance with International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'.

Pakistan Stock Exchange is engaged in conducting, regulating and controlling the trade or business of buying, selling and dealing in shares, scripts, participation term certificates, mudarbah certificates, stocks, bonds, debentures stock, government papers, loans and any other instruments and securities of like nature including but not limited to, special national fund bonds, bearer national fund bonds, foreign exchange bearer certificates and documents of similar nature, issued by the Government of Pakistan or any other agency authorized by the Government of Pakistan. The registered address of PSX is Stock Exchange Building, Stock Exchange Road, Karachi - 74000 Pakistan.

The reconciliation of carrying amount is as follows:

	2020	2019
	-----Rupees-----	
Purchase of ordinary shares	<u>1,122,067,240</u>	<u>1,122,067,240</u>
Opening balance	730,505,114	969,610,517
Share of profit for the year	17,015,900	7,038,200
Share of other comprehensive income / (loss)	286,250	33,200
Impairment	(53,837,790)	(246,176,803)
Closing balance	<u>693,969,474</u>	<u>730,505,114</u>
Share of other comprehensive income		
Unrealized gain on available for sale securities - net of tax	151,900	407,350
Actuarial gain / (loss) of employee gratuity fund of associate - net of tax	<u>134,350</u>	<u>(374,150)</u>
	<u>286,250</u>	<u>33,200</u>

The following table summarizes the financial information of PSX as included in its financial statements for the un-audited condensed financial information for the period ended 31 December 2020, adjusted for difference in accounting policies in respect of revaluation of fixed assets. The financial year-end of PSX is 30 June.

	2020	2019
	-----Rupees-----	
Percentage of ownership (%)	5%	5%
Total assets	11,266,420,000	10,206,282,000
Total liabilities	<u>2,746,859,000</u>	<u>2,032,764,000</u>
Net assets	8,519,561,000	8,173,518,000
Company's share of net assets (5%)	425,978,050	408,675,900
Excess of cost over net assets at the date of investment	721,082,490	721,082,490
Impairment loss	(453,091,066)	(399,253,276)
Carrying amount of interest in associates	<u>693,969,474</u>	<u>730,505,114</u>
Net income	1,127,124,000	965,970,000
Profit after tax (100%)	340,318,000	140,764,000
Company's share of net profit for the year (5%)	<u>17,015,900</u>	<u>7,038,200</u>
Other Comprehensive Income (OCI):		
- Profit/ (loss) on re-measurement of defined benefit liability	3,038,000	(7,483,000)
- change in surplus on revaluation of available-for-sale investments	<u>2,687,000</u>	<u>8,147,000</u>
Total OCI (100%)	5,725,000	664,000
Company's share of OCI (5%)	<u>286,250</u>	<u>33,200</u>

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The market value of PSX as at 31 December 2020 was Rs. 14.82 per share, which is below the current carrying price per share of Rs. 28. The management believes that the decline in market value as at the reporting date is significant. The management has conducted an impairment assessment of its equity investment as at 31 December 2020. The recoverable amount for equity investment in PSX is based on value-in-use calculations which require the use of assumptions. The cash flow projections used in the calculations are based on financial projections covering a five-year period. Cash flows beyond the five year period are extrapolated using estimated growth rates. The assessment resulted in impairment loss of Rs 53,837,790 (2019: Rs 246,176,803) charged to profit or loss.

The following table sets out the key assumptions which were used for the determination of value-in-use of equity investment:

	2020	2019
Terminal value growth rate (%)	4.4%	3.3%
Discount rate (%)	9.77%	17.90%
Budgeted EBITDA growth rate (average of next five years)	>30%	>30%

The discount rate was pre-tax measure based on the rate of 8.4% (2019: 10.90%), adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specified investment.

Five years of cash flows were included in the discounted cash flow model.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected taking into account future expectations.

Following the impairment loss recognized, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

8.5 Investment in Central Depository Company of Pakistan Limited (CDC)

Central Depository Company of Pakistan Limited (CDC) is an associate of the Company due to common directorship. During 2016, the Company acquired 3,250,000 ordinary shares of CDC from Citi Overseas Investment Corporation at Rs. 76.92 per share. Subsequently, the Company also received 9,250,000 bonus shares. Due to appointment of the Company's nominee director on the board of the CDC the investment has been accounted for under the equity method of accounting with International Accounting Standard 28, (IAS 28) "Accounting for Investments in Associates".

CDC is recognized as the infrastructure backbone of the Pakistan's capital market and it is the sole securities depository in the country. In the past two decades, CDC has also evolved as one of the leading and most prestigious infrastructure institutions in Pakistan with a focus on the capital market. CDC is principally engaged in to act as a depository of securities, open securities accounts and act as a registrar to issues of securities. The registered address of the CDC is CDC House, 99-B, Block B, S.M.C.H.S. Karachi, Pakistan.

The reconciliation of carrying amount is as follows:

	2020	2019
	-----Rupees-----	
Purchase of ordinary shares	250,000,000	250,000,000
Opening balance	319,080,036	297,192,116
Share of profit for the year	34,557,236	31,095,474
Dividend from associate	(9,426,500)	(9,187,500)
	25,130,736	21,907,974
Share of other comprehensive income:		
Unrealized deficit on assets - net of tax	-	(20,054)
Closing balance	344,210,772	319,080,036

The following table summarizes the financial information of CDC included in its financial statements for the year ended 31 December 2020. The financial year-end of CDC is 30 June.

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PAK CHINA INVESTMENT COMPANY LIMITED
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	2020	2019
	-----Rupees-----	
Percentage of ownership (%)	5%	5%
Total assets	5,344,544,955	4,823,012,324
Total liabilities	834,912,445	815,994,522
Net assets	4,509,632,510	4,007,017,802
Company's share of net assets (5%)	225,481,626	200,350,890
Excess of cost over net assets at the date of investment	118,729,146	118,729,146
Carrying amount of interest in associates	344,210,772	319,080,036
Net income	1,726,606,485	1,595,093,142
Profit after tax (100%)	691,144,720	621,909,480
Company's share of net profit (5%)	34,557,236	31,095,474
Other Comprehensive Income (OCI):		
- change in surplus on revaluation of available-for-sale investments	-	(401,074)
Total OCI (100%)	-	(401,074)
Company's share of OCI (5%)	-	(20,054)

8.6 Investment in Deli JW Glassware Company Limited

Deli Glass Co., Ltd, ("Deli Glass") together with JW SEZ (Pvt) Ltd. ("JW"), PCICL and Mr. Muhammad Rafiq have incorporated a Joint Venture Company, Deli-JW Glassware Company Limited ("Deli-JW") in Pakistan to undertake a Glassware Project. The plant is currently under construction in economic zone, administered by Faisalabad Industrial Estate Development & Management Company, and is expected to commence commercial operations by later part of 2021.

Till date, the Company has disbursed equity contribution of Rs. 201.1 million (2019: Rs.111.7 million). In 2019, Deli -JW issued 10,000 ordinary shares to its sponsors; with the Company receiving 5% of the issued share capital. The Company is entitled to 9% share in the ordinary share capital of Deli-JW and is represented on the Deli-JW Board of Directors (BOD) by an employee of the Company. Accordingly, the investment has been accounted for under the equity method of accounting, under IAS 28. As the financial statements of Deli- JW have not been approved by their BOD, accordingly, the Company has not recognized its share of loss incurred by Deli-JW since its incorporation. The impact of non-recognition of loss is assessed to be insignificant to the financial statements.

8.7 Quality of Available for Sale Securities (At cost)

Details regarding Available for sales securities are as follows:

Federal Government Securities - Government guaranteed

- Market Treasury Bills

2020	2019
-----Rupees-----	
7,973,121,890	13,913,486,237

Shares

- Fertilizer (Listed Company)

27,333,834	27,333,834
------------	------------

Preference Shares

- Chemical (Listed Company)

315,000,000	-
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Non Government Debt Securities

Categorized based on long term rating by Credit Rating Agency

Listed

- A+, A, A-

261,165,000	261,165,000
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Unlisted

- AAA

687,500,000	812,500,000
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- AA+, AA, AA-

3,944,660,000	2,574,435,000
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- A+, A, A-

700,000,000	301,932,877
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- Unrated

581,780,522	557,426,963
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5,913,940,522	4,246,294,840
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JR

PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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9 ADVANCES

Performing			Non performing		Total	
2020	2019		2020	2019	2020	2019
Rupees						
9,036,290,486	7,102,899,692		1,394,963,551	992,641,328	10,431,254,037	8,095,541,020
1,643,832,998	1,937,250,236		279,653,112	-	1,923,486,110	1,937,250,236
10,680,123,484	9,040,149,928		1,674,616,663	992,641,328	12,354,740,147	10,032,791,256
-	-		668,201,172	592,312,802	668,201,172	592,312,802
136,440,631	149,276,982		-	-	136,440,631	149,276,982
136,440,631	149,276,982		668,201,172	592,312,802	804,641,803	741,589,784
10,543,682,853	8,890,872,946		1,006,415,491	400,328,526	11,550,098,344	9,291,201,472

9.1 Particulars of advances (Gross)

In local currency

	2020	2019
	Rupees	
	12,354,740,147	10,032,791,256
	12,354,740,147	10,032,791,256

9.2 Advances include Rs.1,674.6 million (2019: Rs.992.6 million) which have been placed under non-performing status as detailed below:

Category of Classification

	2020		2019	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	Rupees			
Domestic	279,653,112	-	222,946,514	-
Other Assets Especially Mentioned	474,700,530	43,555,567	-	-
Substandard	217,599,457	44,523,803	-	-
Doubtful	702,663,564	580,121,802	769,694,814	592,312,802
Loss	1,674,616,663	668,201,172	992,641,328	592,312,802

9.2.1 Particulars of provision against advances

	2020		2019			
	Specific	General (Note 9.2.2)	Total	Specific	General	Total
	Rupees					
	592,312,802	149,276,982	741,589,784	397,439,324	145,865,933	543,305,257
	142,919,620	-	142,919,620	240,342,228	3,411,049	243,753,277
	(67,031,250)	(12,836,351)	(79,867,601)	(45,468,750)	-	(45,468,750)
	75,888,370	(12,836,351)	63,052,019	194,873,478	3,411,049	198,284,527
	668,201,172	136,440,631	804,641,803	592,312,802	149,276,982	741,589,784

Note

Opening balance
Charge for the year
Reversals
Closing balance

3.1.1

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PAK CHINA INVESTMENT COMPANY LIMITED
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9.2.2 General provision is being maintained at the rate of 1.5% (2019: 2%) of the performing portfolio of advances other than staff loans and Government of Pakistan guaranteed loans. During the year, the Company revised its estimates of providing general provision.

Particulars of provision against advances	2020		2019	
	Specific	General	Specific	General
In local currency	668,201,172	136,440,631	592,312,802	149,276,982
	668,201,172	136,440,631	592,312,802	149,276,982
		804,641,803		741,589,784
		804,641,803		741,589,784

9.2.4 Details and impact of Forced Sale Value

The net FSV benefit availed during the year is Rs. 84.6 million (2019: Rs. 58.2 million), which has resulted in reduced charge for the year by the same amount. Had the FSV benefit not availed, before and after tax profit would have been lower by Rs. 84.56 million (2019: Rs. 58.2 million) and Rs. 60 million (2019: Rs. 41.3), respectively. Accumulated availed FSV benefit as of 31 December 2020 was Rs. 261.9 million (31 December 2019: Rs. 177.4 million). Unappropriated profit to that extent is not available for distribution by way of cash or stock dividend.

