



KPMG Taseer Hadi & Co.

**Pakistan Mortgage Refinance  
Company Limited**

**Financial Statements**

**For the six months ended 30 June 2020**



KPMG Taseer Hadi & Co.  
Chartered Accountants  
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Karachi 75530 Pakistan  
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**Independent auditor's review report to the members of  
Pakistan Mortgage Refinance Company Limited**

**Report on review of Interim Financial Statements**

**Introduction**

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

**Scope of Review**

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

**Conclusion**

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



KPMG Taseer Hadi & Co.

**Other Matter**

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

The engagement partner on the engagement resulting in this independent auditor's review report is Muhammad Taufiq.

**Date: 29 August 2020**

**Karachi**

*KPMG Taseer Hadi & Co.*  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

**Pakistan Mortgage Refinance Company Limited**  
**Condensed Interim Statement of Financial Position**  
*As at June 30, 2020*

(Un-Audited)      (Audited)  
 June 30,          December 31,  
 Note            2020            2019  
 (Rupees in '000)

**ASSETS**

Cash and balances with treasury banks	6	72,687	50,780
Balances with other banks	7	3,157,120	2,382,641
Lendings to financial institutions		-	-
Investments	8	13,376,151	8,821,820
Advances	9	10,709,494	7,729,232
Fixed assets	10	69,572	78,340
Intangible assets	11	8,052	9,220
Deferred tax assets		-	-
Other assets	12	393,995	504,512
		<u>27,787,071</u>	<u>19,576,545</u>

**LIABILITIES**

Bills payable		-	-
Borrowings	13	14,752,350	7,565,788
Deposits and other accounts		-	-
Liabilities against assets subject to finance lease		-	-
Subordinated debt	14	7,050,716	7,050,716
Deferred tax liabilities		-	-
Other liabilities	15	278,172	263,769
		<u>22,081,238</u>	<u>14,880,273</u>
		<u>5,705,833</u>	<u>4,696,272</u>

**NET ASSETS**

**REPRESENTED BY**

Share capital		3,658,506	3,658,506
Reserves		357,474	191,375
Surplus on revaluation of assets	16	259,308	80,244
Unappropriated profit		1,430,545	766,147
		<u>5,705,833</u>	<u>4,696,272</u>

**CONTINGENCIES AND COMMITMENTS**

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The annexed notes 1 to 30 form an integral part of these condensed interim financial statements.

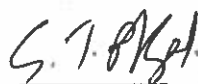
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Managing Director / Chief  
Executive Officer



Chief Financial Officer



Director



Director



Director

**Pakistan Mortgage Refinance Company Limited**  
**Condensed Interim Profit and Loss Account (Un-Audited)**

For the six months ended June 30, 2020

	Note	Quarter ended		Six months Ended	
		April - June 2020	April - June 2019	January - June 2020	January - June 2019
(Rupees in '000)					
Mark-up / return / interest / profit earned	18	717,322	309,157	1,363,297	479,504
Mark-up / return / interest expensed	19	206,577	61,430	367,329	83,451
Net Mark-up / interest income		510,745	247,727	995,968	396,053
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee and commission income		-	-	-	-
Dividend income		-	-	-	-
Foreign exchange income		-	-	-	-
Income / (loss) from derivatives		-	-	-	-
Gain on securities	20	-	-	-	6
Other income	21	6	-	6	-
Total non-markup / interest income		6	-	6	6
Total income		510,751	247,727	995,974	396,059
<b>NON MARK-UP / INTEREST EXPENSE</b>					
Operating expenses	22	75,317	82,305	148,528	132,790
Workers Welfare Fund		8,709	6,401	16,949	6,401
Other charges		-	-	-	-
Total non-markup / interest expenses		84,026	88,706	165,477	139,191
Profit before provisions		426,725	159,021	830,497	256,868
Provisions and write offs - net		-	-	-	-
<b>PROFIT BEFORE TAXATION</b>		426,725	159,021	830,497	256,868
Taxation	23	-	-	-	-
<b>PROFIT AFTER TAXATION</b>		426,725	159,021	830,497	256,868
(Rupees)					
Basic and diluted earnings per share	24	1.17	0.43	2.27	0.70


The annexed notes 1 to 30 form an integral part of these condensed interim financial statements.


