ANNUAL REPORT 2020

PAKCHINA
INVESTMENT COMPANY LIMITED

PAKCHINA
INVESTMENT COMPANY LIMITED

WE ARE A SYMBOL OF TIME-TESTED & ROCK-SOLID FRIENDSHIP

PAKCHINA
INVESTMENT COMPANY LIMITED

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Who We Are

Pak China Investment Company Limited (PCICL) is a Development Finance Institution (DFI) established in 2007, through the joint venture agreement between Government of Pakistan and Peoples Republic of China through Ministry of Finance and China Development Bank respectively. Being a DFI, PCICL is regulated by State Bank of Pakistan.

PCICL was established to act as a bridge for promotion of bilateral Trade and Investment between the two brotherly countries and with an objective of financing economically viable and technically feasible projects. Since last 13 years, PCICL has been playing a vital role for economic development of Pakistan through active advisory role to attract Chinese investment in Pakistan and by providing wide range of Financial services in infrastructure, Industrial, Agriculture, Services, Information Technology, Manufacturing and Real Estate sectors.

Corporate Information

Board of Directors

Mr. Wang Baojun	Vice Chairman of the BoD/Managing Director
Mr. Noor Ahmed	Member
Ms. Wang Li	Member
Mr. Zuo Kun	Member

Board Audit Committee

Mr. Noor Ahmed	Chairman
Ms. Wang Li	Member
Mr. Zuo Kun	Member

Board Risk Management Committee

Mr. Noor Ahmed	Chairman
Ms. Wang Li	Member
Mr. Wang Baojun	Member

Board Human Resource & Remuneration Committee

Mr. Noor Ahmed	Chairman
Ms. Wang Li	Member
Mr. Zuo Kun	Member

Company Secretary
Shazia Khan

Statutory Auditors
EY Ford Rhodes
Chartered Accountants

Legal Advisor
Mohsin Tayebaly & Co.

Entity Ratings
Long Term: AAA
Short Term: A1+
VIS Credit Rating Company Limited

Registered Office and Head Office
Pak China Investment Company Limited
13th Floor, Saudi Pak Tower, 61-A, Jinnah Avenue, Blue Area, Islamabad
Telephone: +92-51-2099650, Fax: +92-51-2800297
Email: info@pakchinainvest.com
Website: www.pakchinainvest.com

Karachi Office
4th Floor, C-14-C, Touheed Commercial,
26th Street, Phase V, DHA, Karachi
Telephone: +92-21-35379888

Our Core Strengths

Our Sponsors

Government of Pakistan

国家开发银行
CHINA DEVELOPMENT BANK

People's Republic of China

Stable Outlook

Entity Rating (VIS)

Long Term	AAA
Short Term	A1+

Our Associated Companies

Our Vision

To become a leading DFI as HUB of investment activities for Pakistani and Chinese entrepreneurs through our in depth market knowledge, providing innovative financial solutions through exceptional people, efficient processes, innovative solutions and strong customer relationships.Focus on bringing Chinese investment, technology, and know-how to Pakistan by conducting Road Shows and other promotion activities allowing Pak China investment Company to be used as a platform for investment decisions in entering the Pakistani market.

Our Mission

- Be a channel of investment flow by becoming prime advisors for investors from Pakistan and China.
- Identify and Capitalize on opportunities in Pakistan by leveraging on Chinese technology, financial resources and entrepreneurial expertise.
- Act as a catalyst of success for our customers by responding for their needs and develop a lasting Relationship.
- Create a culture of performance integrity and efficiency where productivity performance and innovation are the hallmarks.
- Build state of the art technology platform and applications.
- Produce exceptional results while keeping within acceptable risk levels.

Director's Profile

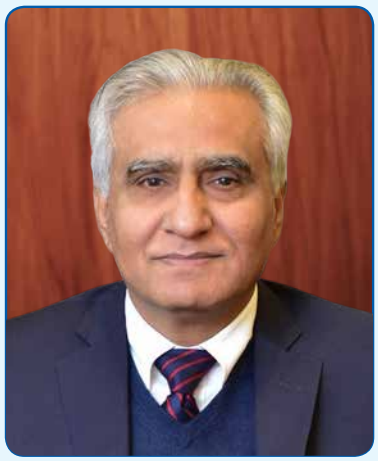
Mr. Wang Baojun

Executive Director / Managing Director & Vice Chairman of the Board of Directors

Mr. Wang has assumed the office of Managing Director/ Executive Director of the Company in May 2018. He brings 23+ years experience of working in Development Financial Institutions, with diversified exposure in the areas of Credit Management, Finance, Research, Information Technology and Planning. Before joining PCICL, he was Head of Australian Group as Senior Commissioner of China Development Bank (CDB). During his affiliation with CDB, he lately held positions of Division Director of Credit Management and Division Director of International Cooperation & Study in International Finance Department, while he also served as Deputy Division Director of Confidential Affairs and Deputy Division Director of General Affairs in General Office. Mr. Wang holds degrees of Masters in Public Administration and Masters in Computer Science from China National School of Administration and Harbin Engineering University respectively. He is also a Qualified Accountant and Security Practitioner.

Mr. Noor Ahmed

Director



Mr. Noor, Secretary Economic Affairs Division, Government of Pakistan was nominated as non-Executive Director of the Company in December 2018. Mr. Noor has previously served as Special Secretary Finance, Secretary Federal Tax Ombudsman, Additional Secretary Finance, DG Privatization and at various other important positions in government institutions. He got his Masters degree in Development Studies from the Institute of Social Studies Hague Netherland in 1996. In addition, he has attended several national and international trainings and workshops.

Ms. Wang Li

Director

Ms. Wang joined the Board of Directors of PCICL in October 2018 as non-executive Director. She is Deputy Director General of Market Development & Equity Investment Department of China Development Bank (CDB). She joined CDB's predecessor China Investment Bank in 1987 and has held many positions in the Bank over the past three decades, including Division Chief of Corporate Bond Underwriting Division in Treasury & Financial Market Department, and Vice President of CDB Securities Co. Ltd. Ms. Wang currently serves on professional committees of numerous self-regulatory organizations, including Vice Chairman of the Asset Securitization and Structured Financing Committee of the China National Association of Financial Market Institutional Investors (NAFMII), Vice Chairman of the Syndicated Loan Committee of the China Banking Association (CBA), Vice Chairman of the Fixed Income Committee of the Securities Association of China (SAC). Ms. Wang graduated from Beijing College of Finance and Commerce for her bachelor's degree in July 1987, majoring in Finance.

Management Profiles

Mr. Tariq Mahmood

Group Head Investment Banking

Mr. Tariq Mahmood, EVP / Group Head, Investment Banking Group brings 20+ Years of Corporate & Investment Banking Experience with him. Prior to joining PCICL, Mr. Mahmood worked with one of the largest local banks in Pakistan in its Corporate & Investment Group. He also adds valuable foreign experience to IBG having worked with a bank in USA for several years before returning to Pakistan. Mr. Mahmood's areas of interest and expertise include Advisory, Capital Markets, Project Finance, and Private Equity. Some of the key Industries with significant transaction experience involve Steel, Power (Generation & Distribution), Textile, Sugar, Cement, Glass, Microfinance, Stock Exchange & Brokerage, Food, Packaging, FMCG, Consumer White Goods Manufacturing, and Oil & Gas (upstream & downstream) just to name a few. Mr. Mahmood holds a Master of Business Administration (MBA) Degree from New Mexico State University, USA .

Syed Abbas Athar Hamadani

Group Head Corporate Banking & SME

Mr. Hamadani assumed his office at PCICL in August 2019. He has 25+ years of work experience in financial sector, including last 14 years at Askari Bank Limited, where he has served as Regional Corporate Head South and as interim Regional Corporate Head North for a short tenure. He has diversified work experience in Commercial & Corporate Banking with numerous achievements in optimizing business operations, business development and expansion of marketing networks. He has done Masters in Business Administration from Institute of Business Administration Karachi Pakistan. While he also holds Post Graduate Diploma in Systems Analysis & Design from the same institute.

Syed Nabeel Abbas Tirmizi

Head of Treasury

Mr. Nabeel Abbas Tirmizi is associated with the Company for more than 10 years. He is an experienced individual having expertise of research analysis, money market and treasury operations. He holds degree of Masters in Business Administration.

Mr. Armughan Ahmad Daud

Chief Financial Officer

Mr. Armughan joined PCICL as Chief Financial Officer in January 2019. He is a Fellow member of the Institute of Chartered Accountants of Pakistan carrying more than 16 years of professional experience. His career started with KPMG Taseer Hadi & Co., Chartered Accountants, and later on he joined Askari Leasing Limited. After merger of Askari Leasing Limited with Askari Bank Limited, he worked in various capacities in Finance Division of the Bank. His last major assignment was as Head – Financial Controls in Finance Division of Askari Bank Limited. He has also participated in various training seminars on Corporate Financial Management, Budgeting and IFRS.

Ms. Yasmin Akbar

Group Head Risk Management

Ms. Yasmin Akbar, after serving in Bankers Equity & Askari Bank, joined Pak China Investment Company Limited in 2007. She is a motivated and professional banker having 26 years of work experience. Her expertise in Credit Risk, Corporate Finance, Credit Administration and other related fields provides the requisite proficiency to deal with dynamic business situations. Her ability to apply Strategic and Operational Skills coupled with critical thinking and problem solving ensures accurate financial controls. She holds Masters degree in Economics & MBA (Executive) qualifications.

Mr. Khurram Shahzad

Group Head Compliance & Human Resource

Mr. Khurram Shahzad joined the Company in February 2016. He is an experienced individual who started his banking career with State Bank of Pakistan in 2009. During his affiliation with Banking Inspection Department of State Bank of Pakistan for 6 years, he was involved in several full scope Inspections of Commercial Banks and DFIs as well as various targeted inspections and special investigations. He also conducted on-site inspection of overseas operations of Pakistani banks located in various jurisdictions. He did Masters in Business Administration and has also attended a number of training courses.

Management Profiles

Mr. Sohail Khan

Group Head Information Technology

Mr. Sohail is associated with the Company since 2008. He has 25+ years of diverse experience in the field of Information Technology. His career spreads across different financial institutions including Commercial Bank, Investment Banks & DFI. Prior to joining PCICL, Mr. Sohail has served at NIB Bank, IGI Investment Bank Limited, Faysal Bank Limited and Al Faysal Investment Bank. His expertise comprises of study and analysis of business application software, I.T. infrastructure deployment, I.T. procurement, deployment of LAN / WAN and network and data security. He holds the degree of Masters in Business Administration (IT).

Ms. Shazia Akhtar Khan

Company Secretary

Ms. Shazia is a corporate lawyer by profession and serving at this position since 2008. Prior to joining PCICL she worked with NCHD (National Commission for Human Development), Mahmood Awan & Partners (legal & corporate advisor) and Business & Industrial Insurance Co. Ltd.

Mr. Ajmal Hussain

Sr. Manager Legal

Mr. Ajmal Hussain joined PCICL as Head Legal Department in May 2020 and prior to that, he has served as a Legal Coordinator SAMD for Askari Bank Ltd. He has diversified experience of more than 20 years. He has worked with reputed corporate law firms and also served at different national and multinational organizations in Islamabad. His core competencies are in Civil, Corporate and Banking areas. He received his LLB degree from International Islamic University Islamabad and also holds degree of MBA.

Mr. Saeed Ahmad Khan

Head of Internal Audit

Mr. Saeed joined PCICL in November 2020 as Head of Internal Audit. He carries 20+ years of work experience, including 12 years with renowned banks in Pakistan. He started his career with MCB Bank Ltd in Internal Audit Department, where he served for 6 years. Then he served for 6 years at Faysal Bank Ltd, with his last posting as Unit Manager Documentation. Subsequently, he remained affiliated as faculty member and in financial management roles of renowned educational institutions for 7 years. Before joining PCICL he served as Head of Internal Audit at Kissan Support Services (Pvt.) Ltd; which is a wholly owned subsidiary of ZTBL. He also serves as a Senior Resource Person for Institute of Bankers, Pakistan (IBP) for conducting trainings on various topics.

Mr. Saeed is an Associate Member of Institute of Cost & Management Accountants of Pakistan (ICMAP), is a Diploma Associate of IBP and also holds MBA degree from International Islamic University, Islamabad.