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10 FIXED ASSETS

Capital work-in-progress
Property and equipment

10.1 Capital work-in-progress

Advances to suppliers

10.2 Property and Equipment

	Note	Rupees	
		2020	2019
		4,839,000	4,500,000
	10.1	228,523,516	272,395,029
	10.2	233,362,516	276,895,029

2020

	Freehold land	Building on Freehold land	Furniture and fixture	Electrical Fittings	Computer and Office equipment	Vehicles	Leased Building (Right of use assets)	Lease Hold Improvement	Total
Note	10.2.1								
At 01 January 2020									
Cost	136,000,000	39,951,307	17,317,266	5,382,535	47,791,824	55,827,926	113,947,818	12,197,515	428,416,191
Accumulated depreciation	-	(19,400,412)	(14,976,316)	(5,382,534)	(43,958,357)	(36,192,141)	(23,913,887)	(12,197,515)	(156,021,162)
Net book value	136,000,000	20,550,895	2,340,950	1	3,833,467	19,635,785	90,033,931	-	272,395,029
Opening net book value as at 01 January 2020									
Additions- Cost	136,000,000	20,550,895	2,340,950	1	3,833,467	19,635,785	90,033,931	-	272,395,029
Disposals- Cost	-	-	257,520	-	5,513,921	-	168,135	-	5,939,576
Depreciation charge	-	-	(1,630,601)	(3,953,960)	(9,001,361)	(58,890)	(38,615,176)	(2,313,625)	(16,958,437)
Accumulated depreciation on disposals	-	(1,598,052)	(572,219)	-	(3,391,737)	(5,626,585)	(38,615,176)	-	(49,803,769)
Closing net book value	136,000,000	18,952,843	2,026,250	1	5,948,330	14,009,202	51,586,890	-	228,523,516
At 31 December 2020									
Cost	136,000,000	39,951,307	15,944,185	1,428,575	44,304,384	55,769,036	114,115,953	9,883,890	417,397,330
Accumulated depreciation	-	(20,998,464)	(13,917,935)	(1,428,574)	(38,356,054)	(41,759,834)	(62,529,063)	(9,883,890)	(188,873,814)
Net book value	136,000,000	18,952,843	2,026,250	1	5,948,330	14,009,202	51,586,890	-	228,523,516
Rate of depreciation (percentage)	-	4%	20%	20%	33%	20%	33%	20%	

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PAK CHINA INVESTMENT COMPANY LIMITED
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	2019							
	Free hold land	Building on Free hold land	Furniture and fixture	Electrical Fittings	Computer and Office equipment	Vehicles	Leased Building (Right of use assets)	Leasehold Improvements
-----Rupees-----								
At 01 January 2019								
Cost	136,000,000	39,951,307	14,722,498	5,519,035	46,453,184	63,121,985	-	12,276,865
Accumulated depreciation	-	(17,802,360)	(14,371,734)	(5,519,034)	(42,972,476)	(42,256,865)	-	(12,276,865)
Net book value	136,000,000	22,148,947	350,764	1	3,480,708	20,865,120	-	-
Opening net book value 01 January 2019	136,000,000	22,148,947	350,764	1	3,480,708	20,865,120	-	-
Additions- Cost	-	-	2,642,544	-	2,632,855	3,997,500	113,947,818	-
Disposals- Cost	-	-	(47,776)	(136,500)	(1,294,215)	(11,291,559)	-	(79,350)
Depreciation charge	-	(1,598,052)	(652,358)	-	(2,264,929)	(5,226,835)	(23,913,887)	-
Accumulated depreciation on disposals	-	-	47,776	136,500	1,279,048	11,291,559	79,350	-
Closing net book value as at 31 December 2019	136,000,000	20,550,895	2,340,950	1	3,833,467	19,635,785	90,033,931	-
At 31 December 2019								
Cost	136,000,000	39,951,307	17,317,266	5,382,535	47,791,824	55,827,926	113,947,818	12,197,515
Accumulated depreciation	-	(19,400,412)	(14,976,316)	(5,382,534)	(43,958,357)	(36,192,141)	(23,913,887)	(12,197,515)
Net book value	136,000,000	20,550,895	2,340,950	1	3,833,467	19,635,785	90,033,931	-
Rate of depreciation (percentage)	-	4%	20%	20%	33%	20%	33%	20%

10.2.1 The Company's freehold land and building is situated in Karachi, Pakistan and the related rental income is included in note 25 of these financial statements.

10.2.2 Costs of fully depreciated property & equipment still in use are:

	2020	2019
-----Rupees-----		
Leasehold improvements	9,883,890	12,197,515
Electrical fittings	1,428,575	5,382,535
Furniture and fixtures	12,962,838	14,593,438
Computers and office equipment	35,148,517	40,855,527
Vehicles	27,636,109	27,694,999
	87,059,929	100,724,014

10.2.3 Following disposals were made to Key management personnel.

Particulars of the asset	Cost	Book Value	Sale Price	Mode of Disposal	Particulars of purchaser
-----Rupees-----					
Laptop	113,850	1	11,385		
External Hard Drive	11,000	1	7,640		
				Sold as per Company approved policy	Munir Ahmed Barlas (Ex. Head Internal Audit)



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Note	2020	
	Computer Software	
	Rupees	
11 INTANGIBLE ASSETS		
At 01 January 2020		
Cost		6,450,807
Accumulated amortization		(5,665,901)
Net book value		<u>784,906</u>
Opening net book value 01 January 2020		784,906
Additions- Cost		-
Disposals- Cost		-
Amortization charge	26	(290,170)
Closing net book value		<u>494,736</u>
At 31 December 2020		
Cost		6,450,807
Accumulated amortization		(5,956,071)
Net book value		<u>494,736</u>
Rate of amortization (percentage)		<u>33%</u>
Useful life (Years)		<u>3</u>
		2019
		Computer Software
		Rupees
At 01 January 2019		
Cost		5,712,707
Accumulated amortization		(5,472,945)
Net book value		<u>239,762</u>
Opening net book value 01 January 2019		239,762
Additions- Cost (Directly Purchased)		738,100
Disposals- Cost		-
Amortization charge	26	(192,956)
Closing net book value		<u>784,906</u>
At 31 December 2019		
Cost		6,450,807
Accumulated amortization		(5,665,901)
Net book value		<u>784,906</u>
Rate of amortization (percentage)		<u>33%</u>
Useful life (Years)		<u>3</u>

11.1 Cost of fully amortized intangible assets still in use amounts to Rs. 5 million (2019:Rs. 5 million)

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FOR THE YEAR ENDED 31 DECEMBER 2020

12 DEFERRED TAX ASSETS

- Deductible Temporary Differences on
- Post retirement employee benefits
 - Provision for diminution in the value of available-for-sale investments
 - Provision against advances, off balance sheet etc.
 - Liabilities against assets subject to lease
 - Impairment loss on available for sale & associates

- Taxable Temporary Differences on
- Accelerated tax depreciation
 - Revaluation of investments - HFT
 - Revaluation of investments - AFS
 - Accrued Interest on T- Bills
 - Share of profit of associated companies
 - Unrealized exchange gain

- Deductible Temporary Differences on
- Post retirement employee benefits
 - Provision for diminution in the value of available-for-sale investments
 - Provision against advances, off balance sheet etc.
 - Accelerated tax depreciation
 - Impairment loss on available for sale & associates

- Taxable Temporary Differences on
- Revaluation of investments - AFS
 - Accrued Interest on T- Bills
 - Share of profit of associated companies
 - Liabilities against assets subject to lease
 - Unrealized exchange gain

2020			
01 January 2020	Recognised in profit and loss account	Recognised in OCI	31 December 2020
----- Rupees -----			
3,249,890	511,177	625,379	4,386,446
107,135,878	-	-	107,135,878
97,600,716	45,791,711	-	143,392,427
20,232,712	(9,119,094)	-	11,113,618
115,108,460	8,075,669	-	123,184,129
343,327,656	45,259,463	625,379	389,212,498
(22,144,455)	10,999,847	-	(11,144,608)
-	(7,382,815)	-	(7,382,815)
3,206,148	-	(23,268,890)	(20,062,742)
(49,525,882)	49,525,882	-	-
(11,601,379)	(6,321,995)	(42,937)	(17,966,311)
(210,746,389)	(16,508,141)	-	(227,254,530)
(290,811,957)	30,312,778	(23,311,827)	(283,811,006)
52,515,699	75,572,241	(22,686,448)	105,401,492

2019			
01 January 2019	Recognised in profit and loss account	Recognised in OCI	31 December 2019
----- Rupees -----			
5,833,630	(3,115,960)	532,220	3,249,890
103,441,537	3,694,341	-	107,135,878
38,715,507	58,885,209	-	97,600,716
5,120,267	(27,264,722)	-	(22,144,455)
68,591,175	46,517,285	-	115,108,460
221,702,116	78,716,153	532,220	300,950,489
(14,530,808)	-	17,736,956	3,206,148
(7,121,550)	(42,404,332)	-	(49,525,882)
(8,035,797)	(3,563,610)	(1,972)	(11,601,379)
-	20,232,712	-	20,232,712
(155,116,775)	(55,629,614)	-	(210,746,389)
(184,804,930)	(81,364,844)	17,734,984	(248,434,790)
36,897,186	(2,648,691)	18,267,204	52,515,699

Signature

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019	
	Note	-----Rupees-----		
13	OTHER ASSETS			
	Income / mark-up accrued in local currency	299,765,997	333,746,245	
	Income / mark-up accrued in foreign currency	242,909	17,108,957	
	Advances, deposits, advance rent and other prepayments	8,103,273	7,820,427	
	Receivable against fee, commission & advisory services	5,893,832	43,932,002	
	Advance taxation (payments less provisions)	111,677,584	80,005,690	
	Receivable against sale of shares	27,778,595	-	
	Others	1,981	74,956	
		<u>453,464,171</u>	<u>482,688,277</u>	
14	BORROWINGS			
	Secured			
	Borrowings from State Bank of Pakistan			
	Renewable Energy Power Projects	14.1	80,527,361	102,001,321
	Long Term Finance Facility (LTFF)	14.2	231,418,000	-
	Temporary Economic Relief Facility (TERF)	14.3	401,740,000	-
	Repurchase agreement borrowings		-	308,596,080
	Borrowing from financial institutions	14.4	4,847,913,238	12,613,363,257
	Other borrowings	14.5,14.6,14.7	5,036,500,000	2,000,000,000
	Total secured		<u>10,598,098,599</u>	<u>15,023,960,658</u>
	Unsecured			
	Borrowing from financial institutions	14.8	2,304,815,239	1,095,332,329
	Total unsecured		<u>2,304,815,239</u>	<u>1,095,332,329</u>
			<u>12,902,913,838</u>	<u>16,119,292,987</u>
14.1	This represents an SBP Refinance Facility under Finance Scheme for Renewable Energy Power Projects (REPP) for developing and encouraging the private sector participation in small renewable energy power projects. The loan availed under the said scheme is payable in maximum of 10 years with an inclusive grace period of maximum of 2 years at a concessional SBP service rate of 2.00%.			
14.2	This represents an SBP Long Term Finance Facility (LTFF) for imported and locally manufactured plant & machinery. The loan availed under the said scheme is payable in a maximum of 10 years with an inclusive grace period of maximum of 2 years at a concessional SBP mark-up rate of 2.00%.			
14.3	This represents an SBP Refinance Facility under Temporary Economic Refinance Facility (TERF) for imported and local manufactured plant & machinery, during COVID-19 epidemic. The loan availed under the said scheme is payable in a maximum of 10 years with an inclusive grace period of maximum of 2 years at a concessional SBP mark-up rate of 1.00%.			
14.4	This represents secured borrowings from financial institution through pledge of Government securities carrying mark-up rate of 6.43% (2019: 12.95% to 13.34%) per annum having maturity of 167-169 days (2019: 161-312).			
14.5	This includes term loan facility of Rs. 2 billion from a commercial bank payable in maximum of 4 years with an inclusive grace period of 2 years. Mark-up is payable on quarterly basis at the rate of 3MK + 0.15% p.a. The bank has first pari passu charge over all present and future loans, advances (including leases), investments and book debts / receivables of the Company for Rs. 2,667 million inclusive of 25% margin.			
14.6	This includes drawdown of Rs. 1,036.5 million from term loan facility of Rs. 2 billion from a commercial bank, payable in a maximum of 4 years with an inclusive grace period of maximum of 2 years. Mark-up is payable on quarterly basis at the rate of 3MK + 0.2% p.a. The bank has first pari passu charge over all present and future loans, advances (including leases), investments and book debts / receivables of the Company for Rs. 2,667 million inclusive of 25% margin.			
14.7	This includes term loan facility of Rs. 2 billion from a commercial bank, payable in maximum of 5 years with an inclusive grace period of 2 years. Mark-up is payable on quarterly basis at the rate of 3MK + 0.20% p.a. The bank has first pari passu charge over all present and future loans, advances (including leases), investments and book debts / receivables of the Company for Rs. 2,667 million inclusive of 25% margin.			
14.8	This represent un-secured borrowings from financial institutions carrying markup rate of 6.75% to 7.00% (2019:13.00% to 13.80%) per annum having maturity from 88 to 92 days (2019: 30-92 days)			
4.9	Particulars of borrowings with respect to Currencies	2020	2019	
		-----Rupees-----		
	In local currency	<u>12,902,913,838</u>	<u>16,119,292,987</u>	

PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2020

15 DEPOSITS AND OTHER ACCOUNTS

	2020			2019		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	----- Rupees -----					
Customers						
Current deposits	-	-	-	-	-	-
Savings deposits	-	-	-	-	-	-
Term deposits	512,400,000	-	512,400,000	-	-	-
Others	-	-	-	-	-	-
	512,400,000	-	512,400,000	-	-	-
Financial Institutions						
Current deposits	-	-	-	-	-	-
Savings deposits	-	-	-	-	-	-
Term deposits	-	-	-	-	-	-
Others	-	-	-	-	-	-
	512,400,000	-	512,400,000	-	-	-

	Note	2020	2019
		-----Rupees-----	
15.1 Composition of deposit			
Private sector entity		512,400,000	-
16 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		187,705,827	330,982,949
Suspended markup	16.1	212,346,460	187,992,901
Accrued expenses		51,543,157	44,592,486
Withholding tax / sales tax payable		2,656,571	2,742,009
Payable to defined benefit plan	33.4	15,125,676	11,206,518
Lease liability against right-of-use assets	16.2	38,322,821	69,767,971
Others		3,775,744	1,602,395
		511,476,256	648,887,229

16.1 This represents suspended markup kept in memorandum account; the corresponding receivable, which is being converted into zero-rated TFC's, has been included in note 8.1.