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 Managing Director /  
 Chief Executive Officer

  
 Chief Financial Officer

  
 Director

  
 Director

  
 Director

**Pakistan Mortgage Refinance Company Limited**  
**Condensed Interim Statement of Comprehensive Income (Un-Audited)**  
 For the six months ended June 30, 2020

	Quarter Ended		Six months Ended	
	April - June 2020	April - June 2019	January - June 2020	January - June 2019
	(Rupees in '000)			
Profit after taxation for the period	426,725	159,021	830,497	256,868
<b>Other comprehensive income</b>				
<b>Items that may be reclassified to the profit and loss account in subsequent periods</b>				
Movement in surplus / (deficit) on revaluation of investments	57,980	(1,524)	179,064	(1,638)
<b>Items that will not be reclassified to the profit and loss account in subsequent periods</b>				
Remeasurement gain / (loss) on defined benefit obligations	-	-	-	-
<b>Total comprehensive income</b>	<u>484,705</u>	<u>157,497</u>	<u>1,009,561</u>	<u>255,230</u>

The annexed notes 1 to 30 form an integral part of these condensed interim financial statements.

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 Managing Director /  
 Chief Executive Officer

  
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 Chief Financial Officer

  
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 Director

  
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 Director

  
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 Director

**Pakistan Mortgage Refinance Company Limited**  
**Condensed Interim Statement of Changes in Equity (Un-Audited)**  
*For the six months ended June 30, 2020*

	Share capital	Statutory reserve	Surplus / (deficit) on revaluation of investments	Unappropriated profit	Total
	(Rupees in '000)				
<b>Balance as at December 31, 2018</b>	<b>3,658,506</b>	<b>11,007</b>	<b>-</b>	<b>43,577</b>	<b>3,713,090</b>
Profit after taxation for the six months ended June 30, 2019	-	-	-	256,868	256,868
<b>Other comprehensive Income</b>					
- Remeasurement gain / (loss) on defined benefit obligations	-	-	-	-	-
- Movement in surplus / (deficit) on revaluation of investments	-	-	(1,638)	-	(1,638)
Transfer to statutory reserve	-	51,373	-	(51,373)	-
<b>Balance as at June 30, 2019</b>	<b>3,658,506</b>	<b>62,380</b>	<b>(1,638)</b>	<b>249,072</b>	<b>3,968,320</b>
Profit after taxation for the six months ended December 31, 2019	-	-	-	644,974	644,974
<b>Other comprehensive Income</b>					
- Remeasurement gain / (loss) on defined benefit obligations	-	-	-	1,096	1,096
- Movement in surplus / (deficit) on revaluation of investments	-	-	81,882	-	81,882
Transfer to statutory reserve	-	128,995	-	(128,995)	-
<b>Balance as at December 31, 2019</b>	<b>3,658,506</b>	<b>191,375</b>	<b>80,244</b>	<b>766,147</b>	<b>4,696,272</b>
Profit after taxation for the six months ended June 30, 2020	-	-	-	830,497	830,497
<b>Other comprehensive Income</b>					
- Remeasurement gain / (loss) on defined benefit obligations	-	-	-	-	-
- Movement in surplus / (deficit) on revaluation of investments	-	-	179,064	-	179,064
Transfer to statutory reserve	-	166,099	-	(166,099)	-
<b>Balance as at June 30, 2020</b>	<b>3,658,506</b>	<b>357,474</b>	<b>259,308</b>	<b>1,430,545</b>	<b>5,705,833</b>

The annexed notes 1 to 30 form an integral part of these condensed interim financial statements.



