

# RESILIENCE, INNOVATION, GROWTH

ANNUAL REPORT 2021



Pak Kuwait

**Pakistan Kuwait Investment Company (Private) Limited**

الشركة الباكستانية الكويتية للاستثمار (الخاصة) المحدودة

A joint venture between the Governments of Pakistan and Kuwait



# A JOINT VENTURE

The Company is a joint venture between the Governments of Pakistan and Kuwait



## COMPANY DESCRIPTION

Pakistan Kuwait Investment Company (Private) Limited (PKIC) is Pakistan's leading Development Financial Institution (DFI) engaged in investment and development banking activities in Pakistan. PKIC was established as a joint venture between the Governments of Pakistan and Kuwait in 1979. The Company initiated operations with a paid-up capital of PKR 62.50 million. Over the years, paid up capital increased to PKR 16 billion while currently the total equity stands at PKR 42.18 billion, reflecting upon company's impressive performance since inception.

PKIC was established with an objective of financing economically viable and technically feasible projects. PKIC as a Development Financial Institution has played a pivotal role in promoting industrial activity, by way of equity and debt investment in key areas of the economy. PKIC supports infrastructure development and enhance real economic activity. PKIC is a progressive and evolving organization providing attractive returns on investment to its shareholders. PKIC's impressive history of dividend payout is a testimony to its investor-friendliness.





# RESILIENCE, INNOVATION, GROWTH

These last few years have shown the world a very difficult time, a time where nations, businesses and people suffered, holding on with the main aim of survival. We at Pakistan Kuwait Investment Company (Private) Limited take pride in our people for coming together during this perilous journey so that we could emerge stronger, more dynamic and more driven. The theme of this year's Annual Report, therefore, is based on our resilience, our innovation and our resultant growth during this time. As the world heals from the pandemic, we find ourselves filled with the determination and desire to build on our foundations and grow towards an effervescent tomorrow.

# RESILIENCE

The drive to continue during hard times is often the rarest phenomenon. However, it is one that we can proudly say was never absent at Pakistan Kuwait Investment Company (Private) Limited. Adapting to the pandemic, we ensured that the fight against COVID-19 never faltered, with free vaccination drives and the implementation of SOPs in the workplace. Pakistan Kuwait Investment Company (Private) Limited was one of the first organisations in Pakistan to implement vaccinations for our employees and their families.







A person wearing a white lab coat is shown from the chest down, typing on a laptop. The background is a soft-focus office setting. A semi-transparent cityscape with various buildings is overlaid on the lower half of the image, creating a sense of technology and urban development. The overall color palette is light and professional, dominated by whites, greys, and soft blues.

# INNOVATION

It has been an unspoken rule at Pakistan Kuwait Investment Company (Private) Limited to venture into new opportunities, to innovate boldly and fearlessly. During this time, we have taken many innovative steps for our Company, for the people of Pakistan and for the environment. Pakistan Kuwait Investment Company (Private) Limited became a Market Maker of debt securities on the Pakistan Stock Exchange. The Company also made the largest equity investment in a Tech Investment Platform in Pakistan. To take our step for a greener Pakistan, the Company also supported to Government's environment sustainability initiative by implementing green banking and financing of environment friendly and renewable energy projects.



## GROWTH

Due to our belief in innovative and persistent performance, Pakistan Kuwait Investment Company (Private) Limited has seen tremendous growth in recent years. The company continues to be rated 'AAA' by PACRA, with the highest possible corporate governance rating and has proudly financed 64 projects across various sectors since 2019. Whilst being the pioneers of Islamic Banking in Pakistan, Pakistan Kuwait Investment Company (Private) Limited has the privilege of being mostly profitable since its inception. To celebrate this prosperity and growth, the Company widened its scope of Corporate Social Responsibility, donating PKR 94 million to various charity organisations in 2021.

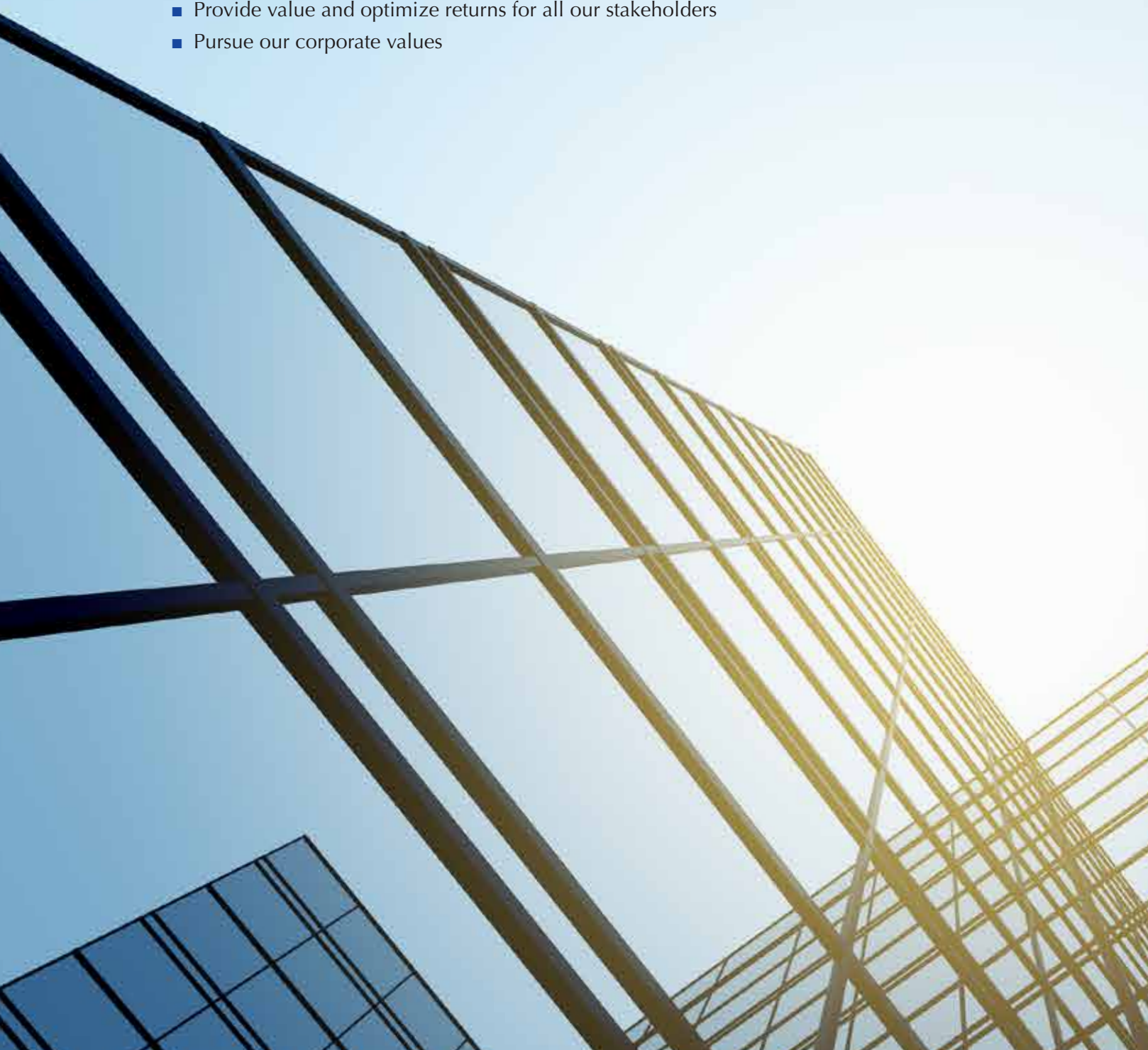


# VISION

Be the financial house of excellence facilitating the expansion and modernization of industries in Pakistan

# MISSION

- Play a key role in the development of industrial and economic infrastructure of Pakistan
- Develop a team of quality professionals with a wide spectrum of expertise
- Maintain high standards of Corporate Governance
- Provide value and optimize returns for all our stakeholders
- Pursue our corporate values







## CORPORATE VALUES

- Maintain highest standards of integrity and professionalism in all business transactions
- Provide innovative business solutions
- Attract, motivate and retain highly skilled professionals
- Strive for continuous quality improvement
- Continue to be a socially responsible corporate citizen



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# CORPORATE INFORMATION

Mohammad A. M. Al-Fares

Chairman

Mr. Jasem A. Al-Hajry

Director

Mr. Abdullah Salah A. Al-Sayer

Director

Mr. Naveed Alauddin

Director

Mr. Mubashar Maqbool

Managing Director

## LEGAL ADVISOR

M/s. KMS Law Associate Advocates and  
Corporate Consultants

## AUDITORS

M/s. EY ford Rhodes  
Chartered Accountants

## REGISTERED OFFICE

4th Floor, Block-C, Finance & Trade Centre,  
Shahrah-e-Faisal, Karachi- 74400 (Pakistan)  
Ph: (92-21) 35630901-7 UAN: (92-21) 111-611-611  
Fax: (92-21) 35630940  
E-mail: info@pkic.com  
Website: www.pkic.com

## REPRESENTATIVE OFFICE LAHORE

Tricon Corporate Center, 6th Floor, Office # 601,  
Main Jail Road, Gulberg-II, Lahore.  
Ph: (92-42) 35781726-27 UAN: (92-42) 111-611-611  
Fax: (92-42) 35781725



# BOARD OF DIRECTORS



**Mohammad A. M. Al-Fares**  
Chairman



**Mubashar Maqbool**  
Managing Director



**Jasem A. Al-Hajry**  
Director



**Abdullah Salah A. Al-Sayer**  
Director



**Naveed Alauddin**  
Director

## Executive Committee

**Mohammad A. M. Al-Fares**  
Member

**Mubashar Maqbool**  
Member

## Audit Committee

**Jasem A. Al-Hajry**  
Chairman

**Naveed Alauddin**  
Member

**Abdullah Salah A. Al-Sayer**  
Member

## Risk Management Committee

**Abdullah Salah A. Al-Sayer**  
Chairman

**Naveed Alauddin**  
Member

**Jasem A. Al-Hajry**  
Member

# MANAGEMENT



**Mubashar Maqbool**  
Managing Director



**Naveed Sherwani**  
Chief Risk Officer



**Naeem Sattar**  
Company Secretary



**Atif Anwar**  
Group Head Capital Markets,  
Treasury & Financial Institutions



**Umair Ajjaz**  
Group Head Corporate  
& Investment Banking



**Syed Ali Abid Zaidi**  
Chief Financial Officer



**Naveed Lodhi**  
Group Head Compliance



**Mazhar Sharif**  
Head of Internal Audit



**Muhammad Hammad Anwar**  
Group Head  
Human Resources & GSSD



**Samiullah Tariq**  
Group Head Research &  
Product Development

# PERFORMANCE HIGHLIGHTS 2021



## PKIC becomes a Debt Securities Market Maker

Gong Ceremony was held at Pakistan Stock Exchange (PSX) to welcome and on-board Pakistan Kuwait Investment Company (Private) Limited (PKIC) as a Market Maker of debt securities on PSX. An agreement was signed between PSX and PKIC at the PSX Trading Hall whereby PKIC became Market Maker of debt instruments listed on PSX. The agreement was signed between Mr. Farrukh H. Khan, MD & CEO - PSX, and Mr. Mubashar Maqbool, MD - PKIC. Senior management of both the organizations were also present. Where, Mr. Mubashar Maqbool, MD PKIC, said, "This is an important milestone for PKIC to become a Market Maker on the PSX platform. PKIC is committed to playing its role in promoting investment, diversifying the investor-base and developing the debt securities market in Pakistan." He further stated, "We are confident that PKIC, as a Market Maker, will add depth to the debt market and provide liquidity which is critical for the functioning of an efficient and vibrant market. We look forward to building a strong relationship with Pakistan Stock Exchange and continue to promote efforts for enhancement of investor base in the local capital market."



## Supporting Startup Ecosystem of Pakistan

PKIC made a landmark equity investment of PKR 500 million in Planet N (Private) Limited. This is the largest equity investment by a local Financial Institution in a Tech Investment Platform in Pakistan. Speaking on the occasion of the signing ceremony, MD PKIC Mr. Mubashar Maqbool expressed his delight at this investment by PKIC and stated that PKIC has a firm desire to support all priority sectors of the economy, especially the growing technology sector, by providing traditional as well as innovative financing solutions.



CEO Planet N Mr. Nadeem Hussain stated that he has always tried to encourage local investors to aid young entrepreneurs with innovative ideas. His initial investment in tech companies has seen exponential gains and he hopes that having PKIC as an equity partner will initiate a big disruption. Also, present on the occasion were Mr. Irfan Siddiqui, CEO and President Meezan Bank Ltd as chief guest, Mr. Ariful Islam, Deputy CEO Meezan Bank Ltd, Mr. Khurram Hussain, MD Pak Libya Holding Co. and senior management from PKIC, Planet N, and Arif Habib Limited (AHL). AHL acted as the Financial Advisor to this landmark transaction.



## PKIC's contribution to economy

Since 2019, PKIC has financed 64 Projects across various government priority sectors encompassing 17 Project Financing Transactions including financing of power projects out of which 10 were renewable energy projects

### Key Investment Banking Mandates



## Most Innovative Deal Award

Islamic Finance News (IFN) awarded EnerTech's Sukuk as 'Most Innovative Deal of the Year', where Pakistan Kuwait Investment Company (Pvt) Limited and Meezan Bank Ltd. led Long Term Sukuk transaction structured for Enertech, received two prestigious awards including 'Pakistan Deal of the Year' and 'Most innovative Deal of the Year' from Islamic Finance News, REDmoney Group, Malaysia.

IFN commented in relation to the deal: "Enertech's innovation flows from its structure. The Sukuk is designed as a quasi-equity instrument to finance the local equity requirement of a 60 km water pipeline project being developed by Enertech in Thar, Sindh. This highly structured transaction inserts the Sukuk holders into a concession agreement. This has previously been challenging for Islamic financiers to achieve in project financings."

IFN also shortlisted the Long-Term Project Finance Facility of PKR 25.5 billion for Enertech under the category of 'Project and Infrastructure Finance Deal of the Year' globally. Pakistan Kuwait Investment Company (Private) Limited and Meezan Bank led consortium inked the project finance facility agreements for the water supply and storage project in November 2021, Karachi.

This is the largest public-private partnership financing facility raised for the Government of Sindh.

Enertech is a fully owned subsidiary of National Technology and Enterprise Company, which in turn is a fully owned subsidiary of Kuwait Investment Authority. The project constitutes a total infrastructure investment of approximately USD 180 million generating economic activity in the country and would enable the development and uplifting of Thar, Sindh. The successful implementation of the project is also expected to motivate other foreign investors to explore the infrastructure sector of Pakistan especially under public-private partnership mode.



# Equal Opportunity Employer

As an equal opportunity employer, PKIC improved workforce gender diversity through hiring merit based diverse workforce (gender and age) and closed all positions in-house and in record time; increased gender diversity from female proportion of 11% in 2018 to 21% in 2021, with inclusion of women in leadership roles

## International Women's Day Celebration

PKIC believes in a world where women shall thrive and take their rightful places as equals. As we celebrate International Women's Day, PKIC resolves to invest in innovation and alternative approaches to truly realize the rights and potential of women, and will support and celebrate women in taking the lead.



## Game changer in the securities market landscape

PKIC approved an investment alongside experienced market players such as Central Depository Company (CDC) and National Clearing Company of Pakistan Limited's (NCCPL) in a major Fintech initiative with respect to automation, efficiency and transparency in the capital market through establishing an independent Institution which will offer electronic clearing and settlement services for securities market.

As a landmark achievement in Pakistan's capital market landscape, the first Professional Clearing Member (PCM) was formally inaugurated by the Adviser to the PM on Finance & Revenue, Mr. Shaukat Tarin. The new PCM regime has been successfully implemented after the introduction of the relevant regulatory framework by SECP and capital market infrastructure entities, leading to the launch of EClear Services Limited (ESL) by CDC, PSX, Pakistan Kuwait Investment Company (Private) Limited and NCCPL. This investment shall be a game changer in the securities market landscape as this shall enable an advance and digital experience to the capital market investors.

The shareholders agreement was signed between Mr. Badiuddin Akber, CEO – CDC, Mr. Farrukh H. Khan, MD - PSX, Mr. Mubashar Maqbool, MD – PKIC, and Mr. Muhammad Luqman, CEO – NCCPL. Senior management of both the organisations was also present at the occasion.



## PKIC supporting "Clean and Green Pakistan" initiative

PKIC celebrated Pakistan's 74th year of Independence through supporting government's "Clean and Green Pakistan" initiative, while showing its commitment to support PM's Green Stimulus initiative by urging all of its employees to plant one tree sapling this monsoon.

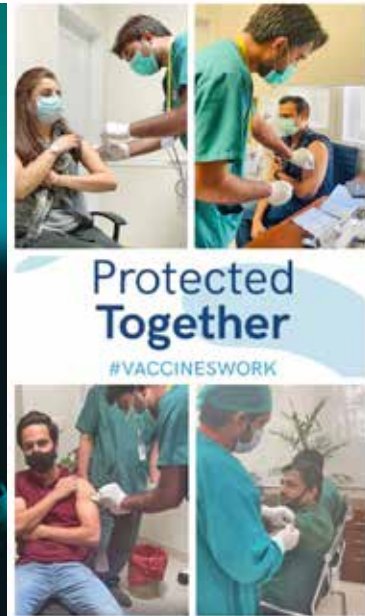
Employees were handed over tree saplings to plant either in their homes or neighborhood to create environment protection awareness and educating the purpose why planting one tree means so much to the environment. Indoor plant pots were also given to them as a reminder to think about seriously why concerted efforts are required to plant trees extensively across the country.



# Covid-19 Vaccination

PKIC was amongst the first few organizations in Pakistan to roll out vaccination drive for its entire workforce including their families.

PKIC endeavored to support everyone in the fight against COVID-19 by vaccinating all of its employees including support staff and their family members free of cost.



## PKIC's Social & Public Support Initiatives

PKIC broadened the scope of its CSR activity, where PKIC donated PKR 94 million during the year 2021 to various charitable/philanthropic organizations from sectors across health, education and others.

### CSR Award

Director Marketing & Resource Development Shaukat Khanum Memorial Cancer Hospital presenting Corporate Social Responsibility Award to MD PKIC Mr. Mubashar Maqbool for Company's continued support for the hospital.



# CHAIRMAN'S MESSAGE



I am pleased to present the performance of Pakistan Kuwait Investment Company (Private) Limited (PKIC, the Company) for the year ended 31st December 2021. PKIC exhibited strong performance this year, where the Company recorded a profit after tax of PKR 7.9 billion which is 24% higher compared to last year. The balance sheet footing of the Company reached a record level of PKR 135 billion, an increase of 26% YoY.

PKIC continued its focus to facilitate economic growth in the Country. The Company supported industrial and infrastructural expansion through financing projects in sectors including renewable energy, water, transport and housing. Recognizing PKIC's contributions to Islamic finance, Islamic Finance News (IFN) accoladed the Company with the "Most Innovative Deal of the Year" and "Pakistan Deal of the Year" awards for its landmark transaction of EnerTech's PKR 2 Billion Sukuk transaction, jointly arranged by PKIC and Meezan Bank. Cognizant of the growth potential in Islamic finance, the Company also plans to establish a dedicated Islamic Finance Division.

During 2021, PKIC made a landmark strategic investment to support digital ecosystem in Pakistan, with an objective to facilitate emerging startups, enhancing financial inclusion and promoting e-commerce. PKIC is also working to launch Private Equity / Venture Capital Funds to support local businesses. Furthermore, the Company also invested in EClear Services Limited, to support the Country's capital markets. During the period, PKIC also issued a stock dividend of PKR 6 billion to support business growth.

The Company remains optimistic in achieving its long-term strategic objectives and will continue to explore new investment avenues for long term capital appreciation and diversify its strategic investment portfolio, while maintaining high standards of corporate governance and entity credit rating.



## چیئر مین کا پیغام

The Company made continuous efforts to ensure health and well-being of team members during the pandemic. PKIC, playing its role as a responsible corporate citizen undertook various social support and philanthropic initiatives through its CSR program.

I express my appreciation for the commitment to work and professional conduct of the management of the Company, as well as shareholders and stakeholders for their support. We look forward to the next year with greater confidence in meeting the challenges ahead.



**Mr. Mohammad A. M. Al-Fares**  
Chairman

Date: March 08, 2022

31 دسمبر 2021 کو اختتام پذیر سال پر پاک کویت انویسٹمنٹ کمپنی (پرائیویٹ) لمیٹڈ (PKIC/ کمپنی) کی کارکردگی پیش کرتے ہوئے میں انتہائی خوش محسوس کر رہا ہوں۔ PKIC نے اس سال مستحکم کارکردگی دکھائی جس میں کمپنی نے 17.9 ارب روپے کا منافع بعد از محصول کا اندراج کیا جو گذشتہ سال کے مقابلے میں 24 فیصد زیادہ ہے۔ کمپنی کی سال بہ سال کی بنیاد پر 26 فیصد اضافے سے بنیٹس شیٹ 135 ارب روپے کی سطح پر پہنچ چکی ہے۔

PKIC نے اپنی توجہ ملکی معیشت کی نمو کو بڑھانے کے لیے سہولت پہنچانے پر جاری رکھی۔ کمپنی نے صنعتی اور ڈھانچاتی توسیع میں مختلف سیکٹرز میں، بشمول قابل تجدید توانائی، پانی، ٹرانسپورٹ اور ہاؤسنگ میں فنانشنگ کے ذریعے سے معاونت کی۔ PKIC کی اسلامی فنانس کی کوششوں کو تسلیم کرتے ہوئے، اسلامی فنانس نیوز (IFN) نے PKIC کے انرجیک (Eneritech) سے کئے گئے 12 ارب روپے کے سکوٹ کے سودے جس کا انتظام PKIC اور میزبان بینک نے مشترکہ طور پر کیا تھا، کو "سال کی انتہائی اختراعی (innovative) سودہ" اور "پاکستان کا سال کا سودہ" کا اعزاز دیا ہے۔ اسلامی فنانس کی نمو کے امکان سے آگاہی کے سبب، کمپنی کا ارادہ ہے کہ علیحدہ سے اسلامی فنانس ڈویژن کی تشکیل دی جائے۔

سال 2021 میں، PKIC نے پاکستان میں ڈیجیٹل ماحولیاتی نظام (digital ecosystem) کی معاونت کے لیے ترویجی (strategic) سرمایہ کاری کی ہے، جس کا مقصد ابھرنے والے کاروبار کے شروع کرنے والوں کو سہولت، مالیات کی شمولیت اور ای۔ کامرس کا فروغ ہے۔ PKIC مقامی کاروباری اداروں کی معاونت کے لیے نجی ملکیتی سرمایہ (Equity) / وینچر کیپیٹل فنڈ کو شروع کرنے پر کام کر رہی ہے۔ مزید یہ، ملک کی سرمائے کی منڈی کی معاونت کرنے کے لیے کمپنی نے ای کلیئر (EClear) سروئزر لمیٹڈ میں بھی سرمایہ کاری کی ہے۔ کاروباری سرگرمیوں میں نمو کی معاونت کے لیے، سال کے دوران PKIC نے 6 ارب روپے کا اسٹاک منقسمہ منافع (dividend) تقسیم کیا ہے۔

کمپنی اپنے طویل المدت ترویجی مقاصد کو حاصل کرنے کے بارے میں پر امید ہے اور کیپیٹل کی قدر میں طویل المدت اضافے کے لیے سرمایہ کاری کے نئے مواقع تلاش کرتی رہیں گے اور اپنے ترویجی انویسٹمنٹ پورٹ فولیو میں تنوع (diversify) لاتے رہیں گے اور ایسا کرتے وقت اداراتی نظم و ضبط اور اینٹی کوریڈر ڈرجہ بندی کے اعلیٰ معیار کو برقرار رکھیں گے۔

کمپنی نے، عالمی وبا کے دوران، اپنی ٹیم کے ارکان کی صحت اور فلاح و بہبود کی کوششیں جاری رکھیں۔ PKIC، بطور ایک ذمہ دار اداراتی شہری کے، اپنے اداراتی سماجی ذمہ داری (CSR) پروگرام کے تحت متعدد سماجی اور فلاحی کام کر رہی ہے۔

میں، کمپنی کی انتظامیہ کی کام سے لگن اور پیشہ ورانہ رویے کو اور اس کے ساتھ حصص کنندگان اور شرکاء، مفاد (stakeholders) کی حمایت کو سراہتا ہوں۔ ہم آنے والے مسائل کا زیادہ اعتماد سے سامنا کرنے کے لیے پر امید ہیں۔



محمد اے۔ ایم۔ الفارس

چیئر مین

بتاریخ: 08 مارچ 2022

# DIRECTORS' REPORT

The Directors of Pakistan Kuwait Investment Company (Private) Ltd (the Company) are pleased to present the Annual Report and Audited Financial Statements, setting out the detailed financial results of the Company for the year ended December 31, 2021, together with the Auditors' Report thereon.

## Company Performance

For the Year (PKR million)	2021	2020
Net Markup Income	2,261	2,091
Non Markup Income	9,266	7,884
Total Income	11,527	9,975
Operating Expenses	1,655	1,123
Profit before provisions	9,872	8,852
Provisions / (Reversal of Provisions)	364	1,034
Profit Before Taxation	9,508	7,818
Taxation	1,626	1,474
Profit After Taxation	7,882	6,344

At Year end (PKR million)	2021	2020
Total Assets	135,034	106,826
Liabilities	92,850	69,108
Share Capital	16,000	10,000
Reserves and Un-appropriated Profit	26,184	27,717

The Company earned a Profit after Tax of PKR 7.9 billion for the year ended December 31, 2021, against PKR 6.3 billion during last year. The increase of 24% YoY in Profit after Tax was mainly attributed to the increase in income from core business activities and higher Share in Results of Associates.

Despite the decline in average policy rate from 8.95% in 2020 to 7.25% in 2021, the net markup-based income of the Company increased by 8% YoY to PKR 2.3 billion on the back of 25% expansion in interest-earning assets. The advances portfolio of the company increased by 91% during last year, which contributed significantly to the interest income.

Non-markup-based income increased from PKR 7.9 billion last year to PKR 9.3 billion, showing an increase of 18% YoY mainly due to an increase in income from Associates. Fee and commission income along with income from capital markets also recorded significant growth.

Total Assets of the Company increased to PKR 135 billion as of December 31, 2021, compared to PKR 107 billion at the end of last year. The 26% increase in assets was due to higher disbursements to the corporate sector along with additional investments in government securities to earn arbitrage income.

## Economic Review

Pakistan has resumed the path of economic growth, after witnessing a Covid-19 led downturn in FY20. The National Accounts Committee (NAC) rebased the year to assess the value of the goods and services produced in the economy from 2005-06 to 2015-16. Resultantly, GDP growth for FY21 was revised to 5.6% from 3.9% under the old base, as compared to a contraction of 1.0% (0.5% under the old base) in FY20. The economic recovery underway since the start of FY21 continues, as reflected in Large Scale Manufacturing (LSM) which registered a growth of 7.4 percent during Jul-Dec FY22.