16.2 Lease liability against right-of-use assets

	2020			2019		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	----- Rupees -----					
Not later than one year	40,741,286	2,418,465	38,322,821	37,521,837	5,942,344	31,579,493
Later than one year and up to five years	-	-	-	40,604,891	2,416,413	38,188,478
	40,741,286	2,418,465	38,322,821	78,126,728	8,358,757	69,767,971

16.2.1 For details of related right-of-use assets and depreciation charge, refer to note 10.2. For finance charge, refer to note 22. For details of lease payments including finance cost, refer to cash flow statement.

16.2.2 The lease payments have been discounted at an incremental borrowing rate of 10.7% per annum to arrive at their present value.

PAK CHINA INVESTMENT COMPANY LIMITED
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 FOR THE YEAR ENDED 31 DECEMBER 2020

17 SHARE CAPITAL

17.1 Authorized Capital

2020	2019		2020	2019
Number of shares			-----Rupees-----	
<u>1,214,000,000</u>	<u>1,214,000,000</u>	Ordinary shares of Rs. 10 each	<u>12,140,000,000</u>	<u>12,140,000,000</u>

17.2 Issued, subscribed and paid up capital

2020	2019		2020	2019
Number of shares			-----Rupees-----	
<u>969,663,754</u>	<u>969,663,754</u>	Ordinary shares of Rs. 10 each, issued for cash	<u>9,696,637,540</u>	<u>9,696,637,540</u>

17.3 The Ministry of Finance (MOF), Government of Pakistan, and the China Development Bank (CDB) on behalf of the Government of China, each hold 484,831,877 (2019: 484,831,877) ordinary shares of the Company, respectively.

18 ADVANCE AGAINST ISSUE OF SHARES

This represents difference between amount received from MOF of Rs. 300,000,000 and shares issued to MOF amounting to Rs. 290,118,770 during 2019. The shares were issued in the ratio of 50:50 to both the sponsors. As approved by the BOD meeting held on 27 September 2019, this amount will be adjusted against next tranche of equity injection.

19 SURPLUS ON REVALUATION OF ASSETS

	Note	2020	2019
		-----Rupees-----	
Surplus on revaluation of			
- Available for sale securities	8.1	102,941,173	1,344,725
Deferred tax on surplus on revaluation of:			
- Available for sale securities	12	(20,062,742)	3,206,148
		<u>82,878,431</u>	<u>4,550,873</u>
Company's share of equity-accounted investees' OCI:			
- Change in fair value of available-for-sale financial assets - net of tax		315,002	200,804
		<u>83,193,433</u>	<u>4,751,677</u>

20 CONTINGENCIES AND COMMITMENTS

Guarantees	20.1	1,381,350,038	636,049,953
Commitments	20.2	8,408,187,260	15,916,333,139
Other contingent liability	20.3	168,100,000	168,100,000
		<u>9,957,637,298</u>	<u>16,720,483,092</u>
20.1 Guarantees			
Financial guarantees		<u>1,381,350,038</u>	<u>636,049,953</u>
20.2 Commitments			
Documentary credits and short term trade related transactions			
Letters of credit		299,536,358	241,123,264
Commitments in respect of:			
Forward government securities transactions - Purchase		4,987,510,000	13,203,885,476
Forward government securities transactions - Sale		1,150,804,380	-
Commitments to extend credits	20.2.1	1,970,336,522	2,469,824,399
Commitment for acquisition of intangible assets		-	1,500,000
		<u>8,408,187,260</u>	<u>15,916,333,139</u>

20.2.1 Commitments to extend credits

The Company makes commitments to extend credit in the normal course of its business, but these being revocable commitments, normally do not attract any significant penalty or expense if the facility is unilaterally withdrawn. As at reporting date, however, the Company's outstanding irrevocable commitments amounts to Rs. 1,970.34 million (2019: Rs. 2,469.82 million).

20.3 Other contingent liability

20.3.1 An ex-employee of the company has lodged a claim of Rs.168.1 million against the Company. The case has been decided in favor of the Company and the complainant has filed an appeal before the High Court against decision of the Civil Judge. Based on internal assessment and legal advice, management is confident that the case will be decided in the favor of the Company and possibility of any adverse outcome is remote. Accordingly, no provision has been made in these financial statements.

20.3.2 For tax related contingencies, please refer note 29.2 of these financial statements.

21 MARK-UP/RETURN/INTEREST EARNED

	2020	2019
----- Rupees -----		
On loans and advances	996,864,643	864,324,534
On investments	1,860,332,779	1,363,003,497
On lending's to financial institutions	8,281,068	369,863
On deposits with banks	119,884,703	127,887,551
On securities purchased under resale agreement	219,614,193	131,402,270
	<u>3,204,977,386</u>	<u>2,486,987,715</u>

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PAK CHINA INVESTMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	Note	Rupees -----	
22 MARK-UP/RETURN/INTEREST EXPENSED			
On deposits		17,530,302	-
On borrowings		1,739,205,006	679,318,209
On securities sold under repurchase agreements		3,044,985	86,427,611
Interest expense on lease liability		5,971,436	8,263,936
		<u>1,765,751,729</u>	<u>774,009,756</u>
23 FEE AND COMMISSION INCOME			
Credit related fee		48,184,948	23,287,256
Commission on trade		5,525,689	2,047,194
Commission on guarantees		8,405,783	4,273,675
Investment banking fees		35,331,894	41,361,157
		<u>97,448,314</u>	<u>70,969,282</u>
24 GAIN ON SECURITIES			
Realized	24.1	61,512,274	2,139,884
Un-realized - held for trading	24.2	49,218,765	-
		<u>110,731,039</u>	<u>2,139,884</u>
24.1 Realized gain on:			
Federal Government Securities		3,457,838	2,116,284
Shares		30,647,770	23,600
Mutual Funds		17,045,893	-
Non Government Debt Securities		10,360,773	-
		<u>61,512,274</u>	<u>2,139,884</u>
24.2 Un-realized gain on:			
Shares		49,218,765	-
		<u>49,218,765</u>	<u>-</u>
25 OTHER INCOME			
Rent on property		12,417,669	11,497,843
Gain on sale of fixed assets-net		809,603	5,557,762
		<u>13,227,272</u>	<u>17,055,605</u>
26 OPERATING EXPENSES			
Total Compensation expenses	26.1	356,508,749	325,962,805
Property expense			
Rent and taxes		1,575,309	8,092,247
Insurance		42,816	86,398
Utilities cost		5,330,588	5,356,832
Security		5,048,281	3,104,614
Repair and maintenance		4,082,870	1,236,336
Depreciation		40,213,228	25,511,939
		56,293,092	43,388,366
Information technology expenses			
Software maintenance		1,659,558	1,010,082
Hardware maintenance		227,194	139,855
Amortization		290,170	192,956
Depreciation		2,320,106	1,791,927
Network charges - net of reversal of prior year accrual		(113,281)	1,577,025
		4,383,747	4,711,845
Other operating expenses			
Directors' fees and allowances		4,000,000	3,771,405
Legal and professional charges		5,564,676	6,973,165
Outsourced services costs	26.2	7,942,884	7,787,090
Travelling and conveyance		19,524,046	42,268,061
Insurance		5,188,115	4,534,076
Repair and maintenance		762,726	6,299,740
Depreciation		7,270,435	6,352,194
Training and development		402,338	2,370,578
Utilities		211,560	705,926
Communication		3,312,912	2,575,424
Stationery and printing		4,442,107	2,899,098
Marketing, advertisement and publicity		3,618,038	1,941,790
Auditors remuneration	26.3	2,886,320	3,964,720
Bank charges		310,146	410,089
Entertainment		2,974,467	5,844,741
Donations	26.4	1,000,000	-
Miscellaneous		5,128,866	3,568,469
		<u>74,539,636</u>	<u>102,266,566</u>
		<u>491,725,224</u>	<u>476,329,582</u>

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PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
		----- Rupees -----	
26.1	Total Compensation expenses		
	Managerial Remuneration		
	i) Fixed	234,715,633	221,207,409
	ii) Variable		
	- Cash Bonus	32,237,504	21,545,380
		266,953,137	242,752,789
	Charge for defined benefit plan	15,558,359	15,528,292
	Contribution to defined contribution plan	10,016,003	9,731,507
	EOBI	364,975	310,250
	Medical	26,640,957	20,364,957
	Leave fair assistance	13,542,930	13,013,731
	Leave encashment	2,330,615	3,101,337
	Allowances	20,299,565	19,329,953
	Others	802,208	1,829,989
		356,508,749	325,962,805

26.1.1 This mainly includes overseas and vehicle allowance of Rs. 5.8 million (2019: 6.6 million) and Rs. 13.2 million (2019: 11.5 million), respectively.

26.2 Total cost for the year relating to outsourced activities is Rs 14.4 million (2019: Rs 12.2 million) entirely relating to companies incorporated in Pakistan and on account of security guards, supporting and janitorial staff. This cost includes outsourced service cost, which is disclosed specifically in note 26.

		2020	2019
		-----Rupees-----	
26.3	Auditors' remuneration		
	Annual audit fee	842,160	842,160
	Half year review	255,200	255,200
	Fee for other statutory certifications	140,360	140,360
	Fee for special certifications and other services	1,397,800	2,557,800
	Out-of-pocket expenses	250,800	169,200
		2,886,320	3,964,720

26.4 This represents an amount paid to Prime Minister's COVID-19 Pandemic relief fund 2020.

27 OTHER CHARGES

Penalties imposed by State Bank of Pakistan	30,000	-
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28 PROVISIONS AND WRITE OFFS - NET

Provisions against loans & advances	9.2.1	63,052,019	198,284,527
Impairment loss on investment in associate and available-for-sale investments		53,837,790	273,628,983
		116,889,809	471,913,510

29 TAXATION

For the Year			
Current		449,942,739	295,802,194
Deferred	29.2	(75,572,241)	2,648,692
For the prior year			
Current		18,911,603	7,213,453
		393,282,101	305,664,339

29.1 Relationship between current tax expense and accounting profit

Accounting Profit before taxation	1,166,485,008	1,065,756,517
Applicable tax rate	29%	29%
Tax on accounting profit at applicable rate	338,280,652	309,069,390
Rate change impact	46,224,157	1,438,742
Impact of lower rate & permanent difference	(10,134,311)	(12,057,246)
Prior year current tax charge	18,911,603	7,213,453
	393,282,101	305,664,339

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PAK CHINA INVESTMENT COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2020

29.2 Tax status

- 29.2.1 For the Tax Year 2011, a tax demand of Rs. 109.22 million was raised by Assistant Commissioner Inland Revenue (the "ACIR") by disallowing provision for bad debts, provision against non-performing loan and advances, credit for an instalment of advance tax and Worker's Welfare Fund. Subsequently, the assessment was rectified. The Company had paid Rs. 15.11 million in protest on the issue of disallowing "provision against non-performing loan and advances" and submitted appeal before CIR(A). The appeal was decided in favor of the Company and the tax of Rs 15.11 million deposited under protest became refundable. However, the department has filed an appeal before Appellate Tribunal Inland Revenue (ATIR) against appellate order of CIR(A). The hearing was fixed for 13 May 2020, partially heard and adjourned. Next date for hearing of appeal is yet to be fixed by the ATIR.
- 29.2.2 For the Tax Year 2013, a tax demand of Rs. 95.01 million was raised by the Taxation Officer by disallowing provision for non performing loans, profit on debt, other provisions and charging Workers Welfare Fund. The CIR(A) upheld the orders of the assessing officer. The Company filed appeal before ATIR against the order of CIR(A) and ATIR upheld the contentions of the appellate orders of the CIR(A). Returned refund of Rs. 15 million pertaining to tax year 2011 was adjusted against the instant demand and PCICL paid balance amount of Rs. 49 million under protest. The Company filed writ petition before High Court, which is yet to be fixed for hearing.
- 29.2.3 For the Tax Year 2014 & 2015, assessment was amended by the ACIR in terms of Section 122 of the Income tax ordinance, creating an aggregate tax demand amounting to Rs. 128 million on provisions, apportionment, super tax and default surcharge. The Company submitted appeal before the CIR(A) on the amended assessment order which has been disposed of in favor of tax department. Later the Company attained stay form ATIR for 40 days or till the disposal of main appeal subject of deposit of 30% of the total amount. As per directions of the ATIR, payment of Rs. 38.5 million was made to tax department as a cumulative payment for all the pending issues pertaining to tax year 2014 and 2015.The Company filed writ petition for interim relief before Islamabad High Court. The High Court has granted stay for recovery of outstanding demand and also restrained the tax department to take extreme measures until decision of the appeal. However, the main appeal is pending for fixation by ATIR and the order is expected to be partially in favor of the Company.
- 29.2.4 For the Tax Year 2016, a tax demand of Rs. 82.54 million has been raised by the Taxation Officer mainly by disallowing provision against non-performing loans, suspended mark-up, disallowance of expenses attributable to capital gain, contending short payment of super tax and claim of tax credit. The CIR(A) has disposed of the appeal and major portion of the demand has been confirmed while disallowance of the tax credits is remanded back. Therefore, an appeal effect order from the assessing officer is awaited.
- 29.2.5 For the Tax Year 2017, a show cause notice was issued to the Company by ACIR. The said notice proposed to levy additional super tax under Section 4B of the Ordinance. The notice was duly replied and the order is still awaited.
- 29.2.6 On the basis of opinion of its tax advisor and appellate history, the Company's management is confident of a favorable resolution of these matters and hence no provision has been made in these financial statements.