**Managing Director /  
Chief Executive Officer**



**Chief Financial Officer**



**Director**



**Director**



**Director**

**Pakistan Mortgage Refinance Company Limited**  
**Condensed Interim Cash Flow Statement (Un-Audited)**

For the six months ended June 30, 2020

June 30, 2020  
 June 30, 2019  
 (Rupees in '000)

**CASH FLOWS FROM OPERATING ACTIVITIES**

Profit before taxation	830,497	256,868
<b>Adjustments:</b>		
Depreciation	12,611	11,270
Amortization	1,446	1,207
Gain on sale of securities	-	(6)
Gain on sale of Fixed Assets	(6)	-
Interest expense - lease liability against right-of-use assets	1,582	2,197
	<u>15,633</u>	<u>14,668</u>
	846,130	271,536
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	-	552,000
Advances	(2,980,262)	(5,971,195)
Others assets (excluding advance taxation)	110,248	(101,492)
	<u>(2,870,014)</u>	<u>(5,520,687)</u>
<b>Increase in operating liabilities</b>		
Borrowings from financial institutions	7,186,562	5,646,292
Other liabilities (excluding current taxation)	12,821	170,670
	<u>7,199,383</u>	<u>5,816,962</u>
Income tax paid	(8)	-
<b>Net cash flows generated from operating activities</b>	<u>5,175,491</u>	<u>567,811</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Net investments in available-for-sale securities	(3,422,599)	(1,980,488)
Net investments in held-to-maturity securities	(952,668)	1,009,638
Investments in operating fixed assets	(3,844)	(47,078)
Proceeds from sale of fixed assets	6	110
<b>Net cash flows used in investing activities</b>	<u>(4,379,105)</u>	<u>(1,017,818)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Receipts of subordinated debt	-	7,050,716
<b>Net cash flows from financing activities</b>	<u>-</u>	<u>7,050,716</u>
<b>Increase in cash and cash equivalents</b>	<u>796,386</u>	<u>6,600,709</u>
Cash and cash equivalents at beginning of the period	2,433,421	505,219
<b>Cash and cash equivalents at end of the period</b>	<u>3,229,807</u>	<u>7,105,928</u>

The annexed notes 1 to 30 form an integral part of these condensed interim financial statements.

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 Managing Director /  
 Chief Executive Officer

  
 Chief Financial Officer

  
 Director

  
 Director

  
 Director



# Pakistan Mortgage Refinance Company Limited

## Notes to the Condensed Interim Financial Statements (Un-Audited)

For the six months ended June 30, 2020

### 1. STATUS AND NATURE OF BUSINESS

Pakistan Mortgage Refinance Company Limited (PMRC), "the Company" is an unlisted public limited company incorporated in Pakistan on May 14, 2015 under repealed Companies Ordinance, 1984. The Company has been notified as a Development Financial Institution (DFI) by the Finance Division - Government of Pakistan on October 27, 2017. The State Bank of Pakistan (SBP) issued Certificate of Business Commencement on June 12, 2018.

The Company is engaged in promoting, developing and improving the housing finance market of Pakistan, to provide refinance facilities to banks and financial institutions against their conventional and Islamic housing finance portfolios and to develop and promote the capital market in Pakistan. Its registered office and principal office is situated at Bahria Complex I, MT Khan Road, Karachi.

The SBP has allowed the Company to operate with an Initial Paid Up Capital (net of losses) - Minimum Capital Requirement (MCR) level of at least Rs. 3.5 billion subject to MCR compliance with applicable paid up capital requirement within a period of five years from the commencement of its operations / business. Furthermore, during the forbearance period of five years, the Company will not be allowed to declare and make any cash dividend payment to its shareholders.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

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

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

The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' through its notification S.R.O. 411(I) / 2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

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2.2 These condensed interim financial statements of the Company have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular Letter No. 05, dated March 22, 2019, International Accounting Standard (IAS) 34, 'Interim Financial Reporting', and do not include all the information and disclosures required in the annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2019.

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

There are certain amendments to existing accounting standards that have become applicable to the Company for accounting periods beginning on or after January 01, 2020. These are considered either not to be relevant or not to have any significant impact on the Company's financial statements.