Dr. Wei Fang

Group Head, Managing Director's Secretariat

Dr. Wei Fang has been affiliated with PCICL on secondment from China Development Bank (CDB) since August, 2017. He is a permanent employee of CDB since 2008. Besides his services at Planning and then Project Appraisal Departments of CDB, he has also served at China-Africa Development Fund on secondment for a time. He accomplished his PhD in Engineering from Dalian Maritime University, China and also holds the Certificate of Banking Professional (Risk Management) from China Banking Association.

Chairman's & Directors' Report

We present the combined Chairman's and Directors' Report of Pak China Investment Company Limited (PCICL – the Company) along with the audited financial statements of the Company and Auditors' report thereon, for the year ended 31 December 2020.

Economy overview

Calendar year 2020 was marred by the Covid-19 which forced the world economies to halt, and Pakistan was no exception. During first half of fiscal year 2019-20, Pakistan's economy was set on the course of stability due to prudent monetary and fiscal policies however emergence of Covid-19 in Pakistan in later-half of the fiscal year 2019-20 ensuing containment measures led to complete halt of economy causing a severe contraction in real GDP.

During the year under review, Monitory Policy Committee cut the policy rate by 625 bps in nearly three months time scale which not only repriced the existing loans on a lower side but also provided impetus to the industry for fresh borrowing. Meanwhile, the SBP also rolled out multiple unprecedented schemes, including the deferment of principal repayments; subsidized financing for firms to pay salaries to their employees; relaxations in operational criteria for export-related refinance schemes; and concessionary refinance facilities for investment projects and hospitals. Although the Covid crisis led to temporary output losses, weakened consumer and businesses' confidence, and pushed the government to recalibrate the economic reform process, it did not have a strong bearing on the economy's risk profile. Specifically, the improvement in underlying macroeconomic fundamentals remained intact despite the Covid-related strain.

On external front, firstly, export growth tapered as limited retail sales in advanced economies led to fall in orders. Secondly, foreign fund managers pulled capital out from emerging markets, including Pakistan. Both of these issues combined reversed the gradual build-up in forex reserves. Challenges like disruptive supply chains, less growth in exports and narrow tax base will have to be addressed to revive the economy to its true potential. For fiscal year 2020-21, GDP growth has been set at 2.1% on the back of steady performance of agriculture and recovery in the services sector.

Operating Results

Despite the fact that economic and business activities were direly subdued in this financial year due to spread of Covid-19 and resultant lock down, we are pleased to report that PCICL was able to post a bit more bottom line in current year as that of last year. Profit after tax for 2020 was Rs. 773.2 million as compared to Rs. 760.1 million in 2019, modest 1.7% increase. Thus, EPS in 2020 was Re. 0.80 while in 2019 it was Re. 0.82, weighted average number of shares in last year being less than this year.

Policy rate was sharply decreased from 13.25% to 7% in a span of short time which prevailed for more than later half of the year and thus impacted the reduction in top line i.e. net interest income decreased by 16% i.e. Rs. 273.8 million. This reduction was marginally offset by the fee and commission income which increased by 37.3% i.e. Rs. 26.4 million and gain on securities which showed handsome growth of Rs. 108.6 million over last year due to outstanding performance of our bourse. However, due to stability in US Dollar parity during the year as compared to last year when there was quite a volatility in US Dollar exchange rates, foreign exchange income reduced by Rs. 115.8 million i.e. 67%. Share in profit of associated companies also increased by 35.2% on the back of increased trading activity in stock exchange. Increase in operating expenses was curtailed because of austerity measures employed in wake of spread of Covid-19 and lock down. Operating expenses grew by only 3.2% thus helping in offsetting the impact of decreased policy rate during the year to support the bottom line.

On Balance Sheet front, investments reduced as compared to last year as Market Treasury Bills matured which were financed through borrowing and hence borrowings reduced as well. This reduction was partially offset by fresh investments in debt securities and preference shares. Despite the economy halt down during the year, gross advances grew by handsome 23.1% from Rs. 10.03 billion last year to Rs. 12.35 billion at the end of current year. Due to addition of two clients in NPL, NPL to gross advances ratio rose from 10% last year to 13.6% in current year. Strategies are in place to enhance effective management of the loan portfolio by boosting recovery through

concerted efforts to collect overdue amounts, and attempting to stem the further flow of accounts into NPLs. Short term borrowings have decreased substantially with the maturity of Market Treasury Bills, however long term borrowings from SBP and other Banks have increased to fund the disbursements.

SBP introduced many programs to support the industry in this pandemic and one of them was to defer the principal amount by one year if certain conditions are met. PCICL became part of this initiative by granting this relaxation to those clients who requested it and met the criteria.

Appropriations

The Board of Directors recommends the appropriations of Rs. 154.36 million from unappropriated profit to statutory reserve for the year ended 31 December 2020, as per instructions of SBP.

Entity Ratings

During the year, the Company's long-term entity rating was maintained at 'AAA' by VIS Credit Rating Company Limited. The medium to long-term rating of 'AAA' is the highest rating rank and denotes highest credit quality, with negligible risk factors, being only slightly more than for risk-free debt of Government of Pakistan. The short-term rating of 'A-1+' denotes highest certainty of timely payment, liquidity factors are outstanding and safety is just below risk free short-term obligations of Government of Pakistan. Outlook on the assigned ratings is 'Stable'. The assigned ratings of PCICL incorporate implicit support of its two sovereign sponsors, Government of Pakistan (GoP) and People's Republic of China (PRC), with equal shareholding held through Ministry of Finance (MoF) and China Development Bank (CDB), respectively. The ratings also take into account strong capitalization, diversified revenue stream, sound liquidity, and conservative risk appetite.

Risk Management

The risk management framework encompasses multi-tier management supervision, efficient monitoring and clearly articulated risk appetite, policies and procedures. The Company is exposed to credit risk, market risk, liquidity risk and operational risk over the course of its core operations. Given the current macroeconomic scenario in Pakistan, foreign exchange risk and interest rate risk are also important factors affecting the Company's on and off balance sheet activities. Details about these principal risks faced by the company along with their mitigants are given in note 41 of attached financial statements.

The Company remains adequately capitalised with a capital adequacy ratio reported at 70.68% and leverage ratio at 39.22%, as at 31 December 2020.

Associated Companies

During 2017, the Company invested in 40,073,830 shares of Pakistan Stock Exchange Limited (PSX) thus owning 5% of total share capital of the PSX. The Company has a representation in the Board of Directors of PSX, making it an associated company. Management had carried out an impairment analysis based on future free cash flows of PSX discounted at the Company's cost of equity as of half year of 2020 and booked a provision of Rs. 53.84 million. However, due to record volumes achieved during the second half of the year which inflated operating results, the recoverable value as at the year end calculated through impairment model showed that it is more than the carrying value and hence no impairment is warranted. It is expected that stock exchange will continue to post stable volumes going forward based on recovery in the economy and lower interest rates.

The Company also holds 12,500,000 shares of Central Depository Company of Pakistan Limited owning 5% of the total share capital of CDC. The Company has a representation in the Board of Directors of CDC, making it an associated company.

Investments in associates have been carried in the books on equity method as per International Accounting Standard 28 'Investment in Associates and Joint Ventures'.

Chairman's & Directors' Report

Customer Complaint Management

PCICL has a procedure in place for customer complaints. However, no customer complaint was lodged during the year under review.

Corporate Governance

As per BPRD Circular No. 14 of 2016 dated 20 October 2016, Code of Corporate Governance issued by the SECP is not applicable on DFIs, however SBP expects DFIs to follow the best practices on corporate governance. The Company as a good governance practice has complied with the relevant requirements of the Listed Companies (Code of Corporate Governance) Regulations 2017 for the year ended 31 December 2020. A statement to this effect is given below:

Corporate and Financial Reporting Framework

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity;
- Proper books of accounts of the Company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom has been adequately disclosed and explained;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no significant doubts upon the Company's ability to continue as a going concern;
- Key operating and financial data for the last six years, in a summarized form, is given hereunder;

(Rs. in millions)

	DEC-20	DEC-19	DEC-18	DEC-17	DEC-16	DEC-15
P&L						
Net Interest Income	1,439	1,713	1,082	954	697	1,144
Non Interest Income	284	263	405	277	435	238
Profit before tax	1,166	1,066	912	970	858	951
Profit after tax	773	760	619	671	615	621
EPS (Re)	0.80	0.82	0.68	0.74	0.67	0.68
Balance Sheet						
Assets	31,409	33,403	19,762	24,421	22,518	20,549
Advances - net	11,550	9,291	7,620	7,900	6,040	5,708
Investments - net	15,457	19,130	9,976	13,848	7,734	12,091
Net Assets	17,482	16,632	15,361	14,669	14,126	13,561

- There are no statutory payments on account of taxes, duties, levies and charges which are overdue outstanding as of 31 December 2020, except as disclosed in annexed financial statements;
- Details of the aggregate remuneration of executives and non-executives Directors are included in notes to the financial statements;
- Following is the fair value of investments as at 31 December 2020:
  - Provident Fund: Rs. 83.0 million, based on un-audited financial statements
  - Gratuity Fund: Rs. 64.6 million, based on un-audited financial statements
- During 2020, attendance of directors in Board and its committee meetings was as follows:

Sr. No.	Name of Directors	Name of Board meetings attended/ held	Number of Board committe meetings attended/held		
			BAC	BHRC	BRMC
1	Mr. Noor Ahmed	4/4	4/4	2/2	2/2
2	Ms. Wang Li	4/4	4/4	2/2	2/2
3	Ms. Deng Shuang	0/1	-	0/1	-
4	Mr. Zuo kun	1/1	-	-	-
5	Mr. Wang Baojun	4/4	-	-	2/2

Board Structure and Evaluation

The Board sets the tone at the top by promoting professional standards and corporate values that cascade down to senior management and all other employees of the Bank. It is Board which constitutes members from diverse professional backgrounds who bring a wealth of experience, has established independent committees to ensure the highest standards in transparency, compliance and the efficacy of business and risk management strategies in order to oversee the discharge of stewardship.

Total number of male and female directors, composition of Board into executive and non-executive directors and names of members of Board committees are disclosed in statement of compliance with Code of Corporate Governance, annexed in this annual report.

The role of Board is evaluated as per SBP guidelines. The Company has put in place an evaluation framework for evaluation of the Board. The performance of the Board is assessed on selected parameters, undertaken through a questionnaire, relating to Board's composition, working procedure, role of the Board, Board's oversight and relationship with the management. Evaluation is done on annual basis. Last year's evaluation was carried out in the Board meeting held on 03 April 2020. This year's evaluation will be done in the meeting to be held for approval of annual financial statements.

In addition to the internal performance evaluation of the BOD, Pakistan Institute of Corporate Governance (PICG) was engaged during the year to carry out independent performance evaluation of the BOD as per the regulatory requirement. As per the process, three remaining Directors serving on the Board as of 31 December 2019 were asked to complete an online assessment template. Based on their responses, 10 areas of performance; Board Composition, Board Procedures, Board Interaction, Strategic Planning, Control Environment, Board Committees, Board & CEO Effectiveness, Board & CEO Compensation, Chairman and CEO were assessed. PICG's results and analysis were deliberated by the BOD during their 41st meeting held on 10 November 2020 and points for improvement were discussed.

Pattern of Shareholding

The pattern of shareholding at the close of 31 December 2020 is as under:

Shareholders	Shareholding
Ministry of Finance, Government of Pakistan	50%
China Development Bank	50%

Chairman's & Directors' Report

Statement on Internal Controls

The Board of Directors of the Company is responsible for ensuring that an adequate and effective internal control system exists in the Company and that the management of the Company assumes responsibility of establishing and maintaining effective internal controls throughout the Company and has made a statement on internal control in this regard. The management's statement on internal control is being endorsed by the Board of Directors through this report.

Auditors

The present auditors, M/s EY Ford Rhodes & Co., Chartered Accountants have completed their assignment for the year ended 31 December 2020 and shall retire at the conclusion of the Meeting. Being eligible, they have offered themselves for reappointment for audit of year ending 31 December 2021.

Events after the Date of Statement of Financial Position

There have not been any material events that occurred subsequent to the date of the Statement of Financial Position that require adjustments to the attached financial statements.

Looking Ahead

We are optimistic about the future, as the economy gradually emerges from the unprecedented challenges it recently faced. PCICL is well positioned to leverage opportunities for profitable growth and value creation. PCICL will continue its commitment to being a partner in Pakistan's growth and development.

Whilst we look into the future with much optimism, we are also mindful of the challenges posed by post Covid situation. However, amidst all the challenges, we believe that there are ample growth prospect across our business. Our strategy of balanced growth in our advances and investment portfolio will continue.