		2020	2019
		-----Rupees-----	
30	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit for the period - Rupees	773,202,907	760,092,178
	Weighted average number of ordinary shares - Numbers	969,663,754	926,742,073
	Basic earnings per share - Re	0.80	0.82
30.1	Diluted earning per share has not been separately presented as the Company does not have convertible instruments in issue.		
31	CASH AND CASH EQUIVALENTS		
	Cash and balance with treasury banks	2,223,116,872	2,010,049,267
	Balance with other banks	35,230,054	14,354,860
		2,258,346,926	2,024,404,127
32	STAFF STRENGTH		
		2020	2019
		-----Number-----	
	Permanent	49	46
	The Company's own staff strength at the end of the year	49	46
	Outsourced	11	12
	Total staff strength	60	58
32.1	This excludes outsourced security guards and janitorial staff.		

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PAK CHINA INVESTMENT COMPANY LIMITED
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33 DEFINED BENEFIT PLAN

33.1 General description

The Company operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with actuarial valuation. The latest actuarial valuation was carried out as at 31 December 2020.

The benefits under the gratuity scheme are payable on retirement, at the age of 60 years, or on earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn gross salary for each year of eligible service or part thereof, subject to a minimum of one year of service.

33.2 Number of Employees under the scheme

The number of employees covered under the defined benefit scheme are 49 as of 31 December 2020 (2019: 46).

33.3 Principal actuarial assumptions

	2020	2019
Discount rate	9.75%	11.25%
Expected rate of return on plan assets	9.75%	11.25%
Expected rate of Salary increase	9.75%	11.25%
Average remaining working lives of employees	5.9 years	5.7 years
Normal retirement age	60 years	60 years

	Note	2020	2019
-----Rupees-----			
33.4 Reconciliation of amount payable to defined benefit plan			
Present value of defined benefit obligation	33.5	79,735,068	69,661,289
Fair value of plan assets	33.7	(64,609,392)	(58,454,771)
		15,125,676	11,206,518

33.5 Movement in the present value of the defined benefit obligation

Opening balance	69,661,289	61,243,789
Current service cost	15,073,633	14,528,673
Interest cost	7,060,888	7,458,914
Benefits paid	(13,795,680)	(9,900,193)
Changes in financial assumptions	(240,344)	(269,055)
Remeasurement loss / (gain)	1,975,282	(3,400,839)
Closing balance	79,735,068	69,661,289

33.6 Movement in payable to defined benefit plan

Opening balance	11,206,518	20,834,393
Charge for the year	15,558,359	15,528,292
Remeasurement loss chargeable to the other comprehensive income	2,156,479	1,424,026
Company's contributions for the year	(13,795,680)	(26,580,193)
	15,125,676	11,206,518

33.7 Movement in the fair value of plan assets

Opening balance	58,454,771	40,409,396
Contributions	13,795,680	26,580,193
Interest income on plan assets	6,576,162	6,459,295
Benefits paid	(13,795,680)	(9,900,193)
Return on plan assets excluding interest income	(421,541)	(5,093,920)
Closing balance	64,609,392	58,454,771
Actual return on plan assets	6,154,621	1,365,375



PAK CHINA INVESTMENT COMPANY LIMITED
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	2020	2019
	-----Rupees-----	
33.8 The amounts recognized in profit and loss are as follows:		
Current service cost	15,073,633	14,528,673
Interest cost	7,060,888	7,458,914
Interest income on plan assets	(6,576,162)	(6,459,295)
	<u>15,558,359</u>	<u>15,528,292</u>

33.9 The amounts recognized in the other comprehensive income are as follows:		
Remeasurement loss / (gain):		
Actuarial loss / (gain) - experience adjustment	1,975,282	(3,400,839)
Actuarial (gain) - Changes in financial assumptions	(240,344)	(269,055)
Return on plan assets, excluding interest income	421,541	5,093,920
	<u>2,156,479</u>	<u>1,424,026</u>

	2020	2019		
	-----%-----			
33.10 Components of plan assets				
National Savings account	99.90	99.88	64,542,723	58,382,000
Bank balances	0.10	0.12	66,669	72,771
	<u>100.00</u>	<u>100.00</u>	<u>64,609,392</u>	<u>58,454,771</u>

33.11 Year end sensitivity analysis (+/- 100 bps) on the defined benefit obligation		
Current liability	79,735,068	69,661,289
Discount rate +100 bps	72,827,678	63,745,574
Discount rate -100 bps	87,701,434	76,477,897
Average salary increase +100 bps	87,793,344	76,554,928
Average salary increase -100 bps	72,615,455	63,566,975

33.12 Based on actuarial advice, the management estimates that P&L charge for the next year would be Rs. 16.99 million.

33.13 Expected contributions to be paid to the funds in the next year would be Rs. 15.13 million.

	2020	2019
	-----Rupees-----	
33.14 Maturity profile		
Particulars	Undiscounted payments	
Year 1	6,640,548	5,503,287
Year 2	7,004,210	10,085,961
Year 3	7,257,040	6,388,835
Year 4	10,936,550	6,764,749
Year 5	7,648,095	10,651,629
Year 6 to Year 10	64,167,209	63,747,722
Year 11 and above	873,677,593	1,031,734,475

At 31 December 2020, the weighted-average duration of the defined benefit obligation was 9 years (2019: 9 years).

33.15 Funding Policy

The Company carries out the actuarial valuation of the defined benefit plan on a periodic basis. Contributions are made annually in accordance with the actuarial recommendations.

33.16 Risk associated with defined benefit plan

The defined benefit plan exposes the Company to the following risks:

Investment risk

The risk arises when the actual performance of the investments is lower than expectation, which may result in shortfall in funds needed to meet the related liabilities.

Mortality risks

The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Salary increase risk

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

Withdrawal risk

The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

34 DEFINED CONTRIBUTION PLAN

The Company also operates a recognized contributory provident fund scheme for all its regular employees, where contributions are made by the Company and employees at 10% per annum (2019: 10% per annum) of the employees' basic salary. During the year the Company contributed Rs.10 million (2019: Rs. 9.7 million) in respect of this fund.

34.1 Funding Policy

Contributions made to the provident fund, during the year, are as follows:

	2020	2019
	-----Rupees-----	
Contribution from the Company	10,016,003	9,731,507
Contribution from the employees	10,016,003	9,731,507
	<u>20,032,006</u>	<u>19,463,014</u>

34.2 Provident fund trust

Size of the trust (Rupees)	<u>84,044,000</u>	<u>85,083,072</u>
Cost of investments made (Rupees)	<u>82,963,000</u>	<u>82,963,000</u>
Percentage of investment made (%)	<u>98.71%</u>	<u>97.51%</u>
Fair value of investment made (Rupees)	<u>82,963,000</u>	<u>82,963,000</u>

	2020	2019	2020	2019
	-----%-----		-----Rupees-----	
Break-up of investments				
National savings account	100.00	100%	82,963,000	82,963,000
	<u>100.00</u>	<u>100%</u>	<u>82,963,000</u>	<u>82,963,000</u>

34.3 Investments out of the provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for that purpose.

35 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

35.1 Total Compensation Expense

Items	2020			Managing Director	Key Management Personnel
	Chairman	Executives (other than CEO)*	Non-Executives		
Fees and Allowances etc.	-	-	4,000,000	-	-
Managerial Remuneration					
Fixed	-	298,831	-	54,478,023	61,225,090
Total Variable	-	-	-	-	13,828,843
of which					
- Cash Bonus / Awards	-	-	-	-	13,828,843
Leave fare assistant & leave encashment	-	-	-	1,995,008	3,639,169
Charge for defined benefit plan	-	-	-	1,140,271	5,607,135
Contribution to defined contribution plan	-	18,111	-	1,507,418	2,697,504
Utilities	-	211,560	-	164,346	-
Medical	-	-	-	6,424,212	2,832,563
Conveyance	-	9,261	-	1,585,331	2,726,524
Entertainment	-	-	-	5,772	339,849
Boarding and lodging	-	-	-	374,706	87,575
Daily allowance	-	-	-	863,120	28,000
Professional training and staff welfare	-	-	-	-	18,560
Depreciation	-	-	-	-	-
Insurance	-	-	-	313,136	841,464
Membership Fee & Subscription	-	-	-	1,030,800	-
Others *	-	4,658	-	555,593	166,798
Total	-	542,421	4,000,000	70,437,736	94,039,074
Number of Persons	-	1	1	1	10

Items	2019			Managing Director	Key Management Personnel
	Chairman	Directors Executives (other than CEO)	Non-Executives		
Fees and Allowances etc.	460,020	-	3,311,385	-	-
Managerial Remuneration					
Fixed	-	23,659,575	-	51,574,202	47,649,850
Total Variable	-	1,543,960	-	-	8,152,800
of which					
- Cash Bonus / Awards	-	1,543,960	-	-	8,152,800
Leave fare assistant & leave encashmen	-	-	-	-	3,597,736
Charge for defined benefit plan	-	2,148,628	-	723,964	5,480,045
Contribution to defined contribution plan	-	1,277,760	-	1,405,434	2,126,210
Rent & house maintenance	-	-	-	696,486	-
Utilities	-	851,780	-	412,107	-
Medical	-	614,611	-	5,450,257	2,275,954
Conveyance	-	3,839,233	-	7,861,996	641,855
Daily allowance	-	1,918,100	-	3,442,060	-
Professional training and staff welfare	-	-	-	-	649,800
Depreciation	-	4,289,088	-	-	-
Insurance	-	554,071	-	-	-
Others	-	789,262	-	873,072	5,790,713
Total	460,020	42,665,947	3,311,385	73,736,890	76,364,963
Number of Persons	1	1	1	1	10

- 35.1.1
- There are no "Other Material Risk Takers/Controllers" other than "Key Management Personnel" as defined in format of annual financial statements.
- 35.1.2
- State Bank of Pakistan has issued the remuneration guidelines vide BPRD circular number 1, 2017 dated 25 January 2017. The objective of these guidelines was to provide guidance to financial institutions to develop fair, transparent and sound compensation policy that is aligned with risks and responsibilities of individuals. Following the guidelines, comprehensive framework has been developed and MRT's and MRC's has been identified. After the performance appraisal process of year 2020, 30% of performance bonus for MRT's and MRC's has been withheld. The total withheld amount in this account is Rs. 5.1 million (2019: Rs. 2.3 million)

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35.2 Remuneration paid to Directors for participation in Board and Committee Meetings

2020

Sr. No.	Name of Director	Meeting fees and allowances paid				
		For Board Meetings	For Board Committees			
			Audit Committee	HR Committee	Risk Committee	Total Amount Paid
-----Rupees-----						
1	Noor Ahmed	2,000,000	1,000,000	500,000	500,000	4,000,000
	Total Amount Paid	2,000,000	1,000,000	500,000	500,000	4,000,000

2019

Sr. No.	Name of Director	Meeting fees and allowances paid				
		For Board Meetings	For Board Committees			
			Audit Committee	HR Committee	Risk Committee	Total Amount Paid
-----Rupees-----						
1	Arif Ahmed Khan	460,020	-	-	-	460,020
2	Noor Ahmed	2,529,285	257,730	262,185	262,185	3,311,385
	Total Amount Paid	2,989,305	257,730	262,185	262,185	3,771,405

35.3 Disclosure on Board of Directors

2020

Sr. No	Name of Director	Date of Joining / Leaving the Board		Status of Director	Member of Board Committees	Number of other Board Memberships
		Joining	Leaving			
1	Noor Ahmed	12/13/2018	-	Non executive director	3	-
2	Wang Li	6/27/2018	-	Non executive director	3	-
3	Zuo Kun	5/19/2020	-	Non executive director	3	-
4	Deng Shuang	2/26/2017	3/16/2020	Non executive director	-	-
5	Wang Baojun	5/10/2018	-	Executive director	1	2
6	Shahnawaz Mahmood*	1/6/2014	1/6/2020	Executive director	-	-

2019

Sr. No	Name of Director	Date of Joining / Leaving the Board		Status of Director	Member of Board Committees	Number of other Board Memberships
		Joining	Leaving			
1	Arif Ahmed Khan	1/15/2018	3/21/2019	Chairman	Nil	Nil
2	Noor Ahmed	12/13/2018	-	Non executive director	3	Nil
3	Wang Li	6/27/2018	-	Non executive director	3	Nil
4	Deng Zhuang	2/26/2017	-	Non executive director	1	Nil
5	Wang Baojun	5/10/2018	-	Executive director	1	Nil
6	Shahnawaz Mahmood*	1/6/2014	-	Executive director	2	4

*Mr. Shahnawaz Mahmood vacated office on 06 January 2020 and was present on the Board of following entities.