Rising demand and higher commodity prices pushed up Pakistan's trade deficit by 107% to USD 25 billion during Jul-Dec FY22. Though remittances from overseas Pakistanis rose by 11% YoY during Jul-Dec FY22 to USD 15.8 billion, they have not been able to keep pace with rising imports. PKR has adjusted by 12% during Jul-Dec FY22, closing the year around PKR 178 / USD. For Jul-Dec FY22, the Country's current account posted a deficit of USD 9.1 billion as against a surplus of USD 1.2 billion in the corresponding period last year. The resumption of the IMF program bodes well for the Country's external financing needs.

During Jul-Dec FY22 inflation averaged 9.8% while CPI (Consumer Price Index) for Dec'21 clocked in at 12.3%. The SBP tightened monetary policy amid taking other measures to keep inflation expectations anchored. The central bank increased Policy Rate by a

cumulative 250bps during Nov-Dec 2021 and a total of 275bps during 2021. The policy rate now stands at 9.75% as compared to 7.00% in Jan-21.

On the fiscal front, Pakistan's budget deficit clocked in at 2.1% of GDP during July-Dec FY22, flat as compared to SPLY (Same Period Last Year). Govt. recorded a primary surplus at 0.1% of GDP as compared to a surplus of 0.6% of GDP in SPLY. Foreign direct investment (FDI) during Jul-Dec FY22 rose 20% to USD 1.1 billion.

Given rising interest rates, Pakistan equities gave up nearly all year-to-date gains. The KSE-100 index closed the year at 44,596 points level, returning 1.9% for the year. On the banking sector front, low rates prevailing earlier in the year lead to advances growth of 19% YoY in Dec'21, deposits have grown by 16% YoY, while sectors investments are up 22% YoY.

## **Future Outlook**

The Company aims to capitalize on emerging opportunities as the economy adapts to the new normal. In 2022, PKIC aims to keep up the momentum with a primary focus on project financing, syndication, advisory & treasury operations.

PKIC will continue to support Pakistan's economy through investments in strategic sectors of the economy while upholding the emphasis on improving profitability. PKIC intends to support efforts to increase financial inclusion by applying for a digital banking license, fostering startups via establishing a Venture Capital Fund, and capitalizing on growth opportunities via Private Equity Fund. In addition, PKIC plans to launch its own Islamic Financing Division to capture the growth potential in the shariah-compliant financing opportunities.

The Company will target strategic sectors which are essential for economic growth. PKIC also plans to invest in Real Estate Investment Trust (REIT) to take advantage of the opportunities present in the real estate sector.

## **Dividend**

The Board of Directors is pleased to recommend a cash dividend of PKR 1,100 million for the year ended 31 December 2021. During the year the Board also approved a stock dividend of PKR 6 billion, to support business growth, thus making a total dividend payout for the year to PKR 7,100 million.

## **Earnings per Share**

The basic and diluted earnings per share have increased to PKR 12,316 from PKR 9,912 on share of PKR 25,000/- each.

## **Risk Management Framework**

PKIC manages its risks through sound risk management principles which include identification of material risks, the establishment of risk tolerance limits, assessment of the impact of potential risks, and formulation of policies & strategies to mitigate risks while ensuring continuous monitoring. The Board of Directors sets the strategic direction and has the eventual responsibility for ensuring that an effective framework is in place. It is supported in this task by board committees i.e. Risk Management Committee (RMC) and Board Audit Committee (BAC) as well as management sub-committees that oversee the strategy, efforts, and processes related to risk management.

PKIC has adopted the 'Three Lines of Defense' model for risk management with clearly defined roles and responsibilities. Business lines serve as the first line of Defense and are primarily responsible for managing risks on a day-to-day basis. Risk management and other control functions being the second line of Defense are responsible for assisting business lines in designing and implementing adequate controls to manage risks. The Internal Audit being the third line of Defense, provides independent assurance on adequacy internal controls framework.

PKIC observes a strong strategy to control credit risk through a well-designed and planned credit approval process, which includes a well-established procedure of comprehensive credit appraisal and credit rating. Internal Credit Risk Rating System developed by the Company is capable of quantifying credit risk pertinent to the specific counterparty as well as the risk inherent in the facility structure. Major portion of the credit portfolio is priced on floating rate basis which minimizes interest rate risk. The Company performs stress testing on its credit portfolio as per SBP stress testing guidelines.

Market and Liquidity Risk with contingency funding plan are managed by the Asset & Liability Committee (ALCO). Internal stress testing is carried out periodically to ascertain the interest rate risk. The Company calculates Value at Risk (VaR) on equity and fixed income portfolio on daily basis using well accepted approaches. Environmental Risk Rating model has also been developed in line with SBP's Green Banking Guidelines.

Operational risk framework is fully implemented in line with regulatory standards. All recommended tools for e.g. Operational loss data, Key Risk Indicators and Risk Control Self-Assessment is in place. RMD engages with business and support functions in determining and reviewing its inherent risk to improve quality of control infrastructure. PKIC manages its smooth business continuity with approved BCP plan, all business and operational activities during the year were performed efficiently.

Information security risk is also being measured and monitored by providing regular training to all team members which helps them to highlight the risk timely.

In continuation with the SBP's requirement and the efforts made to further strengthen the phased implementation of International Financial Reporting Standard (IFRS-9), PKIC has developed their own Credit Conversion Factor (CCF) model and also performed successful parallel run of IFRS-9 implementation to test the IFRS-9 outcomes, which will be implemented from 2022 as per SBP guidelines.

### **Entity rating of Pakistan Kuwait Investment Company (Private) Limited**

The Pakistan Credit Rating Agency Limited (PACRA) has maintained long term and short-term entity ratings of Pakistan Kuwait Investment Company (Private) Limited at 'AAA' and 'A1+' (A One plus), respectively.

VIS Credit Rating Company Limited has upgraded Corporate Governance Rating of Pakistan Kuwait Investment Company (Private) Limited from 'CGR 9' to 'CGR 9+'. This rating reflects a 'Very High Level of Corporate Governance'.

### **Compliance with Code of Corporate Governance**

The Directors confirm the compliance with Code of Corporate Governance (CCG). In this connection, the compliance of relevant clauses of CCG is stated below:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- The Company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of 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 departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored. The controls which are in place are being continuously reviewed by the Internal Audit department and the process of review and monitoring will continue with the objective to improve further.
- All liabilities in regard to the payment on account of taxes, duties, levies and charges have been fully provided and will be paid in due course or where claim was not acknowledged as liability the same is disclosed as contingent liabilities in the notes to the accounts.
- There is no doubt about the Company's ability to continue as a going concern.
- All the board members have attended an orientation course arranged by the Company through Pakistan Institute of Corporate Governance (PICG).
- The Board has carried out the performance evaluation of its members under the Self Evaluation mechanism.
- The statutory audit of the Company has been carried out by the QCR rated firm.
- The Board of Directors and employees of the Company have signed 'Statement of Ethics and Business Practices' (Code of Conduct).

### **Internal Controls**

The Board of Directors hereby endorses the management's evaluation related to ICFR and overall internal controls, as detailed in the 'Statement of Internal Controls', included in the Annual Report.

### **Board Meetings**

Five meetings of the Board of Directors of the Company were held in the year 2021 as per following schedule:

1st Meeting	February 24, 2021
2nd Meeting	April 28, 2021
3rd Meeting	August 18, 2021
4th Meeting	October 27, 2021
5th Meeting	December 15, 2021

### **Audit Committee Meetings**

Four meetings of the Audit Committee of the Company were held in the year 2021 as per following schedule:

1st Meeting	February 23, 2021
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2nd Meeting	April 27, 2021
3rd Meeting	August 17, 2021
4th Meeting	October 25, 2021

### Risk Management Committee Meetings

Four meetings of the Risk Management Committee of the Company were held in the year 2021 as per following schedule:

1st Meeting	February 23, 2021
2nd Meeting	April 27, 2021
3rd Meeting	August 17, 2021
4th Meeting	October 26, 2021

### Executive Committee Meeting

Four meeting of the Executive Committee of the Company were held in the year 2021 as per following schedule:

1st Meeting	February 23, 2021
2nd Meeting	April 28, 2021
3rd Meeting	August 26, 2021
4th Meeting	October 26, 2021

Details of the attendance of the Board and its Sub-Committee are as follows

#### Board Meeting Details:

Name of Directors	Meetings during the tenure	Meeting attended
Mr. Mohammad A. M. Al-Fares - Chairman (in place of Abdullah Abdulwahab Al Ramadhan) (Non-Executive Director)	3	3
Mr. Jasem A. Al-Hajry - Member (in place of Mr. Faisal A. Al Hunaif) (Non-Executive Director)	3	3
Mr. Naveed Alauddin - Member (Non-Executive Director)	5	5
Mr. Abdullah Salah A. Al-Sayer – Member (Non-Executive Director)	5	5
Mr. Abdullah Abdulwahab Al-Ramadhan – Former Chairman (Non-Executive Director)	2	2
Mr. Rana Assad Amin - Former Member (Non-Executive Director)	2	2
Mr. Faisal Adnan Al-Hunaif - Former Member (Non-Executive Director)	2	2
Mr. Mubashar Maqbool - Member (Executive Director / Managing Director)	5	5

#### Risk Management Committee Meeting Details:

Name of Directors	Meetings during the tenure	Meeting attended
Mr. Abdullah Salah A. Al-Sayer - Chairman	4	4
Mr. Naveed Alauddin - Member	4	4
Mr. Jasem A. Al-Hajry - Member (in place of Mr. Faisal A. Al Hunaif)	1	1
Mr. Faisal Adnan Al-Hunaif - Former Chairman	2	2

**Audit Committee Meeting Details:**

Name of Directors	Meetings during the tenure	Meeting attended
Mr. Jasem A. Al-Hajry - Chairman (in place of Mr. Rana Assad Amin)	1	1
Mr. Naveed Alauddin - Member	4	4
Mr. Abdullah Salah A. Al-Sayer – Member	4	4
Mr. Rana Assad Amin - Former Chairman	2	2

**Executive Committee Meeting Details:**

Name of Directors	Meetings during the tenure	Meeting attended
Mr. Mohammad A. M. Al-Fares – Member (in place of Mr. Abdullah A. Al Ramadhan)	1	1
Mr. Mubashar Maqbool -Member	4	4
Mr. Abdullah Abdulwahab Al-Ramadhan - Former Member	2	2
Mr. Abdullah Salah A. Al-Sayer – Member (in place of Mr. Abdullah A. Al Ramadhan)	1	1

**Summarized Operating and Financial Data for the last six years:**

(PKR Million)	2021	2020	2019	2018	2017 (Restated)	2016 (Restated)
Paid up Capital	16,000	10,000	10,000	6,000	6,000	6,000
Reserves	26,184	27,717	23,535	20,549	18,807	18,687
Total Assets	135,034	106,825	65,781	29,977	29,129	28,941
Profit before tax	9,508	7,818	5,768	3,515	2,594	4,128
Net Profit after tax	7,882	6,344	4,743	2,768	1,850	3,452
Cash Dividend	1,100	1,000	800	450	500	500
Stock Dividend	6,000	-	4,000	-	-	-

**Note:** The Reserves are inclusive of surplus on revaluation of Investments.

**Statement of Investments of Provident and Gratuity Funds**

Investments of Provident and Gratuity Funds as of December 31, 2021 according to their respective un-audited accounts were PKR 275.836 million and PKR 127.060 million, respectively. Investment of Provident Fund and Gratuity Fund amounted to PKR 259.198 million and PKR 116.546 million respectively, as at December 31, 2020 according to its audited accounts.

**Auditors**

The present auditors, EY Ford Rhodes, Chartered Accountants, has informed that due to certain internal client continuation procedures, which are governed through their region, they will not be in a position to offer themselves for re-appointment as auditors

of the Company for the year ending December 31, 2022. Accordingly, the Audit Committee has recommended the name of A. F. Ferguson & Co. Chartered Accountants to be the auditor for the year ending December 31, 2022. The Board has approved the recommendation of the Audit Committee the name of M/s A. F. Ferguson & Co. Chartered Accountants, for consideration and approval at the Annual General Meeting.

### **Acknowledgement**

We would like to express our sincere appreciation to our shareholders for having reposed confidence in us with their consistent support and guidance. We are also grateful to the Government of Pakistan, the Ministry of Finance, the State Bank of Pakistan, and the Securities & Exchange Commission of Pakistan for their guidance to the Company at all times. The board appreciates the contribution of the outgoing directors Mr. Abdullah Abdulwahab Al-Ramadhan, Faisal Adnan Al-Hunaif and Rana Assad Amin and welcomes Mr. Mohammad A. M. Al-Fares and Mr. Jasem A. Al-Hajry to the Company.

We would like to take this opportunity to compliment the management of PKIC for performing well under difficult circumstances during the current year. We would also like to place on record the appreciation of the Board for the role of the team members for their commitment and dedication to work.

On behalf of the Board of Directors



**Mr. Mohammad A. M. Al-Fares**  
Chairman



**Mubashar Maqbool**  
Managing Director

**Date: March 08, 2022**

## ناظمین کی رپورٹ

پاکستان کویت انویسٹمنٹ کمپنی (پرائیویٹ) لمیٹڈ (کمپنی) کے ناظمین 31 دسمبر 2021 کو اختتام پذیر سال کی سالانہ رپورٹ، تصدیق شدہ مالیاتی گوشوارے، جس میں کمپنی کے تفصیل سے مالیاتی نتائج درج ہیں مع آڈیٹر کی رپورٹ پیش کرتے ہوئے خوش محسوس کرتے ہیں۔

### کمپنی کی کارکردگی

2020	2021	برائے سال (پاکستانی روپیہ ملین میں)
2,091	2,261	خالص مارک اپ کی بنیاد پر آمدن
7,884	9,266	بغیر مارک اپ کے آمدن
9,975	11,527	کل آمدن
1,123	1,655	عملی اخراجات
8,852	9,872	منافع معروضات سے پہلے
1,034	364	معروضات / (معروضات کی واپسی)
7,818	9,508	منافع قبل از محصول
1,474	1,626	محصول
6,344	7,882	منافع بعد از محصول
2020	2021	اختتام سال پر (پاکستانی روپیہ ملین میں)
106,826	135,034	کل اثاثہ جات
69,108	92,850	مالیاتی واجبات
10,000	16,000	سرمایہ حصص
27,717	26,184	محفوظ سرمایہ اور غیر مختص شدہ منافع

کمپنی نے 31 دسمبر 2021 کے اختتام پذیر سال میں 7.9 ارب پاکستانی روپے منافع بعد از محصول کمائے جبکہ گذشتہ سال اسی مدت کے دوران 6.3 ارب پاکستانی روپے کمائے تھے۔ سال بہ سال منافع بعد از محصول میں 24 فیصد اضافے کی بنیادی وجہ اصل کاروباری سرگرمیوں اور شریک کمپنیوں کے نتائج میں زیادہ حصہ ہے۔

سال 2020 میں پالیسی نرخ میں 8.95 فیصد سے 2021 میں 7.25 فیصد تک کمی کے باوجود کمپنی کی خالص مارک اپ کی بنیاد پر آمدنی سال بہ سال 8 فیصد اضافے کے ساتھ سودی۔ آمدنی پیدا کرنے والے اثاثہ جات میں 25 فیصد اضافے سے، بڑھ کر 2.3 ارب پاکستانی روپے ہوئی۔ گذشتہ سال کمپنی کے ایڈوائسز پورٹ فولیو میں 91 فیصد اضافے نے سودی آمدنی میں خاصہ حصہ ڈالا۔

کمپنی کی غیر مارک اپ کی بنیاد پر آمدنی گذشتہ سال کی 7.9 ارب پاکستانی روپے کے مقابلے میں بڑھ کر 9.3 ارب پاکستانی روپے ہو گئی جو شریک کمپنیوں سے آمدنی میں 18 فیصد اضافہ دکھارہی ہے۔ کمپنی کی فیس اور کمیشن کی مدد میں آمدنی کے ساتھ سرمایہ کی منڈی نے بھی نمو میں اضافے کا اندراج کیا۔

31 دسمبر 2021 کے اختتام پر کمپنی کے کل اثاثہ جات 135 ارب پاکستانی روپے کے مقابلے میں گذشتہ سال 31 دسمبر کے اختتام پر 107 ارب پاکستانی روپے تھے۔ اثاثہ جات میں 26 فیصد اضافے کی وجہ ادا راتی شعبے کو قرضہ جات کی فراہمی کے ساتھ ساتھ گورنمنٹ کے تمسکات میں سرمایہ کاری کی گئی تاکہ تمسکات کی بیک وقت خرید و فروخت سے (arbitrage) آمدنی حاصل کی جائے۔

### معاشی جائزہ

سال 2020 میں کووڈ-19 کے بعد گراؤ دیکھنے کے بعد پاکستان کی معیشت واپس پلٹ کر معاشی نمو کی راہ پر چل پڑی ہے۔ نیشنل اکاؤنٹس کمیٹی (NAC) نے سال کی نئی بنیاد کا تعین کیا۔ سال 2005-06 سے تبدیل کر کے 2015-16 کیا تاکہ معیشت میں پیدا ہونے والی اشیاء اور خدمات کی قدر کا تخمینہ لگا یا جائے۔ نتیجتاً، سال 2020 میں مجموعی قومی پیداوار کی نمو کا تخمینہ، پرانی بنیاد کے تحت، 3.9 فیصد سے بڑھا کر 5.6 فیصد میں تبدیل کر دیا گیا، اس کے مقابلے میں سکڑاؤ (contraction) 1.0 فیصد (0.5 فیصد پرانی بنیاد کے تحت)۔ سال 2021 کے آغاز سے معاشی بحالی کا تسلسل جاری ہے، جس کی جھلک بڑے پیمانے کی مشینی پیداوار (LSM) میں مالی سال 22 کی جولائی تا دسمبر مدت کے دوران میں 7.4 فیصد نمو کا اندراج سے ہوا ہے۔



اجناس کی بڑھتی ہوئی طلب اور بلند قیمتوں نے مالی سال 2022 کی جولائی تا دسمبر مدت کے دوران میں پاکستان کے تجارتی خسارے کو 107 فیصد اضافے سے 25 ارب امریکی ڈالر پر پہنچا دیا۔ اگرچہ سمندر پار پاکستانیوں کی جانب سے ترسیل زر میں، مالی سال 22 کی جولائی تا دسمبر مدت کے دوران، سال بہ سال کی بنیاد پر 11 فیصد اضافہ ہوا لیکن وہ بڑھتی ہوئی درآمدات کی رفتار کا مقابلہ نہیں کر پائیں۔ مالی سال 22 کی جولائی تا دسمبر مدت کے دوران میں روپے نے مارکیٹ کے موافق ہونے کے لیے 12 فیصد کمی سے 178 پاکستانی روپے/امریکی ڈالر پر بند ہوا۔ مالی سال 22 کی جولائی تا دسمبر مدت کے دوران، کے لیے ملک کے جاری کھاتے نے 9.1 ارب امریکی ڈالر کا خسارہ دکھایا اس کے مقابلے میں گذشتہ سال اسی مدت میں 1.2 ارب امریکی ڈالر زائد از ضرورت (surplus) تھے۔ IMF پروگرام کی بحالی ملک کی بیرونی مالی ضروریات کی بہتری کی نشاندہی کرتا ہے۔

مالی سال 22 کی جولائی تا دسمبر مدت کے دوران افراط زر کی اوسط شرح 9.8 فیصد رہی جبکہ دسمبر 2021 کے لیے صارف کی قیمتوں کا انڈیکس (CPI) 12.3 فیصد رہا۔ بینک دولت پاکستان نے افراط کی متوقع روک تھام کے لیے دیگر اقدامات کے علاوہ مالیاتی پالیسی سخت کردی۔ نومبر-دسمبر 2021 میں، مرکزی بینک نے مجموعی طور پر پالیسی نرخ میں 250 بیس پوائنٹس کا اضافہ کیا جبکہ 2021 کے دوران کل 275 بیس پوائنٹس کا اضافہ کیا۔ پالیسی نرخ جنوری 2021 کے 7.00 فیصد پالیسی نرخ کے مقابلے میں اب 9.75 فیصد ہے۔

مالیاتی محاذ پر، مالی سال 22 کی جولائی تا دسمبر مدت کے دوران، پاکستان کے بجٹ کا خسارہ، مجموعی قومی پیداوار (GDP) کا 2.1 فیصد جو گذشتہ سال اسی مدت کے دوران (SPLY) کے برابر رہا۔ اسی مدت کے دوران، گورنمنٹ نے مجموعی قومی پیداوار (GDP) کا 0.1 فیصد کا بنیادی زائد از ضرورت (surplus) کا اندراج کیا جبکہ اس کے مقابلے میں گذشتہ سال اسی مدت میں (SPLY) 0.6 فیصد زائد از ضرورت (surplus) تھا۔ مالی سال 22 کی جولائی تا دسمبر مدت کے دوران، براہ راست غیر ملکی سرمایہ کاری میں 20 فیصد اضافے سے اس کی مالیت 1.1 ارب امریکی ڈالر ہو گئی۔ بڑھتے ہوئے سودی نرخوں کے پس منظر میں پاکستان کی ملکیتی سرمائے (equities) تمام سال کا کمایا ہوا منافع گنوا گئے۔ KSE-100 انڈیکس نے سال کے اختتام پر 44,596 پوائنٹس کی سطح پر بند ہوا، اور سال میں 1.9 فیصد کی واپسی ہوئی۔ بینکاری کے شعبہ میں، سال کے آغاز میں موجود کم نرخوں کا نتیجہ دسمبر 21 میں ایڈوانسز 19 فیصد، ڈپازٹس میں 16 فیصد جبکہ سیلٹر سرمایہ کاری میں 22 فیصد اضافہ سال بہ سال کی بنیاد پر ہوا۔

#### مستقبل کا منظر نامہ

کمپنی، معیشت میں کئے جانے والے اقدامات سے پیدا ہونے والے کاروباری مواقعوں سے بھرپور فائدہ اٹھانے کی کوشش کرے گی۔ سال 2022 میں PKIC اپنی رفتار اور بنیادی توجہ منصوبوں کو قرضوں کی فراہمی، شرکت تجارت سازی (syndication)، مشاورت سازی اور خزانہ کے آپریشن پر رکھے گی۔

PKIC ترویجی شعبوں میں سرمایہ کاری کے ذریعے سے پاکستان کی معیشت کی معاونت جاری رکھے گی لیکن اس کے ساتھ منافع بخش میں بہتری پر زور دیتی رہے گی۔ PKIC کا ارادہ ہے کہ ڈیجیٹل بینک تشکیل دے کر مالیاتی شمولیت میں اضافے کی کوششوں کی معاونت کرے اور ویچر کپیٹل فنڈ دے کر اور نجی ملکیتی سرمایہ کے استعمال سے پیدا ہونے والے مواقعوں سے فائدہ اٹھانے کے لیے نئے کاروبار کا آغاز کرنے والوں کی مدد کرے۔ اس کے علاوہ، PKIC کا منصوبہ ہے کہ اپنی اسلامی فنانسنگ ڈیویژن کا آغاز کر کے شریعہ کی تعمیل کرتی ہوئی فنانسنگ سے پیدا ہونے والی مواقعوں کی نمونہ کے امکانات سے فائدہ اٹھائے۔

کمپنی کا ہدف ترویجی سیکٹرز (strategic sectors) ہوں گے جو معیشت کی نمونہ کے لئے لازمی ہیں۔ PKIC کا ارادہ ہے کہ ریئل اسٹیٹ انویسٹمنٹ ٹرسٹ (REIT) میں سرمایہ کاری کر کے ریئل اسٹیٹ کے سیکٹر میں موجود مواقعوں سے فائدہ اٹھایا جائے۔

#### منقسمہ منافع (Dividend)

بورڈ آف ڈائریکٹرز 31 دسمبر 2021 پر اختتام پذیر سال پر 1,100 ملین پاکستانی روپوں کا نقد منقسمہ منافع تجویز کرتے ہوئے خوشی محسوس کرتے ہیں۔ سال کے دوران بورڈ نے 6 ارب روپے کے اسٹاک منقسمہ منافع (stock dividend) اور اس طرح سے سال میں کل منقسمہ منافع پر 7,100 ملین پاکستانی روپے کی ادائیگی ہوگی۔

#### آمدنی فی حصص

25,000 روپے کے ہر حصص پر گذشتہ سال کی 9,912 روپے کی بنیادی اور گھٹی ہوئی (diluted) آمدنی فی حصص سے بڑھ کر 12,316 ہو گئی ہے۔

#### خطرات سے نمٹنے کا انتظامی ڈھانچہ (Risk Management Framework)

PKIC رسک کا انتظام مستحکم رسک مینجمنٹ کے اصولوں پر کرتا ہے جس میں شامل ہیں مادی (material) خطرات کی شناخت، خطرے کو برداشت (tolerance) کی حدود، امکانی خطرات کے اثرات کا تخمینہ اور پالیسیوں کی تشکیل اور خطرات کو کم کرنے/دور کرنے کی حکمت عملی کے ساتھ ساتھ مسلسل نگرانی کو یقینی بنایا جائے۔

رسک مینجمنٹ کے ڈھانچے کی تعمیر انضمام شدہ رسک کے انتظام کی بنیادی اصولوں پر مبنی ہے تاکہ قرضہ کے رسک، منڈی کے رسک، سیالیت رسک، آپریشنل رسک، معلومات کے تحفظ اور ادارے کے رسک کا انتظام کیا جائے۔ بورڈ کے ناظمین تیز ویرانی سمت کا تعین کرتا ہے اور اس کی حتمی ذمہ داری ہے کہ وہ رسک کے انتظام کے ڈھانچے کی موجودگی کو یقینی بنائے۔ اس کی معاونت بورڈ کی کمیٹیاں کرتی ہیں یعنی رسک مینجمنٹ کمیٹی (RMC) اور بورڈ کی آڈٹ کمیٹی (BAC) کے ساتھ ساتھ مینجمنٹ کی ذیلی کمیٹیاں کرتی ہیں جو حکمت عملی، کاوش اور رسک مینجمنٹ سے متعلق پراسس کی نگرانی کرتی ہیں۔

PKIC نے تحفظ کے لیے تین سطح کا ماڈل اختیار کیا ہے جس میں ہر ایک کا کردار اور ذمہ داریاں صاف اور واضح ہیں۔ یہ کاروباری لائینز اولین تحفظ کی پہلی سطح ہے اور بنیادی طور پر روزمرہ کی بنیاد ہر خطرات کا انتظام سنبھالے۔ رسک مینجمنٹ اور دیگر کنٹرول کے فنکشنز دوسری سطح کے تحفظ ہیں اور ان کی ذمہ داری میں تحفظ کی سطحوں کی معاونت کریں تاکہ خطرات کا انتظام اور مناسب کنٹرول کرنے کے لیے ڈیزائن بنایا اور نافذ کیا جاسکے۔ اندرونی آڈٹ تیسری سطح کا تحفظ ہے، جو انٹرنل نگرانی کے ڈھانچے کی آزادانہ یقینی اور موزونیت فراہم کرتی ہے۔