Acknowledgements

The Board expresses its gratitude for the support and commitment extended by our main sponsors, Ministry of Finance, Government of Pakistan and China Development Bank. The Board also appreciates the efforts undertaken by the management and employees of the Company for establishing its mark in such a short period. The Board is also grateful for the continuous guidance provided by the State Bank of Pakistan and Securities & Exchange Commission of Pakistan.

Wang Baojun
Managing Director
Pak China Investment Co. Ltd.

Noor Ahmed
Director
Pak China Investment Co. Ltd.

30 March 2021
Islamabad

چیئرمین اور ڈائریکٹرز رپورٹ

اندرونی انضباط کا احوال

کمپنی کے بورڈ آف ڈائریکٹرز اس بات کو یقینی بنانے کے ذمہ دار ہیں کہ کمپنی کے اندر کنٹرول کا ایک مناسب اور موزوں نظام قائم رہے اور یہ کمپنی اور کمپنی کی انتظامیہ پوری کمپنی کے اندر ایک مؤثر اندرونی کنٹرول کے قیام اور تسلسل کی ذمہ دار لے رہی ہے اور اس سلسلے میں اندرونی کنٹرول کے بارے میں اپنا بیان جاری کرتی ہے۔ اندرونی کنٹرول سے متعلق انتظامیہ کے بیان کی بورڈ آف ڈائریکٹرز نے اس رپورٹ کے ذریعے توثیق کی ہے۔

آڈیٹرز

موجودہ آڈیٹرز Ms EY Ford Rhodes Chartered Accountants نے 31 دسمبر 2020 کو ختم ہونے والے سال کے دوران اپنی اسائنمنٹ مکمل کر لی ہے اور جلاس کے اختتام پر ریٹائر ہو جائیں گے۔ انہوں نے 31 دسمبر 2021 کو ختم ہونے والے مالی سال کے بعد اپنی دوبارہ تقرری کے لیے خود کو پیش کیا ہے۔

مالی پوزیشن کے بیان کی تاریخ کے بعد کے واقعات

مالی گوشواروں کی تاریخ کے بعد بظاہر کوئی نمایاں واقعات رونما نہیں ہوئے جن کی بنیاد پر منسلکہ مالی گوشواروں میں کوئی ردوبدل کرنے کی ضرورت پیش آئے۔

مستقبل پر نگاہ

ہم بہتر مستقبل کے لیے پُر امید ہیں جیسا کہ کمپنی حال ہی میں غیر متوقع چیلنجز و مشکلات سے بتدریج سرخرو ہو رہی ہے۔ **PCICL** اب اس اچھی پوزیشن میں ہے کہ منافع بخش نمو اور اپنی قدر بڑھانے کے مواقع سے فائدہ اٹھا سکے۔ کمپنی پاکستان میں پائیدار ترقی اور نمو کے لیے اپنی لگن جاری رکھے گی۔

ایک پر امید مستقبل کے ساتھ ہم کورونا کی صورتحال کے بعد درپیش مشکلات کو بھی ذہن میں رکھے ہوئے ہیں۔ تاہم تمام تر مشکلات کے باوجود ہم یقین رکھتے ہیں کہ ہمارے کاروبار میں ترقی کے وسیع امکانات بھی ہیں۔ ہم قرضہ جات اور سرمایہ کاری کے پورٹ فولیو میں توازن کے ساتھ بڑھوتری کی حکمت عملی جاری رکھیں گے۔

کلمات تشکر

بورڈ اپنے سپانسرز، وزارت خزانہ، حکومت پاکستان اور چائنا ڈیولپمنٹ بینک کی جانب سے مکمل لگن اور بھرپور معاونت پر ان کا شکر گزار ہے۔ بورڈ کمپنی کی انتظامیہ اور ملازمین کی جانب سے کی جانے والی کوششوں کو بھی سراہتا ہے جس سے کمپنی نے مختصر مدت میں اپنا نام کمایا۔ بورڈ سٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے مسلسل رہنمائی پر ان کا بھی تہہ دل سے شکریہ ادا کرتا ہے۔

وانگ باؤجن
منیجنگ ڈائریکٹر
پاک چائنا انویسٹمنٹ کمپنی لمیٹڈ

نور احمد
ڈائریکٹر
پاک چائنا انویسٹمنٹ کمپنی لمیٹڈ

30 مارچ 2021
اسلام آباد

- پروویڈنٹ فنڈ: 83.0 ملین روپے، غیر آڈٹ شدہ مالیاتی گوشواروں کی بنیاد پر
- گریچوئٹی فنڈ: 64.6 ملین روپے، غیر آڈٹ شدہ مالیاتی گوشواروں کی بنیاد پر

- 2020 کے دوران، بورڈ اور اس کی کمیٹی کے اجلاسوں میں ڈائریکٹرز کی حاضری حسب ذیل رہی:

سیریل نمبر	ڈائریکٹرز کی تعداد	بورڈ میٹنگ میں شرکت کی تعداد / منعقدہ	بورڈ کمیٹی کے اجلاس میں شرکت کی تعداد / منعقدہ		
			BAC	BHRC	BRMC
1	جناب نور احمد	4/4	4/4	2/2	2/2
2	مس وانگ لی	4/4	4/4	2/2	2/2
3	مس ڈنگ شاہنگ	1/0	-	1/0	-
4	مسٹر زو کیون	1/1	-	-	-
5	جناب وانگ باؤجن	4/4	-	-	2/2

بورڈ کا ڈھانچہ اور جائزہ

بورڈ اعلیٰ سطح پر پیشہ ورانہ معیار اور کارپوریٹ اقدار کے فروغ کے رجحان کا تعین کرتا ہے جو بینک کی سینئر مینجمنٹ سے کمپنی کے دوسرے ملازمین تک اثر پذیر ہوتا ہے۔ اس بورڈ میں متنوع پیشہ ورانہ پس منظر کے افراد شامل ہیں جو وسیع تجربے سے مالا مال ہوتے ہیں اور کئی آزاد کمیٹیاں تشکیل دیتے ہیں تاکہ شفافیت کے اعلیٰ ترین معیارات قائم کئے جائیں، کاروباری اور رسک مینجمنٹ کی حکمت عملیوں کی تعمیل اور افادیت کا جائزہ لینا ان کی ذمہ داریوں میں شامل ہے تاکہ کمپنی کا کارروان رواں دواں رہے۔

مرد اور خواتین ڈائریکٹرز کی کل تعداد، ایگزیکٹو اور نان ایگزیکٹو ڈائریکٹرز کی بورڈ میں تشکیل اور بورڈ کمیٹی کے ممبران کے نام کوڈ آف کارپوریٹ گورننس مع کمپلائنس کے بیانیہ میں شامل ہے جو کہ اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

اسٹیٹ بینک آف پاکستان کی گائیڈ لائنز کے مطابق بورڈ کے کردار کا جائزہ لیا جاتا ہے۔ کمپنی نے بورڈ کے جائزے کیلئے ایک فریم ورک مرتب کیا ہے۔ بورڈ کی کارکردگی کی تشخیص پہلے سے طے شدہ معیارات پر کی جاتی ہے جو سوالنامے کے ذریعے لیا جاتا ہے، بورڈ کی تشکیل، کام کے طریقہ کار، بورڈ کے کردار، بورڈ کی نگرانی اور انتظامیہ کے ساتھ تعلقات سے متعلق ہوتا ہے۔ یہ جائزہ سالانہ کی بنیاد پر کیا جاتا ہے۔ گزشتہ سال کا جائزہ 03 اپریل 2020 کو منعقدہ بورڈ کے اجلاس میں کیا گیا تھا۔ اس سال کا جائزہ سالانہ مالیاتی گوشوارے کی منظوری کیلئے منعقد ہونے والے اجلاس میں لیا جائے گا۔

بورڈ آف ڈائریکٹرز کی اندرونی کارکردگی کے علاوہ رواں سال پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورننس (PICG) کو یہ ذمہ داری سونپی گئی کہ وہ آزادانہ طور پر بورڈ آف ڈائریکٹرز کی کارکردگی کا جائزہ لے جیسا کہ ریگولیٹری تقاضے ہیں۔ بورڈ آف ڈائریکٹرز کے بقایا تین ارکان سے کہا گیا کہ وہ 31 دسمبر 2020 تک ایک آن لائن تشخیصی نمونہ مکمل کریں۔ ان کے جوابات کی بنیاد پر، کارکردگی کے 10 شعبوں، بورڈ کی تشکیل، بورڈ کے طریقہ کار، بورڈ کی باہمی مواصلات، تزویراتی منصوبہ بندی، انضباطی ماحول، بورڈ کی کمیٹیوں، بورڈ اور سی ای او کی موثریت، بورڈ اور سی ای او کے مراعات، چیئرمین اور سی ای او کا جائزہ لیا گیا۔ 10 نومبر 2020 کو بورڈ آف ڈائریکٹرز نے 41 ویں اجلاس میں PICG کے نتائج اور تجزیئے کے بارے میں تفصیلی بحث کی اور بہتری کے اہم نکات پر غور کیا۔

شیئر حاملین کی ترتیب

31 دسمبر 2020 کے اختتام پر شیئر حاملین کی ترتیب درج ذیل ہے۔

شیئر ہولڈرز	شیئر ہولڈنگ
وزارت خزانہ، حکومت پاکستان	50 فیصد
چائنا ڈویلپمنٹ بینک	50 فیصد

چیئرمین اور ڈائریکٹرز رپورٹ

تقاضوں میں شامل اچھی گورننس کی پریکٹسز پر عمل کیا ہے۔اس ضمن میں ایک بیانیہ اس سالانہ رپورٹ کے ساتھ لف ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

- کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی گوشوارے،اس کے معاملات،آپریشن کے نتائج،کیش فلوز اور ایکویٹی میں تبدیلیوں کی درست عکاسی کرتے ہیں۔
- کمپنی کے اکاؤنٹس کی مناسب کتابیں بنائی گئی ہیں۔
- مالیاتی گوشواروں کی تیاری میں موزوں اکاؤنٹنگ پالیسیز کا اطلاق تسلسل سے کیا جارہا ہے اور اکاؤنٹنگ تخمینہ موزوں اور دانشمندانہ فیصلوں پر مبنی ہوتا ہے۔
- انٹرنیشنل فنانشل رپورٹنگ سٹینڈرڈز جیسے کہ پاکستان میں قابل اطلاق ہیں،ان پر عمل کرتے ہوئے مالیاتی گوشوارے تیار کیے گئے ہیں اور ان سے کسی اغراف کی صورت میں اس کی وضاحت کی گئی ہے۔
- اندرونی انضباط کا نظام بہت مضبوط خدوخال کا حامل ہے جس پر موثر عملداری اور نگرانی کی گئی ہے۔
- کمپنی کے کاروباری معاملات جاری رہنے کی صلاحیت پر کوئی نمایاں شک وشبہ نہیں ہے۔
- گزشتہ چھ سالوں کیلئے اہم آپریٹنگ اور مالیاتی ڈیٹا کا خلاصہ درج ذیل ہے۔

ملین روپے

	دسمبر-2020	دسمبر-2019	دسمبر-2018	دسمبر-2017	دسمبر-2016	دسمبر-2015
پی اینڈ ایل						
خالص سودی آمدن	1,439	1,713	1,082	954	697	1,144
بلاسود آمدن	284	263	405	277	435	238
ٹیکس سے قبل منافع	1,166	1,066	912	970	858	951
ٹیکس کے بعد منافع	773	760	619	671	615	621
فی حصص آمدنی (روپے)	0.80	0.82	0.68	0.74	0.67	0.68
بیلنس شیٹ						
اثاثہ جات	31,409	33,403	19,762	24,421	22,518	20,549
قرضہ جات خالص	11,550	9,291	7,620	7,900	6,040	5,708
سرمایہ کاری خالص	15,457	19,130	9,976	13,848	7,734	12,091
خالص اثاثے	17,482	16,632	15,361	14,669	14,126	13,561

- 31 دسمبر 2019 کو ٹیکسز،ڈیوٹیز،لیویز اور چارجز کی مد میں کوئی ایسی قانونی ادائیگیاں نہیں جو بقایا ہوں،سوائے ان کے جن کا ذکر مالیاتی گوشواروں میں کیا گیا ہے۔
- مالیاتی گوشواروں کے نوٹس میں ایگزیکٹیوز اور نان ایگزیکٹیوز ڈائریکٹرز کے مشاہیروں کی مجموعی تفصیلات دی گئی ہیں۔
- 31 دسمبر 2020 تک کی گئی سرمایہ کاری کی درج ذیل فیئر ویلیو ہیں۔