- 1 Pakistan Stock Exchange Limited
- 2 Central Depository Company of Pakistan Limited
- 3 Pakistan Mercantile Exchange Company Limited
- 4 National Clearing Company of Pakistan Limited

Signature

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35.4 Directors' Participation in Board and Committee meetings
 2020

Sr. No	Name of Director	Number of Board meetings Attended	Number of Board committees Attended		
			Audit Committee	HR Committee	Risk Committee
1	Noor Ahmed	4	4	2	2
2	Wang Li	4	4	2	2
3	Zuo Kun	1	-	-	-
4	Wang Baojun	4	-	-	2

2019

Sr. No	Name of Director	Number of Board meetings Attended	Number of Board committees Attended		
			Audit Committee	HR Committee	Risk Committee
1	Arif Ahmed Khan	1	-	-	-
2	Noor Ahmed	5	1	1	1
3	Wang Li	5	1	1	1
4	Deng Shuang	-	-	-	-
5	Wang Baojun	5	-	-	1
6	Shahnawaz mahmood	5	1	-	1

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36 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 (if any), 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, cash & bank balances and borrowings can not be calculated with sufficient reliability due to the absence of current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

36.1 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).

36.2 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 measurement is categorized:

		2020				
On balance sheet financial instruments		Carrying value	Level 1	Level 2	Level 3	Total
		----- Rupees -----				
Financial assets - measured at fair value						
Investments						
Federal Government Securities	7,971,944,000	-	7,971,944,000	-	7,971,944,000	
Shares	255,012,540	255,012,540	-	-	255,012,540	
Preference Shares	384,930,000	384,930,000	-	-	384,930,000	
Non-Government Debt Securities	4,094,382,122	-	3,833,217,122	261,165,000	4,094,382,122	
	12,706,268,662	639,942,540	11,805,161,122	261,165,000	12,706,268,662	
Financial assets - disclosed but not measured at fair value						
Non-Government Debt Securities	1,712,346,460	-	-	-	-	
	14,418,615,122	639,942,540	11,805,161,122	261,165,000	12,706,268,662	
Off-balance sheet financial instruments - measured at fair value						
Forward government securities transactions - purchase	4,987,510,000	-	-	4,987,510,000	4,987,510,000	
Forward government securities transactions - sale	1,150,804,380	-	-	1,150,804,380	1,150,804,380	
		2019				
On balance sheet financial instruments		Carrying value	Level 1	Level 2	Level 3	Total
		----- Rupees -----				
Financial assets - measured at fair value						
Investments						
Federal Government Securities	13,884,627,076	-	13,884,627,076	-	13,884,627,076	
Shares	50,052,879	50,052,879	-	-	50,052,879	
Non-Government Debt Securities	1,955,584,841	-	1,694,419,841	261,165,000	1,955,584,841	
	15,890,264,796	50,052,879	15,579,046,917	261,165,000	15,890,264,796	
Financial assets - disclosed but not measured at fair value						
Non-Government Debt Securities	2,189,925,778	-	-	-	-	
	18,080,190,574	50,052,879	15,579,046,917	261,165,000	15,890,264,796	
Off-balance sheet financial instruments - measured at fair value						
Forward government securities transactions - purchase	13,203,885,476	-	-	13,203,885,476	13,203,885,476	

36.3 Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arms length transaction. Fair value of the financial instrument is based on:

Federal Government Securities
Listed Securities
Non-Government Debt Securities

PKRV rates (Reuters page)
Market Prices
MUFAP

37 SEGMENT INFORMATION

37.1 Segment Details with respect to Business Activities

	2020				
	Corporate banking & SME group	Investment Banking group	Treasury	Head Office	Total
Profit & Loss	-----Rupees-----				
Net mark-up/return/profit	1,220,527,921	7,750,194	113,566,047	97,381,495	1,439,225,657
Inter segment revenue - net	(1,020,674,000)	(28,990,000)	(83,899,000)	1,133,563,000	-
Non mark-up income	72,466,420	155,755,664	20,514,504	87,167,796	335,904,384
Total Income	272,320,341	134,515,858	50,181,551	1,318,112,291	1,775,130,041
Segment direct expenses	(38,171,338)	(49,760,748)	(19,833,003)	(383,990,135)	(491,755,224)
Provisions	(58,429,274)	-	-	(58,460,535)	(116,889,809)
Profit before tax	175,719,729	84,755,110	30,348,548	875,661,621	1,166,485,008

As at 31 December 2020 management has conducted an impairment analysis for equity investment in PSX and recognized an impairment loss of Rs. 54 million (2019: 246.2 million). The impairment loss is charged to Head Office segment.

	2020				
	Corporate banking & SME group	Investment Banking group	Treasury	Head Office	Total
Balance Sheet	-----Rupees-----				
Cash & Bank balances	-	-	1,149,985,152	2,258,346,926	3,408,332,078
Investments	5,806,029,357	1,185,948,537	7,797,724,110	868,189,364	15,657,891,368
Advances					
Performing	9,791,400,277	-	-	84,081,404	9,875,481,681
Non-performing	1,673,953,099	-	-	663,564	1,674,616,663
Others	283,928,020	49,071,270	204,807	459,518,818	792,722,915
Total Assets	17,555,310,753	1,235,019,807	8,947,914,069	3,670,800,076	31,409,044,705
Borrowings	5,147,185,361	-	-	7,755,728,477	12,902,913,838
Deposits	512,400,000	-	-	-	512,400,000
Others	227,844,921	11,035,458	168,347,435	104,248,442	511,476,256
Total liabilities	5,887,430,282	11,035,458	168,347,435	7,869,976,919	13,926,790,094
Equity	-	-	-	17,482,254,611	17,482,254,611
Total Equity & liabilities	5,887,430,282	11,035,458	168,347,435	25,342,231,530	31,409,044,705
Contingencies & Commitments	3,651,222,918	-	6,138,314,380	168,100,000	9,957,637,298

	2019				
	Corporate banking & SME group	Investment Banking group	Treasury	Head Office	Total
Profit & Loss	-----Rupees-----				
Net mark-up/return/profit	1,271,421,359	8,505,354	339,343,733	93,707,513	1,712,977,959
Inter segment revenue - net	(1,144,868,322)	(36,523,525)	(284,887,828)	1,466,279,674	-
Non mark-up income	29,608,125	72,480,231	2,116,284	196,817,010	301,021,650
Total Income	156,161,162	44,462,060	56,572,189	1,756,804,197	2,013,999,609
Segment direct expenses	(20,094,702)	(37,473,988)	(19,219,442)	(399,541,450)	(476,329,582)
Provisions	(225,736,707)	-	-	(246,176,803)	(471,913,510)
Profit before tax	(89,670,247)	6,988,072	37,352,747	1,111,085,944	1,065,756,517

As at 31 December 2019 management has conducted an impairment analysis for equity investment in PSX and recognized an impairment loss of Rs 246.2 million (2018: 153.1 million). The impairment loss is charged to Head Office segment.

	2019				
	Corporate banking & SME group	Investment Banking group	Treasury	Head Office	Total
Balance Sheet	-----Rupees-----				
Cash & Bank balances	-	-	2,000,000,000	2,054,611,042	4,054,611,042
Investments	4,134,398,498	491,965,036	13,884,627,076	730,505,114	19,241,495,724
Advances					
Performing	8,222,259,331	-	-	76,300,813	8,298,560,144
Non-Performing	991,977,764	-	-	663,564	992,641,328
Others	227,598,273	32,740,278	-	552,545,360	812,883,911
Total Assets	13,576,233,866	524,705,314	15,884,627,076	3,414,625,893	33,400,192,149
Borrowings	2,102,001,321	-	14,017,291,666	-	16,119,292,987
Others	189,552,855	411,720	329,422,995	129,499,659	648,887,229
Total liabilities	2,291,554,176	411,720	14,346,714,661	129,499,659	16,768,180,216
Equity	-	-	-	16,632,011,933	16,632,011,933
Total Equity & liabilities	2,291,554,176	411,720	14,346,714,661	16,761,511,592	33,400,192,149
Contingencies & Commitments	3,346,997,616	-	13,203,885,476	169,600,000	16,720,483,092

37.2 Segment details with respect to geographical locations
GEOGRAPHICAL SEGMENT ANALYSIS

Profit & Loss

Net mark-up/return/profit
Non mark-up / return / interest income
Total Income
Total expenses
Provisions/Impairment
Profit before tax

2020		
In Pakistan	Outside Pakistan	Total
-----Rupees-----		
1,439,225,657	-	1,439,225,657
335,904,384	-	335,904,384
1,775,130,041	-	1,775,130,041
(491,755,224)	-	(491,755,224)
(116,889,809)	-	(116,889,809)
1,166,485,008	-	1,166,485,008

Balance Sheet

Cash & Bank balances
Investments
Advances
 Performing
 Non-performing
Others
Total Assets

In Pakistan	Outside Pakistan	Total
-----Rupees-----		
3,408,332,078	-	3,408,332,078
15,657,891,368	-	15,657,891,368
9,875,481,681	-	9,875,481,681
1,674,616,663	-	1,674,616,663
792,722,915	-	792,722,915
31,409,044,705	-	31,409,044,705

Borrowings
Deposits
Others
Total liabilities
Equity
Total Equity & liabilities

12,902,913,838	-	12,902,913,838
512,400,000	-	512,400,000
511,476,256	-	511,476,256
13,926,790,094	-	13,926,790,094
17,482,254,611	-	17,482,254,611
31,409,044,705	-	31,409,044,705

Contingencies & Commitments

9,957,637,298	-	9,957,637,298
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Profit & Loss

Net mark-up/return/profit
Non mark-up / return / interest income
Total Income
Segment direct expenses
Provisions/Impairment
Profit before tax

2019		
In Pakistan	Outside Pakistan	Total
-----Rupees-----		
1,712,977,959	-	1,712,977,959
301,021,650	-	301,021,650
2,013,999,609	-	2,013,999,609
(476,329,582)	-	(476,329,582)
(471,913,510)	-	(471,913,510)
1,065,756,517	-	1,065,756,517

Balance Sheet

Cash & Bank balances
Investments
Advances
 Performing
 Non-performing
Others
Total Assets

In Pakistan	Outside Pakistan	Total
-----Rupees-----		
4,054,611,042	-	4,054,611,042
19,241,495,724	-	19,241,495,724
8,298,560,144	-	8,298,560,144
992,641,328	-	992,641,328
812,883,911	-	812,883,911
33,400,192,149	-	33,400,192,149

Borrowings
Others
Total liabilities
Equity
Total Equity & liabilities

16,119,292,987	-	16,119,292,987
648,887,229	-	648,887,229
16,768,180,216	-	16,768,180,216
16,632,011,933	-	16,632,011,933
33,400,192,149	-	33,400,192,149

Contingencies & Commitments

16,720,483,092	-	16,720,483,092
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38 TRUST ACTIVITIES

The Company is not engaged in any trust activity.

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39 RELATED PARTY TRANSACTIONS

The Company has related party relationships with shareholders and entities in which its shareholders have any interest, key management personnel, directors and employees' funds. The Government of Pakistan (Ministry of Finance) is a related party of the Company; therefore all government authorities, agencies, affiliates and other organizations ("state-controlled entities") are related parties of the Company. Significant transactions with these state-controlled entities have been separately disclosed, in aggregate. Other entities which for its business acquisition or provision of services relies / depends to a greater extent on the Company / DFI i.e. major portion (50% or more) of its business (upstream or downstream) is also a related party.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk (i.e. under the comparable uncontrolled price method) other than those under terms of employment.