### 2.4 Standards, interpretations of and amendments to published accounting and reporting standards that are not yet effective

The following standards, amendments and interpretations of accounting and reporting standards as applicable in Pakistan will be effective for accounting periods beginning on or after January 01, 2021:

	Effective date (annual periods ending on or after)
- IFRS 9: Financial Instruments	January 01, 2021
<p>IFRS 9 'Financial Instruments, the effective date of the standard has been extended to annual periods beginning on or after 1 January 2021 vide SBP BPRD circular Letter No.04 dated October 23, 2019. 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. According to SBP circular referred to above, the DFIs are required to have a parallel run of IFRS 9 from 1 January 2020. The DFIs are also required to prepare pro-forma financial statements which includes the impact of IFRS 9 from the year ended 31 December 2019. SBP has extended the deadline of parallel run and preparation of IFRS 9 performa in financial statements this July 01, 2020 and August 31, 2020 respectively.</p>	

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

## 5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the financial statements for the year ended December 31, 2019. These risk management policies continue to remain robust and the Company is reviewing its portfolio regularly and conducts rapid portfolio reviews in line with emerging risks.

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

COVID-19 does not have a direct impact on the risk profile of the Company and its overall risk management policies however risk committee is continuously monitoring the impact on the Company.

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6. CASH AND BALANCES WITH TREASURY BANKS

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

With State Bank of Pakistan in Local currency current account	72,831	50,872
With National Bank of Pakistan in Local currency current accounts Local currency deposit accounts - NIDA	31 25 56	26 82 108
	<u>72,887</u>	<u>50,780</u>

7. BALANCES WITH OTHER BANKS

In Pakistan In current accounts In deposit accounts	16	21
	<u>3,157,104</u>	<u>2,382,820</u>
	<u>3,157,120</u>	<u>2,382,641</u>

8. INVESTMENTS

8.1 Investments by type:

	(Un-Audited) June 30, 2020				(Audited) December 31, 2019			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
(Rupees in '000)								
<b>Available-for-sale securities</b>								
Federal Government Securities								
- Market Treasury Bills	7,543,468	-	78,954	7,622,422	5,376,539	-	11,139	5,387,678
- Pakistan Investment Bonds	4,620,707	-	180,354	4,801,061	3,365,037	-	89,105	3,434,142
	12,164,175	-	259,308	12,423,483	8,741,576	-	80,244	8,821,820
<b>Held-to-maturity securities</b>								
Federal Government Securities								
- Pakistan Investment Bonds	952,668	-	-	952,668	-	-	-	-
	952,668	-	-	952,668	-	-	-	-
<b>Total Investments</b>	<u>13,116,843</u>	<u>-</u>	<u>259,308</u>	<u>13,376,151</u>	<u>8,741,576</u>	<u>-</u>	<u>80,244</u>	<u>8,821,820</u>

8.2 The market value of securities classified as held-to-maturity as at June 30, 2020 amounted to Rs. 1,033 million (December 31, 2019: nil).

8.3 Investments given as collateral

	(Un-Audited) June 30, 2020	(Audited) December 31, 2019
Market Treasury Bills	2,648,974	881,305
Pakistan Investment Bonds	442,066	1,021,876
	<u>3,091,040</u>	<u>1,903,181</u>

9. ADVANCES

	Performing		Non-Performing		Total	
	June 30, 2020 (Un-Audited)	December 31, 2019 (Audited)	June 30, 2020 (Un-Audited)	December 31, 2019 (Audited)	June 30, 2020 (Un-Audited)	December 31, 2019 (Audited)
(Rupees in '000)						
Loans, cash credits, running finances, etc.	10,709,494	7,729,232	-	-	10,709,494	7,729,232
Advances - gross	10,709,494	7,729,232	-	-	10,709,494	7,729,232
Provision against advances						
- Specific	-	-	-	-	-	-
- General	-	-	-	-	-	-
Advances - net of provision	<u>10,709,494</u>	<u>7,729,232</u>	<u>-</u>	<u>-</u>	<u>10,709,494</u>	<u>7,729,232</u>

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	Note	(Un-Audited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019
<b>9.1 Particulars of advances (Gross)</b>			
In local currency		<u>10,709,494</u>	<u>7,729,232</u>

## 10. FIXED ASSETS

Capital work-in-progress		-	900
Property and equipment	10.1	<u>69,572</u>	<u>77,440</u>
		<u>69,572</u>	<u>78,340</u>

10.1 This includes right-of-use asset amounting to Rs. 24.88 million (December 31, 2019: Rs. 31.66 million) due to adoption of IFRS 16.