اس وباء کے دوران صنعت کو سہارا دینے کے لیے اسٹیٹ بینک آف پاکستان نے کئی پروگرام شروع کیے ہیں اور ان میں سے ایک، اصل رقم کی ایک سال تاخیر سے وصولی شامل تھی اگر کچھ شرائط پوری کی جائیں۔ PCICL بھی اس ریلیف پروگرام کا حصہ بنا اور شرائط پر پورا اترنے والے اور درخواست گزار کلائنٹس کو یہ رعایت دی گئی۔

تصرفات

اسٹیٹ بینک آف پاکستان کی ہدایات کے مطابق، 31 دسمبر 2020 کیلئے بورڈ آف ڈائریکٹرز غیر تصرفاتی منافع سے قانونی ریزرو کے لئے 154.36 ملین روپے کی تجویز کرتا ہے۔

ادارہ جاتی درجہ بندی

VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے سال کے دوران کمپنی کی طویل مدتی اینٹیٹی ریٹنگ 'AAA' برقرار رکھی۔ وسط مدتی اور طویل مدتی ریٹنگ میں 'AAA' بلند ترین ریٹنگ ہے جو کہ غیر اہم رسک کے عناصر کے ساتھ سب سے اعلیٰ ترین کریڈٹ کے معیار کی طرف اشارہ کرتی ہے جو کہ حکومت پاکستان کے رسک فری قرضہ سے تھوڑا ہی زیادہ ہوتا ہے۔

مختصر مدت کی ریٹنگ کو '+1-A' برقرار رکھا گیا ہے جو کہ بروقت ادائیگی کے بلند ترین یقین، لیکویڈیٹی کے عوامل کے غیر معمولی ہونے اور حکومت پاکستان کے رسک فری مختصر مدتی واجبات سے تھوڑا نیچے ہیں۔ تفویض شدہ ریٹنگز میں آؤٹ لک مستحکم ہے۔ PCICL کو تفویض کردہ ریٹنگ کی بنیاد اس کے دو خود مختار سپانسر، حکومت پاکستان اور عوامی جمہوریہ چین ہیں جس میں وزارت خزانہ اور چین ڈیولپمنٹ بینک کے مساوی شیئرز ہیں۔ اس ریٹنگ میں مضبوط سرمایہ، متنوع ریونیو کی جہتوں اور مستحکم لیکویڈیٹی اور خطرات سے پاک تحفظاتی عوامل کا بھی خیال رکھا جاتا ہے۔

رسک مینجمنٹ

رسک مینجمنٹ فریم ورک میں کثیر جہتی انتظامی نگرانی، موثر مانیٹرنگ اور مجتمع خطرات کا احاطہ، پالیسیاں اور طریقہ کار شامل ہیں۔ کمپنی کو بنیادی ذمہ داریوں کی انجام دہی کے دوران کریڈٹ رسک، مارکیٹ رسک، لیکویڈیٹی رسک اور آپریشنل رسک کا سامنا ہوتا ہے۔ پاکستان میں موجودہ معاشی صورتحال کے پیش نظر، فارن ایکسچینج رسک اور شرح سود کا رسک بھی کمپنی کی بیلنس شیٹ کو بالواسطہ یا بلاواسطہ طور پر متاثر کرنے میں شامل ہے۔ کمپنی کو درپیش ان اہم رسک کی تفصیلات اور ان میں تخفیف کا طریقہ کار منسلک شدہ مالیاتی گوشوارے کے نوٹ 41 میں وضاحت سے دیا گیا ہے۔

کمپنی نے 31 دسمبر 2020 کو کیپٹل ایڈیکوئسی تناسب 70.68 فیصد اور لیوریج تناسب 39.22 فیصد کے ساتھ سرمائے کے موزوں استفادے کو برقرار رکھا ہوا ہے۔

شریک کمپنیاں

مالی سال 2017 کے دوران کمپنی نے پاکستان اسٹاک ایکسچینج لمیٹڈ میں 40,073,830 حصص کی سرمایہ کاری کی اور اس طرح پی ایس ایکس کے کل شیئر کیپٹل کا پانچ فیصد حاصل کیا۔ کمپنی کی پاکستان اسٹاک ایکسچینج لمیٹڈ کے بورڈ آف ڈائریکٹرز میں نمائندگی بھی ہے جو اسے شریک کمپنی بناتی ہے۔ انتظامیہ نے کمپنی کے کاسٹ آف ایکویٹی کی قیمت پر پی ایس ایکس کے مستقبل کے فری کیش فلوز کو ڈسکاؤنٹ کر کے نقصان کا تجزیہ کیا ہے اور آدھے سال کے اختتام تک خساروں کے لیے 53.84 ملین روپے مختص کیے۔ تاہم سال کی دوسری ششماہی میں تاریخ ساز حجم کی بدولت آپریٹنگ نتائج بہتر ہوئے اور اس لیے سال کے اختتام پر کوئی اور نقصان نہیں لینا پڑا۔ معاشی بحالی اور کم شرح سود کے سبب توقع ہے کہ سٹاک ایکسچینج بھی اپنے حجم میں استحکام کا تسلسل برقرار رکھے گی۔

کمپنی کے پاس سنٹرل ڈیپازٹری کمپنی آف پاکستان کے 12,500,000 حصص ہیں جو سی ڈی سی کے کل حصص کیپٹل کے پانچ فیصد ہیں۔ سی ڈی سی کے بورڈ آف ڈائریکٹرز میں کمپنی کی نمائندگی ہے جو اسے ایک شریک کمپنی بناتی ہے۔

شریک کمپنیوں میں سرمایہ کاری کو کھاتوں میں رکھنے کے لئے ایکویٹی طریقہ کار اختیار کیا گیا ہے جیسا کہ ایسوسی ایٹس اور جوائنٹ وینچرز میں سرمایہ کاری کے بین الاقوامی اکاؤنٹنگ سٹینڈرڈز 28 میں دیا گیا ہے۔

صارفین کی شکایات کا ازالہ

صارفین کی شکایات کیلئے کمپنی نے طریقہ کار وضع کر رکھا ہے، تاہم زیر نظر پورے سال کے دوران کوئی شکایت درج نہیں کرائی گئی

کارپوریٹ گورننس

بی پی آر ڈی کے سرکلر نمبر 14 آف 2016 بتاریخ 20 اکتوبر 2016 کے مطابق ایس ای سی پی کے جاری کردہ کارپوریٹ گورننس کے کوڈ کا اطلاق DFIs پر نہیں ہوتا، تاہم سٹیٹ بینک آف پاکستان توقع کرتا ہے کہ DFIs کارپوریٹ گورننس کے بہترین طریقہ کار پر عمل کریں گے۔ کمپنی نے سال مختتمہ 31 دسمبر 2020 کے لئے لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 کے متعلقہ

چیئرمین اور ڈائریکٹرز رپورٹ

ہم پاک چائنا انویسٹمنٹ کمپنی لمیٹڈ (PCICL) کی 31 دسمبر 2020 کو ختم ہونے والے سال کی ڈائریکٹرز رپورٹ مع کمپنی کے آڈٹ شدہ مالی گوشوارے اور آڈیٹرز رپورٹ بخوشی پیش کرتے ہیں۔

معاشی جائزہ

سال 2020 کو کووڈ-19 نے بہت زیادہ متاثر کیا جس سے عالمی معیشت پر جمود طاری ہو گیا اور پاکستان بھی ایسے بدترین معاشی حالات سے مبرا نہ تھا۔ مالی سال 20-2019 کی پہلی ششماہی میں حکومت کی دانشمندانہ مونیٹری اور مالیاتی پالیسوں کے سبب پاکستان کی معیشت کو بحالی کی راہ پر ڈالا گیا تھا تاہم پاکستان میں 20-2019 کی دوسری ششماہی میں کی کورونا وباء آن پڑی۔ جس کی روک تھام کے لیے کئے گئے اقدامات سے معیشت پر جمود طاری ہوا اور جی ڈی پی کی نمو پر بدترین منفی اثرات پڑے۔

زیر جائزہ سال کے دوران مونیٹری پالیسی کمیٹی نے پالیسی ریٹ میں 625 bps کی نمایاں کٹوتی تین ماہ کی مدت میں کی جس سے نہ صرف موجودہ قرضوں کی قیمت میں کمی ہوئی بلکہ اس سے صنعتی قرضہ جات میں تیزی لانے کی راہ بھی ہموار ہوئی۔ اسی دوران ہی اسٹیٹ بینک آف پاکستان نے کچھ غیر معمولی اسکیمیں بھی شروع کر دیں جن میں اصل رقم کی واپسی میں تاخیر، کم ترین شرح پر فرموں کے لیے قرضہ جات تاکہ وہ اپنے ملازمین کو تنخواہیں ادا کر سکیں، برآمدی صنعت سے وابستہ قرضہ جات کی اسکیموں کے آپریشنل معیارات میں نرمی اور سرمایہ کاری اور ہسپتالوں کے منصوبوں کو ری فنانسنگ کی رعایتی سہولیات شامل ہیں۔ اگرچہ کورونا کے بحران کی وجہ سے عارضی طور پر پیداواری نقصانات ہوئے، صارفین اور کاروباری اعتماد کو ٹھیس پہنچی اور حکومت پر دباؤ پڑا کہ وہ معاشی اصلاحات کے عمل کا از سر نو جائزہ لے، تاہم اس سے ملک کی معیشت کو درپیش خطرات پر زیادہ اثر نہیں پڑا۔ خاص طور پر ملک میں کورونا کی وجہ سے جاری بندشوں کے باوجود بڑے معاشی بنیادی اجزاء کی بہتری کا سفر بھی کسی حد تک جاری رہا۔

بیرونی محاذ پر، سب سے پہلے تو ہماری برآمدات کے فروغ پر ضرب پڑی جس کی وجہ ترقی یافتہ معیشتوں میں پرچون سیلز کے آرڈرز محدود ہو گئے۔ دوسرا یہ کہ بیرونی فنڈ منیجرز نے بیرونی منڈیوں بشمول پاکستان سے اپنا سرمایہ نکال لیا۔ ان دو جھٹکوں کی وجہ سے ملک میں زرمبادلہ کے ذخائر میں جو ایک بتدریج اضافہ ہو رہا تھا وہ رک گیا۔ سپلائی چین میں خلل، برآمدات میں کمی اور سکڑتے ہوئے ٹیکس دائرے جیسی مشکلات پر قابو پا کر حقیقی صلاحیت کے مطابق معیشت کی بحالی کے لیے کوششیں کرنا ہوں گی۔ مالی سال 21-2020 کے لیے جی ڈی پی نمو کی شرح کا ہدف 2.1% مقرر کیا گیا ہے جس کا بڑا انحصار زرعی کارکردگی اور خدمات کے شعبے کی بحالی پر ہے۔

آپریٹنگ نتائج

اس حقیقت کے باوجود کہ اس مالی سال کے دوران کووڈ-19 کے پھیلاؤ اور اس کے بعد لاک ڈاؤن کی وجہ سے کاروباری اور معاشی سرگرمیاں بری طرح متاثر ہوئیں، ہمیں یہ بتاتے ہوئے خوشی ہو رہی ہے کہ PCICL نے گزشتہ سال کی نسبت رواں سال میں بہتر کارکردگی دکھائی ہے۔ سال 2020 میں بعد از ٹیکس منافع 773.2 ملین روپے رہا جو کہ گزشتہ سال یعنی 2019 میں 760.1 ملین روپے کی نسبت 1.7 فیصد زیادہ ہے۔ اسی طرح فی شیئر منافع 2020 میں 0.80 روپے ہے جو کہ 2019 میں 0.82 روپے تھا۔ کیونکہ اوسط کے لحاظ سے موجودہ سال سے گزشتہ سال شیئرز کے نمبر کم تھے۔