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

	2020					2019				
	Directors	Key management personnel	Associates (Cost)	Other related parties	Directors	Key management personnel	Associates (Cost)	Other related parties		
Lendings to financial institutions										
Opening balance	-	-	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	-	-	-	-	-	-	-
Repaid during the year	-	-	-	77,689,011,725	-	-	-	-	-	47,224,615,136
Closing balance	-	-	-	(77,689,011,725)	-	-	-	-	-	(47,224,615,136)
Investments										
Opening balance	-	-	1,483,787,240	-	-	-	1,383,067,240	-	-	-
Investment made during the year	-	-	89,376,000	-	-	-	100,720,000	-	-	-
Investment disposed off during the year	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	1,573,163,240	-	-	-	1,483,787,240	-	-	-
Advances										
Opening balance	-	40,127,538	-	-	-	26,414,082	-	-	-	-
Addition during the year	-	7,796,496	101,050,930	-	-	17,542,935	-	-	-	-
Repaid during the year	-	(4,551,191)	-	-	-	(3,829,479)	-	-	-	-
Closing balance	-	43,372,843	101,050,930	-	-	40,127,538	-	-	-	-
Other Assets										
Interest / mark-up accrued	-	-	756,639	-	-	-	-	-	-	-
Dividend Received	-	-	9,426,500	-	-	-	9,187,500	-	-	-
Other receivable	-	-	-	-	38,622	71,384	-	-	-	1,697,850
	-	-	10,183,139	1,697,850	38,622	71,384	9,187,500	-	-	1,697,850
2020										
	Directors	Key management personnel	Associates (Cost)	Other related parties	Directors	Key management personnel	Associates (Cost)	Other related parties		
Borrowings										
Opening balance	-	-	-	-	-	-	-	-	-	-
Borrowings during the year	-	-	-	-	-	-	-	-	-	-
Settled during the year	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	5,808,571,459
	-	-	-	-	-	-	-	-	-	(5,808,571,459)
Other Liabilities										
Interest / mark-up payable	-	-	-	-	-	-	-	-	-	-
Payable to staff retirement fund	-	-	-	15,125,676	-	-	-	-	-	11,206,518
Other liabilities	-	5,129,934	-	24,596,398	-	-	80,446	-	-	54,154,792
	-	5,129,934	-	39,722,074	-	-	80,446	-	-	65,361,310

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	2020				2019			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	Rupees							
Income								
Mark-up / return / interest earned	-	1,516,031	1,544,782	39,012,230	-	1,533,064	-	27,880,499
Fee and commission income	-	-	32,675,025	-	-	-	2,864,925	-
Share of profit of associates	-	-	51,573,136	-	-	-	38,133,674	-
Expense								
Mark-up / return / interest paid	235,271	-	-	4,324,540	311,130	-	-	11,155,642
Operating expenses								
Charge for defined benefit plan	1,140,271	5,607,135	-	8,810,953	2,872,592	5,480,045	-	7,175,655
Charge for contribution plan	1,525,529	2,697,504	-	5,792,970	2,683,194	2,126,210	-	4,922,103
Salaries	25,171,249	45,153,896	-	-	41,702,695	35,777,978	-	-
Bonuses paid	4,102,660	21,184,072	-	-	8,640,353	13,087,377	-	-
Overseas allowances	5,790,632	-	-	-	6,609,842	-	-	-
Leave fair assistance & Encashment	1,995,008	4,861,401	-	-	4,569,473	3,597,736	-	-
Tax borne by employer	19,712,313	-	-	-	15,255,374	-	-	-
Others	11,542,495	14,535,066	-	2,976,286	34,069,314	16,640,464	-	2,731,376
Depreciation expense on lease hold building	2,140,595	-	-	23,631,009	1,104,098	-	-	23,913,887
CDC Charges paid	-	-	1,242,662	-	-	-	826,040	-

The Federal Government through Ministry of Finance holds controlling interest (50% shareholding) in the Company and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government may exercise significant influence, are related parties of the Company. The Company in the ordinary course of business enters into transaction with Government related entities. Such transactions include investments, lendings, loan and advances. As at reporting date the balances with banks, loans and advances, investments and, lendings relating to Government related entities amounted to Rs. 2,186.4 million (2019: 3,166.1 million), Rs. 2,500 million (2019: 1,500 million), Rs. 1,058 million (2019: Rs.1,012 million) and Rs. 1,150 million (2019: Nil), respectively, and income earned on bank balances, advances, investment and lendings amounted to Rs. 98.0 million (2019: 6.5 million) Rs. 175.2 million (2019: 1.2 million), Rs. 118.3 million (2019: 93.5) and Rs. 0.2 million (2019: Nil), respectively.

40	CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS	2020	2019
40.1	Minimum Capital Requirement (MCR):	-----Rupees-----	
	Paid-up capital (net of losses)	9,696,637,540	9,696,637,540
40.2	Capital Adequacy Ratio (CAR):		
	Eligible Common Equity Tier 1 (CET 1) Capital	14,548,974,333	14,482,895,000
	Eligible Tier 2 Capital	-	-
	Total Eligible Capital (Tier 1 + Tier 2)	14,548,974,333	14,482,895,000
	Risk Weighted Assets (RWAs):		
	Credit Risk	13,091,514,213	13,020,072,000
	Market Risk	4,534,521,389	3,684,893,000
	Operational Risk	2,959,119,737	2,955,667,000
	Total	20,585,155,339	19,660,632,000
	Common Equity Tier 1 Capital Adequacy ratio	70.68%	73.66%
	Tier 1 Capital Adequacy Ratio	70.68%	73.66%
	Total Capital Adequacy Ratio	70.68%	73.66%
40.3	Other information:		
	National minimum capital requirements prescribed by the SBP		
	CET1 minimum ratio (%)	6.00%	6.00%
	Tier 1 minimum ratio (%)	7.50%	7.50%
	Total capital minimum ratio (%)	10.00%	10.00%
	Capital Conservation Buffer (CCB)	1.50%	2.50%
	Total capital plus CCB minimum ratio (%)	11.50%	12.50%
40.4	Leverage Ratio (LR):		
	Eligible Tier-1 Capital	14,548,974,333	14,482,895,000
	Total Exposures	37,098,334,832	47,690,469,000
	Leverage Ratio	39.22%	30.37%
40.5	Liquidity Coverage Ratio (LCR):		
	Total High Quality Liquid Assets	6,876,435,858	5,625,374,806
	Total Net Cash Outflow	2,172,567,377	272,598,273
	Liquidity Coverage Ratio	316.51%	2063.61%
40.6	Net Stable Funding Ratio (NSFR):		
	Total Available Stable Funding	22,753,402,740	21,869,975,434
	Total Required Stable Funding	17,162,309,958	19,862,410,210
	Net Stable Funding Ratio	132.58%	110.11%

The SBP, vide BPRD Circular No.08 dated 23 June 2016 has set the minimum Net Stable Funding Ratio Requirement (NSFR) for Banks / DFIs at 100%. Further, the Company is relaxed from maintaining minimum Liquidity Coverage Ratio (LCR) being a Development Finance Institution (DFI).

The link to the full disclosure is available at <http://pakchinainvest.com>

41 RISK MANAGEMENT

The Company manages all of its risk proactively through a well-established enterprise risk management practice. The Company is exposed to the following risks in the course of its regular business:

- Credit Risk
- Market Risk
- Operational Risk
- Liquidity Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

a) **Risk management philosophy and framework**

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Company's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance.

The Company's risk management policies are established to identify and analyze the risks faced by the Company to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk Management policies and systems are reviewed regularly to reflect changes in market conditions, emerging best practices and products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board of Directors has the overall responsibility for setting the risk appetite and ensuring risk is effectively managed through a robust Enterprise Risk Management (ERM) framework. Board and Management level committees have been established, as part of the corporate governance structure, to oversee the performance and operations of the Company. Some of these committees are responsible specifically for overseeing execution of the ERM strategy and monitoring performance against the Company's risk management framework.

b) **Board Level Committees**

Board Risk Management Committee ("BRMC")

The BRMC is responsible for overseeing and regularly monitoring the Company's risk governance framework, enterprise risk management, capital, liquidity and fund planning ensuring an effective system of risk management and controls are implemented. The BRMC is also responsible for overseeing compliance within approved risk policies and tolerance levels and works with management to refine risk strategy that is aligned to the Company's long term strategy.

c) **Senior Management Level Committees**

Risk Review Committee ("RRC")

The RRC is responsible for building a risk intelligent enterprise, ensuring a suitable and an effective risk management approach is incorporated into the day-to-day operations and recommending new credit policies and changes to existing ones, and the future direction of the credit activities in the Company. The RRC interacts with other management level committees to ensure risks are consolidated and incorporated within the business plan (strategy and financials) and business operations. In fulfilling its purpose, the RRC is responsible to translate the decisions of the Board regarding enterprise risk management ("ERM"), support the Senior Management and the GH-Risk Management in decision-making related to ERM, and report regularly through its Chairperson to the BRMC regarding matters related to its primary purpose and operational risks.

Credit Management Committee ("CMC")

The CMC is responsible for taking credit and investment related decisions within the authority levels established by the Board of Directors. The CMC is also responsible to monitor and review the Company's financing and investment activities within an approved threshold, and to ensure that the credit policies are adhered to, and credit operations are conducted in the most effective manner.

Asset Liability Committee ("ALCO")

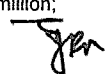
The ALCO is responsible to actively monitor and manage committed and outstanding assets and liabilities, and to recommend appropriate funding, investment, and hedging strategies. In addition, the ALCO is responsible for ensuring continuous liquidity required for growth while complying with the regulatory requirements. The RRC regularly reviews the ALCO effectiveness regarding matters related to market and liquidity risks. ALCO ensures the operational performance of the Company in meeting or exceeding set performance targets and authorizes actions to maintain, enhance or correct service delivery issues. The ALCO is also responsible for guiding, shaping, approving and monitoring a coherent set of projects in line with the Company's long term strategy that will maintain and enhance the Company's progress towards its future vision, recommending investment and expenditure in line with that goal.

41.1 **Impact of covid-19 on the Company**

The COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To counter its impact on businesses and economies, regulators /governments have introduced a host of measures on both the fiscal and economic fronts.

The State Bank of Pakistan (SBP) has also responded to the crisis by reducing the Policy Rate by 225 basis points to 11% in March 2020 , 200 basis points to 9% on 16 April 2020, 100 basis points to 8% on 15 May 2020 and by another 100 basis points to 7% on 25 June 2020. Besides, numerous other regulatory measures have been announced by the SBP to support business and economic activity which include, inter-alia, the following:

- Allowing companies to defer borrowers' principal loan payments by one year;
- Relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief on account of the principal repayment exceeding one year and / or mark-up.
- Relaxing the debt burden ratio for consumer loans from 50% to 60%;
- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs to Rs.180 million;



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- Providing concessionary refinance facilities to Hospitals for financing equipment;
- To control unemployment, offered refinance facilities to customers for meeting their salary expense; and
- Besides, various other steps have been announced to dampen the effects of Covid-19.

COVID-19 is impacting companies in Pakistan on many fronts. This includes significant increase in overall credit risk and contraction of fee income due to overall slowdown in economic activity. Furthermore, there is increased operational risk in respect of business operations including enhanced cyber-security threat.

(a) Credit Risk Management and Asset Quality

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 Company is continuously reviewing the portfolio, to identify accounts susceptible to higher risk, resulting from the COVID-19 outbreak. The Company's management has created a buffer against unforeseen loan losses and to preserve the quality of the Credit portfolio.

Owing to the impact of Covid - 19 on economic activity, several business segments of economy were impacted by the pandemic. Therefore, certain borrowers of the Company have availed the SBP enabled deferment / restructuring and rescheduling. However, the full potential effect of the economic stress is difficult to predict given the uncertain economic environment. Hence, the management estimates that it is appropriate to maintain an additional specific provision on the funded advance on the basis of subjective evaluation. The management is also maintaining 1.5% (2019: 2%) general provision against performing loans and advances.

(b) Liquidity Risk Management

In view of the relaxation granted by SBP for deferral of principal 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.

(c) Equity Risk Management

There is no significant impact of COVID-19 on the listed equity securities of the company classified as available-for-sale. Impairment against these securities has already been recognized in the financial statements, as applicable. No relief has been obtained during the year on account of deferment of impairment.

(d) Operational Risk Management

The Company is closely monitoring the situation and has invoked required actions to ensure the health and safety of the Company's staff alongside uninterrupted service to customers. The senior management of the Company is continuously monitoring the situation in order to take timely decisions.

Business Continuity Plans (BCP) for respective areas are in place and tested. The Company has enhanced monitoring of cyber-security risks during these times. The remote work capabilities were enabled for 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 avail the services from its digital/online channels also.

The Company staff is working tirelessly to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored so that the Company continues to meet the expectations of all stakeholders.

(e) Capital Adequacy Ratio (CAR)

In order to encourage companies to continue lending despite anticipated pressure on profits, credit risk and liquidity, the SBP has relaxed the Capital Conservation Buffer (CCB) requirements to 1.5%, resulting in a 1% decline in CAR requirements.

41.2 Credit Risk

Credit risk is the risk emanating when a counter party of the Company does not fulfil its contractual obligation or the quality of an issuer deteriorates. It arises principally from financing, investment and treasury activities. The credit process is consistent for all forms of credit risk to a single obligor. Overall exposure is evaluated on an ongoing basis to ensure a broad diversification of credit risk. Potential concentrations by industry and risk grade are regularly reviewed to avoid excessive exposure and ensure a broad diversification. The Company's total credit portfolio and therefore the maximum exposure to credit risk before collateral held or other credit enhancements is reported under note 40.

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Following are the risk management policies adopted by the Company to ensure credit quality and minimize the risk of concentration:

a) Credit rating and measurement

The risk rating system is the basis for determining the credit risk of the Company's asset portfolio and thus asset pricing, portfolio management, determining finance loss provisions and reserves and the basis for credit approval authority delegation. A standard alphabetic credit risk-grading system is being used by the Company which is based on the Company's internal estimate of probability of default, with customers or portfolios assessed against a range of quantitative and qualitative factors, including taking into account the counterparty's financial position, past experience and other factors. Performing clients are rated on a scale of AAA to C, each grade being associated with a Probability of Default ("PD"). Non-performing clients are rated D-1, D-2 and D-3, corresponding to the Substandard, Doubtful and Loss classifications as per State Bank of Pakistan's guidelines issued vide Prudential Regulations. The Company's internal credit grades have also been mapped to external agency ratings for better comparison.

b) Credit approval

All credit and investment exposures to individual counterparties and groups of connected counterparties are reviewed and approved by the Company's Credit Management Committee ("CMC") within the authorities delegated by the Board of Directors.

c) Credit monitoring

The Company regularly monitors credit exposures and external trends which may impact risk management outcomes. Internal risk management reports are presented to the Risk Review Committee and Board Risk Management Committee, containing information on key variables; portfolio delinquency and financing impairment performance. All Corporate exposures accounts are monitored carefully for performance and reviewed formally on an annual basis or earlier. The Company has policies in place for client visits and monitoring of accounts to make sure that any concerns on the quality of the accounts are addressed well in time. An exposure is categorized as watch list or non-performing as per SBP guidelines.