PKIC اچھی طرح سے ڈیزائن اور منصوبہ بندی والے، کریڈٹ کی منظوری کے پراسس، جس میں جامع کریڈٹ کی قدر پیمائی اور کریڈٹ کی درجہ بندی کے اچھے اور مستند طریقہ کار شامل ہیں کے ذریعے ایک مضبوط حکمت عملی کا مشاہدہ کرتی ہے۔ کمپنی کے تیار کردہ، انٹرنل کریڈٹ ریٹنگ نظام میں صلاحیت ہے کہ کریڈٹ رسک کی مقدار کا تعین کرے اور مخصوص فریق دوم سے متعلق رسک کے ساتھ ساتھ سہولت کے ڈھانچے میں موجود رسک کا تعین کر سکے۔ قرضہ پورٹ فولیو کا بڑا حصہ کی قیمت فلورنگ ریٹ کی بنیاد پر کیا جاتا ہے جو سودی نرخ کے خطرے کو کم سے کم کی سطح پر رکھتا ہے۔ کمپنی، بینک دولت پاکستان کی دباؤ کی ٹیسٹنگ کی ہدایات کے تحت کریڈٹ پورٹ فولیو کی دباؤ کی ٹیسٹنگ کرتی ہے۔

منڈی اور سیالیت (Liquidity) کے خطرات کا بڑی فنڈ کے منصوبے کا انتظام، اثاثہ اور مالی ذمہ داری کی کمیٹی (ALCO) متعین شرائط و ضوابط کے مطابق کرتی ہے۔ شرح سود کے خطرے کا تعین کرنے کے لیے وقفے وقفے سے اندرونی دباؤ کی ٹیسٹنگ کی جاتی ہے۔ کمپنی، ملکیتی سرمایہ (equity) پورٹ فولیو کی خطرے پر مالیت (Value at Risk) کا حساب کتاب روزانہ کی بنیاد پر تسلیم شدہ طریقوں سے کرتی ہے جو قابل قبول طریقوں کے مطابق ہوتا ہے۔ سبز بینکاری کے ڈھانچے کو بھی انضباطی معیار پر تیار کیا گیا ہے۔

انضباطی معیار سے ہم آہنگ آپریشن کے رسک کے ڈھانچے مکمل طور پر نافذ ہے۔ تمام تجویز کردہ طریقہ کار (tools) آپریشن کے نقصان کے اعداد و شمار، بنیادی خطرے کے اشارے اور خطرے کے کنٹرول کی خود سے تخمینہ موجود ہیں۔ RMD کاروباری معاملات میں ملوث رہتی ہے اور کنٹرول ڈھانچے کے معیار میں بہتری لانے کے لیے فنکشنز کی معاونت کے ذریعے ان کی تشکیل اور جائزہ لینے میں مدد کرتی ہے۔ سال کے دوران PKIC پہلے سے منظور شدہ BCP منصوبے کے تحت، تمام کاروبار اور آپریشنل سرگرمیوں اور کارروائیوں کے تسلسل کو موثر طور پر کرتی ہے۔ انفارمیشن سیکورٹی رسک کے تحفظ کی پیمائش اور نگرانی کے لیے متواتر تمام ٹیم کے ارکان کو تربیت دی جاتی ہے تاکہ خطرے کو بروقت نمایاں کیا جاسکے۔

SBP کی انٹرنیشنل فنانشل رپورٹنگ اسٹیٹڈرڈ (IFRS 9) کی مرحلہ وار نافذ کی ضروریات سے مطابقت رکھنے کے لیے، PKIC نے اپنا خود کا کریڈٹ کنورژن فیکٹر (CCF) ماڈل تشکیل دیا ہے اور اس کو کامیابی سے IFRS 9 کے متوازی نافذ کیا ہے تاکہ IFRS 9 کے نتائج اور اسے 2022 سے SBP کی ہدایات کے مطابق مکمل طور پر نافذ کیا جائے۔

پاکستان کویت انویسٹمنٹ کمپنی (پرائیویٹ) لمیٹڈ کی ریٹنگ (Entity rating)

پاکستان کریڈٹ ریٹنگ ایجنسی (PACRA) نے پاک کویت انویسٹمنٹ کمپنی لمیٹڈ کی بالترتیب طویل المدتی ایٹینیٹی ریٹنگ "AAA" (تین A) برقرار رکھی ہے اور قلیل المدتی ریٹنگ "A1+" (اے ون مثبت) کو برقرار رکھا ہے۔

وی آئی ایس نے پاک کویت انویسٹمنٹ کمپنی (پرائیویٹ) لمیٹڈ کو کارپوریٹ گورننس کی درجہ بندی "CGR-9" سے "CGR-9+" تفویض کی ہے۔ یہ تفویض شدہ درجہ بندی، اداراتی حسن کارکردگی (Corporate Governance) کی اعلیٰ سطح ظاہر کرتی ہے۔

اداراتی حسن کارکردگی (Corporate Governance) کے ضابطہ کی تعمیل

کمپنی ناظمین اداراتی نظم و ضبط (Corporate Governance) کے ضوابط کی تعمیل کی تصدیق کرتے ہیں۔ اداراتی نظم و ضبط کے قوانین کی متعلقہ شقوں کی تعمیل کی تفصیلات درج ذیل ہے:

- کمپنی انتظامیہ کے تیار کردہ مالیاتی گوشوارے اسکے معاملات کی حالت، عملی امور کے نتائج، کیش فلوا اور ملکیتی سرمایہ (equity) میں تبدیلی کے بارے میں تفصیلات کو بہتر طور پر پیش کرتے ہیں۔ کمپنی نے حساب کتاب (books of accounts) کے کھاتے موزوں طور پر رکھے ہیں۔
- مالیاتی دستاویزات کی تیاری میں حساب کتاب (accounting) کی مناسب حکمت عملی یکساں طور پر اپنائی گئی ہے اور حساب کتاب کے تخمینے کی بنیاد معقول اور محتاط ہے۔
- پاکستان میں قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ کے معیار پر عمل کرتے ہوئے مالیاتی دستاویزات کو تیار کیا گیا ہے اور ان سے کسی بھی انحراف کو مناسب طور پر ظاہر کیا گیا ہے۔
- اندرونی نگرانی (internal control) کے نظام کا ڈیزائن مضبوط بنیادوں پر تیار کیا گیا ہے اور اس کا موثر طور پر نافذ کیا گیا ہے اور اس کی نگرانی کی جاتی ہے۔ اندرونی احتساب کا شعبہ متعین

کنٹرولز کا مسلسل جائزہ لیتا رہتا ہے اور نگرانی اور جائزہ کا یہ عمل جاری رہیگا تاکہ مزید بہتری لائی جاسکے۔

- تمام مالی واجبات جو محصول، ڈیپوٹیز، لیویز اور فیسوں کو ادا کرنے کے لئے درکار ہیں ان کا مکمل انتظام کیا گیا ہے اور یہ وقت مقررہ پر ادا کر دیئے جائیں گے یا جہاں کلیم کو واجبات میں شمار نہیں کیا گیا تو ان کو کھاتوں کی یادداشتوں (notes) میں امکانی واجبات کے طور پر ظاہر کیا گیا ہے۔
- کمپنی کے کاروبار کے جاری رکھنے کی صلاحیت میں کوئی شبہ نہیں ہے۔
- بورڈ کے تمام ممبران نے انسٹیٹیوٹ آف بزنس ایڈمنسٹریشن میں کمپنی کی جانب سے منعقدہ آگاہی (orientation) کے کورس میں شرکت کی ہے۔
- بورڈ نے خود تشخیصی نظام کے تحت اپنے ممبران کی کارکردگی کا جائزہ لیا۔
- کمپنی کا دستوری آڈٹ ایک کیوٹی آر (QCR) درجہ بندی کے شمال ادارے نے کیا ہے۔
- بورڈ آف ڈائریکٹرز اور کمپنی کے ملازمین نے اخلاقیات اور کاروباری طرز عمل کے بیان پر دستخط کئے ہیں (ضابطہ اخلاق)

### اندرونی نگرانی (Internal Controls)

بورڈ آف ڈائریکٹرز اس بات کی تصدیق کرتے ہیں کہ ICFR سے متعلق انتظامیہ کے بارے میں تخمینہ کی توثیق کرتے ہیں اور مجموعی اندرونی نگرانیوں جس کی تفصیلات کو "اندرونی کنٹرول کے بیان" میں درج کیا گیا ہے اور وہ سالانہ رپورٹ میں شامل ہے۔

### بورڈ کے اجلاس

سال 2021 میں کمپنی کے بورڈ کے ناظمین کے پانچ اجلاس ہوئے جن کا جدول درج ذیل ہے۔

پہلا اجلاس	24 فروری 2021
دوسرا اجلاس	28 اپریل 2021
تیسرا اجلاس	18 اگست 2021
چوتھا اجلاس	27 اکتوبر 2021
پانچواں اجلاس	15 دسمبر 2021

آڈٹ کمیٹی کے اجلاس

سال 2021 میں کمپنی کے آڈٹ کمیٹی کے چار اجلاس ہوئے جن کا جدول درج ذیل ہے۔

پہلا اجلاس	23 فروری 2021
دوسرا اجلاس	27 اپریل 2021
تیسرا اجلاس	17 اگست 2021
چوتھا اجلاس	25 اکتوبر 2021

### رسک مینجمنٹ کمیٹی کے اجلاس کی تفصیلات

سال 2021 میں کمپنی کے رسک مینجمنٹ کمیٹی کے چار اجلاس ہوئے جن کا جدول درج ذیل ہے۔

پہلا اجلاس	23 فروری 2021
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دوسرا اجلاس	27 اپریل 2021
تیسرا اجلاس	17 اگست 2021
چوتھا اجلاس	26 اکتوبر 2021
<b>ایگزیکٹو کمیٹی کے اجلاس</b>	

سال 2021 میں کمپنی کی ایگزیکٹو کمیٹی کے چار اجلاس ہوئے جن کا جدول درج ذیل ہے

پہلا اجلاس	23 فروری 2021
دوسرا اجلاس	28 اپریل 2021
تیسرا اجلاس	26 اگست 2021
چوتھا اجلاس	26 اکتوبر 2021

بورڈ اور اس کی ذیلی کمیٹیوں کے اجلاس میں حاضری کی تفصیلات درج ذیل ہیں

بورڈ کے اجلاس کی تفصیلات

ناظمین کے نام	مدت کے دوران اجلاس	اجلاس میں شرکت کی تعداد
جناب محمد اے۔ ایم الفریس، چیئرمین (جناب عبداللہ صالح اے۔ الرمضان کے متبادل)، (نان ایگزیکٹو ڈائریکٹر)	3	3
جناب جسیم اے۔ الحجری، رکن (جناب فیصل اے الحسنیف کے متبادل)، (نان ایگزیکٹو ڈائریکٹر)	3	3
جناب نوید علاؤ دین، رکن، (نان ایگزیکٹو ڈائریکٹر)	5	5
جناب عبداللہ صالح اے۔ السایر، رکن، (نان ایگزیکٹو ڈائریکٹر)	5	5
جناب عبداللہ عبدالوہاب الرمضان، سابقہ چیئرمین، (نان ایگزیکٹو ڈائریکٹر)	2	2
جناب رعنا اسد امین، سابقہ رکن، (نان ایگزیکٹو ڈائریکٹر)	2	2
جناب فیصل عدنان الحسنیف، سابقہ رکن، (نان ایگزیکٹو ڈائریکٹر)	2	2
جناب مشر مقبول، رکن، ایگزیکٹو ڈائریکٹر/مینجنگ ڈائریکٹر	5	5

رسک مینجمنٹ کمیٹی کے اجلاس کی تفصیلات

ناظمین کے نام	مدت کے دوران اجلاس	اجلاس میں شرکت کی تعداد
جناب عبداللہ صالح اے۔ السایر، چیئرمین	4	4
جناب نوید علاؤ دین، رکن	4	4
جناب جسیم اے۔ الحجری، رکن (فیصل اے الحسنیف کے متبادل)	1	1
جناب فیصل عدنان الحسنیف، سابقہ چیئرمین	2	2

آڈٹ کمیٹی کے اجلاس کی تفصیلات

ناظمین کے نام	مدت کے دوران اجلاس	اجلاس میں شرکت کی تعداد
جناب حسیم اے۔ الحجری، چیئرمین (جناب رعنا اسد امین کے متبادل)	1	1
جناب نوید علاؤ دین، رکن	4	4
جناب عبداللہ صالح اے۔ السایر، رکن	4	4
جناب رعنا اسد امین، سابقہ چیئرمین	2	2

ایگزیکٹو کمیٹی کے اجلاس کی تفصیلات

ناظمین کے نام	مدت کے دوران اجلاس	اجلاس میں شرکت کی تعداد
جناب محمد اے۔ ایم الفریس، رکن (جناب عبداللہ اے الرضان کے متبادل)	1	1
جناب مہر مقبول۔ رکن	4	4
جناب عبداللہ عبدالوہاب الرضان، رکن	2	2
جناب عبداللہ صالح اے۔ السایر، رکن (جناب عبداللہ اے الرحمان کے متبادل)	1	1

گذشتہ 6 سال کا عملی اور مالیاتی اعداد و شمار کا خلاصہ

پاکستانی روپے (ملین میں)	2021	2020	2019	2018	2017	2016
اداشدہ سرمایہ	16,000	10,000	10,000	6,000	6,000	6,000
محفوظ سرمایہ	26,184	27,717	23,534	20,549	18,807	18,687
کل اثاثہ جات	135,034	106,825	65,781	29,977	29,129	28,941
منافع قبل از محصول	9,508	7,818	5,768	3,515	2,594	4,128
خالص منافع از محصول	7,882	6,344	4,743	2,768	1,850	3,452
نقد منقسمہ منافع	1,100	1,000	800	450	500	500
حصص منقسمہ منافع	6,000	-	4,000	-	-	-

یادداشت (Note): محفوظ ذخائر میں سرمایہ کاری کی از سر نو قدر پیمائی (revaluation) کی زائد شامل ہے۔

## پراویڈینٹ اور گریجویٹ فنڈز کی سرمایہ کاری کا بیان

31 دسمبر 2021 تک پراویڈینٹ اور گریجویٹ فنڈز کے غیر تصدیق شدہ کھاتوں کے مطابق سرمایہ کاری کی تفصیل بالترتیب 275.836 ملین روپے اور 127.060 ملین پاکستانی روپے رہی۔  
31 دسمبر 2020 تک پراویڈینٹ اور گریجویٹ فنڈز کے تصدیق شدہ کھاتوں کے مطابق سرمایہ کاری کی مالیت بالترتیب 259.198 ملین پاکستانی روپے اور 116.546 ملین پاکستانی روپے رہی۔

### محاسبین (Auditors)

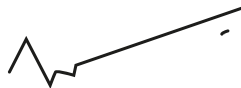
موجودہ محاسبین میسرز EY Ford Rhodes, Chartered Accountants نے مطلع کیا ہے کہ کچھ داخلی کلائنٹ کے تسلسل کے طریقہ کار کی وجہ سے، جو ان کے علاقے (Region) کے ذریعے چلائے جاتے ہیں، وہ اس پوزیشن میں نہیں ہوں گے کہ وہ اپنے آپ کو 31 دسمبر 2022 کو ختم ہونے والے سال کے لیے کمپنی کے محاسبین کے طور پر دوبارہ تقرر کے لیے پیش کر سکیں۔  
اس لیے، بورڈ آڈٹ کمیٹی نے A.F. Ferguson & Co. چارٹرڈ اکاؤنٹینٹس، کا نام تجویز کیا ہے۔ بورڈ نے آڈٹ کمیٹی کا تجویز کردہ A.F. Ferguson & Co.، چارٹرڈ اکاؤنٹینٹس کا نام 31 دسمبر 2022 کے اختتام تک کے لیے بطور کمپنی کے محاسبین (auditors) منظوری سالانہ عام اجلاس میں غور و خاص اور منظوری کے لیے دی ہے۔

### اعتراف

ہم حصص یافتگان کو ان کے اعتماد، مسلسل تعاون اور رہنمائی کرنے پر مخلصانہ طور پر سرماستے ہیں۔ ہم حکومت پاکستان، وزارت مالیات، اسٹیٹ بینک آف پاکستان اور سیکیورٹی اینڈ ایکسچینج کمیشن آف پاکستان کے بھی ان کی ہر وقت رہنمائی کے لیے شکر گزار ہیں۔

کوئی ادارہ بھی اپنے لوگوں کے بغیر کامیاب نہیں ہو سکتا، جن کی مشکل حالات میں بہتر کارکردگی دکھانے پر ان کی کاوشوں کو سراہا جانا چاہیے۔ بورڈ اپنے ٹیم کے ارکان کی کام سے لگن اور اخلاص کو سراہتا ہے اس بات کو کارڈ پر لانا چاہتا ہے۔ ہم دستبردار ہونے والے جناب عبداللہ عبدالوہاب الرمضان، جناب رعنا اسد امین اور فیصل عدنان الحسینف کا ادارے کا ساتھ دینے کا شکر یہ ادا کرتے ہیں۔ مزید ہم بورڈ میں نئے شمولیت کرنے والے جناب محمد اے ایم الفریس (چیئرمین) اور جناب حبیب اے الحجری کو بورڈ کے نئے ارکان کے طور پر خوش آمدید کہتے ہیں اور ان کی بورڈ میں شمولیت صنعت میں اہم لیڈر کے طور پر مقام کو جاری رکھنے میں معاون ہوگی۔ ہم اپنی ٹیم کی اپنے کام سے لگن اور اخلاص کو بھی سراہنے کو کارڈ پر لانا چاہتے ہیں۔

بورڈ کے ڈائریکٹرز کے جانب سے



مبشر مقبول

چیئرمین ڈائریکٹرز



محمد اے ایم الفارس

چیئرمین

بتاریخ: 08 مارچ 2022

# Statement of Compliance with Best Practices of Code of Corporate Governance for the year ended December 31, 2021

The Company as a best practice has complied with the relevant requirements of the Regulations in the following manner:

1. The composition of the Board is as follows:

Category	Names
Executive Director	Mr. Mubashar Maqbool – Managing Director
Non-Executive Directors	Mr. Mohammad A.M. Al-Fares Mr. Abdullah Salah A. Al-Sayer Mr. Jasem A. Al-Hajry Mr. Naveed Alauddin

- The directors have confirmed that none of them is serving as a director on more than seven listed companies.
- The Company has prepared a Code of Conduct (“Statement of Ethics & Business Practices”) and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
- 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 policies along with their date of approval or updating is maintained by the Company.
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and Regulations.
- The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
- The Board of Directors has a formal policy and transparent procedures for remunerations of directors in accordance with the Act and the Regulations.
- Currently three directors have completed the Director’s Training Certification under the Directors’ Training Program as prescribed by SECP. While the Director’s Training Certification of other two members would be completed within first year of their directorship on PKIC’s Board.
- The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
- Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
- The Board has formed committees comprising of members given below:

Committee	Name of Chairman /Members
a) Audit Committee	Mr. Jasem A. Al-Hajry - Chairman Mr. Abdullah Salah A. Al-Sayer - Member Mr. Naveed Alauddin - Member
b) Risk Management Committee	Mr. Abdullah Salah A. Al-Sayer - Chairman Mr. Jasem A. Al-Hajry - Member Mr. Naveed Alauddin - Member
c) Executive Committee (entrusted with Human Resources responsibilities)	Mr. Mohammad A.M. Al-Fares - Member Mr. Mubashar Maqbool – Member

12. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
13. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per follows:
  - a) Audit Committee Quarterly
  - b) Risk Management Committee Quarterly
  - c) Executive Committee Quarterly
14. The Board has set up an effective internal audit function / team who are considered suitability qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
15. 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 and all their partners are in compliance with International Federation of Accountants (IFAC) 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 a close relative (spouse, 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.
16. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
17. The Corporate Governance Regulatory Framework of the State Bank of Pakistan dated November 22, 2021 state that though DFIs are not required to follow the Listed Companies (Code of Corporate Governance) Regulations, but it is expected that all DFIs will continue to follow the best practices on corporate governance. We confirm that all other applicable requirements of the Regulations have been complied with.



**Mr. Mohammad A. M. Al-Fares**  
Chairman



**Mubashar Maqbool**  
Managing Director

**Date: March 8, 2022**  
**Lahore**



## INDEPENDENT AUDITOR'S REPORT

To the members of Pakistan Kuwait Investment Company (Private) 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 Pakistan Kuwait Investment Company (Private) Limited (the Company) for the year ended 31 December 2021 in accordance with the requirements of regulation 36 of the Regulations.

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 2021.



Chartered Accountants

Place: Karachi

Date: 8 March 2022

UDIN: CR202110120xE7QhXqsR

# Statement on Internal Controls

## REPORTING ON INTERNAL CONTROL SYSTEM

The company endeavors to follow the SBP's Internal Control Guidelines. It is the responsibility of the company's management to establish and maintain an adequate and effective system of internal control that could help in company's efforts to attain a professional and efficient working environment throughout the company. The Internal Control System comprises of various inter-related components including Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring.

Management ensures the efficient and effective Internal Control System by identifying control objectives reviewing pertinent policies / procedures and establishing relevant control procedures. All policies and procedures are reviewed and compared with existing practices and necessary amendments made where required on timely basis.

Alongside this appropriate test of transactions, observation of control environment, sharing of findings of Internal Control System and ensuring relevant appropriate follow-ups / corrective actions are also being done by the management on regular basis. Internal Control System in the company is designed to manage, rather than eliminate the risk of failure to achieve the business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

## EVALUATION OF EXISTING INTERNAL CONTROL SYSTEM

The company has made efforts to ensure during the year 2021 that an effective and efficient Internal Control System is implemented and no compromise is made in implementing the desired control procedures and maintaining suitable control environment in general. However, it is an ongoing process that includes identification, evaluation and management of significant risks faced by the company.

The observations and weaknesses identified by the auditors, both internal and external, have been taken care of and necessary steps have been taken by the management in the due time so as to ensure non-repetition of those exceptions and eliminations of such weaknesses to the maximum possible level. The management has also given timely and satisfactory response to the recommendations and suggestions made by its auditors.

We assess that the internal control system, customer services and operations have been maintained as compared to previous year in all areas / departments of the company. Further, due attention and focus is to enhance competence level and knowledge of the employees.

Recognizing it to be an ongoing process, the management of company adopted an internationally accepted Internal Control COSO Framework, in accordance with guidelines on Internal Controls issued by the State Bank of Pakistan. The management ensures effectiveness over internal control over financial reporting through timely review and updation of pertinent policies / procedures, establishing relevant control procedures and testing of internal controls. Further, the management considers that the Company's internal controls over financial reporting are sound in design and have been effectively implemented and monitored. However, because of the inherent limitations, internal control over financial reporting may not prevent or detect material misstatements or loss. The gaps identified are taken care of and necessary steps are taken by the management on a timely basis so as to ensure non-repetition of those exceptions and eliminations of such gaps to the maximum possible level through continuous monitoring. In accordance with the SBP directives, the Company completed all the seven stages of ICFR roadmap and has been submitting to the SBP periodically, the Long Form Report (LFR) issued by the statutory auditors since 2009.



Head of Internal Audit



Chief Financial Officer



Managing Director



Chairman Audit Committee

Date: March 8, 2022,  
Lahore

# FINANCIAL STATEMENTS

For the year ended December 31, 2021

## INDEPENDENT AUDITOR'S REPORT

### To the members of Pakistan Kuwait Investment Company (Private) Limited

#### Report on the Audit of the Financial Statements

##### Opinion

We have audited the annexed financial statements of Pakistan Kuwait Investment Company (Private) Limited (the Company), which comprise the statement of financial position as at 31 December 2021, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flows statement 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, profit and loss account, the statement of comprehensive income, statement of changes in equity and cash flow statement 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 2021 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 Auditor's 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 Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do 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 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, 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 the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of the 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. The Board of Directors are responsible for overseeing the Company's financial reporting process.

### **Auditor's 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 auditor's 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 auditor's 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 auditor's 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.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Report on Other Legal and Regulatory Requirements**

1. 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 profit or loss account, the statement of comprehensive income, statement of changes in equity and statement of cash flow (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 in accordance with the objects and powers of the Company and the transactions of the Company which have come to our notice have been within the powers of the Company; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980)

**The engagement partner on the audit resulting in this independent auditor's report is Omer Chughtai.**



**Chartered Accountants**

**Place: Karachi**

**Date: 8 March 2022**

**UDIN: AR202110120c8nsywGt5**

# Statement of Financial Position

As at December 31, 2021

2021 ----- (USD in '000) -----	2020		Note	2021 ----- (Rupees in '000) -----	2020
<b>ASSETS</b>					
808	777	Cash and balances with treasury banks	5	142,662	137,120
109	80	Balances with other banks	6	19,152	14,095
-	-	Lendings to financial institutions		-	-
588,312	512,476	Investments	7	103,844,929	90,458,932
154,999	80,769	Advances	8	27,359,484	14,256,847
1,585	1,610	Fixed assets	9	279,773	284,222
74	78	Intangible assets	10	13,066	13,790
-	-	Deferred tax assets		-	-
19,122	9,408	Other assets	11	3,375,278	1,660,636
<b>765,009</b>	<b>605,198</b>			<b>135,034,344</b>	<b>106,825,642</b>
<b>LIABILITIES</b>					
-	-	Bills payable		-	-
460,073	352,115	Borrowings	12	81,209,024	62,152,972
35,492	15,976	Deposits and other accounts	13	6,264,766	2,820,000
-	-	Liabilities against assets subject to finance lease		-	-
-	-	Subordinated debt		-	-
19,096	16,878	Deferred tax liabilities	14	3,370,747	2,979,119
11,362	6,550	Other liabilities	15	2,005,521	1,156,329
<b>526,023</b>	<b>391,519</b>			<b>92,850,058</b>	<b>69,108,420</b>
<b>238,986</b>	<b>213,679</b>			<b>42,184,286</b>	<b>37,717,222</b>
<b>NET ASSETS</b>					
<b>REPRESENTED BY</b>					
90,645	56,653	Share capital	16	16,000,000	10,000,000
70,185	61,254	Reserves	17	12,388,643	10,812,156
(5,339)	8,355	(Deficit) / surplus on revaluation of assets - net	18	(942,391)	1,474,807
83,495	87,417	Unappropriated profit		14,738,034	15,430,259
<b>238,986</b>	<b>213,679</b>			<b>42,184,286</b>	<b>37,717,222</b>
<b>CONTINGENCIES AND COMMITMENTS</b>					
			19		

The annexed notes 1 to 43 and annexure I form an integral part of these financial statements.