مختصر مدت میں ہی پالیسی ریٹ 13.25% سے کم کر کے 7% کر دیا گیا جو کہ دوسری ششماہی کے دوران برقرار رہا۔ جس سے سود کی مد میں آمدنی میں 16% کی کمی ریکارڈ کی گئی یعنی 273.8 ملین روپے۔ یہ کمی فیس اور کمیشن کی مد میں حاصل ہونے والی آمدنی سے کچھ کم ہوئی جو کہ 37.3% اضافے یعنی 26.4 ملین روپے سے بڑھے اور سیکیورٹیز کی مد میں آمدنی میں نمایاں اضافہ ہوا جو گزشتہ سال کی نسبت 108.6 ملین روپے زیادہ ریکارڈ کی گئی جس کی وجہ ہمارے سٹاک ایکسچینج کی غیر معمولی کارکردگی تھی۔ تاہم گزشتہ سال کی نسبت امریکی ڈالر میں کچھ استحکام کی وجہ سے زرمبادلہ کی آمدنی میں 115.8 ملین یعنی 67% کمی ہوئی۔ سٹاک ایکسچینج میں ٹریڈنگ میں اضافے کی وجہ سے وابستہ کمپنیوں کے شیئر منافع میں بھی 35.2% فی صد اضافہ ہوا۔ کووڈ 19 اور اس کے بعد لاک ڈاؤن کی وجہ سے بچت اقدامات کے تحت کمپنی چلانے کے اخراجات میں مزید کمی کی گئی۔ ایسے اخراجات میں صرف 3.2% کا اضافہ ہوا جس سے کم ترین سطح پر آنے والے پالیسی ریٹ کے اثرات کو اس سال میں زائل کرنے میں مدد ملی۔

بیلنس شیٹ کو اگر دیکھا جائے تو گزشتہ سال کی نسبت سرمایہ کاری میں کمی ہوئی جیسا کہ مارکیٹ ٹریژری بلز کی مدت مکمل ہوئی جن کے لیے سرمایہ قرض سے فراہم کیا گیا تھا اور اس طرح قرضہ جات میں بھی کمی ہوئی۔ اس کمی کو جزوی طور پر ڈیبٹ سیکیورٹیز اور ترجیحی شیئرز میں تازہ سرمایہ کاری سے فرق پڑا۔ اگرچہ سال کے دوران معیشت جمود کا شکار رہی مجموعی ایڈوانسز میں 23.1% کا نمایاں اضافہ ہوا اور یہ رواں سال کے اختتام تک 10.03 ملین روپے سے بڑھ کر 12.35 ملین روپے ہو گئے۔ غیر فعال قرضہ جات (NPL) میں مزید دو کلائنٹس کی شمولیت کے بعد غیر فعال قرضہ جات کے ساتھ تناسب گزشتہ سال میں 10% سے بڑھ کر رواں سال 13.6% ہو گیا۔ قرضوں کے پورٹ فولیو کی نگرانی رکھنے کے لیے مربوط کوششوں سے وصولیوں کی حکمت عملی اختیار کی گئی ہے تاکہ زیادہ مدت سے واجب الادا رقوم کو واپس لایا جا سکے اور مزید اکاؤنٹس کو غیر فعال قرضہ جات میں جانے سے روکا جائے۔ مارکیٹ ٹریژری بلز کی میچورٹی کے بعد کم مدتی قرضوں میں نمایاں کمی دیکھنے میں آئی ہے۔ تاہم فنڈز کی ادائیگی میں اضافے کی وجہ سے اسٹیٹ بینک آف پاکستان اور دوسرے بینکوں سے طویل مدتی قرضوں میں اضافہ ہوا ہے۔

Annual Statement of Internal Controls 2020

An internal control system is a set of procedures and activities designed to identify and mitigate the risk in processes and operations in order to support the overall business objectives of the Company. It is the responsibility of the Company's management to establish an internal control system to maintain an adequate and effective internal control environment on an ongoing basis.

The Management of Pak China Investment Company Limited assumes full responsibility for establishing and maintaining an adequate and effective system of internal controls throughout the company that provides reasonable assurance regarding the reliability of financial reporting. Management understands that the effective maintenance of the Internal Controls System is an ongoing process under the ownership of the management. All significant policies and procedural manuals are in place; and the review, revision, and improvement to keep them updated to cope with latest challenges is actively pursued by the management.

The management of PCICL, has adopted the internationally accepted COSO Integrated Framework, in accordance with the guidelines on Internal Controls from State Bank of Pakistan and has completed all stages of Internal Control over Financial Reporting (ICFR). Internal Audit conducts audit of relevant activities and processes to evaluate the effectiveness of the control environment throughout the Company.

The Company follows the SBP's instructions on Internal Controls over Financial Reporting (ICFR) and has complied with the SBP's stage wise implementation roadmap. As part of this exercise, the Company has documented a comprehensive ICFR Framework which has been approved by the Board of Directors. The Company's external auditors are engaged annually to provide a Long Form Report on ICFR, which is submitted to the SBP within the required timelines. During the year, the Company conducted testing of financial reporting controls for ensuring the effectiveness of ICFR in the last quarter of 2020.

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

During the year under review, PCICL endeavored to follow the guidelines issued by the SBP on internal controls, for evaluation and management of significant risks, and will continue to endeavor for further improvements in the Internal Controls System. While an Internal Controls System will be effectively implemented and monitored, however, due to inherent limitations, the Internal Controls System is designed to manage rather than eliminate the risks of failure to achieve desired objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board of Directors of PCICL is ultimately responsible for ensuring that an adequate and effective Internal Control System exists in the Company and endorses the above management evaluation.

Armughan Ahmad Daud
Chief Financial Officer
Pak China Investment Co. Ltd.

Wang Baojun
Managing Director
Pak China Investment Co. Ltd.

30 March 2021
Islamabad

Review Report on Statement of Compliance - Code of Corporate Governance (CCG)

Independent Auditors' Review Report

To the members of Pak China Investment Company Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Pak China Investment Company Limited for the year ended 31 December 2020, to voluntarily comply with the requirements of regulation 36 of the Regulation.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 31 December 2020.

EY Ford Rhodes
Chartered Accountants

Place: Islamabad
31 March 2021

Statement of Compliance with CCG

Statement of Compliance with the Applicable Clauses of Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of the Company: Pak China Investment Company Limited
Year ending: 31 December, 2020

This Statement of Compliance (the Statement) is being presented to comply with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (hereinafter called "the Regulations"), issued by the Securities and Exchange Commission of Pakistan (SECP), voluntarily adopted by the Company to follow the best practices on corporate governance, under the Prudential Regulations issued by the State Bank of Pakistan (SBP). SBP has, vide BPRD Circular No. 14 of 2016, however, instructed Development Financial Institutions (DFIs) established as Joint Venture Companies, including the Company, to continue to ensure compliance with all provisions of Prudential Regulations in respect of Corporate Governance as long as any provision thereof does not conflict with any provision of their Joint Venture Agreements.

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

1. The total number of Directors are 4 as per the following:

	Category	Number of Directors*
A	Male Director	3
B	Female Director	1

2. The Composition of the Board is as follows:

Categories	Names
Independent Directors*	-
Non-Executive Directors	Mr. Noor Ahmed (Nominee Government of Pakistan) Ms. Wang Li Mr. Zuo Kun
Executive Directors	Mr. Wang Baojun
Female Director	Ms. Wang Li

* The Joint Venture Agreement (JVA), dated 18 July 2007 under which the Company has been established, requires that the Board of Directors (the Board) shall consist of six (6) members, to be appointed equally by respective shareholders. Accordingly, the Company is not required to appoint any independent director. Further, the Regulations require that the chairman of the Audit Committee and Human Resource Committee should be an independent director. As explained above, the Company does not have independent directors on its Board of Directors, therefore the Company cannot appoint independent director as Chairman of the Audit Committee and Human Resource Committee.

3. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
4. The Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant polices along with their date of approval or updating is maintained by the Company.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 and the Regulations.
7. The meetings of the Board were presided by Vice Chairman (the director elected by the Board for this purpose), as the office of Chairman remained vacant during the year. The Board has complied with the requirements of Companies Act, 2017 and the Regulations with respect to frequency, recording and circulating minutes of meetings of Board.
8. The Board has a formal policy and transparent procedures for remuneration of Directors in accordance with the Companies Act, 2017 and the Regulations.
9. The Board has arranged Directors' Training program for none of the directors, during the year. Only one (1) director have obtained certification, as of December 31, 2020. The training for remaining directors could not be arranged, during the year, mainly due to health and safety measures prescribed by Government of Pakistan to combat impact of Covid-19 pandemic. The Company intends to fulfill this requirement in Financial Year 2021.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with the relevant requirements of the Regulations.
11. Chief Financial Officer and Chief Executive Office duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:

Committee	Name of Chairman / Members	
Audit Committee	Mr. Noor Ahmed Ms. Wang Li Mr. Zuo Kun	Chairman Member Member
HR Committee	Mr. Noor Ahmed Ms. Wang Li Mr. Zuo Kun	Chairman Member Member
Risk Management Committee	Mr. Noor Ahmed Mr. Wang Baojun Ms. Wang Li	Chairman Member Member

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

14. The frequency of meetings of the committees were as following:

Name of Committee	Number of Meetings held	Number of Meetings required
Board Audit Committee (BAC)	4	Quarterly
Board Human Resource and Remuneration Committee (BHR&RC)	2	As and when required
Board Risk Management Committee (BRMC)	2	Quarterly

15. The Board has set up an effective Internal Audit function, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm are in compliance with International Federation of Accountants guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not close relative (spouses, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Companies Act, 2017, the Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations 3, 7, 8,27, 32, 33 and 36 of the Regulations have been complied with.
19. Explanations for Non-Compliance with regulations other than 3, 6, 7, 8, 27, 32, 33 and 36 are given below:
    i. Non-Compliance with Regulation 9 (Appointment of Chairman of the Board)

       The Company is required to appoint Chairman of the Board of Directors and Deputy Managing Director. Government of Pakistan, who is entitled to appoint Chairman of Board and Deputy Managing Director, are finding suitable candidate for the post.

    ii. Non-Compliance with Regulation 19 (Directors' Trainings)

       The directors were not available due to lock down situation in Pakistan after break-out of Covid-19 pandemic; accordingly, the Company could not comply with the above requirement.

Managing Director/Vice Chairman
Dated: 30-03-2021

Financial Statements

For the year ended 31 December 2020

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

PAKCHINA 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	20		

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

Wang Baojun	Noor Ahmed	Wang Li	Armughan Ahmad Daud
Managing Director	Director	Director	Chief Financial Officer

Profit and Loss Account

For the year ended 31 December 2020

	Note	2020	2019
		----------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.

Wang Baojun	Noor Ahmed	Wang Li	Armughan Ahmad Daud
Managing Director	Director	Director	Chief Financial Officer

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.

Wang Baojun	Noor Ahmed	Wang Li	Armughan Ahmad Daud
Managing Director	Director	Director	Chief Financial Officer

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 recognised directly in equity						
Advance against issue of shares	-	590,118,777	-	-	-	590,118,777
Issue of share capital	580,237,540	(580,237,540)	-	-	-	-
	580,237,540	9,881,237	-	-	-	590,118,777
Balance as at 31 December 2019	9,696,637,540	9,881,237	1,384,606,471	4,751,677	5,536,135,008	16,632,011,933
Profit after taxation	-	-	-	-	773,202,907	773,202,907
Other comprehensive income	-	-	-	78,441,756	(1,401,985)	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.

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

Wang Baojun	Noor Ahmed	Wang Li	Armughan Ahmad Daud
Managing Director	Director	Director	Chief Financial Officer

Cash Flow Statement

As at 31 December 2020

	Note	2020	2019
		----------Rupees----------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		1,166,485,008	1,065,756,517
Less: Share in profit of associated companies		(51,573,136)	(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		15,558,359	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.

Wang Baojun	Noor Ahmed	Wang Li	Armughan Ahmad Daud
Managing Director	Director	Director	Chief Financial Officer

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,

Notes to the Financial Statements

For the year ended 31 December 2020

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.

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.

Notes to the Financial Statements

For the year ended 31 December 2020

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 & IFRS 9	Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and 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 & IAS 28	Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment)	Not yet finalized

Notes to the Financial Statements

For the year ended 31 December 2020

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 percent' 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.

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/DFI's 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.

Notes to the Financial Statements

For the year ended 31 December 2020

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 (note 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.

3.1.6 Contingencies (note 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 (note 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.

Notes to the Financial Statements

For the year ended 31 December 2020

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.

Notes to the Financial Statements

For the year ended 31 December 2020

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.

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.

Notes to the Financial Statements

For the year ended 31 December 2020

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.

Notes to the Financial Statements

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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 equity 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

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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.

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.

Notes to the Financial Statements

For the year ended 31 December 2020

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:

- he 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.

Notes to the Financial Statements

For the year ended 31 December 2020

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.

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For the year ended 31 December 2020

(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.

(d) 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.

		Note	2020	2019
			----------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
			2,223,116,872	3,176,193,182

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.