Based on Business Unit feedback on collection of overdue amounts, CMC decides on whether to retain the relationship under existing Business Group or transferred to Legal Department. All non-performing accounts under litigation for recovery are monitored closely by the Legal Department of the Company which directly report to the Managing Director. Such accounts are re-evaluated and remedial actions are agreed and monitored.

d) Credit risk mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools. Additional support in the form of collateral and guarantee is obtained where required. The reliance that can be placed on these credit mitigation resources is carefully assessed in light of issues such as legal enforceability, market value and counterparty risk of the guarantor.

Collateral types which are eligible for risk mitigation include: cash under lien; mortgage / charge over residential/commercial/industrial property; charge over assets such as plant and machinery; marketable securities; commodities; bank guarantees; and letters of credit etc. CMC controls the approval of collateral types. Collateral is valued in accordance with the SBP guidelines, which prescribe the frequency of valuation for different collateral types. The valuation frequency is driven by the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Collateral held against impaired financings is maintained at fair value.

e) Offsetting financial instruments

The Company has not entered in significant master netting arrangement with counterparties which enable them to settle transactions on net basis. In absence of such agreements the financial asset and liabilities are settled on gross basis.

Particulars of the Company's significant on-balance sheet and off-balance sheet credit risk in various sectors are analyzed as follows:

41.2.1 Lending's to Financial institutions.

Credit risk by public / private sector

	Gross lending's		Non-performing lending's		Provisioning held	
	2020	2019	2020	2019	2020	2019
Public / Government	1,149,985,152	-	-	-	-	-
Private	-	-	-	-	-	-
	<u>1,149,985,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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41.2.2 Investment in debt securities (including preference shares)

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
	Rupees					
Textile	661,200,757	161,200,757	161,200,757	161,200,757	161,200,757	161,200,757
Chemical and Pharmaceuticals	523,233,305	208,233,305	208,233,305	208,233,305	208,233,305	208,233,305
Power (electricity), Gas, Water, Sanitary	1,158,075,000	914,432,876	-	-	-	-
Transport, Storage and Communication	212,346,460	187,992,902	-	-	-	-
Financial	3,735,250,000	2,835,600,000	-	-	-	-
Others	200,000,000	200,000,000	-	-	-	-
	6,490,105,522	4,507,459,840	369,434,062	369,434,062	369,434,062	369,434,062

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
	Rupees					
Public/ Government	1,057,875,000	1,012,379,991	-	-	-	-
Private	5,432,230,522	3,495,079,849	369,434,062	369,434,062	369,434,062	369,434,062
	6,490,105,522	4,507,459,840	369,434,062	369,434,062	369,434,062	369,434,062

41.2.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
	Rupees					
Textile	633,158,000	-	-	-	-	-
Chemical and Pharmaceuticals	295,454,548	90,909,091	-	-	-	-
Cement	811,111,111	853,338,060	200,000,000	200,000,000	200,000,000	200,000,000
Sugar	806,562,500	567,031,250	-	67,031,250	-	67,031,250
Electronics and electrical appliances	1,075,000,000	387,499,999	-	-	-	-
Construction	-	500,000,000	-	-	-	-
Power (electricity), Gas, Water, Sanitary	2,053,214,678	2,172,249,003	729,252,569	454,946,514	153,982,041	54,617,988
Wholesale and retail trade	-	45,398,403	-	-	-	-
Transport, Storage and Communication	1,880,029,660	1,940,511,993	80,000,000	80,000,000	80,000,000	80,000,000
Financial	391,111,112	435,555,556	-	-	-	-
Services	1,500,000,000	1,100,000,000	-	-	-	-
Mining and quarrying	1,231,018,391	357,028,425	-	-	-	-
Manufacture of basic metals	684,726,585	698,747,427	-	-	-	-
Manufacture of rubber & plastic products	332,857,142	332,857,142	190,000,000	190,000,000	190,000,000	190,000,000
Manufacture of food products	474,700,530	474,700,530	474,700,530	-	43,555,567	-
Individuals	84,744,968	76,964,377	663,564	663,564	663,564	663,564
Others	101,050,922	-	-	-	-	-
	12,354,740,147	10,032,791,256	1,674,616,663	992,641,328	668,201,172	592,312,802

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Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
	-----Rupees-----					
Public/ Government	2,500,000,000	1,500,000,000	-	-	-	-
Private	9,854,740,147	8,532,791,256	1,674,616,663	992,641,328	668,201,172	592,312,802
	<u>12,354,740,147</u>	<u>8,532,791,256</u>	<u>1,674,616,663</u>	<u>992,641,328</u>	<u>668,201,172</u>	<u>592,312,802</u>

41.2.4 Contingencies and Commitments

Credit risk by industry sector

Chemical and Pharmaceuticals	204,545,452	409,090,909
Cement	-	18,884,163
Sugar	-	300,000,000
Construction	-	100,000,000
Power (electricity), Gas, Water, Sanitary	1,510,886,396	649,022,544
Financial	170,000,000	1,470,000,000
Textile	1,366,842,000	-
Manufacture of glass & glass products	398,949,070	-
Others	-	400,000,000
Credit risk by public / private sector	<u>3,651,222,918</u>	<u>3,346,997,616</u>

Credit risk by public / private sector

Public/ Government	-	3,651,222,918	3,346,997,616
Private	<u>3,651,222,918</u>	<u>3,346,997,616</u>	

41.2.5 Concentration of Advances

The Company's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 11.8 billion (2019: 6.4 billion) are as following:

Funded			
Non Funded			
Total Exposure	7,415,033,000	5,761,136,766	
	<u>1,018,791,158</u>	<u>649,022,544</u>	
	<u>8,433,824,158</u>	<u>6,410,159,310</u>	

The sanctioned limits against these top 10 exposures aggregated to Rs 12 billion (2019: 7.5 billion)

Total funded classified therein

	2020		2019	
	Amount	Provision held	Amount	Provision held
	-----Rupees-----			
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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41.2.6 Advances - Province/Region-wise Disbursement & Utilization

Province/Region	2020					
	Disbursements	Punjab	Sindh	Utilization		
				KPK including FATA	Balochistan	AJK including Gilgit-Baltistan
Punjab	1,374,480,550	1,374,480,550	-	-	-	-
Sindh	1,633,158,000	-	1,633,158,000	-	-	-
KPK including FATA	-	-	-	-	-	-
Balochistan	938,203,386	-	-	-	938,203,386	-
Islamabad	400,000,000	-	-	-	-	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-
Total	4,345,841,936	1,374,480,550	1,633,158,000	-	938,203,386	400,000,000

Province/Region	2019					
	Disbursements	Punjab	Sindh	Utilization		
				KPK including FATA	Balochistan	AJK including Gilgit-Baltistan
Punjab	1,057,013,646	1,057,013,646	-	-	-	-
Sindh	2,496,673,596	-	2,000,000,000	-	496,673,596	-
KPK including FATA	-	-	-	-	-	-
Balochistan	-	-	-	-	-	-
Islamabad	1,100,000,000	-	-	-	-	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-
Total	4,653,687,242	1,057,013,646	2,000,000,000	-	496,673,596	1,100,000,000

41.3 Market Risk

Market risk is the potential impact of adverse price movements such as benchmark rates, foreign exchange prices, equity prices and market conditions on the earnings/economic value of an asset held by the Company. The exposure to market risk occurs throughout the contract which may negatively affect the earnings and capital of the Company. The Company is exposed to market risk through investments / structural positions parked in the Banking Book. The Company's market risk is managed by the Risk Management under the supervision of ALCO and supported by the Treasury Middle Office (TMO). The Company has adopted Standardized Measurement Method to assess and report the market risk.

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41.3.1 Balance sheet split by trading and banking books

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	Rupees-----			
Cash and balances with treasury banks	2,223,116,872	-	2,223,116,872	3,176,193,182
Balances with other banks	35,230,054	-	35,230,054	878,417,860
Lendings to financial institutions	1,149,985,152	-	1,149,985,152	-
Investments	15,463,344,603	194,546,765	15,657,891,368	19,241,495,724
Advances	11,550,098,344	-	11,550,098,344	9,291,201,472
Fixed assets	233,362,516	-	233,362,516	276,895,029
Intangible assets	494,736	-	494,736	784,906
Deferred tax assets	105,401,492	-	105,401,492	52,515,699
Other assets	453,464,171	-	453,464,171	482,688,277
	31,214,497,940	194,546,765	31,409,044,705	33,400,192,149

41.3.2 Foreign Exchange Risk

Foreign currency risk represents the risk of change in the fair value of financial assets and financial liabilities due to changes in foreign exchange rates. The Company manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows through allowing exposures in local currency only. However, where foreign currency exposures are allowed due to compelling reasons, foreign exchange positions are reviewed frequently.

	2020				2019			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees-----							
United States Dollar	2,186,655,312	-	1,018,791,158	3,205,446,470	2,030,495,421	-	649,022,540	2,679,517,961
Euro	-	-	-	-	-	-	58,150,677	58,150,677
	2,186,655,312	-	1,018,791,158	3,205,446,470	2,030,495,421	-	707,173,217	2,737,668,638

Impact of 1% change in foreign exchange rates on

- Profit and loss account
- Other comprehensive income

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	Rupees-----			
	15,525,253	-	14,416,517	-
	15,525,253	-	14,416,517	-

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41.3.3 Equity position Risk

Equity position risk is the risk that the fair value will fluctuate as a result of changes in the prices of equities and all instruments that exhibit market behavior similar to equities. The company's such instruments are classified as available for sale investments, and are kept as such with the intent of earning profit due to underlying fundamental strength of each security.

Impact of 5% change in equity prices on
- Profit and loss account
- Other comprehensive income

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
		Rupees		
	-	8,268,238	-	-
	25,082,908	-	11,774,001	-
	25,082,908	8,268,238	11,774,001	-

41.3.4 Yield / Interest Rate Risk in the Banking Book

Interest/Yield Risk is the risk that value of financial instruments will change due to change in the market interest rates or due to change in shape of yield curve. The Company manages its interest rate risk by entering into floating rate agreements with its customers. All of the credit portfolio is linked to the floating rate. To further keep the Company abreast of the interest rate risk, an Asset and Liability Committee (ALCO) meets regularly to discuss the interest rate risk strategy. Interest rate risk profile is also prepared on monthly basis to ascertain the interest rates movement with regard to the portfolio while also anticipating policy rate movements.

Impact of 1% change in interest rates on
- Profit and loss account
- Other comprehensive income

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
		Rupees		
	158,423,340	-	151,502,782	-
	158,423,340	-	151,502,782	-

41.3.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

The following table summarizes the mismatch of financial assets and liabilities of the Company, which are subject to interest rate risk, at carrying amounts categorized the earlier of contractual re-pricing or maturity dates. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amount of assets and liabilities that mature or re-price in a given period:

	Effective Yield/ Interest Rate	Total	2020										Non-interest bearing financial instruments
			Exposed to Yield/ Interest risk										
			Rupees										
			Up to 1 Month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 Years		
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	0.4%	2,223,116,872	-	2,186,182,160	-	-	-	-	-	-	-	-	36,934,712
Balances with other banks	5.0%	35,230,054	31,485,798	-	-	-	-	-	-	-	-	-	3,744,256
Lending to financial institutions	6.5%	1,149,985,152	1,149,985,152	-	-	-	-	-	-	-	-	-	-
Investments	9.1%	14,418,615,122	6,979,820,000	992,159,000	62,640,000	62,675,000	383,878,750	484,465,000	824,598,600	2,747,538,908	1,413,480,864	487,359,000	
Assets subject to lease	9.0%	51,586,890	2,736,281	5,472,562	8,208,843	16,417,686	18,751,518	-	-	-	-	-	
Advances	8.0%	11,550,098,344	71,110,729	254,913,256	454,480,706	2,836,433,217	1,934,904,591	1,600,297,842	2,982,955,011	1,128,794,470	279,242,257	6,966,265	
Other assets		340,491,641	-	-	-	-	-	-	-	-	-	-	
		29,769,124,075	8,235,137,960	3,438,726,978	525,329,549	2,915,525,903	2,337,534,859	2,084,762,842	3,807,553,611	3,876,333,378	1,692,723,121	855,495,874	
Liabilities													
Borrowings	4.0%	12,902,913,338	6,801,381,367	606,715,600	255,368,490	694,070,314	1,517,703,127	985,535,379	1,646,415,817	395,723,744	-	-	
Deposits and other accounts	6.1%	512,400,000	-	512,400,000	-	-	-	-	-	-	-	-	
Other liabilities	9.0%	511,476,256	-	-	-	109,104,974	-	-	-	-	-	-	
		13,926,790,994	6,801,381,367	1,119,115,600	255,368,490	803,175,288	1,517,703,127	985,535,379	1,646,415,817	395,723,744	-	402,371,282	
On-balance sheet gap		15,842,333,981	1,433,756,593	2,319,611,378	269,961,059	2,112,350,615	819,831,732	1,099,227,463	2,161,137,794	3,480,609,634	1,692,723,121	453,124,592	
Off-balance sheet financial instruments													
Commitments in respect of: Government securities													
Off-balance sheet gap		4,987,510,000	4,987,510,000	-	-	-	-	-	-	-	-	-	
		4,987,510,000	4,987,510,000	-	-	-	-	-	-	-	-	-	
Total Yield/Interest Risk Sensitivity Gap			(3,553,753,407)	2,319,611,378	269,961,059	2,112,350,615	819,831,732	1,099,227,463	2,161,137,794	3,480,609,634	1,692,723,121	453,124,592	
Cumulative Yield/Interest Risk Sensitivity Gap			(3,553,753,407)	(1,234,142,029)	(964,180,970)	1,148,169,645	1,968,001,377	3,067,228,840	5,228,366,634	8,708,976,268	10,401,699,389	10,854,823,981	