Chief Executive



Director

Director

Chief Financial Officer



Director

# Profit and Loss Account

For the year ended December 31, 2021

2021	2020		Note	2021	2020
----- (USD in '000) -----				----- (Rupees in '000) -----	
41,582	37,759	Mark-up / return / interest earned	20	7,339,854	6,664,984
28,774	25,915	Mark-up / return / interest expensed	21	5,079,022	4,574,374
<b>12,808</b>	<b>11,844</b>	<b>Net mark-up / interest income</b>		<b>2,260,832</b>	<b>2,090,610</b>
<b>NON MARK-UP / INTEREST INCOME</b>					
398	188	Fee and commission income	22	70,197	33,099
1,112	775	Dividend income		196,242	136,758
-	-	Foreign exchange income		-	-
-	-	Income / (loss) from derivatives		-	-
154	3,634	Gain on securities	23	27,163	641,485
50,589	39,940	Share in results of associates - Net	24	8,929,735	7,050,046
244	131	Other income	25	43,105	23,193
52,497	44,668	Total non-markup / interest income		9,266,442	7,884,581
<b>65,305</b>	<b>56,512</b>	<b>Total income</b>		<b>11,527,274</b>	<b>9,975,191</b>
<b>NON MARK-UP / INTEREST EXPENSES</b>					
8,297	5,477	Operating expenses	26	1,464,450	966,773
1,077	886	Workers Welfare Fund		190,168	156,363
-	1	Other charges	27	-	250
9,374	6,364	Total non-markup / interest expenses		1,654,618	1,123,386
<b>55,931</b>	<b>50,148</b>	<b>Profit before provisions</b>		<b>9,872,656</b>	<b>8,851,805</b>
2,063	5,856	Provisions and write offs - net	28	364,231	1,033,680
-	-	Extra ordinary / unusual items		-	-
<b>53,868</b>	<b>44,292</b>	<b>PROFIT BEFORE TAXATION</b>		<b>9,508,425</b>	<b>7,818,125</b>
9,212	8,353	Taxation	29	1,625,991	1,474,443
<b>44,656</b>	<b>35,939</b>	<b>PROFIT AFTER TAXATION</b>		<b>7,882,434</b>	<b>6,343,682</b>
-----USD-----				-----Rupees-----	
	(Restated)				(Restated)
<b>70</b>	<b>56</b>	Basic and diluted earnings per share (on share of Rs. 25,000 each)	30	<b>12,316</b>	<b>9,912</b>

The annexed notes 1 to 43 and annexure I form an integral part of these financial statements.

Chief Executive



Director

Chief Financial Officer



Director



Director





# Statement of Comprehensive Income

For the year ended December 31, 2021

2021	2020		2021	2020
----- (USD in '000) -----			----- (Rupees in '000) -----	
44,656	35,939	Profit after taxation for the year	7,882,434	6,343,682
<b>Other comprehensive income</b>				
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>				
(11,529)	(2,140)	Movement in deficit on revaluation of 'available-for-sale' securities - net of tax	(2,035,057)	(377,670)
(2,171)	(5,555)	Movement in deficit on revaluation of 'available-for-sale' securities of associates - net of tax	(383,081)	(980,568)
(13,700)	(7,695)		(2,418,138)	(1,358,238)
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>				
(73)	(62)	Remeasurement loss on defined benefit obligation - net of tax	(12,945)	(10,918)
5	10	Share of surplus on revaluation of non - banking assets of associates - net of tax	940	1,739
(109)	36	Share of remeasurement of defined benefit obligation of associates - net of tax	(19,261)	6,304
(177)	(16)		(31,266)	(2,875)
<u>30,779</u>	<u>28,228</u>	<b>Total comprehensive income</b>	<u>5,433,030</u>	<u>4,982,569</u>

The annexed notes 1 to 43 and annexure I form an integral part of these financial statements.

  
Chief Executive

  
Director

  
Director

  
Chief Financial Officer

  
Director

# Statement of Changes in Equity

For the year ended December 31, 2021

Note	Share Capital	Non-distributable Reserve	Statutory Reserve	Capital Market Equalization Reserve	Surplus / (deficit) on revaluation of		Unappropriated profit	Total
					Investments	Non banking assets of associates		
------(Rupees in '000)-----								
<b>Balance as at January 1, 2020</b>	10,000,000	935,264	6,948,688	1,659,468	2,827,279	4,027	11,159,927	33,534,653
Profit after taxation for the year ended December 31, 2020	-	-	-	-	-	-	6,343,682	6,343,682
Other comprehensive income - net of tax	-	-	-	-	(1,358,238)	1,739	(4,614)	(1,361,113)
Total comprehensive income	-	-	-	-	(1,358,238)	1,739	6,339,068	4,982,569
Transfer to statutory reserve	17.1	-	1,268,736	-	-	-	(1,268,736)	-
Transfer to capital market equalization reserve	17.3	-	-	-	-	-	-	-
<b>Transactions with owners recorded directly in equity</b>								
Final dividend for the year ended December 31, 2019 @ Rs. 2,000 per share	-	-	-	-	-	-	(800,000)	(800,000)
<b>Balance as at December 31, 2020</b>	<b>10,000,000</b>	<b>935,264</b>	<b>8,217,424</b>	<b>1,659,468</b>	<b>1,469,041</b>	<b>5,766</b>	<b>15,430,259</b>	<b>37,717,222</b>
Profit after taxation for the year ended December 31, 2021	-	-	-	-	-	-	7,882,434	7,882,434
Other comprehensive income - net of tax	-	-	-	-	(2,418,138)	940	(32,206)	(2,449,404)
Total comprehensive income	-	-	-	-	(2,418,138)	940	7,850,228	5,433,030
Transfer to statutory reserve	17.1	-	1,576,487	-	-	-	(1,576,487)	-
Transfer to capital market equalization reserve	17.3	-	-	-	-	-	-	-
Share of movement in other reserve of associate- net of tax	-	-	-	-	-	-	34,034	34,034
<b>Transactions with owners recorded directly in equity</b>								
Final dividend for the year ended December 31, 2020 @ Rs. 2,500 per share	-	-	-	-	-	-	(1,000,000)	(1,000,000)
Issue of 240,000 bonus shares @ Rs. 25,000 each	6,000,000	-	-	-	-	-	(6,000,000)	-
<b>Balance as at December 31, 2021</b>	<b>16,000,000</b>	<b>935,264</b>	<b>9,793,911</b>	<b>1,659,468</b>	<b>(949,097)</b>	<b>6,706</b>	<b>14,738,034</b>	<b>42,184,286</b>

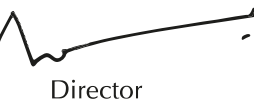
The annexed notes 1 to 43 and annexure I form an integral part of these financial statements.

Chief Executive



Director

Chief Financial Officer



Director

Director

# Cash Flow Statement

For the year ended December 31, 2021

2021	2020		Note	2021	2020
----- (USD in '000) -----				----- (Rupees in '000) -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
53,868	44,292	Profit before taxation		9,508,425	7,818,125
(1,112)	(775)	Less: Dividend income		(196,242)	(136,758)
<u>52,756</u>	<u>43,517</u>			<u>9,312,183</u>	<u>7,681,367</u>
<b>Adjustments for:</b>					
407	230	Depreciation		71,751	40,550
28	31	Amortization		5,002	5,458
2,063	5,856	Provisions and write-offs	28	364,231	1,033,680
(6)	(16)	Gain on sale of fixed assets		(1,000)	(2,786)
2	-	Unrealized loss on revaluation of of 'held for trading' securities		320	-
(50,589)	(39,940)	Share in results of associates - net		(8,929,735)	(7,050,046)
<u>(48,095)</u>	<u>(33,839)</u>			<u>(8,489,431)</u>	<u>(5,973,144)</u>
<u>4,661</u>	<u>9,678</u>			<u>822,752</u>	<u>1,708,223</u>
<b>(Increase) / decrease in operating assets</b>					
-	6,902	Lendings to financial institutions		-	1,218,271
(303)	114	Held-for-trading securities		(53,455)	20,086
(75,930)	(44,620)	Advances		(13,402,637)	(7,875,984)
(13,356)	(3,516)	Others assets (excluding advance taxation)		(2,357,560)	(620,569)
<u>(89,589)</u>	<u>(41,120)</u>			<u>(15,813,652)</u>	<u>(7,258,196)</u>
<b>Increase / (decrease) in operating liabilities</b>					
107,958	188,086	Borrowings		19,056,052	33,199,729
19,515	15,976	Deposits		3,444,766	2,820,000
4,723	2,506	Other liabilities (excluding current taxation)		833,612	442,342
<u>132,196</u>	<u>206,568</u>			<u>23,334,430</u>	<u>36,462,071</u>
<u>47,268</u>	<u>175,126</u>			<u>8,343,530</u>	<u>30,912,098</u>
<u>(1,426)</u>	<u>(3,617)</u>	Income tax paid		(251,708)	(638,517)
<u>45,842</u>	<u>171,509</u>	<i>Net cash inflow from operating activities</i>		<u>8,091,822</u>	<u>30,273,581</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
(59,051)	(181,509)	Net investments in available-for-sale securities		(10,423,325)	(32,038,823)
(42)	-	Net investments in associates		(7,401)	-
19,391	15,634	Dividends received		3,422,737	2,759,650
(421)	(702)	Investments in operating fixed assets		(74,234)	(123,956)
6	16	Proceeds from sale of fixed assets		1,000	2,792
<u>(40,117)</u>	<u>(166,562)</u>	<i>Net cash used in investing activities</i>		<u>(7,081,223)</u>	<u>(29,400,337)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
(5,665)	(4,532)	Dividend paid		(1,000,000)	(800,000)
<u>(5,665)</u>	<u>(4,532)</u>	<i>Net cash used in financing activities</i>		<u>(1,000,000)</u>	<u>(800,000)</u>
60	415	<b>Increase in cash and cash equivalents</b>		10,599	73,244
857	442	Cash and cash equivalents at beginning of the year		151,215	77,971
<u>917</u>	<u>857</u>	<b>Cash and cash equivalents at end of the year</b>	31	<u>161,814</u>	<u>151,215</u>

The annexed notes 1 to 43 and annexure I form an integral part of these financial statements.

Chief Executive



Director

Chief Financial Officer



Director

Director

# Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2021

## 1 STATUS AND NATURE OF BUSINESS

Pakistan Kuwait Investment Company (Private) Limited ("the Company") was incorporated in Pakistan as a Private Limited Company on March 17, 1979. The registered office is situated at 4th Floor, Block 'C', Finance and Trade Centre, Shahrah-e-Faisal, Karachi. The Company has a representative office in Lahore. The Company is a 50:50 joint venture between the Governments of Pakistan and Kuwait. The objective of the Company is to profitably promote industrial investments in Pakistan.

The Pakistan Credit Rating Agency (PACRA) has maintained for the Company, the long-term entity rating to AAA (Triple A) and the short term rating at A1+(A one plus), the highest level.

## 2 BASIS OF PRESENTATION

The US Dollar amounts presented in the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are converted at the rate of Rs. 176.5135, prevalent at December 31, 2021, for 2021 and 2020. This additional information is presented only for the convenience of users of the financial statements.

### 2.1 STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by 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 SBP and SECP differ with the requirements of the IFRS or IFAS, the Companies Act, 2017 and the said directives shall prevail.

The SBP through its BSD Circular letter No. 11 dated September 11, 2002 has deferred the implementation of IAS 39 'Financial Instruments: Recognition and Measurement' and IAS 40 'Investment Property' for Non-Banking Financial Institutions (NBFIs) in Pakistan. Further, SECP has deferred the implementation of IFRS 7 'Financial Instruments: Disclosures' through SRO 411(I) / 2008 dated April 28, 2008. Accordingly, the requirements of these IFRS and their respective interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), have not been considered in preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

SBP vide its BPRD circular Letter No. 24 dated July 05, 2021 has deferred the implementation of IFRS 9 for Banks / DFIs to accounting periods beginning on or after January 01, 2022. IFRS 9 replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. The standard 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 still awaits final guidelines from SBP for application of some aspects of IFRS 9.

- 2.1.1 These financial statements have been prepared in accordance with forms for the preparation of the annual financial statements of the banks / DFIs issued by SBP, vide its BPRD Circular No. 02 dated January 25, 2018.
- 2.1.2 The Company believes that there is no significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

**2.2** Standards, interpretations of and amendments to accounting and reporting standards as applicable in Pakistan that are effective in the current year.

There are certain new standards and interpretations and amendments to existing standards issued by International Accounting Standards Board (IASB) and interpretations that are applicable to the Company for accounting periods beginning on or after January 1, 2021, but are considered either not to be relevant or do not have any significant impact on the Company's financial statements and therefore not detailed in these financial statements.

**2.3 Standards, interpretations of and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective.**

The following standards, amendments and interpretations as notified under the Companies Act, 2017 will be effective for the accounting periods as stated below:

	<b>Effective date (annual periods beginning on or after)</b>
Covid-19-Related Rent Concessions beyond 30 June 2021	April 01, 2021
Amendments to IFRS 16	
Reference to the Conceptual Framework – Amendments to IFRS 3	January 01, 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	January 01, 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	January 01, 2022
Annual improvement process IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	January 01, 2022
Annual improvement process IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	January 01, 2022
Annual improvement process IAS 41 Agriculture – Taxation in fair value measurements	January 01, 2022
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 01, 2023
Definition of Accounting Estimates - Amendments to IAS 8	January 01, 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	January 01, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	January 01, 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Not yet finalized

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

<b>Standard</b>	<b>IASB effective date (annual periods beginning on or after)</b>
IFRS 1 – First time adoption of IFRSs	July 01, 2009
IFRS 17 – Insurance Contracts	January 01, 2023

**2.4 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities and income and expenses as well as in disclosure of contingent liabilities. 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 basis of making the 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. Revision to accounting estimates are recognised 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 accounting and reporting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

**2.4.1 Provision against non-performing advances**

The management reviews the loan and lease portfolio to assess non-performing accounts and expected recovery on a monthly basis. In determining the non-performing accounts and provision requirements, the relevant Prudential Regulations issued by

the State Bank of Pakistan, payment status of mark-up and principal, expected future cash flows of the business, security position and personal wealth of the directors and owners are taken into account.

#### **2.4.2 Classification of investments**

In classifying investments as 'held-for-trading' the Company has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

In classifying investments as 'held-to-maturity' the Company follows the guidance provided in SBP circulars on classifying non derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Company evaluates its intention and ability to hold such investment to maturity.

The investments which are not classified as 'held-for-trading' or 'held-to-maturity' are classified as 'available-for-sale'.

#### **2.4.3 Impairment of 'available-for-sale' equity instruments**

The management determines that 'available-for-sale' equity investments are impaired when there has been a significant or prolonged decline in market value / fair value below its cost. In making this judgment, the management considers among other factors, the decline in market price below cost by 30% as significant and if the decline in market price persists for nine months as prolonged.

#### **2.4.4 Income taxes**

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 as described in note 19 and the appeals of the department pending at various levels of authorities.

#### **2.4.5 Useful life and residual value of property and equipment**

Estimates of useful life and residual value of property and equipment are based on the management's best estimate.

### **3 BASIS OF MEASUREMENT**

#### **3.1 Accounting convention**

These financial statements have been prepared on the historical cost basis as modified for revaluation of certain investments at market rates in accordance with the requirements of BSD Circular No. 10 dated July 13, 2004 as amended through BSD Circular No. 11 dated August 04, 2004 and BSD Circular No. 14 dated September 24, 2004.

#### **3.2 Functional and Presentation Currency**

**3.2.1** The financial statements are presented in Pakistan Rupees which is the Company's functional currency.

**3.2.2** The amounts are rounded off to the nearest thousand rupees except as stated otherwise.

### **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year.

#### **4.1 Cash and cash equivalents**

Cash and cash equivalents comprise of cash and balances with treasury and other banks in current and deposit accounts.

#### **4.2 Lendings to / borrowings from financial institutions (reverse repo / repo)**

The Company enters into secured and unsecured lending and borrowing transactions with financial institutions. These are recorded as under:

##### **4.2.1 Sale under repurchase agreement**

Securities sold subject to a repurchase agreement (repo) are retained in these financial statements as investments and the counter party liability is included in borrowings. The difference between the sale and contracted repurchase price is accrued on a time proportion basis over the period of the contract and recorded as an expense.

#### 4.2.2 Purchase under resale agreement

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised as investment in the statement of financial position. Amounts paid under these agreements are included in reverse repurchase agreement lendings. The difference between purchase and resale price is accrued as income over the term of the reverse repo agreement.

#### 4.2.3 Other borrowings

Other borrowings including borrowings from SBP are recorded at the proceeds received. Mark-up on such borrowings is charged to the profit and loss account on a time proportion basis.

#### 4.2.4 Bai Muajjal

In Bai Muajjal, the Company buys sukuks on credit from other financial institutions. The price is agreed at the time of purchase and such proceeds are paid at the end of credit period.

#### 4.2.5 Other lendings

Lendings are stated net of provision. Mark-up on such lendings is charged to the profit and loss account on a time proportion basis except mark-up on impaired / delinquent lendings, which is recognized on receipt basis.

### 4.3 Investments

#### 4.3.1 Classification

The Company classifies its investments other than those in associates based on the criteria set out in BSD Circular Nos. 10, 11 and 14 dated July 13, 2004, August 04, 2004 and September 24, 2004 respectively. The investments are classified in the following categories as per SBP guidelines:

- Held for trading investments, investments which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and shall be sold within 90 days.
- Held-to-maturity investments, the Company classifies non derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Company evaluates its intention and ability to hold such investment to maturity.
- Available-for-sale investments, investments other than associates which are not eligible to be classified as 'held for trading' or 'held to maturity' are classified as 'available-for-sale'.
- Associates are all entities over which the Company has significant influence but not control. Investment in associates is carried at cost less accumulated impairment losses, if any.

#### 4.3.2 Initial recognition

Investments are initially recognized at cost which is equivalent to fair value on the date of acquisition. An investment (other than investment that is held for trading) is measured at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the investment. For 'held-for-trading' investment transactions, transaction costs are charged to profit and loss on the date of acquisition.

#### 4.3.3 Trade date accounting

All purchase and sale of investments that require delivery within the time frame established by regulations or market convention are recognized at trade date. Trade date is a date on which the Company commits to purchase or sell the investments.

#### 4.3.4 Subsequent measurement

Investments categorised as 'held-for-trading' and 'available-for-sale' are valued at fair / market value. Market value of government securities and listed shares are determined by reference to rates provided on PKRV (Reuters Page) and rates provided on the Pakistan Stock Exchange (PSX) at the date of statement of financial position respectively. The fair market value of Term Finance Certificates is as per the rates issued by the Mutual Funds Association of Pakistan (MUFAP). Any surplus or deficit arising as a result of revaluation of securities categorised as 'held-for-trading' is taken to profit and loss account and that of 'available-for-sale' is taken to the statement of financial position, and shown as part of equity.

Furthermore, investments classified as 'held-to-maturity' are stated at their amortised cost less impairment in value, if any.

Unquoted investments are stated at lower of cost and break-up value based on latest available financial statements.

Impairment loss is recognised whenever the carrying amount of an investment exceeds its recoverable amount. An impairment loss is taken to profit and loss account. Gain / (loss) on sale of investments during the year is included in profit and loss account.

Premium or discount on acquisition of government securities and listed term finance certificates is amortised over the period to maturity under effective interest method.

#### **4.3.5 Investment in associates**

Associates are those entities in which the Company has significant influence, but does not have control, over the financial and operating policies. These financial statements include the Company's share of the total recognized gains and losses of associates on an equity accounting basis, from the date significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligation.

#### **4.4 Advances including net investment in finance leases**

Advances are stated net of provision for doubtful debts. Provision for doubtful debts is determined in accordance with 'Prudential Regulations' issued by the SBP and the Credit Policy of the Company. The provision is charged to the profit and loss account.

Advances are written off when there are no realistic prospects of recovery.

Leases, where substantially all risks and rewards incidental to ownership of an asset are transferred to the lessee, are classified as finance lease. A receivable is recognised at an amount equal to the present value of the lease payments. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

#### **4.5 Operating fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation and impairment loss (if any) except leasehold land which is stated at cost.

Depreciation is charged to profit and loss account applying the straight line method whereby the cost of an asset is written off over its estimated useful life. Depreciation is charged in the month of purchase and no depreciation is charged in the month of disposal. Depreciation is charged at the rates stated in note 9.2.

Maintenance and normal repairs are charged to profit and loss account as and when incurred.

Gain or loss on the sale or retirement of fixed assets is taken to profit and loss account.

#### **4.6 Intangible assets**

Intangible assets with definite useful lives are stated at cost less accumulated amortization and accumulated impairment loss (if any). Amortization is charged on a straight line basis over their estimated useful lives. Amortization is charged at the rates stated in note 10.

#### **4.7 Non-current assets held for sale**

Non-current assets are classified as 'held-for-sale', when their carrying amount will be recovered principally through sale transaction rather than continuing use. Such non-current assets are measured at the lower of their carrying values and fair values less costs to sell.

#### **4.8 Certificates of investment (COI) / deposits**

COI / deposits are initially recorded at the amount of proceeds received. Mark-up is accrued under effective interest rate method on a time proportion basis.



#### 4.9 Staff retirement benefits

##### *Defined benefit plan*

The Company operates a funded gratuity scheme for all its eligible permanent employees. 'Projected unit credit method' has been used for actuarial valuation. Actuarial gains or losses are recognised in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements and net interest income (expense).

The last actuarial valuation of the employees' defined benefit plan was conducted as of December 31, 2021.

##### *Defined contribution plan*

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

#### 4.10 Employees' compensated absences

Liability in respect of employees' compensated absences is recognised on the basis of actuarial valuation and is accounted for in the period in which these are earned. The provision is recognized on the basis of actuarial recommendation.

The last actuarial valuation of the employees' compensated absences was conducted as of December 31, 2021.

#### 4.11 Foreign currencies

Foreign currency transactions are recorded at the rates prevailing on the date of transactions. Monetary assets and liabilities in foreign currency are reported in Pakistan Rupees at the rates of exchange prevailing on the date of statement of financial position. Exchange gains and losses are included in profit and loss statement.

#### 4.12 Revenue recognition

- i) Dividend income is recognised when the Company's right to receive payment is established.
- ii) Income from loans, term finance certificates, debentures, bank deposits, government securities and reverse repo transactions is recognised under effective interest rate method, except where recovery is considered doubtful, the income is recognised on receipt basis.
- iii) The Company follows the finance method in recognising income on lease contracts. Under this method the unearned income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of the leased asset is deferred and then amortised over the term of the lease, so as to produce a constant rate of return on net investment in the lease.
- iv) Gain on sale of securities is recognised at the time of sale of relevant securities.
- v) Advisory income is recognised as the services are rendered.

The Company earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for providing the services.

The Company recognizes fees earned on transaction-based arrangements at a point in time when the Company has provided the service to the customer. Where the contract requires services to be provided over time, income is recognized on a systematic basis over the life of the agreement

#### 4.13 Taxation

##### *Current*

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account the 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 realisation 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 realised 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 recognised for all deductible temporary differences and any unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

### **4.14 Impairment of non-financial assets**

The carrying amount of the assets, other than deferred tax asset, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses other than those relating to equity investments are reversed when there is an indication that impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

### **4.15 Other provisions**

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

### **4.16 Off-setting of financial assets and financial liabilities**

'Financial assets' and 'financial liabilities' are only off-set and the net amount is reported in the statement of financial position if the Company has a legal right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### **4.17 Derivative financial instruments**

Derivative financial instruments are initially measured at fair value and subsequently remeasured at fair value. The gain or loss on remeasurement to fair value is recognised in profit and loss account.

### **4.18 Dividend distribution**

Dividends (including bonus dividend) are recognized in the period in which these are approved.

### **4.19 Earnings per share**

The Company presents earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year.

### **4.20 Segment reporting**

A segment is distinguishable component of the Company that is engaged in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format of reporting is based on business segments.

#### **Business segments**

Following are the main segments of the Company:

<i>Corporate Finance</i>	Includes loans, advances, leases and other transactions with corporate customers.
<i>Treasury</i>	Undertakes Company's fund management activities through leveraging and investing in liquid assets such as short term placements, government securities and reverse repo activities. It carries out spread based activities in the inter bank market and manages the interest rate risk exposure of the Company.

<i>Capital Market</i>	Includes trading in listed securities with a view to trade and earn the benefit of market fluctuations and to hold securities for dividend income and capital gain.
<i>Investment Banking</i>	Undertakes advisory services including mergers and acquisitions, listed debt syndication, trustee activities and other investment banking activities.

### Geographical segments

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

<b>5</b>	<b>CASH AND BALANCES WITH TREASURY BANKS</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
			----- (Rupees in '000) -----	
	Cash in hand in local currency		<b>80</b>	50
	With State Bank of Pakistan in - local currency current account	5.1	<b>141,420</b>	135,906
	With National Bank of Pakistan in - local currency current account		<b>1,162</b>	1,164
			<b>142,662</b>	137,120

**5.1** This includes Rs. 136.5 million (2020: Rs.132 million) held as minimum cash reserve required to be maintained with the SBP in accordance with its requirements issued from time to time.

<b>6</b>	<b>BALANCES WITH OTHER BANKS</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
			----- (Rupees in '000) -----	
	In Pakistan			
	- current account		<b>1,097</b>	1,806
	- deposit account	6.1	<b>18,055</b>	12,289
			<b>19,152</b>	14,095

**6.1** This represents balance maintained in saving accounts with banks. The profit rates on these accounts ranges between 4% and 7.25% (2020: 2.76% and 5.50%) per annum.

### 7 INVESTMENTS

7.1	Investments by type:	Note	2021				2020			
			Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
----- (Rupees in '000) -----										
	<b>Held-for-trading securities</b>									
	Shares		53,455	-	(320)	53,135	-	-	-	-
	<b>Available-for-sale securities</b>									
	Federal Government Securities		64,716,306	-	(2,092,559)	62,623,747	57,721,705	-	115,699	57,837,404
	Shares		3,640,578	(147,832)	(195,167)	3,297,579	2,832,708	(124,008)	(19,284)	2,689,416
	Non Government Debt Securities		8,209,334	(33,638)	43,666	8,219,362	5,626,867	(33,638)	(5,264)	5,587,965
			<b>76,566,218</b>	<b>(181,470)</b>	<b>(2,244,060)</b>	<b>74,140,688</b>	66,181,280	(157,646)	91,151	66,114,785
	Associates	7.1.1	29,651,106	-	-	29,651,106	24,344,147	-	-	24,344,147
	<b>Total Investments</b>		<b>106,270,779</b>	<b>(181,470)</b>	<b>(2,244,380)</b>	<b>103,844,929</b>	90,525,427	(157,646)	91,151	90,458,932

### 7.1.1 Movement in investments in associates

	2021	2020
	----- (Rupees in '000) -----	
Investments at beginning of the year	24,344,147	21,092,192
Disposal of investments in associates	(52,599)	-
Investment in associates	60,000	-
Share in deficit on revaluation of 'available-for-sale' securities of associates	(450,683)	(1,153,609)
Share of surplus on revaluation of non - banking assets of associates	1,106	2,046
Share of remeasurement of defined benefit obligation of associates	(22,514)	6,750
Share of profit from associates recognized in profit and loss account	8,929,735	7,050,046
Share of Employee share option compensation reserve of associate	40,037	-
Provision for impairment of an associate	(2,015)	-
Dividend received from associates	(3,196,108)	(2,653,278)
Investments at end of the year	<u>29,651,106</u>	<u>24,344,147</u>

The cost of investments in associates as at December 31, 2021 amounted to Rs. 2,946 million (December 31, 2020: Rs. 2,895 million). Share in results of associates recorded under equity method of accounting, net of dividend, capital gain and income taxes amounted to Rs. 4,882 million (December 31, 2020: Rs. 3,729 million).