		Note	2020	2019
			----------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
			35,230,054	878,417,860

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

Notes to the Financial Statements

For the year ended 31 December 2020

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

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
		----------Rupees----------	
7.2	Particulars of lending		
	In local currency	1,149,985,152	-

7.3 Security held as collateral against lendings to financial institutions

	2020			2019		
	(Rupees)			(Rupees)		
	Held by Company	Further given as collateral	Total	Held by Company	Further given as collateral	Total
Market Treasury Bills	1,149,985,152	-	1,149,985,152	-	-	-

Notes to the Financial Statements

For the year ended 31 December 2020

8 INVESTMENTS

8.1 Investments by type

	Note	2020 Cost / Amortised cost	2020 Provision for diminution	2020 Surplus / (Deficit)	2020 Carrying Value	2019 Cost / Amortised cost	2019 Provision for diminution	2019 Surplus / (Deficit)	2019 Carrying Value
		(Rupees)							
Held-for-trading securities									
Shares		145,328,000	-	49,218,765	194,546,765	-	-	-	-
Available-for-sale securities									
Federal Government Securities		7,973,121,890	-	(1,177,890)	7,971,944,000	13,913,486,237	-	(28,859,161)	13,884,627,076
Shares		27,333,834	-	33,131,941	60,465,775	27,333,834	-	22,719,045	50,052,879
Non Government Debt Securities		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		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

8.2 Investments by segments

	Note	2020 Cost / Amortised cost	2020 Provision for diminution	2020 Surplus / (Deficit)	2020 Carrying Value	2019 Cost / Amortised cost	2019 Provision for diminution	2019 Surplus / (Deficit)	2019 Carrying Value
Federal Government Securities									
Market Treasury Bills		7,973,121,890	-	(1,177,890)	7,971,944,000	13,913,486,237	-	(28,859,161)	13,884,627,076
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	4,246,294,840	(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	8.4	693,969,474	-	-	693,969,474	730,505,114	-	-	730,505,114
Central Depository Company of Pakistan Limited	8.5	344,210,772	-	-	344,210,772	319,080,036	-	-	319,080,036
Deli JW Glassware Company Limited	8.6	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

	2020	2019
	(Rupees)	
8.2.1 Investments given as collateral		
Market Treasury Bills	4,987,510,000	13,203,885,476
8.3 Provision for diminution in value of investments		
8.3.1 Opening balance	369,434,062	369,434,062
Charge / (Reversal) for the year	-	-
Closing Balance	369,434,062	369,434,062

Notes to the Financial Statements

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8.3.2 Particulars of provision against debt securities

	2020		2019	
	(Rupees)			
	NPI	Provision	NPI	Provision
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	369,434,062	369,434,062	369,434,062	369,434,062
Total	369,434,062	369,434,062	369,434,062	369,434,062

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	1,122,067,240	1,122,067,240
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	693,969,474	730,505,114
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	134,350	(374,150)
	286,250	33,200

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.

Notes to the Financial Statements

For the year ended 31 December 2020

	2020	2019
	----------Rupees----------	
Percentage of ownership (%)	5%	5%
Total assets	11,266,420,000	10,206,282,000
Total liabilities	2,746,859,000	2,032,764,000
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	693,969,474	730,505,114
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%)	17,015,900	7,038,200
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	2,687,000	8,147,000
Total OCI (100%)	5,725,000	664,000
Company's share of OCI (5%)	286,250	33,200

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.

Notes to the Financial Statements

For the year ended 31 December 2020

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.

	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

Notes to the Financial Statements

For the year ended 31 December 2020

	2020	2019
	----------Rupees----------	
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:

	2020	2019
	----------Rupees----------	
Federal Government Securities - Government guaranteed		
- Market Treasury Bills	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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	2020	2019
	----------Rupees----------	
Non Government Debt Securities		
Categorized based on long term rating by Credit Rating Agency		
Listed		
- A+, A, A-	261,165,000	261,165,000
Unlisted		
- AAA	687,500,000	812,500,000
- AA+, AA, AA-	3,944,660,000	2,574,435,000
- A+, A, A-	700,000,000	301,932,877
- Unrated	581,780,522	557,426,963
	5,913,940,522	4,246,294,840

Notes to the Financial Statements

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9 ADVANCES

	Note	Performing 2020	Performing 2019	Non Performing 2020	Non Performing 2019	Total 2020	Total 2019
		(Rupees)					
Loans, cash credits, running finances, etc.		9,036,290,486	7,102,899,692	1,394,963,551	992,641,328	10,431,254,037	8,095,541,020
Islamic Financing and related assets		1,643,832,998	1,937,250,236	279,653,112	-	1,923,486,110	1,937,250,236
Advances - gross		10,680,123,484	9,040,149,928	1,674,616,663	992,641,328	12,354,740,147	10,032,791,256
Provision against advances							
- Specific		-	-	668,201,172	592,312,802	668,201,172	592,312,802
- General		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
Advances - net of provision		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)

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

9.2.1 Particulars of provision against advances

	Note	2020 Specific	2020 General (Note 9.2.2)	2020 Total	2019 Specific	2019 General	2019 Total
		(Rupees)					
Opening balance		592,312,802	149,276,982	741,589,784	397,439,324	145,865,933	543,305,257
Charge for the year		142,919,620	-	142,919,620	240,342,228	3,411,049	243,753,277
Reversals		(67,031,250)	(12,836,351)	(79,867,601)	(45,468,750)	-	(45,468,750)
	3.1.1	75,888,370	(12,836,351)	63,052,019	194,873,478	3,411,049	198,284,527
Closing balance		668,201,172	136,440,631	804,641,803	592,312,802	149,276,982	741,589,784

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.

Notes to the Financial Statements

For the year ended 31 December 2020

9.2.3 Particulars of provision against advances

	2020			2019		
	Specific	General	Total	Specific	General	Total
	(Rupees)					
In local currency	668,201,172	136,440,631	804,641,803	592,312,802	149,276,982	741,589,784
	668,201,172	136,440,631	804,641,803	592,312,802	149,276,982	741,589,784

9.2.4 Details and impact of Forced Sale Value (FSV) benefit

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.

	Note	2020	2019
		(Rupees)	
10 FIXED ASSETS			
Capital work-in-progress	10.1	4,839,000	4,500,000
Property and equipment	10.2	228,523,516	272,395,029
		233,362,516	276,895,029
10.1 Capital work-in-progress			
Advances to suppliers		4,839,000	4,500,000
		4,839,000	4,500,000

10.2 Property and Equipment

	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
	(Rupees)								
At 01 January 2019 Note	10.2.1								
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 2019	136,000,000	20,550,895	2,340,950	1	3,833,467	19,635,785	90,033,931	-	272,395,029
Additions- Cost	-	-	257,520	-	5,513,921	-	168,135	-	5,939,576
Disposals- Cost	-	-	(1,630,601)	(3,953,960)	(9,001,361)	(58,890)		(2,313,625)	(16,958,437)
Depreciation charge	-	(1,598,052)	(572,219)	-	(3,391,737)	(5,626,585)	(38,615,176)	-	(49,803,769)
Accumulated depreciation on disposals	-	-	1,630,600	3,953,960	8,994,040	58,892		2,313,625	16,951,117
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 2019									
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%	

Notes to the Financial Statements

For the year ended 31 December 2020

	2019								
	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
	(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	318,044,874
Accumulated depreciation	-	(17,802,360)	(14,371,734)	(5,519,034)	(42,972,476)	(42,256,865)	-	(12,276,865)	(135,199,334)
Net book value	136,000,000	22,148,947	350,764	1	3,480,708	20,865,120	-	-	182,845,540
Opening net book value as at 01 January 2018	136,000,000	22,148,947	350,764	1	3,480,708	20,865,120	-	-	182,845,540
Additions- Cost	-	-	2,642,544	-	2,632,855	3,997,500	113,947,818	-	123,220,717
Disposals- Cost	-	-	(47,776)	(136,500)	(1,294,215)	(11,291,559)	-	(79,350)	(12,849,400)
Depreciation charge	-	(1,598,052)	(652,358)	-	(2,264,929)	(5,226,835)	(23,913,887)	-	(33,656,061)
Accumulated depreciation on disposals	-	-	47,776	136,500	1,279,048	11,291,559	-	79,350	12,834,233
Closing 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
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	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
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 & equipmnet 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	Sold per Company approved policy	Munir Ahmed Barlas (Ex. Head Internal Audit)
External Hard Drive	11,000	1	7,640		

Notes to the Financial Statements

For the year ended 31 December 2020

		Note	2020 Computer Software --------Rupees--------
11	INTANGIBLE ASSETS		
	At 01 January 2020		
	Cost		6,450,807
	Accumulated amortization		(5,665,901)
	Net book value		784,906
	Opening net book value 01 January 2020		784,906
	Additions- Cost		-
	Disposals- Cost		-
	Amortization charge	26	(290,170)
	Closing net book value		494,736
	At 31 December 2020		
	Cost		6,450,807
	Accumulated amortization		(5,956,071)
	Net book value		494,736
	Rate of amortization (percentage)		33%
	Useful life (Years)		3

		2019 Computer Software --------Rupees--------
At 01 January 2019		
Cost		5,712,707
Accumulated amortization		(5,472,945)
Net book value		239,762
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		784,906
At 31 December 2019		
Cost		6,450,807
Accumulated amortization		(5,665,901)
Net book value		784,906
Rate of amortization (percentage)		33%
Useful life (Years)		3

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

Notes to the Financial Statements

For the year ended 31 December 2020

12 DEFERRED TAX ASSETS

	2020			
	01 January 2020	Recognised in profit and loss account	Recognised in OCI	31 December 2020
	(Rupees)			
Deductible Temporary Differences on				
- Post retirement employee benefits	3,249,890	511,177	625,379	4,386,446
- Provision for diminution in the value of available-for-sale investments	107,135,878	-	-	107,135,878
- Provision against advances, off balance sheet etc.	97,600,716	45,791,711	-	143,392,427
- Liabilities against assets subject to lease	20,232,712	(9,119,094)	-	11,113,618
- Impairment loss on available for sale & associates	115,108,460	8,075,669	-	123,184,129
	343,327,656	45,259,463	625,379	389,212,498
Taxable Temporary Differences on				
- Accelerated tax depreciation	(22,144,455)	10,999,847	-	(11,144,608)
- Revaluation of investments - HFT	-	(7,382,815)	-	(7,382,815)
- Revaluation of investments - AFS	3,206,148	-	(23,268,890)	(20,062,742)
- Accrued Interest on T- Bills	(49,525,882)	49,525,882	-	-
- Share of profit of associated companies	(11,601,379)	(6,321,995)	(42,937)	(17,966,311)
- Unrealized exchange gain	(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)			
Deductible Temporary Differences on				
- Post retirement employee benefits	5,833,630	(3,115,960)	532,220	3,249,890
- Provision for diminution in the value of available-for-sale investments	103,441,537	3,694,341	-	107,135,878
- Provision against advances, off balance sheet etc.	38,715,507	58,885,209	-	97,600,716
- Accelerated tax depreciation	5,120,267	(27,264,722)	-	(22,144,455)
- Impairment loss on available for sale & associates	68,591,175	46,517,285	-	115,108,460
	221,702,116	78,716,153	532,220	300,950,489
Taxable Temporary Differences on				
- Revaluation of investments - AFS	(14,530,808)	-	17,736,956	3,206,148
- Accrued Interest on T- Bills	(7,121,550)	(42,404,332)	-	(49,525,882)
- Share of profit of associated companies	(8,035,797)	(3,563,610)	(1,972)	(11,601,379)
- Liabilities against assets subject to lease	-	20,232,712	-	20,232,712
- Unrealized exchange gain	(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

Notes to the Financial Statements

For the year ended 31 December 2020

		Note	2020	2019
			----------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
			453,464,171	482,688,277
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		10,598,098,599	15,023,960,658
	Unsecured			
	Borrowing from financial institutions	14.8	2,304,815,239	1,095,332,329
	Total unsecured		2,304,815,239	1,095,332,329
			12,902,913,838	16,119,292,987

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.

Notes to the Financial Statements

For the year ended 31 December 2020

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).

	2020	2019
	----------Rupees----------	
14.9 Particulars of borrowings with respect to Currencies		
In local currency	12,902,913,838	16,119,292,987

15 DEPOSITS AND OTHER ACCOUNTS

	2020			2019		
	(Rupees)			(Rupees)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
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

Notes to the Financial Statements

For the year ended 31 December 2020

	Note	2020	2019
		----------Rupees----------	
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		
	(Rupees)			(Rupees)		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
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.