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Effective Yield/ Interest Rate	Total	2019										Non-interest bearing financial instruments
		Exposed to Yield/Interest risk										
		Up to 1 Month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 years	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 Years		
											Rupees	
On-balance sheet financial Instruments												
Assets												
Cash and balances with treasury banks	3,176,193,182	2,000,000,000	-	-	1,166,143,915	-	-	-	-	-	-	10,049,267
Balances with other banks	878,417,860	878,417,860	-	-	-	-	-	-	-	-	-	-
Investments	18,080,190,574	989,450,000	547,325,701	6,852,077,735	5,695,786,544	202,619,973	175,350,000	350,700,000	2,528,834,841	500,000,000	238,045,780	-
Assets subject to lease	90,033,931	2,157,605	4,315,210	6,472,815	12,945,630	25,891,260	25,891,260	12,360,151	-	-	-	-
Advances	9,291,201,472	315,823,865	194,832,406	474,590,184	1,665,281,374	1,180,919,102	1,503,279,760	2,394,026,148	1,529,742,924	32,705,709	-	-
Other assets	402,421,442	-	-	-	-	-	-	-	-	-	-	402,421,442
	31,918,458,461	4,185,849,330	746,473,317	7,333,140,734	8,540,157,463	1,409,430,335	1,704,521,020	2,757,086,299	4,058,577,765	532,705,709	650,516,489	-
Liabilities												
Borrowings	16,119,292,987	408,596,080	1,533,515,089	6,692,047,023	5,404,607,434	1,021,473,960	1,021,473,960	37,579,441	-	-	-	579,119,258
Other liabilities	648,887,229	-	-	-	52,003,517	17,438,283	326,171	-	-	-	-	-
	16,768,180,216	408,596,080	1,533,515,089	6,692,047,023	5,456,610,951	1,038,912,243	1,021,800,131	37,579,441	-	-	-	579,119,258
On-balance sheet gap	15,150,278,245	3,777,253,250	(787,041,772)	641,093,711	3,083,546,512	370,518,092	682,720,889	2,719,506,858	4,058,577,765	532,705,709	71,397,231	-
Off-balance sheet financial Instruments												
Commitments in respect of: Government securities	13,203,885,476	13,203,885,476	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	13,203,885,476	13,203,885,476	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap	(9,426,632,226)	(9,426,632,226)	(787,041,772)	641,093,711	1,148,825,140	370,518,092	682,720,889	2,719,506,858	4,058,577,765	532,705,709	71,397,231	-
Cumulative Yield/Interest Risk Sensitivity Gap	(9,426,632,226)	(9,426,632,226)	(10,213,673,998)	(9,572,580,287)	(8,423,755,147)	(8,053,237,055)	(7,370,516,166)	(4,651,009,308)	(592,431,543)	(59,725,834)	11,671,397	-

41.3.6 Reconciliation of financial assets with total assets and liabilities.

Total assets as per statement of financial position	2020		2019	
	Rupees		Rupees	
	2020	2019	2020	2019
Fixed assets	181,775,626	186,851,038	181,775,626	186,851,038
Intangible assets	494,736	784,906	494,736	784,906
Equity accounted investments	1,239,276,246	1,161,305,150	1,239,276,246	1,161,305,150
Deferred tax assets	105,401,492	52,515,689	105,401,492	52,515,689
Other Assets	112,972,530	80,266,835	112,972,530	80,266,835
	1,639,920,630	1,481,733,688	1,639,920,630	1,481,733,688
Total Assets as per mismatch report	29,785,124,075	31,918,458,461	29,785,124,075	31,918,458,461

41.3.7 For details of off balance sheet items included in the commitments, Please refer to note number 20.2 of the financial statements.

41.4 Operational Risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed internal processes, people, technology and infrastructure within the Company, and from external factors other than credit, market and liquidity risks such as those arising from disruptive business events, natural disasters, non-compliance with regulations and generally accepted standards of corporate behavior.

The Company has established Operational Risk Management Framework, which outlines approaches to identifying, measuring, reporting and mitigating operational, information security and business continuity risks with forward looking management discipline. The management of operational risk is the primary responsibility of each business or support function and implementation of the framework is coordinated by Operational Risk Department under supervision of GH-Risk Management, who maintains supervisory oversight and drives improvement.

Information Security

Information Security risk is increasingly assuming prominent threat potential in digital age. The Company recognizes its key dependencies on systems, people and service processes and the risks, to which they are exposed to both from internal and external factors. To mitigate these threats, the Company has implemented robust information security framework based on industry best practices.

Business Continuity Management

The Company is committed to ensure continuity and resilience of its key business processes and service deliveries against internal and external disruptive events, natural calamities, etc. To achieve these objectives, the Company has designed and implemented Business Continuity Plan (BCP) by identifying disruptive scenarios, developing continuity plans and periodically testing the same for their continued viability.

41.4.1 Operational Risk-Disclosures Basel II Specific

The Company has adopted the Basic Indicator Approach (BIA) for ascertaining capital requirements for its operational risk. Up to the year end, the Company has not incurred any significant loss owing to the operational risk.

41.5 Liquidity Risk

Liquidity risk is the risk that the Company is not in a position to fund growth in assets or meet obligations as they become due. Liquidity risk arises in the normal course of business by taking shorter term liquidity sources, often repayable on demand or at short notice, and using these short term sources to fund credit facilities over medium to longer periods. The Company has defined the liquidity risk appetite at a level so as to ensure that the Company has a controlled liquidity risk position with adequate cash or cash equivalents to be able to meet its financial obligations, in all foreseeable circumstances and without incurring substantial additional costs.

Asset Liability Committee (ALCO)

The ALCO develops and implements the policy and procedures that translate the Company's goals, objectives, and risk tolerances into operating standards that are well understood by the Company's staff. ALCO oversees the implementation and maintenance of management information and other systems that identify, measure, monitor and control the bank's liquidity risk.

Liquidity management and monitoring

The Company's daily liquidity management activity is performed by the Treasury Department. Treasury's activity is overseen by the Market Risk team which measures, monitors and reports on liquidity management activity, covering the following activities:

- Monitoring of the maturity profile of assets and liabilities on a continuous basis;
- Stress testing based on the sensitivity analysis of key factors and combined events;
- Measuring Key regulatory liquidity indicators e.g. Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR);
- Monitoring of concentration risks in liquidity sources; and
- Monitoring of early warning indicators to assess the potential impact arising from a series of defined idiosyncratic and systemic stress scenarios.

Liquidity Contingency plan

The Company has an established liquidity position available all the times to meet the contingencies. In addition, Company has also entered into financing agreements with different Commercial Banks to meet its funding requirements.

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Dr. J. R. R.

41.5.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

	2020									
	Total	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Treasury banks balance	2,223,116,872	36,934,712	2,186,182,160	-	-	-	-	-	-	-
Other banks balance	35,230,054	35,230,054	-	-	-	-	-	-	-	-
Lending to financial institutions	1,149,985,152	1,149,985,152	-	-	-	-	-	-	-	-
Investments	15,657,891,368	6,979,820,000	992,159,000	238,508,919	222,917,153	454,660,903	484,465,000	1,923,244,821	2,948,634,908	1,413,480,864
Advances	11,550,098,344	71,531,072	255,753,942	455,741,735	2,838,955,275	1,936,826,740	1,600,297,842	2,982,955,011	1,128,794,469	279,242,258
Fixed assets	233,362,516	3,674,841	12,188,682	11,024,523	22,049,046	28,333,613	5,798,682	3,330,572	7,990,260	138,972,297
Intangible assets	494,736	24,577	49,154	73,731	147,462	199,812	-	-	-	-
Deferred tax assets	105,401,492	105,401,492	-	-	-	-	-	-	-	-
Other assets	453,464,171	335,943,839	43,504,680	10,147,905	12,174,755	1,390,944	1,390,944	4,515,810	-	44,395,294
	31,409,044,705	8,718,545,739	3,489,837,618	715,496,813	3,096,243,691	2,421,412,012	2,091,952,468	4,914,046,014	4,085,419,637	1,876,090,713
Liabilities										
Borrowings	12,902,913,838	6,801,381,367	606,715,600	255,368,490	694,070,314	1,517,703,127	985,535,379	1,646,415,816	395,723,745	-
Deposits and other accounts	512,400,000	-	512,400,000	-	-	-	-	-	-	-
Other liabilities	511,476,256	228,583,795	11,602,414	70,782,154	125,431,150	72,213,683	1,431,530	1,431,530	-	-
	13,926,790,094	7,029,965,162	1,130,718,014	326,150,644	819,501,464	1,589,916,810	986,966,909	1,647,847,346	395,723,745	-
Net assets	17,482,254,611	1,688,580,577	2,359,119,604	389,346,169	2,276,742,227	831,495,202	1,104,985,559	3,266,193,668	3,689,695,892	1,876,090,713
Share capital										
Advance against issue of shares	9,696,637,540									
Statutory reserve	9,881,237									
Unappropriated profit	1,538,966,655									
Surplus on revaluation	6,153,575,746									
	83,193,433									
	17,482,254,611									

	2019									
	Total	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Rupees				
						Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Treasury banks balance	3,176,193,182	10,049,267	2,000,000,000	-	1,166,143,915	-	-	-	-	-
Other banks balance	878,417,860	878,417,860	-	-	5,695,786,544	378,001,454	238,014,301	1,400,285,150	3,028,834,839	-
Investments	19,129,775,724	989,450,000	547,325,701	6,852,077,735	1,665,281,374	1,175,823,154	1,503,279,760	2,394,026,148	1,562,448,633	-
Advances	9,286,105,524	315,823,865	194,832,406	474,590,184	22,556,208	35,042,384	33,660,648	19,018,970	148,560,611	-
Fixed assets	276,895,029	3,009,368	6,018,736	9,028,104	147,870	295,740	193,426	-	-	-
Intangible assets	784,906	24,645	49,290	73,935	-	-	-	-	-	-
Deferred tax assets	52,515,699	52,515,699	-	-	15,941,917	2,600,308	1,380,944	118,236,220	-	-
Other assets	602,269,797	370,364,263	74,943,266	20,792,879	8,565,857,828	1,591,763,040	1,776,539,079	3,929,566,488	4,739,844,083	-
Liabilities										
Borrowings	16,119,292,987	408,596,080	1,533,515,089	6,692,047,023	5,404,607,434	1,021,473,960	1,021,473,960	37,579,441	-	-
Other liabilities	651,652,801	27,960,177	58,599,393	163,803,682	195,532,193	142,766,885	62,990,471	-	-	-
	16,770,945,788	436,556,257	1,592,114,482	6,855,850,705	5,600,139,627	1,164,240,845	1,084,464,431	37,579,441	-	-
Net assets	16,632,011,933	2,183,098,710	1,231,054,917	500,712,132	2,965,718,201	427,522,195	692,074,648	3,891,987,047	4,739,844,083	-
Share capital										
Statutory reserve	9,696,637,540									
Statutory reserve	9,881,237									
Statutory reserve	1,384,606,471									
Unappropriated profit	5,536,135,008									
Surplus on revaluation	4,751,677									
	16,632,011,933									

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42 GENERAL

42.1 Events after the reporting date

There are no adjusting events after the date of statement of financial position that may have an impact on the financial statements.

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

42.3 Figures have been rounded off to the nearest Rupee, unless otherwise stated.

42.4 The JCR-VIS has issued a long term credit rating of AAA, and the short term rating of A1+, for the Company.

43 RECLASSIFICATION AND REARRANGEMENT OF COMPARATIVE FIGURES

There have been no significant reclassifications and rearrangements in these financial statements except for.

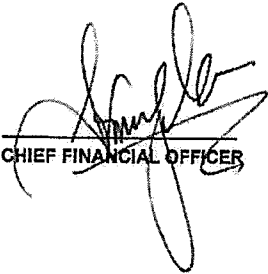
From	To	Rupees
Other assets	Investments	111,720,000
	Advances	5,095,948
	Other liabilities	(2,765,572)

The above reclassifications and rearrangements did not have any significant impact on balances reported as on 01 January 2019, accordingly, statement of financial position as of that date have not been presented.

44 DATE OF AUTHORIZATION

These financial statements were authorized for issue in the Board of Directors meeting held on _____.


MANAGING DIRECTOR


CHIEF FINANCIAL OFFICER


DIRECTOR


DIRECTOR


DIRECTOR