PKIC after obtaining relevant approvals from competent authorities has disposed off 2.647% shareholding of NCCPL in order to comply with requirement of Clearing Houses (Licensing and Operations) Regulations, 2016 which requires that a single shareholder other than SECP, shall not hold more than 15% shares in the clearing house. Currently PKIC holds 15% shareholding in NCCPL and retains significant influence.

During the year PKIC after obtaining relevant approvals from competent authorities has acquired 6 million (20%) shares of Eclear Services Limited.

### 7.1.2 Investment in Associates

The Company's associates are:

Associates	Note	Nature of Activities	Country of Incorporation	Percentage holding
Meezan Bank Limited (MBL)	a	Islamic Banking	Pakistan	30
Ghandhara Tyre and Rubber Company Ltd. (Formerly The General Tyre & Rubber Company of Pak Ltd (GTR))	a	Tyre Manufacturing	Pakistan	30
Al Meezan Investment Management Limited (AMIM)	a	Investment Management	Pakistan	30
EClear Services Limited (ESL)	a	Clearing & Settlement	Pakistan	20
Al Meezan Mutual Fund (AMMF)	b	Fund	Pakistan	5.72
National Clearing Company of Pakistan Limited (NCCPL)	c	Clearing & Settlement	Pakistan	15

a) These are considered an associate because of significant influence the Company is able to exercise over its management and its financial and operating policies. Significant influence is evidenced largely through the investment in the associate being 20% or more and representation on its board of directors.

b) This is considered an associate because of significant influence the Company is able to exercise over its management and its financial and operating policies. Significant influence is evidenced largely through the representation on the board of directors of management company and participation in decisions about dividend and other distributions policies.

c) This is considered an associate because of significant influence the Company is able to exercise over its management and its financial and operating policies. Significant influence is evidenced largely through the representation on its board of directors and participation in decisions about dividend and other distributions policies.

### 7.1.3 Summarized financial statements of associates

2021	MBL	GTR	AMIM	AMMF	NCCPL	ESL
	----- (Rupees in '000) -----					
Current Assets	1,010,812,927	11,244,779	3,855,202	5,146,859	25,248,908	351,572
Non-Current Assets	896,846,120	5,404,008	336,518	-	736,589	15,154
<b>Total Assets</b>	<b>1,907,659,047</b>	<b>16,648,787</b>	<b>4,191,720</b>	<b>5,146,859</b>	<b>25,985,497</b>	<b>366,726</b>
Current Liabilities	1,664,512,009	11,451,261	773,094	96,917	23,789,483	76,799
Non-Current Liabilities	152,705,426	1,440,639	-	-	29,710	-
<b>Total Liabilities</b>	<b>1,817,217,435</b>	<b>12,891,900</b>	<b>773,094</b>	<b>96,917</b>	<b>23,819,193</b>	<b>76,799</b>
<b>Net Assets</b>	<b>90,441,612</b>	<b>3,756,887</b>	<b>3,418,626</b>	<b>5,049,942</b>	<b>2,166,304</b>	<b>289,927</b>
Fair Value of Investment	65,456,322	1,695,841	1,025,588	287,646	324,946	57,985
Dividend Received	2,854,203	-	300,000	-	41,905	-
Revenue	68,905,589	2,019,419	1,819,984	311,462	1,681,256	555
Profit from continuing operations	47,976,758	570,096	1,074,113	119,575	856,329	(10,072)
Tax	(19,469,170)	(162,097)	(274,032)	-	(241,022)	-
<b>Profit after tax from continuing operations</b>	<b>28,507,588</b>	<b>407,999</b>	<b>800,081</b>	<b>119,575</b>	<b>615,307</b>	<b>(10,072)</b>
Other Comprehensive Income	(1,556,438)	(11,332)	5,654	-	917	-
<b>Total Comprehensive Income</b>	<b>26,951,150</b>	<b>396,667</b>	<b>805,735</b>	<b>119,575</b>	<b>616,224</b>	<b>(10,072)</b>

The financial statements upto December 31, 2021 have been used for all associates.

2020	MBL	GTR	AMIM	AMMF	NCCPL
	----- (Rupees in '000) -----				
Current Assets	875,144,407	7,694,432	4,261,167	4,962,120	24,504,844
Non-Current Assets	651,416,429	5,235,305	400,718	-	554,855
<b>Total Assets</b>	<b>1,526,560,836</b>	<b>12,929,737</b>	<b>4,661,885</b>	<b>4,962,120</b>	<b>25,059,699</b>
Current Liabilities	602,580,503	7,592,887	1,048,994	184,769	23,197,139
Non-Current Liabilities	850,749,315	1,976,630	-	-	26,625
<b>Total Liabilities</b>	<b>1,453,329,818</b>	<b>9,569,517</b>	<b>1,048,994</b>	<b>184,769</b>	<b>23,223,764</b>
<b>Net Assets</b>	<b>73,231,018</b>	<b>3,360,220</b>	<b>3,612,891</b>	<b>4,777,351</b>	<b>1,835,935</b>
Fair Value of Investment	44,326,094	3,033,200	1,083,867	280,239	323,990
Dividend Received	2,469,334	-	150,000	7,603	26,341
Revenue	64,829,322	1,433,549	1,822,937	425,459	1,231,464
Profit from continuing operations	37,790,128	97,939	1,118,390	273,987	519,645
Tax	(15,115,265)	(53,391)	(323,780)	-	(148,550)
<b>Profit after tax from continuing operations</b>	<b>22,674,863</b>	<b>44,548</b>	<b>794,610</b>	<b>273,987</b>	<b>371,095</b>
Other Comprehensive Income	(3,818,676)	22,181	(24,040)	-	(6,665)
<b>Total Comprehensive Income</b>	<b>18,856,187</b>	<b>66,729</b>	<b>770,570</b>	<b>273,987</b>	<b>364,430</b>

The financial statements upto December 31, 2020 have been used for all associates.

## 7.1.4 Reconciliation of Summarized information of Associates

2021	MBL	GTR	AMIM	AMMF	NCCPL	ESL
	----- (Rupees in '000) -----					
Net Assets of the associate	<u>90,441,612</u>	<u>3,756,887</u>	<u>3,418,626</u>	<u>5,049,942</u>	<u>2,166,304</u>	<u>289,927</u>
Company's proportionate interest in associate	27,132,484	1,127,066	1,025,588	288,857	324,946	57,985
Other adjustments	(369,718)	71,402	280	(2,034)	(5,661)	(89)
Carrying amount of the Company's interest in associate	<u>26,762,766</u>	<u>1,198,468</u>	<u>1,025,868</u>	<u>286,823</u>	<u>319,285</u>	<u>57,896</u>
2020	MBL	GTR	AMIM	AMMF	NCCPL	
	----- (Rupees in '000) -----					
Net Assets of the associate	<u>73,231,018</u>	<u>3,360,220</u>	<u>3,612,891</u>	<u>4,777,351</u>	<u>1,835,935</u>	
Company's proportionate interest in associate	21,969,305	1,008,066	1,083,867	280,431	324,043	
Other adjustments	(390,116)	71,403	281	(445)	(2,688)	
Carrying amount of the Company's interest in associate	<u>21,579,189</u>	<u>1,079,469</u>	<u>1,084,148</u>	<u>279,986</u>	<u>321,355</u>	

## 7.1.5 Significant restrictions

The associates do not have significant restrictions on their ability to access or use their assets or settle liabilities other than those resulting from the regulatory framework within which they operate, including but not limited to the requirement of maintaining minimum level of capital and liquid assets, and limit on maximum exposures and other required ratios.

## 7.2 Investments by segments:

Note	2021				2020			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	----- (Rupees in '000) -----							
<b>Federal Government Securities:</b>								
Market Treasury Bills	-	-	-	-	15,318,702	-	10,733	15,329,435
Pakistan Investment Bonds	64,716,306	-	(2,092,559)	62,623,747	42,403,003	-	104,966	42,507,969
	<u>64,716,306</u>	-	<u>(2,092,559)</u>	<u>62,623,747</u>	57,721,705	-	115,699	57,837,404
<b>Shares:</b>								
Listed Companies	3,590,007	(44,606)	(195,487)	3,349,914	2,728,682	(20,782)	(19,284)	2,688,616
Unlisted Companies	93,736	(92,936)	-	800	93,736	(92,936)	-	800
	<u>3,683,743</u>	<u>(137,542)</u>	<u>(195,487)</u>	<u>3,350,714</u>	2,822,418	(113,718)	(19,284)	2,689,416
<b>Non Government Debt Securities</b>								
Listed	4,060,697	-	36,166	4,096,863	3,828,706	-	13,855	3,842,561
Unlisted	4,148,637	(33,638)	7,500	4,122,499	1,798,161	(33,638)	(19,119)	1,745,404
	<u>8,209,334</u>	<u>(33,638)</u>	<u>43,666</u>	<u>8,219,362</u>	5,626,867	(33,638)	(5,264)	5,587,965
<b>Foreign Securities</b>								
Unlisted equity securities	10,290	(10,290)	-	-	10,290	(10,290)	-	-
<b>Associates</b>								
Meezan Bank Limited	26,762,766	-	-	26,762,766	21,579,189	-	-	21,579,189
Ghandhara Tyre and Rubber Company Ltd. (Formally General Tyre and Rubber Company)	1,198,468	-	-	1,198,468	1,079,469	-	-	1,079,469
Al Meezan Mutual Funds	286,823	-	-	286,823	279,986	-	-	279,986
Al Meezan Investment Management Ltd.	1,025,868	-	-	1,025,868	1,084,148	-	-	1,084,148
National Clearing Company of Pakistan Ltd.	319,285	-	-	319,285	321,355	-	-	321,355
EClear Services Limited	57,896	-	-	57,896	-	-	-	-
	<u>29,651,106</u>	-	-	<u>29,651,106</u>	24,344,147	-	-	24,344,147
<b>Total Investments</b>	<u>106,270,779</u>	<u>(181,470)</u>	<u>(2,244,380)</u>	<u>103,844,929</u>	90,525,427	(157,646)	91,151	90,458,932

- 7.2.1** The investments in Pakistan Investment Bonds are maturing between July 12, 2023 and September 19, 2029 (2020: July 12, 2021 and September 19, 2029) and the effective mark-up rates range between 7.00 and 10.00 (2020: 7.61 and 14.47) percent per annum.
- 7.2.2** Investments in shares of Meezan Bank Limited costing Rs. 2,422 million and market value of Rs. 65,456 million (2020: Cost Rs. 2,422 million and market value of Rs. 44,326 million) are held as strategic investment in terms of Prudential Regulations applicable to Corporate / Commercial Banking which can be sold only with prior permission of SBP.
- 7.2.3** The investment in Al-Meezan Investment Management Limited can be sold only with prior permission of SECP.
- 7.2.4** The market value of shares in listed associates amounted to Rs. 67,440 million (2020: Rs. 47,639 million).

**7.2.5 Investments given as collateral**

	2021	2020
	----- (Rupees in '000) -----	
Pakistan Investment Bonds	21,503,796	32,182,514
Market Treasury Bills	-	5,371,156
	<u>21,503,796</u>	<u>37,553,670</u>

**7.3 Provision for diminution in value of investments**

<b>7.3.1</b> Opening balance	157,646	311,891
Charge / reversals		
Charge for the year	64,231	756,914
Reversal on disposals	(40,407)	(911,159)
	<u>23,824</u>	<u>(154,245)</u>
Closing balance	<u>181,470</u>	<u>157,646</u>

**7.3.2 Particulars of provision against debt securities**  
**Category of classification**

	2021		2020	
	*NPI	Provision	*NPI	Provision
	----- (Rupees in '000) -----			
<b>Domestic</b>				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	33,638	33,638	33,638	33,638
	<u>33,638</u>	<u>33,638</u>	<u>33,638</u>	<u>33,638</u>
<b>Overseas</b>	-	-	-	-
<b>Total</b>	<u>33,638</u>	<u>33,638</u>	<u>33,638</u>	<u>33,638</u>

\* NPI stands for Non-Performing Investments.

**7.4 Quality of Available for Sale Securities**

Details regarding quality of available-for-sale (AFS) securities are as follows:

**7.4.1 Federal Government Securities - Government guaranteed**

	2021	2020
	Cost	
	----- (Rupees in '000) -----	
Market Treasury Bills	-	15,318,702
Pakistan Investment Bonds	64,716,306	42,403,003
	<u>64,716,306</u>	<u>57,721,705</u>

## 7.4.2 Shares

### Listed Companies

- Cement
- Commercial Banks
- Fertilizer
- Leasing
- Oil and Gas Exploration Companies
- Oil and Gas Marketing Companies
- Power Generation and Distribution
- Technology & Communication
- Engineering
- Miscellaneous

2021	2020
Cost	
----- (Rupees in '000)-----	
516,630	130,542
648,360	785,033
455,967	455,967
7,407	7,407
-	477,288
123,542	13,101
985,915	819,832
170,950	39,512
504,108	-
123,673	-
<b>3,536,552</b>	<b>2,728,682</b>

### Unlisted Companies

- Arabian Sea Country Club
- Axel Products Limited
- Dadabhoy Padube Limited
- Engine Systems Limited
- FTC Management Company (Private) Limited
- Innovative Investment Bank Limited
- Pakistan Mercantile Exchange Limited
- Pakistan Textile City Limited
- Trans Mobile Limited
- TCC Management Company Limited

2021		2020	
Cost	Breakup value	Cost	Breakup value
----- (Rupees in '000)-----			
2,150	-	2,150	-
4,043	-	4,043	-
200	-	200	-
10,000	-	10,000	-
500	40,094	500	37,786
4,770	-	4,770	-
11,773	-	11,773	-
50,000	-	50,000	-
10,000	-	10,000	-
300	1,860	300	1,381
<b>93,736</b>	<b>41,954</b>	<b>93,736</b>	<b>39,167</b>

## 7.4.3 Non Government Debt Securities

### Listed

- AAA
- AA+, AA, AA-
- A+, A, A-

2021	2020
Cost	
----- (Rupees in '000)-----	
250,000	250,000
2,943,601	2,640,005
867,096	938,701
<b>4,060,697</b>	<b>3,828,706</b>

### Unlisted

- AAA
- AA+, AA, AA-
- A+, A, A-
- Unrated

999,999	999,999
1,440,000	564,524
675,000	200,000
1,033,638	33,638
<b>4,148,637</b>	<b>1,798,161</b>

## 7.4.4 Foreign Securities

### Equity Securities

#### Unlisted Shares

- Islamic International Rating Agency Limited

<b>10,290</b>	<b>10,290</b>
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8 ADVANCES

Note	Performing		Non Performing		Total	
	2021	2020	2021	2020	2021	2020
----- (Rupees in '000) -----						
Loans, cash credits, running finances, etc.	27,918,711	14,516,074	1,065,341	1,065,341	28,984,052	15,581,415
Provision against advances						
- Specific	-	-	(1,024,568)	(1,024,568)	(1,024,568)	(1,024,568)
- General	(600,000)	(300,000)	-	-	(600,000)	(300,000)
	(600,000)	(300,000)	(1,024,568)	(1,024,568)	(1,624,568)	(1,324,568)
Advances - net of provision	<u>27,318,711</u>	<u>14,216,074</u>	<u>40,773</u>	<u>40,773</u>	<u>27,359,484</u>	<u>14,256,847</u>

8.1 Includes Net Investment in Finance Lease as disclosed below:

	2021				2020			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
----- (Rupees in '000) -----								
Lease rentals receivable	709,964	615,627	-	1,325,591	594,318	483,985	-	1,078,303
Residual value	40,773	20,000	-	60,773	40,773	20,000	-	60,773
Minimum lease payments	750,737	635,627	-	1,386,364	635,091	503,985	-	1,139,076
Financial charges for future periods	70,209	83,607	-	153,816	37,301	56,016	-	93,317
Present value of minimum lease payments	<u>680,528</u>	<u>552,020</u>	<u>-</u>	<u>1,232,548</u>	<u>597,790</u>	<u>447,969</u>	<u>-</u>	<u>1,045,759</u>

8.1.1 The Company has entered into lease agreements with various companies for lease of vehicles and plant and machinery. The amount recoverable under these arrangements are receivable latest by the year 2025 and are subject to finance income at rates ranging between 5.00 and 16.52 (2020: 5.00 and 16.52) percent per annum.

8.1.2 In respect of the aforementioned finance leases, the Company holds an aggregate sum of Rs. 60.773 million (2020: Rs. 60.773 million) as security deposits on behalf of the lessees which are included under other liabilities (note 15).

8.2 Particulars of advances (Gross)

	2021	2020
----- (Rupees in '000) -----		
In local currency	<u>28,984,052</u>	<u>15,581,415</u>

8.3 Advances include Rs. 1,065.341 million (2020: Rs 1,065.341 million) which have been placed under non-performing status as detailed below:

Category of Classification	2021		2020	
	Non Performing Loans	Provision	Non Performing Loans	Provision
----- (Rupees in '000) -----				
Domestic				
Other Assets Especially Mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	1,065,341	1,024,568	1,065,341	1,024,568
<b>Total</b>	<u>1,065,341</u>	<u>1,024,568</u>	<u>1,065,341</u>	<u>1,024,568</u>

Provision is recorded net of security deposit of Rs. 60.773 million (2020: Rs. 60.773 million).

8.4 Particulars of provision against advances	2021			2020		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	1,024,568	300,000	1,324,568	1,050,828	-	1,050,828
Charge for the year	-	300,000	300,000	-	300,000	300,000
Reversals	-	-	-	(26,260)	-	(26,260)
	-	300,000	300,000	(26,260)	300,000	273,740
Closing balance	<u>1,024,568</u>	<u>600,000</u>	<u>1,624,568</u>	<u>1,024,568</u>	<u>300,000</u>	<u>1,324,568</u>

8.4.1 Particulars of provision against advances	2021			2020		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
In local currency	<u>1,024,568</u>	<u>600,000</u>	<u>1,624,568</u>	<u>1,024,568</u>	<u>300,000</u>	<u>1,324,568</u>

8.5 The Company has made a general provision of Rs. 300 million during the year (2020: 300 million) against advances on prudent basis, in view of prevailing economic conditions, which approximate to 1.04% (2020: 1.93%) of gross advances. The total general provision held against advance as at December 31, 2021 is Rs. 600 million which is 2.07% of gross advances. This general provision is in addition to the requirement of Prudential Regulations.

8.6 Particulars of loans and advances to staff included in advances	Note	2021	2020
		----- (Rupees in '000) -----	
Opening balance		105,473	84,572
Disbursements during the year		138,215	38,019
Repayments during the year		(33,342)	(17,118)
		104,873	20,901
Balance at end of the year		<u>210,346</u>	<u>105,473</u>

9 FIXED ASSETS		2021	2020
		----- (Rupees in '000) -----	
Capital work-in-progress	9.1	-	27,403
Property and equipment	9.2	279,773	256,819
		<u>279,773</u>	<u>284,222</u>

9.1 Capital work-in-progress		2021	2020
Civil works		-	17,413
Equipment		-	5,271
Furniture & Fixtures		-	4,719
		<u>-</u>	<u>27,403</u>

## 9.2 Property and Equipment

2021					
Leasehold land	Buildings on Leasehold land	Furniture and fixtures	Electrical, office and computer equipment	Motor Vehicles	Total

### At January 1, 2021

----- (Rupees in '000) -----						
Cost	-	246,377	19,152	97,809	86,447	449,785
Accumulated depreciation	-	(79,403)	(13,466)	(68,953)	(31,144)	(192,966)
Net book value	-	166,974	5,686	28,856	55,303	256,819

### Year ended December 2021

Opening net book value	-	166,974	5,686	28,856	55,303	256,819
Additions	-	32,718	13,330	42,823	5,834	94,705
Cost of assets disposed off	-	-	(803)	(21,155)	-	(21,958)
Depreciation charge	-	(6,710)	(2,872)	(20,396)	(41,773)	(71,751)
Accumulated depreciation on disposal	-	-	803	21,155	-	21,958
Closing net book value	-	192,982	16,144	51,283	19,364	279,773

### At December 31, 2021

Cost	-	279,095	31,679	119,477	92,281	522,532
Accumulated depreciation	-	(86,113)	(15,535)	(68,194)	(72,917)	(242,759)
Net book value	-	192,982	16,144	51,283	19,364	279,773
Rate of depreciation (percentage)	-	2.50 - 20	20	20 - 33.3	20 - 63	-

2020					
Leasehold land	Buildings on Leasehold land	Furniture and fixtures	Electrical, office and computer equipment	Motor Vehicles	Total

### At January 1, 2020

----- (Rupees in '000) -----						
Cost	-	246,328	15,076	72,118	22,752	356,274
Accumulated depreciation	-	(73,264)	(14,335)	(56,232)	(14,543)	(158,374)
Net book value	-	173,064	741	15,886	8,209	197,900

### Year ended December 2020

Opening net book value	-	173,064	741	15,886	8,209	197,900
Additions	-	49	5,414	27,833	66,180	99,476
Cost of assets disposed off	-	-	(1,338)	(2,142)	(2,485)	(5,965)
Depreciation charge	-	(6,139)	(469)	(14,856)	(19,086)	(40,550)
Accumulated depreciation on disposals	-	-	1,338	2,135	2,485	5,958
Closing net book value	-	166,974	5,686	28,856	55,303	256,819

### At December 31, 2020

Cost	-	246,377	19,152	97,809	86,447	449,785
Accumulated depreciation	-	(79,403)	(13,466)	(68,953)	(31,144)	(192,966)
Net book value	-	166,974	5,686	28,856	55,303	256,819
Rate of depreciation (percentage)	-	2.50 - 20	20	20 - 33.3	20 - 63	-

9.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of:

	2021	2020
----- (Rupees in '000) -----		
Building on leasehold land	3,981	3,981
Furniture and fixtures	12,142	12,944
Electrical, office and computer equipment	42,150	43,118
Motor vehicles	12,695	10,312

10 INTANGIBLE ASSETS	Note	2021	2020
----- (Rupees in '000) -----			
Capital work-in-progress - computer software		3,480	-
Intangible Assets - computer software	10.1	<u>9,586</u>	<u>13,790</u>
		<u>13,066</u>	<u>13,790</u>

### 10.1 INTANGIBLE ASSETS - COMPUTER SOFTWARE

<b>At January 1, 2021</b>		<b>2021</b>
		<b>(Rupees in '000)</b>
Cost		92,579
Accumulated amortisation		<u>(78,789)</u>
Net book value		<u>13,790</u>
<b>Year ended December 31, 2021</b>		
Opening net book value		13,790
Additions		798
Amortisation charge		<u>(5,002)</u>
Closing net book value		<u>9,586</u>
<b>At December 31, 2021</b>		
Cost		93,377
Accumulated amortisation		<u>(83,791)</u>
Net book value		<u>9,586</u>
Rate of amortisation (percentage)		<u>20</u>
Useful life		<u>5 years</u>
<b>At January 1, 2020</b>		<b>2020</b>
		<b>(Rupees in '000)</b>
Cost		92,579
Accumulated amortisation		<u>(73,331)</u>
Net book value		<u>19,248</u>
<b>Year ended December 31, 2020</b>		
Opening net book value		19,248
Additions		-
Amortisation charge		<u>(5,458)</u>
Closing net book value		<u>13,790</u>
<b>At December 31, 2020</b>		
Cost		92,579
Accumulated amortisation		<u>(78,789)</u>
Net book value		<u>13,790</u>
Rate of amortisation (percentage)		<u>20</u>
Useful life		<u>5 years</u>

10.2 The cost of fully amortised intangible assets that are still in use amounted to Rs. 68.51 million (2020: Rs. 65.29 million).

11 OTHER ASSETS	Note	2021	2020
----- (Rupees in '000) -----			
Income/ Mark-up accrued in local currency - net		2,046,198	1,370,249
Advances, deposits, advance rent and other prepayments		448,167	24,418
Advance taxation (payments less provisions)		871,475	258,944
Other receivable	11.1	55,697	53,284
		<b>3,421,537</b>	1,706,895
Less: Provision held against other assets	11.2	<b>(46,259)</b>	(46,259)
		<b><u>3,375,278</u></b>	<b><u>1,660,636</u></b>

**11.1** Other assets includes receivable from Pakistan Kuwait Takaful Company Limited amounting Rs. 20.771 million (December 31, 2020: Rs. 20.771 million) that has been fully provided.

**11.2 Movement in provision held against other assets**

	Note	2021	2020
----- (Rupees in '000) -----			
Opening balance		46,259	178,233
Charge for the year		-	3,026
Amount Written off		-	(135,000)
Closing balance		<b><u>46,259</u></b>	<b><u>46,259</u></b>

**12 BORROWINGS**

**Secured**

Borrowings from State Bank of Pakistan			
Under Long Term Finance Facility (LTFF)	12.1	4,841,493	3,550,202
Under Financing Scheme for Renewable Energy	12.2	1,798,557	693,622
Under Temporary Economic Refinance Facility	12.3	1,842,795	292,633
		<b><u>8,482,845</u></b>	<b><u>4,536,457</u></b>
Bai Muajjal	12.4	22,583,808	37,653,706
Repurchase agreement borrowings	12.5	29,631,427	8,948,364
Term Finance Facility	12.6	20,000,000	5,000,000
<b>Total secured</b>		<b><u>80,698,080</u></b>	<b><u>56,138,527</u></b>

**Unsecured**

Bai Muajjal	12.4	510,944	6,014,445
<b>Total unsecured</b>		<b><u>510,944</u></b>	<b><u>6,014,445</u></b>
		<b><u>81,209,024</u></b>	<b><u>62,152,972</u></b>

**12.1 Borrowings from SBP under LTFF**

This represents Long Term Finance Facility on concessional rates to promote industrial growth leading to exports. The loans availed under the facility shall be repayable within a maximum period of ten years including maximum grace period of two years with mark-up payable at maximum of 5 percent per annum. SBP allocates an overall yearly limit under the facility to individual Participating Financial Institution (PFI). The sanctioned limit for the Company for the period from July 1, 2021 to June 30, 2022 is Rs. 3,365 million.

**12.2 Borrowings from SBP under Financing Scheme for Renewable Energy**

This represents Long Term Finance Facility on concessional rates to support in addressing dual challenge of energy shortage and climate change through promotion of renewable energy. The loans availed under the facility shall be repayable within a maximum period of twelve years with mark-up payable at maximum of 3 percent per annum. SBP allocates an overall yearly limit under the facility to individual Participating Financial Institution (PFI). The sanctioned limit for the Company for the period from July 01, 2021 to June 30, 2022 is Rs. 2,730 million.