## 10.2 Additions to fixed assets

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

	(Un-Audited) June 30, 2020 (Rupees in '000)	(Un-Audited) June 30, 2019
<b>Property and equipment</b>		
Furniture and fixture	<u>997</u>	<u>978</u>
Electrical office and computer equipment	<u>3,747</u>	<u>924</u>
	<u>4,744</u>	<u>1,902</u>
<b>Total</b>	<u>4,744</u>	<u>1,902</u>

## 10.3 Disposal of fixed assets

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

Electrical office and computer equipment	<u>0.009</u>	<u>110</u>
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## 11. INTANGIBLE ASSETS

	(Un-Audited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019
Computer Software	<u>8,052</u>	<u>9,220</u>

## 12. OTHER ASSETS

Mark-up / return / profit / interest accrued in local currency	353,622	463,319
Advances, deposits, advance rent and other prepayments	9,627	10,455
Advance taxation (payments less provisions)	<u>30,746</u>	<u>30,738</u>
	<u>393,995</u>	<u>504,512</u>
Less: Provision held against other assets	-	-
Other assets - net of provision	<u>393,995</u>	<u>504,512</u>

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13. BORROWINGS	Note	(Un-Audited) June 30, 2020	(Audited) December 31, 2019
(Rupees in '000)			
<b>Secured</b>			
- Term Finance Certificate	13.1	1,000,000	-
- Repurchase agreement borrowings		<u>3,463,609</u>	<u>1,919,496</u>
Total secured		<u>4,463,609</u>	<u>1,919,496</u>
<b>Unsecured</b>			
	13.2	<u>10,288,741</u>	<u>5,646,292</u>
		<u><u>14,752,350</u></u>	<u><u>7,565,788</u></u>

13.1 The Company has issued Term Finance Certificate amounting to Rs. 1,000 million with maturity of two years at a fixed rate of 10.2% per annum. The rate has been reduced to 8.2% per annum effective June 01, 2020. The principal is payable at maturity whereas interest is payable in four half yearly instalments.

13.2 It represents borrowings from Government of Pakistan under World Bank - Housing Finance Project for 30 years at fixed rate of 3% per annum.

#### 14. SUBORDINATED DEBT

On February 22, 2019, the Government of Pakistan on-lent Rs. 7,051 million under World Bank - Housing Finance Project for 30 years at fixed rate of 3% per annum. This has been disbursed in one tranche as a Subordinated Loan, and if needed, can be converted into non-participatory Additional Tier 1 Capital.

	(Un-Audited) June 30, 2020	(Audited) December 31, 2019
(Rupees in '000)		
Issue amount	7,050,716	7,050,716
Issue date	February 22, 2019	February 22, 2019
Maturity date	February 21, 2049	February 21, 2049
Rating	N/A	N/A
Security	Unsecured	Unsecured
Profit payment frequency	Semi Annual	Semi Annual
Redemption	N/A	N/A
Mark-up	3%	3%

#### 15. OTHER LIABILITIES

Mark-up / return / interest payable in local currency	139,113	82,922
Accrued expenses	28,938	31,002
Provision for Government levies	36,513	19,531
Lease liability against right-of-use assets	27,370	29,865
Payable to defined benefit plan	1,745	12,067
Payable against purchase of fixed assets	1,304	4,680
Payable to defined contribution plan	-	20,783
Provision for employees' benefit	<u>43,189</u>	<u>62,919</u>
	<u><u>278,172</u></u>	<u><u>263,769</u></u>

#### 16. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS

Surplus on revaluation of Available for sale securities	8.1	<u>259,308</u>	<u>80,244</u>
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#### 17. CONTINGENCIES AND COMMITMENTS

There are no contingencies, contingent assets and commitments as at June 30, 2020 (December 31, 2019: nil).