17 SHARE CAPITAL

17.1 Authorized Capit

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

17.2 Issued, subscribed and paid up capital

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

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.

Notes to the Financial Statements

For the year ended 31 December 2020

		Note	2020	2019
			----------Rupees----------	
19	SURPLUS ON REVALUATION OF ASSETS			
	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
			82,878,431	4,550,873
	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
			83,193,433	4,751,677
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
			9,957,637,298	16,720,483,092
20.1	Guarantees			
	Financial guarantees		1,381,350,038	636,049,953
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
			8,408,187,260	15,916,333,139

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.

Notes to the Financial Statements

For the year ended 31 December 2020

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.

		Note	2020	2019
			----------Rupees----------	
21	MARK-UP/RETURN/INTEREST EARNED			
	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
			3,204,977,386	2,486,987,715
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
			1,765,751,729	774,009,756
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
			97,448,314	70,969,282
24	GAIN ON SECURITIES			
	Realized	24.1	61,512,274	2,139,884
	Un-realized - held for trading	24.2	49,218,765	-
			110,731,039	2,139,884
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	-
			61,512,274	2,139,884
24.2	Un-realized gain on:			
	Shares		49,218,765	-
25	OTHER INCOME			
	Rent on property		12,417,669	11,497,843
	Gain on sale of fixed assets-net		809,603	5,557,762
			13,227,272	17,055,605

Notes to the Financial Statements

For the year ended 31 December 2020

		Note	2020	2019
			----------Rupees----------	
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
			74,539,636	102,266,566
			491,725,224	476,329,582
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

Notes to the Financial Statements

For the year ended 31 December 2020

	Note	2020	2019
		----------Rupees----------	
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	26.1.1	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.

	Note	2020	2019
		----------Rupees----------	
27 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		30,000	-
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	29.2	449,942,739	295,802,194
Deferred		(75,572,241)	2,648,692
For the prior year			
Current		18,911,603	7,213,453
		393,282,101	305,664,339

Notes to the Financial Statements

For the year ended 31 December 2020

	Note	2020	2019
		----------Rupees----------	
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

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.

Notes to the Financial Statements

For the year ended 31 December 2020

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.

		Note	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
			----------Number----------	
32	STAFF STRENGTH			
	Permanent		49	46
	The Company's own staff strength at the end of the year		49	46
	Outsourced	32.1	11	12
	Total staff strength		60	58

32.1 This excludes outsourced security guards and janitorial staff.

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).

Notes to the Financial Statements

For the year ended 31 December 2020

		2020	2019
33.3	Principal actuarial assumptions		
	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

Notes to the Financial Statements

For the year ended 31 December 2020

		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)
		15,558,359	15,528,292
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
		2,156,479	1,424,026

		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
		100.00	100.00	64,609,392	58,454,771

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----------	
		Undiscounted payments	
33.14	Maturity Profile Particulars:		
	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).

Notes to the Financial Statements

For the year ended 31 December 2020

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
	20,032,006	19,463,014
34.2 Provident fund trust		
Size of the trust (Rupees)	84,044,000	85,083,072
Cost of investments made (Rupees)	82,963,000	82,963,000
Percentage of investment made (%)	98.71%	97.51%
Fair value of investment made (Rupees)	82,963,000	82,963,000

Notes to the Financial Statements

For the year ended 31 December 2020

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

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

2020

Items	Directors			Managing Director	Key Management Personnel
	Chairman	Executives (other than CEO)	Non-Executives		
	---------- Rupees ----------				
Fees and Allowances etc.	-	-	4,000,000	-	-
Managerial Remuneration					
i Fixed	-	298,831	-	54,478,023	61,225,090
ii 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

Notes to the Financial Statements

For the year ended 31 December 2020

2019

Items	Directors			Managing Director	Key Management Personnel
	Chairman	Executives (other than CEO)	Non-Executives		
	Rupees				
Fees and Allowances etc.	460,020	-	3,311,385	-	-
Managerial Remuneration					
i Fixed	-	23,659,575	-	51,574,202	47,649,850
ii Total Variable	-	1,543,960	-	-	8,152,800
of which					
- Cash Bonus / Awards	-	1,543,960	-	-	8,152,800
Leave fare assistant & leave encashment	-	-	-	-	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).

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

		(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

Notes to the Financial Statements

For the year ended 31 December 2020

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	13-Dec-18	-	Non executive director	3	-
2	Wang Li	27-Jun-18	-	Non executive director	3	-
3	Zuo Kun	19-May-20	-	Non executive director	3	-
4	Deng Shuang	26-Feb-17	16-Mar-20	Non executive director	-	-
5	Wang Baojun	10-May-18	-	Executive director	1	2
6	Shahnawaz Mahmood*	06-Jan-14	06-Jan-20	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	15-Jan-18	21-Mar-19	Chairman	Nil	Nil
2	Noor Ahmed	13-Dec-18	-	Non executive director	3	Nil
3	Wang Li	27-Jun-18	-	Non executive director	3	Nil
4	Deng Shuang	26-Feb-17	-	Non executive director	1	Nil
5	Wang Baojun	10-May-18	-	Executive director	1	Nil
6	Shahnawaz Mahmood*	06-Jan-14	-	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 Centeral Depository Company of Pakistan Limited
3 Pakistan Mercantile Exchange Company Limited
4 National Clearing Company of Pakistan Limited

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

Notes to the Financial Statements

For the year ended 31 December 2020

Sr. No.	Name of Director	Number of Board meetings Attended	2019 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

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				
	Carrying value	Level 1	Level 2	Level 3	Total
	Rupees				
On balance sheet financial instruments					
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

Notes to the Financial Statements

For the year ended 31 December 2020

	2019				
	Carrying value	Level 1	Level 2	Level 3	Total
	Rupees				
On balance sheet financial instruments					
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 transcations - 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 liabilty settled between knowledgeable willing parties in an arms length transaction. Fair value of the financial instrument is based on:

Federal Government Securities	PKRV rates (Reuters page)
Listed Securities	Market Prices
Non-Government Debt Securities	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
	Rupees				
Profit & Loss					
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
	Rupees				
Balance Sheet					
Cash & Bank balances	-	-	1,149,985,152	2,258,346,926	3,408,332,078
Investments	5,806,029,357	1,185,948,537	7,971,944,000	693,969,474	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	9,122,133,959	3,496,580,186	31,409,044,705
Borrowings	5,147,185,361	501,664,000	7,254,064,477	-	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	512,699,458	7,422,411,912	104,248,442	13,926,790,094
Equity	-	-	-	17,482,254,611	17,482,254,611
Total Equity & liabilities	5,887,430,282	512,699,458	7,422,411,912	17,586,503,053	31,409,044,705
Contingencies & Commitments	3,651,222,918	-	6,138,314,380	168,100,000	9,957,637,298

Notes to the Financial Statements

For the year ended 31 December 2020

	2019				
	Corporate Banking & SME group	Investment Banking group	Treasury	Head Office	Total
	Rupees				
Profit & Loss					
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
	Rupees				
Balance Sheet					
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

Notes to the Financial Statements

For the year ended 31 December 2020

37.2 Segment details with respect to geographical locations

GEOGRAPHICAL SEGMENT ANALYSIS

	2020		
	In Pakistan	Outside Pakistan	Total
	(Rupees)		
Profit & Loss			
Net mark-up/return/profit	1,439,225,657	-	1,439,225,657
Non mark-up / return / interest income	335,904,384	-	335,904,384
Total Income	1,775,130,041	-	1,775,130,041
Total expenses	(491,755,224)	-	(491,755,224)
Provisions/Impairment	(116,889,809)	-	(116,889,809)
Profit before tax	1,166,485,008	-	1,166,485,008
Balance Sheet			
Cash & Bank balances	3,408,332,078	-	3,408,332,078
Investments	15,657,891,368	-	15,657,891,368
Advances			
Performing	9,875,481,681	-	9,875,481,681
Non-performing	1,674,616,663	-	1,674,616,663
Others	792,722,915	-	792,722,915
Total Assets	31,409,044,705	-	31,409,044,705
Borrowings	12,902,913,838	-	12,902,913,838
Deposits	512,400,000	-	512,400,000
Others	511,476,256	-	511,476,256
Total liabilities	13,926,790,094	-	13,926,790,094
Equity	17,482,254,611	-	17,482,254,611
Total Equity & liabilities	31,409,044,705	-	31,409,044,705
Contingencies & Commitments	9,957,637,298	-	9,957,637,298

	2019		
	In Pakistan	Outside Pakistan	Total
	(Rupees)		
Profit & Loss			
Net mark-up/return/profit	1,712,977,959	-	1,712,977,959
Non mark-up / return / interest income	301,021,650	-	301,021,650
Total Income	2,013,999,609	-	2,013,999,609
Segment direct expenses	(476,329,582)	-	(476,329,582)
Provisions/Impairment	(471,913,510)	-	(471,913,510)
Profit before tax	1,065,756,517	-	1,065,756,517
Balance Sheet			
Cash & Bank balances	4,054,611,042	-	4,054,611,042
Investments	19,241,495,724	-	19,241,495,724
Advances			
Performing	8,298,560,144	-	8,298,560,144
Non-performing	992,641,328	-	992,641,328
Others	812,883,911	-	812,883,911
Total Assets	33,400,192,149	-	33,400,192,149
Borrowings	16,119,292,987	-	16,119,292,987
Others	648,887,229	-	648,887,229
Total liabilities	16,768,180,216	-	16,768,180,216
Equity	16,632,011,933	-	16,632,011,933
Total Equity & liabilities	33,400,192,149	-	33,400,192,149
Contingencies & Commitments	16,720,483,092	-	16,720,483,092

Notes to the Financial Statements

For the year ended 31 December 2020

38 TRUST ACTIVITIES

The Company is not engaged in any trust activity.

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:

Notes to the Financial Statements

For the year ended 31 December 2020

	2020				2019			
	Directors	Key management personnel	Associates (at cost)	Other related parties	Directors	Key management personnel	Associates (at cost)	Other related parties
	(Rupees)							
Lendings to financial institutions								
Opening balance	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	77,689,011,725	-	-	-	47,224,615,136
Repaid during the year	-	-	-	(77,689,011,725)	-	-	-	(47,224,615,136)
Closing balance	-	-	-	-	-	-	-	-
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	-							
Dividend Received	-	-	756,639	-	-	-	-	-
Receivable from staff retirement fund	-	-	9,426,500	-	-	-	9,187,500	-
Other receivable	-	-	-	1,697,850	38,622	71,384	-	1,697,850
		-	10,183,139	1,697,850	38,622	71,384	9,187,500	1,697,850
Borrowings				-				
Opening balance	-	-	-	-	-	-	-	-
Borrowings during the year	-	-	-	-	-	-	-	5,808,571,459
Settled during the year	-	-	-	-	-	-	-	(5,808,571,459)
Closing balance		-	-		-	-	-	-
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

Notes to the Financial Statements

For the year ended 31 December 2020

RELATED PARTY TRANSACTIONS	2020 Directors	2020 Key management personnel	2020 Associates	2020 Other related parties	2019 Directors	2019 Key management personnel	2019 Associates	2019 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
Contribution to defined 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	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
Rent	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
	(Rupees)	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	9,696,637,540	9,696,637,540
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%

Notes to the Financial Statements

For the year ended 31 December 2020

		2020	2019
		----------Rupees----------	
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.

Notes to the Financial Statements

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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,

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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 it's 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;
- 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.

Notes to the Financial Statements

For the year ended 31 December 2020

(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.

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

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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:

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	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
	(Rupees)					
41.2.1 Lending's to Financial institutions (including preference shares)						
Credit risk by public / private sector						
Public / Government	1,149,985,152	-	-	-	-	-
Private	-	-	-	-	-	-
	1,149,985,152	-	-	-	-	-
41.2.2 Investment in debt securities (Including Preference Shares)						
Credit risk by industry sector						
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						
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

	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
	(Rupees)					
41.2.3 Advances						
Credit risk by industry sector						
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
Credit risk by public / private sector						
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
	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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41.2.4 Contingencies and Commitments

	2020	2019
	(Rupees)	
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	-
Textile	1,366,842,000	1,470,000,000
Manufacture of glass & glass products	398,949,070	-
Others	-	400,000,000
	3,651,222,918	3,346,997,616
Credit risk by public / private sector		
Public/ Government	-	-
Private	3,651,222,918	3,346,997,616
	3,651,222,918	3,346,997,616

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

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

	2020		2019	
	Amount	Provision held	Amount	Provision held
	(Rupees)			
Total funded classified therein				
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	-	-	-	-

41.2.6 Advances - Province/Region-wise Disbursement & Utilization

	2020						
		Utilization					
	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	(Rupees)						
Province/Region							
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	-	-	-	-	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	-

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	2019						
		Utilization					
	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	(Rupees)						
Province/Region							
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		-	-	-	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.