### 12.3 Borrowing from SBP under Temporary Economic Refinance Facility

This represents Long Term Finance Facility on concessional rates to support sustainable economic growth especially in the backdrop of challenges being faced by the industry in post pandemic scenerio. The loans availed under this facility shall be repayable within a maximum period of ten years including maximum grace period upto two years, with mark-up payable at maximum of 1 percent per annum. The sanctioned limit for the Company till June 30, 2022 is Rs. 1,790 million.

### 12.4 Bai Muajjal

This represents borrowings from financial institutions at mark-up rates between 7.10 and 7.28 (December 31, 2020: 6.15 and 12.60) percent per annum and having maturities between January 04, 2022 and February 18, 2022 (December 31, 2020: January 04, 2021 and June 29, 2021).

### 12.5 Repurchase agreement borrowings

The Company has arranged borrowing from financial institutions against sale and repurchase of government securities. The mark-up rates on these borrowings are 10.00 and 10.75 (December 31, 2020: 6.75 and 7.10) percent per annum with maturities in four days and fourteen days (December 31, 2020: four days).

### 12.6 Term Finance Facility

The Company has availed long term finance facility from various banks. The interest rates on these facilities are between 7.73 and 11.02 (December 31, 2020: 7.370) percent per annum and is due for maturity between March 14, 2024 and December 27, 2027 (December 31, 2020: September 30, 2025)

### 12.7 Particulars of borrowings with respect to Currencies

2021	2020
----- (Rupees in '000) -----	
<u>81,209,024</u>	<u>62,152,972</u>

In local currency

### 13 DEPOSITS AND OTHER ACCOUNTS

	2021			2020		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
----- (Rupees in '000) -----						
<b>Customers</b>						
Term deposits (COI)	5,605,000	-	5,605,000	2,820,000	-	2,820,000
<b>Financial Institutions</b>						
Term deposits (COI)	659,766	-	659,766	-	-	-
	<u>6,264,766</u>	<u>-</u>	<u>6,264,766</u>	<u>2,820,000</u>	<u>-</u>	<u>2,820,000</u>

### 13.1 Composition of deposits

	2021	2020
	----- (Rupees in '000) -----	
- Public Sector Entities	300,000	2,120,000
- Non-Banking Financial Institutions	659,766	-
- Private Sector	5,305,000	700,000
	<u>6,264,766</u>	<u>2,820,000</u>

13.2 The profit rates on these COIs are between 7.25 and 11.60 (December 31, 2020: 6.95 and 7.35) percent per annum. These COIs have maturities between January 03, 2022 and August 30, 2022 (December 31, 2020: February 01, 2021 and September 07, 2021).

## 14 DEFERRED TAX LIABILITIES

2021				
At January 1, 2021	Recognised in P&L A/C	Recognised in OCI	Recognised in SOCE	At December 31, 2021

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

### Deductible temporary differences on

- Post retirement employee benefits
- Provision against non-performing advances

28,180	5,467	5,288	-	38,935
384,125	87,000	-	-	471,125
412,305	92,467	5,288	-	510,060

### Taxable temporary differences on

- Surplus on revaluation of investments
- Accelerated tax depreciation
- Finance lease arrangements
- Share of profits from Associates

(7,648)	40	300,154	-	292,546
(47,973)	11,735	-	-	(36,238)
(183,764)	(14,022)	-	-	(197,786)
(3,152,039)	(851,973)	70,689	(6,006)	(3,939,329)
(3,391,424)	(854,220)	370,843	(6,006)	(3,880,807)

<u>(2,979,119)</u>	<u>(761,753)</u>	<u>376,131</u>	<u>(6,006)</u>	<u>(3,370,747)</u>
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2020				
At January 1, 2020	Recognised in P&L A/C	Recognised in OCI	Recognised in SOCE	At December 31, 2020

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

### Deductible temporary differences on

- Post retirement employee benefits
- Provision against non-performing advances

17,843	5,878	4,459	-	28,180
304,740	79,385	-	-	384,125
322,583	85,263	4,459	-	412,305

### Taxable temporary differences on

- Surplus on revaluation of investments
- Accelerated tax depreciation
- Finance lease arrangements
- Share of profits from Associates

(26,333)	380	18,305	-	(7,648)
(35,352)	(12,621)	-	-	(47,973)
(132,868)	(50,896)	-	-	(183,764)
(2,656,203)	(668,124)	172,288	-	(3,152,039)
(2,850,756)	(731,261)	190,593	-	(3,391,424)

<u>(2,528,173)</u>	<u>(645,998)</u>	<u>195,052</u>	<u>-</u>	<u>(2,979,119)</u>
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## 15 OTHER LIABILITIES

Note

2021

2020

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

Mark-up / return / interest payable in local currency		443,977	123,946
Accrued expenses		1,333,015	859,216
Payable to defined benefit obligation	33.4	86,003	64,404
Security deposits against lease	8.1.2	60,773	60,773
Employees' compensated absences		48,256	32,769
Unearned Income		2,977	4,394
Payable to share brokers on account of purchase of marketable securities		11,849	-
Others		18,672	10,827
		<u>2,005,522</u>	<u>1,156,329</u>

## 16 SHARE CAPITAL

### 16.1 Authorized Capital

2021

2020

----- (Number of shares) -----

1,000,000

400,000

Ordinary shares of Rs. 25,000 each

2021

2020

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

25,000,000

10,000,000

## 16.2 Issued, subscribed and paid up

2021	2020		2021	2020
----- (Number of shares) -----			----- (Rupees in '000) -----	
25,950	25,950	Ordinary shares of Rs. 25,000 each issued for cash	648,750	648,750
614,050	374,050	Ordinary shares of Rs. 25,000 each issued as bonus shares	15,351,250	9,351,250
<u>640,000</u>	<u>400,000</u>		<u>16,000,000</u>	<u>10,000,000</u>

State Bank of Pakistan (SBP) on behalf of the Government of Pakistan (GOP) and Kuwait Investment Authority (KIA) on behalf of Government of Kuwait each hold 320,000 (2020: 200,000) ordinary shares of the Company as at December 31, 2021.

17 RESERVES	Note	2021	2020
		----- (Rupees in '000) -----	
Statutory reserve	17.1	9,793,911	8,217,424
Non-distributable reserve	17.2	935,264	935,264
Capital market equalization reserve	17.3	1,659,468	1,659,468
Total reserves		<u>12,388,643</u>	<u>10,812,156</u>

17.1 Statutory reserve	2021	2020	
		----- (Rupees in '000) -----	
At beginning of the year	8,217,424	6,948,688	
Add: Transfer during the year	1,576,487	1,268,736	
	<u>9,793,911</u>	<u>8,217,424</u>	

According to BPD Circular No. 15 dated May 31, 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 and after that a sum not less than 5% of profit after tax shall be credited to the statutory reserve. The Company has transferred 20% of its after tax profit for the year to this reserve amounting to Rs. 1,576.487 million (2020: Rs. 1,268.736 million).

17.2 Non-distributable reserve	2021	2020	
		----- (Rupees in '000) -----	
At beginning of the year	935,264	935,264	
Add: Addition during the year	-	-	
	<u>935,264</u>	<u>935,264</u>	

This represents share of gain on bargain purchase of an associate. This is recorded as a non distributable reserve in accordance with the SBP instructions letter (BPRD (R&P-02) / 625-110-2014-17729 ) issued to the associate. This gain may, as per the requirements of the above mentioned SBP letter, become available for distribution as stock dividend only with the prior approval of SBP. Further, this gain may, before distribution of the gain as stock dividend, be adjusted against any subsequent provisions / deficit assessed by the associate or recommended by the Banking Inspection Department of the SBP in subsequent inspections.

17.3 Capital market equalization reserve	2021	2020	
		----- (Rupees in '000) -----	
At beginning of the year	1,659,468	1,659,468	
Add: Addition during the year	-	-	
	<u>1,659,468</u>	<u>1,659,468</u>	

The 'Capital Market Equalization Reserve' has been setup as decided in the 135th board meeting held on December 24, 2014, in order to provide adequate reserve against volatility in the value of capital market portfolio. An amount upto a minimum of ten percent of the profit after tax will be transferred till such time the reserve equals thirty percent of the capital market portfolio at cost. Currently the reserve stands at 46.22% of the capital market portfolio at cost.



18 SURPLUS ON REVALUATION OF ASSETS	Note	2021	2020
----- (Rupees in '000) -----			
(Deficit) / surplus on revaluation of			
- Available for sale securities	7.1	<b>(2,244,060)</b>	91,151
- Associates		<b>1,183,564</b>	1,633,141
		<u><b>(1,060,496)</b></u>	<u>1,724,292</u>
Deferred tax on (deficit) / surplus on revaluation of:			
- Available for sale securities		<b>253,317</b>	(46,837)
- Associates		<b>(135,212)</b>	(202,648)
		<u><b>118,105</b></u>	<u>(249,485)</u>
		<u><b>(942,391)</b></u>	<u>1,474,807</u>
<b>19 CONTINGENCIES AND COMMITMENTS</b>			
-Guarantees	19.1	<b>2,128,264</b>	436,201
-Commitments	19.2	<b>22,390,337</b>	12,259,467
		<u><b>24,518,601</b></u>	<u>12,695,668</u>
<b>19.1 Guarantees:</b>			
Financial guarantees		<u><b>2,128,264</b></u>	<u>436,201</u>
<b>19.2 Commitments</b>			
Undisbursed sanctions for financial assistance in the form of:			
- Loans and advances		<b>18,926,650</b>	11,122,328
- TFCs and Sukuks		<b>110,000</b>	-
Underwriting of Shares		-	350,000
Letter of Comfort		<b>3,353,687</b>	787,139
		<u><b>22,390,337</b></u>	<u>12,259,467</u>
<b>19.3 Tax Contingencies</b>			

The Income Tax Department has amended the deemed assessment orders for the tax years from 2003 to 2019, raising a tax demand of Rs. 8,982 million, mainly due to additions in respect of allocation of expenses against dividend income subject to tax at reduced rate / Final Tax Regime and capital gains. In such orders, the taxation authority has not accepted the Company's contention on the matter of allocation of expenses on exempt capital gains and dividend income. The total additions made in tax years 2003 to 2019 under this head amount to Rs 8,982 million.

In the tax year 2003, the Appellate Tribunal Inland Revenue (ATIR) had directed the tax authorities for the allocation to be made considering the 'cost of investment' rather than 'gross turnover'. It had not approved the application of Rule 13 (3) of the Income Tax Rules, 2002 on the common expenditure for the determination of taxable income under each head of income in the case of the company. Subsequently, the action of the Taxation Officer of refusing to issue the appeal effect, in view of the departmental appeal before the High Court, was contested in appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)]. The CIR(A) adjudged the matter in favour of the Company directing the Officer to give effect to the express directions. This was maintained by the ATIR in the subsequent departmental appeal. Thereafter these directions were again not followed in remand proceedings and the CIR(A) vide the appellate order dated October 29, 2018 had again remanded back the matter giving specific directions. The appeal effect order to this latest order has not yet been issued.

Relying on the decision of ATIR in tax year 2003, the CIR(A) through orders dated September 23, 2011, November 30, 2012, June 15, 2015, September 8, 2017, March 6, 2018, March 7, 2018 and July 26, 2019 for tax years 2004 to 2007, tax year 2010, tax years 2011 to 2013, tax year 2015, tax years 2014 and 2017, tax year 2016 and tax year 2018 respectively, directed for the application of provision of section 124A of the Ordinance. In tax years 2008 and 2009, the action was maintained by the CIR(A). Appeals were preferred by the Company and the Department before the ATIR.

Appeal effect orders were issued for the years 2004 to 2007 and 2010 allowing the entire addition on account of the pending appeals. In the order dated June 30, 2020 for tax year 2015, the Officer not following the directions of the CIR(A), had allocated expenses on the basis of turnover and currently the appeal is pending before the CIR(A).

The ATIR in the combined appellate order dated March 10, 2021 has adjudged the departmental appeals in the tax years 2004 to 2007, 2010 and 2011 to 2013, remanding back the matter of allocation of expenses on exempt capital gains and dividend income by placing reliance on its decision in the tax year 2003. The ATIR has further concluded that the provisions of section 124A of the Ordinance are not applicable in the instant case. Directions were given to preferably decide the matter in sixty days. Notices to finalise the matter were issued and the matter is still pending on account of the appeal effect for the year 2003.

The Company's appeal for tax years 2008 and 2009 have also been adjudicated by the ATIR vide combined appellate order dated March 10, 2021 remanding back the matter of allocation of expenses with similar directions.

Further, the Company had made representation before Federal Board of Revenue for necessary clarification and has also referred the above matter to Alternate Dispute Resolution Committee, a mechanism available to provide an opportunity to taxpayers for an easy and efficient resolution of disputes. The same has become infructuous considering the proceedings in appeal.

The appeals of the company for the tax years 2014 to 2018 are pending before the ATIR whereas for the year 2019 is pending before the CIR(A).

The Company has made provision of Rs. 1,393 million against the demand for the abovementioned years based on cost of investment. The management is confident that the ultimate outcome of the appeals would be in favor of the Company inter alia on the basis of the advice of the tax consultants and the relevant law and the facts.

Another issue which arises adjudicated in the appellate Order of the ATIR order dated March 10, 2021 for tax years 2010 to 2012 is the disallowance of the Tax loss on pre-mature lease terminations by holding that the provisions of section 77(4) of the Ordinance do not apply on the lease contracts terminated "pre-mature". An amount of Rs. 67.224 million is involved, and reference has been preferred before the High Court.

In the Amended Order for the tax year 2019, deviating from the past positions, the Officer had also subjected the amount representing Share of Associates in the Profit and Loss Account has been subjected to tax as well as made other errors in the computation of taxable income including taxation of capital gains. The matter is pending in appeal before the CIR (A). Stay of the demand raised has also been obtained from the CIR (A). The management is confident that the ultimate outcome of the appeal would be in favor of the Company inter alia based on the advice of the tax consultants and the relevant law and the facts.

## 20 MARK-UP / RETURN / INTEREST EARNED

	2021	2020
	----- (Rupees in '000) -----	
On:		
loans and advances	<b>1,035,210</b>	854,256
investments	<b>6,190,492</b>	5,721,698
lendings to financial institutions	<b>113,046</b>	87,085
balances with banks	<b>1,106</b>	1,945
	<b><u>7,339,854</u></b>	<u>6,664,984</u>

21	MARK-UP / RETURN / INTEREST EXPENSED	Note	2021	2020
			----- (Rupees in '000) -----	
	On:			
	deposits		486,284	191,084
	borrowings		4,093,653	4,199,504
	securities sold under repurchase agreements - government securities		499,085	183,786
			<u>5,079,022</u>	<u>4,574,374</u>
<b>22</b>	<b>FEE &amp; COMMISSION INCOME</b>			
	Participation Fee		35,100	25,075
	Commission on guarantees		7,615	5,357
	Commission on Letter of Comfort		7,224	2,100
	Commitment Fee		2,570	567
	Advisory Fee		465	-
	Underwriting Commission		3,500	-
	Arrangement Fee		13,723	-
			<u>70,197</u>	<u>33,099</u>
<b>23</b>	<b>GAIN ON SECURITIES</b>			
	Realised gain	23.1	27,483	641,485
	Unrealised loss on held-for-trading	7.1	(320)	-
			<u>27,163</u>	<u>641,485</u>
<b>23.1</b>	<b>Realised (loss) / gain on:</b>			
	Federal Government Securities		(136,070)	(84,100)
	Shares		146,740	725,585
	Associates		16,813	-
			<u>27,483</u>	<u>641,485</u>
<b>24</b>	<b>SHARE IN RESULT OF ASSOCIATES</b>			
	Quoted Associates		8,597,504	6,746,176
	Un-quoted Associates		332,231	303,870
			<u>8,929,735</u>	<u>7,050,046</u>
<b>25</b>	<b>OTHER INCOME</b>			
	Space / arrangement income		30,145	4,797
	Gain on sale of fixed assets		1,000	2,786
	Late payment charges		124	6,710
	Nominee directors fee		11,600	8,875
	Others		236	25
			<u>43,105</u>	<u>23,193</u>

26 OPERATING EXPENSES	Note	2021	2020
----- (Rupees in '000) -----			
<b>Total compensation expense</b>	26.1	<b>867,235</b>	574,936
<b>Property expense</b>			
Rent & taxes		11,852	13,702
Insurance		799	512
Utilities cost		8,917	4,372
Security expense		-	63
Repairs & maintenance		74,895	36,748
Depreciation		6,710	6,139
		<b>103,173</b>	61,536
<b>Information technology expenses</b>			
Software maintenance		2,520	1,379
Hardware maintenance		219	69
Depreciation		11,850	12,196
Amortisation		5,002	5,458
Network charges		4,882	5,193
		<b>24,473</b>	24,295
<b>Other operating expenses</b>			
Directors' fees and allowances		90,698	84,995
Legal & professional charges		117,234	87,229
Outsourced services costs	26.2	31,274	19,896
Travelling & conveyance		9,081	2,459
Depreciation		53,191	22,215
Training & development		5,954	3,322
Postage & courier charges		524	315
Communication		10,942	6,365
Stationery & printing		5,927	3,257
Marketing, advertisement & publicity		4,134	3,780
Donations	26.3	94,000	37,000
Auditors' Remuneration	26.4	9,273	4,292
Newspaper, periodicals and subscription dues		8,277	7,184
Repairs & maintenance (others)		2,094	2,689
Bank charges		294	279
Entertainment expense		8,674	2,721
Others		17,998	18,008
		<b>469,569</b>	306,006
		<b>1,464,450</b>	966,773

26.1 Total compensation expense	Note	2021	2020
		----- (Rupees in '000) -----	
Fee and allowance		73,799	65,527
Managerial remuneration - fixed		296,608	243,371
Managerial remuneration - variable (bonus)		400,000	177,841
Charge for defined benefit plan	33.8.1	33,513	23,800
Contribution to defined contribution plan		35,095	31,216
Medical		12,001	12,048
Compensated absences		15,487	20,556
Others		732	577
<b>Total</b>		<b>867,235</b>	<b>574,936</b>

**26.2** Total cost for the year included in other operating expenses relate to service on property maintenance paid to a company incorporated in Pakistan.

26.3 During the year, the Company donated to the following recognized institutions:	2021	2020
----- (Rupees in '000) -----		
<b>Donee</b>		
The Citizens Foundation	10,000	6,000
The Indus Hospital	9,000	3,000
Shaukat Khanum Memorial Trust	9,000	2,000
Roshni Homes Trust	3,000	1,500
The Tahzibul Akhlaq Trust	4,000	1,500
Family Educational Services Foundation	5,000	1,500
Sahara for Life Trust	5,000	1,500
Aziz Jehan Begum Trust for the Blind	3,000	1,000
Karigar Training Institute	3,000	1,000
Society for Human & Environmental Development	2,000	1,000
Karwan-e-Hayat	2,000	1,000
Developments in Literacy	2,000	1,000
Rural Education and Development Foundation	3,000	1,000
People's Primary Healthcare Initiative Balochistan	2,000	1,000
Afzaal Memorial Thalassemia Foundation	2,000	1,000
Karachi Down Syndrome Program	2,000	1,000
Kaarvan Crafts Foundation	2,000	1,000
Akhuwat Foundation	5,000	-
Make-A-Wish Pakistan	3,000	-
Salik Development Foundation	2,000	-
Karachi Vocational Training Centre	2,000	-
Allah Walay Trust	5,000	-
Patient's Aid Foundation	5,000	-
The Kidney Centre	4,000	-
Prime Minister's Covid-19 Pandemic Relief Fund 2020	-	10,000
	<b>94,000</b>	<b>37,000</b>

**26.3.1** None of the directors or their spouse had any interest in the donations made.

26.4 Auditors' remuneration	Note	2021	2020
		----- (Rupees in '000) -----	
Audit fee		1,891	1,719
Fee for half yearly review		757	688
Special certifications and sundry advisory services		6,176	1,507
Out-of-pocket expenses		449	378
		<u>9,273</u>	<u>4,292</u>
<b>27 OTHER CHARGES</b>			
Penalties imposed by State Bank of Pakistan		-	250
<b>28 PROVISIONS &amp; WRITE OFFS - NET</b>			
Provisions for diminution in value of investments	7.3.1	64,231	756,914
Provision against loans & advances	8.4	300,000	273,740
Provision for impairment in other assets		-	3,026
		<u>364,231</u>	<u>1,033,680</u>
<b>29 TAXATION</b>			
Current		864,239	828,445
Deferred		761,752	645,998
		<u>1,625,991</u>	<u>1,474,443</u>
<b>29.1 Relationship between tax expense and accounting profit</b>			
Profit before taxation		<u>9,508,425</u>	<u>7,818,125</u>
Tax at the applicable rate of 29% (2020: 29%)		2,757,443	2,267,256
Net tax effect on income taxed at reduced rates		(1,147,865)	(1,020,419)
Tax effect of provision for diminution / impairment in the value of investments		18,627	219,505
Others		(2,214)	8,101
		<u>1,625,991</u>	<u>1,474,443</u>
<b>30 BASIC / DILUTED EARNINGS PER SHARE</b>		2021	2020
		----- (Rupees in '000) -----	
Profit for the year		<u>7,882,434</u>	<u>6,343,682</u>
		----- (Numbers in '000) -----	
Weighted average number of ordinary shares		<u>640</u>	<u>640</u>
		----- (Rupees) -----	
Basic / diluted earnings per share		<u>12,316</u>	<u>9,912</u>

### 31 CASH AND CASH EQUIVALENTS

	Note	2021	2020
		----- (Rupees in '000) -----	
Cash and Balance with Treasury Banks	5	142,662	137,120
Balance with other banks	6	19,152	14,095
		<u>161,814</u>	<u>151,215</u>

#### 31.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2021								
	Liabilities			Equity					
	Borrowings	Deposits and other accounts	Other liabilities	Share Capital	Reserves	Surplus / (deficit) on revaluation of		Unappropriated profit	Total
		Investments	Non banking assets of associates						
----- (Rupees in '000) -----									
<b>Balance as at January 1, 2021</b>	62,152,972	2,820,000	1,156,329	10,000,000	10,812,156	1,469,041	5,766	15,430,259	37,717,222
<b>Changes from financing cash flows</b>									
Dividend Paid	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)
Bonus shares issued	-	-	-	6,000,000	-	-	-	(6,000,000)	-
Share of movement in other reserve of associate-net of tax	-	-	-	-	-	-	-	34,034	34,034
<b>Other Changes</b>									
<b>Liability related</b>									
Changes in borrowings	19,056,052	-	-	-	-	-	-	-	-
Changes in deposits and other accounts	-	3,444,766	-	-	-	-	-	-	-
Changes in other liabilities									
- Cash based	-	-	833,612	-	-	-	-	-	-
- Non-cash based	-	-	15,580	-	-	-	-	-	-
Transfer of profit to reserves	-	-	-	-	1,576,487	-	-	(1,576,487)	-
Deficit on revaluation of investment	-	-	-	-	-	(2,418,138)	-	-	(2,418,138)
Surplus on revaluation of non-banking assets of associates	-	-	-	-	-	-	940	-	940
Profit after tax	-	-	-	-	-	-	-	7,882,434	7,882,434
Other comprehensive income	-	-	-	-	-	-	-	(32,206)	(32,206)
	<u>19,056,052</u>	<u>3,444,766</u>	<u>849,192</u>	<u>-</u>	<u>1,576,487</u>	<u>(2,418,138)</u>	<u>940</u>	<u>6,273,741</u>	<u>5,433,030</u>
<b>Balance as at December 31, 2021</b>	<u>81,209,024</u>	<u>6,264,766</u>	<u>2,005,521</u>	<u>16,000,000</u>	<u>12,388,643</u>	<u>(949,097)</u>	<u>6,706</u>	<u>14,738,034</u>	<u>42,184,286</u>

	2020								
	Liabilities			Equity					
	Borrowings	Deposit and other accounts	Other liabilities	Share Capital	Reserves	Surplus/(deficit) on revaluation of		Unappropriated profit	Total
					Investments	Non banking assets of associates			
(Rupees in '000)									
<b>Balance as at January 1, 2020</b>	28,953,243	-	764,704	10,000,000	9,543,420	2,827,279	4,027	11,159,927	33,534,653
<b>Changes from financing cash flows</b>									
Dividend Paid	-	-	-	-	-	-	-	(800,000)	(800,000)
<b>Other Changes</b>									
<b>Liability related</b>									
Changes in borrowings	33,199,729	-	-	-	-	-	-	-	-
Changes in deposits and other accounts	-	2,820,000	-	-	-	-	-	-	-
Changes in other liabilities									
- Cash based	-	-	373,326	-	-	-	-	-	-
- Non-cash based	-	-	18,299	-	-	-	-	-	-
Transfer of profit to reserves	-	-	-	-	1,268,736	-	-	(1,268,736)	-
Deficit on revaluation of investment	-	-	-	-	-	(1,358,238)	-	-	(1,358,238)
Surplus on revaluation of non-banking assets of associates	-	-	-	-	-	-	1,739	-	1,739
Profit after tax	-	-	-	-	-	-	-	6,343,682	6,343,682
Other comprehensive income	-	-	-	-	-	-	-	(4,614)	(4,614)
	33,199,729	2,820,000	391,625	-	1,268,736	(1,358,238)	1,739	5,070,332	4,982,569
<b>Balance as at December 31, 2020</b>	<u>62,152,972</u>	<u>2,820,000</u>	<u>1,156,329</u>	<u>10,000,000</u>	<u>10,812,156</u>	<u>1,469,041</u>	<u>5,766</u>	<u>15,430,259</u>	<u>37,717,222</u>

## 32 STAFF STRENGTH

	2021	2020
	(Number)	
Permanent	74	68
On Company contract	1	1
Company's own staff strength at the end of the year	<u>75</u>	<u>69</u>

32.1 In addition to the above, 31 (2020: 29) employees of an outsourcing services company were assigned to the Company as at the end of the year to perform janitorial services. Further, all of these employees work locally.

## 33 DEFINED BENEFIT PLAN

### 33.1 General description

The Company operates a funded gratuity scheme for all its eligible permanent employees. 'Projected unit credit method' has been used for actuarial valuation. The last actuarial valuation of the employees' defined benefit plan was conducted as of December 31, 2021.