18. MARK-UP / RETURN / INTEREST / PROFIT EARNED

(Un-Audited)	
Six months Ended	
June 30, 2020	June 30, 2019
(Rupees in '000)	
On:	
Loans and advances	474,575
Investments	772,311
Lendings to financial institutions	7,814
Balances with banks	108,597
	<u>1,363,297</u>
	<u>479,504</u>

19. MARK-UP / RETURN / INTEREST EXPENSED

On:		
Borrowings	144,761	6,497
Subordinated debt	105,761	74,757
Interest Expense - Repo Borrowing	87,475	-
Interest Expense - TFC	27,750	-
Lease liability against right-of-use assets	1,582	2,197
	<u>367,329</u>	<u>83,451</u>

20. GAIN ON SECURITIES

Realised gain on Federal Government Securities - Market Treasury Bills	-	6
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21. OTHER INCOME

Gain on sale of fixed assets	6	-
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22. OPERATING EXPENSES

Total compensation expense	112,994	92,460
<b>Property expense</b>		
Insurance	208	432
Utilities cost	614	440
Security (including guards)	290	282
Repair and maintenance (including janitorial charges)	524	879
Depreciation on right-of-use assets	6,786	6,786
	8,422	8,819
<b>Information technology expenses</b>		
Software maintenance	128	291
Hardware maintenance	132	68
Depreciation	2,887	1,599
Amortisation	1,169	1,130
Network charges	580	625
	4,896	3,713
<b>Other operating expenses</b>		
Directors' fees and allowances	3,155	2,135
Legal and professional charges	5,913	16,791
Outsourced services costs	1,790	1,446
Travelling and conveyance	1,118	2,371
Depreciation	2,938	2,885
Training and development	82	65
Postage and courier charges	50	381
Communication	268	249
Printing and stationery	164	211
Marketing, advertisement and publicity	122	-
Donations	3,500	-
Auditors' remuneration	1,297	231
Insurance	599	408
Vehicle repair and maintenance	42	129
Entertainment	158	-
Others	1,020	496
	<u>22,216</u>	<u>27,798</u>
	<u>148,528</u>	<u>132,790</u>

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23. TAXATION

The Company has been exempted from Income Tax through Finance Act, 2018.

24. BASIC AND DILUTED EARNINGS PER SHARE

	(Un-Audited)	
	Six months Ended	
	June 30, 2020	June 30, 2019
	(Rupees in '000)	
Profit for the period	830,497	256,868
	(Number in '000)	
Weighted average number of ordinary shares	365,851	365,851
	(Rupees)	
Basic and diluted earnings per share	2.27	0.70

25. FAIR VALUE MEASUREMENTS

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

Federal Government Securities	PKRV rates
Non Government Debt Securities	Market prices

Fair value of fixed term advances of over one year cannot be calculated with sufficient reliability due to non-availability of relevant active market for similar assets and liabilities.

25.1 Fair value of financial assets

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

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

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

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

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

	(Un-Audited)			
	June 30, 2020			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<b>On balance sheet financial instruments</b>				
<b>Financial assets - measured at fair value</b>				
Investments				
Federal Government Securities	-	12,423,483	-	12,423,483
<b>Financial assets - disclosed but not measured at fair value</b>				
Investments				
Federal Government Securities	-	952,668	-	952,668
	(Audited)			
	December 31, 2019			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<b>On balance sheet financial instruments</b>				
<b>Financial assets - measured at fair value</b>				
Investments				
Federal Government Securities	-	8,821,820	-	8,821,820
<b>Financial assets - disclosed but not measured at fair value</b>				
Investments	-	-	-	-

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## 26. RELATED PARTY TRANSACTIONS

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

Transactions with related parties of the Company are carried out on contractual basis in terms of the policy as approved by the Board of Directors. The transactions with employees of the Company are carried out in accordance with the terms of their employment.