41.3.1 Balance sheet split by trading and banking books

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

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	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	(Rupees)			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	15,525,253	-	14,416,517	-
- Other comprehensive income	-	-	-	-
	15,525,253	-	14,416,517	-

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.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	(Rupees)			
Impact of 5% change in equity prices on				
- Profit and loss account	-	8,268,238	-	-
- Other comprehensive income	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 (IRRBB) - Basel II specific

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.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	(Rupees)			
Impact of 1% change in interest rates on				
- Profit and loss account	158,423,340	-	151,502,782	-
- Other comprehensive income	-	-	-	-
	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:

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2020

	Effective Yield/ Interest Rate	Total	Exposed to Yield/ Interest risk									Non-interest bearing financial instruments
			Upto 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	
		(Rupees)										
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	467,359,000
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	-	-	-	-	-	-	-	-	-	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%	12,902,913,838	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	-	-	-	-	-	402,371,282
		13,926,790,094	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:												
Governement securities		4,987,510,000	4,987,510,000	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		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

2019

	Effective Yield/ Interest Rate	Total	Exposed to Yield/ Interest risk									Non-interest bearing financial instruments
			Upto 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	
		(Rupees)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	7.3%	3,176,193,182	2,000,000,000	-	-	1,166,143,915	-	-	-	-	-	10,049,267
Balances with other banks	7.3%	878,417,860	878,417,860	-	-	-	-	-	-	-	-	-
Investments	13.9%	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 finance lease	10.7%	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	12.0%	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	13.0%	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	10.7%	648,887,229	-	-	-	52,003,517	17,438,283	326,171	-	-	-	579,119,258
		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:												
Governement 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)	(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)	(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.

	2020	2019
	(Rupees)	
Total assets as per statement of financial position	31,409,044,705	33,400,192,149
Fixed assets	181,775,626	186,861,098
Intangible assets	494,736	784,906
Equity accounted investments	1,239,276,246	1,161,305,150
Deferred tax assets	105,401,492	52,515,699
Other Assets	112,972,530	80,266,835
	1,639,920,630	1,481,733,688
Total Assets as per mismatch report	29,769,124,075	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.

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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

Notes to the Financial Statements

For the year ended 31 December 2020

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.

Notes to the Financial Statements

For the year ended 31 December 2020

41.5.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Company

2020

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
		(Rupees)												
Assets														
Treasury bank balances	2,223,116,872	2,735	- 36,931,977	-	-	-	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	992,124,000	35,000	238,508,919	35,000	222,882,153	454,660,903	484,465,000	1,923,244,621	4,362,115,772
Advances	11,550,098,344	29,621,483	-	-	41,909,589	31,722,654	224,031,288	455,741,735	1,228,797,540	1,610,157,734	1,936,826,739	1,600,297,842	2,982,955,011	1,408,036,727
Fixed assets	233,362,516	-	-	-	3,674,841	3,674,841	8,513,841	11,024,523	11,024,523	11,024,523	28,333,613	5,798,682	3,330,572	146,962,557
Intangible assets	494,736	-	-	-	24,577	24,577	24,577	73,731	73,731	73,731	199,812	-	-	-
Deferred tax assets	105,401,492	-	-	-	105,401,492	-	-	-	-	-	-	-	-	-
Other assets	453,464,171	123,994,622	49,001,196	14,156,891	148,791,130	17,155,234	26,349,460	10,147,905	957,738	11,217,017	1,390,944	1,390,944	4,515,794	44,395,296
	31,409,044,705	153,618,840	1,271,148,379	14,156,891	7,279,621,629	1,044,701,306	2,445,136,326	715,496,813	1,240,888,532	1,855,355,158	2,421,412,011	2,091,952,468	4,914,045,998	5,961,510,352
Liabilities														
Borrowings	12,902,913,838	-	4,847,913,238	-	1,953,468,129	-	606,715,600	255,368,490	347,035,157	347,035,157	1,517,703,127	985,535,379	1,646,415,817	395,723,744
Deposits and other accounts	512,400,000	-	-	-	-	-	512,400,000	-	-	-	-	-	-	-
Other liabilities	511,476,256	431,533	144,074,776	174,054	83,903,433	2,408,263	9,194,150	70,782,154	1,200,500	124,230,650	72,213,683	1,431,530	1,431,530	-
	13,926,790,094	431,533	4,991,988,014	174,054	2,037,371,562	2,408,263	1,128,309,750	326,150,644	348,235,657	471,265,807	1,589,916,810	986,966,909	1,647,847,347	395,723,744
	17,482,254,611	153,187,307	(3,720,839,635)	13,982,837	5,242,250,067	1,042,293,043	1,316,826,576	389,346,169	892,652,875	1,384,089,352	831,495,201	1,104,985,559	3,266,198,652	5,565,786,608
Net assets														
Share capital	9,696,637,540													
Advance against issue of shares	9,881,237													
Statutory reserve	1,538,966,655													
Unappropriated profit	6,153,575,746													
Surplus on revaluation	83,193,433													
	17,482,254,611													

2019

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
		(Rupees)												
Assets														
Treasury bank balances	3,176,193,182	10,049,267	-	-	-	2,000,000,000	-	-	-	1,166,143,915	-	-	-	-
Other banks balance	878,417,860	-	14,214,682	864,203,178	-	-	-	-	-	-	-	-	-	-
Investments	19,129,775,724	-	-	-	989,450,000	-	547,325,701	6,852,077,735	5,607,267,207	88,519,337	378,001,454	238,014,301	1,400,285,150	3,028,834,839
Advances	9,286,105,524	261,030,507	-	-	54,793,358	55,606,950	139,225,456	474,590,184	1,388,678,277	276,603,097	1,175,823,154	1,503,279,760	2,394,026,148	1,562,448,633
Fixed assets	276,895,029	-	-	-	3,009,368	3,009,368	3,009,368	9,028,104	13,528,104	9,028,104	35,042,384	33,660,648	19,018,970	148,560,611
Intangible assets	784,906				24,645	24,645	24,645	73,935	73,935	73,935	295,740	193,426	-	-
Deferred tax assets	52,515,699	-		-	52,515,699	-	-	-	-	-	-	-	-	-
Other assets	602,269,797	157,238,043	36,523,245	26,551,181	150,051,794	52,001,511	22,941,755	20,792,879	10,040,730	5,901,187	2,600,308	1,390,944	116,236,220	-
	33,402,957,721	428,317,817	50,737,927	890,754,359	1,249,844,864	2,110,642,474	712,526,925	7,356,562,837	7,019,588,253	1,546,269,575	1,591,763,040	1,776,539,079	3,929,566,488	4,739,844,083
Liabilities														
Borrowings	16,119,292,987	308,596,080	-	-	100,000,000	995,332,329	538,182,760	6,692,047,023	5,399,238,944	5,368,490	1,021,473,960	1,021,473,960	37,579,441	-
Other liabilities	651,652,801	653,443	12,730,993	12,201,476	2,374,265	40,099,392	18,500,001	163,803,682	143,528,676	52,003,517	142,766,885	62,990,471	-	-
	16,770,945,788	309,249,523	12,730,993	12,201,476	102,374,265	1,035,431,721	556,682,761	6,855,850,705	5,542,767,620	57,372,007	1,164,240,845	1,084,464,431	37,579,441	-
Net assets	16,632,011,933	119,068,294	38,006,934	878,552,883	1,147,470,599	1,075,210,753	155,844,164	500,712,132	1,476,820,633	1,488,897,568	427,522,195	692,074,648	3,891,987,047	4,739,844,083
Share capital	9,696,637,540													
Advance against issue of shares	9,881,237													
Reserves	1,384,606,471													
Unappropriated profit	5,536,135,008													
Surplus on revaluation	4,751,677													
	16,632,011,933													

Notes to the Financial Statements

For the year ended 31 December 2019

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

	2020									
	Total	Upto 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
	Rupees									
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	1,923,244,621	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	-
	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	3,266,198,668	3,689,695,892	1,876,090,713
Net assets										
Share capital	9,696,637,540									
Advance against issue of shares	9,881,237									
Statutory reserve	1,538,966,655									
Unappropriated profit	6,153,575,746									
Surplus on revaluation	83,193,433									
	17,482,254,611									

	2019									
	Total	Upto 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
	Rupees									
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	-	-	-	-	-	-	-	-
Investments	19,129,775,724	989,450,000	547,325,701	6,852,077,735	5,695,786,544	378,001,454	238,014,301	1,400,285,150	3,028,834,839	-
Advances	9,286,105,524	315,823,865	194,832,406	474,590,184	1,665,281,374	1,175,823,154	1,503,279,760	2,394,026,148	1,562,448,633	-
Fixed assets	276,895,029	3,009,368	6,018,736	9,028,104	22,556,208	35,042,384	33,660,648	19,018,970	148,560,611	-
Intangible assets	784,906	24,645	49,290	73,935	147,870	295,740	193,426	-	-	-
Deferred tax assets	52,515,699	52,515,699	-	-	-	-	-	-	-	-
Other assets	602,269,797	370,364,263	74,943,266	20,792,879	15,941,917	2,600,308	1,390,944	116,236,220	-	-
	33,402,957,721	2,619,654,967	2,823,169,399	7,356,562,837	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	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									

Notes to the Financial Statements

For the year ended 31 December 2020

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.

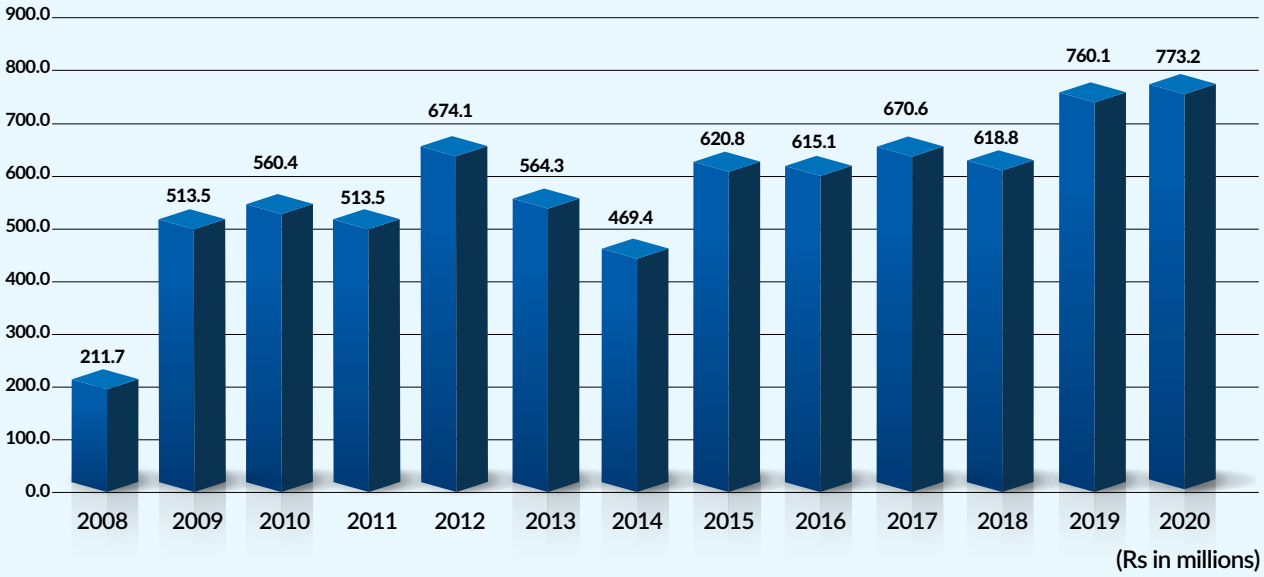
44 DATE OF AUTHORIZATION

These financial statements were authorized for issue in the Board of Directors meeting held on 30 March 2021.

Wang Baojun	Noor Ahmed	Wang Li	Armughan Ahmad Daud
Managing Director	Director	Director	Chief Financial Officer

50%
30%
20%
2022
2023
2024
2025
2026
2027
2028
GT
+/-
ON
C·CE

Profit After Tax



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