### 33.2 Number of Employees under the scheme

	2021	2020
	(Number)	
The number of employees covered under the defined benefit schemes are:	<u>75</u>	<u>69</u>



### 33.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2021 using the following significant assumptions:

	Note	2021	2020
----- (Per annum) -----			
Discount rate		<u>11.75%</u>	<u>9.75%</u>
Expected rate of return on plan assets		<u>11.75%</u>	<u>9.75%</u>
Expected rate of salary increase			
For first two years following valuation		<u>11.75%</u>	<u>9.75%</u>
For third year and onward		<u>11.75%</u>	<u>9.75%</u>

### 33.4 Reconciliation of (receivable from) / payable to defined benefit plans

		2021	2020
----- (Rupees in '000) -----			
Present value of obligations	33.5	<u>271,411</u>	207,687
Fair value of plan assets	33.6	<u>(185,408)</u>	(143,283)
		<u>86,003</u>	<u>64,404</u>

### 33.5 Movement in defined benefit obligations

Obligations at the beginning of the year		<u>207,687</u>	160,869
Current service cost		<u>27,239</u>	18,290
Interest cost		<u>21,170</u>	18,418
Benefits paid by the Company		-	(6,164)
Re-measurement loss / (gain)		<u>15,315</u>	16,274
Obligations at the end of the year		<u>271,411</u>	<u>207,687</u>

### 33.6 Movement in fair value of plan assets

Fair value at the beginning of the year		<u>143,283</u>	111,842
Interest income on plan assets		<u>14,896</u>	12,909
Contribution by the Company - net		<u>30,146</u>	23,799
Benefits paid during the year		-	(6,164)
Re-measurements: Net return on plan assets	33.8.2	<u>(2,917)</u>	897
Fair value at the end of the year		<u>185,408</u>	<u>143,283</u>

### 33.7 Movement in payable to defined benefit plan

Opening balance		<u>64,404</u>	49,027
Charge for the year	33.8.1	<u>33,513</u>	23,800
Contribution by the Company - net		<u>(30,146)</u>	(23,800)
Re-measurement: loss / (gain) recognised in OCI during the year	33.8.2	<u>18,232</u>	15,377
Closing balance		<u>86,003</u>	<u>64,404</u>

### 33.8 Charge for defined benefit plans

#### 33.8.1 Cost recognised in profit and loss

	2021	2020
	----- (Rupees in '000) -----	
Current service cost	27,239	18,290
Net interest on defined benefit assets	6,274	5,510
	<u>33,513</u>	<u>23,800</u>

#### 33.8.2 Re-measurements recognised in OCI during the year

Gain on obligation		
- Financial assumptions	2,440	(1,414)
- Experience adjustment	12,875	17,688
Return on plan assets over interest income	2,917	(897)
Total re-measurements recognised in OCI	<u>18,232</u>	<u>15,377</u>

#### 33.9 Components of plan assets

Cash and cash equivalents - net	58,348	26,738
Government Securities	125,940	115,499
Investment in Mutual Fund	1,120	1,046

#### 33.9.1 The Gratuity scheme exposes the entity to the following risks:

<b>Mortality risk</b>	The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.
<b>Investment risks</b>	The risk of the investment underperforming and not being sufficient to meet the liabilities.
<b>Final salary risks</b>	The risk that the final salary at the time of cessation of service is higher than the assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.
<b>Withdrawal risks</b>	The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

#### 33.10 Sensitivity analysis

The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption, keeping all other assumptions constant:

	2021	2020
	----- (Rupees in '000) -----	
1% increase in discount rate	251,548	191,101
1% decrease in discount rate	293,984	226,627
1 % increase in expected rate of salary increase	295,083	227,473
1 % decrease in expected rate of salary increase	250,252	190,086

33.11	Expected contributions to be paid to the funds in the next financial year	39,224
33.12	Expected charge for the next financial year	39,224

33.13	Maturity profile	2021	2020
		----- (Rupees in '000) -----	
	The weighted average duration of the present value of defined benefit obligation	7.79	8.52

#### Benefit Payments

Distribution of timing of benefit payments

<b>Years</b>	<b>2021</b>	<b>2020</b>
	----- (Rupees in '000) -----	
1	48,831	7,899
2	26,118	44,690
3	12,939	23,872
4	13,714	11,123
5	33,253	11,509
6 - 10	279,455	235,951

### 34 DEFINED CONTRIBUTION PLAN

The Company operates an approved funded contributory provident fund for all its permanent employees to which monthly contributions are made both by the Company (at the rate of 10 %) and by the employees (at the rate of 10 %) of salary.

### 35 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

#### 35.1 Total Compensation Expense

	2021				
	Directors		Chief Executive	Key Management Personnel	Other Material Risk Takers / Controllers
Chairman	Non-Executives				
	----- (Rupees in '000) -----				
Fees and allowances etc.	3,050	14,675	-	-	-
Managerial Remuneration	-	-	59,040	160,815	47,967
Charge for defined benefit plan	-	-	4,920	8,052	1,941
Contribution to defined contribution plan	-	-	5,904	13,773	3,852
Rent & house maintenance	-	-	5,880	-	-
Utilities	-	-	3,420	-	-
Medical	-	-	908	1,721	952
Bonus Paid	-	-	51,829	58,073	14,467
Others	-	-	7,317	12,689	3,390
<b>Total</b>	<b>3,050</b>	<b>14,675</b>	<b>139,218</b>	<b>255,123</b>	<b>72,569</b>
<b>Number of persons</b>	<b>2</b>	<b>5</b>	<b>1</b>	<b>12</b>	<b>5</b>

The Chief Executive is also provided with the free use of two Company maintained cars as per his entitlement.

Key Management Personnel and Other Material Risk Takers / Controllers are entitled with Vehicle Allowance in accordance with the terms of their employment.

2020				
Directors		Chief Executive	Key Management Personnel	Other Material Risk Takers / Controllers
Chairman	Non-Executives			

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

Fees and allowances etc.	5,425	21,062	-	-	-
Managerial Remuneration	-	-	49,200	139,225	43,332
Charge for defined benefit plan	-	-	-	6,566	1,982
Contribution to defined contribution plan	-	-	4,920	11,466	3,366
Rent & house maintenance	-	-	5,880	-	-
Utilities	-	-	3,420	-	-
Medical	-	-	620	846	451
Bonus Paid	-	-	20,000	44,790	6,366
Others	-	-	4,755	9,458	2,572
<b>Total</b>	<b>5,425</b>	<b>21,062</b>	<b>88,795</b>	<b>212,351</b>	<b>58,069</b>
<b>Number of persons</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>12</b>	<b>5</b>

The Chief Executive is also provided with the free use of two Company maintained cars as per his entitlement.

Key Management Personnel and Other Material Risk Takers / Controllers are entitled with Vehicle Allowance in accordance with the terms of their employment.

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

2021						
S. No	Name of Director	Meeting Fees and Allowances Paid				
		For Board Meeting	For Board Committees			Total Amount Paid
			Risk Management Committee	Audit Committee	Executive Committee	
----- (Rupees in '000) -----						
1.	Abdullah Abdulwahab Al-Ramadhan	1,800	-	-	650	2,450
2.	Mohammad A. M. Al-Fares	600	-	-	-	600
3.	Faisal Adnan Al-Hunaif	1,500	650	-	-	2,150
4.	Jasem A. Al-Hajry	500	-	-	-	500
5.	Abdullah Salah A. Al-Sayer	2,000	975	975	325	4,275
6.	Rana Assad Amin	1,500	-	650	-	2,150
7.	Naveed Alauddin	3,000	1,300	1,300	-	5,600
		<b>10,900</b>	<b>2,925</b>	<b>2,925</b>	<b>975</b>	<b>17,725</b>

2020						
S. No	Name of Director	Meeting Fees and Allowances Paid				
		For Board Meeting	For Board Committees			Total Amount Paid
			Risk Management Committee	Audit Committee	Executive Committee	
----- (Rupees in '000) -----						
1.	Abdullah Abdulwahab Al-Ramadhan	4,125	-	-	1,300	5,425
2.	Faisal Adnan Al-Hunaif	3,315	1,300	-	-	4,615
3.	Abdullah Salah A. Al-Sayer	3,315	1,300	1,300	-	5,915
4.	Rana Assad Amin	3,316	-	1,300	-	4,616
5.	Naveed Alauddin	3,316	1,300	1,300	-	5,916
		<b>17,387</b>	<b>3,900</b>	<b>3,900</b>	<b>1,300</b>	<b>26,487</b>

35.3 Board and its Committees Meeting Fee of Kuwaiti Directors are deposited in Kuwait Investment Authority Board Pool Account on their behalf, however per diem allowances are paid to Directors.

### 36 FAIR VALUE MEASUREMENTS

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:

#### 36.1 On balance sheet financial instruments

2021									
Held-for trading	Available-for-sale	Held-to-maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
------(Rupees in '000)-----									
<b>Financial assets measured at fair value</b>									
Investments									
- Pakistan investment bonds	-	62,623,747	-	-	- 62,623,747	-	62,623,747	-	62,623,747
- Shares of listed companies	53,135	3,296,779	-	-	- 3,349,914	3,349,914	-	-	3,349,914
- Listed sukuk / term finance certificates	-	4,096,863	-	-	- 4,096,863	-	4,096,863	-	4,096,863
- Unlisted sukuk / term finance certificates	-	4,122,499	-	-	- 4,122,499	-	4,122,499	-	4,122,499
<b>Financial assets not measured at fair value</b>									
Cash and balances with treasury banks									
-	-	-	142,662	-	142,662	-	-	-	-
Balances with other banks									
-	-	-	19,152	-	19,152	-	-	-	-
Investments									
- Investments in associates - listed	-	28,248,057	-	-	- 28,248,057	67,439,809	-	-	67,439,809
- Shares in unlisted companies	-	800	-	-	- 800	-	-	-	-
- Shares of unlisted associates	-	1,403,049	-	-	- 1,403,049	-	-	-	-
Advances									
-	-	-	27,359,484	-	27,359,484	-	-	-	-
Other assets									
-	-	-	2,045,095	-	2,045,095	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
Borrowings									
-	-	-	-	(81,209,024)	(81,209,024)	-	-	-	-
Deposits and other accounts									
-	-	-	-	(6,264,766)	(6,264,766)	-	-	-	-
Other liabilities									
-	-	-	-	(1,919,518)	(1,919,518)	-	-	-	-
53,135	103,791,794	-	29,566,393	(89,393,308)	44,018,014				

2020									
Held-for trading	Available-for-sale	Held-to-maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
------(Rupees in '000)-----									
<b>Financial assets measured at fair value</b>									
Investments									
- Market treasury bills	-	15,329,435	-	-	- 15,329,435	-	15,329,435	-	15,329,435
- Pakistan investment bonds	-	42,507,969	-	-	- 42,507,969	-	42,507,969	-	42,507,969
- Shares of listed companies	-	2,688,616	-	-	- 2,688,616	2,688,616	-	-	2,688,616
- Listed sukuk / term finance certificates	-	3,842,561	-	-	- 3,842,561	-	3,842,561	-	3,842,561
- Unlisted sukuk / term finance certificates	-	1,745,404	-	-	- 1,745,404	-	1,745,404	-	1,745,404
<b>Financial assets not measured at fair value</b>									
Cash and balances with treasury banks									
-	-	-	137,120	-	137,120	-	-	-	-
Balances with other banks									
-	-	-	14,095	-	14,095	-	-	-	-
Investments									
- Investments in associates - listed	-	22,938,644	-	-	- 22,938,644	47,639,302	-	-	47,639,302
- Shares in unlisted companies	-	800	-	-	- 800	-	-	-	-
- Shares of unlisted associates	-	1,405,503	-	-	- 1,405,503	-	-	-	-
Advances									
-	-	-	14,256,847	-	14,256,847	-	-	-	-
Other assets									
-	-	-	1,339,389	-	1,339,389	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
Borrowings									
-	-	-	-	(62,152,972)	(62,152,972)	-	-	-	-
Deposits and other accounts									
-	-	-	-	(2,820,000)	(2,820,000)	-	-	-	-
Other liabilities									
-	-	-	-	(1,091,925)	(1,091,925)	-	-	-	-
-	90,458,932	-	15,747,451	(66,064,897)	40,141,486				



2020						
Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	Total	
(Rupees in '000)						
<b>Profit &amp; Loss</b>						
Net mark-up/return/profit	1,274,759	812,716	-	-	3,135	2,090,610
Non mark-up / return / interest income	27,709	(84,100)	7,062,146	862,344	16,482	7,884,581
Total Income	1,302,468	728,616	7,062,146	862,344	19,617	9,975,191
Segment direct expenses	(86,167)	(29,801)	(30,793)	(14,280)	(308,227)	(469,268)
Segment indirect expenses	(132,720)	(28,440)	(18,960)	(18,960)	(455,038)	(654,118)
Total expenses	(218,887)	(58,241)	(49,753)	(33,240)	(763,265)	(1,123,386)
(Provisions) / Reversal	(273,740)	-	-	(756,914)	(3,026)	(1,033,680)
Profit before tax	809,841	670,375	7,012,393	72,190	(746,674)	7,818,125
(Rupees in '000)						
<b>Balance Sheet</b>						
Cash & Bank balances	-	151,165	-	-	50	151,215
Investments	5,587,966	57,837,404	24,344,947	2,688,615	-	90,458,932
Lendings to financial institutions	-	-	-	-	-	-
Advances - performing	14,110,601	-	-	-	105,473	14,216,074
Advances - non-performing	40,773	-	-	-	-	40,773
Others	263,408	1,102,795	-	10,172	582,273	1,958,648
<b>Total Assets</b>	20,002,748	59,091,364	24,344,947	2,698,787	687,796	106,825,642
Borrowings	53,204,607	8,948,365	-	-	-	62,152,972
Deposits & other accounts	-	2,820,000	-	-	-	2,820,000
Others	563,060	27,637	3,152,038	(7,731)	400,444	4,135,448
<b>Total liabilities</b>	53,767,667	11,796,002	3,152,038	(7,731)	400,444	69,108,420
Equity	796,569	729,527	1,430,493	64,023	34,696,610	37,717,222
<b>Total Equity &amp; liabilities</b>	54,564,236	12,525,529	4,582,531	56,292	35,097,054	106,825,642
<b>Contingencies &amp; Commitments</b>	12,695,668	-	-	-	-	12,695,668

### 37.2 Segment details with respect to geographical locations

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

### 38 TRUST ACTIVITIES

The Company acts as trustees and holds assets on behalf of staff retirement benefit and contribution plans. The following is the list of assets held under trust.

Category	Security Type	Number of IPS account		Face Value	
		2021	2020	2021	2020
----(Rupees in '000)----					
<b>Related parties:</b>					
PKIC Staff Provident Fund	Market Treasury Bills			-	216,100
	Pakistan Investment Bond	1	1	287,500	43,700
PKIC Staff Gratuity Fund	Market Treasury Bills			-	116,500
	Pakistan Investment Bond			132,500	-

### 39 RELATED PARTY TRANSACTIONS

The Company has related party relationship with its associates, associated undertaking, employee benefit plans, key management personnel and its directors.

The Company enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

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

	2021				2020			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
------(Rupees in '000)-----								
<b>Balances with other banks</b>								
In deposit account	-	-	16,085	-	-	-	6,341	-
<b>Investments</b>								
Opening balance	-	-	24,344,147	500	-	-	21,092,192	500
Investment made during the year	-	-	60,000	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	(52,599)	-	-	-	-	-
Equity method accounting adjustments	-	-	5,299,558	-	-	-	3,251,955	-
Closing balance	-	-	29,651,106	500	-	-	24,344,147	500
<b>Advances</b>								
Opening balance	-	62,310	-	-	-	50,383	-	-
Addition during the year	-	83,758	-	-	-	20,800	-	-
Repaid during the year	-	(13,531)	-	-	-	(8,836)	-	-
Transfer in / (out) - net	-	-	-	-	-	(37)	-	-
Closing balance	-	132,537	-	-	-	62,310	-	-
<b>Other Assets</b>								
Interest / mark-up accrued	-	-	120	-	-	-	45	-
Receivable from Pak Kuwait Takaful Company	-	-	-	-	-	-	-	20,771
Provision against other assets	-	-	-	-	-	-	-	(20,771)
Advance against Share Subscription of Planet - N	-	-	-	240,564	-	-	-	-
	-	-	120	240,564	-	-	45	-
<b>Borrowings</b>								
Opening balance	-	-	37,653,706	4,840,227	-	-	25,692,879	-
Borrowings during the year	-	-	78,845,681	4,068,878	-	-	72,425,976	9,192,399
Settled during the year	-	-	(94,464,921)	(8,938,725)	-	-	(34,152,196)	(4,322,449)
Transfer in / (out) - net	-	-	549,343	29,620	-	-	(26,312,953)	(29,723)
Closing balance	-	-	22,583,809	-	-	-	37,653,706	4,840,227
<b>Deposits and other accounts</b>								
Opening balance	-	-	-	-	-	-	-	-
Received during the year	-	-	200,000	1,809,766	-	-	-	-
Withdrawn during the year	-	-	(200,000)	(1,300,000)	-	-	-	-
Closing balance	-	-	-	509,766	-	-	-	-
<b>Other Liabilities</b>								
Interest / mark-up payable	-	-	-	1,728	-	-	-	-
Payable to Staff Gratuity Fund	-	-	-	86,003	-	-	-	64,404
Payable to Kuwait Investment Authority	-	-	-	4,825	-	-	-	-
Payable to National Clearing Company of Pakistan Limited	-	-	139	-	-	-	204	-
Payable to FTC Management Company (Private) Limited	-	-	-	33,783	-	-	-	-
	-	-	139	126,339	-	-	204	64,404



	2021				2020			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	------(Rupees in '000)-----							
<b>Income</b>								
Mark-up / return / interest earned	-	4,117	702	-	-	1,859	660	-
Dividend income	-	-	3,196,108	-	-	-	2,653,278	-
<b>Other income</b>								
- Nominee Director Fee	-	-	15,650	450	-	-	12,895	280
<b>Expense</b>								
Mark-up / return / interest paid / accrued	-	-	2,853,378	161,453	-	-	3,177,944	440,392
<b>Operating expenses</b>								
- Directors Fee	19,950	-	-	-	24,375	-	-	-
- Remuneration to key management personnel (including retirement benefits)	-	394,343	-	-	-	301,147	-	-
- Nominee Director Fee payment	-	-	-	4,050	-	-	-	4,300
- NCCPL Charges	-	-	857	-	-	-	1,134	-
- FMCL Office Maintenance Charges	-	-	-	36,255	-	-	-	30,595
- Contribution made to Staff Provident Fund	-	-	-	35,095	-	-	-	31,216
- Contribution made to Staff Gratuity Fund	-	-	-	33,513	-	-	-	23,800

#### 40 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2021	2020
	------(Rupees in '000)-----	
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital	<u>16,000,000</u>	<u>10,000,000</u>
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>17,221,145</u>	17,873,961
Eligible Tier 2 Capital	<u>600,000</u>	1,774,806
Total Eligible Capital (Tier 1 + Tier 2)	<u>17,821,145</u>	<u>19,648,767</u>
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	<u>48,451,423</u>	39,303,393
Market Risk	<u>7,162,697</u>	5,814,020
Operational Risk	<u>17,220,117</u>	12,635,318
Total	<u>72,834,237</u>	<u>57,752,731</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>23.64%</u>	<u>30.95%</u>
Tier 1 Capital Adequacy Ratio	<u>23.64%</u>	<u>30.95%</u>
Total Capital Adequacy Ratio	<u>24.47%</u>	<u>34.02%</u>

The Basel III Framework for capital adequacy is applicable to the Company. The Company monitors its capital adequacy ratio and endeavors to maintain it at a level sufficiently higher than the minimum regulatory requirement. The Company calculates capital requirement as per Basel III regulatory framework, using the Standardized Approach for Credit Risk and Market Risk whereas Basic Indicator Approach for Operational Risk.

#### Objectives of Capital Management

The capital management objectives of the Company are as follows:

- To maintain sufficient capital to support overall business strategy, expansion and growth;
- To integrate capital allocation decisions with the strategic and financial planning process;
- To meet the regulatory capital adequacy ratios as defined by SBP;

- To safeguard the Company's ability to continue as a going concern so that it can continue to provide adequate return to shareholders; and
- To have a prudent buffer to protect the Company under different economic and stress scenarios caused by unexpected and unforeseeable events.

### Capital Management

The regulatory capital as managed by the Company is analyzed into following tiers:

- Common Equity Tier 1 Capital (CET1), which includes fully paid up capital, general reserves, statutory reserves as per the financial statements and net un-appropriated profits after all regulatory adjustment applicable on CET1.
- Tier 2 Capital, which includes general provisions, surplus on revaluation of AFS securities after all regulatory adjustments applicable on Tier 2.

The Company also stress tests its capital adequacy to various risks as per SBP stress testing guidelines.

### Statutory Capital Requirement

State Bank of Pakistan (SBP) requires Banks / DFIs to maintain prescribed capital to total risk-weighted asset ratios. The capital adequacy ratios of the Banks / DFIs are subject to Basel III capital adequacy guidelines stipulated by the SBP through its BPRD Circular No. 6 of 2013 dated August 15, 2013. These instructions were effective from December 31, 2013 in a phased manner with full implementation is implemented by December 31, 2019. Under Basel III guidelines Banks / DFIs are required to maintain the following ratios on an ongoing basis.

### Capital Adequacy Ratio

	2021		2020	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	23.64%	6.00%	30.95%
Tier 1 Capital to total RWA	7.50%	23.64%	7.50%	30.95%
Total Capital to total RWA	11.50%	24.47%	12.50%	34.02%

### Leverage Ratio (LR):

	2021	2020
	------(Rupees in '000)-----	
Eligible Tier-1 Capital	17,221,145	17,873,961
Total Exposures	135,604,252	101,564,985
Leverage Ratio	12.70%	17.60%

### Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	16,770,964	10,719,565
Total Net Cash Outflow	9,883,654	5,176,924
Liquidity Coverage Ratio	170%	207%

### Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	76,508,860	49,953,650
Total Required Stable Funding	67,486,706	43,969,945
Net Stable Funding Ratio	113%	114%

**40.1** The full disclosures on the Capital Adequacy, Leverage Ratio & Liquidity Requirements as per SBP instructions issued from time to time is available at <http://pkic.com.pk/download-financials/>

## **41 RISK MANAGEMENT**

Risk is an integral part of business and the Company aims at delivering superior shareholder value by achieving an appropriate trade-off between risk and returns. Risk Management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. The risks taken by the Company are reasonable and controlled within its financial resources and credit competence. The primary objective of this risk management is to ensure that the process of achieving an appropriate balance between risks the Company wishes to accept (at a price that is commensurate to that risk) and risks the Company wishes to mitigate, or whenever capital is put at risk, is done in an objective, documented and transparent fashion and also to ensure that these risks are taken within predefined and pre-approved tolerance limits / levels.

The Board of Directors has oversight on all the risks assumed by Company. Policies approved from time to time by Board of Directors form the governing framework for each type of risk. Risk Management Committee (RMC) of the Board has been constituted to facilitate focused oversight of various risks and is updated on quarterly basis by an independent Risk Management Function on the risk exposures, trends and benchmarks for each risk type covered within the scope of policy. The main goals of Risk Management are to oversee the enterprise-wide risk policies and guidelines under the guidance of the Board of Directors and RMC, to establish and monitor limits, to set and manage decision processes and to implement risk assessment methods. Functional level committees oversee the implementation of risk management practices and exposure levels.

The risk management framework is based on prudent risk identification, measurement, monitoring and management process which are closely aligned with all activities of the Company so as to ensure that risks are kept within an acceptable level. The principal risks associated with the banking business are credit risk, market risk, liquidity risk and operational risk. Risk Management Department (RMD) performs the full fledged Internal Capital Adequacy Assessment Process (ICAAP) for all principal risks and other material risks which includes strategic, concentration, liquidity, interest rate, reputation risk and other risks.

### **41.1 Credit Risk**

Credit risk is the potential for financial loss arising from borrower's or counterparty's inability to meet its obligations under a contract.

Credit Risk is the predominant risk type faced by the Company in its lending activities. All credit risk related aspects are governed by a credit policy approved by the Board of Directors. The policy outlines the type of products that can be offered, credit approval process and limits. In order to assess the credit risk associated with any corporate financing proposal, variety of risks relating to the borrower and relevant industry are assessed. The credit evaluation system comprises of well-designed credit appraisal, review and approval procedures for the purpose of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. Each credit proposal is evaluated on standalone basis as well as its implication on Company's portfolio in terms of portfolio pricing and rating is also assessed. The internal credit rating methodologies have been developed for rating obligors. The rating serves as the key input in the approval as well as post approval credit process. All the credit applications and reviews are thoroughly analyzed by Risk Management Function. The application approval process is further supplemented by regular review of the existing credit limits, overall credit portfolio and the monitoring of early warning indicators that can trigger a tightening of lending standards and an increase in the frequency and depth of credit portfolio review.

Internal Credit Risk Rating System developed by the Company is capable of quantifying credit risk pertinent to specific counterparty as well as the risk inherent in the facility structure. It takes into consideration various qualitative and quantitative factors and generates an internal rating. The rating models have been internally tested, externally validated and checked for compliance with SBP guidelines for Internal Credit Rating System. The Risk Rating Models, Obligor Risk Rating (ORR), Facility Risk Rating (FRR) and Environmental Risk Rating (ERR), are regularly reviewed based on day to day working experience and changes in market dynamics. The Company has also strengthened its rating by assessing composite risk which is based on Obligor, Facility and Environmental Risk Ratings. Pricing matrix is also in place which ensures that minimum pricing against each obligor rating must be assigned.

Credit risk management process adopted various concentration limits, counterparty and group level limits. Sectoral concentration limits are set for extending credit to a specific industry sector. The Company monitors the concentration to any given sector to ensure that the loan portfolio is well diversified. ORR is also used on aggregate group level to determine the amount of credit exposure the Company is willing to take on a particular group. Various analysis and reports are also performed on periodic basis and are reported to the Risk Management Committee of the Board. These analysis mainly include, migration analysis, sector-wise and rating-wise portfolio distribution analysis etc. The Company performs stress testing on its credit portfolio as per SBP stress testing guidelines.

The disbursement and administration of credit facilities is managed by Credit Administration Department (CAD).

To manage non-performing customers Special Asset Management (SAM) Department is functional and is responsible to recover overdue exposures.

The Company is using Basel-III standardized approach to calculate risk weighted assets against credit risk.