Transactions with related parties, other than those disclosed elsewhere in these financial statements, are summarised as follows:

	(Un-Audited) June 30, 2020			(Audited) December 31, 2019		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
Statement of financial position (Rupees in '000)						
<b>Balances with banks</b>						
In current accounts	-	-	47	-	-	47
In deposit accounts	-	-	1,136,962	-	-	50,539
	-	-	1,137,009	-	-	50,586
<b>Lendings to financial institutions</b>						
Opening balance	-	-	-	-	-	-
Addition during the period	-	-	1,905,000	-	-	-
Repaid during the period	-	-	(1,905,000)	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-
<b>Advances</b>						
Opening balance	-	722	2,466,672	-	-	1,200,000
Addition during the period	-	10,499	1,500,000	-	1,000	1,300,000
Repaid during the period	-	(621)	(1,019,546)	-	(278)	(33,328)
Closing balance	-	10,600	2,947,126	-	722	2,466,672
<b>Other Assets</b>						
Interest / mark-up accrued	-	-	85,739	-	-	86,728
<b>Borrowings</b>						
Opening balance	-	-	-	-	-	-
Borrowings during the period	-	-	28,561,035	-	-	-
Settled during the period	-	-	(25,097,426)	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-
Closing balance	-	-	3,463,609	-	-	-
<b>Other Liabilities</b>						
Interest / mark-up payable	-	-	2,991	-	-	-
Payable to staff retirement fund	-	-	1,745	-	-	32,850
	-	-	4,736	-	-	32,850

	(Un-Audited) June 30, 2020			(Un-Audited) June 30, 2019		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
Profit and loss account (Rupees in '000)						
<b>Income</b>						
Mark-up / return / interest earned	-	157	194,230	-	-	95,148
<b>Expense</b>						
Mark-up / return / interest paid	-	-	41,014	-	-	-
Operating expenses	3,155	88,332	9,058	2,135	32,099	7,754

The Company has sub-ordinated loan and borrowings amounting to Rs. 7.05 billion and Rs. 10.29 billion respectively from Ministry of Finance.

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**27. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS**

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

**Minimum Capital Requirement (MCR):**

Paid-up capital (net of losses) 3,658,506 3,658,506

**Capital Adequacy Ratio (CAR):**

Eligible Common Equity Tier 1 (CET 1) Capital 5,438,473 4,606,808

Eligible Additional Tier 1 (ADT 1) Capital - -

Total Eligible Tier 1 Capital 5,438,473 4,606,808

Eligible Tier 2 Capital 259,308 80,244

Total Eligible Capital (Tier 1 + Tier 2) 5,697,781 4,687,052

**Risk Weighted Assets (RWAs):**

Credit Risk 1,782,513 1,344,869

Market Risk - -

Operational Risk 920,195 920,195

Total 2,702,708 2,265,064

Common Equity Tier 1 Capital Adequacy Ratio 201.22% 203.39%

Tier 1 Capital Adequacy Ratio (%) 201.22% 203.39%

Total Capital Adequacy Ratio (%) 210.82% 206.93%

**Leverage Ratio (LR):**

Eligible Tier-1 Capital 5,438,473 4,606,808

Total Exposure 26,780,379 19,358,850

Leverage Ratio (%) 20.31% 23.80%

**Liquidity Coverage Ratio (LCR):**

Total High Quality Liquid Assets 9,025,469 6,930,825

Total Net Cash Outflow 3,630 1,812

Liquidity Coverage Ratio (%) 248635.51% 382601%

**Net Stable Funding Ratio (NSFR):**

Total Available Stable Funding 23,776,530 17,303,816

Total Required Stable Funding 12,952,567 5,644,875

Net Stable Funding Ratio (%) 183.57% 306.54%

**28. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Company has entered into a subscription agreement dated June 30, 2020, shareholder's agreement dated July 02, 2020 and buy back agreement dated July 02, 2020 with International Finance Corporation (IFC), a member of World Bank Group to issue fully paid ordinary shares up to Rs.500 million.


**29. DATE OF AUTHORISATION FOR ISSUE**


These condensed interim financial statements were authorised on AUGUST 26, 2020 by the Board of Directors of the Company.

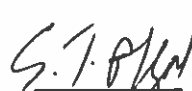
**30. GENERAL**


These condensed interim financial statements have been prepared in accordance with the revised format for financial statements issued by the SBP through BPRD Circular Letter No. 05 dated March 22, 2019 and related clarifications / modifications.


*EMN*

  
\_\_\_\_\_  
Managing Director /  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director