#### 41.1.1 Investment in debt securities

##### Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
	------(Rupees in '000)-----					
Textile	441,070	512,500	12,500	12,500	12,500	12,500
Chemical and Pharmaceuticals	215,000	-	-	-	-	-
Electronics and electrical appliances	21,138	21,138	21,138	21,138	21,138	21,138
Power (electricity), Gas, Water, Sanitary	2,003,669	2,040,006	-	-	-	-
Financial	5,528,457	3,053,223	-	-	-	-
	<b>8,209,334</b>	<b>5,626,867</b>	<b>33,638</b>	<b>33,638</b>	<b>33,638</b>	<b>33,638</b>

##### Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
	------(Rupees in '000)-----					
Public / Government	-	-	-	-	-	-
Private	8,209,334	5,626,867	33,638	33,638	33,638	33,638
	<b>8,209,334</b>	<b>5,626,867</b>	<b>33,638</b>	<b>33,638</b>	<b>33,638</b>	<b>33,638</b>

#### 41.1.2 Advances

##### Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
	------(Rupees in '000)-----					
Textile	6,502,513	4,934,484	644,908	644,908	631,095	631,095
Chemical and Pharmaceuticals	2,074,075	212,861	-	-	-	-
Cement	975,876	1,093,333	93,333	93,333	93,333	93,333
Sugar	2,935,847	785,822	35,822	35,822	35,822	35,822
Electronics and electrical appliances	11,111	11,111	11,111	11,111	11,111	11,111
Construction	801,587	996,071	196,071	196,071	169,111	169,111
Power (electricity), Gas, Water, Sanitary	7,571,743	3,470,834	-	-	-	-
Transport, Storage and Communication	3,000,000	2,000,000	-	-	-	-
Financial	1,950,000	-	-	-	-	-
Petroleum	161,080	187,330	-	-	-	-
Manufacturing	456,188	372,846	72,846	72,846	72,846	72,846
Individuals	210,346	105,473	-	-	-	-
Others	2,333,686	1,411,250	11,250	11,250	11,250	11,250
	<b>28,984,052</b>	<b>15,581,415</b>	<b>1,065,341</b>	<b>1,065,341</b>	<b>1,024,568</b>	<b>1,024,568</b>

### Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
	----- (Rupees in '000) -----					
Public / Government	3,000,000	2,000,000	-	-	-	-
Private	25,984,052	13,581,415	1,065,341	1,065,341	1,024,568	1,024,568
	<b>28,984,052</b>	<b>15,581,415</b>	<b>1,065,341</b>	<b>1,065,341</b>	<b>1,024,568</b>	<b>1,024,568</b>

### 41.1.3 Contingencies and Commitments

	2021	2020
	----- (Rupees in '000) -----	
<b>Credit risk by industry sector</b>		
Power (electricity), Gas, Water, Sanitary	6,590,107	5,054,315
Chemical and Pharmaceuticals	239,185	2,137,139
Cement	1,117,467	300,000
Construction	4,361,300	-
Sugar	300,000	-
Textile	3,102,090	-
Transport, Storage and Communication	1,000,000	-
Financial	110,000	-
Manufacturing	1,659,158	-
Glass and Ceramics	-	200,000
Textile	-	2,204,214
Footwear and Leather garments	-	500,000
Others	6,039,294	2,300,000
	<b>24,518,601</b>	<b>12,695,668</b>
<b>Credit risk by public / private sector</b>		
Public/ Government	1,000,000	-
Private	23,518,601	12,695,668
	<b>24,518,601</b>	<b>12,695,668</b>

### 41.1.4 Concentration of Advances

The Company's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 15,257 million (2020: Rs. 10,333 million).

	2021	2020
	----- (Rupees in '000) -----	
Funded	13,838,384	9,896,634
Non Funded	1,418,665	436,201
Total Exposure	<b>15,257,049</b>	<b>10,332,835</b>

The sanctioned limits against these top 10 exposures aggregated to Rs. 18,737 million (2020: Rs. 8,768 million)

### Total funded classified therein

	2021		2020	
	Amount	Provision held	Amount	Provision held
	----- (Rupees in '000) -----			
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	1,065,341	1,024,568	1,065,341	1,024,568
<b>Total</b>	<b>1,065,341</b>	<b>1,024,568</b>	<b>1,065,341</b>	<b>1,024,568</b>

#### 41.1.5 Advances - Province / Region-wise Disbursement & Utilization

Province / Region	2021					
	Disbursements		Utilization			
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	------(Rupees in '000)-----					
Punjab	-	7,124,520	-	-	-	-
Sindh	19,986,999	-	11,629,946	-	-	-
KPK including FATA	-	-	482,533	-	-	-
Balochistan	-	-	-	-	-	-
Islamabad	-	-	-	-	750,000	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-
<b>Total</b>	<b>19,986,999</b>	<b>7,124,520</b>	<b>11,629,946</b>	<b>482,533</b>	<b>750,000</b>	<b>-</b>

Province / Region	2020					
	Disbursements		Utilization			
	Punjab	Sindh	KPK including FAT	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	------(Rupees in '000)-----					
Punjab	-	5,145,072	-	-	-	-
Sindh	11,764,930	-	6,419,858	-	-	-
KPK including FATA	-	-	200,000	-	-	-
Balochistan	-	-	-	-	-	-
Islamabad	-	-	-	-	-	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-
<b>Total</b>	<b>11,764,930</b>	<b>5,145,072</b>	<b>6,419,858</b>	<b>200,000</b>	<b>-</b>	<b>-</b>

#### 41.2 Market Risk

Market risk is the risk of losses due to on and off-balance sheet positions arising out of changes in market variables, such as interest rates, foreign exchange rates, equity prices and credit spreads.

The Company is exposed to interest rate risk and equity price risk. To manage and control market risk a well-defined limits structure is in place. Market Risk is managed by the Risk Management Function which makes sure that exposure in Money Market and Equity Market adheres with the risk tolerance levels and matches with overall business goals set by Board of Directors (BOD), Risk Management Committee of the Board (RMC) and ALCO.

The Company classifies its assets in banking and trading books as per guidelines from the SBP. The trading book includes mainly quoted equity portfolio under AFS and HFT and mutual funds. Banking book includes mainly unquoted equity portfolio, Associates, Strategic investments, Term Finance / Sukuk and Government bonds under AFS. Due to diversified nature of investments in banking book, it is subject to interest rate risk and equity price risk.

A well-defined limits structure is in place to effectively manage market risk. These limits are reviewed, adjusted and approved periodically by ALCO. Middle Office monitors these limits on daily basis.

The Company is using Basel-III Standardized approach to calculate risk weighted assets against market risk exposures.

The Company calculates Value at Risk (VaR) on a daily basis using Monte Carlo approach, Historical Method and Variance Covariance Approach.

To manage market risk, the Company carries out stress testing of its statement of financial position by varying sources of market risk as per SBP guidelines.

#### 41.2.1 Balance sheet split by trading and banking books

	2021			2020		
	Banking book	Trading book	Total	Banking book	Trading book	Total
------(Rupees in '000)-----						
Cash and balances with treasury banks	142,662	-	142,662	137,120	-	137,120
Balances with other banks	19,152	-	19,152	14,095	-	14,095
Lendings to financial institutions	-	-	-	-	-	-
Investments	100,263,580	3,581,349	103,844,929	87,551,922	2,907,010	90,458,932
Advances	27,359,484	-	27,359,484	14,256,847	-	14,256,847
Fixed assets	279,773	-	279,773	284,222	-	284,222
Intangible assets	13,066	-	13,066	13,790	-	13,790
Deferred tax assets	-	-	-	-	-	-
Other assets	3,375,278	-	3,375,278	1,660,636	-	1,660,636
	<u>131,452,995</u>	<u>3,581,349</u>	<u>135,034,344</u>	<u>103,918,632</u>	<u>2,907,010</u>	<u>106,825,642</u>

#### 41.2.2 Foreign Exchange Risk

Foreign exchange risk arises in case of an on balance sheet / off balance sheet asset or liability position when there is adverse exchange rate movement. The Company's exposure to this category of market risk is negligible.

#### 41.2.3 Equity position Risk

It is the risk to earnings or capital that results from adverse changes in the value / price of equity related portfolios.

ALCO is responsible for making investment decisions in the capital market and setting limits that are a component of the risk management framework. Equity Price Risk is monitored and controlled through various regulatory and internal limits. Portfolio, sector and scripwise limits are assigned by the ALCO such as overall exposure limits in capital market HFT and AFS portfolio, mark-to-market limit on trading portfolio, sector-wise investment limits in various sectors to guard against concentration risk. These limits are monitored on daily basis and are reviewed and revised periodically by ALCO. The ALCO approves exposure limits applicable to investments and meets on regular basis to discuss equity investments related strategy. The Company calculates Value at Risk (VaR) on a daily basis using Monte Carlo approach, Historical Method and Variance Covariance Approach.

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
------(Rupees in '000)-----				
Impact of 5% change in equity prices on				
- Profit and loss account	-	179,067	-	145,350
- Other comprehensive income	1,471,024	-	1,206,328	-

#### 41.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Yield / Interest Rate Risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specific period. The Company manages its interest rate risk by entering often into floating rate agreements with its customers. The interest rate risk strategy is discussed in ALCO meetings on periodic basis. Duration estimates and Gap analysis are performed periodically. The Company's interest rate exposure is calculated by categorising its interest sensitive assets and liabilities into various time bands based on the earlier of their contractual repricing or maturity date. Further, The Risk Management Function carries out stress testing to ascertain the interest rate risk on the statement of financial position and also prepares the interest rate risk profile on monthly basis.

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
------(Rupees in '000)-----				
Impact of 5% change in equity prices on				
- Profit and loss account	109,305	-	88,493	-
- Other comprehensive income	-	-	-	-

#### 41.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2021												
Effective Yield / Interest rate	Exposed to Yield / Interest risk										Non-Interest bearing financial instruments	
	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 in '000)												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	-	142,662	-	-	-	-	-	-	-	-	-	142,662
Balances with other banks	6.00	19,152	18,055	-	-	-	-	-	-	-	-	1,097
Investments	9.75	103,844,929	10,986,890	20,098,382	760,000	-	11,834,688	15,577,331	8,818,580	2,767,239	-	33,001,819
Advances	8.91	27,359,484	6,387,166	11,839,013	910,363	370,445	997,900	1,148,783	2,194,893	3,422,058	73,478	15,385
Other assets	-	2,045,095	-	-	-	-	-	-	-	-	-	2,045,095
		133,411,322	17,392,111	31,937,395	1,670,363	370,445	12,832,588	16,726,114	11,013,473	6,189,297	73,478	35,206,058
<b>Liabilities</b>												
Borrowings	8.1	81,209,024	57,241,087	9,591,550	6,177,165	372,613	1,006,109	1,160,226	2,214,018	3,430,983	15,273	-
Deposits and other accounts	11.24	6,264,766	5,300,000	435,000	529,766	-	-	-	-	-	-	-
Other liabilities	-	1,919,518	-	-	-	-	-	-	-	-	-	1,919,518
		89,393,308	62,541,087	10,026,550	6,706,931	372,613	1,006,109	1,160,226	2,214,018	3,430,983	15,273	1,919,518
<b>On-balance sheet gap</b>		<b>44,018,014</b>	<b>(45,148,976)</b>	<b>21,910,845</b>	<b>(5,036,568)</b>	<b>(2,168)</b>	<b>11,826,479</b>	<b>15,565,888</b>	<b>8,799,455</b>	<b>2,758,314</b>	<b>58,205</b>	<b>33,286,540</b>
<b>Off-balance sheet financial instruments</b>												
Guarantee		2,128,264	-	111,181	-	1,580,083	437,000	-	-	-	-	-
Other commitments		22,390,337	-	-	-	-	-	-	-	-	-	22,390,337
<b>Off-balance sheet gap</b>		<b>24,518,601</b>	<b>-</b>	<b>111,181</b>	<b>-</b>	<b>1,580,083</b>	<b>437,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,390,337</b>
<b>Total Yield/Interest Risk Sensitivity Gap</b>			<b>(45,148,976)</b>	<b>22,022,026</b>	<b>(5,036,568)</b>	<b>1,577,915</b>	<b>12,263,479</b>	<b>15,565,888</b>	<b>8,799,455</b>	<b>2,758,314</b>	<b>58,205</b>	<b>55,676,877</b>
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>			<b>(45,148,976)</b>	<b>(23,126,950)</b>	<b>(28,163,518)</b>	<b>(26,585,603)</b>	<b>(14,322,124)</b>	<b>1,243,764</b>	<b>10,043,219</b>	<b>12,801,533</b>	<b>12,859,738</b>	<b>-</b>

2020												
Effective Yield / Interest rate	Exposed to Yield / Interest risk										Non-Interest bearing financial instruments	
	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 in '000)												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	-	137,120	-	-	-	-	-	-	-	-	-	137,120
Balances with other banks	6.00	14,095	12,289	-	-	-	-	-	-	-	-	1,806
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
Investments	10.95	90,458,932	21,118,680	18,402,763	4,957,329	2,000,622	1,000,000	2,738,688	10,194,200	3,013,089	-	27,033,561
Advances	6.9	14,256,847	4,680,681	4,753,381	371,566	191,894	534,040	635,021	1,240,912	1,789,212	48,115	12,025
Other assets	-	1,339,389	-	-	-	-	-	-	-	-	-	1,339,389
		106,206,383	25,811,650	23,156,144	5,328,895	2,192,516	1,534,040	3,373,709	11,435,112	4,802,301	48,115	28,523,901
<b>Liabilities</b>												
Borrowings	7.19	62,152,972	23,278,685	17,363,935	17,059,326	191,245	541,645	643,703	1,256,629	1,808,794	9,010	-
Deposits and other accounts	7.23	2,820,000	-	1,100,000	1,520,000	200,000	-	-	-	-	-	-
Other liabilities	-	1,091,925	-	-	-	-	-	-	-	-	-	1,091,925
		66,064,897	23,278,685	18,463,935	18,579,326	391,245	541,645	643,703	1,256,629	1,808,794	9,010	1,091,925
<b>On-balance sheet gap</b>		<b>40,141,486</b>	<b>2,532,965</b>	<b>4,692,209</b>	<b>(13,250,431)</b>	<b>1,801,271</b>	<b>992,395</b>	<b>2,730,006</b>	<b>10,178,483</b>	<b>2,993,507</b>	<b>39,105</b>	<b>27,431,976</b>
<b>Off-balance sheet financial instruments</b>												
Guarantee		436,201	-	-	-	436,201	-	-	-	-	-	-
Other commitments		12,259,467	-	-	-	-	-	-	-	-	-	12,259,467
<b>Off-balance sheet gap</b>		<b>12,695,668</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>436,201</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,259,467</b>
<b>Total Yield/Interest Risk Sensitivity Gap</b>			<b>2,532,965</b>	<b>4,692,209</b>	<b>(13,250,431)</b>	<b>2,237,472</b>	<b>992,395</b>	<b>2,730,006</b>	<b>10,178,483</b>	<b>2,993,507</b>	<b>39,105</b>	<b>39,691,442</b>
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>			<b>2,532,965</b>	<b>7,225,174</b>	<b>(6,025,257)</b>	<b>(3,787,784)</b>	<b>(2,795,389)</b>	<b>(65,383)</b>	<b>10,113,100</b>	<b>13,106,607</b>	<b>13,145,712</b>	<b>-</b>



Reconciliation of financial assets and financial liabilities with total assets and liabilities	2021	2020
	----- (Rupees in '000) -----	
<b>Total financial assets as per note 41.2.5</b>	<b>133,411,322</b>	106,206,383
<b>Add: Non-financial assets</b>		
Fixed assets	279,773	284,222
Intangibles	13,066	13,790
Other assets	1,330,183	321,247
<b>Total assets as per statement of financial position</b>	<b>135,034,344</b>	106,825,642
<b>Total financial liabilities as per note 41.2.5</b>	<b>89,393,308</b>	66,064,897
<b>Add: Non-financial liabilities</b>		
Deferred tax liability	3,370,747	2,979,119
Other liability	86,003	64,404
<b>Total financial liabilities as per statement of financial position</b>	<b>92,850,058</b>	69,108,420

#### 41.3 Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events.

Risk Management Policy / Strategy sets out the guidelines to identify, assess, monitor, control and report operational risk. All the recommended tools of Operational Risk as explained by SBP in Operational Risk Framework are duly implemented in PKIC. Operational Loss data including near misses are being collected from all the respective departments / units on monthly basis. Key Risk Indicators (KRIs) are being monitored from all respective departments / units on quarterly basis. Risk Control Self- Assessment exercise has been completed for all business / support functions.

The Company is currently using Basic Indicator Approach to calculate Operational risk weighted assets as per Basel III requirements for capital adequacy calculation.

##### 41.3.1 Business Continuity Plan

The Company has approved Business Continuity Plan (BCP) in place which covers the steps and events to be considered to ensure continuity of business operations in case of any emergency or disaster. BCP testing is conducted on regular basis to test the effectiveness of the plan and readiness of the Company to address emergency situations.

##### 41.3.2 Operational Risk-Disclosures Basel II Specific

The Company is currently using Basic Indicator Approach to calculate Operational risk weighted assets as per Basel II requirements for capital adequacy calculation. Operational risk is defined as the risk of loss from inadequate or failed internal processes, people and systems or from external events. It includes legal risk but exclude strategic and reputational risk. Risk Management Policy sets out the guidelines to identify, assess, monitor, control and report operational risk. The operational risk framework is in line with SBP guidelines on operational risk duly documented in Risk Management Policy and provide focus on people risk, process risk, systems risk, external events risk and model risk.

#### 41.4 Liquidity Risk

It is the risk that the Company is unable to fund its current obligations and operations in the most cost effective manner. The Company's Asset and Liability Committee (ALCO) is primarily responsible for the formulation of the overall strategy and oversight of the liquidity management.

Liquidity risk arises from mismatches in the timing of cash flows. The objective of the company's liquidity management is to ensure that all foreseeable funding commitments can be met when due. To limit this risk, the Company maintains statutory deposits with the central bank. The Company's key funding source is the inter-bank money market. For effective monitoring of liquidity position, comprehensive gap analysis is done and gap limits for each maturity bucket are in place, monitored by Risk Management Department and reviewed by ALCO on monthly basis. Moreover, Contingency Funding Plan is in place to address liquidity issues in times of crisis situations.

The maturity profile of assets and liabilities is prepared based on their both contractual maturities and non-contractual assets and liabilities. The assumptions for allocation of non-contractual assets and liabilities are deliberated and approved by ALCO. The ALCO agreed upon various assumptions for such allocation including the Company's historical trend and past experience, expected utilization of assets, expected useful lives of fixed assets, statutory requirements and variance approach.

For measurement of the liquidity risk, global regulatory liquidity standards namely Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), along with a set of five risk monitoring tools have been implemented by SBP. Both of these ratios aim to achieve two separate but complementary objectives and their calculations involve assessing overall liquidity position through detailed evaluation of assets, liabilities and off-balance sheet activities. PKIC remains in compliance of both the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) requirement.

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

2021													
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 in '000)-----													
<b>Assets</b>													
Cash and balances with treasury banks	142,662	-	40,287	34,125	68,250	-	-	-	-	-	-	-	-
Balances with other banks	19,152	-	19,152	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	103,844,929	70,843,108	-	87	-	53,330	-	284	3,324,724	453,706	167,059	2,125,993	26,876,638
Advances	27,359,484	-	529,216	168	120,592	105,211	277,741	1,874,488	2,014,154	3,240,598	3,741,733	3,827,049	5,799,306
Fixed assets	279,773	-	563	563	1,126	2,252	2,252	6,755	6,759	27,036	27,036	29,811	168,861
Intangible assets	13,066	-	54	54	109	218	218	653	653	2,613	2,613	5,227	-
Other assets	3,375,278	871,475	433,909	14,559	24,115	922,519	922,518	168,840	-	2,033	2,817	-	3,104
	135,034,344	71,714,583	1,023,181	49,556	214,192	1,030,200	1,256,059	2,050,736	2,021,850	6,574,768	4,227,905	4,023,757	7,963,441
<b>Liabilities</b>													
Borrowings	81,209,024	-	37,730,306	3,524,837	10,985,943	566,580	24,970	177,165	184,852	187,760	1,006,109	2,160,226	11,214,018
Deposits and other accounts	6,264,766	-	50,000	-	5,050,000	285,000	150,000	529,766	200,000	-	-	-	-
Deferred tax liabilities	3,370,747	3,370,747	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	2,005,521	-	365,480	6,913	631,288	482,051	373,978	-	2,267	2,267	5,529	8,967	126,781
	92,850,058	3,370,747	38,145,786	3,531,750	16,667,231	1,333,631	548,948	706,931	387,119	190,027	1,011,638	2,169,193	11,340,799
<b>Net assets</b>	<b>42,184,286</b>	<b>68,343,836</b>	<b>(37,122,605)</b>	<b>(3,482,194)</b>	<b>(16,453,039)</b>	<b>(303,431)</b>	<b>707,111</b>	<b>1,343,805</b>	<b>1,634,731</b>	<b>6,384,741</b>	<b>3,216,267</b>	<b>1,854,564</b>	<b>(3,377,358)</b>
Share capital	16,000,000												
Reserves	12,388,643												
Deficit on revaluation of assets	(942,391)												
Unappropriated profit	14,738,034												
	42,184,286												

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 in '000)-----													
<b>Assets</b>													
Cash and balances with treasury banks	137,120	-	38,120	33,000	66,000	-	-	-	-	-	-	-	-
Balances with other banks	14,095	-	14,095	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	90,458,932	63,425,369	-	88	-	53	-	2,670,785	-	280,267	-	2,573,533	21,508,837
Advances	14,256,847	-	-	216,368	216,369	29,254	29,255	223,594	1,939,479	1,939,480	1,406,494	1,771,733	3,212,977
Fixed assets	284,222	-	585	585	1,170	2,339	2,340	7,018	7,020	28,081	17,151	40,833	170,080
Intangible assets	13,790	-	57	57	115	230	230	690	689	690	2,758	2,758	5,516
Other assets	1,660,636	256,333	7,793	11,628	46,023	599,938	599,938	123,729	4,318	-	131	-	3,080
	106,825,642	63,681,702	60,650	261,726	329,677	631,814	631,763	355,031	4,622,291	1,947,190	1,717,731	1,791,642	5,835,939
<b>Liabilities</b>													
Borrowings	62,152,972	-	-	11,639,342	11,639,343	8,681,967	8,681,968	17,059,326	95,623	95,622	541,645	643,703	1,256,629
Deposits and other accounts	2,820,000	-	-	-	300,000	800,000	1,520,000	200,000	-	-	-	-	-
Deferred tax liabilities	2,979,119	2,979,119	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,156,329	-	298,007	9,199	454,905	145,534	145,535	3,108	-	3,108	3,108	93,825	-
	69,108,420	2,979,119	298,007	11,648,541	12,094,248	9,127,501	9,627,503	18,582,434	295,623	95,622	544,753	646,811	1,350,454
<b>Net assets</b>	<b>37,717,222</b>	<b>60,702,583</b>	<b>(237,357)</b>	<b>(11,386,815)</b>	<b>(11,764,571)</b>	<b>(8,495,687)</b>	<b>(8,995,740)</b>	<b>(18,227,403)</b>	<b>4,326,668</b>	<b>1,851,568</b>	<b>1,172,978</b>	<b>1,144,831</b>	<b>4,485,485</b>
Share capital	10,000,000												
Reserves	10,812,156												
Surplus on revaluation of assets	1,474,807												
Unappropriated profit	15,430,259												
	37,717,222												

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

2021										
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 in '000) -----										
<b>Assets</b>										
Cash and balances with treasury banks	142,662	142,662	-	-	-	-	-	-	-	-
Balances with other banks	19,152	19,152	-	-	-	-	-	-	-	-
Investments	103,844,929	88	1,053,330	18,332	3,325,008	12,928,488	16,475,454	21,483,304	20,842,769	27,718,156
Advances	27,359,484	649,977	382,952	1,874,488	5,254,752	3,741,734	3,827,049	5,799,306	5,602,009	227,217
Fixed assets	279,773	2,339	4,679	7,018	14,040	17,151	28,081	40,834	19,848	145,783
Intangible assets	13,066	230	460	690	1,379	2,758	2,758	4,791	-	-
Other assets	3,375,278	472,583	1,845,037	168,840	873,508	2,816	-	3,104	6,977	2,413
	135,034,344	1,287,031	3,286,458	2,069,368	9,468,687	16,692,947	20,333,342	27,331,339	26,471,603	28,093,569
<b>Liabilities</b>										
Borrowings	81,209,024	52,241,087	591,550	177,165	372,613	1,006,109	2,160,226	11,214,018	13,430,983	15,273
Deposits and other accounts	6,264,766	5,100,000	435,000	529,766	200,000	-	-	-	-	-
Deferred tax liabilities	3,370,747	218,526	-	-	244,747	168,848	-	(103,033)	(200,742)	3,042,401
Other liabilities	2,005,521	1,003,681	853,867	-	6,696	5,529	8,967	126,781	-	-
	92,850,058	58,563,294	1,880,417	706,931	824,056	1,180,486	2,169,193	11,237,766	13,230,241	3,057,674
<b>Net assets</b>	<b>42,184,286</b>	<b>(57,276,263)</b>	<b>1,406,041</b>	<b>1,362,437</b>	<b>8,644,631</b>	<b>15,512,461</b>	<b>18,164,149</b>	<b>16,093,573</b>	<b>13,241,362</b>	<b>25,035,895</b>
Share capital	16,000,000									
Reserves	12,388,643									
Deficit on revaluation of assets	(942,391)									
Unappropriated profit	14,738,034									
	<u>42,184,286</u>									

2020										
Total	Upto 1 month	Over 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 in '000) -----										
<b>Assets</b>										
Cash and balances with treasury banks	137,120	137,120	-	-	-	-	-	-	-	-
Balances with other banks	14,095	14,095	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	90,458,932	10,372,195	53	4,957,329	4,671,407	1,335,323	3,362,686	23,378,731	19,840,126	22,541,082
Advances	14,256,847	432,737	58,510	223,594	3,879,922	1,406,494	1,771,733	3,212,977	3,185,926	84,954
Fixed assets	284,222	2,339	4,679	7,018	14,040	17,151	28,081	40,834	24,297	145,783
Intangible assets	13,790	230	460	690	1,379	2,758	2,758	5,515	-	-
Other assets	1,660,636	65,444	1,199,876	123,729	260,651	131	-	3,080	7,725	-
	106,825,642	11,024,160	1,263,578	5,312,360	8,827,399	2,761,857	5,165,258	26,641,137	23,058,074	22,771,819
<b>Liabilities</b>										
Borrowings	62,152,972	23,278,685	12,363,935	17,059,326	191,245	541,645	643,703	6,256,629	1,808,794	9,010
Deposits and other accounts	2,820,000	-	1,100,000	1,520,000	200,000	-	-	-	-	-
Deferred tax liabilities	2,979,119	109,492	-	-	23,838	166,364	-	188,311	(149,643)	2,640,757
Other liabilities	1,156,329	762,111	291,069	3,108	-	3,108	3,108	93,825	-	-
	69,108,420	24,150,288	13,755,004	18,582,434	415,083	711,117	646,811	6,538,765	1,659,151	2,649,767
<b>Net assets</b>	<b>37,717,222</b>	<b>(13,126,128)</b>	<b>(12,491,426)</b>	<b>(13,270,074)</b>	<b>8,412,316</b>	<b>2,050,740</b>	<b>4,518,447</b>	<b>20,102,372</b>	<b>21,398,923</b>	<b>20,122,052</b>
Share capital	10,000,000									
Reserves	10,812,156									
Surplus on revaluation of assets	1,474,807									
Unappropriated profit	15,430,259									
	<u>37,717,222</u>									

**42 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue in the Board of Directors meeting held on March 08, 2022.

**43 GENERAL AND NON-ADJUSTING EVENT**

**43.1** The Board of Directors of the Company has proposed cash dividend of Rs. 1,100 million (2020: Rs.1,000 million) for the year ended December 31, 2021 in their meeting held on March 08, 2022. These financial statements do not include the effect of this appropriation which will be accounted for subsequent to the year end.

**43.2** Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.



Chief Executive



Chief Financial Officer



Director



Director



Director





**Pak Kuwait**

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